DHAKATUESDAYAUGUST6,2019,SRABAN22,1426BS@starbusiness@thedailystar.net

# Economic zone tax breaks create disparity

Firms outside the zones may lose competitiveness

The tax exemption benefit given to industrial units inside the economic zones has created disparity between factories outside the industrial enclaves, raising fears of uneven competition among firms producing the same products.

The National Board of Revenue in 2015 declared tax benefit on income of businesses inside the economic zones for 10 years based on recommendation from the Bangladesh Economic Zones Authority (Beza) to promote



the country in an organised manner.

Tax exemption would be applicable on incomes from all sorts of goods investment inside the economic

Since then, the Beza approved 10 private economic zones apart from developing sites by itself.

In the private economic zones, a number of factories churning out edible oil, cement, motorcycles and leather goods has been set up.

government-owned entrepreneurs have shown interest to

set up food and agro-processing factories, textile, leather, pharmaceuticals, steel, ceramic, chemical and paint plants, according to Beza. the

factories inside economic

investment and industrialisation in zones will enjoy tax breaks, especially waiver from paying advance income tax (AIT) and advance tax (AT) during raw material import, they will be at and services to be generated from an advantageous position in terms of cost compared with firms outside the zones, said Md Shafiul Ather Taslim, director for finance and operations at TK Group.

> "Cost to make the same product will be different because of producing in two different premises. It will be tough for small firms to sustain in the competition," he added.

> TK, one of the major commodity importers and processors, and some other firms shared their concerns with the NBR last month after two major commodity suppliers -- Meghna Group of Industries and City Group of Industries -- started processing edible oil by establishing plants in their respective economic

> Later, the NBR sat in a meeting in the middle of last month.

READ MORE ON B3

### Foreign investors retreating from DSE



STAR BUSINESS REPORT

Net overseas investment in the Dhaka bourse has been in the negative for the last five months as foreign investors are put off by lack of coordination among regulators.

The amount hit Tk 164.67 crore in the negative in July, when foreign investors purchased shares worth Tk 309.36 crore and sold Tk 474.03 crore, according to data from the Dhaka Stock Exchange

For instance, in February the telecom regulator declared Grameenphone a Significant Market Power (SMP), which will squeeze the mobile operator's business prospects.

This has dampened the confidence of foreign investors, who own around 40 percent of Grameenphone's shares.

But the Bangladesh Telecommunication Regulatory Commission (BTRC) did not consult with the stock market regulator about the consequence of the decision.

This is not the lone example of noncoordination, said a top official of a leading stock brokerage house.

In 2015, the energy regulator slashed the distribution charges of Titas Gas. As a result, the state-run gas utility lost more than Tk 3,000 crore in market value in the five months to February 2016, he said.

The depreciation of the taka against the US dollar is another reason that caused the foreign portfolio investment to fall since March.

The inter-bank exchange rate stood at Tk 84.50 per dollar on Thursday, up from Tk 82.97 a year earlier, according to data from the Bangladesh Bank.

The foreigners fear there may be further depreciation, which also fuelled the dumping of shares.

The DSE data shows well-performing where foreigners have companies, significant investment, were amongst those in the top losers list due to huge sell off by

#### Coppertech grabs all attention in Dhaka bourse

STAR BUSINESS REPORT

Trading of the muchtalked-about shares of Coppertech Industries began on the Dhaka Stock Exchange yesterday with a whopping 355 percent rise

The last trading price of Coppertech shares were Tk 45.50, up from its face value of just Tk 10.

However, DSEX, the benchmark index, fell 13 points due to decline in share prices of telecom, energy and textile sectors.

Coppertech was the most traded share with a turnover of over Tk 31 crore, followed by Squre Pharma at Tk 27 crore.

Among the major sectors, telecom, food, bank, energy, textile, non-bank financial institutions, engineering and non-life insurance decreased yesterday, while pharmaceuticals, cement and life insurance increased.

National Life Insurance led the gainer list with a 4 percent rise in its share price, followed by Titas Gas, IPDC Finance, Bank Asia and Square Pharma.

Grameenphone was the major loser with a 4.7 percent fall in its price, mainly due to adjustment of cash dividend.

READ MORE ON B3

## 10 new products to get export subsidy

Remittance of up to \$1,500 to enjoy incentives without verification



Garment exports to the US, Europe and Canada will get 1 percent of the earnings as subsidy.

STAR BUSINESS REPORT

The government is going to extend subsidies on the export of 10 new products with a view to boost export earnings to \$50 billion by 2021 to achieve higher growth and generate employment.

