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Bangladesh annually recycles around 2.5 to 3 million tonnes of scrap vessels but this has come down to around 1 million tonnes in the last two years

Story on B4

Alternatives to cash incentives planned for exports

REJAUL KARIM BYRON *and* REFAYET ULLAH MIRDHA

The government plans a new export promotion fund as an alternative to direct cash incentives for export-oriented sectors to help the country face challenges resulting from its graduation to a developing nation in 2026.

According to the rules of the World Trade Organization (WTO), developing and developed nations are not allowed to provide direct cash subsidies on export receipts.

The proposed measure was included in the draft Export Policy 2024-27, which was approved by the Cabinet Committee on Economic Affairs yesterday.

As per the draft policy, which will replace the existing Export Policy Order 2023, the government aims to attain export earnings to the tune of $110 billion a year by 2027.

The draft policy will be sent to the cabinet soon for final approval, Mahmudul Hossain Khan, secretary for coordination and reforms at the cabinet division, told journalists at Bangladesh Secretariat in Dhaka.

The government proposed forming an export development fund with the Export Promotion Bureau (EPB), from which exporters could get loans in the form of venture capital at low interest and on easy terms and conditions.

ASSISTANCE

- Govt to form export promotion fund
- Exporters will get rebate on payment of utility bills
- Services sector to get **2-2.5**% subsidy

The government will also provide consultancy and technical assistance for product development and diversification of exportable goods.

Assistance for warehousing and setting up sales centres abroad, skills development for marketing abroad and low-cost bank loans to set up green energy units and effluent treatment plants were also proposed in the package.

The government will provide 5 to 10 percent in rebates on electricity, water and gas bills, fix a reasonable cost on their use by industrial units and examine whether the same can be provided for the use of diesel and furnace oil.

Besides, exporters will enjoy waivers on licencing fees and exemptions on all duties on imports of capital machinery and spare parts.

Also, incentives of around 2 to 2.5 percent of the export receipt will be provided to the service sector.

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Bangladesh expands offshore banking in hunt for forex

AI-GENERATED IMAGE

OBJECTIVE

To boost forex reserve by increasing dollar flow

BENEFITS

- Offshore banking account holders will enjoy tax-free profit of up to **8.40**%
- Account holders can make fixed deposit in dollar or euro for **3** months to **5** years
- No tax is payable on interest earned on deposit of customers
- Account holders can transfer funds internationally
- Accounts can be opened from both home and abroad

REQUIREMENT

$**5,000** or equivalent in euro needed to open an account

> **Deposits collected through offshore banking will be a major source of US dollars**
>
> **Mashrur Arefin**, MD and CEO of City Bank

AM JAHID

Offshore banking is increasingly becoming a key window for banks in Bangladesh to facilitate investments and international trade by attracting deposits in foreign currencies.

Industry people say offshore banking can even play a crucial role in mitigating the persisting foreign currency crisis in the country by extending liquidity support and stabilising the local currency.

"Deposits of offshore banking will be a major source for US dollars," said Mashrur Arefin, managing director and chief executive officer of City Bank, which has stepped up efforts to draw foreign deposits through offshore banking operations (OBOs).

Offshore banking is not new in Bangladesh.

It started its journey in 1985 as the central bank created financing opportunities for factories at the export processing zones – the estates set up to drive the country's export earnings – by providing banking service to importers, exporters, and financial institutions.

The segment received more attention in recent years, particularly after Bangladesh began to feel the pinch following a sharp depletion of foreign currency reserves.

In March this year, parliament passed the Offshore Banking Act 2024 to give a much-needed boost to the country's desperate efforts to improve the US dollar supply, which has squeezed in the past two years owing to higher outflows compared to inflows.

The BB has relaxed rules and policies to allow both Bangladeshis and foreign nationals to avail the service. It has permitted domestic commercial banks' OBOs to offer an interest or profit rate markup over a benchmark rate for term deposits in foreign currencies to eligible customers.

The customers include individuals and entities residing outside the country, non-resident Bangladeshis, persons of Bangladeshi origin, foreign nationals, companies registered and operating abroad, and external institutional investors.

The central bank has allowed domestic banking units to receive funds from OBOs up to 40 percent of their regulatory capital to settle payment obligations.

OBOs can be executed in five currencies: the US dollar, the British pound, the euro, the yen, and the yuan.

Currently, about 40 banks have offshore units. At the end of September, the total outstanding loans of OBUs stood at Tk 83,826 crore.

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Islamic banks lose Tk 8,496cr deposits in a month

STAR BUSINESS REPORT

Deposits at Islamic banking accounts have continued to decline because of a confidence crisis among the savers, as some Shariah-based banks are now facing a liquidity crunch because of massive loan irregularities.

