DHAKA SUNDAY APRIL 13, 2025, CHAITRA 30, 1431 BS ● starbusiness@thedailystar.net

Star BUSINESS

High tax on stock trading deters investment

Brokers say

STAR BUSINESS REPORT

The existing tax structure discourages investors from investing in the stock market, according to representatives of the top brokerage houses of Bangladesh.

They said the National Board of Revenue (NBR) collects advance turnover tax from brokerage houses even if they incur losses, that too at a high rate compared to neighbouring countries.

However, this tax burden is ultimately shifted onto investors.

Additionally, investors are also required to pay annual fees amounting to Tk 450 even if they incur losses and do not trade any shares. Most of this fee goes to the government exchequer, they added.

The comments were made at an event organised by the DSE Brokers Association of Bangladesh (DBA) at the Dhaka Club yesterday.

Shakil Rizvi, a director of the Dhaka Stock Exchange (DSE), said, "The tax structure of the market is akin to that for cigarettes, making it seem like the government is discouraging people from coming to the stock market.

"Why? Is the stock market a demerit good? Is the NBR trying to discourage investors from coming to the stock market?"

He added that if someone invests in the market, they must pay Tk 450 annually, of which Tk 200 is deducted and submitted to the government.

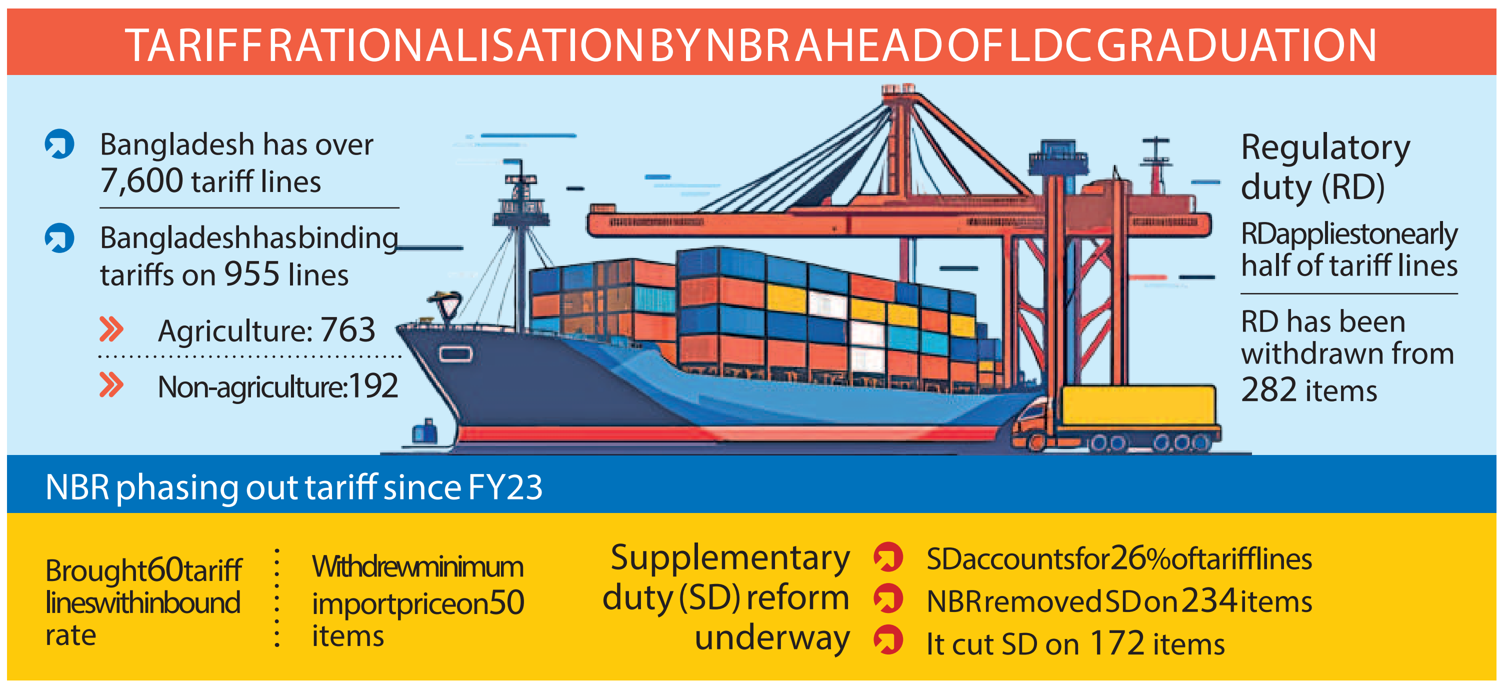
"Why should the government collect tax from every investor, even those with minimal investment?" he questioned.

In 2005, the tax stood at Tk 12.5 for each trade amounting to Tk 1 lakh. It has risen to Tk 50 since.

READ MORE ON B3

Govt to rationalise tariffs on around 350 items

The move aims to tackle post-LDC challenges



SOHEL PARVEZ

The government is expected to rationalise tariff rates on numerous items next fiscal year to help Bangladesh prepare for challenges after graduation from least developed country (LDC) status in November 2026.

As part of the exercise, the National Board of Revenue (NBR) is likely to remove minimum import prices — a price it uses to assess duties on imported items — for over 40 items in FY26.

Besides, the revenue administration is also likely to streamline regulatory duties on around 230 tariff lines — the items listed in a country's tariff schedule — and rationalise supplementary duties on over 100 items, finance ministry officials said.

"We are taking preparations to adjust our tariff rates to ensure that we can be compliant with the World Trade Organisation (WTO) rules applicable for developing countries," a senior official said.

