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# Star BUSINESS

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## Defaulters await another lifeline

*They will be allowed to reschedule loans for 12 years with 2pc down payment*

STAR BUSINESS REPORT

The government is set to offer defaulters another lifeline, allowing them to avail easy loan rescheduling facility -- a move that has been met with suspicion by experts.

The decision came yesterday at a meeting chaired by Finance Minister AHM Mustafa Kamal and attended by high-ups of all regulatory authorities concerned.

Defaulters will be allowed to reschedule their loans for 12 years after furnishing 2 percent down payment under a special package, Kamal told the media after the meeting, which was held on the planning ministry premises.

At present, defaulters can reschedule their loans for at most 3 years by providing 10 to 15 percent down payment.

"The new policy is a special arrangement for those who are not wilful defaulters," Kamal said, adding that the relaxed policy will come into effect from May 1 and the Bangladesh Bank will issue a notice within a month.

Both small and large borrowers will be able to get the rescheduling facility and a 7 percent simple interest formula instead of existing compound formula will be applied.

The defaulters will have to pay instalments on a quarterly basis, he said.

The principal amount plus charged interest will be rescheduled under the scheme and the interest amount blocked in a suspense account will be waived.

If their payments are regular, borrowers will also be able to get fresh loans from the same bank after rescheduling.

*Some influential politicians, who are large loan defaulters, are probably involved in the formulation of such a policy," says Khondkar Ibrahim Khaled*

"Only those with genuine reasons for becoming defaulters can avail this facility. The wilful defaulters will be penalised."

The previous transaction records of the clients would inform whether they are wilful defaulters or not. For instance, an exporter who received export proceeds for 10 times but did not pay back his/her bank loan cannot be a good borrower.

The government will also conduct a special audit to identify the wilful defaulters, Kamal added.

The bailout package though was met with suspicion by experts.

"The policy will destroy the banks," said Khondkar Ibrahim Khaled, former deputy governor of the Bangladesh Bank.

Banking records show that if a loan remains unrecovered for a long time, the chances of recovery are low.

"This has been ignored by the policy. Some influential politicians, who are large loan defaulters, are probably involved in the formulation of such a policy," he added.

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## BANGLADESH VS PAKISTAN

### A tale of two economies

SAJJADUR RAHMAN

The infamous quote 'Bangladesh is a bottomless basket' made by then US Secretary of State Henry Kissinger in 1974 has already been proved wrong.

In 1971, when Bangladesh achieved independence from Pakistan through a nine-month-long bloody battle that cost the lives of three million people, many doubted the survival of the new country.

But those concerns have dissipated long ago. In five years' time, Bangladesh is tipped to be a middle-income country.

