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# Star BUSINESS

DHAKA SUNDAY MAY 25, 2014, e-mail:business@thedailystar.net

## REHAB names executive panel amid controversy

STAR BUSINESS REPORT

The Real Estate and Housing Association of Bangladesh yesterday announced the members of its executive committee despite pending cases against them with an arbitration panel.

The 21-member executive committee for 2014-16 were handpicked by an influential minister on May 14 -- without conducting any election.

Several realtors said the three-member REHAB election board scrapped the candidatures of some contestants unlawfully and instructed the others to withdraw their nominations.

This caused the aggrieved candidates to file three cases with an arbitration committee formed by the Federation of Bangladesh Chambers of Commerce and Industry.

A hearing was held on Thursday, with the verdict scheduled to be announced yesterday. The five-member arbitration committee led by former FBCCI President AK Azad, however, was unable to announce its verdict.

The REHAB though, through a statement, yesterday announced the names of members of the executive committee. Alamgir Shamsul Alamin has been appointed the president and Md Wahiduzzaman the general secretary.

"It is illegal. I will go to court tomorrow," said Zeeba Ameen Khan, chairman of Newton One Capita Ltd, who attended the hearing of the FBCCI's arbitration committee on Thursday.

However, Akhteruzzaman Manju, the chairman of the three-member election board, said they have announced the names of the members of REHAB executive committee as per rules.

Azad said the arbitration panel had a meeting yesterday, but could deliver any verdict as it needed more time to seek legal opinions from experts.

The election board will take into consideration if the arbitration committee of FBCCI issues any verdict to cancel the election result, said Manju.

## EYE ON BUDGET Time to go for wealth tax

SAJJADUR RAHMAN

A government employee had bought a 2.5-katha plot at Tk 80,000 in Mirpur in 1989. Now the land values at around Tk 1 crore, or 125 times higher, in a span of 25 years.

Another man who is a banker had bought a 1,500-square-foot flat at Eskaton in the capital at Tk 25 lakh in 2000, the market price of which is around Tk 1 crore now.

In another case, a land investor had purchased several hundred decimals of lands beside the Dhaka-Maoa highway in 2000-2001. He had to spend Tk 5,000-Tk 10,000 per decimal depending on the locations. Now he has been selling out the lands at Tk 5 lakh to Tk 10 lakh per decimal. The hike in the prices is astronomical -- 100 times higher than 14 years ago.

The returns are amazing compared to any other format of investments in any country. And the gain is tax-free as well, which is why people choose to invest heavily in properties in Bangladesh.

"This is a very land-scarce country. Investment in assets is very safe and the income is tax-free," said Ahsan H Mansur, executive director of Policy Research Institute.

If the gains on properties were taxable, people would not go for investing heavily in lands and flats, he said.

Mansur, who is a former official of International Monetary Fund, said taxes on properties are prevalent in many countries. It is 15 percent in the United States where a house owner has to pay as low as \$18,000 annually as holding tax,

**WHY IT'S IMPORTANT**

- As the gain is tax-free, people invest heavily in properties
- A rise in remittances and income from corruption has fuelled asset prices
- Wealth tax will cut property prices and rising inequality, analysts say
- There is now **10** percent surcharge tax on asset worth more than Tk **2** crore

which he said is very minimal in Bangladesh.

"Wealth tax will facilitate income distribution and reduce asset inequality and its concentration," he said.

Analysts said imposition of wealth tax could not only generate some income for the government but also reduce property prices and rising inequality.

The move will also discourage moneyed people to invest in unproductive areas such as lands and flats, they said.

Mustafa K Mujeer, director general of Bangladesh Institute of Development Studies (BIDS), said wealth tax should be introduced to rein in rising income and asset inequality, which has become a challenge for Bangladesh.

"Wealth tax targets unproductive, non-essential and idle assets," Mujeer said, adding that the government could offer incentives to bring back the already invested money in such assets to the productive sectors.

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## Importers of used hybrid cars may get duty benefits

SOHEL PARVEZ

The government is likely to extend duty incentives to importers of reconditioned hybrid cars in a bid to encourage the use of fuel-efficient and environment-friendly vehicles, according to insiders.

The development came at a meeting yesterday between Finance Minister AMA Muhith and representatives of Bangladesh Reconditioned Vehicles Importers and Dealers Association (Barvida).

