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BUSINESS

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PRE-BUDGET MEET WITH NBR

# MCCI for fiscal incentives to increase productivity

## Wants elimination of money whitening provision

### STAR BUSINESS REPORT

Emphasising fiscal incentives for country's productivity, the metropolitan chamber has urged the government to bring about some reforms in the taxation.

It suggested that the tax officials should be stripped off discretionary powers as such powers have been misused for which the effective tax rates for companies on an average went up by 10 to 12 per cent.

The Metropolitan Chamber of Commerce and Industry opposed the provision of whitening black money saying "MCCI strongly feel that whitening of black money is an unfair provision as those who do not care to pay tax are provided with concessions."

The suggestions came yesterday at the chamber's pre-budget meeting with the chairman and members of the National Board of Revenue (NBR).

MCCI President Latifur Rahman led his side at the meeting.

The proposals put forward by the chamber included a three-tier import duty structure that aimed to improve competitiveness of the local industries, such as 2.5 percent duty for basic raw material, 7.5 percent for intermediate raw material and 22.5 percent for semi and finished products.

Reduction in corporate tax rate, different tax rates for financial institutions, taxation of private limited companies and dividend amounts are some of the points that came up in the MCCI-proposed tax reforms.

"Country's tax system continues to remain afflicted with high rates and low tax bases. By now, it is well established throughout the world that moderate tax rates and transparent procedures hold key to

improved tax compliance ", the MCCI remarked in its budget proposal.

It recommended reducing taxes on raw materials and components, intermediary products and finished products.

"Without a major reduction in the customs duty on raw materials/ components and intermediary products, the local industry will continue to be affected," it noted.

The chamber also suggested reducing corporate tax in the case of non publicly traded companies, lowering tax rate for offshore banking units and re-fixation of the ceiling of tax-free house rental allowance.

It pointed out that the provision under the Finance Act 2006 which described the expenditure on for-

rein tour by company directors as an income from other source is irrational and unjustified.

The chamber demanded for allowing a limit-less expenditure on such foreign trips.

Terming the introduction of the advance corporation tax on credit card payments a deterrent in trying to move the country away from a cash economy, the MCCI recommended withdrawal of such tax in the greater interest of economic development.

It asked for removal of infrastructure development surcharge, license fees, VAT on automatic teller machine, duty on infant formula and cereals and supplementary duties on milk powder at production level.

It also proposed to minimise the

customs duty gap between the completely built unit television, refrigerator and air conditioner and completely knocked down units from 25 percent to 20 percent to make assembly operation economically viable.

Reduction in customs duties on raw materials, such as mixture of odoriferous substances, coconut oil, soap noodles, white petroleum jelly, caustic soda and caustic potash were also suggested.

The chamber, however, proposed a number of reforms in value added tax provisions that included withdrawal of VAT on export registration samples.



A delegation of Metropolitan Chamber of Commerce and Industry (MCCI), headed by its President Latifur Rahman, meets the chairman and members of the National Board of Revenue (NBR) in Dhaka yesterday to discuss the chamber's proposals for the next budget.

## INDEPENDENCE DAY Pizza Hut, KFC launch offers

Pizza Hut and KFC have launched new offers to entice food lovers offering a 'Personal Pan Pizza' at Tk99 and two pieces 'Hot 'n Crispy Chicken' at Tk 99 to commemorate this year's 'Swadhinata Dibas' or Independence Day, says a press release.

The 'Personal Pan Pizza' will be available from Pizza Hut's favourite line, which includes a range of mouth-watering pizzas such as 'Beef Lovers', 'BBQ Chicken', and 'Cheese Lovers & Simply Veg'.

"When it comes to celebration, you'll always find us at the forefront cheering for the cause. And, that's the backdrop of the offers. I hope, our customers will welcome the offers and celebrate the occasion," said Akku Chowdhury, head of operations of Transcom Foods Limited, the franchisee of Pizza Hut and KFC in Bangladesh.

