

Business

Foreign investors' plea to clarify aspects of VAT

Star Economic Report

Foreign investors' Chamber of Commerce and Industry (FICCI), representing the multinationals and foreign-owned companies in the country, have called for a detailed clarification from the government on the operational aspects of Value Added Tax (VAT).

The members of the chamber at a meeting on Wednesday at Bangladesh Oxygen Limited (BOL) expressed their concern over the "hurried" moves to make the VAT operational from July 1 without making "many relevant points" clear to the business organisations. President of the FICCI Abul Hasnat Khan was in the chair.

Elaborating the points, the FICCI members said that the authorities should clarify three pertinent issues about the closing stocks of raw materials and finished goods for the manufacturing and related companies at the time of launching the VAT.

The issues, mentioned by them, included: location of stocks — whether the stocks of finished goods should include those at the factory or those at the sales depot and other distribution outlets; whether the stocks of raw materials be the actual ones or be on other average basis on any arbitrary lines, irrespective of the nature of industries; and refund facilities — what facilities for refund would be extended and also at which points the same would be allowed to avoid taxation for items on which excise duty at manufacturers' level and sales tax at importation stage have already been paid before the VAT would come into effect.

The FICCI members noted that "categorical" and "spec-

ific" directives were needed on these points for rebate facilities, and avoidance of double taxation, for both raw materials and finished products. They feared that the prices of finished manufactured or processed items would go up in the market if the issues were not properly addressed to, before the VAT would come into effect.

They also felt that the authorities should also spell out what type of relief they would extend to direct importers on their sales-tax paid stock at the time of introducing VAT in cases where subsequent sales would attract VAT.

The FICCI members pointed out that registration would be required for domestic

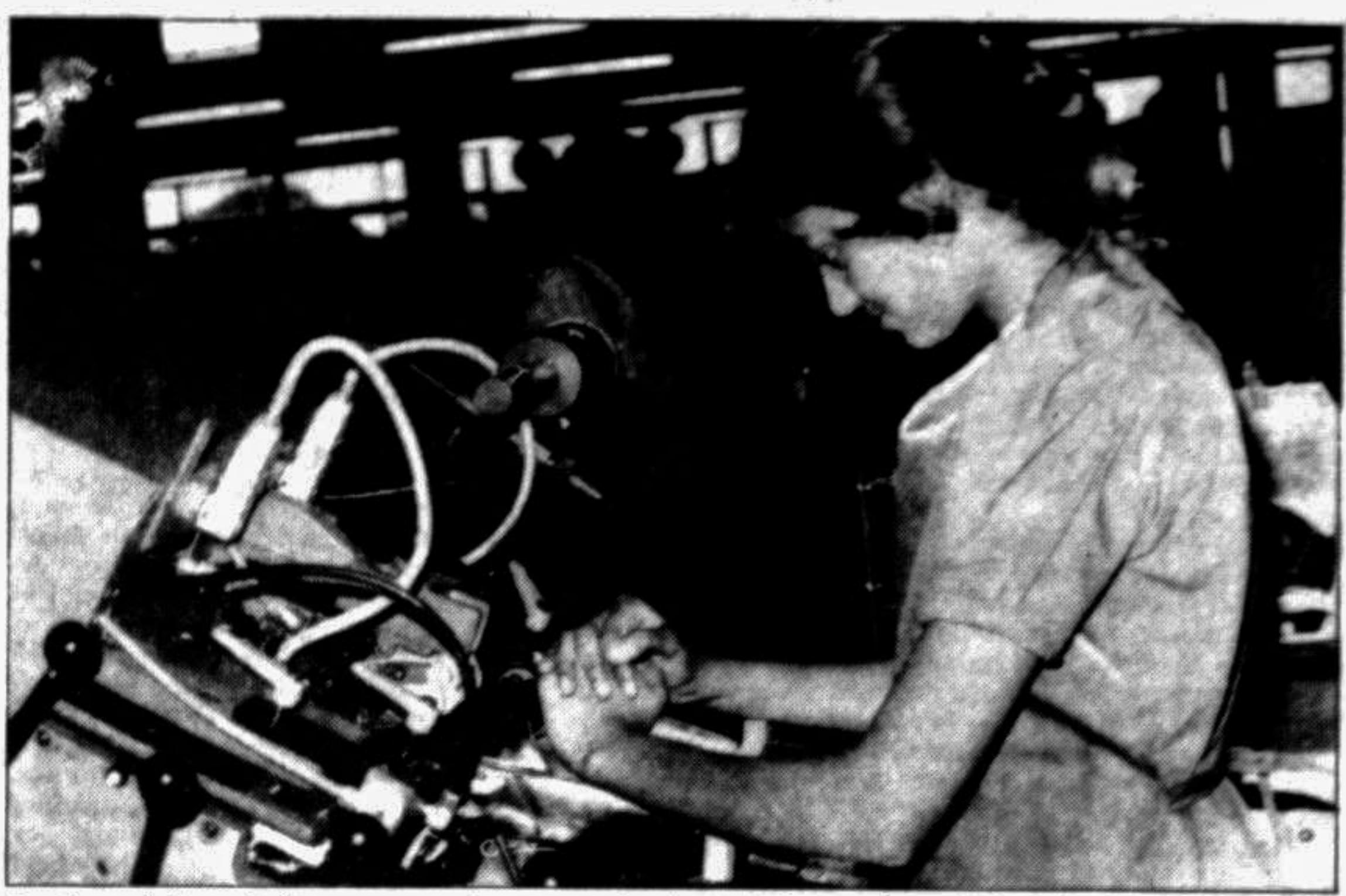
producers and manufacturers, service renders, importers and exporters for enforcement of VAT. But they said that they were not still clear whether listed registration would be required for any other activities of a business whose annual turnover exceeded taka two lakh and also whether registration would be required for all production locations of a company.

