Scrap SIM taxes, VAT on spectrum fees

Global telecom association urges Bangladesh's tax authority

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The GSMA, a global association of mobile operators, has urged Bangladesh's National Board of Revenue (NBR) to withdraw the 7.5 percent VAT imposed on spectrum payments and abolish SIM-related taxes in its proposals for the upcoming FY2026-27 national budget.

In a formal submission addressed to Md Abdur Rahman Khan, secretary of the Internal Resources Division and chairman of the NBR, the GSMA also urged the removal of SIM replacement charges and taxes on IoT (Internet of Things) SIMs.

The global association said its recommendations are aligned with the Bangladesh government's Vision 2030, which identifies ICT as a priority sector and aims to establish the sector as the country's leading foreign exchange earner.

Mobile operators in Bangladesh already invest 15-20 percent of their revenues in capital expenditure, the GSMA notes, reflecting the sector's capital-intensive nature. However, rising regulatory costs are limiting further infrastructure expansion.

Citing GSMA Intelligence data, the association said average revenue per user (ARPU) in Bangladesh grew by just 1.2 percent annually between 2019 and 2024, while average inflation was around 7 percent over the same period.

Bangladesh's ARPU currently stands at about $1.15 per mobile connection -- among the lowest in the Asia-Pacific region -- compared with $2.37 in India, $2.55 in Indonesia, and $2.81 in the Philippines. In Malaysia and Thailand, ARPU exceeds $7 per connection.

Despite offering some of the region's lowest mobile data prices, operators in Bangladesh spend 9-12 percent of their annual revenues on spectrum fees.

The GSMA urged the government to withdraw the 7.5 percent VAT on spectrum payments, arguing that spectrum fees are regulatory charges for access to a public resource rather than commercial transactions and therefore should not be taxed under VAT.

It also noted that the VAT is non-rebatable, increasing operators' effective costs.

The association also criticised the Tk 300 SIM tax, calling it a barrier to digital inclusion, particularly for low-income and rural users.

Citing industry data, the GSMA said active mobile subscribers fell by 10 million (5.1 percent) and mobile internet users by 13.3 million (10.4 percent) between July 2024 and March 2026, suggesting that higher SIM taxes may have discouraged connectivity.

It further argued that taxing SIM replacements is unfair because customers must pay again when replacing lost or damaged SIMs or upgrading technology. The association also opposed applying the same tax to IoT connections.

The GSMA proposed withdrawing taxes on SIM replacements, gradually reducing the SIM tax from Tk 300 to Tk 200 in FY2026-27 before phasing it out completely, and exempting IoT SIMs from taxation.

PHOTO: AFP/FILE

A rickshaw driver speaks on his mobile phone as he waits for passengers in Dhaka.

Global oil supply to plunge below demand this year: IEA

REUTERS, *London*

Global oil supply will not meet total demand this year as the Iran war wreaks havoc on Middle East oil production, the International Energy Agency said in its monthly oil market report on Wednesday.

The US and Israel's war with Iran, subsequent damage to Iran and its Gulf neighbours' oil infrastructure and the effective closure of the Strait of Hormuz have caused the largest oil supply crisis in history, sending oil prices skyrocketing.

"Our latest supply and demand estimates imply that the market will remain severely undersupplied through the end of 3Q26, even assuming the conflict ends by early June," the Paris-based agency said, adding that the second-quarter deficit will be as stark as 6 million bpd.

The IEA's base-case forecast is for a gradual resumption of traffic through the strait from the third quarter onwards, it said, which could see the market return to a "modest surplus" by the fourth quarter, allowing depleted stocks to begin to rebuild.

Supply losses led to a 246 million barrel drawdown in global oil inventories in March and April, the IEA said, which could increase price volatility ahead of the peak summer demand period.

Fitch revises Bangladesh outlook to negative

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Fitch said Bangladesh's low government revenue-to-GDP ratio remains a key fiscal weakness, falling to 7.9 percent in fiscal year 2024-25 from 8.3 percent a year earlier.

Revenue collection is constrained by large tax exemptions, weak tax administration and poor compliance, contributing to wider fiscal deficits. The agency projected a budget deficit of 3.6 percent of GDP by 2027.

"Inflationary pressures are high, due partly to a shortage of essential commodities," Fitch said, adding that price rises in petroleum and liquefied petroleum gas could fuel inflation further.

The agency expected that overall inflation would remain around 9 percent in fiscal year 2027.

Bangladesh economy is projected to grow by 3.7 percent in FY26 and 3.5 percent in FY27.

"Prolonged high energy prices and rising global uncertainty could further weaken growth. Ready-made garment exports are declining due to redirected orders following reciprocal tariffs, weaker global demand, and higher domestic production costs."

Fitch said banking sector vulnerabilities remain elevated, particularly among state-owned banks, and warned that the non-performing loans ratio could rise once regulatory forbearance measures are withdrawn, creating contingent liability risks.

"This remains a source of contingent liability if credit stress intensifies."

The agency expects Bangladesh's public debt to stabilise at about 38 percent of GDP over the medium term.

However, it mentioned that risks remain from potential liabilities in the banking sector, debt of state-owned enterprises and higher borrowing costs.

