

# Budget to encourage business: DCCI

STAR BUSINESS REPORT

The Dhaka Chamber of Commerce and Industry (DCCI) yesterday said the budget for fiscal 2017-18 passed in parliament would encourage business and private investment.

DCCI also welcomed the government move to suspend the uniform 15 percent VAT for two years, saying the decision would boost private sector economic activities and accelerate economic growth.

The parliament yesterday passed a Tk 4,00,266 crore national budget for 2017-18.

Earlier on June 1, Finance Minister AMA Muhith had proposed a flat 15 percent VAT scrapping the current multiple and package VAT rates. He also proposed to increase excise duty by 60 percent on bank deposits, sparking vehement criticism from the business community and cross section of society.

DCCI is the first chamber to come up with a formal reaction on the amended budget.

The chamber believes that the government's move to postpone the new VAT law would downplay apprehensions of a steep price hike for a wide range of products and services along with inflationary stress on the economy.

The DCCI said, "With the decision of deferment of the new VAT and SD Act 2012, product and services like construction materials, biscuit, juice, spice, transport, apartment, furniture, ICT enabled services, electricity and restaurant etc. may not experience price hike as feared by the cross section

of consumers".

Currently, 20 types of services are under the purview of truncated VAT facility and 179 products enjoy tariff value facility.

The decision of rationalising excise duty on bank accounts would persuade small and medium enterprises, lower middle and middle income groups into saving more in banks.

DCCI said the unchanged higher threshold of corporate tax rate in approved finance bill is a discouraging factor for local and foreign investment as well as export diversification.

However, further reduction of corporate tax for readymade garments to 12 percent from 15 percent and for green factories to 10 percent from 14 percent will encourage the sector to expand business and make new investment, said the chamber.

DCCI also appreciated the move to withdraw the proposal of increased Supplementary Duty (SD) on completely knocked down (CKD) motorcycles. It said the move to keep the SD unchanged will help the local motorcycle industry grow and attract fresh investment.

In addition, the move of reduction of SD on locally assembled refrigerators will encourage entrepreneurs to set up import-substitute new industries, according to the DCCI's statement.

DCCI also welcomed the decision to withdraw the proposed import duty on solar panels, saying it would support green energy initiatives and keep prices of solar panels at affordable levels.

# US car sales still strong, shifting to used vehicles: analysts

AFP, Detroit

While new car sales have slipped from 2016, robust demand for used vehicles means US car dealerships will still see strong sales this year, industry analysts said Wednesday.

Jonathan Smoke, the chief economist for Cox Automotive, said the data already indicate the shift to more used vehicles is well underway.

"Dealers are selling more vehicles but the mix is changing and shifting from new to used," he said.

Rebecca Lindland, executive analyst for Kelley Blue Book, said that shift is being driven largely by buyers under the age of 40, who now account for 29 percent of all vehicles sold in the United States and are much more likely to purchase a used vehicle.

"Affordability is a big issue for millennial buyers," she said.

New vehicles sales remain relatively strong but have slipped from their 2016 peak of 17.5 million vehicles, said Charles Chesbrough, Cox Automotive's senior director of industry insights.

"It's hard to say the industry is near collapse, barring a recession or some kind of financial event," he said.

Smoke said the strong sales of new cars and trucks in recent years, especially the SUVs beloved by American drivers, and spurred by incentives and discounts, mean the supply of appealing used vehicles has increased.

Dealers are also willing to pay more for used vehicles to insure they have an adequate supply, he said.



Cars are seen in a parking lot in Palm Springs, California.

REUTERS/FILE

In addition, a significant number of leased vehicles are returning to the market as low mileage, relatively-new used vehicles, attractive to consumers.

According to Cox Automotive data, 3.6 million lease vehicles will return to the market in 2017, up from 3.0 million in 2016. By 2020, 4.6 million off-lease vehicles will return to the market.

These off-lease vehicles are rapidly becoming an affordable, appealing alternative to new. More are on the way.

"Overall, despite slowing new-vehicle sales, we think the automotive market is healthy," said Smoke. "Sales of approximately 17.1 million will make 2017 among the best years the industry has ever recorded."

