

India to start taxing capital gains to Singapore investors from April

REUTERS, New Delhi

India will start imposing capital gains tax on investments coming from Singapore from April and fully withdraw exemptions in two years as the two countries agreed to amend a decade-old treaty after New Delhi rolled back similar concessions to Mauritius and Cyprus earlier this year.

With the amendments, announced by Finance Minister Arun Jaitley on Friday, investors based in Singapore will no longer benefit from tax exemptions on capital gains taxes.

Changes to the treaty with the Asian financial centre had been widely expected after India this year similarly re-drafted a 33-year old

treaty with Mauritius.

The tax treaty between India and Singapore had a provision that any changes in the Mauritius treaty would automatically apply to the one with the Asian country.

The move to tighten tax treaties is part of Prime Minister Narendra Modi's anti-corruption drive, which includes tightening loopholes for firms or rich individuals setting up a presence in jurisdictions with tax exemption treaties.

Regulators have long suspected rich Indians were routing cash through these tax jurisdictions, and channeling money back to India in a practice known as "round tripping".

"We are able to give a reasonable

burial to this black money route," Jaitley told reporters at a news briefing.

Capital gains tax will be imposed on investments from Singapore that are made from April onwards. The tax rate will be half the prevailing Indian rate for the next two years and rates will then be equated by April 2019, Jaitley said.

Singapore has been an increasingly popular source of foreign investment into India.

Foreign direct investment flows from Singapore stood at \$50.6 billion between April 2000 and Sept 2016, contributing more than 16 percent to total capital inflows during that period, second only to Mauritius.



IPDC Finance has signed a memorandum of understanding with Häfele, a leading international manufacturer and supplier of furniture fittings and architectural hardware. Under the deal, IPDC's home loan customers will enjoy 15 percent discounts on selected Häfele products from designated outlets. AFM Barkatullah, deputy managing director of IPDC Finance, and Shahriar Shabab, director of Tilottoma Bangla Group, distributor of Häfele in Bangladesh, were present at the signing ceremony.

Huawei's effort to build tech leaders

FROM PAGE B1

The 10 students were picked under a rigorous filtering process for the trip to China, which also took them to Beijing. During the tour, the students participated in various knowledge sharing and learning sessions.

The students are: Sheikh Nasif Imtiaz, Wasif Adnan Khan, Zafir Shafi and Tanzin Mubarrat Syed from Bangladesh University of Engineering and Technology; Nifat Ara Nipa, Ummul Afia Shammi, Syed Mahir

Tajwar and Tashfia Kabir from Dhaka University; and Md Rafi Islam and Avro Bhattacharya from Chittagong University of Engineering and Technology.

Huawei said the future leaders came back to Bangladesh with greater confidence, skills, and knowledge. Exposure to one of the richest and oldest cultures in the world also allowed them to broaden their perspective of the world.

Colin Shi, chief technology officer of Huawei Technologies (Bangla-

des), said Huawei is looking for young and energetic students to come up with new ideas and ICT solutions.

He said as a responsible corporate citizen, Huawei Bangladesh has been participating in this global programme since 2014.

"We believe this initiative will promote local ICT talent development and enhance knowledge transfer."

Huawei is running similar programmes in 45 countries to find the next big IT genius.

Brazil unemployment rises to new high

AFP, Rio De Janeiro

Brazil's unemployment rate rose to a new high from September to November, official data showed Thursday, the latest sign the recession-hit Latin American giant has still not entered recovery.

The figure came in at 11.9 percent, the highest level registered since the current data set began in 2012, the national statistics institute IBGE said.

In the earlier three months to

October, the figure reached 11.8 percent -- the previous high.

A total of 12.1 million Brazilian workers are now unemployed, three million more than a year ago.

Brazil's economy, Latin America's largest, is struggling through its worst recession in more than a century.

Economists predict the employment picture will continue to worsen until at least mid-2017 despite the austerity reforms center-right President Michel Temer has launched in a bid to get the

economy back on track.

The central bank predicts a return to economic growth of 0.8 percent next year after two years of deep recession. Temer, whose popularity is hovering at a low 10 percent, sought to sound upbeat over Brazil's prospects in 2017.

"It will be a new year, and we will defeat this crisis," he said at his last news conference of the year.

"As we defeat the crisis and exit recession... naturally we will have jobs."



Md Nurun Newaz Salim, director and chairman of the risk management committee of NCC Bank, opens a relocated branch of the bank at Green Tower, Barariyhat in Chittagong recently. The bank's Director Khairul Alam Chaklader and Managing Director Golam Hafiz Ahmed were also present.

