DHAKA WEDNESDAY OCTOBER 23, 2024, KARTIK 7, 1431 BS ● starbusiness@thedailystar.net

Star BUSINESS

Online return filing a must for certain govt officials

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In a major push toward automation, the National Board of Revenue (NBR) yesterday made the online filing of tax returns mandatory for government officials under tax zones of the Dhaka, Narayanganj and Gazipur city corporations.

Also, the tax authority said all bankers, officials of mobile network operators and five multinational companies must file their returns electronically for the current assessment year, according to a statement by the NBR.

The five multinationals are Unilever Bangladesh Ltd, British American Tobacco Bangladesh Company Ltd, Marico Bangladesh Ltd, Berger Paints Bangladesh and Bata Shoe Company (Bangladesh) PLC.

"We want to establish a contactless NBR. Hence, there is no alternative to automation in our drive toward the creation of a harassment-free tax environment," said a top official of the NBR.

The NBR received 5 lakh tax returns online in the last assessment year of 2023-24

The tax authority took the decision as the filing of tax returns by individual taxpayers crossed 1 lakh since the NBR relaunched the online portal for submissions early last month to make the system user-friendly.

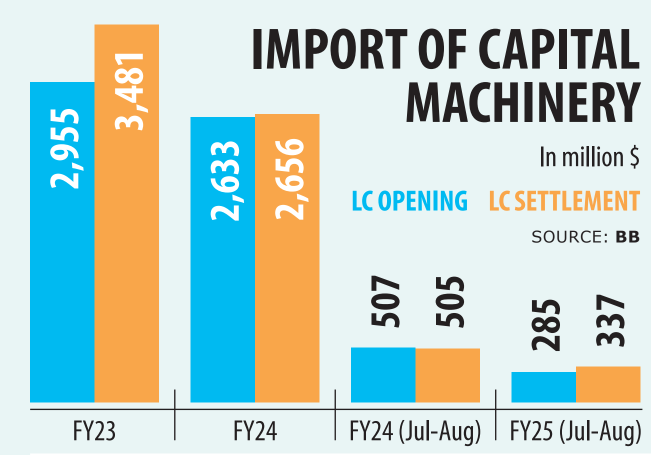
The NBR received 5 lakh tax returns online in the last assessment year of 2023-24 and it aims to double the electronic tax filing to 10 lakh this year.

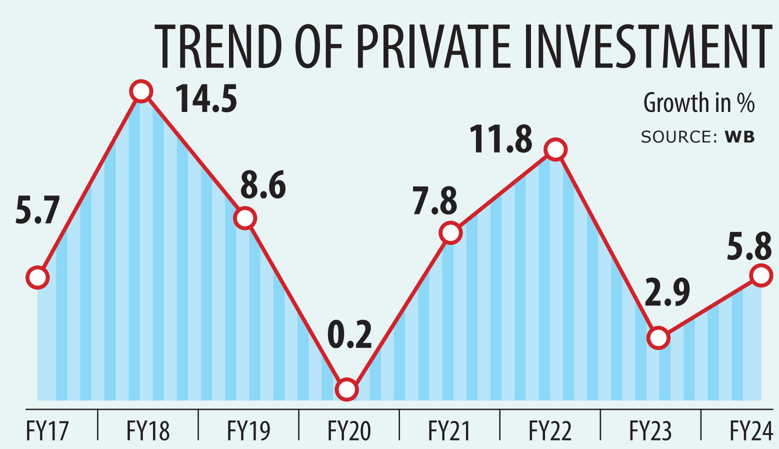
The NBR official said they would aim to bring all the salaried persons in the public and private sector under compulsory return filing online.

