

# star BUSINESS

## Inflation falls for 5th month in January

**STAR BUSINESS REPORT**

Inflation in Bangladesh declined for the fifth consecutive month in January driven by a fall in food prices, in line with global trends, official figures showed yesterday.

The Consumer Price Index (CPI) rose 8.57 per cent last month, a decrease of 14 basis points from 8.71 per cent in December, according to data from the Bangladesh Bureau of Statistics (BBS).

January's inflation figure was the lowest since August when consumer prices surged to a 10-year high of 9.52 per cent.

Prof Shamsul Alam, state minister for planning, credited the supply-side improvement for the drop in inflation.

"The supply of farm produce has gone up

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## Separate tax policy making from collection Businesses say

**STAR BUSINESS REPORT**

Top business leaders yesterday urged the National Board of Revenue (NBR) to ensure a conducive business climate by bringing reforms to the revenue sector, including having separate administrations formulating tax policies and collecting revenue.

They also demanded that the authorities concerned ensure a "fear-free" tax office, expand the tax net and refrain from putting pressure on existing taxpayers.

The NBR should formulate a policy aiming to achieve the long-term targets foreseeing the economic situation, they said.

"When the NBR officials form a policy, initially they just focus on achieving immediate targets," said Nihad Kabir, chairperson of the trustee board of Business Initiative Leading Development.

They do not give thought on the targets of the next 15 years to 20 years considering the economic status, she said.

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## Bangladesh made over 10cr handsets so far Milestone reflects capacity to meet all of local demand

**MAHMUDUL HASAN**

Bangladesh's mobile manufacturing industry hit a major milestone of having produced over 10 crore handsets till date, with the local plants gaining the capability of meeting almost all of the annual demand for devices in a span of just over 5 years.

In the latter half of 2017, when Bangladesh allowed local manufacturing by offering a huge amount of tax benefits, only 40,000 cell phones were produced by local firm Walton.

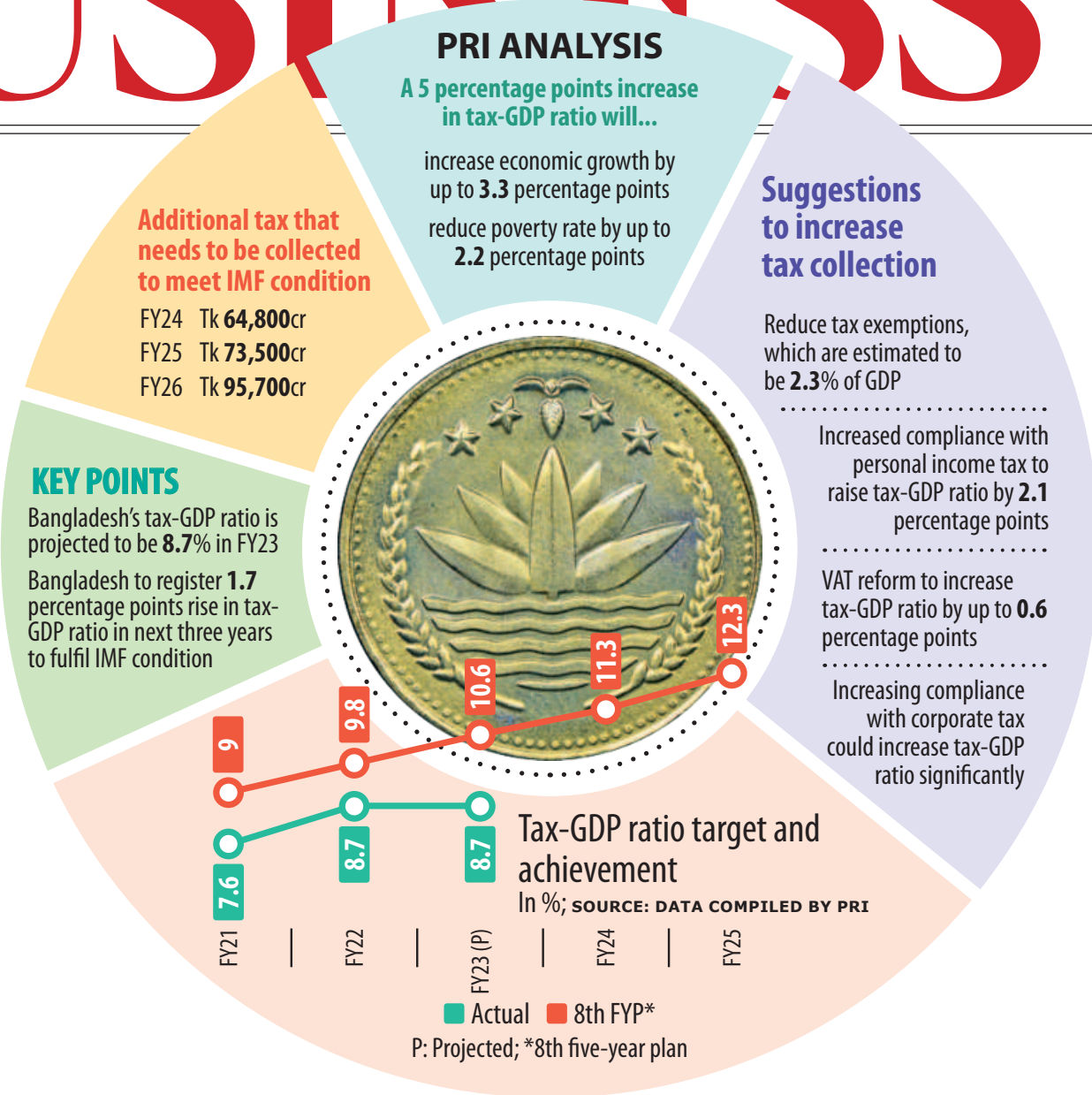
But things started to accelerate the following year as the local entities engaged in deals with top global brands, including Samsung, Tecno and Symphony, to set up manufacturing facilities in Bangladesh.

