Driving towards Digital Bangladesh in reverse gear

Shahed Alam

There is no doubt that the country has come a long way in fulfilling its vision of becoming Digital Bangladesh. With less than a year remaining in the timeframe, Bangladesh looks set to make good on its promise thanks to the visionary policy support from the government.

The government's commitment towards digitalisation encouraged the private sector to be a part of this history. In particular, the telecom sector stood out as the most impactful partner of the government in implementing the national vision.

But when you look at the taxation regime created by the tax authorities you begin to question whether they are playing their due role by creating fiscal space for the telecom industry to enable it to contribute fully.

If I were to pick the most unjust part of the taxation regime for the investors, it would be the 2 per cent minimum turnover tax. Telecom companies pay 2 per cent of their revenue to the tax authorities whether they make any profit or not.

Let's suppose an operator's revenue in 2019 was Tk 100 crore. That means the operator will have to pay Tk 2 crore as the minimum turnover tax for the year.

The operator has to finance the tax from the profit it had made. If the operator were to report losses, it would still have to pay the minimum Tk 2 crore from its capital or through borrowing.

This is outrageous! It is certainly not part of the recipe for creating a conducive investment climate in the telecom sector. The 2 per cent turnover tax is literally sucking the oxygen out of the industry like the coronavirus, especially the smaller operators, who are struggling to make a profit.

Apart from the telecom sector, no other sector is made to pay 2 per cent minimum turnover tax. The only other sector that comes near the telecom sector is the tobacco sector, but it is required to pay only 1 per cent.

Besides, the telecom industry and the tobacco industry are subjected to the same corporate tax rate of 45 per cent.

Usually, the government tries to levy more tax on industries that are harmful or to discourage certain industries from policy perspective. If you apply that logic you have to conclude that the tax authorities consider the telecom sector more harmful or more non-conducive than the tobacco sector since we pay 2 per cent of our revenue as the minimum turnover tax while they pay only 1 per cent. Any sane person would term it an utter insanity.

Studies show a direct link between GDP growth and the growth of telecom and internet penetration.

A study conducted by the International Telecommunication Union (ITU) in 2019 shows a 10 per cent increase in mobile broadband penetration yielded a 1.8 per cent increase in GDP for middle-income countries.

Therefore, the tax authorities should make sure the telecom operators' revenue goes up so that they can invest more to deliver digital dividends to every citizen of the country.

That would mean the country will adopt the digital economy and we all know that is a far more efficient economy compared to the age-old analog economy. Hence, the ITU's finding is very much justified.

If anyone still has any doubt, they should imagine how we would have lived during this pandemic had we not had the digital infrastructure to deliver the services we are enjoying from home, rather than reaching out for it risking the prospect of contacting coronavirus in the process.

The sector creates one million job opportunities every year and contributes 7 per cent to the GDP right now. The telecom infrastructure put in place by the industry has become the key enabler for the blossoming mobile financial service (MFS) sector, e-commerce and the digital start-up community like Uber, Pathao and Shohoz. Literally, the digital economy is emerging on the back of the telecom infrastructure.

But looking at the minimum turnover tax, you may feel that the tax authority would rather want to have you take a large pull at the cigarette to ease your nerves than staying connected digitally during the pandemic.

The minimum turnover tax is certainly not the only tax that begs rethinking. But it surely is the most outrageous form of taxation that demands immediate correction. Just imagine, we are forcing the foreign investors of the sector who had brought the highest amount of foreign direct investment into the country over many years to park 2 per cent of their revenue as minimum tax payment. This flies in the face of all standard thinking around taxation and does not serve the country when it goes to the global market to look for potential foreign investors.

