

Travel agents evade tax by hiding income

NBR finds in investigation

SOHEL PARVEZ

More than two dozens of travel agents have dodged tax by concealing incomes, according to an investigation by the National Board of Revenue.

Twenty-seven travel agents have not shown in their tax returns the incentive bonus and other commission they get from airlines and the service providers of Global Distribution System (GDS), taxmen said.

GDS is worldwide computerised reservation network used as a single point of access for reserving airline seats, hotel rooms, rental cars, and other travel related items by travel agents, online reservation sites, and large corporations.

"We have already realised a portion of the tax dodged by these travel agents," an NBR official said, asking not to be named.

The tax authority has not yet calculated the actual amount of tax evaded by these firms. But the amount in a rough estimate would be Tk 50 crore, according to taxmen.

The NBR unearthed the anomalies after its Central Intelligence Cell (CIC) looked into tax files of a couple of travel agents.

The CIC found that these firms concealed incentive bonuses that they got from airlines for achieving ticket selling targets.

The agents also get commission from GDS service providers against sales of air tickets.

The \$440-million annual aviation market of Bangladesh, involving 5.8 million passengers, generates quite a handsome amount of commission and incentive bonus, industry insiders said.

Though Bangladesh has around 2,400

travel agents, only 20-25 of them enjoy the lion's share of the commission and incentives through a nexus with a section of airline officials, a travel agent said.

As a result, travellers have to pay tickets by paying an extra amount when the demand for tickets for certain destinations or purposes, such as hajj, goes up.

In many cases, a section of travel agents offer tickets below the fares set by carriers, he said. Such a practice ultimately affects carriers' revenue and encourages price competition among travel agencies.

"We were unaware of such transactions before the investigation," the tax official said.

The CIC also found that these 27 travel agents have been concealing their incentive bonuses for at least six years and asked them to pay the tax along with penalties.

In a recent letter, these travel agents apologised to the NBR and asked for withdrawing the penalties.

The agents claimed they share the incentive bonuses with their sub-agents to expand business. They said the commission that they get from GDS service providers is used for maintenance of computers and other IT equipment.

SN Manzur Murshed, president of Association of Travel Agents of Bangladesh (ATAB), said travel agents were unaware that the incentives would be treated as income.

He said travel agents get 7 percent commission from airlines. "We have to share a portion of the amount with our sub-agents and sometimes give away the commission to retain clients."

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Analysts attend a seminar on the garment industry, in Stuttgart in Germany on Monday. Exporters from Bangladesh, Myanmar and Ethiopia participated in the seminar.

The future is dazzling for garment sector

German retailers look to Bangladesh as a hotspot for sourcing

REFAYET ULLAH MIRDHA, from Stuttgart

Bangladesh will continue to be a hotspot for garment sourcing for its price competitiveness and quality products, German retailers said.

Furthermore, garment exports from Bangladesh will continue to grow and that too at a faster rate, as China, the world's largest apparel supplier, is struggling to retain its position owing to shortage of manpower and higher production costs.

As a result, Bangladesh will achieve the McKinsey & Company's predicted \$44.56 billion garment export by the end of 2020, the retailers said at a seminar on sustainable management in the textile and apparel industry at Stuttgart in Germany on Monday.

Garment exporters from Bangladesh, Myanmar and Ethiopia attended the seminar, organised by the Foreign Trade Association of German Retail Trade, IHK, German Asia Pacific Business Association and Bangladesh-German Chamber of Commerce and Industry.

Currently, Germany is the top destination of Bangladeshi garment products of the 28 European Union nations, with almost all of its major retailers that include Hugo Boss, Adidas, Olymp, KiK, s.Oliver and Gerry Webber now sourcing from Bangladesh.

The country exported \$4.38 billion of garment items to Germany in fiscal 2013-14, according to the Export Promotion Bureau.

At the seminar, in his keynote speech on the global market scenario, Stefan Wengler, managing director of the Foreign Trade Association of German Retail Trade, said China started losing its market share to other countries mainly for higher costs of production.

"Interestingly, in the last few years, labour costs have increased the most in China. This results in a higher domestic demand at the expense of exports and has a corresponding impact on the domestic price level."

With regards to Turkey, Wengler said it lost its long-term position as the second biggest apparel supplier to Bangladesh in 2013.

