Singapore raises taxes on rich to fund rising social spending

AFP, Singapore

Singapore on Monday announced income tax rises for the top five percent of the population to fund rising social spending targeted at the poor and elderly in the rapidly ageing city-state.

The marginal personal income tax rate for those earning above Sg$320,000 ($256,000) a year will rise to 22 percent next year from the current 20 percent, Finance Minister Tharman Shanmugaratnam told parliament as he unveiled the 2015 budget.

The increase is expected to raise an additional Sg$400 million to the government's current revenues of Sg$61.35 billion.

"While everyone contributes something for a better Singapore, those who are better off should contribute more," said Tharman.

In 2007 the government introduced a form of negative income tax for low wage earners, and in his speech Monday Tharman announced a new aid package for poor elderly citizens worth Sg$350 million annually.

"It is fair that this enhanced support for those with low incomes should come chiefly from revenues contributed by the high-income group," Tharman said.

"Those with higher incomes have also been seeing stronger growth in incomes than the average Singaporean in recent years," he added.

Political observers said the move aims to address rising discontent among Singaporeans at a widening income gap.

The top ten percent of households had an average monthly income of Sg$31,142 in 2014 compared with Sg$1,775 for the bottom 10 percent, according to government data.

"It is very clear that this is a concrete step by the government to address the issues of income inequality and the wealth gap which have constituted a significant political issue," political analyst Derek da Cunha told AFP.

Eugene Tan, an associate law professor at Singapore Management University, said the tax rise was a "targeted response" to growing calls for increased redistribution of wealth.

Tan said Sg$320,000 "is certainly a high threshold, and this high-income group would have benefited tremendously over the years from Singapore's advanced infrastructure and stable system".

The tax rise follows a Sg$9.0 billion package announced during last year's budget to provide lifelong healthcare subsidies for elderly citizens.

In his speech, Tharman also said policies aimed at reducing reliance on foreign labour had seen the inflow of foreign workers excluding maids drop from 60,000 in 2011 to just over 16,000 in 2014.

The long-ruling People's Action Party has tightened immigration in recent years amid complaints among an increasingly vocal electorate of foreigners competing with them for jobs, housing, schools, medical care and space on public transport.

Tharman said the government forecasts an overall budget deficit of Sg$6.7 billion this fiscal year, or 1.7 percent of gross domestic product.

Total government spending is expected to rise to Sg$68.22 billion in 2015 from Sg$57.20 billion last year.