A total of 15 plants have so far been established in Bangladesh, producing 10.35 crore handsets as of 2022, according to Bangladesh Telecommunication Regulatory Commission (BTRC), which provides manufacturing permits.

In 2018, a total of 22 lakh phones were manufactured, but the number shot up by over sevenfold to 1.6 crore in 2019 with the local production of Oppo, Realme and Vivo-branded devices.

Another 2.40 crore were made in 2020 and despite

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# Huge tasks ahead for NBR to meet IMF conditions

**STAR BUSINESS REPORT**

Bangladesh will have to collect an additional Tk 234,000 crore in the three years from the current fiscal year in order to meet the International Monetary Fund's conditions tagged with its \$4.7 billion loan approved last month.

Attaining the target will be very challenging if the National Board of Revenue follows a "business as usual" approach, said the Policy Research Institute (PRI) of Bangladesh, a think-tank based in Dhaka, as it shared the figures yesterday.

The Washington-based multilateral lender attached conditions that Bangladesh will have to increase the tax-to-GDP ratio by 1.7 percentage points to 9.5 per cent at the end of the fiscal year of 2025-26, from 7.8 per cent currently.

The country will have to raise the tax-to-GDP ratio by 0.5 percentage points by FY24 with a subsequent hike of 0.5 percentage points in FY25 and 0.7 percentage points in FY26.

"The target will not be achieved overnight. The goal will remain unachieved with the business-as-usual approach. For this, massive action will be needed," said Ahsan H Mansur, executive director of the PRI, at a press briefing at the office of the think-tank.

Mohammad Abdur Razzaque,

director of the PRI Study Centre on Domestic Resource Mobilisation, echoed Mansur, saying: "Achieving the target will be extremely difficult."

The NBR on average registered around 12 per cent annual growth in tax collection from FY19 to FY23. In order to achieve the target set by the IMF, the tax revenue growth needs to be around 18 per cent in FY24, he said.

The IMF projects that the NBR would collect Tk 345,600 crore



during the current fiscal year, ending in June.

The tax authorities logged Tk 294,314 crore in revenue in 2021-22, according to finance ministry data.

Razzaque said the NBR has a number of tasks, including IMF's conditions and the promises made by the government to the multilateral agency.

They include establishing compliance risk management

units at the NBR customs and VAT wings by December 2023, and developing and adopting a tax compliance improvement plan by the middle of FY24.

