



Betel leaf farmers sort their produce based on size and quality in Nolamara village at Jashore's Abhaynagar upazila. They say every 80 leaves are selling for Tk 10 to Tk 60 at wholesale in local markets and that this was leading to losses for them. The photo was taken last Saturday. PHOTO: HABIBUR RAHMAN

Contraband, counterfeit cigarettes have surged in market

Says NBR chief, adding that it caused govt to lose a substantial amount of revenue

STAR BUSINESS REPORT

The government lost a substantial amount of revenue last year due to a surge in contraband cigarettes and local counterfeit production, said National Board of Revenue (NBR) Chairman Md Abdur Rahman Khan yesterday. This came about in spite of the imposition of higher taxes, he said, adding, "Last year, we significantly increased the tobacco tax, which now stands as high as 83 percent, and we raised prices as well." "But despite that, we're not seeing proportional growth in revenue. We expected an additional Tk 10,000 crore, but that didn't materialise," he added. "There is a huge quantity of contraband cigarettes circulating. I've seen many smokers using foreign cigarettes, which come into Bangladesh without paying any tax," he told a seminar at the NBR. The NBR organised the seminar to highlight the changes brought about in

income tax, VAT, and customs rules in the current fiscal year's budget, as well as to inaugurate e-return submissions for the current tax year. Finance Adviser Salehuddin Ahmed attended the programme as the chief guest. Economic Reporters Forum President Doulot Akter Mala also spoke at the event, among others. Khan said the customs offices in Chattogram and Dhaka often seize large quantities of these cigarettes. Even some counterfeit cigarette factories that pay no taxes have been raided and shut down, he said. However, a lack of enforcement of the law at the field level is to be blamed for the revenue drop, he said. "We must pay close attention to this. Again, this is an enforcement issue—whether we are able to detect the counterfeit manufacturers and the untaxed imports entering the market," he said. "Just making laws and assuming

revenue will follow doesn't work," said Khan. He said the amount of tax evasion was significant, and they needed to detect and recover that. "No new law is required for these, existing laws already cover it," he said. **"There is a huge quantity of contraband cigarettes circulating. I've seen many smokers using foreign cigarettes, which come into Bangladesh without paying any tax," he told a seminar at the NBR.** However, there is a lack of proper law enforcement, he added. "For instance, bonded warehouses have existed in Bangladesh since 2001, and we all know these are heavily misused. The more they are abused, the more revenue leakage we face," said Khan.

He also acknowledged that the revenue board reduced the penalty for customs misdeclaration to 200 percent in response to demands from the business community. "The extent of evasion is very high, and taxpayers often perceive the entire system as a rent-seeking mechanism," he admitted. "If I impose a penalty that's four times the due amount, all it takes is one negotiation with a customs checker to make it go away especially if there's a personal connection. This happens quite often," he said. Even a 100 percent penalty—equal to the evaded amount—is no small matter. So, bringing it down to double the payable duty is still a significant deterrent, he added. Responding to a journalist's question, the NBR chairman clarified, "The government has not provided any special privileges or benefits to Grameen Bank."

Sukuk allocation for Islamic banking units raised to 80%

STAR BUSINESS REPORT

The Bangladesh Bank (BB) has increased the share of Sukuk earmarked for Islamic banking operations to 80 percent, up from 70 percent, as part of its broader push to deepen Shariah-compliant finance. The revised allocation applies to Islamic branches and windows of Shariah-based banks, financial institutions, and insurers, as well as Islamic units within conventional banks, according to a circular issued yesterday. Meanwhile, the share reserved for conventional banks, financial institutions, and insurers has been reduced to 5 percent from 10 percent. The remaining 15 percent, down from the previous 20 percent, will be offered to individual investors, provident funds, mutual funds, gratuity funds, deposit insurance schemes, investment companies, and similar institutions. Sukuks are Shariah-compliant financial certificates, often described as the Islamic equivalent of bonds. The banking regulator also outlined the procedure for the allocation process. If bids exceed the prescribed ceiling in all three categories, allotments will be made to bidders in each group in proportion to their submitted bids. However, if bids fall short of the quota in any category, the unsold Sukuk will be distributed among bidders in the remaining categories, prioritising higher bidders, in proportion to the size of their submitted offers. Since the introduction of sukuk in December 2020, the government has issued six Shariah-based bonds. The outstanding amount of sukuk increased to Tk 24,000 crore as of May this year, according to BB data.

