

Bangla-US agreement on double taxation avoidance on the cards

NAZMUL AHSAN

Bangladesh and the US are on the verge of signing an agreement on avoidance of double taxation as top officials are likely to initial documents in Washington later this month.

The initiated documents will however need approval by the Bangladeshi cabinet and US Senate before a final agreement is made.

Sources in the National Board of Revenue (NBR) believe the formal signing of the agreement may take maximum three to four months.

Bangladesh officials led by NBR Chairman Dr Shoaib Ahmad leave

Bangladesh tomorrow for Washington for this purpose. Dr Ahmad and a representative from US Treasury Department are to initial the agreement on July 25.

Meanwhile, both the sides agreed on different clauses of the proposed agreement relating to income tax provisions.

The proposed agreement will provide individuals, companies and industrial establishments of both the countries with tax rebate facilities.

Earlier, the documents for such an agreement between the two countries were initialed in 1981, 1990 and 2001 but final agreement

could not be signed amidst differences of opinions on some issues, sources said.

According to the earlier initialed agreement in 2001, both the countries agreed to give 50 per cent tax discount to each other over normal tax on the earnings from carrying goods by ships of any of the two countries.

But later the US requested Bangladesh to fix the discount at 30 per cent instead of the earlier decided 50 per cent and Bangladesh agreed to it, sources said.

According to the Ministry of Shipping no Bangladeshi vessels

currently go to US ports. But American vessels carry goods to the Chittagong Port.

Under the major clauses of the agreement, annual earnings of any student up to 5,000 US dollars, coming from grants or services, will be tax-free for two years.

This will benefit Bangladesh as a considerable number of Bangladeshis students study in the US, officials said.

Americans paying tax in Bangladesh will not be asked by the American tax department for paying tax against the income generated in the country, according to another clause of the pro-

posed agreement.

Similar provision will also be applicable for the Bangladeshis paying tax in the US.

However, income generated from an immovable property of any establishment set up in any of the two countries has been excluded from the tax discount facility.

Officials in Dhaka hope the US investment in Bangladesh would increase substantially when the final agreement is signed.

Bangladesh so far signed avoidance of double taxation agreements with 20 countries.

Listed banks may be penalised for profit disclosure sans provisioning

M SHAMSUR RAHMAN

Private commercial banks (PCBs) announcing half yearly operating profit without maintaining provisions against bad or doubtful debts are likely to be penalised by the Securities and Exchange Commission (SEC).

SEC officials in a meeting with the Bangladesh Bank yesterday pointed out that a number of PCBs listed with the stock markets resorted to such practice of announcing half yearly profit without calculating the required provisions against bad loans.

"Disclosing such profits creates a demand for such banks as the investors are lured to purchase such stocks that appear to be lucrative," a top SEC official told the meeting which was attended by Bangladesh Bank Governor Fakhruddin Ahmed and three deputy governors.

The officials said such

announcements are price sensitive information that might mislead the general investors. "And dissemination of such false price sensitive information is a clear violation of securities law and tantamount to market manipulation."

He said an investor purchasing shares based on such disclosures find profit to go down in the final audited accounts. In the final accounts the banks maintain the required provisioning against such sensitive information.

"But this year we saw few banks disclose such figures," the official said. "This time we may slap penalty on these banks."

During the meeting, the central bank officials sought relaxation of certain securities laws on some

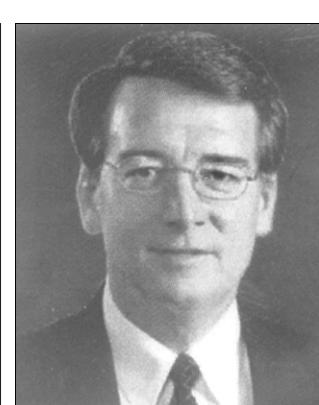
debt instruments, likely to be launched in the market under the financial instrument development programme (FIDP) of the central bank.

The Bangladesh Bank officials requested the SEC to exempt the debt instruments from the laws relating to mandatory underwriting, mandatory credit rating and prior permission from the SEC for keeping their cost low.

The SEC requested the Bangladesh Bank to send a proposal in this regard and assured it of cooperation in facilitating such financial instruments.

S Lachlan Hough, managing director and area head of American Express Bank Limited for Asia Pacific/Subcontinent Area office, is due in Dhaka today on a two-day official visit to Bangladesh.

During the visit, he will meet senior government officials and clients of the bank, says a press release.



Amex Asia Pacific head due today



PHOTO: CITYCELL

Managing Director of Pacific Bangladesh Telecom Limited (PBTL), the service provider of CityCell cell phone, Faisal Moshref Khan speaks at the launch of new post paid package 'Amar Phone' in Dhaka yesterday. The mobile-mobile package offers call charges at Tk 3/min (peak) and Tk 1.5/min (off-peak).

SEC rejects DSE claim

Malpractice of brokerage houses

NAZRATUN NAYEEM MONALISA

The Securities and Exchange Commission (SEC) has rejected Dhaka Stock Exchange's (DSE) claim that it was not aware of the malpractice of some brokerage houses.

The SEC itself admitted the very fact of malpractice through submission of an investigation report where it was clearly mentioned that a brokerage house was taken loan from its clients.

The Commission also directed DSE to submit investigation report on Global securities Ltd, which the exchange submitted later.

Regarding the malpractice of the brokerage houses, a senior official of SEC said, the Commission wants to give chance to the brokerage houses to repay the loan.