"Throughout the last ten years, Bangladesh has continuously increased its garment exports, not always under working conditions we would like to see though."

Wengler, however, said future garment businesses depend on fulfilment of five conditions including wage, freight charge, cotton price, infrastructure and stable relationship between suppliers and retailers.

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Index hits an all-time high as investors park funds in stocks

STAR BUSINESS REPORT

With a six-day rally in share prices, the benchmark index of Dhaka Stock Exchange yesterday rose to 4,967 points for the first time since DSEX was introduced on January 27 last year.

Single digit interests on deposits, favourable economic factors and political stability are encouraging investors to make fresh investments.

"The interest rate on deposit has come down to 6-8 percent in recent times from 12-13 percent last year. The reduction encouraged many depositors to switch from the banks to the capital market," Md Shakil Rizvi, managing director of Shakil Rizvi Stock.

Between January and August, the net foreign investment in Dhaka stocks was Tk 1,651.84 crore, a 28 percent rise from the same period a year ago.

Rizvi said an upward trend in the market increases investors' confidence and encourages new investors to come to the market, while they try to exit the market during the downward trend.

"However, the newcomers should carefully invest in a rising market and should analyse the fundamentals of securities beforehand," said Rizvi, also a director of the DSE.

The DSEX continued to build on its previous high records following burgeoning confidence in capital market among the investors, LankaBangla Securities said in its analysis.

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Govt to seek \$1.5b from WB, IMF

REJAUL KARIM BYRON

The government will seek another \$1.5 billion from the World Bank and IMF next fiscal year, officials said yesterday.

The government will have to carry out a new round of reforms in various sectors, including macro-economy and financial institution governance, to get the loan.

Of the amount, \$500 million may come from the WB as budget support, while the International Monetary Fund will give the rest.

Finance Minister AMA Muhith disclosed the plan to reporters after a meeting with a visiting IMF mission at his secretariat yesterday.

Discussions on another loan proposal will begin after the government gets the last instalment of a \$1 billion IMF loan under its extended credit facility (ECF) next year, he said.

Though the minister did not give an exact figure about the new credit programme of the IMF, finance ministry officials said it is likely to be around \$1 billion.

The IMF mission proposed to extend the ongoing ECF programme by another year, but Muhith told them that the government wants it to end in time and start a new one.

The IMF mission agreed to offer a new loan, the minister said, adding: "They are interested. In fact, they wanted to start talks on it now."

However, Muhith said discussions on the new loan may start in May next

year as the government now awaits a pay commission report, which will give an estimate of expenditure on salary and benefits of public servants.

The new pay commission will submit the report in December and its implementation is related largely to the national budget.

For the new IMF programme, the government will have to focus on VAT reforms, including the implementation of the new VAT law, and budgetary reforms, Muhith said.

The government has a number of plans for budgetary reforms, he said, adding that the IMF mission has no concern other than VAT reforms for releasing the next instalment of the ECF loan.

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United Airways chairman resigns; high-ups reshuffled

STAR BUSINESS REPORT

Tasbirul Ahmed Choudhury has stepped down from the post of chairman of private carrier United Airways.

"I have resigned for personal reasons and the board has accepted my resignation," said Choudhury, who has served the airline as its chairman and managing director since its inception in 2007.

Company insiders, however, said the chairman stepped down to avoid conflict with other board members, who wanted to see a change in the leadership.

After Choudhury's resignation, the board of the lone listed airline has already been reconstituted and Mohammed Mahtabur Rahman, a director, was appointed as its chairman on Monday.

Shahinoor Alam has been made managing director (acting) and Ferdous Imam chief executive officer (acting), according to a posting on the Dhaka Stock Exchange website yesterday.

On the premier bourse, each share of United Airways, listed in 2010, traded between Tk 12.90 and Tk 12, before closing at Tk 12.10 yesterday.

The airline now has 11 aircraft -- two Airbus 310-325, five MD-83, three ATR 72 and one DASH-8 100.

The airline operates domestic flights to Chittagong, Sylhet, Jessore, Cox's Bazar, Barisal, Rajshahi, Saidpur and Ishwardi.

On the international routes, it flies to London, Dubai, Kuala Lumpur, Kathmandu, Kolkata, Jeddah, Bangkok, Muscat and Singapore.