Questions were raised by some members about reclaiming input tax on goods purchased from VAT registered importers. The FICCI members also suggested that special provisions should be kept under VAT in areas where actual sales would be subjected to trade discount at various rates.

Specific industry-wise problems, in the light of the enforcement of VAT in the form it had been proposed, by the government, were highlighted by some members at the meeting.

It was noted in the meeting that the government took the decision to introduce VAT without adequate arrangements for publicity in business circles about its operational aspects. The Managing Director of a multinational company said, linking imports with conversion at manufacturing or processing stage in an effective manner, after taking into the output pricing factor into consideration, would be the main operational hole for VAT from its administrative point of view.

The FICCI members were consensus in their view that the government should postpone the implementation of VAT for, at least, a month to complete all necessary groundwork and preparatory arrangements for its enforcement.



Pasting of shoes is in progress at an export oriented shoe making industry near Dhaka. This is, phase V of the whole manufacturing process.

— Star photo by Mohsin

Mismanagement in economy alleged

Gorbachev's power cut sought

MOSCOW, June 19: Conservative deputies rounded on President Mikhail Gorbachev, accusing him of mismanaging the economy and demanding his powers be trimmed and redistributed to the country's Prime Minister, reports Reuter.

During a second day of debate on the economy, the conservatives, who dominate the Supreme Soviet, backed Prime Minister Valentine Pavlov in his campaign against a western-backed plan to rapidly introduce market principles.

"We are being told that everything is proceeding normally with the exception of one minor detail — the political and economic collapse of the country," said industrial manager Vladimir Valov.

"We should take away from the President those powers which he does not use."

Pavlov opened the debate on Monday by calling for more powers to implement the government's own "anti-crisis programme", which relies more on authoritarian measures than purely market mechanisms.

He said he had no faith in the plan worked out by economist Grigory Yavlinsky in association with top experts at Harvard University. The Interfax News Agency quoted Gorbachev as saying the document, which calls for a two-stage transition to the market

in seven years, was "significant".

He said there were many similarities with the government plan approved by parliament earlier this year.

But the hardliners were in no mood to compromise. Some said the parliament had made a serious mistake in extending Gorbachev's already considerable executive powers last year at the expense of the government.

Others called for Pavlov to take over the President's right virtually to direct the economy by decree.

