

Star

BUSINESS



Sovereign guarantee rules to be revised

NBR hikes advance tax on bus, truck operators up to 88%

SOE loans nearly double in six years

SOHEL PARVEZ

The government plans to amend the existing sovereign guarantee guidelines to streamline the process and mitigate fiscal risks if public entities fail to make repayments on time, according to a finance ministry report.

The revision is being considered as government guarantees for loans taken by state-owned enterprises (SOEs) are gradually increasing.

As of June this year, the total guarantees provided by the government against SOE loans will amount to Tk 119,082 crore, up 2 percent year-on-year.

This marks the sixth consecutive year that government guarantees for loans taken by public entities have risen.

At the end of fiscal year 2019–20, the state's pledges against SOE loans stood at Tk 60,653 crore. This means the guaranteed amount has almost doubled since then.

"This exceeds the country's total annual public spending on health or social protection," he said.

"The worst offenders, such as the Bangladesh Power Development Board and Petrobangla, suffer from chronic mismanagement, poor pricing policies, and political interference," he said.

"Subsidies and unserviced government loans to SOEs are not just draining public finances—they are crowding out critical investments in education, health, and poverty reduction," said Rahman.

"With rising contingent liabilities and mounting opportunity costs, SOEs risk becoming a systemic threat to Bangladesh's fiscal sustainability," he said.

The MTMPS stated that there has been no incident of sovereign loan default by government enterprises.

However, sovereign loan guarantees expose the government to potential financial losses if SOEs default on their debts, it said.

Operators warn of higher transport costs as officials downplay impact



MD ASADUZ ZAMAN

The government has proposed a sharp increase in the advance income tax from buses, trucks and other commercial vehicles in the upcoming fiscal year, a move that operators say could drive up transport costs across the board.

This hike, which would be up to 88 percent, would be the first increase in six years. The last adjustments were made in 2019 and 2014, both under the previous Awami League government.

In his budget speech on June 2, Finance Adviser Salehuddin Ahmed proposed the new rates, which cover 13 categories of commercially operated motor vehicles such as buses and trucks.

Currently, these tax rates range from Tk 4,000 to Tk 37,500 and are collected annually through the Bangladesh Road Transport Authority (BRTA) during registration or fitness renewals.

The National Board of Revenue (NBR) now proposes to raise these to between Tk 7,500 and Tk 50,000.

Transport operators say the hike will push up their costs, with a knock-on effect on consumer prices.

However, NBR officials insist that the hike should not affect fares, as the advance income tax (AIT) is adjustable against the operator's total income tax at the end of the year.

WHO WILL PAY WHAT

Under the proposed budget for fiscal year 2025–26, the AIT on buses with more than 52 seats is set to rise from Tk 16,000 to Tk 25,000. For smaller buses, with fewer than 52 seats, the tax may increase from Tk 11,500 to Tk 20,000.

Air-conditioned (AC) buses would face a tax of Tk 50,000, up from Tk 37,500.

Double-decker buses and AC minibuses or coasters are likely to see their tax jump from

Tk 16,000 to Tk 25,000. For non-AC minibuses or coasters, the proposed rate is Tk 12,500, up from Tk 6,500.

The tax on prime movers could rise to Tk 35,000 from Tk 24,000.

For trucks, lorries and tank lorries with a load capacity over five tonnes, the tax is set to almost double, from Tk 16,000 to Tk 30,000.

Vehicles carrying between 1.5 and five tonnes may see a rise from Tk 9,500 to Tk 15,000, while those under 1.5 tonnes could face Tk 7,500, up from Tk 4,000.

Pickup vans, human hauliers and three-wheelers would also see their AIT rise to Tk 7,500, from the current Tk 4,000.

AC taxi cabs could face Tk 15,000, up from Tk 11,500, and non-AC cabs may pay Tk 7,500, up from Tk 4,000.

The budget is likely to be passed on June 22, with the new rates coming into effect from July 1.

'PASSENGERS WILL BEAR THE BRUNT'

Transport sector people, already in trouble due to rising costs and shrinking profit margins, fear that the proposed tax rise will hit both operators and passengers hard.

"The proposed tax hike means I have to bear the cost upfront, even though my income margin hasn't increased," said Subhankar Ghosh Rakesh, secretary of the Bangladesh Bus Truck Owners Association.

"Costs are rising, but our fares haven't. How are we supposed to absorb this?" he questioned.

"This move will create a financial blow for us. We're already in trouble. It would be a suicidal decision. We won't recover from it easily," Rakesh added.

He said that although the tax is adjustable later against income tax, 10 to 14 percent is withheld upfront, while many small operators have no other source of income.

"This will create an additional burden

on passengers. We are preparing to send an official letter to the government in this regard," said the vehicle owners' association leader.

Preferring anonymity, a private bus owner also voiced frustration.

"We don't know why this decision was made or what the logic behind it was. No one consulted us. No meeting, no explanation," he said. "It feels like the entire transport sector is being punished for something we didn't even do."

