Star Business

DHAKA FRIDAY JUNE 4, 2010

Stocks

DGEN	▲	0.19%
		6,140.20
CSCX	▲	0.23%
		11,601.21

Asian Markets

MUMBAI	▲	1.68%
		17,022.33
TOKYO	▲	3.24%
		9,914.14
SINGAPORE	▲	2.42%
		2,793.47
SHANGHAI	▼	0.73%
		2,552.66

Currencies

	Buy Tk	Sell Tk
USD	68.65	69.65
EUR	82.99	87.02
GBP	99.43	103.70
JPY	0.73	0.78

SOURCE: STANDARD CHARTERED BANK

News in Brief

ADB to help boost natural gas supply

STAR BUSINESS DESK

The Asian Development Bank will provide Bangladesh $266 million in loans to help address natural gas supply constraints.

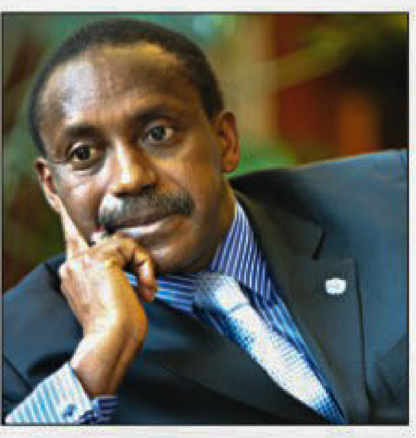
To this end, an agreement was signed by M Musharraf Hossain Bhuiyan, secretary of Economic Relations Division, and Thevakumar Kandiah, ADB's country director, in Dhaka yesterday, according to a press statement.

The assistance under Bangladesh Natural Gas Access Improvement Project will be used to build new gas transmission and distribution pipelines to meet growing demand and to expand coverage to less developed areas in the country's south-west region.

The project will also help improve supply efficiency by developing four new wells and installing gas-processing plants in Titas gas fields to increase gas production by 120 million cubic feet per day.

Around two lakh new households in the southwest, along with 1,400 industrial and commercial establishments will receive gas as a result of the expanded distribution network.

Under the project, regulatory reforms will be expedited to encourage more private investment in the gas industry.



Top UNIDO official due Sunday

UNB, *Dhaka*

Director General of United Nations Industrial Development Organisation (UNIDO) Dr Kandeh K Yumkella is expected to arrive in Dhaka on Sunday on a three-day state visit.

Industries Secretary Dewan Zakir Hossain will welcome Dr Kandeh at Shahjalal International Airport at about 8:40am.

This is the first visit by a DG of UNIDO to Bangladesh.

The UNIDO official will hold a meeting with Industries Minister Dilip Barua at 2pm on June 6 and later he will formally inaugurate the National Metrology Laboratory of BSTI (Bangladesh Standards and Testing Institution) in the capital's Tejgaon industrial area. Kandeh will also meet Prime Minister Sheikh Hasina.

Duty cuts likely for SME raw materials

SAYEDA AKTER

The government is likely to facilitate small and medium enterprises (SMEs) with substantial duty cuts on the import of basic raw materials and a flat VAT rate of 3 percent in the next budget.

The government is expected to cut import duties on base metals, the main raw material for light engineering, to the lowest possible level, an official of the National Board of Revenue said, seeking anonymity. The current rate is 7 percent.

The SME sector is likely to get nearly 75 percent of the total industrial development budget, said an official of the industries ministry.

A block allocation is also expected to develop infrastructure and build capacity of the sector, he said.

Industry insiders said the SMEs did not receive any budgetary allocation so far.

The SME sector plays an important role in exports and employment generation, as 98 percent enterprises fall in this category.

Qazi Kholiquzzaman Ahmad, an economist, stressed the need to implement policies taken in the previous years.

"Identifying SME as a thrust sector is not good enough anymore, as it was identified as a thrust sector in the first five-year planning in 1955," he said. "After so many years, we are yet to boost the sector as a driver of the economy."

Meanwhile, the government is trying to boost the sector to alleviate poverty and generate employment.

As part of this move, the government considers reducing duties on raw material imports by SMEs and fixing a 3 percent tariff slab, said an official.

The recent move to hand over the Tk 210 crore ADB grant that the government received in 2004 to the SME Foundation is expected to solve the fund crisis, he said.

Under this programme, banks and non-bank financial institutions will get funds at 3-4 percent from the foundation, while entrepreneurs are entitled to loans at 8-9 percent.

The present lending rate of 13-16 percent is considered an impediment to the growth of the sector.

The government also considers increasing duties on the import of finished products that are being produced locally.

