

Govt must reverse anti-poor decisions

Raising VAT, duties on over 100 products will make life more difficult

The National Board of Revenue's (NBR) decision to hike the value-added tax (VAT) and supplementary duty (SD) on more than 100 products is unwise and poorly timed, especially considering the persistent inflation and rising food prices. As economists and business leaders have pointed out, such a decision in the middle of the fiscal year is unlikely to bode well for the economy.

The increase in VAT and SD on arguably non-essential products—such as mobile phones, broadband internet, medicine, imported fruits, tissue paper, motorcycles, and liquefied petroleum (LP) gas—is apparently intended to meet one of the conditions of the IMF for its \$4.7 billion loan support. Under the IMF programme initiated in 2023, Bangladesh needs to raise its tax-to-GDP ratio by increasing tax revenue collection. However, the country has so far fallen short of the targets. To achieve the IMF-recommended ratio, the government must collect an additional Tk 12,000 crore this fiscal year. The IMF is reportedly considering making the tax collection target a Quantitative Performance Criteria (QPC)—a mandatory benchmark for unlocking instalments under the loan programme. This puts immense pressure on the government to boost revenue mobilisation to secure the next tranche of the IMF loan.

But the question is whether drastically raising VAT and SD on products that are not necessarily luxurious is the right strategy. Indirect taxes such as VAT and duties are inevitably passed on to the end consumers. But people's purchasing power has not kept pace with inflation and rising food prices in recent years. Furthermore, as one businessperson told our correspondent, businesses are likely to either evade taxes or increase product prices to absorb the higher VAT burden. Additionally, even in this digital era, many business transactions remain untraceable, and revenue collection is not fully automated. As a result, meeting the revenue collection target by raising VAT and SD rates—a decision made without consulting stakeholders or experts—seems overly ambitious.

Another similar move that goes against the interests of consumers was the suspension of the Trading Corporation of Bangladesh (TCB) and the Department of Agricultural Marketing's truck sale programmes for essentials and agricultural products. It is unclear why the government would halt such pro-poor measures.

Instead of relying on indirect taxes that disproportionately affect the poorer sections of society, the government could have considered alternatives such as imposing a wealth tax or intensifying efforts to collect income taxes through targeted drives. The numerous tax exemptions granted to institutions and businesses without clear rationale should also be reviewed and restructured. Similarly, government expenditure could be reassessed to eliminate unnecessary costs. Such measures can still be taken instead of summarily raising VAT and duties. Finally, the government should engage with the IMF to renegotiate loan conditions, particularly those tied to the credit programme initiated by the previous regime. The bottom line is, poor and middle-class citizens must be spared additional monetary burden at this critical time.

Surge in hospital superbugs alarming

Authorities must take this invisible threat seriously

It is alarming to learn about the spread of drug-resistant microorganisms in our hospitals. According to a report by this daily, a recent study published in the British scientific journal "Nature" has revealed alarming levels of airborne, multidrug-resistant bacteria in the air of several hospitals in Dhaka. This highlights the grave health risks facing patients and healthcare workers, as exposure to these pathogens can lead to infections that are difficult to treat.

We have known for quite some time about the drug resistance in people caused by the indiscriminate use of drugs, especially antibiotics, often without prescriptions. Last year, the National Antimicrobial Susceptibility Report revealed that multi-drug resistance in people had reached an all-time high of 82 percent. The incidence of hospital-acquired infections (HAIs) caused by prolonged stays is also common knowledge. The latest research shows that one can be susceptible to drug-resistant infections by just breathing the air in hospitals. Conducted in four hospitals and two ambient locations, the study has identified harmful bacteria in the particulate matter (PM)—tiny particles in the air—collected from there. Among the 11 types of bacteria found in the air, many are known to cause serious HAIs like pneumonia and urinary tract and blood infections.

