Star Business

Dhaka Tuesday November 30, 2010

Stocks

DGEN	▼ 0.68%	8,599.41
CSCX	▼ 0.77%	15,657.71

Asian Markets

MUMBAI	▲ 1.38%	19,400.27
TOKYO	▲ 0.86%	10,125.99
SINGAPORE	Flat	3,158.21
SHANGHAI	▼ 0.19%	2,866.36

Commodities

Gold	▲	$1,367.00 (per ounce)
Oil	▲	$84.32 (per barrel)

SOURCE: AFP (Midday Trade)

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Commerce Minister Faruk Khan, *third from left*, takes a look at a Lotto shoe during the Bangladesh debut of the Italian sportswear brand at Dhaka Sheraton Hotel yesterday. Express Leather Products Ltd will produce and sell Lotto shoes in Bangladesh. (Story on B3)

Minister slams cooking oil refiners

Plans to fix price Sunday

STAR BUSINESS REPORT

Commerce Minister Faruk Khan yesterday slammed edible oil refiners and brands for abruptly raising prices by about 12 percent, and asked them to submit their import, refining and other costs by tomorrow.

After reviewing the refiners' costs as well as the ministry's own data, he will preside over a meeting next Sunday to fix the price of soybean oil with the refiners, according a commerce ministry official.

"It's not a country of anarchy," said Khan after yesterday's three-hour meeting with officials of edible oil businesses. "One cannot raise prices of edible oil on his own. There should be a rationale and proof behind the reasons for a spike in prices."

Khan said raising prices overnight by Tk 13 a litre is not normal business: "It's simply profiteering," said Khan, who was not persuaded by refiners' explanation of the recent spike in soybean oil prices on the domestic market.

Last week, the retail price of five litres of packaged soybean oil was Tk 514-560, up from Tk 464-494, earlier meaning that each litre of packaged soybean oil cost up to Tk 13 more, depending on the brand,

The spike in prices of packaged or branded soybean also influenced prices of loose soybean oil, which is consumed mostly in rural and semi-urban areas.

According to retail price data by Trading Corporation of Bangladesh, the price of loose soybean oil rose 10 percent to Tk 98-102 a kilogram, compared to a month ago.

Officials of packagers and refiners attended the meeting, as most heads of the businesses were abroad, participants said, but they pledged cooperation. "We will submit our cost structure by Wednesday," said an official.

Participants said Khan was also angry because refiners did not consult him prior to raising prices.

The ministry convened the meeting with refiners a day after the High Court directed the government to explain its inaction in preventing skyrocketing soybean oil prices.

The court also demanded it report within four weeks the quantity and price of soybean oil imported in the last six months. By the same deadline, it asked the vegetable oil refiners' association to document the quantity of soybean sold on the domestic market.

Khan earlier had asked Bangladesh Tariff Commission (BTC) to prepare a report on whether the price hike in the local market was proportionate to the hike in the international market. BTC officials declared that the abrupt hike was unjustified.

The BTC, tracking three months data, recorded an average imported cost of soybean oil at Tk 70 per kilo. The cost after refining and such was about Tk 84.

Since the beginning of November, the price of loose soybean started rising ahead of Eid-ul Azha, when consumption of edible oil usually rises. The price of packaged soybean oil, however, remained stable prior to the festival.

After Eid, edible oil refiners hiked the prices of soybean oil, in line with international price hikes. Bangladesh Edible Oil Ltd (BEOL) and Meghna Group Industries leading the rate hike of packaged soybean oil.

BEOL, which sells Rupchanda brand soybean oil, increased prices by Tk 13 per litre. Leading refiners Meghna Group of Industries, marketer of Fresh brand edible oil, and City Group of Industries followed.

Refiners claimed the domestic price hike was less than the international market hike, and even claimed they were selling edible oil at losses before Eid to respect to a government call of not to raise prices.

But a commerce ministry official called their claims of losses difficult to believe.

FBCCI clarifies hartal remark

STAR BUSINESS REPORT

The Federation of Bangladesh Chambers of Commerce and Industry has clarified the recent comment of its president AK Azad on hartal and the stance of the business community.

A statement issued yesterday said an FBCCI seminar held on November 24 in Dhaka, where business leaders and industrialists, including ex-presidents and general members irrespective of any political party were present, pointed to the economic losses due to any programme like hartal and suggested looking for an alternative to such programme.

While delivering his speech the FBCCI chief also agreed with the views the businesspeople expressed at the seminar, the statement added.

It said FBCCI as a neutral trade body thinks a peaceful economic and business environment is needed in Bangladesh to stay competitive with other countries.

Turning down BNP Secretary General Khandaker Delwar Hossain's perception that the FBCCI president was nominated by the government, as some newspapers reported, the platform of the business community made it clear that elected directors voted AK Azad to the helm of the apex trade body on June 19.

Govt to limit tax breaks

NBR collects record revenue in July-October

STAR BUSINESS REPORT

The government will reduce tax incentives for different sectors to help increase tax collection, said National Board of Revenue (NBR) officials yesterday.