The government will enhance monitoring over implementation of the decisions taken last year. It was decided last year that the small to medium manufacturing units would get a complete VAT exemption on utilities, including electricity and phone, and insurance services. These units enjoy 80 percent exemption of VAT on those services.

Also, the government's move to form a uniform definition for SME will help reduce confusion over the threshold for capital machinery and turnover, said the official.

A three-member committee was formed in May to redefine the scope for the sector and establish clusters for industries.

sayeda@thedailystar.net

STAR

Planning Minister AK Khandker addresses a discussion on 'MDG 1: Eradicate Extreme Poverty and Hunger' at the National Economic Council in Dhaka yesterday. (Story on B3)

Govt to plug loopholes in car import duties

Extra Tk 1,000 crore earnings likely; new move evokes mixed reactions

JASIM UDDIN KHAN

The government has set a target to earn Tk 1,000 crore in additional revenue from car imports next year by adopting new measures in the upcoming national budget.

It now earns around Tk 3,000 crore in tax on the imports of 25,000 reconditioned and 3,000 new cars a year.

The tax administration alleges that some importers dodge crores of taka in taxes by manipulating the ages of used cars. There are 20 percent to 350 percent duties on the imported cars of different ages.

The National Board of Revenue is working on developing a new mechanism to avert such tax evasion.

New car importers will have to show prices to be provided by manufacturing companies themselves, instead of any third party. The old car importers will have to have a mandatory inspection from Japanese inspection companies from the next fiscal year.

The pricing of new cars, determined by a third party for the importers, creates scope for under-invoice at the customs point, said an NBR official.

"The government is likely to make pricing by any manufacturing company mandatory for importers to check tax dodges."

Meanwhile, the finance minister has already asked the NBR officials to identify the loopholes in customs valuations to avert tax dodging.

"Soon we'll bring those tax dodgers under a regulatory regime," said the revenue board official.

The new move evokes sharp reactions from the traders. Many think this will make car imports much expensive.

Car prices vary and cannot be static, said Dhaka chamber's former president Hossain Khaled.

Khaled is also the managing director of AG Automobiles, the distributor of US carmaker Ford Motors in Bangladesh. "Distributors can some time supply cars with varied prices to different customers. We can supply 80 units of cars to the Bangladesh Police at a more competitive price," he explained, adding that such static pricing would create huge controversy at customs points.

DHS Motors Director NAT Rouf, however, welcomed the move saying his company provides original prices from the manufacturing company.

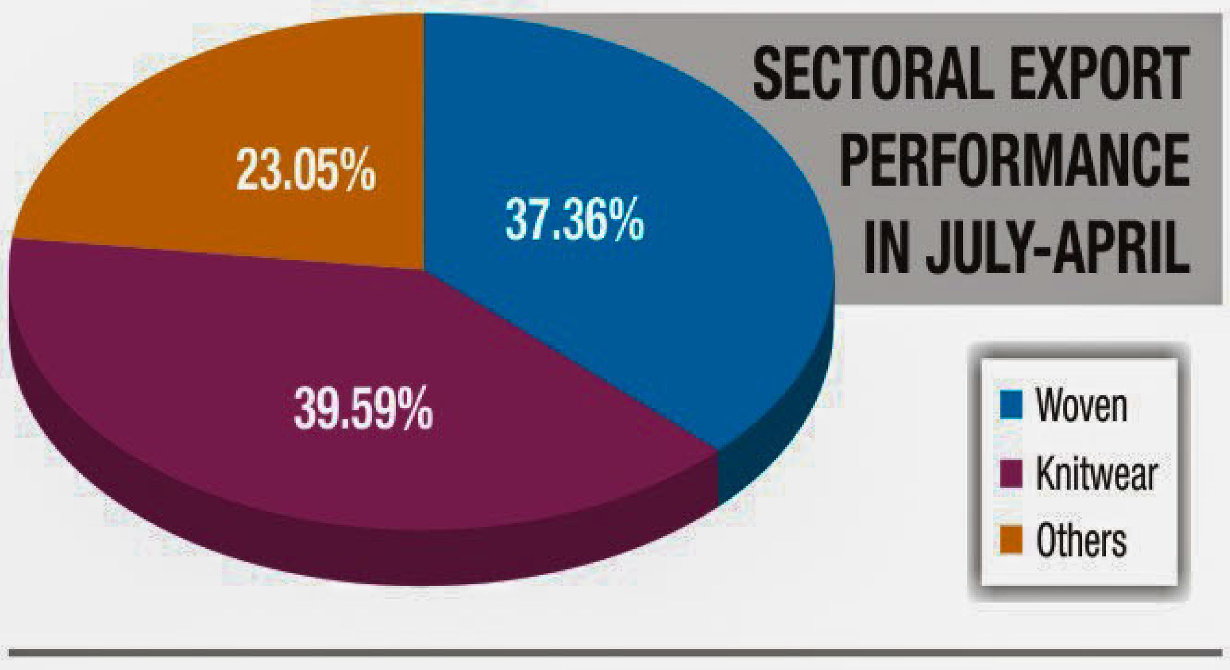
"The present pricing system is not level playing for all operators. Pricing by third party traders makes room for under-invoice. The government is losing huge amount of revenue for such malpractice," Rouf pointed out.

