

# Tax will set back stockmarket: CSE

STAR BUSINESS REPORT

The Chittagong Stock Exchange has opposed any rise in tax at source on brokerage commissions.

It said enhancement in the tax rate, as proposed in the new budget, will hinder the capital market growth.

Meanwhile, merchant bankers have urged the government to revise the proposed tax on capital gains of institutional investors, and fix the rate in two tiers.

The government plans raising the tax at source on commissions received by stockbrokers to 0.1 percent from the existing 0.025 percent.

"It's a 300 percent jump and, if implemented, it will seriously affect the market growth as well as hurt the interests of individual investors," said Fakhor Uddin Ali Ahmed, president of the CSE.

"The existing rate is market-friendly. We urge the government not to increase further such tax," he said, suggesting the government facilitate the market so that the trade volume can increase manifold and thus the government can generate more revenue from the stockmarket.

Last year, the tax at source was up by 600 percent, as the volume of trade increased dramatically, he cited example. "Further rise in the volume of trade will help the government collect more revenue from the market," he said.

The CSE chief also said imposition

of VAT on stockbroker will result in additional burden on investors, as the VAT will increase the cost of doing business and put a negative impact on the trade value and transactions.

"New investors may also feel a cumbersome situation in the investment procedure. Besides, the brokers will not go for expansion," he feared.

Commenting on the proposal of imposing tax on premium value of shares, Ahmed said any levy is related to income or profit, while the premium value of shares is linked to capital raise or paid-up capital of a company.

The premium cannot be income of a company, it is related to capital raise, he said, adding: "The tax on the premium value will also hinder the listing of new companies."

The CSE president also urged the government to revise the proposal of imposing tax on income of institutional investors at 3 percent instead of 10 percent.

He also criticised the government for not taking a clear step with regard to offloading the shares of state-owned enterprises (SoEs) in the market.

Ahmed said a major portion of the budget deficit can be met by offloading government shares, instead of borrowing from the domestic banking system and foreign aid.

The government has decided to offload shares of 26 state-run companies long-time before the budget

announcement, but it could not be implemented. "There should be a timeframe for offloading shares," he said.

The finance minister in his budget speech did not elaborate but said floating shares of 26 SoEs is in progress.

The CSE however lauded the government for not proposing any tax on income of individual investors from share trade.

The merchant bankers suggested that the government impose 5 percent tax on an institution if the company makes profits within a year, and the rate should be 3 percent in case of investment for more than a year.

The suggestion came at a post-budget press conference in Dhaka yesterday, organised by Bangladesh Merchant Bankers Association.

The new budget proposed imposition, for the first time, of a 10 percent tax on a company that profits from share trade.

"If the proposed tax is finalised, it will discourage institutional investment in the stockmarket," said Arif Khan, president of the association.

The government needs huge money to continue and implement the development activities, he said.

"We also want to see the practice of paying tax be widened. But the 10 percent tax in one go is too high," he said, urging the government to implement the tax rate in phases.



**Khurshid Irfan Chowdhury, executive director of Transcom Beverages, gives an LCD television to Noor Ahmed Talukdar under PepsiCo's latest promotion Pepsi Football Mania at a programme in Dhaka recently. Arif Hossain, market development manager of Transcom Beverages, and Asrar Alam, sales operation manager, are also seen.**



**Mizanur Rahman Shelley**

## Premier Leasing re-elects chairman

STAR BUSINESS DESK

Premier Leasing and Finance Ltd re-elected Mizanur Rahman Shelley as chairman and elected Syed Muhammad Abdull Mannan as vice chairman, the company said in a statement.

Shelley, a postgraduate from Dhaka University and a PhD from London University, is also the chairman of Centre for Development Research Bangladesh and Mohona Holdings Ltd.

He is also associated with various national and international organisations as a consultant.

Mannan, also a lawmaker from Manikganj-2, is the chairman of Piu De Fashionova Ltd.

The company also elected AZM Akramul Haq as executive committee chairman and Atif Rahman as audit committee chairman, according to the statement.

## Knitwear sector sees glum prospect

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Knitwear manufacturers predict a slump in the growth of ready-made garment (RMG) exports if the proposed budget for fiscal 2010-11 is implemented.

In a post-budget briefing, Fazlul Hoque, president of Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), said a hike in the tax rate on exports to 1 percent from 0.25 percent would hamper growth.

Finance Minister AMA Muhith proposed the tax hike in the new budget.

At the briefing at the BKMEA office in Dhaka, Hoque said any kind of tax hike at production level would ultimately affect the prices of export-oriented goods.

"But the buyers are not ready to pay

higher prices for garment products at this moment, as many are still struggling to recover from global recession," Hoque said.

He urged the government to allocate at least Tk 500 crore for market promotion, manpower development, and product diversification from the proposed stimulus package of Tk 2,000 crore.

But Hoque greeted the fact that the budget proposed to allocate Tk 6,115 crore to develop the power sector. He also said beefing up the public-private partnership (PPP) fund was also a welcome move by the government.

He asked the government to finalise the coal policy as soon as possible. The coal, not gas, should be the prime source of electricity production, as gas reserves are diminishing fast, he added.



**Syed Naved Husain, chief executive officer of Bextex Ltd, and Paul Hulme, president of Huntsman Textile Effects, shake hands over a partnership deal at Beximco Industrial Park in Gazipur yesterday.**

## Bextex, Huntsman team up

STAR BUSINESS DESK

Huntsman Textile Effects will provide textile dyes, chemicals and technical service to Bextex Ltd, according to a statement released yesterday. Huntsman and Bextex have signed a partnership deal.

