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Tax increase may threaten economic stability: FICCI

STAR BUSINESS REPORT

The Foreign Investors' Chamber of Commerce & Industry (FICCI) has expressed serious concerns over the government's recent hike in value added tax (VAT) and supplementary duty (SD) without prior consultation with stakeholders, warning of potential adverse effects on business sustainability, consumer costs, and overall economic stability.

FICCI, which represents 90 percent of Bangladesh's total foreign direct investment (FDI) across key sectors like tobacco, telecom, energy, and finance, highlighted the risks of these tax revisions, according to a press release.


The chamber stated that the increased costs of doing business could weaken operational capacity and reduce crucial tax contributions, which currently account for nearly 30 percent of internal revenue.

The VAT increase to 15 percent for services such as procurement, maintenance, transport, and restaurants—paired with restrictions on input VAT recovery—will further burden businesses.

Additionally, a 2.5 percent hike in retail VAT is likely to raise consumer prices and dampen demand, ultimately reducing government revenue, FICCI warned.

The chamber also noted that policies devised without stakeholder engagement could deter future FDI by eroding investor confidence in Bangladesh's business environment.

PAINT MAKERS DECRY tax hikes as demand slumps



LOCAL PAINT MARKET

Size Tk 6,000cr

Brands 33

Meets 85% of demand

Employment (direct & indirect): 10 lakh

EXISTING HURDLES

High inflation, weakening taka, stalled public constructions

TAXES RAISED BY

10 percentage points on raw materials

5 percentage points on product supply

challenges include

persistently inflation, high a weakening the US dollar, constructions changeover last

Taka against and stalled public after the political year.

The size of the local paint industry is around Tk 6,000 crore, and it can meet the domestic demand, according to the association. As many as 33 local brands manufacture paint items for the domestic market. It contributes to government revenue by generating over Tk 1,100 crore annually in VAT and taxes, according to the association.

The industry also employs around 10 lakh people directly and indirectly.

According to an assessment by Berger Paints Bangladesh, per capita paint consumption in the country is 1.4 kg, lower than India's 3 kg. The annual consumption is 7-10 kg in ASEAN countries and 12 kg in China.

The assessment notes that about 85 percent of paints used in Bangladesh are manufactured locally, with the remainder relying on imports for specialised needs.

week raised t h e SD on the import of paint and varnish-related raw materials to 30 percent from 20 percent. Moreover, the SD on product supply was increased to 10 percent from the previous 5 percent.

The Bangladesh Paint Manufacturers' Association (BPMA), a platform for local manufacturers, expressed concern over the tax increases and wrote to the revenue board on Sunday seeking a rate reduction.

The association argued that these duties, usually reserved for luxury goods, are unjustified for essential construction materials such as paints and primers, which are used to protect infrastructure from corrosion and erosion.

"Paint products are not luxury items," said Md Mohsin Habib Chowdhury, president of the paint makers' association. "They are essential for the structural integrity of assets, from homes to large-scale infrastructure," he said, adding, "The increased taxes are compounding the financial hurdles manufacturers already face."

The sector's existing

JAGARAN CHAKMA

The local paint industry is reeling from increased supplementary duties (SD), which threaten both revenue and the survival of manufacturers amid rising production costs and shrinking consumer demand, according to industry insiders.

The National Board of Revenue (NBR) last

STOCKS		
DSEX ▼	CASPI ▼	
0.08%	0.27%	
5,151.88	14,401.78	

COMMODITIES		
Gold ▼	Oil ▲	
\$2,680.7	\$77.9	
(per ounce)	(per barrel)	

ASIAN MARKETS				
MUMBAI	TOKYO	SINGAPORE	SHANGHAI	
▼ 1.36%	▼ 1.05%	▼ 0.26%	▼ 0.25%	
76,330.01	39,190.40	3,791.70	3,160.76	