Starting from 20 March 2007, the offers will be available until 27 March at Pizza Hut's Gulshan outlet and KFC at Gulshan, Dhaka. Offer will be valid from 12 noon to 4 pm.

## Iraq-Iran economy becoming integrated

PTI, New York

The economies of Iraq and Iran the largest Shiite-majority countries in the world, are becoming closely integrated with Iranian goods flooding Iraq markets and Iraqi cities looking to Iran for basic services.

While the Bush administration works to stop Iran from meddling in Iraq the New York Times says Iranian air-conditioners fill Iraqi appliance stores, Iranian tomatoes ripen on the windowsills of kitchens and legions of white Iranian-made Peugeot sit in Iraqi driveways.

The Iraqi government, the report says, relies on Iranian companies to bring gasoline from Turkmenistan to alleviate a severe shortage. Iraqi officials are reviewing an application by Iran to open a branch of an Iranian bank in Baghdad, and Iran has offered to lend Iraq 1 billion dollars.

# Future of India's special economic zones uncertain

AFP, New Delhi

Deadly clashes over India's plans for Special Economic Zones, touted as a way to woo foreign investors and spur economic growth, have cast a dark cloud over their future, analysts say.

Hailed as one of the biggest pushes for industrial expansion in post-independence India when the Special Economic Zone (SEZ) act was passed in 2005, the protests have sparked a national debate about acquiring farmland for the gated business enclaves.

"Compensation for the land is not enough. Even if you give farmers money... the money will get spent and what will they do then?" said Ajai Sahni, executive director of the New Delhi-based Institute for Conflict Management.

Unrest over the duty-free zones boiled over last week when 14 villagers protesting moves to buy their land for a chemical hub to be built with the help of Indonesia's Salim Group died in police fire in Nandigram in the eastern state of West Bengal.

The killings took place in a state ruled by Marxists for the past 30

years, who have recently attempted to show an investor-friendly face to the world.

Thursday's violence was the bloodiest yet over efforts to get land for SEZs -- privately-run parks with world-class infrastructure promoted by New Delhi as central to India's economic growth drive.

"The killings in Nandigram have put a big question mark over the proposed industrial parks acquiring agricultural land," said political analyst Sabyasachi Basu Roychowdhury.

Violence two months earlier at Nandigram in which 11 protesters died prompted the central Congress-led government to put on hold dozens of SEZ applications, but it insisted on Saturday it would press ahead with the zones.

Federal Commerce Minister Kamal Nath said India remained "absolutely" committed to the SEZs, adding if New Delhi did not swiftly clear the applications, investment could be lost to other countries.

"There's investment competitiveness from Thailand, from Philippines, from Indonesia. If FDI (foreign direct investment) is coming to our Special Economic Zones it can also jolly well

go to Thailand, Philippines and Indonesia," he said.

There are 14 SEZs in India and proposals for hundreds more.

India's plans for SEZs were inspired by the tax-free zones Beijing set up a quarter of a century ago that helped propel China's rapid industrial growth.

Keen to become more competitive with China in drawing global investment but lacking the political muscle to quickly improve water, power and transport, the government decided to allow the private sector to set up SEZs.

In return for establishing infrastructure, SEZ developers would get tax breaks. But controversy has dogged acquisition of the land for the zones.

Just 35 percent of land has to be devoted to industrial activity and the remaining 65 percent can be used for commercial complexes or housing projects -- raising fears the zones will simply spark a real estate gold rush.

"Why should incentives be given to real estate developers in the name of SEZs?" asks Communist leader Sitaram Yechury.

## ADB deputy DG for South Asia arrives tomorrow

UNB, Dhaka

Asian Development Bank (ADB) Deputy Director General of the South Asia Department Sultan Hafeez Rahman will arrive here tomorrow on a 6-day official visit to Bangladesh.

He will have high-level policy dialogue with members of the Council of Advisors, including the advisors for finance and planning and foreign affairs, and senior government officials on future ADB assistance to Bangladesh, said a press release.

