

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 the agreement in Washington later this month.

The initialed documents will however need approval by the Bangladesh 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

Dhaka 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 Bangladeshi 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.



PHOTO: CITYCELL

Managing Director of Pacific Bangladesh Telecom Limited (PBT), the service provider of CityCell cell phone, Faisal Morshed 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).

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 lucra-

tive," a top SEC official told the meeting which was attended by Bangladesh Bank Governor Fakhruddin Ahmed and three deputy governors.

The official said such announcements are price sensitive information that 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 bad loans.

Following the SEC submission,

the central bank governor said the SEC could get in the process of taking actions against such offenders.

Another SEC official said such practice of disclosing operating profit began last year and many investors complained of such misleading statements from banks.

Following the complaints, the SEC last year warned all the listed banks not to disseminate such sensitive information.

"But this year we saw few banks to 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.



Amex Asia Pacific head due today

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.

Three pass FDA approved HACCP course

Mahmudul Karim, executive director of Bangladesh Shrimp Foundation, Nizam M Selim, president of Shrimp Hatchery Association of Bangladesh, and Montaz Faruki Chowdhury, director of Agribusiness Centre for Competitiveness and Enterprise Development of ATDP, have passed the National Marine Fisheries (NMFS) HACCP based Certification Examination recently.

The certificates were awarded upon meeting the requirement of the US Food and Drug Administration (FDA) and NMFS Quality Management Programme through demonstration of knowledge of the HACCP application principles to fish and fishery products processing, says a press release.

HACCP, which stands for Hazard Analysis and Critical Control Points, is a science-based and systematic process for identifying food safety hazards and establishing methods of control with an emphasis on prevention.

US economic chief predicts 4pc growth in 2004

AFP, Washington

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.

National Housing, Dom-Inno Builders sign MoU

National Housing Finance and Investment Limited (NHFIL), a non-bank financial institution, and Dom-Inno Builders Ltd, a developer, signed a memorandum of understanding (MoU) on Wednesday in Dhaka.

Under the MoU, the prospective clients of Dom-Inno Builders Ltd will receive faster and superior customer service from National Housing in getting housing loans up to 70 per cent of their apartment purchase price.

Ansar Uddin Ahmed, managing director of NHFIL, and Abdus Salam, managing director of Dom-Inno Builders Ltd, signed the MoU on behalf of their organisations, says a press release.

Shabbir Ahmed, deputy managing director of NHFIL, Jinatul Kabir, chief executive officer of Dom-Inno Builders Ltd, and other senior officials of both organisations were present at the signing ceremony.

Gas supply deals worth \$3b inked in Indonesia

REUTERS, BALI, Indonesia

Natural-gas supply deals worth \$3 billion were signed in Indonesia yesterday in a boost for the industry, including one by ConocoPhillips to serve Singapore's Island Power for 15 years beginning in 2006.

The deal involving ConocoPhillips, the number-three US oil firm, was worth around \$1.5 billion, executives said.

In other deals, Indonesian state electricity firm PLN agreed to buy gas from offshore blocks in East Java province operated by Amerada Hess Corp for \$1.2 billion and the other by Australian-based Santos Ltd for \$250 billion.

One official said those two agreements would hopefully help avert a future power crisis on the main island, Java.

The deals were signed on the island of Bali and come at a time when Indonesia has struggled to maintain its competitive edge in the separate liquefied natural gas (LNG) market, partly because of concerns over pricing and the country's security.

Correction

In a news item published Friday on the Business Page, the amount of pre-tax profit of the United Insurance Company Limited during the first half of this year was erroneously printed as Tk 1.98 million instead of Tk 10.98 million.



PHOTO: STAR

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

The Bangladesh taka was stronger against the US dollar in thin inter-bank trade yesterday as the green-back was mostly lower against most currencies and the euro bounced, 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

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 shot to its highest level against the euro in two-and-a-half months on Tuesday after Greenspan gave the House of Representatives' financial services panel a generally upbeat assessment of the US economy.

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.

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 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.

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.

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."

The World Bank, however, had not worked in a transitional country with as much wealth or as many qualified people as Iraq, Saba added, noting the state's vast water and oil resources.

But he warned that the "existence of resources alone in a transitional period will not provide successful job creation."