## Emirates wins inflight entertainment award

STAR BUSINESS DESK

Emirates has won the World's Best Inflight Entertainment award for a record 13th year at the prestigious Skytrax World Airline Awards 2017.

The airline also picked up the award for Best First Class Comfort Amenities, according to a statement.

The Skytrax World Airline Awards are considered a global benchmark of airline excellence. This year's results were decided by 19.8 million customers across 105 countries. The survey reviewed over 320 airlines from August 2016 to May 2017.

Emirates' inflight entertainment system, ice, was launched in 2003 and has continually led the industry since.

## Egypt slashes fuel subsidies in IMF-backed reform

AFP, Cairo

Egypt announced a new sharp increase in fuel prices on Thursday, as it slashes government subsidies in a tough IMF-backed reform programme.

The cabinet said that 82 octane petrol would sell for 3.65 pounds a litre (0.80 pounds a gallon) up from 2.35 (0.52), with

the same increase for diesel, while 92 octane petrol rose from 3.5 (0.77) to 5.0 (1.1) pounds.

The government first increased fuel prices in 2014 and again in November last year after floating the pound. The country had spent billions of dollars propping up the pound, which rose from 8.9 pounds to the dollar to 18 after its flotation.

## 10-year tax holiday for PPP projects

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The tax incentive comes at a time when 45 PPP projects are being implemented. The share of private investment in the projects is about \$14 billion, according to the budget speech of Finance Minister AMA Muhith.

Of the projects, loan agreements have been signed for nine projects while 13 projects are at the procurement stage, said Muhith on June 1.

He said state-run Bangladesh Infrastructure Finance Fund Ltd (BIFFL), established in 2011 to bankroll PPP infrastructure projects, has so far provided Tk 2,113 crore to 26 PPP projects.

"We have plans to invest about Tk 3,809 crore from BIFFL in 20 more projects in 2017 and 2018," he said.

The minister said the government has created necessary legal and institutional framework to mobilise private investment in the construction of public infrastructure under PPP arrangement.

The government has also formulated the procurement guidelines for PPP projects 2016 and the guidelines for Unsolicited Proposal 2016, which has infused dynamism in PPP activities, said Muhith.

Companies will also enjoy tax waiver on capital gains arising out of transfer of share capital.

The decade-long tax break will also be applicable in case of payment of royalty, technical know-how and technical assistance fees, according to another notification of the NBR.

In addition, foreign technicians appointed under the PPP schemes will enjoy 50 percent tax cuts on their incomes in the first three years of their engagement.

But they will not get the benefit after five years of commencement of commercial operations by the companies, according to the NBR.

## Exporters count losses for EU air cargo ban

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To address the situation, the exporters have scheduled a meeting with the aviation minister on Saturday, Rahman said.

"We want the earliest solution to this difficulty," he added.

Exporters send 800 tonnes to 1,000 tonnes of goods by air a day and they have to wait for long for screening due to the airport's low capacity.

Of the total quantity, garment items form the bulk. Nearly 700 tonnes of apparel items are shipped by air in a day, industry insiders said.

"This is not a good symptom for Bangladesh," said Kazi Wahidul Alam, an aviation expert, adding that the country's image has been tarnished due to declaration of red zone by the EU.

Bangladesh should have installed all the required machinery when the UK and Germany warned about this last year, he said. "But the progress is not even mentionable."

Subsequently, he urged the government to take the requisite steps urgently to restore the international community's confidence.

"Nobody has any good intention to install the machinery at the airport as per the suggestions of the EU," said a freight forwarder asking not to be named.

German carrier Lufthansa has given

warnings last year and the UK has been doing it even before, but the government has only passed the time without any visible action, he added.

The civil aviation authority has already increased the cargo handling charges by two cents although the services have not improved, said Mohammed Mansur, general secretary of Bangladesh Fruits, Vegetables & Allied Products Exporters' Association.

"In some cases, the service has deteriorated at the air port after the warnings from the UK and Germany."

Eight new machines were supposed to be installed last year for screening and security checks, but those are yet to be imported, he said.

The re-screening of goods to any third country airport preferably in Qatar, Dubai and Thailand takes a lot of time.

Previously, it took only 17 to 18 hours to reach to any EU country from Dhaka, but now it takes more than two days, according to Mansur.