At present, new hybrid cars are met with a 61 percent duty, which is much lower than non-hybrid cars. Importers now want the same benefits for the import of used hybrid cars as well.

"The demand for hybrid cars is yet to pick up because of high prices. We have sought duty benefits for imports of old hybrid cars in line with what the new cars get, as it will make hybrid cars more affordable," said Barvida President Md Habib Ullah Dawn.

He cited the Toyota Camry hybrid car as an example: a new vehicle costs Tk 75 lakh but if the duty benefit is extended to reconditioned versions as well, it would be possible to offer the vehicle at Tk 45 lakh.

It will increase the government's revenue, cut fuel

### CAR IMPORTERS' DEMANDS



- Importers want duty cuts for reconditioned hybrid cars
- They ask for revision of duty categories from **6** to **5**
- Car prices will fall by Tk **2-3** lakh, if demands are met

demand and help protect environmental pollution, the Barvida president added.

The car importers also called for revision of the duty structure for reconditioned non-hybrid models. At present, the duty structure is split into six categories according to the size of engines, and there is a huge jump in duty for cars upwards of 1,500cc, Dawn said.

For import of reconditioned cars up to 1,500cc, the duty is 132 percent, which rises to 218 percent for cars in the 1,501cc-1,750cc range and 296 percent for cars in the 1,751cc-2,000cc range.

"As a result, all of us rush to take part in the auction of cars having 1,500cc, which brings about a price spike."

Subsequently, Barvida recommended merging the 1,501cc-1,750cc and 1,751cc-2,000cc categories.

"The revision in slabs and supplementary duty will increase our choices and thus reduce competition among us to import reconditioned cars having 1,500cc. This will also facilitate the fall in prices of cars in this range."

Dawn expects the prices of vehicles to drop by Tk 2-3 lakh each if the government revises the categories and gives reconditioned hybrid cars the same duty benefits as the new ones.

## Private investment falls for second year

REJAUJL KARIM BYRON

Private investment dropped for the second year on the back of political uncertainty.

In fiscal 2013-14, private investment as a proportion of gross domestic product stood at 21.39 percent, down 0.36 percentage points, according to a provisional estimate from the Bangladesh Bureau of Statistics.

The private investment-GDP ratio declined for the first time last fiscal year.

Public investment, on the other hand, rose 0.66 percentage points to 7.30 percent, to take the overall investment-GDP ratio to 28.69 percent, up 0.30 percentage point year-on-year.

A big portion of private investment comes through bank finance, and related banking data shows that investment is still in a stagnant situation.

Between June 30 last year and February 28 this year, the amount of excess liquidity in the banking sector swelled 78 percent to Tk 1,35,436 crore, according to data from the central bank.

