Star BUSINESS

Any sudden changes to tax structures give wrong signals to investors and hamper efforts to attract higher investments from abroad, says a chamber

Story on B4

Stocks drop over 1% amid sell-off

STAR BUSINESS REPORT

The benchmark index of Dhaka Stock Exchange (DSE) edged down 1.27 percent yesterday as nervous investors continued to make sales owing to persistent macroeconomic challenges.

The market opened higher, but the momentum did not last long. As a result, the DSEX shed 65.67 points to close the day at 5,105.88, the lowest since April 5, 2021.

Similarly, the DSES, the index that represents Shariah-compliant stocks, went down 1.53 percent to 1,103.66.

The DS30, the index that comprises the best blue-chip firms, decreased 1.29 percent to 1,811.79.

The macroeconomic challenges are primarily stemming from high inflationary pressure, increased debt servicing liability, depletion of foreign exchange reserves and a weak financial sector, as per experts.

According to the daily market update by UCB Stock Brokerage, the market closed on a negative note with a turnover lower than that on the preceding day.

Turnover, meaning the total value of shares that changed hands, giving an indication of the market activity, decreased 10.93 percent to Tk 318 crore.

The market opened higher, but the momentum did not last long. As a result, the key index shed 65.67 points

The pharmaceuticals sector dominated the turnover chart, accounting for 20.43 percent of the day's total turnover.

Miscellaneous was the only sector to close in the positive while paper and printing, life insurance and non-bank financial institutions closed in the negative.

Out of 391 scrips that underwent trade, 342 declined, only 26 advanced and the remaining 23 did not see any price movement.

Sunlife Insurance Company took the top spot on the list of stocks that made gains, rising 6.90 percent.

Atlas Bangladesh and Capitec Grameen Bank Growth Fund made identical gains of over five percent. Central Pharmaceuticals was close behind with 4.79 percent.

RN Spinning Mills, Unilever Consumer Care, JMI Hospital Requisite

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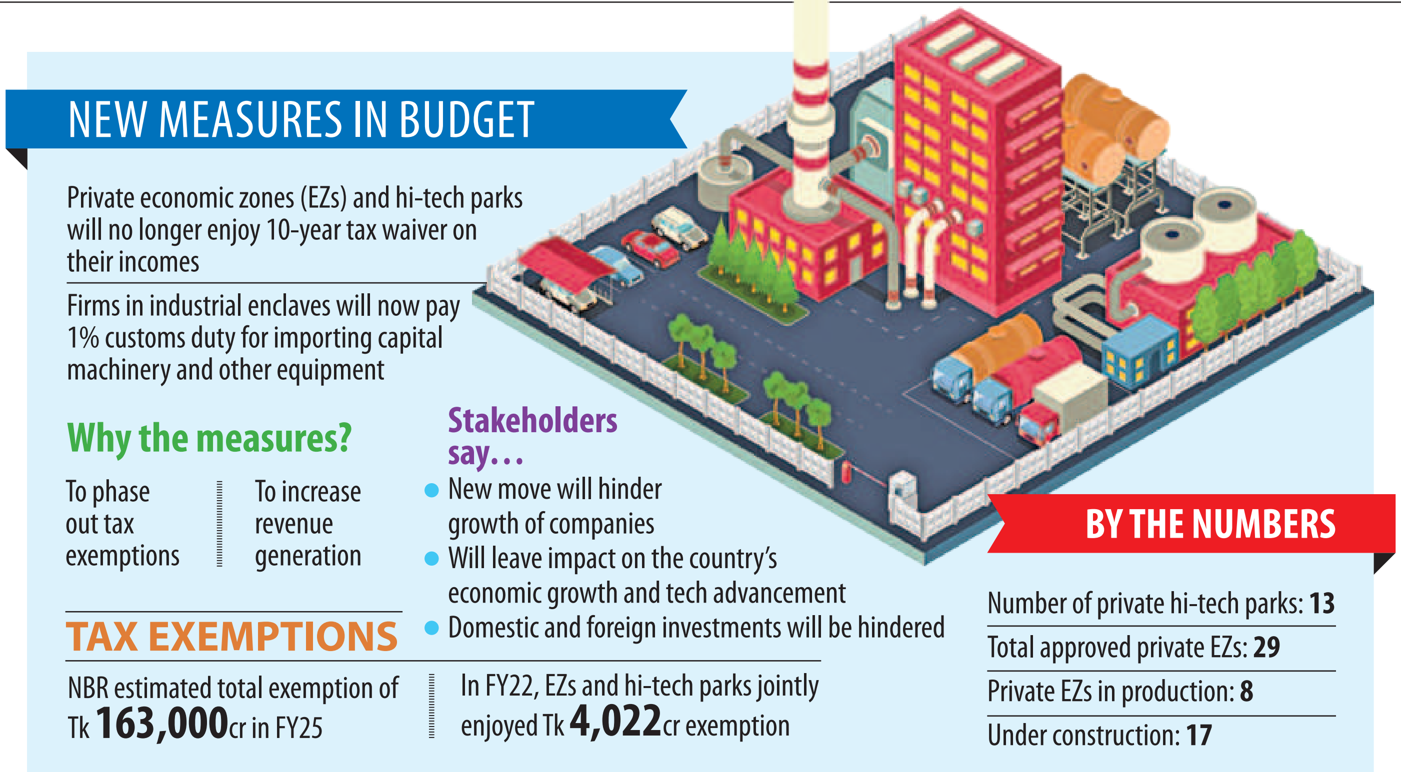

