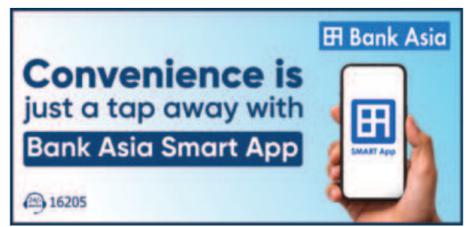


Star BUSINESS



Trade deficit narrows in Jul-Nov

STAR BUSINESS REPORT

Bangladesh's trade deficit in the first five months of the current fiscal year was 20 percent, or \$1.97 billion, lower than in the same period of the previous fiscal year.

During the July-November period of fiscal year (FY) 2024-25, the trade deficit -- the amount by which the cost of the country's imports exceeds the value of its exports -- stood at \$7.88 billion.

It was \$9.85 billion in the same period of FY24, according to the latest data from Bangladesh Bank.

The narrowing trade deficit has been attributed to a rise in export earnings coupled with a slight decline in import expenditure.

Export earnings increased by 10.1 percent year-on-year to \$18.12 billion in the first five months of this fiscal year.

Meanwhile, import costs fell by 1.2 percent year-on-year to \$26.01 billion.

Export earnings increased by 10.1 percent to \$18.12 billion while import costs fell by 1.2 percent to \$26.01 billion

This development, supported by an increase in remittance inflows over the past couple of months, has helped improve the country's balance of payments (BoP).

In other words, it has reduced the deficit in the country's current account balance, which is a measure of the overall cross-border money flow, whether through industrial activity, government fund transfers, or remittances.

From July to November, the deficit in the current account balance stood at \$226 million.

The deficit had stood at \$3.93 billion during the same period of the previous fiscal year.

In the first five months, the financial account remained negative.

The financial account, a component of the balance of payments, records claims on or liabilities to non-residents concerning financial assets. It includes components such as direct investment, portfolio investment, and reserve assets, broken down by sector. [READ FULL STORY ONLINE](#)



VAT, tax hikes: Short-sighted state policies to hurt people

SELIM RAIHAN

The recent decisions of the interim government -- tax hikes and the suspension of the TCB truck sale programme -- clearly reflect the short-sightedness and inconsistency in state policies. The first decision, which raised taxes on more than a hundred products, is highly concerning for the general public. The current high level of inflation has already placed significant financial pressure on ordinary people, and increasing taxes in this context will create even more strain. As a result, market prices will rise, posing severe challenges for the poor and middle classes.

It is truly surprising and concerning that the current government is increasingly relying on indirect taxes to boost revenue. Indirect taxes generally burden the general population because they are directly linked to the price of goods or services, with the public bearing the entire cost. Particularly when inflation has reached alarming levels and people's purchasing power is decreasing, raising such taxes will make life even more difficult for the poor and middle class. However, if the government rethinks its revenue policy and takes steps to collect more taxes from the wealthy, it could be far more effective.

Currently, some wealthy individuals and companies evade taxes or enjoy various forms of tax relief. Despite selling high-priced goods and services, they are not

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Small businesses to face tougher times as VAT threshold lowered



PHOTO: RASHED SHUMON

SUKANTA HALDER

Small traders and businesses have decried the abrupt cuts in value-added tax (VAT) and turnover tax thresholds by the revenue board, saying this will put more pressure on consumers and eventually reduce sales.

The National Board of Revenue (NBR) on Thursday night lowered the thresholds for VAT registration to Tk 50 lakh and turnover tax to Tk 30 lakh, from previous levels of Tk 3 crore and Tk 50 lakh, respectively.

Besides, the revenue authority also raised VAT and supplementary duty on more than 100 products and services, including biscuits,

mobile phone usage, internet bills, readymade clothes, tailoring and restaurants.

This mid-fiscal year move by the government is widely interpreted as an attempt to increase falling revenue collection and meet the conditions set by the International Monetary Fund (IMF) for its ongoing \$4.7 billion loan programme for Bangladesh.

Economists and businesses criticised the timing of the NBR's decision, as people have been struggling with above-9-percent inflation for nearly two years.

Snehasish Barua, managing director of SMAC Advisory Services Ltd, said that a large number of small businesses have come under the VAT net following the downward revision of turnover tax enlistment and VAT registration criteria.

Under the new rules, he explained

that if a business records Tk 2.5 lakh in monthly turnover, it will fall under turnover tax enlistment criteria and be subject to a 4 percent tax on sales.

Similarly, a firm that records Tk 4.17 lakh in monthly turnover will need to pay 15 percent VAT on sales, according to him.

"The impact will be huge and will increase the scope of informal dealing," he said. "As a result, tax-compliant businesses will suffer the most."

The tax expert believes this could have been ideal had the country managed to bring all transactions into traceability and fix the VAT Act 2012. "We could have easily extracted the due amount of income tax too."

"Until and unless the country develops its own unified payments interface system, raises business awareness of it, ensures effective monitoring and amends certain provisions of the VAT Act 2012, lowering this threshold will not yield expected benefits for the exchequer," he argued.

Zahirul Haque Bhuiyan, general secretary of the Bangladesh Shop Owners Association, said they have been struggling with sales

[READ MORE ON B3](#)

Consensus reached for BGMEA polls in April

Says administrator

STAR BUSINESS REPORT

The administrator and two panels of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) have reached a consensus to hold the election of the garment exporters' platform in April this year.

This month, an updated list of voters will be published, and an election board will be formed, BGMEA Administrator Md Anwar Hossain told The Daily Star.

"If all stakeholders cooperate with us, we will be able to hold the election on time as per our plan," Hossain said.

