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No more black money in stocks

Tax rebate on cards for share premium, private sector mutual fund investments

SARWAR A CHOWDHURY

The government will not continue the money whitening provision through investment in the stockmarket from the next fiscal year.

Though the market witnessed a lot of hypes over the issue in the last few days, the government finally decided to continue the provision only for the housing sector. The daily turnover on the Dhaka Stock Exchange has

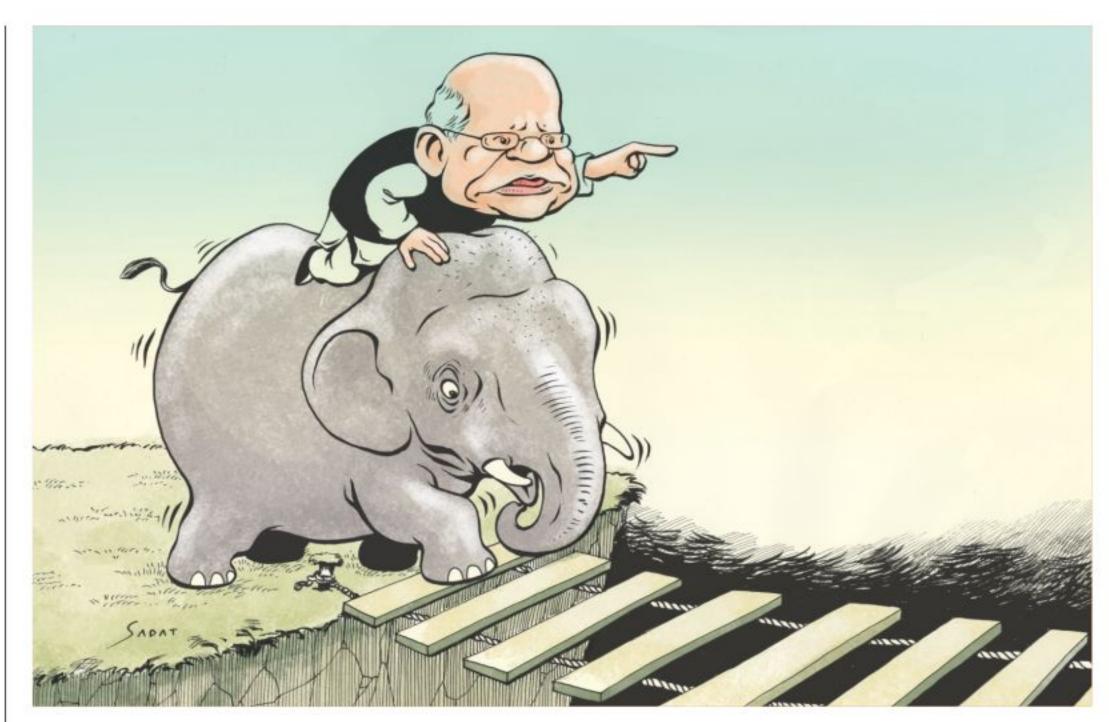
been more than Tk 600 crore for the last three days though the amount was below Tk 300 crore a week ago. An economist said allowing black money in any sector is discouraging for the honest taxpayers. "I don't see any rea-

son for keeping the money whitening provision for only one sector. If necessary, the scope should be on a wider basis," said AB Mirza Azizul Islam, a former adviser to a caretaker government.

The government also gives some benefits to small investors in the proposed budget besides the Tk 900-crore refinance fund already approved by the central bank.

Ahead of the upcoming parliamentary elections, it has tried a bit to make individual investors happy by increasing tax-free income from the capital market.

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GDP growth target unrealistic: analysts

SAIJADUR RAHMAN

Analysts find the GDP growth target at 7.2 percent to be unrealistic as investment is dipping instead of rising to support higher growth.

The issue came to light after the finance minister reset the target for the next fiscal year, the same as the current year's, despite sensing growing political tensions ahead of the elections.

"A GDP forecast of 7.2 percent does not match the investment scenario," said Mustafa K Mujeri, director general of Bangladesh Institute of Development Studies.

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No direct incentives for garment sector

Cuts in certain import duties

STAR BUSINESS REPORT

The government did not propose any direct incentives for the garment sector, the country's biggest export earner, in the next budget.

Finance Minister AMA Muhith, however, proposed full exemption of 5 percent customs duty on import of acrylic yarn, a raw-material for knitted garment products.

Muhith also suggested cuts in import duty on a host of woven fabrics to 20 percent from the existing 45 percent, in a bid to plug leakages from bonded warehouses.

"Fabric import through legitimate channels is not increasing in line with the demand because of this high tariff," he said in his budget speech, adding that fabrics imported under the bond system without payment of duty and taxes are being leaked to the open market.

The minister also proposed reduction in import duty on capital goods to 2 percent from 3 percent and on intermediate raw materials to 10 percent from 12 percent.

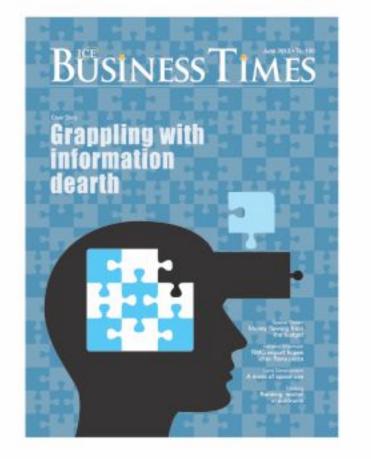
Although the finance minister said the government is committed to averting incidents like the Tazreen Fashions fire and Rana Plaza collapse in future, he did not propose any fund for the purpose.



