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star BUSINESS

DHAKA WEDNESDAY OCTOBER 31, 2012, e-mail:business@thedailystar.net

Businesses, lawyers up against changes to companies law

Commerce ministry holds talks on administrators to troubled firms

STAR BUSINESS REPORT

Businesses and legal experts yesterday once again urged the government not to go ahead with the proposed amendment to the Companies Act that allows the government to appoint administrators to rogue companies bypassing the court system.

AK Azad, president of the Federation of Bangladesh Chambers of Commerce and Industry, said the existing law allows the government to appoint administrators to the firms, but through court verdicts.

"So we don't want the government to amend the law," he said.

"But we are not against the government's move to enact the proposed MLM [multi-level marketing] law to appoint administrators to the compa-

nies like Destiny Group."

The proposed MLM law, which is pending with the law ministry for final vetting, must be separated from the companies act, Azad said.

The FBCCI chief briefed reporters after a meeting organised by the commerce ministry to gather opinions of business leaders and legal experts on the proposed amendment, which would authorise the government to assign administrators with indemnity power to troubled companies.

The government has decided to send the proposed amendment to the next cabinet meeting for final decision.

Yesterday's meeting was chaired by the newly appointed commerce secretary, Mahub Ahmed.

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The Eid vacation is over, but business is not as usual, as seen yesterday at Sonali Bank in Motijheel, Dhaka. Banks reopened on Monday, but customer turnout was low. Slow business is expected to continue for a couple of days.

IMF asks govt to alter VAT bill

Parliamentary standing committee may remove two provisions from the proposed law

REJAUL KARIM BYRON

The International Monetary Fund (IMF) last week asked the government to abolish a proposed rule that allows the National Board of Revenue to sanction VAT exemption for different sectors "in the public interest".

The IMF recommended eight changes to the VAT Bill, following meetings with Finance Minister AMA Muhith in Tokyo in mid-October.

In separate meetings with Muhith, Naoyuki Shinohara, IMF's deputy managing director, and Anoop Singh, director for the Asia-Pacific region, stated the draft law must be amended as per their recommendations -- otherwise, the second installment of the \$1 billion loan, due in November, would not be released.

Accordingly, the IMF sent the eight-point proposal to be incor-

porated to the VAT Bill, a senior official of the finance ministry said.

The proposed changes would increase revenue collection, promote economic efficiency and

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growth, and improve administrative efficacy, the IMF said.

The authority of sanctioning VAT exemption is inappropriate since it allows the government to vary the tax base in ways not

intended by parliament, according to the IMF.

The IMF proposed removing the term, "the public interest" and said VAT flexibility can be kept in the law to deal with emergency situations.

Another bone of contention, the bill allows businesses in special cases to pay 5 percent tax on sales, instead of 15 percent, in the first three years after registration.

"The provision undermines the very purpose and key objectives of the new VAT act by reducing revenue, complicating administration and severely impeding its operability," the IMF said.

Furthermore, such arrangement would be superfluous if the VAT registration threshold is set at a level such that all taxpayers with sales above the VAT threshold would be able to pay.

The IMF wants removal of this provision from the bill.

The parliamentary standing committee on finance ministry will strike off the two provisions before finalising the draft bill, an official of the National Board of Revenue said.

In contrast to good international practice, the bill directly vests tax officers with the powers to apply many sections of the law, the IMF said. "This arrangement weakens the power of the commissioner relative to his staff," it said.

The IMF proposed vesting authority on the commissioners instead of VAT officers.

The VAT bill provides the NBR with excessive powers to determine critical policy and administrative aspects of the VAT.

The IMF suggested that the fundamental features of the VAT should be set out in the law, not left to the NBR to prescribe, as it would jeopardise the stability and predictability of the tax.

GP borrows Tk 846cr from banks

StanChart arranges the largest syndicated loan

STAR BUSINESS REPORT

Grameenphone has borrowed Tk 846 crore from 15 banks and financial institutions, the biggest syndicated term loan in Bangladesh.

The country's largest mobile phone operator with a 42 percent market share will use the fund for network expansion.

Standard Chartered Bank (SCB) as a lead manager has arranged the syndicated loan, the SCB said in a statement yesterday.

