

COMMODITIES		ASIAN MARKETS		CURRENCIES	
DGEN	CSCX	As of Friday	Friday closings	USD	EUR
6.77%	5.89%	MUMBAI	TOKYO	84.50	110.08
4,183.07	7,787.77	0.92%	Flat	131.08	1.09
Gold	Oil	SINGAPORE	SHANGHAI	SELL TK	85.50
\$1,724.10	\$99.52	0.75%	Closed	114.07	135.11
(per ounce)	(per barrel)	17,233.98	8,841.22	1.16	

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star BUSINESS

DHAKA MONDAY JANUARY 30, 2012, e-mail:business@thedailystar.net

New law to simplify VAT system

Govt to fix single VAT rate of 15 percent

REJAUL KARIM BYRON

The government will enact a new law on value-added tax, which will impose a single VAT rate of 15 percent at all levels.

The present law keeps scope for different rates -- from import or production level to retail level. The National Board of Revenue (NBR) may place the draft law at a cabinet meeting today for approval.

The new law will be passed in parliament by June, but will be effective from 2015, said an NBR official. If the new law comes into effect, tax receipts from VAT will almost double to more than Tk 60,000 crore.

Introduced in 1991, the VAT law experienced some small changes, but this time a massive change will be brought to the law, the official said.

In the international practice, the rate of VAT is always 15 percent. But Bangladesh enforced a truncated base-system with different rates based on tariff value, fixed price and reduced base-price.

The draft law stipulates that VAT will be imposed at any point where new value will be added from import or production level to retail level.

However, the firms whose annual turnover

will be up to a maximum of Tk 60 lakh will remain out of the purview of VAT. If annual turnover is from Tk 24 lakh to Tk 30 lakh, the firm will pay 3 percent turnover tax.

The government will enact the law mainly under pressure from the International Monetary Fund. The IMF has imposed a condition that the government will have to approve the draft law at a cabinet meeting, before the IMF places the \$1 billion loan proposal for Bangladesh at its board meeting.

However, the NBR official said the appropriate environment required for implementing the law is yet to be created at both businesses and the NBR.

The NBR official said, in future every taxpayer will have to add his national ID number to his tax identification number (TIN) and Business Identification Number (BIN).

One will also have to provide national ID number and TIN while opening a bank account, he added. Now VAT has to be deposited through treasury challan (receipt form), but the new law will facilitate such payment through bank cheques, credit cards, internet and mobile phone.

The new law will also cut short the list of commodities that now enjoy tax or VAT exemption.

Stocks becoming cheaper

SARWAR A CHOWDHURY

The market PE (price-earnings) ratio has come down to 11.05, a five-and-a-half-year low, in step with continuous erosion in prices of stocks.

Although the low PE ratio indicates that the stockmarket has become less risky and more attractive for investment, the reality is different as it cannot draw the investors' attention.

Apart from share prices, individual investors' confidence is also declining, while the institutional investors are staying on the sidelines.

After June 2006, the PE ratio came to this point for the first time due mainly to the continuous downtrend in the stock prices.

At the end of June 2006, the overall market PE stood at 10.66,

according to statistics from the Dhaka Stock Exchange.

The PE ratio determines the time an investor needs to wait to get back the invested amount. It is an indicator for considering the extent of risks an investment might entail.

The PE ratio means a valuation ratio of a company's current share price compared to its earnings per share.

The indicator is also important to better understand what happens in the market after a large gain or decline. It is also one of the best gauges to know how expensive or cheap the overall stockmarket is at a certain moment.

Analysts said although the existing PE ratio suggests that it is a good time for investment, it cannot attract the investors.

The continuous downward trend not only pulled down the PE

ratio to a record low, but also eroded the investors' confidence, they said.

The money of many small investors has stagnated, while others are not injecting fresh money into the market seeing no hope, the analysts said.

Unless the institutional investors actively participate in the market, the expected hype will not be created among the retail investors.

Akter H Sannamat, a chartered accountant and a market analyst, said the PE ratio has come to this level mainly because of a freefall in share prices for a long time.

"Although the current market PE indicates that it is right time to invest, it did not happen due to a lack of confidence," he said.

"Besides, most of the institutional investors including banks

have been suffering from a severe liquidity crisis due to the tight monetary policy," said Sannamat.

The overall market PE ratio hit the highest level at 30.58 at the end of February 2010. The ratio dropped drastically in February this year, when the market was bearing the brunt of a two-month price debacle, which was unavoidable following an abnormal rise in share prices.

From March, the market started recovering and it rose to a 6,700-point level on July 24 from the 5,200-point level on February 28.

After July 24, the market again entered the red zone and since then a bearish trend has been prevailing in the market, with an exception of occasional rises. Until yesterday, the market lost more than 2,500 points.

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Revenue earnings beat target

STAR BUSINESS REPORT

Revenue collection grew 17 percent in the first six months of the current fiscal year buoyed by a rise in income tax receipts, according to the National Board of Revenue.

The tax authority logged Tk 38,987 crore in revenue in July-December of fiscal 2011-12 from Tk 33,584 crore in the same period a year ago.

The collection in the first half of the fiscal year was Tk 47 crore higher than the target.

The NBR has taken a series of steps to create a taxpayer-friendly environment to boost earnings.

The steps includes income tax fairs in all divisional cities to motivate old and prospective taxpayers.

According to the NBR, collection of income tax shot up 26 percent to Tk 10,137 crore during the July-December period. The amount of VAT rose 14 percent to Tk 14,405 crore, while import duty grew 13 percent to Tk 14,218 crore in the same period.

In the current fiscal year, the tax authority targets to collect Tk 92,000 crore in revenue.

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