Star BUSINESS


# Govt may cut AIT on import of raw materials

MD ASADUZ ZAMAN

The government is likely to reduce the advance income tax (AIT) on imported primary and industrial raw materials in the upcoming budget in a move aimed at easing cost pressures on businesses and consumers.

Currently, importers pay a 5 percent AIT at the import stage on raw materials. Under the proposed measure, the rate may be reduced to 4 percent or 3 percent, depending on the type of product, officials familiar with the matter told The Daily Star.

Primary raw materials refer to natural resources, while industrial raw materials include raw or semi-processed materials used to produce finished or semi-finished goods.

Finance Minister Amir Khosru Mahmud Chowdhury is expected to present the proposal in parliament on June 11 as part of the FY2026-27 national budget.

A finance ministry official, speaking on condition of anonymity, said Prime Minister Tarique Rahman approved the proposal in principle at a meeting at the Secretariat on May 14.

During the meeting, the National Board of Revenue proposed several tax measures aimed at supporting economic stability, boosting business confidence and helping contain inflation.

Officials said the reduced AIT rates would apply selectively to essential consumer goods and industrial inputs important for domestic production and supply chains.

The move is part of broader efforts to rationalise the tax burden on businesses while maintaining revenue collection amid ongoing economic challenges.

Businesses have long argued that the existing AIT structure increases import costs and creates liquidity pressure, especially for industries dependent on imported raw materials.

Abul Kasem Khan, chairperson of Business Initiative Leading Development (BUILD), welcomed the planned move.

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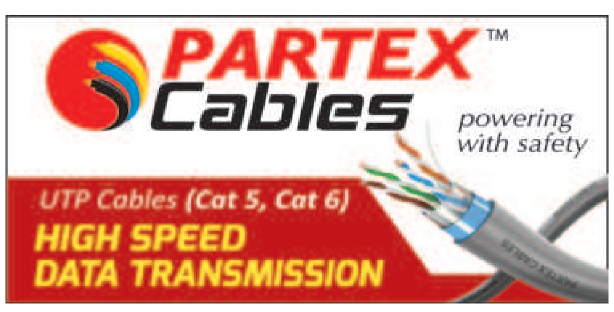



# Next budget should focus on relief, not ambition

## Economists and business leaders say FY27 budget should ease pressure on people, tackle economic challenges and deliver reforms

STAR BUSINESS REPORT

The country is going through a difficult period due to both domestic and global shocks, and the upcoming national budget must respond to those mounting economic pressures while pushing through essential reforms, according to economists and business leaders.

Since confidence is weakening among both investors and the general public, they say expectations for the new budget are to bring relief rather than be overly ambitious.

At a pre-budget roundtable at Pan Pacific Sonargaon Dhaka yesterday, economist Hossain Zillur Rahman said the next budget will have to address four key challenges: fragile business confidence, financial sector weakness, volatility in energy supply and weak budget implementation capacity.

Speaking at the event organised by Prothom Alo, Rahman, the executive chairman of Power and Participation Research Centre (PPRC), said Bangladesh is facing a prolonged period of economic strain and therefore needs a practical, implementable budget for the next fiscal year.

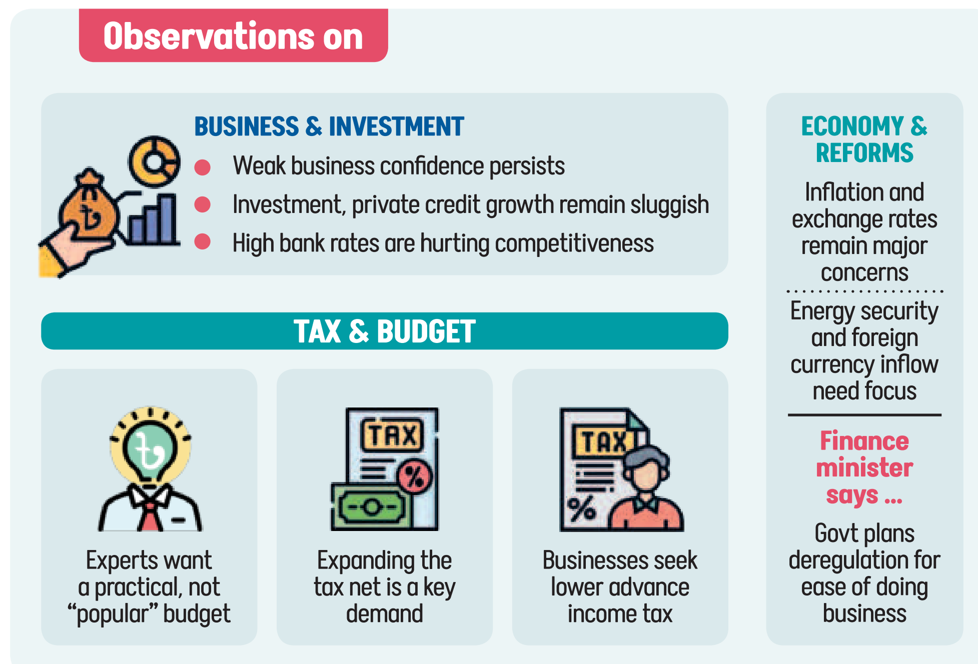
Rahman, who was an adviser of the caretaker government, also called for a special action framework involving stakeholders from different sectors, rather than relying solely on the bureaucracy, to address the crisis and help stabilise the economy within the next two years.

