

star BUSINESS

Interbank dollar rate hits record high

STAR BUSINESS REPORT

The interbank exchange rate for the US greenback has reached a record high of Tk 108.75 per dollar as Bangladesh continues to face a shortage of the foreign currency.

Banks traded each dollar ranging from Tk 108.50 to Tk 108.75 on May 22, down 24.28 per cent from a year ago, data from Bangladesh Bank showed.

The interbank exchange rate increased almost every working day this month after starting out at Tk 106.80 per dollar on May 1. The local currency has been facing depreciation for the last one year due to higher import payments and slower-than-expected export earnings and remittance inflow.

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Planning Minister MA Mannan poses along with other speakers at a roundtable on “Progressive Taxation in Bangladesh: Why and How?” at The Daily Star Centre in the capital yesterday. The newspaper organised the discussion in association with the Wave Foundation and the Christian Aid Bangladesh.

PHOTO: STAR

Progressive tax a remedy for inequality

Say speakers at The Daily Star-Wave Foundation-Christian Aid roundtable

STAR BUSINESS REPORT

Progressive taxation on high-income people can work well to reduce the income inequality that has been deepening in Bangladesh for years, analysts said yesterday.

Progressive tax systems have tiered tax rates that charge higher-income individuals higher percentages of tax on their income and offer the lowest rates to those with the lowest incomes.

“If the government can impose a progressive tax on high-income people, it will be helpful to reduce inequality. But it is tough as the state is captured by elites,” said Prof MM Akash, chairman of the Department of Economics at the University of Dhaka.

“In the parliament, most of the MPs are businessmen and rich. So, imposing a higher tax on the upper one per cent of the population is not easy.”

“To do so, a strong political will is necessary so that the big fish are identified and brought under the tax net.”

He urged the government to leave the middle-income people alone and impose more taxes on the upper-income people instead.

His comments came at a roundtable on “Progressive Taxation in Bangladesh: Why and How?” at the Daily Star Centre in the capital. The newspaper

organised the discussion in association with the Wave Foundation and the Christian Aid Bangladesh.

Income inequality in the country has deepened in the past six years as shown in the latest Gini Coefficient data published

government is trying to tackle it by uplifting the lower-income people.

“The positive side is there is no hunger poverty and shelter poverty. Moreover, the living standard of the low-income people has improved. But since

not pay VAT to the government properly.

“So, the government has been trying to digitalise the process since 2012.”

The National Board of Revenue (NBR) has a good intention to protect the lower-income people and impose more taxes on the higher-income groups, but it's goal changes when the government sets a revenue target for it and asks it to achieve it, said Mamun Rashid, country clients and markets lead at PwC Bangladesh.

“Then, the tax authority makes a back calculation based on the number,” he said, adding that the NBR emphasises job creation keeping the need of the economy in mind and sets tax breakups accordingly.

He urged the government to collect taxes properly.

“An effective progressive tax system is a crucial tool to reduce inequality and raise more revenues,” said Sayema Haque Bidisha, a professor of the Department of Economics at the University of Dhaka.

“The tax should be imposed at a higher rate at the upper level. Similarly, the wealth tax rate should be increased.”

“But the surcharge was not imposed systematically in the

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by the Bangladesh Bureau of Statistics.

The Gini Coefficient related to income rose to 0.499 in 2022 from 0.482 in 2016 and 0.458 in 2010. A Gini index of 0 represents perfect equality, while an index of 1 implies perfect inequality.

Prof Akash said people also don't feel encouraged to pay taxes as they don't think they will get proper services from the government.

Speaking as the chief guest, Planning Minister MA Mannan acknowledged that income inequality is rising but the

the income of the upper-income people has skyrocketed, inequality has deepened.”

In order to cut inequality, the government started income transfer in 1996, the first of its kind in Bangladesh, through social safety net programmes, Mannan said.

He said many people are calling for a cut in the value-added tax rate, but it gives a huge revenue to the government.

“VAT is universal, unescapable, and people feel its pain the least.”

The problem is, according to the minister, many businesses do



The NBR considers slashing the existing indirect tax on sweets encouraged by increased revenue collection from restaurants. The photo was taken from Moylapota Mor of Khulna city yesterday.

PHOTO: HABIBUR RAHMAN

VAT on sweets may be cut

STAR BUSINESS REPORT

The National Board of Revenue (NBR) could cut value-added tax (VAT) on sweets by half to 7.5 per cent, according to officials of the finance ministry.

This means consumers are likely to be able to buy sweets cheaper from the next fiscal year of 2023-24.

The tax collector considers slashing the existing indirect tax on sweets

encouraged by increased revenue collection from restaurants.

The NBR reduced VAT on food bills at nearly all types of restaurants to 5 per cent in this fiscal year of 2022-23. The exceptions are hotels of a three-star rating or more.

Earlier it was 10 per cent for restaurants with AC and 5 per cent for non-AC ones.

