

## Recent police actions need explaining

Have the lessons of the July uprising been forgotten already?

The heavy-handed actions of the police, which resulted in at least seven injuries during a protest march towards the home ministry on January 16, are deeply troubling. Reportedly, police employed water cannons, fired sound grenades, and wielded batons against protesters demonstrating against an attack on an Indigenous group and its supporters the previous day—an attack that police notably failed to prevent—which left at least 20 people injured.

What transpired on January 16 raises a critical question: did the police truly need to resort to such extreme measures? Based on the available information, the protesters appear to have remained peaceful. Even if they reportedly attempted to dismantle police barricades blocking access to the home ministry, could the police force not have sought to de-escalate the situation through dialogue? Was using violence genuinely necessary? Video clips of the incident show police officers viciously beating protesters—including female ones—with batons as they tried to flee. Among the injured, at least six were students. Considering the traumatic experiences our students endured only months earlier at the hands of various law enforcement agencies and others, shouldn't the police have exercised greater restraint in handling this situation?

Police's inaction on January 15, when an Indigenous group of protesters and their supporters were attacked by another group "claiming" to defend the country's sovereignty, followed by their excessive force a day later, bears an unsettling resemblance to their actions under the Sheikh Hasina regime. This raises serious doubts about the government's promise of reform, particularly in the policing sector. How can the public trust the government's commitment to justice when its law enforcement agencies act with such inconsistency and disregard for basic human rights?

The recent conduct of the police clearly betrays the spirit of the July uprising. We, therefore, call on the government to conduct thorough investigations into the events of both days, as well as the police's response to these incidents. While two individuals responsible for the attack on January 15 have been arrested, we urge the government to identify and hold to account all others involved. We also demand that the authorities ensure proper oversight of police actions going forward to prevent the repetition of such incidents.

It is crucial to remember that the central demand of the July uprising was to create a discrimination-free Bangladesh. Yet, these incidents demonstrate that discrimination continues to persist in our society. If systemic failures like these are not addressed, they will only deepen public mistrust and undermine the nation's progress toward equality. The government must recognise these troubling signs and take immediate corrective action to uphold the principles of justice and fairness for all citizens.

## Plight of street children still ignored

### Govt must address systemic issues to protect them

It is disheartening to see that our street children continue to be victims of all kinds of abuses, the latest reported incident being that of a youth raping a 10-year-old flower seller under Dhaka's Shahbagh Metro Rail Station on Wednesday. We have regularly written about the plight of this marginalised group, but are yet to observe any comprehensive initiative to address this issue. Neglecting these children implies that their lives are of little value, but an egalitarian society—one we all wish to achieve—has no place for such negligence.

According to a UNICEF study, as many as 34 lakh street children live without parental care in Bangladesh, leaving them extremely vulnerable to abuse. Many of these children sleep alone or in groups for safety, but even then, one-third face violence during sleep. As per a study by the Ministry of Social Welfare, 46 percent of female children experience sexual abuse, and a 2022 survey by the Bangladesh Bureau of Statistics (BBS) states that about 80 percent of street children face some form of harassment or torture. From inappropriate comments and physical contact to threats and exploitation, the victims of these heinous acts have no one to turn to.

About 36 percent of these children have never experienced any formal or informal education, according to the BBS survey. Furthermore, they don't have access to basic amenities and are forced to beg or do menial work to survive. All these point to systemic issues in our legal, institutional, and social structures; hence, ad-hoc measures cannot resolve this crisis. Although the 19-year-old charged with rape has been arrested, the extremely low conviction rate for sexual assault, the inaction of law enforcers, and societal tendencies to shame rape survivors prevent the child from getting the justice she deserves.

The interim government currently has great opportunities to introduce reforms in the sectors it oversees. While services like shelters can definitely help these children, they don't address the structural cracks. Mending the system will require a comprehensive legal framework surrounding child protection, a reformed police force, and a society that is sympathetic to the abused and marginalised. With the right safety nets, these children hold immense potential to contribute to the country's prosperity, but more importantly, they have the right to lead a dignified life, and the state has a duty to ensure that.

## THIS DAY IN HISTORY



### German Empire established

On this day in 1871, the German Empire was founded by Otto von Bismarck in the aftermath of three successful wars by the state of Prussia.