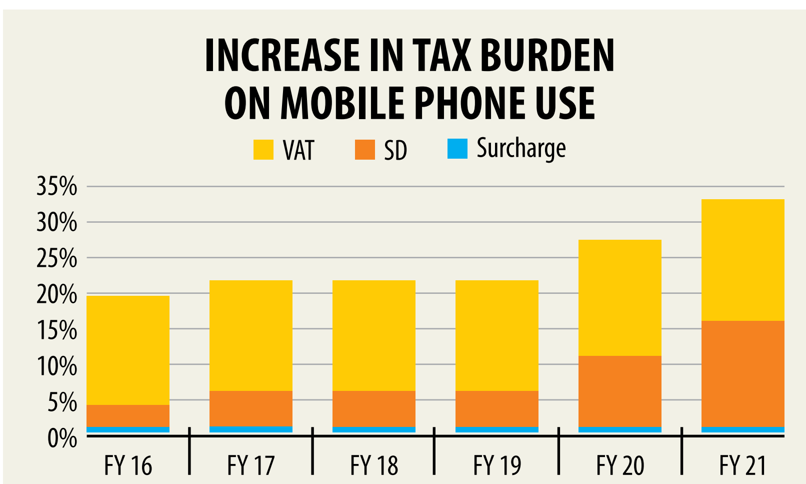
Bangladesh grabbed global attention when it outlined the vision for a Digital Bangladesh in 2009. The telecom sector responded to the clarion call from the government by reducing data prices by 99 per cent since then. On the contrary, the tax authority has raised the minimum tax rate by more than 150 per cent since 2012 and consumer tax (supplementary duty, VAT and surcharge) by more than 112 per cent since 2011. Something is seriously wrong here!

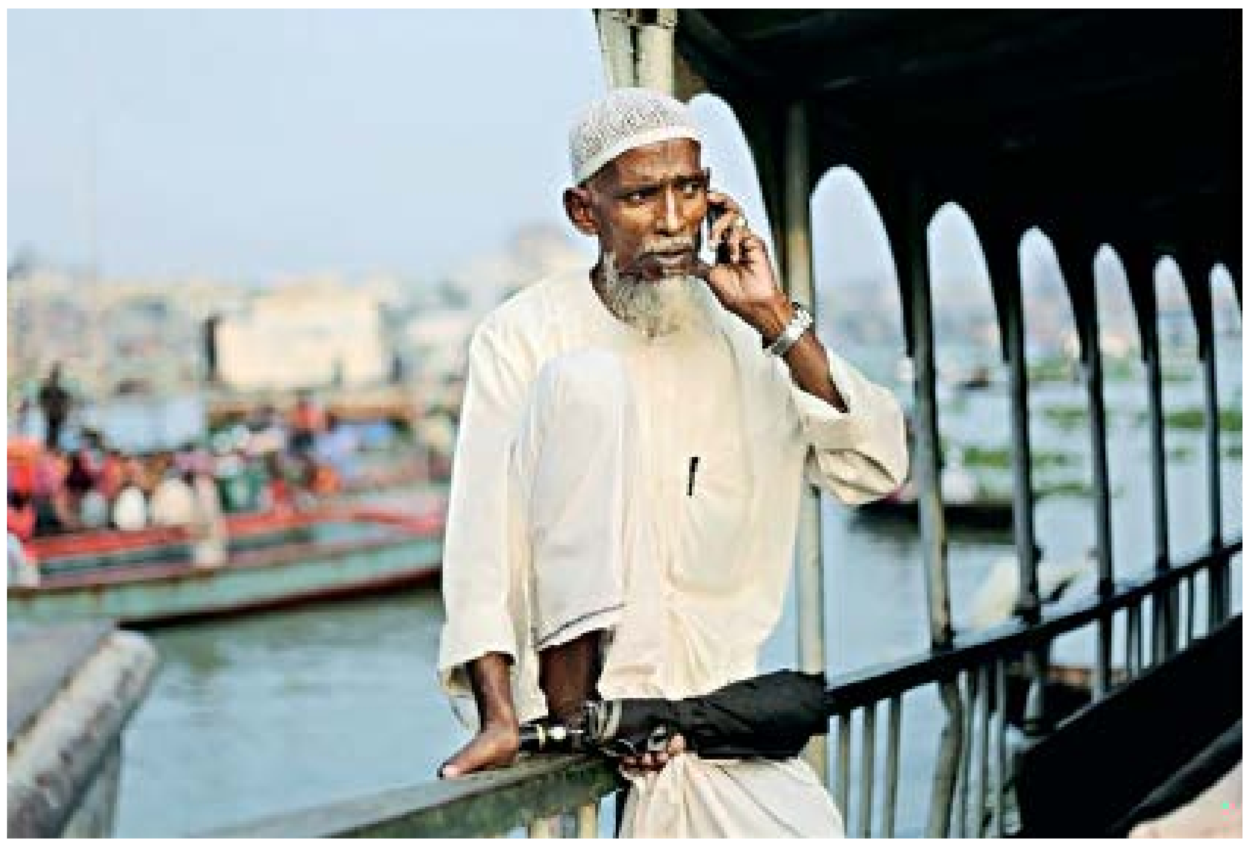
The minimum tax rate is reducing the breathing space for the sector, especially for the smaller operators that have no option other than passing the consumer tax entirely on the consumers.

