

DSE suggests tax cuts for banks

The bourse chief asks govt to raise tax-free dividend ceiling from Tk 5,000 to Tk 25,000

STAR BUSINESS REPORT

The Dhaka Stock Exchange yesterday urged the government to reduce banks' corporate tax rate, which remained unchanged at 42.5 percent in the proposed budget for the next fiscal year.

The Dhaka bourse also requested the government to increase the level of tax-free dividend income from Tk 5,000 to Tk 25,000.

DSE President Rakibur Rahman said the banks are increasing their paid-up capital in line with Basel III, the global regulatory standard on bank capital adequacy, stress test and market liquidity risk. The higher paid-up capital can impact the dividend-payout ratio.

"If the corporate tax is reduced only for banks, their profitability will be increased and they can also continue with delivering healthy dividends to the shareholders," he said in a press briefing on the proposed budget, which was announced on Thursday.

Presently, 30 banks are listed on the stockmarket, amounting to 36 percent of the total market capitalisation at Tk 255,107 crore.

The DSE also requested the government to offload its



Second from right, DSE President Rakibur Rahman speaks to the media on the 2012-13 budget in a press briefing in the capital yesterday. Extreme right, Ahmad Rashid, senior vice-president, is also seen.

stakes, which are in different state-owned and multinational companies, in the stockmarket to meet the huge budget deficit.

The government does not need to borrow from the banking sector, Rahman said.

The government can reduce the dependency on the banking sector and raise money from the stockmarket through

offloading shares, he said.

There is a misconception, especially among the bureaucrats that the government will lose ownership and control of the companies if the government stakes are offloaded in the market, he said.

"The ownership and management will remain in the government's hands. Investors

will just be the shareholders, who will be happy enough to get dividends at the year-end," he said.

Referring to the government's planned investment to produce 2,938MW electricity by 2016, he said.

Rahman urged the government to raise a portion of the fund via the capital markets.

Overall, the DSE president feels the government proposed a stockmarket friendly budget.

"Every stakeholder will now have to play their role to stabilise the market and make it more dynamic," he added. **PERKS FOR STOCKMARKET** In the proposed budget for fiscal 2012-13, the government put forward three incentives to go with the ones already in existence.

The dividend income of up to Tk 5,000 will be exempt from tax. Currently, dividend income is added to the main income of an individual and the tax is calculated on the total amount.

The government also offered a 10 percent tax rebate for companies that would float 20 percent shares of paid-up capital through initial public offering (IPO), and proposed reducing the income tax rate of merchant banks from 42.5 percent to 37.5 percent.

The incentives currently enjoyed by stock investors include scope for investing undisclosed money in the share market on payment of a 10 percent tax, tax exemption on mutual fund incomes and a reduced tax of 0.05 percent on brokerage commission.

Bangladesh: most balanced economy in South Asia

Atiur Rahman highlights the country's success in poverty cuts

STAFF CORRESPONDENT, Chittagong

Bangladesh boasts the most balanced economy in South Asia, Bangladesh Bank Governor Atiur Rahman said yesterday.

The country is a role model for South Asian countries, according to the Wall Street Journal, he said at a training workshop for microfinance institutions (MFIs) and bankers of Chittagong region at the LGED auditorium in the port city.

The MFIs played an important role in bringing down the country's poverty rate to 30 percent from 60 percent in the last two decades, Rahman said at the event organised by the Microcredit Regulatory Authority (MRA).

Many organisations who do not have licences from the MRA are deluding people, he said, urging the microcredit regulator to make the list of its licensees public.

The monitoring capability of the central bank has increased manifold since its inception, he said, adding that no commercial bank will remain unpunished for irregularities.

Rahman urged economists not to scare people by forecasting an increasing inflation, which is 9.15 percent in the country now and will come down in the coming days.

Bangladesh has 40 years history of microcredit and the country is recognised as the founder of microcredit in the world, he said. Grameen Bank and MRA regulated MFIs have so far disbursed loans worth over Tk 40,000 crore among its two crore borrowers, said Rahman.

CSE opposes govt's bank borrowing

STAR BUSINESS REPORT

The Chittagong Stock Exchange (CSE) yesterday warned the government against excessive bank borrowing as such dependence will create a credit crunch in the money market as well as in the stockmarket.