He shared the information after a meeting with the leaders of the BGMEA, held at the association's office in Uttara, Dhaka.

The leaders of both panels -- Sammilita Parishad and Forum -- agreed to hold the election by April, as the apparel sector has been going through some crises, said former BGMEA President Anwar-Ul-Alam Chowdhury Parvez, who was present at the meeting.

An elected leadership is now required to deal with labour issues, especially with the Eid festivals

[READ MORE ON B3](#)

Local airlines worried over excise duty hike

RASHIDUL HASAN

The government's recent decision to increase excise duty on domestic and international air tickets will have a serious negative impact on the aviation market, especially domestic passenger growth, said top officials of the country's air operators.

Apprehensions are now arising over the survival of airlines, as increases in fees or duties ultimately have a significant impact on the affordability of air tickets, they said.

On Thursday night, the National Board of Revenue (NBR) increased the excise duty on each domestic flight ticket from Tk 500 to Tk 700.

The excise duty on flight tickets to member countries of the South Asian Association for Regional Cooperation (SAARC) was raised from Tk 500 to Tk 1,000.

For trips outside SAARC countries but within Asia, the duty has been increased from Tk 2,000 to Tk 2,500.

The excise duty on tickets to Europe and America was raised from Tk 3,000 to Tk 4,000.

A senior official of the NBR stated that the government expects to collect an additional Tk 1,000 crore in revenue from the duty hike.

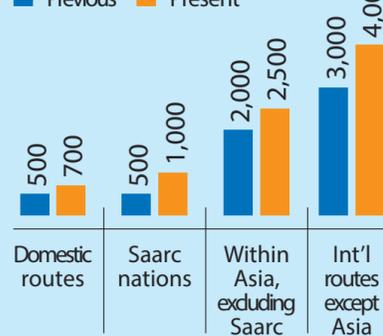
"Whenever taxes are increased, we have to incorporate them into our



Excise duty on airfare

In taka; Source: NBR

■ Previous ■ Present



costs," Novoair Managing Director Mofizur Rahman told The Daily Star.

"Our experience shows that demand decreases by around 25 percent whenever airfares increase by Tk 500 to Tk 1,000," he said.

Rahman emphasised that increases in fees or duties have a significant impact on the affordability of flight tickets.

The Novoair MD further explained that the indirect loss to the government is greater than the additional revenue collected through higher taxes or duties.

"For example, if 300,000 passengers travel in a month, a 25 percent drop due to the duty hike means 75,000 fewer passengers, which is exactly what we are seeing now," said Rahman.

"The government could have collected more revenue at the current duty rates, because passenger numbers are declining due to the hike," he added.

"Our tax authorities are not considering this matter," he lamented. "I believe that the government's aim of increasing the tax base by hiking duties will backfire. The government's

revenue will decrease instead of increasing," he added.

Passengers were already paying various types of taxes and fees, including Tk 500 in excise duty, Tk 200 in travel tax, Tk 100 in airport development fees, and Tk 70 in passenger security fees.

All these total Tk 925 for domestic routes.

The latest excise duty hike has raised this amount to Tk 1,125.

Mofizur also pointed out that the government already takes 30 percent of airfares as direct tax and another 18 percent as indirect tax.

In other words, the government claims 48 percent of the money paid as airfare, which puts significant pressure on the pockets of consumers.

"We usually prepare for tax or duty increases during the national budget," said Kamrul Islam, general manager (public relations) of US Bangla Airlines. "However, the government's sudden decision to impose additional duties on domestic and international travel came as a bolt from the blue," he said.

He added that the government's decision would negatively impact passenger growth. "The government should have thought this through before implementing such measures," he said.

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Prime Bank



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Premier Bank holds 'Business Conference-2025'

STAR BUSINESS DESK

Premier Bank PLC organised the "Business Conference-2025" at the Renaissance Dhaka Gulshan Hotel in the capital yesterday.

HBM Iqbal, chairman of the bank, joined the conference virtually as the chief guest, according to a press release.

In his inaugural speech, Iqbal said, "The scope of the bank's business is increasing rapidly, so we must maintain service quality with greater sincerity and identify new areas of business in our respective sectors."

He urged all involved, including branch managers, to continue the bank's progress in the coming days and work diligently to enhance its reputation.

While presiding over the event, Mohammad Abu Jafar, managing director and CEO, stated, "Premier Bank is working to advance the country through quality and inclusive investment, including in national priority sectors, with guidance from the Board of Directors and a strong management team."



HBM Iqbal, chairman of Premier Bank, virtually attends the "Business Conference-2025" of the bank at Renaissance hotel in the capital yesterday.

PHOTO: PREMIER BANK

Dhaka Bank, MetLife sign deal for employees' insurance coverage



Ala Ahmad, chief executive officer of MetLife Bangladesh, and Sheikh Mohammad Maroof, managing director of Dhaka Bank, pose for photographs after signing an agreement at the bank's head office in Dhaka recently.

PHOTO: DHAKA BANK

STAR BUSINESS DESK

Dhaka Bank PLC has signed an agreement with MetLife Bangladesh to provide its employees with comprehensive life insurance coverage.

This partnership will ensure that more than 1,980 employees of the bank are protected against critical illnesses, accidents, disabilities, and loss of life.

Sheikh Mohammad Maroof, managing director of the bank, and Ala Ahmad, chief executive officer of the life insurer, signed the agreement at the bank's head office in Dhaka recently, according to a press release.

"By providing MetLife's insurance to our employees and their families, we are demonstrating our commitment to the people who passionately contribute to the success of our organisation," said Maroof.

