Star BUSINESS

VAT hike raises medicine prices

MD ASADUZ ZAMAN

Healthcare seekers face higher prices for medicine due to the hike in value-added tax (VAT) on trades by pharmacies and drug stores.

The tax administration on Thursday last week raised the trade VAT on medicine from 2.4 percent to 3 percent, along with increasing VAT and supplementary duties on nearly 100 goods and services.

Previously, a 15 percent VAT was applied on medicine in addition to the 2.4 percent trade VAT on pharmacies.

Now, an additional 0.6 percentage points of trade VAT has been added to the cost of medicine, said Mustafa Alim Aolad, chief financial officer of Renata PLC.

He said that the additional 0.6 percentage points VAT will increase the overall cost by Tk 0.60 -- roughly from the previous Tk 117.4 to Tk 118 now.

"Ultimately, this burden will be passed on to consumers," said Aolad.

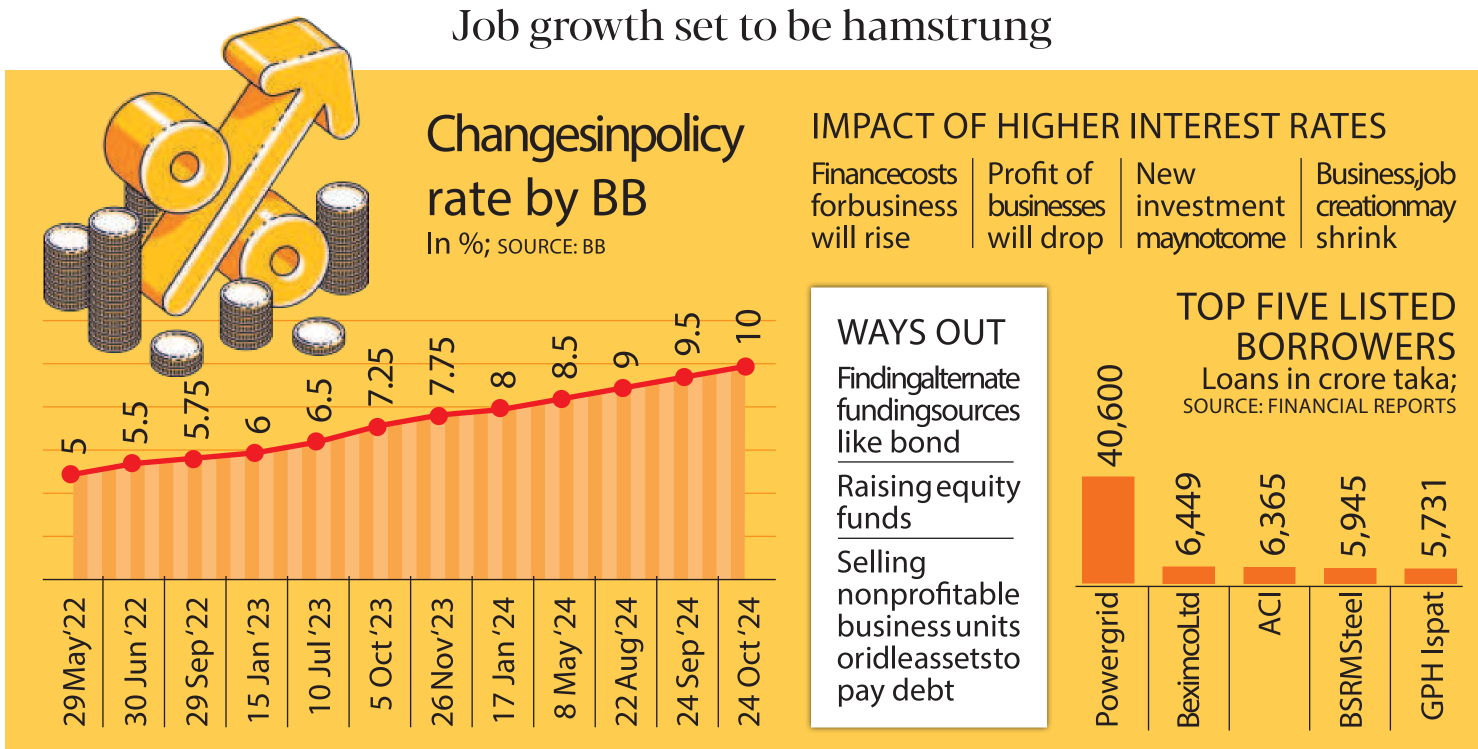
The revenue board's VAT and supplementary duty hikes align with efforts to boost the collection and terms by the International Monetary Fund (IMF) for its ongoing $4.7 billion loan programme for Bangladesh.

"The hike in VAT is likely to reduce the consumption of essential medicine among patients," said Abdur Razzaque Sarker, a health economist and research fellow at the Bangladesh Institute of Development Studies (BIDS).

READ MORE ON B3

Rising interest rates deter new investment, expansion plans

Job growth set to be hamstrung



AHSAN HABIB

If banks raise lending rates by one percentage point, it costs local pharmaceutical and chemical conglomerate ACI Limited Tk 70 crore in interest payments.

With the policy rate rising by four to five percentage points since fiscal year 2023-24, ACI's financing costs have understandably risen manifold, forcing the company to focus on rising business costs and put any expansion plans on hold—at least for now.

