Tax break likely for infrastructure investment

STAR BUSINESS REPORT

The National Board of Revenue (NBR) plans to extend tax holiday for investment in infrastructure in a bid to help accelerate the pace of the economy, said a senior official yesterday.

"We are considering providing tax holiday for infrastructure for a longer period of time,'' said Md Aminur Rahman, an NBR member, at a seminar on two draft laws -- direct tax and VAT framed to boost revenue collections.

The Institute of Chartered Accountants of Bangladesh (ICAB) arranged the programme at its office. NBR Chairman Nasiruddin Ahmed was present.

The NBR official shared the information on tax holiday for infrastructure as the government is to set to place the budget for the July-June period of fiscal 2011-12 in parliament next month.

For the past several years, the economy has been witnessing 6 percent growth. But the country fails to scale up its growth due to infrastructure constraints such as power and energy crunches, according to economists.

''Revenue augmentation and investment promotion is very important,'' said Ahmed.

He said the NBR is about to finalise the draft VAT law before the parliament for passage in the upcoming budget session. More consultations will be carried out for finalising the draft direct tax law, he said.

The draft direct tax law, which is likely to replace the existing Income Tax Ordinance 1984, will be placed in parliament in fiscal 2011-12, he added.

Ahmed said the NBR will look at improving tax administration in line with its modernisation scheme that also covers the tax policy.

NBR member Rahman, who is charge of income tax policy, said the tax authority plans to use IT to reduce human involvement in receiving tax returns and calculating taxable incomes of individuals and firms.

"Assessment will be done electronically. There will be no space for discretion or human calculation," he said. Rahman sought cooperation from auditors and proper auditing to arrest tax evasion.

''We do not see any private company declaring dividends, although many of them buy new cars every year. We need cooperation from you (auditors) in this regard,'' he said.

''There are instances that a company buys a car paying Tk 2 crore whereas it has only Tk 5 lakh in paid-up capital."

He said some 200 units of luxury cars manufactured by BMW were sold in the last one year in the name of companies but are used by their chairmen and managing directors, said the NBR official.

Discussants urged the NBR to cut the discretionary authority of the tax officials. They opposed the provision of 'severe' penalty and punishment proposed in the draft VAT law.

''In consideration of the background on mass tax payer, penalty and punishment should be relaxed particularly for SMEs,'' said Abdul Khalek, director of finance and company secretary of Berger Paints Ltd.

On the draft direct tax law, CR Mazumder, senior partner of Shaha Mazumder & Co criticised the provision of imposing tax on those who build houses taking loans.

The draft direct tax law also favours slapping tax on the premiums of life insurance policy holders.

''It will adversely affect individual policy holders,'' said MJ Abedin, past president of ICAB.

Parveen Mahmud, president of ICAB, delivered the welcome address.

STANCHART

Standard Chartered Bank has organised a seminar in the capital for its wholesale banking clients based in Dhaka on transaction banking's electronic channel, Straight2Bank.

PID

President Zillur Rahman inaugurates the media and communication cell of the office of the Comptroller and Auditor General at the Audit Bhaban in Dhaka yesterday. Story on B1

Hitachi logs record net profit

AFP, *Tokyo*

Japanese high-tech firm Hitachi said Wednesday it returned to the black in the year to March on robust electronics sales, logging a record net profit despite damage from the massive quake and tsunami.

The Hitachi's group net profit came to 238.87 billion yen ($2.96 billion), its highest-ever, after a loss of 106.96 billion yen in the previous year.

Operating profit more than doubled, surging 119.9 percent to 444.51 billion yen, as sales grew 3.9 percent to 9.32 trillion yen.

The results were almost in line with the company's expectations.

The March 11 quake and tsunami, which damaged some production bases, dented net profit by 75 billion yen, the company said.

Sales were reduced by 130 billion yen due mainly to delays in shipments, said the company, whose products range from computer hard- and software to nuclear power generation systems.

"Hitachi suffered damage to its buildings and production facilities, in-process products and other assets," the company said in a statement, adding that it also faced delays in agreeing new contracts.