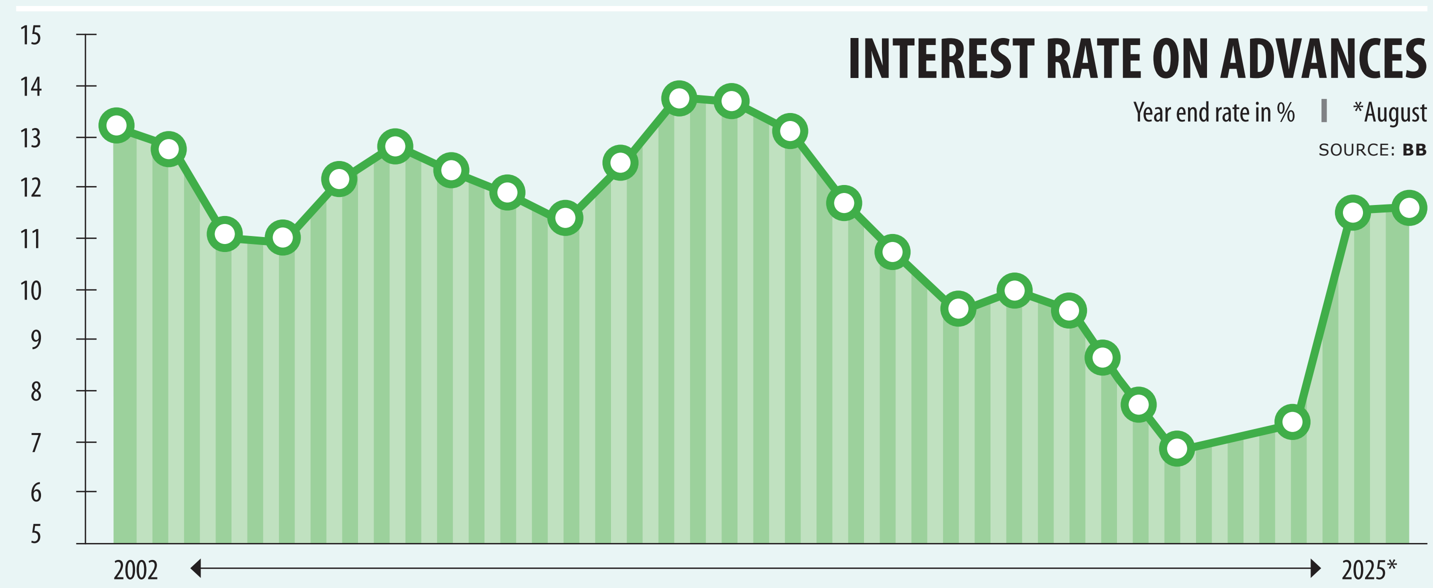
"Automation is a major means to ensure transparency. We are increasing the capacity of our online system to accommodate all tax returns," he said.

The NBR said taxpayers have been able to prepare and file their income and wealth statement online and submit the returns. They can also pay tax by using cards, internet and mobile financial services.

Rate hike further dampens investment mood







JAGARAN CHAKMA

In an effort to curb stubbornly high inflation, the central bank's latest interest rate hike has sparked concerns among the business community as they argue that the increased cost of borrowing will strain their existing ventures and dampen future expansion plans.

The Bangladesh Bank yesterday raised the policy rate by 50 basis points to 10 percent, marking the fifth increase this year and the third under Governor Ahsan H Mansur.

This hike places the repo rate, the interest rate at which commercial banks borrow money from the central bank, above the inflation rate for the first time in many years.

The new policy rate, which will take effect on October 27, comes amid a decline in letter of credit (LC) opening for capital machinery imports and a slump in private investment -- key indicators of investor sentiment.

According to official data, LC opening for capital machinery imports dropped 44 percent year-over-year to $285.56 million during July-August.

"I don't believe the new interest rate will reduce inflation," said Mohammad Hatem, president of the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA). "Instead, it will cause sufferings to the industry and force investors to default on their bank loans."

Hatem said the latest hike has increased the cost of industrial loans by nearly 17 percent year-over-year. "How can entrepreneurs survive with such high financing costs?" he questioned.

The business leader's concerns are not unfounded.