The conglomerate began FY24 when the Bangladesh Bank's key interest rate was merely 6.5 percent. It rose to as high as 10 percent by mid-FY25 as the central bank rapidly increased rates to curb price pressures by making bank borrowing more expensive.

Like ACI, the central bank's battle against stubbornly high inflation is leading other large conglomerates to experience growing financing costs and declining profit margins, compelling them to shelve their expansion plans—inflicting a blow to private sector job growth.

"With such a high interest rate, no entrepreneurs will consider expanding now," said Pradip Kar Chowdhury, chief financial officer of ACI Ltd.

With borrowings totalling Tk 6,365 crore, ACI Ltd's interest costs in FY24 rose by 30 percent to Tk 658 crore, according to company statements.

Similar to ACI, rising rates are creating headwinds for at least 40 listed conglomerates, which have loan portfolios ranging from Tk 1,000 crore to more than Tk 5,000 crore, according to their financial reports.

"Businesses are adopting a wait-and-see approach and will take one to one and a half years to consider fresh investment with the high interest rates," said Rupali Haque Chowdhury, president of the Bangladesh Association of Publicly Listed Companies.

READ MORE ON B3

Introduce national minimum wage, uniform labour law

Suggest experts and members of labour reform commission

STAR BUSINESS REPORT

Experts and members of a labour reform commission formed by the government have suggested the introduction of a national minimum wage for workers and a uniform labour law applicable to employees both inside and outside the Export Processing Zones (EPZs).

At a programme in Dhaka yesterday, they also recommended that the authorities ensure the rights of female workers are more effectively protected and take steps to formalise informal sectors, which currently employ roughly 85 percent of Bangladesh's 8.5 crore workforce.

MAJOR RECOMMENDATIONS

- Establish national minimum wage
- Introduce uniform labour law for factories in and outside EPZs
- Reform wage structure, rate and implementation
- Bring reforms in collective bargaining, social insurance and industrial disputes
- Formalise informal sectors' workers
- Extend maternity leave to six months
- Settle monetary disputes out of court

The Centre for Policy Dialogue (CPD) and Christian Aid jointly organised the programme, titled "Reforms in Workers' Livelihood, Workplace Safety, and Rights Issues: An Agenda for the Interim Government," at the CPD office.

Khondaker Golam Moazzem, research director at the CPD, moderated the discussion, while Tamim Ahmed, a senior research associate at the CPD, presented the keynote paper.

On November 18 last year, the interim government formed the Labour Reform Commission to propose reforms aimed at improving labour rights and workers' welfare.

The commission was created to address various structural, institutional, and operational weaknesses concerning workers' lives and livelihoods.

After working for more than a month, Syed Sultan Uddin Ahmed, head of the commission, said he has been facing three kinds of pressure: high expectations from a large number of deprived workers, a limited 90-day timeframe for preparing recommendations, and weak data and research related to labour rights, which were mainly compiled under pressure from international donor groups.

At the programme, Ahmed said that local business communities, especially small entrepreneurs, are also putting pressure on him, as they are struggling to manage their businesses.

He observed that "modern-day slavery is taking place" in various local sectors, which he said was unexpected. "Moreover, in the informal sector, the country has bonded and enforced labourers who have no protection of their rights under the law and lack social safety protections," Ahmed said. "Many sectors do not have maternity leave, job protection, or worker rights."

For example, Ahmed elaborated on the construction sector, noting that employers and contractors remain almost invisible until a worker dies at the workplace. He also addressed the lack of voting rights for migrant workers, who contribute significantly to the state coffers.

The head of the labour reform commission emphasised the need for an accurate worker database. He stated that minimum protection and standard wages are necessary

READ MORE ON B3

Independent directors not liable for finance company's default: BB

STAR BUSINESS REPORT

No independent director will be considered a defaulter if the finance company with which they are associated defaults, the central bank said in a circular.

Under the existing rules, independent directors, though separate from the shareholding of a finance company, were deemed defaulters when the company defaulted.

As a result, many skilled individuals with clean records were reluctant to serve as independent directors at finance companies.

To address this issue, the central bank introduced a new rule, stating that independent directors will not be held responsible for loans taken by a finance company.

Consequently, independent directors will not be considered defaulters if the finance company defaults, in compliance with Section 16(5) of the Finance Company Act 2023.

The central bank issued the circular today regarding the appointments of independent directors at finance companies.

Imports of most Ramadan commodities rise

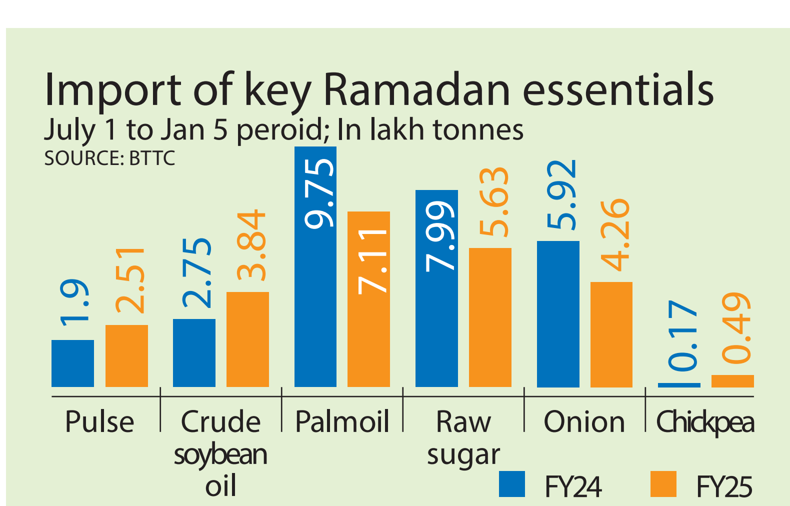
SUKANTA HALDER

Imports of most essential commodities related to Ramadan increased in the first six months of the current fiscal year 2024-25, with the Bangladesh Trade and Tariff Commission (BTTC) stating that the prices of these items, whose demand rises during the fasting month, would remain stable.

