

Frequent changes to tax policies hurt business climate

Speakers say complex tax procedures stymie business expansion

STAR BUSINESS REPORT

Frequent changes in tax policies and high effective tax rates are undermining the business climate and discouraging future investments, businesspeople said yesterday.

They also identified complex tax procedures and a lack of automation as key barriers to business expansion.

The concerns were raised at a discussion titled "Navigating Tax Policy Frameworks: Impact and Priorities for Critical Sectors," organised by the Policy Exchange of Bangladesh (PEB) at the Pan Pacific Sonargaon Dhaka in the capital.

"Our marginal tax rate is 25 percent, yet our effective tax rate ultimately stands at 35 to 40 percent," said Debabrata Roy Chowdhury, company secretary of Nestle Bangladesh.

Such a high effective tax rate is a crucial factor in making investment decisions, he

added.

He also blamed policy inconsistency for hurting businesses, citing the sudden change of the Harmonized System (HS) code, which is a six-digit code that identifies products for import and export.

"The sudden change in the duty rate puts the entire investment at risk," he said.

Echoing similar concerns, Kamran T Rahman, president of the Metropolitan Chamber of Commerce and Industry, said, "Simplification of documentation is much needed to ensure a better business climate."

"With LDC graduation approaching, restructuring the tax policy could be key to boosting Bangladesh's industrial competitiveness."

Despite recent corporate tax rate cuts across private, public, and banking sectors, complex documentation requirements keep the effective tax burden high, Rahman said.

"A fully automated VAT and customs process will eliminate manual interventions, reduce processing times, and lower business costs," he said.

Ahsan Khan Chowdhury, chairman of Pran-RFL Group, said, "A consultative approach with stakeholders can help the NBR collect more revenue from consumers."

Iqbal Chowdhury, CEO of LafargeHolcim Bangladesh Limited, emphasised the need for automation and the establishment of a research wing within the NBR.

"There should be dedicated research to gain a proper understanding of the entire industry," he said.

Md Ariful Haque, director general of the Bangladesh Investment Development Authority, noted that foreign investors seek predictable tax policies.

Speaking as the chief guest, NBR Chairman Md Abdur Rahman Khan

acknowledged that governance remains a critical issue in Bangladesh.

"So, governance is the key factor that will drive our effectiveness and efficiency, and that is where we want to focus."

Khan further acknowledged the lack of fairness in tax collection.

"In many cases, we are not doing justice to our taxpayers. Tax collection should not be solely revenue target-based," he said.

"Customs, in particular, should serve as a point of trade facilitation rather than being a primary tool for resource mobilisation based on revenue targets."

Monisha Abraham, managing director of British American Tobacco, Paul Holloway, managing director of Japan Tobacco International, and Mahtab Uddin Ahmed, president of the Institute of Cost and Management Accountants of Bangladesh, also spoke at the event.

M Masrur Reaz, chairman of the PEB, moderated the discussion.

Factories shut after July uprising

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Narayanganj in August last year amounted to over Tk 2,000 crore.

The factories of Gazi Tyre, Gazi Tank, Gazi Pipe, Gazi Door and several warehouses were destroyed, allegedly owing to the political influence of Golam Dastagir Gazi, former minister of textiles and jute, who is now in jail.

In the case of Beximco Group, the government is set to make the final wage and service benefit payments totalling Tk 525.46 crore to 31,669 workers and 1,565 officials from March 9.

Following the ouster of the Awami League government in early August last year, Beximco Group found itself in hot water.

Its Vice-Chairman Salman F Rahman, who is now behind bars, was

an influential adviser to deposed prime minister Sheikh Hasina. He faces charges of murder, graft, and using political influence for personal business gain.

After the fall of the Awami League, financial irregularities linked to Rahman and his business empire came to light, with Beximco Group's bad loans amounting to at least Tk 40,000 crore.

Top officials of the now cash strapped group said they have repeatedly requested the government to allow them to open back-to-back LCs to resume business on a limited scale.

Khalid Shahriar, head of human resources (HR) and compliance for Beximco Group's textile and garment division, said, "It is important to run the factories, regardless of

who owns them, to save the employees and their families.

