Over 3 lakh people register for Universal Pension Scheme

STAR BUSINESS REPORT

The number of people registering for the government's universal pension scheme has crossed 3 lakh around 10 months past its launch, said National Pension Authority (NPA) yesterday.

To be exact, 3,03,176 people registered as of yesterday, according to a press release of the NPA.

Total deposits in the scheme now stand at Tk 86.68 crore and of it, Tk 62 crore has been invested in treasury bonds.

Prime Minister Sheikh Hasina inaugurated the universal pension scheme on August 17 last year to bring the growing elderly population under a well-organised social safety net and facilitate a monthly stipend to support their daily expenses.

Initially, the universal pension scheme offered four schemes: Probash, Progoti, Surakkha and Samata.

Later, a new Pratyay scheme was introduced for officers and employees of all self-governed, autonomous, and state-owned organisations, which will come into effect from July 1 this year.

Total deposits in the scheme now stand at Tk 86.68 crore and of it, Tk 62 crore has been invested in treasury bonds

Until yesterday, 799 people had registered for the Probash scheme while 21,294 for Progoti, 56,919 for Surakkha and 2,24,164 for Samata.

The pension scheme authority said government officials at the field level were going door to door informing people of the benefits of the scheme.

Besides, universal pension operations implementation and coordination committees have been formed, led by the principal secretary to the prime minister at the Prime Minister's Office (PMO), at national, divisional, district and upazila levels.

The NPA said currently two public banks, two private banks and one mobile financial service provider are involved in collecting the monthly instalments of the pension scheme.

The authorities are also taking steps to get four more public banks, four private banks and one mobile financial service provider involved in the monthly instalment collection process.

According to the NPA, beneficiaries aged between 18 and 50 years can pay instalments until turning 60 while beneficiaries aged above 50 years for 10 years to receive a monthly pension until their death.

Any Bangladeshi citizen working or staying abroad can also participate in this scheme.

In case of the death of any beneficiary, the respective nominee will receive the pension for the remaining years until the original beneficiary's age hits 75.

If a beneficiary dies before paying instalments for at least 10 years, the deposit will be returned to the respective nominee along with the profit.

Beneficiaries can withdraw a maximum 50 percent of their respective deposit as loan.

Leaders of the Foreign Investors' Chamber of Commerce and Industry attend a post-budget media briefing at the Pan Pacific Sonargaon hotel in Dhaka yesterday.
PHOTO: PRABIR DAS

Sudden changes in tax structures send wrong signals to investors

Say leaders of Foreign Investors' Chamber of Commerce and Industry

STAR BUSINESS REPORT

Any sudden changes to tax structures give wrong signals to investors and hamper the country's efforts to attract higher investments from abroad, said the Foreign Investors' Chamber of Commerce and Industry (FICCI) yesterday.

It cited several examples that were proposed in the budget for the fiscal year of 2024-25.

The supplementary duty (SD) on mobile top-ups, alongside VAT on SIM cards, has been raised to 20 percent from 15 percent, while the finance minister has proposed increasing the SD to 30 percent for carbonated beverages from 25 percent.

The extra duty and tax imposed on telecom, carbonated beverages and water purifiers pose a crucial challenge to the profitability and viability of these businesses, said Mohammad Zaved Akhtar, president of the FICCI, which represents foreign investors from 35 countries in Bangladesh.

"It will hamper the process of attracting potential FDI."

He spoke while addressing a post-budget media briefing at the Pan Pacific Sonargaon hotel.

Bangladesh received $3 billion in FDI last year, a decrease of 14 percent from $3.5 billion in 2022, central bank data showed.

According to the FICCI chief, the FDI inflow to Bangladesh is nominal compared to requirement.

He said the SD on mobile top-ups would push up the costs that will be incurred by internet users. "This will inevitably put a strain on the access to essential services."

The price of data is already higher in Bangladesh than in India and other countries. "The growth of small and medium enterprises will face obstacles due to the cost increase of internet."

Akhter said the NBR's proposal to raise the personal income tax rates may be viewed as unfair by regular taxpayers and it could inadvertently encourage tax evasion.

"Such changes in tax slab will discourage compliant taxpayers as they are being penalised for their hard-earned money."

