

# Star BUSINESS

Small businesses, ride haulers, and daily earners are bearing the brunt of the ongoing heatwave, which has led to a drop in their earnings



Story on B4

## IMF calls for smaller budget amid low revenue receipts

REJAUL KARIM BYRON and MD MEHEDI HASAN

As Bangladesh continues to underperform in revenue collections, the visiting mission of the International Monetary Fund (IMF) has suggested the government formulate a smaller-than-usual national budget to minimise the deficit.

The recommendation came as an eight-member delegation, led by Chris Papageorgiou, began the second review of the multilateral lender's \$4.7 billion loan programme yesterday. The release of the third tranche of the credit support in June will rely on the positive outcome of the visit.

The mission will hold several meetings with several key government institutions, including the finance division, the Bangladesh Bank, and the National Board of Revenue (NBR) till June 8.

Yesterday, the finance division presented its projection on the upcoming budget and the revised budget for the current fiscal year before the IMF team.

According to the projection, the size of the budget for 2024-25 will be Tk 7,96,900 crore, which is 4.6 percent bigger than the current budget.

Usually, the budgetary allocation is swelled by 12 to 13 percent every year. The budget for 2023-24 is 12.35 percent higher than the previous one.

The IMF mission suggested that the upcoming budget, which will be unveiled in the first week of June, should be smaller than the projection, citing a low revenue collection, according to a number of finance ministry officials who attended the meeting.

In the current context, the budget deficit should be narrowed to contain inflation and meet the IMF targets.

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## EU's new supply chain law to improve labour conditions in Bangladesh

### KEY POINTS

- ➔ EU parliament approved the new supply chain due diligence law yesterday
- ➔ Bangladesh is the second largest apparel exporter to the EU after China
- ➔ The due diligence law will be applicable for both suppliers and importers
- ➔ New law will be implemented gradually till 2030

### EXPORTERS SAY...

- ➔ New law will not affect work orders of Bangladesh
- ➔ Bangladesh has been getting ready for the new law for long
- ➔ Bangladesh is the global champion in green garment factories

### MAJOR TASKS AHEAD

- ➔ Garment exporters will have to drastically bring down the use of fossil fuel
- ➔ Bangladesh will have to ratify 32 international conventions



### ANALYSIS

REFAYET ULLAH MIRDHA

The new supply chain law approved by the European Parliament is expected to improve labour and environmental standards at the garment factories in Bangladesh since more than 64 percent of the country's apparel exports are destined for the world's largest trade bloc.

The European Parliament yesterday adopted the Corporate Sustainability Due Diligence Directive (CSDDD), which is expected to establish a corporate

due diligence standard on sustainability for businesses operating in the EU. It aims to enhance the protection of the environment and human rights in the EU and globally.

The law now needs final approval from EU member states and the EU ministerial vote is expected to take place in May.

The Parliament's vote came on the 11th anniversary of the tragic collapse of the Rana Plaza building, which killed 1,138 garment workers and injured more than 2,000 others.

The new law, which will come into effect gradually up to 2030, may cause a significant shift in production, compliance, and responsible business behaviour

by both supplying companies and importing companies.

This is because, for the first time, importers will have to bear the responsibility for any violation of compliance standards in the supply chain.

For instance, international clothing retailers and brands that used to source garments from the factories housed inside Rana Plaza were not held responsible for the deaths of the workers. Only the manufacturers were held responsible.

The global buyers were not legally bound to pay compensation to victims. Rather, they took part in the process willingly.

However, the passage of the

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## BSEC narrows circuit breaker limit to halt panic selling

STAR BUSINESS REPORT

The stock market regulator yesterday narrowed the scope for individual stocks to fall in a trading day in an effort to halt panic selling and thereby slow down the fall of the index.

The Bangladesh Securities and Exchange Commission (BSEC) issued an order recalibrating the circuit breaker, saying that stocks of listed companies would not be allowed to fall more than 3 percent based on the previous day's closing price.

Earlier, it was 10 percent.

However, the upper limit, meaning the extent to which the price of a stock can rise, has been kept unchanged at 10 percent.

The order comes into effect from today.

However, it will not be applicable for stocks for which the market regulator already has floor prices in place.

The floor price is the lowest price at which a stock can be traded.

At the end of July of 2022, the BSEC set the floor price of every stock to halt the freefall of the market indices amid global economic uncertainties.

The floor price was the average of the closing prices on July 28, 2022 and the preceding four days.

