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BUSINESS



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CORPORATE TAX ABUSE

Bangladesh loses \$361m tax a year: report

STAR BUSINESS REPORT

Bangladesh is losing \$361 million worth of tax annually owing to the shifting of profits by multinational companies, especially into tax havens abroad, according to a report by the Tax Justice Network (TJN).

In addition, the country is losing \$26 million a year due to global tax evasion committed by private individuals, said the TJN in its State of Tax Justice 2023 released on July 25.

The amount of tax loss is 0.1 per cent of the country's gross domestic product (GDP), said the network of individuals and organisations working for a fairer tax system.

The corporates shift \$1.4 billion in profit out of Bangladesh each year, according to the report, which provides country-level estimates of the tax losses suffered by each country due to cross-border tax abuse by multinational companies and individuals hiding wealth offshore.

The report said the amount of Bangladesh's annual tax loss is \$387 million and it is 1.5 percent of its tax revenue, which is higher than the regional average.

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ACI to enter aviation market, invest in digital bank

STAR BUSINESS REPORT

ACI Ltd, one of the leading business houses in Bangladesh, has decided to enter the aviation business and invest Tk 10 crore in a digital bank, said the company.

The company, in a board meeting on July 26, decided to form a subsidiary named ACI Avionics and Airlines Services Ltd with a Tk 50 crore authorised capital and a Tk 1 crore paid-up capital.

ACI will have a 77 per cent stake in the subsidiary.

Mohammad Mostafizur Rahman, company secretary of ACI Ltd, said ACI initially plans to launch helicopter services that are currently offered by a number of companies.

"We will gradually go for passenger services."

He said the plan is still at an initial stage. "We will shortly form the company. Later, we will have the conclusive planning."

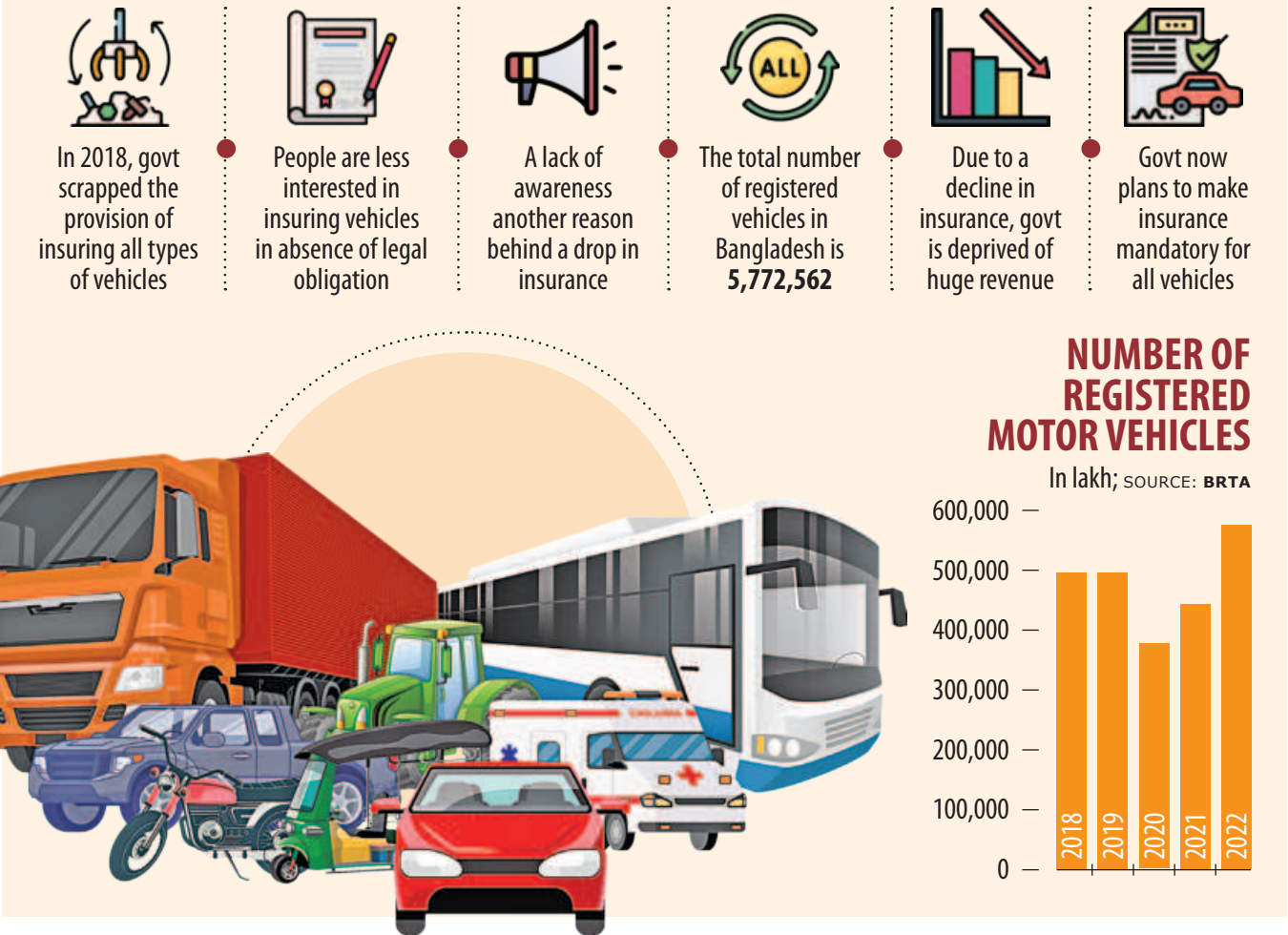
A top official of ACI said their primary plan is to provide ground service equipment and related services at the airport.

