Star BUSINESS

Syndication has become a buzzword among consumers in Bangladesh, particularly in relation to the abnormal price hike of essential commodities over the past several years

Story on B4

Tax receipts rise 15% in July-March, close to IMF target

MD ASADUZ ZAMAN

Tax collection by the National Board of Revenue (NBR) rose 15 percent in the first nine months of the current fiscal year (FY), which is expected to help the government meet the condition set by the International Monetary Fund (IMF) for its $4.7 billion loan.

Bolstered by rising value-added tax (VAT) collection and increased income tax receipts, the tax administrator logged Tk 259,866 crore in total revenue in the July-March period of the current fiscal year, according to the NBR's provisional estimates.

However, the revenue authority missed the target it had set for itself for the period by Tk 21,879 crore.

Still, it is on course to meet the revenue collection target set by the IMF, which it missed during the first review, a finance ministry official said.

Until December last year, the IMF set the goal for tax revenue at Tk 143,640 crore, which it met by collecting Tk 162,164 crore in tax revenue, according to the finance ministry.

The IMF set an indicative tax revenue collection target of Tk 276,170 crore for the first nine months of the fiscal year, including both NBR revenue and non-tax revenue. According to finance ministry officials, the data for non-tax revenue is not yet available, but it is likely to fulfil the condition.

The IMF has set a target for collecting a total of Tk 394,530 crore in revenue in FY24.

Meanwhile, the government initially tasked the NBR with the goal of collecting Tk 430,000 crore in tax revenue for the current fiscal year before revising it down to Tk 410,000 crore.

In the first nine months of the fiscal year, the tax authority managed to collect 63 percent of the total revised target, according to NBR data.

"Without any reforms in the tax system, 15 percent growth is not bad," said Ahsan H Mansur, executive director of the Policy Research Institute (PRI) of Bangladesh.

But if it continues at this rate, there will be a shortfall of around Tk 30,000 crore at the end of FY24, he said.

Mansur, also a former economist of the International Monetary Fund (IMF), opined that the government can generate additional revenue of Tk 30,000 crore in the next fiscal year if it reduces existing tax exemptions for various sectors.

"Raising the tax rate will not be a wise decision. It may have the reverse impact," he said, adding that targets set in the national budget have also been missed over the years.

"This year's target, even after being revised, is also likely to be missed," said Towfiqul Islam Khan, a senior research fellow at the Centre for Policy Dialogue, a think-tank.

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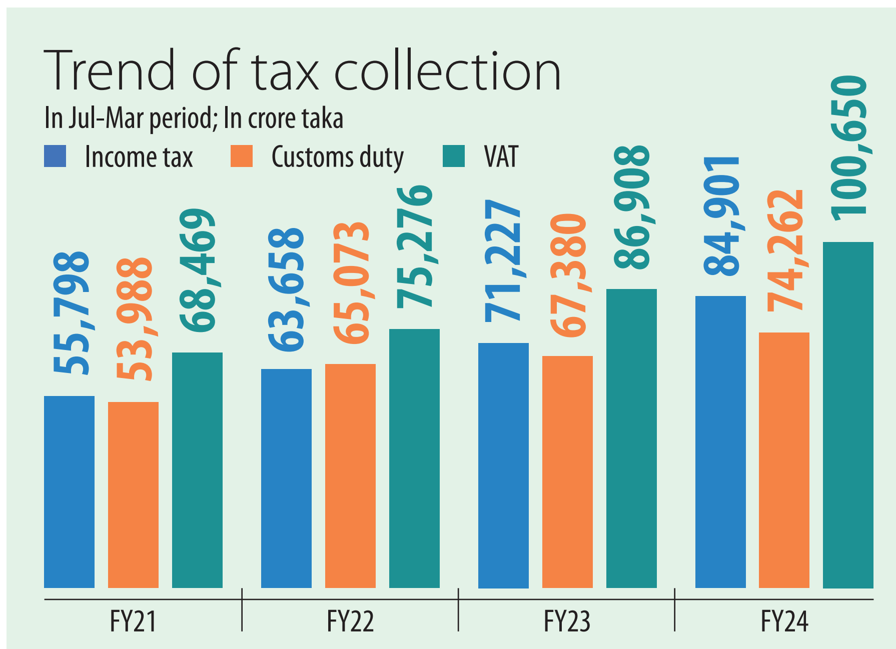

SOURCE: NBR

Allure of bonds, forced selling blamed for stock market rout

STAR BUSINESS REPORT

The recent bear run of the stock market indices mainly resulted from forced sales, fund transfers to treasury bonds, bank merger decisions and a lack of good governance and a dearth of quality initial public offerings (IPO), according to stakeholders.

Listed state-run companies recently issued new shares, which diluted their earnings per share and this was another reason behind the fall in share prices, they said.

The explanations came at a fact-finding meeting called by the Bangladesh Securities and Exchange Commission (BSEC) at its office in the capital over the drop in indices.

In the two and a half months preceding last Sunday, the DSEX, the benchmark index of Dhaka Stock Exchange (DSE), dropped 794 points, or 12 percent.

However, it edged up 21.16 points, or 0.37 percent, from that on the day before to close at 5,675.87 yesterday.

