

# Star BUSINESS



## BB to review FBCCI plea to ease rules of loan classification

STAR BUSINESS REPORT

Bangladesh Bank yesterday said it would review a proposal from the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) to reinstate the relaxed loan classification policy until December this year.

Md Serajul Islam, spokesperson of Bangladesh Bank, came up with the remark after a bankers' meeting between the higher-ups of the central bank and managing directors of all banks in the country.

The meeting, presided over by Bangladesh Bank Governor Fazle Kabir, was held at the central bank headquarters in the capital.

**“We will take a final decision to this effect after scrutinising opinions of both bankers and businesses,” BB spokesperson said**

The FBCCI, the country's apex trade body, demanded the central bank reinstate the relaxed loan classification policy on May 31.

It placed the demand considering the ongoing difficulties in running businesses that stem from the Russia-Ukraine war.

Islam said the central bank had taken opinions from the managing directors of banks on the issue.

“We will take a final decision to this effect after scrutinising opinions of both bankers and businesses,” he added.

Two managing directors of private banks, on condition of anonymity, said the central bank's stance at the meeting seemed as if it might allow businesses to enjoy the relaxed facility further.

They went on to say that the majority of banks had opposed the FBCCI proposal as such a move would deal a fatal blow at a time when they are already going through different crises.

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## TO QUALIFY FOR 2.5PC CORPORATE TAX CUT...



Companies must accept incomes through banks



Transact expenses and investments of over Tk 12 lakh through banks



Listed companies must offload more than 10pc shares

\*Corporate tax rate unchanged for banks, insurance, NBFIs, tobacco and telecom companies

### BY THE NUMBERS

Number of total registered companies: 2.5 lakh

Number of firms that submit income tax returns: 30,000

Number of listed companies: 342

Corporate tax collection: Tk 37,086cr in FY20

### WHY FIRMS MAY NOT BENEFIT FROM TAX CUT?



Stringent conditions



Companies often have to rely on cash while spending or investing over Tk 12 lakh



Most companies collect cash from customers whenever they can



**The corporate tax reduction will not benefit us**

RIZWAN RAHMAN

President of the Dhaka Chamber of Commerce and Industry

## Firms unlikely to benefit from corporate tax cut

AHSAN HABIB

Most of the companies in Bangladesh may not qualify for the 2.5 percentage points cut in the corporate tax rate as proposed in the budget for the upcoming fiscal year owing to stringent conditions.

While unveiling the budget on June 9, Finance Minister AHM Mustafa Kamal proposed slashing the corporate tax for all listed and non-listed companies subject to fulfilment of two conditions.

In order to be eligible for a reduced tax rate, companies must use the banking system to accept incomes as well as all carry out expenses and investments of more than Tk 12 lakh.

For the listed companies, they have to offload more than 10 per cent shares in the market apart from meeting the banking transfer requirement.

Banks, insurance, non-bank financial institutions, tobacco and telecom

companies will not benefit from the move as their corporate tax rates have remained unchanged.

Bringing down the corporate tax has been a long-standing demand of the business community in



Bangladesh as the rate is one of the highest in the world and even higher than the average corporate tax rate in South Asia.

The government has, however, attached the conditions to ensure transparency and raise tax collection, which is the lowest in the world.

There are about 2.5 lakh registered companies in

Bangladesh. Of them, less than 30,000 firms submit income tax returns.

They collectively paid corporate taxes amounting to Tk 37,086 crore in the fiscal year of 2019-20, the latest for which data is

think it would be quite impossible to benefit from the corporate tax rate cut under the present socioeconomic conditions.

M Anis Ud Dowla, chairman of ACI Group, said the government proposed a 2.5-percentage point corporate tax cut upon maintaining all expenditures over Tk 12 lakh through bank transfers.

“This is nothing but a mockery,” he said at an event organised by the Centre for Policy Dialogue in Dhaka yesterday.

The government is showing that it has cut the corporate tax, but, in reality, it is actually depriving businesses of benefiting from it owing to the condition, he said.

He urged the government to work on advance income tax because people do not get the refund if their tax is lower than the advance tax paid.

The National Board of Revenue adjusts the tax

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## WITHHOLDING TAX NBR toughens rules to raise collection

SOHEL PARVEZ

From the next fiscal year, government agencies, implementing authorities of various publicly funded projects and corporate entities will come under greater scrutiny of taxmen as the National Board of Revenue has toughened rules to plug scope of avoidance regarding withholding tax deductions and payments.

The tax administration, for the first time, seeks to impose up to Tk 10 lakh in fines for failures to deduct tax at source during payments made by agencies to contractors, suppliers and various other service providers.

The NBR also wants to make individuals at the



government agencies and project implementing authorities who are responsible for approving payments or granting any clearance, registration, licence and permits, liable to pay taxes or penalty for the failure to deduct taxes during payment.

Besides, private firms will face the same consequence for non-deduction of tax during payment.

If any entity fails to make the deduction, the organisation itself and individuals responsible for approving or allowing the payment shall be jointly liable to pay taxes or penalty, according to the Finance Bill 2022 placed by the finance minister as a part of the fiscal measures for year 2022-23.

The move comes as the NBR finds that many state and private agencies do not deduct tax at source properly, depriving the state of due tax, which is vital for increasing the government's capacity to finance development and non-development expenditure and create the fiscal space needed to intervene when needed.

