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Bourses urge govt to reverse tax plan for brokers

STAR BUSINESS REPORT

Stock exchanges yesterday urged the government to reconsider its proposal of doubling tax on brokerage commission, saying that the bourses will benefit from the existing rate in the long run.

They also urged allowing money whitening through the stockmarket, which is now facing a severe liquidity crisis.

The Dhaka and Chittagong bourses made the pleas at two separate press briefings on the proposed budget.

Finance Minister AMA Muhiith proposed doubling the tax deductible at source for brokerage commission of the stockbrokers to 0.10 percent.

"After the market debacle, it has become difficult for the members [stockbrokers] to survive as their business volume has been downsized to a great extent," said Fakhor Uddin Ali Ahmed, president of Chittagong Stock Exchange.

Besides, he said many of the members of the stock exchange during the last two years have increased their capacity and modernised business to provide efficient service to their clients [investors]. "As a result, their cost of doing business has gone up manifold," he said.

Moreover, Ahmed said, the brokerage commission is ultimately borne by the investors. Since the members pay tax on the turnover irrespective of their profit or loss, their tax burden is multiplying with the transaction volume, he said.

"Our appeal to the government is reconsideration of the proposal and re-fixing the rate at 0.025 percent," he said, adding that this would help increase the total trade volume and consequent tax

collection of the government.

The Dhaka Stock Exchange, however, favoured continuation of the existing tax rate of 0.05 percent.

"It is not true that increase in tax rate on brokerage commission will raise the government's revenue. Rather, increased tax will create extra burden on investors, transaction volume will be reduced and the government will lose revenue," said Shakil Rizvi, president of the DSE.

He said withdrawal of tax rebate provision for individual investment in shares and debentures would encourage individuals to invest in unproductive sectors.

"For this, liquidity flow into the secondary market may see a downslide."

Presently, investors enjoy a 10 percent tax rebate for their investment in shares or debentures.

The working capital that is raised by companies through the stockmarket is directly used for industrialisation or business expansion, meaning productive sectors, explained Ahsanul Islam, senior vice-president of DSE.

About the correlation between money market and stockmarket, he said: "If the money market lacks liquidity, the same will happen in the stockmarket too."

The government should keep the money whitening provision for the stockmarket too. "It will increase the liquidity flow in the market."

The bourses also asked the government to collect fund from the stockmarket to finance the projects under public-private partnership and to take necessary steps for offloading state-owned enterprises' shares.

State enterprises back in the red

REJAUL KARIM BYRON

The government suffered huge losses in state-owned-enterprises (SoEs) in the current fiscal year, after making profit in the previous two years.

A finance ministry official blamed the losses on a rise in fuel prices on international market and purchase of power from quick rental powerplants at higher prices.

In the current fiscal year, the government incurred a loss of Tk 6,935 crore in the SoE sector, whereas it made profit of Tk 2,776 crore and Tk 3,282 crore in fiscal 2009-10 and 2008-09 respectively.

Of the 48 SoEs, 13 incurred losses that outweighed the profit made by the rest.

The state enterprises suffered loss from fiscal 2001-02 to fiscal 2007-08, and from the next year they started making profit.

According to Economic Review 2011 placed in parliament on Thursday, Bangladesh Power Development Board (PDB) and Bangladesh

PROFIT AND LOSS OF SOME STATE ENTERPRISES

| | 2008-09 | 2009-10 | 2010-11 (Revised) |
|------|----------|----------|-------------------|
| BCIC | 129.37 | 261.24 | 378.23 |
| BJMC | 298.94 | 220.31 | 16.92 |
| PDB | 828.61 | 635.76 | 4,716.47 |
| BPC | 322.66 | 2,049.65 | 7,208.67 |
| REB | 1,488.44 | 344.96 | 161.14 |

▲ Profit (In crores of taka) ▼ Loss

Petroleum Corporation (BPC) incurred the highest amount of losses in the current fiscal year.

Provisional estimate said the PDB made a loss of Tk 4,716 crore in the current fiscal year, whereas the amount was Tk 635 crore last year, a jump by 642 percent in a year.

The loss incurred by the BPC was Tk 7,208 crore in the current fiscal year, from Tk 2,049 crore last year, rising by 251 percent.

An official of the energy division said, though the prices of petroleum products have increased on the international market, the domestic prices were not

adjusted, which caused a leap in the loss to the BPC.

The official said, recently the petroleum prices were hiked slightly on the local market, but the gap between the buying and selling prices is still wide.

He said, if the prices are not adjusted in the next fiscal year, the amount of deficit will cross Tk 20,000 crore.

Another official of the same division said, if the fuel prices do not fall on the world market next year, the fuel prices may need to be adjusted on several occasions in the local market.

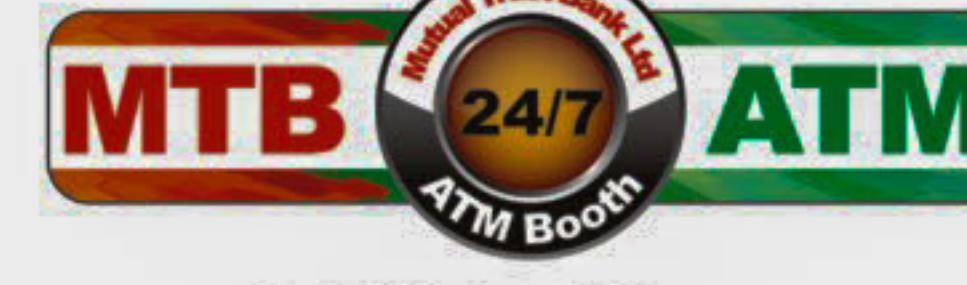
PDB officials said the government is supplying diesel and furnace oil to the quick rental power plants, and purchasing electricity from them at higher prices. It is also adding to the losses of the PDB, they said.

As the prices of sugar and fertiliser went up on the international market, Bangladesh Sugar and Food Industries Corporation incurred a loss of Tk 198 crore in the current fiscal year against its last year's loss of Tk 126 crore.

Bangladesh Chemical Industries Corporation made a loss of Tk 378 crore against its loss of Tk 220 crore last year.

Among the profit making enterprises, Bangladesh Oil, Gas and Mineral Corporation made profit of Tk 2,024 crore. However, its profit was slightly lower than last fiscal year's Tk 2,095 crore.

Bangladesh Telecommunication Regulatory Commission logged profit of Tk 2,453 crore against last fiscal year's profit of Tk 2,345 crore.



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 - Group B: **Interfab Shirt Manufacturing Limited**
- **Exporter of the Year** - EPZ Enterprises: **Pacific Jeans Limited**
- **Exporter of the Year** - Traditional and Emerging sectors: **Apex Adelchi Footwear Limited**
- **Exporter of the Year** - SMEs: **Graphic People Limited**

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