

Stocks rise on budget hopes

STAR BUSINESS REPORT

Stocks returned to the black yesterday, as investors expect positive announcements for the capital market in the next fiscal year's budget that will be placed in parliament on Thursday.

DSEX, the benchmark index of Dhaka Stock Exchange, gained 42.24 points or 0.92 percent, finishing the first day of the week at 4,586.95 points.

"Investors may have responded positively to the news of corporate tax cuts on banks and non-bank financial institutions," said LankaBangla Securities.

The government may propose a cut in the corporate tax rate from an existing 42.5 percent to 40 percent for the listed banks, insurance companies and financial institutions in fiscal 2015-16.

"The Dhaka stockmarket is now responding to economic cues, ahead of the budget," the stockbroker said.

However, the day's turnover, another important indicator of the market, fell 8.19 percent to Tk 788.41 crore on transactions of 16.89 crore shares and mutual

fund units.

Of the traded issues, 133 advanced and 133 declined, with 43 securities unchanged on the premier bourse.

Beximco dominated the turnover chart with 1.18 crore shares worth Tk 42.45 crore changing hands, followed by RAK Ceramics, ACI Formulation, United Power Generation and Distribution Company and Summit Purbanchol Power Company.

Among the major sectors, engineering gained 3.8 percent in market capitalisation, followed by fuel and power with 1.31 percent and cement 1.07 percent.

Conversely, the food and allied sector lost market capitalisation by 1.52 percent, followed by mutual funds 0.5 percent and textiles 0.39 percent.

Summit Power was the day's best performer, advancing 10 percent, while ICB AMCL 1st NRB Mutual Fund was the worst loser, slumping 8.12 percent.

Chittagong stocks rose yesterday with the bourse's benchmark index, CSCX, increasing 71.02 points to stand at 8,654.11.

German business lobby groups call for Russia's inclusion in G7

REUTERS, Berlin

Russia should be invited to rejoin a summit of the Group of Seven industrial powers next weekend, the heads of two German business lobby groups were quoted as saying on Sunday.

The leaders of the G7 nations held a summit without Russian President Vladimir Putin last year in protest against Russia's annexation of Ukraine's Crimea region.

With little sign of the fighting in eastern Ukraine ending despite a ceasefire deal agreed in Minsk over three months ago, the exclusion has continued for a second year running.

Eckhard Cordes, chairman of Germany's Committee on Eastern Economic relations, which represents the interests of about 200 companies with investments in Russia, said barring Russia from the summit was a missed opportunity.

"A G7 meeting with Russia could contribute to solving crises and stir Russia into constructive steps in the Ukraine conflict," Cordes told the Welt am Sonntag newspaper, adding it was always better to talk with

each other than about each other.

Relations between Russia and the West have deteriorated over the conflict in Ukraine. The European Union on Saturday criticised a new Russian blacklist which bars 89 EU politicians from entering the country, calling it "arbitrary and unjustified."

Matthias Platzeck, chairman of the German-Russian Forum business lobby and senior member of the Social Democrats (SPD), also said it was time to invite Russia back to the G7.

"The process of disintegration in the Middle East, in Iran, Afghanistan and Syria can only be solved with Russia," he told the paper, adding international terrorism can only be fought with information from Russia's secret services.

German Chancellor Angela Merkel will host leaders from the United States, Britain, France, Canada, Italy and Japan at a Bavarian castle on June 7-8.

Last month German Foreign Minister Frank-Walter Steinmeier dismissed calls to invite Russia to the G7, saying it could not just be "business as usual" after the illegal annexation of Crimea.

Carmudi gets new country manager

STAR BUSINESS DESK

Joao Pedro Principe has been recently appointed as the new country manager of Carmudi Bangladesh, the leading online vehicle marketplace.

Portuguese national Principe was posted to Carmudi Bangladesh in February 2015 and served Rocket Internet as its global venture developer, the company said in a statement yesterday.

Earlier, he worked as a business development adviser consulting for several renowned Portuguese start-ups such as B-Parts and Zercatto.

He brings experiences of securing venture capital investment funds, planning international expansion strategies and immense networking skills, according to the statement.



