

# The Daily Star

FOUNDER EDITOR  
LATE S. M. ALI

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## A clueless DGHS!

*Such inept performance will blunt all efforts to fight Covid-19*

THESE are four indispensable steps, which taken efficiently, can stem the tide of the pandemic onslaught. And those countries who have managed to reduce the severity of the fury, have with due diligence followed the four steps, i.e. testing, tracing, isolation and treatment. One follows from, and, complements, the other. It is understood that our testing capacity is severely limited, hamstrung particularly by shortage of qualified personnel. And given our limited capacity, as well as our demographic, social and economic environment, contact tracing, too is a far cry. But identifying the infected is an indispensable step in any anti-pandemic drive. And the least the health administrators could do was to keep track of those infected and ensure that they were either isolated through self-quarantine, or being treated, depending on their condition.

However, in an appalling display of ignorance the directorate general of health service informed us that it has no data on the whereabouts of almost half the people who tested positive for coronavirus. When asked on Wednesday, the director general of the DGHS told our correspondent to ask IEDCR Director about the matter, who predictably, was not available to comment.

We are shocked by this deplorable ineptitude of the various departments of the health agencies. This is another example of bad management. To say that perhaps many of the laboratories are not providing all the information is unacceptable. Isn't it the responsibility of the DGHS to get the relevant data from all those authorised to carry out Covid-19 test and pass it on to the relevant authorities and agencies for further action every day? Isn't there a role in it for the National Technical Advisory Committee on Covid-19?

The situation is alarming and all possible measures must be geared to track the infected. Otherwise, we fear the worst, since it will not only thwart all attempts to control the pandemic and make a farce of any lockdown, but mean we also face the risk of severe escalation.

## Efficiently utilising budget allocations

*A task force could implement this*

WHILE this year's proposed national budget was not much different from the previous one—the size of the budget only slightly increased—citizens are more concerned this year about the budgetary allocations made in various key sectors and their proper implementation since the Covid-19 outbreak has badly affected the country's economy and has also exposed the acute weaknesses of our health system. Against this backdrop, the proposal given by noted economist Rehman Sobhan, chairman, Centre for Policy Dialogue, to form a task force to oversee the implementation of the budget seems to be a well thought out, rational approach.

According to his proposal, the task force should mainly oversee three issues—how the allocated money in the health sector is being used during this Covid-19 crisis, whether the money allocated for the social safety net programmes is reaching the beneficiaries and the implementation of the government's stimulus packages. He also proposed that the task force should be formed with government officials and members of the civil society, which would submit an updated report on budget implementation every three months.

In the proposed budget, Tk 29,247 crore was allocated in the health sector, up from Tk 25,732 crore in the last fiscal year. Additionally, a lump sum of Tk 10,000 crore has been proposed for emergency response to the pandemic. The allocation for social safety net programmes has been set at Tk 95,574 crore—up from Tk 81,865 crore last year. Although allocations in these sectors have slightly increased compared to the previous year, there was no mention in the budget about how the money would be utilised. While there are urgent needs for increasing the number of ICU beds and ensuring oxygen supply facilities in all government hospitals, it has not been mentioned in the budget how the money for emergency response to Covid-19 would be used. There was also no mention of any specific programme for the urban and new poor who have been hit the hardest by the pandemic. The efficient disbursement of the stimulus packages is another issue that needed the government's attention in the proposed budget.

We think the government needs a well-researched plan to properly utilise the allocated money in different sectors and should also seriously consider the proposals made by CPD for efficient implementation of the budget.

## LETTERS TO THE EDITOR

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### Prayers for our cricketers

The former Bangladesh captain Mashrafe Bin Mortaza tested positive for coronavirus recently and confirmed it through a Facebook post. Earlier, Mashrafe's brother informed the media that the fast bowler had been suffering from fever for the past few days. Also, left-arm spinner Nazmul Islam and former opener Nafees Iqbal confirmed that they had tested positive for the virus.

The news has shocked not only cricket fans, but many more across the nation. As captain, Mashrafe brought a new identity to our cricket and as a leader he tried to navigate the team to prominence with great success. We pray with all our heart for the safe recovery of those infected, and so that our cricket team can defeat the virus with the same pride and joy that they do our opponents.

Sayek Ahmed Sajib, by email

# Tax reform is the key to creating fiscal space



MACRO MIRROR

FAHMIDA KHATUN

Domestic resource mobilisation by the National Board of Revenue (NBR) is the major source of financing the budget. The other sources are borrowing from the banking system, sale of national savings certificates, foreign loans and assistance.