In a report submitted to the commerce ministry at the end of last week, the commission identified 16 essential commodities that see higher demand during Ramadan as people prepare special dishes, snacks, and traditional foods.

The BTTC reported that imports of lentils, crude soybean oil, refined sugar, and chickpeas increased between July 1, 2024 and January 5, 2025 compared to the previous year. For example, lentil imports soared by 32 percent year-on-year to 2.51 lakh tonnes during this period.

Import of chickpea, one of the most consumed items during the month, surged by 188 percent to 48,980 tonnes between July 1, 2024 and January 5, 2025 compared to the previous year. The BTTC noted that Bangladesh requires half of its annual chickpea demand of 2 lakh tonnes during Ramadan.



Among edible oils, private refiners imported 40 percent more crude soybean oil, reaching 3.84 lakh tonnes during the first six months of the fiscal year. However, palm oil imports dipped by 27 percent to 7.11 lakh tonnes compared to the previous year.

READ MORE ON B3

Bank Asia signs deal with US-Bangla Airlines

STAR BUSINESS DESK

Bank Asia PLC has signed an agreement with US-Bangla Airlines, one of the largest private airlines in Bangladesh.

Zishan Ahammad, head of cards, ADC, and internet banking at the bank, and Md Shafiqul Islam, head of marketing and sales at the airline, signed the deal at the Bank Asia Cards Department office in the capital's Shukrabad recently, said a press release.

Under the agreement, the bank's debit and credit cardholders, including all Visa and Mastercard holders, will enjoy a 10 percent discount on the base fare of all domestic flights with the airline.

Other senior officials from both organisations were also present at the signing ceremony.

Zishan Ahammad, head of cards, alternative delivery channel and internet banking at Bank Asia, and Md Shafiqul Islam, head of marketing and sales at US-Bangla Airlines, pose for photographs after signing an agreement at Bank Asia Cards Department in the capital's Shukrabad recently. PHOTO: BANK ASIA

Akkas Uddin Mollah re-elected EC chair of Shahjalal Islami Bank

STAR BUSINESS DESK

Akkas Uddin Mollah

Akkas Uddin Mollah has been re-elected as chairman of the Executive Committee (EC) of Shahjalal Islami Bank PLC during a recent meeting of its board of directors.

In the same meeting, Fakir Akhtaruzzaman was re-elected as vice-chairman of the EC of the bank, according to a press release. Upon completing his studies, Mollah started an export business in readymade garments.

He has over three decades of business experience and has established a number of garment factories through his merit and hard work.

Mollah is the chairman and managing director of Russel Spinning Mills, PNR Industries, Ekram Sweaters, Tania Cotton Mills, Nurul Islam Spinning Mills, Goodman Pharmaceuticals, Topaz Dresses, and Alalpur Agro & Fisheries.

He is also the proprietor of Russel Garments, Russel Apparels, and Russel Washing Plant.

Currently, he is a member of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and the Bangladesh Textile Mills Association (BTMEA).

Similarly, Akhtaruzzaman started his business after completing his education. He has over three decades of successful business experience and has established himself as an icon in the Knit Garment Industry.

Mohammad Ali, managing director and CEO of Pubali Bank, receives an award from Md Touhid Hossain, adviser to the Ministry of Foreign Affairs, at a ceremony at the Pan Pacific Sonargaon Dhaka in the capital on Saturday. PHOTO: PUBALI BANK

Pubali Bank wins 'Branding Award 2025'

STAR BUSINESS DESK

Pubali Bank PLC has won a "Branding Award 2025" for its contributions to branding Bangladesh at "World Conference Series 2025" organised by non-profit research organisation Centre for NRB.

Md Touhid Hossain, adviser to the Ministry of Foreign Affairs and chief guest of the event, handed the award to Mohammad Ali, managing director and CEO of the bank, at the Pan Pacific Sonargaon Dhaka in the capital on Saturday, according to a press release.

MS Shekil Chowdhury, chairperson of the Centre for NRB, presided over the ceremony.

Ahsan H Mansur, governor of the Bangladesh Bank; Saif Uddin Khaled, speaker of Tower Hamlets, the United Kingdom, were also present as special guests, along with dignitaries and other officials from various organisations.

Sonali Bank gets remittance award

STAR BUSINESS DESK

Sonali Bank PLC has been honoured with a "Top Ten Remittance Award" in recognition of its remittance collections over the past year at "World Conference Series 2025" styled "Branding Bangladesh" organised by non-profit research organisation Centre for NRB.

