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Expectations unmet in budget

Lament businesses

STAR BUSINESS REPORT

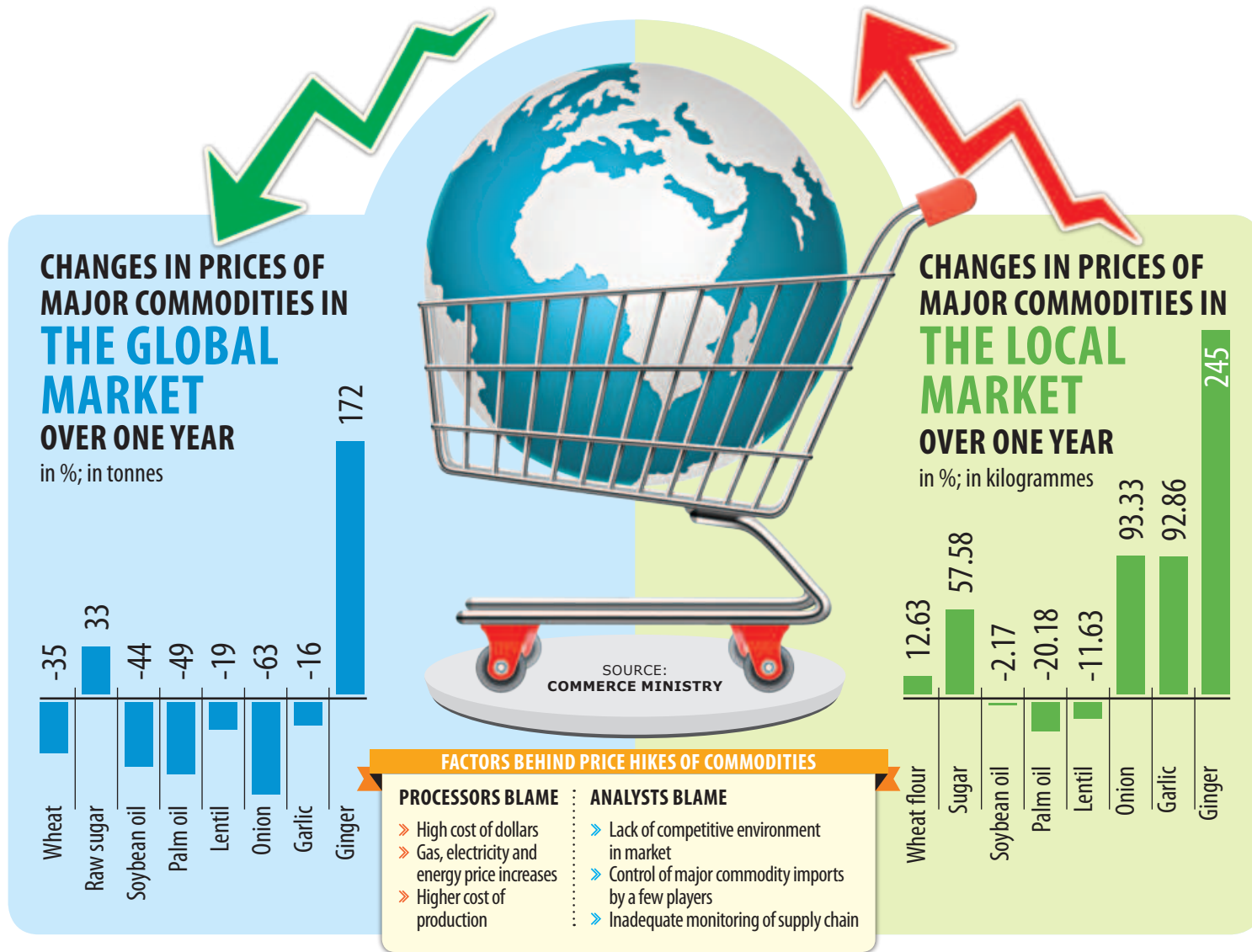
The expectations of businesses in Bangladesh have grossly remained unmet in the proposed budget for fiscal year 2023-24 at a critical juncture of the country's macroeconomic turmoil, according to various businesses.

Moreover, the panacea for curing the macroeconomic ills is also largely absent in the proposed budget, raising questions among economists over whether it can be implemented or not.

Besides, some proposals in the budget will not aid economic growth, rather hinder it if left in place when the budget is passed in parliament, they said.

For instance, there is an option to create posts for tax collectors empowered by the National Board of Revenue (NBR), which reminds of the

READ MORE ON B3



Tax rebate scope for investment in mutual funds narrows

STAR BUSINESS REPORT

The draft Income Tax Bill 2023 has delivered bad news for big investors of mutual funds though it has retained all benefits for stock investors, including the capital gains tax.

Drafted in Bangla, the bill, which was placed in parliament on June 8 by Finance Minister AHM Mustafa Kamal, will replace the existing Income Tax Ordinance 1984.

The new law proposed that investments up to Tk 5 lakh in any government securities, units of mutual funds, and exchange-traded funds will get a tax rebate.

Previously, any amount of investment in mutual funds qualified for the tax rebate. The rebate on investments in any listed securities has remained unlimited.

As a result, investors will be discouraged to park funds in mutual funds since they will not be eligible for the rebate if the investment crosses Tk 5 lakh, said a top official of an asset management company.

"People will be encouraged to invest in stocks. But the government should have encouraged people to invest in mutual funds."

The investment in open-ended mutual funds, which are not listed, will mainly be impacted now, he added.

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Kamal Quadir

bKash CEO named global high-impact finance leader

STAR BUSINESS DESK

bKash CEO Kamal Quadir has been named as one of the global high-impact leaders in finance by Washington-based nonprofit organisation Aspen Institute.

The Aspen Institute, the global organisation committed to realising a free, just, and equitable society, has named the 2023 Class of its Finance Leaders Fellows and included Quadir in the list, as a diverse range of high-impact leaders to shape the future of finance.

The Finance Leaders Fellowship is a global community of values-based

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Why aren't prices of essentials falling locally?

Prices of commodities declined for 13th consecutive month in May globally

SUKANTA HALDER

Global commodity prices are falling.