Airbus sees "several hundred" orders at Paris Airshow

REUTERS, Paris

Airbus could announce "several hundred" airplane orders at the June 15-21 Paris Airshow, Fabrice Bregier, chief executive of the planemaking unit of Airbus Group, said on Saturday.

"It will be a good show," he told i-Tele television. Airbus has seen a surge in demand for jets like the medium-haul A320, but is struggling to find buyers for its largest model, the 544-seat A380 superjumbo.

Despite calls by Dubai's Emirates to update the engines, Bregier said a A380 revamp was "not currently on the agenda", adding, "we'll do that when the time is right".

Bregier said the recently weakened euro was at a "good level" for European businesses.

Asked about suggestions Airbus would quit Britain if it leaves the European Union, he said: "We produce all our wings in Britain and I have no intention of changing this strategy. I am very satisfied with the support we receive from the UK."

The head of Airbus UK warned last week of "huge" economic risks for Britain outside the EU and said Airbus would reconsider investments if Britons voted to leave the bloc in a referendum due by the end of 2017.

"As a European citizen, and as the head of one of the few flourishing European enterprises, I hope the UK stays in Europe, but it is up to them to determine themselves," Bregier said.

"If the UK happened to leave then we would examine the consequences for our business. I think we will avoid this, because Europe has made progress on the basis of crises that subsequently lead to progress."



FR Khan, managing director of Building Technology and Ideas (Bti), poses at a press conference to launch the company's new apartment category--Bti standard collection--at Bti Celebration Point in Dhaka on Saturday.



Md Nazmus Salehin, chairman of Standard Bank, and Sheikh Abu Ahmed, regional manager for Chittagong, attend a discussion on case management with the bank's lawyers and managers of the port city region, at its regional office in Chittagong recently.

HC stays bidding for operators of New Mooring terminal

STAFF CORRESPONDENT, Chittagong

The High Court yesterday stayed for three months the proceedings of two tenders floated by the Chittagong Port Authority on May 6 for appointment of terminal operators to handle containers at four jetties of New Mooring Container Terminal.

After hearing a writ petition, a High Court bench comprising Justice Farah Mahub and Justice Kazi Md Ejarul Haque Akondo issued an interim order, following a petition filed by Container and Terminal Services Ltd, said Advocate Ramjan Ali Sikder, lawyer of the petitioner.

They filed the petition alleging the tender documents did not fulfil the requirements of Public Procurement Act (PPA), 2006, and Public Procurement Rule (PPR), 2008, according to the lawyer.

The HC also asked the port authority to explain why they should not be directed to invite fresh tenders ensuring fair competition and compliance with the provisions of PPA and PPR.

The CPA on May 4 floated two separate tenders for appointment of terminal operators for handling container and containerised cargo at four out of five berths, including berths 2, 3, 4 and 5 of the New Mooring terminal.

FDI still below par

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"Unfortunately, Bangladesh has failed to formulate rules to operate the SEZs even after four years of the enactment of a law in 2012," said Ahsan H Mansur, executive director of Policy Research Institute.

Mansur, also a former senior official of the International Monetary Fund, criticised the government for its lacklustre attitude towards removing the land-related complexity with Korean Export Processing Zone.

This has kept some potential foreign investors, including Samsung, at bay.

"We have to change our mindset," he said. "You cannot want back the land you give to a foreign investor. This doesn't give a good signal to other foreign investors."

Analysts have identified a number of reasons behind a poor inflow of FDI to Bangladesh. These include a scarcity of land, infrastructure, gas and electricity; a delay in giving services; uncertainty in policy continuation; unclear dispute settlement, and unexpected delay in formulating rules and regulation of the SEZ law.

They said if Bangladesh cannot address these constraints, it will not get the expected FDI even by offering tax benefits.

Bangladesh offers competitive fiscal and non-fiscal incentives to foreign investors. The investors enjoy remittance of royalty, technical know-how and technical assistance fees, repatriation facility of dividend and capital at exit, tax holiday, depreciation allowances, duty-free import of machinery and spares, bonded warehousing, and cash incentives against exports.

Permanent residency is given on investing a mere \$75,000 and citizenship on \$500,000. Moreover, Bangladesh has opened almost all its sectors -- be it manufacturing, farm or services -- for foreign investment.