Ahsan H Mansur, governor of the Bangladesh Bank, presented the award to Md Shawkat Ali Khan, managing director and CEO of the bank, at the Pan Pacific Sonargaon Dhaka in the capital on Saturday, according to a press release.

Md Touhid Hossain, adviser to the Ministry of Foreign Affairs, attended the programme as the chief guest.

MS Shekil Chowdhury, chairperson of the Centre for NRB; Saif Uddin Khaled, speaker of Tower Hamlets, the United Kingdom, were also present as special guests; along with dignitaries and other officials from various organisations.

Md Shawkat Ali Khan, managing director and CEO of Sonali Bank, receives an award from Ahsan H Mansur, governor of the Bangladesh Bank, at a ceremony at Pan Pacific Sonargaon in the capital on Saturday. PHOTO: SONALI BANK

PRICES OF KEY ESSENTIALS IN DHAKA CITY

	PRICE (JAN 12, 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 ↑	12.00 ↑
Loose flour (kg)	Tk 40-Tk 45	0	-10.53 ↓
Lentil (kg)	Tk 105-Tk 110	0	0
Soybean (litre)	Tk 163-Tk 165	0	4.13 ↑
Potato (kg)	Tk 30-Tk 50	-44.83 ↓	-27.27 ↓
Onion (kg)	Tk 50-Tk 70	-46.67 ↓	-33.33 ↓
Egg (4 pcs)	Tk 45-Tk 50	0	9.20 ↑

SOURCE: TCB

Exim Bank organises annual business development conference

Md Nazrul Islam Swapan, chairman of Exim Bank, delivers his speech during the "Annual Business Development Conference 2025" at the bank's head office in Dhaka on Saturday. PHOTO: EXIM BANK

STAR BUSINESS DESK

Exim Bank PLC organised an "Annual Business Development Conference 2025" at its head office in Dhaka on Saturday.

Md Nazrul Islam Swapan, chairman of the bank, attended the conference as the chief guest, the bank said in a press release.

In his speech, Swapan advised all branch managers to work together with honesty, dedication, and provide the best services to customers.

Plastic makers criticise govt ban on 17 types of products

They recommend promoting plastic recycling initiatives

STAR BUSINESS REPORT

Plastic goods manufacturers have criticised the government's recent decision to ban the production of 17 types of plastic goods, arguing that it will severely impact the sector.

The ban will have a devastating effect on jobs and the livelihoods of small traders in the sector, which includes over 6,000 plastic industries and millions of workers, said Shamim Ahmed, president of the Bangladesh Plastic Goods Manufacturers and Exporters Association (BPGMEA).

He made this appeal during a press conference at the association's office in Dhaka yesterday.

The food processing industry, pharmaceutical packaging, hospital items, agricultural modernisation, and export packaging would all be harmed if plastic packaging is banned as part of the government's move to eliminate single-use plastics, he added.

Ahmed emphasised the urgent need for the government to address the sector's pressing concerns, as it plays a pivotal role in industrial growth and export activities.

The ban will disrupt supply chains and hinder industrial growth, Ahmed said. He also expressed concerns that the government did not consult key stakeholders, such as the ministries of commerce and industries and trade bodies, before implementing such a drastic measure.

In response to the ban, the BPGMEA proposed several recommendations to address the issue.

These included promoting plastic recycling initiatives to reduce environmental harm and align with global sustainability goals, as well as ensuring that policies related to plastic restrictions are implemented gradually, with proper consultation and planning.

Ahmed stressed that aligning such policies with the UN's Sustainable Development Goals (SDGs) could provide a balanced and measured approach, allowing the industry to adapt over time.

China has ample fiscal space to bolster growth

Says vice finance minister

REUTERS, *Beijing*

China has ample fiscal policy space and tools to support economic growth this year and it will step up spending to spur investment, Vice Finance Minister Liao Min said on Friday.

More proactive fiscal policy can be expected in 2025, in terms of its strength, efficiency and timing, Liao said at a press conference.

"Facing new situations and problems in both internal and external environments, we have sufficient policy space and tools," Liao said.

The authorities will closely monitor the international and domestic situation and adjust policies to provide strong support for economic and social development. In December, China's top leaders pledged to increase the budget deficit, issue more debt and loosen monetary policy to maintain a stable economic growth rate, according to a summary of the Central Economic Work Conference.

Reuters has reported that Beijing would target a budget deficit of 4 percent of gross domestic product this year, while maintaining an economic growth target of around 5 percent.

In 2024, local governments issued a total of 4 trillion yuan ($545.5 billion) in special bonds, including 3.9 trillion yuan under the annual quota and 100 billion yuan carried over from 2023, Liao said.

PHOTO: BRAC BANK

Md Shaheen Iqbal, deputy managing director and head of treasury and FIs at BRAC Bank, receives an award on behalf of the bank from Ahsan H Mansur, governor of the Bangladesh Bank, at a function on Saturday.

BRAC Bank receives remittance award

STAR BUSINESS DESK

BRAC Bank PLC has been awarded the "Top Ten Remittance Award" at the "World Conference Series 2025 – Branding Bangladesh: NRB and UN Peacekeepers Leading the Way" by the non-profit research organisation, the Centre for NRB.