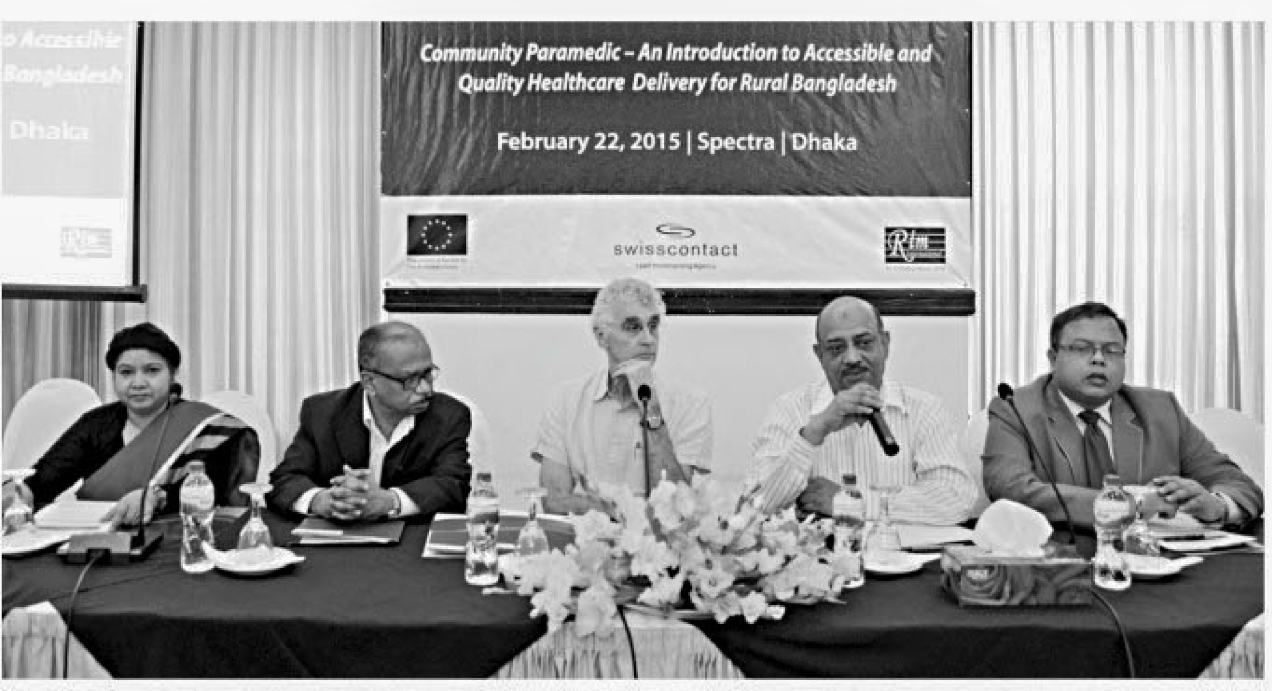
The surge is attributed largely to cash set aside for future investments, including an initial Sg$3.0 billion fund for a new terminal to double the capacity of Changi Airport.

GREEN DELTA

Farzana Chowdhury, managing director of Green Delta Insurance Company, poses with senior management members at the company's workshop and strategic business meeting styled Movers & Shakers, at a hotel in Dhaka recently.

NBL

Shamsul Huda Khan, managing director of National Bank, opens the bank's 180th branch at Bhairab Bazar in Kishoreganj recently. Md Jahangir Bin Hamid, head of human resources, was also present.



SWISS CONTACT

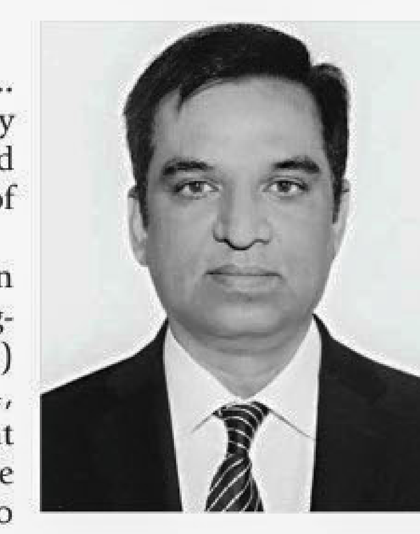
Mohammad Sharif, director of Maternal and Child Health Services under the health and family welfare ministry, attends the closing ceremony of Tarsan--Swisscontact's project for sustainable healthcare through civil society organisations--at Spectra Convention Centre in Dhaka on Sunday. Jafar Ahmad Hakim, project manager of Tarsan, was also present.

LANKA BANGLA

Muinul Islam, chief technology officer of LankaBangla, and Lahiru Munindradasa, country manager of Tech One, attend the signing of a deal at a programme yesterday. Tech One will provide Enadoc, a document imaging and management solution, and Microsoft Select Plus solutions to LankaBangla.

New managing director for Pubali Bank

STAR BUSINESS DESK



Md Abdul Halim Chowdhury has recently been appointed as the managing director of Pubali Bank.

Chowdhury has been serving the bank as managing director (current charge) since December 7, 2014, Pubali said in a statement yesterday. He joined the bank in 1988 and also served it as additional managing director and deputy managing director.

Bangladesh a top choice for Japanese investors: survey

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Jetro's Dhaka office published the highlights of the survey on Sunday.

The survey, however, stressed improving worker efficiency in the country by providing basic education and vocational training.