"We would like to congratulate Dhaka Bank for prioritising employee well-being. MetLife remains committed to supporting organisations in creating a secure and resilient future," said Ahmad.

Insurance coverage for employees plays a critical role in fostering a sense of security and loyalty among the workforce. It mitigates financial burdens during crises and underscores an organisation's dedication to the well-being of its team.

RR Imperial Electricals holds national partner conference

STAR BUSINESS DESK

RR Imperial Electricals Ltd, a premier manufacturer of wires, cables, and enamel products under the brands RR Kabel and RR Shramik in Bangladesh, organised its "National Partner Conference" at the Shaheed Abu Sayed International Convention Centre in Dhaka.

The conference brought together retailers, dealers, partners, and the RR Imperial family to celebrate excellence and recognise outstanding contributions.

M Hares Ahmed, managing director of the electric cable and wire company, attended the event, according to a press release.

In his speech, Ahmed highlighted plans to expand the company's portfolio with advanced electrical and electronic products to strengthen its mission of safety and development.

Mahboob Hossain Mirdah, director and CEO of the company; Ahmed Ashfaqur Rahman and AM Ahsanul Bari, directors; and ANM Manzoor Murshed, director, who joined the event virtually, were also present.



M Hares Ahmed, managing director of RR Imperial Electricals, poses for group photographs with the company's partners who were awarded for their outstanding contributions at "National Partner Conference" at the Shaheed Abu Sayed International Convention Centre in Dhaka recently.

PHOTO: RR IMPERIAL ELECTRICALS

Islami Bank wins award for remittance collection

STAR BUSINESS DESK

Islami Bank Bangladesh PLC has been awarded the "Top Ten Remittance Gold Award 2025" by non-profit research organisation the Centre for NRB over its remittance collections.

Ahsan H Mansur, governor of Bangladesh Bank, presented the award to Mohammed Monirul Moula, managing director of the bank, at the Pan Pacific Sonargaon Dhaka in the capital yesterday, according to a press release. Md Touhid Hossain, adviser to the Ministry of Foreign Affairs, attended the event.

MS Shekil Chowdhury, chairperson of the Centre for NRB, presided over the ceremony, which was also attended by Saif Uddin Khaled, a Bangladeshi-British citizen and speaker of Tower Hamlets, the United Kingdom, as a special guest.

Local dignitaries and expatriates from various countries were also present at the event.



Mohammed Monirul Moula, managing director of Islami Bank Bangladesh, receives an award from Ahsan H Mansur, governor of Bangladesh Bank, at a ceremony in Pan Pacific Sonargaon Dhaka in the capital yesterday. Md Touhid Hossain, adviser to the Ministry of Foreign Affairs, was present.

PHOTO: ISLAMI BANK BANGLADESH

Mercantile Bank organises annual business conference

STAR BUSINESS DESK

Mercantile Bank PLC organised an "Annual Business Conference-2025" at Le Meridien Dhaka yesterday.

The heads of 152 branches and 45 sub-branches, along with all division and regional heads, participated in the conference. Md Anwarul Haque, chairman of the bank, attended the event as the chief guest, the bank said in a press release.

Haque thanked the heads of branches, sub-branches, and divisions for their sincere efforts in achieving the organisation's goals.

"The banking sector has taken the lead in maintaining the country's economic stability despite challenges arising from recent political situations and the global economic downturn," the bank's chairman said.

While presiding over the programme, Mati Ul Hasan, managing director of the bank, provided the participating officials with significant



Md Anwarul Haque, chairman of Mercantile Bank, attends "Annual Business Conference-2025" at Le Meridien Dhaka yesterday.

PHOTO: MERCANTILE BANK

guidelines for achieving the annual business targets of 2025.

Hasan urged the concerned officials to focus on agriculture and SME loans to ensure the country's food security and the sustainability

of the rural economy.

At the same time, the bank's MD called on his subordinates to enhance customer services and ensure smart banking through innovation and transformation.

Standard Bank hosts annual business conference

STAR BUSINESS DESK

Standard Bank PLC organised an "Annual Business Conference 2025" with the slogan "Year of Consolidation: Build the Future Together" at Radisson Blu Water Garden Hotel in Dhaka yesterday.

Mohammed Abdul Aziz, chairman of the bank, inaugurated the conference as chief guest, the bank said in a press release.

He congratulated all employees on the bank's performance in 2024.

With the aim of contributing to the business growth and economic development of Bangladesh, he called on everyone to work collaboratively

to sustain the progress of the bank by adhering to Shariah principles and providing the best services using modern technology.

AKM Abdul Alim, vice-chairman

of the bank, was present as the special guest.

Md Habibur Rahman, managing director and CEO of the bank, presided over the conference



Mohammed Abdul Aziz, chairman of Standard Bank, attends the "Annual Business Conference-2025" of the bank, at the Radisson Blu Water Garden Hotel in Dhaka yesterday.

PHOTO: STANDARD BANK

Meghna Bank strikes MoU with ShareTrip

STAR BUSINESS DESK

Meghna Bank PLC recently signed a memorandum of understanding (MoU) with ShareTrip Limited, an online travel agency in Bangladesh.

Moksedur Rahman, head of cards (in charge) at the bank, and Faruque Ahmed, general manager of the travel agency, penned the MoU at the agency's corporate office in Bashundhara in Dhaka, said a press release.

Under the agreement, all the bank's cardholders, priority clients, and employees will receive exclusive discounts on flight bookings, as well as domestic hotel and resort bookings, through the agency's shops, outlets, or website.



Moksedur Rahman, head of cards (in-charge) of Meghna Bank, and Faruque Ahmed, general manager of ShareTrip, pose for photographs after signing a memorandum of understanding at the latter's corporate office in the capital's Bashundhara recently.

