Analysts take part in a programme organised by nongovernmental organisation Supro at The Daily Star Centre yesterday. Supro unveiled a survey on tax payment at the event. STAR

Unfriendly tax methods slow down collection: survey

STAR BUSINESS REPORT

MOST people at grassroots level find the tax payment system unfriendly and feel discouraged to pay taxes due to complexities, according to a survey unveiled yesterday.

The study published by Sushanoner Jonnno Procharavizan (Supro) said 78 percent of 757 persons think tax payment is unfriendly.

Some 63 percent do not feel encouraged to pay taxes because of complexities in the tax system, said Rubayyat Hashmi, a teacher at American International University, sharing the findings of a baseline survey at a national consultation organised by Supro at The Daily Star Centre.

The survey was conducted in Barisal, Kushtia, Rangamati, Hobiganj, Rajshahi and Shariatpur to create baseline data on different tax related issues and raise voices to establish a pro-poor tax system.

The study also finds that more than half the respondents think the present 15 percent VAT, an indirect tax, is high and it should not be identical for everyone because of income differences among people.

Some 63 percent favour raising the VAT on luxury goods and said the government should not impose VAT on necessary goods for the benefit of the low income groups.

A chunk of respondents feel the wealthy have the ability to access government benefits and services more than the poor.

The survey suggested the National Board of Revenue (NBR) establish help desks in each tax circle, ease the process of income declaration and payment, online filing of tax returns, and train and motivate tax officials so that they cooperate with taxpayers with positive attitudes.

It also recommended exempting essential goods and services from the purview of VAT for the benefit of the poor.

Farah Kabir, country director of ActionAid Bangladesh, said people pay taxes to get better state services, but we do not receive enough data from the government on how the tax money is spent.

"There is a scarcity of safe drinking water. Many roads are broken. People ask why they will pay taxes," she said. "Accountability is very weak."

She favoured increased public investment in social services, especially health and education, to give a wider percentage of the population the benefit of taxes.

The ActionAid country director also suggested the government reduce dependence on indirect taxes. No foreign company should be given tax-exemption privileges; multinational companies will not leave Bangladesh due to a lack of tax waiver because Bangladesh is a market of 16 crore people, she said.

Conor Molloy, associate country director in-charge of Oxfam Bangladesh, said awareness building on the tax system is necessary. He preferred a pro-poor tax system and increased state investment in social services.

Kalipada Halder, NBR member for legal and enforcement, said tax exemption creates scope for tax evasion. People shift incomes from other sectors to the sectors that get waivers to evade taxes, he added.

Discussants also expressed frustration over inadequate health, education and other public services, despite paying taxes. They demanded the government catch tax evaders and increase the collection of direct taxes to ensure a fair taxation system.

Mustafizur Rahman Khan, chairperson of Supro, chaired the programme.

Japan shoppers brace for tax hike after years of deflation

AFP, *Tokyo*

JAPAN is bracing for its first sales tax rise in years, with last minute shoppers buying up a host of goods from gold to ice cream, as the government tries to tackle its crushing national debt.

Millions of shoppers are making a mad dash to stores ahead of Tuesday's tax rise to 8.0 percent from the current 5.0 percent amid fears the increase could spark the return of a protracted economic slump.

The last time Japan brought in a higher levy in 1997, it was followed by years of deflation and tepid economic growth.

The upcoming hike has created a tricky balancing act for Prime Minister Shinzo Abe as he tries to nudge the world's number-three economy out of the cycle of falling prices and lacklustre growth with a growth blitz dubbed Abenomics.

On Friday, fresh data showed Japanese consumer prices rose again in February, suggesting Tokyo's efforts to slay 15 years of deflation was gathering steam.

But the increase was largely driven by rising post-Fukushima energy import costs, rather prices going up on the back of strong, across-the-board consumer demand -- dubbed "good" inflation by some economists.

A key worry is that Japan's last tax rise deterred consumers and foreshadowed the drop into a cycle of falling prices -- although other factors, including the Asian financial crisis, were also blamed. The slowdown saw Japan's powerhouse economy descend into a protracted slump. Opinion is mixed over whether history will repeat itself.