He said the plan should be strictly time-bound. Earlier initiatives such as the Delta Plan had failed to deliver due to implementation delays.

The economist also pointed to inefficiencies in public spending, especially in the health and education sectors. While allocations remain high, he said, weak execution has limited results.

Rahman urged the government to prioritise an implementable budget over a popular one.

He said sluggish investment is another major concern. Although the finance minister is operating under difficult circumstances, the problem still can be solved.




He further said the misuse of public resources continues in different forms. "Sometimes direct looting is taking place. Secondly, corruption is taking place through policy tools such as over-invoicing and under-invoicing."

He also talked about administrative harassment and described it as remnants of the "licence raj", saying such practices continue to enable corruption.

Shawkat Hossain, head of online at Prothom Alo, moderated the roundtable, while Editor Matiur Rahman was also present.

At the programme, Debapriya Bhattacharya, distinguished fellow at the Centre for Policy Dialogue (CPD), said expectations from the newly elected government are high.

He said the upcoming budget would have to strike a careful balance between public expectations and economic realities.

But it would not be realistic to expect too much from the finance minister, given that current challenges are caused by both domestic pressures and global economic uncertainty, said Bhattacharya.

He said controlling inflation should be a key priority in the next budget, alongside addressing pressures in the foreign exchange market and high interest rates.

He also noted that a budget deficit of around 4 percent would be acceptable.

Bhattacharya added that fiscal space does exist, pointing out that tax exemptions and subsidies currently amount to around 6 percent of GDP.

He cited tax exemptions of about Tk 25,000 crore and subsidies of Tk 4,646 crore in various sectors.

The economist also suggested offloading shares of publicly listed companies in the stock market to improve efficiency and broaden participation.

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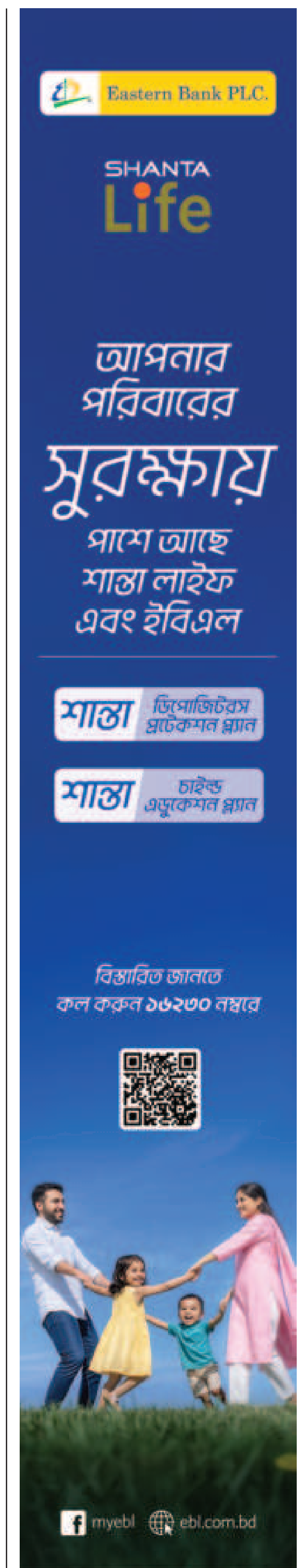



# Officials of two listed firms fined Tk 1.5cr

STAR BUSINESS REPORT

The stock market regulator fined directors and top officials of two companies -- Khan Brothers PP Woven Bag Industries and Genex Infosys -- around Tk 1.5 crore for breaching securities rules.