Habibullah Dawn, president of the Bangladesh Reconditioned Vehicles Importers and Dealers Association (Barvida), said mandatory inspection will push a used-car price up by $70.

"If anyone wants to manipulate car age, such inspection will not do," he said.

Former Barvida president Abdul Haq said it would be a burden on the middle-income group, the main buyer of used cars.

In another development, the Anticorruption Commission is continuing a probe into an alleged manipulation in pricing by some car importers. They are said to have not shown actual prices of the cars imported between 2005 and 2008.



RMG makers expect rebound in exports

REFAYET ULLAH MIRDHA

Apparel makers expect a rebound in the last two months of the outgoing fiscal year, although exports of this product came down to $9.96 billion in the first 10 months from $10.13 billion in the same period a year earlier.

Export Promotion Bureau data shows Bangladesh's prime foreign exchange earner's contribution to the national overall exports has reached 76.96 percent -- 39.59 percent by knitwear and 37.36 percent by woven -- during July-April. Around $13 billion is the earning from overall exports. During this period in fiscal year 2008-09, the garment sector's contribution was 79.07 percent.

The state-run promotional agency also points out that readymade garment exports suffered a negative growth during the period of the current fiscal, except October, March and April. Such negativity is a consequence of global recession, sector people say.

However, the April figure shows that knit exports marked a 13.53 percent uptick in a single month, while woven exports rose 15.56 percent.

Also in May and June, a significant rebound is expected.

David Hasanat, chairman and managing director of Viyellatex Group, said, "The March-April turnover shows that the sector's exports will be much higher in the last two months of this fiscal."

He is also upbeat on the positive export growth next fiscal, as international buyers tend to make more orders.

M A Jabbar, managing director of DBL Group, which is expecting $175 million RMG exports in 2010, points to the energy crunch that led to the failure in timely delivery of apparel export orders, which resulted in the July-April decline.

"The suppliers of RMG products are facing problems in execution of orders from the international buyers due to the shortage of gas and power supply," he said.

Meanwhile, the emergence of some other sectors is also grabbing larger share in the national export. During July-April, jute goods export grew 69.82 percent to $377.09 million and raw jute 44.35 percent to $170.41 million.

reefat@thedailystar.net

Radisson to set foot in Cox's Bazar

SAYEDA AKTER

Clewiston Group, a Chittagong-based company, is set to build a 350-room five-star hotel on Kalatoli beach in Cox's Bazar, officials said yesterday.

Radisson, the flagship brand of US-based international chain Carlson Hotels Worldwide, will manage and operate the hotel.

Clewiston will initially invest Tk 350 crore to build Radisson Hotel Cox's Bazar, said an official of the company. Construction is likely to begin in September.

A memorandum of understanding was signed between Carlson and Clewiston last night at Radisson Water Garden Hotel in Dhaka.

Radisson is going to be the second five-star hotel in Cox's Bazar, the country's most popular tourist destination. Earlier, La Vinci took an initiative to build a five-star hotel on Inani beach, which is expected to start construction by July.

Sakhawwat Kamal, manager of Clewiston, said: "We will start construction in the hotel-motel zone of Cox's Bazar in September.

"The hotel will start operations by the end of 2011."

Over the years, the hospitality sector has seen significant growth, led by the five-star hotel segment. Three new five-star hotels opened in Dhaka in the past four years.

Industry experts said Dhaka has around 1,250 five-star rooms and they experience full occupancy only in winter. An average occupancy rate of around 75 percent can easily make the business profitable, they added.

Habibullah is the most profitable five-star hotel in Bangladesh. The hotel owns a 40 percent share of the total market.

Clewiston, a maker of garment accessories for the last 15 years, has grown to Tk 1,000 crore in annual turnover, Kamal said.

Faruk Khan, commerce minister, and MA Alim Chowdhury, managing director of Clewiston Group, were present at the deal signing ceremony.