Total deposits in Islamic banks and the Islamic banking branches of conventional banks reduced by Tk 8,495 crore or 2 percent from that in December last year to hit Tk 413,969 crore in January, showed Bangladesh Bank data.

A total of 10 full-fledged Islamic banks have been the main loser here.

Despite being hit by the drop in deposits and the liquidity crisis, the Islamic banks lent Tk 4,869 crore in the first month of 2024.

Some Islamic banks are largely involved in loan irregularities, which have deteriorated their corporate governance, Mohammed Nurul Amin, former chairman of the Association of Bankers Bangladesh (ABB), told The Daily Star.

Nowadays, people are investing more in treasury bills and bonds than in bank deposits thanks to high interest rates, which, according to him, is another reason for the fall in deposits at Islamic banking accounts.

The overall Islamic banking sector is suffering from an image crisis due to the vulnerable situation of four to five Islamic banks, a senior official of Bangladesh Bank told The Daily Star seeking anonymity.

In Bangladesh, Islamic banks were sitting on a massive amount of excess liquidity only two to three years ago.

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STOCKS

DSEX ▼	CASPI ▼
1.04%	0.64%
5,527.39	16,060.22

COMMODITIES

Gold ▲	Oil ▲
$2,369.8 (per ounce)	$78.46 (per barrel)

ASIAN MARKETS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 0.15%	▲ 0.07%	▼ 0.72%	▼ 0.82%
72,996.74	38,358.73	3,289.42	3,119.9

SBK Tech invests $7.1m in 6 start-ups

STAR BUSINESS DESK

SBK Tech Ventures, a fund focused on early-stage, technology platforms in emerging markets, has recently invested $7.1 million, or Tk 85 crore, in six startups in Bangladesh.

The startups are Markopolo, Solshare, Fashol, Jatri, Arogga, and 10 Minute School, a press release said.

Markopolo and Jatri each bagged $1.5 million in investments, Solshare got $1.1 million, and Fashol, Arogga and 10 Minute School received $1 million each.

Of the startups, two were founded by female entrepreneurs: Tasfia Tasbin launched Markopolo, which provides AI-powered growth automation tools for small and medium-sized businesses, and Rosina Mazumder established Arogga, a medicine delivery startup.

Solshare, set up by Sebastian Groh, has emerged as the trailblazer in the renewable energy sector, paving the way for advancements in smart energy storage and distribution.

Initiated by Sakib Hossain, Fashol Marketplace provides tech solutions for stakeholders in the agriculture supply chain, aiming to empower farmers, agri-entrepreneurs, and buyers.

Jatri, which was established by Aziz Arman,

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Investors in hi-tech parks, EZs may lose tax benefits

MOHAMMAD SUMAN *and* MD ASADUZ ZAMAN

POSSIBLE TAX MEASURES

FOR FIRMS IN ECONOMIC ZONES, HI-TECH PARKS

- NBR may impose 1% customs duty on capital machinery, components, and construction materials
- The tax administrator may impose other tariffs, except for customs duty, on vehicle imports
- Rules on tax benefits for firms in hi-tech parks may be tightened

Investors in the economic zones and hi-tech parks in Bangladesh may see an end to the zero-duty benefit on imports of capital machinery, components and construction materials next fiscal year.

The move comes as part of a continued push by the National Board of Revenue (NBR) to increase revenue collection.

As such, firms operating in industrial enclaves may need to pay 1 percent customs duty for importing capital machinery, components and other equipment in fiscal 2024-25, according to NBR officials.

Additionally, the NBR could impose supplementary duty and regulatory duty on vehicles imported by firms based in economic zones and hi-tech parks, they said.

However, the investors may enjoy exemption from payment of 25 percent customs duty on car import.

"We are working to place the proposals as duty measures for the next fiscal year with the objective of coming out of the culture of tax breaks," said a senior official of the NBR, seeking anonymity.

The move comes at a time when the government is under pressure to improve revenue collection for financing public expenditure and reducing its reliance on borrowing.

Bangladesh has one of the lowest revenue-GDP ratios in the world and the International Monetary Fund, as part of its $4.7 billion loan, has given a condition to the government to increase tax collection by 0.5 percent of the GDP.

Currently, investors of these industrial enclaves are enjoying duty-free facilities, including customs, supplementary, regulatory and other duty waivers ranging from 89 percent to 700 percent depending on the CC of the vehicle.

Similarly, the government is likely to tighten the rules regarding the investors' corporate taxes.

"We will take steps in a rational way from the next fiscal year," said an NBR official.

In 2015, the government offered a 10-year tax waiver for investors in hi-tech parks in an effort to promote investment and youth employment.

Under the scheme, investors in the parks got full tax breaks for the first three years of their operations, after which the total exemption was scheduled to decline gradually before being fully phased out in the 11th year.

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