

DHAKA MONDAY JUNE 2, 2014, e-mail:business@thedailystar.net

Micro lenders urge govt not to impose tax on their income

STAR BUSINESS REPORT

Microfinance institutions yesterday urged the government to shelve its plan to impose 10 percent tax on their net income from the next fiscal year, saying the additional taxes will affect small borrowers significantly.

"Poor people will be deprived of micro-credit as the cost of borrowing will increase due to the tax," said M Mosharraf Hossain, chairperson of Credit and Development Forum (CDF), a platform of micro lenders.

The plan to impose the tax also goes against the government's efforts to eradicate poverty, he said.

Hossain spoke at a press conference at the National Press Club in Dhaka, co-organised by the CDF, the Federation of NGOs in Bangladesh, and International Network of Alternative Financial Institutions.

There are more than 700 micro-finance institutions (MFIs) registered by the Microcredit Regulatory Authority. The MFIs disbursed around Tk 40,000 crore during July-May of the current fiscal year, Hossain said.

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From left, Fahmida Khatun, research director of Centre for Policy Dialogue; Mustafizur Rahman, executive director; and Khondaker Golam Moazzem, additional research director, attend a press briefing on the think-tank's analysis of the macroeconomic performance for the outgoing fiscal year, at Brac Centre Inn in Dhaka yesterday.

CPD suggests quick steps to arrest falling investment, growth

Mustafizur Rahman of CPD stresses importance of participatory political and electoral process

STAR BUSINESS REPORT

The Centre for Policy Dialogue yesterday called for an action plan to boost the declining investment and economic growth.

The plan should look to restore investor confidence, undertake and enforce regulatory reforms, enhance service delivery capacity of institutions, take advantage of global market integration and address the ever-increasing infrastructure demands and political uncertainties.

The observations were disclosed yesterday at a press briefing on the think-tank's analytical review of Bangladesh's macroeconomic performance for the outgoing fiscal year.

BY THE NUMBERS in %

GROWTH (SECTORS)	FY13	FY14
Industry	9.6	8.4
Agriculture	2.5	3.4
Services	5.5	5.8
Public investment (of GDP)	6.6	7.3
Private investment (of GDP)	21.7	21.4

The analysis focused on five broad issues: overall macroeconomic scenario, public expenditure and its financing issues, power sector development and exports.

During the first half of the fiscal year, the economy was confronted with severe disruptions in production, transport and service delivery

that afflicted both domestic and export-oriented activities, CPD said.

In the second half, in the backdrop of the political uncertainties, a deceleration in the investment growth, particularly that of private sector investment, constrained efforts to translate the relative macroeconomic stability into higher economic growth.

"In the context of these twin developments, reinvigorating the investment environment to regain the lost momentum of accelerated GDP growth has emerged as a major concern from the perspective of macroeconomic management in fiscal 2013-14 and particularly in view of the upcoming budget."

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Special offer awaits Chinese investors

STAR BUSINESS REPORT

Bangladesh will offer an industrial park or a special economic zone to Chinese investors in a bid to get them to invest on a large scale, the FBCCI chief said yesterday.

The offer will be made during Prime Minister Sheikh Hasina's five-day official visit to China from June 6. A delegation from the Federation of Bangladesh Chambers of Commerce and Industry will accompany her.

The FBCCI delegation would attend the China-South Asia Business Forum and China-South Asia Expo in Kunming, where they would discuss investment and trade between the two countries. They would also meet Chinese business leaders in Beijing.

"The cost of doing business in China is high, so we will give them an alternative of investing and developing industries here. We will promise them an industrial park or a special economic zone," FBCCI President Kazi Akram Uddin Ahmed said.

Zahid Hussain, lead economist of World Bank's Dhaka office, said 1.5 million jobs can be created a year if the government allocates 40,000 acres of land together with electricity and gas to Chinese entrepreneurs.

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Bangla Phone gets one more year for transmission services

ABDULLAH MAMUN

The telecom ministry has given Bangla Phone, a fixed phone operator, one more year to offer voice and data transmission services.

Though the operator has been offering the transmission services for years through a special permission, the government has not provided it with a Nationwide Telecommunication Transmission Network (NTTN) licence.

Bangla Phone, being a land-phone operator and an internet service provider at the same time, cannot get an NTTN licence, Telecom Secretary Md Abubakar Siddique said.

The operator has a countrywide network of optical fibre cable of 14,000 kilometres.

Mobile operators, ISPs, WiMax service providers or other financial and corporate entities get voice or data connectivity through NTTN companies.

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Top court clears REHAB polls

STAR BUSINESS REPORT

The Supreme Court yesterday dismissed two petitions, virtually approving the elections to the Real Estate and Housing Association of Bangladesh.