"Despite multiple requests, the government has not permitted the business to resume," he said.

Meanwhile, Md Jashim Uddin, vice-chairman of Bengal Group, said three factories producing plastic goods, cement bags, packaging materials, and the group's central warehouse were burned down in August last year.

More than 2,000 workers were employed in these Zirani-based units, generating Tk 80 crore in monthly revenue.

Jashim Uddin, also a former president of the Federation of Bangladesh Chambers of Commerce and Industry, said he needs to reschedule Tk 400 crore in bank loans as he plans to

rebuild factories and buy new machinery.

Syed Rezaul Hossain Kazi, managing director of Big Boss, an export-oriented garment factory, said his factory incurred a Tk 60 crore loss in post-August damages.

The factory managed to resume production within days as the losses were covered by insurance.

Currently, 12,000 workers are employed at Big Boss, and Kazi said he did not face major issues with loan repayment as his factory restarted operations.

However, many affected garment factories were unable to do the same.

For example, at least four garment factories that were severely damaged have not resumed production, said Mohiuddin Rubel, former director of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

He declined to name these factories, saying they "were not allowed to reopen due to political reasons".

AHM Shafiquzzaman, secretary to the Ministry of Labour and Employment, said the government has provided Tk 127 crore in primary financial support to five companies, including Birds, Dird, Yellow of Beximco and TNZ.

However, he said the government is now pressuring these companies to repay the loans as the six-month tenure is coming to an end.

"If they fail to repay the loans on time, the government will attempt to sell the properties these companies used as collateral when borrowing," he said, adding that some units are operational and capable of repaying their debts.

Almost all affected garment factories have resumed operations, except for a few whose owners are either abroad or burdened with high outstanding loans, said Md Anwar Hossain, administrator at BGMEA.

Besides, some factories have remained shut since July last year, due mainly to financial losses from production halts caused by labour unrest and vandalism, he said.

As such, the project's deadline was revised to June 2027 and costs increased nearly 300 percent to Tk 3,342 crore.

Till January this year, the project has seen only 38 percent progress.

Out of six ongoing railway projects under an Indian LoC, the Khulna-Mongla Rail Line has become functional. However, although it was inaugurated in 2023, the project has not been completed.

Meanwhile, work on four other projects is expected to be delayed further, Bangladesh Railway officials said.

Regarding the government's financial support for workers' wages and benefits, he said it was done on humanitarian grounds, as selling shares of these companies is complex and time-consuming.

He also said that Beximco Group's default loans are too high for the government to risk major financial intervention to restart its operations.

India-funded projects will continue

FROM PAGE B1

He said it does not matter which government initiated these projects because they are necessary. "So, we have decided to continue them," he added.

Projects with zero to one percent progress will be reviewed, but they will not be cancelled at this stage, he added. "Cancelled a project is a very sensitive issue. We are fully aware of this, and therefore, we are not going to cancel any project."

"Apart from the economy, there is also a bilateral [relations] aspect. Our priority is the economy," the finance adviser added.

SLOW PROGRESS

Those involved in Indian-funded projects left Dhaka two or three days after the fall of the previous government in August last year in line with directives from the Indian High Commission in Dhaka, project officials said.

Although many of them have returned, the projects are yet to get momentum as several finance-related issues are still pending with the Indian authorities for approval, they said.

One of these eight projects is for laying the third and fourth railway lines on the Dhaka-Tongi route. The project saw less than 2 percent progress in the past six months since August last year, according to Bangladesh Railway data.

The Bangladesh Railway undertook the project in November 2012 at an initial cost of Tk 848.60 crore although it did not conduct a feasibility study or draft detailed designs.

The project was supposed to be completed by June 2015, but physical work started in February 2019 due to complexities over the design and tendering process, poor planning and a lack of coordination among different government agencies.

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The four projects are: rehabilitation of the Kulaura-Shahabpur section; conversion of the metre gauge into a dual-gauge line from Parbatipur to the Kaumia section; construction of double line in the Khulna-Darshana section; and construction of dual-gauge line from Bogura to Sirajganj.

