

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES				
DGEN	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	JPY	
3.60%	3.14%	\$1,504.00	\$99.23	1.02%	0.14%	0.13%	Flat	73.15	103.58	118.81	0.89	
5,512.20	9,934.86	(per ounce)	(per barrel)	18,326.09	9,607.08	3,168.54	2,858.46	BUY TK	73.27	103.77	119.04	0.89

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DHAKA MONDAY MAY 23, 2011, e-mail: business@thedailystar.net

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## Tax hike fears fuel car prices

SAJJADUR RAHMAN

Prices of reconditioned cars go up by around 10 percent well before the budget, anticipating a tax hike for the next fiscal year.

Buyers rushing now to the showrooms for a car to save their money, are ultimately paying Tk3-4 lakh more than what the prices were a couple of months ago.

Comments from the government high-ups including the finance minister on the proposed tax rate push the price up every year. You can't stop sellers cashing in on the situation," said Habibullah Don, former president of Bangladesh Reconditioned Vehicles Importers and Dealers Association (BARVIDA).

Finance Minister AMA Muhith has already hinted a hike in tax rate for cars in the coming budget.

Don sells 7/8 cars a day now, whereas it was 1/2 in February or March. A rise in demand also shows an anticipation of price hike in the budget, he pointed out.

The market is witnessing that a 2010 model of Allion car is being sold at between Tk 34 lakh and Tk 38.50 lakh, while a 2005-06 model costs Tk 22-23 lakh. A 2010 Premio is selling at Tk 39-40 lakh. A Fielder or a GX Corolla (2005-06 model) costs Tk 16-18 lakh. Registration and other costs add nearly another Tk 1 lakh to this value.

The prices of these cars were Tk 3-4 lakh less apiece only two months back. Many importers are also stockpiling cars to bag profits later.

"We, a few members of BARVIDA, have decided not to import too many cars prior to the budget, though many others are doing so," said Abdul Mannan Chowdhury Khoshru, the incumbent president of BARVIDA.

## 2011-12 BUDGET

A businessman at Kakrail said he imported 50 cars in May against a usual 20 cars a month, sensing a tax hike in the budget.

But importers are not attributing the price hike solely to their anticipation that tax will be increased in the next budget. Another more important reason the importers and sellers put forth behind the trend is: devaluation of the taka against the US dollar, which is also losing ground against the Japanese yen.

Thousands of cars were washed away in Japan due to the recent tsunami. Many Japanese now cannot afford new cars, and are bidding with foreigners for buying used cars, importers said.

Bangladesh has been a growing market for the Japanese reconditioned vehicles for the past few decades and the pace has been accelerating significantly for the last few years. Specially, since last year the situation changed and imports of new cars rose dramatically.

According to BARVIDA, Bangladesh imported 46,376 units of motorised vehicles in the first eight months of the current fiscal year. Of those, 31,729 units or 68.5 percent were new vehicles and the rest 31.5 percent reconditioned.

Toyota dominates the reconditioned car market. According to importers and sellers in the city, the recent depreciation of the taka against the dollar from Tk 70 to Tk 74 has pushed the price of a reconditioned car up by Tk 1.5-2 lakh.

But the anticipation of a tax hike only fuelled the trend by adding another Tk 1-2 lakh for each car, said businessmen.

## WB signs \$120m loan for economic zones

STAR BUSINESS REPORT

The World Bank (WB) has agreed to lend Bangladesh \$120 million to help set up economic zones for the emerging manufacturing and services sectors.

The government and the WB went into a credit deal in this regard yesterday, said a statement of the WB.

Musharraf Hossain Bhuiyan, secretary to Economic Relations Division, and Ellen Goldstein, country director of WB, signed the agreement on behalf of their respective sides.

The UK Department for International Development has partnered with the WB to lend the money.

The credit has 40 years of maturity, including a 10-year grace period, and carries a service charge of 0.75 percent.

The WB-funded new project will support the government in establishing economic zones and provide financing for off-site and last mile infrastructure, starting with the Kaliakoir Hi-Tech Park. The project will also support firm-level training and process development to enable better collaboration between enterprises in the economic zones and their suppliers.