According to the World Bank's recent Bangladesh Development Update, a cocktail of inflationary pressures, tight financing conditions, and economic and political uncertainties is expected to slow the growth of private consumption, investment and exports.

Anwar-Ul-Alam Chowdhury Parvez, president of the Bangladesh Chamber of Industry (BCI), said that while the central bank's policy tightening is meant for reducing inflationary pressures, it may ultimately lead to "suicidal results" in terms of investment and employment generation.

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According to Parvez, three factors can largely slow private investment: deteriorating law and order, inconsistent energy supply and excessively high interest rates.

All of these factors are currently present, he said, adding that there is no guarantee that the business environment will improve in the near future. In such circumstances, businesses tend to cut costs and avoid financial losses.

"I believe investors will not take on new investment risks at this time," he commented.

The BCI president anticipated that rising interest rates would severely hurt small and medium-sized entrepreneurs and that the purchasing power of the general population would decline rather than inflation cooling down.

He argued that the theory of policy tightening is more effective in import-based economies like the United States and Canada, but less so in developing countries like Bangladesh.

International development partners and multilateral lenders like the International Monetary Fund (IMF) have been advocating for policy tightening in Bangladesh to help alleviate inflationary pressures.

Since assuming office in August, the new governor of the Bangladesh Bank Ahsan H Mansur, a former IMF economist, has continued to increase interest rates in an effort to combat inflation.

However, Humayun Rashid, president of the International Business Forum of Bangladesh (IBFB), said blindly following the "IMF prescription" would not solve all problems.

He said the new interest rate will further erode public trust as commodity prices are likely to continue to rise in the coming days.

The increase in interest rates will discourage investors from making new investments, as there is currently a lack of investment interest among businessmen. Both domestic and foreign direct investment will be deterred, said Rashid.

He said if there is no new investment, economic growth and job creation will be in jeopardy. "The new decision will increase the cost of doing business and beyond a certain threshold, traders will be reluctant to take on new investments."

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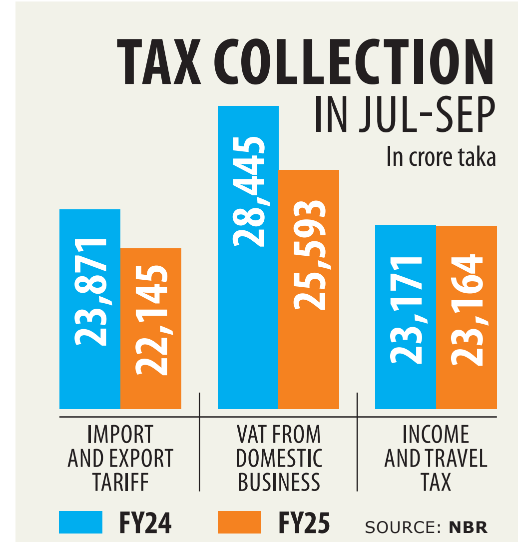
Revenue receipts fall 6% in Jul-Sep

MD ASADUZ ZAMAN

Revenue collection in the first quarter of the current fiscal year showed a 6 percent year-on-year decline, raising concerns that the interim government's fiscal space may be squeezed further amid the contractionary monetary policy.

The National Board of Revenue (NBR) logged Tk 70,903 crore in the July-September period of fiscal year (FY) 2024-25, missing its target for the three months by around Tk 25,597 crore.

The tax administration aims to collect Tk 480,000 crore in revenue by the end of this fiscal year.



The interim government will not cut the target for this fiscal year, which was set by the previous regime, Finance Adviser Salehuddin Ahmed said last month.

"The slowdown in revenue collection in July-September was mostly driven by political unrest, which resulted in economic uncertainties," said Ashikur Rahman, principal economist at the Policy Research Institute (PRI) of Bangladesh.

The World Bank has already reduced Bangladesh's growth forecast for the current year to 4 percent and it is still evident that there is a lack of coherence within the civil bureaucracy, he added.