The private carrier announced 10 percent stock dividends for the year that ended in June. The company's earnings-per share stood at Tk 1.02, net asset value per share at Tk 12.05 and net operating cash flow per share Tk 1.91 as of June.

Call money rate surges to 8.25pc

STAR BUSINESS REPORT

The inter-bank call money rate, at which banks lend and borrow between each other, rose to 8.25 percent yesterday, as some private banks rushed to borrow to meet their overnight demand.

Total transactions in the market also increased in the past one week. A total of Tk 8,452 crore was transacted in the call money market yesterday, up by Tk 129 crore from the previous day, ahead of Eid-ul-Azha and Durga Puja.

"Credit offtake is gradually rising. Also, the seasonal demand for money is increasing," said Anis A Khan, managing director of Mutual Trust Bank.

State banks—Agrani, Janata, Rupali and Sonali—were the major lenders with Tk 3,924 crore in the yesterday's call money market. Five foreign banks also lent Tk 668 crore.

Inter-bank call money market remained sluggish in the past several months, and the borrowing costs in this market was around 7 percent.

Bankers attributed this slowdown on their surplus funds. The call money rate generally increases significantly during festivals like Eid, but it was stable, within 10 percent, in the last two years.

"The rate has increased due to demands from tannery and leather businessmen. A huge amount of money will



flow out of the banks to meet payments for wages and festival bonuses," said a senior treasury official of Jamuna Bank.

The highest call money rate was 7 percent on September 15. The rate jumped to 8 percent on the following day and 8.25 percent yesterday. The lowest rate, which was 5.5 percent on September 15, rose to 6.4 percent yesterday.

Some bankers expected that the rate to rise further in the next week, the last few working days before the Eid.

Brac Bank borrowed Tk 801 crore, the highest, from the call money market yesterday, followed by Trust Bank Tk 627 crore, City Bank Tk 602 crore, AB Bank Tk 595 crore and NCC Bank Tk 450 crore, according to data from Bangladesh Bank.

Of the non-bank financial institutions, state-owned Investment Corporation of Bangladesh borrowed the highest, Tk 655 crore, followed by Lanka Bangla Tk 245 crore and IDLC Tk 230 crore.

Rupali and Sonali topped the list of lenders with Tk 1,150 crore and Tk 1,210 crore.

Of the private banks, Dutch-Bangla Bank lent the largest amount -- Tk 707 crore, followed by Mutual Trust Bank with Tk 367 crore.

C&A Textiles gets go-ahead for IPO

STAR BUSINESS REPORT

Bangladesh Securities and Exchange Commission yesterday gave a green light to C&A Textiles to raise Tk 45 crore from the public.

The export-oriented knit composite textile company will float 4.5 crore ordinary shares of Tk 10 each to raise the fund for machinery purchase, building construction and repayment of bank loans.

AFC Capital and Imperial Capital will manage the initial public offering.

The company's earnings per share stood at Tk 1.78 and net asset value without revaluation surplus per share stood at Tk 18.38 on December 2013.

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AISIN BIOGAS ENGINE SAVE ECOLOGY

Aisin Seiki Co. Ltd. Japan in collaboration with JB Biogas Ltd. has set up a Biogas plant at Jamuna village under Gazipur district. This Biogas engine claimed to be with World's most sophisticated technology whose current production capacity is 38 cubic meter biogas per day and 1.5kw electricity per hour.

Mr. Delawar Hussain Ripon, the Managing Director of JB BIOGAS LTD. says, all functions of their plant has been placed under direct monitoring system from Aisin Seiki headquarter in Japan.

MR.YOSHIMI KUSHIRO, the E-Project General Manager of Technical Planning Department of AISIN SEIKI CO. LTD as well as MR. MIZUNO TOMOKIMI, Project Manager, Technical Planning Dept. all along monitor the project operation system. They pay visit to Bangladesh after every one month for this purpose.

"We have succeeded to set up an example in the field of renewable energy in our country and this engine will help to save our ecological balance", says Mr. Wahidur Rahman Rana, the Head of the Operations of JB Biogas LTD.

He further says, "It was a test case. Now we are well-equipped spread such small projects throughout the whole country in collaboration with AISIN SEIKI CO. LTD".

It is to be noted that AISIN SEIKI CO. LTD is the sister concern of world famous brand TOYOTA and World's top engine manufacturer.

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