Two explosive detecting devices are due to arrive from the US on July 4, according to Rashed Khan Menon, civil aviation and tourism minister.

"I hope the machinery could be installed by next month and the security would be improved."

## Samsung to invest \$380m, add almost 1,000 jobs in US

AFP, New York

Samsung plans to invest \$380 million and hire nearly 1,000 workers for a new plant in South Carolina to manufacture home appliances, the company announced Wednesday.

Samsung Electronics America described it as a "state of the art" facility that starting next year will build premium home products, including washing machines, and will be staffed with craftsmen, engineers and operators.

US Commerce Secretary Wilbur Ross, who is leading President Donald Trump's "America First" manufacturing and trade strategy, applauded the announcement and appeared at a signing ceremony with South Carolina officials.

Ross said in a statement the investment was "a direct reflection of the fact that America is becoming an even stronger destination for global businesses looking to grow."

Samsung said ultimately the facility in the southern US state will be "serving as the US hub for home appliance manufacturing across the business unit." "For nearly 40 years, Samsung has steadily expanded our operations in the United States," said Tim Baxter, chief executive of Samsung Electronics America.

"With this investment, Samsung is reaffirming its commitment to expanding its US operations and deepening our connection to the American consumers, engineers and innovators who are driving global trends in consumer electronics."

The company alluded to incentives granted by the state government as a factor in the decision to invest in the project, which upgrades a plant formerly owned by machinery manufacturer Caterpillar.

The South Carolina commerce department

said it approved job development credits for the project by the South Korean technology giant.

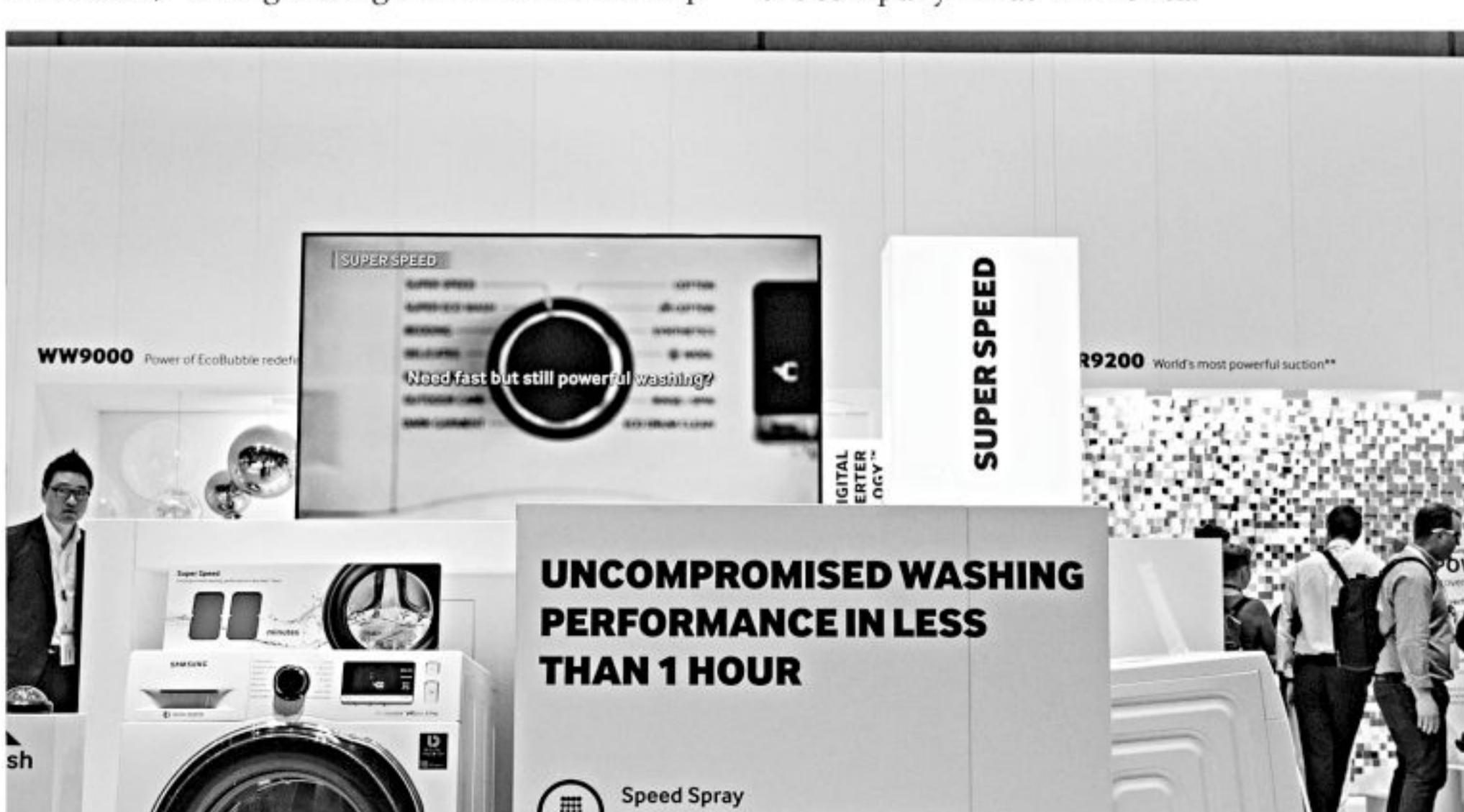
The facility also will receive \$2.75 million in incentives from Santee Cooper, an electric utility owned by the state, the Post & Courier newspaper reported.

