DHAKA MONDAY MAY 19, 2025, JAISHTHA 5, 1432 BS ● starbusiness@thedailystar.net

Star BUSINESS

Govt to reduce tax exemptions in next budget

STAR BUSINESS REPORT

The government is set to scale back the generous tax exemptions given to various sectors and firms in the upcoming national budget for fiscal year 2025-26, in line with efforts to increase revenue collection and reduce dependence on borrowing to finance the national budget.

Speaking at a roundtable organised by The Daily Star at its office titled "Time to Make Public Procurement Work for Bangladeshi Manufacturers" yesterday, Finance Adviser Salehuddin Ahmed said the government would no longer allow exemptions to be used as an instrument of privilege.

"We're trying to make the budget a bit more business-friendly, though that doesn't mean giving exemptions to everything. I am in the mood to do away with all tax exemptions. I'm committed to cutting unnecessary exemptions," he said.

The comments come against the backdrop of growing pressure from the International Monetary Fund to streamline fiscal incentives as part of its $4.7 billion loan programme.

Multilateral lenders and domestic economists alike have long argued that Bangladesh's web of exemptions, often tailored to specific sectors or firms, erodes revenue collection and distorts competition.

For example, tax exemptions given by the government to various sectors will cost the exchequer around Tk 163,000 crore in the current fiscal year. That amount would be 11 percent higher year-on-year, and would account for more than one-third of the total revised target for revenue collection, set at Tk 463,500 crore for this fiscal year.

Ahmed said the government had already begun reining in such waivers.

"A few days ago, I rejected a request for an exemption. Someone came asking for a rebate for a particular industry, in a particular location. I cancelled it."

READ MORE ON B3

High inflation, costly loans force firms to cut spending

JAGARAN CHAKMA

From mild steel rods to electronics and food products, advertisements in newspapers and on televisions have decreased as businesses say they have tightened their belts to weather stubbornly high inflation, the steep devaluation of the local currency, and punishingly high bank interest rates.

Besides, some manufacturers say they are now opting to reduce office utility consumption, optimise office supplies, minimise bank dependence, and find alternative funding sources.

Others are taking a closer look at operational expenses, trimming excess spending, and trying to get the maximum output with limited resources.

"The situation is really difficult," said Md Nurul Afsar, deputy managing director of Electro Mart Group, a manufacturer and marketer of electronics and home appliances.

In recent months, Electro Mart has scaled back its promotional activities, including newspaper and television ads, as part of a cost-cutting strategy.

Despite mounting financial pressures, the company has refrained from raising product prices, fearing that such a move could impact sales amid the inflationary pinch.

"Instead, we are focusing on cost-effective measures," said Afsar.

The top executive said that the company is being squeezed by bank interest rates as high as 17 percent, severely impacting profit margins.

Three years ago, banks used to charge single-digit interest on loans, exchange rates were around Tk 80, and inflation was roughly 6–7 percent.

"Due to the high interest rates over the previous years, our business margins have shrunk significantly. We are trying to cut unnecessary expenses wherever possible to absorb the extra burden," he told The Daily Star.

This effort includes limiting utility usage, optimising office supplies, and cutting down on non-essential expenditures.

"We are reducing costs across all minor areas of daily office expenses — wherever there is room to save," he said.

Similarly, BSRM Steels Limited is adopting a number of cost-cutting measures to cope with rising bank interest rates and brutal inflation, said Tapan Sengupta, the company's deputy managing director.

"We are trying to manage the impact of high bank interest and inflation by cutting costs in every area and making optimal use of technology," Sengupta told The Daily Star.

According to him, the steelmaker is focusing on cost efficiency by trimming daily expenses while ensuring employee salaries remain unaffected.

"We are only spending on cost-effective areas that provide value for money. For instance, our marketing budget has been scaled back," he said.

However, avoiding high bank interest is not feasible, as borrowing is essential for business investment, he mentioned.

"There is no escaping bank interest rates. Borrowing to run the business is a necessary part of investment, so the high rates must be managed," he added.

Meanwhile, leading conglomerate PRAN-RFL Group is trying to reduce its reliance on bank loans to minimise the impact.

