

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES			
SDX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	JPY
1.63%	2.02%	\$1,170.40	\$63.00	0.92%	0.02%	0.40%	2.17%	77.15	84.32	116.28	0.60
4,542.27	8,459.58	(per ounce)	(per barrel)	26,523.09	20,457.19	3,320.33	5,131.88	BUY TK	88.32	120.28	0.63
								SELL TK			

Star BUSINESS

DHAKA TUESDAY JUNE 9, 2015, e-mail: business@thedailystar.net

এসআইবিএল ফ্যান্ড ফর ইকোনোমিক ডেভেলপমেন্ট
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US praises efforts to remove investment barriers

STAR BUSINESS REPORT

The US has praised Bangladesh's efforts in removing bottlenecks facing foreign investors, and also pointed out areas where Dhaka still lags behind.

"Bangladesh has made gradual progress in reducing some constraints on investment, but inadequate infrastructure, financial constraints, bureaucratic delays, and corruption continue to hinder foreign investment," the US Department of State said.

"The lack of effective alternative dispute resolution mechanisms and slow judicial processes impede the enforcement of contracts and the resolution of business disputes."

The State Department made the remarks in its Bangladesh Investment Climate Statement 2015.

The statement said Bangladesh offers opportunities for investment, especially in the energy, power, pharmaceuticals, information technology, telecommunications, and infrastructure sectors, as well as in labour-intensive industries such as garments, household textiles, and leather processing.

There is also significant demand for US consumer products in Bangladesh, and US franchises are establishing a presence in the country, the report said.

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STAR/FILE

The hike in VAT will discourage consumers from shopping at supermarkets and ultimately hit government coffers, operators say.

Supermarket shoppers face bigger bills

SOHEL PARVEZ

Superstore shoppers are staring at higher bills as Finance Minister AMA Muhith proposed raising value-added tax for supermarkets in fiscal 2015-16.

At present, a shopper has to pay 2 percent VAT on all items save for vegetables, fruits, fish and meat bought at superstores. From next fiscal year, the VAT will rise to 4 percent.

The move would bring uniformity with others as a 4 percent trade VAT is levied at all levels except for superstores currently, said revenue officials.

To eliminate the discrimination, Muhith proposed imposing the same rate of trade VAT on superstores.

The hike in trade VAT will discourage consumers from shopping at organised retail outlets and ultimately hit government coffers, as VAT collection from the unorganised sector remains low, said Sabbir Hasan Nasir, executive director of Shwapno, the country's biggest superstore chain with 48 outlets.

"It is suicidal for both the government and the organised retail stores," he said, while appealing to the finance minister to reconsider the move. Shaheen Khan, chief operating officer of Meena Bazar, termed the move discriminatory as the shoppers do not have to pay trade VAT elsewhere.

The move will be a blow to the expansion of the sector, said the official of Meena Bazar that has 20 stores.

Currently, the National Board of Revenue collects specific amounts of VAT known as package VAT from retailers and small traders on the basis of minimum amount of value addition by them.

Growth, revenue targets highly ambitious: Fitch

STAR BUSINESS REPORT

Bangladesh may struggle to meet some key revenue and growth targets set out in fiscal 2015-16's budget as they are vastly ambitious, Fitch Ratings said yesterday.

The targets are highly ambitious, while continued political tensions point to significant implementation challenges, according to the credit rating agency.

Fitch's observations are in line with what the local think-tanks and international observers have said.

The budget targets 7 percent GDP growth in the upcoming fiscal year, an increase of nearly 1 percentage point from the average of the last decade.

This is underpinned by various assumptions, including political stability, which the finance minister has referred to as absolutely necessary for achieving higher growth.

"However, the political environment is likely to remain tensed and polarised," said Fitch, adding that there has been no fiscal consolidation.

The overall 2015-2016 deficit is projected to be 5 percent of GDP, unchanged from the revised figure for fiscal 2014-15 and higher than the 'BB' category median of 3.6 percent.

"The budget aims to boost revenues by an ambitious 28 percent in fiscal 2015-16. However, as with expenditure, there is a track record of over-estimating revenues in budget targets."

Moreover, the budget contains measures such as reducing corporate tax for publicly traded companies, and increasing income tax exemption thresholds, that could partly offset revenue enhancing moves.

The rating agency said the steep rise in net foreign direct investment inflows seen in recent years seems to have stopped in 2014, when FDI fell back to \$1.53 billion from \$1.6 billion the previous year.

The political crisis following the 2014 general election may have damaged investor confidence, and the unresolved impasse between the ruling Awami League and the opposition Bangladesh Nationalist Party presents a risk to long-term growth, Fitch said.

