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Star BUSINESS

Yarn import curb thru land ports raises mixed reactions

STAR BUSINESS REPORT

The National Board of Revenue (NBR) has restricted yarn imports through land ports to protect the local textile and spinning sector from Indian imports of the raw material — a move hailed by textile millers but opposed by garment and knitwear exporters.

Apparel exporters said they could import yarn from neighbouring India through land ports in as little as a week. Now, their lead time will increase, affecting competitiveness in the global market.

The decision comes over two weeks after the commerce ministry recommended limiting yarn imports, citing that an influx of imported raw materials for the apparel industry had led to significant losses for domestic textile millers.

Local yarn manufacturers are unable to compete with imported yarn, as importers often declare lower values for shipments brought in through land ports compared to those arriving via Chattogram port, the ministry said earlier.

The recommendation followed pleas from local textile millers.

In a notification issued on April 13, the NBR blocked yarn imports through the Benapole, Bhomra, Banglabandha, Burimari, and Sonamasjid land ports. The restriction took effect immediately.

"This is not a good decision," said Md Fazlul Hoque, managing director of Plummy Fashions Ltd, a leading knitwear exporter.

Already, Bangladesh's exports face a 10 percent additional tariff in the US market. They will have to compete with Indian apparel there, too. In such a situation, any restriction on yarn imports through land ports will affect export-oriented apparel makers.

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NBR plans to roll back tax benefits for exporters

MD ASADUZ ZAMAN

In a bid to rationalise tax benefits and meet revenue targets set by the International Monetary Fund (IMF), the National Board of Revenue (NBR) is considering reducing tax exemptions for export-oriented sectors in the upcoming national budget, according to a top official.

Industries such as readymade garments, footwear and frozen foods currently enjoy lower corporate tax rates — between 10 percent and 15 percent — compared with the 25 percent to 27 percent levied on non-exporting businesses.

Speaking on condition of anonymity, the NBR official confirmed that the plan is now at an early stage.

"To rationalise tax benefits, we will place some suggestions regarding the scaling back before Finance Adviser Salehuddin Ahmed in early May," he said.

The prospect of reduced tax benefits has rattled exporters, already wrestling with shifting global trade dynamics, including fresh US tariffs and Bangladesh's scheduled graduation from the least developed country (LDC) club in 2026.

Economists and policy analysts have also voiced concern, saying abrupt changes could harm the country's export competitiveness. They argue that better revenue collection and anti-corruption measures could yield greater results without hurting the export basket.

According to revenue officials, the planned cutbacks would be rolled out in phases. Some exemptions may be allowed to expire, while others could be curtailed by issuing statutory orders.

For instance, the tax break allowed to textile exporters in 2022 is set to expire this June. This may not be extended, the official said.

The readymade garment sector has been granted exemptions until 2028, which the official said might be cut short.

Apart from exporters, some other industries, such as jute, small textile mills, poultry and fisheries, are now enjoying lower rates. They currently pay between 5 percent and 15 percent, but may see rates gradually increase.

Ultimately, the NBR hopes to unify all exporters under a single tax structure, according to the official.

This fiscal year, the NBR estimates tax exemptions will cost the exchequer around Tk 163,000 crore — up from Tk 147,000 crore in 2023–24, which was equivalent to 2.91 percent of GDP.

Regarding the concerns of the exporters, the NBR official said, "Although the export sectors are under pressure, we have to accelerate revenue collection to meet IMF conditions through rationalisation of tax benefits."

NBR under IMF target pressure

To satisfy IMF requirements, the NBR has been tasked with collecting Tk 4.55 lakh crore in the 2024–25 fiscal year. This translates to monthly collections of more than Tk 60,000 crore over the remaining three months of the current fiscal year ending in June.

Achieving this goal will require a 19 percent increase in revenue compared to the previous year. Yet, by February, revenue growth had crawled to just 1.7 percent.

Internal NBR estimates show that revenue collection stood at around Tk 252,000 crore between July and March — well short of the annual target.

To minimise the gap, the revenue board has already hiked value-added tax (VAT) and supplementary duties (SDs) on nearly 100 goods and services, aiming to raise an additional Tk 12,000 crore this year.

But the IMF wants more.

For the next fiscal year, it has urged the NBR to not only meet the Tk 4.55 lakh crore target but also mobilise an extra Tk 57,000 crore by reducing exemptions and further raising taxes.

One NBR official called the target "high, ambitious, and unrealistic."