The FICCI praised the proposal aimed at supporting the economy amidst persisting challenges.

With a budget size of Tk 7,97,000 crore, constituting 14.2 percent of GDP, the government targets 6.75 percent GDP growth and 6.5 percent inflation for FY25.

Akhtar described the targets as ambitious but achievable with an effective execution plan. "The proposed reforms, especially in income tax and customs, aim to enhance revenue, reduce deficits, and enhance investor confidence."

He suggested innovative approaches such as sector-wise revenue analysis and widening the taxpayer base.

The chamber thanked the finance minister for taking into account their proposals, particularly the prospective tax rate, fulfilling a long-standing demand from the business community.

"Maintaining these rates will enable businesses to plan and invest effectively."

The apex chamber of multinational companies in Bangladesh lauded the tax reforms proposed to simplify the tax system. However, the high effective tax rate remains a key concern for the industry, said Akhtar.

He appreciated the continuation of the 15 percent income tax rate for private funds, but expressed concerns about exempting public funds from taxation since it would create disparities between government and private sector employees.

The chamber said the proposed budget lacks allocation or guidance for automating tax, VAT, and customs administration. Without these reforms, VAT credit complexities and financial strain on businesses may persist.

He said initiatives for digital tax integration aim to simplify and increase transparency in the tax process.

Rupali Chowdhury, managing director of Berger Paints Bangladesh, Shehzad Munim, managing director of British American Tobacco Bangladesh, Snehasish Barua, managing director of SMAC Advisory Services, Mohammad Iqbal Chowdhury, chief executive officer of LafargeHolcim Bangladesh, also spoke at the programme.

Will budget for FY25 stabilise forex market?

MD DEEN ISLAM

One of the critical macroeconomic challenges Bangladesh is currently facing is the depletion of foreign exchange reserves and increasing depreciation pressure on the exchange rate. To address this, the Bangladesh Bank has adopted a more market-based approach to exchange rate determination, known as a crawling peg system.

The question is whether the proposed budget for the fiscal year 2024-25 will help stabilise the foreign exchange market or hinder Bangladesh Bank's efforts to manage the foreign exchange crisis.

To answer this, an investigation is needed into how various policies in the proposed budget will affect key components of the external sector, such as exports, imports, remittances, foreign direct investments, and interest payments on overseas loans. These components determine the demand and supply of foreign currencies and influence exchange rates.

The budget for 2024-25 proposes the withdrawal of supplementary duties on 19 products and the reduction of supplementary duties on 172 products. Additionally, duties will be withdrawn from 91 products, and duties on 10 products will be adjusted to the bound rate. However, exports from Bangladesh, especially major export items, are likely to face tougher competition in the global market due to reduced export incentives and the erosion of trade preferences in major destinations.

While these withdrawals and reductions in regulatory and supplementary duties are part of tariff rationalisation and necessary to comply with World Trade Organisation (WTO) regulations, they will likely increase the trade deficit. This could create a larger net demand for foreign currencies and put depreciation pressure on the exchange rates unless the government continues to tightly control imports in the next fiscal year.

FDI in Bangladesh has been declining for several years, and the proposed budget aims to attract only $1 billion over the next five years, which is meagre compared to the overall size of the economy. The budget lacks specific policies and initiatives to attract more foreign investment in the future.

Furthermore, there are no additional incentives in the proposed budget to boost remittance inflows. Additionally, a significant amount of foreign exchange is needed for interest payments on overseas loans. With the current level of remittance inflows, an insignificant amount of foreign investment, and increasing interest payments, it will become increasingly difficult to cover the widening trade deficit.

The government's only option to bridge this gap is to continue restricting imports, which could harm industrialisation and export capacity, as most industries in Bangladesh depend on imported raw materials and machinery. This could make the foreign exchange market more unstable, especially in the long run.

The outlook for the foreign exchange market in the next fiscal year remains bleak. The situation could deteriorate further if the government fails to take strong action against corruption. One of the main reasons for not receiving all remittances through formal channels and for invoicing malpractices is the demand for foreign currencies to launder corrupt money in foreign countries.