Moreover, garment export to the US, Europe and Canada will for the first time get 1 percent of the earnings as subsidy, for which the government has allocated Tk 2,825 crore.

Garment export already gets subsidies in four categories ranging from 2 to 4 percent.

The decisions, taken at a meeting

chaired by Finance Minister AHM Mustafa Kamal at his secretariat office vesterday, will soon be conveyed to the central bank for implementation.

Briefing reporters after the meeting,

Finance Secretary Abdur Rouf Talukder said the US-China trade war offers scope for boosting Bangladesh's exports. "The government is going to provide subsidies to exporters to create employment opportunities," he said. According to him, the fruits of this

subsidy would come through the achievement of the GDP growth target. At present, cash incentives ranging benefit. from 2-20 percent is provided on

export of 26 categories of products. The new products will be eligible for cash incentives of 4 to 10 percent.

They include surgical instruments and appliances, buffalo intestines and horns, home appliances, particle boards, products from betel nut plants and garment products made from scrap fabrics.

Agro and synthetic products made by Bangladeshi entrepreneurs at export processing zones, software made by local companies at hi-tech parks and PET flakes will also get the

READ MORE ON B3

#### BB brings some relief to NBFIs' cash crunch

STAR BUSINESS REPORT

The central bank yesterday raised the borrowing ceiling for non-bank financial institutions (NBFIs) from the inter-bank call money market as it looks to ease the liquidity crisis in

From now on, NBFIs can borrow up to 40 percent of their equites instead of 30 percent from the call money market, according to a Bangladesh Bank letter dispatched to managing directors of the 34 NBFIs operating in Bangladesh.

This comes after the BB earlier on January 29 made the NBFIs' call money borrowing limit based on equity instead of net asset.

The equity will be ascertained on the basis of the balance sheet on the last working day of each calendar year of the NBFI concerned.

"The majority of them have been

in an acute liquidity crisis," said a BB

Despite maturity of the funds some of the NBFIs have failed to pay back their depositors due to cash shortage. The latest central bank initiative will give a little breathing room to the

"We are expressing our heartiest gratitude to the central bank as it will help ease the liquidity pressure," said Md Khalilur Rahman, chairman of Bangladesh Leasing and Finance Companies Association (BLFCA).

non-banks, the BB official added.

But in the long run, the move will not be of much benefit as NBFIs provide long-term loans ranging from 10 to 20 years in general.

There has been a cash mismatch in the NBFI sector as they are allowed to take deposit for a maximum period of for a longer time horizon, Rahman health over the last several years.

"Against the backdrop, the NBFIs have been requesting the authority concerned to make a vibrant bond market for the sake of a well-balanced financial sector."

No individual shows any interest in investing their money in bonds given the high tax imposed by the National Board of Revenue, he said.

An investor has to pay 30 percent tax on the income derived from bond. There is a ray of hope that the Bangladesh Securities Exchange Commission has recently requested the NBR to withdraw the tax, Rahman

The central bank has recently taken a decision to liquidate People's Leasing and Financial Services (PLFS), one of the NBFIs, due to its liquidity two years but have to give out loans crisis and deterioration of financial

## Record debt repayment last fiscal year

JAGARAN CHAKMA

Bangladesh made a record in external debt repayment last fiscal year, in yet another indication of the growing stature of the economy.

In fiscal 2018-19 the government paid off \$1.57 billion to external lenders, up 12.23 percent yearon-year, according to data from Economic Relations Division (ERD) and Bangladesh Bank.

Of the amount, \$1.18 billion was principal and \$387 million interest.

"Foreign loan repayment is not a burden for Bangladesh at this moment," said Zahid Hussain, former lead economist of the World Bank's Dhaka office.

Bangladesh's external repayment is still less than 1 percent of its GDP.

But it may put pressure on the economy after five to six years when repayment of big and supplier credit loans will start.

"There is nothing to be worried about as the outstanding debt is still at a comfortable level," he said, while emphasising proper utilisation of the foreign loans as implementation delays of infrastructure projects will not bring expected returns.

If the returns are lower than the implementation costs, it will definitely create pressure on the economy and the government will have to reduce allocation for education, health

debt and social welfare to make loan repayments, he added.

The interest portion in the repayment sum is on the rise, said Khondaker Golam Moazzem, research director of the Centre for Policy Dialogue.

In future, the government will be confronted with the challenge of high interest payment due to the decline in concessional loans.

"If the government can implement the foreign-funded projects on time and reap expected returns, debt repayment will not be a problem at all.

If the funds are not utilised properly, debt repayment will hit the foreign exchange reserve and it would create pressure on the economy, he added. READ MORE ON B3