Foreign investors face an unexpected delay in knowing a government decision, said MA Hamid Sharif, an importer of Japanese reconditioned cars. Around 6,000 Japanese companies want to relocate their factories in Bangladesh due to a rise in production cost there, he added.

"Officials of many of these factories visited Bangladesh and have been in talks with the government since 2012, seeking an SEZ of 60-150 acres. But they are yet to get the land," said Sharif, who had lived in Japan for more than three decades.

Mansur of the PRI pointed out another vital issue -- foreign investment in the garment and textile sectors. Though Bangladesh has allowed FDI in the sectors, foreign investors face strict opposition from the domestic apparel makers.

Bandwidth export to Italy awaits final nod

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In February, the Italian company offered the BSCL to sell out its four million MIU*km (minimum investment unit), around 90 Gbps, at a price of Tk 16 crore for the rest of the cable's lifetime.

After the proposal, the BSCL faced huge criticism from the industry and then revised their offer.

A submarine cable usually lasts 20-25 years, and this cable has been in operations since 2006; so, the Italian company may be looking to use the cable for 11 to 16 more years.

Tax break likely for auto assemblers, tyre makers

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Except for these goods, 5 percent AIT is applicable to the value of most goods imported into Bangladesh, according to the National Board of Revenue.

The government may impose AIT at varied rates on a number of items that are now on the exemption list, aiming to attain the increased revenue collection target at Tk 176,370 crore for the next fiscal year.

Taxmen plan to collect direct tax at Tk 65,932 crore for the next fiscal year, up 34 percent from the revised target of Tk 49,264 crore.

"We expect to gather a handsome amount by imposing AIT on certain items that are free from AIT at the import stage now," said the finance ministry official.

The tax authority initiated a move last year to exclude 30 imported goods from the AIT exemption list, finding that some goods are not essential, while some items, such as rice, are locally grown in

enough quantities to meet domestic demand. Syed Md Aminul Karim, a former member of income tax policy at NBR, supported the bid.

"It is necessary to impose AIT on some items to encourage domestic production and job creation," Karim said, adding that the list contains some goods that are neither essential nor lifesaving items.

Towfiqul Islam Khan, research fellow at the Centre for Policy Dialogue, said: "Since advance income tax can be adjusted with final settlement of income tax returns, it should not have an impact on consumer prices or profitability of importers."

Khan said bringing more sectors and commodities under AIT is an appropriate move in Bangladesh, where a large number of taxable earners are not paying income tax or submitting returns.

"However, the NBR should also take necessary steps to simplify the income tax rebate system."

Corporate tax for banks to be lowered at last

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All that begs the question: how will the government offset the revenue loss?

Furthermore, the government is likely to set the revenue target for upcoming fiscal year at Tk 176,370 crore, which is an increase of about 31 percent over the current year's.

The government's revenue earning will increase by a big amount automatically thanks to GDP growth and inflation, said an official of the National Board of Revenue.

By intensifying its monitoring, it would collect another Tk 10,000 crore to Tk 12,000 crore. A good number of items will be added to the existing list containing 58 from which advance income tax is collected.

VAT will be increased for many items. Several items that get VAT exemption or lower rates at present will have to pay regu-

lar VAT in fiscal 2015-16. Small retailers currently enjoying package VAT, and save for the ones at the upazila level, may see their privileges withdrawn next fiscal year.

At present, the 5 percent advance tax is not deducted from 211 items at the import level. But in the upcoming budget, some essential products including rice, grain, onion, lentil, lifesaving medicines are likely to be taken off the list.

Garment entrepreneurs will have to pay 0.8 percent source tax on their exports instead of the existing 0.3 percent.

Other exporters, who now pay 0.6 percent tax at source, might have to pay 1 percent in the upcoming fiscal year.

The tax authority is looking to log in an additional Tk 3,000 crore from the increase in source tax on exports, officials said.



Thomas Prinz, German ambassador to Bangladesh, unveils the foundation stone of the Refrigerator Expansion Project-4 at Walton Hi-Tech Industries Ltd in Chandra, Gazipur recently.

ANNOUNCEMENT

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