The Food Price Index of the Food and Agriculture Organisation also shows that the prices of commodities declined for the 13th consecutive month in May. The Index was 35.4 points, or 22.1 per cent, lower than the all-time high reached in March 2022.

The decline in May was underpinned by significant drops in the price indices for vegetable oils, cereals and dairy, which were partly counterbalanced by increases in the sugar and meat indices, said the UN agency in its latest prices index.

For millions of consumers in Bangladesh, things are, however, different. They are not reaping the benefit of the decline. Instead, they continue to see the opposite in some cases.

Take wheat flour, a highly import-based commodity. Over the last one year, the prices of the grain declined 35 per cent year-on-year to \$311.5 per tonne in the international market.

In Bangladesh, the prices of wheat flour went up as much

as 25 per cent during the same period, according to a commerce ministry paper presented at a meeting of the government task force on essentials yesterday.

The scenario is identical in the case of lentils.

The extent of price decline is

much lower in Bangladesh than that of the global trend, raising questions about why prices are not falling locally in line with the international market.

For edible oil, consumers, however, have received some relief.

In the last one year to June 8, the prices of soybean oil have fallen 44 per cent to \$912 per tonne in the international market.

Commodities processors cite

various reasons, including the increased import cost because of the dearer US dollars and the hike in the prices of gas, electricity and energy. Some also blame the less-than-required imports of commodities such as wheat and the supply-demand mismatch.

Analysts also point to other issues, including a lack of competitive environment, control of major commodity imports by a few players, collusion among market participants, and a high profiteering tendency among businesses in the supply chain amid inadequate monitoring and enforcement by public agencies, compelling consumers to pay more.

In its review of the economy last month, the Centre for Policy

Dialogue (CPD) said importers argue that their current stocks were purchased at higher costs, preventing them from immediately lowering prices in response to a drop in global rates.

"If this argument is logical, then the reverse should also hold - when commodities are imported at cheaper prices, these should also be sold at lower prices until old stocks are depleted, even if there is a price hike in the international market."

"When international prices rise, importers immediately raise prices, even for their old stocks."

This is, according to the CPD, related to the presence of an imperfect market mechanism, where market rules fail to operate optimally. This has contributed to the current inflationary trend.

The CPD said high prices are not fully an external phenomenon.

Citing his experience, a top private banker dealing with international trade said a section of commodity importers do not want to cut the prices as they want to make up for their previous losses.

Asked, Md Shafiu Ather

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Depositors to get double compensation

According to bank deposit insurance (amendment) bill

STAR BUSINESS REPORT

A Bank Deposit Insurance Bill (Amendment) 2023 was placed in parliament yesterday aiming to double the amount of compensation for depositors.

Finance Minister AHM Mustafa Kamal placed the bill, which was sent to the parliamentary standing committee on the finance ministry for further scrutiny.

READ MORE ON B2

STOCKS

DSEX	CASPI
0.17%	0.10%
6,341.57	18,742.69

COMMODITIES AS OF FRIDAY

Gold	Oil
\$1,960.75 (per ounce)	\$70.32 (per barrel)

ASIAN MARKETS FRIDAY CLOSINGS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
0.35%	1.97%	0.01%	0.55%
62,625.63	32,265.17	3,186.97	3,231.41



Thin rectangular pieces of cotton fabric, called "gamchha" in Bangla and traditionally used as a towel, hung by the footpath in Shyamoli in Dhaka for sale at up to Tk 250 each. Nowadays it is also used in making saris, accessories and home decorations. The photo was taken yesterday.

PHOTO: PRABIR DAS

National BUDGET FY2023-24



Subir Kumar Ghose

Specific duty on crude oil imports a welcome move

Says Partex Petro CEO

JAGARAN CHAKMA

Oil refiners in Bangladesh have welcomed the government's specific duty proposed in the budget for the next fiscal year on the imports of crude oil.

"We welcome the fact that the proposed budget has kept the specific duty," said Subir Kumar Ghose, chief executive officer of Partex Petro Ltd.

The government has proposed an import duty of Tk 1,117

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Bank Asia to use AIW Works software

STAR BUSINESS DESK

Bank Asia Limited has recently signed an agreement with AIW Works India, a cutting-edge technology company specialising in AI-based hyper-automation solutions for financial institutions.

Adil Chowdhury, president and managing director of the bank, and Sohaib Siddiqui, founder of AIW Works, signed the deal at Bank Asia Tower in Dhaka, said a press release.

Under the agreement, Bank Asia will leverage AIW Works' state-of-the-art AI-powered software solutions to automate and streamline various business processes.

These advanced technologies utilise artificial intelligence to enhance operational efficiency, reduce errors, and accelerate processes, revolutionising how the bank operates.

SM Iqbal Hossain, deputy managing director of the bank, Hossain Ahmad, chief information officer, Md Saiful Islam, chief technology officer, Mahub A Alam, chief digital officer, and Mehraab Anwar, CEO of DOTech Limited, were present.

The partnership between Bank Asia and AIW Works marks an important milestone in the banking industry's adoption of AI-powered automation, the press release added.

It not only signifies the growing potential of advanced technologies but also showcases the commitment of Bangladeshi financial institutions to leverage AI for digital transformation and improved customer experiences, it said.



Adil Chowdhury, president and managing director of Bank Asia, and Sohaib Siddiqui, founder of AIW Works, exchanged signed documents of an agreement on AI-powered software solutions to automate and streamline various business processes at Bank Asia Tower, Karwan Bazar in Dhaka recently.

PHOTO: BANK ASIA



Md Afzal Karim, managing director of Sonali Bank, speaks at a quarterly meeting on National Integrity Strategy with stakeholders of the Cumilla region at a local hotel in Cumilla City on Saturday. Among others, Mir Mofazzul Hossain, deputy managing director, Md Safayet Hossain Patwary and Md Soriat Ullah, general managers, Bithi Akter, deputy general manager, along with beneficiaries, depositors and related officials were present.

PHOTO: SONALI BANK

'EBL Super Saver' launched

STAR BUSINESS DESK

Eastern Bank Limited (EBL) yesterday launched "EBL Super Saver", a new service for individual account holders.