The main risk from the ongoing polarisation and repeated outbreaks of violence is the potential impact this could have on long-term foreign investment and procurement decision-making, especially in the garment sector, which represents about 80 percent of exports or 15 percent of GDP.

Successfully implementing policies that raises government revenues and boosts sustainable growth would be positive for Bangladesh's sovereign credit profile, Fitch said.

"However, this may be difficult as long as political risk is high and governance and the business environment are generally weak."

Exports bounce back in May

REFAYET ULLAH MIRDHA

Exports bounced back in May after a dip in April, raking in \$2.84 billion, up 4.44 percent from a year earlier.

"Our exports could have been more," said Atiqul Islam, president of Bangladesh Garment Manufacturers and Exporters Association, the apex body of the garment sector that typically accounts for 80 percent of the export earnings.

Garment products fetched \$2.35 billion in May, up 6.33 percent year-on-year.

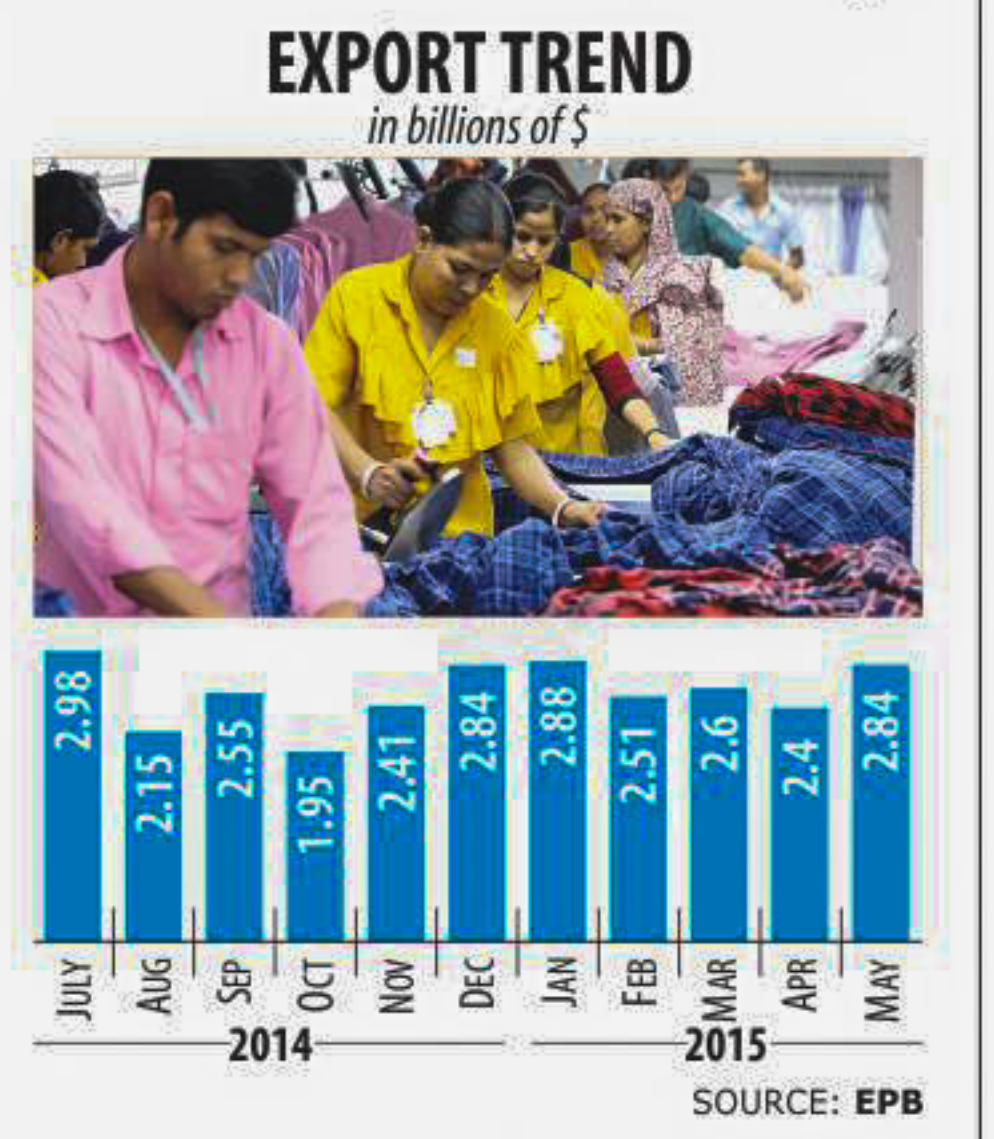
Going forward, the steep decline of major currencies like the US dollar, euro, Canadian dollar and Russian ruble is a cause of concern for the sector, Islam said. "Our earnings are eroding as a result."

