



PHOTO: HABIBUR RAHMAN

Abdul Hamid and Alamin Kazi collect larvae of Harina shrimps after netting them during low tide on the Shoilhari river in Khulna's Batiaghata upazila. Together they can catch two bucketfuls of the larvae in a day, with shrimp farmers paying anywhere from Tk 1,200 to Tk 1,500 for each bucket. Inset, a juvenile Harina shrimp. The photos were taken at Shoilhari village recently.



## No initiative in budget to stop gold smuggling: Bajus

STAR BUSINESS REPORT

No effective initiative has been taken in the proposed national budget for fiscal year (FY) 2024-25 to stop gold smuggling, the country's jewellery makers and sellers said yesterday.

The government should amend the baggage rule to stop illegal entry of gold and silver bars to the country, said leaders of the Bangladesh Jewellers' Association (Bajus).

The smugglers are taking advantage of the baggage rule and bringing in gold bars, because of which money is being laundered and the local businesses are getting affected, they said.

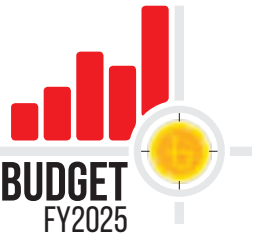
Although the National Board of Revenue (NBR) has repeatedly assured the jewellery makers to take into account their problems and demands in the pre-budget meetings, there is no reflection of it in the proposed budget, said Anwar Hossain, chairman of Bajus standing committee on tariff and taxation.

Those who import gold bars and coins through legal channels will feel encouraged to make and export gold ornaments. But, the burden of unequal duty rates has been imposed on the import of raw materials and machinery due to the indifference of the government departments concerned, he added.

The jewellery makers shared their observation on the proposed national budget for FY25 at a media briefing at the Bajus office in Dhaka yesterday.

The jewellery industry in Bangladesh has apparently remained largely dependent on unauthorised channels for sourcing gold although there is no direct government bar on importing the precious metal.

Industry insiders said the high tax imposed on legally imported gold is the main reason for the companies to feel more comfortable to source the precious metal from unauthorised channels.



## Don't impose tax on web hosting, cloud service companies

ICT trade bodies urge govt

STAR BUSINESS REPORT

Trade bodies of the ICT industry in Bangladesh have urged the government to keep web hosting and cloud service companies tax-free to enhance data protection and localisation.

Currently, only 10 percent of the country's cloud service and web hosting market, estimated to be worth \$20 million, is held by local entrepreneurs.

So bringing these service providers under taxation could discourage their development, said Russell T Ahmed, president of the Bangladesh Association of Software and Information Services (BASIS).

The demand comes as the government has proposed three-year tax exemptions for 19 ICT businesses on the grounds

that they implement cashless transactions to promote the digital economy.

However, services such as web hosting and cloud services were removed from the exemption list while others were added in some proposed measures of the national budget for fiscal 2024-25.

Against this backdrop, Ahmed emphasised the need to keep web hosting and cloud services providers tax-free to sustain the growth of related local ICT companies.

He also called for the government to reconsider imposing a 1 percent duty on imports of capital equipment for investors of high-tech parks and urged to maintain the current duty-free status.

He was speaking at a post-budget press conference



organised by four ICT trade bodies at the BASIS Auditorium in Dhaka yesterday.

The organisations are BASIS, Bangladesh Association of Contact Center and Outsourcing (BACCO), Internet Service Provider Association of Bangladesh (ISPAB) and E-Commerce Association of Bangladesh (E-CAB).

The BASIS president thanked Prime Minister Sheikh Hasina for extending tax exemptions for the

ICT sector by three years.

Syeda Ambareen Reza, vice president of E-CAB, said the existing VAT in the logistics sector needs to be withdrawn to expand e-commerce and smart logistics services.

"This tax exemption will not only contribute to the development of the ICT sector, but also play a crucial role in building a Smart Bangladesh, impacting various fields such as education, healthcare, agriculture, banking and export-oriented manufacturing," she added.