Oil steady after OPEC+ sticks to output hike

REUTERS, Singapore

Oil prices edged higher on Monday, paring earlier losses, as traders expect the market to absorb another large output hike by Opec+ in September, while worries about disruptions to Russian oil shipments to major importer India also provided support. Brent crude futures climbed 11 cents, or 0.16 percent, to \$69.78 a barrel by 0647 GMT, and US West Texas Intermediate crude was at \$67.52 a barrel, up 19 cents, or 0.28 percent. Both contracts closed about \$2 a barrel lower on Friday. The Organization of the Petroleum Exporting Countries and their allies, known as Opec+, agreed on Sunday to raise oil production by 547,000 barrels per day for September, the latest in a series of accelerated output hikes to regain market share. It cited a healthy economy and low stockpiles as reasons behind its decision.

Malaysia eyes AI powerhouse status in five-year plan

ANN/THE STAR

Malaysia's five-year plan to become an artificial intelligence (AI) powerhouse has been hailed as promising, but industry experts say its success will hinge on overcoming key obstacles and ensuring the public is prepared for an AI-driven future. Khalil Nooh, CEO and co-founder of local language model company Mesolitica and founding member of the Konsortium AI Negara, is confident in the country's goals, citing strong collaboration between the public and private sectors. Yet, challenges remain. Access to funding for local innovators is limited, and many AI projects struggle to deliver real commercial impact beyond modest productivity gains. "For the private sector, especially local AI builders, access to fresh capital is still a key challenge, as commercial success with new AI projects remains elusive," he said. Khalil hopes to see more targeted measures to raise awareness and equip the public with the skills to use AI tools, not just in office settings, but also for entrepreneurial ventures and side incomes. Malaysian Artificial Intelligence Society president Dr Azree Nazri echoed similar sentiments, stressing the importance of "exposure, preparedness, and access" in building a truly inclusive AI ecosystem. "Inclusivity means ensuring all sectors, urban and rural, industrial and agricultural, have meaningful opportunities in AI," he said. Azree believes the country should steer its workforce towards roles that benefit from AI, such as digital services, smart manufacturing, and

agri-tech. He added that focusing on high-potential sectors such as finance, telecommunications, healthcare, and agriculture could also create new job opportunities and enhance Malaysia's global competitiveness. "By raising preparedness, Malaysia can ensure AI benefits reach small businesses, rural communities, and marginalised groups, not just tech hubs," Azree said, adding that access to AI hardware, cloud computing, and data infrastructure must also be expanded. Both Azree and Khalil welcomed the 13th Malaysia Plan's goal of nurturing AI and STEM talent from the primary school level, stressing that building AI capability should start early. For Tan Han Wei, founder of smart farming solutions company Sustainable Harvest, the 13MP reflects growing recognition of local tech developers as key contributors to national development. "As a Malaysian tech developer, it means we're no longer just following global trends, we're being invited to lead. The emphasis on AI, digital systems, and 'Made by Malaysia' innovation gives companies a platform to gain visibility and contribute to the country's long-term food security and economic resilience," he said. Tan, who helps durian farmers adopt tech tools such as crop sensors and is currently developing an AI-based pest detection system, said a persistent challenge is shifting mindsets around local technology. "Local solutions are sometimes seen as less proven than imported systems, even when they're better suited to Malaysia's crops and climate," he said.

Listed MNCs see 17% drop

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The company said sales decreased by 3 percent due to declining market demand. Among the listed multinationals, only a handful of firms, most notably Marico Bangladesh and Robi Axiata, managed to secure profits during the second quarter, buoyed by improved cost controls and selective demand. Marico Bangladesh, which sells personal care and hair oil products, saw both revenues and profits rise, helped by stable demand and cost optimisation. Robi Axiata Ltd, the country's second-largest telecom operator, reported a doubling of quarterly profits, despite softer revenues. The company attributed the gain to lower operating costs. The company's profit soared 140 percent year-on-year to Tk 257 crore in the three months, according to its half-yearly financial reports. At the same time, its revenue dropped around 2 percent year-on-year to about Tk 2,600 crore.