Moreover, the PM levels recorded in those hospital environments also exceeded both national and WHO standards, with Dhaka Medical College Hospital recording the highest concentrations. This interplay between air pollution and bacterial growth, as the lead researcher of the study has said, "added a new dimension to the battle against antibiotic resistance." Indeed, researchers attribute the spread of airborne superbugs in hospitals to overcrowding, outdated infrastructure, poor ventilation, and old furniture—problems that, frankly, are common in most public hospitals in Bangladesh. The combination of these conditions is allowing bacteria to thrive and spread.

We urge the government to take decisive action to address this threat. Hospitals must be a place that heals patients suffering from diseases and infections—not a breeding ground for new, more dangerous infections. The problems identified in the above study show where corrective actions need to be taken. Improving hospital infrastructure, enforcing stringent infection control protocols, and upgrading ventilation systems should all be done with equal importance. Additionally, the authorities must address the overuse of antibiotics through stricter regulations.

THIS DAY IN HISTORY

'J'accuse' published

On this day in 1898, French author Émile Zola published an open letter in the newspaper *L'Aurore* denouncing the French general staff for its role in the 1894 treason conviction of Jewish French army officer Alfred Dreyfus.

Raising VAT and shrinking social protection are unwise moves

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Views expressed in this article are the author's own.



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As the people of Bangladesh continue to struggle to make ends meet during a high inflationary period, two recent government decisions are considered to have worsened the situation. First, the interim government raised the value added tax (VAT) and supplementary duty (SD) on more than 100 products and services on January 9 through two ordinances. Second, a programme of the Trading Corporation of Bangladesh (TCB), launched in October 2024 to sell oil, lentils, and rice in trucks to low-income people, has been cancelled.

The VAT and SD on a number of items have been raised substantially. For example, VAT on sweets, clothes, and restaurant meals has been raised by 7.5-15 percent—a 100 percent increase. In some cases, the increase is even 200 percent. VAT at the production stage and SD on imports like fruit juice and colours have also increased. SD on mobile phone service has been increased by three percent.

These changes in the middle of the fiscal year are unexpected and unwanted as the economy faces significant challenges, including high inflation, low investment, low job

The previous government did not take any meaningful measures to control inflation, which has been on the rise for nearly three years. The interim government is struggling to control high inflation as well. In December 2024, average inflation declined slightly, dropping to 10.89 percent from 11.38 percent of the previous month. Similarly, food inflation was 12.92 percent in December 2024, slightly lower than

and minor conditionalities. One of the conditions is to raise the tax-GDP ratio by 0.5 percent each year till 2026. Unfortunately, the National Board of Revenue (NBR) has failed to fulfil its target set by the government in the national budget for about a decade. The NBR has to raise an additional Tk 12,000 crore in FY2024-25. It will be more difficult to fulfil the IMF target in the current fiscal year due to the recent political upheaval and economic instability. But the decision to fill the revenue gap by increasing VAT and SD is an inappropriate measure for several reasons.

First, this will increase the prices and fuel inflation further. Hence, the Bangladesh Bank's efforts to control inflation through contractionary monetary policy will take longer.

Second, VAT is an indirect tax passed on to consumers irrespective

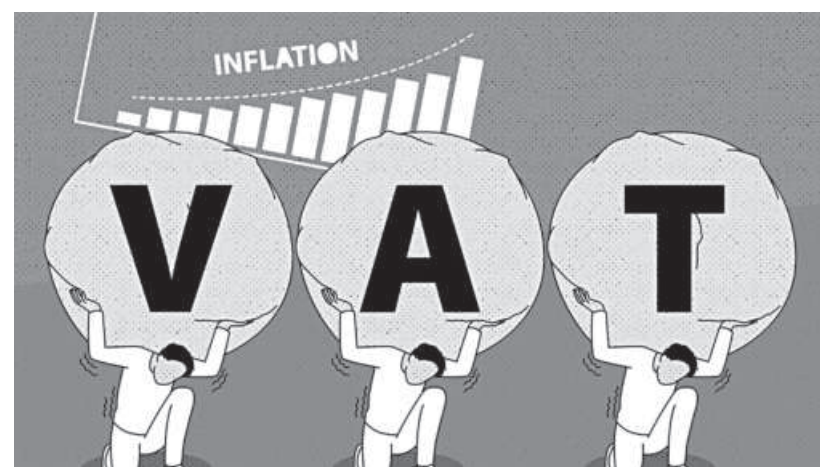
has also raised concerns about the negative impact of VAT and SD increases in the current situation. The interest rate on bank loans has gone up to about 15-16 percent as the policy rate has been increased to 10 percent. Businessmen have also complained about the gas crisis, extortions in goods transportation, and the fear of labour unrest. If the cost of doing business continues to rise, industrial production will decline, and export competitiveness may decline, having a negative impact on employment and economic growth.

