

Indian fabric fair kicks off in Dhaka

STAR BUSINESS DESK

A two-day exhibition of Indian man-made fibre textiles—Intexpo Bangladesh 2016—began at Pan Pacific Sonargaon Hotel in Dhaka yesterday.

Mashiur Rahman, economic adviser to the prime minister, inaugurated the fair, Triune said in a statement.

The Synthetic and Rayon Textiles Export Promotion Council (SRTEPC) of India in association with the High Commission of India in Dhaka is organising the exhibition.

Bangladesh Garment Manufacturers and Exporters Association, the Federation of Bangladesh Chambers of Commerce and Industry and India-Bangladesh Chamber of Commerce and Industry (IBCCI) are supporting the show. This is the ninth such fair in Bangladesh, according to the statement.

Adarsh Swaika, Indian deputy high commissioner in Dhaka; Shri Srinarain Aggarwal, vice-chairman of SRTEPC, and Dewan Sultan Ahmed, vice president of IBCCI, were also present. Thirty leading Indian manufacturing and exporting companies are displaying their latest range of textile items.

The exhibition aims to provide the textile and garment businesses a look into the quality and range of Indian fabrics and yarns and let establish personal contacts for mutually beneficial business tie ups.

Indian man-made textiles worth nearly \$ 6.4 billion are bought annually by international buyers from more than 150 countries. The leading markets for Indian synthetic textiles also include the US, Turkey, Brazil, Egypt and Bangladesh.

In the past five years, exports of synthetic and blended textiles from India to Bangladesh have reached \$338 million in 2014-15 from \$137 million in 2010-11.



Mashiur Rahman, economic affairs adviser to the prime minister, opens a two-day showcase of Indian man-made fibre textiles—Intexpo Bangladesh 2016—at Pan Pacific Sonargaon Hotel in Dhaka yesterday. The Synthetic and Rayon Textiles Export Promotion Council of India in association with High Commission of India, Dhaka is organising the fair.

Microsoft Bangladesh chief to serve technology bank of the UN

STAR BUSINESS DESK

Sonia Bashir Kabir, managing director of Microsoft Bangladesh, has been appointed to the governing council of the Technology Bank for the Least Developed Countries by Ban Ki-moon, secretary general of the United Nations.

She is one of the 12 expert members appointed from different countries, including non-LDC countries, to the council. Kabir will represent Bangladesh on the council, Microsoft said in a statement yesterday.

Kabir has been appointed to utilise her "invaluable expertise" and the "strong commitment and contribution to the promotion of science and technology," the UN said.

The Technology Bank has been formed on the basis of recommendations of a feasibility study by a panel of high-level experts, arranged by the UN secretary



Sonia Bashir Kabir

general, to promote science, technology and innovation in the world's poorest countries.

The recommendations also highlighted that the Technology Bank has the potential to strengthen national capabilities and provide expertise to the LDCs, to ensure their proper participation in achieving internationally agreed development goals.

Prof Mohamed HA Hassan from Sudan, president of the Inter Academy Partnership and former chairman of the council of the United Nations University, will serve as the chair of the governing council.

Gyan Chandra Acharya of Nepal, under secretary general and high representative of the least-developed countries, landlocked developing states, and small island developing states, will be the secretary general's representative to the council, serving as vice chair.



Hakim Md Yousuf Harun Bhuiyan, a director of Social Islami Bank, opens the bank's 117th branch in Poddarbarazar in Laxmipur. Ehsanul Aziz, managing director, was also present.

World's largest printing equipment show begins in Germany today

STAR BUSINESS DESK

Drupa, the world's leading trade fair for print and cross-media solutions, begins in Germany's Dusseldorf today.

Winter Consulting, a marketing, communications and events agency, is organising the programme, which has been taking place in every four years since 1992.

The event's main attraction is the Drupa

Innovation Park, where around 130 exhibitors showcase their innovations in workflow processes, automation and the latest print technologies, the organisers said in a statement yesterday.

Drupa, which will end on June 10, allows industry stakeholders to enjoy the market-ready applications for creative print products and technologies in a convenient and compact form.