BACCO President Wahid Sharif highlighted the tax exemption's positive impact on various export-oriented industries, education, healthcare, and banking, which would lead to job creation and substantial foreign currency earnings, thereby boosting the

economy.

He said the proposal to increase supplementary duty on mobile SIM card usage by 5 percent would raise the cost of mobile internet services. He stressed that expanding mobile internet and rural internet services is crucial for achieving Smart Bangladesh.

ISPAB President Md Emdadul Hoque said despite directives from the prime minister, broadband internet services providers have not gotten any tax exemptions.

On top of that, a 10 percent advance income tax on broadband internet service providers and 37 percent VAT on optical network units and optical line terminal equipment pose significant challenges for internet service providers, he added.

## Singapore, five other Asean economies see stronger investments

ANN/THE STRAITS TIMES

Singapore and five other Asean countries have received most of the investment flows as companies diversify their supply chains and adopt a China-plus-one strategy, economists said.

Foreign direct investment (FDI) inflows into the Asean economies of Indonesia, Malaysia, the Philippines, Thailand, Singapore and Vietnam have been gaining traction, although there are some differences across sectors and countries, they added.

Inflows into the region rose to US\$236 billion (S\$318 billion) last year, compared with the annual average of US\$190 billion from 2020 and 2022.

The major contributors were the United States, Japan, Europe as well as mainland China and Hong Kong, attracted by the region's strong domestic reforms, which have led to improving macroeconomic fundamentals.

Many firms have diversified their operations away from China, following the Covid-19 pandemic and amid rising geopolitical tensions between Beijing and Washington.

According to the American Chamber of Commerce in Shanghai, 40 per cent of those surveyed last year had redirected investment or planned to redirect investment originally meant for China.

For these companies, Southeast Asia was the most preferred destination, with technology hardware, software and services companies looking at Singapore. The US was the second-most preferred destination, followed by Mexico, the survey showed.

In its latest report on Asean penned by its economists Lavanya Venkateswaran, Ahmad Enver and Jonathan Ng, OCBC Bank said Singapore received the bulk of the inflows, followed by Indonesia, Vietnam, the Philippines, Malaysia and Thailand.

Most investments into the region went into manufacturing, financial and insurance, transportation, construction and wholesale sectors.

FDI inflows from China into the region, which tumbled during the pandemic in 2020, have since rebounded, but the nature of its investments into Asean has shifted from infrastructure to electronics, resources and food industries.

The manufacturing, wholesale and retail trade, finance and insurance, real estate and professional services sectors have seen higher FDI inflows from China too.

China has become one of the top contributors to FDI inflows in Indonesia, surpassing the US and Japan. Indonesia accounts for almost a third of China's investment in Asean in 2022. Most of its investments are parked in the manufacturing sector, OCBC economists said.

In contrast, the Philippines has not benefited as much from Chinese investments. This is not surprising, given geopolitical tensions between the two countries have worsened in recent years, they said.

Singapore continues to be the largest recipient of FDI from China, reflecting the Republic's status as a financial hub with strong synergies in the manufacturing, real estate and services sectors.

## Dollar rebounds

REUTERS, New York

The US dollar rebounded on Friday after data showed the world's largest economy created a lot more jobs than expected last month, suggesting that the Federal Reserve could take time in starting its easing cycle this year.

The dollar index, which tracks the currency's value against six major peers led by the euro, rose 0.8 percent to 104.91, its best daily gain since April 10.

For the week, the index was on track for a 0.2 percent gain, with the strong jobs number offsetting a run of weaker macro data that had earlier prompted investors to put two quarter-point Fed rate cuts back on the table in 2024.

US nonfarm payrolls expanded by 272,000 jobs last month, data showed, while revisions showed 15,000 fewer jobs created in March and April combined than previously reported. Economists polled by Reuters had forecast payrolls advancing by 185,000.

Average hourly earnings rose 0.4 percent after having slowed to a 0.2 percent rate in April. Wages increased 4.1 percent in the 12 months through May following an upwardly revised 4 percent annual rise the prior month.

