Star BUSINESS

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Homeowners get some relief

NBR relieves them of separate bank accounts for collecting rents

STAR BUSINESS REPORT

Homeowners who earn more than Tk 25,000 a month from rents have been exempted from the obligation to deposit the sum into separate bank accounts, the National Board of Revenue said in a notice yesterday.

But they would still have to deposit the rental incomes into their existing bank accounts from this month, according to a notice from the tax authority.

The development comes following demands from homeowners for relaxing the rule, which made separate bank accounts compulsory for rent collection from this fiscal year.

"We have eased the rule for the convenience of taxpayers as maintaining separate bank accounts for rental incomes will be a hassle for them," said a senior official of NBR.

Failure to deposit rents in bank accounts would lead to a fine of Tk 5,000 or 50 percent of the tax applicable on the income from the property.

The move to enforce rent collection through bank accounts comes after the tax authority learnt that a sizeable number of homeowners dodge taxes by masking their true rental incomes.

As of April this year, there are 45,601 such homeowners in the country, with 30,000 of them in Dhaka alone, where rents are exceptionally high and a section of landlords live solely on the income from rents.

Yesterday's notice also said that homeowners will have to maintain separate registers to record particulars such as names of tenants, their addresses and the dates of payment of rents.

They will have to inform deputy tax commissioners of compliance with the rule and submit tax returns along with bank statements relating to rent deposits, it added.

The rent should be paid monthly through an account payee cheque or bank deposits. If any tenant pays rent in cash, the homeowner will have to deposit the money to his/her bank account, said the tax authority.

But if homes are owned by more than one person, separate bank accounts will have to be opened for those shareholders whose monthly rental income exceeds Tk 25,000.

In case of homeowners who stay abroad, the person holding the power of attorney on the property will have to deposit the rent in bank accounts.

The NBR expects that the new compulsory rule would increase revenue by reducing the scope to evade taxes, but it is yet to form an estimation of the sum to come.

"We hope the tax net will widen and so will the revenue. It will also facilitate in ensuring transparency in income statements of homeowners," the official said.

However, some analysts had earlier expressed doubts over the success of the measure, fearing that it might increase negative practices among both the landlords and tax officials.

GP

Vivek Sood, CEO of Grameenphone, speaks on the company's financial performance yesterday.

GP's half-yearly net profit doubles

STAR BUSINESS REPORT

Grameenphone's net profit more than doubled to Tk 1,060 crore between January and June from the same period a year ago, thanks to healthy revenue growth from 3G data services.

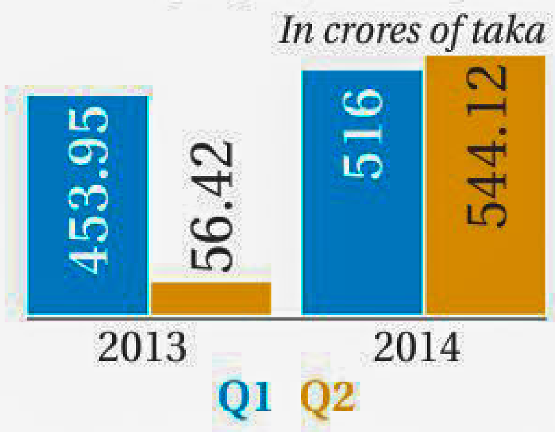
The company's revenue from 3G, high-speed internet services launched in October last year, was Tk 50 crore in the second quarter of 2014.

The astronomical earnings by the country's largest mobile phone operator were helped by subscriber growth and revenue from 2G data, SMS and content services.

GP's revenue in the first six months of this year was Tk 5,110 crore, up 7.8 percent from the same period last year.

GP'S NET PROFIT

In crores of taka



Service revenue grew by 7.5 percent year-on-year along with 14.3 percent growth in device and other revenues.

The net profit in the second quarter went up by almost 10 times to Tk 544 crore, from Tk 56 crore during April-June period of last year.

"GP managed another growth quarter as indicated last time, giving the first half a solid base to finish 2014 with a healthy performance," said Vivek Sood, chief executive officer of Grameenphone.

"Stable political environment, improving economic activities and GP's strong traction in the market contributed to this elevated performance," he said.

"Its strategic ambition of internet for all and enabling position on mobile financial services has been well executed."

However, the telecom industry is challenged by high VoIP (voice over internet protocol) traffic via some operators, he said.