Govt to take steps to cut hassles of investors

FROM PAGE B1

Once the law is passed, officials and employees of various agencies will feel obliged to provide services to the businesses without any delay.

In absence of legal binding, investment promotion agencies did not always get required support from other organisations to quickly facilitate trade and investment and improve business climate.

Bangladesh has been staying at the bottom of the ease of doing business rankings by the World Bank for the last several years, which is believed to be one of the main factors discouraging foreign investments in the country.

Bangladesh moved two notches up to 176 in doing business 2017 report from 178 the previous year. However, its position in terms of starting a business

dropped seven points to 122 for the year 2017 from 115 the previous year.

It takes 19.5 days to complete procedures for starting a business here, which is higher than South Asian average of 15.4 days, according to the ease of doing business report.

Bangladesh's ranking in terms of getting electricity connection remained unchanged with businesses requiring 404 days, much higher than South Asian average. And 244 days are passed to register property here.

Khan said investors abroad have interests in Bangladesh and reduction of procedures and simplification of processes will attract them.

"We are working to reduce and simplify procedures with the target of bringing down time and cost of investors," he said. Board of Investment and

Privatisation Commission were merged into one entity -- BIDA -- in August last year.

BIDA has sent letters to various service providers seeking to take steps to ease the process of doing business.

It suggested agencies analyse processes and tasks at every stage and identify underlying reasons behind the problems such as the delay in comparison with other countries, according to BIDA letters.

Khan said they want to provide one stop services online from February this year by reducing the number of procedures and simplifying them.

Investors will submit applications online and those will be sent to the related agencies, Khan said, adding that clearance should be given within a certain time as per law.

Apparel growth hinges on reining in labour unrest

FROM PAGE B1

"Wage is another challenge. While the labour sector demands more, our revenue is not increasing at that pace. Efficiency is also a critical factor. The country is still running at less than 50 percent productivity," Huq said.

"On top of all, we have compliance challenges to handle. The sector, until 2018, will see a lot of new turns."

However, like Huq, all things are not so settled for the newcomers or potential investors, as the sector has been going through massive reforms following the Rana Plaza building collapse in 2013.

For instance, Jahan Akhter Seema, managing director of Aeon Apparels and Maan Fashions, has been facing a lot of troubles to start production at her new factory in Ashulia.

Seema, a merchandiser-turned-entrepreneur, has already invested nearly Tk 60 crore in her factory, which is expected to employ more than 10,000 workers and export more than \$2 million worth of garments a month.

"The biggest challenge in 2017 would be the labour unrest as it has already been seen in Ashulia, and higher bank interest rate," Seema said. If labour unrest can be contained, growth in garment exports

will be more than 10 percent or beyond, she said.

The bigger and older companies can survive shocks, but the new ones cannot, she added.

"So, for them a peaceful production environment is necessary," said Seema, who has been involved in garment business since 2008 either as a merchandiser or a small entrepreneur.

In 2017 also, Bangladesh will remain the second largest garment supplier worldwide as exports will continue to grow, sector people said.

They also identified some challenges -- a lack of skilled workforce, implementation of the compliance schemes, poor infrastructure, weak road transport and poor management of the country's premier seaport through which more than 80 percent of overseas trades are carried out.

The industry must address the issues of gas and power crises, market diversification, access to new markets and political stability for achieving the targeted export growth in 2017, analysts said.

The country should take preparations from now to retain the duty benefit in the EU market, the largest trade bloc for the country's export, as Bangladesh is on the way to

become a middle income nation by 2021.

With the graduation into a middle-income country, Bangladesh will have to work further on human rights, governance, protection of environment and labour rights to continue enjoying duty benefits in the EU market.

The industry owners are busy with remediation through the corrective action plans, recommended by Accord and Alliance -- two foreign inspection agencies -- and the government.

Factory owners are hopeful that they can complete the remediation works of their factories by the end of 2017.

The other challenges include brightening the image of the sector. The militant attack on Holey Artisan bakery on July 1 took a toll on the country's image as well as businesses.

Nine Italians, seven Japanese, three Bangladeshis and an Indian were killed in the attack.

All the Italians killed were garment retailers, who had been doing business with Bangladesh for many years. Italy is the sixth largest garment export destination for Bangladesh and Japan is the largest Bangladeshi apparel importer among Asian nations.

Garment exports to the UK witnessed slowed growth in 2016 mainly for two reasons -- Brexit and a ban on direct air cargo shipment from Bangladesh to the UK.

Brexit caused depreciation of the pound sterling for which exports to the UK became costlier amid cautious spending by the Britons.

Usually, garment exports to the UK maintain nearly 10 percent year-on-year growth, but shipment declined below 1 percent during July-October of the current fiscal year compared with the same period of last fiscal year.

