Govt to address major gaps in Commercial Courts Act

Arbitration Act 2001 also needs reforms, says law minister

STAR BUSINESS REPORT

The law minister yesterday promised to address four key issues in Commercial Courts Act 2026 that continue to drive away foreign investors.

"The major issues which international investors face here in Bangladesh are mostly absent in this act. So, being the law minister, I would like to look into that aspect and how we can address those issues," Md Asaduzzaman said in a seminar on strengthening the commercial justice system in Dhaka's Hotel InterContinental.

The minister of law, justice and parliamentary affairs identified the four issues as regulatory disputes, tax problems, labour conflicts, and criminal litigation.

The law was passed in April. The minister said the gaps persisted because the law was passed in haste.

He also flagged several limitations in the existing Arbitration Act 2001 which "can be fixed easily".

Arbitrator fees are so high that ordinary businesspeople avoid the system, and files are kept pending so long that the act's core purpose of expeditious dispute resolution is defeated, he said.

"It's a good start that we have started with commercial courts. Now the government wants to re-examine it. We want to bring back certain amendments so that it really helps businesses," said the minister.

Michael Miller, ambassador of the European Union, said establishing the commercial courts will send a powerful signal to foreign entrepreneurs that their investment is protected by the law and they will get justice fast.

It will also boost their confidence, he added.

Investors need legal certainty, predictability, and confidence that disputes can be resolved fairly and efficiently, said Mahbubur Rahman, chairman of the Bangladesh International Arbitration Centre (BIAC), which organised the seminar with support from the United Nations Development Programme.

In this context, the Commercial Courts Act and the proposed reforms to the Arbitration Act represent important milestones.

Efficient commercial courts can reduce delays, improve contract enforcement, and create a more business-friendly environment, he added.

Md Sameer Sattar, a former president of the Dhaka Chamber of Commerce and Industries (DCCI), said efficient contract enforcement, which is related to time and cost to resolve a commercial dispute, and the quality of judicial processes is crucial for attracting investments.

However, Bangladesh's performance in this area remains notably weak with almost no improvement over five years, he said.

Citing a World Bank report, he said the average time for enforcing contracts in Bangladesh is 1,442 days.

He added that reliable, efficient, and predictable enforcement of contracts is not optional for investors, but a baseline requirement for capital entry, expansion and risk assessment.

"When disputes are resolved swiftly, investor confidence rises, making them keen to invest in that particular country. It is, therefore, crucial for country branding," said the former DCCI president.

Tanjil Chowdhury, chairman of Prime Bank PLC, presides over the bank's 31st annual general meeting (AGM) yesterday. The meeting approved a 30 percent dividend, including a 25 percent cash dividend, for 2025. PHOTO: PRIME BANK

Prime Bank declares 30% dividend

STAR BUSINESS DESK

Prime Bank PLC yesterday announced a 30 percent dividend, including a 25 percent cash dividend, for the year that ended on December 31, 2025.

The announcement came at the bank's 31st annual general meeting (AGM), held virtually, according to a press release.

Tanjil Chowdhury, chairman of the bank, chaired the meeting and presented an overview of the bank's performance and strategic direction.

Faisal Rahman, acting chief executive officer, addressed shareholders' queries and feedback.

Company Secretary Nayamul Hoque moderated the live-streamed event, which was also attended by representatives from the stock exchanges and the bank's auditors.

A total of 358 registered shareholders, board members, and senior officials joined the event.

The shareholders approved the dividend, audited financial statements, and other key agenda items.

Next budget should focus on relief

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Simeen Rahman, chief executive officer of Transcom Group, said one of the biggest challenges facing businesses is the ongoing stress in the financial sector.

She said reforms are essential, but more importantly, the right reforms are needed, as many of the current challenges businesses are facing today have been inherited from previous administrations.

"The business community is affected every single day," she said, urging the government to pursue reforms more aggressively despite the difficulties.

On the budget, she said the key challenge is to expand the tax base rather than increasing the burden on existing taxpayers.

She called for full digitisation and automation of the tax system to ensure transparency and efficiency, noting that the current tax-to-GDP ratio is around 6 percent and should be raised significantly.

She also advocated a uniform value-added tax (VAT) rate across sectors, saying differentiated rates create scope for manipulation.

On advance income tax (AIT), she said the current 5 percent deduction at the import stage is rarely refunded by the National Board of Revenue (NBR), effectively making it a permanent cost. She proposed reducing it to at least 3 percent.

She added that tax deducted at source, especially on institutional and corporate sales, is treated by the NBR as a final tax liability, creating an excessive burden on businesses. She suggested reducing the rate from 5 percent to 3 percent to provide relief.

M Masrur Reaz, chairman of Policy Exchange Bangladesh, said investment, employment and private sector credit growth remain weak. The government should prioritise economic recovery in the budget and focus on job creation.

Mohammad Hatem, president of Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), said exporters are not receiving refunds on advance income tax despite paying it upfront. He called for widening the tax net and improving the investment climate.

Md Mahbubur Rahman, chief executive officer of HSBC Bangladesh, said Bangladesh needs a clear policy to increase foreign currency inflows.

He added that this is an opportune time to attract investment from the Middle East and stressed the importance of improving energy security.

Md Golam Mowla, general secretary of the Moulvi Bazar Baboshayee Samity in Dhaka, said prices of imported spices such as cloves and cardamom, as well as fruits, remain high due to heavy import duties.

Selim Jahan, former director of UNDP, pointed to several key challenges including economic stabilisation, macroeconomic management and restoring dynamism. He said job creation and investment growth remain central concerns.