A Samsung spokesperson declined to comment on the incentives package.

On its website, the South Korean company said the investment decision was driven by the highly skilled workforce in South Carolina, the state's record in attracting and retaining other global businesses, "strong local government leadership"

"We're expanding our footprint in the US to meet the surging demand for our products in that market and to increase the speed with which we can adapt our products to the preferences of American consumers," she said.

"Mexico is an important market for Samsung and our manufacturing operations in the country continue to serve as a major production bases for the company in Latin America."



A washing machine is on display at the home appliances section at the booth of South Korean electronics giant Samsung ahead of the opening of the 55th IFA (Internationale Funkausstellung) electronics trade fair in Berlin.

## Accord extends stay for three more years

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The buildings were either closed, and in some cases, immediately evacuated or compelled to make swift renovations to ensure basic structural integrity.

The agreement has so far been signed by more than 200 brands from Europe, North America, Asia and Australia and the number is expected to rise.

"The Accord is, at present, the only credible option for health and safety in Bangladesh's garment factories," said Valter Sanches, general secretary of IndustriALL.

Over the past four years, unions and worker safety organisations have worked together with global brands within the Accord to find a solution to the seemingly intractable problem of dangerous factories in Bangladesh, said Christy Hoffman, deputy general secretary of UNI Global Union.

Since the Rana Plaza tragedy, the Bangladeshi garment industry has grown and so has the Accord's importance, she added.

## Budget passed

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The budget outlined a development expenditure of Tk 159,013 crore, including Tk 153,331 crore for the annual development programme (ADP).

Muhith said the government's capacity to implement ADP has increased more than four times in its two terms.

The budget has outlined measures to fast-track the implementation of 10 large projects being financed by foreign assistance. "The financing of these projects has been ensured on a priority basis."

The budget, which takes effect from tomorrow, gave the highest allocation of Tk 25,740 crore to the defence ministry, followed by Tk 24,674 crore to the local government division, Tk 23,147 crore to the secondary and higher education division, and Tk 22,023 crore to the primary and mass education ministry.

It has outlined a gross expenditure of Tk 535,214 crore, which includes the amount the government spends to pay back the principal amount of both domestic and external loans.

But the amount set aside for the loan repayment is not included in the budget. So, the net expenditure for the new fiscal year stands at Tk 400,266 crore.

As the uniform 15 percent VAT is not being implemented, the government could have revised the budget estimates, both income and expenditure, said Khondker Golam Moazzem, research director of the Centre for Policy Dialogue.

"But the good thing is that the possible VAT-induced inflationary pressure will not occur."

## Govt may create a database of savings tools

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The IMF called for phasing out the savings instruments and increasing the issuance of low-cost treasury bonds and bills as an alternative.

The report presented various drawbacks, pointing out that the interest paid has amounted to about 1 percent of the country's gross domestic product (GDP).