Blow to private economic zones, hi-tech parks as tax benefits go

MD ASADUZ ZAMAN, JAGARAN CHAKMA *and* MAHMUDUL HASAN

Investors and developers of private economic zones (EZs) and hi-tech parks are going to lose the 10-year-long tax waiver on their incomes from the next fiscal year as the government phases out exemptions.

Bangladesh has embarked on the process of ending tax exemptions gradually in all sectors with a view to lifting the country's low tax-to-GDP ratio and aligning them with global rates since the country will be able to offer generous tax benefits and subsidies in the current form after it becomes a developing nation in 2026.

While unveiling the budget for the upcoming fiscal year on Thursday, Finance Minister Abul Hassan Mahmood Ali gave the direction on cutting exemptions. As such, the government is going to provide the waiver to state-run hi-tech parks and economic zones alone.

"The NBR has curtailed the facilities for the next fiscal year with the objective of coming out of the culture of tax breaks," said a senior official of the National Board of Revenue (NBR), seeking anonymity.

The move comes at a time when the government is under pressure to enhance revenue collections to finance public expenditures and reduce its reliance on borrowing.

Bangladesh has one of the lowest revenue-to-GDP ratios in the world, and the International Monetary Fund, as part of its $4.7 billion loan, has given a condition to the government to increase tax collections by 0.5 percent of the GDP.

As part of the government's efforts to spur industrialisation, augment export earnings, and create jobs through the setting up of 100 economic zones across the country, the Bangladesh Economic Zones Authority (Beza) has already granted approvals to establish 29 private economic zones. Of them, eight are already operational.

Besides, there are 13 private hi-tech parks.

Currently, investors in the EZs and hi-tech parks qualify for a tax break for a decade starting from the first year of their operations. They are entitled to a full tax waiver in the first three years.

They were granted an 80 percent tax waiver in the fourth year, 70 percent in the fifth year, and 60 percent in the sixth year. It was supposed to decline by 10 percentage points in each subsequent year before standing at 20 percent in the 10th year.

Investors also lost the zero-duty benefit on the import of capital machinery, components and construction materials in FY25. As a result, firms operating in the industrial enclaves will have to pay 1 percent customs duty.

In 2021-22, economic zones and hi-tech parks jointly enjoyed tax exemptions amounted to Tk 4,022 crore, NBR data showed. The government has estimated that direct tax expenditures will total Tk 163,000 crore in FY25.

Investors have expressed deep concerns about the benefit cut, saying this will hamper sectoral growth and stand in the way of attracting domestic and foreign direct investments.

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Budget missing guidance on economic stability

Economists say

STAR BUSINESS REPORT

The proposed budget is missing guidance on macroeconomic stability, reforms in the energy and banking sectors, and enhancement of social protection, a noted economist said yesterday.

Macroeconomic stability is very important in terms of controlling the sustained high inflation that has been hounding low and middle-income groups in Bangladesh for nearly two years.

Besides, it is also crucial for increasing private investment, stabilising foreign debt servicing, maintaining economic growth and creating employment.

Macroeconomic stability was a big issue but we do not see any relief here. We have not received any guidance on the stability issue

Debapriya Bhattacharya
Convener of Citizen's Platform for SDGs, Bangladesh

"Macroeconomic stability was a big issue but we do not see any relief here. We have not received any guidance on the stability issue," said Debapriya Bhattacharya, the convener of the Citizen's Platform for SDGs, Bangladesh.