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STOCKS	
DSEX ▲	CASPI ▲
0.80%	0.66%
6,425.73	18,898.24

COMMODITIES	
Gold ▼	Oil ▼
\$1,820.52	\$114.85
(per ounce)	(per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 1.99%	▲ 0.40%	▼ 0.27%	▼ 0.61%
51,495.79	26,431.20	3,097.43	3,285.38

## Budget gives no comfort to poor, jobless Speakers tell CPD meeting

STAR BUSINESS REPORT

The proposed budget for the fiscal year of 2022-23 has failed to give comfort to the poor, jobless and lower-income groups, said economists, politicians, entrepreneurs and senior officials of non-government organisations (NGOs) yesterday.

Moreover, it took measures that will encourage capital flight, they said.

The amount of income that is tax-free is very low when compared to current market prices as Tk 3 lakh can be earned by a rickshaw-puller in a year too, said Zafarullah Chowdhury, founder of Gonoshasthaya Kendra.

“It should have been raised to Tk 5 lakh.” If the government spends Tk 12 crore on every union-level hospital to ensure all equipment and opportunities for doctors, the health system will gain extra mileage, he added.

Chowdhury's comments came at a CPD Budget Dialogue 2022 organised by the Centre for Policy Dialogue (CPD) at the Lakeshore Hotel Dhaka.

The government should focus on health services for the poor as they do not get adequate healthcare, said former commerce secretary Sohel Ahmed Chowdhury.

Amir Khasru Mahmud Chowdhury, a former commerce minister, said the government showed many statistical plans on the basis of wrong data.

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Rice is being sold at subsidised rates from a truck of the Directorate General of Food in the capital's Palashi intersection on Saturday. The proposed budget for the next fiscal year has failed to comfort financially insolvent and lower-middle income people, said economists and politicians at a discussion yesterday.

PHOTO: AMRAN HOSSAIN

## Relaxed policy extended for NBFIs defaulters

STAR BUSINESS REPORT

Defaulters of non-bank financial institutions (NBFIs) will get two months more to reschedule their bad debts under a relaxed loan classification policy, according to a notice issued by Bangladesh Bank yesterday.

Bangladesh Bank said in February that defaulters of NBFIs would be permitted to reschedule their non-performing loans (NPLs) by giving 2 per cent down payment under a one-time only exit policy within April this year.

But many defaulters have failed to apply for this on time, which is why Bangladesh Bank extended the deadline until July, the central bank notice said.

As such, NBFIs will have to settle new applications by September.

Loans that turned sour within December 31 last year can enjoy the relaxed policy, which allows NBFIs

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## Germany moves to ramp up wind power

AFP, Berlin

The German government approved a draft law on Wednesday aimed at covering two per cent of the country's land area with wind turbines by 2032, by setting fixed regional targets and easing some administrative burdens.

The push to accelerate the expansion of wind power comes as Germany is scrambling to wean itself off Russian fossil fuels following the war in Ukraine.

"Independence from fossil energies and from Russian fossil energies must be advanced at full speed," Energy Minister Robert Habeck told reporters.

**The move comes as Germany is trying to bring down its dependence on Russian fossil fuels following Ukraine war**

The draft law adopted by Chancellor Olaf Scholz's cabinet still needs to be approved by parliament.

The goal is for Germany's 16 states to collectively dedicate two percent of the nation's surface area to wind power generation by the end 2032 — up from 0.5 per cent currently.

The installation of wind turbines regularly runs into "not in my backyard" resistance in Germany and objections from residents have often blocked such projects in the past, as have concerns about endangering local wildlife.

Habeck said the proposed legislation would take away some of the leeway that regional governments currently have, and force them to abide by fixed targets that vary according to a state's size and specific criteria such as wind conditions and areas reserved as nature protection zones.



Aluminium pots and pitchers being stored at a warehouse for wholesale in Zero Point area of Khulna city. Supplied around the country, the products were selling for Tk 340 per kilogramme around four months ago, but now the price has increased to Tk 440 per kg. The photo was taken on Tuesday.

PHOTO: HABIBUR RAHMAN

# Inflation latest tough dish for US hospitality industry

AFP, New York

New York restaurateur James Mallios has long prided himself on culinary authenticity, spending more for sunflower oil because it is used in Greece to fry foods.

But prices of the product more than tripled after Russia's invasion of Ukraine, which sidelined a major sunflower oil exporter, requiring a pivot to canola oil if Mallios's small restaurant and catering business was going to survive.

Canola oil isn't the same at all, but "there are bigger problems in the world," Mallios says with a shrug.

More than two years into Covid-19, hospitality companies are no longer shocked by the pandemic's upheaval and the shape-shifting nature of the chaos.

They have been through the lockdown phase and its relaxation; the optimism of the post-vaccine period and the subsequent Omicron surge that reduced consumers and dashed hopes the pandemic was over; and the ongoing debates over whether Covid has become "endemic" and what that could mean for

business.

Now they are dealing with inflation, a vexing monster in a consumer-facing industry at a time when shoppers are frustrated by higher gasoline prices.

At Amali, Mallios's Manhattan restaurant, canola oil is no bargain either, in part because of increased demand from other restaurateurs who are also substituting for sunflower oil. Prices of canola oil have roughly tripled to \$65 a jug, a major drag for an essential ingredient that isn't even the main course.

"When you talk about things like butter, salt, fat that goes into pretty much every dish and those prices are increasing two and three and four times," Mallios says. "That's really where we see the pain the most." Companies in the hospitality industry are trying to be creative as they ride out the inflation wave, hoping for relief but not really expecting it anytime soon.

