

NBR moves to soften blow of VAT law delay

It is banking on tobacco products and rising economic activities to hit target

REJAUL KARIM BYRON

The revenue authority is relying on cigarettes and tobacco products and a steady growth of economic activities to soften the blow of the postponement of the new VAT law by another two years.

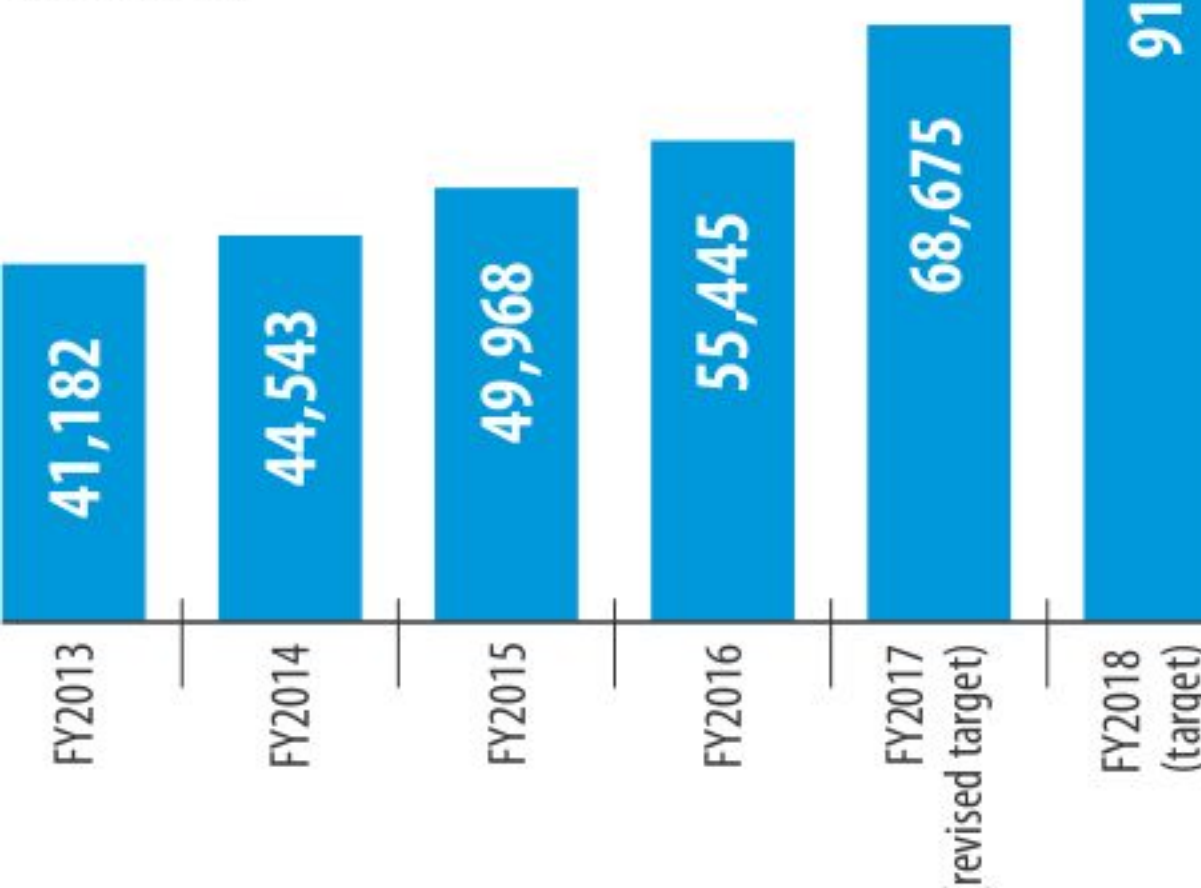
The finance division drafted a massive budget for this fiscal year banking on higher revenues from the implementation of the VAT and Supplementary Duty Act 2012 that prescribes a 15 percent VAT for most of the goods and services available in the country.

At the eleventh hour the implementation of the new VAT law was shelved by another two years by lawmakers, leaving a gap in the finance division's books.

However, the VAT collection target was not changed in light of the development. The last-minute nature of the

VAT COLLECTION

In crores of taka
SOURCE: NBR



change meant that the National Board of Revenue did not get enough time to make the requisite adjustments to its collection arrangements.

Some new measures could be taken under the existing VAT law, which is forecasted to generate about Tk 17,000 crore of additional revenue this fiscal year, according to taxmen.

But, it would be tough to achieve the VAT collection target of Tk 91,254 crore for the fiscal year, which is 33 percent higher than the outgoing year's receipts, they said.

The revenue authority registered 20 percent growth in collections last fiscal year -- the highest since fiscal 2013-14, according to NBR data.

"We are preparing a work plan to achieve the target through administrative measures, including curbing evasion and realising arrears," said a senior VAT official.

About Tk 11,000 crore of extra revenue would come for the steady economic growth, domestic demand and the price spiral of goods and services, he said.

