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Star BUSINESS

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NBR set to crack whip on foreign firms' tax dodging

SOHEL PARVEZ

The tax authority is set to crack down on tax evasion and controversial fund transfers by foreign companies through transfer pricing from next fiscal year by implementing a rule for it.

Transfer pricing is an accounting method which allows multinational companies to shift net profits or losses to offshore or low-tax countries to maximise their earnings.

For instance, two subsidiaries of a company, one based in a high-tax country and another in a low tax haven, can engage in trade with one another.

The low-tax subsidiary can quote abnormally high prices from the high-tax subsidiary for goods/services to manage the maximum after-tax profits for the parent company, an unethical practice which many multinational firms resort to.

Dubbed the transfer pricing rule, it stipulates that multinationals or foreign companies furnish statements certified by chartered accountants of transactions above Tk 3 crore with their related or associated entities abroad.

The rule, which is included in the Finance Bill 2014, will take effect from July, said a senior official of the National Board of

WHAT IS TRANSFER PRICE?

The price paid for goods and services supplied by one part of a large company to another. A company will try to set such prices at levels that minimise its overall tax liability. While most of the activities involved in transfer pricing are not illegal, they are unethical and have been criticised as irresponsible corporate practices.

EXAMPLE

The American subsidiary of a pharmaceutical giant improperly overpaid its British parent for drugs to reduce the company's profit in the US aiming to lower its US tax bill. The US Internal Revenue Service took the pharmaceutical company to court. The company paid the US Treasury \$3.4 billion, the largest ever settlement for transfer pricing disputes.

Revenue.

The move comes two years after the rule has been framed in a bid to prevent tax dodging by foreign companies.

It is also a major reason for capital flight, with the country losing \$1.6 billion a year from 2002 to 2011, according to Global Financial Integrity, a Washington-based firm.

Anecdotal information and global database indicate that a significant amount of fund is being siphoned off through offshore

accounts, second homes' trade mispricing in the form of over-and under-invoicing and other forms of capital flight, said the Centre for Policy Dialogue, a local research organisation.

However, the authorities had been slow to act to rein in the illegal outflow despite India and Sri Lanka slapping the rule years ago.

After introduction of the law in July 2012, the NBR trained more than two dozens of tax officers and formed a TP Cell to prepare for auditing of multinational compa-

nies' financial statements and their international transactions.

Finance Minister AMA Muhith, in his budget speech, said the TP Cell will start working on July 1. "The cell will be effective in preventing money laundering and tax evasion," he said.

Officials deputed at the TP Cell will act as transfer pricing officers, said the NBR official.

"We hope the introduction of TP will be beneficial for multinational or foreign companies operating here. Their accounts will be more transparent which will enhance their credibility."

Nearly 200 foreign companies operate in Bangladesh in sectors ranging from fast-moving consumer goods, telecom, energy, beverage, cement, readymade garments to banks.

The NBR official said TP Cell will start auditing some files of multinational companies from next fiscal year.

However, Masud Khan, finance director of Lafarge Surma Cement Ltd, is doubtful about the practicalities of the rules.

"The problem may arise in enforcement of the law by the tax authority especially with regards to assessment and interpretation of the transfer price and that may often result in disputes between the companies and the tax authority."

Allocation too tiny for green power targets

SUMAN SAHA

The government may not be able to achieve its target of producing 800 megawatts of electricity by 2015 using renewable energy owing to a lack of funds, green energy analysts said.

Finance Minister AMA Muhith allocated just Tk 400 crore for financing renewable energy-based power plants in the upcoming fiscal year.

"We cannot match the equation as to how the government will achieve the target with such a tiny amount of funds," said Munawar Misbah Moin, managing director of Rahimafrooz Renewable Energy Ltd.

As of March, the country's capacity to generate electricity from renewable sources such as solar energy, bio-mass and wind-based plants stands at 363.8 megawatt, which is 3.51 percent of the total power generation capacity, according to Bangladesh Economic Review 2014.

