

## Budget to increase prices of electronic goods

By Monjur Mahmud

What the finance minister says in his budget speech is not all. There are more to it buried under many papers.

An unsuspecting customer will be elated to read that import duty has been reduced on electronic goods. But wait till he finds out what the budget says about supplementary duty. He will have to pay much more for a TV set, or a refrigerator from next fiscal year than he has to pay now.

The local electronic industries will be hit hard as the budget for 1999-2000 proposes a high rate of supplementary duty while reducing the import duty insignificantly to keep up with the global trade regime.

In the proposed budget, a 2.5 per cent import duty on most imported electronic items has been reduced. At the same time, supplementary duties have been imposed on most of the items at the rate of 10 to 41.5 per cent.

The common people are not aware of the fact that due to the imposition of supplementary duty, they will have to pay more for electronic items. The 2.5 per cent reduction in import duty

will have no impact on the price," said a top official of a local manufacturing company.

Citing an example, he said that as the supplementary duty was assessed on duty-paid value, the common people would now have to pay 13.75 per cent more for a product if the supplementary duty on that product was 10 per cent.

Import duty has been reduced by 5 per cent to 25 per cent for completely knocked down (CKD) 21 inches colour TV in the proposed budget. But at the same time, a 10 per cent supplementary duty has been imposed on Cathode Ray Tube (CRT) although it is the main component of a television set.

The official said: "We pay supplementary duty on CRT on arrival at the port, we are again required to pay a supplementary duty of 15 per cent on the finished product."

A local manufacturer pays supplementary duty twice on a CRT, which is not justifiable. This is outright double taxation practice," he added. Akiar Hussain, Managing Director of Rangis Electronics Ltd

said: "Our 21 inches colour television will now be Tk 2,872 costlier."

This cost structure relates to the local manufacturers who import raw materials for assembling colour television in completely knocked down (CKD) condition, said another official of a local company.

All local manufacturers are required to pay duty on invoice value based on tariffs fixed by the National Board of Revenue (NBR).

In addition, they are also required to pay VAT and supplementary duty on finished products assembled in their factories.

"But traders importing the same materials on CKD condition can easily evade payment of duty and VAT because they do not have any recognized factory," the official said.

He said that these importers could easily market their colour TV sets at lower prices by evading VAT and supplementary duty.

But local manufacturers are bound to add 30 per cent value

to their imported raw materials and pay Tk 5,072 per unit of television set as VAT and supplementary duty.

"If this practice continues, the local manufacturers will ultimately face the guillotine rendering thousands of people jobless and the government will continue to lose around Tk 38 crore yearly as taxes," the official said.

Annually, about one lakh colour TV sets are sold in the country. Local manufacturers share 25 per cent of the market.

The Finance Minister in his budget speech mentioned that Pre-shipment Inspection (PSI) will be mandatory for 272 commodities to check misdeclaration of prices, quality and quantity of goods. These will help raise revenues and protect the country from smuggling out the hard earned foreign currency.

"When PSI is going to bring about these changes, why the government has to impose an additional 10 per cent supplementary duty with implementation of PSI," the official questioned.

## Visiting team for boosting shipping, tourism cooperation KL to help Dhaka set up oil refinery

Malaysia will provide assistance to set up a refinery for crude oil in Bangladesh, reports BSS.

It was said by the visiting Malaysian Transport Minister Dr. Ling Liong Sik who made a courtesy call on Prime Minister Sheikh Hasina at her Sangsard Bhaban office here yesterday.

The possibility of establishing a deep seaport in Chittagong also came up for discussion at the meeting. Press Secretary to the Prime Minister Jawadul Karim told newsmen.

The Malaysian minister praised Sheikh Hasina's government for effectively tackling the devastating floods in the country.

Sheikh Hasina said the floods could be tackled due to better management, which proved a prediction that 20 million people would die due to the catastrophe wrong.

The Malaysian minister renewed the invitation of Prime Minister Mahatir Mohammad to Sheikh Hasina to visit his country.

The Malaysian minister who arrived here yesterday on a three-day visit, is leading a 15-member delegation comprising officials of his ministry and senior executives of Malaysian port authority.