Financial sector

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"inner sight" on how the government functions from within. "Many junior economists nowadays apparently don't see anything (good). I know all of them. I've been teaching since the 1970s. They're all my students," he said. "To see, one needs vision. One requires inner sight. If someone doesn't want to see, they won't be able to," he added. The seminar was organised by the NBR to highlight recent changes brought about in income tax, VAT, and customs regulations through the current fiscal year's budget, as well as to inaugurate e-return submissions for the current tax year. Speaking at the event, the adviser acknowledged that the government makes mistakes. "We make many mistakes, and that's okay. But it feels good when good initiatives are encouraged.

A 31 percent decline in sales and distribution costs during the period made the highest contribution to the jump in profits, the financial report showed. Meanwhile, the outlook for the rest of the year remains cautious. "As interest rates in the banking sector are high, companies with high debt portfolios will continue to suffer as their costs of finance will continue to chip away at their profits," said Ali Imam, CEO of EDGE Asset Management. "The telecom sector is a mature sector, so they may not see any big growth in the coming days," he said, adding that the outlook for the construction sector is not exciting. Construction-linked sectors, such as cement, steel, and paints, are unlikely to see major growth amid a broader liquidity crunch and slower private investment. "As owners of black money holders are in a tight situation, so the construction sector may not see high growth," said Imam.

Exports hit 32-month high in July

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products will begin shipping from September. "Many orders were booked earlier, but final confirmation was delayed. This week is key. It may take three to four more months for full clarity," he said. Asif Ibrahim, vice chairman of Newage Group and a former director of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), said the strong performance in July was driven by a mix of global and domestic factors. "One major driver was the front-loading of orders by international buyers, especially from the United States," Ibrahim told The Daily Star. "Concerns over potential tariff hikes led many brands to speed up their shipments, pushing a large volume of orders into July." He added that geopolitical tensions and trade uncertainties, particularly around China, had reshaped global sourcing strategies. As buyers looked to diversify, Bangladesh gained ground as a reliable option. Ibrahim said traditional markets such as the European Union, United States and Canada continued to show strong demand, while non-traditional markets, including Japan, India and Australia, saw rapid growth. He also commented that Bangladesh's improved compliance in factories, greater efficiency and rising focus on sustainability had made the sector more competitive globally. "These combined dynamics created an unusually high volume of exports in July," he said. "It is a positive signal for the sector's performance in the quarters ahead." Pharmaceutical exports saw the highest growth, jumping 61.85 percent year-on-year to reach \$19 million, up from \$12 million in July

last year. Wasim Haider, international marketing manager at Beximco Pharmaceuticals, said the surge likely resulted from multiple overlapping factors. "This kind of jump is unusual for July," he told The Daily Star, pointing to delayed June documentation and new product approvals as possible reasons. In July, leather footwear exports rose by 26 percent. But Nasir Khan, chairman and managing director of Jennys Shoes, said the gains could have been far greater if not for delays and corruption. "Our shipments often stall at ports due to slow bond clearances," he said, adding that exporters face demands for "bribes up to Tk 5 lakh just to move files." Khan claimed that a network of "unofficial lobbying quarters" and influential officials had taken control of key export approvals, holding back one of the most promising sectors outside the RMG industry. Despite rising global demand, he said red tape, middlemen and "grease money" continue to undercut the sector's full potential. **Liabilities at state** FROM PAGE B1 At the event, Finance Adviser Salehuddin Ahmed, said, "SABRE+ is more than just a digital tool; it represents a pivotal shift towards data driven, transparent, and accountable governance across state-owned enterprises and autonomous bodies." Highlighting the importance of reliable data and internal controls, he added, "Good governance requires timely evaluation and strong oversight. SABRE+ gives us the tools to achieve that."