

ICCB chief warns of credit crunch

Mahbubur Rahman suggests better treasury management

STAR BUSINESS DESK

The private sector is not getting enough credit for working capital as banks are going through a liquidity crisis, the president of International Chamber of Commerce Bangladesh said yesterday.

So it is essential for bankers to learn more about the treasury management for proper utilisation of limited funds, said Mahbubur Rahman.

He spoke at a workshop on treasury management, organised by the chamber and supported by Standard Chartered Bank, at a local hotel in Dhaka. Despite the global recession, the developing Asia's growth in 2011 was recorded at 9.5 percent, he said.

Asia, with a solid global market and a large pool of foreign exchange reserves, has proven to be the shining light in a gloomy and uncertain world economy, according to experts.

"Asia's prospects are likely to be affected by the West. However, it is opined that the rising Asia appears to be able to help save the world from the shrinking economy," according to a statement of the chamber.

In line with Asian economies, Bangladesh's performance has so far been quite resilient to global



From left, Samiran Chakraborty, head of research at Standard Chartered Bank Mumbai; Jim McCabe, chief executive officer of StanChart Bangladesh; Mahbubur Rahman, president of International Chamber of Commerce Bangladesh (ICCB); Muhammad A (Rumee) Ali, chairman of BRAC Bank, and Ataur Rahman, ICCB secretary general, attend a workshop on treasury management, organised by ICCB, in Dhaka yesterday.

economic meltdown, Rahman said, adding that the country's macroeconomic performance was better than expected and regionally its performance had been one of the best.

He mentioned that treasury management is the management of cash, fund, currency, bank and financial risk.

"So, it is an imperative tool of finance. It handles actual cash management at companies, and one of its main functions is to

establish the optimum cash level so that payments can be made and received as necessary for the proper operation of the company."

Besides, another main function of treasury management is to maintain the liquidity of business, Rahman said.

Without proper liquidity, it is risky for business to operate smoothly and it is also the function of treasury management to minimise the currency risk, he said.

For this, treasury managers

touch with currency market of world, he said, adding that the managers analyse the reason of crisis in currency market.

"Sometime this crisis will be benefited for them because they have to pay less to other country for getting their service at cheap rates."

The recent manipulation of London Interbank Offered Rate in UK created panic among the consumer of the banks and "its ultimately spreading all over the world", said Muhammed A

(Rumee) Ali, BRAC Bank chairman and vice chairman of Bangladesh Association of Banks.

"Recent change in provisioning requirement by our central bank for the commercial bank may compel banks to draw upon their capital to meet their requirements."

He suggested the central bank to make details study on it. Bangladesh Bank should also have to train its officials for providing exact information, Ali said.

Global economic turbulence led to realignment and changes in global financial architecture, said Jim McCabe, chief executive officer of Standard Chartered Bank.

"StanChart has weathered this storm much better than most of our peers worldwide. This gives us a vantage point in guiding financial innovation in a manner which is sustainable by combining our global capability, deep local knowledge and creativity. Our effort today is towards that end."

The workshop with 60 participants was jointed conducted by Samiran Chakraborty, head of research for Standard Chartered Bank, Mumbai; Alamgir Morshed, head of global markets of Standard Chartered Bank, Bangladesh, and Biswajeet Sengupta, head of financial market sales for Bangladesh and Eastern India.



Syed Abu Abed Saheer, director for marketing and sales at HeidelbergCement Bangladesh Ltd (HCBL), and Ran Xiaolin, authorised representative of China Major Bridge Engineering Co, attend a programme where the companies signed a deal at the HCBL's office recently. Scan cement will be used in the Tongi-Bhairab Double Line Railway Project.

Growth conference starts today

STAR BUSINESS REPORT

The two-day IGC South Asia Growth Conference 2012 kicks off in the city today.

The conference, co-organised by International Growth Centre (IGC) and the Economic Research Group, Dhaka, will bring together policymakers and local and international researchers from all the IGC South Asian countries.