He made the remarks at the BRAC Centre Inn in Dhaka while moderating a discussion on the budget and marginalised people, organised by the platform.

The economist said greater social protection was also not assured in the proposed budget.

Moreover, the political commitment to bring massive reforms to the energy, banking and port sectors was also ignored.

"We do not see any clue, relief or assurance in three places, namely stability, social protection and reforms," he said.

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STOCKS

DSEX ▼	CASPI ▼
1.26%	1.09%
5,105.88	14,678.11

COMMODITIES

Gold ▼	Oil ▲
$2,296.91 (per ounce)	$75.66 (per barrel)

Govt plans to increase non-tax revenue

STAR BUSINESS REPORT

The government plans to rationalise its administrative fees and increase non-tax revenue (NTR) collection manifold so that overall revenue receipts will be scaled up to finance public expenditure.

As such, an initiative has been taken to set up an online database of all NTR items, detailing the fees, other charges and their date of imposition.

The database has already been shifted to a live server for piloting by six ministries. Based on the outcome, it will be open for operation, the finance ministry said in its Medium Term Macroeconomic Policy Statement (MTMPS) published last week.

The ministry also mentioned a plan to link the database with real-time data through iBAS++, an integrated financial management information system to enable public service delivery by the Bangladesh government.

"This database has opened the scope of adjusting the charges and significantly increasing NTR income from administrative fees," the MTMPS said.

Bangladesh's revenue collection is lower than its potential, hovering below the level of Nepal and India, which have similar economic development, according to the finance ministry.

Low revenue collection may make it increasingly difficult for the government to finance critical public expenditure in infrastructure, health, education, water resource management and social protection.

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Patenga Container Terminal commences operations

STAFF CORRESPONDENT, *Ctg*

The newly-built Patenga Container Terminal (PCT) of the Chattogram port officially started running yesterday with Saudi operator Red Sea Gateway Terminal (RSGT) Bangladesh at the helm.

The operations kicked off with the berthing of container vessel "Maersk Davao" at one of the PCT's four jetties.

This marks a significant milestone as it is the first time a foreign firm has been entrusted with managing operations of a port terminal of the country.

RSGT Bangladesh is a subsidiary of Red Sea Gateway Terminal International (RSGTI), a sister concern of Red Sea Gateway Terminal which operates Saudi Arabia's largest terminal facility at Jeddah Port.

A landlord model has been adopted for the PCT where the CPA will act as the regulatory body and as landlord while the Saudi firm will run the PCT's operations for the next 22 years.

The Chattogram port serves as a gateway for 90 percent of Bangladesh's import and export activities.

Built on 32 acres of land and containing three 200-metre jetties and one 220-metre dolphin jetty, the PCT will allow berthing of vessels at the shortest possible time given its close proximity to the estuary of the Karnaphuli river.

Three vessels with 10 to 11-metre draft will be able to berth at a time in the terminal, having an annual capacity to handle 5 lakh TEUs (twenty-foot equivalent unit) of containers.

PHOTO: RAJIB RAIHAN

Patenga Container Terminal of the Chattogram port at the estuary of the Karnaphuli River commenced operations yesterday with the berthing of container vessel "Maersk Davao".

The operator will invest approximately $170 million to install equipment, read a press release last year from the Sustained Infrastructure Holding Company, one of the operator's investors.

The terminal will therefore target the fast-growing import and export market that has an expected annual gateway volume growth rate of 7 percent per annum, underscoring the potential for higher revenues and margins over time, said the company.

The National Board of Revenue (NBR) on June 4 granted the approval for commencing the operations on condition that all import-laden containers are physically examined

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ADB gives $250m for social protection

STAR BUSINESS REPORT

The government yesterday signed a $250 million loan agreement with the Asian Development Bank (ADB) to further strengthen Bangladesh's social protection system.

"The Second Strengthening Social Resilience Program aims to accelerate reforms in increasing the coverage and efficiency of protection, improving the financial inclusion of disadvantaged people, and strengthening the response to diversified protection needs," ADB Country Director Edimon Ginting said.

"Building on the first Strengthening Social Resilience Program completed in June 2022, the second program helps improve the policy, regulatory and institutional environment for social protection in Bangladesh."

This new ADB programme supports the government's Action Plan

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