Fitch also noted that the interest-revenue ratio has been rising and reached about 29 percent, more than double the median of 14 percent as of the end of 2025, adding further pressure on public finances.

Pharma sector faces post-LDC challenges

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He also said that demand for advanced medicines for cancer, respiratory illnesses and other complex diseases would further intensify the challenge.

He further noted the sector's heavy dependence on imported active pharmaceutical ingredients (APIs), stressing the need for stronger research and development, closer industry–academia collaboration, implementation of the API Industrial Park, and regulatory reforms.

Rashed Al Mahmud Titumir, finance and planning adviser to the prime minister, said the pharmaceutical industry is "at a critical stage" as the country prepares for LDC graduation and works towards becoming a $1 trillion economy by 2034.

He said the wider economy is facing pressure from high inflation, depreciation of the taka against the US dollar, and a worsening business environment that has slowed production and investment.

"The old model will not work anymore," he warned, calling for an investment-led growth strategy focused on diversification, productivity and competitiveness.

He also criticised what he called years of "regulatory capture" in the pharmaceutical sector, alleging that powerful business interests have distorted competition and weakened institutions.

"The industry must be a price taker, not a price maker," he said, stressing the need for an independent regulator and stronger oversight.

Titumir also questioned why global agencies such as the World Health Organization and Unicef still do not procure medicines from Bangladesh. He said the country must strengthen regulatory standards and the Directorate General of Drug Administration to expand access to global markets.

INVESTMENT, STANDARDS AND GROWTH PROSPECTS

Blaire Ng, investment specialist at the ADB, said Bangladesh's pharmaceutical industry still faces "major challenges", particularly in research and development, dependence on imported APIs, and compliance with international manufacturing standards.

She said the key question is how Bangladesh can use its existing strengths to ensure sustainable growth after LDC graduation, adding that the country is well-positioned to benefit from global efforts to diversify pharmaceutical supply chains.

She described the sector as one of Bangladesh's strongest areas for export diversification and industrial upgrading.

"The lesson for Bangladesh is that a crisis can become a critical moment for domestic transformation and stronger research and development capacity," she said.

She added that the ADB is ready to support Bangladesh through policy reforms, infrastructure development, regulatory support, technical assistance and financing for pharmaceutical projects and companies.

Akira Matsunaga, officer-in-charge of the ADB, said Bangladesh's pharmaceutical industry has strong potential to deepen its integration with regional and global markets.

He said continued investment will be crucial during and after LDC graduation, helping Bangladesh benefit from opportunities in industry upgrading, innovation, technology transfer, investment expansion, and production of higher-value pharmaceutical products.

"There is strong potential for Bangladesh's pharmaceutical sector to develop further into a competitive regional and global industry, while also contributing to broader economic diversification and resilience," he said.

Sheikh Momena Momi, additional secretary of the WH Wing at the Health Services Division, said she hoped the assessment would help identify needed reforms, improve investment readiness, and strengthen the pharmaceutical sector's capacity for innovation.

NBR plans

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To encourage compliance, newly VAT-registered businesses may be allowed to pay VAT at a specific concessional amount or under a package VAT system for a certain period, officials said.

The move is intended to bring small and marginal businesses into the formal VAT framework while reducing procedural complexities and harassment.

Officials said the NBR is focusing on expanding the tax base instead of increasing the burden on existing taxpayers.

Meanwhile, the tax-free income threshold for individual taxpayers is likely to remain unchanged at Tk 375,000 for FY2026-27 and FY2027-28.

The NBR will also place a proposal to raise the excise duty-free deposit limit to Tk 5 lakh from the existing Tk 3 lakh.

"If we get the prime minister's approval, we will proceed with these proposals," said another top finance ministry official.

The official said several innovative fiscal measures are being considered for the next fiscal year, with a focus on expanding the tax base by bringing more of the informal sector under taxation.

The proposals come at a time when the NBR is struggling to meet its revenue target. As of March, the revenue shortfall stood at nearly Tk 100,000 crore.

For the upcoming fiscal year, the NBR has been tasked with collecting Tk 6.04 lakh crore in taxes, implying a 21.04 percent growth over the current fiscal year's original target.

The VAT wing is projected to contribute 51.3 percent of the total NBR target for next year.

The government aims to collect Tk 3.10 lakh crore from VAT in FY27, followed by Tk 2.22 lakh crore from income tax and Tk 67,000 crore from customs duties.

Fortune Shoes

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Chief Financial Officer Jamil Ahmed Chowdhury has been fined Tk 10 lakh, while former Company Secretary Riaz Uddin Bhuiya and current Company Secretary Md Nazmul Hossain have each been fined Tk 5 lakh.

The commission said all fines must be deposited with the BSEC within seven days.

The regulator also decided that if any listed company's board is restructured by any primary regulatory authority, the new board members must jointly hold at least 30 percent of the company's shares. If this condition is not met, the company will not be allowed to issue bonus shares or raise capital through rights shares or similar instruments.

In another decision, the commission allowed 'A' category listed banks to maintain dividend accounts with their respective banks.

No more bank-funded

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The central bank further instructed its officials to refrain from participating in any training sessions, seminar, symposium, or workshop in exchange for honorarium from organisers, where such engagement could create a conflict of interest with Bangladesh Bank's activities.

The directive, issued with the approval of the competent authority, takes immediate effect.