

star BUSINESS



Will VAT hike add to inflationary burden?

MD ASADUZ ZAMAN

The government's recent move to increase value-added tax (VAT) on 43 goods and services has raised two key questions: will it generate enough revenue to avoid a huge budget deficit and will it further stoke an already high inflation?

After the finance adviser assured that the VAT hike would not impact price pressures, the National Board of Revenue (NBR) yesterday reiterated that there would not be any impact on inflation.

The revenue board, in a press release, also mentioned a potential budget deficit if revenue collection remains sluggish.

The revenue authority linked the risk to tax cuts on eight essential items to cool off red-hot inflation, which the NBR said has reduced revenue collection largely.

Beyond these concerns, businesses

Implications of VAT hike



It may stoke inflation

Middle-class people will bear the brunt

Overall sales may come down

SMEs may face higher compliance costs

Businesses may go for demonstrations

Economic growth may be squeezed



Suggestions...

Increase VAT gradually

Expand VAT coverage

Take into consideration the volatile situation of economy

Strengthen direct taxation

Reduce govt spending instead of raising tax



First Security MD placed on forced leave

STAR BUSINESS REPORT

First Security Islami Bank PLC has sent its managing director on a forced leave over his alleged involvement in irregularities centring loans provided to companies linked with S Alam Group.

The bank's board of directors at a meeting yesterday approved the forced leave of Syed Waseque Md Ali from January 5 to April 4 this year.

Abu Reza Md Yeahia, additional managing director of the bank, has been tasked with serving as the managing director during this period.

READ MORE ON B3



and economists have expressed reservations about the effectiveness and timing of the VAT increase.

Regarding effectiveness, businesses anticipated that the VAT hike will slash their sales, ultimately reducing fund flow to state coffers.

On the timing, economists said that the VAT increase comes at a time when people are struggling with inflation above 9 percent for nearly two years.

The VAT hike is being linked to the conditions of the International Monetary

Fund (IMF) for its ongoing \$4.7 billion loan programme for Bangladesh. Besides, the NBR has an urgency to increase government revenues by an additional Tk 12,000 crore to streamline collections.

READ MORE ON B3



Feed prices stay high despite drop in global markets

FEED PRICE

Increased by Tk 30 per kg in 2022 and 2023 in local market

Didn't rise last year, claims association

Dropped by Tk 1-1.5 per kg recently

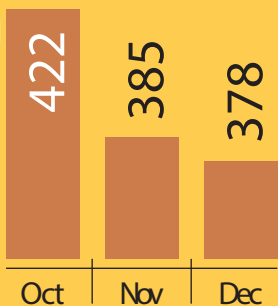
PRODUCTION

Marginal farmers produce 80% of eggs and chickens

The rest 20% is produced by corporates

FEED PRICE TRENDS IN INT'L MARKET

Price in dollar/tonne
SOURCE: WORLD BANK



STAR BUSINESS REPORT

The price of poultry feed remains high in Bangladesh despite its fall in global markets, said Suman Hawlader, president of the Bangladesh Poultry Association (BPA).

He informed that poultry feed prices in the international market are currently at a four-year low.

"But there has been no impact on the local market," he said while blaming the government for not taking any initiative to this end.

But on the other hand, it sparks nationwide discussions and swift government intervention when there is a rise in chicken or egg prices, he added while pointing to the government's inconsistent policies on state intervention.

Hawlader made these comments during a press conference at the Dhaka Reporters' Unity in the Segunbagicha area of Dhaka yesterday.

According to data of the World Bank, soybean meal cost about \$422 per tonne in October last year while the price dropped to \$385 in November and then \$376 in December.

Soybean meal is used in food and animal feed, principally as a protein supplement, but also as a source of consumable energy.

The BPA chief said although the price of soybean meal recently decreased

significantly in the international market, it has declined by just Tk 1 to Tk 1.5 per kilogramme (kg) locally.

Due to the Russia-Ukraine war, the price of feed per kg increased by about Tk 30 in the last two years. The price has not increased further in the last one year, he added.

Currently, the price of 1 kg of poultry feed is Tk 70 to Tk 72 while that of layer chicken feed is Tk 58 to Tk 60.

The country's marginal farmers contribute around 80 percent of the chicken and eggs produced annually while the rest is supplied by big corporate entities.

"But the production cost is higher for small-scale growers," Hawlader said.

Marginal farmers spend Tk 10.5 to Tk 11 to produce to each egg while it costs Tk 155 to Tk 170 per kg to raise broiler chicken. On the other hand, big producers spend Tk 8 to Tk 9 for producing a single egg and Tk 130 to Tk 140 on each kg of broiler chicken.

So, the corporate houses get the advantage for bulk production whereas marginal farmers are falling behind and eventually leaving the business, he added.

The BPA president urged the government to take effective measures to protect small farmers and bar corporate groups from monopolising the market.

READ MORE ON B3

Taka loses value vs dollar after 7 months

STAR BUSINESS REPORT

The local currency taka has officially depreciated against the US dollar after seven months as the central bank recently raised the reference rate for taka-dollar transactions by Tk 2.

The move comes amid increased volatility in the local foreign exchange market, with banks quoting remittance rates as high as Tk 129.

In response, the Bangladesh Bank (BB) adjusted the mid-rate of the crawling peg upwards to Tk 119 for spot purchases of the greenback by banks.

Following the mid-rate adjustment effective from January 1 this year, banks transacted US dollars at Tk 122 yesterday, up from Tk 120 on the first day of the year, according to central bank data.

In January last year, the inter-bank exchange rate was at Tk 110 per dollar.

This means taka has depreciated by around 11 percent against the greenback over the past year.

On May 8, 2024, the central bank introduced the crawling peg system, setting the mid-rate at Tk 117 per dollar.

This system allowed scheduled banks to freely buy and sell US dollars around the mid-rate with customers and in interbank deals.

READ MORE ON B3

EBL CLIMATE CHANGE ACTION AWARDS 2025

The EBL Climate Change Action Awards 2025, initiated in partnership with the US, German, French, and Danish embassies, aims to recognize and celebrate outstanding contributions towards tackling the most pressing challenges of climate change and promoting sustainability in Bangladesh. The awards will honor individuals, businesses, and organizations excelling in five different categories, thereby fostering innovation and leadership in addressing climate challenges.

Log on to our website www.ebl.com.bd for detailed submission guidelines.

Any queries related to submission, please contact us at submission@ebl-bd.com or 09666777325

Submission closing: January 31, 2025

Strategic Partners

EMBASSY OF DENMARK

Embassy of the Federal Republic of Germany Dhaka

AMBASSADE DE FRANCE AU BANGLADESH

Media Partner

The Daily Star

Hospitality Partner

INTERCONTINENTAL DHAKA

NPSB FUND TRANSFER FREE

DAILY UP TO 10 LAC

Per Transaction minimum transfer amount BDT 50 to maximum BDT 3 LAC