The disaster affected all business segments but profits grew due to higher revenues and cuts in procurement costs and fixed expenses, the company said.

The company said construction machinery sales grew on strong demand from emerging economies, while sales also rose in sectors including electronic systems, components and devices, and

Exporters urge govt to cap interest rate

STAR BUSINESS REPORT

Exporters yesterday termed the present lending rates of the commercial banks unfortunate, urging the government to cap the interest rates to help sustain the industries.

"The rates have gone up as high as 18-19 percent after the central bank lifted the cap. We do not see such type of rates anywhere in the world," said Abdus Salam Murshedy, president of Exporters Association of Bangladesh.

"This is a major blow for us, as we are already struggling to remain in the business due to non-availability of gas and energy and weak infrastructure. We will not be able to sustain if such lending rates continue," he said.

The government should immediately cap the rates and work towards bringing those to a single digit, he added.

Murshedy was speaking at a meeting with Commerce Minister Faruk Khan at his ministry in Dhaka.

He said the country's apparel, pharmaceuticals and leather sectors are doing well, but those do not get enough policy support from the government.

"They could contribute further to the overall export basket if they receive adequate support," said the former president of Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

Murshedy said the country's exports are doing exceptionally well -- with a 40 percent rise in the first 10 months of the current fiscal year -- when many countries are grappling with the impacts of the global economic crisis.

He urged the government to keep tax at sources uniform for all industries instead of fixing different rates for different sectors, no matter how small or big the contribution of each sector is.

Murshedy said there are also disparities in government-sponsored stimulus packages, which need to be unified. "We face huge difficulties in obtaining such incentives."

The business leader said new industrial units are not being opened due to non-availability of new gas and electricity connections, which is another blow to the country's competitiveness.

He urged the government to prioritise export-oriented industries when the government starts to provide gas and electricity connections to new factories from June this year.

The group of 37 export-oriented sectors urged the minister to withdraw duties on costly chemicals used in effluent treatment plants.

He said the government should set up some sector-specific economic zones like export processing zones, where all provide facilities.

Murshedy urged the National Board of Revenue (NBR) to withdraw duties on imported machinery and chemicals.

The president of the exporters' association said there is a serious dearth of skilled workers in the country. On average, local industries get 15,000 to 20,000 skilled workers each year, which is much lower than the demand for 5 lakh.

"The government should make specific allocation in the upcoming budget in this regard, so that training centres can run efficiently."

He said the licence renewal for bonded warehouse facility should be extended to three years, as the existing one-year period is not adequate.

In response, the minister said he has already written to the ministries concerned to prioritise the export-oriented industries when they start providing gas and electricity connections to new factories from June as planned.

Khan said the exporters' demands for withdrawal of many of the taxes and for stimulus packages at the same time are contradictory. "The government gives stimulus after collecting money in the form of taxes."

"We have already lowered taxes and duties in many areas and we will continue to do so. We have made the taxation system simpler too," he said.

On interest rates, the minister said: "We want to bring it to single digit. We still believe industries cannot do with 18 percent interest rate. They have to come down to single digit."

Salim Osman, president of Bangladesh Knitwear Manufactures and Exporters Association, SM Jahangir Hossain, president of Bangladesh Fruits Vegetables and Allied Products Exporters Association, Shah Alam Babu, president of Bangladesh Rice Exporters Association, and Md Saiful Islam, president of Bangladesh Finished Leather, Leather Goods and Footwear Exporters Association, were also present.

HSBC

Md Shafquat Hossain, head of personal financial services of HSBC, Bangladesh, hands an iPad to Imtiaz Ahmed for being the top user of HSBC Personal Internet Banking during a recent campaign, at a programme in Dhaka recently.

BEPZA

Md Moyjuddin Ahmed, member for investment promotion of Bangladesh Export Processing Zones Authority (Bepza), and M Irfan Syed, managing director of Vihrea Com Ltd, sign a deal at Bepza Complex in Dhaka yesterday under which the Bangladeshi company will set up a garment manufacturing factory in Comilla EPZ at a cost of $12.26 million.

