

# Cigarette market thrives on 'liberal' tax

MD FAZLUR RAHMAN

The number of cigarette smokers is on the rise at an alarming rate due to the government's 'liberal tax policies'.

Anti-tobacco campaigners said Bangladesh has become one of top markets in the world with the cheapest tobacco products, and the taxation policies saw real prices of tobacco falling and flooding the market with low-cost cigarettes.

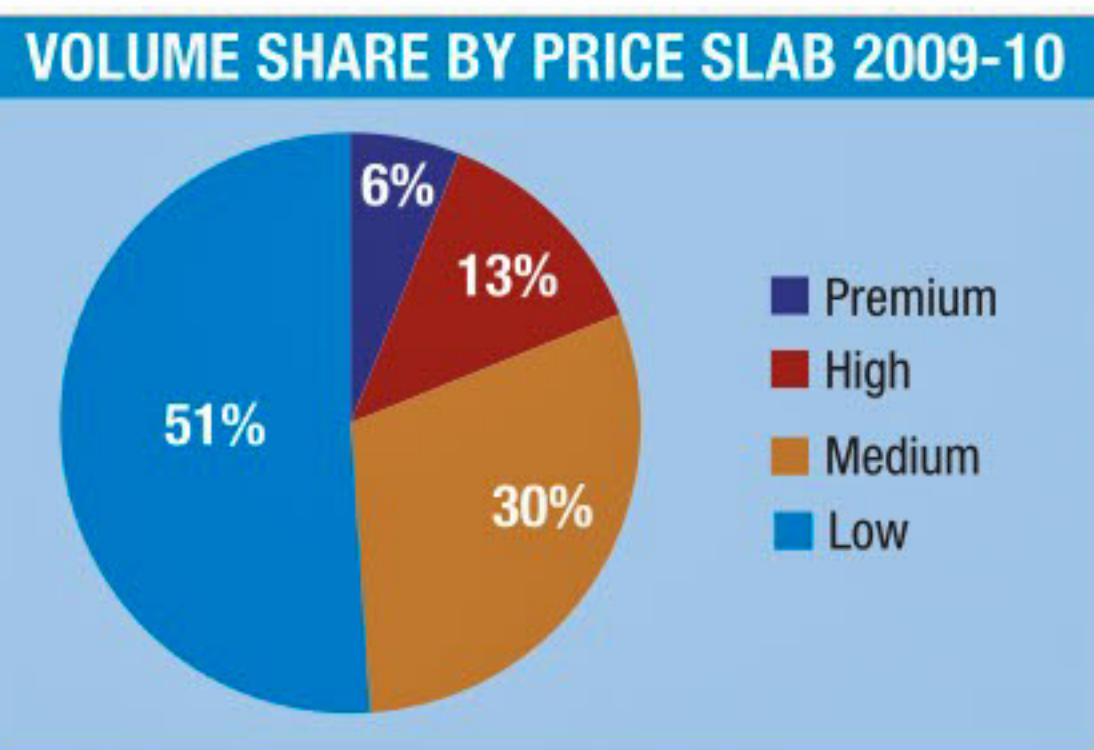
About 4,500 crore sticks of cigarettes were consumed annually in Bangladesh five years ago. The number reached 7,000 crore sticks in 2010, due to a dramatic rise in sales of low-priced cigarettes.

Over 25 lakh new people have joined the smokers' community in the last five years alone, as Bangladesh continues to throw away Tk 19.72 crore daily, puffing away or inhaling tobacco smoke and smokeless products.

Smoking is one of the leading causes of preventable deaths, claiming over 57,000 lives a year. Together with passive smoking, it costs over Tk 6,000 crore annually.

The number of smokers has increased at an alarming rate over the last few years. A 2004 survey by World Health Organisation (WHO) estimated the number of smokers among adult population in Bangladesh at 20.9

TAX STRUCTURE	
Price Per Pack of Ten	Current Excise Rate
Tk 52.00 and above	73 percent
Tk 27.00 to Tk 32.00	71 percent
Tk 18.40 to Tk 19.00	68 percent
Tk 8.40 to Tk 9.15	48 percent
Bidi (handrolled)	35 percent
Bidi (filtered)	40 percent



percent or 1.8 crore.