PHOTO: MEGHNA BANK

Taiwan chip giant TSMC's revenue rose 34% in 2024

AFP, Taipei

Taiwanese chip making giant TSMC said Friday its net sales rose by more than a third last year, beating its own forecast, as the company continued to benefit from soaring demand for AI technology.

Taiwan Semiconductor Manufacturing Company controls more than half the world's output of chips used in everything from Apple's iPhones to Nvidia's cutting-edge artificial intelligence hardware.

Net revenue rose 33.9 percent to NTS\$2.9 trillion (\$87.8 billion), the company said in a statement, ahead of the release of its complete earnings report next week.

The result exceeded its estimate in October for full-year revenue to increase by nearly 30 percent, underscoring expectations for sustained spending on AI infrastructure from the likes of Microsoft and Amazon.

It comes after Taiwanese AI server maker Foxconn, also known by its official name Hon Hai Precision Industry, reported strong sales.

TSMC is at the forefront of a generative AI revolution, churning out the world's most advanced microchips needed to power products made by Silicon Valley.

Its shares have more than doubled since the AI boom began in late 2022 with the debut of OpenAI's ChatGPT, Bloomberg News reported.

But TSMC is grappling with geopolitical tensions between the United States and China over technology import restrictions, trade and Taiwan.

Its headquarters -- and the bulk of its fabrication plants -- are in Taiwan, a self-ruled island that China claims as part of its territory.

The semiconductor supply chain is highly vulnerable to shocks, and concerned governments have lobbied TSMC to move more production away from Taiwan.

TSMC's new factories overseas include three planned in the United States and one that opened in Japan last year.

The United States will award TSMC up to \$6.6 billion in direct funding to help build "state-of-the-art facilities in Arizona", officials said in November, finalising the deal before Donald Trump's administration enters the White House.

PRICES OF KEY ESSENTIALS IN DHAKA CITY			
	PRICE (JAN 11, 2024)	% CHANGES FROM A MONTH AGO	% CHANGE FROM A YEAR AGO
Fine rice (kg)	Tk 70-Tk 84	4.05 ↑	14.07 ↑
Coarse rice (kg)	Tk 54-Tk 58	6.67 ↑	14.29 ↑
Loose flour (kg)	Tk 40-Tk 45	0	-10.53 ↓
Lentil (kg)	Tk 105-Tk 110	0	0
Soybean (litre)	Tk 163-Tk 165	-1.50 ↓	4.13 ↑
Potato (kg)	Tk 35-Tk 50	-41.38 ↓	-26.09 ↓
Onion (kg)	Tk 50-Tk 70	-50.00 ↓	-33.33 ↓
Egg (4 pcs)	Tk 45-Tk 50	0	9.20 ↑

SOURCE: TCB



Md Golam Mostafa sprays pesticides on a field of hybrid chili called "DG Super" for which he adopted mulching, a process where the topsoil is covered with plant material such as straw to enhance the activity of soil organisms such as earthworms. As per one seed company, this chili plant provides fruits within around 65 days of sowing. Mostafa invested Tk 15,000 on 18 decimals of his cropland with hopes of making a profit of Tk 70,000. The photo was taken at Gopalbari village in Rajbari sadar upazila, some 150 kilometre west of capital Dhaka, recently.

PHOTO: SUZIT KUMAR DAS

11 conditions attached for trade through Benapole port

OUR CORRESPONDENT, Benapole

The Benapole Customs House has recently issued an order detailing 11 conditions that businesses must comply with for exports and imports through the port from January 12 onwards.

The customs office also listed 12 types of imported goods as sensitive and high-risk for customs evasion, making physical inspections mandatory for them.

The customs house implemented these measures as part of efforts to expedite import-export activities, reduce processing time, and foster a taxpayer-friendly environment while curbing tax evasion, according to the order signed by Customs Commissioner Md Kamruzzaman on January 6.

The goods identified in the order include assorted items, all types of clothing, new and used motor parts (two-wheelers, three-wheelers, four-wheelers), bike parts, electronics, electrical products, cosmetics, imitation jewelry, machinery and parts imported under commercial concessions, industrial sector parts, medical equipment, surgical supplies, and mixed consignments.

The customs office also listed 12 types of imported goods as sensitive and high-risk for customs evasion, making physical inspections mandatory for them

The order instructed officials to review the Automated System for Customs Data (ASYCUDA) — a computer system that helps manage information for international trade — and conduct regular inspections of high-risk institutions, harmonised system codes, and product consignments.

Officials were also directed to collect data on clearance processes, monitor revenue collection, uncover irregularities, and take legal action to prevent smuggling.

The customs house has also decided to implement additional measures, including the submission of the import general manifest and the Bill of Entry lock, based on information from the Customs Intelligence and Investigation Directorate and other agencies.

Regarding exports, shipments valued at over \$40,000 or containing more than 20,000 pieces of readymade garments like shirts, pants, t-shirts, and undergarments will undergo mandatory physical inspections to verify consistency with declared goods.

These directives will remain effective until further notice for Benapole Port, which handles 80 percent of imports from India via land ports and facilitates exports to both India and third countries through Indian transit routes.

Gold rebounds

REUTERS

Gold prices rebounded on Friday as uncertainty surrounding the incoming Trump administration's policies lifted safe-haven appeal, even as a stronger-than-expected US employment data reinforced expectations the Federal Reserve might not cut interest rates as aggressively this year.

Spot gold was up 0.6 percent at \$2,686.24 per ounce as of 01:57 p.m. EST (1857 GMT), while US gold futures settled 0.9 percent higher at \$2,715.00.