# How to maximise revenue without imposing regressive taxes



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"*Takar khoje sarkar*" (Government looking for money)—this was a top story of a reputed daily on January 12. No wonder, in its desperate hunt for money in the wake of a fiscal deficit, the incumbent government has resorted to the most easily accessible option: raising indirect taxes.

The recent decision to increase and impose additional value-added tax (VAT), customs and supplementary duties (SD) on as many as 100 consumer goods and services—that, too, in the middle of a fiscal year—has come as a flash flood to an already afflicted community. These additional taxes have added insult to injury to the people who are already severely hit by high inflation. Understandably, it has sparked a sharp protest from consumers as well as criticism from economists, businesses, political parties, and civil society, in face of which the government has decided to retract its decision for some items and services.

Given the fact that tax is the lifeline of a civilised society, and that the tax-GDP ratio in Bangladesh is one the lowest in the world, the importance of mobilising enough tax revenue cannot be overemphasised. However, the issue of how it is done has never gone unchallenged anywhere in the world. Interestingly, in Bangladesh, despite people's strong resentment about this "how" aspect of tax revenue, pragmatic proposals on how tax should be collected in an efficient and effective way as well as in a win-win situation seldom come from the concerned stakeholders.

Tax structure in most developing countries is historically characterised by their heavy reliance on indirect taxation, such as VAT, customs and SD. This is even truer in Bangladesh's case as more than 70 percent of its meagre tax revenue, equivalent to barely eight percent of GDP, comes from indirect taxes. (According to the World Bank data, the average tax-GDP ratio of developing countries is 25.6 percent, the OECD average is 35 percent, and the world average is 15.34 percent).

Indirect taxes, equally levied on poor and rich people with the possibility of

double taxation, are characterised by their regressivity. On the other hand, a good tax administration relies more on progressive tax, such as income tax where taxpayers pay taxes according to their ability.

In Bangladesh, the tax gap as exemplified by its low tax-GDP ratio is huge. Tax gap means the gap between the potential tax and the actual collection, and results from a set of factors, including weak tax administration, narrow taxbase, tax evasion, and broad-based exemptions. Alternatives to imposing new and/or additional indirect taxes lies in



FILE VISUAL: SALMAN SAKIB SHAHRYAR

addressing these factors.

Economist Adam Smith argued that taxation should be based on the four principles: fairness, certainty, convenience, and efficiency. Fairness underscores the compatibility of taxpayers' ability with their conditions, including their ability to pay in line with their income and lifestyle.

Of all taxes, income tax is believed to be most progressive so long as it observes the principle of fairness. On the other hand, while indirect taxes are relatively convenient and efficient in terms of collection, they mostly disregard the principles of fairness and certainty.

The number of registered income

taxpayers crossed the one-crore mark last year—a heartening increase from 35 lakh a few years back. However, this figure is believed to represent only 25 percent of the taxable population. That is to say, even if half of the potential taxpayers could be brought under the tax net, the existing 30 percent share of income tax could be doubled. Furthermore, though the existing taxpayers complain of high rates of personal income tax, it can be argued that there are ample opportunities for increasing the direct tax collection by following the "ability to pay" principle as well as by reducing widespread evasion. For example, people in posh areas and leading a lavish life with luxurious cars and flats should be able to pay higher amounts of taxes according to their income.

Widespread tax evasion—both direct and indirect—is another formidable antagonist in our tax culture. Evasion takes place first by dodging the tax net, and then, when forced into the tax net, by evading taxes in numerous ways.

loopholes, there is no alternative to strengthening the tax administration, both in terms of its integrity and physical resources. Additionally, the synergy of responsible businesses, individuals and tax administration needs to be built to drive away the ghost of unholy alliance among tax evaders and their cohorts in tax administration. Particularly, businesses which clamour

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about the imposition of VAT, SD and customs duty, which are actually not paid by them but by end-users, should come forward with their proposals of how income tax can be made more efficient and effective.

According to media reports, as of the July-September period of FY2025, the NBR fell short of its revenue collection target by around Tk 25,597 crore. The recent fiscal measure of increasing commodity taxes is expected to raise an additional amount of Tk 12,000 crore. It is not certain whether this has been done just to satisfy the IMF conditionalities. This kind of ad-hoc measure erodes the principles of fairness, certainty and convenience in taxation, and hence should have been avoided.

