Star BUSINESS

65% registered taxpayers skipped filing returns. Why?

MD ASADUZ ZAMAN

Tax compliance is a vital pillar of a country's economic stability. But in Bangladesh, despite various government efforts to widen the tax net, an alarming 65 percent of eligible taxpayers did not bother filing their returns within the deadline, which was extended thrice this year.

That means two out of every three taxpayers are yet to submit their income tax returns, a document filed with a tax authority that reports income, expenses, and other relevant financial information.

As of February 16 this year, only 39.86 lakh taxpayers, including 13,066 companies, filed their tax returns out of around 1.14 crore taxpayer identification numbers (TINs) holders, according to the National Board of Revenue (NBR).

This creates revenue shortfalls, deepens economic inefficiencies, and dampens the effectiveness of tax administration.

All these are happening at a time when Bangladesh has one of the lowest tax GDP ratios in the world despite posting high economic growth over the past decade.

The failure of a significant portion of registered taxpayers to file returns has several other negative repercussions.

The government has lost a substantial amount of potential revenue, affecting its ability to invest in infrastructure, education, healthcare, and other critical sectors.

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Private sector struggling under mounting pressure

Businesses say at seminar

STAR BUSINESS REPORT

The private sector is facing increasing uncertainty as stubbornly high inflation, stagnant investments and inconsistent energy supplies continue to weigh on businesses, according to industry leaders.

"In recent months, business sentiment has been significantly affected by inflationary pressures, high borrowing costs and exchange rate volatility," said Taskeen Ahmed, president of the Dhaka Chamber of Commerce & Industry (DCCI), at an event in Dhaka yesterday.

He called for policy stability and structural reforms to restore business confidence.

Red-hot prices remain a key concern for both individuals and businesses, with inflation hovering at over 9 percent since March 2023. Making things worse, Bangladesh's foreign exchange reserves have been under strain for nearly three years, leading to a depreciation of the local currency against the US dollar.

For manufacturers, rising commodity prices usually result in reduced demand, while a weaker taka increases operational costs. Besides, authorities have raised interest rates to battle inflation, further pushing up borrowing costs for businesses.

In his keynote address at the event, titled "Bi-Annual Economic State and Future Outlook of Bangladesh Economy – Private Sector Perspective," the DCCI president said that industries are already under pressure due to inconsistent energy supplies, which they fear will worsen during the upcoming summer.

"Industries are struggling with frequent power shortages and an unpredictable energy supply. The cost of gas has increased, yet supply is inconsistent," Ahmed said.

"If this continues, businesses will find it difficult to remain competitive."

The DCCI president mentioned that private investment has stagnated at 24 percent of GDP almost since the pandemic, while foreign direct investment (FDI) has dropped to a six-year low.

"Without urgent interventions, sustaining economic momentum will be challenging."

Regarding the financial sector, Ahmed pointed to the growing liquidity crisis, especially its impact on businesses.

"The central bank hiking the policy rate to 10 percent has made credit inaccessible for small and medium enterprises.

Private sector credit growth fell to 7.28 percent in December 2024, well below the target of 9.8 percent for the fiscal year 2024-25. The high cost of borrowing is discouraging investment."

Ahmed called for policy consistency, tax reforms and investment in infrastructure to support private sector growth.

"The private sector is ready to drive economic expansion, but we need clear and stable policies. If inflation, energy crises and financial instability drag on, businesses will struggle to sustain operations," he mentioned.

M Masrur Reaz, chief executive officer of the Policy Exchange Bangladesh, said the country's macroeconomic situation has been in a fragile state since 2022 due to high inflationary pressures.

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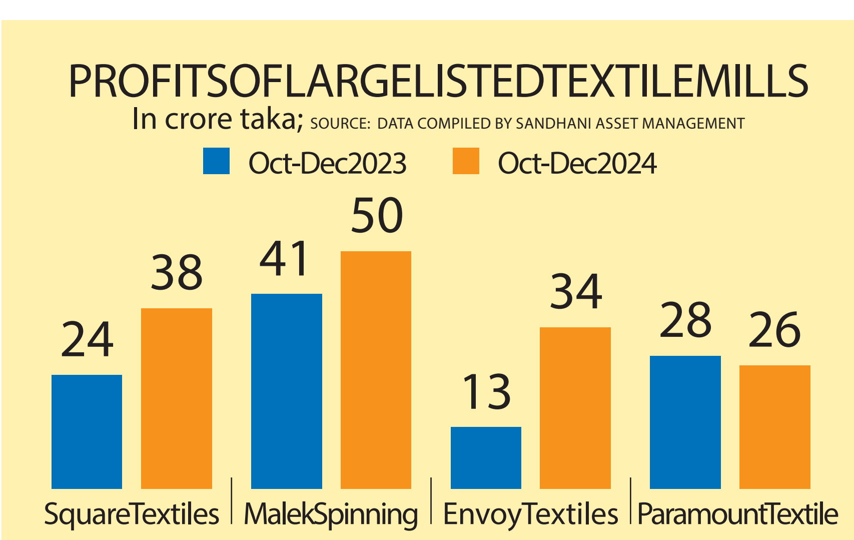
KEY ECONOMIC DATA