Tax collection to miss target for fourth year

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In fiscal 2014-15, National Board of Revenue achieved 90 percent of the collection target; a year before that, collection was 89 percent of the target.

The last time NBR achieved the revenue collection target was fiscal 2011-12.

Political turmoil in 2012-13 and 2013-14 is mainly to blame for the failure to achieve the tax collection targets.

The unrest slowed the pace of the economy and thus revenue collection. And it did not fully pick up in the last two years due to subdued economic activities and a decline in import prices, said the World Bank, in its April issue of Bangladesh Development Update.

"But these are not the only factors as revenues have grown slower than nominal GDP," it said. The tax-to-GDP ratio, which is one of the lowest in the world, fell to 8.5 percent in fiscal 2014-5 from 8.6 percent in the previous year, reflecting persistent weaknesses in the tax policy and administration, it added.

The multilateral lender said there are a number of reasons behind the shortfall in revenue collection. Firstly, the budget target was overambitious in the outgoing fiscal year, in view of lacklustre revenue collection performance in the previous year.

Also, a number of tax incentives, including a lower corporate income tax rate for publicly traded companies, reduction in custom and supplementary duties, and fixation of 0.6 percent tax at source for apparel instead of the proposed 1 percent, were some other factors.

Administrative capacity and revenue collection efforts also did not see any major improvement and the reform agenda failed to gain any visible momentum, it added.

"It is no surprise the tax revenue target will be missed this year as well," said Zahid Hussain, lead economist at the World

Bank's Dhaka office.

The original and even the revised tax revenue target for fiscal 2015-16 was "fantastically high", not supported by any significant revenue increasing reforms either in tax policy or in tax administration, he added.

UNTAPPED TAX POTENTIAL: FASTER REFORMS THE KEY

Analysts termed the revenue targets overambitious at a time when Muhith maintains that there is tax collection potential, given the size of the economy and its steady performance, and ongoing reforms measures -- automation of tax and VAT system and expansion of human resources and field offices of the NBR. They agree with the finance minister that the tax potential remains and it is underexploited.

The CPD, in a recent study, said about half of the potential tax does not come to the state coffers due to a lack of compliance by taxpayers and poor efforts by taxmen.

To tap the potential, analysts have been suggesting reforms in tax policy and revenue administration, as well as modernisation, for the last several years. However, the reforms measures, taken by the government in recent years, are being implemented slowly.

By now, the tax system was supposed to be fully automated, enabling taxpayers to file returns and pay taxes online. The new VAT and Supplementary Duty law, passed in 2012, was scheduled to be effective from July 2015.

The timeframe for the implementation of the law was shifted to July this year, in the face of opposition from businessmen and a lack of preparation by NBR.

Now, the enforcement of the new law, which envisages automation of VAT administration and VAT system, is likely to be delayed further. The passage of a new income tax law is also going to take more

time, said insiders.

CPD, in its recent analysis, said concerns relating to a small tax base, low tax compliance and widespread tax evasion, have continued to plague revenue mobilisation in Bangladesh.

In this backdrop, options other than a serious revamping of the revenue mobilisation efforts and making this a policy priority are rather limited, it added.

"Without reforms in tax policies, modernisation of tax administration and addressing the leakage in tax collection, performance will continue to languish well below the country's taxable capacity," said Hussain of the WB.

"The policies on indirect taxation are archaic and have failed to keep up with the development of the market economy in the country. The policies on direct taxation penalise the honest and reward the dishonest. Paying taxes is more cumbersome than evading taxes," he said.

"Tax administration is inefficient; its reach is not wide and deep enough. It is taxpayer unfriendly. It continues to use vastly outdated systems and procedures. Efforts to digitise the tax administration have not gone deep enough to be a game changer." In addition, corruption is rampant, he said.

"As a result, we, the citizens, end up paying a lot more than what gets deposited into the treasury's account," he said, adding that Bangladesh consistently ranks among the top ten in the corruption perception index.

CPD Research Fellow Towfiqul Islam Khan said the revenue authority registers 12-14 percent tax collection growth with its existing capacity.