"There's absolutely no way to conquer this with price," Mallios says. "The market will not bear raising the price of a hamburger by \$30." After decades of

anemic inflation in a dynamic that baffled economists, consumer price pressures have returned with a vengeance over the last year, the result of factors that include supply chain backlogs, the Ukraine war, Covid-19 manufacturing halts and strong consumer demand.

The Federal Reserve is under pressure to aggressively respond later this week after last Friday's ugly consumer price index report that showed an 8.6 percent rise compared with a year earlier.

May's grim price action included the largest 12-month increase in the food-at-home index since 1979 and the biggest monthly increase in dairy products since 2007. Cereals, meats and fruits all had significant increases.

While inflation is a drag on all companies, hospitality has many small businesses with fewer means to offset losses on one product with profits from another good.

Olivier Dessyn, who owns three bakeries in New York, has raised prices — but not by much, only five or 10 cents on a pain au chocolat.

## BoE unveils fifth rate hike in a row

AFP, London

The Bank of England on Thursday hiked its main interest rate for a fifth straight time, as it forecast British inflation to soar further this year to above 11 per cent.

BoE policymakers agreed at a regular meeting to increase the cost of borrowing by a quarter-point to 1.25 per cent, the highest level since the global financial crisis in 2009.

The pound slumped one percent against the dollar following the announcement, one day after the Federal Reserve hiked US interest rates far more aggressively to fight runaway consumer prices in the world's biggest economy.

The BoE's latest rise was in response to "continuing signs of robust cost and price pressures... and the risk that those pressures become more persistent", said minutes of the UK meeting. A minority of BoE policymakers had voted for an increase to 1.5 per cent.

The Bank of England is avoiding "shock and awe tactics being employed across the Atlantic", said Laith Khalaf, head of investment analysis at AJ Bell.

"Despite the UK starting to tighten monetary policy first, interest rates are now higher in the US." The US Federal Reserve on Wednesday announced the most aggressive interest rate increase in nearly 30 years — and said it is prepared to do so again next month in an all-out battle to drive down surging consumer prices.

The Fed's rate hike of 0.75 percentage points comes after US inflation rocketed to 8.6 per cent in May, the highest level in more than four decades.

In the UK, inflation stands at nine percent, the highest level in 40 years.

## Biden chastises oil industry over fuel costs

AFP, Washington

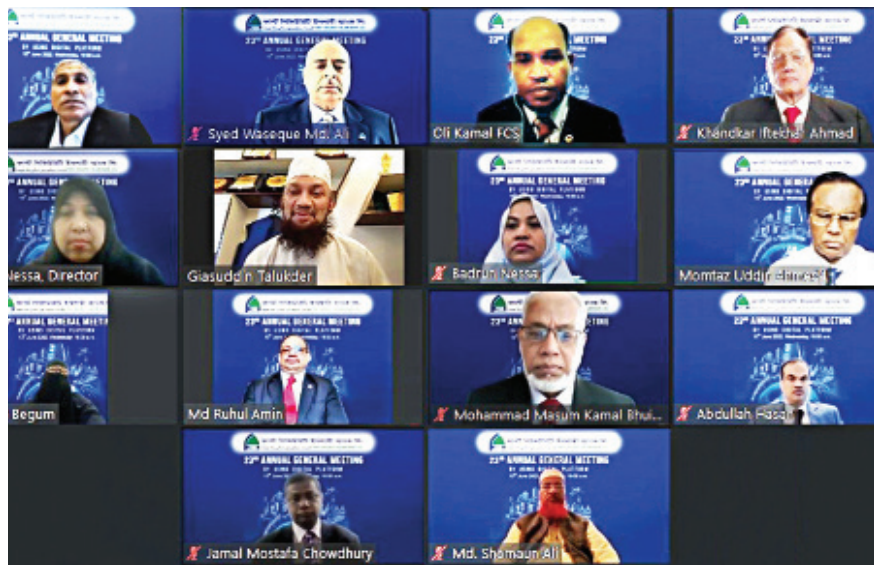
US President Joe Biden on Wednesday chastised the oil industry over soaring fuel prices at the heart of 40-year-high inflation, warning of unspecified emergency measures.

In a letter to seven major oil corporations, Biden delivered his most direct salvo yet in a campaign to blame the industry for stoking price increases.

Average fuel prices are now \$5 a gallon for drivers in the United States, up from \$3 a year ago, and the spike is reverberating through the entire economy, helping to sink Biden's approval ratings to below 40 per cent.

"Refinery profit margins well above normal being passed directly onto American families are not acceptable," Biden wrote in the letter to executives from Shell, Marathon Petroleum Corp, Valero Energy Corp, ExxonMobil, Phillips 66, Chevron and BP.

Biden said the economy is in "a time of war," referring to the global fallout from President Vladimir Putin's invasion of Ukraine and subsequent sanctions against energy exporter Russia.



Mohammed Abdul Maleque, vice-chairman of the board of directors at First Security Islami Bank Ltd, virtually presides over its 23rd annual general meeting on Wednesday. The meeting approved 5 per cent cash dividend and 5 per cent stock dividend for 2021. Prof Mohammad Gias Uddin Talukder, chairman of the bank's Shariah Council, Syed Waseque Md Ali, managing director, and Oli Kamal, company secretary, joined the meeting.

PHOTO: FIRST SECURITY ISLAMI BANK

## Is the devil outside

FROM PAGE B4

to the pandemic or intense competition in the market or change in consumer behaviour or poor economic condition of the country and so on. Such leaders never try to look at the problem inside him/her or their own organisation, or knowingly deny the truth. This is how such leaders dig their own graves!