Communications Minister Anwar Hossain and Communi-

cations Secretary Rezaul Hayat were present at the meeting.

Another report adds: The Malaysian minister said that cooperation between Dhaka and Kuala Lumpur could be expanded in areas of shipping, tourism, and communications under bilateral and inter-regional framework.

The minister was addressing a luncheon meeting hosted by federation of Bangladesh Chambers of Commerce and Industry (FBCCI) at Sonargaon Hotel.

Dr. Sik said since Asia is the centre of world shipping and since this sector immensely contributes to the growth of global trade, there is a potential to enhance bilateral cooperation in this area.

He expressed the hope that the current cruise service ferrying over 2000 tourists among the member countries of Association of South East Asian Nations (ASEAN) would one day be extended to the south Asian ports of Chittagong, Mongla and the Andamans.

Communications Minister Anwar Hossain, Commerce Secretary Syed Alamgir Faruk Chowdhury, FBCCI Vice President MA Mumin, Bangladesh Chamber of Industries President Khandker Mosharraf Hossain, High Commissioner of Malaysia to Bangladesh Dato Zulkifly A.

Rahman and Ambassador of the Philippines to Bangladesh Candidato B. Gutoc were present on the occasion.

FBCCI President Abdul Awal Mintoo presided.

The visiting minister said a study on the Trans-Asian railway linking the ASEAN countries are at the final stage. "One day we hope the network would be extended through Myanmar to Bangladesh, India and central Asian countries," he said.

Dr. Sik recalled his visit to Bangladesh 16 years ago and said he was happy this time to see the progress the country has made since then.

FBCCI President Abdul Awal Mintoo stressed the need for re-activating and operationalising the institutional arrangements from both sides, which started with the formation of the Bangladesh-Malaysia Joint Commission in 1992 to boost bilateral trade and investment.

Listing the package of incentives offered by the government to the foreign investors, the FBCCI President said the Malaysian entrepreneurs can invest in telecommunications, power generation, electronics, tyres and tubes, leather and leather products, palm oil refinery, cement and clinker grinding and gas-based industries.

He also stressed the need for cooperation in human re-

sources sector between the two countries.

### Meeting with Maya

The visiting Malaysian Transport Minister also called on State Minister for Shipping Mofazzal Hossain Chowdhury Maya at his office.

During the meeting the two ministers discussed different bilateral issues of mutual interest and emphasised the need for finding out areas of cooperation and strengthening relationship between the two friendly countries.

Shipping Secretary M. Saiful Islam, Malaysian High Commissioner to Bangladesh Dato Zulkifly Bin Abdul Rahman and other senior officials were present.

### Thai vehicle sales rise 42 pc in May

BANGKOK, June 14: Thailand's new vehicle sales in May jumped 42.8 per cent compared to May 1998, signaling that the Thai auto industry may have bottomed out, Toyota Motor Co. said Monday, reports AP.

Toyota charts total vehicle sales in Thailand, the biggest car manufacturing center in Southeast Asia.

The May sales figure of 15,340 units represents a 9.3 per cent increase over April. Toyota said in a statement, and the car maker believes Thailand's car industry is leaving a crippling recession behind.

Passenger car sales in May were up 29 per cent year-on-year to 4,858 units and 6.3 per cent more than in April.

Commercial vehicle sales climbed 50.3 per cent year-on-year and 10.7 per cent from April to units. One-ton pickup sales grew by 63.7 per cent compared to May 1998 and 8.2 per cent on April, to 9,069.

In the first five months of 1999, total vehicle sales were up 10 per cent from the same period in 1998 to 65,609 units.

Analysts say that month-to-month comparisons are the best indicator of recovering vehicle sales, because year-ago figures were unusually low as Thailand battled through economic crisis.

Toyota said in the statement that Thai vehicle sales hit a low between April and September last year, when sales averaged only 10,000 units per month. July was the nadir, with only 9,782 units sold.

Thailand's economy, as measured by gross domestic product, slumped by 8 per cent last year but is forecast to grow by 1 per cent in 1999 as local demand recovers.



