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Star BUSINESS

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Govt plans duty privileges for car importers

Tax benefits may cost state coffers Tk 100cr

SOHEL PARVEZ

The National Board of Revenue, in a rare move, plans to give retrospective duty benefits to a section of reconditioned car importers in a bid to help them take delivery of the 3,700 imported vehicles stuck at ports for years.

The tax privileges known as depreciation benefits—now 45 percent—are meant for the current fiscal year. The NBR will now give the same benefits to the vehicles imported in the last three fiscal years, which will cost the state coffers roughly Tk 100 crore.

The depreciation benefit to assess the duty of five-year-old cars increased to 45 percent this fiscal year from a flat rate of 35 percent the previous year.

For the special benefits, the NBR has an explanation: it says it will provide the benefits for the sake of public interest.

But insiders said the issue is commercial in nature and the privilege will come as a huge loss to the state.

The NBR will send the proposal to the finance minister for approval.

The move will reduce the duty burden on those importers who are yet to take delivery of their vehicles from ports.

For example, a 45 percent depreciation benefit would reduce duty burden by nearly Tk 3 lakh for a 1,500-cc Toyota Corolla Axio model of 2006, 2007 and 2008.

However, the benefit will not be applicable to the importers who had cleared their cars by paying duty based on 35 per-

cent depreciation before June 6.

The NBR move comes amid lobbying by importers of older cars after they found the relaxed depreciation rules would not be applicable to determine the duty of the vehicles that were imported since fiscal 2009-10 and remained stuck at ports.

"We have been demanding a year-wise depreciation benefit for the last three years. And we were told that the year-wise depreciation benefit would be applicable to the five-year-old cars that are staying at ports," said Abdul Haque, managing director of Haq's Bay.

"But our issues remained unaddressed," said Haque, who has more than 1,000 reconditioned cars stuck at ports.

Haque said importers of relatively older cars faced uneven competition with newer cars due to the 35 percent flat rate.

Only 2 percent of importers had taken their older vehicles cleared by paying duties based on the 35 percent depreciation rate, he said.

"We are not demanding the extension of the depreciation benefit to make profit. It will help reduce our losses," Haque said.

Md Farid Uddin, NBR member (customs policy), said the government's import and customs policies were inconsistent.

The import policy of 2009-12 allowed import of five-year-old vehicles, but a 35 percent depreciation benefit was applicable to three-year-old cars in the customs policy.

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Call money rate stays stable ahead of Eid

STAR BUSINESS REPORT

Banks have not seen liquidity pressure ahead of Eid-ul-Fitr, uncharacteristic in the lead-up to the festival.

Due to a rush for withdrawals, the call rate, which is the rate at which banks borrow and lend among themselves, shoots up as banks and non-bank financial institutions turn to the interbank market to meet the short-term need for funds.

The call rate stood at 7.91 percent yesterday, while it was 7.56 percent on Thursday. "This year's rate is the best ever before any Eid," said Anis A Khan, managing director of Mutual Trust Bank.

Although cash withdrawals from banks have been increasing over the past two weeks, the call rate did not rise proportionately due to a huge surplus of funds—over Tk 70,000 crore—in the banking system, treasury officials said.

"The market looks very stable this year, with no pressure on liquidity," said Abdus Sobhan, a treasury official at Jamuna Bank.

A total of Tk 590 crore was borrowed in the call money market yesterday. The figure stood at Tk 7,000-8,000 crore a day in the lead-up to Eid-ul-Fitr last year.



Shopping spree grips nation

STAR BUSINESS REPORT

Shoppers spill over onto a busy thoroughfare in Gulistan as a shopping frenzy grips the entire country just ahead of Eid-ul-Fitr. These roadside makeshift shops spread across the city attract mainly the low-income people and sell almost everything that an Eid shopper may need -- from clothes and shoes to accessories.

Though the shops offer a bargain, they often add to gridlock on the roads.

ANISUR RAHMAN

Global food prices fall, WB says

STAR BUSINESS REPORT

Food prices fell on the global market between February and June since their historical peak in August last year, the World Bank said.

"Increased production, declining demand from large importers, and increasing stocks are exerting downward pressures on the international prices," the WB said in its July issue of Food Price Watch.

Also, the Food Price Index prepared by the bank was 12 percent below the last year's peak.

The lender releases the report when the prices of grains, mainly rice, remain relatively steady in Bangladesh.

The prices of other import-based commodities such as soybean oil, palm oil and sugar also stayed stable over the last several months and helped contain food inflation.

However, the global markets continue to be tight for maize, it said.

"Increased use of maize for ethanol in the US, higher demand from major importers such as Egypt, Japan and China, and increased public stockholding in large producers such as China and Brazil have all contributed to the recent price increases," the WB said.

Inventories are not expected to rise until 2014, which indicates that international maize markets remain tight, it added.

The WB said world wheat production will rebound this year from last year's declines. Rice prices also moderately fell due to good harvests in Thailand and Vietnam.

"Yet caution is warranted going forward," the lender said. It said the recent unfavorable weather conditions in northern and central Europe, Russia and China may affect the rebound prospects of world wheat production.