I believe we have all experienced it closely to some extent, both inside and outside of the job. During the pandemic, we took a changed strategy for the company which was primarily to focus on cost as against revenue.

While the coronavirus was out of our control, the cost is something that we could control while revenue was highly dependent on lockdowns,

economic activities and their subsequent implications on revenue became something that we could at least control.

In order to deal with the devil within the organisation, first, we need to throw out the devil from inside us. As a matter of process, always start with blaming yourself or your organisation for the failure, which will help you identify the areas for improvement.

If you blame others or external factors and if they act on your blame, then they will improve. But if you blame yourself, then it is you who improves. If such a process is followed repeatedly, the devil will be outside the organisation permanently!

The author is a telecom and management expert.



Mohammad Ziaul Hasan Molla, deputy managing director of Bank Asia, and Md Arifuzzaman, additional director of Bangladesh Bank, pose for photographs with participants of the "Entrepreneurship Development Programme" in Cox's Bazar on Wednesday.

PHOTO: BANK ASIA

## BB-Bank Asia training for small entrepreneurs

STAR BUSINESS DESK

Bank Asia Ltd, in association with Bangladesh Bank, recently organised a month-long "Entrepreneurship Development Programme" for small- and medium-entrepreneurs in Cox's Bazar.

On the concluding day of the training programme, certificates were handed over to 25 participants, who were selected from 200 applicants, a press release said.

Mohammad Ziaul Hasan Molla, deputy managing director of Bank Asia, was the chief guest and Md Arifuzzaman, additional director of Bangladesh Bank, was the special guest of the closing ceremony on Wednesday.

Md Jahid Iqbal, joint director of Bangladesh Bank, Md Shaminoor Rahman, head of MSME at Bank Asia, BM Shahidul Haque, head of the Bank Asia Institute of Training and Development and Md Nasimul Haque, head of Cox's Bazar branch, were also present.

The training programme intended to equip new entrepreneurs with the required business skills, contribute to the country's economic growth and foster employment generation.

The programme was funded by the Asian Development Bank (ADB) and managed by the Skills for Employment Investment Programme (SEIP) of the SME and Special Programmes Department at Bangladesh Bank.

## Fed rolls out biggest rate hike

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policy makers face in lowering inflation from its current 40-year high, to a level closer to its 2 per cent target, without a sharp slowdown in economic growth or a steep rise in unemployment.

"Our objective really is to bring inflation down to 2 per cent while the labor market remains strong ... What's becoming more clear is that many factors that we don't control are going to play a very significant role in deciding whether that's possible or not," Powell said, citing the war in Ukraine and global supply concerns.

"There is a path for us to get there ... It is not getting easier. It is getting

more challenging," he told reporters, noting that the rate hikes announced last month and in March so far had not only failed to slow inflation, but allowed it to continue accelerating to a level that recent data indicates have begun to influence public attitudes in a way that could make the Fed's job even harder.

A survey released on Friday showed consumer inflation expectations jumped sharply in June, a result Powell called "quite eye-catching," and enough to tilt policymakers towards a larger 75-basis-point hike in hopes of making faster progress on the inflation front and retaining public trust that price increases

will slow. "This is something we need to take seriously," Powell said of the change in consumer inflation expectations. "We're absolutely determined to keep them anchored." The faster pace of rate hikes outlined by officials on Wednesday more closely aligns monetary policy with the rapid shift that took place this week in financial market views of what it will take to bring price pressures under control.

Bond yields fell after the release of Fed projections on Wednesday that showed economic growth slowing to a below-trend rate of 1.7 per cent, and policymakers expecting to cut interest

rates in 2024. Stocks on Wall Street ended the day higher.

Interest rate futures markets also reflected about an 85 per cent probability that the Fed will raise rates by 75 basis points at its next policy meeting in July. For September's meeting, however, the greater probability — at more than 50 per cent — was for a 50-basis-point increase.

Powell, departing from the firmer guidance he has previously given about future rate increases, made no promises on Wednesday. Given an unexpected jump in a monthly inflation report on Friday and the jump as well in expectations, "75 basis

points seemed like the right thing to do at this meeting, and that's what we did," he said.

But he said rate hikes of that size were not likely to "be common," and that when Fed policymakers gather in July an increase of either half a percentage point or three-quarters of a point would be "most likely."

The tightening of monetary policy was accompanied by a downgrade to the Fed's economic outlook, with the economy now seen slowing to a below-trend 1.7 per cent rate of growth this year, unemployment rising to 3.7 per cent by the end of this year, and continuing to rise to 4.1 per cent through 2024.

## EU signs gas deal

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and Egypt is a trustworthy partner." She had vowed on Tuesday, during a visit to Israel, to confront Russia for its use of fossil fuels to "blackmail" European countries.

The memorandum of understanding on gas exports between Egypt,

Israel and the EU was signed at the East Mediterranean Gas Forum, the Egyptian petroleum ministry said.

Under a landmark \$15 billion deal in 2020, Israel already exports gas from an offshore field to Egypt, where it is liquefied and shipped to European countries. But a significant

increase in gas exports from Israel via Egypt would require major long-term infrastructure investments.

Von der Leyen also said Egypt had sun and wind power, "the energies of the future", in abundance, and that the EU and Egypt jointly exploring them was in "our common interest".



