

New taxes to fuel prices of some items, services: PwC

STAR BUSINESS REPORT

The new tax structure will increase the prices of some food items, digital services, flats and mobile phones, according to PricewaterhouseCoopers Bangladesh.

In an analysis, the professional services firm yesterday said the 15 percent unified VAT rate would fuel property prices.

The finance minister proposed to impose 10 percent supplementary duty on some food items such as pasta, lasagna, burger, sandwiches, hotdogs and pizza in the budget for 2017-18. These items could be costlier, said PwC.

It said the proposed tax structure would also make some digital services more expensive.

The analysis said imports of mobile handsets would be costlier owing to the increase in customs duty from 5 percent to 10 percent.

The budget has proposed to double the customs duty to 10 percent on computer

software services, which will make IT-enabled services dearer.

The proposed 15 percent VAT, from 4.5 percent now, on the domestic supply of IT-enabled services will also make the services costlier, according to the analysis.

Other imported items whose prices would go up because of the rise of supplementary duty by 5 percent include mobile SIM cards, colour television sets, footwear, tyres, detergent, paints and varnishes.

On the other hand, customs duty decreased from 25 percent to 1 percent for raw materials and accessories required for assembling and manufacturing laptop, tablet computers and mobile handsets.

PwC said some products might be cheaper like locally-made refrigerators, freezers, air-conditioners and LPG cylinders.

Finance Minister AMA Muhith has proposed to cut import duty on empty LPG cylinder to 5 percent from existing 10 percent.

India to levy 3pc tax on gold under new regime, industry relieved

REUTERS, Mumbai

India will tax gold at a rate of 3 percent under a new nationwide sales tax that comes into effect on July 1, the government said on Saturday.

The Goods and Services Tax (GST) on gold, which was lower than industry expectations of around 5 percent, will replace a number of federal and state levies.

"In the case of gold, keeping various factors in mind, because there was an extensive debate ... we finally reached a consensus of taxing gold at 3 percent," Finance Minister Arun Jaitley told reporters in New Delhi after a meeting of the GST Council.

The council comprising federal and state government representatives is preparing the landmark tax measure.

Gold jewellery, silver and processed diamonds will also be taxed at 3 percent, while the tax on rough diamonds will be 0.25 percent, revenue secretary Hasmukh Adhia said.

The gems and jewellery industry in the world's second-biggest gold consumer welcomed the tax rate, saying it will help the sector become more compliant and mature.

"Currently, the industry pays taxes around 2 to 2.5 percent, so 3 percent is almost as good as no impact," Aditya Pethe, a director at WHP Jewellers said. "With this taxation, many unorganised players will be encouraged to enter organised trade."

Anticipating a higher tax rate, Indian jewellers



A goldsmith works on gold ornaments at a workshop in Kolkata, India.

REUTERS/FILE

have been restocking inventory, a move that was expected to hit imports of the metal in the second half of the year when gold demand is higher due to festive season buying. Prime Minister Narendra Modi's government is pinning hopes on the GST to boost economic growth that slumped to 6.1 percent in the quarter to March.

The India head of the World Gold Council said

the government's decision on gold was an encouraging step and would help stabilise an industry in which millions are employed.

But with customs duty of 10 percent, the total tax on gold is still high and will continue to have an impact on the jewellery industry, Somasundaram PR, Managing Director, India, World Gold Council, said in a statement.



Amir Humayun Mahmud Chowdhury, former chairman and director of Peoples Insurance Company Ltd, presides over the company's 32nd annual general meeting at Gulshan in Dhaka on May 30. The company declared 12 percent cash dividend for 2016.

PEOPLES INSURANCE

Bulgaria seeks to speed up euro adoption

AFP, Sofia

The EU's poorest member, Bulgaria, said Friday it will start lobbying to join the European Exchange Mechanism as a first step to its planned adoption of the euro.

Every eurozone candidate has to first enter the mechanism, known as the ERM2 "waiting room", for a period of two years before qualifying for membership.

Bulgaria joined the European Union in 2007 and has already met the nominal membership criteria -- low rates of inflation, budget deficit and debt -- thanks to a tight fiscal policy and a currency board arrangement that pegs its lev to the euro at a fixed rate.

While no target date has been set yet,

Finance Minister Vladislav Goranov said Bulgaria will intensify talks with the European Commission, the European Central Bank and the other bloc members to seek their political backing.