Mohammad Mustafa Haider, group director of TK Group, said Bangladesh is losing competitiveness to countries such as China, India and Vietnam due to high bank interest rates. He noted that loan repayment periods in Bangladesh are shorter than in many of these countries.

Imran Hassan, secretary general of the Bangladesh Restaurant Owners Association, said small local bakery units are being squeezed out as large corporate groups enter the market.

He said large firms are selling packaged rice at Tk 140 per kilogram while farmers receive only Tk 70.

He also said many small rice husking mills have shut down due to corporate expansion in the sector.

Finance Minister Amir Khosru Mahmud Chowdhury said the government plans to bring low-income groups such as shoemakers, potters, theatre people, artisans and painters under budgetary coverage.

He said non-governmental organisations and private sector actors will be engaged to support these groups.

The finance minister also said the government will pursue deregulation to improve the ease of doing business and activate the creative and sports economy in the next budget.

Most Fed officials say rate hikes may be needed

AFP, *Washington*

A majority of US Federal Reserve policymakers indicated that interest rate hikes could be needed if inflation continued to run persistently above the central bank's two-percent target, minutes of their last meeting released on Wednesday showed.

The Fed's Open Market Committee (FOMC) had voted to keep the key interest rate steady at that meeting, held late last month.

Four of 12 voting officials, however, opposed the outcome, the largest number of dissents since 1992.

Three regional Fed presidents -- Beth Hammack, Neel Kashkari and Lorie Logan -- backed the pause but not language in the Fed statement that signaled an inclination towards interest rate cuts.

One member, outgoing Fed Governor Stephen Miran, voted for an interest rate cut.

The divisions at the Fed will be a key challenge for incoming chair Kevin Warsh, who will be sworn in this week at the White House and who himself has backed interest rate cuts in the recent past.

The meeting's minutes, released after the customary delay of three weeks, revealed divisions on the Fed's path forward. "In discussing risk-management considerations bearing on the outlook for monetary policy, participants assessed that both upside risks to inflation and downside risks to employment remained elevated," the minutes said.

The Fed has a dual mandate of keeping inflation to a long-term two-percent target while ensuring maximum employment in the world's largest economy.

US households have been battered by higher-than-expected inflation since the pandemic, with consumer inflation hitting a peak of 9.1 percent in mid-2022.

Last month, that figure hit a three-year high of 3.8 percent, fueled by the economic fallout of US President Donald Trump's war on Iran, which has seen energy prices surge due to Tehran's retaliatory action.

The US unemployment rate has remained relatively steady over the past year, but job growth has see-sawed between expansion and contraction, prompting concerns about labor market weakness.

Some participants of the meeting expressed concern at the possibility of a long-term conflict in Iran leading to a sustained energy price surge, potentially "creating a greater tradeoff between the Committee's employment and inflation goals."

Setting the economy's key interest rate is the Fed's main tool in addressing its dual mandate. Cutting rates tends to boost economic activity and job growth; raising them can cool both inflation and growth.

At the meeting, Fed policymakers "generally judged that the current policy rate was within the range of plausible estimates of its neutral level," meaning one with neither a restrictive nor expansionary effect.

Fed policymakers agreed at the meeting that the situation in the Middle East was "contributing to a high level of uncertainty about the economic outlook."

Before the United States and Israel launched the war in February, markets had priced in two interest rate cuts for 2026, after the Fed held rates steady in January.

Price increases due to the conflict, however, "could necessitate maintaining the current policy stance for longer than previously anticipated," the latest meeting's minutes said.

Oil prices gain

REUTERS

Oil prices gained more than 1 percent on Thursday, paring previous losses as investors monitored peace talks between the United States and Iran, while supply tightness and US inventory drawdowns provided some support.

Brent crude futures rose $1.27, or 1.21 percent, to $106.29 a barrel by 0618 GMT, and US West Texas Intermediate futures were up $1.29 cents, or 1.31 percent, at $99.55.

Both benchmarks dropped more than 5.6 percent on Wednesday to their lowest in more than a week after President Donald Trump said talks with Iran were in the final stages, but also threatened further attacks if Tehran did not agree to a peace deal.

"The oil market remains overly sensitive to Iran-related headlines, with participants continuing to pin considerable hope on reports that talks between the US and Iran are progressing," ING analysts said in a note on Thursday.

"We've been in this situation multiple times before, which ultimately led to disappointment," they added, forecasting an average Brent price of $104 a barrel in the current quarter.

Iran warned against further attacks and unveiled steps entrenching its control of the crucial Strait of Hormuz, mostly closed, though before the war it had carried oil and liquefied natural gas shipments equal to about 20 percent of global consumption.

On Wednesday, Iran announced a new "Persian Gulf Strait Authority," saying there would be a "controlled maritime zone" in the Strait of Hormuz.

Govt may cut AIT

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He said excessively high AIT rates should be reduced and, in some cases, abolished altogether.

Khan argued that when import-stage taxes exceed a company's final tax liability based on annual profits, the excess amount should either be refunded or adjusted against future tax liabilities.

The current system creates severe liquidity pressure, he said.

"In many cases, companies with a corporate tax rate of 27.5 percent effectively end up paying as much as 45 percent through different taxes and deductions, without receiving any rebate or refund," he added.

According to him, this not only affects cash flow but also raises concerns about business sustainability.

He also said taxation should ultimately be based on profits, but in practice, it is increasingly becoming "a tax on revenue", which contradicts basic accounting principles.

"If the government reduces AIT, that will be a positive step. But the issue requires a permanent and transparent solution. Otherwise, many businesses may either shut down or move away from compliance," he said.