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How DBH managed to keep its NPLs so low

It has the lowest ratio among banks and non-banks for years

AHSAN HABIB

While a number of banks and non-bank financial institutions (NBFIs) are struggling to rein in their non-performing loans (NPL), DBH Finance PLC has continued to maintain the lowest NPL to loan ratio in the industry for years.

Commencing operations in 1996, the housing finance company's classified loans reached Tk 38 crore in 2022 with an NPL ratio of 0.86 per cent whereas the aggregate NPL ratio of all the NBFIs was 24.61 per cent till September 2022.

For the banking sector, the average NPL ratio was 9.36 per cent at the end of September, according to the central bank data.

The housing company is the lone financial institution in the country whose NPL to outstanding loan ratio never touched 1 per cent.

The company did not reschedule any loans in 2022 and in its 25 years of operations, it wrote off just Tk 94 lakh of loans, said Nasimul Baten, its managing director and CEO.

This is by far the best figure in the bank and financial institution industry, excluding the new ones, he said.

The choice is the factor – whether to go for aggressive expansion and take high risks or to be conservative and focus on risk management. The company chooses the latter, he said.

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MCCI for taka-rupee trade with India

STAR BUSINESS REPORT

The Metropolitan Chamber of Commerce and Industry (MCCI) yesterday proposed introducing a currency swap facility enabling use of both the Bangladeshi taka and the Indian rupee to increase bilateral trade.

The chamber also recommended a dual currency credit card and the free flow of the two currencies without any cap in case of bilateral trade regardless of Bangladesh's export performance.

The MCCI also proposed harmonisation of standards of the Bureau of Indian Standards (BIS) with those of the Bangladesh Standards and Testing Institution (BSTI) to promote and bring ease to the trade.

Md Saiful Islam, the MCCI president, came up with the proposals at the second quarterly luncheon meeting of the MCCI held at its Gulshan office in Dhaka. Indian High Commissioner to Bangladesh Pranay Verma attended the event as chief guest.

Islam also said the currency swap, meaning Bangladesh receiving

The chamber also recommended a dual currency credit card and the free flow of the two currencies without any cap

payments in the taka and India in the rupee, would not involve any third currency.

In the South Asian region, trade between Bangladesh and India has been growing in spite of the severe fallout of the Covid-19 and Russia-Ukraine war, he said.

Furthermore, India is the 10th largest investment destination for Bangladesh and Bangladesh is the fourth largest export destination for India globally, he added.

The signing of a comprehensive economic partnership agreement (Cepa) will act as a game changer in bilateral trade and investment in the future, said Islam.

The signing of a Cepa may take the bilateral trade

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National BUDGET FY2023-24

Fiscal policy goals remain elusive

Says economist Rizwanul Islam in an interview

SOHEL PARVEZ



Fiscal policy goals set for the current fiscal year have remained elusive as private investment has stagnated, the economic growth has fallen, and inflation has shot up, said a noted economist.

Rizwanul Islam, a former special adviser of the employment sector at the International Labour Office in Geneva, said fiscal policies for 2022-23 were designed to maintain and strengthen the business-friendly environment in the economy.

An increase in the Export Development Fund, reduced corporate taxes, and VAT exemptions are but a few examples of such policies.

Perhaps the hope was that they will ensure investment and growth, and through the process, employment generation. This is the framework of the familiar trickle-down approach which, by the way, has long been discarded around the world, said Islam.

In 2022-23, private investment has stagnated, and in fact, it has declined as a share of GDP.

Besides, GDP growth has fallen. Inflation has shot up. Employment in the industrial sector has declined and there have been reverse tendencies in the labour market.

“Thus, the goals of fiscal policy remain elusive,” Islam said.

The budget for 2022-23 was formulated at a time when the economy was emerging from the adverse effects of the coronavirus pandemic and the Ukraine war had started.

The focus was on the growth of the economy, although the usual buzzwords like inclusive growth, poverty alleviation and employment were thrown in.

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STOCKS			
DSEX ▲	CASPI ▲		
0.39%	0.32%		
6,306.18	18,582.57		

COMMODITIES			
Gold ▼	Oil ▲		
\$1,959.32	\$72.93		
(per ounce)	(per barrel)		

ASIAN MARKETS				
MUMBAI	TOKYO	SINGAPORE	SHANGHAI	
▲ 0.02%	▼ 0.42%	▲ 0.22%	▼ 1.52%	
61,981.79	30,957.77	3,218.08	3,246.24	

Japanese realtor to invest \$20m

STAR BUSINESS REPORT

Japanese real estate and construction company JP Building opened its new Bangladesh chapter “JP Build BD Co”, through which the realtor plans to invest \$20 million or Tk 216 crore in the local market in the next three years.

JP Build BD Co will provide Bangladesh's

real estate sector with construction solutions and sophisticated technology, JP Building said in a statement yesterday.

Japanese Ambassador to Bangladesh Iwama Kiminori and JP Build BD Co Ltd's Chairman Akio Yamamoto inaugurated the company and its first product Nippon elevator at a programme in Dhaka on May 21.

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