

Stocks

DGEN ▲ 2.97%
2,891.05

CSCX ▲ 0.76%
6,501.99

(Week-on-week)

Asian Markets

MUMBAI ▲ 2.92%
14,764.64

TOKYO ▲ 0.83%
9,877.39

SINGAPORE ▲ 0.67%
2,317.95

SHANGHAI ▲ 0.11%
2,928.21

(Friday closings)

Commodities

Gold ▲
\$942.00
(per ounce)

Oil ▲
\$69.29
(per barrel)

SOURCE: AFP

(As of Friday)

More News

A model for rapid investment



In the classical economic paradigm, the state takes the responsibility for all public good, which are paid for with moneys from taxation on the citizens. The expanse of public good includes external and internal security, provision of civic utilities, education, healthcare, infrastructure and social welfare.

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International

Sri Lanka accuses IMF of playing politics

Sri Lanka on Friday accused the International Monetary Fund of politicising financial aid following the fund's delay in considering a 1.9-billion-dollar bailout for the war-ravaged economy. "Never ever has the IMF taken political factors into account. Now, it seems for the first time they are doing that -- indirectly," Sri Lankan Trade Minister G.L. Peiris told AFP in Washington ahead of talks with fund officials.

France to sell stake in Areva nuclear group

The French state will sell a chunk of nuclear giant Areva to Asian and Middle Eastern investors to help finance the future of a group considered a jewel in the country's industrial crown, a report said Friday. The Financial Times said the government was preparing a capital increase for the state-controlled group and could sell a 15 percent stake to raise two billion euros (2.8 billion dollars).

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If you have views on Star Business or news about business in Bangladesh, please email us at business@thedailystar.net

Banks may see tax cuts

SIM, mobile handsets are also in spotlight

REJAUL KARIM BYRON and MD HASAN

Corporate tax on financial institutions and taxes on mobile connection and handsets may get a slight waiver in the final budget for the next fiscal year against the backdrop of the ongoing global recession and the government's dream of building a Digital Bangladesh by 2021.

The existing 45 percent corporate tax for the financial institutions might be reduced by 2-3 percent in the final budget, finance ministry officials said.

SIM (subscriber identity module) tax could be cut by Tk 300 to Tk 600 from existing Tk 900, and the customs duty on mobile set imports could be down to 12-15 percent instead of 25 percent proposed in the budget, the officials said.

The finance minister is expected to announce the final tax structure for these three most-discussed sectors in the parliament tomorrow.

The central bank had capped banks' lending rate at a maximum 13 percent to help industries tackle the fallout stemming from the ongoing global recession. All the commercial banks agreed with the central bank's direction. And the bankers in return demanded cuts in corporate tax.

However the bankers' plea was not reflected in the proposed budget for 2009-10. But the prime minister recently assured the bankers of considering their concerns.

The National Board of Revenue (NBR) on an average earns Tk 600 crore each year as corporate tax from the 100 financial institutions, including banks, and a cut in corporate tax will reduce its earning, which made the NBR a bit hesitant to cut such tax.

But the NBR is now considering the banks' role in overcoming global recession, and cuts in corporate tax for the financial institutions, officials said.

The finance minister's tax proposals on SIM and mobile handsets have been criticised by the telecom industry insiders. The industry people said the tax structure for mobile sector goes against the government's election pledge to build a Digital Bangladesh by 2021.

However Finance Minister AMA Muhith in some post-budget discussions said he himself also felt the need to reconsider mobile sets' import duty.

Presently around 46 million people are using mobile phone technologies and maximum of them are living in urban areas.

Bangladesh's mobile telephone penetration



rate is around 34 percent and so remains a big untapped market. The industry people consider the rural areas as the untapped market and so demanded a suitable tax structure for the poor community living in the bottom of the pyramid.

Mobile importers are now paying a flat rate of Tk 300 for any handset, which will go up to Tk 500 in case of a Tk 2,000 handset if 25 percent tax is imposed.

The government earns around Tk 250 crore annually from mobile handset imports, while the earning from SIM tax is more than Tk 1,000 crore.

The mobile operators have been blaming their dwindling markets on Tk 800 tax on SIM cards over the last few months, especially when they have decided not to subsidise SIM tax anymore.

Following the operators' decision to discontinue bearing the SIM tax, the six mobile operators added a mere 0.94 million customers to their networks in the second half of 2008, which is 86 percent less than the same period a year ago. In the second half of 2007, they added 6.65 million customers.

Earlier a stiff competition and an obligatory subscriber acquisition target in line with licence agreement led the mobile operators to pay Tk 800 SIM tax on behalf of their new customers.

"SIM tax subsidising is no longer viable," said Ahmed Abou Doma, chief executive officer of Banglalink, recently.

"Bangladesh has the potential for acquiring more than 55 percent penetration rate in the next five years. A high tax on the telecom industry is barring the development," Doma said.

The mobile industry anticipates that the subscriber base will reach 95 million from existing 46 million by 2013 if the SIM tax is removed.