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REDUCED RATE OF TAX FOR EXPORTS
- General factories 12%
- Green factories 10%

(Regular corporate rate 25% to 27.5%)

REDUCED RATE FOR MANUFACTURERS
- Jute goods 10%
- Textile 15%

EXEMPTIONS

Direct tax expenditure so far in FY25: Tk 163,000cr

Direct tax expenditure in FY24: Tk 147,000cr

IMF ASKS FOR ...
- Raising additional Tk 57,000cr in FY26
- Increasing tax-GDP ratio to 7.9% by June'25

(Tax-GDP ratio now 7.4%)

Collection

As of February, NBR collected Tk 221,817cr

"We will place some suggestions regarding the scaling back of tax exemption before the finance adviser in early May.

An NBR official says

ECONOMISTS SUGGEST...
- Consider the timing for scrapping exemptions
- Improve NBR efficiencies
- Curb corruption in NBR
- Give a clear roadmap to phase out exemption

Foreign investors concerned about gas price hike

STAR BUSINESS REPORT

The Foreign Investors' Chamber of Commerce and Industry (FICCI) and the European Union Chamber of Commerce in Bangladesh (EuroCham) have expressed concern over a recent decision by the Bangladesh Energy Regulatory Commission (BERC) to introduce a revised gas tariff structure that differentiates between new, committed, and existing customers within the same industrial category.

The government earlier this week set new gas tariffs for the industrial sector, hiking the price by 33 percent for new units despite objections from businesses and consumer rights organisations.

According to the new rates announced by the BERC, upcoming industries must pay this new rate, while existing units that use more than their sanctioned load will have to pay the new rate for excess consumption.

In a statement yesterday, FICCI said the newly announced tariff mechanism risks creating unintended barriers for new and expanding industries.

Under the current proposal, businesses with new gas sales agreements (GSAs), increased demand, or recent connections will face significantly higher tariffs compared to existing ones—even within the same industrial classification.

"This differentiated pricing model presents several challenges. It introduces inequity in energy costs across similar operations, undermines the principle of a level playing field, and could adversely affect Bangladesh's industrial competitiveness at a time when investment momentum is building," FICCI said.

The chamber, which represents foreign investors from 35 countries in 21 sectors in Bangladesh, said it may disincentivise new foreign and domestic investments at a critical juncture, just as the government is proactively engaging the global investor community through initiatives such as the recent Bangladesh Investment Summit,

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SATELLITE-BASED INTERNET

Starlink applies for BTRC licence

MAHMUDUL HASAN

AT A GLANCE

- Starlink applied to BTRC for operating licence
- Only Starlink formally applied among global providers
- Six more companies showed interest
- Satellite internet providers to get 25% discount for local gate-way partnerships
- No revenue sharing required for first two years
- Govt taking steps to prevent future internet shutdowns
- Starlink must ensure competitive prices, analysts say

Starlink has applied to the Bangladesh Telecommunication Regulatory Commission (BTRC) for a licence to operate in the country as both Elon Musk's company and the Bangladesh government look to facilitate the faster entry of satellite-based internet services.

"They already applied last week," Maj Gen Md Emdad Ul Bari, chairman of the BTRC, told The Daily Star yesterday, adding that due process would be followed in awarding the licence.

Earlier, on March 29, the US-based satellite internet service provider received approval from the Bangladesh Investment Development Authority (BIDA) to begin operations in the country.

The final hurdle for Starlink will be securing regulatory approval from the BTRC, the country's internet regulator.

If approved, Starlink will become the first company to receive a licence under the Non-Geostationary Orbit (NGSO) guidelines introduced on March 25.

According to the policy, the application and processing fee has been set at Tk 5 lakh, with a licence acquisition fee of $10,000 and an annual fee of $30,000.

Additionally, an annual station/terminal fee of $1 per terminal will be charged. However, no charges will apply for terminals used exclusively to provide IoT services.

Licensees will receive a 25 percent reduction in application, processing, acquisition, and annual licence fees if they connect their gateway through the government-owned International Internet Gateway (IIG) for bandwidth or form a partnership or joint venture with a Bangladeshi satellite company.

There will be no revenue-sharing obligation for the first two years. However, licensees will be required to share 3 percent of gross revenue from the third to the fifth year, and 5.5 percent from the sixth year onward.

In addition to the NGSO licence, companies like Starlink must also obtain a separate Radio Communications Apparatus Licence for non-geostationary orbit satellite services to access the necessary spectrum to launch their services.

In March, Chief Adviser Muhammad Yunus directed the authorities to ensure Starlink's commercial launch within 90 days.

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