"We will strive to convince our partners that... joining ERM2 would be a good evaluation of the efforts that the Bulgarian society is making and the trust it has in the common European idea," he told a forum on Friday in Sofia with European Commission Vice-President Valdis Dombrovskis.

Corruption remains rife in Bulgaria, where the average monthly salary is just 500 euros (\$560), around half the bloc average, and a fraction of what workers earn in western Europe.

Digital bidding hits milestone

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"This system helps to remove corruption in tender submission process," Islam added.

The e-GP system was developed in 2011 by local software firm Dohatec New Media. The system was launched with fiscal 2012-13's government procurement.

After the success with e-GP, Dohatec is now building a similar system for Bhutan.

Luna Shamsuddoha, chairman of Dohatec New Media, said it was their pride to become a part of such a process that is bringing accountability to government purchases.

"Definitely it helps bring transparency and increase inclusivity and it will improve furthermore in future," said Luna who won the 16th Bangladesh Business Awards given by DHL and The Daily Star in the Outstanding Woman in Business category.

WB to help diversify exports

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Although the garment sector constitutes 82 percent of exports, employment growth in the sector has stalled. However, the non-garment manufacturing sectors have been generating about 300,000 new jobs annually since 2010, the WB said.

Light manufacturing sub-sectors, which are labour-intensive and employ women, have expanded employment by 4.3 percent annually since 2010, according to the statement.

"The project will build on this momentum, and help increase the number of firms directly exporting in targeted sectors by about 29 percent."

The credit from the WB's International Development Association, which provides grants or zero-interest loans, has a 38-year term, including a six-year grace period, and a service charge of 0.75 percent.

The WB has committed nearly \$26 billion in grants and interest-free credits to Bangladesh since the country's independence. In recent years, Bangladesh has been the largest recipient of the bank's interest-free credits.

Brazil recession recedes but outlook still dark

AFP, Rio De Janeiro

Brazil emerged from its worst ever recession in the first quarter of 2017, officials said Thursday, but political turmoil continued to threaten the weak recovery.

Largely thanks to booming agro-industry results, the economy grew one percent for the quarter, ending eight consecutive quarters of shrinkage, the state statistics office said.

That offered a glimmer of light for Latin America's biggest economy. It could also throw a lifeline to President Michel Temer as he tries to survive a corruption scandal.

Data from the IBGE statistics bureau put the good news in its dismal context: the first quarter's GDP was down 0.4 percent compared to the same period in 2016.

Overall the economy dropped a whopping 3.8 percent in 2015 and 3.6 percent in 2016, meaning Brazil has a long way to climb back up.

But Temer celebrated: "Brazil has left the recession," he said. "We are growing."

Finance Minister Henrique Merelles called it a "historic day" after Brazil's "worst recession in a century" that has seen millions lose their jobs.

"There is still some way to go to achieve a full economic recovery, but

we are heading in the right direction," he said in a statement.

"Brazil has finally exited recession," but "the recovery will be stop-start," analyst Neil Shearing of research group Capital Economics wrote in a note on Thursday.

He warned of the risk of weaker growth in the second quarter -- "and that's before the full effects of the latest political crisis are felt."

Economist Mauro Rochlin at Brazil's Getulio Vargas Foundation told AFP the recession cannot be considered to be over until a second quarter of growth is registered.

He said the economy had sunk so low that businesses had gotten a boost from falling wages. He saw a "trend towards recovery, but with still quite a narrow base."

The first-quarter bounce was led by a surge from Brazil's giant agro-industry, up 13.4 percent. This, economists say, skewed the overall GDP figure because it is based largely on record harvests collected at the start of the year.

The industrial sector grew 0.9 percent. Services were flat and while that was an improvement on negative growth, it also signaled a lack of confidence by a public battered by unemployment and continuously falling family consumption.

Economists say the patchy

improvements in different sectors, and the risk that the next quarter will reverse the gains, make it too early to declare an end to the recession.

Temer has previously declared an imminent end to the recession, citing forecasts predicting that 2017 will close with about 0.5 percent growth.

He credits his plan to enact austerity reforms for the upturn. The reforms, which Temer says will impose fiscal discipline, are unpopular with ordinary Brazilians but backed by the markets.