Mobile handset importers recently urged the government to cut import duty to Tk 100 from existing Tk 300 on each set in the budget, saying such a tax reduction will help users get quality products and discourage substandard handset imports.

Mobile handset imports increased by 92 percent to 60.82 lakh pieces in fiscal 2006-07, while the figure was 31.70 lakh in fiscal 2005-06. The imports shot up as the import duty on handsets was cut from Tk 300 in fiscal 2005-06 to Tk 200 in fiscal 2006-07.

Handset imports in fiscal 2007-08 however witnessed a 13 percent downtrend as the government re-fixed Tk 300 duty in that fiscal year when a total of 53 lakh handsets were imported.

Nasir Group eyes Tk 300cr in sales from new plant

SAJJADUR RAHMAN

Nasir Glassware and Tube Industries is expected to earn nearly Tk 300 crore in annual sales from its new plant to be pressed into operation at the end of this year, a top official said yesterday.

The Tk 600 crore plant is being set up on a 125-bigha of land at Sohagpur under Mirzapur upazila of Tangail district. Some 85 percent of construction is complete.

"We expect Tk 15 crore in monthly sales from glassware and Tk 10 crore from tube lights," Nasiruddin Biswas, managing director of Nasir Group, told The Daily Star, quoting a feasibility study on the new plant.

Around Tk 100 crore worth of letter of credits have been opened for import of machinery and equipment for the company, Biswas said. The company has invested another Tk 200 crore for construction and land acquisition.

Nasir Group, which started its business in a humble way with the making of biri (traditional handmade low-cost cigarette), now boasts glass, melamine, printing and packaging and footwear units.

The group's annual turnover crosses Tk 2,000 crore. It pays a monthly average of Tk 13 crore in value added tax to the national exchequer, according to available statistics.

Nasir Glassware and Tube Industries will be the first of its kind in the country and will compete against a tide of imported goods now dominating the glass tableware, fluorescent and energy-saving bulb market here.

Glassware products that will be manufactured at the plant include tableware, flower vase, perfume bottle, bowl and candle stand. All of the items are imported from different countries such as China, Thailand, Malaysia and Indonesia.

The market size of fluorescent and energy-saving bulbs is also rising on the rise of the user's consciousness about an efficient use of electricity. The energy-saving bulb market will boom once the government makes its use mandatory, officials said.

Citibank NA has recently arranged Tk 140 crore loans for Nasir Glassware and Tube Industries at a 12 percent interest rate.

"Both glassware and energy-saving bulbs will be import-substitution industries. They will also be able to export in the near future," said Mamun Rashid, country officer of Citibank NA in Bangladesh.

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- Total companies: Eight
- Annual turnover: Tk 2,000 crore
- Taxes: Tk 13 crore per month
- Latest project: Nasir Glassware and Tube Industries to be built for Tk 600 crore

UN unity on helping poor nations with financial crisis



Foreign Minister Dipu Moni speaks at the United Nations Conference on the World Financial and Economic Crisis and Its Impact on Development at UN headquarters in New York on Wednesday.

AFP, United Nations

UN member states reached broad consensus Friday on the need to help developing nations cope with the global financial crisis but the United States voiced reservations about key recommendations.

An outcome document was adopted by acclamation at the end of a three-day debate marked by strident calls by developing countries for a drastic reform of multilateral financial institutions.

The event's organizer, UN General Assembly President Miguel D'Escoto Brockmann, hailed the outcome, saying it recognized that developing countries should also play a role in ushering in a new global financial architecture.

"We are in this reality and this world together and we will sink or float together," he noted.

"There's a global consensus on how we address what is a global economic crisis," Britain's UN Ambassador John Sawers told reporters.

"It has been a very constructive occasion in the sense that it's built upon the outcome of the G20 (summit in April) and it will be taken forward in further events at the G8 next month and at the (next G20) Pittsburgh summit in September," he said.

Nearly 120 member states took part, including Ecuadoran President Rafael Correa, the vice president of Zimbabwe, the prime ministers of Bosnia, Serbia, Togo, several Caribbean nations and

Brazilian Foreign Minister Celso Amorim. Key developed countries however sent low-level delegations.

Participants agreed to call on the Group of 20 (G20) developed and emerging nations to follow through with their April commitment to provide 1.1 trillion dollars to revitalize the world economy and "to further consider addressing the financial needs of developing countries, especially low-income countries."

They also urged countries, "while implementing national stimulus measures, to avoid protectionism in any form and possible adverse impacts on third countries, particularly developing countries."

Another key recommendation was the need for "further reform of the governance of the (1944) Bretton Woods institutions -- the International Monetary Fund and the World Bank -- on the basis of a fair and equitable representation of developing countries, in order to increase the credibility and accountability of these institutions."

"We recognize that it is imperative to undertake, as a matter of priority, a comprehensive and fast-tracked reform of the IMF. We look forward to this accelerated progress," the document said.

But in a dissenting note, US delegate John Sammis insisted that "any decisions on reform of the international financial institutions or the manner in which they conduct their business are the prerogative of their shareholders and their respective Boards of Governors."



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