

SANYO
Japan

Instalment Facility Available

Air Conditioner

Transfin Trading Ltd.
Tel: 815307-10, Fax: 813062

The Daily Star

BUSINESS

DHAKA, FRIDAY, MARCH 26, 1999

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SANYO
Japan

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Another taxicab service hits city roads

A new non-AC Fiat Taxicab service has been launched in the city to facilitate movement of the passengers, says UNB.

Communications Minister Anwar Hossain inaugurated the service launched by A&A Auto Taxi Company yesterday.

Speaking on the occasion, the Minister said transport sector was developed qualitatively during the tenure of the present government.

Referring to launching taxicab service by 3 or 4 private entrepreneurs, he called upon more entrepreneurs to come forward in this field.

Addressing the Prime Minister and Uttara Bank Chairman Anisuzzaman, Director of Asia Regional Representative office of A&A Auto Taxi Company Rocco Basta and Syed Ashfaqur Rahman also addressed the inaugural function.

The fare of first two kilometres of the four-seated Fiat Taxicab is Tk 15 and for each subsequent kilometre is Tk 6. The passengers have to pay Tk 0.75 per minute for waiting.

All banks to remain open on Mar 27, 28

All scheduled and private banks will remain open on March 27 and 28 under special arrangement, says UNB.

The authorities have taken the decision considering the problems of buyers and sellers during the five-day long holiday beginning today on the occasion of Independence Day, weekly holiday and Eid-ul-Azha, said a Bangladesh Bank press release yesterday.

DHL to launch new global product in Singapore

Singapore has been chosen as the launch country for DHL Worldwide Express' new global distribution product targeted at small to medium-sized enterprises (SMEs), says a press release.

Direct Distribution is a logistics solution aimed at Singapore manufacturers to provide distribution straight from the factory to the customer anywhere in the world, taking advantage in the growth of e-commerce.

"The target is very much SMEs, with the Internet, global selling is now a reality," Graham Roberts, DHL's business development for Asia-Pacific and the Middle East, said at a media briefing yesterday.

"We are tailoring a product for companies to market their goods throughout the world the same as they do in Singapore."

Direct Distribution aims to offer SMEs the same global distribution strategies already deployed by large multi-national companies with connections to some 85,000 destinations worldwide through DHL's network.

It also believes that SMEs benefit from a shorter order-to-delivery cycle time and confirmation of delivery of their products.

DHL has some 500 companies in Singapore it is planning to target for the service, largely in the electronics sector.

Roberts said they expected to see a direct contribution of around \$ one million in revenues to DHL's Singapore operations this year from the new product.

Globo survey Emirates Best Airline of the Year

Emirates has once again emerged as the Best Airline of the Year and Best Airline to the Middle East, in two major European passenger surveys, says a press release.

The Best Airline of the Year award was the result of readership poll by Germany's consumer travel magazine, Globo, while the second award was by TTE Europe, the flagship travel trade publication.

Results were announced this week, during the annual ITB Berlin, one of the world's largest travel fairs.

Sheikh Ahmed bin Saeed Al Maktoum, Emirates' Chairman, said: "We are delighted to have been voted for these two prestigious awards which indicate the high level of confidence that our passengers and associates have in Emirates."

The Globo survey polled Emirates together with 25 major carriers, with returns from 12,500 readers across Germany. Emirates tipped the scales with the highest-ever score achieved by any airline in the magazine's annual Golden Globe Travel Awards.

Readers surveyed airlines for aspects such as inflight catering, service, entertainment, friendliness of staff.

This is the third time that Emirates has won the Best Airline title from Globo, after its last two victories in 1994 and 1997. The Best Airline award comes a month after Emirates won Airline of the Year in UK's OAG Travel Awards.

FICCI, The Daily Star roundtable on tax evasion

Tax admin reforms, rate cuts needed to check black economy

Star Business Report

Speakers at a roundtable on tax evasion yesterday felt that urgent measures like reforming the tax administration and reducing tax rates should be taken to check the black economy.