Bangladesh's per capita income is

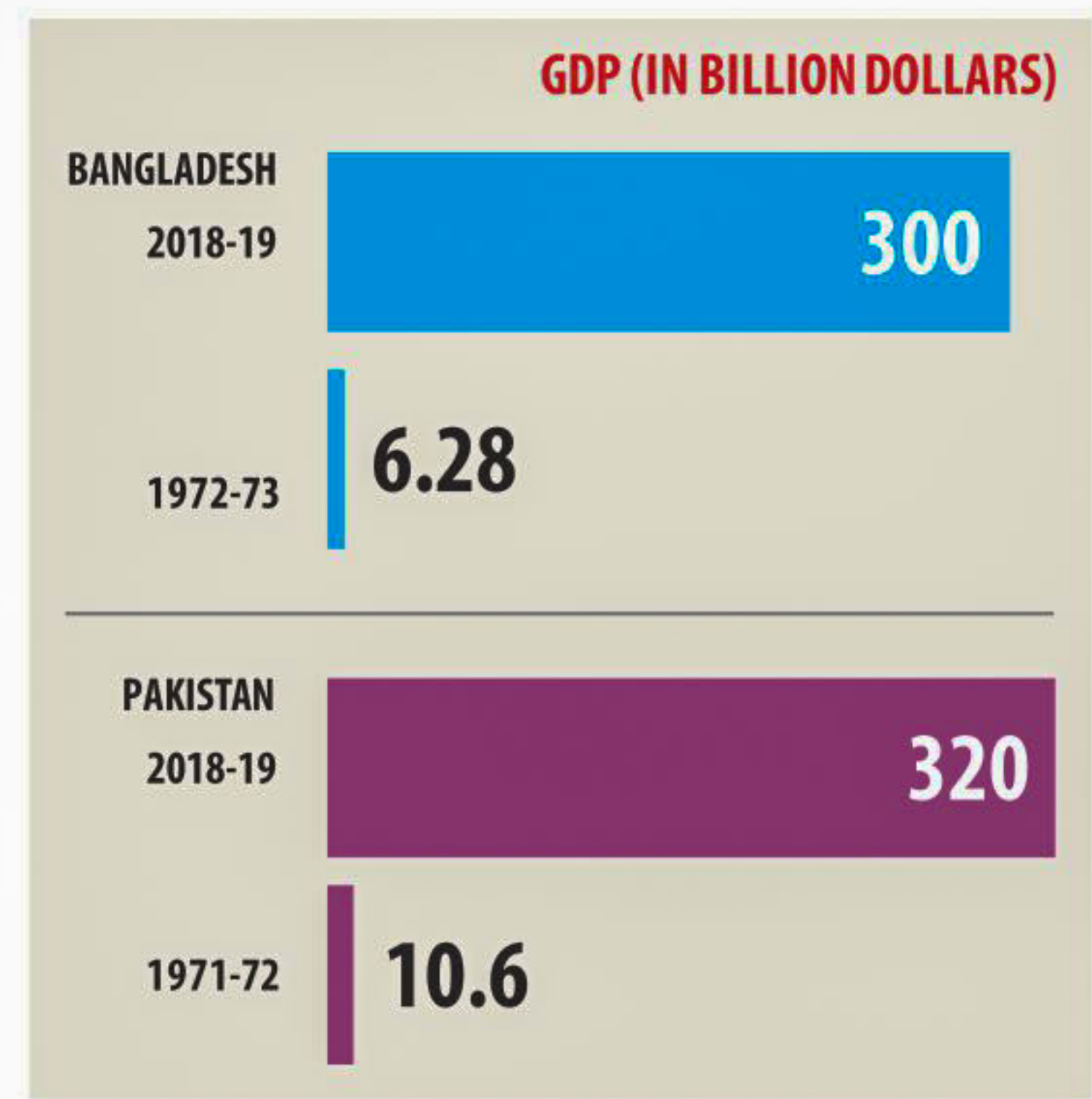
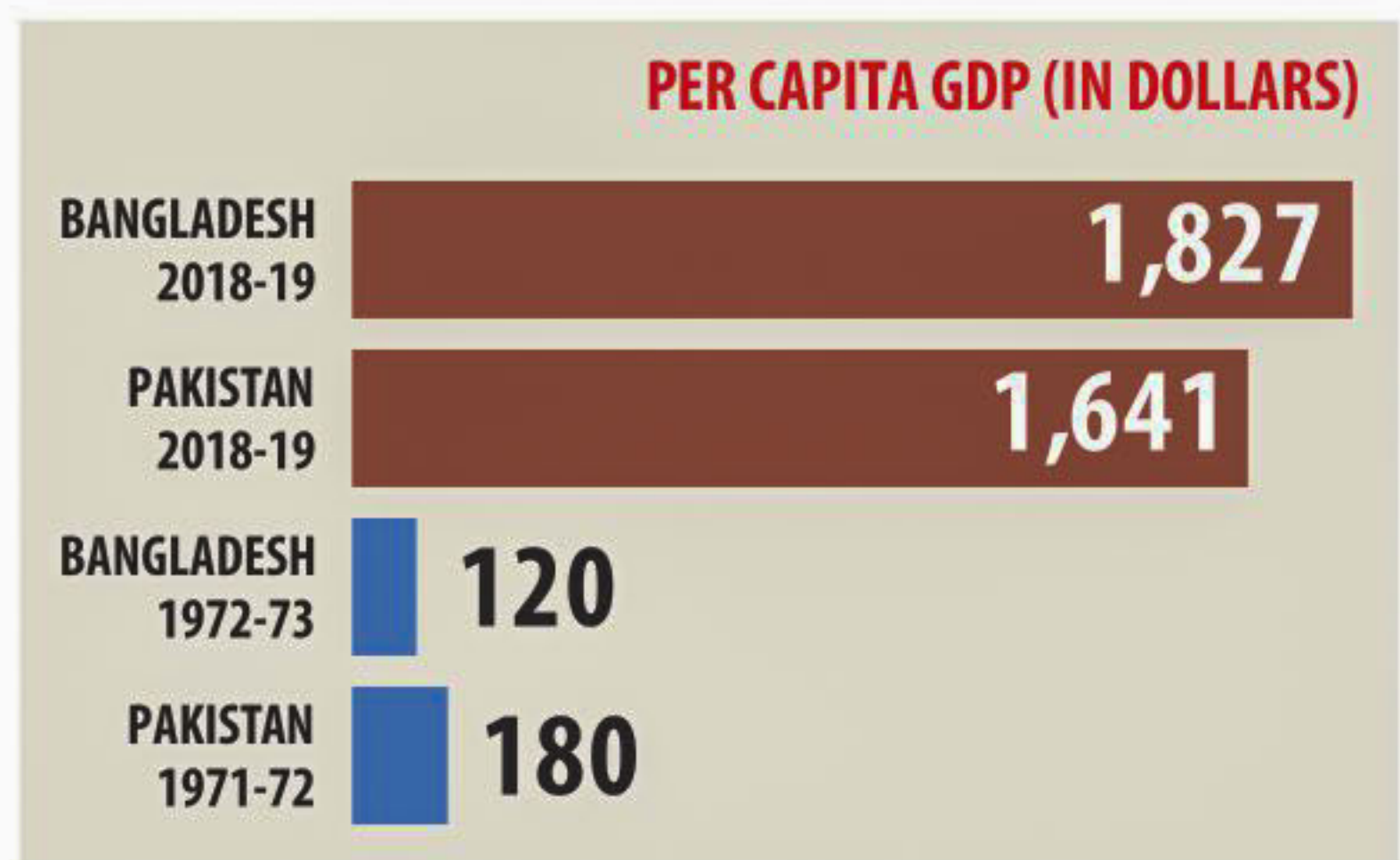
estimated to be \$1,909 at the end of the fiscal year, up from \$120 in 1972.

