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SOURCE: STANDARD CHARTERED BANK

## AIMS 1st Mutual Fund trade resumes Sunday

STAR BUSINESS REPORT  
Trading of AIMS First Mutual Fund resumes on Sunday.

The Dhaka Stock Exchange (DSE) management yesterday took the decision as directed by the Securities and Exchange Commission.

"We will open the trade considering retail investors' interests. Moreover, the price of the fund is now stable," an official said.

The DSE suspended the trade on February 25 following the fund's dividend declaration.

Then retail investors filed a writ petition with the court, challenging the suspension.

The trustee committee of the mutual fund has announced 70 percent stock dividend for 2007-08 and 2008-09 and a 130 percent right entitlement.

The committee proposed the rights offer, 13 units of Tk 1 each against 10 units of Tk 1 each at a price equal to net asset value per unit.

# Frustration over budget

## Businesspeople say they are unhappy despite changes in some tax proposals

STAR BUSINESS REPORT

Despite some adjustments with the demands from different sectors, the 2010-11 budget could not appease businesspeople -- be it a large apparel exporter, or a small bread maker.

They say the new budget that was passed in parliament yesterday failed to give them a relief from the tax burden.

The amended budget outlined a gross expenditure of Tk 199,873 crore, including revenue and development expenses, while the net expenditure is Tk 132,170 crore.

The new budget, placed by Finance Minister AMA Muhih in parliament on June 9, has been a much-talked-about issue for the last three weeks, as it proposed to widen the tax-net.

The proposed Tk 6,200 value added tax for each shop at retail level, up from Tk 4,200 in fiscal 2009-10, has seen no change after lawmakers endorsed the budget for the new fiscal year coming into effect today.

The VAT for superstores has been doubled from 1.5 percent, while such tax at import stage has also been raised to 3 percent from previous 2.75 percent. Non-VAT businesses that were under the turnover tax have also been brought under the VAT net.

Such widening of VAT will ultimately impact

the consumers badly, according to Humayun Kabir, former president of the Institute of Chartered Accountants of Bangladesh.

However, a renowned economist has pointed out that the tax-net expansion is necessary to get the budget targets implemented.

Meantime, the changes made in the budget include withdrawal of the tax on incomes of the institutional buyers of different government securities like bond, cut in the tax at source to 0.5 percent from the 1 percent proposed earlier for the export sector and VAT at business level to 2 percent from 3 percent.

Besides, the budget also waived 10 percent income tax on beneficiaries of the government's savings certificates, reduced the advance income tax on stockbrokers' commission to 0.05 percent from the proposed 0.10 percent. The existing such tax is 0.025 percent.

Abdus Salam Murshedy, president of Bangladesh Garment Manufacturers and Exporters Association said they are not satisfied with the budget.

"It is self-contradictory when the government is awarding us stimulus, it imposes higher taxes," he said.

The loss is a two-way one: while energy crunch leads to a less output, the global recession drives out the market competitiveness of

the RMG sector, Murshedy said.

He demanded that the government keep unchanged the tax on exports at the previous 0.25 percent.

Abdul Hamid Sharif, former secretary general of the Bangladesh Reconditioned Vehicle Importers and Dealers Association, said the price of a car between 1,000 cc to 1,500 cc will rise by Tk 2 to 3 lakh because of the 15 percentage points increase in supplementary duty.

Mohammad Jalal Uddin, president of Bangladesh Bread Biscuit and Confectionary Manufacturers Association, said the imposition of 15 percent VAT on handmade bread and biscuits will hit hard the labour-intensive industry.

Mobile phone operators are disappointed to see the SIM tax unchanged at Tk 800.

However, Shakil Rizvi, president of Dhaka Stock Exchange, thanked the government for reducing the tax on stockbrokers' commission.

Mustafa K Mujeri, director general of Bangladesh Institute of Development Studies, said the changes made yesterday were nothing but a marginal adjustment of demands.