M Khorshed Anwar, deputy managing director and head of retail and SME banking at the EBL, inaugurated the service at its head office in Dhaka, said a press release.

Individuals maintaining a deposit of Tk 5 lakh and above for a certain period in their current or savings account will qualify for the service.

They will enjoy complimentary pre-approved credit cards, zero fees on account services, complimentary access to EBL Skylounge in Bangladesh and international airport lounges in other countries.

Syed Zulkar Nayen, head of business, Sarmin Atik, head of liability and wealth management, and other senior officials from the retail and SME banking division of the bank were present.



M Khorshed Anwar, deputy managing director of Eastern Bank, Syed Zulkar Nayen, head of business, and Sarmin Atik, head of liability and wealth management, along with other senior officials from retail and SME banking division of the bank attended the launching of "EBL Super Saver" at its head office in Dhaka yesterday.

PHOTO: EASTERN BANK

Community Bank wins Infosys awards

STAR BUSINESS DESK

Community Bank Bangladesh has won awards in three categories at Infosys Finacle Innovation Awards 2023.

This is the third time in a row that the bank won the awards for maintaining consistency in driving transformation and innovation across their product portfolio, said a press release.

The categories are "Process Optimisation & Innovations", "Sustainable Finance with Open Banking Ecosystem" and "Banking the Community".

Of them, the bank won platinum awards for the first two categories and gold for the latter.

"We dedicate this achievement to our valued customers, stakeholders, regulators who have supported us all the way through," said Masihul Huq Chowdhury, managing director and CEO of the bank.

MetLife offers Tk 50,000 free insurance coverage

STAR BUSINESS REPORT

MetLife Bangladesh has come up with an additional life insurance coverage of up to Tk 50,000 free of charge for its customers for travelling within Bangladesh during the upcoming Eid-ul Azha.

Any MetLife customer with active insurance policy will be eligible to receive the additional insurance coverage against loss of life, accidents, and disability and the coverage period will be from June 23 to July 3, the insurer said in a statement yesterday.

The customers do not have to pay any extra premium to avail the coverage for this, MetLife Bangladesh said.

"The initiative looks to ease the journeys for our policyholders and keep them confident. Besides, pilgrims for Hajj will also benefit from the additional insurance coverage," said Ala Ahmad, chief executive officer of MetLife Bangladesh.

The customers who are travelling to perform the upcoming hajj will also be eligible for the additional insurance coverage of up to Tk 50,000 for the same incidents.

PRICES OF KEY ESSENTIALS IN DHAKA CITY			
	PRICE (JUN 11, 2023)	% CHANGES FROM A MONTH AGO	% CHANGE FROM A YEAR AGO
Fine rice (kg)	Tk 60-Tk 75	0	-0.74 ↓
Coarse rice (kg)	Tk 48-Tk 50	2.08 ↑	-2 ↓
Loose flour (kg)	Tk 52-Tk 55	-6.96 ↓	22.29 ↑
Lentil (kg)	Tk 90-Tk 100	0	-11.63 ↓
Soybean (litre)	Tk 175-Tk 185	0	-3.23 ↓
Potato (kg)	Tk 35-Tk 40	0	59.57 ↑
Onion (kg)	Tk 70-Tk 75	16 ↑	93.33 ↑
Egg (4 pcs)	Tk 44-Tk 48	-3.16 ↓	8.24 ↑

SOURCE: TCB

Depositors to get double

FROM PAGE B1

The committee was asked to submit its report within 30 working days.

As per the current law, a depositor gets a maximum of Tk 1 lakh as compensation within 90 days if any scheduled bank or financial institution goes into liquidation.

The amended law proposed to increase this compensation to Tk 2 lakh. In Bangladesh, deposit insurance was introduced in August 1984 while the amount of insurance coverage was Tk 60,000, which was later increased to Tk 1 lakh.

Only banks were mentioned in the previous act whereas financial organisations have been included in the proposed law.

Besides, a Deposit Insurance Trust Fund (DITF) of Bangladesh Bank will be renamed "Deposit Safety Trust Fund."

The following types of money shall be deposited to the fund - (a) money received from insured banks as well as financial institutions; (b) income received from the bank wound up under section 7; (c) money received from the investment of money from the fund; and (d) money received from other sources.

According to the proposed bill, the fund shall not be spent out except for

payment of debt to the depositor or creditor of the bank wound up.

The proposed act suggested that Bangladesh Bank could primarily restrict deposits from being received by the banks and financial organisations if they fail to pay insurance premium for two consecutive times.

Moreover, the central bank will have the authority to shut or liquidate them if the same incident is repeated for a third time.

After the order of liquidation of banks and financial organisations, Bangladesh Bank will have to pay insurance money or a maximum of Tk 2 lakh to the depositors from the Deposit Safety Trust Fund.

Each depositor will get the same amount of compensation even if they had several accounts with the banks or financial organisations, the draft act stated.

Deposit Insurance Systems is an institutional initiative to protect depositors against the loss of their deposits in the event that a scheduled bank goes into liquidation.

All-scheduled banks or commercial banks, including the branches of foreign banks functioning in Bangladesh, are insured by the Deposit Insurance Systems.

Specific duty on crude oil

FROM PAGE B1

The data points to a mixed economic picture, with slowing growth, a tight labor market, and inflation still well above the Fed's two percent target.

Currently, the duty stands at 5 per cent on the import price of crude oil, meaning the cost for importers goes up if the price climbs in the global market and vice versa.

Located in Chattogram, Partex Petro processes a wide variety of petroleum products from imported as well as local condensate and supplies the finished products to the Bangladesh Petroleum Corporation (BPC).

Ghose said due to a lack of clarity about the duty in the outgoing fiscal year, companies, including BPC, have faced losses.

Ghose shared his thoughts on the proposed budget during an interview with The Daily Star recently.

"Energy is a price-sensitive commodity, so the government should be careful about it because if the price of fuel increases, the price of allied products as well as those that use the fuel also goes up overnight," he said.

According to him, naphtha should see the same duty that the

raw materials such as crude oil and condensate face.