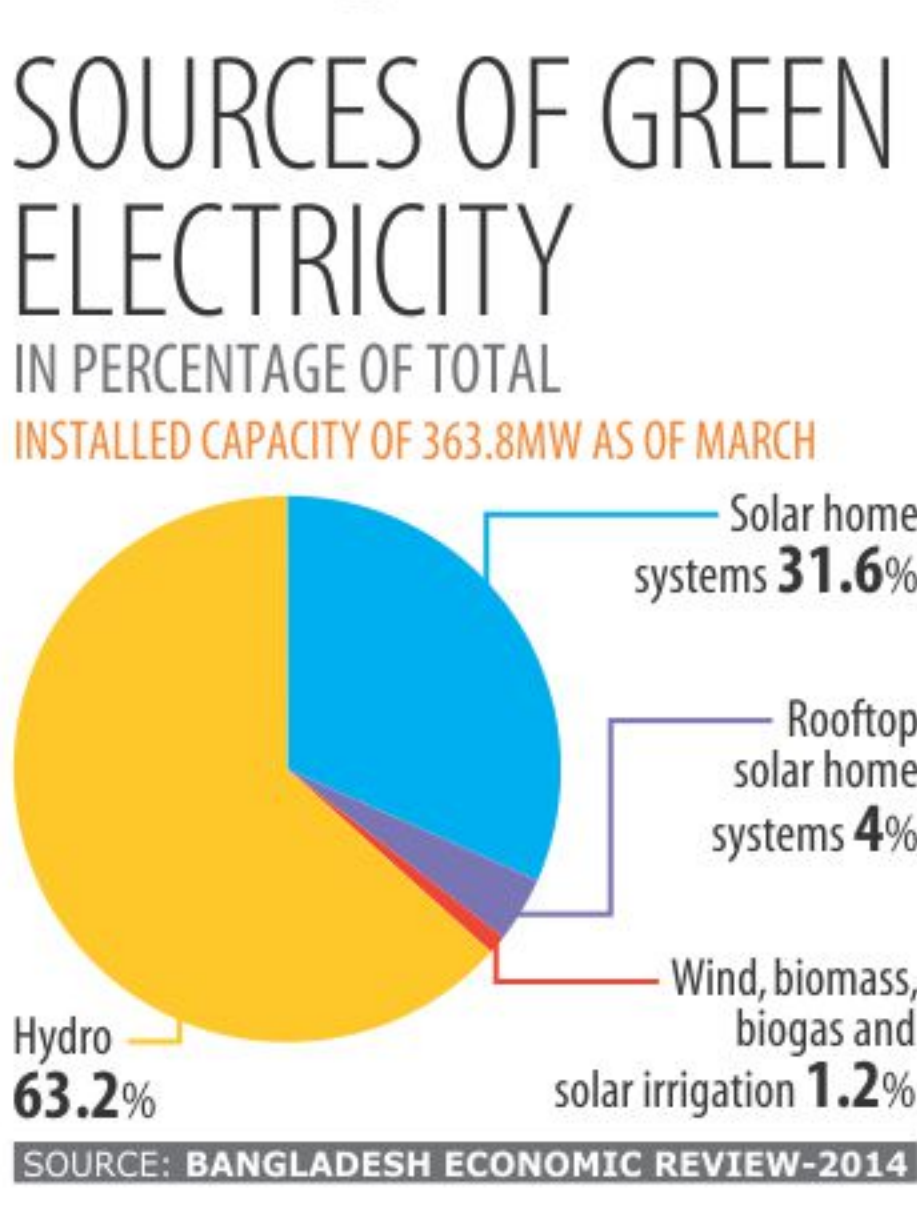
The government will have to generate an additional 436MW of electricity within the next one and a half years, the cost for which is estimated to be Tk 9,000 crore, according to Moin.

He said private companies are usually interested in financing such projects when the government bears at least 35-40 percent of the total cost.

"But the government aims to allocate only Tk 400 crore, so it is an unrealistic plan."

Saiful Huque, general secretary of Bangladesh Solar Energy Society, echoed the same, adding that the proposed allocation is not enough to meet the target.

He also urged the government to strengthen the Sustainable and Renewable Energy Development Authority (SREDA) by appointing skilled professionals.



"It is a must to man the SREDA with the right professionals if the government wants to achieve its renewable energy-related goals," said Huque, also a professor at the Institute of Energy at Dhaka University.

He called upon the government to concentrate on solar rooftops, mini-grids and biogas to meet its electricity generation target from renewable sources.

The country will be able to generate at least 500MW of electricity from poultry litter if the government provides incentives to poultry farmers for establishing biogas plants, Huque added.

Mahmood Malik, chief executive of Infrastructure Development Company Ltd (IDCOL), however, suggested that the government stress wind-based power plants due to its "tremendous potential" and low generation cost.

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Airtel to sell towers: report

STAR BUSINESS REPORT

Bharti Infratel, a leading tower company in India, is looking to buy its parent company Bharti Airtel's telecom towers in Sri Lanka and Bangladesh, according to newspaper reports.

"We could look at the Indian subcontinent—Bangladesh and Sri Lanka—for acquiring towers from Airtel," Bharti Infratel Chairman Akhil Gupta told the Times of India in an interview.

If a deal is reached, it will be structured so that the transaction is conducted as among independent companies, he said. "Both Airtel and Infratel boards will have to be satisfied that it is a fair transaction."

Infratel will also consider buying towers of Vodafone and Idea Cellular in India, if available, as India's largest listed tower company looks to tap business from telecom companies that are expanding networks to meet data growth.

Airtel's Dhaka office refused to comment.

Bharti Infratel sets up towers for mobile phone companies to install their base stations with equipment that emit microwave signals to mobile phones. It currently has some 35,900 towers.

READ MORE ON B3



AAMS Arefin Siddique, vice-chancellor of Dhaka University, presents a crest to Akihiko Tanaka, president of Japan International Cooperation Agency, during a lecture on BIG-B and growth beyond borders organised by Dhaka University in the capital yesterday.