Fifth, the government should have put forth its efforts to collect direct income taxes from tax evaders. Besides, the government could have also reviewed and restructured various tax exemptions given to institutions and businesses without much rationale. Streamlining the tax system can help collect more taxes and reduce NBR's dependency on indirect tax, which is regressive in nature. Over 65 percent of tax is collected from VAT. Such a tax structure must change to reduce inequality and establish tax justice in society. The weaknesses in collecting direct income tax have not been addressed by improving the efficiency of the tax administration till now. While reforming the tax system may take some time, immediate measures such as using technology to track tax evaders and enforcing strict tax compliance should have already been in place.

The second decision of the government—cancelling TCB's truck sale of some goods at subsidised prices—is also unwise and insensitive. It will further increase the hardship for low-income people. Another programme run by the Department of Agricultural Marketing since October 2024 to sell agricultural commodities from trucks at affordable prices has also been halted. These measures are worrying as they will exacerbate the difficulties of the poor and could push many families below the poverty level.

The ongoing fiscal year is challenging for both the government and the people. While individuals and businesses are trying to stretch their resilience through various cost-cutting measures, the government is also struggling to revive the shattered economy. However, its priority should be to give respite to people experiencing inflationary pressure. Unfortunately, the increase in VAT and the reduction of social protection measures will only increase people's suffering.

If economic and social realities are not factored into its decision-making process, the interim government will quickly become unpopular.



VISUAL: ANWAR SOHEL

There should be ample supply in the market for consumers to buy at affordable prices. The government has to make enough procurement of essential agricultural products, including rice, at a just price from the farmers. It also has to import fast to stabilise the prices of essentials.

creation, and low economic growth. Several factors are responsible for low economic growth, including an already fragile economy left by the previous Awami League government, disruptions in economic activities during the July uprising, disturbances in the law and order situation following the ouster of the Awami League government on August 5, 2024, and a lack of confidence among domestic and external economic players.

13.80 percent in November 2024. However, both average and food inflation rates are still very high, as wages and salaries have not increased at the same rates. The monetary policy has been adequately tightened by increasing policy rates, but it has yet to impact the inflation. Besides, without supply-side management, inflationary pressure will not ease up. There should be ample supply in the market for consumers to buy at affordable prices. The government has to make enough procurement of essential agricultural products, including rice, at a just price from the farmers. It also has to import fast to stabilise the prices of essentials. Effective market management must be carried out to ensure the supply of commodities.

Understandably, the unexpected increase of VAT and SD is aimed at meeting the target of tax collection during FY2024-25 as set by the International Monetary Fund (IMF). Bangladesh borrowed \$4.7 billion from the IMF in January 2023, agreeing to fulfil more than 30 major

of their income status. Even though the government tried to explain that most of these items are not consumed by the poor and thus they will not be affected, in reality, everyone will be impacted in one way or another. Some items are essential, and people will have to buy even if prices go up. For example, people from all income strata need food and clothes. Of course, the government has reduced tariffs on several imported items to ease pressure on their prices. Unfortunately, the benefit of tariff reductions on imported goods is not passed on to consumers due to dishonest traders. The market management mechanism is very poor at reversing such unethical practices. So, the decision to increase VAT will further erode the purchasing power of fixed-income households.