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19 garment factories shut by Accord

REFAYET ULLAH MIRDHA

Some 19 factories have so far been shut down following recommendations from engineers of the Accord on Fire and Building Safety, the platform of mainly European brands.

The Accord recommended for closure of some 31 factories in 14 buildings but the government-appointed review panel allowed partial operation in seven of the factories and full operation in five after immediate corrective measures by the owners.

Syed Ahmed, inspector general of the Department of Inspection for Factories and Establishments, said the review panel members visited the factories upon recommendation from the Accord engineers and allowed operations if there were "not so big problems".

Alan Roberts, executive director of the Accord's international operations, ruled out any plan to set up a fund to disburse among factory owners for building renovations.

"The Accord does, however, require all brands to work with factory owners to ensure that there is adequate financial support in place to carry out the relevant remediation.

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PROFIT GROWTH OF MNCS IN FIRST HALF OF THE YEAR

In %

SOURCE: DSE

Stable market brings good profits to multinational firms

GAZI TOWHID AHMED

Higher sales and falling cost of production have helped multinational companies earn good profits in the six months to June.

Lafarge Surma Cement's net profit rose 32.07 percent to Tk 140 crore in the January-June period from the same time a year ago.

"We have posted healthy profit with increasing sales and falling costs of production this year," said Masud Khan, finance director of Lafarge Surma Cement.

The company increased production and cut power costs and our interest cost also declined as we repaid foreign loans last year."

The Indian rupee fluctuations affected operating costs last year, especially through the materials imported from Meghalaya in India, he said. It was not the case this year as the currency was stable, Khan said.

"Our deferred tax also declined in the period." Lafarge's earnings per shares stood at Tk 1.21 in the last six months, and its share price advanced 2.55 percent to Tk 84.4 yesterday.

Bata Shoes' profits accelerated 14.53 percent to Tk 28 crore in the first half of the year compared with the same period last year, with implementation of a cost control strategy.

"We have controlled costs of production," Hashim Reza, company secretary of Bata Shoes.

The prolonged political crisis has cut the purchasing power of the consumers; otherwise the profits could have been higher, Reza said. "Sales turnover in the period failed to meet our expectations."

The half-yearly earning declaration appreciated the company's share prices by 1.64 percent, which closed at Tk 966.30 yesterday. Bata's EPS stood at Tk 20.37 for the period.

In the first quarter ended June 30, Marico Bangladesh's net profit rose 11.84 percent to Tk 47 crore from the same period last year, on the back of growing consumer confidence over calm political environment in the country.

Political stability boosted consumption in the period, said Iqbal Chowdhury, finance director of Marico Bangladesh. The stability of the exchange rate also helped Marico pull up profits, he said. Marico is a major player in the local consumer market, he said.

The company's revenue stood at Tk 215 crore in the first quarter, up 12 percent from the same period last year, with EPS at Tk 14.82 for the period.

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Sonali ready to settle Tk 1,200cr bills with other banks

STAR BUSINESS REPORT

Sonali Bank is ready to pay Tk 1,200 crore against the bills of more than two dozen banks it had accepted around two years ago, its Managing Director Pradip Kumar Dutta said yesterday.

The announcement of the state-run bank came just a day after the central bank asked it to clear the bills by June next year.

"We are ready to pay the genuine bills as soon as possible. We also got some fake bills that need to be scrutinised further," Dutta told reporters at the bank's headquarters.

He was briefing the media on the progress the bank has made in the last one year.

Sonali's classified loans came down by Tk 1,910 crore and import financing rose by more than Tk 5,000 crore during the period until June.

The bank's capital deficit fell to Tk 78 crore in June this year from more than Tk 4,000 crore in the same month a year ago.

Deposits have also been increasing at a double digit rate since early last year, Dutta said.

The Hall-Mark bills that the bank had purchased came to the fore during the briefing. Sonali is in tremendous pressure to honour these overdue accepted bills after the Anti-Corruption Commission decided not to investigate the transactions saying those were non-funded loans.

Bangladesh Bank at a meeting with top bankers on Monday reminded Sonali to pay other banks' bills it accepted in favour of Hall-Mark Group, which took Tk 2,686 crore from the bank's Ruposhi Bangla hotel branch between 2010 and 2012.

Of the amount, more than Tk 1,200 crore was non-funded loans against the bills it consented to pay in future.