Bangladesh has 7,611 tariff lines. Its binding tariff commitment to the WTO covers 955 tariff lines, with 763 tariff lines for agricultural products and 192 tariff lines for non-agricultural items.

Of those, tariff rates on 60 tariff lines were higher than the binding rates committed by Bangladesh to the WTO when it acceded to the WTO in 1995 as one of its founding members.

The NBR began to rationalise tariffs in phases in FY23, in line with recommendations from a committee that was formed by the previous government in 2021 to prepare for possible challenges stemming from LDC graduation.

In the past two years, the NBR brought down tariffs on 60 items within the bound tariff rates based on the panel's suggestion.

The panel came up with the proposals following a study, which also favoured the rationalisation of supplementary and regulatory duties.

It said rationalisation has become particularly important in light of the country's upcoming graduation from the LDC club, which will require domestic industries to compete without reliance on import protection.

The study found that Bangladesh had imposed regulatory duties (RDs) on 3,565 tariff lines, around 47 percent of the total.

These duties ranged from 3 percent to 35 percent. However, in the fiscal year 2022–23, nearly 95 percent of the revenue from RDs came from just 250 tariff lines.

READ MORE ON B3

Fahmida Khatun

Trump's tariff policy a wake-up call: Fahmida

STAR BUSINESS REPORT

The imposition of high tariffs by the USA without following due process signals a flawed policy approach, said Fahmida Khatun, executive director of the Centre for Policy Dialogue.

The US-China trade tensions have created a global tariff storm, and Bangladesh is not immune, she said at a shadow parliament session held at the Film Development Corporation in the capital yesterday.

"The 37 percent tariff imposed on Bangladesh is also part of a flawed process," she said.

Fahmida pointed out that the tariff surge under US President Donald Trump serves as a wake-up call for Bangladesh as the country prepares to graduate from the least developed country (LDC) status.

"We will not receive tax benefits for long. Therefore, enhancing commercial capacity and strengthening trade diplomacy is crucial," she said.

She also warned that political unrest and institutional weaknesses could deter foreign investment.

"If political stability and law and order are maintained and institutional reforms are carried out effectively, investment will rise regardless of political changes," she added.

READ MORE ON B3

Pahela Baishakh sales pick up this year

Apparel and sweetmeats see 5-10% growth as holiday gap spurs spending

With Pahela Baishakh on the horizon, shoppers have taken to the streets to pick out outfits for the festive occasion. In previous years, celebrations centring the Bangla New Year accounted for an estimated one-fourth of annual sales by local fashion outlets. However, sales have picked up this year. The photo was taken from Bailey Road yesterday. PHOTO: ANISUR RAHMAN

SUKANTA HALDER

With Pahela Baishakh just around the corner, a festive spirit has taken over markets across Bangladesh, with clothing, sweetmeats and fish registering noticeably higher sales compared to last year.

Businesspeople say that last year, Pahela Baishakh fell just two days after Eid-ul-Fitr, while this year, the two festivals are nearly two weeks apart. This gap has had a somewhat positive impact on sales.

However, they added that sales would have been even better this year if people could have anticipated the scale of celebrations to take place following last year's nationwide protests culminating in a political changeover.

The celebration of the beginning of a new Bengali year traces its roots back to the Mughal era, when Emperor Akbar introduced tax collection reforms in the region.

In previous years, Baishakh celebrations and the purchase of new dresses accounted for an estimated one-fourth of annual sales by local fashion outlets.

Soumik Das, chief executive officer of Rang Bangladesh, told The Daily Star that sales centred around Pahela Baishakh have been significantly better this year.

"Last year, Pahela Baishakh came just two days after Eid-ul-Fitr, but this time there's a gap between the two festivals, which has positively impacted sales," he said. Compared to last year, his sales have increased by nearly 10 percent.

However, due to the short time after Eid-ul-Fitr, full preparations for Pahela Baishakh could not be made. As a result, despite receiving inquiries from many customers, it was not possible to respond to all of them, he added.

Khalid Mahmood Khan, co-founder of Kay Kraft, a retailer of fashionwear, accessories, home textiles, handicrafts, and handloom-based products, said sales have improved compared to last year.

But despite extensive preparations, the sales figures have fallen short of expectations, he said.

READ MORE ON B3

Why is private credit demand at its lowest level?

MD MEHEDI HASAN

Credit demand in the private sector of Bangladesh has virtually ground to a halt, hitting its lowest level since at least 2004, indicating a distressed business and investment situation.

Private sector credit growth stood at 6.82 percent in February this year, as per Bangladesh Bank data, down from 7.15 percent the month prior.

Even at the height of the Covid-19 pandemic in 2021, private sector credit growth had hovered between 8 percent and 7.5 percent, noticeably higher compared to current trends.

This raises the question: Why is the demand for credit in the private sector so low?

To answer this question, The Daily Star spoke to bankers, central bank officials, economic experts, and businesspeople.

ANALYSIS

They highlighted several reasons, including uncertainty in the investment climate due to the recent political changeover, high interest rates owing to the tight monetary policy, banks' go-slow strategy, lacklustre loan recovery, worsening law-and-order situation, high bad loans, strict action against some large borrowers, and the shrinking lending capacity of banks.

For over two years, the central bank has continually hiked the policy rate — the rate at which commercial banks borrow from the central bank — to combat skyrocketing inflation, which has contributed to a rise in lending rates at banks.

The banking regulator kept the policy rate unchanged at 10 percent for the January–June period of the current fiscal year. As such, banks are currently imposing a maximum of 16 or 17 percent interest on lending, which stood at just 10 or 12 percent a year ago.

Similarly, hesitance in the investment scenario is reflected by the trend of letter of credit (LC) openings for capital machinery imports.

READ MORE ON B3