Pakistan's per capita income stands at around \$1,700 now from \$180 in 1971.

Bangladesh is likely to be the biggest mover in the global GDP rankings in 2030, becoming the 26th largest economy in the world from 42nd last year, according to the latest HSBC Global Research report.

The report -- The World in 2030: Our long-term projections for 75 countries -- showed Bangladesh's economy would jump 16 notches, the highest by any country between 2018 and 2030.

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INDICATORS	BANGLADESH		PAKISTAN	
FOREX RESERVE	MAR 20, 2019	\$31.69B	JAN 2019	\$14.8B
EXCHANGE RATE	TK 84.25/\$		RS 140.6/\$	
POPULATION	170M		207M	
LIFE EXPECTANCY	1972/73	2018/19	1971/72	2018/19
	47 YEARS	73 YEARS	54 YEARS	66 YEARS

DATA SOURCE: WORLD BANK, ASIAN DEVELOPMENT BANK, BANGLADESH BANK AND STATE BANK OF PAKISTAN

## No tax benefit for firms shifting to economic zones

STAR BUSINESS REPORT

The tax authority has tightened rules on tax benefits handed to companies establishing factories in the economic zones, in a move to attract fresh investment and curb the scope for misusing incentives.

In a notification this week, the National Board of Revenue (NBR) said firms would not get tax exemption if they relocate industrial units to the economic zones from their existing locations.

"New industrial units have to be established to enjoy the tax privilege," said a senior official of the NBR, on condition of anonymity.

The NBR also said the machinery which was used earlier to produce goods and services in the country could not be installed to set up plants in the EZs.

*New industrial units have to be established to enjoy the tax privilege*

The move comes at a time when a rising number of entrepreneurs are queuing to establish EZs, tempted by the tax breaks and a host of other benefits offered by the government.