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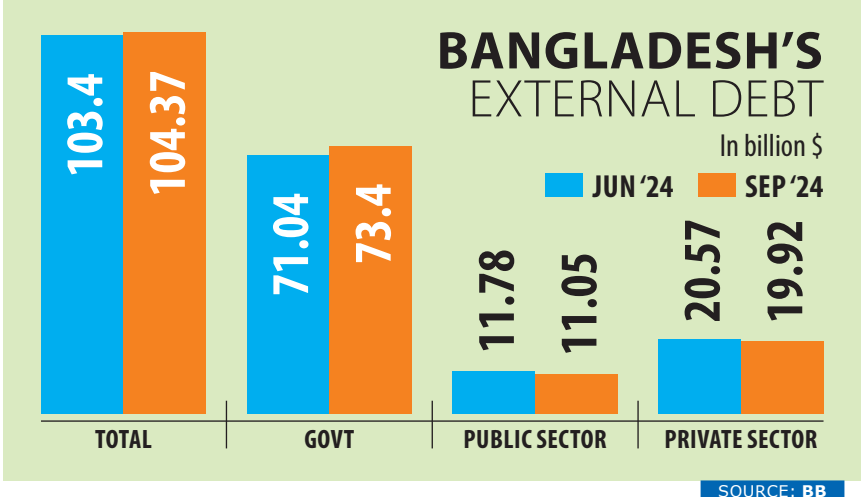
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External debt rises slightly



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Although Bangladesh's foreign debt slightly increased in the first quarter of the current fiscal year 2024-25, the debt of private sector and public sector corporations decreased due to a lack of confidence in the banking sector and payment delays.

The country's gross external debt grew by 0.93 percent to \$104.36 billion in September, compared to \$103.40 billion in June 2024, according to Bangladesh Bank data released yesterday.

In the same period, the debt of public sector corporations fell by 6.23 percent to \$11.05 billion, while private sector loans decreased by 3.18 percent to \$10.73 billion.

However, government loans rose by 3.31 percent to \$73.4 billion, the data showed. The government usually takes these loans from development partners, including the World Bank and the Asian Development Bank.

Development partners commit to providing these types of loans and disburse them as the projects are

implemented. All these debts are long-term loans.

Public sector corporations, however, usually take both short-term and long-term loans. Over the past year, short-term loans fell, while long-term loans rose slightly.

Private sector credit dropped as short-term trade-related debt could not be rolled over amid a lack of confidence, said Zahid Hussain, former lead economist of the World Bank's Dhaka office.

The lack of confidence stemmed from problems in the banking sector, payment delays, letter of credit (LC) settlement delays, and deferrals. It was difficult to secure new loans, he said.

As a result, private sector loan growth had been declining even before the political turmoil began, he added, mentioning that repayments were higher than the new loans they received.

Due to lower creditworthiness, they could not secure loans. Specifically, loan rollovers were almost halted, leading government corporations to experience the same trend.

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Bangladesh, Pakistan to form joint business council

STAR BUSINESS REPORT

The apex trade bodies of Bangladesh and Pakistan signed a memorandum of understanding (MoU) yesterday to form a joint business council to strengthen trade between the two countries.

Hafizur Rahman, administrator of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), and Atif Ikram Sheikh, president of the Pakistan Federation of Chambers of Commerce and Industry (FPCCI), penned the deal.

Syed Ahmed Maroof, Pakistan's high commissioner to Bangladesh, was present at the signing ceremony, titled "Bangladesh-Pakistan Business Forum", at Pan Pacific Sonargaon Dhaka.

The FBCCI organised the event, where business leaders stressed taking joint initiatives to avail untapped potentials of trade and investment between Bangladesh and Pakistan.

The Pakistan High Commission in Dhaka, in a statement, said the joint business council would serve as a platform for the exchange of trade and investment information and the formation of business delegations.

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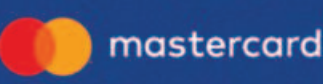
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