Thai workers check the food on shelves for European products 14 June 1999 at a supermarket in Bangkok. Thailand extended its food ban to France and the Netherlands as concerns deepened over Belgium's dioxin scare. — AFP Photo

### Brazil ready for massive auction of oil, gas sites

RIO DE JANEIRO, June 14: Brazil is getting ready to offer for sale sections of Latin America's largest country for exploration to foreign oil companies after the breakup of a 46-year state monopoly, says AP.

Most of the world's largest oil companies are to bid for 27 potential oil and gas sites at a massive auction Tuesday and Wednesday. Among 37 bidders are Shell, Esso, Texaco and Mobil.

It is the first auction of its kind since state company Petrobras monopoly was abolished almost four years ago. Petrobras will participate at the auction and may form partnerships with foreign firms.

David Zylberstajn, director of the Brazil's National Oil Agency, the industry regulator, predicts that \$15 billion to \$20 billion will be invested in Brazil over five years following the auction. He believes 300,000 jobs will be created.

Brazil produces about two-thirds of the 1.8 million barrels of oil it consumes daily. The rest are imported from Argentina, Mexico and Venezuela.

### Hewlett-Packard offers voluntary layoff plan to S'pore workers

SINGAPORE, June 14: US computer manufacturer Hewlett-Packard Co. which has been cutting its worldwide manufacturing and sales staff since last year, said Friday it is offering a voluntary layoff package to cut 300 of its 9,000 Singapore employees, says AP.

The workers in the Singapore printing and imaging business will be offered five months' salary plus a month's pay for each year of service if they take up the offer within the next five weeks. Those laid off later will not get the extra five months' pay.

Last week, Hewlett-Packard, based in Palo Alto, California, said it was making a similar offer to reduce its printer manufacturing workforce by 350 employees in southeastern Washington state.

Hewlett-Packard announced in May 1998 that it hoped to cut 2 per cent of its worldwide staff through a voluntary layoff programme.

## Country's first finance secy praises proposed budget

Star Business Report

The first finance secretary of the country, M. Matul Islam, appreciated the proposed budget for the year 1999-2000 and suggested the government to keep close watch while implementing some complex measures.

He appreciated the budget proposal for tax exemption for private hospitals, reduction of discretionary powers of the tax authorities, enlarging the scope of collection at source and advance taxes, fixation of tax rates for real estate owners.

He, however, noted that the ministry of finance should keep a close watch on the revenue collection trend as the revenue projection has increased to Tk 17,500 crore this year from Tk 14,800 of the previous fiscal year (FY).

Islam thinks that the government would lose substantial tax revenue by proposing enhancement of tax exemption limit from Tk 60,000 to Tk 75,000. On the other hand, the system of spot assessment for tax may make the government unpopular.

Following is the text of his comments on the proposed budget.

1. The Finance Minister's tax revenue projection of Tk 17,500 crore for FY 1999-2000, against the backdrop of Tk 14,800 crore of current year's revised forecast, is optimistic. It was perhaps a calculated risk by the Finance Minister to satisfy the competing demands for resources for development as well as non-development by the various ministries. The Ministry of Finance should keep a close watch on the revenue collection trend and tailor fund release accordingly to avoid borrowing from the banking sector.

2. On the question of non-development expenditure surpassing the provision for ADP, the Finance Minister is right when he says that the two expenditure cannot always be differentiated. The definition of development and non-development expenditure is mostly semantic. Non-development expenditure is not always wasteful, nor development expenditure always adds to the GDP growth.

3. On the fiscal measures in the budget, some imaginative

steps have been proposed. One such proposal is Wealth Tax elimination which was overdue. The 10 per cent surcharge on the assessed tax instead, should fetch more than Tk 11.24 crores estimated for FY 2000. The mandatory penalty of Tk 500 for late submission of tax return is a good move, as also the proposal to bring 20 per cent of the self-assessment cases under the purview of post-audit. The scope of post-audit, however, should be extended to other income tax assesses also in order that its impact becomes more visible.

