

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES			
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	JPY
0.23%	0.28%	\$1,102.50	\$53.53	1.96%	0.95%	1.17%	8.48%	77.20	83.30	118.64	0.61
4,775.27	8,906.71	(per ounce)	(per barrel)	27,561.38	20,350.10	3,313.42	3,725.56	BUY TK	87.30	122.64	0.64
								SELL TK			

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Star BUSINESS

DHAKA TUESDAY JULY 28, 2015

New law to boost tax receipts by 20pc: study

SOHEL PARVEZ

The implementation of the new VAT law will boost revenue collection from domestic sources by as much as 20 percent, according to a government-sponsored study.

Conducted by the Policy Research Institute, the study found that revenue receipts from local sources will rise by up to Tk 8,481 crore over the amount recorded in fiscal 2013-14. Some Tk 42,900 crore was collected that year.

In a modest scenario, the revenue gain is estimated to be 15 percent, or Tk 6,394 crore, over the collected amount in fiscal 2013-14, according to the study, which was submitted to the National Board of Revenue.

The domestic revenue gains would primarily result from abolishing the tariff value system and replacing it with market values, it said.

The move alone would account for more than 90 percent of the increase in domestic VAT and supplementary

duty revenues.

The study was conducted to estimate the impact of implementing the Value Added Tax (VAT) and Supplementary Duties Act on tax revenue and consumer price index.

Passed in December 2012, the law is expected to be effective from July 1 next year and replace the present law passed in 1991, which analysts and revenue officials say suffers from shortcomings.

Businesses however are not happy with some of the provisions of the new legislation and are seeking revision before its execution.

The latest law, which was framed at the prescription of the International Monetary Fund, is envisaged to eliminate the truncated tax base for certain products and services and tariff values established in an ad-hoc manner on certain imports.

It also aims to reduce the list of products subject to SD at the import stage, withdraw many of the exemptions and bring some products under the 15 percent VAT from the present

10 percent.

The changes will have impacts on revenue collection from the VAT system as well as on the final prices of related products, it said.

The overall cost of living measured in terms of consumer prices may also be impacted through these changes on the tax base and rates, said the PRI study.

The impact at the general price level (economy wide) may vary from 0.7 percent to 0.4 percent. The corresponding impact at the consumer price level may vary from 0.9 percent to 0.5 percent.

Accordingly, the overall price increase to be faced by the consumers is likely to be limited to less than 1 percent, it said.

On the basis of these two estimates, it may be argued that if the reforms embodied in the new VAT law are phased over a two-year period, the impact on the domestic price level would be limited to less than 0.25 percent to 0.5 percent a year.

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New pay-scale to get cabinet nod next week

STAR BUSINESS REPORT

The new pay structure for government staff will be placed in the next cabinet meeting, scheduled to be held on Monday, Finance Minister AMA Muhih said.

Muhih's comments came after a meeting with the English-medium school association at his secretariat office yesterday.

The proposal is almost ready as recommended by the secretary-level review committee and the Pay and Services Commission, according to a finance ministry official.

There were some disputes among the government staff about the Pay Commission and Review committee recommendations.

Following the context, the finance ministry sent a report on the proposed pay structure, including the disputes surrounding it, to Prime Minister Sheikh Hasina.

Hasina sent it back to the ministry with some instructions and it will be sent to the cabinet in the next couple of days, the official said.

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BB raises farm loan disbursement target

STAR BUSINESS REPORT

The central bank has raised the farm loan disbursement target by 5.5 percent to Tk 16,400 crore for the current fiscal year compared to the target last year.

Bangladesh Bank Governor Atiur Rahman announced the target while unveiling the agriculture and rural credit policy for 2015-16 at a meeting at his office in Dhaka yesterday.

Nine new banks that started operations in 2013 have to disburse at least 5 percent of their total loans to the farm sector this fiscal year, which is 2.5 percent for private and foreign banks.

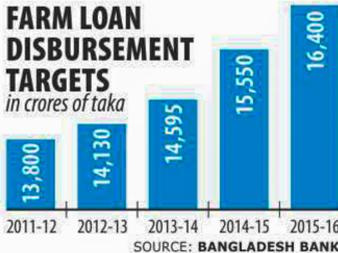
The disbursement target has been set at Tk 9,290 crore for state-owned and specialised banks and at Tk 7,110 crore for private and foreign banks.

"We have to increase farm and rural credit and bring farmers into the banking system," Rahman told chief executives of banks at the meeting.

The governor asked the bankers to encourage cultivation of import-substitute crops.

He also reminded the bankers that the 10-taka bank accounts for farmers were not introduced to disburse subsidies only. "These accounts must be run like any other bank accounts," he said.

