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BUSINESS

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FUNDS FROM DSE STAKE SALE

NBR devises ways for tax waiver on capital gains

AHSAN HABIB

Stock brokers of the Dhaka Stock Exchange will have to invest the money they will get from the share sell-off to the Chinese consortium through a separate beneficiary account (BO) to get discount on capital gains tax, said finance ministry officials.

The National Board of Revenue will issue a notification soon making it mandatory for the money to be invested in securities for three years.

"The money and profits from the securities cannot be withdrawn from the BO account during this period," said a finance ministry official.

If they do so, they will enjoy the benefit of 5 percent capital gains tax instead of 15 percent.

The NBR has prepared the package following appeals from stock brokers for waiver on capital gains tax on the proceeds from sell-off of 25 percent stakes, or 45.09 crore shares, of the

Dhaka bourse to the Chinese consortium of Shenzhen Stock Exchange and Shanghai Stock Exchange.

The DSE gets Tk 962 crore from the Chinese consortium. Of the amount, Tk 15 crore has been deducted as stamp duty, meaning that brokers will get Tk 947 crore.

Finance Minister AMA Muhith assured them of giving tax privilege to shore up the market that has been sluggish for the last few months.

The DSEX, benchmark index of the premier bourse, declined 936.76 points, or 14.83 percent, in the last 10 months.

During the period, the DSE shed Tk 40,412.93 crore in value.

Officials said the NBR has finalised the terms and conditions for the notification.

"We are analysing the legal issues now. It has been sent to the law ministry for vetting," the official said.

If stock brokers want to get the tax waiver they have to invest the money throughout the next three years.

The realised gains of the account will have to be kept in the stock market, he added.

If anyone wants to liquidate his/her



investment within three years, he will have to pay the remaining 10 percent-age points tax.

Stock brokers will have to submit statements of their BO accounts within July 31 of each year to the field office of the NBR, he added.

Officials of the Bangladesh Securities and Exchange Commission (BSEC) said the government is very keen to keep the market vibrant.

The government is trying to bring about optimism among investors ahead of the national election.

"As a result, this decision came," said a commissioner of the BSEC, adding that they worked to give the tax waiver for the sake of capital market.

The investment of the sum will reduce the liquidity crunch and give confidence to investors, said Mostaque Ahmed Sadeque, president of the DSE Brokers' Association.

Investors should not be frightened about the national election, he said, adding that many stocks are becoming very lucrative now, so they could do well by getting in on the act now.

Jobs for the differently abled

STAR BUSINESS REPORT

Some 110 differently-abled persons yesterday got much-needed jobs at a career fair.

The Bangladesh Business and Disability Network (BBDN), a platform of employers promoting inclusion of physically and mentally challenged persons at workplaces, organised the fair in collaboration with Brac at Krishibid Institution Bangladesh in the capital.

The fair saw 232 persons applying for jobs and 110 of them get employment. Some 26 job aspirants received appointment letters on the spot from recruiting managers of Babylon Group, Fakir Apparels, Vintage Denim, DBL Group and Esquire Group.

The BBDN and Bangladesh Employers' Federation also organised an award presentation ceremony for nine employers and two chambers for promoting such inclusion in their industries.

The awardees are Square Group, Akhtar Group, Viyellatex Group, Shin Shin Group, Urmi Group, DBL Group, Picard Bangladesh, Vintage Denim, Shwapno and the Chittagong and Sylhet chambers.

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Loan write-offs balloon in Q2

AKM ZAMIR UDDIN

Loans written off by banks soared in the second quarter of 2018 as efforts to clean up balance sheets petered out.

Between the months of April and June, the amount of loans written off by lenders stood at Tk 615 crore, an increase of 4.36 times from three months earlier.

The amount took the tally of written-off loans since January 2003, when the policy was introduced, to Tk 48,890 crore, according to data from the central bank.

Some 14 banks wrote off their bad loans in the second quarter, with the highest figure registered by Dutch-Bangla Bank Ltd (DBBL). DBBL removed bad loans amounting to Tk 172 crore from its balance sheet during the period, followed by Eastern Bank at Tk 111 crore, Prime Bank at Tk 102 crore and IFIC Bank at Tk 89 crore.

Some banks scrambled to write off their bad loans in the second quarter to keep their default loans artificially low, said a Bangladesh Bank official.

But the move will not bring any positive impact to the banking sector as there is next to no possibility of recovering such category of loans, he said.

State-run banks wrote off only Tk 1.26 crore and private banks Tk 599.19 crore during the quarter.

Two specialised banks, however, did not go for any write-offs during the period.

Most of the state-run banks have skipped out on writing off their bad loans as they did not have the cash needed to keep provisioning against them, the central bank official said.

The banks are already burdened with huge provisioning shortfall, for which they often took support from the central bank.

For instance, Sonali Bank is yet to write off the entire loans of Hall-Mark Group although the lender had categorised the controversial group's loans as bad in 2013.

As per the banking norms, there is no scope of taking deferral support when lenders write off loans.