"We want to enter into the business as Bangladesh's aviation market is growing."

With operations in diversified areas ranging from agribusiness, chain retailing, consumer goods and

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AT A GLANCE



Vehicle insurance business going thru tough times

People not interested amid absence of legal obligation and a lack of trust

SUKANTA HALDER

The vehicle insurance business in Bangladesh is passing hard times as people are not interested in insuring automobiles in the absence of legal obligation as well as a lack of trust in insurers and promotional activities.

In the past, insurance was mandatory for all types of vehicles such as motorcycles, cars, buses and trucks. The government abolished the system in 2018, taking a toll on the insurance business.

Pioneer Insurance Company opened policies for 47,224 vehicles in 2020. It sharply fell to 11,747 in 2021 and 9,951 in 2022.

SM Mizanur Rahman, company secretary of the insurer, said when the government scrapped the law, people were not also giving much heed to the issue.

"If people don't buy vehicles on the basis of loans from banks or non-banks,

very few of them would go for insurance. There are some corporate houses and compliant businesses that insure vehicles."

Insurance is mandatory

was mandatory, a large part of a company's income used to come from the segment, said Md Sarfaraz Hossain, company secretary of Peoples Insurance Company.



for vehicles purchased using loans.

According to Rahman, many people don't trust insurance companies due to various reasons. "So, many don't insure their vehicles. If the government does not make it mandatory, the vehicle insurance business will lose its significance."

When vehicle insurance

The company earned Tk 16.20 crore in premiums from vehicle insurance in 2017 and this increased to Tk 19.46 crore in the following year before coming down to Tk 7.94 crore in 2022.

"People don't understand the importance of insurance. It's sad," he said.

Another blow for insurers came in 2020 when the

Insurance Development and Regulatory Authority abolished the motor third-party insurance, which is car insurance designed to protect the policyholder against the claims of other drivers in case of an accident.

In 2019, Reliance Insurance opened 40,000 third-party insurance policies and earned around Tk 20 crore as premiums.

After the abolishment of the rule, the number of policy openings fell to zero while premiums plummeted 50 percent, said Ramzanul Quadar Billah, vice-president of Reliance Insurance.

He blames the lack of awareness as one of the most notable factors for customers not buying motor insurance.

Mainly multinational companies and some local companies that have prioritised risk management are availing comprehensive motor insurance, Billah added.

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FBCCI election now a formality

President-aspirant Alam wins backing of 55 directors out of 78

REFAYET ULLAH MIRDHA

The biennial election of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) scheduled for July 31 is going to be an exercise to maintain a formality since a majority of the directors have already been nominated and elected unopposed.

Of the total 80 posts of the directors, 34 -- 17 from the chamber group and 17 from the association group -- are nominated and the rest 46 are elected, with 23 coming from the chamber group and 23 from the association group.

This year, 16 directors from the chamber group and the same number of directors from the association group have been nominated after two directors from each group were disqualified for a number of reasons.



Moreover, the election of the chamber group will not take place as four out of 27 valid candidates withdrew their candidacy against 23 posts, allowing the remaining contestants to be elected unopposed.

As a result, the election will take place at the Bangabandhu International Conference Centre in Dhaka on July 31 only in the association group in order to pick 23 directors.

In the election, Mahbulul Alam, the representative of the Chittagong Chamber of Commerce and Industry, is running in the election under the Sammilito Oikko Parishad panel while Mir Nizam Uddin Ahmed is contesting under the Sammilito Baboshayee Parishad panel.