Finance Minister AMA Muhith and Prime Minister's Economic Affairs Adviser Dr Mashiur Rahman will attend the inaugural session of the conference at Sonargaon Hotel to be chaired by noted economist Prof Wahiduddin Mahmud.

Renowned researchers and authors like Professor Mark Rosenzweig of Yale University, Prof Tony Venables of Oxford University and Prof Robin Burgess of London School of Economics will speak at the conference.

The IGC event is likely to generate useful debates on policies that are current priorities in the region. The conference will also create a platform for the dissemination of research findings on topics that are of common interests to all the participating countries.

The conference is divided into seven sessions: major issues in South Asian economic growth, economic costs of arsenic contamination, agriculture, manufacturing and land issues, human development, poverty and grassroots entrepreneurship, regional economic integration and environment and governance issues.

Export-import fees to double

EXISTING FEES (IN TK)			
Category	Value ceiling of annual import	Initial registration fees	Annual renewal fees
First	1 lakh	1,800	1,700
Second	5 lakh	3,000	2,300
Third	15 lakh	4,800	3,500
Fourth	50 lakh	9,500	6,700
Fifth	1 crore	17,500	11,000
Sixth	Above 1 crore	23,000	17,000

PROPOSED FEES (IN TK)			
Category	Value ceiling of annual import	Initial registration fees	Annual renewal fees
First	5 lakh	5,000	3,000
Second	25 lakh	10,000	6,000
Third	50 lakh	18,000	10,000
Fourth	1 crore	30,000	15,000
Fifth	5 crore	45,000	22,000
Sixth	Above 5 crore	60,000	30,000

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For exports, the proposition has been a 100 percent rise in registration and renewal fees, to Tk 7,000 and Tk 5,000 respectively.

On the list of items banned for imports, old computers, old computer accessories, old electronic appliances, all types of industrial sludge and fertiliser and items produced with sludge, have been added.

While import of air gun ammunition will continue to be barred, with the permission from the home ministry, they can be imported for the purpose of sport and shooting clubs.

There has been a proposition to raise the highest value of essential commodities that could be imported through different customs ports.

Now, essentials worth \$15,000 can be brought in through the Teknaf customs; raising that to \$50,000 has been recommended.

For other land ports, an increase of \$3,000 to \$10,000 has been suggested.

A provision has been included for export of turbine imported for generation of electricity once it has been used.

Provision has been made for furnishing certificates of the imports of being melamine-free in case of import of food for human consumption.

Eight-hour flight suspension from Nov 1

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The airport staff on overnight duty will also be tasked with that job, he said.

The Shah Amanat International Airport terminal in Chittagong and Osmani International Airport in Sylhet will be ready for emergency landing during these six months, Anam said.

The aviation authority started the reconstruction of an asphalt concrete runway overlay at Shahjalal International Airport on June 3 after a six-year delay.

With this, the 10,500 feet lone runway of the airport is likely to get enough physical strength to handle heavyweight and wide-bodied modern aircraft.

The runway reconstruction is a part of upgrading of Shahjalal International Airport that will cost Tk 530 crore.



CITI

Rashed Maqsood, country officer of Citi Bank NA for Bangladesh, distributes toys and school supplies to underprivileged students of Alok Shishu Shikkhaloy as part of Citi's 200 years celebration in Agargaon of Dhaka recently.



PRAGATI

Khalilur Rahman, chairman of Pragati Life Insurance, attends the company's 12th annual general meeting at Jamuna Resort in Tangail on Thursday. The insurer approved 12 percent stock dividend for 2011. Abul Basher Akhond, managing director, was also present.

How transfer mispricing works

STAR BUSINESS DESK

If two independent, unrelated parties negotiate with one other for a transaction and eventually reach a price, a transaction in correct market price will take place.

The price at which the transaction occurs -- the arm's length price -- is preferred for tax purposes as it is a fair reflection of the value of the goods/ services. Both parties were acting in their own self-interest and were not subject to any pressure or duress from the other party.

But when two related companies engage in trade, the temptation to artificially lower the price at which the transaction takes place can exist.

It is intended to minimise the tax bills for both parties. Take, for instance, Company A, a food grower in Africa.