Naphtha is a highly flammable liquid hydrocarbon mixture used chiefly as solvents and diluents and as raw materials for conversion to gasoline.

The CEO also touched upon the prevailing business situation in Bangladesh.

"The dollar crisis is the main reason for the ongoing economic and business slowdown in Bangladesh."

If letters of credit (LCs) can't be opened smoothly due to the crisis, it will have a negative impact on business and import and export trade, he said.

Owing to the US dollar shortage, importers are struggling to open LCs to bring in raw materials and equipment. A lower import might help stop the erosion of the foreign currency reserve, but the economy may slow down if manufacturing output declines because of a shortage of inputs and equipment.

Ghose thinks oil refinery companies can play a major role in saving dollars.

Between April and June this year,

local refiners helped the country save about \$180 million by refining crude oil in Bangladesh, he said, adding that Partex Petro alone helped save \$90 million.

Had the government imported the products that refiners brought in, it would have had to spend \$90 million to \$100 million from its reserves in the last three months.

In Bangladesh, private refiners import crude petroleum products to produce octane, petrol, diesel and jet fuel and supply the finished goods to the BPC since they are not allowed to sell the finished products directly in the market.

Ghose alleged that BPC pays local refiners 1 per cent less than the rate the state-run agency pays for its imports from the global markets.

He said the proposed budget does not provide any benefit to the oil refinery sector.

"The government should provide some incentives to the sector since we are helping the country directly. If the government extends some benefits to us, we will be able to help ease the dollar crunch and cut the subsidy burden in the energy sector."

bKash CEO named

FROM PAGE B1

senior finance leaders driving industry change to power societal progress.

The 23 leaders of the 2023 class join more than 100 finance fellows around the world who are committed to forging a new cultural paradigm in the finance industry - a paradigm that marshals the industry's global influence to address urgent societal challenges and promote sustainable economic growth, said Aspen Institute said in a media release.

Of the other 22 of 2023's finance leader fellows, 12 were selected from the USA, two from Canada, three from the UK and one each from Singapore, Germany, Malaysia,

Romania and Saudi Arabia.

All of them, including Kamal Quadir, will join a wider community of over 3,500 values-based leaders in over 60 countries as part of the Aspen Global Leadership Network (AGLN).

"The finance ecosystem is a bedrock that sits beneath communities big and small, affecting lives and livelihoods in every corner of the world. We believe the global finance industry needs the imagination and leadership of these Fellows to recreate itself to be a force for good and belonging," said Dar Vanderbeck, acting executive director of the Finance Leaders Fellowship.

Divided Fed

FROM PAGE B4

The data points to a mixed economic picture, with slowing growth, a tight labor market, and inflation still well above the Fed's two percent target.

Jefferson, who was recently nominated for the vacant number two spot at the Fed, added that "a decision to hold our policy rate constant at a coming meeting should not be interpreted to mean that we have reached the peak rate for this cycle." But those pushing for a further hike, like Fed governor Christopher Waller, have indicated support for a more aggressive stance on inflation.

"I do not support stopping rate hikes unless we get clear evidence that inflation is moving down towards our two per cent objective," Waller

said last month, adding: "whether we should hike or skip at the June meeting will depend on how the data come in" before the next decision.

The division among members of the FOMC over the best path forward has led some traders on a journey, from predicting a pause to expecting a hike - and back again.

Futures traders who as recently as late May were predicting another hike, now see a more-than 70 per cent chance that the Fed will vote to hold rates on Wednesday. And many analysts now also see a pause as the most likely scenario on Wednesday.

"Chairman Powell is expected to corral the cats and get the Federal Open Market Committee (FOMC) to skip a rate hike in June, while leaving

the door open to hike in July," KPMG Economics chief economist Diane Swonk wrote in a recent note to clients.

While most major banks now predict a pause, there are still some notable outliers who expect the Fed to hike rates by another quarter percentage point.

"We are maintaining our call for a 25bp rate hike next week - though admittedly it is a close call," Citi economists wrote in a recent investor note.

If Powell does succeed in winning over a majority of FOMC members for a June pause, analysts expect the Fed to signal through its interest-rate announcement and updated summary of economic projections (SEP) that it expects another rate hike to complete the cycle.

S Korea declares 'all-out war' on chips to support chip industry

ANN, The Korea Herald

The competition in the chip industry is an "all-out war," President Yoon Suk Yeol said Thursday, vowing to back local chipmakers with interagency support amid the intensifying tech competition between the US and China.

"The government and the private sector should come together to ride out challenges ahead. ... The government will closely work with allies like the US to resolve issues involving the industry," Yoon said at a meeting attended by senior officials, lawmakers and industry experts.

The meeting discussed maintaining South Korea's edge in memory chips and fostering system or nonmemory chips development. It also discussed securing the equipment, materials and talent required to fend off chip rivals.

The Industry Ministry said it will roll out a fund dedicated to those goals within the year, as well as expand research and development on next-generation chips and reveal concrete steps for bolstering chip ties between Seoul and Washington, its biggest ally. Better protection for chip technology and the building of a chip testing facility will follow, the ministry said in a statement.

It was the second time for the Korean leader to convene a meeting on chips after an initial public discussion in late April. Earlier that month, Yoon had instructed officials to come up with a broader strategy for chips and rechargeable batteries - the key battleground for advanced economies.

Seoul is home to the world's largest and second-largest chipmakers, as well as global battery companies that supply automakers such as Tesla and General Motors.

Accreditation key tool to enhance exports

Experts say marking World Accreditation Day

STAR BUSINESS REPORT

Accreditation is an important tool to enhance exports and plays a key role in ensuring product quality and standards in international destinations, speakers said at a discussion yesterday.

The Dhaka Chamber of Commerce & Industry (DCCI) and the Bangladesh Accreditation Board (BAB) organised the discussion at the DCCI auditorium marking International Accreditation Day, according to a press release.

They said Bangladesh's export target will be \$100 billion in FY2025-26 and to attain this high export target accreditation, conformity assessment will play a crucial role.

Accreditation is an integral part of the global quality assurance system, Industries Minister Nurul Majid Mahmud Humayun said while addressing the event.