The government should be pragmatic while addressing challenges such as the rising prices of essential commodities, said the Institute of Chartered Accountants of Bangladesh. The photo was taken from a grocery shop in Bandar Bazar of Sylhet city recently.

PHOTO: SHEIKH NASIR

# Be pragmatic to deal with budget execution challenges

## ICAB urges govt to raise VAT collection, number of taxpayers

### STAR BUSINESS REPORT

The government should be pragmatic about addressing the challenges it will face while implementing the budget for the upcoming fiscal year, said the Institute of Chartered Accountants of Bangladesh (ICAB) yesterday.

The country may face the challenges while containing inflation and enhancing domestic investment, utilising funds available through foreign assistance, ensuring timely completion of high priority projects, and finishing the projects in the education and health sectors on time.

The government will also have to increase the collection of value-added tax, raise the number of individual taxpayers, maintain stability in the exchange rate of the taka, and keep the foreign exchange reserves at a comfortable level, said the ICAB.

Additional subsidies might be required for the increased prices of gas, power and fertilizer in international

markets.

Any failure to address the challenges properly may destabilise the economy, said Shahadat Hossain, president of the ICAB, at a webinar.

The ICAB organised the virtual discussion styled "Salient Features of Finance Bill 2022-2023 and Macroeconomic aspects of National Budget 2022-2023".

According to Hossain, the causes of inflation at the global level include accelerating prices in trade partners, a spike in oil prices, the depreciation of the taka against the US dollar, the disruption in the global supply chain, and the Russia-Ukraine crisis.

And these are largely beyond the control of the government, he said.

The government is targeting an average inflation rate of 5.6 per cent in the coming fiscal year. And containing the inflation will depend on the fiscal policy and/or monetary policy as well as external elements and influences, according to the ICAB chief.

"However, we have confidence in the government that it can manage inflation rate somehow as targeted."

Hossain said the tax net expansion is essential to improve the tax-to-GDP ratio, which is one of the lowest in the world.

"The government needs to take further steps to expand the tax net."

The ICAB is implementing a document verification system (DVS) in association with the National Board of Revenue. The system is expected to change the financial ecosystem of the country.

"We believe that the implementation of the DVS will help achieve targeted revenue. We also believe that this initiative will ensure transparency and accountability in the financial sector," said Hossain, adding that tax reforms can also contribute to improving the present tax-to-GDP ratio to a new height.

The institute thinks that the introduction of a 12 per cent tax rate for general industries exporting goods

and services and a 10 per cent for green factories will encourage diversification of exports of goods and services.

"In addition, integration and changing the definition of research and development, refinement of pre-launch costs and separate provisions for start-up businesses will serve as motivating factors to the new generation business and creative ventures."

The input tax credit on business services, the proposal to increase the VAT rebate period from two tax terms to four, the reduction of fines from 100 per cent to 50 per cent and a maximum 100 per cent, the operation in bonded warehouse electronically are certainly timely and business-friendly propositions, according to the ICAB.

Snehasish Barua, a partner of Snehasish Mahmud & Co Chartered Accountants, and MBM Lutful Hadee, proprietor of Hadee Lutful & Co Chartered Accountants, presented keynote papers on various features of the budget.

## ADB gives \$143m to help enhance cross-border trade

### STAR BUSINESS REPORT

The Asian Development Bank (ADB) will provide a \$143 million policy-based loan to Bangladesh to improve the volume, efficiency, predictability, and security of cross-border trade in the country.

To this end, the ADB signed an agreement with Bangladesh on June 15, the bank said in a press release yesterday.

Fatima Yasmin, secretary of the Economic Relations Division, and Edimon Ginting, country director of the ADB, virtually signed the agreement.

Addressing the event, Ginting said aligning with Bangladesh's policies and strategies, the ADB is helping enhance export diversification and competitiveness for accelerating growth with industrialisation and trade and expanding sub-regional trade and commerce.

The ADB assistance will help increase the volume of imported and exported cargoes at the Akhaura, Sonamasjid, and Tamabil border crossing points (BCPs) by 50 per cent by 2027 while reducing average customs clearance and cargo trans-shipment time by 50 per cent, he said.

"E-payment at the three BCPs will be implemented, with their capacity increased to handle 520,000 tonnes per year of international transit cargoes, and a central customs laboratory, customs warehouse, and customs regional training academy will be designed," he added.

## Migrants sent home \$605b in 2021: UN

### AFP, Rome

Migrant workers sent home an estimated \$605 billion to low- and middle-income countries last year, a UN study said Thursday, boosted by an increase in payments sent via mobile phones.

Global remittances rose 8.6 per cent compared to 2020 and are projected to grow to \$630 billion in 2022, according to the International Fund for Agricultural Development (IFAD).

Such payments are a major source of income for many low-income households, with around 800 million family members expected to benefit in 2022.

Between now and 2030, global remittances will amount to \$5.4 trillion, the equivalent of twice the GDP of Africa in 2021, IFAD has estimated.

"Remittances lift people out of poverty, put food on the table, pay for education, cover health expenses, allow housing investments and many other family goals beyond consumption," IFAD president Gilbert Houngbo said.

However, the report warned that the upward trend would likely slow this year as inflation erodes wages, and as a result of Russia's invasion of Ukraine.

Many countries in central Asia depend on remittances from Russia, with payments accounting for as much as 30 per cent of their GDP, said the report.

## NBR toughens rules

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space needed to intervene when needed.

Tax deducted at source (TDS) accounts for roughly 60 per cent of the overall direct tax collection by Bangladesh's tax administration.