Gold prices briefly slipped to \$2,663.09 an ounce after data showed the US added 256,000 jobs last month, compared with economists' estimate of a rise of 160,000. The unemployment rate stood at 4.1 percent, compared with a forecast of 4.2 percent.

Bullion prices, however, quickly rebounded and hit their highest levels since Dec. 12, poised for a weekly gain of more than 1.7 percent.

"Gold's price action points to a lack of committed sellers of the metal; a diffidence well-learned from last year's remarkable rise," said Tai Wong, an independent metals trader.

"The momentum from the knee-jerk reaction faded quickly and the short-term traders and programs that sold reversed quickly."

The dollar rallied while US stock futures fell sharply after the jobs data.

Markets show traders now expect the Fed to cut interest rates by just 30 basis points over the course of this year, compared with cuts worth about 45 basis points before the data.

Garment exports to US fell slightly in Jan-Nov

STAR BUSINESS REPORT

Bangladesh's garment exports to the US fell by 0.46 percent in value between January and November of the recently concluded 2024, according to data from the US Office of Textiles and Apparel (OTEXA).

However, import volumes by Bangladesh's single largest apparel buyer increased by 3.95 percent in the first 11 months of last year year-on-year.

This indicates a decline in unit prices compared to 2023, with OTEXA estimating a 4.24 percent fall. It suggests that despite maintaining export volumes, Bangladesh's revenue was impacted.

The drop is attributed to competitive market pressures,

changes in the product mix, or fluctuations in raw material prices.

US apparel imports from Bangladesh have shown robust growth since September 2024, with a remarkable year-on-year increase of 41.6 percent in November.

Import volumes by Bangladesh's single largest apparel buyer increased by 3.95 percent in the first 11 months of last year

However, the sharp rise in November was partly due to the unusually low import levels in the same month of 2023.

Despite the overall growth in apparel imports by the US,

Bangladesh trails behind other top sourcing countries. For example, China posted a 0.4 percent increase, Vietnam 4.54 percent, Indonesia 0.19 percent, and India 4.5 percent during the January-November period last year.

In January-November 2024, the US's global apparel imports rose by 0.74 percent in dollar terms compared to the same period in 2023. A steady recovery over the last three months (September-November) contributed to this positive trend.

In terms of volume, measured in square meter equivalents (SME), US global apparel imports grew by 5.24 percent year-on-year during the first 11 months, reflecting a 4.28 percent decline in global import prices.

Small businesses to face

FROM PAGE B1 since the Covid-19 pandemic, and consumers, who ultimately bear the VAT burden, are also facing price pressures for a long time.

"Over the past few years, real incomes have stagnated while inflation has remained stubbornly high," he added. "Against the backdrop, the government's decision will impose an even greater strain on everyone, from day labourers to middle-income people."

For many people, bearing this heavy burden will be extremely difficult, he said.

In December 2024, inflation eased slightly to 10.89 percent from 11.38 percent the previous month. The price pressures remained above 10 percent throughout October and November, according to the Bangladesh Bureau of Statistics (BBS).

Bhuiyan said they plan to meet with the finance adviser to lodge their concerns.

Like tax expert Barua, a senior NBR official said that automation of the tax system is the ultimate solution.

However, he said the latest threshold lowering would not impact small businesses.

"We issued an order in 2019 under which we have brought most services, including restaurants, sweetmeats and other stores, under the VAT net regardless of turnover," he said.

"Therefore, there is no practical impact of the reduction in the turnover tax enlistment threshold."

However, those firms with a turnover of more than Tk 50 lakh but below Tk 3 crore, which are currently paying 4 percent turnover tax, will have to pay 15 percent VAT after VAT registration, he said.

"We may get additional VAT in this area after revising the VAT registration limit," said the official, adding, "but the amount is going to be small."

He added that Tk 17 lakh in turnover tax would accrue to the government's coffers when these firms were under the turnover tax net.

However, Dewan Aminul Islam Shaheen, recent former president of the Dhaka New Market Business Owners' Association, said such a government decision will create extra

pressure on shop owners and traders. "Real incomes of buyers have not increased in the last two to three years," he said. "In the overall situation, profit margins have also decreased."

"We will have to face more difficult situations in the coming days," said Shaheen, also the owner of Siraj Jewellers at New Market.

"It would have been better if the government had taken a decision to increase the VAT net by keeping the VAT threshold at the previous level," he added.

"In the past, we have never seen the government make such a decision in the middle of the year," he continued. "So, it's quite irksome on the one hand and extremely frustrating on the other."

Abul Hashem, general secretary of the Bangladesh Edible Oil Wholesalers Association, said that any increase in VAT will inevitably push up commodity prices, further escalating costs for consumers.

"With people's purchasing power already on the decline, this decision will only worsen their suffering," he said.

"If these non-compliant traders are held accountable, it would help distribute the tax burden more evenly and reduce pressure on consumers," he added.

Rizwan Rahman, former president of the Dhaka Chamber of Commerce and Industry (DCCI), said traders already face massive challenges.

He argued that the budget for the current fiscal year should be reviewed and adjusted downward to align with economic realities.

Rahman said that while the government continues to expand facilities for bureaucrats, the situation for ordinary people is deteriorating.

"Reducing public expenditure is essential, and the government must prioritise protecting consumers' interests above all."

Rahman said that the government should engage in negotiations with the IMF to find out more balanced policy solutions.

Speaking on condition of anonymity, another business leader said that businesses were already in a tight spot, and increased VAT and supplementary duty will only complicate the problem.

"Business owners will either evade taxes or increase the prices of goods and services. If prices are raised, it will further reduce consumer demand," the leader said.

