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Eating out, air travel to turn costlier

STAR BUSINESS REPORT

From dining out and travelling by air to purchasing sweets and clothing, the small comforts in life are going to turn costlier for a hike in value added tax (VAT) on 43 goods and services.

A 15 percent VAT may be slapped on food served at restaurants, sweets, clothing, and tissue paper as the National Board of Revenue (NBR) seeks to amend the VAT law and rates, said a senior NBR official.

At present, a 5 percent VAT is collected on restaurant bills whereas 7.5 percent on the purchase of sweets, clothing, and tissue paper.

And the hike in VAT, which is ultimately borne by the final consumer, will put further strain on the wallets of people, who are already being squeezed by persistently high inflation.

A representative of the Consumers Association of Bangladesh (CAB) opposed the move, saying it would increase sufferings of consumers.

In case of air travel, the excise duty is expected to be increased from 25 percent to 100 percent.

The supplementary duty (SD) on 10 imported items, including soap and raw tobacco, will also be hiked.

"We are also planning to hike SD on the bars and stores selling alcohol and prices and SD on all types of cigarettes to collect more taxes," said the official, adding that the council of advisers to the interim government approved the plan yesterday.

The revised rates will come into effect after the issuance of an official notification, he added.

The NBR's move is also an attempt at trimming the list of items that have a low VAT rate, in tune with recommendations of the International Monetary Fund (IMF).

The IMF, as a part of its \$4.7 billion loan programme approved for Bangladesh, advised the government to rationalise tax exemptions, improve compliance with laws and bring about reforms in tax measures to bolster domestic revenue collection.

Bangladesh has one of the lowest tax-GDP ratios in the world, and economists say the low revenue collection compels the government to resort to costly borrowing from domestic and foreign sources.

The NBR official said they sought to increase VAT, SD and excise duty to comply with the IMF's conditions for boosting collection of internal revenue.

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STOCKS		
	DSEX ▲	CASPI ▲
	0.03%	0.27%
	5,218.16	14,512.05

COMMODITIES		
	Gold ▲	Oil ▲
	\$2,624.49	\$71.87
	(per ounce)	(per barrel)

ASIAN MARKETS				
	MUMBAI	TOKYO	SINGAPORE	SHANGHAI
	▲ 0.45%	▼ 0.96%	▼ 0.21%	▼ 1.63%
	78,486.71	39,894.54	3,787.60	3,351.76

REFAYET ULLAH MIRDHA

Businesses hope for the year 2025 to bring about stability as normalcy has started to be restored in businesses following turbulent times both at home and abroad.

Local businesses have been severely affected from some internal and external issues over the last few years.

The year 2024 was a challenging year for businesses and the firms do not want a recurrence of the onward incidents of the outgoing year as their trade was severely affected.

For instance, for a time the country's economy struggled to recover from the severe fallout of the Covid-19 pandemic, Russia-Ukraine war, high global inflationary pressure and dollar shortage.

Last year the local businesses had to cope with a political upheaval in the months of July and August, and labour unrest in September and October and the subsequent deterioration of law and order.

All those factors severely affected business such as import, export, investment and transportation and shipment of goods.

Meanwhile, the ailing and corruption-riddled banking sector has been struggling to brighten its image and to increase liquidity to regain customers' confidence. The dollar shortage in the banking sector also impacted the prices of imported

commodities.

Businesses want stability in the banking sector and an end to the liquidity crisis so that they can conduct transactions smoothly. They also want an existing gas and power crisis to be addressed in the new year.

The inflow of investment or expansion plans for existing capacities was also affected because of the unhealthy business environment in 2024.

Despite the massive political turmoil in 2024, it is believed that the year would end on a positive note, said KM Rezaul Hasanat, chairman of Vijaylatex Group and president of Bangladesh

Independent Power Producers' Association.

"The reason—significant remittance growth and textile and apparel exports still in the positive. Domestic market is struggling a little but by the end of the financial year, it will catch up," he said.

"The year 2025 for business, as well as the economic prospects, depends on the political situation," he said.

"If the political situation improves, then law and order, issues like power and energy crisis and other facilities will improve automatically," Hasanat said.

"By the way, I am expecting the

Trump business policy to help our foreign direct investment and businesses indirectly. Again, the business potential in 2025 is very good if the country can ensure political stability," he added.