It processes its produce through three of its subsidiaries -- X (in

Africa), Y (in a tax haven) and Z (in United States).

The finished product is then sold to the United States.

Now, Company X sells its product to Company Y at an artificially low price, resulting in low profits and low tax bills for Company X based in Africa.

Company Y then sells the product to Company Z at an artificially high price, almost as high as the retail price at which Company Z would sell the final product in the US.

Company Z, as a result, would register low profits and, therefore, low tax bills, just like Company X did in the previous stage.

Among all transactions, Company Y, located in the tax-free country, gains the most. Its high profits, unfortunately, cannot be taxed.

Company A, the owner of these subsidiaries, ultimately gains, getting away with paying very little tax.

Govt moves to curb illegal capital flight

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An NBR official said companies in Bangladesh related with other firms abroad will have to pay more taxes if the value of its transaction is above the arm's length price of the particular product or service.

As per the provisions, the NBR will establish a transfer pricing cell to audit transactions by firms. The tax authority will also appoint officers to act as transfer pricing officers for auditing and determining arm's length prices in relation to any international transactions.

The finance act says foreign firms engaged in trading with their associated entities abroad will have to keep records and documents.

The law also provides scope for the NBR to impose penalty if a firm fails to comply with the rules of keeping records or providing information.

The NBR official, who is closely associated with the drafting of the rules, said trained manpower will be required to audit international transactions.

"We may need the current fiscal year for taking preparations, the official said, adding that audits might begin from the next fiscal year.

"We are losing a huge amount of taxes because of the abuse of transfer pricing. So our main job will be to pre-

vent the abuse and earn more revenue," said the official, who is also a member of an NBR taskforce on transfer pricing and anti-money laundering.

The rules on transfer pricing come at a time when a steady growth of Bangladesh's economy has already attracted a large number of multinational enterprises.

Their number is likely to rise further in the near future, observes a Centre for Policy Dialogue (CPD) work paper -- adopting transfer pricing regime in Bangladesh: rationale and the needed initiatives -- published in November 2011.

Prof Mustafizur Rahman, executive director of the CPD, Md Shabbir Ahmed, deputy director general of Central Intelligence Cell of the NBR, and Towfiqul Islam Khan, senior research associate of the CPD, jointly prepared the paper.

It said Bangladesh, with 160 million of population, is a lucrative market for multinational enterprises.

The growing presence of multinational operations has increased the exposure of the country's tax system to the risk of transfer pricing abuse, said the study.

The growing openness of Bangladesh economy to global trade also increases the risk of transfer pricing

abuse as about 40 percent of total global trade is conducted among related parties.

Citing a 2009 study of Christian Aid, an international development charity, the paper said Bangladesh lost around 186 million pounds (\$359 million) in taxes between 2005 and 2007 due to mispricing in bilateral trade with the EU and US, said the CPD.

Mohammad Iqbal Chowdhury, head of finance and corporate affairs of Marico Bangladesh Ltd, a subsidiary of Marico Ltd in India, welcomed the government move. He said the enactment of the transfer pricing law is 'perfect and a timely decision' by the NBR.

Chowdhury said quite often, companies in Bangladesh face conflicting role by three wings of the NBR -- Customs, VAT and Income Tax.

He said customs departments tend to increase the value of import for getting higher duty at the import level. It ultimately reduces value addition at the local manufacturing stage, lowering the amount of VAT and also profitability for the entity.

Therefore, for all practical purposes, the revenue officials need to focus more on arm's length pricing of any transaction instead of using discretionary practices of determining prices, he said.



IBBL

Mustafa Anwar, vice chairman of Islami Bank Bangladesh, attends an award ceremony for meritorious MBA students and wards of the bank's employees at the BCIC auditorium in Dhaka yesterday. Mohammad Abdul Mannan, managing director, was also present.



FSIBL

Mohammed Saiful Alam, chairman of First Security Islami Bank, attends the bank's 13th annual general meeting at Agrabad Hotel in Chittagong yesterday. The bank approved 10 percent stock dividend for 2011. AAM Zakaria, managing director, was also present.