"On the other hand, a sudden and sharp increase in VAT rates is disappointing," the leader added. "A gradual increase would have been more acceptable."

"The government has added to the burden on the public by imposing taxes in the middle of a fiscal year, following IMF recommendations," the leader mentioned. "It has failed to consider the current state of the economy," he said.

Local airlines

FROM PAGE B1 Kamrul also suggested that the government provide subsidies to airlines or reduce other surcharges to increase passenger numbers, which would, in turn, boost the aviation sector's contribution to the GDP, currently at 3 percent.

"The government's step will now adversely impact GDP growth, particularly in the aviation tourism industry," he said.

Air Astra CEO Imran Asif expressed strong disapproval of a finance adviser's comment that people who travel by domestic flights can afford an additional Tk 200 and that the hikes were marginal changes.

"First of all, the hike from Tk 500 to Tk 700 represents a 40 percent rise! If he thinks this is marginal, he needs a crash course in vocabulary," he said.

Asif pointed out that Bangladeshi air operators were struggling to cover costs due to competition from foreign airlines.

This is an industry where "the majority of travellers (who are migrant workers) don't even choose their airline (because intermediaries like manpower agents decide for them)," he said.

"... and where foreign airlines have a massive cost advantage, this abrupt tax hike will dig a deeper grave for Bangladeshi airlines operating or planning to operate international routes," he added.

VAT, tax hikes: Short-sighted state policies

FROM PAGE B1 adequately taxed on their income and wealth. This inequality erodes social justice and trust, harming the national economy. If the government took more stringent measures in tax enforcement and collected due taxes from evaders, it could significantly strengthen its revenue. Specifically, the government has a responsibility to investigate and take legal action against those who evade taxes illegally.

If the government reduced its reliance on indirect taxes and increased the collection of taxes from the wealthy through direct taxation, it could help create a more balanced and stable economy. Reducing economic inequality and promoting fairness in revenue management could bring long-term success to the government. However, if the government continues to rely heavily on indirect taxes, it will harm not only the common people but also the

country's economic stability.

On the other hand, the decision to suspend the TCB truck sale programme is deeply concerning. This programme was an essential means of supplying affordable goods to the poor. At a time when inflation has reached critical levels and people's incomes are unstable, the government could have used this programme to provide much-needed assistance to the poor.

Instead, the government's decision to suspend the programme contradicts the reality and needs of the people. By halting the TCB programme, the scope of assistance for the poor has been reduced, creating a stark disconnect between the government's economic policy and the needs of the public. This decision will not only make life more difficult for the poor but also undermine public trust and confidence in the government.

These decisions clearly

demonstrate a lack of proper coordination between the government's monetary policy, revenue policy, and market management. The government should have taken effective measures to increase support for the poor and general population during this period of high inflation while ensuring market stability. Instead, the government has implemented harsher measures, which will only exacerbate the suffering of the people. Revising the revenue policy to avoid placing additional burdens on affected populations and focusing on increasing revenue by taxing the wealthy would have been a more prudent approach. Hopefully, the government will soon exercise sound judgment and make effective and positive decisions that align with the real needs of the people.

The author is the executive director of Sanem.

Consensus reached

FROM PAGE B1 approaching, as well as many other issues that the administrator cannot handle, he added.

The trade body's last election was held on March 9 last year. However, the board was reconstituted on August 5 of the same year following the fall of the Awami League government, and an administrator was appointed to manage the association.

Initially, the BGMEA administrator was instructed to hold an election within 90 days of his appointment. However, the election did not take place within the stipulated timeframe, and the administrator's tenure was extended to complete the process.

Additionally, the BGMEA and the administrator of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) have recently sought amendments to the trade organisation rules.

For example, they proposed electing the BGMEA president directly without involving the two panels, limiting presidents to no more than two consecutive terms, and reducing the number of directors in the trade bodies.

In the BGMEA election, Sammilita Parishad and Forum will compete for 35 director posts, who will later select the association's president for a two-year term.

Under the current election rules for major trade bodies, including the FBCCI, the president is elected indirectly.

The winning panel in the election selects the president from among the elected directors.

Similarly, over the past several years, the number of directors in trade bodies like the FBCCI has been increased several times to help people secure influential positions.

Both the administrators of the FBCCI and BGMEA have recently pointed out the presence of numerous fictitious names in the current voter lists of the trade bodies.

They noted that many businesses have ceased operations, some business owners have left the country, and many others have retired from trade.

For instance, the number of voters in the BGMEA has surpassed 3,375, while the current number of active garment factories under this trade body is around 2,100, according to the administrator.

He urged BGMEA members to submit their documents by January 31 this year to help create an accurate voter list.

Genuine businessmen must submit their tax return certificates, updated trade licences, and a few other documents to qualify as eligible voters for the election, he said.

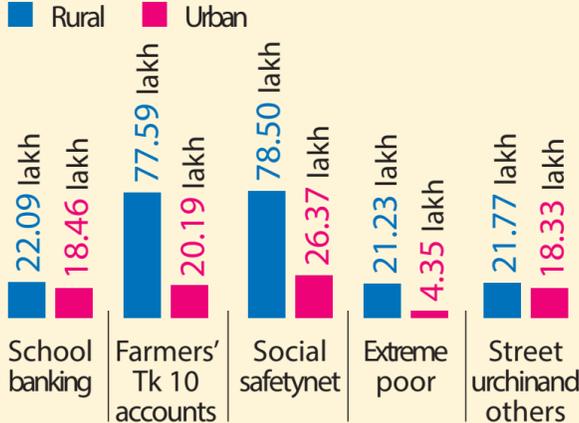
Financial inclusion evolves with focus on rural Bangladesh



PHOTO: SUZIT KUMAR DAS

Number of no-frills accounts

As of Dec 2023; SOURCE: BB



STAR BUSINESS REPORT

Financial inclusion in Bangladesh is evolving, as evidenced by the increasing penetration of agent banking, mobile financial service (MFS), and no-frills accounts (NFAs), alongside a strong commitment to rural outreach, according to a central bank report.