In the upcoming budget for FY 2021 revenue income is set to be Tk 378,000 crore which is 11.9 percent of GDP. This is an increase from Tk 348,069 crore which is the projected amount in the revised budget for FY20. However, the Centre for Policy Dialogue (CPD) projects that revenue collection by the NBR will be Tk 252,811 crore in the outgoing year. So, to achieve the targeted revenue in FY21, revenue mobilisation will have to increase by 49.5 percent. This is an unachievable target given that resource mobilisation effort has been so low in Bangladesh for decades. Therefore, with revenue mobilisation target in the current fiscal year remaining unfulfilled, the revenue-GDP ratio will be even lower than the projection. For an economy which has been growing fast defying all challenges, low revenue collection poses a real predicament for the fulfilment of the objectives set in Bangladesh's short, medium- and long-term plans and programmes.

In the proposed budget for FY21 a number of revisions have been made in

the tax structure, some of which are in the right direction. For example, annual tax-free income threshold for personal income has been raised from Tk 2.5 lakh to Tk 3 lakh. In case of female and elderly taxpayers the increase has been from Tk 3 lakh to Tk 3.5 lakh. In its budget recommendations before the budget announcement, CPD had proposed to raise the threshold to Tk 3.5 lakh and reduce the first three slabs of tax rates by 5 percentage points. Increase in tax-free income threshold and reduction in the tax rate by 5 percent under each slab is a welcome move during Covid period. Due to this change, the lowest segment of income earners whose monthly income is between Tk 30,000 and Tk 60,000

which establishes tax justice, NBR has not been able to change the composition of tax in Bangladesh. Higher dependence on indirect tax is a burden on all citizens, especially the poor. The poor and the rich pay the same amount of tax for goods and services. There is no difference between a daily wage earner and a millionaire when it comes to buying a good. So, the main source of tax is collected at the point of sale. In the budget for FY21 the major source of tax will be value added tax (VAT) which is projected to be 33 percent of total collection whereas tax on income and profit is 28 percent. Among other sources, the amount of import duty is 10 percent, supplementary duty is 16 percent and of non-NBR tax is 4 percent.



will gain the most. It is hoped that this additional income will provide some room for people to spend which in turn will help the economy.

The proposed initiative to provide rebate of Tk 2,000 for the first online return submission is likely to encourage digital transformation in the tax department. In the same vein, the introduction of one-page tax return form for small taxpayers will simplify submission of tax return. There are several other proposals in the budget in relation to the tax regime. Some of those are welcome initiatives, others are not. While tax rationalisation for individuals and businesses are essential for both mobilisation of tax and providing incentives to them, the major issue related to the tax regime lies somewhere else. This is the issue of reform of the whole revenue mobilisation system.

There is a need for change in the tax structure. While it is a widely known fact that direct tax is a progressive measure

The reasons for low share of direct tax have been widely discussed. Narrow tax base, high level of tax avoidance and high volume of illicit financial flow are the most important ones. Why is the tax base so narrow in a country where the middle class is flourishing fast? The number of people who earn Tk 3 lakh and above in a year is large but they all cannot be brought under the tax net. Moreover, in a country where the growth of super rich people is faster than even China, several of them evade tax. Even though many of them are well known, NBR is unable to bring them to pay their due taxes.

Another large source of tax evasion is performed through illicit financial flow from the country through trade. According to Global Integrity Report 2015 an amount of USD 5.9 billion has been taken out of Bangladesh illicitly through mainly trade mis-invoicing. In a welcome move, the budget for FY21 announces the introduction of a new section in the Income Tax Ordinance to prevent money-

laundering. According to the ordinance 50 percent tax will be imposed on the proven amount of over-or under-invoicing, or on the proven amount of false declaration of investment. However, for this measure to be effective forensic capacity of the Transfer Pricing Cell is needed. Banks which deal with foreign trade will also have to cooperate in making this measure successful.

Taxation based on lifestyle is a common and successful practice in many countries. In Bangladesh there is a huge mismatch between declared income and visible expenditures among many people. While a large section of people hide their income, they spend on expensive houses, cars, valuables, etc. They also spend on expensive services, for example, healthcare in private hospitals and children's education at private institutions at home and abroad, and travel to exotic places for holiday. By making such expenditures they also show off and take pride. However, when it comes to paying taxes, many do not pay their due shares. This is no secret to the NBR.