Third, there is also a possibility that the goal to collect more revenue through increased VAT may not materialise. Due to economic hardship, people may reduce their purchases with increased VAT.

Fourth, the business community

Protecting adolescents from the harm of social media

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LAILA KHONDKAR

US Surgeon General Dr Vivek Murthy recently published a report emphasising the urgent need to address the impact of social media on young people's mental health. He argued that policymakers should act based on a safety-first approach and set up guidelines to protect children's privacy and welfare. This call to action resonates globally, as nearly 95 percent of 13-17-year-olds use social media, with over one-third admitting to being constantly online.

While social media has the potential to educate, connect and entertain, its risks cannot be ignored. Studies reveal startling trends: adolescents spending over three hours daily on social media are twice as likely to face anxiety and depression. College students who limited their usage to 30 minutes per day for just three weeks reported significant reductions in depressive symptoms. These findings highlight an undeniable connection between excessive use and mental health challenges.

Adolescents can easily access content on social media that is inappropriate and harmful for their age. In some cases, content related to suicide, self-harm and risk-taking have led to teen deaths. Excessive and

problematic social media use has been linked to sleep problems, attention issues, and feelings of exclusion among adolescents.

The impact of social media on adolescents depends on several factors. These include how much time they are spending on the platform, what kind of content they are exposed to, what they are doing here, how they interact with others on the platform, etc. Not everyone is affected in the same way. At the individual level, everyone's abilities and risks are different. That factor also plays a role in the impact of social media on mental health. Despite individual differences in susceptibility, the patterns are clear: unchecked social media use is harming the youth.

There is not much data available on the mental health and social media usage of Bangladeshi adolescents. However, there have been media reports on them suffering because of this. There have been a number of cases of adolescent girls being raped and killed after meeting young men they got to know through Facebook.

Constant comparison on social media fosters dissatisfaction with physical appearances, often leading to eating disorders and erosion of self-confidence. This phenomenon is

especially prevalent among adolescent girls, magnifying the need for targeted interventions. The film *I Am Ruth* highlighted this issue. The story is about a mother who struggles to help her teenage daughter as she becomes obsessed with social media trends. Kate Winslet, who plays the role of the mother, says she doesn't allow her teenage daughter to use social media.

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The responsibility to mitigate the harm of social media lies with governments, technology companies, educators, parents and guardians. While Bangladesh has introduced initiatives to teach online safety, these efforts must be expanded. Developing a comprehensive curriculum on social media literacy and safety is imperative. Equipping adolescents with knowledge will empower them to protect themselves. Digital and media literacy provides children and young people with skills to strengthen digital resilience, or the ability to recognise, manage and recover from online risks, e.g. cyberbullying and other forms of online harassment and abuse, as well

as excessive social media use.

Technology companies have a responsibility to prioritise the users' health and safety when developing social-media related products and services. The state should come forward to ensure their accountability. Policymakers must establish robust safety standards to safeguard young users.

Creating a family social media plan can help balance online and offline activities, set time limits, and discourage sharing personal information. It is also necessary to practise being free of electronic devices for a certain amount of time every day.

Parents can play a vital role in ensuring their children's safety by helping with the development of their social and emotional skills, and by raising them to be self-confident. By spending time with their children and listening to them attentively, parents can learn about their interests and various aspects of life, including their friends. This way, they will be able to properly guide their children to navigate both the real and virtual worlds. Leading by example, parents who model moderate and mindful social media use encourage their children to do the same.

The stakes are high. If we fail to act decisively, the question posed by Dr Vivek Murthy will haunt us: "If we don't set safety standards and provide more support to young people and their parents, we will look back in five to ten years from now and say, what were we thinking?" Let's unite to protect our youth from the potentially devastating effects of social media, ensuring a safer and healthier future for the next generation.