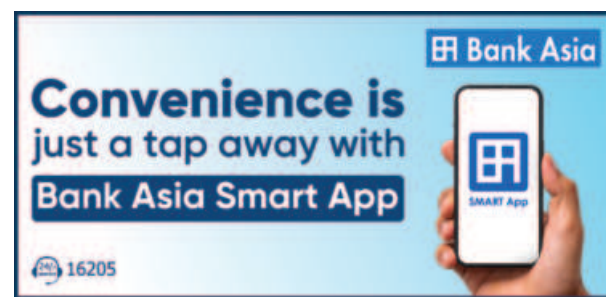


star BUSINESS



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).

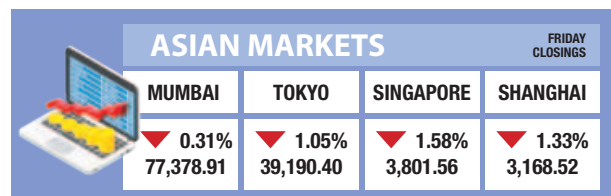
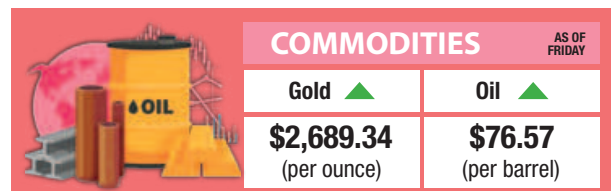
In other words, it has reduced the deficit in the country's current account balance, which is a measure of the overall cross-border money flow, whether through industrial activity, government fund transfers, or remittances.

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

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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

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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.

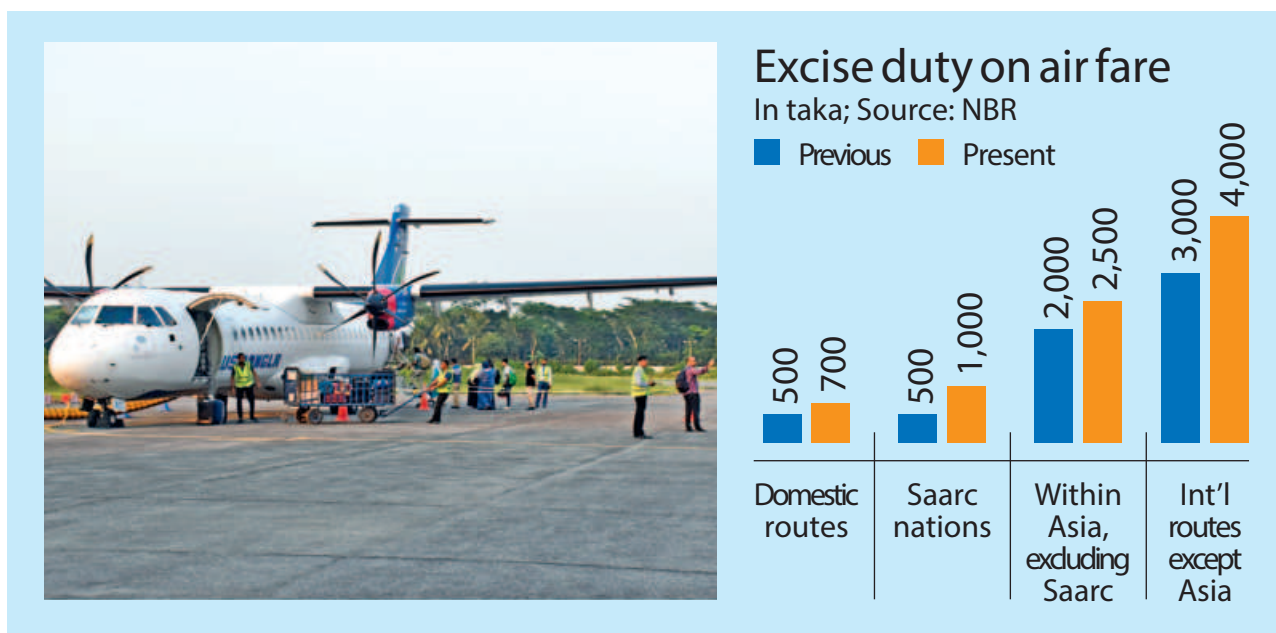
The excise duty on flight tickets to member countries of the South Asian Association for Regional Cooperation (SAARC) was raised from Tk 500 to Tk 1,000.

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



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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