The tax collector will also have to adopt a medium-term revenue strategy by the middle of the next fiscal year and implement the strategy between FY25 and FY26, said Razzaque.

Apart from that, the government plans to eliminate less effective tax exemptions and

the tax net," said Mansur.

With a view to increasing the collection of VAT from the retail sector, the revenue authorities plan to install another 300,000 electronic fiscal devices over the next five years.

As per the plan, the NBR also wants to move toward a modern IT-based administration of the VAT and income tax systems, greater at-source taxation and strengthened compliance risk management.

The PRI said the reduction of tax exemptions, which are estimated to be 2.3 per cent of GDP, could help boost revenue collection.

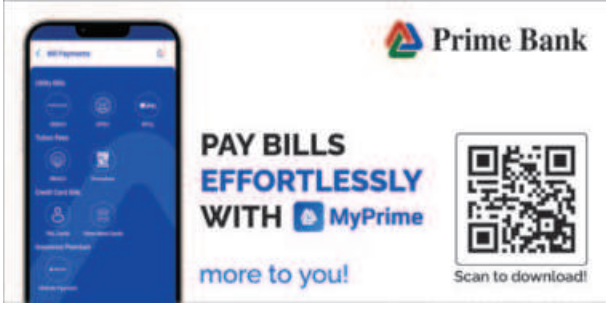
Similarly, increased compliance with personal income and corporate tax will enable the tax authorities to generate more revenue. Besides, reforms in the VAT system could increase the tax-to-GDP ratio by up to 0.6 percentage points, according to the PRI analysis.

Mansur said a sectoral analysis is necessary on tax exemptions.

"And during the placement of the budget, the NBR should give a statement of tax losses against exemptions. This will bring about transparency and accountability."

The former economist of the IMF, however, backed the continuation of duty benefits for export-oriented industries.

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## Dual policy in a single stock market

### Floor price for half of listed firms dents investor confidence

**AHSAN HABIB**

By removing the floor price for nearly half of the companies listed in the country in December while retaining the regulatory measure for the rest, the Bangladesh Securities and Exchange Commission (BSEC) has effectively moved to a dual system.

This is because the companies that have seen the floor price removal are allowed to drop slowly while the rest have been safeguarded from further erosion.

In order to prevent a freefall of stocks, the floor price, the lowest price at which a share can be traded, was brought back on July 29. The floor was the average of the closing prices on July 28 of 2022 and the preceding four days.

On December 21, the stock market regulator lifted the artificial support measure for 169 companies. It, however, set the circuit breaker in a way that would prevent stocks from declining more than 1 per cent on a given day.

## ANALYSIS

"This is an example of a dual policy system in a single market," said Al-Amin, an associate professor of the accounting & information systems department at the University of Dhaka.

On what basis the BSEC lifted the floor price for some companies but it has remained in place for others was not communicated to people, he said.

Many stocks have declined more than 20 per cent since the withdrawal of the floor price while others are stuck at the floor, Al-Amin said.

"Some people are being victimised by the withdrawal of the floor. But what was the fault of the investors of these stocks? Setting the floor price was a wrong decision, at least for the second time."

In March 2020, the stock market regulator introduced the floor price on all stocks to stop the index from sliding after the coronavirus pandemic struck the country.

"Now, the BSEC is repeating the mistake by lifting the floor price for some and retaining it for others," said Al-Amin.