"In order to increase export of our locally made products in the international market, we need internationally accredited and credible national quality infrastructure."

If the quality of products and services can be ensured, then it would be easy to grab the international market, he said.

"In this era of a free economy, many countries impose various 'technical barriers to trade' to protect their respective products and most of those are related to quality certification. Therefore, accreditation is currently an important tool for creating a strong export market."

DCCI President Md Sameer Sattar said Bangladesh's total trade was \$141.42 billion in the international market.

"Bangladesh is gradually progressing to an export-oriented country from an import-dependent country. In the last fiscal year, Bangladesh's export was more than \$52.08 billion. And for this export accreditation is a very important tool."

To show the quality of specific products, there is a need for internationally accredited certificates and these certificates play a pivotal role in boosting export, he added.

"After Bangladesh's graduation from LDC in 2026, maintaining compliance with our locally produced goods will be a great challenge. And to face this challenge and meet the GSP+ and other compliance criteria, accreditation will play a vital role."



A woman collects an onion which slipped out of sacks during unloading from trucks at the Khatunganj wholesale market in Chattogram. Although low-income people like her can gather as much as five to six kilogrammes on a good day, very little can be earned from their sale as people offer substantially low rates for produce collected in this manner. Local onion was selling for Tk 70 per kilogramme in Dhaka's kitchen markets yesterday. The photo was taken last week.

PHOTO: RAJIB RAIHAN

Tobacco businesses to face higher taxes

STAR BUSINESS REPORT

Cigarette makers are expected to face higher taxes on their gross receipts from the next fiscal year as the National Board of Revenue (NBR) seeks to collect more taxes and discourage the health-hazardous business.

The tax administration made the proposal in the Income Tax Bill 2023 placed by Finance Minister AHM Mustafa Kamal in parliament on June 8. The Bill will replace the existing Income Tax Ordinance 1984.

As per the proposed law, manufacturers of cigarettes, bidi or handmade cigarettes, chewing tobacco and smokeless tobacco will need to pay a 3 per cent tax on their turnover as the minimum tax, up from 1 per cent currently.

Also, the NBR wants to slap a flat 10 per cent tax deducted at source (TDS) on the supply of tobacco leaf by traders to tobacco companies, replacing the present multiple rates of TDS.

"We have proposed a hike in tax rates to discourage tobacco use," said a senior official of the NBR.

In Bangladesh, 35 per cent of adults are currently using tobacco in either smoked and/or smokeless form, according to the

World Health Organisation.

Bangladesh is one of the largest tobacco-consuming countries in the world and has the ninth highest prevalence of smoking out of 109 countries with available data, according to Tobaccconomics, a programme of the University of Illinois in Chicago.

The total economic cost of tobacco use was estimated at Tk 30,560 crore in 2017-18 when tobacco tax revenues stood at Tk 22,810 crore.

In 2018, tobacco use killed almost 126,000 people, it said.

The total economic cost of tobacco use -- from lost productivity to direct healthcare expenses -- was estimated at Tk 30,560 crore in 2017-18 when tobacco tax revenues from supplementary duty and value-added tax amounted to Tk 22,810 crore.

"The adverse effects of tobacco cultivation on the environment and the livelihoods of farmers are enormous as

well," it said in a paper.

Bangladesh's farmers planted tobacco on 100,000 acres in 2021-22 to grow 92,000 tonnes of the crop, which was 3 per cent higher than the previous year, as per data from the Bangladesh Bureau of Statistics.

The NBR has also increased the prices of cigarettes in the low-end to premium segments for 2023-24 and raised the prices of bidi and jarda, otherwise known as chewing tobacco, to discourage consumption.

Nasiruddin Ahmed, a former chairman of the NBR, said increased taxes on the tobacco businesses is a good initiative.

"But it is not that significant." Atiur Rahman, chairperson of the Unnayan Shamannay, a think-tank, also welcomed the move.

"We appreciate the NBR for responding positively to the call of raising tobacco taxes by the social activists."

However, the former governor of the central bank said, there is more scope to raising taxes on tobacco products, particularly at the lower end.

"This will help raise revenue substantially which is needed so badly at this difficult time of economic stress in Bangladesh."

Expectations unmet in budget

FROM PAGE B1

said Nihad Kabir, chairperson of Business Initiative Leading Development (BUILD).

This means that if businesses cannot pay their taxes, the tax agents can strip the enterprise to collect the dues, added Kabir, also former president of the Metropolitan Chamber of Commerce and Industry (MCCI).

She then urged for the withdrawal of the proposed measure to collect a minimum of Tk 2,000 as tax from each individual with a Taxpayer Identification Number (TIN) regardless of whether they have taxable income.

Kabir also suggested that "leakages" in the spending of government revenue should be stopped.

She was speaking at a discussion on the proposed budget and expectations of businesses, organised by Md Siddiqui Rahman, industries and commerce secretary to the Awami League, at Lakeshore Hotel Gulshan in Dhaka yesterday.

Md Jashim Uddin, president of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), said availability of energy is now a major concern for businesses.

This is because even though energy prices have been doubled, the pressure of gas in the supply lines for industrial units is still very low.

Similarly, the duty on the import of sugar is still 62 per cent and as a result, consumers have been buying the sweetener at a high cost. "Here, the NBR wants to show its performance in tax collection," he added.

Uddin then reiterated his complaint that a taskforce formed by the FBCCI and NBR have yet to hold any consultations for fixing these problems.

The chief of the country's apex trade body also said allocation for energy should have been increased in the proposed budget even if it meant deducting funds from the Tk 87,000 crore allocated for developing roads, highways and public transport.

He went on to say that implementing a market-oriented

bank interest rate will not help reduce the inflationary pressure.

Mohammad Fazlul Haque, acting president of Bangladesh Textile Mills Association (BTMA), said not a single demand of theirs was incorporated in the proposed budget.

Almost all the spinning mills have stockpiles of unsold yarn but the government still allowed imports, he added.

The government could have saved a lot of US dollars amid the ongoing shortage had local garment exports been made to buy yarn from the domestic market, he said.

Additionally, many mills have already stopped production because of low gas pressure even though the gas price was hiked by 86 per cent, he added.

