

Mobile operators seek tax cuts

AMTOB says tax structure is discriminatory

STAR BUSINESS REPORT

The mobile operators once again appealed to the revenue authority to reduce the corporate tax rate for the sector on the grounds that the current 40-45 percent is 'discriminatory'.

At present, a non-listed mobile operator has to pay 45 percent tax and a listed one -- which is only Grameenphone for now -- 40 percent.

In contrast, excluding banks, insurers and other financial institutions and cigarette makers, companies that are not listed with the stock exchanges have to pay 35 percent tax on their annual incomes. Listed companies have to pay 27.5 percent corporate tax.

The present rate of corporate tax puts the mobile network operators, now six, in the same camp of cigarette manufacturers.

"Tobacco does not benefit the society but mobile does," said Mahtab Uddin Ahmed, chief operating officer of Robi,

while presenting the proposals in favour of Association of Mobile Telecom Operators of Bangladesh (AMTOB) to the National Board of Revenue at the tax authority's headquarters.

The AMTOB wants the revenue authority to reduce the corporate tax by 5 percentage points to 40 for non-listed mobile operators. For listed companies, it sought for a 10 percentage-point cut in corporate tax to 30 percent.

The mobile operators also urged the government to withdraw the Tk 300 SIM tax and Tk 100 SIM replacement tax as well as VAT exemption on internet usage and modems.

The operators said the measures will increase mobile penetration among the 16 crore population, which stands at 76 percent at present; boost internet connectivity and contribute to the country's economic growth.

The sector, being the biggest generator of revenue for the state, accounted for 2.63 percent of GDP in fiscal 2013-

14, up from 2.56 percent the previous year, according to AMTOB.

An increase in mobile penetration of 10 percentage points typically boosts GDP growth by 1.2 percent, estimates AMTOB. It said the industry will grow further if SIM tax is eliminated.

The mobile operators will be able to extend network coverage in rural areas and connect the unconnected financially challenged people at the grass-root level, AMTOB said in its proposal to NBR.

Currently, operators bear the SIM tax from their own pockets, although the tax is supposed to be paid by customers.

AMTOB, citing current internet penetration at 26 percent among mobile phone users, said exemption of VAT on internet use will facilitate the government's vision of Digital Bangladesh by 2021.

"We will examine the proposals very objectively and try to do the best," said NBR Member for Customs Policy Md Farid Uddin.

\$24b in foreign aid lying idle

REJAUL KARIM BYRON

A record \$24 billion of foreign aid has piled up due to the ministries' failure to utilise resources timely.

At the beginning of the fiscal year, the amount of unused foreign aid stood at \$19 billion and the government aimed to disburse at least 20 percent of the sum, Finance Minister AMA Muhith told reporters after a pre-budget meeting with secretaries yesterday.

He said the target was to spend less than \$4 billion this fiscal year. In the first eight months, \$1.85 billion was disbursed, according to the Economic Relations Division.

At the meeting the finance minister said the disbursement process has become lengthy, as various procedures set by the donors have to be followed.

In practice, the amount is deposited in the pipeline and is ready for use right after the agreement is made with bilateral or multilateral donors.

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Major Japanese steelmaker enters local market

SARWAR A CHOWDHURY

Japan's Kobe Steel Group has made a foray into Bangladesh's welding market in partnership with a local company under its brand name Kobelco.

Kobe Steel will supply its welding products to the Chittagong-based firm, TSI Marine, which will sell the items in the local market.

Bangladesh's requirement of welding electrodes is around 70,000 tonnes a year.

A sole distributorship agreement between the two firms has been signed in Singapore on February 20, and it was announced at a programme in Chittagong on Saturday.

Syed Samiul Huq, director of TSI Marine Limited, and Hiroyuki Negoro, sales and marketing manager of Kobelco Welding Asia Pacific PTE Ltd, signed the deal on behalf of their respective parties.

"Initially we will supply welding electrodes that are widely used in various sectors in Bangladesh. But our target is to make a strong position in the shipbuilding building industry here that is growing very fast," said Shinichi Tanaka, managing director of Kobelco Welding India Private Limited, an entity of Kobe Steel Group.

Gradually, they will introduce high-end welding materials that are more long-lasting than the traditional items.

"The commonly used electrodes take more time for welding. If it takes four hours to finish a welding job with traditional electrodes, it will take only one hour to finish the work with our electrodes and of course without any defect."

In their first year, they are aiming to sell 100 tonnes of welding electrodes in Bangladesh. The group's Singapore wing will supply the products to the



Shinichi Tanaka

Bangladeshi distributor.

"We will set our next strategy after receiving the response from the local market," said Tanaka.