An agreement was signed among Grameenphone, SCB and the participating financial institutions on October 7.

Grameenphone Chief Executive Officer Tore Johnson and Chief Financial Officer Fridtjof Rusten, and the top brass of the participating banks and financial institutions attended the signing ceremony.

The participants include Bank Asia, Bank Alfalah, Dhaka Bank, Eastern Bank, IFIC Bank, Infrastructure Development Company Limited, Mutual Trust Bank, NCC Bank, Premier Bank,

Pubali Bank, Saudi-Bangladesh Industrial and Agricultural Investment Company, Shahjalal Islami Bank, Southeast Bank, SCB and Trust Bank.

"Standard Chartered Bank is delighted to be the mandated lead arranger and agent for this landmark transaction," said Jim McCabe, SCB's chief executive officer for Bangladesh.

"This is the first ever unsecured term loan in the country, and that too for the largest amount," he said.

Standard Chartered is leading the debt capital market in Bangladesh. Since pioneering in 1997, the capital markets unit of SCB has put together over \$2 billion equivalent local and foreign currency syndicated loan facilities in power, telecommunication, infrastructure, food and beverage, textiles, service and other key sectors.

Over last 10 years, the syndicated loan market has grown 50 percent on average year-on-year in line with the country's industrial growth. SCB has arranged around 60 percent of the total syndicated debt raised in the market in the last 15 years.

Tax returns remain low despite time extension

SOHEL PARVEZ

Tax return submissions remain low, although the National Board of Revenue extended the deadline that ends today, an NBR official said.

About seven lakh individuals submitted tax returns as of Oct 29, which is lower than last year's 8.41 lakh taxpayers, the official said, asking not to be named.

Many taxpayers were busy preparing for Eid-ul-Azha and Durga Puja festivals, which may be the reason for a low rate of return submissions, he said.

But the amount of tax receipts from return submissions rose to Tk 1,481 crore this year from Tk 1,056 crore last year, according to data from NBR.

On September 30, the NBR extended the deadline for tax return by a month to October 31 in the face of demand from trade bodies and tax lawyers.

Trade bodies and tax lawyers wanted time extension as taxpayers suffered hassles after the NBR more than doubled the number of tax circles to 649 this year from the previous 303 to boost direct tax collection.

In many cases, the change led to a disorder in tax files, making it difficult for tax officials to locate all files.

The revenue authority is yet to decide on extending the current deadline further, said MA Quader Sarker, member-in-charge of the tax administration and monitoring of NBR.

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Stocks in the red after vacation

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Stock trading resumed with a downtrend yesterday, after a six-day vacation on the occasion of Eid-ul-Azha and Durga Puja.

The pre-Eid and -Puja rally stumbled immediately after the market opening due mainly to the low third quarterly earnings declaration by non-banking financial institutions (NBFIs).

DGEN, the benchmark index of Dhaka Stock Exchange, lost 22 points or 0.49 percent finishing the day at 4,552 points.

The bourse observed mixed earnings for the September quarter-end, IDLC Investment said in its regular market analysis.

Most of the scrips of the NBFIs sector lost due to the quarterly earnings, which felt short of expectations, it said.

"As a result, investors were a bit discouraged, which pulled the market down," according to IDLC.

In addition, it said, low participation of inves-

tors also kept the turnover low.