Ahsan H Mansur, Governor of Bangladesh Bank, presented the award to Md Shaheen Iqbal, deputy managing director and head of treasury and FIs at the bank, at a ceremony at the Pan Pacific Sonargaon Dhaka in the capital on Saturday, said a press release.

This recognition demonstrates the bank's unwavering commitment to bolstering the economy by simplifying remittance processes for wage earners worldwide.

Introduce national

FROM PAGE B1

and standard wages are necessary for a balanced society and economy, adding that the country can hardly enjoy the transition to a developing country with wage discrimination.

He confirmed that these issues would be included in the recommendations to be submitted to the chief adviser of the interim government.

Kamran T Rahman, president of the Metropolitan Chamber of Commerce and Industry (MCCI), said that child labour had been eliminated from the garment sector long ago, but there are still child labourers in some informal sectors. According to Rahman, currently, 1 crore people are employed in formal sectors and 5.5 crore in informal sectors.

An average Bangladeshi migrant worker earns 2.5 percent less than the average Indian worker and 4.0 percent less than Sri Lankan workers, as local workers are sent abroad without skill development and training, he said.

Rahman emphasised that nobody wants factory closures, which is why workers' responsibilities must be considered alongside their rights.

Moazzem noted that not all entrepreneurs are currently ready to implement the national minimum wage, which is why it should be introduced in phases. Currently, 42 sectors have a minimum wage structure, and the government plans to include four more soon. More than 140 sectors could also be considered for inclusion in the minimum wage structure, he said.

He added that the reform commission's responsibilities should not be limited to submitting the report but should also include follow-up actions on its implementation.

Tamim Ahmed suggested reforms in wage payment, rates, implementation of the wage structure, collective bargaining, social insurance, safety, and proper industrial dispute resolution.

Farooq Ahmed, secretary general of the Bangladesh Employers' Federation, said that although enforced labour exists in some informal sectors, bonded labour does not occur in Bangladesh.

Nuzhat Jabin, programme manager of Christian Aid Bangladesh, and Taslima Akhter Lima, a member of the Labour Reform Commission, also spoke at the programme.

Rising interest rates

FROM PAGE B1

"Businesses are already facing difficulties in stimulating demand, so this increase in costs will further discourage them from investing," she said.

Many of the large local companies were already struggling with sluggish sales as inflation remained above the 9 percent mark for around two years.

Recently, the revenue administration raised value-added tax and supplementary duties on a basket of more than 100 products and services, further compounding their difficulties.

Chowdhury said that if expansion and new investment do not take place, job creation will be seriously impacted.

Echoing similar sentiments, ACI's chief financial officer Chowdhury said that the current business climate is not conducive to expansion and that foreign investors are deferring their investment plans.

He hopes that foreign investment will return once the political situation stabilises.

WHO OWES HOW MUCH

At least 40 listed conglomerates with large bank borrowings face a challenging year ahead. Of them, five companies have bank loans exceeding Tk 5,000 crore as of FY24, according to their financial reports.

Ten companies owe between Tk 2,000 crore and Tk 5,000 crore, while 19 firms have borrowed at least Tk 1,000 crore.

These companies are expected to face a significant rise in financing costs in the coming years due to increasing interest rates.

The company with the highest loan exposure is Power Grid Bangladesh, whose total loans stood at Tk 40,600 crore as of FY24. Most of its loans came from several multinational banks, including the Asian Development Bank. Due to the large loan portfolio, the company incurred a loss in the last fiscal year as the local currency devalued against the US dollar.

The second-highest loan-taking company among the listed firms is Beximco Ltd, which borrowed Tk 6,449 crore. Other companies with large loan burdens include BSRM Steel Tk 5,945 crore, GPH Ispat Tk 5,731 crore, BSRM Ltd Tk 4,525 crore, and Summit Power Tk 3,281 crore.

These companies are also at risk of skyrocketing financing costs in the current fiscal year.

Analysts said that the recent decision to impose more VAT and supplementary duties on nearly 100 goods and services will add to their financing burden. This will either force them to evade VAT or raise prices.

RATE HIKES NOT A BANE FOR ALL

Interestingly, several companies have no bank loans and instead hold fixed deposits with various banks. These firms will benefit this year from higher interest income.

Companies such as LafargeHolcim, Linde BD, Reckitt Benckiser, Unilever Consumer Care, Bata Shoe, and British American Tobacco Bangladesh are among those without bank loans, according to their financial reports.

Meanwhile, banks and non-bank financial institutions are in a comparatively better position to profit under the current high-interest-rate regime.

Asif Khan, chairman of asset management company EDGE AMC Limited and also president of CFA Society Bangladesh, said that it is ideal to conduct capital structure planning with stress tests before interest rates rise. Once rates have already increased, flexibility has declined.

However, there are a few things that highly indebted companies can consider, he said.

"Firstly, companies can look for alternative funding sources such as zero-coupon bonds and convertible debt to replace existing debt. These newer options could bring borrowing costs down."

According to Khan, a second option is to raise some equity. For private companies, he said this could mean promoters injecting capital. For listed companies, this could involve a rights issue. Both types can also bring in strategic investors for the same purpose.

VAT hike raises

FROM PAGE B1

Out-of-pocket healthcare costs in Bangladesh are among the highest in the world. Consumers spend up to 64 percent of these costs on medicine.

"So, this move will hit consumers and create an extra burden as the country does not have adequate health coverage," he added.