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High bank borrowing plan worries businesses

REFAYET ULLAH MIRDHA

Private sector investment will suffer owing to higher bank borrowings by the government to implement the proposed budget for fiscal 2013-14, businesses said yesterday.

To meet the budget deficit, some Tk 25,993 crore (2.2 percent of GDP) would be lent from the banking system, Finance Minister AMA Muhith said in his budget speech yesterday.

"The garment sector will face a liquidity crisis due to the higher bank borrowing," Atiqul Islam, president of Bangladesh Garment Manufacturers and Exporters Association, said.

Federation of Bangladesh Chambers of Commerce and Industry. Commerce and Industry, said the business com-

munity would have no objection if the borrowed money is used for tackling the deficiencies in gas, power and infrastructure.

A high revenue target of Tk 136,090 crore has been set, which the FBCCI acting president said would increase the pressure on the businesses. The FBCCI, however, welcomes the move to

raise the turnover tax from Tk 70 lakh to Tk 80 lakh and the continuation of the package VAT system, Helal said.

"The proposed budget is a challenging and ambitious one in the background of the current global economic slowdown," said Rokia Afzal But Helal Uddin, acting president of the Rahman, president of Metropolitan Chamber of

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SNIPPETS

Pharma machinery to see duty cuts

STAR BUSINESS REPORT

Finance Minister AMA Muhith has proposed to reduce duty on import of pharmaceutical machinery to 5 percent from an existing 12 percent, in bids to boost the industry.

In his budget speech, Muhith said pharmaceutical is becoming a major exporting industry, thanks to government's policy support.

"The sector needs high-tech machinery to produce export oriented medicines. We can now import high-tech machinery at a low cost due to the duty cuts," Ishtiaq Ahmed, president of Pharmacy Graduates Association, said.

The sector can now also assemble high tech machinery, said Ahmed, also a technical adviser of Techno Drugs, a leading anticancer medicine exporter.

At present, about 97 percent of the domestic requirement of medicines is met locally. A total of 187 medicines are being exported to 87 countries, including the US and UK.

State banks may get separate pay scale

STAR BUSINESS REPORT

The government will introduce a separate pay structure for Bangladesh Bank and state-owned commercial banks in the next fiscal year. "Separate pay structures may need to be fixed for other services," Finance Minister AMA Muhith said yesterday.

The government plans to constitute a permanent commission, which will provide pay structure related recommendations.

The finance minister said the commission could recommend salary adjustment commensurate with inflation and address the issues of salary discrepancies.

Investment ceiling for small businesses to go up

STAR BUSINESS REPORT

The government plans to give tax exemption benefits to more small entrepreneurs with an increase in capital investment and annual turnover limit.

In the next fiscal year's budget, the new investment ceiling for plant, machine and equipment has been proposed at Tk 40 lakh, up from existing Tk 25 lakh, and the annual turnover limit has been proposed to set at Tk 60 lakh, up from Tk 40 lakh.

It means entrepreneurs making investment of up to Tk 40 lakh on plant, machine and equipment or having an annual turnover of Tk 60 lakh will enjoy the tax benefit.

Finance Minister AMA Muhith in his budget speech yesterday also proposed decentralisation of the power of taking decisions on who will enjoy the benefits to divisional officers from commissioners.

VAT exemption for SMEs extended

MD FAZLUR RAHMAN

Small and medium enterprises with an annual turnover within Tk 80 lakh will not have to pay any value added taxes in the upcoming fiscal year.

The outgoing budget also exempted such enterprises from paying VAT when their annual turnover remained below Tk 70 lakh, which was Tk 60 lakh earlier.

Considering the contribution made by the sector, the government is committed to supporting the small producers and traders by providing necessary assistance and protection, Finance Minister AMA Muhith said in his budget speech yesterday.

In Bangladesh, 90 percent of the private sector enterprises are SMEs that account for 70-80 percent of the non-agricultural workforce.

The sector contributed up to 25 percent to Bangladesh's GDP in 2012, including about 40 percent to gross manufacturing output and around 25 percent to the total labour force, according to central bank data.

In 2010, the government set a target of Tk 23,995 crore to be disbursed by banks and financial institutions as loans to the SMEs.

The SME Foundation, the state-run agency responsible for promoting small and medium enterprises, has introduced a credit wholesaling programme to disburse loans on easier terms and lower interest rates.

Each bank and non-bank financial institution has opened a desk dedicated to providing refinancing facilities to women entrepreneurs, at the instruction of the central bank.

At least 15 percent of the refinancing scheme has been allocated for women entrepreneurs. A collateral-free loan programme for up to Tk 25 lakh has also been introduced for them. The SME Foundation introduced the National

SME Women Entrepreneurship Award to patronise the innovative women entrepreneurs.

The outgoing budget allocated Tk 100 crore for women entrepreneurs, but only Tk 20 crore could be used, the finance minister said recently.

"Against this allocation, a two-year programme at a cost of Tk 10 crore has been taken up this fiscal year to impart training to women. I propose an allocation of Tk 80 crore for this purpose in the budget for fiscal 2013-14," said the minister yesterday.



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