DHAKA TUESDAY MARCH 5, 2024, FALGUN 21, 1430 BS ● starbusiness@thedailystar.net

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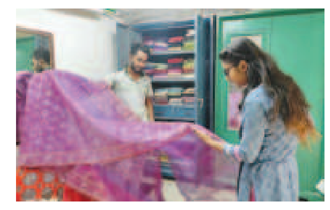
Bangladesh is yet to derive any benefit from products granted GI status due to a lack of initiatives from stakeholders

Story on B4



IMF team to help NBR assess tax expenditures

STAR BUSINESS REPORT

A tax policy mission of the International Monetary Fund (IMF) yesterday began to work with the National Board of Revenue (NBR) to train taxmen to assess tax expenditures so that the government can eliminate less effective tax exemptions, broaden the tax base and increase revenue collection.

The development comes following a report of the review mission of the Washington-based lender. The report reviewed Bangladesh's performance against the criteria set as part of a $4.7 billion loan it approved for Bangladesh in January last year.

The IMF suggested the government raise tax revenues and rationalise expenditures as Bangladesh's tax-to-GDP ratio is one of the lowest in the world. The low tax revenue collection has constrained critical spending for longer-term economic development of the country, the IMF said earlier.

It recommended the government take tax revenue measures that yield an additional 0.5 percent of the GDP in FY2024.

The IMF suggested the government raise tax revenues and rationalise expenditures as Bangladesh's tax-to-GDP ratio is one of the lowest in the world.

As such, the government promised the IMF that it would eliminate less effective tax exemptions and simplify the tax rate structure to broaden the tax base and enhance voluntary taxpayer compliance.

It also sought the IMF's technical assistance in analysing existing tax expenditures.

The NBR earlier shared with the IMF that it would assess tax expenditure such as rebates, discounts, exemptions and reduced rates of taxes for corporate income tax, personal income tax and value added tax (VAT) as part of the budget for fiscal year (FY) 2024-25 and publish those before June 2024.

The NBR also said it would use the analysis to identify measures to rationalise tax expenditures, which will be adopted in the budgets for FY25 and FY26.

As such, the tax administration has formed a team to be trained to estimate tax expenditures such as rebates, discounts, exemptions and reduced rates of taxes for the next two years, including a projection for the next tax year, fiscal 2024-25.

The team, led by an additional tax commissioner, started training at a workshop conducted by an IMF tax policy mission. It will submit reports within April 30, according to a decision by the NBR.

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Weak banks to merge with strong lenders in a year

Central bank governor tells owners

STAR BUSINESS REPORT

Bangladesh Bank Governor Abdur Rouf Talukder has formally informed the owners of banks that weak lenders will be merged with stronger ones in a year and the banking regulator has got down to working towards it.

The central bank chief communicated it during a meeting with the Bangladesh Association of Banks (BAB), a platform of directors of private commercial banks, at the central bank headquarters yesterday.

Md Nazrul Islam Mazumder, chairman of the BAB, led a delegation from the association during the meeting where BB Policy Adviser Abu Farah Md Nasser, Deputy Governor Nurun Nahar and Spokesperson Md Mezbaul Haque were also present.

The governor said there are two ways of mergers, according to central bank sources.

One of the ways is concerned banks can discuss among themselves and make decisions to merge. The other way is that weak banks will merge with sound financial companies under the Prompt Corrective Action (PCA) framework introduced by the central bank.

The PCA Framework, a procedural guideline for mergers, is scheduled for implementation in March 2025, based on performance and financial indicators as of December 2024.

During the meeting, the BB chief cited India, Malaysia and Japan as successful examples of mergers and acquisitions, said a senior central bank official who attended the meeting.

He said that the governor assured the directors that the merger was not a matter of concerns and it would help both strong and weak banks.

Speaking to reporters after the meeting, Mazumder, also the chairman of Exim Bank, said around 90 percent of banks in Bangladesh are in good shape.

"Only 10 percent of banks have become weak. But there are weak banks in other countries as well."

He said the practice of mergers is well-established in neighbouring countries and Europe, so it is not a bad thing.

"The central bank has started to work for mergers and we have no problem if weak banks merge with stronger ones."

Mazumder, however, admitted that they were initially worried when they came to know about the merger plan through the media.

"The governor answered to our queries well and we understand that no one will be harmed by this. Weak banks will become stronger and good banks will become even better."