Bangladesh Economic Zones Authority (Beza) has received 46 applications from investors keen to set up the EZs. Until now, the authority has approved 29 applications in principle.

Of them, 10 applicants have received the final nod to set up the private EZs, said an official of the Beza yesterday.

The NBR, in July 2015, offered a 10-year tax benefit for companies that would set up factories inside the enclave to produce goods and services for both domestic and foreign markets.

Large business groups such as Meghna, City and Abdul Monem Ltd have already set up EZs.

In the initial order, the NBR had said firms would have to have tax registration, maintain accounts and submit tax returns regularly to avail the privilege, which provides full tax exemption on the income from proceeds of goods and services in the first three years of operations.

The NBR has kept unchanged the same benefit in the latest notification. It says companies will get 80 percent tax waiver on the income from the sales of goods in the fourth year, 70 percent in the fifth year and 60 percent in the sixth year.

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## Income tax, VAT may be cut in budget

*Adviser hints at FBCCI event*



Sheikh Fazle Fahim, centre, being felicitated on leading Sammilito Babosayee Parishad, a panel for the upcoming FBCCI election, at International Convention City Bashundhara in Dhaka on Sunday. Salman F Rahman, the prime minister's private industry and investment adviser, and Shafiqul Islam Mohiuddin, FBCCI president, are also seen.

STAR BUSINESS REPORT

The income and value-added tax rates may be cut in the national budget for the upcoming fiscal year, an adviser to the prime minister said.

In Bangladesh, both the VAT and income tax rates are higher than those in other countries, Salman F Rahman, the private industry and investment adviser, said.

He was speaking at the unveiling of Sammilito Babosayee Parishad, a panel for the upcoming biennial election of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), at International Convention City Bashundhara in Dhaka on Sunday night.

Sheikh Fazle Fahim, panel leader, revealed the names of the candidates at the event, which was attended by

former presidents and vice-presidents of the FBCCI and members of the business community. The election is due on April 27.

*Govt punishing wilful defaulters and trying to find out ways to help genuine defaulters, says Salman F Rahman*

On defaulted loans, Rahman said the government was punishing wilful defaulters and trying to find out ways to help genuine defaulters.

The adviser also said the long-cherished one-stop service centre for

businesses would get ready within next three to six months in true sense as the government was working to amend laws to make the initiative effective.

"Earlier, the one-stop service centre could not go into operation although laws were amended and we used to joke that the one-stop service is in fact a full stop service. But the same will not happen this time."

The government is working to fast-track the delivery of trade licences and company registration so that businesses can avail themselves of the important documents within three to four hours, according to Rahman.

He also touched upon a government plan to improve Bangladesh's position in the World Bank's flagship Ease of Doing Business ranking.

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## FAILURE TO REPAY LOANS Southeast Bank to auction off assets of two companies

STAR BUSINESS REPORT

Southeast Bank has moved to auction off the properties of two concerns of Chattogram-based Nurjahan Group for their failure to repay loans worth Tk 297 crore.

"We have resorted to the legal process as the bank has failed to recover the overdue amount from the companies despite repeated attempts," said M Kamal Hossain, managing director of Southeast Bank.

Accordingly, the bank through two advertisements yesterday announced that it would hold the auction for the mortgage properties on April 18.

The two concerns of Nurjahan Group are Marine Vegetable Oil and Nurjahan Super Oil.

The businesses took the loans from Jubilee Road branch of the bank six to seven years ago by mortgaging 6.06 acres of lands.

Zahir Ahmmad is the managing director of both the companies and Jasim Uddin is the chairman of Marine Vegetable. The two are the owners of the mortgaged properties being put up for auction.

The two entities became defaulters two to three years ago, but they filed writ petitions with the High Court and got stay on the defaulted status, Kamal said.

The bank has already started the legal process to vacate the writs. It will file cases with the Artha Rin Adalat at the earliest.

The principal amount of the loans disbursed to the two companies is about Tk 130 crore, Kamal said.

As of March 15, the outstanding debt, which includes the interest amount, surged to Tk 297 crore.

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