"This VAT hike will adversely impact consumers, and it will also go against the VAT law," said a top leader of the Bangladesh Association of Pharmaceutical Industries (BAPI), the apex body representing the pharmaceutical companies of the country.

"We have already discussed this issue internally. Subsequently, we will write to the NBR soon to request them to backtrack on their decision," he added, speaking on the condition of anonymity.

When contacted, a senior official of the NBR said the revenue authority had raised the trade VAT to 7.5 percent in general, from 5 percent.

"Considering the price impact, we have increased the trade VAT for medicine stores by 0.6 percentage points," he added.

"So, the price impact should be equal to the spike in the trade VAT rate," he said, adding that the NBR may collect an additional Tk 150 crore in VAT from the pharmaceutical sector due to the increased trade VAT.

Additionally, VAT on a number of drugs for diseases like cancer, kidney dialysis, malaria, tuberculosis, liver cirrhosis, and hepatitis C has been exempted.

Imports of most

FROM PAGE B1

Similarly, imports of raw sugar and onions also fell, according to the report.

The BTTC analysed the imports of commodities during the November-December periods of 2023 and 2024 and noted a decrease in the imports of lentils, palm oil, raw sugar, coarse sugar, and wheat during this time.

The BTTC stated that the government's decision, particularly the reduction of import duty and value added tax (VAT), along with various initiatives to keep essential commodity prices affordable in the local market, positively impacted imports and supply.

Conversely, imports of crude soybean oil, refined sugar, onions, chickpeas, rice, dates, and eggs increased during the same period, according to BTTC data.

The report also mentions that among locally produced commodities, the price of onions has decreased due to the arrival of early varieties in the market.

The BTTC indicated that edible oil prices may fall during Ramadan due to the downward trend in international prices and reductions in import duties and taxes.

The report further stated that consumers would be able to buy dates at lower prices than last year, as the total import duty for the fruit has been reduced to 41 percent from 63.6 percent.

However, due to the increase in international prices of lentils and chickpeas, it is necessary to monitor the stock and supply of these two commodities in the local market, the report added.

It also emphasised the need to keep the exchange rate stable to prevent import costs from rising. The BTTC suggested that the government ensure proper alignment of fiscal and monetary policies.

Consumers' association calls for withdrawal of VAT hike

STAR BUSINESS REPORT

The Consumers Association of Bangladesh (CAB) yesterday urged the government to refrain from implementing the VAT and supplementary duty (SD) hike until the end of Ramadan, warning that the move would worsen the financial struggles of low- and middle-income families.

The appeal came two days after the National Board of Revenue (NBR) increased VAT and SD on nearly 100 products and services, including mobile and internet services, medicines, liquefied petroleum (LP) gas, biscuits, sweets, fresh fruits, and raw construction materials, to boost revenue collection.

This decision, reportedly recommended by the International Monetary Fund (IMF), has faced sharp criticism from various groups, including economists, businesses, political parties, and ordinary citizens.

In a statement, CAB highlighted the steady rise in food inflation throughout 2024, which reached around 13 percent in December. The association noted that elevated inflation has already left many families struggling to afford their daily necessities.

CAB expressed concern that the VAT and SD hike would further drive up inflation, giving unscrupulous traders an excuse to raise prices.

With Ramadan approaching in March, traders have reportedly started hoarding essential items such as oil, sugar, lentils, and spices. Despite lower prices for winter vegetables, rice prices have risen by Tk 10–Tk 15 per kilogramme, adding to the burden on consumers, CAB said.

The association criticised the lack of oversight in implementing previous VAT reductions, claiming that corporate groups benefited from the measures rather than consumers.

CAB also urged the government to expand the VAT net, curb tax evasion, and increase direct taxes instead of burdening low-income families with higher indirect taxes.

The association warned that if immediate action is not taken, the VAT hike could severely disrupt the lives of marginalised communities, especially during Ramadan.

Killing the golden goose of internet opportunity

Govt's tax hike to stifle growth and revenue

ANALYSIS

MAHMUDUL HASAN

The previous Awami League regime, which touted its efforts to make Bangladesh digital, mirrored the poor farmer in Aesop's fable of the golden goose when dealing with the mobile voice and internet sectors. The interim government is now replicating this flawed approach following its predecessor's footsteps.

Just as the farmer in the fable killed the goose in a misguided pursuit of greater wealth, the government's escalating taxes on mobile internet threaten to stifle digital accessibility and growth—the modern equivalent of golden eggs.

At present, the government appears to be taking an even more detrimental path, burdening an essential sector with excessive taxes. The internet is no longer just a source of entertainment, but also crucial for financial services, education, healthcare, transportation, and freelancing opportunities.

The National Board of Revenue (NBR) increased the supplementary duty (SD) from 20 percent to 23 percent on January 9, just six months after it was raised from 15 percent. Experts warn that this move will further hinder the sector's growth.

Consumers were already paying Tk 139 for Tk 100 worth of mobile services, factoring in 15 percent VAT, 20 percent SD, and a 1 percent surcharge before the hike. Now, they must spend Tk 142 instead.

When additional levies, such as revenue sharing and minimum taxes, are considered, the total tax burden exceeds 56.3 percent—one of the highest globally, according to industry analysts.