The government will collect Tk 23 crore from the banking system to meet a portion of the total deficit of Tk 52 crore, according to the proposed budget for 2012-13.

"High bank borrowing will affect the credit flow to the private sector," said Al-Maruf Khan, CSE president, at a programme on budget at the premises of the exchange's

office in the port city. He hopped the deficit and subsidy would remain within the budgetary limits.

"We expect specific guidelines for the private sector to raise fund from the capital market, and to maintain a stable debt-equity ratio," he said.

The debt-equity ratio means a measure of a company's financial leverage calculated by dividing its total liabilities by stockholders' equity.

It indicates what proportion of equity and debt the company is using to finance its assets.

In the proposed budget, it was said that a public-private partnership (PPP) manual would be developed, although

its effectiveness was not described at length, he said.

The bourse also proposed to directly linking the PPP projects to the capital market to ensure public participation.

The CSE urged the government to re-fix tax at source for the members of the stock exchange at 0.015 percent, down from existing 0.05 percent, as commission for brokerage services reduced significantly due to a high competitive market and high tax rates.

In addition to the incentives to the capital market, a number of reform measures are reiterated in the budget, for example demutualisation, formation of a clearing and settlement com-

pany, financial reporting act, enhancing the surveillance capacity and formation of special court, which are very good for the stockmarket, he said.

"We hope that these reforms would take place in the first half of 2012-13 and the CSE would extend its all out cooperation to implement those successfully."

He said the government proposed some good initiatives, such as newly listed companies are granted 10 percent tax rebate in the initial year, which would help them to cover up initial public offering expenses.

The bourse also requested the government to increase the level of tax-free dividend income from Tk 5,000 to Tk 25,000.

Khan said the tax rate for merchant banks has been reduced and re-fixed at 37.5 percent, which would help in capacity building.

The stockmarket is generally used as a source of public finance, but no step is found in the budget to supply quality scrip through offloading shares and denationalisation, he said.

However, even though food inflation reduced due to seasonality, it was not described in the budget how to reduce overall inflation to 5 percent, he said.

He also said 1.2 percent tax at source on export items would discourage exporters and it conflicts with the target of achieving 7.2 percent GDP growth.

Galaxy S3 hits Bangladesh next week



STAR BUSINESS REPORT

Samsung will release the follow-up to its wildly popular Galaxy S2 smartphone, dubbed the Galaxy S3, in Bangladesh on June 15.

A direct competitor to Apple's iPhone, the Android-running device will retail at Tk 67,500 and with the super-power engine, massive display and impressive battery life, it sits at the very top of the smartphone spectrum.

The rectangular shape of the Galaxy S2 made way for the comfortable 'pebble' styling -- oval-shaped with smooth, rounded corners.

The Galaxy S3 comes in either blue or white and is 8.6mm thick and weighs 133g, making it slightly thicker than the S2 which is 8.49mm deep. iPhone 4S, in comparison, is 9.3mm thick and weighs 140 g.

One of the strong points of this device is its enormous and vivid display, 4.8-inches on the diagonal with 720p-resolution HD super AMOLED screen.

The S3 sports a heavy quad-core processor clocked at 1.4GHz, making it more than capable of handling high-resolution videos and graphically demanding games, and of course, a large number of tasks at once.

Although the 8-megapixel camera is the same resolution as Galaxy S2, it does come with new tricks like the zero-shutter-lag trait, ability to take still images while recording Full HD video at 1080 resolution and a clever feature that automatically suggests the best shot from a sequence of photos, basing its decision on factors like smile detection and face recognition.

The front-facing camera, meanwhile, is also used to detect when the phone is being looked at.

Another flagship feature of the S3 is S-Voice, which allows control of the phone with one's voice.

The 'Direct Call' is one more of its 'intelligent' features -- if you're looking at a contact, simply picking up the phone and putting it to your face will initiate a call.

One advantage of a phone as big as this is it can cram in a large battery -- and S3's battery is competent enough to take one through the day all the while heavily using all the phone's features.

Overall, the device is pretty much unrivalled in the speed and power stakes -- and will undoubtedly be one of the year's most important gadgets.

Inflation emerging as big threat: analysts

STAR BUSINESS REPORT

The government will find it difficult to implement the budget for fiscal 2012-13 because of high inflation, analysts said yesterday.