As per the rules of the apex trade body

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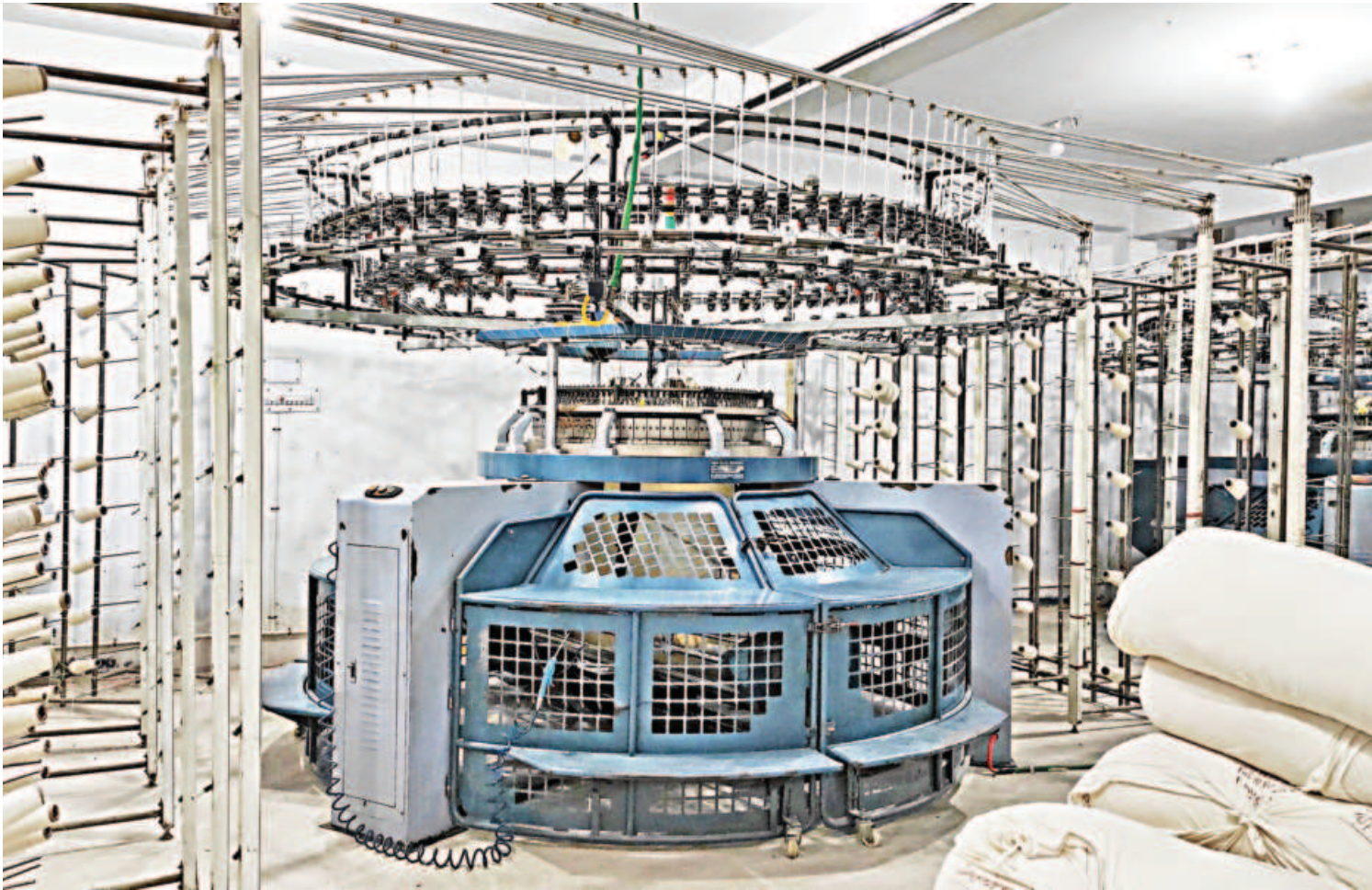
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A machine is seen knitting threads into fabrics at an export-oriented garment factory inside an industrial park of the Bangladesh Small and Cottage Industries Corporation (BSCIC) in Narayanganj. The photo was taken on Wednesday.

PHOTO: SAURAV HOSSAIN SIAM

Interest of pre-shipment loans now in line with new reference rate

STAR BUSINESS REPORT

The central bank has asked banks to fix the interest rate of pre-shipment loans in line with the new reference lending rate as part of its efforts to make it market-based.

The move is aimed at making export-oriented companies more resilient against shocks stemming from the ongoing global economic crisis, helping them thrive and ensuring a more efficient credit management in the banking sector, said the Bangladesh Bank in a circular yesterday.

Banks have been asked to add a maximum of 2 percent in margin with the reference lending rate, known as the SMART (six-month moving average rate of Treasury bill), when they fix the interest rate of pre-shipment export credits.

The pre-shipment credit is a loan granted to an exporter for financing the purchase, processing, manufacturing or packing of goods prior to shipment.

In June, the BB introduced the market-driven lending rate for banks and non-banking financial institutions, replacing the 9 percent lending rate cap that had been in place since April 2020.

If all installments of a loan or partial installments are categorised as overdue, a maximum of 1.5 percent penalty interest can be slapped on the entire outstanding of a working capital loan or the installments of a demand loan that are behind schedule.

Chairmen of banks can be directors in subsidiaries abroad

STAR BUSINESS REPORT

Bangladesh Bank has relaxed the rules for the chairmen of banks to hold directorship in subsidiaries abroad, according to a notice issued yesterday.

The central bank in May last year barred chairmen and board members of banks from holding the positions of directors in the boards or governing bodies of the subsidiaries or foundations established by the banks.

In its circular, the BB said chairmen of boards of banks would be able to become directors at the board of the subsidiaries such as exchange houses, money transfer operators or finance companies abroad.

The BB said the decision was taken to avoid losses by banks and ensure proper utilisation of the funds allocated for their subsidiaries.