Making a breakthrough -- 30 percent growth in collection -- will require tapping the untapped potential; for this, institutional and legal reforms and modernisa-

tion of NBR are necessary, he added.

"So far, we were happy with the low-hanging fruits. Now, a major thrust is needed to tap the untapped potential."

Modernisation of VAT, income tax and customs administration would go a long way in enhancing tax revenue in Bangladesh. Tax administration should be geared toward providing taxpayers' services, said a paper -- An Evaluation of the Tax System in Bangladesh.

Ahsan H Mansur, executive director of Policy Research Institute, co-authored the paper posted by International Growth Centre, on its website.

"The revenue gains made in recent years will not be sustainable without fundamental reforms. A failure on the revenue mobilisation front will seriously undermine the government's efforts on expanding public services and meeting the growing infrastructure needs of the economy," it said.

AB Mirza Azizul Islam, a former finance adviser to the caretaker government, suggested quick settlement of tax related cases at the court.

There is a problem in the enforcement of tax laws. The territorial coverage of the tax authority also remains poor, he said, adding that many individuals who live in rural areas have taxable incomes.

Hussain of the WB said there is one lesson to be learnt from the experience of the last four years. "That it is good to be ambitious, but when ambitions are not backed up by solid measures that give it a chance to be achieved, it turns ambitions into fantasies, thus hurting the credibility of the budget targets."

"We hope moving forward the revenue targets will be set in accordance with the underlying macroeconomic framework and the reform measures envisaged in the budget."



Nasimul Baten, head of operations of Delta Brac Housing (DBH) Finance Corporation, hands over a cheque to Nigar Sultana, a client of the corporation. QM Shariful Ala, managing director of DBH, was also present. DBH has disbursed over Tk 7,000 crore in home loans.

Alibaba tells vendors to halt drug sales online

REUTERS, Shanghai

Chinese e-commerce firm Alibaba Group Holding Ltd has told vendors on its Tmall website to stop selling medicine, saying a local regulator has issued an "urgent" directive halting drug sales via third-party platforms.

Alibaba, in a notice dated May 27 seen by Reuters, cited a circular from the Hebei province branch of the China Food and Drug Administration (CFDA) on "urgent control measures relating to drug products". It did not elaborate on reasons.

The regulator's surprise directive comes as the government promotes retail sales of over-the-counter (OTC) medicine, with a pledge to harness technology to solve issues as varied as high drug prices and snarling hospital queues. At present, drug sales are dominated by public hospitals.

Muhith to cut handouts for state banks by half

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On the proposal for privatising state banks except Sonali, Muhith said: "It's a good suggestion. We're already thinking about it, but we haven't taken any step in true sense. This proposal, however, encourages me to take it forward."

The World Bank in a report said unconditional recapitalisation provides no incentive for conducting deep surgery to repair the banks' damaged balance sheets.

The amount sought for recapitalisation in fiscal 2017-18 is nearly \$1.3 billion, which is equivalent to 0.6 percent of fiscal 2014-15's gross domestic product. "This is a huge burden on the budget," said the Washington-based multilateral lender.

The banking and financial institutions division's annual performance agreement with the state banks should have specific targets linked to recapitalisation, it said.

Disbursement from the budgetary provisions for recapitalisation would take place upon achieving the targets. Over the longer-term, rising stress in the state-owned banks will require more radical reforms in their structure of governance. "The fundamental problems with the state banks are the interdependence between banks and state-owned enterprises, the way that banks are run as SOEs, and the government's improper influences on the operations of SOEs and banks," the WB said.

Also, many private industrial companies have been hit by delays in making their investment projects operational due to unavailability of basic utility connections such as gas, water and electricity, leaving them unable to repay their loans to state banks. "Though these problems have been around for a long time and are deeply rooted, they have never really been solved." The banks' financial discipline was undermined by scams, high non-performing loans and inadequate capital followed by repeated recapitalisation, it added.

During the budget announcement for the current fiscal year last June, Muhith said a commission would be formed for the banking sector in fiscal 2015-16, whose major focus would be the state banks. The commission is yet to be formed, but the finance ministry official said it might take shape in fiscal 2016-17.