Inflation eased further in Jan but remained elevated	Exports grew by 12.84% in Jul-Jan, FY25
Energy crisis impacting industries	Imports edged up 3.53% in Jul-Dec, FY25
Private investment-GDP remains almost stagnant at around 24%	Remittances soared 24% in Jul-Jan, FY25
Growth of private credit stood at 7.28% in Dec'24	Tax collection fell in Jul-Dec FY25
Net FDI fell 12.42% in FY24	Forex reserves stood at $20.61b (as of Feb 13)

Large listed RMG makers secure higher profits



AHSAN HABIB

Most listed readymade garment (RMG) producers secured higher profits during the October-December period of this fiscal year, buoyed by global demand even amidst the myriad challenges plaguing Bangladesh's overall business climate.

Companies that are relatively large, based on their export volume and capital, staged improved performances but small companies continued to struggle.

Among the 40 listed companies from this sector that published the data, 25 saw higher profits while 15 saw lower profits. However, 15 companies that have been in the Z category for many years have not published any data yet.

The combined profit of the 40 companies that shared reports showed the continuation of a rising trend after being hit hard during the politically volatile July-September quarter last year.

Their total profit soared 50 percent year-on-year to Tk 197 crore in the October to December period of last year, according to data compiled by Sandhani Asset Management Ltd.

The RMG sector has been facing difficulties since 2023 when salaries were hiked and energy prices almost doubled, said Shams Mahmud, managing director of Shasha Denims Ltd.

That year, it was decided that the RMG workers would get a 9 percent annual wage increment whereas earlier it was 5 percent, he said.

Simultaneously, the minimum wage for an entry-level garment worker was raised to Tk 12,500 from Tk 8,000, he added.

Many companies, especially small establishments, could not absorb the rise in costs.

Their situation deteriorated further as political and industrial unrest and floods hampered production last year, Mahmud said.

Above all, factories were not supplied with adequate gas and electricity, so most fell into "deep problems", he said.

Only large companies managed to absorb the shock, continued to get export orders and shipped products properly, he said.

Bangladesh's RMG exports grew 13.28 percent year-on-year to $19.88 billion in the current financial year of 2024-25, according to Export Promotion Bureau.

Envoy Textiles Ltd saw a 161 percent rise in profits, while Square Textiles Ltd reported 58 percent and Malek Spinning Mills Ltd 22 percent.

One of the ways that large companies managed to absorb the shock was by using their financial strength, said Mahmud, who is also a former president of the Dhaka Chamber of Commerce and Industry.

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City Group to raise Tk 1,500cr thru bonds

STAR BUSINESS DESK

City Sugar Industries, a concern of City Group, one of the leading consumer goods importers and processors, plans to raise Tk 1,500 crore by issuing a fully mortgage-backed zero coupon bond.

BRAC Bank has been entrusted to facilitate fund mobilisation through the issuance of the zero coupon bond, which does not pay interest but instead trades at a deep discount.

To this end, Tareq Refat Ullah Khan, deputy managing director and head of corporate and institutional banking at the bank, and Mohammad Tanvir Hydar Pavel, director of finance and commercial at City Sugar Industries, signed an agreement at a function at the bank's head office in Dhaka recently, according to a press release.

Selim RF Hussain, managing director and CEO of BRAC Bank, and Md Hasan, managing director of City Group, attended the signing ceremony.

The funds to be raised through this bond will support City Sugar Industries Limited in expanding its trade operations, enhancing cash flow management, and diversifying its financing avenues, thereby reducing dependence on traditional credit facilities, the statement said.

The bond issuance is subject to approval from the Bangladesh Securities and Exchange Commission.

This three-year bond, fully secured and structured to offer an attractive return, is designed to cater to a diverse investor base, including individuals and corporate entities across Bangladesh.

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