Jica chief calls for diversity of energy sources

STAR BUSINESS REPORT

Bangladesh should focus on diversifying the energy mix, creating sufficient jobs and ensuring sound and credible governance in bids to achieve higher economic growth, the Japan International Cooperation Agency chief said yesterday.

"It is time to diversify energy resources as natural gas is depleting in Bangladesh," said Akihiko Tanaka, president of Jica. He emphasised imports of liquefied natural gas as an alternative energy source.

Tanaka, who is on a four-day visit to Bangladesh, is upbeat on the concept of the Bay of Bengal Industrial Growth Belt (BIG-B), proposed by Japanese Prime Minister Shinzo Abe recently.

Fulfilling the demand for employment is a critical challenge for the country, Tanaka said in a lecture on 'BIG-B towards growth beyond borders' organised by Dhaka University in the capital.

BIG-B is a grand design to promote industrial agglomeration along the Dhaka-Chittagong-Cox's Bazar belt.

"The centre of economic gravity is now shifting from the US and Europe to the Indo-Pacific region. So it is high time for such initiatives as Bangladesh is next to the Indo-Pacific region."

As per the BIG-B strategy, Japan will provide economic assistance worth \$5.9 billion to Bangladesh over the next four to five years to help the country realise its huge economic

potential and expedite growth.

Jica is committed to implementing the BIG-B strategy in the country, which has three main pillars, said Tanaka, who joined Jica as its president in April 2012.

The first pillar -- industry and trade -- mainly consists of constructing the long-awaited deep-sea port on Matarbari Island; this will offer Bangladesh an important trade gateway to the rest of Asia and beyond, he said.

The second pillar is energy. Matarbari Island can be developed into a massive supply base of primary energy such as coal, LNG, and oil. The electricity produced from those sources can support a quantum leap in industry and trade, he added.

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10 cultural tourism sites in pipeline, near Sundarbans

Two-day workshop highlights prospects of ecotourism

STAR BUSINESS REPORT

At least 10 cultural tourism sites will be established in the neighbouring villages of the Sundarbans mangrove forest—in Khulna and Satkhira—to promote ecotourism.

The information was revealed at a two-day training workshop on the prospects of cultural ecotourism in the Sundarbans region yesterday.

The workshop was organised as part of a project—Promotion of local culture in the Sundarbans impact zone in Bangladesh through cultural ecotourism and entrepreneurship—funded by the European Union and implemented by Relief International-UK.

The two-year project will be implemented in Khulna and Satkhira between 2014 and 2016, Relief International-UK said in a statement.

The project is aimed at enhancing respects for local culture and ecology in the Sundarbans impact zone in Bangladesh.

Relief International-UK will work with local communities to popularise cultural sites and develop the culture of ecotourism to promote the ecological and cultural significance of the Sundarbans through this project, said Nazrul Islam, country director of Relief International-UK.

Each ecotourism site will comprise several existing houses and facilities owned by traditional resource users, which will be prepared to offer various services for tourists, he said.

The services will include eco-tours into the mangrove forest facilitated by eco tour guides, he said.

"The project is aimed at giving tourists the most authentic exposure to local culture, alongside enhancing their respect for the cultural and ecological significance of the Sundarbans."

Furthermore, the project will develop a pool of eco-tour guides. The capacity building of local cultural actors, such as theatre actors and musicians, will also take place, he said.

The project will train the guides to enrich their knowledge about the Sundarbans and prospects of their cultural endeavours in the tourism industry, Islam said.

Local ecotourism actors will be connected with tour operators who are based mainly in large cities such as Dhaka, Chittagong, Rajshahi and Khulna.

Regulator cancels appointment of Progressive Life's CEO

STAR BUSINESS REPORT

The insurance regulator cancelled its approval for the appointment of the chief executive officer of Progressive Life Insurance Company on charges of concealing information.

In February, Insurance Development and Regulatory Authority had approved the appointment of Syed Tanvir Alam as the CEO of Progressive Life. Later, it found Alam concealed information and lacked required qualification to become the CEO.

"We informed the insurer about the cancellation of the appointment on June 12," a senior official of the regulator said.

Stocks end flat on selling spree

STAR BUSINESS REPORT

Stocks ended flat yesterday as investors went on a selling spree amid market volatility.

DSEX, the benchmark general index of the Dhaka Stock Exchange, closed at 4,358.75 points, after falling 2.83 points or 0.06 percent.

The shariah index of the Dhaka bourse gained 2.07 points or 0.21 percent to close the day at 1,009.79.

A correction was observed with weak market breadth, said LankaBangla Securities. Investors might have reiterated their preference for domestic cyclical stocks, including banks, the stockbroker said.

Turnover, one of the most important indicators of the market, rose 1.66 percent to Tk 319 crore from the previous day. Losers took a storing lead over the gainers as 203 declined, 63 advanced and 25 remained unchanged on the DSE floor that traded 291 issues.

A total of 0.85 lakh trades took place with 6.64 crore shares and mutual fund units changing hands on the Dhaka bourse.

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