They said there has been a dramatic increase in the incidences of tax evasion in recent years and if it continues unabated, many foreign investors could take hard decisions like withdrawing their investments.

The roundtable titled "Tax evasion: Its impact on the National Economy" was jointly organised by the Foreign Investors' Chamber of Commerce and Industry (FICCI) and The Daily Star. It was presided over by FICCI President AKM Shamsuddin.

The Financial Express Editor Moazzem Hossain presented the keynote paper while Chairman of Lever Brothers Bangladesh Limited and Managing Director J.L.W. Noal and American Chamber President Forrest E Cookson presented supplementary papers at the roundtable.

"The rate of tax evasion in Bangladesh is very high and as much as Tk 6,000 crore is being evaded annually," said Moazzem Hossain while presenting his paper at the roundtable at a local hotel.

"The country has been facing around Tk 1,000 crore shortfall in revenue collection for the last three years. If the government could collect 20 per cent of the amount estimated as evaded, it could exceed the target of annual revenue collection."

"Tax evasion exists in every country of the world, but the worry for Bangladesh is that it is very much related with the unabated and growing dimension of the black economy."

"If the large scale tax-evaded informal trade is taken into consideration, the underworld economy in Bangladesh would account for more than one tenth of its gross domestic product," Hossain said.

Stressing the need for reforming the tax administration, Hossain said it is the most important economic and political question that the country faces today.

Citing corruption in tax department as one of the major reasons for massive tax evasion, Moazzem Hossain said: "Often, tax collectors are found unwilling to accept the correct tax payment and demand bribes from the taxpayer in exchange of ideas and assistance for evading or avoiding taxes."

"Money is being passed openly to tax officials and import consignments of finished goods are cleared as raw materials, quantities and values misstated in the bills of entry, resulting in large revenue losses for the government," he said.

"Some of the wealthiest people in countries like Bangladesh are current or former employees of the tax department."

"Most of these individuals did not acquire this wealth

through inheritance or by investing their government salaries wisely. They are able to acquire this wealth because they helped taxpayers to evade and avoid taxes," Moazzem said adding that the tax officials, like most other public officials, did hardly pay any taxes on their actual income.

To increase revenue collection he suggested for reduction in tax rates and bringing more businesses and individuals under the tax net.

J.L.W. Noal, Chairman and Managing Director of Lever Brothers Bangladesh Ltd said: "Tax evasion in Bangladesh has become epidemic. It is now a norm rather than an exception. It has increased dramatically over the last three years."

Underlining the need for an equal treatment to all, he noted that 60 per cent of the country's total tax collection came from 100 foreign firms.

"Why is it that some 100 foreign investors contribute 60 per cent of the total payments to the exchequer when they do not represent 50 per cent of the industries?" he wondered.

Expressing serious disappointment over the tax related issues, Noal said that if the situation did not improve, many foreign firms might consider withdrawal of their investments from Bangladesh.

He noted that the failure of the administration in taking action against companies found to have evaded up to 90 per cent of tax is not acceptable.

Termining the current situation as 'grave', he urged the government to take strong action against tax evaders and slap heavy penalty on them. He observed that tax evasion should be seen as a criminal offence.

Criticising the negotiated payment of tax by some companies, he said it is unacceptable because tax can not be paid on the basis of any negotiation.

"Foreign companies see whether the tax system of a country is comfortable or not. If they find good tax system in a country, they invest there and establish enterprises, otherwise they just quit," Noal said.

Forrest E Cookson proposed a number of steps for reducing tax evasion. These include introduction of Pre-shipment Inspection (PSI), improvement of the remittance system to speed up and make more efficient transfer of money, computerisation of VAT system, reduction of corporate tax rates, cessation of tax holiday, establishment of a large taxpayer unit and unification of the rates.

He hoped that if the steps were taken vigorously, tax collection would increase and target would be fulfilled.

Dr Wahiduddin Mahmud, former advisor of the caretaker government, stressed the need for exploring the potential of pre-shipment inspection (PSI) for collection of revenues and said that the effectiveness of this system had been underestimated.