Tokyo's special budget to counter a tax-linked slowdown and the Bank of Japan's unprecedented monetary easing were likely to offset a drop in spending, according to some analysts.

"Daily necessities may not be affected very much by the tax hike, but demand for cars, furniture and houses is likely to drop temporarily," said Kenji Yumoto, vice chairman of the Japan Research Institute. "We'll see whether the inflation is good or bad only after we see the impact of the tax hike. If demand later recovers, that could lead to good inflation."

Few shoppers seemed inclined to wait for prices to go up in a country where consumers have become used to paying pretty much the same, year after year, for their televisions, beer and sushi.

Labourers move a concrete mixer past an under-construction site of residential buildings in Kolkata yesterday. REUTERS

Hunt is on for new emerging tigers

AFP, *Paris*

FOR more than 10 years the rise of big emerging markets has reshaped the global economy but these are now slowing with maturity, and the hunt is on to identify which upstarts will be tomorrow's tigers.

The big five, which recently helped the world through financial crisis but are now experiencing marked growing pains, are Brazil, Russia, India, China and South Africa, the BRICS.

On their heels come the MINT, PPICS and CIVETS: acronyms created by economists and investors to describe groups of countries of similar type which could lead the next wave of emerging energy.

Last week more signs of economic tensions became evident in China and Brazil, just as the French trade insurance group Coface produced its list of what it called "neo-emerging" economies: the PPICS.

This creature comprises Peru, the Philippines, Indonesia, Colombia, and Sri Lanka.

All of them have strong growth potential exceeding 4.0 percent, diversified economies, are not unduly dependent on exporting raw materials and have financial systems capable of supporting growth and of absorbing a degree of external shocks.

Coface came up with a second list of countries, making 10 in all, comprising Kenya, Tanzania, Zambia, Bangladesh and Ethiopia.

These countries also offer growth potential but carry higher intrinsic risks.

Coface said that analysis of which countries, albeit smaller than the big five, could take over as leading emerging economies was needed because the big five were losing their competitive edge and had not yet become competitive in producing high valued-added goods and services.

For nearly a year many emerging markets, and notably the BRICS, have been undermined notably by the winding down of easy-money policies in the United States, which has raised risk and caused large amounts of investment funding to flow out of emerging markets back to advanced economies.

In Russia, a sharp slowing of growth is now being exacerbated by the back-draft of the Ukraine crisis and an outflow of capital.

Brazil has just been downgraded by the Standard & Poor's rating agency.

China is experiencing incidents in its credit system. At the beginning of March there was a payment default on some bonds, and the beginning of a minor run on a small bank, highlighting concerns about obscure parts of the banking system.

The monitoring of the landscape of emerging markets has been underway for many years. In 1988 a barometer called the MSCI Emerging Markets Index was launched to follow 10 countries, and

Alibaba invests $692m in Chinese department store operator

REUTERS, *Hong Kong*

China's Alibaba Group Holding Ltd agreed to invest $692 million in a Chinese department store operator as the e-commerce giant looks to bring the benefits and convenience of online shopping to customers who visit real bricks-and-mortar stores.

Alibaba, whose businesses will come under investor scrutiny ahead of the group's planned mega IPO in the United States this year, said it will buy $214 million worth of shares in Hong Kong-listed Intime Retail (Group) Co Ltd.

It also agreed to acquire $478 million of convertible bonds, which would give Alibaba a 26.1 percent stake in the department store operator once the bonds are converted into shares in three years.

In recent months Alibaba has gone on a shopping spree, spending more than $2.7 billion to expand into media, chat services and mapping technology.

The expansion has encroached on the turf of social networking giant Tencent Holdings Ltd, which has in turn made inroads into Alibaba's territory with its partnership with China's No.2 online retailer JD.com.

The purchases come as Alibaba starts its preparations for an initial public offering set to be the biggest-ever technology listing, surpassing Facebook Inc's $16 billion listing in 2012.