The state-owned bank has been delaying the payments to other banks for almost two years now, as it waited for the results of the ACC probe to be certain that no fraud was involved.

But a few months ago, the ACC declined to probe the bank's non-funded loans.

Dutta said, of the 1,757 bills his bank accepted in favour of Hall-Mark, some are fake and deserve a further examination. But the bank is ready to pay against the genuine bills, he said.

Wheat production highest in 11 years

SOHEL PARVEZ

Wheat production rose to 13.02 lakh tonnes in fiscal 2013-14, the highest in 11 years, mainly due to increased acreage and favourable weather.

The amount was 3.82 percent higher than 12.54 lakh tonnes in the previous year, according to provisional estimates by Bangladesh Bureau of Statistics.

Quality seeds also contributed to higher yields, said Md Jalal Uddin, director of Wheat Research Centre in Dinajpur.

In recent years, breeders at Bangladesh Agricultural Research Institute (Bari) developed four high-yielding wheat seed varieties to rejuvenate farmers' waning interest in the crop.

Wheat production had hit a record high at 19.08 lakh tonnes in fiscal 1998-99. But later the acreage and production began to fall gradually as many farmers shifted to other winter crops like maize, potato and vegetables that promised higher profits.

Wheat acreage, which fell to its lowest level at 3.58 lakh hectares in fiscal 2011-12, has started to rise since 2012-13.

The acreage rose to 4.29 lakh hectares in fiscal 2013-14 from 4.16 lakh hectares the previous year, according to BBS.

Agriculturists said wheat area is rising due to farmers' growing interest in the crop and a shift from boro cultivation.

Lower production cost of wheat compared to irrigation-dependent boro, and less volatile prices compared to

WHEAT PRODUCTION

In lakh tonnes

rice might have encouraged growers to sow the grain on more of their lands, said Md Rafiqul Islam Mondal, director general of Bari.

A lack of water for irrigation during the dry season in some areas under Barind region is another factor, he said.

The government's purchase of wheat also gave farmers some added incentive. The food office so far bought 1.49 lakh tonnes of wheat at Tk 27 a kilogram from the latest harvest.

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Banks await $20b opportunity to invest in power

StanChart analyses demand for loans in power sector

MD FAZLUR RAHMAN

KEY POINTS

- Power sector will need $60b of investment by 2030
- The investment of $60b to raise nominal GDP by $50b
- Only half of planned electricity generation was added to grid between 2010 and 2013
- Political will and consensus needed for domestic coal extraction

Bangladesh's power sector opened opportunities for private banks to lend between $10 billion and $20 billion by 2030, as the country struggles to narrow the gap between demand and supply of electricity.

The government plans to produce 39,000 megawatts of electricity by 2030 against estimated demand of 34,000MW at the time to fulfil its ambitious plan of taking power to all by 2021.

Plugging the energy gap will require $60 billion of additional investment up to 2030, Standard Chartered Bank said in an analysis.

"The government will not be able to fund this solely, which lends significant room for private-sector involvement," it said.

Despite the government's substantial spending for the power and energy sector, the power sector needs increased private participation -- either from domestic or foreign sources, according to the analysis.

The share of private-sector financing in power projects will increase to 58 percent by 2016, according to the Power Development Board.

StanChart said previous large independent power producer projects had a debt component of around 60-70 percent, with the rest coming from equity financing.

Over time, as Bangladesh moves up the income ladder, a larger part of the debt financing is likely to come from bank lending, as the country is likely to become less eligible for multilateral concessional debt, the bank said.

"We think banks could provide up to a maximum of 50 percent of project financing over the medium to long term. If we assume a 60 percent private-sector share over the medium term, this suggests that $40 billion of the additional investment required for power projects up to 2030 must come from private sources," it said.

On this basis, the analysis sees minimum potential for bank financing of power projects until 2030 at $10 billion and maximum potential at $20 billion.

Private commercial banks have already stepped in.

Recently, StanChart raised $190 million from international lenders for a 335-megawatt electricity plant of Summit Meghnaghat Power Company Ltd in a single largest funding for any private power company in the country. The British bank itself has contributed $40 million to the fund.

Investing in energy capacity is likely to have a positive effect on growth. The $60 billion of investment has the capacity to raise nominal GDP by $50 billion by 2030, the bank said.

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