Almost every entrepreneur is worried about inflation, high bank interest rate, and low production capacity for low gas pressure in industrial units, said Anwar Ul Alam Chowdhury, chairman of Evince Group and president of the Bangladesh Chamber of Industries.

At the same time, business people have lost confidence in the

economic constraints in rural villages.

"The growing digital divide between urban and rural areas in Bangladesh reflects a troubling persistence of structural inequalities in digital access, engagement, and utility," said Zulkarnin Jahangir, an assistant professor at North South University (NSU).

"While internet usage in rural areas has remained stagnant, urban adoption rates

this gap requires a citizen-centric approach that prioritises foundational digital services in rural areas.

"Policies should focus on reducing costs through subsidies or community-owned networks, enhancing digital literacy through localised training programmes, and ensuring the delivery of meaningful online services tailored to rural needs," he recommended.

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continue to rise, creating a widening chasm in opportunities for education, healthcare, and economic participation," said Jahangir, also a consultant on digital divide at United Nations Development Programme (UNDP), Bangladesh.

According to him, this disparity is not merely about access to technology but highlights deeper systemic issues, such as affordability, digital literacy, and the limited availability of relevant local content or services for rural communities.

These challenges disproportionately affect marginalised groups, further entrenching social and economic inequalities.

Jahangir said that addressing

He commented that closing the digital divide is not just a matter of fairness but a strategic investment in national development.

According to the BBS survey, the proportion of individuals using the internet in the country increased slightly by 1.2 percentage points to 45.7 percent in the July-September quarter.

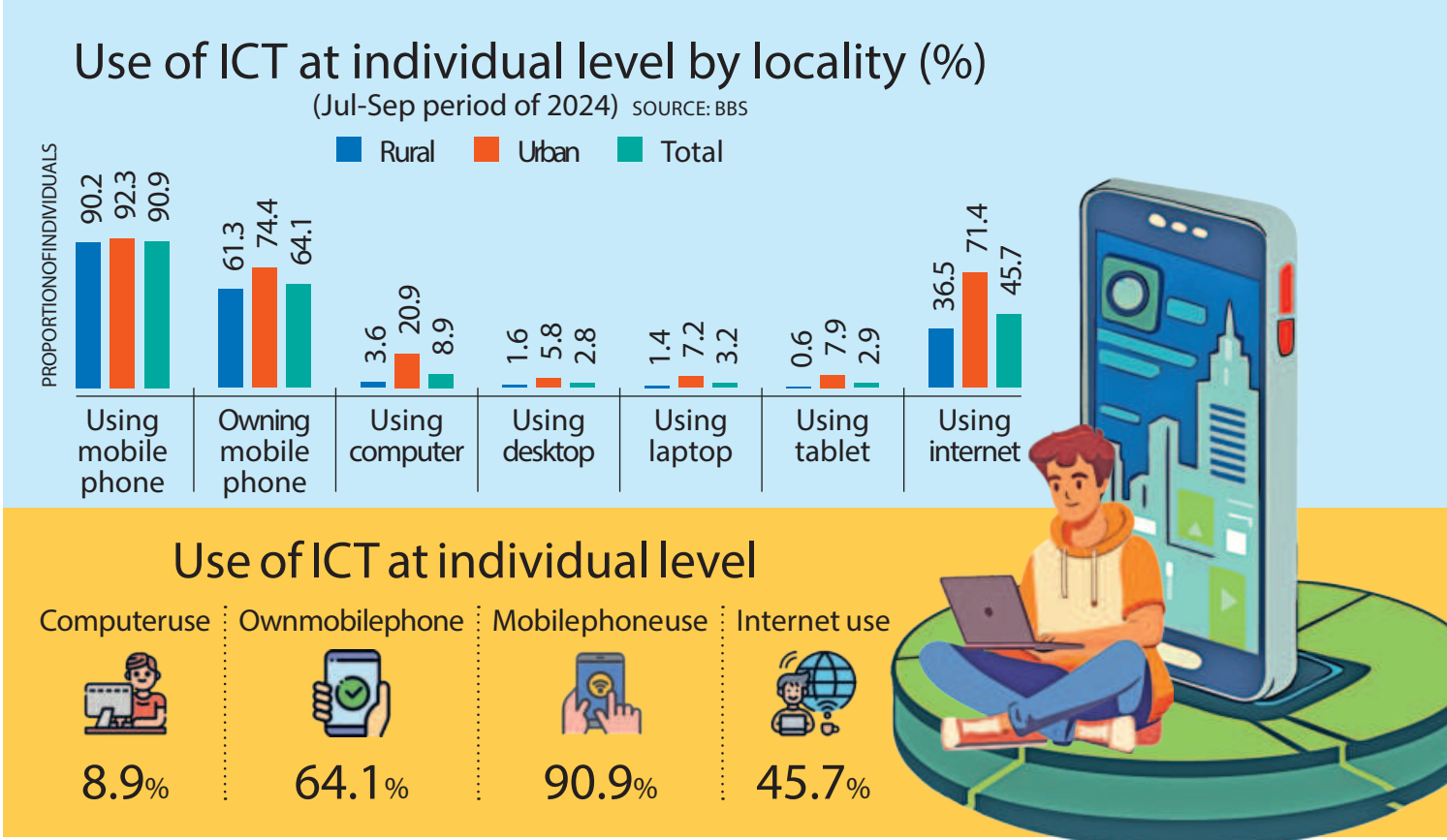
The proportion of households with internet connections increased by almost 7 percentage points to 50.4 percent in the quarter compared to the last fiscal year.