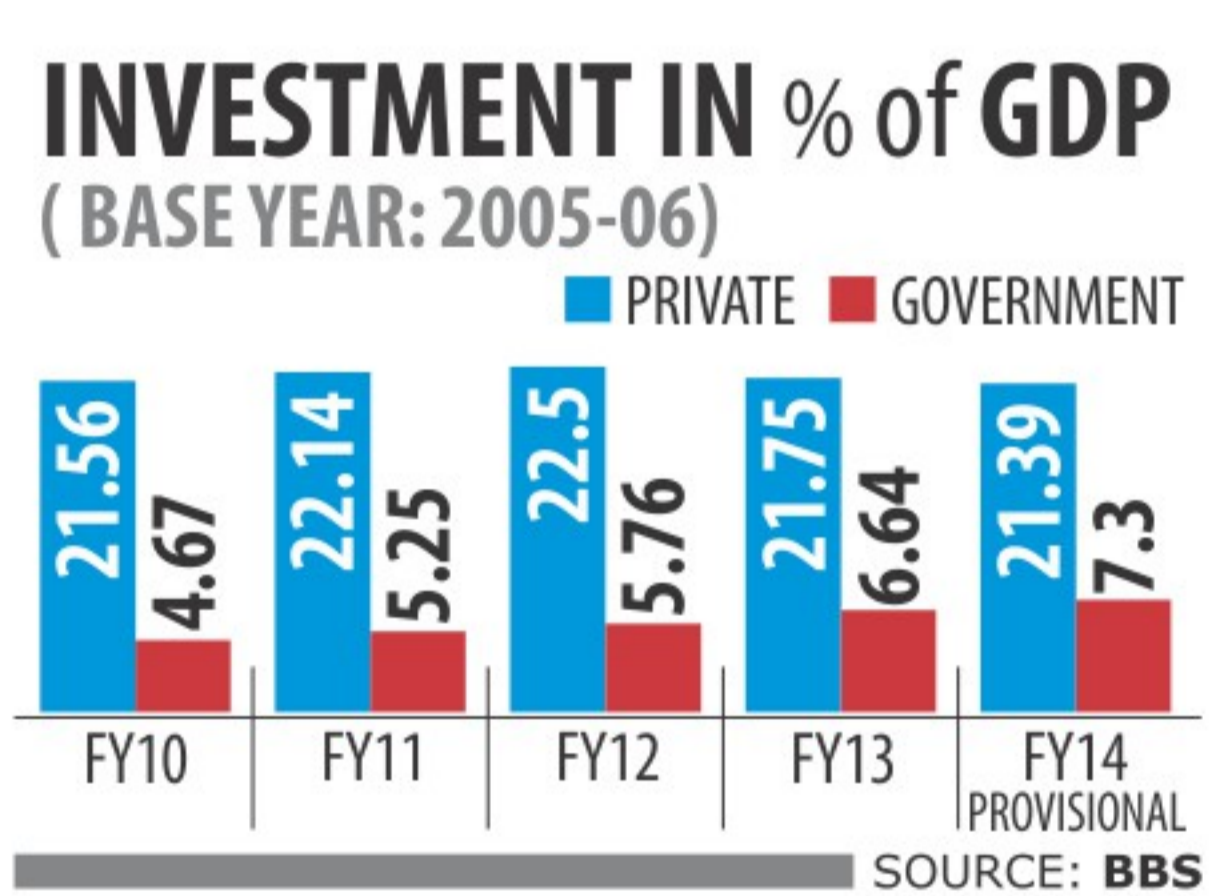
Another indicator of the languishing investment situation is that industrial term-loan disbursement declined 7.73 percent year-on-year during the January-March period.

Meanwhile, according to the latest 'enterprise survey' of the World Bank and International Finance Corporation, the private sector sees political instability as the biggest obstacle for the country's business environment. In 2007, the biggest obstacle was electricity and access to finance.

Zahid Hussain, lead economist of WB's Dhaka office, said while the disrupting political unrest has dissipated for now, the risk of it making a comeback hovers around.

"This time the post-election situation is different from those in the last four polls. In such a situation, without a political understanding among the major parties the uncertainty prevailing among the investors is unlikely to go away."

He went on to recommend setting up of special eco-



economic zones to insulate the economy from the effects of political turbulence, as production there would be conducted in a secure environment.

Hussain said the economic zones have been identified and there is also an Economic Zone Authority, but the process of opening up the economic zones to investors is not progressing fast enough.

Zaid Bakht, research director of Bangladesh Institute of Development Studies, said there is "a sense of unease" among the investors over the possibility of a mid-term election.

Also the director of the largest commercial bank, Sonali Bank, Bakht said: "We are now getting no proposal for new investment. The branch managers are being pressurised in various ways but they say the entrepreneurs are not showing much interest."

Moreover, after the Hall-Mark scam banks are being extra cautious in giving out loans, which may have had a part to play in the falling private investment.

Bakht too urged the government to lay urgent emphasis on implementing the special economic zones in the next budget, as many cannot invest for lack of land.

## ICT trade bodies demand VAT-free internet

STAR BUSINESS REPORT

Leaders of three ICT trade bodies yesterday urged the government to reduce or erase 15 percent value-added tax on internet use in the next budget.

Bangladesh Association of Software and Information Services (BASIS), Bangladesh Computer Samity (BCS) and Internet Service Providers Association Bangladesh (ISPAB) made the call at a pre-budget dialogue at Ruposhi Bangla Hotel in Dhaka.

Zunaid Ahmed Palak, state minister for ICT, agreed with the demand and said the telecoms ministry would request the

finance ministry to remove or cut the VAT on internet use in the next budget.

The telecoms ministry proposes Tk 3,700 crore for the ICT sector in the budget, which was Tk 1,250 crore last year.

The government will set up a research and development centre to scrutinise the best-fit IT-related businesses, Palak said.

People pay only 2.5 percent VAT on gold ornaments, a luxury product, but the government takes 15 percent VAT on internet use, which is an important tool to materialise the Digital Bangladesh dream, said Almas Kabir, senior vice president of BASIS.

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