He added, "The NBR has the authority to revise taxes. But in the past, they at least spoke to stakeholders before making such decisions. This time, we were left completely in the dark."

"Did anyone assess how this will impact passengers or operators?" he questioned.

OFFICIALS DOWNPLAY THE IMPACT

Speaking on condition of anonymity, a senior NBR official said the proposed increase was reasonable, given that tax rates had remained unchanged for six years.

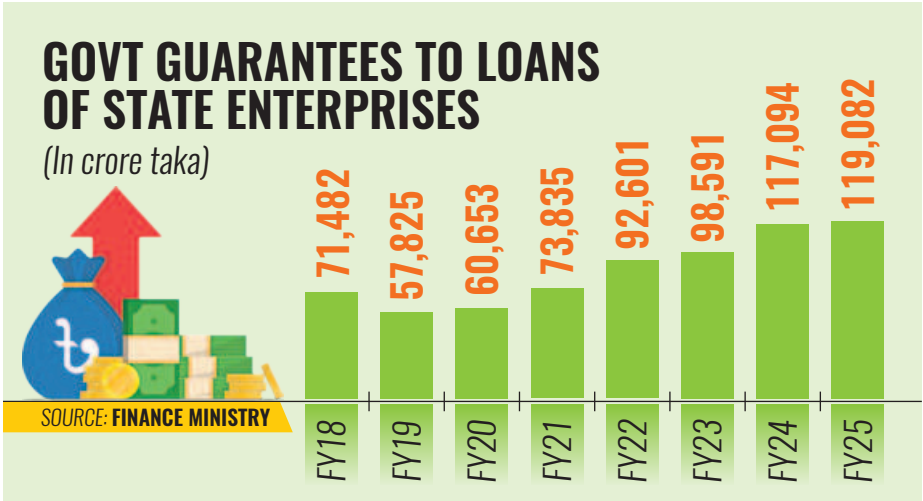
"The amount is not significantly high, considering the booming transport business," the official said.

He said the AIT is adjustable against the operator's final income tax liability, so any immediate burden could be offset at the end of the year.

"When any tax rate increases, it may reduce the profit margin. Therefore, it is not logical to shift the entire burden onto passengers or consumers," the official added.

Snehasish Barua, managing director of SMAC Advisory Services Limited, said the hike might not raise the tax burden for businesses if their actual tax liability is higher than the AIT collected.

"However, if the actual tax is lower, the cost could rise, as the AIT works as a minimum tax. In those cases, operators may well pass on the extra cost to passengers," he said.



The guarantees were primarily issued to entities operating in various sectors, including commercial aviation, power, fertiliser production plants, and public commodity distribution, said the finance ministry in its Medium-Term Macroeconomic Policy Statement (MTMPS) for FY2025–26, published this month.

On this issue, Ashikur Rahman, principal economist at the Policy Research Institute (PRI) of Bangladesh, said SOEs are becoming a major source of contingent liabilities for the government.

"In fact, one of our recent analyses reveals that Bangladesh's SOEs are creating a dangerously unsustainable fiscal burden," he said.

Despite operating in key infrastructure sectors, the majority of public entities are consistently incurring losses, resulting in Tk 88,100 crore in net fiscal transfers from the government in FY24, equivalent to 1.7 percent of the country's gross domestic product.

If public entities fail to repay their loans on time, the guarantees are invoked and the liabilities are passed on to the government, it added.

"Secondly, even without defaults, there are implicit risks associated with SOEs if they incur losses. The government might need to recapitalise them to keep these enterprises afloat," the MTMPS noted.

Thirdly, unrealised returns on investment expectations—meaning when SOEs do not generate the expected returns—can further strain public finances, it said, recommending the prudent use of SOE assets.

It is crucial for the government to monitor and manage its contingent liabilities effectively, as their realisation can have a significant impact on public finances, potentially increasing government debt and budget deficits, said the report.

"Assessing and quantifying these risks is essential for sound fiscal management and sustainability," it added.

International Leasing

depositors seek BB intervention

STAR BUSINESS REPORT

The depositors of the International Leasing and Financial Services Limited (ILFSL) have urged the Bangladesh Bank to intervene so they can recover their money.

The International Leasing Individual Depositors' Forum made the demand at a press conference at the National Press Club in Dhaka yesterday.

Badal Nandi, chairman of the depositors' forum; Tasdiq Ahmed, coordinator; and Md Kamruzzaman Kamal, convenor, also spoke at the press conference.

They said ILFSL had been a sound financial institution until the PK Halder syndicate took control of it in 2015.

Members of the depositors' forum alleged that SK Sur, former deputy governor of the central bank, and Shah Alam, former general manager of BB, directly assisted the PK syndicate in looting public deposits from International Leasing.

Due to this embezzlement, depositors of International Leasing have been unable to recover their hard-earned savings for more than seven years, they added.

"Individual depositors are the worst affected in this case," they said.

The speakers noted that, unfortunately, despite multiple letters, emails, and other efforts addressed to the current governor of the central bank, he has not granted them an audience.