The demand of textile millers for withdrawing the duty on import of recycled fibre has not been addressed in the proposed budget either, Haque said.

Md Fazlul Hoque, former president of the Bangladesh Knitwear Manufacturers and Exporters Association, said simply providing allocations for a sector does not guarantee that it will perform better as the funds need to be used efficiently.

"The government did not hold consultations before formulating the income tax law," he added.

Fazle Fahim, former president of the FBCCI, said the depletion of US dollars started with the purchase of Covid-19 vaccines and payments for foodstuff from different international suppliers and the freight charge of logistics companies.

Global logistics companies made a net profit of \$350 billion by hiking freight rates abnormally during the Covid-19 period and Bangladesh was one of the major payers of such exorbitant charges as the country is import reliant, he said.

Moreover, the US Fed printed \$8 trillion to meet the demand, which also exported inflation worldwide, he added.

While chairing the discussion, Md Siddiqui Rahman said everybody agrees that reforms are needed.

Also, the confidence of businesspeople in the NBR needs to be restored, he said.

Khondaker Golam Moazzem, research director at the Centre for Policy Dialogue, said the proposed budget did not address the crisis in the economy at all. But at the same time, the budget proposals indicate that the government is acknowledging the crisis, he said.

For instance, achieving the 7.5 per cent GDP growth target and attracting Tk 4 lakh crore investment is almost impossible, he said, asking why the government is bypassing the crisis.

Shyamol Dutta, general secretary to Jatiya Press Club, said it is impossible to build a non-communal country with an allocation of only Tk 600 crore for the cultural sector.

Syed Mahbubur Rahman, managing director and chief executive officer of Mutual Trust Bank Limited, said the recent sovereign rating downgrade by Moody's Investors Service will lower the country's foreign direct investment and increase the cost of doing business.

He suggested quick reforms in the banking sector for brightening the country's image and strongly addressing the issue of non-performing loans.

Ahsan H Mansur, executive director of Policy Research Institute (PRI), said excessive borrowing by the government from the banking system will affect the money flow to the private sector.

He also raised questions on how the government will address the high inflationary pressure.

Planning Minister MA Mannan said International Monetary Fund did not put pressure on the country to take a \$4.7 billion loan a couple of months ago. However, the global lending agency did consult with the government on reforms in the financial sector, he added.

Regarding recruiting agents for collecting revenue, Mannan said a good number of unemployed youths will get jobs for the government move.

Why aren't prices of essentials falling

FROM PAGE B1

Taslim, director for finance and operation at TK Group, a commodity processor, blamed a surge in the cost of dollars as a key factor.

In January 2022, the dollar traded at Tk 84. It has now rocketed to Tk 110-Tk 111 amid a shortage of the American greenback.

"The cost of the US dollar has risen by 32 per cent," he said.

Electricity tariffs and transport costs have increased while gas bills have more than tripled in the last one year. "So, how will the price fall in the international market affect the local market?" he questioned.

Businesses also blame the difficulty in opening letters of credit amid a shortage of US dollars.

Anup Kumar Saha, a former top official of a commodity importing firm, says if the price in the global market falls, the price in the local market should come down theoretically.

"But the reality is that after importing a product and bringing it to the country, the price is determined based on its demand-supply."

"What happens in the local market

is that when there is a gap in the supply demand and the control of a product is in the hands of one or two traders, they monopolise."

Saha, who regularly follows the trends in the global commodity markets, says it is difficult to say when consumers in Bangladesh will start benefiting from the price reduction in the global market.

In a press release yesterday, Tapan Kanti Ghosh, senior commerce secretary, said wheat shortage stood at 24 lakh tonnes when it comes to requirement. In the case of sugar, the shortage was 72,000 tonnes.

The commerce ministry paper also mentioned an absence of proper competition in the market, a lack of records on the purchase and sales prices at the trader level, and weaknesses in policies in commodity market management.

In order to benefit consumers, it suggested the imposition of specific duties on essential commodities, expansion of market intervention by the Trading Corporation of Bangladesh, and giving priority to opening LCs by importers.

Tax rebate scope

FROM PAGE B1

The total number of mutual funds in Bangladesh is 119. Of them, 83 are open-ended and the rest 36 are closed-end or listed.

Mutual funds pool money from investors to channel them into securities such as stocks and bonds. Depending on the profits earned, investors are paid their shares as dividends.

An NBR official said that the tax administration has found that large investors are investing in mutual fund units.

"We don't want to offer tax rebates to rich investors. But the rebate has remained in place for smaller investors because they need it."

Commonwealth Trade and Investment Forum in Dhaka in September

STAR BUSINESS REPORT

The first-ever Commonwealth Trade and Investment Forum will be held in Dhaka on September 13-14 aiming to foster partnerships, promote innovation and explore avenues for sustainable and inclusive economic development for Bangladesh.

The event is being organised by the Commonwealth Enterprise and Investment Council (CWEIC) in partnership with Bangladesh Investment Development Authority (Bida), Ministry of Foreign Affairs and Zi Foundation.

The council briefed the media in this regard at InterContinental Dhaka yesterday.

"When Bangladesh joined the Commonwealth, the country was in its infant stage struggling with a war-torn economy and a ravaged infrastructure due to the aftermath of the Liberation War," said Salman F Rahman, the prime minister's private industry and investment adviser.

"Over time, Bangladesh attained tremendous development on its economic fronts," he said.

"Bangladesh is graduating into a middle-income country in 2026. This achievement became possible with immense hard work by the nation, along with support from its development partners like the Commonwealth members," he said.

"Some of the largest trade partners of Bangladesh are Commonwealth members," he added.

"The Commonwealth is an amazing opportunity for Bangladeshi companies to explore - 56 countries of untapped potential and limitless possibilities," said Lord Swire, deputy chairman of the CWEIC.

"The Commonwealth must address the vulnerabilities of least developed countries (LDC), landlocked developing countries, sudden infant death syndrome and countries with special needs," said State Minister for Foreign Affairs Md Shahrar Alam.

It must focus on areas such as the continuation of their trade-related generalised system of preferences beyond LDC graduation, private capital flows and flexible financing for green technology transfer, he said.