4. However, the government would be losing substantial tax revenue by the proposed enhancement of the tax exemption limit from Tk 60,000 to Tk 75,000. The revenue loss could be as high as Tk 40 crore since the tax relief would accrue to all assesses whether in the lower or higher income brackets. Moreover, 30,000 to 40,000 assesses could now be out of the tax net. The 'Spot assessment' system being introduced should first be experimented in a few selected areas before full scale introduction. Roving Magistrates imposing penalties for ticketless travel and traffic offences are not the same as roving DCTs assessing taxes under a complicated Income Tax Ordinance. The Spot Assessment System has the potential of making the Government instantly unpopular.

5. The concept of fixed rates of taxes for real estate owners and developers based on floor space is good, but the rates proposed deserve review. The suggested rates based on square metre should be made applicable to square feet, to make it more equitable. Otherwise, Government could be accused of encouraging channeling of black money into real estates in preference to investment in industrial ventures and other productive purposes.

6. Deduction at source or advance tax is an insurance against elusive tax payers. It also eases tax collection. None of these criteria apply to banks and leasing companies working under the strict vigilance of the Bangladesh Bank who even dictates the appointment of audi-

tors. The proposed advance tax of 5 per cent on commission income on all LCs and 3% on lease rentals will only complicate the present system of advance payment of quarterly taxes by these institutions. Collection of tax in bits and pieces from each of the thousands of transactions does not appear to be a very practical step. A logical step would be to collect advance tax based on monthly statement of accounts.

7. Bonus shares in lieu of cash dividend is now declared to preserve cash reserves of the company to reduce borrowings and finance reinvestments in expansion and modernisation from its own internal resources. Proposed tax on bonus shares will force the companies to abandon this practice. They would be under tremendous pressure to declare cash dividends, and dissipate their cash reserves, to enable the shareholders to meet their tax obligations.

8. The proposed tax exemption for private hospitals is welcome. However, the Finance Minister should consider whether such tax exemption should be extended only to private hospitals set up outside the metropolitan cities of Dhaka and Chittagong, the two places already awash with such hospitals and clinics. The principle applied for tax holiday for new industries on the basis of location could be applied to this sector so that the modern health facilities are available to the people in the far flung areas.

9. All in all, this is a good budget. The Finance Minister's fiscal thrust has been (i) to reduce discretionary powers of the tax authorities (ii) to enlarge the scope of collection at source and advance taxes. His effort deserves applause. However, in a few cases, the measures suggested will actually result in tax burden which may have adverse impact on tax collection as well as on investments. We hope that during the course of the debate in the Parliament, the Finance Minister would accept and move amendments to the proposals where such amendments are called for.

### Sonali Bank's special drive to recover agri loans

Sonali Bank has been running union-level camps to recover agricultural loans by establishing closer ties between the borrowers and the Bank officers since May 15, bank officials said here yesterday, reports BSS.

All officers in the rural area are spending one day in a week in the camps to encourage the farmers to repay the outstanding loans. General Manager of the Bank's rural credit division told BSS.

This measure was taken as a test case to solve different problems in the rural credit sector.

Bank sources said that the local administration and people's representatives were being incorporated with the camp activities.

Sonali Bank through its 1,073 rural branches distributed Tk 360 crore under post-flood agricultural rehabilitation programme in 1,140 unions apart from the regular agricultural credit programme.

The state-owned bank has taken massive recovery programme after start of the harvesting season. All tiers of the bank's management have been involved in the process.

Bank officials expressed optimism that this special drive and the camps would be helpful in proper distribution of loans at the grassroots level as well as in considering new cases for agricultural credits.

They opined that this union-level activities would establish direct relations between the genuine borrowers and the bank officers.

"The bank would review the activities of this test programme for a month and decide on the future of the programme," they said.

### Abu Dhabi, India hold talks on \$1.8b oil refinery

ABU DHABI, June 14: The Abu Dhabi National Oil Co. (ADNOC) and Indian Oil Corp (IOC) are holding talks on a joint venture to build a 1.8 billion dollars refinery in southern India, the IOC chairman said today, reports AFP.

