



Star BUSINESS

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LPG prices go up

Retailers charge Tk 1,500 a cylinder, but producers say the price should be Tk 1,400



SAJJADUR RAHMAN

Prices of liquefied petroleum gas (LPG) increased by Tk 40-Tk 80 a cylinder this month, burdening consumers during the holy month of Ramadan.

In addition, prices of the cylinders will go up by around Tk 500 a cylinder this month, as the government has raised duty on cylinders to 10 percent from 3 percent.

Private companies said they hiked the price of the cooking gas by Tk 40 a cylinder (12.5 kilograms) to Tk 1,330 from July 1, following a global price hike. Although consumers are supposed to get the item at a maximum of Tk 1,400 a cylinder, including a margin for distributors and retailers, consumers are being forced to buy it at Tk 1,500. "From July 1, we have raised the price of gas by Tk 40 for a cylinder due to an

increase in raw material prices in the international market," said Mujibur Rahman, general manager of TotalGaz Bangladesh.

Rahman said his company would also implement the new price for imported cylinder from July 15. Presently, TotalGaz sells a cylinder at Tk 2,000, which will go up by Tk 500, pushing the consumers' initial investment up. Consumers purchase a cylinder and refill it with LPG.

LPG, which is considered a safe and eco-friendly fuel, is made by mixing butane and propane at a 70:30 ratio.

State-run Saudi Aramco has increased its July contract price for propane at \$795 a tonne, up \$50 from the June level. The price of butane also went up by \$20 a tonne to \$790. The prices provide a benchmark against which Middle East sales of LPG to Asia are priced.

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VAT cuts by 2015: Muhith

Govt awards top taxpayers as VAT week begins

STAR BUSINESS REPORT

The value-added tax rate is likely to come down from its current 15 percent by 2015, Finance Minister AMA Muhith said yesterday.

"The current VAT rate of 15 percent was fixed in 1991, and it seems a little on the high side now," he said at a ceremony to felicitate the highest VAT payers in fiscal 2011-12, organised by the National Board of Revenue at the Bangabandhu International Conference Centre.

The NBR has nominated nine top VAT payers from the national level and 122 from district levels in production, service and business categories.

The top VAT payers from the national level and greater Dhaka division were awarded at the ceremony which marks the beginning of a 'VAT week', an initiative by NBR to raise awareness about the necessity to pay taxes.

VAT, at present, is the main source of revenue for the government, and Muhith hopes a cut in rate would raise compliance by businesses, which collect the indirect tax from consumers and deposit it to the state coffers.

Accordingly, the government framed the new VAT Law 2012, which is expected to be fully implemented by 2015, he said. He expects the law to reduce the use of manipulated accounts by businesses.

"The overall rate of VAT is high and is not conducive for a developing country," said Abdul Haque, a director of the Federation of Bangladesh Chambers of Commerce and Industry.

He also urged the government to exclude small retailers from the bindings of VAT on grounds that they hardly maintain ledgers.

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TOP VAT PAYING COMPANIES IN 2011-12

PRODUCTION
Kailashtila Gas Field
Rashidpur Gas Field
Haripur Gas Field
SERVICE
Bureau Veritas Consumer Products Services Bangladesh Ltd
DHL Worldwide Bangladesh Ltd
OnMobile Global Ltd
TRADE
Quasem Drycells Ltd
Tianshi (Bangladesh) Ltd
Aarong

Banks sit idle on excess funds

REJAUL KARIM BYRON

Banks are awash with funds as their excess liquidity rose 57 percent to a record Tk 71,660 crore on May 30 this year from June 30 last year due to weak demand from investors.

Cash reserves increased at all types of banks, especially at private and foreign commercial banks, according to statistics from the central bank.

In the last 11 months to June, the private commercial banks held excess cash of Tk 43,791 crore, while it rose by 83 percent to Tk 7,918 crore for the foreign commercial banks.

The excess liquidity shot up by 19 percent to Tk 19,162 crore at state-owned banks.

Bankers blamed the current political situation for the weak demand for cash from investors.

Nurul Amin, president of Association of Banks Bangladesh, said: "Due to the transitioning political scenario, the investors are now adopting a wait-and-see policy, which has resulted in less credit demand."