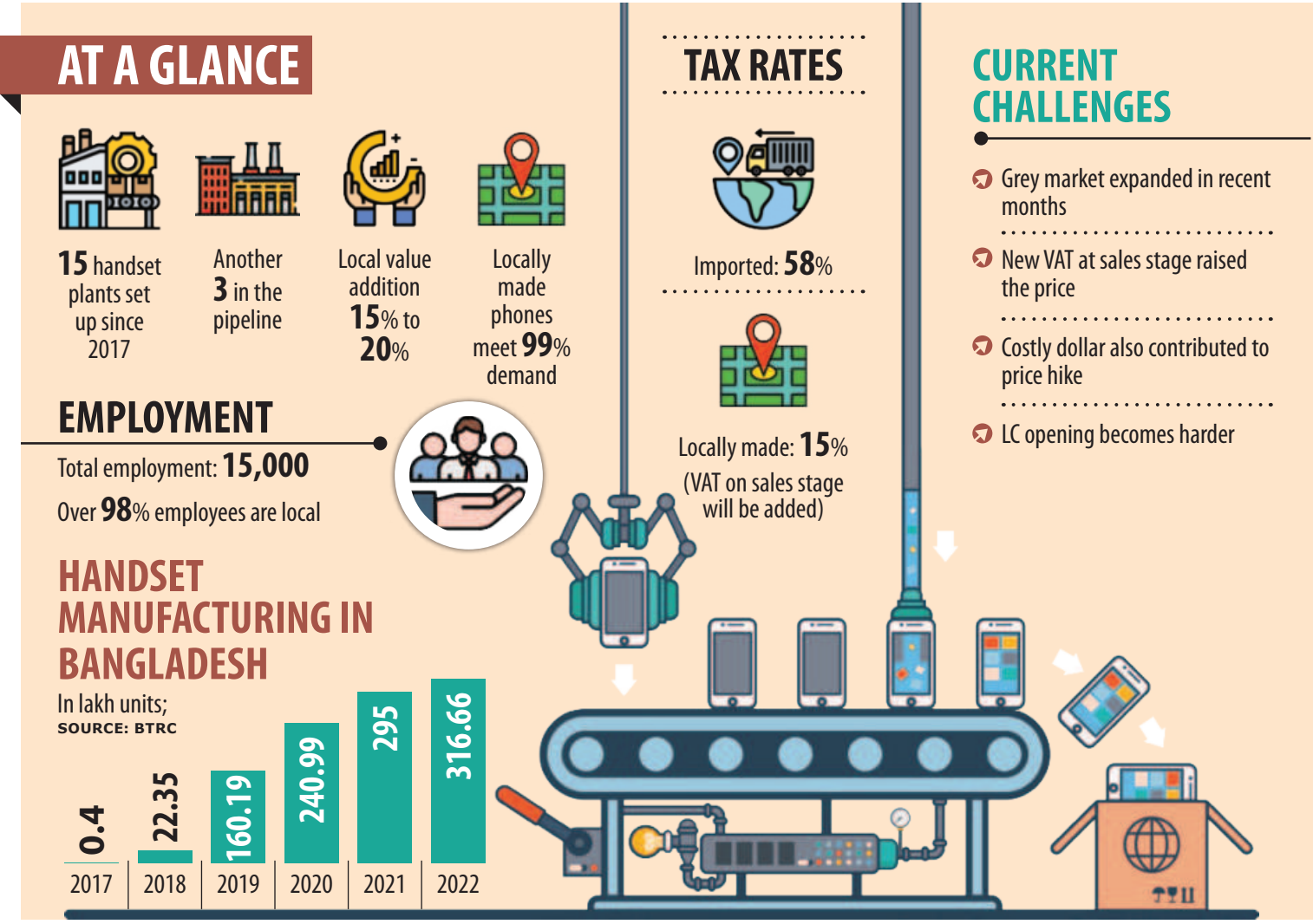
The introduction of the floor price in 2020 was criticised by most analysts and foreign investors,

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STOCKS	
DSEX ▼	CASPI ▼
0.09% 6,280.71	0.28% 18,534.38

COMMODITIES	
Gold ▲	Oil ▲
\$1,870.98 (per ounce)	\$73.59 (per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 0.55% 60,506.90	▲ 0.67% 27,693.65	▲ 0.05% 3,385.93	▼ 0.76% 3,238.70



## FBCCI forms election board for its polls

**STAR BUSINESS REPORT**

The Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) has formed a panel to oversee the election of its board of directors for the tenure of 2023-24.

The apex trade body appointed A Matin Chowdhury, managing director of Malek Spinning Mills Ltd, as the chairman of the election board.

Shamsul Alam, a former director of the FBCCI, and Monjurul Hoque, a businessman, have been picked as the members of the election board at a meeting of the board of directors of the federation in Dhaka on February 2.

The tenure of the current committee will come to an end on May 19 and the new committee will take responsibility from May 20, said Md Amin Helayi, vice-president of the FBCCI, over the phone yesterday.

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