The unemployment rate, however, edged up to 4 percent from 3.9 percent in April, breaching a level that had previously held for 27 straight months.

"The markets and the Fed bow down to the holy grail of one number, and it is the payrolls report. Of course, it is not just about that headline print but also the higher-than-expected wage number," said David Rosenberg, founder and president of Rosenberg Research in Montreal.

"But as they say - 'it is what it is.' And because we know what the Fed is laser-focused on, and how the Fed is so omnipresent when it comes to market activity in stocks and bonds, consider this to be a bearish report because it simply will embolden the hawks on the FOMC (Federal Open Market Committee)."

## Govt to bank on crawling peg, global interest rate

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In order to contain inflation, the government is increasingly tightening monetary and fiscal policy stances and providing necessary support to boost domestic agricultural and industrial production to keep supply stable.

"These factors are expected to ease the current inflationary pressure in FY25 and bring inflation down to 5.5 percent by FY27," the report said.

However, the contractionary monetary and fiscal policies could hurt the economy.

"The tight monetary and fiscal policy stance is making the business environment difficult. If inflation does not come down in the next few months, the high-interest rate prevailing in the market may have adverse impacts on the GDP," the report said.

It said Bangladesh's graduation from the group of the least-developed countries in 2026 will gradually diminish certain benefits, necessitating emphasis on export diversification, increasing productive capacity, and improving the business environment.

It also talked about the tax-GDP ratio, which is lower than in comparable countries.

"This indicates that there is substantial room for reforms and new initiatives in the tax collection system. Designing those reforms may be challenging."

The report projects agricultural and industrial production will remain strong in FY25, and it will contribute to the growth of the economy.

"Growth in advanced countries will remain stable in the medium-term, and it will contribute to the growth of export items from Bangladesh."

## DSE welcomes budget but investors don't

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dropped by more than 17 percent, or 1,000 points, over the past three months, DSE data showed.

But even if the tax is reinstated, the tax-free limit on capital gains should be at least Tk 1 crore.

Besides, the NBR needs to clarify whether it will allow investors to adjust previous capital losses with their capital gains when calculating the tax due, Islam said.

He also expressed disappointment with the DSE for not playing a proper role in supporting the market.

"Since independent directors are running the stock exchange, the DSE is not playing its role properly in favour of stock investors and brokerage houses," Islam said.

"In most cases, the DSE does not talk in favour of investors when it should. Rather, it remains silent and tries to please the government," he added.

Against this backdrop, Islam urged the DSE to act for the interest of investors as their funds have been being squeezed for months on end.

Prof Hafiz Md Hasan Babu, chairman of the DSE, did not respond to phone calls or text messages for a comment on the issue by the time this report was filed.

Turnover, an indicator of the volume of shares traded, nosedived by 34 percent to Tk 357 crore yesterday as the market saw a scarcity of buyers.

official of the DSE said although the imposition of capital gains tax will not impact general investors, they are panicked by the move for fears that large investors will shift their funds to the money market instead.

As the yield rate of treasury bonds is above 12 percent and may rise further, large investors have less incentive to keep funds in the equity market, which is full of risks of fund erosion.

So, the capital gains tax will further disincentivise them from keeping fund in the stock market.

Pointing to how this fear is logical, the official said the market has been falling for the past few months due to huge selling pressure from foreign investors.

"Now if large investors come to the queue, then the stock market indices will be hammered massively," the official added.

## NBR tightens ambulance

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various organisations and institutions to serve personal purposes despite being imported as ambulances.

Especially, small-sized minibuses, mainly Noah, imported as ambulances are largely misused, it said.

The report recommended three measures to end the misuse of ambulance import facilities, including fixing the minimum length of the passenger compartment.

Another recommendation was to check whether the vehicles were already being used as ambulances in their manufacturing country and whether required alarms and lights were permanently attached.

If ambulances are imported following the amended rules, the misuse will come down, officials say.

Preferring anonymity, a top