Intime will issue 220.54 million shares at HK$7.5335 each and HK$3.71 billion worth of convertible bonds to a unit of Alibaba, the department store operator said in a filing to the Hong Kong stock exchange on Monday.

In battling Maruti Suzuki, fund managers find voice

REUTERS, *Mumbai*

IN forcing automaker Maruti Suzuki India Ltd to backtrack on a controversial production deal with its Japanese parent, a group of Indian fund managers scored a rare win that heralds increased activism for an Indian fund industry long seen as timid.

Across emerging markets, shareholder activism tends to be rare, with unhappy investors typically expressing discontent by dumping their shares. In the case of Maruti, that would have meant ditching a company that sells half the passenger cars in India and is a staple of institutional portfolios.

"This particular episode has brought many of the fund managers and institutions together," said Chandresh Nigam, chief executive of Axis Asset Management, one of the seven fund firms that succeeded this month in their challenge to the deal between Maruti and Suzuki Motor Corp.

Previous attempts by investors to take on controlling shareholders in India, known as promoters, have run out of steam. Last year, Swiss cement maker Holcim Ltd's plan to consolidate holdings in two Indian cement makers stirred up investors, but proceeded after a divided opposition was unable to muster enough votes.

The revolt against Maruti was different because seven fund managers running a combined $80 billion, or more than half the assets under management in India, joined forces in an unprecedented show of cooperation.

"Normally, just a single institution acting will not work anyway. The next stage should be if we can formalize or semi-formalize a platform," Nigam said.

In India, regulators have long tried to force fund managers to be more vocal. Securities Exchange Board of India (SEBI) Chairman U.K. Sinha has criticised money managers for not complying with a 2010 requirement that funds vote at annual meetings.

Last year, India replaced a five-decade old companies law in a bid to curb the power of promoters. New rules restrict the number of board seats held by promoters and give oversight of audit and remuneration to independent directors.

Workers sit inside a building undergoing construction in front of Maruti Suzuki's plant at Manesar, in the northern Indian state of Haryana. REUTERS/FILE

"Shareholder activism has been gaining popularity in India and Maruti just cements that," said Simone Reis, co-head of M&A at law firm Nishith Desai Associates. "Just because a promoter is a bigwig doesn't mean the investors won't voice their concerns," she said.

A bigger test, however, would be taking on one of the family-run firms that predominate in corporate India including big names like Reliance Industries Ltd and Adani Enterprises Ltd, fund managers say.

Family-run firms in India often have few senior professional managers, making it harder for public shareholders, which are seen as outsiders, to effect changes.

The failure of local fund managers to stand up more for their investors has had a damaging impact on the investment culture in India, where retail investors have been heavy sellers of stocks since markets crashed in 2008.

Even India's rally to record highs this month has failed to sway individual investors, with gains driven primarily by foreign institutions.

Some industry insiders, who declined to be identified, said fund managers are reluctant to challenge corporate decisions in part because companies are themselves huge fund investors, accounting for nearly half of assets under management.

Maruti Suzuki, for example, has over 70 billion rupees invested in funds, according to its annual statement, equivalent to more than 1 percent of the combined assets in money market and debt funds in India.

Fund houses dismissed the notion of a conflict.

"These are two independent things. Some investor investing in liquid or treasury products is independent of our duty which is to take care of the retail investor," said Sundeep Shikka, president and CEO of Reliance Capital Asset Management Ltd, which was among the group to take on Maruti.

Investors in Maruti worried that a January plan under which it would buy cars from a new Suzuki plant in India instead of making them in-house was a move by the Japanese company to reassert control over Maruti and deprive it of the benefit of an expected surge in sales in coming years.

"This is highway robbery," one of the fund managers who spearheaded the opposition recalled thinking.

Like other individual fund managers opposed to the deal, the manager declined to be identified because of the sensitivity of the matter.

Starting with a secret meeting of three managers at the Trident Hotel in south Mumbai, the group grew to seven from fund houses including HDFC Asset Management, DSP Blackrock, ICICI Prudential, UTI Asset Management, and SBI funds Management.