Syed Naved Husain, chief executive officer of Bextex, and Paul Hulme, president of Huntsman Textile Effects, signed the deal at Beximco Industrial Park in Gazipur.

Huntsman will be the supplier for all dyes and chemicals required for Bextex's textile processing plants in Bangladesh.

"We are excited to have the opportunity to partner with such a reliable business. This association will create a new benchmark for productivity and innovation for both of our organisations, which is very important in this competitive market," said Husain.

"This partnership marks the beginning of a new chapter in this important market, whereby Huntsman is focused on creating a higher standard in textile processing through innovation and technical expertise. In turn, this will fuel the momentum of technical upgrade for the textile industry," said Hulme.

"Huntsman Corporation and Beximco are also considering joint investments in Bangladesh in addition to textiles in the areas of specialised chemicals for construction, footwear and healthcare."

Huntsman Textile Effects is a concern of Huntsman Corporation, a global manufacturer and marketer of differentiated chemicals.

## Standard Bank gets new exec body chief



STAR BUSINESS DESK

Standard Bank has elected Harun Rashid Chowdhury as executive committee chairman, the bank said in a statement yesterday.

A sponsor director of the organisation, Chowdhury is also the chairman of Casendra Yarn Dyeing Industries and a director of Trade Linkers and Imperial Knitting Industries.

## Barua urges easy credit for SME sector

UNB, Dhaka

Industries Minister Dilip Barua yesterday urged banks and financial institutions (FIs) to increase credit disbursement flow and simplify disbursement process for small and medium enterprise (SME) sector to ensure further economic growth.

He made the appeal while speaking as chief guest of a workshop at Bangladesh Bank (BB).

"It appears difficult for the entrepreneurs to get loan due to complex procedures. So, loan disbursement process needs to be simplified for ensuring easy access of loans."

The workshop -- SME Lending and Training Intervention -- was co-organised by the Small And Medium Enterprises Sector Development Programme under the industries ministry and SME and Special Programme Division of BB.

Bangladesh Bank has recently introduced a separate SME and Special

Programme Department to formulate policy for SME loan disbursement and loan monitoring.

Governor Atiur Rahman was present as chief guest.

"Banks and financial institutions need to take entrepreneur-friendly policies and programmes to develop the SME sector," said Barua.

The minister also urged banks and financial institutions to change their old mindset in lending loans for the SME.

The minister also suggested the central bank to take initiatives to simplify the lending procedure.

Barua finds that Bangladesh could not see the desired growth of heavy industry due to an absence of stable political environment, lack of skilled entrepreneurs, experiences and adequate capital.

"Labour-intensive industrialisation is the best alternative for ensuring economic safety of Bangladesh."

Speaking at the workshop, Rahman said the government is determined to

come out from the default culture and urged the banks and financial institutions to introduce a 'cluster development policy' for lending funds to the SME sector.

He directed the banks and financial institutions to speed up the loan disbursement flow at rural-level for a sustainable development of sector.

"Public and private sectors, non-governmental organisations, banks and financial institutions, specialised institutions like SME Foundation, different associations, chambers and women entrepreneurs will have to work together for the development of SME sector."

The BB governor said the government has already identified advanced technology and higher growth as the driving force of economy for sustainable economic development.

"The government is working to ensure 40 percent contribution of industry in the country's total economy by 2021."

## Container handling to go automated at Ctg port

BSS, Dhaka

An automated container handling system will be set up at Chittagong Port in August on a trial basis.

"Digitisation of the system will increase the rate of cargo handling and provide better services for port users," Shipping Secretary Abdul Mannan Hawlader told the news agency yesterday.

He said an agreement was signed between the Chittagong Port Authority and the Singapore Technology and Electronics last year for the automatic operations of the port.

About 90 percent of the automatic container handling system has been completed.

The automated system that will cost Tk 37 crore will be operating in full swing from January.

About revenue earning of Chittagong Port, he said the port earned Tk 1,133.72 crore in fiscal 2008-2009.

The secretary said a two-tier digital security system was introduced in the port to modernise the system.

"Close circuit cameras will be installed to monitor container scanning and handling. Modern equipment will be procured to improve the handling system," said Chittagong Port Chairman Reazuddin Ahmed.



**Etihad Airways, national airline of UAE, celebrated 'Agent Award Night' to recognise its agents on its fourth anniversary at Radisson Hotel in Dhaka recently. Civil Aviation and Tourism Secretary Shafique Alam Mehdi, UAE Ambassador Khalifan Battal Ali Al-Mansouri and Country Manager of Etihad Khondaker A Kabir attended the show.**

## Shops asked to close before 8pm

STAR BUSINESS REPORT

Power distributing companies on Sunday asked the subscribers to close shops, shopping malls and markets in the city before 8 pm to keep load-shedding at tolerable levels until the end of the World Cup in South Africa.

Dhaka Power Distribution Company (DPDC) and Dhaka Electric Supply Company (DESCO) also asked their subscribers to switch off air conditioners, water pumps, micro-ovens and other kinds of home appliances during the peak-hours, especially during the football event.

A notice posted on the websites of both DPDC and DESCO said the frequency of load-shedding recently increased in the city due to a shortfall in generation, following gas crunch in power plants.

The notice also said the distributing companies have to manage the load of power even at peak hours.

As a result, football fans are being deprived of watching the WC matches. The power distributing companies gave such a directive to the subscribers for load management, so that football fans could enjoy the matches, the notice read.