At present, it remains in effect only for five companies -- Beximco, Islami Bank Bangladesh, Khulna Power Company, Meghna Petroleum and Shahjibazar Power Company.

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## Many tech startups to collapse if tax exemption goes

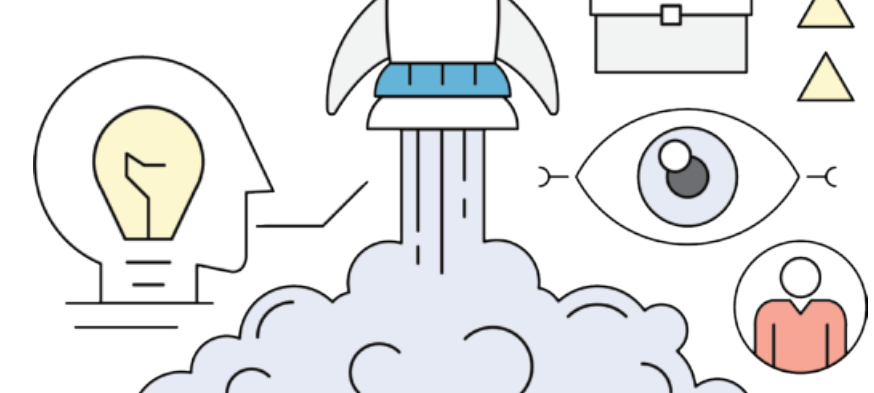
Experts fear drop in investment, exports

### What will happen if tax exemptions end?

- ➔ Many tech startups will be forced to shut down, experts say
- ➔ The sector will fail to draw foreign investment
- ➔ Software export revenue will decline
- ➔ May lead to a drop in the country's forex reserves

### RECOMMENDATIONS

- ➔ Extend corporate tax exemptions for another 5 years
- ➔ Frame long-term policy for IT sector to attract investment
- ➔ Impose taxes gradually for IT companies



STAR BUSINESS REPORT

Many tech startups in Bangladesh will have to shut down if the government discontinues corporate income tax exemptions from the upcoming fiscal year, experts said yesterday.

The income tax exemption period for the software and information technology services sector is set to expire in June of this year.

If the National Board of Revenue (NBR) does not extend this exemption period, it will pose a threat to the sector's potential development, they said.

Furthermore, it could impede the "Smart Bangladesh" vision of the government, they added.

The experts were addressing a roundtable titled "Tax policy suggestion for promoting local tech startups" organised at The Daily Star Centre in Dhaka by different associations of tech-based startups.

"...we anticipate two significant consequences: a decline in investment and a potential decrease in software

export revenue, which could exacerbate pressure on the country's dollar reserves," said Fahim Mashroor, CEO of bdjobs.com.

"Banks and financial companies don't typically finance IT companies in Bangladesh. This sector is developing on the back of self-investment or foreign funding," he said.

"If the exemptions are suddenly discontinued, the investment in the sector will be stopped, slowing the growth of the sector," he said.

Mashroor said inflated estimations of the NBR about the profits of Bangladeshi IT companies could prompt discontinuation of tax exemption, hurting the industry.

According to calculations by the NBR, the government is foregoing approximately Tk 1,477 crore in revenue annually due to tax exemptions for the ICT sector.

"That means companies in this sector are generating profits of Tk 5,000 crore annually," Mashroor.

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## Bay Terminal may draw \$8b FDI

Says CPA chairman

STAFF CORRESPONDENT, Ctg

The Bay Terminal project, the biggest in the Chattogram port's history, may end up drawing over \$8 billion in foreign direct investments (FDI), said Chittagong Port Authority (CPA) Chairman Rear Admiral Mohammad Sohail yesterday.

Associated deals are expected to be signed over the next three months, he told a views exchange meeting with journalists at the port on the eve of Port Day.

The day has been celebrated since Chittagong Port Commissioner's Act 1887 (Bengal) came into effect on April 25, 1888 under British colonial rule.

The CPA chairman highlighted progress regarding the construction of the port's six new terminals, including four

**Associated deals are expected to be signed in the next three months, said CPA chairman**

of the Bay Terminal and the first terminal of Matarbari Deep Sea Port.

The Bay Terminal project's two container terminals, a multipurpose terminal and an oil and gas terminal will be implemented wholly with FDI, said the CPA chairman.

Construction of the first terminal of Matarbari Deep Sea Port, a part of the Chattogram port, will start very soon as the tender process has been completed and is now awaiting a cabinet committee's approval, he said.

He believes that once these projects were implemented within the next couple of years, the

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