The number has reached 2.2 crore, up by 23 percent, according to the recent Global Adult Tobacco Survey of WHO.

Anti-tobacco campaigners said the National Board of Revenue (NBR) could be blamed partly for the rise in the number of smokers. Taxes should be increased sharply on all tobacco products -- bidi, cigarettes and jarda -- to discourage consumption, they said.

Mostafa Zaman, national professional officer of WHO, said Bangladesh has to spend twice the income from the tobacco sector for the public health.

He said there should not be any slab in fixing duties on cigarettes. "We need a uniform tax model," he said.

Bangladesh has four types of taxation slabs based on cigarette pricing. Tax on brands priced at

Tk 8.40 to Tk 9.15 per pack of 10 sticks is 48 percent. The tax on packs priced at Tk 18.40 to Tk 19 is 68 percent, for those costing Tk 27.00 to Tk 32.00 is 71 percent and for those priced at Tk 52.00 a pack and above, 73 percent.

Cigarettes priced at Tk 1 constitute over 51 percent of the total harmful products consumed, which was only 20 percent five years ago.

Because of this tax benefit, this segment has become very lucrative. All the cigarette manufacturing companies in Bangladesh are fighting tooth and nail for a pie of this ballooning segment of the market.

As a result, a range of new brands have made inroads into the one taka segment. Some 40 to 50 brands now offer a stick at Tk 1.

Nigar Nargis, assistant professor of the Department of Economics at the University of Dhaka, said

falling real price of tobacco items and rising income are leading to greater affordability.

"Tobacco tax increase will serve the dual purposes of revenue generation and public health promotion," she said, adding that taxes on cigarette and bidi have remained static for a decade.

She said employment in tobacco sector accounts for 0.5 percent or 2.5 lakh workers of the total workforce. A 50 percent price increase is likely to reduce employment in the sector by 28.5 percent.

"This loss can be gradually be mitigated through targeted employment generation and crop substitution programmes to rehabilitate the displaced workers," she said.

She said many of the impediments to the implementation of tobacco control policies are political, rather than economic or medical.

Farida Akhter, executive director of UBINIG, a policy and action research organisation, said there is no need to show any amnesty while raising taxes.

"By not raising the prices, consumers from the poorer segment of the society are being encouraged," said the rights activist.

Taufur Rahman, a coordinator of Campaign for Tobacco-Free Kids, said tobacco products in Bangladesh are the cheapest in the world. "But we do not see tax rise."

Officials of the NBR said there are scopes to increase tax, but it would depend on the government.

A senior NBR official said the tax administration faces tough times if it attempts to hike taxes on tobacco products, as a strong lobby inside the government always works against the move.

A ruling party lawmaker admits that attempts to increase tax on cigarettes and bidi is opposed every year inside and outside the parliament.

Finance Minister AMA Muhith also admitted that the government has always been soft on increasing taxes of low-cost cigarettes.

"We do not increase taxes on low-priced cigarettes heavily, but many have asked me about the issue this time. We will see what we can do," he said at a televised programme on Saturday night.



Johnson KS Chang, chief risk officer of HSBC Bangladesh, attends the launch of the bank's relocated Uttara office at Atlanta Trade Centre in Uttara, Dhaka recently.

## PM for ban on imports of easy-bikes

STAFF CORRESPONDENT

Prime Minister Sheikh Hasina yesterday directed the authorities concerned to impose a ban on imports of battery-run easy-bike and bring the existing ones under a licensing system.

Her directives came while she was presiding over the weekly cabinet meeting at the Bangladesh Secretariat. Earlier a parliamentary standing committee asked the government to ban easy-bikes.

At the meeting, some of the cabinet members said slow-speed vehicles are consuming huge electricity in the districts and upazilas, causing traffic jams, and slowing down other vehicles on high-ways.

She also directed the ministry concerned to increase tax on brick exports. "You [ministers] will have to discourage brick exports as they are made by digging soil from cultivable lands," one of the

## BRAC Bank opts for Oracle Fusion Middleware

STAR BUSINESS DESK

BRAC Bank has recently chosen two services from Oracle to help modernise its banking operations, the bank said in a statement yesterday.