Besides, recurring strikes and unrest regarding various issues are keeping political uncertainties very much alive.

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STOCKS

DSEX ▲	CASPI ▲
1.32%	0.75%
5,241.77	14,623.30

COMMODITIES

Gold ▲	Oil ▲
$2,733.18	$70.75
(per ounce)	(per barrel)

ASIAN MARKETS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 1.15%	▼ 1.39%	▼ 0.75%	▲ 0.54%
80,220.72	38,411.96	3,587.41	3,285.87

Domestic factors account for 74% of inflation: BB

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Domestic products were the primary drivers of inflation in Bangladesh, accounting for 74 percent of the overall inflation in September 2024.

Domestic items contributed 61 percent to inflation in June, highlighting the growing impact of local factors, as per the data from the central bank's quarterly report, titled "Inflation Dynamics in Bangladesh", which explores inflation trends and wage dynamics.

By comparison, the contribution of import-dependent items to inflation fell to 26 percent in September, down from 39 percent in June.

The year-on-year consumer price index (CPI) inflation surged to 10.7 percent in the first quarter (July-September) of the current fiscal year.

July recorded a 12-year high inflation rate of 11.7 percent, and inflation remained elevated at 9.9 percent in September compared to 9.6 percent in the same month last year.

Persistent inflation was driven by high commodity and energy prices along with currency depreciation.

Food inflation peaked at 14.1 percent in July, the highest in 13 years, before falling to 11.4 percent in August and 10.4 percent in September.

Non-food inflation increased modestly, averaging 9.6 percent in Q1 of FY25, up from the previous quarter.

More than half of the headline inflation during this period came from food prices, while energy inflation's contribution declined.

Cereals, vegetables and protein-based items were key contributors to food inflation, according to the report.

Garment exports to EU decline 3.53% in Jan-Aug

STAR BUSINESS REPORT

Bangladesh retained second position in garment exports to the European Union (EU), but shipments of apparel from the South Asian country to the bloc declined 3.53 percent in the January-August period to $12.90 billion owing to political turmoil and labour unrest, according to data from the Eurostat.

High inflationary pressures on the European economy also had an impact, with exports from most major destinations trending downwards.

Nations in the EU imported garment items totalling $59.32 billion in the eight months, registering a 3.63 percent decline.

Garment exports from China, the largest exporter of apparel items to the EU, declined by 4.10 percent to $15.62 billion in the same period, data showed.

Turkey secured third position, exporting apparel worth $6.84 billion, representing a 7.52 percent decline, while India was the fourth-largest exporter with shipments worth $3.33 billion, down 2.73 percent.

Although garment shipments from major exporting countries to the EU declined, exports from Cambodia increased by 12.78 percent to $2.51 billion.

Pakistan also performed well, registering a 7.32 percent increase to $2.43 billion. Another gainer was Morocco, which saw garment exports to the EU grow 6.09 percent to $2 billion.

Meanwhile, shipments from Sri Lanka declined 1.45 percent to $906.91 million and those from Indonesia declined 9.35 percent to $677.53 million.

Political turmoil and labour unrest in Bangladesh took a toll on the country's garment exports to the EU bloc.

PHOTO: RAJIB RAIHAN

Bangladesh's garment exporters have been mired in crises, witnessing a tumultuous scenario in July, August, September and the first part of October.

This started with political upheaval and nationwide protests by students in July and culminated in the political changeover on August 5.

However, political and economic uncertainty as well as incidents of arson and extortion continued to cast a shadow over normal business operations.

The situation was exacerbated by spells of labour unrest in industrial belts since September, which caused production losses worth $400 million, according to data from the Bangladesh Garment Manufacturers and Exporters Association.

With the months-long turmoil impacting business operations, most exporters struggled to meet lead times and ship goods timely.

They also faced work order cancellations and saw factory visits by representatives of international clothing retailers and brands postponed.

A few work orders have been shifted away from the country as retailers and brands sought quick production.

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