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).

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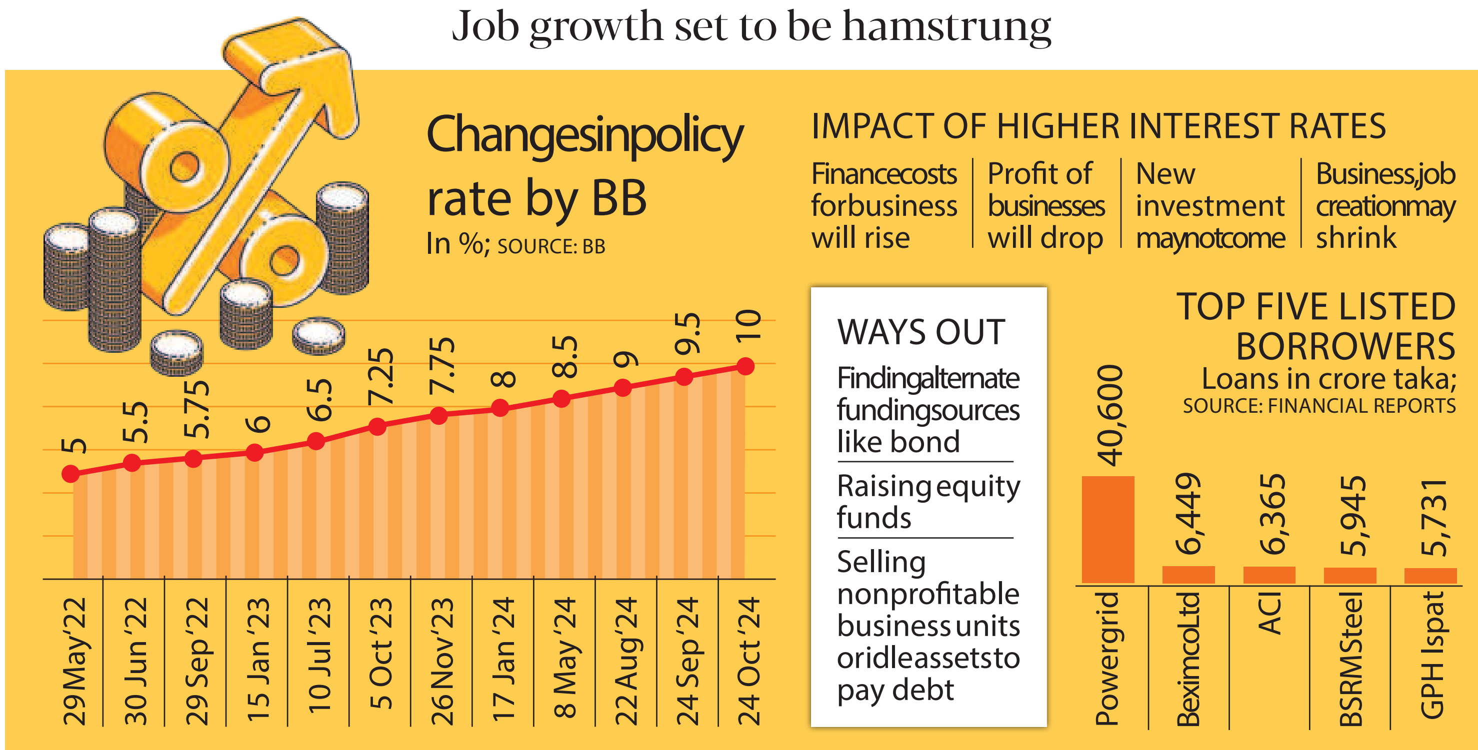
Rising interest rates deter new investment, expansion plans

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.

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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.

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.

MAJORRECOMMENDATIONS

- Establish national minimum wage
- IntroduceuniformlabourlawforfactoriesinandoutsideEPZs
- Reform wage structure, rate and implementation
- Bringreformsincollectivebargaining,socialinsuranceand industrial disputes
- Formalise informal sectors' workers
- Extend maternity leave to six months
- Settle monetary disputes out of court

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

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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.

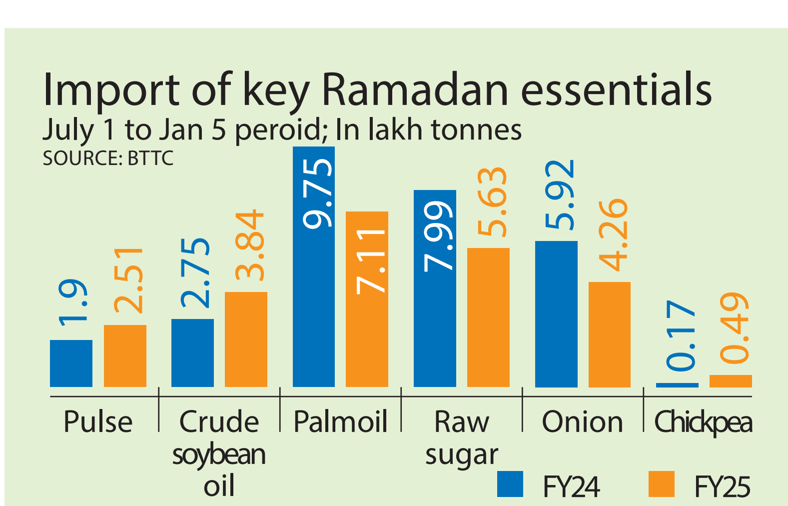
To address this issue, the central bank introduced a new rule, stating that independent directors will not be held responsible for loans taken by a finance company.

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.

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