Our unique mobile, internet and smartphone penetration stand at around 54 per cent, 30 per cent and around 40 per cent respectively whereas voice service is still contributing 60 per cent to the industry's revenue. So, there is a need for sustained investment to deliver the digital dividends to everyone in the society.

We hope that the tax authorities will acknowledge it by shifting the gear on the minimum tax rate, so that we can stop driving towards Digital Bangladesh in reverse gear.

The author is a telecommunications expert





REUTERS/FILE

A man talks on the phone as he boards a launch by the river Buriganga in Dhaka.

Dairy farmers suffer Tk 4,000cr loss for Covid-19

Bangladesh Dairy Development Forum demands subsidy for cattle feed, tax holiday for investment in dairy

Star Business Report

Dairy farmers and processors suffered nearly Tk 4,000 crore in losses, as they could not market milk in the last three months due to countrywide lockdown for coronavirus.

Daily sales of milk processors improved at the beginning of June after the end of the general shutdown, a devastating period when sales halved.

Sales figure is still much lower than the pre-Covid period when processors could sell over 13 lakh litres of milk daily, according to data of Bangladesh Dairy Development Forum (BDDF).

BDDF is a national level platform to carry out advocacy works that would mitigate the challenges and explore the opportunities of the dairy sector in Bangladesh.

As a result of the failure to sell milk, many small and marginal farmers are facing troubles buying feed for their cattle, the BDDF said in a paper presented at a virtual press conference yesterday.

The BDDF organised the event to share its views regarding the national budget for fiscal 2020-21 from the perspectives of the growing dairy sector.

The government has set aside Tk 3,190 crore for livestock and fisheries sector in the proposed budget for fiscal 2020-21, which is 26 per cent higher than that of the revised budget for the outgoing fiscal year.

The multi-stakeholder platform—comprising dairy producers, processors, input suppliers, development organisations and academia—demanded the allocation to be doubled to Tk 5,000 crore.

The BDDF said the fisheries and livestock sector's share in the GDP was more than 5 per cent. Only 0.56 per cent of total budget has been allocated, although fisheries and livestock is one of the worst hit sectors, it added.

It, however, lauded the government's decision to reduce import tariffs on ingredients of livestock feed -- soybean oil cake and soybean protein concentrate.

Feed cost is very high and feed accounts for 70-75 per cent of total production cost of dairy farmers, said the BDDF, adding that many countries provide subsidy for cattle feed.

Some Tk 9,500 crore have been allocated as subsidy in agriculture sector but no steps have been taken yet to provide subsidy for dairy sector, said the forum.

"It is necessary to provide subsidy for livestock feed to protect small and marginal producers," said BDDF Joint Secretary KBM Saiful Islam while presenting the paper at the event.

The BDDF also cited competition from imported powder milk and said unequal competition from imported milk was the biggest challenge for the sector.

Import duty on powder milk of up to 2.5 kilogrammes have been increased. However, the increase will not contribute to the dairy development in the country.

Import of bulk field milk should be controlled, said Islam, a teacher of Sher-e-Bangla Agricultural University.

Sales figure is still much lower than the pre-Covid period when processors could sell over 13 lakh litres of milk daily, according to data of Bangladesh Dairy Development Forum

Milk imports should be discouraged to help the nation become self-sufficient in milk, said BDDF President Umme Kulsum Smrity, also a lawmaker.

The BDDF urged the government for levying 25 per cent tariff on import of all milk and milk products.

The forum also demanded the government eliminate value added tax (VAT) on all sorts of milk and milk products so that domestically-produced dairy products can be competitive in the international market.