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It's a bumper Eid for local airlines

SUMAN SAHA

Most local airlines have nearly sold out tickets on their domestic routes, days ahead of Eid-ul-Fitr, leaving many homebound passengers in a mad scramble to book seats.

The deplorable state of the road network and scarcity of air-conditioned buses and train tickets account for the spike in air-ticket sales, said Mofizur Rahman, managing director of Novoair.

Tickets for August 6-8 for most flights to Chittagong, Cox's Bazar, Jessore, Sylhet, Rajshahi and Saidpur are sold out, according to Kamrul Islam, assistant general manager of United Airways.

United operates on a daily basis four flights to Chittagong, two to Jessore, one to Sylhet, one to Cox's Bazar, together with four flights to Barisal and Saidpur via Rajshahi each week.

"As the demand for tickets is overwhelming, we have now decided to operate extra flights to Saidpur," he added.

Novoair, which daily operates five flights to Chittagong, one to Cox's Bazar, one to Jessore and one to Sylhet, has sold out all tickets on the Dhaka-Jessore route.

ROUTES	ONE-WAY FARE IN TK
Dhaka-CTG	4,000-6,000
Dhaka-Cox's Bazar	5,000-7,000
Dhaka-Jessore	3,000-4,500
Dhaka-Sylhet	3,000-5,000
Dhaka-Saidpur	4,750
Dhaka-Rajshahi	3,500
Dhaka-Barisal	3,000

SOURCE: AIRLINES' WEBSITES

"We are now planning on running extra flights on the route on Wednesday and Thursday," said Rahman.

In general, the airline has already sold the majority of its seats before Eid, he added.

It is the same story over at Regent Airways, which operates five flights to Chittagong, one to Cox's Bazar, two to Jessore and one to Sylhet everyday.

"The Biman flights are all full in the run-up to Eid," said Kevin Steele,

managing director of the airline.

The carrier does not run a full-fledged domestic service, but transports passengers from Dhaka to Chittagong and Sylhet and vice versa via its connecting international flights.

"We are looking to see if we can operate some extra domestic flights on the peak Eid dates to help our customers," Steele said.

It is not all happy times for the local aviation sector though: Jama'at-e-Islami's announcement of hartal on Thursday for August 12-13 stands to put a damper on their receipts.

"We have shelved our plans to operate extra flights on Dhaka-Chittagong and Dhaka-Cox's Bazar routes during Eid as we are getting a huge number of refund requests due to hartals," said the Novoair MD.

Around 1,600 people normally fly to different domestic destinations a day, which reaches up to 2,500 before Eid, according to industry insiders.

Some 589,108 passengers travelled nationally by air in 2012, up 11.58 percent from the previous year, according to data from the Civil Aviation Authority of Bangladesh.

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Govt to award three offshore gas blocks

STAR BUSINESS REPORT

The energy division will seek permission from cabinet panel

REJAUL KARIM BYRON

The cabinet committee on economic affairs is set to approve a proposal to award three shallow-sea blocks to an American and an Indian company to boost gas production to meet its rising demand.

US-based oil company ConocoPhillips will be awarded block 7, while India's Oil and Natural Gas Corporation Ltd (ONGC) will get blocks 4 and 9 under the Bangladesh Offshore Bidding Round 2012.

The energy and mineral resources division will soon seek permission from the cabinet committee to sign production sharing contracts with the companies, an official said.

It came after Prime Minister Sheikh Hasina in principle agreed to award the three shallow-sea blocks in the Bay of Bengal for exploring gas.

Both companies will conduct 2-D, 3-D seismic surveys to drill development wells in the blocks.

ConocoPhillips will share 55 percent to 80 percent of the gas discovery and 60 percent to 85 percent of oil discovery with Bangladesh.

ONGC will provide 60 to 85 percent of the gas discovery and 70 to 90 percent of the oil discovery to Bangladesh.

Officials said the exploration would aim to meet the demand for gas in the Chittagong region, which is suffering from an acute energy crisis.

The offshore bidding was announced in December last year to explore nine shallow blocks and three deep-sea blocks.

Ministry reviews GSP effort today

STAR BUSINESS REPORT

Bangladesh started reviewing the progress of an action plan for regaining the GSP from the United States, as the Obama administration suspended the trade privileges due to poor labour rights and working environment on June 27.

The commerce ministry, the lead ministry for implementing the action plan, will review the progresses at a meeting today, Commerce Minister GM Star Quader told The Daily Star.

READ MORE ON B3



Middle, Nurul Amin, president of Association of Bankers Bangladesh, speaks at a meeting of the top platform for chief executives of the banks, at Ruposhi Bangla Hotel in Dhaka yesterday.

Top bankers worried by political turbulence

STAR BUSINESS REPORT

Top bankers yesterday said they were concerned about their business with growing volatility in the political situation.

"We don't know how we will run our business in the days to come," said Nurul Amin, managing director of NCC Bank and president of Association of Bankers Bangladesh (ABB), a forum of banks' managing directors.

Amin is particularly concerned by shutdowns called by political parties.

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