



When the Missing Bite Is the State

A Case for VAT Exemption on Biscuits and Bread

Introduction

In the narrow alleys and roadside stalls of Bangladesh, biscuits and bread are not snacks—they are lifelines. For millions of low-income citizens, they offer the closest thing to a meal: affordable, accessible, and filling. Yet, in an alarming turn, even these modest food items are slipping out of reach.

In March 2025, Youth Policy Network conducted a survey on Food Habits and Consumption of a group of Middle-income and Lower-income People. This survey conducted on 1,022 participants revealed some stark facts -

1. **60% regularly skip breakfast**, especially among lower-income groups.
2. Essentials Like Biscuits Are Now Lifelines - in the absence of full meals
3. **69% say VAT is excessive** on essentials. Public Demand for a fairer, pro-poor fiscal policy.

Based on these findings and our discussion with stakeholders like Journalists, Economists and Revenue Administrators, we have done a follow-up survey to understand consumption and sales patterns of a staple essential & nutritional food product for Students and Working Class People - Biscuits. Our survey of **1,304 respondents** across **Dhaka, Chittagong, Rangpur, Khulna, and Barisal**, this report reveals a growing disconnect between fiscal policy and lived reality. Among those surveyed:

- **38% were students**
- **23% rickshaw pullers**
- **21% day laborers**
- **10% factory workers**
- **8% deliverymen and riders**

These are the backbone of Bangladesh's economy—and the most vulnerable to inflation, taxation, and food insecurity.

Biscuits & Bread: The People's Staple

From street vendors to exhausted workers, biscuits and bread are everyday food—not occasional treats. **68.72% (887 people)** of respondents consume **packaged biscuits**, with daily spending averaging **~29 BDT**.



For students in particular, biscuits and bread serve as **primary nutritional fallback options**—quick, affordable, and available during long commutes and class breaks. When full meals are unaffordable, a packet of biscuits or a slice of bread is the only sustenance. These are not luxury foods—they are what **keep students from fainting in classrooms**.

Policy Confusion: A Bitter Bite

Recent government decisions further compound this crisis:

- Last year, VAT on biscuits and bread was **5%**. This year, it has **risen to 7.5%**.
- **Powdered milk still carries a 15% VAT**, making child nutrition more expensive.

In stark contrast, VAT or Duty has been **reduced** on items like:

- **Chocolate**
- **Ice cream**
- **Salmon fish**
- **Pasta**
- **Imported Clothing & Footwear**

The message from the budget?

“Eat chocolate, but pay tax if you buy bread.”

The Sellers Are Speaking

Among 158 retailers and tong owners:

- **68% (107 Shop Owners) said packaged biscuits and breads are their most stocked items.**
- **78% (123 participants) reported a decline in biscuit sales** in the last 2–3 years—primarily due to price hikes and falling affordability.

If the cheapest food is no longer selling, the system is breaking at the base.



Economic Impact Analysis

Revenue vs. Social Cost: The VAT on biscuits and bread generates minimal revenue compared to its social impact. Conservative estimates suggest that removing VAT on these items would:

- **Revenue impact:** Minimal, given low unit prices and high price elasticity
- **Social benefit:** Massive, affecting millions of daily consumers
- **Health outcomes:** Improved, as people maintain basic caloric intake

Comparative Analysis: Other countries in the region have recognized the importance of keeping basic foods affordable:

- **India:** Zero VAT on bread and basic biscuits
- **Sri Lanka:** Essential food items exempted during economic crises
- **Nepal:** Basic nutrition items receive preferential treatment

The Ramadan Paradox: Seasonal Empathy vs. Year-Round Reality

The government's approach to biscuits and bread reveals a troubling inconsistency:

During Ramadan:

- Biscuits and bread are classified as "essential items"
- Special measures ensure price stability
- Emphasis on accessibility for iftar and suhoor

Rest of the Year:

- Same items subjected to VAT as "processed foods"
- No special protection against price volatility
- Treated as discretionary consumption

This seasonal approach to food policy reflects a fundamental misunderstanding of poverty. Hunger does not observe religious calendars, and basic nutrition needs persist throughout the year.

Call to Action: Remove VAT on Biscuits & Bread

We call upon the **Ministry of Finance** and the **National Board of Revenue (NBR)** to:



1. **Immediately roll back the 7.5% VAT on biscuits and bread to 0% or a symbolic 2-3%.**
2. **Classify biscuits and bread as essential nutrition items in fiscal terms—not just in rhetoric.**
 - These items are routinely declared "essential" during **Ramadan**, but **taxed the rest of the year**.
 - **Essential status must mean year-round VAT exemption.**
3. **Tax luxury consumption, not survival.** Recover lost revenue through targeted VAT on non-essential imports like chocolate, salmon, and pasta.

Implementation Framework:

- **Immediate:** Reduce VAT to 0-3% within current fiscal year of 2024-25
- **Medium-term:** Establish permanent "essential nutrition" category in tax code
- **Long-term:** Develop progressive VAT structure based on income impact

International Best Practices

Global Trends: Most developing countries recognize that basic food items should be exempt from consumption taxes:

- **Philippines:** Zero VAT on basic commodities including bread
- **Thailand:** Essential foods exempted from VAT
- **Vietnam:** Basic nutrition items receive special treatment

Policy Rationale: The international consensus is clear: taxing basic nutrition undermines both social welfare and economic productivity by weakening the most vulnerable populations.

Conclusion: Tax Justice Is Food Justice

When biscuits and bread become taxable luxuries, we must ask—**whose needs does the budget reflect?**

If the State acknowledges biscuits and bread as essential during Ramadan, then why penalize their purchase every other month? This seasonal empathy must be transformed into a **permanent policy stance**.

There is nothing just about taxing hunger. There is nothing equitable about exempting chocolate but taxing bread.

Food security must not be a luxury. Bread must not carry VAT.