If any bank fails to attain the disbursement target at the end of the fiscal year, it has to deposit an amount equivalent to the unattained portion compulsorily to the BB without any interest.



The central bank set a Tk 15,550-crore agriculture loan target for fiscal 2014-15, but disbursement surpassed the target and stood at Tk 15,978.46 crore.

But the target of Tk 95.5 crore meant for import-substitute crops could not be reached as only Tk 82 crore was disbursed.

A total of 31.94 lakh farmers received agriculture and rural credit in the immediate past fiscal year.

Of them, 25.43 lakh were small and marginal farmers who got Tk 11,203 crore or 70 percent of the total loans, while 2.56 lakh sharecroppers got Tk 914 crore and 2.66 lakh women received Tk 901 crore.

The recovery rate has been stagnant at around 70 percent for the last few years, according to BB data.

The banking regulator last year cut the interest rate for farm loans by 2 percentage points to 11 percent to encourage farmers to take bank loans.

Overall farm production increased to 4.5 crore tonnes now from 1.1 crore tonnes 40 years ago.

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Teletalk looks for funds to develop 4G network

MUHAMMAD ZAHIDUL ISLAM

Teletalk is looking for funds to develop the fourth generation mobile network, although the planning commission has suggested going for a public-private partnership.

The project will cost about Tk 2,500 crore, according to officials of the state-run mobile operator.

"The telecom market is a very competitive one now and there is no guarantee of return of the investment, so it is highly unlikely that we will find any interested company for PPP," said Gias Uddin Ahmed, managing director of Teletalk.

Subsequently, the operator is now looking for international lenders, said Md Faizur Rahman Chowdhury, telecom secretary and the chairman of the Teletalk board.

Teletalk established its 3G network with a \$211 million (around Tk 1,639 crore) foreign suppliers' credit from Chinese Exim Bank and taking equipment from Huawei. It also used local funds of about Tk 424 crore, taken as arranged loans from banks.

"This time, we need much more money than that," said Ahmed, who was the director of the 3G project.

The 3G project was for the cities and district headquarters but the 4G one is for rural areas as well, he said.

Teletalk also plans to raise the issue before the Prime Minister's ICT Affairs Adviser Sajeeb Wazed Joy in a meeting on July 30, where they will seek advice from him about the issue, said a senior official of the operator.

"Within the next two weeks we will write to the planning commission to clear our position and then they can make their decision," Ahmed added.

Meanwhile, the state-owned company formulated another plan to upgrade its network. The project will require Tk 780 crore.

Currently, Teletalk has about 3,800 base stations and it wants to increase the number to at least 7,000 for offering satisfactory service to its customers, according to the plan.

It will establish Wi-Fi hotspots in parts of the country, and the project also includes 4G services, according to a presentation prepared for the meeting with the ICT adviser.

The state-owned operator so far found 1.5 million 3G subscribers though the total market size has crossed the 15 million-mark.



From left, Sanjay Bapna, chief executive of Philips Electronics Bangladesh; MA Mannan, chairman of Butterfly Marketing, major partner of Philips Electronics; and Mustafizur Rahman Shazid, sales and marketing director of Butterfly, pose with the newly launched products of Philips at a press conference in Dhaka yesterday.

Philips brings new products

STAR BUSINESS REPORT

Philips Electronics Bangladesh, a subsidiary of the Netherlands-based Royal Philips, plans to expand here by introducing new lifestyle products.

The portfolio includes kitchen appliances, grooming kits, baby-care products, air purifiers, soup makers and juicers.

"We intend to serve our consumers across the health continuum, starting from healthy living and prevention of diseases to the right diagnosis, treatment, recovery and home care," Sanjay Bapna, chief executive officer of Philips Electronics Bangladesh, said at a press conference in Dhaka yesterday.

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RAK Ceramics to acquire two units

STAR BUSINESS REPORT

RAK Ceramics plans to invest about Tk 24 crore to entirely acquire two of its subsidiary and associate companies.

The ceramic product manufacturer wants to take equity investments in its subsidiary RAK Power to 100 percent from the previous 57 percent.

The firm will spend an additional Tk 22.47 crore to buy 8.81 lakh ordinary shares with face value of Tk 100 each from other shareholders of RAK Power at Tk 255 a share, it said in a web posting to Dhaka bourse yesterday.

Its equity investment in RAK Security and Services, an associate of RAK Ceramics, will be raised from existing 35 percent to 100 percent. The investment will be Tk 1.87 crore to acquire 6,500 ordinary shares with face value of Tk 100 each from other shareholders at Tk 2,875 per share.

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