The proposed budget has neither given any clear direction on how the projected revenue increase in FY21 can be materialised nor any guidance on the reform of the tax administration. In the past there have been a number of reform initiatives within NBR with the objective to have a simplified, transparent, efficient and effective tax administration. Some of these include, Reforms in the Revenue Administration (RIRA) in 2002, Income Tax Management System in 2004, Tax Administration Capacity and Taxpayers Services (TACTS) in 2010. Unfortunately, most of those reform initiatives have either been discontinued or remained dysfunctional for unknown reasons. Covid-19 situation calls for introduction and initiation of reforms in the tax regime. An overhauling of the tax system is a crying need at this point in time when the country desperately needs more resources.

Human resource for tax administration plays an important role in improving tax compliance. The shortage of human resources in the NBR may also have been a reason for tax compliance and tax collections. Broadening tax net is the key. Automation of the NBR will help identify the tax evaders and new areas of tax collection. The transfer pricing cell needs to be strengthened. The unfinished task of VAT online services ought to be completed. Streamlining various types of corporate tax is also an area to work on. On the whole, interim adjustments in tax proposals here and there without any structural change will not help in achieving the voluminous growth target in revenue collection.

Dr Fahmida Khatun is the Executive Director at the Centre for Policy Dialogue.

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## Don't let the price fool you



RMG NOTES

MOSTAFIZ UDDIN

I have posted on social media regularly about the issue of brands delaying payments to suppliers in the wake of growing concerns about Covid-19. The response to my posts has been very strong, and this issue has gathered a lot of interest. One response I wanted to focus on, however, is the suggestion from some people that these kind of poor purchasing practices are a fast fashion problem. Wrong! In fact, this is an issue which, as a manufacturer of more than two decades, I feel very strongly should be brought out into the open.

Do not be fooled by the price. There are some huge misconceptions in this industry, and they need to be dispelled. Consumers desperately need educating. If they think that by paying more for a garment, they are more likely to have assurance that the garment will have been produced sustainably, and to high environmental and social credentials, they are seriously mistaken. In fact, in a great many cases—based on my own experience in the industry—the opposite is true.

Fast fashion, more than any other segment of the apparel industry, has come under huge scrutiny over recent years, by NGOs, governments, regulators and civil society. One effect of being under the spotlight like this is that fast fashion brands are now among the most compliant in our industry. Nobody is saying they are perfect but, certainly in my experience, they have people in place who understand the regulatory environment we operate in, and who are very clear and consistent about factory compliance issues such as the use of factories with working effluent treatment plants and adherence to strict health and safety standards for workers.

They are compliant like this because they have no choice—the world is watching.

On the issue of wages paid to garment workers, we are constantly told by NGOs and the media that fast fashion is the

culprit when it comes to low wages for garment workers.

There is a perception among consumers that wages paid by factories are low because the cost of garments in fast fashion stores is so low. This is not true. Anybody who understands our industry will know that wages only make up a fraction of costs along the supply chain. They will also know that increasing wages is about much more

fashion industry, luxury, more upmarket brands are generally not under as much scrutiny. They certainly get a far easier ride from NGOs and the media. This probably explains why I can name countless instances (which I know personally of) where luxury brands are happy to put their name to apparel when they do not even know which factory it has been produced in as it was sourced through a third-party. To cite an example here, my



than increasing the price of clothing.

Let me put this another way: if increasing the price of clothing leads to increased wages for workers, why is apparel production at some of the world's most luxurious brands carried out at factories which pay some of the poorest wages? Just because a garment has a high retail price does not mean that those who produced it were paid a high wage. In the main—in Bangladesh in any case—there is no link between these two. The reality is that, unlike the fast

factory recently produced jeans for high-end brands such as Jones New York and Sean John through Global Brands Group (GBG). The retail prices of the jeans are up to 89 dollars. We shipped the jeans on time but we haven't been paid for the goods on the plea of Covid-19 outbreak by the GBG. You wouldn't see these kinds of practices by the likes of H&M or Zara, of that I can be sure.

End consumers need educating on these issues. A typical consumer will spend an age looking for the right kind

of garment—the right fit, look and price. So why not spend time finding out about how their apparel was made? If they really do care about these issues—and we keep being told they do—they should demand transparency and responsible purchasing practices by the entire industry. The use of blockchain and DNA molecular tagging in supply chains could certainly support such a process.

It is not as black and white as saying

that a cheap garment means a worker has been paid badly. It is not as simple as saying fast fashion as an industry is irresponsible.

The picture is far more nuanced in our industry, but one thing I can say with certainty is that the end price of a garment tells us very little about the conditions in which it was made.

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