They marked declining private investment, energy crisis, dwindling foreign currency reserve, growing prices of utility services and low foreign aid disbursement as potential threats.

"The government has achieved a steady growth rate last fiscal year at a time when the entire world is experiencing recession," said Akbar Ali Khan, former adviser to a caretaker government.

"But the main challenge will be how to tackle inflation."

He spoke at a discussion on the 2012-13 budget, organised by Shamunnay, a research organisation, at the CIRDAP auditorium in Dhaka.

Although the finance minister said the rate of inflation is 9.1 percent on a point-to-point basis, it has crossed 12 percent in the last 12 months, Khan said.

"The situation makes poor people suffer the most as food prices go beyond their reach, and also discourages investment," Khan said.

He said the government should find ways to boost investment to help people get jobs and increase their purchasing power.

Another big challenge for the government is the energy sector, as the gap between the number and cost of power plants, and the actual production is still high, and people will not see any immediate solution.

Khan advised the government to take some short-term measures to produce more electricity along with long-term steps.

Khan, also a visiting professor at BRAC Uni-

versity, stressed the need for involving ordinary people in formulating and implementing the budget, as it would help ensure accountability from the government and a mindset of maximum utilisation of limited resources from consumers.

Khondkar Ibrahim Khaled, chairman of Bangladesh Krishi Bank, said the government should concentrate on finding alternatives to bank borrowing to make the budget a success.

He asked the government to borrow from the bond market and savings certificates as an alternative to bank borrowing.

Also the budgetary plan to cut farm subsidies will frustrate farmers and the sector as a whole, as they still need special care for a few more years, he said.

Ideally, subsidy is not a solution for any sector in the long run, but the government should continue providing financial assistance to the sector for at least three more years, he said.

Khaled also said the implementation of the proposed budget would depend on managing inflation effectively.

In his keynote paper, AK Enamul Haque, a consultant of Unnayan Shamunnay, said the government has failed to show any hope in controlling inflation and balancing rising food and fuel prices.

The budget also lacks direction for attracting investment, although the increased allocation for the energy sector would help better the situation in the next fiscal year, he said.

The government will face challenges in implementing the budget, as the mechanism of implementing the annual development programme is still weak and slow, Haque said.

Dilruba Yasmin Chowdhury, project coordinator of Shamunnay also spoke.

Apple's war with Google heats up

REUTERS, San Francisco

When Apple Inc kicks off its annual conference for software developers on Monday, all the power players in the Apple universe will be on hand, save the one that is in many ways driving the agenda: Google Inc.

More than ever, the consumer electronics juggernaut finds itself in a pitched battle with the online search giant - in smartphones, cloud computing and the never-ending competition for the hearts and minds of the best software developers.

Apple on Monday is expected to announce its own mapping application, challenging the position of Google Maps as one of the most-valued features on the iPhone.

It will unveil closer integration of its iPhone apps and iCloud storage service with all its devices, the latest riposte in its battle with Google's Android smartphone software.

It may promote the latest in Siri, the voice interface that the company thinks can continue to set the iPhone and the iPad apart from the Android pack.

And there will likely be a new line of Macintosh laptops too - underscoring the leverage that a full line of hardware products can bring to what is mainly a software war with Google.

Apple is looking to differen-

tiate its mobile devices from Google's Android by further enticing consumers deeper into its app ecosystem, said Carolina Milanesi, analyst at Gartner Research.

"It's all about loyalty and basically leveraging the opportunity of selling more to them," she said. "I don't think the consumers in the mass market are necessarily tied into the Android ecosystem in the same way that consumers on the Apple side are."

Battling in many arenas, the rivals employ different weapons. Apple's vise-like grip on its ecosystem - with the closely managed app store and its seamless integration with the hardware - stands in sharp contrast to Google's free-for-all approach.

The open system approach, reminiscent of Microsoft Corp's hugely successful strategy of creating standard-setting software that runs on a variety of hardware, has allowed Android to capture the market lead in smartphones (albeit with nothing close to Apple's profit margins).

Android has also helped create several potent hardware rivals to Apple. Samsung Electronics' Android-driven Galaxy SIII is drawing favorable comparisons to iPhone and Amazon.com Inc's cheaper Kindle Fire is challenging Apple in tablets and digital content.