The Appellate Division dismissed the petitions, considering that they have become ineffective since the election of REHAB has already been held, Attorney General Mahbubey Alam told The Daily Star.

As a result, the 21-member executive committee announced by the REHAB election board on May 24 will be able to run the housing association for 2014-16.

The High Court on May 26 stayed the process of holding the election following an appeal filed by Abu Yusuf Mohammad Abdullah, chairman of Prasad Nirman Ltd, who was excluded from being a candidate for the post of an executive member.

Following a separate petition, the HC on May 27 directed the authorities to maintain status quo on the REHAB polls.

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Net foreign investment in stocks falls 77pc

SARWAR A CHOWDHURY

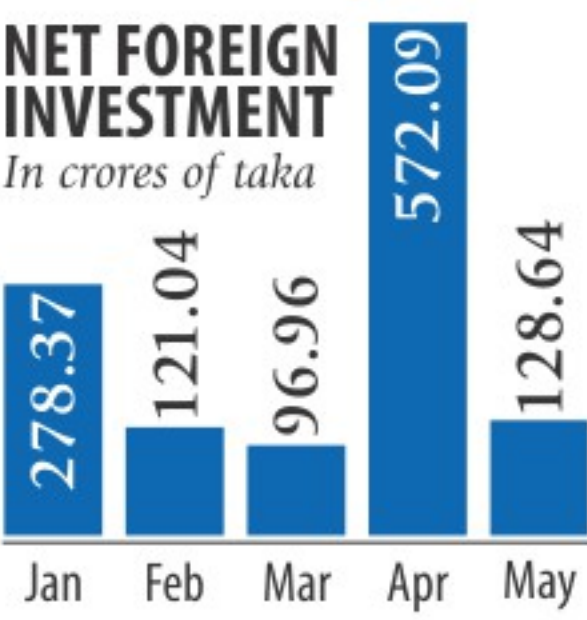
Net foreign investment in Dhaka stocks fell 77 percent in May from April, as investor enthusiasm did not grow at the same rate as in the previous month.

Overseas investors bought shares worth Tk 353.06 crore and sold shares worth Tk 224.42 crore, taking their net investment to Tk 128.64 crore last month, according to data from Dhaka Stock Exchange.

Local stockbrokers said net foreign investment rose to a record high of Tk 572 crore in April after overseas investors went on a buying spree to take position after news of mergers between Holcim and Lafarge, and GlaxoSmithKline and Novartis.

"It's natural that foreign investors will not be in the same buying mood after making a big investment in the previous month," Md Saifuddin, managing director of IDLC Securities, a leading stockbroker that deals with foreign investment.

"The foreign investors adopted a wait-and-see policy in May, as their exposure to



the stockmarket was the highest in April."

However, the statistical fall in net investment is not a matter of concern, he said. "We should not draw a conclusion by analysing the investment trend over just a month or two."

It is a fact that the overseas investors are still interested in Bangladesh stocks, Saifuddin added. "The economic conditions and the signs of political stability are in favour of investment."

Also known as portfolio investment, foreign investment accounts for less than 2 percent of DSE's total market capitalisation, which was Tk 290,758 crore as of yesterday.

Banks are the foreign investors' preferred sector, but they are also interested in non-bank financial institutions, power and energy, pharmaceuticals, multinationals, telecoms and IT.

In January-May, foreign investors bought shares worth Tk 2,164.97 crore and sold shares worth Tk 967.8745 crore to yield a net investment of Tk 1,197.01 crore, according to the premier bourse's data.

Management consultants demand VAT cuts

STAR BUSINESS REPORT

Management consultants yesterday called for a cut in value added tax imposed on their services, in the upcoming budget, as they earn foreign currency like exporters.

"We are earning foreign currency. Consultancy is a form of exports. So, the government should provide some incentives for us," said M Zakir Hossain, president of Institute of Management Consultants Bangladesh (IMCB).

"The tax and VAT on the consultancy services should be waived," he said at a media briefing at The Daily Star Centre in Dhaka.

IMCB, the only national platform of management consultants and development experts in Bangladesh, organised the briefing on the occasion of International Consultants Day, which was observed yesterday.

The National Board of Revenue imposed a 15 percent VAT on consultancy services in fiscal 2012-13,



Middle, M Zakir Hossain, president of Institute of Management Consultants Bangladesh, speaks at a seminar on infrastructure, at The Daily Star Centre in Dhaka yesterday.

increasing it from 4.5 percent earlier.

Nazrul Islam, managing director of Infrastructure Investment Facilitation Company (IIFC), provided an example where an agree-

ment between the IIFC and Young Consultants, where the work orders were outsourced, fell apart as VAT has applied on all the orders.

AK Chowdhury, senior managing partner of Hoda Vasi

Chowdhury & Co, said the VAT on consultancy services was perhaps increased from a misconception that revenue collection would increase tremendously.

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