The BIDS boss also pointed out that the tax-GDP ratio is one of the lowest in the world. "There is an urgent need of widening the tax-net to carry out the government's budget pledges."

# DSE downgrades 26 companies with paper shares

STAR BUSINESS REPORT

Twenty-six companies on Dhaka Stock Exchange have been downgraded to the Z-category, as they failed to convert their paper shares into electronic ones by June.

In line with directives by the stockmarket regulator, the premier bourse downgraded the companies, which were being traded under B-category, according to a posting on Dhaka Stock Exchange's website.

The Securities and Exchange Commission on May 25 decided that trade on paper shares would not be allowed under B category from July 1, meaning the companies with paper scrips will have to dematerialise the shares within June 30.

The same day, SEC also decided that it would not allow paper shares to trade on the main boards of the stock exchanges from October.

The regulator's move is meant to ensure a smooth and transparent trading system, as paper shares are not compatible with the electronic trading system. It was also aimed to eliminate any fake shares from being traded.

The SEC also banned the trading of paper shares in the A-category in January.

## DOWNGRADED COMPANIES

- Anlima Yarn Dyeing
- Azadi Printers
- Bangla Process
- Bangladesh Hotels
- Bangladesh Plantation
- Bangladesh Services
- Desh Garments
- The Engineers
- Hill Plantation
- Himadri
- HR Textile Mills
- Imam Button
- Kohinoor Chemical
- Legacy Footwear
- Libra Infusions
- Miracle Industries
- Modern Dyeing
- Monno Ceramic
- Monno Jutex
- Monno Jute Staffers
- Orion Infusion
- Renwick Jaineswar
- Savar Refractories
- Sonali Aansh
- Standard Ceramics
- Yusuf Flour Mills

# Parjatan runs short of funds

SAYEDA AKTER

Bangladesh Parjatan Corporation runs short of funds in developing infrastructure, although the government sets aside big allocations for the tourism sector in the budget every year.

In fiscal 2009-10, Parjatan, the national tourism authority, received only Tk 9 crore to develop new infrastructure and renovate old structures.

At that time, the government had allocated Tk 234 crore in development budget for the tourism sector, which was slashed to Tk 17 crore in the revised budget, according to the tourism ministry.

For fiscal 2010-11, the government allocated Tk 292 crore in development budget for the tourism sector. But Parjatan is still in the dark about its own share.

Industry people said the government's dithering over identifying tourism as a priority sector was the main reason behind this.

There are no fixed funds to develop infrastructure of the sector.



A view of Bangladesh Parjatan Corporation motel in Bogra. The national tourism agency runs short of funds to develop infrastructure.

Instead, it gets funds from different ministries, such as communication, local government and rural development and railways. However, they do not get this on a regular basis, said industry insiders.

Tourism investment is growing only at a 4-5 percent rate a year, they said.

Hasan Mansur, a tourism expert and managing director of The

Guide Tours Ltd, said the sector had never received sufficient government funds.

"The funds allocated every year are insignificant. It requires huge funds to become a top revenue generating sector."

"If the government allocates an adequate sum to develop the sector, it will help attract more local and foreign tourists and invest-

ment," Mansur said.

He suggested the government allocate funds to increase spending on promotional campaigns across the world.

Meanwhile, the government approved 21 tourism projects worth an estimated Tk 400 crore under public private partnership (PPP).

Parjatan also took steps to develop a few new motels in Gopalganj, Kuakata, Rangamati, Teknaf and Cox's Bazar, seeking investment from local and foreign entrepreneurs to develop the less-explored spots.

"We need a huge funds to develop tourism, along with ensuring better security for local and foreign tourists," said Hemayet Uddin Talukder, chairman of Bangladesh Parjatan Corporation.

According to ministry statistics, 4.35 lakh foreign tourists visited Bangladesh in 2009, which was a sharp rise from 3.82 lakh in 2008.

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