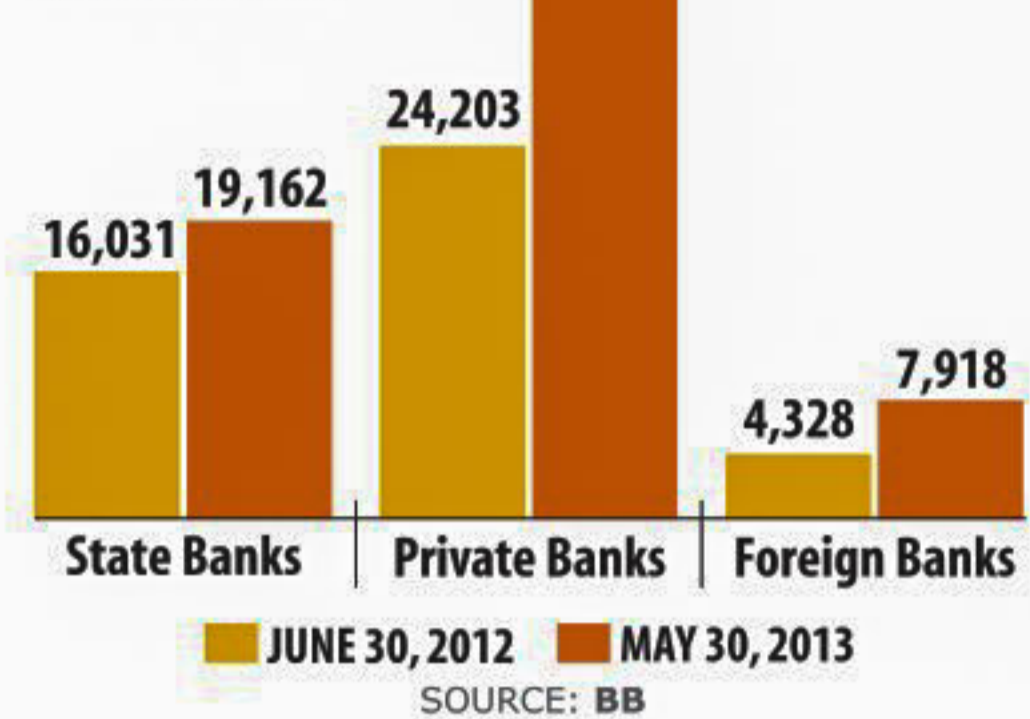
He said the excess liquidity rose as imports fell. "Besides, banks sold their foreign currency to the central bank and converted them into local currency. It has also contributed to the rise in excess liquidity."

Amin, however, said the excess liquidity was not lying idle with banks as they had invested the money in government bonds.

The amount of investment in bonds might be around Tk 50,000 crore, he said.

Zaid Bakht, research director of Bangladesh Institute of Development Studies, said, in 2011-12 inflation rose on the one hand and the balance of

EXCESS LIQUIDITY IN CRORES OF TAKA



payment came under pressure on the other.

He said the central bank also imposed restrictions on imports, especially luxury items, as it followed a cautious monetary policy to contain inflation. As imports fell, the excess liquidity with banks gradually increased.

Bakht said banks became particularly cautious in approving loans following several scams including that involving Hall-Mark, which prompted moves from the central bank and the Anti-Corruption Commission (ACC).

The economist backed the ACC move, saying the recent scams were not common banking irregularities, rather fraud, and criminal proceedings should be taken against such fraudulent activities.

He also said the appetite for investment was low due to political uncertainties in recent times, which ballooned bank's excess liquidity.

The government should have taken a number of measures, including cutting duty on capital machinery and raw materials, in the budget to increase investment demand, he said.

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Apple found guilty in e-book conspiracy case

AFP, New York City

A US judge ruled Wednesday that Apple violated anti-trust law in a price-fixing case, saying the company "conspired to restrain trade" with publishers to boost the price of e-books. US District Judge Denise Cote, who presided over a bench trial in New York, said: "Apple is liable here for facilitating and encouraging the (publishers') collective, illegal restraint of trade."

Regent to fly abroad next week

STAR BUSINESS REPORT

Regent Airways, a subsidiary of Chittagong-based Habib Group, will operate its first international flight to Malaysia on Monday.

Starting from July 15, the carrier will operate daily flights on Dhaka-Kuala Lumpur route with a Boeing 737-700 aircraft.

The ticket price for the round trip on economy class will be Tk 27,500 as a promotional fare.

Biman Bangladesh Airlines, United Airways and Malaysia Airlines now operate on the route, which grew over 10 percent in the last couple of years, Imran Asif, chief executive of the airline, said.

The airline had initially planned to launch the service on July 7, but due to delay in arrival of the aircraft, it was pushed back by a week.

But one of the two aircraft, leased from International Lease Finance Corporation for six years, was delivered last week, with the other one due soon, Asif said.

The aircraft are configured with 12 business class and 114 economy class seats.

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