The UK is the third largest export destination after the US and Germany. Bangladesh ships more than \$3 billion worth of garment products to the UK in a year.

Apart from the UK, garment export to other EU nations maintained good growth across the year.

The US remained the top garment export destination also in 2016 despite the suspension of the GSP. Bangladesh exported nearly \$6 billion worth of garment items to the US in 2016.

In 2016, some Asian markets like China, India and Japan showed very promising signs. Bangladesh's garment export to Japan and China may cross the \$1-billion mark in 2017.

Foreign funds in stocks jump seven times

FROM PAGE B1

For example, foreign investors withdrew about \$5 billion from the Indian capital markets in November and \$3.5 billion in December amid concerns over the impact of demonetisation coupled with fears of rate hike by the US Federal Reserve, according to media reports.

Also, the recent trend of pulling funds out of the neighbouring stockmarkets including India has created an opportunity for Bangladesh to receive more investment as an emerging market, according to experts.

However, it does not mean that the foreign investors are withdrawing funds from India or other neighbouring markets and then investing in Bangladesh. What is clear is that they are intensifying their focus on the Bangladesh market.

The overseas investors' fresh and increasing position in listed firms also showed their growing trust in the market.

Uttara Bank is an example. Foreign investors did not have any holding in the private commercial bank until December 2015, but now they own 1.47 percent stakes in the bank.

Banks are the foreign investors' preferred sector, followed by non-bank financial institutions, power and energy, pharmaceuticals, multinationals, telecoms and IT.

Foreign investors have the highest holding in Brac Bank with a 41.55 percent stake, up from 35.76 percent a year ago.

Global investment banks such as Morgan Stanley, JPMorgan and Goldman Sachs, and

asset management firms such as BlackRock have presence in Bangladesh.

Md Ashaduzzaman Riadh, strategic portfolio manager of LankaBangla Securities, said the benchmark DSEX generated 8.78 percent return outperforming US's MSCI emerging frontier market index that registered 2.72 percent return.

Market liquidity also saw a substantial boost at the end of the year, clocking up Tk 494 crore in daily average turnover.

"If we analyse the economic factors, we can say the conditions were very friendly for the foreign equity investors," Riadh said.

Extreme anxieties that previously persisted on the fiscal, monetary and political fronts did not come back in 2016, which gave huge comfort to foreigners.

"The sustained revival of the foreign interest was backed by rising corporate profitability and increasing consumption level in Bangladesh. Also, the declining interest rate, strong currency and GDP growth of Bangladesh have outnumbered other frontier markets," Riadh said.

Analysts expect big-cap companies that predominantly attract foreigners will strongly come back with higher growth in top and bottom lines in 2017, and more foreign investors will continue to foray into the market.

Also known as portfolio investment, foreign investment accounts for only 1 percent of the premier bourse's total market capitalisation, which stood at Tk 341,244 crore at the close of trade on Thursday, the last trading day of the year.

Dhaka trade fair begins today

FROM PAGE B1

Car parking, healthcare, traffic control rooms, mother and child care rooms, water reservoir, mosque, fire service station and blood collection centre will be set up at the venue.

The participating companies in the DITF received export orders worth Tk 235.17 crore last year and this year the amount will go up, the minister said.

Prime Minister Sheikh Hasina will inaugurate the fair and hand over the export trophies to the winners for fiscal 2013-14 at Bangabandhu International Conference Centre.

A total of 66 trophies will be awarded to the exporters: gold trophies will go to 29, silvers to 22 and bronze trophies to 15 companies for their extraordinary export performance in fiscal 2013-14.

The recipients have been selected for the trophies following the national export trophy guideline of 2013.



Kazi Akram Uddin Ahmed, chairman of Standard Bank, opens the bank's 110th branch at MMK Tower, College Road at Madhabdi in Narsingdi on Thursday. Managing Director Mamun-Ur-Rashid was also present.

Banks' profits surge on political calm

FROM PAGE B1

Last year default loans increased and lending rate was lowered but the banks succeeded in making higher profits which helped GDP growth cross 7 percent. The government expects the economic growth to reach 7.5 percent this year.

Bangladesh economy had a very tumultuous time in 2013-2015. The year 2015 had started with political turmoil spanning over three months in a row which affected every sector in the economy, including banks.

Since the middle of 2015, a calm political situation has been prevailing in the country. But the militant attack on Holey Artisan bakery in Gulshan in July last year made a scary situation for businesses.

But strong drive by the law enforcing agencies dispelled the apprehension.

According to Bangladesh Bank statistics, credit growth increased to 16.78 percent in fiscal 2015-16 and in November it rose 15 percent year-on-year.