Also, in the new income tax law, truncated tax will be withdrawn in case of VAT at retailer level, they said.

The NBR officials said revenue collections beat the target by Tk 1,799 crore to hit a record at Tk 21,236 crore in the first four months of the current fiscal year.

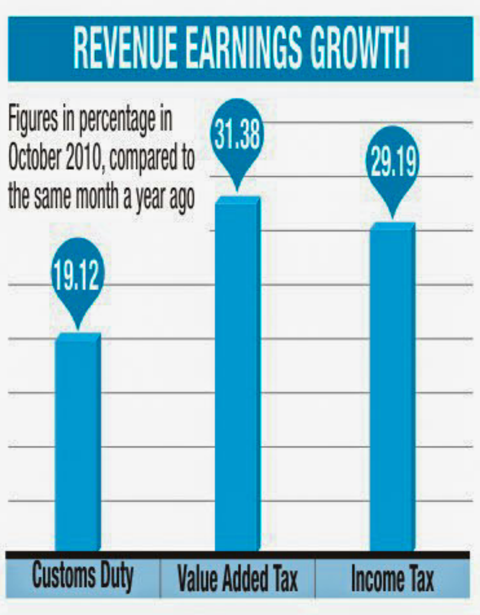
At a press conference, NBR Chairman Nasiruddin Ahmed said the draft tax law will be made public through websites in January, and the law would be finalised after taking opinions of stakeholders.

The NBR achieved 24.74 percent revenue growth in the first four months of the current fiscal year. The chairman said, if the trend continues, NBR will be able to exceed the revenue collection target this year.

According to an NBR analysis, the higher revenue came due to political stability in the country, a rise in production and demand, and a hike in import costs.

About the new income tax law, NBR member Aminur Rahman said, through the new law they will introduce electronic technology across the country so the taxpayers get quicker services. He said the tax net would be expanded further.

REVENUE EARNINGS GROWTH



The NBR member said, at present a huge tax incentive is given to different business groups. He said they think it is not necessary any more, and facilities like tax holiday will be made short.

NBR Member Farid Ahmed said, though VAT (value added tax) was introduced in 1991, there are still many distortions in the country's VAT system, which was squeezed at retail level through various steps including advance tax and tariff value.

Ahmed said it was contrary to the main spirit of the VAT system in collecting revenue. In the new VAT law attempts will be made to correct it, he said.

At the press conference detailed data on the collection of revenue in different sectors was presented. It showed that during the July-October period this year, the NBR collected a total of Tk 21,236 crore as revenue, which was Tk 16,889 crore during the same period last year.

The target for revenue collection in the four months was Tk 19,437 crore. The revenue collection exceeded the target by 9 percent.

In the four months, revenue collection increased by 19.12 percent at import and export levels, and VAT collection by 31.38 percent at local level, while income tax by 29.19 percent.

The revenue collection as export duty went up by about Tk 13 crore for the first time during the period.

The NBR officials said duty has been imposed on the export of tobacco and tobacco products, which contributed to the higher revenue collection from the export sector.

For the current fiscal year, the government took a number of steps which include bringing the stockmarket under the tax net and changes in the VAT system. These helped the revenue collection exceed the target, he said.

Asked if any political instability in the coming months may hamper revenue income, the NBR chief replied in the negative. "Amid the global financial crisis revenue collection was good and in the current fiscal year also the collection will be good."

Hasina seeks more investment from Japan

UNB, *Tokyo*

Prime Minister Sheikh Hasina emphasised reducing the huge trade gap between Bangladesh and Japan through increased Japanese investment and relocation of weaker Japanese industries in Bangladesh.

"In the current fiscal year, Japan's export to Bangladesh was over $1 billion, but Bangladesh's export to Japan was only $330 million. This needs to be corrected by more Japanese investment and relocation of weaker Japanese industries in Bangladesh," she said.

Hasina was addressing a luncheon meeting hosted by Japan-Bangladesh Committee for Commercial and Economic Cooperation (JBCCEC) at Tokyo Kaikan yesterday.

JBCCEC Chairman Toshihito Tamba also addressed the function.

Hasina said Bangladesh's special investment schemes under public-private partnership (PPP) and the 'build-own-operate-transfer' model could be of interest to Japanese investors. "The major schemes include a world class international airport, a third sea port, monorail and subways."

She called upon Japanese investors to invest in Bangladesh in sectors like power, infrastructure, IT, renewable energy, transportation and textiles.

She said Bangladesh's liberal investment policies are attracting foreign investment at a scale not seen in the recent past. "Much of it was due to our macroeconomic stability."

Besides, she said, it is encouraging that JETRO (Japan External Trade organisation) found Bangladesh as the second best profit making destination for Japanese business in Asia, with 87 percent respondents from the business world expressing readiness to invest in Bangladesh.

In another meeting jointly organised by Japan Chamber of Commerce, JETRO and United Nations Development Organisation, Hasina revealed her government's plans to make Bangladesh a regional hub with road, rail, air and water connectivity will all countries in the region.