From the last fiscal year to the first quarter of FY25, the number of mobile phone users increased by 0.4 percentage points to 90.9 percent.

During the period, mobile phone owners increased by 0.4 percentage points to 64.1 percent.

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Internet shows stark rural-urban divide



MAHMUDUL HASAN

The digital divide between urban and rural Bangladesh has widened further in the first quarter of the current fiscal year, with individuals using the internet in urban areas now almost double that of rural regions, according to a latest survey of the national statistical agency.

Only 36.5 percent individuals in rural areas use the internet, compared to 71.4 percent in urban areas in the July-September period of fiscal year 2024-25, according to the ICT Access and Use Survey of the Bangladesh Bureau of Statistics (BBS).

This gap has widened compared to the last fiscal year when rural internet users were 36.4 percent of the people and urban users stood at 68.6 percent, reflecting a persistent inequality in digital access.

Experts attributed the disparity to limited infrastructure, low digital literacy, and



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No bar on suing Nagad as new law takes effect

STAR BUSINESS REPORT

The Bangladesh Bank can now take legal action against mobile financial service (MFS) provider Nagad Limited over alleged irregularities as the Payment and Settlement System Act, 2024 came into effect yesterday.

The Financial Institutions Division issued a gazette notification on Wednesday, with parts of it taking retrospective effect

The Financial Institutions Division of the finance ministry issued a gazette notification on Wednesday, announcing that the new legislation would take immediate effect.

However, a clause and subordinate clause would take retrospective effect, from August 12 last year, said the notification. Those are subsection 4 of section 18 and section 31.

After the interim government came into office, the central bank in August appointed an administrator at Nagad over alleged irregularities in its operations and dealings.

The appointment was made under section 31 of the act, which was passed in parliament in July 2024 but remained ineffective until now.

But as per sub-section 3 of section 1 of the act, the new legislation for fintech companies in the country

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Businesses' 2025 wish list is long, but political stability tops all

TAKEAWAYS

Last year was challenging for businesses

Russia-Ukraine war and volatile political situation at home affected businesses

Industries witnessed a slow inflow of fresh investment

EXPECTATIONS FOR 2025

Restoration of law and order

A stable business environment

Adequate gas and power supply

Lower bank interest rate

Measures to rein in inflation

deterioration of law and order, he said.

An uncertainty is also prevailing in the political arena, which may affect businesses. If adequate investment does not come about, employment will also be affected, he added.

"We are expecting that all those challenges will be addressed in the new year and business confidence will also be restored," he said.

Hopefully the business environment and economic stability will be restored through reductions in inflation and bank interest rates, said Kamran T Rahman, chairman and managing director of The Kapna Tea Co.

The US dollar shortage is also expected to be resolved in the new year through some positive measures, said Rahman, also president of the Metropolitan Chamber of Commerce and Industry, over the phone.

Overall, everything is expected to be positive in the new year, he said.

The views were echoed by Faruque Hassan, managing director of Giant Group and former president of the Bangladesh Garment Manufacturers and Exporters Association.

The outgoing year could have been much better. Hardly any new investment came about in the garment sector because of the deterioration in the business environment, he said.

Demand for garment items has been rebounding with the revival of the global economy, said Hassan.

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