

Air cargo to EU banned

Why the delay in putting security measures in place?

THE European Union (EU) has just put Bangladesh on the list of high-risk countries in terms of operating cargo services by air and sea to the EU countries. The Europeans take their security very seriously, and so should we. But the crux of the problem at the Hazrat Shah Jalal International Airport remains the lack of proper bomb detection dogs and equipment before cargo is loaded on to planes. Although the ministry claims that it was not informed of the EU ban before it came, our cargo was facing a curb from three other countries already and we have had ample time to get our security in order.

More than a year has elapsed since the successive air cargo bans came from Australia, the U.K. and Germany, which happens to be our largest destinations for RMG. Our question to the civil aviation authorities therefore is, precisely why have they been dilly dallying with taking proper security measures? Did we think for a moment what this would do to the cost of doing business not just for the RMG sector, but also the perishable items that use airway routes to reach their products to overseas destinations?

Screening by a third country in case of flights bound for Europe is not only an added cost for businesses, but the delay may end up costing agro-exporters some of their merchandise. Regardless of what authorities now claim about taking measures since the first cargo ban, double checking will push up costs and more importantly, being flagged as an unsafe airport will do little to uplift Bangladesh's image internationally. We hope the matter is going to jolt authorities into action in acquiring necessary equipment and employ the security assets so that this sticky matter can be put behind us as soon as possible.

Making solar power more expensive!

Duty on solar panels counterproductive

IT comes as a shock that the government has proposed an import duty on solar panels in this year's budget. At a time when we are talking about placing greater emphasis on renewable energy to meet our energy demands in a sustainable way, it is strange that the government should want to impose duties on panels used to build solar energy networks that represent one of the cleanest forms of power. From a zero duty scenario, this sector will now have to face 10 percent customs duty, VAT and other taxes.

Thus, instead of encouraging more entrepreneurs and businesses to develop solar power systems, measures are being thought of that will translate into being disincentives for this sector. The move will, as this paper reports, hike up the costs which in turn, may dissuade entrepreneurs from solar energy ventures that have already been planned and are being set up. This includes connecting solar power plants to the national grid, plants for irrigation needs and rooftop systems.

Bangladesh has the largest solar home systems benefitting around three crore people; many live in remote areas that have no other electricity connection. This has been possible mainly because of the zero import duty. Where we have made such huge progress in adopting a clean energy source, where is the logic in impeding it by taxing the basic component of the system?

While it is important to protect the interests of local producers, we must keep in mind the fact that the cost of existing and potential solar power systems would become very expensive to build, if such a tax was imposed. We hope that good sense will prevail and this proposal is not followed through.

The counterproductive bank deposit tax



MO CHAUDHURY

THE 2017-18 budget of the Government of Bangladesh (GOB) increases taxes on bank deposits by 60 percent, much to the dismay of savers and many economists. This commentary presents some alternative angles from which to evaluate the controversial measure.

First, tax on bank deposit is taxation of the principal amount invested, that is, the savings or wealth of depositors, as opposed to taxation of the interest income. This clearly constitutes partial expropriation of the depositors' savings/wealth that over time can be highly punitive. For example, consider annually rolling over a one-year term deposit, starting with BDT 100, annual interest rate of six percent and a tax rate of 10 percent on interest income. A 0.8 percent (compared to 0.5 percent) tax on bank deposit will reduce the accumulated sum in 10 years from BDT 161.34 to BDT 156.77, meaning a wealth expropriation of BDT 4.57 by the GOB in the form of deposit taxation. With five percent annual inflation adjustment, the deposit tax reduces the depositor's accumulated sum from BDT 99.05 to BDT 96.24, implying actually an additional loss of BDT 2.81 worth of real goods and services that the depositor could have enjoyed today instead of saving. This is why economists believe that the increased deposit tax is likely to be harmful for increasing or perhaps even retaining the level of domestic savings.

Some argue that the savers may shift some of their bank deposits to the shadow banking sector, stock market and informal borrowing/lending markets. Reduced deposits would in turn shrink consumer and business loans and other investments of banks. Such a banking disintermediation can hardly be considered conducive to the goals of above seven percent economic growth target and a speedy transition into the coveted upper middle income status. Meantime, funds fleeing the formal banking system may end up spurring illegal trades in drugs and arms and terrorism finance.

Second, wealth tax in the form of annual taxation of real property holdings is, however, very common globally (e.g. state and/or municipal taxes on assessed values of land, homes, apartments, etc.). The difference is that real estate properties in general appreciate over time, both nominally and on inflation-adjusted basis, but bank deposits do not. Thus, bank deposit tax is effectively more exacting, albeit the rate may be lower.