"PSI can give better results if it is effectively applied by taking advantage of the information technology," he commented.

Dr Mahmud said that the tax base should be broadened by properly incorporating doctors, lawyers, apartment and vehicle owners in the collection list.

He also said the road tax on vehicles should be enhanced to increase collection.

He also pointed out that consultants' tax-worthiness should be properly evaluated and money should be collected from them accordingly. "There should not be any blind approval of tax," he pointed out.

Dr Debapriya Bhattacharya, senior research fellow of BIDS, said the corporate tax rate should be decreased while collection strengthened.

"The tax administration should earn credibility by doing away with harassment of the taxpayers and the capacity of the tax administration has to be built."

He mentioned that the service sectors should be properly brought under the tax net.

Amir Khasru Mahmud Chowdhury, MP, and President of CSE, said that the tariff rates on some items were too prohibitive which should be reduced.

He also said that if road tolls could be raised without affecting the commuters much, it would bring in huge money into the government coffers.

He also questioned the source of money of some politicians who live in the posh areas of the city and afford expensive cars.

"I can not afford such luxury being a third generation businessman. How do they afford these? We should look into this very seriously," he said.

Salam Talukder, President of Tax Lawyers' Association, said that all taxpayers should be treated equally by the law and there should not be any discretion in this regard.

Dr Zaidi Sattar of the World Bank mentioned that the tax-GDP ratio was very poor and that people were capable of paying more taxes.

"Tax rates should be justified by the quality of public expenditure," he said. "Quality of public services are on the decline and this should be improved to justify higher rates."

Kazi Aminul Haque of the chartered accountant firm, Haque and Haque, said the risk involved in tax evasion is very little and proper action should be taken against evaders.

NBR Chairman Abdul Mueyed Chowdhury gave a breakdown of the income taxpayers to highlight that the majority pay very little.

Out of a total 280,397 income taxpayers, there are only 411 persons who pay over taka one million. Some 211,802 people pay taxes up to Tk 5000, 31,429 up to Tk 15,000, 12,265 up to Tk 50,000, 3504 up to Tk one lakh, while 1860 pay up to Tk 250,000.

Roundtable adopts six-point recommendation

Call for punishing tax dodgers without fear or favour

By Staff Correspondent

The roundtable on "Tax Evasion" yesterday adopted a six-point recommendation which calls for punishment including imprisonment of the tax evaders when detected without fear or favour.

"Tax evasion creates social and economic distortions, and widespread evasion encourages dodging by those who are willing to pay taxes. The society at large has a responsibility to address tax evasion meaningfully."

Consistent with this responsibility, the civil society in general and the business community in particular will, therefore, cooperate and render all assistance to the government in developing effective strategies and programmes to deal with tax evasion, the recommendations said.

Effective tackling of tax evasion in Bangladesh will require comprehensive reforms of the tax administration.

Tax laws, rules and regulations have to be simplified, discretionary authority of the tax officials needs to be streamlined, the application of the existing laws should be unvarying for all taxpayers and the administration of the National Board of Revenue (NBR) should be made transparent, according to the recommendations.

Complex tax regulations with too many exceptions and exemptions encourage tax evasion.

The recommendations further said: "To increase revenue

collection, the government should devise a simple tax code with reasonable tax rates, which will bring more taxpayers under the tax umbrella. Tax legislation, collection and audit functions should be separate, independent of each other."

In order to discourage tax evasion, the names of honest taxpayers may be prominently published in December each year in the national dailies, the recommendations suggested.

Provisions of reward and punishment for tax administration officials will help minimize tax evasion. This should also be adequately publicized.

Compulsory pre-shipment inspection (PSI) system should be immediately introduced, the recommendations added.

The new CDMA cellular network will be marketed as City Cell Digital.

Minister for Post and Telecommunications Mohammad Nasim will inaugurate the new cellular mobile services.

At a press conference in the city yesterday the officials of the PBTL said that the new system would enable a subscriber to budget his mobile phone expenditure by getting real time phone bills through his handset.