The most alarming move by the interim government is the introduction of a 10 percent supplementary duty on broadband internet, severely undermining an ambitious plan to reduce broadband prices by up to 20 percent by Emdad ul Bari, chairman of Bangladesh Telecommunication Regulatory Commission (BTRC).

> **When additional levies, such as revenue sharing and minimum taxes, are considered, the total tax burden exceeds 56.3 percent—one of the highest globally, according to industry analysts**

Despite rising to power after a youth-led movement, the current administration has failed to learn from the previous government's missteps like soaring internet service taxes.

The supplementary duty on mobile data and voice services was just 3 percent in FY16, which steadily climbed to the current 20 percent.

Also, the tax on SIM card sales increased to Tk 300 from Tk 200 in the last fiscal year, while doubling the VAT on SIM cards from Tk 100 to Tk 200 in 2020-21.

These arbitrary tax hikes, driven by the government's preference for mobile VAT due to its transparency and ease of collection, have had a profound impact.

Already grappling with inflation, the market suffered further, marking the fifth consecutive month of decline from July to November. During this period, internet subscribers dropped by 9.3 million.

Alongside price increases, the Awami League's over-issuance of licences in the internet ecosystem led to market oversaturation, weak regulation, and inefficiency.

Many licences were granted to unqualified entities with inadequate resources, often influenced by political preferences. This fragmented market stifled competition, limited innovation, and hindered infrastructure development, with the government's vision for a "Digital Bangladesh" remaining unfulfilled.

It initially aimed to increase ICT exports to $1 billion by 2018 and $5 billion by 2021, later extending the $5 billion target to 2025. Yet, Bangladesh's ICT exports remain stagnant at just over half a billion dollars.

In comparison, Pakistan's IT exports are more than five times higher, highlighting Bangladesh's failure to capitalise on its digital potential.

Poor internet quality, high costs, and slow digital transformation have further eroded the dream of a tech-driven economy.

Bangladesh scored 62 out of 100 in the June 2024 ICT Development Index by the United Nations International Telecommunication Union, lagging behind Myanmar, Sri Lanka, the Maldives, Vietnam, and Bhutan.

The country ranked 113th out of 174 in the IMF's Artificial Intelligence Readiness Index and dropped to 82nd out of 121 countries in the 2023 Digital Quality of Life Index by Surfshark as the internet speed was measured at 5 percent below the global average.

Freelancing, a key growth area for youth employment, is also struggling as the country ranked 29th out of 30 freelancing destinations in CEO World's April 2024 report, trailing behind South Asian peers India and Pakistan.

Bangladesh ranked 109th out of 147 countries for mobile internet speed and 108th for broadband speed in the May 2024 Ookla Speedtest Global Index, falling behind nations such as Kenya, India, and Rwanda.

While internet service providers (ISPs) and mobile operators often face criticism for subpar services, much of the blame lies with the government and the regulator.

The BTRC has issued directives that benefit a select few with close ties to the former regime. This was done under the heavy influence of the previous government's interference, creating an uneven playing field, burdening consumers with high costs, and hindering the growth of digital service providers.

Treating broadband licences like cable TV businesses was another damaging decision by the previous regime. This approach allowed local strongmen and political operatives to dominate area-based operations, making many regions inaccessible to compliant ISPs.

As a result, numerous customers remain stuck with outdated 1 Mbps broadband speeds when anything below 5 Mbps is now considered unacceptable for ISPs globally.

The internet is no longer just a source of entertainment, but also crucial for financial services, education, healthcare, transportation, and freelancing opportunities. PHOTO: PRABIR DAS

Developed countries regard 100 Mbps or higher as standard broadband, particularly with the expansion of fibre-optic networks. Despite the government's Tk 4,000 crore investment in fibre infrastructure, the outcomes have fallen significantly short of expectations.

This digital divide continues to widen. In the first quarter of the current fiscal year, internet usage in urban areas was nearly double that of rural regions.

Only 36.5 percent of rural individuals used the internet, compared to 71.4 percent in urban areas, according to the national statistical agency's latest survey. The recent tax hikes may exacerbate this disparity.

Digital service providers have long argued that slow and costly internet has stifled their potential with the past government bearing significant responsibility for this.

Many were hopeful of a different approach by the interim government to recognise the internet's potential to drive growth, boost the economy and solve pressing issues.

Instead, the previous government's squandering of the internet's opportunities has been compounded by the interim administration. What could have been a chance to revive this invaluable sector now risks being buried so deeply that any hope of resurrection may be lost forever?

Businesses seek relaxed loan classification rules

STAR BUSINESS REPORT

Business leaders have presented nine demands to the central bank, including an exit policy, relaxed loan classification rules, and faster disbursement of cash incentives, as they struggle to sustain their industrial institutions amidst ongoing economic hardship.

A delegation of business leaders, led by Anwar-Ul-Alam Chowdhury (Parvez), president of the Bangladesh Chamber of Industries (BCI), submitted their demands during a meeting with Bangladesh Bank Governor Ahsan H Mansur yesterday at the central bank headquarters.

> **The BCI president said sales across industries have declined due to high inflation, while production has dropped by 30 to 40 percent because of elevated interest rates for loans**

During the meeting, the business delegation highlighted the current economic challenges. Chowdhury stated that sales across industries have declined due to high inflation, while production has dropped by 30 to 40 percent because of elevated loan interest rates and rising electricity and gas prices.