"We have had to cut down on bank borrowing, reduce costs, and think outside the box just to survive," said Ahsan Khan Chowdhury, the group's CEO. "Doing business in this climate has become extremely challenging."

According to him, the company has focused on lowering production costs, reducing dependency on bank financing, and exploring alternative sources of funds.

"Our employees have been working tirelessly, and we are continuously applying innovative approaches to control costs and improve efficiency," he said.

Chowdhury said that the fight against red-hot inflation by raising bank interest rates over the past two years has severely hurt small and medium enterprises.

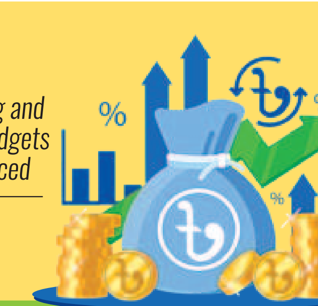
Meanwhile, Anwar-ul-Alam Chowdhury Parvez, president of the Bangladesh Chamber of Industries (BCI), said soaring utility bills are further compounding the challenges for businesses.

Regarding the small and medium business segment, Parvez said that gas and electricity price hikes have pushed up production costs, while high bank interest rates are making it nearly impossible for them to survive.

READ MORE ON B3

COST MANAGEMENT

- Businesses cutting costs across all departments
- Advertising and utilities budgets being reduced
- Operational efficiency prioritised over new spending



INDUSTRY-WIDE IMPACTS

- SMEs hit hardest by financial pressure
- Exports declining across multiple key sectors
- Demand plummeting in construction and consumer goods
- Economic stagnation feared if urgent reforms not undertaken

FINANCING CHALLENGES

- High-interest loans unavoidable for operations
- Firms exploring non-bank financing options
- Investment plans shelved due to costs
- Profit margins squeezed by rising expenses

Govt to form independent board to run Nagad

Salehuddin says

STAR BUSINESS REPORT

The government will form an independent board to run mobile financial service provider Nagad, Finance Adviser Salehuddin Ahmed said yesterday.

The decision came from a high-level meeting of the interim government.

Bangladesh Bank Governor Ahsan H Mansur, Attorney General Md Asaduzzaman, and ICT Policy Adviser Faiz Ahmad Taiyeb were also present at the meeting held in Dhaka.

"We identified the irregularities at Nagad, and all of a sudden, a group took over the MFS provider. The government is going to take action against them," the finance adviser told The Daily Star.

The postal department will not manage the MFS, despite being Nagad's parent entity; instead, an independent board will run the service, he added.

Md Shafayet Alam, who assumed the role of CEO of Nagad, will have to step down because the takeover was illegal, according to the finance adviser.

During a press briefing on Saturday, Bangladesh Bank Executive Director and spokesperson Arief Hossain Khan said that further fraudulent activities could have occurred at the mobile financial service provider.

Because individuals

READ MORE ON B3

PHOTO: AFP/FILE

Exchange rate of dollar rises slightly

STAR BUSINESS REPORT

The interbank exchange rate of the US dollar rose slightly yesterday, two working days after the central bank adopted a market-driven exchange rate system.

Banks traded the greenback at Tk 122.78 per dollar, up from Tk 122.60 the previous day, according to Bangladesh Bank data.

The interbank selling rate was Tk 122 per dollar on Wednesday last week, when the central bank introduced the market-driven framework — a key requirement tied to the International Monetary Fund's (IMF) $4.7 billion loan programme.

Central bank officials described the current situation as stable and credited a higher inflow of US dollars in recent months.

Most banks are now selling dollars to importers at Tk 122.70, while buying them from exporters and exchange houses at rates of Tk 122.30–Tk 122.50 per dollar.

Contacted, Bangladesh Bank Executive Director and Spokesperson Arief Hossain Khan said the central bank is monitoring the foreign exchange market, which is steady due to a surge in remittance inflows and export earnings.

"We are closely observing the market to prevent any manipulation," he told The Daily Star, adding that the central bank has warned banks against any such activities.