A user would be able to avail himself of the round-the-clock customer service for billing inquiries, handset problems and other complaints throughout the year.

It would also cater to the needs of data hungry customers by enabling 28.8 kbps data transfer capacity. It would also enable access to Internet through a PCMCIA card attached to the digital phones," according to Faisal Morshed Khan, director of PBTL.

"The system would also have other facilities like caller ID, voice mail, short messaging services, e-mail, national and international roaming, call waiting, forwarding, conferencing, call barring, call restricting etc," he said.

PBTL also unveiled two different packages for CDMA subscribers yesterday.

Under the TALK 500 package, a subscriber making six to seven calls per day would have to pay a line rent of Tk 500 per month. He would be charged Tk four per minute for making calls during the peak hours. The user would have to pay an additional Tk 1.70 per call if made through T&T system.

During the off-peak hours, the subscriber would have to pay Tk three per minute and an additional Tk 1.70 if made through T&T.

A per minute charge of Tk 3 would be imposed for every incoming calls during the peak hours and Tk two per minute during off-peak hours.

A per minute charge of Tk 2.50 per minute would be imposed for every call made to a City Cell user during peak or off-peak hours, but the receiver would not require to pay any incoming charges.

A subscriber would enjoy an initial 50 minutes free air time every month.

Under the second package called TALK 1000 for business subscribers making a 14 to 15 calls per day, Tk 1000 would be charged as line rent per month. He would have to pay Tk three per minute for calls made during peak or off-peak hours and an additional Tk 1.70 if the calls are made through T&T.

Tk two per minute would be charged for incoming calls during peak or off-peak hours, Tk 2.50 per minute would be charged for calls made from City Cell subscribers during

City Cell launches CDMA mobile service today

Star Business Report

Pacific Bangladesh Telecom Ltd (PBTL) will launch its Code Division Multiple Access (CDMA) cellular mobile service for the first time in South Asia today.

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Tk two per minute would be charged for incoming calls during peak or off-peak hours, Tk 2.50 per minute would be charged for calls made from City Cell subscribers during

peak or off-peak hours. There would be no incoming charges for receiving calls from City Cell users.

Tk three per minute would be slapped on outgoing calls made to other mobile sets during peak or off-peak times. Tk two per minute would be charged for incoming calls during peak and off-peak hours.

A subscriber of this category would enjoy a 100-minute per month free air time.

The peak hours are from 8:00 am to 8:00 pm.

Under the TALK 500 package, a subscriber would be able to buy a Samsung handset at Tk 13500, with one-time government royalty of Tk 1500, Tk 1900 as activation charge and a security deposit of Tk 2500. A TALK 1000 subscribers would require to keep a security deposit of Tk 5000.

Faisal Morshed Khan, Director of PBTL, speaks at a press conference on the eve of launching City Cell's CDMA network yesterday.

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EBL refresher course on foreign exchange ends

A refresher training course on foreign exchange for the officers of Eastern Bank Limited (EBL) working in the foreign exchange area was concluded at EBL Training Academy in the city on Wednesday, says a press release.

At the valedictory session, M Khairul Alam, Managing Director of EBL, was present as Session Chairman, Syed Mohammad Barikullah, Vice President, S M Hafizur Rahman, Senior Asstt. Vice President and QGM Farooqi, Principal, EBL Training Academy were also present.

In his speech the managing director said foreign exchange and foreign trade play a vital role for economic growth of a country. In this regard commercial banks are contributing significantly, he added.

Financial risks increasing in Japan

TOKYO, Mar 25: Trapped in a deep economic slump, Japan is becoming an increasingly risky place for investment, the US credit rating agency Standard and Poor's said Thursday, reports AP.

Investors can expect substantially greater credit risks in Japan in the near term as profound structural changes in the economy and the breakdown of traditional business practices gain momentum," the report said.

Corporate bankruptcies and loan defaults will likely increase over the next couple of years as Japan struggles to recover from its worst postwar economic slump, the company said.