Third, although taxation of bank deposits of clients seems historically very uncommon, monetary authorities in various countries have at times resorted to taxation of deposits that the banks hold with the monetary authority. This is the case right now in some jurisdictions, e.g. Japan and Sweden, in the form of negative interest rate paid by the monetary authority. Such taxation as a monetary policy tool is used to encourage banks to shift their cash to business lending, to enhance the spread of long-term over short-term interest rates, and to dampen excessive appreciation of the currency. Importantly, however, such a policy does not generate tax revenue for the governments and hence is of no direct help to address budgetary shortfalls.

Although rare, there are instances (e.g. Italy in 1992, Cyprus in 2013) of one-time capital levy on client deposits to address severe budgetary or financial distress conditions. This is not the case in Bangladesh.

Fourth, in a way, taxation of bank deposits is like mandatory collection of *Zakat al-Mal* (based on personal income and property) in excess of *Nisab* (the minimum amount that a Muslim must have before being obliged to *zakat*) (approximately, the market value of 85 grams of gold or 612.3 grams of silver) in Saudi Arabia, Pakistan, Sudan, Libya, Yemen and Malaysia, although the 'zakatable' asset categories vary by jurisdiction and religious sect (R. Powell, 2009, <https://ssrn.com/abstract=1351024>; <https://www.islamicbanker.com/education/zakat-al-mal>). Pakistan's *Zakat and Ushr Ordinance No. XVIII of 1980*

a marked extent driven by the large infrastructure and power projects for which external finance is either not tapped significantly by choice or is available at higher cost. The sizable cost overrun at Padma Bridge and the now manifold higher cost estimate for the Rooppur Nuclear Power Plant project make the GOB budgetary problem even worse. In this context, it seems that the GOB is executing the much-proclaimed "self-financing" strategy, to some extent, by way of increased tax collected from the bank depositors.

Sixth, GOB is facing the dual problems of shrinking tax revenue on deposit interest due to falling rates and the increasing funding need to recapitalize the state-owned commercial banks saddled with mounting loan losses. As such, the increased bank deposit tax may be construed as an easily accessible means for GOB to



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stipulates mandatory at-source collection of *Zakat* on balances in savings accounts, and fixed deposits and certificates with banks, national savings centres and post offices. The rationale for such a system includes discouraging cash hoarding, encouraging productive investments that benefit the community at large, cost efficiency in collection, and distribution to Shariah-compliant beneficiaries according to national/regional needs.

The key difference of taxation of bank deposit is that the revenues are not dedicated to any specific purpose or beneficiary group. Further, unlike mandatory *Zakat* collection, the bank deposit tax is levied on non-Muslims as well. But the bank deposit tax shares the revenue collection efficiency and transparency that is highly desirable for Bangladesh. Importantly, however, both systems are prone to the risk of significant instability of funds (withdrawals) from the covered asset categories and institutions around the statutory dates of assessment and collection.

Fifth, the dash for tax revenue in the new budget is to

recover the losses from the same sector (the depositors). Unfortunately though, if depositors reshuffle their asset mix from bank deposits to low income tax vehicles like shares and real estate properties, then the GOB's revenue problem will become worse instead.

In conclusion, as GOB is cash-strapped while in pursuit of expanded set of big projects, taxation of client deposits in banks at a higher rate is perhaps a very transparent and cost effective way of raising much needed extra revenue. But the GOB could have considered taxation of bank assets (loans and other investments) instead of the deposits of the clients. Although banks may find genuine lending less attractive under such a scenario, a beneficial result for the country would be a reduction in the outsourcing of loans based on inflated and dubious collaterals and the practice of new enlarged loans to defaulting borrowers to avoid official defaults.

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EARLY morning tweets are something I wake up to and they form the structure of my day. Most news items shape the next 16 hours. Some just stay on and linger for almost a week. Some even sink into my consciousness forever. Some heal, some scar, some make me ponder. Some make me rejoice, some evoke tears, and some bring shame.

For issues that shame me, I often have to balance and choose not to speak out or at the most, if I do, I sound temperate. All of us have to watch our mouth. We can't say what we want to say, we can't react the way we want to react, lest we are noticed by the notorious and suffer.