The Bangladesh Securities and Exchange Commission (BSEC) also ordered Aftab Automobiles to pay dividends within 30 days, failing which its directors and top officials would face fines amounting to Tk 1.55 crore.

The decisions were taken yesterday at a commission meeting chaired by BSEC Chairman Khondoker Rashed Maqsood, according to a press release.

The directors and top officials of Khan Brothers PP Woven Bag Industries were fined a total of Tk 1.4 crore for providing false data in the company's audited financial report for the year ended June 30, 2023. "They were responsible for the misstatement," the press release said.

Khan Brothers PP Woven Bag Industries Chairman Mohammed Enavul Kabir Khan, Managing Director Tofayel Kabir Khan, and directors Ruhul Kabir Khan, Hazrat Ali, and Jarin Kabir Khan were each fined Tk 25 lakh.

For the same reason, Chief Financial Officer Azizul Zabber and Company Secretary Tapan Kumar Sarker were fined Tk 10 lakh and Tk 5 lakh respectively.

According to the press release, another listed firm, Genex Infosys, declared a 3 percent cash dividend for shareholders for the year ended June 30, 2024.

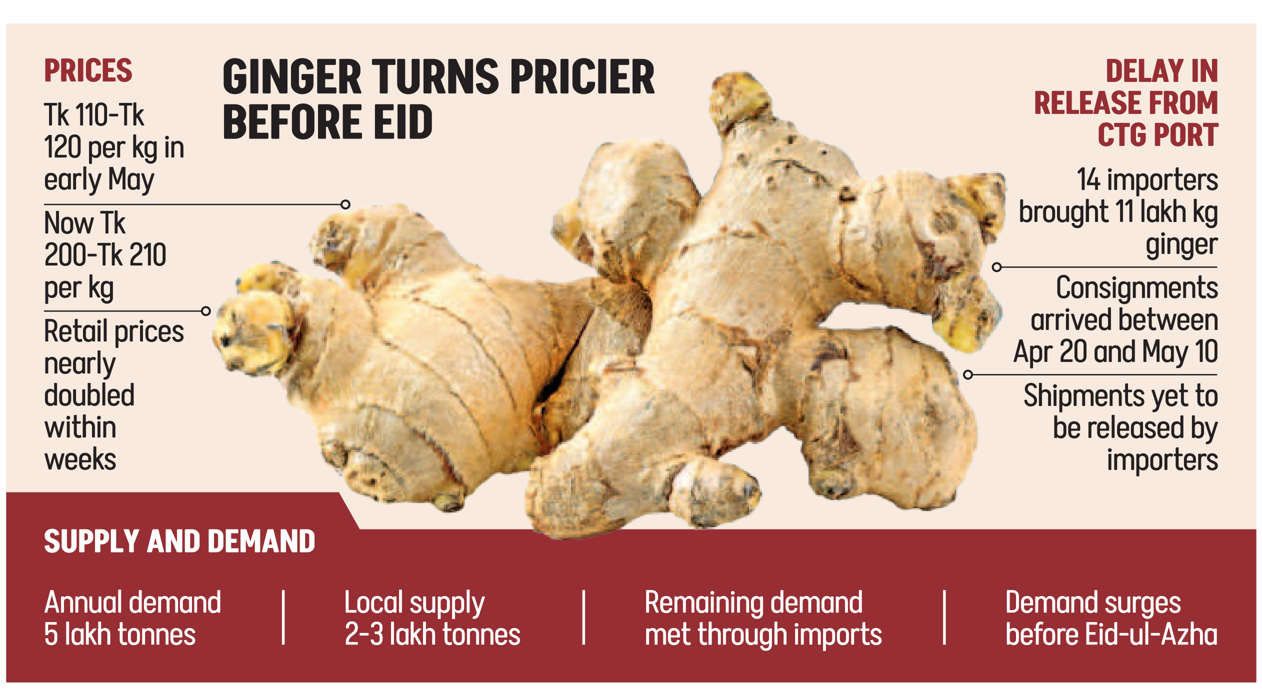
However, it failed to pay the dividend within the stipulated timeframe, prompting the regulator to fine its Chairman Mohammed Adnan Imam, Acting Managing Director Shahjalal Uddin, and directors Chowdhury Fazle Imam, Prince Mojumder, and Nilofar Imam Tk 1 lakh each.

Oracle Services, a corporate director of Genex Infosys, was also fined Tk 1 lakh, along with the company's then CFO and company secretary.