A big driver of this evolution is an expanding network of banking services and mobile financial solutions. However, targeted interventions are needed to address gaps, particularly in rural areas and among women, it recommended.

As per the World Bank's Global Findex Database 2021, 47 percent of individuals aged 15 years and above remain outside the formal financial system in terms of account ownership.

Among adults, the gender gap is

particularly evident, with 43.46 percent of women accessing formal financial services compared to 62.86 percent of men.

The scenario is being countered through the expansion of rural banking services, according to Financial Inclusion Report 2023 of Bangladesh Bank.

The report measured access, usage, and quality of services provided by financial service providers as of December 2023.

It stated that of the 11,284 bank branches and 260 finance company outlets nationwide, nearly half are located in rural areas.

Around 80 percent of the 21,601 agent banking outlets in the country are in rural areas, facilitating account creation and financial transactions.

This outreach has resulted in notable rural account ownership, with around 47.11 percent of bank accounts and 55

percent of MFS accounts held by rural residents, according to the report.

Bangladesh's MFS sector, which has over 210 million accounts, is a key driver of financial inclusion. It complements the efforts of microfinance institutions, which serve over 40 million people, predominantly in rural areas.

Of these account holders, 90 percent are women, highlighting the sector's role in empowering female entrepreneurship and household financial management.

The NFAs, such as Tk 10 accounts for farmers and school banking accounts, play a pivotal role in extending financial services to underserved populations.

As of December 2023, 30.9 million of the NFAs were active, with the leading numbers comprising social safety net accounts and farmers' Tk 10 accounts.

Over 70 percent of these accounts

belong to rural customers, underscoring their impact on low-income groups.

School banking accounts, however, remain largely urban-centric, reflecting the need for a more balanced geographical outreach in financial literacy initiatives targeting students.

Despite the progress, challenges remain. Rural areas often face an overconcentration of banking outlets in specific locations, leaving other regions underserved. Similarly, while account ownership is increasing, active usage and financial literacy continue to be pressing concerns, the report states.

The gender disparity in financial access also underscores the need for robust policies. Initiatives promoting financial literacy, tailored products for women, and incentives for rural financial activity are crucial, it said.

Large loan restructuring: lessons learned from Hallmark

MAMUN RASHID

Classified loans in Bangladesh have exceeded Tk 284,000 crore. Various agencies are even talking of Tk 4 lakh to Tk 7 lakh crores of stressed assets in the banking sector, which tends to be 25-45 percent of the total loans.

Due to the concentration of loans within a few large borrowers, many banks run the risk of going "belly up" during any possible economic meltdown or challenging period. The situation is more precarious with the weak banks that enjoyed political favour during the fallen regime.

Loans usually go bad due to: 1) improper or weak need assessment, 2) wrong structuring of the facilities, 3) security or collateral shortfall, 4) weak internal cash generation in the business leading to recurring past dues, 5) lending on the basis of names of the borrowers without looking into their business fundamentals or future potentials or even succession, 6) ignorance about competition or emerging competition, 7) failure to monitor the performance of loan asset, and 8) economic downturn or investment in the business segments other than the core ones.

Added to these are, of course, weak loan appraisal, failure to understand foreign exchange risk, corruption or failure of the lending officers and weak or no approval covenant monitoring. Too much of one-off excess approvals can be attributed to most large loan failures.

Once the recovery of a large loan or portfolio becomes doubtful, we must apply extraordinary caution and whether like it or not keep the client in a good relationship till the bank can strongly secure the exposure.

Now let us look at the Hallmark episode where an apparel exporter with Tk 200 crore projected exports with a 120-day end-to-end trade cycle ended up with Tk 3,606 crore exposures from commercial banks mostly state-owned ones. Interestingly their main banker Sonali Bank considering the trade cycle and similar industry players approved a credit limit of Tk 70 crore, the rest were local bill discounting (LBD) based on fake transport or shipping documents and subsequent use of bank limits.

More interestingly, when Hallmark's fraudulent activities were put on the surface and Hallmark applied for rescheduling, a few seniors mostly with central banking backgrounds, only kept on focusing on ensuring exemplary punishment of Hallmark promoters, not on ring-fencing the large loans exposure with further security or collateral. Since the clients' plea to reschedule the loan and business continuity was not heard positively, Sonali Bank was held captive with Tk 70 crore worth of security, not the additional risk assets or even a liability acceptance for the additional or total amount.

Hallmark's legal counsel behaved very intelligently and continued pouncing on Tk 70 crore loans, not the local bill discounting amount, not to mention additional hard collateral. The legal advisers attributed the entire excess amount to the reported corruption of Sonali Bank officials and a few political seniors, putting Sonali Bank only to regret. The bank didn't consider Hallmark's rescheduling plea or business continuity appeal.

Large loan exposures once become sour, banks should keep on ensuring total liability acceptance by the borrower and security/ collateral improvement, especially hard collateral.

Learning from other similar countries, recovery of large risky and stressed assets of the banks warrants special attention, trained people assigned for recovery with legally enforceable security structures or even special approval for large loan restructuring from the central bank, not only rescheduling. The good bank and bad bank practices by a few global banks also should work here.