"The government should offer a 10-year tax holiday to encourage private investors to invest in the dairy sector," said the BDDF.

It also demanded for formation of a Tk 5,000-Tk 10,000 crore guarantee fund to encourage investment in the dairy sector and introduction of cattle insurance to protect farmers from losses.

At the event, BDDF Vice Presidents Uzma Chowdhury, Quazi Emdadul Haque and Communication Secretary Md Mutashim Billah were also present.

13pc people lost jobs due to pandemic: BIDS

Unb, *Dhaka*

About 13 per cent people have become unemployed in the country due to Covid-19 pandemic, according to a survey of Bangladesh Institute of Development Studies (BIDS).

The survey noticed expected and significant negative effects on employment, income and expenditures of people, especially those from low-income groups.

The 'coping with Covid -19 and individual responses: findings from a large online survey' was conducted on 30,000 people from May 5 to 29 covering all divisions and districts.

Some 19.23 per cent of the participants with income less than Tk 5,000 reported that their income reduced by 75 per cent, while 23.31 per cent of the participants with income between Tk 5,000 to Tk 15,000 reported an income reduction by 50 per cent relative to last month's income.

The survey was unveiled on Wednesday at a virtual conversation titled "In the shadow of Covid - coping, adjustments, responses" organised by BIDS.

Meanwhile, small and medium entrepreneurs in the rural areas are being hit the hardest due to the impact of Covid-19, as their revenue dropped by 67 per cent in 2020 compared to the previous year.

However, the average reduction of revenue for all SMEs is 66 per cent in 2020 compared to 2019.

The annual revenue was reduced by 67 per cent in 2020 compared to 2019, which is 66 per cent for all SMEs sectors, according to a survey titled "Covid-19 and SMEs: understanding the immediate impact and coping strategies".

BIDS conducted the survey on 375 enterprises and 360 workers during April 26 to May 10 this year. The report was unveiled on Wednesday.

As per the survey findings of the surveyed entrepreneurs, 76 per cent goods produced by the entrepreneurs remain unsold and the value of unsold goods is Tk 6.75 lakh each.

Economic activities were not completely shut down during the lockdown, while only 16 per cent of SMEs were open. However, it was 38.24 per cent in cases of handicrafts and rural SMEs were opened by 11.40 per cent, the report showed.

According to a survey, Bangladesh will have 16.4 million new poor in 2020 as the income of working class in urban and rural areas have fallen sharply due to the lockdown to stop the spread of Covid-19 pandemic.

A research paper titled "Poverty in the time of Corona: short-term effects of economic slowdown and policy responses through social protection" was conducted by Binayak Sen, research director of BIDS.

Under a post-lockdown optimistic scenario, the country's overall poverty will increase by 25.13 per cent, where rural poverty will be 24.23 per cent and urban poverty will be 27.52 per cent.

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Hortex Foundation launches online market for fruits, vegetables

Star Business Report

Hortex Foundation, a state-sponsored agency promoting export of horticultural crops, on Wednesday launched its online market for fresh fruits and vegetables to facilitate both farmers and consumers to shop safe food during the Covid-19 pandemic.

Under the initiative, various seasonal fruits such as mango, jackfruit, pineapple, litchi, guava and aromatic rice are sold along with vegetables.

Consumers will be able to place orders from the site—hortexbazarbd.com—and pay the bill using debit, credit cards and mobile financial services like bKash, Nagad and Rocket, the agriculture ministry said in a statement.

Shoppers will be able to collect their purchased goods from the Hortex Foundation office in Dhaka. Steps for home delivery have also been taken, according to the statement. Agriculture Minister Muhammad Abdur Razzaque inaugurated the site through a virtual programme where Agriculture Secretary Md Nasiruzzaman was also present.

"We have to increase the popularity of fresh produce domestically, ensure their sales and establish developed market infrastructure if we want to boost exports," said Razzaque.

This online market for agricultural produce will play a vital role to increase exports, he said.

Expansion of exports is the main goal of the e-commerce site, Nasiruzzaman said.

This will also play an important role to market fruits and vegetables and enable consumers to get farm produce easily staying at home, he said.