S and P assigns ratings to government and corporate bonds based on borrowers' ability to repay their debts, though the company made no changes to its rating on Japan's debt.

In November, Moody's Investors Service Inc., another leading ratings agency, cut its assessment of the creditworthiness of the Japanese government. The move was seen as a major condemnation of Tokyo's management of its economy.

IMF chief due in Moscow tomorrow

MOSCOW, Mar 25: The International Monetary Fund chief is due in Moscow on Saturday for loan talks which were postponed when the Russian prime minister scrapped a visit to the United States, a spokeswoman said Thursday, reports AP.

Minister Yevgeny Primakov was on his way to Washington Tuesday for crucial talks with the IMF on new loans when he turned around after learning that NATO airstrikes on Yugoslavia — which Russia strongly opposes — were imminent.

On his way back, Primakov called Michael Camdessus, the fund's managing director, to request a meeting in Moscow. Primakov spokeswoman Tatyana Aristarkhova confirmed Thursday that Camdessus was planned to arrive Saturday and return to the United States on Monday.

Russia badly needs the IMF money to avoid defaulting on huge foreign debts. The government has been in talks with the IMF for months over new loans.

The government was forced to devalue the ruble and default on some debts last August when Russia was hit by the global crisis in developing economies. The government has failed to come up with any convincing policy to revive the economy.

ROK GDP shrinks by 5.8pc in '98

SEOUL, Mar 23: South Korea's gross domestic product shrank by 5.8 per cent last year, the worst yearly performance ever, the Central Bank of Korea said in a report Tuesday, reports AP.

Bank officials attributed the decline in domestic consumption to private consumers and businesses cut spending amid a financial crisis.

The South Korean economy grew by 5.5 per cent in 1997.

Last year's contraction was the worst yearly performance since the central bank began releasing GDP figures in 1953. The previous record contraction was 2.7 per cent in 1980.

Housing and consumption shrank by 9.6 per cent last year while industrial investment decreased by a whopping 21.1 per cent.

Meanwhile, manufacturing fell by 7.2 per cent while construction shrank by 9.0 per cent.

The central bank said the economy is expected to turn around in the first quarter this year, thanks to a recovery in domestic consumption and increased exports of semiconductors, steel and machinery.

Government officials expect the economy to grow at least 2 per cent this year.

South Korea was forced to accept a \$58 billion bailout from the International Monetary Fund in late 1997.

Indian industrial growth keeps on falling

BOMBAY, Mar 25: India's industrial growth rate fell more than three percentage points in the nine months to December 1998 from the corresponding period the previous year, reports said today.

According to the Finance Ministry, industrial production growth fell to 3.5 per cent between April and December 1998, from 6.7 per cent in the previous year, the Financial Express said, reports AFP.

Several infrastructure and core industries such as electricity, coal, steel, crude oil, cement and fertiliser reported a growth rate of just two per cent as against five per cent during the same period the previous

year.

"The situation is very depressing. There seems to be no sign of revival," complained Rajkumar Pitamber, Director at the industrial group Mahindra and Mahindra.

India has been experiencing an economic slowdown since about October 1996 both due to domestic political instability and the regional economic turmoil.

Expectations of economic revival have given way to pessimism. "I am not at all optimistic now, unlike earlier, all indicators on the economic side are showing continuous decline," Pitamber attributed the de-

cline to lack of business confidence in the ruling parties.

"The politicians are trying to talk up the economy, but we are seeing a continuous deterioration. Nobody has any confidence in the continuation of the (economic) reforms," he said.

India's Hindu nationalist-led coalition government, which completed one year this month, has been hit by unending infighting and bogged down by lack of a clear-cut parliamentary majority.

Vijay Kalantri, President of the All India Association of Industries, blamed the continuing decline in industrial growth rate on fall in public spending and bureaucratic hurdles.



Sheikh Ahmed bin Saeed Al Maktoum, Emirates' Chairman, receives the Best Airline to the Middle East Award from Stuart Baker, TTE Europe's Publishing Director.

— Emirates photo