

# Star BUSINESS

Potatoes are at least 50 percent costlier than a year ago owing to lower production, tight supply, and profiteering tendency



Story on B4

## Banks asked to find ways to raise forex inflow

### STAR BUSINESS REPORT

The Bangladesh Bank (BB) yesterday asked commercial banks to raise the inflow of foreign currency amid the pressure on forex reserves and impending payment obligations.

The central bank directive came during a meeting between BB Governor Abdur Rouf Talukder and the managing directors of five leading private commercial banks on Sunday.

The managing directors of BRAC Bank, City Bank, Eastern Bank, Mutual Trust Bank, and Dutch-Bangla Bank were present at the meeting.

Sources at the meeting said that the BB governor instructed the managing directors to find ways to raise forex inflows as Bangladesh's forex reserves are continuing to fall due to higher outflow than the inflow.

The country's forex reserves stood at \$19.97 billion as of April 24, down from \$23.30 billion on July 26 of last year, BB data showed. Meanwhile, there are huge payment obligations in the upcoming days, the source said.

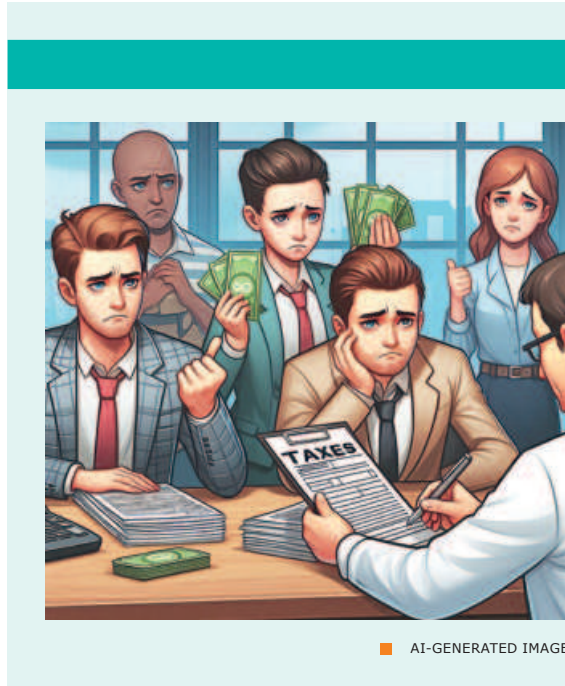
The BB governor asked banks to bring foreign currency through offshore banking units since the banking regulator recently relaxed the rules for them by passing the Offshore Banking Act 2024 in Parliament on March 5.

Under the new act, the government will not charge any tax on the profits that foreigners make in offshore banking units of Bangladeshi banks.

Recently, the banking regulator also revised the rules on resident foreign currency deposits (RFCD) accounts.

In December, the central bank issued a notice saying banks would be able to pay more than 7 percent interest on RFCD accounts. Besides, various benefits, including the ability to transfer money abroad and avail multiple cards, are allowed through the RFCD accounts.

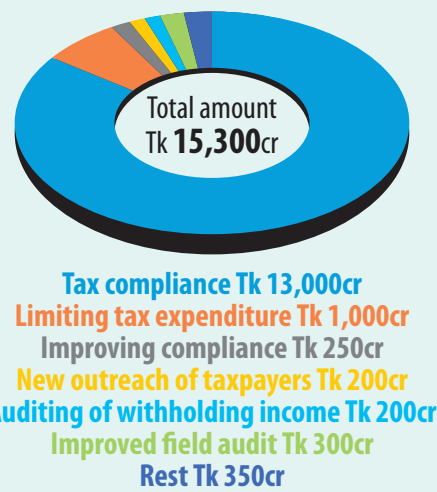
# IMF prescribes ending tax exemptions



### IMF's recommendations

- Discontinue tax exemptions in June 2024
- Impose 15% VAT on businesses with over Tk 3cr annual turnover
- Abolish reduced VAT privilege for clothing and footwear, LPG, mobile phones and more
- Adopt tax compliance improvement plan for VAT and income tax
- Finalise a medium- and long-term revenue strategy for direct and indirect tax
- Introduce e-filing of return and online payment for all large corporations

### Breakdown of NBR's plan to collect increased tax in FY25



### STAR BUSINESS REPORT

The International Monetary Fund (IMF) has prescribed that Bangladesh must abolish VAT and income tax exemptions in various areas in order to accelerate revenue collections from the next fiscal year.