Speak no evil

While the statue was taken down, few members of the civil society issued statements about how this move would shame secular Bangladesh. While issuing the statement, no one took it too far. Many were left speechless and many felt sad, not because of the explanation that came with it, but because many of us don't side with religiosity. That's how I felt...till the statue was re-positioned. I am a practicing Muslim, who prays regularly. We also have regular congregation for prayers at the office. So, no matter how busy any of us are at the office, we stop work and pray simply because faith moves mountains. At home, I have many carvings and paintings that have human figures. I have collected them over the years with a firm belief that they don't defy my *imaan* (faith) or my God. When I was little, I grew up watching an uncle praying while the television

will always forgive, lest we commit sin unknowingly.

A few around me don't pray. But deep down inside, I know for sure that they are, in many ways, far superior as human beings than I can ever hope to be. To them, humanity comes first. To them, religion follows right after. I don't judge them and I don't understand their conviction, but I do understand that they play by their conscience. But what drives suicide bombers, murderers and bigots? What prompts them to turn to insane rage and kill the innocent?

A few additional questions also come to our minds...

Have the Iranians turned into non-believers just because they have around 17 statues on display of important secular Islamic figures of 16th century poet Sheikh Bahai and Farabi, a respected musician and Islamic philosopher of the ninth century? Has Egypt faced shame for its rich sculptural history in the statues of pharaohs, gods and more? Were the early Muslim rulers deviated as the rulers minted coins with images on them? Why then do we have reference of the *jinn*s making synagogues and statues (*tamateel*) for King Solomon, considered a prophet? Why didn't companions of the Prophet (such as Amr ibn al-Ash in Egypt and Saad ibn Abi Waqqas in Iraq) destroy the ancient statues they found during their conquests, in consideration of those statues not being worshipped?

While we look for answers, let's also differentiate between a mere statue (*timthal*) and an idol or statue being worshipped (*sanam*). All Muslim scholars agree that it is prohibited for Muslims to worship statues because it makes them idolatrous. But that distinction between *timthal* and *sanam* matters very much when it comes to the contentious status of statues that are not worshipped.

Egypt still has Sphinxes; Mesopotamian statues stood proud for centuries before being demolished by IS. Bamiyan Buddha statues were there for long before being attacked by the Taliban. Ironically, Mullah Mohammed Omar once issued a decree in favour of the preservation of the Bamiyan statues by arguing that Buddhist population no longer existed in Afghanistan, and that the statues could be a potential major source of tourism income for the country.

Let's remember, with or without statues, paintings or carvings, believers will be believers. No God permits destruction or hatred, or sneaks up on pedestrians on bridges and rams into them with trucks. No God supports suicide vests. My God or yours weeps and takes our side while the audience in a concert in Manchester honours the victims of the latest attack. My God or yours thrives in love and not in threats or terror.

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LETTERS TO THE EDITOR

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Heart-broken in Gulshan

Coming back to my Gulshan apartment after a long time away, I notice changes, some positive, one outrageously negative.

On the bright side, non-construction noise has significantly gone down. Cries of "Murgii, Murgii" are not heard, thanks to clampdown on unauthorised access. The streets look wider because of new carpeting. A knurled median in the footpath for the visually-impaired is noteworthy.

What upsets me are the trees, which used to provide shelter to a host of birds including the local cuckoo and protected us from the blistering sun, lying on the footpaths. This particular stretch of pavement isn't used much by pedestrians, so the trees could have been spared.

In Vienna, where I was working, one needs a written permission from the city authorities to fell a tree. If the city itself has to cut some trees for construction work, it plants around 10 more trees elsewhere.

For this asthmatic city of Dhaka, trees are its scarred lungs. Some consideration is requested to save them as much as possible.

Anonymous

By email



SOURCE: PINEAPPLEPATH.WORDPRESS

The instance of suffering has been set. One is languishing in a country nearby, unable to return to base. One has just been threatened to have her bones broken, if she doesn't offer an unconditional apology. Even if we don't take these incidents into consideration, we still end up being silent when abused, deaf when accused, blind when guilty. This is how it has been. As long as we are beneficiaries, we don't revolt. As soon as we fall out of grace, we turn into gallery goers, carefully protecting our seats and refusing to join the field to defend, or even to score.

or the radio was on. When I asked him questions, he quietly taught me that he was challenging himself and that the outer noise helped him concentrate more on his prayer. He explained that with time, I had to learn to cancel the noise around me and focus on my God.

I call Him my God as there's no one else I can turn to. So while I am able to say my prayers even with a figure somewhere in the surroundings, I know that any statue will never be an idol as it will never be impregnated with deity. Our Almighty