EAB

Abdus Salam Murshedy, president of Exporters' Association of Bangladesh (EAB), with a delegation of the body meets Faruk Khan, commerce minister, at the secretariat in Dhaka yesterday.

Turnover on DSE hits 27-month low

STAR BUSINESS REPORT

Turnover on the Dhaka Stock Exchange hit a 27-month low yesterday as jittery investors went for panic sell-offs in the wake of a back-to-back fall for two days.

The turnover on the country's premier bourse was at Tk 307 crore at the end of the trading session, down by 24.50 percent on the previous day, the lowest since February 19, 2009 when transactions recorded Tk 302 crore.

However, shares worth Tk 68 crore could change hands on January 20 this year, as trading had been suspended before midday on the day amid violent protests by angry investors following unusual falls.

At the end of the four-hour topsy-turvy trading session yesterday, the benchmark general index of DSE shed 37 points, or 0.67 percent, to close at 5,482 points. The index lost 155 points in the last two sessions.

The selective price index of Chittagong Stock Exchange declined 124 points, or 1.20 percent, to end the day at 9,859 points.

Professor Khairul Hossain, chairman of Investment Corporation of Bangladesh, said a long-term cash flow is needed to stabilise the market.

Hossain, who teaches finance at Dhaka University, said the capital market has to be developed to drive the country's industries, infrastructure and economy.

His colleague Prof Salahuddin Ahmed Khan thinks the government's delay in taking actions in line with the recommendations of a probe committee has dented investor spirits.

"A lack of participation by the institutional investors due to a credit crisis also pushed the market down," said Khan, also a former chief executive officer of DSE.

Mir Sabbir, a retail investor, said, "The central bank should take some steps to increase the liquidity inflow into the market to save investors."

"The government should implement the probe report recommendations as soon as possible to restore investor confidence," he added.

Of the total 244 issues traded on the DSE floor, 124 declined, 11 advanced and eight remained unchanged. Titas Gas topped the turnover leaders ranking with 1.42 lakh shares worth Tk 11.39 crore changing hands.

Asian Insurance was the biggest gainer of the day, posting a 9.27 percent rise in its share prices, while Square Textile was the worst loser, losing 24.71 percent. In another development, Hac Securities

Electric cars take off in Norway

AFP, *Oslo*

They speed past gas guzzlers in traffic, ignore congestion charges and get city centre parking for free. In a country whose wealth is fuelled by oil, Oslo has become the world capital of the electric car.

"There are more electric cars per capita here than in any other capital of the world," said Rune Haaland, the head of the electric car users association Norstart, standing in a city centre car park forbidden to other car users.

Almost 4,000 of the small, clean and silent vehicles are on the roads of Norway, although they are found mainly in the cities, and the number is climbing as new models come onto the market.

From the tiny, locally-made Buddy, to the sporty Tesla, which can accelerate from zero to 100 kilometres (62 miles) an hour in less than four seconds, all sorts of electric cars have taken to the roads of the Norwegian capital.

Norway may be one of the world's top fossil fuel exporters, but it has set ambitious climate policy objectives, aiming to reduce its carbon dioxide

Bank of England warns that inflation could hit 5.0pc

AFP, *London*

The Bank of England warned on Wednesday that British inflation could reach 5.0 percent this year because of soaring domestic energy costs, high oil prices and the government's sales tax rise.

In a quarterly report, the central bank also lowered its forecast for British economic growth for the next two years, citing the impact of state austerity measures and stretched household budgets.

"There is a good chance that inflation will reach 5.0 percent later this year and it is more likely than not to remain above the 2.0-percent target throughout 2012, boosted by the increase in (sales tax) VAT, higher energy and import prices, and some rebuilding of companies' margins," the BoE said.

"The projection over that period is markedly higher than in February, mainly reflecting the recent increases in energy prices, including the likelihood that they will lead to higher utility bills."