Taxmen said the ratio of collection of withholding tax should be higher in view of the development activities carried out by the government, and purchases of goods and services by private firms.

In the July-April period of the current fiscal year, taxmen collected Tk 43,994 crore in withholding tax which was 63 per cent of the total receipts of Tk 69,780 crore, according to the NBR data.

Taxmen said overall collection would have been much higher had all government and private entities ensured deduction of the TDS and deposited it to the state coffers.

"We do not have a pleasant experience regarding the TDS although the globally effective model for revenue collection is the TDS. What we find is that this regime is totally undisciplined," said a senior official of the NBR.

The official said all public and private organisations were in practicality the withholding tax deducting authorities and these entities are to deposit the money to the exchequer after deduction.

However, in absence of any penalty or punitive measure, there has been a lax attitude on the part of many agencies regarding the TDS collection.

"This is why we are for

tightening the rule," said another official of the NBR.

The tax administration also wants to empower its field offices regarding verification and enforcement of deduction or collection of taxes.

As such, it brought changes in the income tax law seeking to empower field offices to have full and free access to the premises, places, books of accounts, records of economic activities and electronically preserved information.

Taxmen would also be able to extract data, images or any inputs stored in the electronic records and systems for purpose of enforcing proper deduction and tax collection.

If the entry or access is obstructed to the premises or places, the tax offices would be able to slap up to Tk 50 lakh in penalty, according to the Finance Bill 2022.

Snehasish Barua, partner at chartered accountancy firm Snehasish Mahmud & Co, said this may increase the arbitrary power of tax officials.

He said penalty for non-compliance with the rule for the failure to deduct and deposit withholding tax may overburden the person approving the payment who is also serving on behalf of the direction of owner, he said.

"This provision is illogical and should be withdrawn as we are yet to establish corporate culture," he added.

Besides, as the NBR has taken initiatives to collect tax through an online e-TDS system, the provision for imposing such a huge

penalty for obstruction to offices and premises may turn out to be a barrier to an effective e-TDS system, added Barua.

Md Alamgir Hossain, former member of income tax policy of the NBR, said imposing fines was not the objective of the law.

"The main objective is to ensure proper compliance. If anyone complies with the rules fully, there would be no question of penalty," he said.

Hossain said on many occasions, public and private offices do not deduct tax properly or deduct less than the applicable rates because of a lack of awareness.

For this reason, the tax administration framed rules for submission of withholding tax return and audit related to withholding tax collection, he said.

Taxmen might have faced difficulties in accessing proper cooperation and information from the agencies. This may lead to the introduction of the new provision for penalty for obstruction, he said.

Hossain suggested that the NBR formulate a withholding tax audit manual, clearly set audit processes and define the issue of obstruction or hindrance clearly so that audit processes remain transparent for everyone.

At the same time, taxpayers should be given the opportunity for self-defence, he added.

"This will reduce discretionary powers of tax officials and fear of harassment of taxpayers," said Hossain.

## Firms unlikely

FROM PAGE B1

instead of making the refund, he added.

"The corporate tax reduction will not benefit us," said Rizwan Rahman, president of the Dhaka Chamber of Commerce and Industry.

"More than 99 per cent companies will not be able to get the corporate tax cut benefits because fulfilling the conditions is absolutely impossible."

Rahman thinks a source tax cut could be more effective than the reduction in the corporate tax.

Sadhan Kumar Dey, chief operating officer and chief financial officer of RAK Ceramics, says it is quite tough to avail the corporate tax benefit for RAK Ceramics since it can't say that it will not sell on cash.

He says RAK Ceramics can ensure that it will not make any payment on cash. However, it can't give the same guarantee when it comes to receipts.

"A company needs to honour customers' preference whether they pay on cash or through banks."

As a construction-related products seller, RAK Ceramics also has to sell products even on Fridays or Saturdays when banks usually remain closed, Dey said.

"If transactions are made through the banking channel, it ensures transparency, so as an auditor, we can't appreciate cash transactions," said Muhammad Farooq, a former president of the Institute of Chartered Accountants of Bangladesh.

"However, it might not be convenient for businesses.

But still, they should explore ways how they can carry out transactions through the banking system."

In Bangladesh, there are many companies that rely completely on cash transactions, so they will be in trouble if they want to comply with the conditions to qualify for the reduced tax rate, Farooq said.

"The socio-economic situation should be prepared step by step for a low cash transaction."

Earlier, Snehasish Barua, a partner at Snehasish Mahmud & Co, a chartered accountancy firm, said some big companies collect demand drafts or pay orders and then deliver their goods. For them, it is very easy to comply.

But most companies collect cash from customers whenever they can, depending on the credit period. "Sometimes, it is difficult to recover money, let alone bring it through the banking channel," said Barua.

## Relaxed policy extended

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to waive 50 per cent of the interest on NPLs.

The defaulters will get the waiver facility after they repay the entire amount of the bad loan within a year.

The relaxed repayment facility will be annulled if the defaulter fails to pay back the loan on time.

NPLs in the country's 34 NBFI's stood at Tk 11,757 crore as of September last year, up 17 per cent from nine months ago, central bank data showed.

## Budget gives no comfort

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The government spends more in implementing projects through reallocations, so the real development budget is much lower than it looks, he said.

The government has continued to raise the budget for government officials, but the poor and the lower-income groups have remained ignored, he said.

It reduced the budget for actual social safety net programmes and the Trading Corporation of Bangladesh's (TCB) open market sale (OMS) programme, he added.