BANKS' WRITTEN OFF LOANS

In crores of taka

SOURCE: BB



Banks have to file lawsuits against the defaulters with the court before writing off the loans, according to the rules.

Between January 2003 and March 2018, Tk 48,890 crore was written off. Of the amount, 76 percent remained outstanding, meaning banks' efforts to recover the bad loans have not paid off. The rising trend of loan write-offs reflects the indiscipline reigning in the country's banking sector, said Khondkar Ibrahim Khaled, a former deputy governor of the central bank.

"Lenders opt for write-offs when the defaulted loans rise significantly. It is an attempt taken by banks to prevent people from knowing their actual financial health."

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Amend coastal shipping deal with India

Local shippers say

REJAUL KARIM BYRON and REFAJET ULLAH MIRDHA

Local seagoing container shippers have urged both the Bangladeshi and Indian governments to allow them to carry goods of third countries for the sake of saving time and money and facilitating the industry to thrive.

Under the current agreement on coastal shipping signed between Bangladesh and India last year, the local (both Bangladeshi and Indian) vessels are allowed to carry the goods only of the two countries in the recognised ports or port of calls.

Since the local vessels cannot carry a third country's goods, the international main line operators (MLOs) -- like Maersk, Hyundai and Hapag-Lloyd -- that carry goods from the US, the EU and other countries do not unload the Bangladesh-bound goods at the Indian ports.

Rather, the MLOs take the Bangladesh-bound goods to other ports like Singapore, Colombo or Kelang, where they are stacked in the terminals for at least a month before they are carried to Bangladesh in small vessels.

It takes at least a week for the goods to arrive at the Chittagong or Mongla ports from abroad, said Shaikh Mahfuz Hamid, managing director of Gulf Orient Seaways, a local container shipping line operator.

So in total, it takes about 45 days to carry those goods to Bangladesh.

Furthermore, the Chittagong port, the country's main port, is overloaded now, meaning there is a delay in unloading the consignment.

"If our local container ships are allowed to carry third country goods from three Indian ports of Visakhapatnam, Krishnapatnam and Haldia, we can save at least 45 days in each consignment," said Hamid, also the chairman of the Coastal Ship Owners Association of Bangladesh.

Not only that, the shippers could have earned \$12.5 million as fares and saved \$37.5 million a year, as it takes only three days to carry the goods from the three ports of India to Chittagong or the Pangaon port in Dhaka, he said.

Subsequently, the shippers demanded amendment to some clauses in the coastal shipping agreement in the upcoming secretary-level meeting of shipping ministries, scheduled for October 24-26 in New Delhi.

READ MORE ON B3



Differently-abled persons queue to apply for jobs at a fair organised by the Bangladesh Business and Disability Network in collaboration with Brac at Krishibid Institution Bangladesh in the capital yesterday.

ILO

Banks' liquidity sees sharp rise

JEBUN NESA ALO

After enduring a serious cash crunch since the middle of 2017, the banking sector has started to witness a sharp rise in excess liquidity.

All liquidity available in the banking system that exceeds the needs of banks is called excess liquidity.

The excess liquidity went up 27 percent in the second quarter this year in comparison to the previous quarter thanks to the relaxing of the cash reserve requirement (CRR).

Banks were sitting on an additional liquidity of Tk 97,500 crore at the end of June, up from Tk 76,900 crore in March, according to Bangladesh Bank's latest data.

On April 4, the central bank reduced the CRR by one percentage point to 5.5 percent to ease the liquidity condition.

The regulatory requirement was revised down at a time when the banking sector was experiencing a liquidity mismatch in January-March quarter of 2017-18, said Bangladesh Bank in its quarterly report for April-June.

The reduction of the CRR eased the liquidity condition, it observed.

The increased availability of cash has helped banks revise down the lending rate by 1 to 2 percentage points in the last two months.

Currently, banks are lending at 10 percent to 11 percent, which was more than 13 percent several months ago.

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Korean automakers eye Bangladesh market

JAGARAN CHAKMA

Korean automobile manufacturers are looking to increase their market share in Bangladesh after sales of their cars rose 20 percent on an average in the last three years, said industry people.

The share of Korean automakers in the Bangladesh market reached 6 percent in 2017, showed an analysis of data from Bangladesh Road Transport Authority (BRTA) and local agents.

Korean automobiles companies are increasing their market share in the

segment along with electronic products, said Shahab Uddin Khan, adviser of the Korean Bangladesh Chamber of Commerce and Industry.

"Korean automobile retailers only import brand new cars and their prices are affordable compared to those of other globally-reputed companies," he said.

He also said clients who do not mind spending for cars prefer Korean brands thanks to their elegant and modern designs and affordable prices.

A total of 1,350 units of cars were sold in Bangladesh in 2017, up from

1,160 units in 2016 and 1,010 units in 2015, data from the local agents of Korean car retailers showed.

Last year, the BRTA registered 21,959 cars, which were 20,304 units in 2016 and 21,062 units in 2015.

There is a huge demand for cars riding on the section becoming increasingly affluent in the country while car sales are forecast to amount to as much as \$2.5 billion a year, according to Bangladesh Investment Development Authority.

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