India cuts tax on interest in govt debt for foreigners

REUTERS, *New Delhi*

The Indian government will cut the tax on interest payments to foreigners on government and corporate debt to 5 percent from up to 20 percent for a two-year period, in a bid to draw further inflows to bridge its current account deficit and polish its reformist credentials.

The move meets a long-term demand of foreigners and makes Indian debt more attractive. Many other Asian countries such as Singapore do not tax such interest income.

Finance Minister P. Chidambaram also clarified that a tax residency certificate issued by a foreign government would be an accepted proof of residency for tax purposes.

The government, in its budget proposals, had created confusion with a proposal stating that a tax residency certificate "shall be necessary but not a sufficient condition" to take advantage of double taxation avoidance agreements.

Chidambaram, moving amendments to his budget proposals on Tuesday, said that the February budget proposal to lower withholding tax on infrastructure bonds would now be extended to government debt and infrastructure bonds.

The cut will be effective from June 1, 2013 to May 31, 2015, he said.

The Finance Bill was passed by the lower house of the parliament amid an opposition boycott.

The 10-year benchmark government bond yield fell as much as 4 basis points to 7.73 percent while the Indian rupee breached 54 level to the dollar after the relaxation was announced. The cut in the withholding tax follows recent easing in rules for investment in government and corporate bonds.

Chidambaram, who has been pushing reforms to draw inflows, recently met investors in roadshows in United States and Canada.

"This development coupled with the recent simplification of foreign investment limits in debt and easing of know-your-customer norms shows that the regulators are gradually liberalising the debt markets," said Rohit Arora, emerging market rate strategist at Barclays Capital.

"Our estimate of $6-8 billion capital inflow in government bonds in 2013/14 fiscal year is at a upside risk following these measures."

Foreigners have invested over $11 billion in Indian equities and nearly $3 billion in debt so far in 2013.

The latest measures by Chidambaram shows his attempt at pushing through executive reforms at a time when the opposition has stalled parliament over various charges against the government, including meddling in the affairs of the federal investigative body.

Apparel workers donate Tk 32 lakh for Savar victims

STAR BUSINESS REPORT

Workers and officials of four apparel companies yesterday donated Tk 32.15 lakh, accumulation of their one-day salaries, for the Rana Plaza victims.

Officials of the companies -- Chaity Group, Modele de Capital ind. Ltd, Epyllion Group, Ashiana Group -- handed over the cheques to Atiqul Islam, president of Bangladesh Garment Manufacturers and Exporters Association (BGMEA), at the trade body office in Dhaka.

All the factories will remain closed for May Day today, and the BGMEA leaders will visit 515 injured workers at different hospitals at Savar and Dhaka, Islam said at a media briefing.

Parched out of tea

FROM PAGE B1

On the allegation that some tea estate owners grow agricultural products that provide greater financial returns on the land, Khan stressed the need for an effective monitoring cell. He also called for punitive measures against such owners.

Meanwhile, the Bangladesh Tea Board has taken up 10 projects, each for 12 years, to increase annual production to 100 million kg by 2021.

Under these projects, 6,440 hectares of fallow land in six districts -- Moulvibazar, Habiganj, Sylhet, Chittagong, Rangamati and Panchagarh -- would be brought under tea plantation, to create an additional 106 gardens.

PRAN

RN Paul, director of Rangpur Foundry Ltd (RFL), attends the inauguration of an RFL Best Buy outlet on Monir Hossen Lane in Sutrapur of Dhaka yesterday. Nabanur Islam Khan, chief operating officer (Best Buy), was also present.

Unilever makes $5.4b offer to raise stake in India unit

AFP, *Mumbai*

Food giant Unilever on Tuesday announced a $5.4-billion offer to raise its stake in its Indian subsidiary, eyeing explosive sales of branded consumer items to the Asian country's growing middle class.

The Anglo-Dutch firm made an offer to buy another 22.5 percent of already majority-owned Hindustan Unilever (HUL) in a proposed deal that would increase its control to 75 percent.

The offer, which saw HUL shares surge, is part of Unilever's plan to increase its presence in emerging markets such as India, where HUL's products such as skin fairness cream "Fair and Lovely" and Lux soaps

Extreme pricing. At what cost?