Among the countries surveyed, Bangladesh ranked the lowest in quality of employees. The average rate of workers' productivity in Bangladesh is 31.6 percent, while it is 77.8 percent in Sri Lanka, 68.4 percent in Pakistan, 44.4 percent in China and 42.1 percent in India, the study shows.

The study suggested the Bangladesh government focus more on signing free trade agreements (FTA) with countries under the Asia and Oceania region, to boost regional trade.

The survey portrayed that the highest utilisation of FTA is made by firms engaged in the textiles trade.

"FTA is the means to trade facilitation among the countries under the Asia and Oceania region, not only a generalised system of preference. In this context, it is high time that Bangladesh considers FTAs seriously," it said.

Japanese entrepreneurs have been shifting their investments to other countries since its government announced the 'China plus one' policy in 2008 to reduce overdependence on China.

Investment from Japan rose three times to $94.37 million in 2013, compared to the previous year, according to Bangladesh Bank.

The bilateral trade balance between the two countries is heavily tilted towards Japan, as Bangladesh imports vehicles, electronic goods and spare parts. On the other hand, Bangladesh mainly exports apparel items, leather and leather goods, and footwear to Japan.

In fiscal 2012-13, Bangladesh exported goods worth $750.27 million to Japan, against $600.52 million in the previous year, according to data from Export Promotion Bureau.

In 2012-13, Bangladesh imported goods worth $1.19 billion from Japan against $1.45 billion in the previous year, according to BB. At present, more than 180 Japanese companies have operations in Bangladesh.

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Govt sends reform proposals to WB to get budget support

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In the second year, the metro rail law will be placed before parliament. It will also prepare an action plan to operationalise Dhaka Transport Coordination Authority to effectively implement the strategic transport plan. The action plan will be approved and operationalised in the final year.

"The proposed reforms in the transport sector will help successful completion of various mega projects and ensure transport discipline and reduce traffic congestion," according to the government's reform proposals.

In the financial sector, the government will prepare and update a time-bound action plan in the first year to strengthen the state-owned commercial banks, particularly improving governance, human resources, risk management capacities and internal control.

In the second year, it will approve the action plan and initiate the reforms as well as prepare a diagnostic report of low-performing private banks.

In the third year or 2017-18, authorities will prepare a draft guideline on banking norms for commercial banks.

The government will prepare a revised public fund management (PFM) strategy in 2015-16. In the second year it will develop an integrated ICT solution for PFM, foster budget integration and strengthen the medium-term budgetary framework.

It will promote institutional change in external statutory audit, increase transparency of the budget and design new modalities to support strengthening of PFM.

Also in 2015-16, the government will prepare a strategy paper to pave the way for devising a revenue sharing formula with local government institutions that are cash-strapped, and have little revenue raising authority and limited control on government departments at local levels.

It will also work to transform local bodies into effective institutions. In the following two fiscal years, the government will prepare a roadmap based on the recommendations of the strategy paper, and approve and initiate implementation of the roadmap.

In the energy sector, the government will revise the Power Sector Master Plan and prepare an Energy Efficiency and Conservation Master Plan in 2015-16, which will be approved in the following year.

Also in 2015-16, it will prepare a strategy aimed at increasing efficiency of existing thermal generation plants, diversifying generation of fuel mix to enhance energy security and taking initiatives to implement market-based pricing.

In the second year, the government will form the Bangladesh Energy Research Council to conduct research and development work in the power and energy sector. It will also revise the energy policy, which will be approved in 2017-18.

The government will place the draft law on the public private partnership (PPP) framework at parliament in the first year. In the second year, it will formulate rules to operationalise the PPP law. The reforms are aimed at encouraging the private sector to undertake more PPP projects.

In the ICT sector, the National Telecommunication Policy 1998 and Bangladesh Telecommunication Regulatory Act 2001 will be updated in the first year.