Given that taxation is fundamental to sustainable development, and the ability to raise revenue and manage public expenditure is of core importance to every state, taxation has a direct bearing on good governance and vice versa. The good governance principles of rule of law, responsiveness, transparency, and accountability have immeasurable significance on what taxes are imposed and how they are collected. It is empirically proven in many countries that policy and administrative measures endowed with these principles contribute to revenue maximisation in a fair and equitable way. For this, what is most essential is the political will of the government "of the people, by the people, and for the people."

# Snapshots of Bangladesh's major export challenges



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Bangladesh's economy is significantly dependent on its export earnings. The export sector has faced several challenges under the interim government. Business insiders opine that the recent political upheaval has created an uncertain environment for businesses. The interim government's efforts to restore stability are becoming visible, but the situation has led many international buyers in the garment sector to reconsider placing orders in Bangladesh, anticipating potential disruptions.

The garment sector accounts for over 80 percent of Bangladesh's export earnings and has experienced significant obstacles due to worker protests demanding higher wages and better working conditions. These protests have led to the closure of many medium-scale factories as well as production delays, causing concerns among international buyers about the continuity of Bangladeshi suppliers.

Rising temperatures due to climate change have increased heat stress among garment factory workers, potentially affecting productivity, lead times, and timely shipments. Global brands are legally required to address these conditions in their suppliers' factories under new EU regulations, exerting pressure on Bangladeshi exporters to improve working

conditions.

In July 2024, discrepancies were identified between export figures reported by the Export Promotion Bureau (EPB) and the National Board of Revenue (NBR). The EPB acknowledged a \$3.16 billion mismatch in export data for the July-September period of the previous fiscal year, causing a temporary suspension of regular export data publication. This has confused stakeholders and may affect trade decisions in the future.

The government reduced export incentives across various sectors in July 2024, aiming to encourage exporters to raise competitiveness ahead of the country's graduation from the least developed country (LDC) status in 2026. Business leaders have expressed concerns that curtailing incentives could adversely impact industries already struggling with increased production costs and global competition.

The snowball effect of political turmoil, labour unrest, and reduced incentives has strained the economy. The interim government is seeking international assistance to rebuild the economy, but challenges persist in restoring investors' confidence and ensuring sustainable growth.

To address the major export challenges, the interim government

has adopted the following strategies:

- \* Restoring law and order, which is crucial to regain the confidence of international buyers. The interim government has been working on industrial security and anti-corruption reforms to achieve this.

- \* Improving working conditions and ensuring fair wages in the garment sector, which are vitally important. The government is reviewing the wage structure and addressing legal concerns for workers to prevent further unrest.

- \* Reducing logistics costs, which can significantly boost exports. Implementing the National Logistics Policy 2024 aims to lower business costs, enhance competitiveness, and integrate Bangladesh into the global value chain.

- \* Curtailing dependency on the garment sector by supporting other industries such as leather, agriculture, and electronics. Inconsistent policies have been barriers to export diversification, and addressing these can open new markets. The government is putting efforts into reducing inconsistency.

- \* While the government has set an ambitious export target of \$110 billion by 2027, economists and business leaders are pessimistic about its feasibility due to persisting challenges. Setting achievable goals can help in better planning and execution. The interim government is reassessing previously set export targets to establish more realistic and achievable goals, considering recent data discrepancies and global economic trends.

- \* Investing in infrastructure, such as ports and transportation networks, which can improve efficiency and

reduce costs, making Bangladeshi exports more competitive. The National Logistics Policy 2024 also emphasises infrastructure development.

- \* Implementing the Export Policy 2024-27, which would help increase annual export earnings to \$110 billion by 2027, focusing on product diversification, infrastructure development, and market expansion.

- \* Strengthening diplomatic and trade ties, particularly with key partners like the US and the EU. The interim government is engaging in dialogues to foster these relationships, aiming to improve market access and trade conditions.

- \* Stabilising the labour market, especially in the garment sector. The government is working to resolve disputes and improve working conditions to ensure uninterrupted production and maintain buyer confidence.

- \* Efforts are underway to rectify data collection processes to provide accurate export statistics, which are essential for informed policymaking and maintaining credibility.

- \* Promoting the inclusion of new products in the export basket, such as handicrafts, vegetables, and light engineering, to reduce dependency on traditional export sectors and tap into unexplored markets.

- \* Developing logistics, ports, and transportation networks, which is important to enhance export efficiency and reduce costs, thereby increasing competitiveness in the global market.

Lastly, a stable political environment is essential to attract foreign investment and reassure international buyers of Bangladesh's reliability as a global trading partner.