Foreign missions need dedicated desks for tourism, analysts say

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"The government should open a separate desk at Bangladesh's foreign missions to promote the sector abroad and appoint people with enough knowledge on tourism to those desks," said Rafiuzzaman, first vice president of Tour Operators Association of Bangladesh.

The officials could be appointed from Bangladesh Parjatan Corporation, Bangladesh Tourism Board, or other organisations, he said. Such designated desks could help boost tourism, especially by attracting more businesspeople.

"If not for all missions abroad, the government should make such appointments in at least the 15 to 20 countries that generate 80 to 90 percent of all tourists globally," said Taufiq Rahman, chief executive of Journey Plus.

Political unrest and the murder of some foreigners in Bangladesh cast a shadow on the image of the country, though the overall law and order situation is much better now, analysts said.

About five lakh tourists, including businesspeople and non-resident Bangladeshis, visit Bangladesh every year.

"Of them, around 50,000 people usually visit Bangladesh for tourism alone. But, due to political unrest and the killing of foreigners, the numbers have fallen by 30 to 40 percent in recent years," Rahman said. Civil Aviation and Tourism Minister Rashed Khan Menon said the appointment of people with adequate knowledge on tourism is already being discussed in the cabinet meeting.

He also said the government has instructed foreign missions to work efficiently to promote tourism.

Shop owners stage protest against new VAT law

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The move would help the micro and small businesses flourish and protect consumers as well.

The government formed the committee in 2014 in the face of opposition from the business community about the latest VAT law, which was framed at the prescription of the International Monetary Fund.

The new law seeks to end the scope for package VAT, VAT determined on a truncated basis and the tariff value system that various sectors currently enjoy.

The government planned to implement the new law from July this year, but it may be delayed in the face of opposition from businesses and inadequate preparation by the revenue authority, said insiders.

Traders said it would be difficult to maintain records and accounts to deposit the actual amount of VAT collected from customers.

Customers will have to pay more for various goods and services, said Abu Motaleb, general secretary of Baboshae Oikya Forum, a platform of small and medium traders.

"We are ready to pay a higher amount of package VAT instead," he told The Daily Star after the demonstration.

The package VAT helps the retailers run their operations without any harassment, he added.

Currently, retailers have to pay a fixed amount of VAT based on their annual value addition per year. The amount ranges from Tk 3,600 to Tk 14,000, depending on the location of the enterprises.

In the outgoing fiscal year, traders have to pay Tk 14,000 and Tk 10,000 for Dhaka and other city corporations respectively. Retailers in municipalities have to pay Tk 7,200 as package VAT.

IFC likely to lend \$190m to Summit, Walton

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The Summit Bibiyana II plant, which received \$210 million from the Asian Development Bank, the IFC and the Islamic Development Bank, is providing electricity at the lowest tariff of Tk 1.51 per unit, which is about a fourth of the country's average electricity generation cost of Tk 6.

In March, Muhammed Aziz Khan, chairman of Summit Group, said the group is eyeing a listing on the Singapore stock exchange to raise capital for future energy projects in Bangladesh.

A senior official of Summit said the group plans to undertake a project that can produce about 1,000MW of electricity. But local lenders will not be able to provide the equity and investment needed for such a major project.

Walton, a maker of refrigerators, air conditioners and motor cycles, plans to

expand its manufacturing operations and modernise its existing plant with the IFC financing. The loan will have seven-year tenure, including a one-year grace period.

The loan will be used for balancing, modernisation, rehabilitation and expansion of Walton's manufacturing operations and establishing a compressor plant as part of its backward integration plans, said Shahana Akhter Shampa.

The total project cost is estimated at \$70 million and is proposed to be financed with debt: long-term debt of \$35 million and equity of \$35 million.

Located in Gazipur, the project is expected to create about 800 jobs after it becomes operational, according to the IFC. The next meeting of the IFC board is set for July 28.

In 2013-14, the IFC invested \$428 million in 13 projects in Bangladesh.