READ MORE ON B3

NBR may continue prospective tax system until FY28

POLICY SHIFT

- NBR plans to continue prospective tax system until FY28
- This will allow taxpayers to know tax rates in advance
- The move marks a continuation of govt's shift from a retrospective to a prospective tax regime

GOVT AND EXPERT ENDORSEMENTS

- Finance adviser approved the proposal, which may be placed before the chief adviser
- FICCI chief says it allows better business planning and could reduce effective tax rates

BENEFITS

- Taxpayers, including businesses, will be able to calculate tax liabilities in advance
- This will help in better financial planning
- The system is expected to encourage both local and foreign investment
- It will help businesses plan their investment strategies more effectively

MD ASADUZ ZAMAN

The National Board of Revenue (NBR) is expected to continue the prospective tax system until fiscal year 2027-28, allowing taxpayers and businesses to determine applicable tax rates in advance instead of waiting until the end of the income year.

Starting with the national budget for FY25, the government shifted from a retrospective to a prospective tax regime, aiming to support better investment and tax planning.

Under the traditional retrospective system, the NBR announced tax rates for firms and individuals only after the completion of an income year.

For instance, the current income year runs from July 2024 to June 2025. Under the earlier system, taxpayers would file their income and wealth statements and pay taxes for the assessment year, in this case FY25, in the following year, based on rates announced after the income year ended.

However, under the prospective system, individuals and businesses can calculate their tax liabilities for the income year in advance and pay taxes by the end of the same income year.

BUDGET FOR FY26

The NBR is expected to adopt the prospective system in response to longstanding taxpayer demands, a finance ministry official, requesting anonymity, told The Daily Star recently.

"After FY25 and FY26, we are planning to introduce it for another two years. We are working on it," the official said.

He added that this system would help build confidence among individuals and investors by allowing them to plan their tax management and investment plans.

On May 15, Finance Adviser Salehuddin Ahmed gave the nod to the proposal, which may be presented to Chief Adviser Prof Muhammad Yunus today, the official said.

Investors and tax analysts welcomed the NBR's move, saying it would boost investor confidence and encourage local and foreign investment.

"If it truly happens, this will be wonderful news indeed," said Zaved Akhtar, president of the Foreign Investors' Chamber of Commerce and Industry (FICCI).

"It helps businesses plan better and ensure business plans reflect realities," he said.

READ MORE ON B3

Strikes to go on unless CA intervenes

NBR officials say as import activities continue to suffer

STAR BUSINESS REPORT

Employees of the National Board of Revenue (NBR) yesterday vowed to continue their pen-down strike against a May 12 ordinance on restructuring the revenue administration, unless Chief Adviser (CA) Prof Muhammad Yunus or a representative proposes a mediation.

"We have learned through the media that the finance adviser (Salehuddin Ahmed) will sit for a discussion with the NBR officials on Tuesday," said Sehela Siddiqua, additional commissioner of the NBR.

"But we are yet to receive any formal or specific proposal. If we get any formal proposal from the CA or his representatives, we will send a team for the discussion. Without the CA's concern, we won't sit for discussion," she added.

"Based on the circumstances, our strike will continue tomorrow (Monday) in the same manner, from 9:00am to 3:00pm," she said.

Revenue activities for import and export have been disrupted nationwide, posing a serious risk to overall revenue collection and business operations

Siddiqua made the announcement at a press briefing at the NBR headquarters in Agargaon to press home their three-point demand, including the repeal of the ordinance.

The other demands are for the public disclosure of a state advisory committee's report on reforms required for the NBR, which was submitted to the finance ministry, and inclusive, consultative, and sustainable reforms for the revenue administration.

Yesterday, the strike was observed for the fourth consecutive day, led by the "NBR Reform Unity Council", a platform of cadre and non-cadre officials.

Meanwhile, revenue activities — including import and export — have been disrupted nationwide, posing a serious risk to overall revenue collection and causing significant setbacks for regular business operations.

Business leaders warn that if the situation persists, it could lead to delays in the release of imported raw materials, shortages of essential goods, and disruptions to industrial production.

According to sources in the NBR, officials at 25 customs stations — including the Chattogram and Mongla ports and Kamalapur Inland Container Depot — and over 100 VAT, customs, and tax offices nationwide were observing the strike.

READ MORE ON B3