"Bida is delighted to be an official partner of CTIF - happening for the first time in Bangladesh. For us, it is a deeply significant and exciting opportunity," said Lokman Hossain Miah, executive chairman of Bida.

"As the country's apex investment promotion agency, Bida will take full advantage of the opportunities that this forum will create. We will also seamlessly deliver investment services to businesses that are interested to explore opportunities in Bangladesh," he said.

Heads of the states and political and business leaders of the Commonwealth members will be attending the forum this year, said Zillur Hussain, strategic advisor for Bangladesh of the CWEIC.

The Commonwealth is a voluntary association of 56 countries, home to one-third of the world's population. Bangladesh joined the Commonwealth as its 34th member in 1972.

Saudi Arabia seeks cooperation with China

REUTERS, Riyadh

Saudi Arabia wants to collaborate, not compete, with China, the kingdom's energy minister declared on Sunday, saying he "ignored" Western suspicions over their growing ties.

As the world's top oil exporter, Saudi Arabia's bilateral relationship with the world's biggest energy consumer is anchored by hydrocarbon ties. But cooperation between Riyadh and Beijing has also deepened in security and sensitive tech amid a warming of political ties - to the concern of the US.

Asked about criticism of the bilateral relationship during an Arab-China business conference, Prince Abdulaziz bin Salman said: "I actually ignore it because ... as a business person .. now you will go where opportunity comes your way."

"We don't have to be facing any choice which has to do with (saying) either with us or with the others."

Chinese entrepreneurs and investors have flocked to Riyadh for the conference, which came days after a visit by US Secretary of State Antony Blinken.

In March, state oil giant Saudi Aramco announced two major deals to raise its multi-billion dollar investment in China and bolster its rank as China's top provider of crude.

They were the biggest announced since Chinese President Xi Jinping's visit to Saudi Arabia in December where he called for oil trade in yuan, a move that would weaken the dollar's dominance. "Oil demand in China is still growing so of course we have to capture some of that demand," Prince Abdulaziz said.

"Instead of competing with China, collaborate with China."

The two nations' momentum has also raised prospects for a successful conclusion to negotiations for a free trade deal between China and the Saudi Arabia-dominated Gulf Cooperation Council (GCC), ongoing since 2004.



Sumon gives a bath to one of 11 cattle he has brought from his brother-in-law's farm to a makeshift shed on Zakir Hossain Road in the capital's Mohammadpur for sale marking upcoming Eid-ul-Azha. Setting prices in the range of Tk 1.05 lakh to Tk 1.5 lakh, he plans to open his own farm in the future if this endeavour brings him a profit. The photo was taken yesterday.

PHOTO: PRABIR DAS

Cattle farmers unsatisfied with sales ahead of Eid

Say traders are holding off amid increased prices

AHMED HUMAYUN KABIR TOPU, *Pabna*

Sales of sacrificial animals have yet to reach levels deemed satisfactory to farmers ahead of the upcoming Eid-ul-Azha, raising concerns of further losses for those rearing them in Pabna and Sirajganj.

Farmers in the greater Rajshahi region saw their sales hit almost zero during the pandemic, when cattle markets centring Eid-ul-Azha were shut to prevent the contagion from spreading.

Now, their hopes of registering good sales this year has also been thrown in doubt as higher prices for sacrificial animals are discouraging traders from making advance bookings.

Farmers say the price of sacrificial animals has increased due to substantial increases in maintenance and feed costs amidst the ongoing economic crises resulting from the Russia-Ukraine war and US dollar shortage.

Some 1 crore animals were slaughtered during Eid-ul-Azha last year against a supply of 1.21 crore.

And although the Department of Livestock Services (DLS) is yet to prepare a final tally on the number of sacrificial animals ready for sale this Eid, the fisheries and livestock ministry put the preliminary figure at 1.25 crore.

The count will be finalised at an inter-ministerial meeting on June 14, according to the DLS officials.

"I sold a minimum of 70 cows in 10 days at different cattle markets in Pabna and Sirajganj last year," said Md Alhaz

Hossain, a trader of sacrificial animals in Pabna's Faridpur upazila.

Hossain then informed that traders like him had booked sacrificial animals by paying farmers their due a month in advance of the festival.

"But this year I don't dare book animals because of the high price," he added.

Hossain went on to say that the

at Tk 25,000 to Tk 26,000, he said.

Raju Ahmed, who owns two cattle farms in Pabna and Sirajganj, said he did not get the expected profit from big animals for the past couple of years.

"I raised 50 big animals last year with each weighing more than 10 maunds. Of these, some 40 bulls were sold for sacrifice last year," he added.

he added.

Meanwhile, fattened cattle incur higher feed and other costs with farmers needing to spend about Tk 300 to Tk 400 daily on maintenance. As such, the compounded cost reaches up to Tk 1.5 lakh and so, making a profit on such animals becomes very difficult.

"So, most farmers are preparing small and medium sized animals this year," Alom said.

Md Raju, a cattle farmer of Ramkharua village in Sirajganj, said wholesale traders have yet to come to his area for buying sacrificial cattle even though Eid is just around the corner.

"We used to get advance payments for our cattle before but this year, traders are not coming because of the high prices," he added.

And although farmers and traders anticipate that sales will rise in the 10 days leading up to the festival, they have urged for stopping the import of Indian animals to ensure better prices for local cattle.

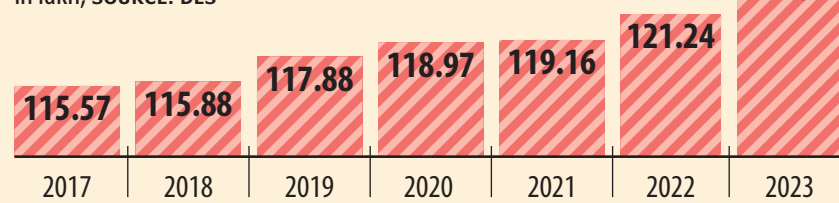
Gounaga Kumar Talukder, livestock officer of Sirajganj district, said a total of 1.71 lakh cows, 1.87 lakh goats, 60,113 lambs and 3,647 buffaloes have been prepared in Sirajganj for Eid-ul-Azha.