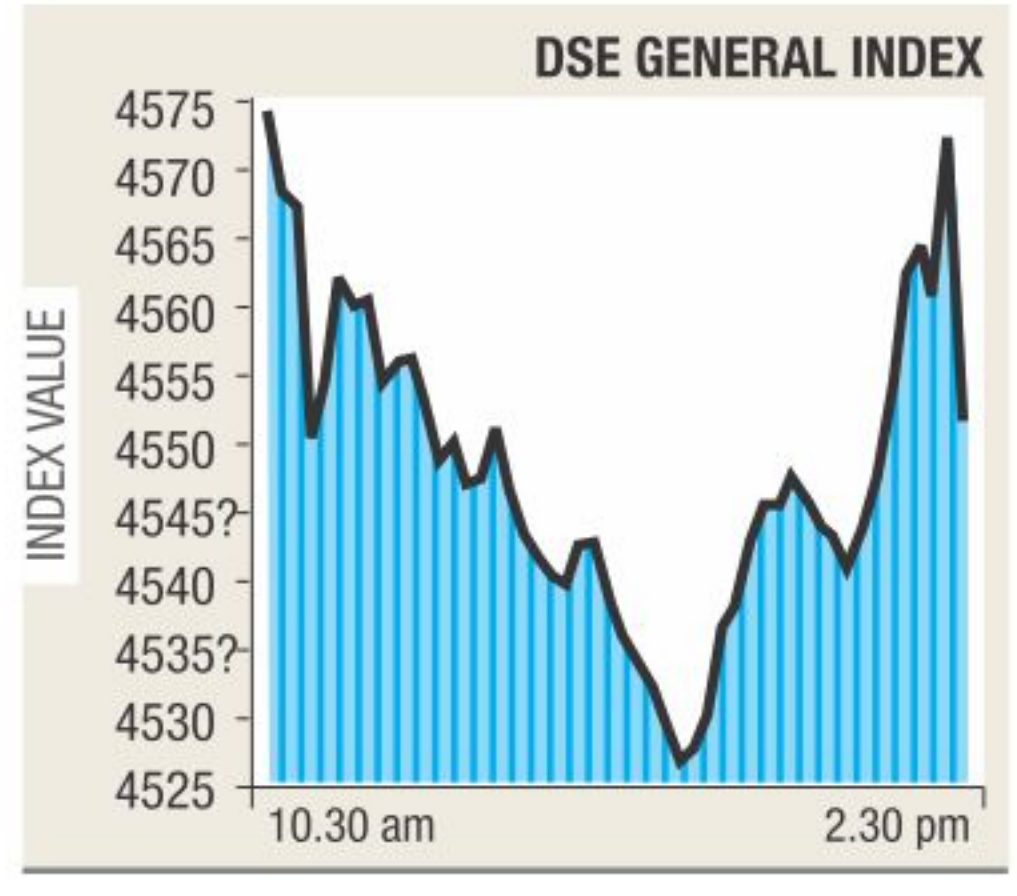
The turnover declined substantially by 31 percent from the previous session and registered at the lowest level of Tk 272 crore after August 07.

LankaBangla Securities in its daily market analysis said: "Relatively weaker third quarterly earnings declaration by the financial sector companies and banks had a dampening effect on the market sentiment."

Most of the companies showed negative earnings growth with some of them showing negative earnings per share, the stockbroker said.

In addition to that, surge in approval of initial public offering might have created sluggishness in liquidity inflow into the secondary market, it said.

Most of the major sectors ended in the red with banks declining 1.84 percent, NBFIs 1.68 percent and power 0.24 percent. However, the telecom sector posted a 2.54 percent gain.



Govt wraps up boro purchase

STAR BUSINESS REPORT

The government ends boro purchase today, with the food ministry remaining indecisive over buying rice from aman harvest.

The government procured 10.25 lakh tonnes of boro rice and paddy: 8.9 lakh tonnes of boiled rice, 90,000 tonnes of paddy and 45,000 tonnes of non-boiled rice as of yesterday, against a target for 10.5 lakh tonnes.

"We were close to the target due to higher production and stable prices," Ahmed Hossain Khan, director general of the Directorate General of Food, said yesterday.

The government has not decided yet on whether to buy aman rice, Khan said, adding that a decision on aman procurement and rice exports may come by the middle of November.

Farmers have already started harvesting early varieties of aman rice in the north. The government bought 3.5 lakh tonnes of aman rice last year against a target for 2 lakh tonnes.

The state's grains buyer began purchasing boro in early May to give farmers a price support, when a production glut pulled down the prices. But the state buyer had to proceed slowly due to lack of space in its warehouses.

To fulfil the procurement target, the food ministry extended time for boro purchases twice since October.

As of October 28, the government had a stockpile of 15.43 lakh tonnes of grains, including 12.57 lakh tonnes of rice.

Around 3.38 crore tonnes of rice was produced in 2011-12, up around 1 percent from the previous year.

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