## Stocks plunge as minister rules out black money

### Benchmark index loses more than 200 points on DSE

STAR BUSINESS REPORT

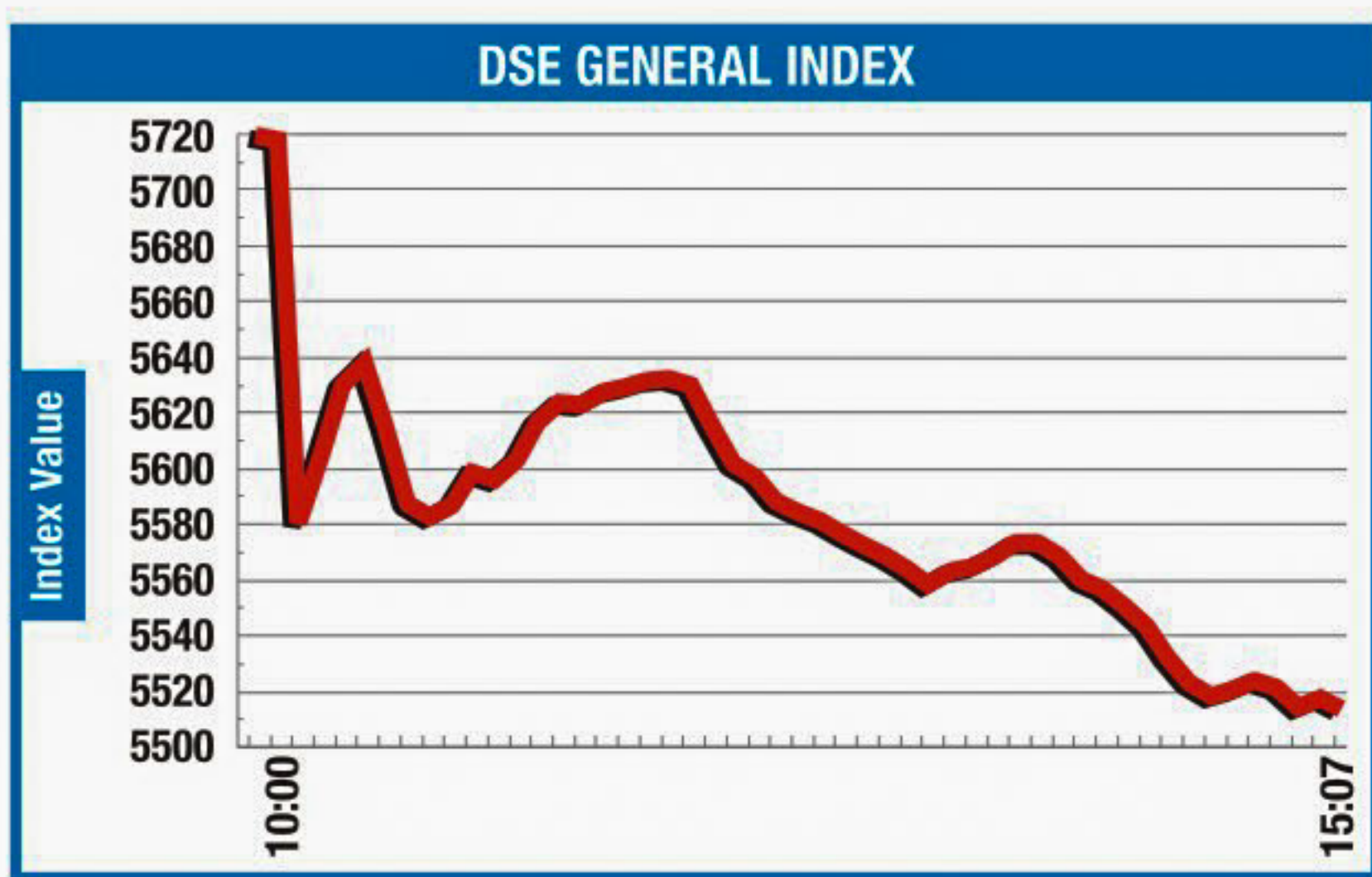
Share prices fell on the twin bourses for a third day as the finance minister ruled out investments of black money in the stockmarket. Talk of the government imposing tax on capital gains and mandatory tax identification numbers also dented investor confidence.

The benchmark general index of Dhaka Stock Exchange (DSE) slumped 205 points, or 3.60 percent, to 5,512 points. The selective categories index of Chittagong Stock Exchange slipped 323 points, or 3.14 percent, to 9,934 points.

"The government may impose tax on capital gains. And other moves to make tax identification numbers mandatory for beneficiary owner accounts and not to allow black money into the capital market depressed the investors," said Prof Mahmood Osman Imam of Dhaka University.

"Institutional investors failed to trade as they faced a credit crunch while others adopted a wait-and-see approach," said Osman, also a member of DSE's index development committee. The investors are weighing next plans in the upcoming budget about the capital market, he said.

Mirza Azizul Islam, former adviser



to caretaker government, said: "It's not the perfect time to impose tax on capital market." The government should take investor-friendly initiatives in the new budget, he suggested.

Credit crisis and uncertainty over the SEC reforms pushed the market down, said Prof Salahuddin Ahmed Khan, former chief executive officer of DSE. The government should not allow black money to be whitened in the market, Khan added.

Reaz Islam, chief executive officer of asset manager LR Global, said tax on capital gains would hurt investor spirits further.

Most of the major sectors

declined. Banks lost 3.50 percent, non-bank financial institutions 3.49 percent, pharmaceuticals 2.89 percent and fuel and power 2.84 percent. Turnover on the DSE stood at Tk 440 crore yesterday, up Tk 14.17 crore from the previous day. Of the total 255 issues traded on the DSE floor, 239 declined, 13 advanced and three remained unchanged.

MI Cement Factory Ltd topped the turnover leaders with 19.13 lakh shares worth of Tk 25.44 crore changing hands. National Housing was the biggest gainer of the day, posting a 2.22 percent rise in its share prices, while AB Bank that slumped 15.62 percent was the worst loser.

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