"The budget formulation process needs to be changed as there is no provision for consultation with the members of parliament," said Anisul Islam Mahmud, a former environment and forests minister.

About the opportunity to whiten black money, he said he does not see any logic except for the fact that it would encourage money laundering.

Planning Minister MA Mannan said the inflation figure was different as some took into consideration a handful of data from a narrow perspective but

the Bangladesh Bureau of Statistics (BBS) availed a wide range of data.

Mannan refuted data manipulation allegations of Amir Khasru, saying if that was the case, ensuring the Padma bridge, Karnaphuli tunnel, metro rail and electricity for all would not have been possible.

The government talks to businesspeople before and after the budget proposal but none talks to blue-collar workers, for which they remain ignored in the budgets, said Socialist Workers Front President Razekuzzaman Ratan.

Shusmita Anis, a director of ACI, said the tax-free income threshold should be raised to Tk 5 lakh at least.

The government has proposed a corporate tax cut by 2.5 percentage points on a precondition that all receipts and incomes as well as all expenses and investments of more than Tk 12 lakh had to go through banks.

In reality, meeting this precondition will not be possible, she added.

Rizwan Rahman, president of the Dhaka Chamber of Commerce and Industry, said the government aims to borrow from the banking sector

to meet a portion of its budgetary deficit.

But this might crowd out the private sector as banks always prefer the public sector when deciding on giving out loans for the guarantee of repayment, he said.

He said the proposed money whitening opportunity will encourage capital flight.

"Who will pay the 25 per cent tax if they can whiten money in exchange of only 7 per cent tax? If an honest taxpayer becomes dishonest, who will take the responsibility?"

While chairing the event, Fahmida Khatun, executive director of the CPD, said the fiscal and monetary measures that have been taken to guard the poor and the lower-income groups are inadequate.

"There was an opportunity to lessen the burden of higher prices through the cut in duties of imported items and lowering of taxes domestically. The government should also have raised the tax-free income limit from the current level."

Khondaker Golam Moazzem, research director of the CPD, made the keynote presentation.

Non-performing loans have increased to some extent after the coronavirus pandemic, said Hussain, also managing director of Brac Bank.

"We are now taking several initiatives to rein in bad debts. I reckon the ongoing states of default loan will improve within the next 5-6 months."

## BB to review FBCCI plea

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The central bank had given a moratorium facility to borrowers throughout 2020, after which they were allowed to avoid the default zone by repaying 25 per cent of their total instalments payable in 2021.

Selim RF Hussain, chairman of the Association of Bankers,

Bangladesh, a forum of managing directors of banks, told reporters after the meeting that Bangladesh Bank would take a decision to this end.

"But more time will be needed to know the result," he said.

"We are now exerting on speeding up our loan recovery," Hussain added.



Mangoes are seen hanging in brown bags from their branches at a farm in Jinnahagar area of Rajshahi city. This special growing method helps protect the fruits from pest attacks as well as natural calamities such as gales, torrential rain and hailstorms.

PHOTO: ANWAR ALI

# Fruit bags promise high quality mangoes

Growers increasingly adopting the method, eye better profits

ANWAR ALI, Rajshahi

The special method of growing mangoes inside multi-layered bags with wax on the outer surface may not pose any potential health hazards for end consumers, but the additional cost makes the fruit costlier, according to market players.

However, this surefire method of producing quality fruits is expanding among the country's mango producers with its allure of higher profits in exchange of increased input costs.

"Unlike traditional mango growers, fruits produced using this technique are guaranteed to reach the market barring any unforeseeable circumstance during transport," said Dr Sorol Uddin, an agriculturist.

This is because other than protecting from pest attacks, the bags help defend against gales, torrential rain and even hailstorms with their ability to withstand wind speeds of up to 65 kilometres per hour before being blown away.

In addition, the bags help keep the mangoes dry inside a controlled temperature, which extends the fruit's longevity so that farmers can take them to the market at will.

The demand for fruit bags in mango farming has been increasing by about 1 crore to 1.5 crore pieces per year, according to industry experts.

When they were first introduced back in 2016, some 60,000 bags were used. This year though, at least 12 crore fruit bags were used for growing mangoes,



they said.

Mango farmers in Chapainawabganj account for a majority of the bags being used with about 10 crore of them spread throughout orchards in the region while Naogaon, Rajshahi and other top mango producing districts are utilising the rest.

In the Jinnahagar area of Rajshahi city, this correspondent saw brown fruit bags were covering mangos in an orchard owned by Anwarul Hoque, president of the Rajshahi Safe Agro Food Producers' Society.

Hoque said he used a total one lakh bags this year and was expecting more than 20 tonnes of export quality mangoes.

Fruit bags involve an additional cost of Tk 1,000 per maund (40 kilogrammes) of mangoes as each bag costs Tk 4 while

the associated labour cost of applying them is Tk 5.

While normal mangoes sell at Tk 1,800, Hoque can sell his bagged mangoes at Tk 3,200 per maund due to their superior quality.

"You just can't avoid making a profit after using fruit bags on mangoes," he said.

Asked about the availability of buyers for such costly fruit, Hoque said he has some 200 buyers who are health-conscious and procure mangoes only from him because of better quality.

"Some exporters also collect my mangoes," he said, adding that about 20 tonnes of his fruit travels to some eight countries each year.

The use of fruit bags on mangoes is increasing but steady export growth

would have helped expedite the method's use further, said agriculturist Uddin.

However, most locals are still not buying the mangoes at such costly prices, he added.