Now Temer argues that any move to remove him from office over the corruption scandal would doom the reforms and plunge Brazil into new instability.

There was another modest piece of good news on Wednesday, when unemployment figures showed a slight dip to 13.6 percent rather than yet another record rise. It was the first fall in unemployment figures since 2014.

Even so, 14 million people officially remain without jobs.

Later on Wednesday, the Central Bank lowered its key interest rate further by one full percent.

Temer came into office just over a year ago, when the leftist president Dilma Rousseff was impeached for breaking government accounting rules.

Jeep hits pothole even as Fiat counts on expanding sales

AFP, Detroit

The iconic Jeep brand is the cornerstone of Fiat Chrysler's strategy to bolster its position in the global auto industry, but the brand's US sales have hit a pothole.

FCA chief Sergio Marchionne has muscled about spinning off the Jeep just as he spun off Ferrari to raise additional capital, but instead the Italian-American automaker is counting on a steady expansion of Jeep sales in the years to come.

But after a long period of steady growth, Jeep's US sales dropped 18 percent in May and have fallen 13 percent so far this year. Todd Goyer, Jeep spokesman, said the setback is temporary.

"It is due to a deliberate reduction in fleet sales, and the transition from the previous Compass and Patriot (models) to the ramp-up of the all-new Compass," he said in an email. In addition, he noted that "Global Jeep sales are up six percent in 2017 through May."

Even as it ramps up production at a plant in Mexico, the model changes cited by Goyer have forced FCA to halt Jeep production temporarily at plants in Belvidere, Illinois and Toledo, Ohio and the transition will not be completed until late this year.

While sales of vehicles such as the popular Jeep Grand Cherokee remain robust, climbing 11 percent in May, other factors could be hobbling Jeep's expansion plans, analysts said.

"Fiat Chrysler vehicles have consistently ranked at or near the bottom of a number of product quality charts," said Michelle Krebs, an analyst with Autotrader.

And the company "seems unable to turn it around while competitors race ahead with improvements," she said, which could be putting the brakes on sales.

Meanwhile, the competition is increasing and putting more pressure on the brand. Just this week, Honda began building its Acura MDX, a direct competitor of the Grand Cherokee at a second plant in Ohio to keep up with demand.

Karl Brauer, executive publisher of Kelley Blue Book, noted that Jeep has "been cashing in on" the American craze for SUVs from the beginning, while other brands are still rolling out new models to take advantage of the insatiable demand.

"That makes it easier for those brands to grow while Jeep has nowhere to go but down, especially while two (Jeep) compact models are phased out while a single one comes in to replace it," Brauer said.

John Murphy, an analyst with Bank of America Merrill Lynch, noted that European carmakers Volkswagen AG, BMW and Mercedes-Benz, are introducing new luxury utility vehicles, challenging Jeep in a segment where it had been dominant.

Mike Michelle, the FCA executive responsible for the Jeep brand, said in an interview earlier this year that the brand will still post a "modest" sales increase this year as it continues to expand into new markets in Asia. In China, where sales of Jeep vehicles increased by 131% in 2016, Manley said he expects another big increase since Jeep will have three different vehicles available for Chinese customers.

Jeep will have the capacity to build 350,000 units in China and could build more as demand increases, he said.

Jeep also began building vehicles in India for first time June 1. The new Ranjangaon facility will build right-hand drive versions of the new Compass for the Indian market and other right-hand drive markets, the sole export facility those vehicles.

Remittance finally looks up

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As of now, the government has brought down the cost of remittance transfer and improved the efficiency of overseas banking units and exchange houses to bump up the inflows to Bangladesh, he said.

A step was also taken to strengthen drawing arrangement between Bangladeshi banks and the local banks of the countries where expatriates are working and to motivate the workers to remit through Probashi Kallyan Bank (Expatriates Welfare Bank).

"I firmly believe that all these initiatives together with the increasing trend of global growth will have a positive impact on our remittance inflows," Muhith said in his budget speech.

BGMEA slams source tax

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Muhith cut the corporate tax on garment sector to 15 percent from the existing 20 percent for 2017-18. Such tax for green garment factories has also been reduced to 14 percent in the proposed budget placed by the minister on June 1.



Homeless people sleep on the sidewalk in downtown Sao Paulo, Brazil.

AFP