Sultan Hafeez Rahman will also visit the Chittagong port and EPZ and hold consultations with the private sector and civil society on a wide range of development issues.

ADB's South Asia region comprises Bangladesh, Bhutan, India, the Maldives, Nepal, and Sri Lanka.

Manila-based ADB is dedicated to reducing poverty in the Asia and Pacific region through pro-poor sustainable economic growth, social development and good governance.

## Singapore Bangladesh's popular destination for medical travel

An increasing number of patients from Bangladesh are travelling to Singapore for specialised treatment, says a press release.

In 2005, Bangladeshis were amongst the top 10 healthcare visitors to Singapore.

374,000 foreign patients flew to the city-state in 2005 to seek medical treatment, 15 percent increase over the 320,000 in 2004, according to new figures published.

Singapore has one of the most pioneering and developed healthcare systems in the world.

A delegation of healthcare companies and leading doctors from Singapore will attend the March 22-24 medical exposition in Dhaka to highlight the world-class facilities, delivery and care offered by the Southeast Asian state.

Singapore is sending its largest ever delegation of doctors to attend the event, with the number of participating companies increasing twofold over the previous year. On display at the Singapore Pavilion will be the range of medical services, facilities and expertise offered in the country.

### OPEN SKIES DEAL

## Blair to ask Bush for concessions

AFP, London

Prime Minister Tony Blair is to ask US President George W. Bush for special treatment for Britain before a European vote on the proposed "Open Skies" deal to free up the transatlantic aviation market, a newspaper reported Sunday.

The Sunday Times said the deal would force Britain to open up London's Heathrow, the world's busiest and most lucrative international airport.

Airline industry sources quoted by the newspaper said Blair is likely to speak to Bush on Tuesday and urge Washington to commit to liberalise its aviation industry before opening up Heathrow.

The British leader is also likely to suggest a five-month delay in introducing an "Open-Skies" deal, and press for the right of "automatic termination" if the United States fails to cooperate, the newspaper said.

Sources in Washington quoted by the newspaper said the US government was only likely to consider the request for a delay. "I think we could live with that," one source was quoted as saying.

European Union transport ministers are scheduled to meet later this week to vote on the open-skies deal, which currently offers no special concessions to Britain.

Only two airlines from each side of the Atlantic -- British Airways and Virgin from Britain, and American and United from the United States -- are allowed to fly to US cities from Heathrow.

In exchange for access to Heathrow, the newspaper said, Britain wants Washington to relax restrictions on airline ownership and domestic flights. Only American citizens are allowed to control US carriers, and no foreign airline can fly internal routes.

### BECOMING COMPETITIVE IN GLOBAL MARKET

# Practise corporate governance

## Finance adviser urges businesses

### STAR BUSINESS REPORT

Finance and Planning Adviser Mirza Azizul Islam yesterday urged businesses to practise corporate governance in order to become more competitive in the global market.

The businesses also should not depend on subsidy or tax exemption, he added.

The adviser was speaking at a roundtable titled 'Role and Responsibilities of Independent Directors', organised by Bangladesh Enterprise Institute (BEI), in Dhaka yesterday.

Mirza Azizul said as the private sector has played an important role over the years for the development of economy, it now deserves respect and proper nurturing.

Presided over by BEI President Farooq Sobhan, the discussion

stressed the need for enhancing the understanding of the roles and responsibilities of independent directors who are serving on the boards of companies.

The discussion was attended, among others, by Mueen Afzal, chairman of Pay and Pension Committee of Pakistan, Dr Mohammad Farashuddin, a former governor of Bangladesh Bank, Dr Haroon-ur Rashid, a former chairman of the Securities and Exchange Commission, and representatives from various SoEs and private enterprises.

Mueen Afzal presented the keynote paper, where he said the fundamental motivation for corporate governance is the separation of ownership and control.

"Having an independent director on the board helps establishment of

a system of internal and external checks and balances on corporate behaviour," he said.