Meanwhile, May's earnings missed the monthly target by \$270 million, according to data from the Export Promotion Bureau.

The latest data takes export receipts between July and May to \$28.14 billion, which, although an increase of 2.79 percent year-on-year, misses the target by \$1.8 billion.

The political turmoil from January through to April hampered business prospects this year, exporters said.

Some \$5.05 billion has to be earned this month to meet fiscal 2014-15's export target, highly improbable seeing that monthly takings always hover around the \$2 billion-mark.



NBR targets wealthy tax dodgers

STAR BUSINESS REPORT

The government is going to impose taxes on people who have been detected to have property but still remain out of the tax net, Finance Minister AMA Muhith said yesterday.

A survey that was conducted in Dhaka and adjacent areas earlier by NBR prepared a list of people who own properties like houses and cars, but are still out of the tax net. "We will grab a hold of these people and tax them."

The surveys will continue this year outside Dhaka to find more such people with taxable incomes, he said.

"The upazilas are very vibrant in Bangladesh. So there are people at these levels who have the capacity to pay taxes," said Muhith.

He shared the plan after a meeting with tax officials at the National Board of Revenue on how to achieve the next year's tax collection target of Tk 176,370 crore, which is 30 percent higher than the revised plan for fiscal 2014-15.

"The target is ambitious undoubtedly, but I think NBR is capable of achieving it," Muhith said, adding that NBR's staff has increased to 22,000 from 13,000 six years ago.

"Most of the new recruits have already been trained."

Muhith asked officials to plan and

devise strategies to achieve the overall collection goal. "Plan your job at the beginning of the year."

"The job of tax officials is easy -- whom to catch, whom to bring under the tax net. This is for the expansion of the tax net because nothing has been changed in income taxes. Rather, more relief has been provided," said Muhith, adding that the tax rates have not been increased to that extent.

Some products have been taxed because consumption of those items has increased, he said.

Income and corporate taxes account for the highest, 37 percent, of the total tax target for the next year, followed by VAT and customs duty, Muhith said.

The NBR plans to form a separate tax zone to monitor collection of withholding taxes, encourage people to be tax compliant, hold tax fairs at upazila levels and get the land registration office and road transport authority more involved in tax collection, according to a paper presented by NBR.

It also plans to increase monitoring to ensure VAT collection at source and strengthening collection from mobile phone and cigarette sectors.

The NBR wants to curb false declarations of traded goods and under-invoicing of imported goods. It also plans to prepare a valuation database, properly monitor classification of goods and form post clearance audit teams at each customs house.

In addition, the tax administration also looks to expedite settlement of cases in court and through Alternative Dispute Resolution, an out-of-court settlement mechanism.

Muhith praised revenue officials for their efforts and tax collection growth in the last six years. The NBR has been able to log a 23 percent hike in tax collection in a year. "We can try to reach 30 percent in one year."

On the proposed tax measures, Muhith said the minimum tax that has been proposed to be Tk 4,000 irrespective of areas, would be revised depending on location.

The minimum tax for people in Dhaka and Chittagong will be the same; another rate will apply to people living in other cities, he said.

On the elimination of corruption from the NBR, he said: "I won't say corruption is not present here. But I think the level of corruption has substantially declined. The most important change that has taken place is that the tax administration is not looked at as an enemy anymore."

"Once, people were afraid of taxmen. Now, they have been able to build a taxpayer-friendly image by holding tax fairs."

Funds for Rana Plaza victims reach \$30m target

STAR BUSINESS REPORT

The Rana Plaza Coordination Committee yesterday said it has raised the entire amount of \$30 million needed to compensate all the victims of the building collapse.

The payments will be cleared in the next few weeks, the panel, which was formed to raise and disburse the compensation, said in a statement yesterday.

The committee that represents all industry stakeholders had estimated that at least \$30 million was required to ensure fair and equitable compensations for all victims.

By April 24, 2015, the second anniversary of the Rana Plaza accident, more than \$27 million had been raised and the committee had paid out 70 percent of the awards promised to more than 2,800 claimants, according to the statement.

Further donations, including one significant sum pledged late last week, mean that \$30 million has now been reached and all final payments can be made.

The International Labour Organisation has acted as the chair of the committee since its establishment in October 2013.

"This is a milestone but we still have important business to deal with. We must now work together to ensure that accidents can be prevented in the future, and that a robust national employment injury insurance scheme is established," Guy Ryder, ILO's director-general, said in the statement.

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