Govt scraps plan to buy 1 lakh tonnes of rice from private importers

STAR BUSINESS REPORT

The government yesterday scrapped its decision to procure 100,000 tonnes of non-basmati rice from international markets through private suppliers after receiving bids higher than estimated market prices in its first attempt.

The decision came at a meeting of the Advisory Cabinet Committee on Government Purchase, a month after the Cabinet Committee on Economic Affairs relaxed public procurement rules to facilitate faster imports of the staple food. The move was aimed at replenishing public food stocks and stabilising prices.

Following the earlier decision, the food ministry floated a tender to procure 50,000 tonnes of non-basmati rice from private importers. However, the prices quoted by eligible bidders were significantly higher than the estimated market rates.

Insiders said the Technical Evaluation Committee found a lack of competition in the bidding process and recommended that the bids not be accepted. Subsequently, the food ministry advised the government to cancel the procurement plan, officials said.

12 projects was signed in March 2016.

A third credit deal was signed in October 2017 for \$4.5 billion for 15 projects.

Overall, there are 42 projects under the three LoCs.

Of them, 14 have been completed at a cost of around \$410 million, or around 6 percent of the overall commitment under the first two credit deals.

According to the terms of the deal, all project-related materials must be procured from India and all contractors and consultants must be hired from India.

Government of the People's Republic of Bangladesh
District Primary Education Office Faridpur
www.dpe.faridpur.gov.bd

Memo no. DPEO/Faridpur/e-GP/GPS/283

Date: 03 March 2025.

Invitation for Tender (OTM)

e-Tenders are invited in the National e-GP System Portal (<http://www.eprocure.gov.bd>) for the procurement of furniture as stated below.

Tender ID & method	Description of procurement	Tender last date & time	Tender closing/opening date & time
1080256 OTM	Supply of Furniture under NBIDGPS-1 at 10 nos Govt. Primary School in Alifanda, Boalmari, Vanga and Nagarkanda Upazilla of Faridpur District for 35 Nos. Class Rooms and 7 Nos. Teacher's Rooms.	24-March-2025, 17:00	25-March-2025, 14:00
1080257 OTM	Supply of Furniture under NBIDGPS-1 at 13 nos Govt. Primary School in Chavradron, Faridpur Sadar, Modhukhali, Sadarpur and Saltha Upazilla of Faridpur District for 39 Nos. Class Rooms and 05 Nos. Teacher's Rooms.	24-March-2025, 17:00	25-March-2025, 14:00

These are online tenders where only e-Tender shall be accepted in the National e-GP System Portal. No offline or hard copies shall be accepted. To submit e-Tender, registration in the National e-GP System Portal (<http://www.eprocure.gov.bd>) is required. Further information and guidelines are available in the portal. The Procurement Entity (PE) reserves the right to accept or reject any or all tenders without assigning any reason.

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SL No	Goods Description, Invitation Reference No. and Date	Tender/Proposal Package No.	Tender/Proposal ID No.	Scheduled Tender/Proposal Publication date and Time	Tender/Proposal Document last selling/Downloading date and Time	Tender/Proposal Closing & Opening Date & Time
01	White Offset Paper, Size: 58.42 cm x 91.44cm (23"x36"); GSM: 85±5% (Foreign), As per schedule Invitation Reference No.:05.85.0000.009.04.008.24/71, Date: 05.03.2025.	BSO-6/24-25	1083771	06.03.2025 at 16:00	23.03.2025 at 17:00	24.03.2025 at 14:00

This is an online Tender, where only e-Tender will be accepted in the National e-GP portal and no offline/hard copies will be accepted. To submit e-Tender registration in the National e-GP system portal (<http://www.eprocure.gov.bd>) is required.

The fee for downloading the e-Tender documents from the National e-GP System portal have to be deposited online through any e-GP registered bank's branches. Further information and guidelines are available in the National e-GP system Portal and from e-GP help desk (helpdesk@eprocure.gov.bd).

30/03/2025
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GD-479