FROM PAGE B4

As the death toll ticks upwards, it remains to be seen what exactly Joe Fresh will accomplish in Bangladesh. The company faces rampant corruption at every level of government, trickling down to the garment factories, policed by thugs who threaten workers with docked wages if they don't work brutal 13- or 14-hour shifts, often seven days a week.

"These workers were mostly young women, and they were ordered into that factory," said Charles Kernaghan, director at the Institute for Global Labour and Human Rights, a nonprofit lobbying for workers' rights with an office in Bangladesh's capital Dhaka. Kernaghan visits the country on average three times a year and has interviewed Savar factory workers in their homes.

"They didn't want to go into work as there were already deep cracks in the walls the day before," he said. "They were driven into that building by people with clubs waiting to beat them up --gangsters and goons. They went in at 8:00am and the building collapsed at 9:00am."

Kernaghan doesn't blame Joe Fresh or any of the other companies with suppliers in Rana Plaza for the building's collapse. But he doesn't buy that these Western retailers could've possibly thought all was well in that facility.

"How did they not know these factories were illegally made, with three extra floors shoddily added?" he asked. "Did they not know about the fire in Tazreen in November, where 117 people died, mostly women? Nobody going into Bangladesh is naive. The only reason they're there is so they can pay almost nothing. It was a death trap."

Kernaghan added that Joe Fresh and other retailers with links to the Bangladesh tragedy will face "enormous pressure" to overhaul their supply chains and investigate the rights of workers in the Third World factories they employ to manufacture their clothes on the cheap.

"Joe Fresh has enforceable laws to protect their trademark," he said. "There needs to be a similar law to protect the rights of the worker. The label is protected. The worker is not."

He doesn't hold out much hope for an overhaul of the garment industry in Bangladesh anytime soon, citing the 2012 murder of labour activist Aminul Islam. Two years before that, workers went on strike, but were beaten, attacked, and shot with rubber bullets by police.

Their gripe? Whey wanted a raise, up to 30 cents an hour from 26 cents, to make your $19 pair of jeans.

The article has been taken from www.forbes.com

Industrial villages: prevention for factory accidents

FROM PAGE B4

He said tragedies such as fire and building collapse also take place in many countries, but they are not publicised in such a manner.

"Our media will have to be careful. Definitely, they will publicise the incident, but in a way so that the industry can take corrective measures and survive."

The BEPZA chairman said the government should, without any delay, begin testing the strength of all existing factory buildings and close the risky ones before another tragedy strikes. "There are factory buildings which do not require major shaking to bring them down -- an average earthquake could collapse them."

Rahman said the garment sector boom did not happen overnight; rather it grew gradually, over three decades.

"The global companies have rushed to Bangladesh because production cost here is one of the lowest in the world. We have many competitors, but they lag behind because of our abundant workforce. We are a haven for investment."

APEX

Syed Nasim Manzur, president of the Leathergoods and Footwear Manufacturers and Exporters Association of Bangladesh, hands Tk 50 lakh for the treatment of the Rana Plaza victims to Prime Minister Sheikh Hasina at her office in Dhaka on Saturday.

STANCHART

Gitanka D Datta, head of mortgage and auto at Standard Chartered Bank, and Ashique Un Nabi, executive director of marketing and brand at BTI, exchange documents of a deal at a programme recently. BTI clients will get exclusive offers on a variety of home loan schemes from the bank.

Austerity debate misses half the point

HUGO DIXON

The austerity debate misses half the point. It is true that governments, especially in the euro zone, shouldn't chase an austerity spiral ever downwards. But they can't just sit on their hands. They must drive even harder for structural reforms.

The last few weeks have witnessed a sea-change in the debate over fiscal austerity. A seminal academic paper by Carmen Reinhart and Kenneth Rogoff, which purported to show that economic growth was impaired if government debt levels exceeded 90 percent of GDP, has been discredited.

Meanwhile, the European Commission has softened its line on the merits of further deep budget cuts in peripheral economies. Spain, for example, looks like it will get until 2016 to bring its deficit down below the European Union's magic number of 3 percent of GDP. Portugal, Greece, Italy and France are also being shown greater leniency by Brussels. One of the first things Enrico Letta, Italy's new prime minister, said last week was that country needed to focus on growth not austerity.