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Key economic indicators:

- Forex reserves fell to $21.87b in Dec
- Inflation has stayed at elevated level for two years
- Export earnings saw a meagre rise in first half of FY24
- Imports fell 19.90% in Jul-Dec
- Public food grains stock slipped to 15.33 lakh tonnes in Dec from 17.94 lakh tonnes in the same month a year earlier
- Government's debt amounted to $166.65b in FY23

MCCI expects:

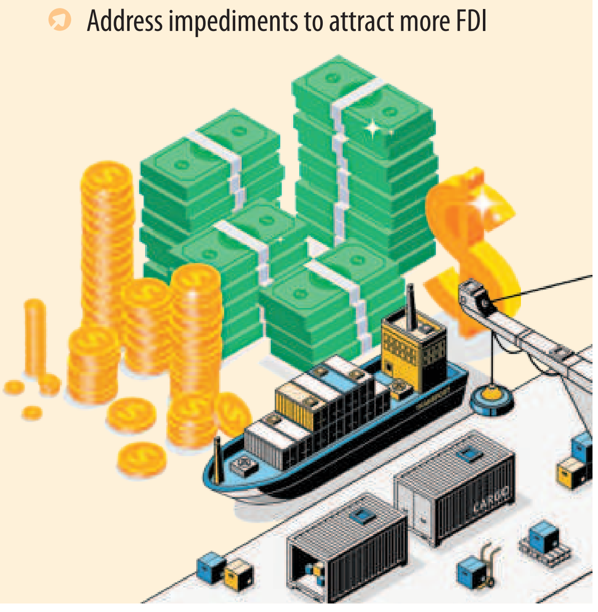
- Exports, imports and remittances may increase in the next three months
- Reserve is likely to fall before increasing slowly
- Inflation is expected to fall in Q3

Its recommendations:

- Take more actions to overcome weaknesses in the economy
- Address impediments to attract more FDI

The public food stock as well as the public food distribution system is a vital factor for food price stabilisation

MCCI says



SIX INDICATORS signal significant challenges for govt: MCCI

STAR BUSINESS REPORT

The government is facing significant challenges in as many as six out of nine key economic indicators, said a top chamber yesterday, calling for further actions to improve the scenario.

The parameters are foreign exchange reserves, import volume, domestic debt, export receipts, food stock, and inflation, according to the Metropolitan Chamber of Commerce & Industry, Dhaka (MCCI).

Local economists have attributed persisting global and local adversities to the weaker situation in the areas. In order to overcome the situation, the government has taken quick and decisive measures to address the economic fallout.

"The government also needs to take more actions to stabilise foreign exchange reserves, manage inflation, enhance revenue earnings, ensure proper electricity and gas supply, and improve the food situation," the MCCI said in its review of the economic situation for October-December of the current financial year of 2023-24.

Amid higher outflows against lower inflows, gross foreign exchange reserves fell to $21.87 billion at the end of December. It was $24.75 billion at the end of the last financial year and $40.7 billion in August 2021.

Inflation has stayed at an elevated level for the past two years and surged to a 12-year high in 2022-23.

The rate of inflation decreased to 9.41 percent in December from 9.49 percent in November. Still, it was high because of the supply bottlenecks brought on by the Russia-Ukraine war and the rise in domestic demand, the oldest chamber of the country said.

Merchandise export earnings increased a meagre 0.83 percent to $27.54 billion in July-December of FY24, due mainly to the falling demand for apparel products in the global market for an economic slowdown and Bangladesh's limited product basket.

Customs-based imports decreased by 19.90 percent to $33 billion.

The review said the public food stock is a vital factor for food price stabilisation as well as the public food distribution system. So, the government is procuring food grains from both internal and external sources.

In December, the government's food grains stock was estimated at 15.33 lakh tonnes, which was 17.94 lakh tonnes in the identical month in 2022.

The government's total debt amounted to $166.65 billion in FY23. Of the volume, external debt stood at $74 billion, which is predominantly owed to multilateral and bilateral creditors.

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'One step closer' to recovering stolen funds: BB

STAR BUSINESS REPORT

The New York State Supreme Court's recent ruling in favour of the Bangladesh Bank has brought the country "one step closer" to recovering the stolen funds from the people responsible, according to the central bank.

On February 5, 2016, hackers stole $101 million from the BB's account with the Federal Reserve Bank of New York using fake orders through the SWIFT payments system.