The author is the chairman of Financial Excellence Ltd

London 'natural home' for Chinese finance UK treasurer says

AFP, Beijing

British treasurer Rachel Reeves said Saturday that London was a "natural home" for Chinese finance during a visit to Beijing in the shadow of bond market turmoil back home.

Reeves, whose formal title is chancellor of the exchequer, is the most senior British government official to visit China since then-prime minister Theresa May held talks with President Xi Jinping seven years ago.

The trip comes as the yield on British government bonds reached a 17-year high this week, further complicating the ruling Labour Party's sputtering efforts to revitalise growth.

The increase makes it more costly for the government to finance current operations and repay debt, raising risks it will have to make spending cuts or hike taxes.

Speaking at the reopening of long-suspended finance talks between the two countries, Reeves said London was a "natural home for China's financial services firms and your clients raising capital, and a launchpad for Chinese firms seeking to build a global footprint".

She hailed "opportunities to deepen connections" on capital markets, but said both countries needed to work more closely on "regulatory cooperation".

US hiring beats expectations

AFP, Washington

US job gains soared past expectations in December, according to government data released Friday, in a sign the labor market remains healthy shortly before President-elect Donald Trump's inauguration this month.

This indicates he is set to inherit an economy in relatively good shape, despite running an election campaign in which he painted its condition as a disaster.

Hiring in the world's biggest economy stood at 256,000 last month, up from a revised 212,000 in November, the Labor Department said. The December figure was significantly above the market consensus estimate of 154,000, according to Brierling.com.

The jobless rate meanwhile crept down to 4.1 percent from 4.2 percent.

The latest report marks a solid end to 2024 for the jobs market, which has held up in the face of elevated interest rates, allowing consumers to continue spending.



Jobseekers speak with prospective employers during a City of Los Angeles career fair.

PHOTO: AFP/FILE

Outgoing President Joe Biden lauded his administration's performance.

"Although I inherited the worst economic crisis in decades with unemployment above six percent when I took office, we've had the lowest average unemployment rate of any administration in 50 years with unemployment at 4.1 percent as I leave," he said in a statement.

"This has been a hard-fought recovery," he added.

In a separate statement, Biden noted the country saw 21 million new business applications during his administration.

The United States "generated 2.2 million jobs in 2024, the slowest pace since 2020, but still above 1.99 million in 2019," said KPMG chief economist Diane Swonk.

China's electric and hybrid vehicle sales jumped 40.7% in 2024

AFP, Beijing

Sales of electric and hybrid vehicles jumped more than 40 percent in China last year, as demand for new energy models continues to surge and the sector remains entrenched in a gruelling price war.

The Chinese electric vehicle market has witnessed explosive growth in recent years, driven in part by generous subsidies from Beijing.

But the world's largest automotive market has also seen fierce competition among domestic car manufacturers as a consumption slowdown fuels a price war that is weighing on profitability.

In 2024, almost 11 million new energy vehicles (NEVs) were sold, a year-on-year increase of 40.7 percent, the China Passenger Car Association (CPCA) said Thursday.

NEVs accounted for nearly half - 47.6 percent - of all retail sales last year, the association said.

By comparison, such vehicles accounted for just 22.6 percent of sales in the European market in November, according to the European Automobile Manufacturers' Association.

In China, NEV sales surpassed 1.3

million units in December, CPCA data showed, up 37.5 percent year-on-year and representing the fifth consecutive month of sales of more than one million.

Beyond just NEVs, the total number of vehicles sold last year in the Chinese market swelled 5.5 percent, reaching

nearly 22.9 million units, the CPCA said.

For EV companies, the price war is likely to carry on in the new year, CPCA secretary general Cui Dongshu said during a Thursday press conference.

More than 200 car models saw price cuts last year, compared to 148 in 2023, Cui added.

BYD has emerged as a clear leader in the Chinese market - the Shenzhen-based firm sold more than four million vehicles globally in 2024.

While BYD occupies roughly one third of the Chinese market, the situation is bleaker overseas, where various governments have hiked customs duties on vehicle imports from the country.

In December, sales in foreign markets accounted for just 12 percent of BYD's overall sales, according to the company's figures.

"We are now experiencing significant pressure on exports," Cui said Thursday, adding that Chinese NEV sales are "currently being suppressed by the European Union".

The European Union has said that extensive state support by Beijing for its domestic carmakers has led to unfair competition, with an investigation by the bloc finding that subsidies were undercutting local competitors.

Foreign automotive giants, on the other hand, are battling against slumping sales in the world's second-largest economy.

BYD's quarterly revenue surpassed global rival Tesla's for the first time during the third quarter last year.



British Finance Minister Rachel Reeves (L) shakes hands with Chinese Vice Premier He Lifeng during a press conference in Beijing yesterday.

PHOTO: AFP

At a later press briefing, Reeves said "common ground" had been found on financial services, trade, investment, climate change and other areas.

She said the total value of what had been agreed would be worth £600 million (\$732 million) for the British economy over the next five years, without giving specific details. Her Chinese counterpart, Vice Premier He Lifeng, said experience showed that "as long as China and the UK respect each other... relations between our two countries can develop in a healthy way".

Reeves faced pressure from the parliamentary opposition to stay home and address the financial crisis, but a spokesperson for Prime Minister Keir Starmer said this week she had not planned to cancel her "long-standing" trip.

On a visit to British bicycle-maker Brompton's Beijing showroom earlier Saturday, Reeves acknowledged "moves in global financial markets over the last few days", but said the fiscal rules she set out in her October budget were "non-negotiable".



This photo shows a brand-new H9 vehicle at the production line of Great Wall Motors' Chongqing smart factory on January 2.

PHOTO: AFP