Meanwhile, Aftab Automobiles announced a 10 percent cash dividend for shareholders for the year ended June 30, 2024. However, it failed to disburse Tk 1.16 crore, equivalent to 15 percent of the total declared dividend.

The regulator ordered the company to pay the dividend within the next 30 days, or its chairman, directors, managing director and CFO would face total fines of Tk 1.55 crore.

# Ginger prices spike before Eid as importers delay port release




MOHAMMAD SUMAN

Ginger prices have nearly doubled in a matter of weeks ahead of Eid-ul-Azha, as importers left up to 11 lakh kg of the spice stranded for as long as a month at Chattogram port.

The spice -- essential for cooking meat -- that sold for Tk 110 to Tk 120 per kg in early May is now retailing at Tk 200 to Tk 210 per kg across the country.

Market insiders and consumer rights activists say the use of Chattogram port as storage by traders to manipulate prices is not new. They say the authorities should take stricter action against such practices.

Importers, however, say the delay is due to documentation issues.

Bangladesh consumes around 5 lakh tonnes of ginger a year. Of this, local production meets around 2 lakh to 3 lakh tonnes, with the rest imported, according to the Department of Agricultural Extension (DAE).

Traders say demand for ginger usually rises ahead of Eid-ul-Azha, the second biggest religious festival for Muslims.

According to sources at the Custom House, Chattogram, 14 importers brought in around 11 lakh kg of ginger in 41 containers between April 20 and May 10, but the consignments are yet to be released from the port.

Customs and district administration officials have issued an ultimatum for importers to clear the consignments by Saturday, warning of legal action if they fail to do so.

Nazmul Hossain, assistant commissioner of Chattogram Customs House, told The Daily Star that C&F agents involved in the clearance process were summoned on Tuesday to explain the delay.

"After contacting the importers, their agents assured us that the consignments would be cleared by Saturday," he told The Daily Star.

Mohammad Zahidul Islam Miah, deputy commissioner (DC) and district magistrate of Chattogram, said he took steps after receiving allegations that importers were holding consignments at the port to create an artificial crisis in the market.

"We contacted the customs commissioner, and they are taking necessary measures. We hope the issue will be resolved quickly," he told The Daily Star.

He said market monitoring had been intensified ahead of Eid-ul-Azha to prevent excessive pricing and artificial shortages of essential commodities. "If evidence is found of market manipulation or hoarding, legal action will be taken," he added.

According to National Board of Revenue (NBR) data, Bangladesh imported around 77,000 tonnes of ginger between January and May 18 this year, slightly lower than the 79,000 tonnes imported during the same period last year.

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# Prioritise reforms to support growth

## Economists urge govt

STAR BUSINESS REPORT

The government should focus on reforms and higher productivity to restore economic growth and financial stability instead of relying on demand side expansion and populist measures, economists said yesterday.

"This budget gives us an opportunity to restore financial stability while supporting growth," said Ashikur Rahman, principal economist at the Policy Research Institute of Bangladesh (PRI).

He made the remarks at PRI's monthly macroeconomic insights session titled "Restoring Growth through Productivity Reforms: Pre-Budget Priorities" held at the organisation's office in Dhaka.

Rahman said Bangladesh must prioritise reforms in the financial and revenue sectors, improve the investment climate, and address ongoing problems in the electricity and energy sectors.

"Without effective reforms, an expansionary budget could increase inflation and debt burdens, undermining the ongoing stabilisation process," he warned.

He also called for reforms in state-owned enterprises (SoEs), saying these organisations hold assets equivalent to 17 percent of GDP but generate negative returns.

"This is draining the economy. You are bleeding money without any reason," he said, blaming poor corporate governance, weak financial management, lack of transparency and political influence for the poor performance of SoEs. He also criticised the governance structure of many SoEs.


Bangladesh's macroeconomic situation remains fragile because of weaknesses in the fiscal, financial and energy sectors. Rahman stressed that macroeconomic stabilisation alone would not be enough to restore strong and sustainable growth.

Bangladesh now needs productivity-focused reforms, including tariff rationalisation, trade openness, tax reforms, better investment conditions, energy sector restructuring, more foreign direct investment and improved infrastructure.

He noted that both Fitch Ratings and the Asian Development Bank have recently expressed concerns about Bangladesh's economic outlook.

Inflation remained above 9 percent in April, while tight liquidity and high lending rates pushed private sector credit growth to historic lows, he said.

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