Of the amount, $81 million was transferred to four accounts of Rizal Commercial Banking Corporation (RCBC) in Manila of the Philippines and $20 million to Sri Lanka's "Shalika Fundation" through Pan Asia Banking Corporation.

The BB filed a lawsuit with the US District Court in Manhattan in 2019, accusing RCBC of being involved in a massive conspiracy to steal the money. The original complaint in the New York state court was filed on May 27, 2020.

On February 29 this year, the First Appellate Department of the New York State Supreme Court ruled in BB's favour, the central bank said in a press release.

The decision confirmed that New York would be the venue for litigation against RCBC and its employees and casino junket operator Kam Sin (Kim) Wong's theft of the BB fund, it said.

The decision also affirmed the trial court's decision that RCBC, along with its two most senior executives -- Lorenzo Tan and Raul Victor B Tan -- and Kim Wong could be held liable in New York courts for their involvement in the theft.

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"Bangladesh Bank is considering its further response to the First Department decision, including but not limited to its own appeals or responses to any appeal by the remaining RCBC defendants and Kim Wong, and looks forward to pressing forward in the ongoing discovery process in the trial court," said the BB.

The court also ruled that the BB may pursue the defendants for the money they controlled whilst they knew full well that

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Large-cap stocks plunge as floor prices go

STAR BUSINESS REPORT

Stocks of British American Tobacco Bangladesh (BATB) dropped at Dhaka Stock Exchange (DSE) following the lifting of its floor price yesterday, just as it had occurred for that of Grameenphone on the day before.

Stocks of the tobacco company fell 7.5 percent to Tk 479.8 while that of Grameenphone around 2 percent to Tk 257 yesterday.

The two companies brought down the DSEX, the key index of the country's prime bourse, by 30 points, of which the BATB accounted for around 26 points, according to LankaBangla Securities.

The DSEX ended the second trading day of the week lower at 6,175 as it slipped 39.94 points, or 0.64 percent, from that on Sunday.

This is the fourth consecutive day of trade that the index has dropped.

The floor price is the lowest price at which a stock can be traded. The Bangladesh Securities and Exchange Commission (BSEC) started to gradually lift floor prices since January on introducing those 18 months ago.

Meanwhile, the DSES, which represents Shariah-compliant companies listed on the country's premier bourse, lost 5.25 points, or 0.38 percent, to stand at 1,344.

Moreover, the DS30, which is comprised of blue-chip firms, went down 19.24 percent to reach 2,108.

Turnover, which indicates the volume of shares traded during the session, slumped 19.14 percent to Tk 793 crore. Block trades accounted for 5.8 percent of the market turnover.

Central Pharmaceuticals was the most traded share with a turnover of Tk 56 crore.

Of the issues that were traded on the DSE, 115 advanced, 214 declined and 67 remained unchanged.

Most of the sectors with large market capitalisation posted negative performances yesterday, said BRAC EPL Stock Brokerage in its market research for the day.

Food and allied experienced the highest loss of 5.49 percent followed by telecommunication (1.10 percent), engineering (0.92 percent), non-bank financial institutions (0.87 percent), fuel and power (0.81 percent) and pharmaceuticals (0.60 percent)

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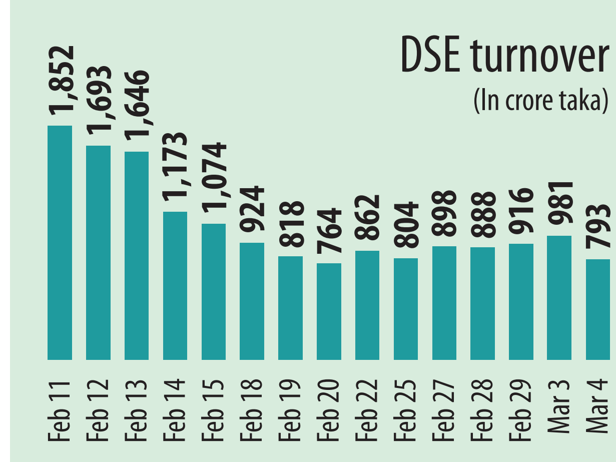

SOURCE: DSE

TOP INDEX MOVERS

COMPANY	DROP IN POINTS
British American Tobacco	27
Grameenphone	3
Beximco Pharma	2.5
Beacon Pharma	2.2
Renata	1.46