Similarly, Al Mamun Hossain Mondol, the livestock officer of Pabna, said some 1.74 lakh cows, 4.29 lakh goats and lambs along with 5,925 buffaloes have been prepared in the district this year.

Md Shariful Haque, deputy director of the DLS, said sufficient sacrificial animals have been prepared across the country to meet demand.

AVAILABILITY OF SACRIFICIAL ANIMALS DURING EID-UL-AZHA

in lakh; SOURCE: DLS



demand for small and medium sized cattle is traditionally higher than that of larger animals for being more affordable.

However, the price of even these small and medium sized cattle is higher this year and so, the cattle market centring Eid has become unstable.

At present, farmers are selling bulls weighing three to five maunds (one maund equals 37 kilogrammes) for Tk 28,000 to Tk 30,000 while bigger cattle weighing more than 5 maunds are priced

After experiencing such loss, Ahmed decided to prepare only 30 bulls this year, with 26 having already been sold off as of last week.

Md Saiful Alom, a prize-winning dairy farmer in Pabna's Faridpur upazila, said the maintenance cost of rearing cattle has gone up due to a substantial rise in feed prices.

"And although feed prices have come down over the past few weeks, I had to buy each kilogramme of solid feed for Tk 70 to Tk 80 throughout the rest of the year,"

Tk 2,000 minimum tax in conflict with constitution

MOHAMMAD ZAHID HOSSAIN

The constitution of Bangladesh assures that the opportunity for all the citizens of the Republic should be equal. Since such an equal condition can't prevail automatically or it can be distorted for various reasons, the government of Bangladesh shall engage in removing such inequalities.

The imposition of direct taxes and collection, thereof, from high earners and directly or indirectly allocating them among low earners is a tool to remove social and economic inequality and ensure equitable distribution of wealth.

Moreover, one of the basic principles of taxation is fairness, which means that taxpayers need to know the reason of tax imposition. All civilised countries across the world follow a common rule of "PAYE" (Pay as you earn) in assessing and collecting tax.

It is surprising to see that the recently declared budget has breached the fundamental requirement of the Constitution. The minimum tax payable for each taxpayer is not ensuring equal opportunity for each citizen of the Republic. Moreover, some citizens who are not earning beyond threshold (tax-free) level will be obligated to pay minimum tax.

For example, if a registered taxpayer who obtained the Tax Identification Number (TIN) is having a taxable income of Tk 100,000 must pay a minimum tax of Tk 2,000. Another taxpayer (male) who has a taxable income of Tk 390,000 is also required to pay Tk 2,000.

Though the gap in the taxable income of these two taxpayers is Tk 290,000, they are obligated to pay the same amount of tax. Such inequality is explicitly patronised by the government and it triggers the violation of the fundamental right as stated in the Constitution. If the government does so, who is going

to safeguard the spirit of the main charter of the Republic?

It is undoubted that the size of the budget has grown over the last several years. Indirect tax (VAT, import and supplementary duties etc.) being the low-hanging fruit is getting focused in generating revenue.

Such indirect taxes are not imposed directly on the taxpayers according to the income level while its ultimate incidence is shifted on the consumer. As a result, this kind of revenue collection effort of the government can't remove disparity from society. This is also reflected in the disconnection between the number of hardcore poor people living below the poverty level and per capita income (almost Tk 300,000).

However, the government perhaps understood the importance of it and is gradually shifting its focus to direct taxes from indirect taxes though it has not been adequate yet. The contribution of direct taxes in the last two financial years was 33 per cent while this year it is planned to be more than 35 per cent. This kind of initiative deserves appreciation.

With an objective to increase the tax-GDP ratio, mobilisation of local resources and above all, upholding the spirit of the Constitution, the government should concentrate on large taxpayers who are not presently paying a reasonable amount of taxes.

As the easiest way to collect revenue, the idea of the minimum tax on individual taxpayers will create pressure on marginal earners at a time when their purchasing power has eroded owing to higher inflation.

The author is a fellow member of the Institute of Chartered Accountants of Bangladesh and an associate member of the Institute of Chartered Accountants in England and Wales



Divided Fed expected to rally around a US interest rate pause

AFP, Washington

The US Federal Reserve is widely expected to pause its campaign of interest rate increases on Wednesday to give policymakers more time to assess the economic impact of existing hikes and recent banking stresses.

But members of the rate-setting Federal Open Market Committee (FOMC) remain divided going into the meeting on June 13-14, with a minority still pushing for an 11th straight hike to fight inflation, which remains stubbornly above the Fed's long-term target of two percent.

The Fed has raised its benchmark lending rate by five percentage points since March last year, lifting it to between 5.00 to 5.25 per cent.

"I think there is enough support within the community for that pause," EY senior economist Lydia Boussour told AFP.

"But at the same time, the compromise will be that the FOMC will be keen on carrying on retaining that optionality, and really keeping the door open to further tightening," she said.

Senior officials including Fed chair Jerome Powell have indicated they may vote to hold the benchmark lending rate at the next meeting of the Fed's powerful rate-setting committee, while leaving the door open to an additional rate hike in July if necessary.

"Skipping a rate hike at a coming meeting would allow the Committee to see more data before making decisions about the extent of additional policy firming," Fed governor Philip Jefferson said late last month.

READ MORE ON B2



PHOTO: REUTERS

Two construction workers stand on a scaffold platform on a new housing development under construction in Knutsford, Britain on June 1.

High inflation rattles UK home loan market

AFP, London

Britain's retail lenders are withdrawing fixed home-loan products, as elevated inflation sparks fear of more Bank of England interest rate hikes and worsens the cost-of-living crisis.

UK banks mostly offer mortgages with a fixed interest rate for a set period – typically two to five years – but after expiry this becomes variable or a new rate is fixed in line with prevailing market conditions.

However, recent inflation data sparked speculation that the central bank will ramp up its key interest rate even higher to contain stubbornly high inflation.

That could further squeeze living standards and spell more gloom for Prime Minister Rishi Sunak's Conservative government before a general election expected next year.