The proposed budget mentions the adoption of a zero-tolerance policy against corruption, including measures such as digitalising the Anti-Corruption Commission, forming anti-corruption committees in towns, districts, and upazilas with local community members, and holding public hearings. While these measures sound promising, they are unlikely to have a significant impact on curbing rampant corruption.

Public officials hold immense power, and there are no examples of any accused corrupt government officials facing real consequences. If this continues, any attempt to stabilise the foreign exchange market will be futile, whether through monetary policy or fiscal policy. The proposed budget is not very encouraging in this regard.

The author is an associate professor of economics at the University of Dhaka.

UK job market on its way back after downturn

REUTERS, *London*

A fall in permanent hiring by employers in Britain was its least severe in more than a year in May and the recruitment market appears to be poised for a recovery, an industry survey showed on Monday.

In a report that will be studied by the Bank of England as it weighs up when to start cutting interest rates, the Recruitment and Employment Confederation said permanent hiring fell by the smallest amount in 14 months.

Billings for temporary staff dropped by the least since January.

"The jobs market looks like it's on its way back, with clear improvements over last month on most key measures," REC Chief Executive Neil Carberry said.

The REC survey has generally painted a weaker picture of the labour market than broader official data, which showed annual wage growth of 6 percent in the first quarter of 2024. Britain's July 4 national election and the likelihood of interest rate cuts by the BoE later this year were likely to remove the hesitancy of employers about hiring, Carberry said.

"These numbers suggest that caution may be starting to abate," he said.

REC said pay rates for permanent staff rose at a pace that was only slightly slower than April's four-month high. Vacancies fell at the slowest pace in a seven-month downturn. In a possible relief for the BoE, the availability of staff grew by the most since December 2020, boosted by a mix of redundancies, higher unemployment and the reduction in demand for staff.

European nations compete for Chinese EV factories, jobs

REUTERS

European governments may be wary of budget Chinese electric vehicles flooding their markets but they're also fiercely competing for a share of the manufacturing investment and jobs the new competitors bring.

While the European Union investigates China's auto subsidies and considers tariffs on imports, national governments across the bloc are dangling their own incentives to attract Chinese automakers looking to build European factories.

Manufacturing costs for Chinese EV makers including BYD, Chery Automobile and state-owned SAIC Motor are much lower at home but they are nonetheless keen to set up in Europe to build their brands and save on shipping and potential tariffs, said Gianluca Di Loreto, a partner at consultancy firm Bain & Company.

"Chinese automakers know their cars must be perceived as European if they want to bear interest among European customers," he said. "This means producing in Europe."

The EU tariff decision is expected this week. On one hand, import taxes could help European automakers better compete with their Chinese counterparts, but they may also spur on Chinese automakers which are already investing heavily, and for the long-term, in Europe.

An electric vehicle of Chinese manufacturer BYD leaves the car carrier ship BYD Explorer, which is moored at the automotive terminal of operator BLG at the port of Bremerhaven, Germany.
PHOTO: AFP/FILE

Sales of Chinese-brand cars comprised 4 percent of the European market last year and are forecast to hit 7 percent by 2028, according to consulting firm AlixPartners.

Hungary, which produced around 500,000 vehicles in 2023, secured the first European-factory investment by a Chinese automaker, announced last year by EV giant BYD which is also considering a second European plant in 2025.

Budapest is also negotiating with Great Wall Motor for its first European plant, local media have reported, with the country offering cash for jobs creation, tax breaks and relaxed regulation in targeted zones to attract foreign investment.

Hungary has spent more than $1 billion in recent years to support new battery plants of South Korean groups SK On and Samsung SDI and Chinese battery giant CATL's planned factory.

Representatives of BYD, Great Wall and Hungary did not respond to requests for comment. China's Leapmotor will use existing capacity of Franco-Italian partner Stellantis, with Reuters reporting the pair have chosen the Tychy plant in Poland as a manufacturing base.

Poland has a number of programmes currently supporting more than $10 billion of investments, the country's development and technology ministry told Reuters, including one favouring the transition to a net-zero economy and another offering corporate income tax relief, of as much as 50 percent in high-unemployment regions.

Spain, Europe's second largest car-making country after Germany, has secured investment from Chery, which will start production in the fourth quarter at a former Nissan facility in Barcelona with a local partner.

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