The services are: Oracle Service Bus and Oracle WebLogic 11g that is a part of the Oracle Fusion Middleware products family.

Oracle Service Bus will enable BRAC Bank with a flexible infrastructure to integrate various third party applications, while providing the IT team with the ability to centrally configure policies and ensure security of the exposed services.

Oracle WebLogic 11g helps ensure rapid deployment and ease of integration through a single tool, thus reducing workload on the internal team while providing the additional capabilities of managing and monitoring communications among all applications.

"Oracle solutions based on open industry standards will help our bank to extend and evolve our existing applications instead of replacing them," said

## Stocks down amid SEC reform speculations

STAR BUSINESS REPORT

Stocks dropped yesterday yet again as the investors lost confidence following the uncertainty over the government plan of restructuring the Securities and Exchange Commission.

The benchmark general index of Dhaka Stock exchange slumped 59.46 points, or 0.98 percent, to close at 5,991 points, while the selective categories index of Chittagong Stock Exchange lost 154 points, or 1.41 percent, to close at 10,759.

Salahuddin Ahmed Khan, a teacher of finance at Dhaka University, said: "Investors did not go for big buying as uncertainty over the SEC reshuffle dented the investor's confidence."

Khan said it is an abnormal fall and fuelled by a rumour that the finance ministry had failed to find a new chairman for SEC.

He said most of the institutional investors adopted a wait-and-see policy.

Akter H Sannamat, a market analyst, said: "Investors lost confidence as the government is yet to find an SEC chairman."

Twenty-seven companies failed to declare their expected dividends, so most investors went for selling on the day, he added.

Share prices of all major sectors dropped such as non-bank financial institutions lost 2.47 percent, fuel and power 1.45 percent, telecommunication lost 1.34 percent, while banking sector gained 1.22 percent.

Of the total 248 issues traded on the DSE floor, 183 declined, 58 advanced and seven remained unchanged.

Beximco topped the turnover leaders with 14.26 lakh shares worth Tk 38.88 crore changing hands.

## Govt asked to impose TIN on luxury purchase

STAR BUSINESS DESK

Tax lawyers asked the government to make TIN (tax identification number) mandatory for buyers of air-conditions and furniture worth over Tk 50,000.

They also observed that the tax-free income ceiling should be raised to Tk 2 lakh considering the inflationary pressure.

National Tax Lawyers' Association placed these demands at a press conference at the National Press Club yesterday.

Zakir Hossain, president of the association, read out a set of demands at a pre-budget briefing.

Hossain said the government could boost tax collection by investigating inconsistencies between income and lifestyle of many professionals.

The association also demanded that the law on land purchase should come under the purview of the tax department as land prices are quoted far below the market price.



Raihan Shamsi, centre, chief financial officer and deputy chief executive officer of Grameenphone, speaks at a press meet in Dhaka yesterday where the mobile operator declared its first quarter earnings. Kazi Monirul Kabir, left, chief communications officer, is also seen. (Story on B1)



TotalGaz Bangladesh has recently observed "World day for safety at work" under its global safety awareness programme at its Dhaka office.

## Europe wants strong ACC

STAR BUSINESS REPORT

The government should not take any steps that would weaken the Anti-Corruption Commission (ACC), said William Hanna, ambassador and head of delegation of the European Commission to Bangladesh yesterday.

Welcoming the initiative of setting up the Bangladesh International Arbitration Centre (BIAC), Hanna said such institutions will help reduce disputes in business activities.

Last month, the International Chamber of Commerce -- Bangladesh (ICC-B), Dhaka Chamber of Commerce and Industry (DCCI) and Metropolitan Chamber of Commerce and Industry (MCCI), Dhaka, joined efforts to set up the centre for alternative dispute resolution (ADR), with support from Bangladesh Investment Climate Fund.

While speaking at the regular monthly luncheon meeting of the Foreign Investors' Chamber of Commerce and Industry (FICCI), Hanna suggested the industry owners pay fair wages to the workers.

"Bangladesh should ensure health and safety conditions, fair wages and a decent working condition," Hanna said.

He also suggested Bangladesh

enhance the testing standards and quality of shrimps so that the export of the item to EU does not face any hurdle.