At present, only medium and large farms are using fruit bags as small farms remain unable fund such an expense.

Fruit bags are used during the months of April and May, just ahead of the paddy harvest.

As such, small farms reeling from a fund crunch at this time cannot buy the bags, growers and researchers said.

Farmers say the price of fruit bags would have been bearable for small farmers if the 63 per cent import duties levied on them were lessened by considering them as agricultural inputs.

This year, mango yields dropped for bad weather but fruit bagging helped farmers ensure high prices for their produce, said Omor Farul Tipu, general secretary of the Kansat Mango Hoarders Cooperative Association.

"So, there is no reason to be unhappy with this year's low production," he added.

Growers in the district produced at least 20,000 tonnes of export quality mangoes using fruit bags this year.

Some of these mangoes will be exported to different countries while super shops and other retailers of different districts will collect the rest at high prices.

"Though this year's production volume is lower than before, we are not unhappy as we are getting better prices," Tipu said.

## Is the devil outside or inside the organisation?

MAHTAB UDDIN AHMED

In my last job during the time between 2014 and 2016, the company performance was well below the mark, with 2016 being a serious disaster.

In early 2014, I shifted from CFO (Chief Financial Officer) role to COO (Chief Operating Officer) with the responsibility of sales, marketing and strategy. In this one job, I struggled more than any in my life.

But it was also at this time that I learned the most. I moved out of my COO job in early 2016 to attend the Harvard Business School's Advanced Management Programme course and spent some time in the head office in Malaysia before taking over the CEO role.



In my absence, the leadership at the time grabbed the opportunity to pass on the responsibility of the company's failure to me to save their face. As a result, confidence in me at the group management was shaken to the extent that I was almost being pushed for a much less important CEO role.

Avoiding the responsibility of failure or rather 'passing the buck' is very common in our leadership culture. Our first instinct is to pass the blame to an external factor which one cannot control. And if that is not possible, then all efforts are focused on finding a scapegoat within the organisation.

In the above event of failure, I consistently advised my boss that instead of playing the role of a sensible player, we, as a challenger company, should play aggressively. But he was of the view that sensible play is critical to managing profitability.

My view was that driving top-line growth with strong cost control helps grow profitability in a smarter way. During my tenure as the CEO in an extremely competitive industry, my first strategy was not to give any space to the market leader in terms of price and at the same time aggressively

**Avoiding the responsibility of failure or rather 'passing the buck' is very common in our leadership culture. Our first instinct is to pass the blame to an external factor which one cannot control**

attack the Number Three player in the market as a weaker opponent. And voila! The strategy worked like magic!

In any given organisation, a crisis can ensue from a combination of processes: 1. An undercurrent accumulation of organisational inadequacies that lay in wait for a favourable situation to the surface; 2. A trend of growing ignorance that keeps managers visionless of the presence of these inadequacies; and 3. The leadership's blaming culture or refusal to accept the failure as an impediment to the growth journey.

The key point here is to understand how the imperfections within the organisation are allowed to build up and grow to a point when they become vulnerabilities. It happens because the imperfections or vulnerabilities are not taken into consideration until they lead to a crisis.

In other words, the management kind of lapses into a denial mode even when the vulnerabilities are all too clear. This managerial ignorance is described as a self-nourishing retreat, a process that inculcates the devil in the organisation.

We have all seen how corporate leaders, politicians etc. blame external factors for their failure.

For example, many leaders give the excuse that the 2021 target could not be achieved due

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## Fed rolls out biggest rate hike in 28yrs

REUTERS, Washington

The Federal Reserve on Wednesday approved its largest interest rate increase in more than a quarter of a century to stem a surge in inflation that US central bank officials acknowledged may be eroding public trust in their power, and being driven by events seen increasingly out of their hands.

The widely expected move raised the target federal funds rate by three-quarters of a percentage point to a range of between 1.5 per cent and 1.75 per cent, still comparatively low by historic standards.

But the Fed's hawkish commitment to controlling inflation has already touched off a broad tightening of credit conditions being felt in US housing and stock markets, and likely to slow demand throughout the economy - the Fed's intent.

Officials also envision steady rate increases through the rest of this year, perhaps including additional 75-basis-point hikes, with a federal funds rate at 3.4 per cent at year's end. That would be the highest level since January 2008 and enough, Fed projections show, to slow the economy markedly in coming months and lead to a rise in unemployment.

"We don't seek to put people out of work," Fed Chair Jerome Powell said at a news conference after the end of the Fed's latest two-day policy meeting, adding that the central bank was "not trying to induce a recession."

Yet the Fed chief's remarks were among his most sobering yet about the challenge he and his fellow

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People doing grocery shopping in Rosemead, California on April 21. The US central bank has approved its largest interest rate increase since 1994 to rein in a surge in inflation.

PHOTO: AFP/FILE

## EU signs gas deal with Egypt, Israel Bid to end reliance on Russia

AFP, Cairo

Israel and Egypt plan to boost gas exports to Europe under an agreement signed during a Cairo visit Wednesday by the European Commission president as the bloc seeks to wean itself off Russian gas.

Ursula von der Leyen also pledged relief worth 100 million euros (\$104 million) for food security in Egypt, which has been reeling from grain shortages as a result of the Ukraine war.

"Russia's war against Ukraine has exposed our European dependency on Russian fossil fuels, and we want to get rid of this dependency," von der Leyen told a joint press conference with Egyptian President Abdel Fattah al Sisi.

"We want to diversify to trustworthy suppliers,

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