

Success stories

Tariff Rationalization:

A tool for promoting investment in cold storage sector

Preserving perishable agricultural items and food products at an adequate temperature is a prerequisite for retaining quality, maintaining shelf-life, and ensuring safety of the consumable items. Inadequate cold storage facilities and temperature-controlled logistics (TCL), unavailability of sophisticated cold storage technology capable of catering to the need of the diversified agricultural sector, and the cost-inefficient nature of the existing services have made use of such facilities unpopular. As per the Investment Options Analysis (IOA) Report by LixCap and BTF project, in 2020, 8 lakh tonnes of imported goods and 1.56 lakh tonnes of exportable perishable items required such facilities, and traders have lamented not being able to trade more perishable items just because there is not enough TCL facilities. Over the years, the cold storage sector could not match the growth of the agricultural sector as investment in the sector remained low.

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The Government of Bangladesh, as part of its commitment to creating enabling environment for trade and for encouraging investment in the cold storage sector as an agro-support industry, has rationalized the tariff structure for cold storage equipment in the National Budget 2022-23. The total tax incidence (TTI) for cold storage freezers for agricultural sector was reduced drastically from 104.68% to a mere 1%. Moreover, a 23.68% benefit in TTI was given to imports of cold storage chillers, another important equipment for establishing cold storage. The reform was initiated based on the very specific proposal sent by the USDA Bangladesh Trade Facilitation Project, which highlighted the importance of cold storage sector and its relevance to the growth of the agricultural sector. The BTF studied the prevailing market conditions, consulted with the stakeholders, and identified tariff as a major factor deterring investment in this sector. The BTF project's Investment Options Analysis included an evaluation of the profitability of the business based on existing and future demand.

The reduction in tariff is expected to draw both local and foreign direct investments in the sector as state-of-the-art cold storage projects and end-to-end TCL will be more profitable. The multiplier effect of increased investment in TCL, the demand for which is estimated to be 2.6 million MT by 2031, will boost the overall agriculture sector in Bangladesh. The uninterrupted supply chain will reduce post-harvest loss, and promote and expand production and trade of high value agro-items. Overall, exporters will be able to maximize returns from untapped market opportunities, contributing to the export diversification mandate of the Government by meeting compliance. At the same time, importers will be able to ensure farm to fork food safety for the consumers.

" I believe, the significant reduction in the tariff of cold storage equipment will make the cold storage services affordable to agro-traders enabling them to meet export compliance requirements and will also help preserve domestic produces as well as retain the quality of imported perishable agricultural commodities "

- Md. Masud Sadiq,
Member (Customs Policy & ICT),
National Board of Revenue (NBR),
Bangladesh.



" Refrigeration systems and freezer vans are core aspects of Bengal Meat's operations. As Bengal Meat is planning to expand its facilities, the changes in the Tariff rates on such imports will bring significant financial and operational benefits to our operations. "

- Krishantha Wijesooriya,
General Manager
Production & supply chain,
Bengal Meat
Processing Industries
Ltd., Bangladesh.