He further emphasised that the survival of industrial institutions is increasingly difficult due to restrictions on opening letters of credit (LCs), limited credit growth in the private sector (currently at 7.66 percent), the rise in gas prices for new connections, and increased taxes and VAT on various products as per recommendations from the International Monetary Fund (IMF).

The business leaders stressed that the survival of industries is critical to ensuring the stability of foreign exchange reserves.

The delegation requested Bangladesh Bank to implement an exit policy allowing a repayment period of up to 15 years, including a one-year grace period. Such a policy would enable borrowers to settle their accounts by paying a reduced down payment without accruing interest.

In 2019, the central bank introduced a one-time exit policy offering borrowers a 10-year repayment period, including a one-year grace period, with a down payment of only 2 percent.

After the meeting, Chowdhury told journalists that an exit policy, similar to those in other countries, is urgently required. He also mentioned that the central bank is already considering such a policy and has formed a committee to address it.

The delegation's other demands included relaxing loan classification rules, treating individual companies as separate entities rather than grouping them under a single classification, speeding up the disbursement of cash incentives, increasing the single borrower exposure limit, developing mechanisms to offer lower interest rates for manufacturing industries, facilitating long-term financing, reducing CMSME interest rates, and extending economic zone benefits to existing factories.

The delegation included Md Anwar Hossain, administrator of BGMEA; Nazmul Hassan Sohail, senior vice-president and acting president of LFMEAB, and Abdul Haque, president of BARVIDA, among others.

IMF chief sees steady world growth in 2025, continuing disinflation

REUTERS, *Washington*

The International Monetary Fund will forecast steady global growth and continuing disinflation when it releases an updated World Economic Outlook on Jan. 17, IMF Managing Director Kristalina Georgieva told reporters on Friday.

Georgieva said the US economy was doing "quite a bit better" than expected, although there was high uncertainty around the trade policies of the administration of President-elect Donald Trump that was adding to headwinds facing the global economy and driving long-term interest rates higher.

With inflation moving closer to the US Federal Reserve's target, and data showing a stable labor market, the Fed could afford to wait for more data before undertaking further interest rate cuts, she said. Overall, interest rates were expected to stay "somewhat higher for quite some time," she said.

The IMF will release an update to its global outlook on Jan. 17, just days before Trump takes office. Georgieva's comments are the first indication this year of the IMF's evolving global outlook, but she gave no detailed projections.

In October, the IMF raised its 2024 economic growth forecasts for the US, Brazil and Britain but cut them for China, Japan and the euro zone, citing risks from potential new trade wars, armed conflicts and tight monetary policy.

At the time, it left its forecast for 2024 global growth unchanged at the 3.2 percent projected in July, and lowered its global forecast for 3.2 percent growth in 2025 by one-tenth of a percentage point, warning that global medium-term growth would fade to 3.1 percent in five years, well below its pre-pandemic trend.

"Not surprisingly, given the size and role of the US economy, there is keen interest globally in the policy directions of the incoming administration, in particular on tariffs, taxes, deregulation and government efficiency," Georgieva said.

"This uncertainty is particularly high around the path for trade policy going forward, adding to the headwinds facing the global economy, especially for countries and regions that are more integrated in global supply chains, medium-sized economies, (and) Asia as a region."

Georgieva said it was "very unusual" that this uncertainty was expressed in higher long-term interest rates even though short-term interest rates had gone down, a trend not seen in recent history.

The IMF saw divergent trends in different regions, with growth expected to stall somewhat in the European Union and to weaken "a little" in India, while Brazil was facing somewhat higher inflation, Georgieva said.

In China, the world's second-largest economy after the United States, the IMF was seeing deflationary pressure and ongoing challenges with domestic demand, she said. Lower-income countries, despite reform efforts, were in a position where any new shocks would hit them "quite negatively," she said.

In this file photo, IMF Managing Director Kristalina Georgieva speaks during a joint news conference at the end of the Summit on the Financing of African Economies in Paris, France. PHOTO: REUTERS/FILE

Malaysian palm oil stocks hit 19-month low

REUTERS, *Kuala Lumpur/Mumbai*

Malaysia's palm oil stocks fell for a third consecutive month in December to hit their lowest since May 2023, as output dropped due to floods, data from the industry regulator showed on Friday.

The drop in inventories in the world's second-largest palm oil producer after Indonesia could support benchmark futures , which have corrected sharply in recent weeks after rising to their highest in about 2-1/2 years in November.

Malaysia's palm oil stocks at the end of December fell 6.91 percent from a month earlier to a 19-month low of 1.71 million metric tons, the Malaysian Palm Oil Board (MPOB) data showed.

Crude palm oil production was down 8.3 percent to 1.49 million tons, the lowest since March 2024, while palm oil exports fell 9.97 percent to a six-month low of 1.34 million tons.

A Reuters survey had forecast inventories at 1.76 million tons, output at 1.48 million tons and exports at 1.38 million tons.

The MPOB data for December is slightly bullish for the market, as inventories dropped more than forecast due to a rise in local consumption, said Anilkumar Bagani, research head of Mumbai-based vegetable oil broker Sunvin Group.

Malaysia's palm oil consumption jumped 53 percent in December from a month earlier to 309,865 tons, the data showed.