A few even demanded a special session of the country's 2,250-member Supreme legislative body to demand the President account for his actions.

"I would like to see (the Soviet Union) as a superpower both in economy and weapons" said Anatoly Chekhov, a leader in the hardline Soyuz (union) faction.

UCB's role in promoting private banking lauded

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Mr. SA Shakoor, President and Managing Director, United Commercial Bank Ltd (UCB) disclosed that the Bank has been selected by ADB and World Bank for channelling credit lines for industrial financing.

He was speaking at the inauguration of Bank's 69th Branch at Faridpur on Tuesday. The function was preceded by a Milad Mafhi attended by local businessmen, industrialists and cross section of people.

Mr Abdur Rahim, Deputy Commissioner, Faridpur formally inaugurating the branch praised UCB's role in promoting banking service in the private sector.

Mr S A Shakoor in his speech, highlighted Bank's progress and claimed that the bank has been playing leading role in the socio-economic growth of the country by largest network of branches amongst the new banks in the private sector.

Deposits in national saving schemes rise sharply

Star Economic Report

Deposits in national savings schemes, operated by the government, showed a high growth performance in 1990-91. This provided an enlarged scope for the government to mobilise more domestic resources through voluntary savings, both private and institutional, for its overall budgetary management operations.

Total deposits in 1990-91 in such savings schemes stood at Taka 626.80 crore under the revised budget for the year. This amount was Taka 146.80 crore higher than the original budgetary estimates about receipts under the same.

While gross receipts in 1990-91, thus, far exceeded the annual target, payments — representing encashment or retirement on maturity or otherwise of the related savings certificates, bonds or documents, were much lower than the original estimates. Expenditure or payments un-

der the head — deposit in National savings schemes, stood at Taka 33 crore and those of Wage Earners Development Bonds (meant exclusively for the overseas Bangladeshis and the beneficiaries of their remittances), at Taka 32 crore in 1990-91. Repayments in the same year amounted to Taka 21 crore and Taka 12 crore for Bangladesh Prize Bonds and Wage Earners Development Bonds.

Under the proposed budget for 1991-92, gross receipts in national savings in the Public Account of the Republic are estimated at Taka 672 crore while payments under the same are projected at Taka 152.40 crore. This would indicate the estimated net receipts of Taka 519.60 crore in the coming fiscal year.

Deposits in national savings certificates, bonds, or any other instruments, operated and guaranteed by the government, are now mobilised under eight major schemes. These include — Pratirakha Sanchayapatra (Defence Savings Certificates), Bonus Sanchayapatra (Bonus Savings Certificates), 5-Year Bangladesh Sanchayapatra (5-Year Bangladesh Savings Certificates) and 3-Year Bangladesh Sanchayapatra (3-Year Bangladesh Savings Certificates) operated by National Savings Directorate, Ordinary Savings Directorate, Fixed Deposit Accounts and Bonus Deposit Accounts operated by Post Office Savings Bank, and Postal Life Insurance and Annuity Scheme run by Postal Life Insurance Department.

Besides these savings instruments, there are two other schemes, — Bangladesh Prize Bonds, and Wage Earners Development Bonds — operated by National Savings Directorate. The transactions in these two schemes fall outside the purview of the Public Accounts of the Republic and belong to the category of Domestic Debt (Permanent), shown in the non-development capital budget of the government.

An earlier report said: Malaysia is resetting its economic policy priorities, aiming for an annual growth rate of seven per cent this decade and creating a liberal environment for investors already flooding the country.

The ADB also said it had approved a 60,000 dollar technical assistance grant to support a joint ADB-World Bank seminar on Asian poverty to be held in Kuala Lumpur from June 30 to July 11, a separate ADB statement said.

The project is aimed at strengthening research and development capacity in the fields of automated manufacturing and advanced materials.

It also seeks to develop a core of well-trained manpower and establish a computer-based science and technology information system, the ADB said in a statement.

The loan from the Manila-based ADB will also come with a 325,000 dollar technical assistance grant to help in the commercial application of research institutes.

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