The government will formulate a spectrum roadmap as well as draft licensing guidelines in the second year. The policies, laws, roadmaps and guidelines will be approved in the third year to help the sector leap forward.

The government will finalise and approve a draft action plan to enhance the economy's integration with regional and global markets in 2015-16.

In the second year, a comprehensive national logistics strategy will be prepared.

The government will also start work on dual tracks for the main rail line between Dhaka and Chittagong to increase the movement of containerised cargo in the second year.

It will also set up a rail inland container depot in Tongi with a capacity of 150,000 twenty-foot equivalent units with financial assistance from the Asian Development Bank in the same year.

The government will also work with India and Myanmar to improve efficiency of common border posts.

For the migrant workers, it will prepare a strategy in the first year to reduce the cost of remittance they send home, which will be followed by new measures to do the same in the second year.

Stocks end flat

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"Despite a gloomy political scenario, investors remained active in large cap stocks, which surged the market in the early hours but failed to keep up the momentum as the day progressed," said IDLC Investments.

The market gained in the early morning, but the gains did not last till the end of the day, said LankaBangla Securities.

Turnover, the most important indicator of the market, advanced 28.4 percent to Tk 315 crore, compared to the previous day.

A total of 0.87 lakh trades were executed with 6.81 crore shares and mutual fund units changing hands on the Dhaka bourse.

Of the 311 issues that traded on the DSE, 126 advanced, 144 declined and 41 remained unchanged.

Among the major sectors, pharma gained 1.07 percent, followed by cement 1.46 percent and telecom 0.37 percent.

Square Pharma was the most traded stock of the day with 6.38 lakh shares worth Tk 16.86 crore changing hands, followed by United Commercial Bank, Bangladesh Submarine Cable Company, ACI, Ifad Autos, Lafarge Surma Cement and Shahjibazar Power Company.

Alltex Industries was the highest gainer of the day with a 9.70 percent rise, with Imam Button being the worst loser, plunging by 9.09 percent.

Chittagong Stock Exchange declined yesterday as its selective categories index, CSCX, lost 8.31 points to close at 8,923.49.

Losers beat the gainers 115 to 85, as 35 remained unchanged out of the 235 issues that were traded on the CSE floor. Total 74.16 lakh shares changed hands with Tk 26.25 crore in turnover.

UCB profits rise 20pc

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"Our annual projections were based on the assumption that the non-performing loans rescheduled in December 2013 will come back into the books following the end of the relaxation guideline in June 2014."

But the central bank gave a new guideline, targeting large borrowers having exposure of Tk 500 crore in various banks.

As per the guideline, default borrowers with large loans were allowed to restructure the loans for 12 years at very concessionary interest rates.

"Even though financial statements are not out yet we are inclined to believe that this guideline to restructure large loans played a key role in the fourth quarter results of UCB," BRAC-EPL said.

By and large, other banks will also likely show strong profits by restructuring large loans, it said.

The financial disclosures and the announced dividends, however, failed to meet investors' expectations, and the bank's share prices declined by 1.91 percent yesterday compared with its prices on Sunday.

On the Dhaka Stock Exchange yesterday, each UCB share was traded at between Tk 30.70 and Tk 32.50, before closing at Tk 30.80.

Pharma sales go up

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The growth in sales could be even higher than projected if the political situation remains stable, said Rahman of IMS Health.

Bangladesh's pharmaceutical sector has grown tremendously in the last couple of decades. Local companies now produce high quality medicines and meet 98 percent of the local demand.

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NCC BANK

Md Nurun Newaz Salim, chairman of NCC Bank, attends the executives and branch managers' annual conference held recently. Golam Hafiz Ahmed, managing director of the bank, was also present.

AB BANK

M Wahidul Haque, chairman of AB Bank, and Luciano Pezzotta, managing partner of ECSI Consulting Asia Pte, attend the opening of a workshop on strategic innovation, organised for the bank's employees by Eshna Management Services, in Dhaka recently.