The fall prompted the regulator to sit with the CEOs of 10 brokerages which account for the highest volumes of trade alongside leaders of DSE Brokers Association of Bangladesh and Bangladesh Merchant Bankers Association.

Saiful Islam, president of the DSE Brokers Association of Bangladesh, told The Daily Star that he had highlighted the matter of forced sales at the meeting.

If brokerage houses and merchant banks lend funds to investors to buy stocks and the stock price falls by a large extent, the brokers first call

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BGMEA again seeks duty-free garment exports to US

STAR BUSINESS REPORT

The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) has again urged the US government to allow duty-free access for garment items made from imported American cotton by reinstating its Generalised System of Preferences (GSP) facility.

Leaders of the trade body made this demand at a meeting with senior officials of the United States Trade Representative (USTR) at the BGMEA office in Dhaka yesterday.

Brendan Lynch, assistant USTR for South and Central Asia, led the American delegation while SM Mannan Kochi, president of the BGMEA, led the Bangladeshi delegation.

BGMEA also urged the USTR to put pressure on US clothing retailers and brands to increase price of Bangladeshi garments

At the meeting, the BGMEA also urged the USTR to put pressure on US clothing retailers and brands to increase the per unit price paid for garment items sourced from Bangladesh.

Additionally, Kochi suggested introducing a unified code of conduct for all local brands and suppliers of the US market.

Meanwhile, the USTR officials suggested improving labour rights and easing the rules for registering trade unions in Bangladesh's garments sector.

The USTR also provided 11 conditions that need to be

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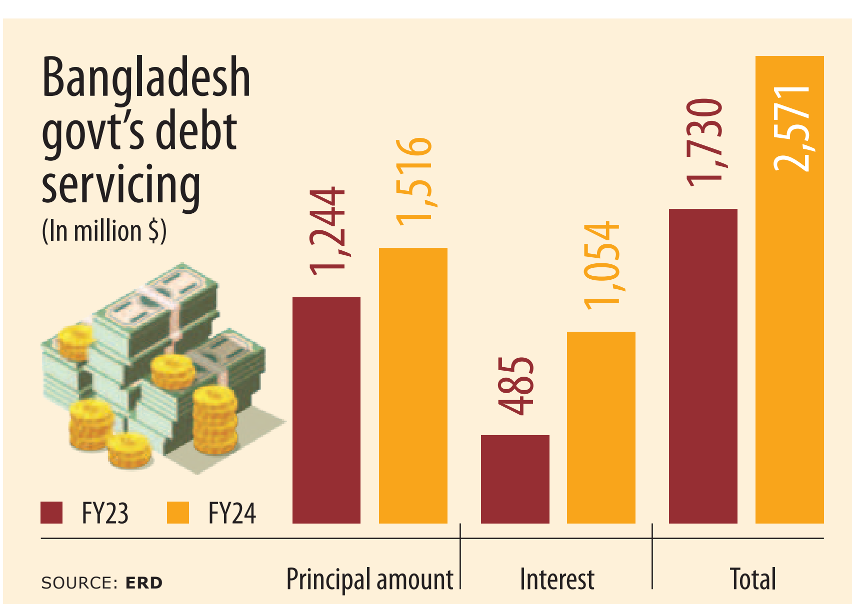
Govt's debt servicing for foreign loans surges 49%

Interest payment crosses $1b mark for first time



SOURCE: ERD

STAR BUSINESS REPORT

Bangladesh's foreign debt servicing surged by 49 percent, driven by spiralling interest payments, which crossed the $1 billion mark for the first time.

This increase is a result of the country's rising borrowing from high-interest sources.

In the July-March period of fiscal year 2023-24, the government paid $1.05 billion in interest, which is 117 percent higher than the $485 million it paid during the same period a year ago.

Overall, debt servicing soared by 49 percent to $2.57 billion in the July-March period of FY24, compared to the same period a year ago.

This data was released by the Economic Relations Division (ERD) yesterday.

During the same period, the repayment of the principal amount of foreign loans rose by 22 percent year-on-year to $1.5 billion.

The pressure on loan servicing is rising as the government increased borrowing to finance large infrastructure projects such as the Dhaka Metro Rail, Matarbari Coal Power Plant, and Rooppur Nuclear Power Plant, funded by bilateral and multilateral sources.

As of December 2023, the external debt of the Bangladesh government stood at $79.6 billion. This figure was approximately 13.7 percent of the nation's Gross Domestic Product in the fiscal year 2022-23.

In recent years, the government has borrowed a good amount of money from multilateral agencies, largely to help the economy navigate the crises caused by the Covid-19 pandemic and Russia-Ukraine war.

Officials have stated that loans taken from foreign sources now have a shorter grace period. Additionally, interest rates are now tied to the global reference rate -- the Secured Overnight Financing Rate (SOFR). This rate replaced the London Interbank Offered Rate (Libor) last year.

In recent times, the SOFR has seen an increase.

Official data revealed that Bangladesh paid $935 million in interest payments in FY23, nearly double the $491 million paid a year prior.

The latest data from the Economic Relations Division (ERD) showed that the overall commitment from foreign lenders grew by 135 percent year on year to $7.2 billion in the July-March period of FY24.

However, disbursement only increased 5 percent year-on-year to $5.6 billion in the nine months to the end of March 24.