It recommended the National Board of Revenue (NBR) discontinue the tax holiday for the information and communication technology industry and abolish the tax benefit for mining and petroleum extracting companies.

The multilateral agency also proposed imposition of a 15 percent VAT on all businesses with over Tk 3 crore annual turnover and offering them input tax credits. It suggested elimination of truncated VAT rates to accelerate overall revenue collection.

The recommendations were made by the visiting mission of the IMF during a meeting with the NBR at the latter's headquarters in Dhaka.

The delegation is in the capital to review the progress of the \$4.7 billion loan programme before releasing around \$681 million in the third tranche in May to help the country overcome severe economic challenges.

The team is meeting officials of the finance division, the Bangladesh Bank, the NBR and other government bodies.

Bangladesh's revenue as a share of GDP is among the lowest in the world and significantly limited the fiscal space necessary for critical public investments and social sector spending.

In 2024-25 through policy measures, including enforcing tax compliance and limiting tax expenditures such as exemptions and rebates.

The IMF suggested the NBR scrap the VAT exemptions for clothing and footwear, liquefied petroleum gas (LPG), and mobile phone manufacturing.

At present, customers pay

If the tax administration ends the tax expenditures on clothing, footwear, LPG, mobile phones, and other products, it would provide additional taxes that are equivalent to 0.31 percent of gross domestic product (GDP), according to an estimate by the IMF presented at the meeting.

An NBR official said they would implement IMF's recommendations gradually since any abrupt move would affect domestic trade and industries.

"We must take into account the country's socio-economic situation before withdrawing tax exemptions fully."

The IMF urged the VAT wing to submit the VAT exemption report and the medium and long-term revenue strategy by June. It wants the NBR to move away from multiple VAT rates and impose a 15 percent standard rate.

The official, however, said multiple VAT rates exist in many countries, including those in the European Union.

"If they can have multiple VAT rates, why can't Bangladesh have the same? We are not avoiding the global best practices."

The Washington-based lender recommended advancing short and medium-term reforms in



As part of the conditions attached with the IMF loan approved in January last year, the NBR will have to collect Tk 394,530 crore in the current fiscal year ending in June. Until March, the tax collector raised Tk 259,866 crore, posting a 15 percent year-on-year growth.

In a presentation, the NBR's income tax wing projected to collect Tk 15,300 crore in tax

7.5 percent VAT on clothing. However, they do not need to pay any VAT for sandals priced below Tk 150 a pair.

The existing VAT on LPG cylinders is 5 percent, and locally manufactured mobile phones are subject to a 2 percent to 7.5 percent VAT.

The IMF wants the NBR to replace these reduced rates with a 15 percent VAT.

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## Govt's bank borrowing rises sharply in Jul-Apr

### MD MEHEDI HASAN

The government's borrowing from commercial banks in the first ten months of the current fiscal year jumped 12 times compared to the same period a year ago as the Bangladesh Bank is no longer directly lending to the government due to inflationary pressure.

From last July to April 22 this year, government loans from commercial banks amounted to Tk 65,432 crore, according to Bangladesh Bank.

In the same 10 months or so of fiscal year 2022-23, it was only Tk 5,334 crore.

When it comes to such dealings with the central bank, the government repaid Tk 19,875 crore in the last 10 months as opposed to its usual trend of borrowing.

In the same 10-month period of the preceding fiscal year, the government had borrowed Tk 72,904 crore from the central bank. And by the end of fiscal year 2022-23, the government had taken a record Tk 98,000 crore in total.

Such a large amount of loans from the central bank had drawn criticism from the country's economists, who believed it would fuel inflation.