Dr Farashuddin said the country's private sector is dominated by first generation entrepreneurs and the concept of corporate governance is yet to reach maturity.

Dr Haroon-ur Rashid acknowledged that the role of an independent director is often a challenging one, but proper training on the issues like corporate governance can help face the challenge positively.

The BEI president said the government should not always appoint the independent directors from among the serving officials. Experienced retired professionals as well as highly qualified personnel from the private sectors may also be chosen, he added.



Rokia A Rahman, executive director of Bangladesh Federation of Women Entrepreneurs (BFWE), and Deepak Adhikary, head of IFC's SouthAsia Enterprise Development Facility (SEDF), exchange documents after signing an agreement in Dhaka on Friday. Under the deal, IFC-SEDF and BFWE will jointly launch a series of training programmes for women entrepreneurs and workers in the light engineering sector.

# Malaysia says no timeframe for trade deal with US

AFP, Kuala Lumpur

Malaysia will not set a timeframe to conclude a free trade deal with the United States, deputy prime minister Najib Razak said Sunday.

"Malaysia is not tied down to any fixed timeframe. We will study thoroughly every issue being negotiated (before deciding on the free trade agreement)," he was quoted as saying by Bernama news agency. The US government Friday all but ruled out the chances of a deal with Malaysia before a crucial deadline expires in two weeks.

US President George W. Bush's powers to fast-track trade agreements expire in June. That gives US negotiators up to March 31 to present a deal for a mandatory 90-day congressional review that would then be subject to just an outright yes or no vote without amendments.

Steve Norton, a spokesman for US Trade Representative Susan Schwab, said the Malaysian cabinet remained locked in debate about crucial provisions of the deal, including government procurement rules.

After the latest round of talks in February, Malaysia had informed

the United States that it needed more time to develop a political consensus in favour of the ambitious pact, he told AFP.

Najib said Malaysia's position on the free trade issue was clear in that Kuala Lumpur would continue negotiations until both sides reached a consensus on the contentious issues. He did not elaborate.

The two countries have held five rounds of talks but negotiations have bogged down over 58 unresolved issues, and no further rounds have been scheduled between the United States and its 10th-largest trading partner.

Among sore points for US trade negotiators are Malaysia's positive discrimination policies for its majority-ethnic Malay community. The policies give preferential treatment to Malay-run companies in the awarding of government contracts.

Malaysian farmers, activists and opposition parties have been demanding a halt to the talks, arguing a FTA would damage livelihoods.

## World economy to see a solid growth in 2007: IMF

XINHUA, Mexico

The world economy will continue to see a solid growth despite the recent volatility in the financial market, said a senior official of the International Monetary Fund (IMF).

"Our predictions are that we are going to have another year of solid growth, probably approaching 5 percent," Murilo Portugal, IMF's deputy managing director, told a press conference on the sidelines of a meeting of the Inter-American Development Bank in Guatemala City Saturday.

He said 2007 will be the fifth consecutive year of a strong growth for the world economy.

The recent tumble in global markets was more likely "a correction after a lengthy period of increase in asset prices" rather than a phenomenon of fundamental change of the economic direction, he said.

"Growth in the United States is decelerating but is very solid in Europe and also in Japan and most of the emerging markets," he said.

## Disney launches retail store in India

ANN/ THE STATESMAN

After its tie-up with master franchising group, Devyani International Ltd (DIL), Walt Disney on Saturday launched its first merchandise store in India, which will sell its branded kids products.

The first Walt Disney franchise store in India, officials from Disney's local partners said, will give the company its first foothold in India's lucrative retail market.

The store, which sells Walt Disney Co's branded stationery products under the name "Disney Artist," was opened in Gurgaon, a suburb of New Delhi, said Mr Arjun Verma, chief financial officer of Devyani International Ltd.

Through a licensing agreement with DIL, the global entertainment major plans to invest Rs 150 crore for setting up 300 such Disney Stores in the next five years across the country of which the first 22 outlets would become operational in the current year itself.