Hanna said the country's economy remained unhurt through the recent global recession despite poor performance of bureaucracy, power shortage and weak infrastructures.

Hanna said Bangladesh started gaining benefit from the relaxed Rules of Origin (RoO) by the EU, under the Generalised System of Preferences (GSP) from January this year, as the export of different goods from Bangladesh to EU has been increasing rapidly in recent months.

The EU relaxed the RoO for the least developed countries from January 1, meaning the LDCs will get duty-free benefit from Euro zone even if the goods are manufactured from imported materials, which was not possible earlier.

Bangladesh needs sustainable development and protection against environmental degradation, he added. These are major policy decisions to attract foreign direct investment, he said.

The envoy said at least 300 companies from EU are in operation here in different sectors including pharmaceuticals.

FICCI President AM Hamim Rahmatullah facilitated the meeting.

## Economy upbeat: ICCB

STAR BUSINESS DESK

The Bangladesh economy is on a rebound as the first five months of the current fiscal year were upbeat, which seems to be taking cue from emerging Asia, an editorial of International Chamber of Commerce-Bangladesh (ICCB) said yesterday.

"By all indications, the country weathered the global crisis largely unscathed and is ready for a robust expansion of output and investment, as one of the emerging market economies," it added.

According to projections, growth during the current fiscal year is expected to be 6.0 to 6.7 percent. However, it was earlier projected that with adequate energy supplies and certain physical infrastructure in place, Bangladesh could attain double digit growth over a shorter period, the editorial said.

The main source of energy for industrial growth in Bangladesh is natural gas. There have been various estimates of the size of the natural gas reserves of Bangladesh, the statement added. In mid-2004, Petrobangla estimated the proven gas reserve at 15.3 TCF. Survey conducted by US Geological Survey in 2,000 had estimated that Bangladesh has a 15.3 TCF additional "undiscovered reserve". On the other hand, a study by the Hydrocarbon Unit of the Energy Ministry and the Norwegian Petroleum Directorate said the gas reserve (proven plus probable) of the 22 gas fields was estimated at 28.4 TCF.

Currently, Bangladesh is producing around 2,000 mcf of gas daily against demand for 2,500 mcf. The average annual demand of gas has increased at 8 percent in the last few years. An inadequate supply of gas has compelled a number of industrial units to convert power generating units from gas to diesel, requiring uncalled for additional investment, the ICCB editorial said.

Stand-by generators in many industries are operating round-the-clock, causing serious break downs, due to power cuts. Besides, suspension of a gas supply

to KAFCO and other fertilizer factories is causing a drain of foreign exchange as well as a shortfall in export earnings, the editorial added.

To meet the severe gas crisis, the government announced continuation of the suspension of new connections to industries, and commercial and household consumers. Liquid petroleum gas (LPG) will be promoted as an alternative for household use. Petrobangla has also planned to increase LPG production, including additional bottling plants, but there is no time-line, it said.

Petrobangla is expected to go for a fresh gas block bidding by June and the energy ministry will organise different road shows at home and abroad from July. But the outcome of previous road shows is unknown. Practical measures have to be undertaken without further loss of time, to harness gas to feed the country's movers of growth, the ICCB editorial said.

Chittagong is also suffering from a chronic gas and induced power crisis. The government has abandoned the LNG import programme, as it was not cost-effective. Instead, there are now plans to set up a LNG plant at Maheshkhali, according to the editorial.

The plan of procuring coal mines and gas fields abroad seems ambitious, which even India and China cannot afford. Instead, immediate steps should be taken for utilisation of the huge quantity of coal in the country, which is considered to be one of the best, but could not be utilised for the cheap politics of so-called environmentalists. It may be mentioned that in India, 64 percent of power comes from coal, in China 81 percent, in Australia 76 percent, in the USA 49 percent and in South Africa it 94 percent, according to the ICCB editorial.

If the country really desires to become a middle income country, it should aim for a GDP growth of 8 percent or more, and that is possible only if there is an assured supply of energy and related physical infrastructure, said the editorial.



BRAC Bank and International Finance Corporation have recently organised a workshop on import finance in Bogra. Mohammad Mamdudur Rashid, deputy managing director of BRAC Bank, attended the programme.