The change in attitude didn't all happen in the past few weeks. The International Monetary Fund, which in the old days used to be considered the high priest of austerity, has been advocating looser policies for a good year. And, as more countries have got sucked into the austerity spiral slamming on the brakes, which crushes the economy, making it harder to hit budget targets the folly of continuing with the same policies has been hard to ignore.

It is astonishing to think that it was only in December 2011 that virtually the entire EU, including most countries outside the euro zone, signed up to the German-inspired "fiscal compact" a misguided treaty which hardwires austerity into governments' constitutions. It will be interesting to see whether this has any residual role or, like the euro zone's original growth and stability pact, is viewed as a piece of waste paper.

But there are dangers in the new consensus too. The so-called austerians do have a point that excessive debt acts as a brake on an economy, even if there is no discontinuity at 90 percent of GDP. There is also the small matter of how rising debt Italy's is heading to 130 percent of GDP and Spain's to over 100 percent is going to be funded.

At the moment, the markets don't seem worried. The ECB's pledge to do whatever it takes to preserve the euro is keeping governments' borrowing costs down. One of the most dramatic examples of this is Portugal, whose 10-year bonds now yield 5.9 percent down from 11.4 percent before the ECB's jawboning.

That said, the euro crisis was not caused by austerity but rather stemmed from the fact that many economies became flabby and uncompetitive. Welfare states were too generous, labour had excessive privileges, civil services were bloated, swathes of industry were riddled with uncompetitive practices, judicial systems were sometimes dysfunctional, while tax evasion and corruption were often rife. What's more, in many countries, there has been an unhealthy nexus between banks and politics.

These problems have been tackled, but only partly. Until they are more fully dealt with, the euro zone will not be able to return to sustained growth; unemployment, especially among the young, will stay unacceptably high; and the debt crisis will remain at risk of returning.

Look at Italy. Mario Monti, the outgoing prime minister, did reform pensions. But he botched his shake-up of the labour market, making it harder for young people to get jobs. He also failed to do much to liberalise services markets and did nothing to clean up politics. The best that can be hoped of Letta, who shouldn't count on holding power for more than a few months, is that he will reform the electoral system.

Things are a bit better in Spain, where labour liberalisation seems to be working. But Madrid is still being too vague on what will be in its next batch of reforms.

Meanwhile, Greece has been drinking bitter medicine for three years but has still to crack its problem of rampant tax evasion. Nor is it clear that Antonis Samaras, the Conservative prime minister, really wants to tackle vested interests in the business community.

Last but not least, France under Francois Hollande has only taken baby steps to restore its competitiveness. Public spending and taxes are too high, sucking vitality out of the private sector. Labour practices are too rigid.

Hugo Dixon is Editor-at-Large, Reuters News.

Shipbuilders want duty cuts for raw materials

FROM PAGE B1

DWT includes the weight of the ship, materials inside the ship, fuel tank, food and all other stuffs.

"On the contrary, ships of this size manufactured in Bangladesh require duties to be paid on the import of raw materials, machinery and equipment. This imbalance and inclination towards imported ships without duties discourage local shipbuilding."

"We propose that ships, equal to or bigger than 3,000 DWT, manufactured in Bangladesh should be allowed for duty free import of raw materials, machineries and equipment," the managing director of Ananda Shipyard said.

Local shipyards face uneven competition from foreign shipyards participating in the international biddings, Bari said.

Foreign shipyards are not required to pay any customs duty and VAT to enter Bangladesh, whereas local shipyards that intend to manufacture marine vessel against international tenders require to pay duty and VAT to import raw materials, she said.

"This asymmetric poise towards foreign shipyards hinders growth of the sector. Local shipyards should at least receive equal opportunities, if not more."

gazitowhid@gmail.com

BSRM

Alihussain Akberali, chairman of BSRM Steels Ltd, attends the 11th annual general meeting of the company at Chittagong Club in the port city yesterday. The company approved 10 percent cash and 5 percent stock dividends for shareholders.

MTB

Arif Dowla, chairman of Mutual Trust Bank, attends the 14th annual general meeting of the bank at Bashundhara Convention Centre in Dhaka yesterday. The bank declared 10 percent stock dividend for 2012. Anis A Khan, managing director, was also present.