"Not meeting with or listening to the depositors whose hard-earned savings have been stuck for over seven years is a grave injustice to them."

READ MORE ON B2

Five Islamic banks to

merge into one soon

BB governor says in briefing on London visit

STAR BUSINESS REPORT

The Bangladesh Bank (BB) will soon start the process to merge five Islamic banks into a single large bank, said Bangladesh Bank Governor Ahsan H Mansur yesterday.

"We are planning to merge some banks, and it will begin with Islamic banks in the first phase," he said in a media briefing at the central bank headquarters.

The briefing was on his visit to London from June 10 to June 13 as part of the chief adviser's delegation.

Mansur said the employees of these banks will not lose their jobs due to the merger.

The five banks are First Security Islami Bank, Social Islami Bank, Global Islami Bank, Union Bank and Export Import (EXIM) Bank of Bangladesh, as per the BB officials.

While replying to a question, the BB governor said the merger would not be the last of such reforms.

"We will have a dedicated department, a bank resolution department, whose job will be to intervene and take control through nationalisation, merger, liquidation, or whatever necessary action, if banks start heading toward self-destruction," he added.

"Other countries in the world also have such mechanisms," he added.

The central bank governor said a new government would come and hopefully would become involved in this process and keep it running.

"This is a normal process. In the first phase, what we are expecting is to merge a few banks, and that will

likely take place within the next few months," he said.

"This has no relation to the change in government; it's a continuous process," he added.

When discussing developments about the recovery of laundered assets, Mansur said the government was in intensive discussions with the UK to recover money laundered by people tied to the regime of ousted prime minister Sheikh Hasina.

"Our communication with the UK is deep at the technical level. They are also supporting us in the preparation of documents," he said.



Ahsan H Mansur

Bangladesh had requested legal assistance from several countries, including the UK. As a part of the process, it handed over information about the properties of launderers and the laundered money, he said.

Based on the information, the foreign authorities will take action, assured the BB governor.

"It [sending requests] is a continuous process. New requests are being sent to them," he said, responding to a question about whether the UK would freeze more

properties of tycoons connected with the former regime.

Recently, the UK's National Crime Agency (NCA) ordered the freezing of £170 million worth of properties belonging to former land minister Saifuzzaman Chowdhury Javed in the UK.

This followed a £90 million asset freeze last month targeting Shayan Rahman and Shariar Rahman of Beximco Group.

"We are also in discussion with other countries," said Mansur, expressing hope over the recovery of a good amount of the money.

International litigation firms are also eager to invest between \$50 million and \$100 million to finance asset recovery, he said.

A litigation funder is a third party that provides financial support to a litigant to cover legal costs associated with a lawsuit, in exchange for a share of the potential financial recovery from the case.

Mansur said Bangladesh would consider forming a fund as a part of the initiative, alongside raising money from global litigation firms.

"They [litigation firms] will get 15 percent to 20 percent of the recovered money. But the final amount will be decided based on the amount recovered," he said.

Mansur, in an earlier interview with the Financial Times, said banks had lost \$17 billion to businesspeople close to the regime of Hasina.

He said they would proceed step by step to furnish appropriate information to the courts.

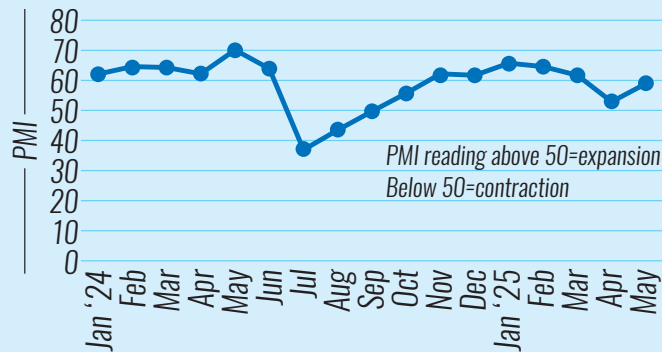
Economy might

have expanded

faster in May: PMI

Purchasing Managers' Index (PMI)

In points; SOURCE: PMI



STAR BUSINESS REPORT

Bangladesh's economy showed stronger growth in May as the Purchasing Managers' Index (PMI) rose by 6 points from that of April to 58.9, rebounding from a three-month slowdown since February, according to the latest PMI report.

The PMI is a forward-looking indicator used globally to gauge economic direction. A reading of over 50 indicates expansion, and of less than 50 indicates contraction.

The higher PMI reading was driven by accelerated activity in agriculture, manufacturing, and services,

while the construction sector recorded no change in its pace of expansion.

The agriculture sector posted its eighth consecutive month of growth, with faster expansion across new business, business activity, employment, and input costs.

Notably, the order backlog index, which had earlier shown contraction, returned to an expansionary trend, as per the PMI report jointly released by the Metropolitan Chamber of Commerce and Industry (MCCI) and Policy Exchange Bangladesh (PEB).

Manufacturing continued its positive momentum, expanding for the ninth

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