He also said that the exchanges are the first line of defense which should detect and discipline its own members for the betterment of the market. "Such corrective measures by the DSE will contribute more in rebuilding the lost confidence of the investors."

expressed ignorance about the malpractice of the members.

Earlier, the market regulators, based on the findings of investigation report of DSE, asked the bourse to take appropriate measures against Times Securities Ltd, Mansura Securities Ltd, Qazi Kamal Securities and Md Ali Hossain & Co.

The Commission also directed DSE to take effective steps in appointing the chief executive officer for the exchange.

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Iraq's transition to market to be tough, warn UN, WB

AFP, Baghdad

Iraq will have a difficult transition to a market economy after a decade of economic sanctions and must make social reforms to protect the most vulnerable members of society, the World Bank and United Nations warned Saturday.

"The main challenge is the security situation," said Joseph Saba, the World Bank director for the Middle East.

Iraq faces a "very difficult economic transition ... that must not be underestimated," Saba told AFP on the sidelines of a conference in Baghdad of UN, World Bank and Iraqi officials.

"The real challenge is creating jobs. Fifty per cent of the population is under 16 years. So how do you translate the growth into productive efficient employment? How do you create proper jobs for these young people?"

"We have to be careful about our expectations because you don't recover from 20 years of beating in one day," Saba cautioned.

Gross Domestic Product (GDP) per capita is estimated to have plummeted to 1,200 dollars before the US-led war from over 3,300 dollars in 1980, according to World Bank figures.

"People have to feel secure and enjoy social welfare. These are challenges," Saba said, adding that the "emphasis has to be on education and health."



A man places sacks containing ginger and garlic at a wholesale shop at Shyambazar in Dhaka. Bangladesh now largely depends on imported spices. Imported ginger and garlic sell at Tk 20 to Tk 22 a kg at the wholesale market.

Taka strong against dollar

BSS, Dhaka

reached in late May.

The dollar also eased to 118.40 yen from 118.78 on Thursday, dealers said.

The dollar was being quoted in inter-bank trade at 1,3618 Swiss francs from 1,3698 Thursday and the pound eased to 1,5901 dollars from 1,5960 Thursday, dealers said.

The dollar traded at 58.3300-3700 to the taka yesterday, lower than its previous closing at 58.3300-58.4000 on Thursday, dealers of leading commercial banks said.

The dollar retained upside potential during at least the remainder of 2003 as US business cycle conditions continue to outperform those of other G7 countries, dealers of some leading commercial banks said.

Meanwhile, the euro rose to 1,1269 dollars on Friday against 1,1203 dollars late on Thursday in New York, but still a far from an all-time high point of 1,1933 dollars then.

Traders said the environment appears to favour the dollar, but that the greenback is digesting some recent gains.

Prospects of a US economic recovery appeared to brighten after a closely watched index from the Philadelphia Federal Reserve Bank showed Thursday a sharp

improvement in activity in the US manufacturing sector in the Philadelphia region.

But some currency analysts said it was too soon to declare an end to the dollar's downturn. "The question everyone is asking is whether this is the end of the 18-month bear market for the dollar," they said.

"We believe it is too soon to call the turn, even though we have argued since the beginning of the year that the dollar would be stronger in both 2004 and 2005," they added.

Meanwhile, the money market remained packed with surplus liquidity yesterday due to thin credit flow and low investment, fund managers of leading commercial banks said.

The overnight money rate ranged between 3.50 per cent and 7.00 per cent -- slightly higher than Friday's range, they said.

Treasury Secretary John Snow said Friday he expected US economic growth to speed up to at least 4.0 per cent next year, according to a statement released here.

Snow, at the conclusion of a trip to Britain and Germany, also said he believed the US budget deficit -- forecast to hit a record 455 billion dollars in 2003 -- was "manageable."

"This year I expect growth to exceed three per cent in the third and fourth quarters of this year, and four per cent next year," the treasury secretary said.

The expectations were echoed by private economists' forecasts, he said in the statement, which was issued in Frankfurt.

Snow also played down the consequences of a revised White House forecast Tuesday that the federal budget deficit would explode to a record 455 billion dollars in 2003.

President George W. Bush's administration said the deficit -- 50 per cent bigger than that projected just five months ago -- had been exacerbated by a weak economy, the Iraq war and tax cuts.

US economic chief predicts 4pc growth in 2004

AFP, Washington

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Oil prices climb as traders track new tropical storm

AFP, London

Oil prices forged higher on Friday as traders kept a wary eye on reports of a new storm brewing in the Gulf of Mexico, though dealing was thin, traders said.

The market was also monitoring the fourth storm in this year's Atlantic hurricane season, Danny, which was brewing in the Gulf of Mexico, according to meteorological reports.

"A concern that may give sup-

port to the market is again a tropical storm in the Gulf of Mexico," said GNI trader Kevin Blemkin.

"The weather system talks about another storm called Danny which may affect loadings again."

The new storm comes hot on the heels of Hurricane Claudette, which was downgraded to a tropical storm earlier this week, though not before causing some disruption to oil activities in the region.

The price of benchmark Brent North Sea crude oil for September delivery gained 22 cents to 28.84 dollars per barrel in late trading.

New York's reference light sweet crude August contract

advanced 49 cents to 31.90 dollars per barrel in early deals.

"It is still very erratic trading," said Prudential Bache broker Tony Machacek. "Funds seem to be buying the market," he said.

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