Mohammad Asad Pathan, quoted in the daily Gulf News, said the state-owned ADNOC and IOC would each hold 26 per cent of Nagapattinam refinery, on the Tamil Nadu coast.

The rest will be offered to local and international financial institutions, said Pathan, who was the head of the United Arab Emirates at the head of a government delegation.

The refinery will have a design capacity of nine million tonnes a year, the IOC chairman said.

Pathan said the project was similar to a planned IOC refinery in Paradip, eastern India, on which a memorandum of understanding had been signed with Kuwait Petroleum Corp (KPC).

But the KPC is "re-examining it (the project) in the light of the Asian financial crisis, as they fear a joint venture may not be profitable," the chairman said.

"We will start construction work on the Paradip refinery over the next 60 days, even if KPC does not come forward. There is a demand for refined products in India and we have a commitment to the market," he said.

## Tk 142493m proposals registered with BOI in 11 months

Some 1579 investment proposals were registered with the Board of Investment (BOI) during the last 11 months of the current fiscal year with a total investment layout of Tk 142,493.21 million, says UNB.

Of this, 147 proposals were from foreign investors with total layout of Tk 90,498.09 million. When come into operation, the projects are expected to create job opportunities for 37,397 people.

The local investment proposals of 1432 registered with BOI have a total layout of Tk 51,995.12 million. They will create employment opportunity for 18,854 people.

According to a BOI press release, 130 proposals from local investors were registered in May alone with an investment outlay of Tk 7640.45 million.