Bangladesh is already witnessing record inflation. Since March last year, inflation has stayed at over 9 percent, which prompted the central bank to suspend the printing and injection of money into the economy.

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STOCKS	
DSEX ▲	CASPI ▲
1.76%	1.16%
5,615.84	15,999.52

COMMODITIES	
Gold ▲	Oil ▲
\$2,337.93	\$83.66
(per ounce)	(per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 0.82%	▲ 0.81%	▼ 0.23%	▲ 1.17%
73,730.16	37,934.76	3,280.1	3,088.64

## Stocks gain after last week's downturn

### STAR BUSINESS REPORT

Stocks bounced back strongly yesterday, snapping the previous week's downturn, mainly due to a substantial rise in the participation of investors.

The DSEX, the benchmark index of the Dhaka Stock Exchange (DSE), surged 97 points, or 1.76 percent, from that on the day before to reach 5,615.

Meanwhile, the DSES, the index that represents Shariah-based companies, rose 16 points, or 1.38 percent, to 1,234.

Similarly, the DS30, which comprises blue-chip stocks of a group of 30 renowned companies, increased 21 points, or 1 percent, to 1,996.

Market insiders attributed it to the participation of some big investors, saying they were encouraged by a finance ministry circular on Prof Shibli-Rubayat-Ul Islam's reappointment as chairman of the Bangladesh Securities and Exchange Commission (BSEC) for a second four-year term.

Prices of many stocks were very low, unseen in the last couple of years, due to which some investors found it rational to invest, said a top official of a leading stock brokerage firm.

As the market started to rise in the morning, investors gained confidence and bought shares, he said.

On the other hand, some large investors started to buy shares since the beginning of the day as they apparently saw bright prospects over the BSEC chief's reappointment, he added.

Turnover, an important indicator of the volume of shares traded during the session, grew 20 percent to Tk 613 crore.

Among the stocks that were traded, 300 advanced, 52 declined and 44 remained the same.

The rise in prices also involved stocks of companies which account for large amounts in market capitalisation, which is determined by the total market value of all their outstanding shares.

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# Efficient use of AC can reduce electricity bills: experts

### JAGARAN CHAKMA

The scorching heatwave that has swept over Bangladesh since the start of April is causing people to rely on air conditioners (ACs) more than ever.

Alongside that, local manufacturing and assembly have led to a significant decrease in prices of the home appliance, bringing it within the budget of more consumers and fuelling the growth of the market.

However, although ACs provide a much-needed respite from the heat, the home appliance also draws a lot of power, leading to higher electricity bills and putting a further strain on people who are already suffering due to heightened inflation.

As a result, after purchasing an AC, most customers try to use ACs economically in an attempt to reduce their electricity bills, but they often do not know the optimal ways to do so.

According to experts, the correct use of ACs can help reduce the user's electricity bills.

Aynal Haque, professor of the Electric and Electronic Engineering Department of the Bangladesh University of Engineering Technology, said ensuring an airtight room that prevents cool air from leaking out and keeping ACs at a specific temperature is the best practice.

According to Haque, ACs should be installed on a suitable wall, one that does not face west, to cool the room rapidly, which can reduce energy consumption.

He added that ACs equipped with inverter technology consume more power immediately after starting up, but require less energy once the AC is running at full speed. As a result, overall power consumption is lower than non-inverter ACs.

Ariful Islam, head of research and



innovation at Walton Air Conditioner, suggested setting the temperature of the AC at 25 degrees Celsius to save energy. He also stressed the need to close windows tightly and insulate the room to keep cool air in and hot air out.

According to Islam, regular

maintenance, such as changing air filters, is mandatory. He added that regular check-ups also ensure that the home appliance keeps working well.

Newer ACs have features that save energy, like variable-speed motors that use less energy, he said. He also suggested

regularly monitoring AC usage and analysing energy bills to see where users can save more energy.

Using a 1.5-ton inverter AC from Walton as an example, he said: "If this AC runs at 25 degrees Celsius for eight

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