"Even, we may think about investment or setting up a plant here in future. But, it depends on the market response," he said, adding that they have such welding material manufacturing plants in India, Singapore, Thailand and Malaysia.

Founded in 1905, Kobe Steel is the third largest steel manufacturer in Japan with an annual turnover of around \$16 billion. The group employs some 36,000 people across the world.

The group's 40 percent turnover comes from steel business, 5 percent from welding materials and the rest from other segments including construction materi-



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NOTICE

Business pages will not come out tomorrow as the stockmarket and banks are closed today due to city corporation elections.

BTRC finds five bidders for satellite project

MUHAMMAD ZAHIDUL ISLAM

The telecom regulator has received positive responses from five companies that attended a pre-bid meeting yesterday for the construction of the country's first satellite.

Bangladesh Telecommunication Regulatory Commission (BTRC), the implementing agency for the Bangabandhu satellite project, was impressed with the responses from the companies that came from four countries.

Two companies from the US and one each from China, Canada and France attended the meeting.

In addition, three other companies from Japan, UK and Russia have expressed their interest to take part in the bidding to launch the commercial satellite, said ATM Monirul Alam, commissioner for spectrum management at BTRC.

"We have signed a non-disclosure agreement with the companies. So, we cannot disclose the names of the companies before the tender document selling date expires."

Bidders have until June 2 to submit the tender documents.

BTRC has sold tender documents to the five companies for \$5,000 each.

After the joint pre-bid meeting, BTRC attended separate meetings with each of the five companies to discuss the Tk 2,967.95 crore project.

Of the amount, Tk 1,652.44 crore will

come from the bidder's financing and the government will provide the rest of the fund.

The government is set to build the country's own satellite at 119.1 degree east longitude by June 2017.

However, Alam said they need more time to finally launch the satellite although the date was set for December 16, 2017.

"The project time needs to be extended for one more year as it requires close monitoring at least for six months after the launch."

Currently, the country's demand for a satellite is met by renting bandwidth from different satellite operators, which cost almost \$14 million a year, with the amount increasing progressively. This amount will be saved with the launch of the country's own satellite.

The satellite will narrow the digital divide as it will take broadcasting and telecom services to rural areas and introduce profitable and promising services, such as direct services to homes throughout the country, according to the Development Project Proposal.

BTRC signed a contract on January 15 with Intersputnik for taking their orbital slot at a price of \$28 million.

After launching it, the satellite will be maintained by a company that needs to be formed, Alam said, adding that BTRC has also informed the five interested companies about this.

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Nasir Glass raises Tk 100cr through commercial papers

STAR BUSINESS REPORT

Nasir Glass Industries, a leading float-glass maker, raised Tk 100 crore through commercial papers to help cut high financing cost, which will allow the company to offer more price-competitive products.

The fund is raised in two tranches, each consisting of Tk 50 crore, with a validity of six months. Prime Bank issues bank guarantee against the subscription amount in favour of the subscribers.

"We want to swap our costlier financing options with a cheaper one," Rezaul Karim, general manager of Nasir Glass Industries, said earlier.

The funds raised at 10 percent interest as opposed to the normal rate of 12-13 percent will mainly be used to meet working capital requirements, he said.

This is the 'first rated' commercial paper in

Bangladesh, Prime Bank said in a statement.

A commercial paper is a short-term unsecured debt instrument issued by companies to meet their interim financing needs. The debt is issued at a discount from the prevailing market interest rates.

Since it is not backed by collateral, only firms with excellent credit ratings will easily find buyers without having to offer a substantial discount (higher cost) for the debt issue.

The commercial paper market is likely to expand about 29 times to Tk 10,000 crore in the next five years for the lower costs and easier access, according to a study by ACI, a leading local conglomerate.

Since its introduction in the country in October 2013, at least four companies have raised Tk 395 crore through six such papers with half of the funds collected in the last four months.

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Interest on taka bonds to be less than 5pc: Muhith

REJAUL KARIM BYRON

The first-of-its-kind \$1 billion taka-linked bonds to be issued by the government and the International Finance Corporation will mostly be used by the private sector, Finance Minister AMA Muhith said.

The interest rate on the money of the bonds will be linked with LIBOR and it would be less than 5 percent, Muhith told reporters after a pre-budget meeting with secretaries.

A team of the IFC, the World Bank's private sector financing arm, led by its Executive Vice-President Jin-Yong Cai, floated the idea of the taka bonds to Muhith on April 19 in a meeting on the sidelines of WB-IMF spring meetings in Washington DC.

Muhith said the bonds will be floated on all capital markets around the world -- not just on the London Stock Exchange.

The IFC launched a similar bond programme for India in October 2013. The bond proceeds from dollars were converted to rupee on the domestic exchange market.

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