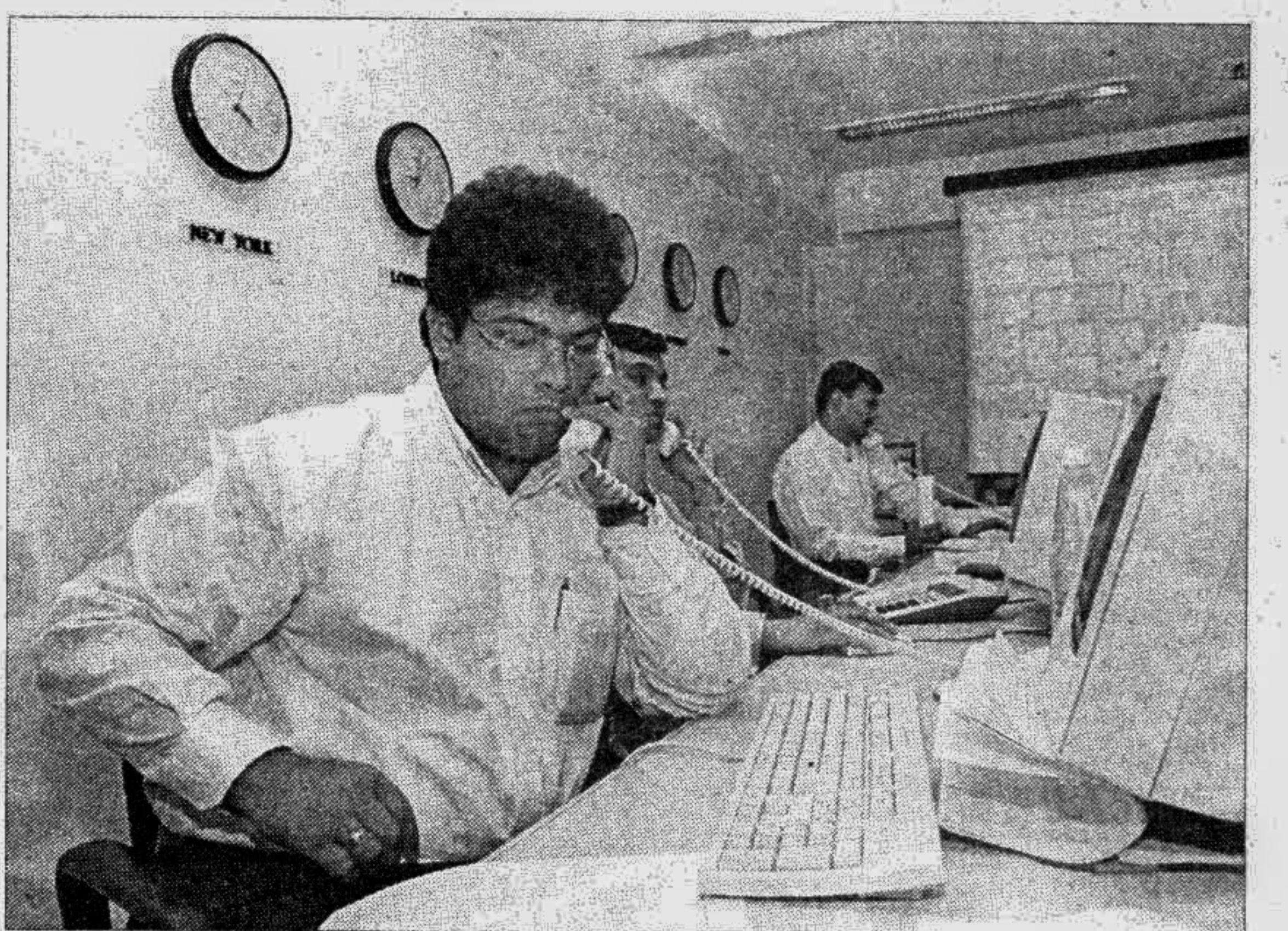
Foreign investment propos-

als registered during the month were 18 with an outlay of Tk 2683.18 million and job opportunities for 1810 people.

The foreign investment proposals registered with the BOI are from UK, Germany, Hong Kong, UAE, Singapore, South Korea, Taiwan, China, Japan, India, France and Denmark.

The sectors where investors showed interest are sweater knitting, carpet, cement, hotel, tyre-tube, imitation jewelry, fertiliser, advertising, disposable syringe, vegetable seeds, LP gas bottling, label printing, assembling cum manufacturing of radio recorder with TV, gas appliances and container freight station.

Meanwhile, in May BOI issued work permits to 75 foreigners and attended duration of work permit of 77 others.



Stockbrokers at the Euro Asia securities in Bombay do business during the opening session of trading as the shares prices at the Bombay Stock Exchange plunged 2.5 percent 14 June 1999. Share prices on the exchange fell marginally at the start of the weeks trade over a lingering and bitter Kashmir border conflict with Pakistan. — AFP photo

## ROK laid off workers clash with riot police

SEOUL, June 14: About 100 laidoff workers scuffled with riot police Monday as the nation's two leading labour groups called for a two-day strike to protest an alleged government plot to break the labour movement, says AP.

Violent clashes erupted as the workers tried to march past police to the Hotel Shilla near central Seoul where International Olympic Committee executives are holding meetings this week.

The workers protested mass layoffs by the nation's recession stricken industries, especially by Samsung, South Korea's second largest conglomerate which owns the hotel. Many of the protesters were laid off by Samsung.

The workers kicked and punched about 300 riot police trying to push them away from the hotel to a nearby parking

lot. No serious injuries or arrests were reported.

The workers accused the government of banning their rally outside the hotel, fearing it would give a bad image of the nation's labour situation to foreign IOC officials and journalists staying there.

"We want to use this opportunity to expose how the government and conglomerates are ignoring our very basic rights and livelihood," said Kim Young-chul, a labour activist representing the group.

Also, South Korea's two major labour umbrella groups announced plans to organize a nationwide strike on Wednesday and Thursday to be joined by "hundreds of thousands" of its members.

## Debis Airfinance will buy 30 jetliners from Airbus Industries

PARIS, June 14: The four-nation European aircraft consortium Airbus Industrie announced here today that it had received firm orders for 30 jetliners from the Dutch-based leasing group Debis Airfinance, worth around 1.5 billion dollars at official prices, says AFP.

The deal, announced at the French air show at Le Bourget, concerns 15 A320, 10 A319 and five A321 airliners.

Deliveries will start in 2003, it said, adding Debis Airfinance will enjoy "a certain flexibility" in its choice of models. Debis Airfinance has already ordered two A319s, which are scheduled to be delivered in 2002.