More revenue will come after the price slabs for cigarettes and tobacco products were re-worked. "We expect to get Tk 5,000 crore more revenue from cigarettes, bidi and other tobacco products."

The NBR collected Tk 20,000 crore as VAT and supplementary duty from this category last fiscal year.

The small and medium traders will continue to pay package VAT this fiscal year, but the NBR doubled the amounts. For instance, the package VAT for traders in Dhaka and Chittagong city corporation areas was raised to Tk 28,000 a year from Tk 14,000.

The package VAT system brings the revenue authority less than Tk 20 crore a year. "The collection efforts will be intensified this time."

Besides, they would look to tap into new areas to achieve the annual collection target. However, even if the new VAT law came in to effect from this year it would have taken two-three years to get reap its full benefits, he added.



A Rouf Chowdhury

Bank Asia re-elects chairman

STAR BUSINESS DESK

A Rouf Chowdhury has been re-elected as the chairman of Bank Asia.

The election took place at a board meeting of the bank on Monday, the bank said in a statement yesterday.

Chowdhury, the main promoter of Bank Asia, is also the chairman of Rangs Group and Sea Resources Group. He is also a director of The Daily Star, an English daily of the country.

He was the president of Bangladesh Basket Ball Association for four years. He has also been a member of the executive committee for Kurmitola Golf Club for over 20 years.

Chowdhury is a graduate in business management from the Massachusetts Institute of Technology, USA.

4G licence holders must float shares

BTRC says in draft guideline

MUHAMMAD ZAHIDUL ISLAM

The telecom regulator in a draft guideline proposed that the 4G licence holders float their shares on the stock market.

However, it did not mention what percentage of shares must be floated.

The Bangladesh Telecommunication Regulatory Commission had earlier proposed the same at the time of 2G licence renewal, but it was scrapped in the final version of the guideline.

The draft guideline was posted on the telecom division website yesterday for obtaining feedback from stakeholders.

Of the mobile operators, only Grameenphone is listed on the Dhaka Stock Exchange. The operator floated 10 percent of its shares by way of an initial public offering in 2009.

Robi and Banglalink considered the option on several occasions but they never got round to doing it.

The operators will also have to pay Tk 150 crore as bank performance guarantee, which has to be paid in two separate segments, as per the draft 4G licensing guideline.

Of the amount, Tk 75 crore will be roll-out obligation that will be refunded once 4G services are launched within the BTRC-stipulated timeframe.

The other Tk 75 crore will remain with the BTRC as security deposit that will be used to clear future dues, if any.

As per the rollout obligation option, the operators will have to take their 4G services to all the divisional headquarters within the first nine months of getting the licence and to the district headquarters within 18 months.

They will get a total of three years to roll

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out 4G services across the country.

Upon successful completion of each rollout the operators would get Tk 25 crore back, said an official involved in the guideline formation process.

The BTRC has also proposed Tk 5 lakh as application fees.

In the draft there is scope for entry of a new player to the market; the entrant will have to purchase spectrum in the upcoming auction.

All existing 3G licence holders can apply for 4G licences.

The operators will have to share 5.5 percent of their revenues from 4G services with the BTRC and direct 1 percent of the 4G revenues to the social obligation fund.

The government is planning to introduce 4G services by this year. The mobile operators have already tested their network for 4G compatibility and got a reasonable 50 to 100 Mbps of speed for both uploads and downloads.

Regulator to offer 3 licences to run mobile towers

STAR BUSINESS REPORT

The telecom regulator has decided to award three licences to manage mobile towers in Bangladesh and separate telecom business from operators' network infrastructure.

A foreign company can hold 60 percent share in a tower management company, according to a guideline of Bangladesh Telecommunication Regulatory Commission (BTRC).

Mobile phone operators are not eligible to apply for the licence, said a top official.

Also, if a company holds shares in a mobile phone operator it has to dispose of the stocks before obtaining the licence, according to the guideline.

Currently, there are 35,000 telecom towers in Bangladesh and all of them are run by mobile phone operators. Once the full-fledged tower management companies come into being, the number of mobile towers will go down to 25,000, which, experts say, will save land and energy, and cut operational expenses.

The regulator has finalised the guideline in a commission meeting on June 29. The guideline will be sent to the government by this week for approval, said Md Sarwar Alam, spokesperson of the BTRC.

The tenure of the licence will be 15 years whereas licence fees will be Tk 50 crore. The BTRC also proposed Tk 5 crore as annual fees, according to the guideline.

Prime Minister's ICT Affairs Adviser Sajeeb Wazed Joy recently shared his suggestions with the telecom regulator on the guideline.

Initially, the BTRC had planned to recommend 49 percent shares for foreign companies and 51 percent for local entities in a single licence.

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Banks weighed down by bad loans, lack of quality manpower

Dhaka Bank MD says

JEBUN NESA ALO

Rising non-performing loans (NPL) and the dearth of quality personnel are the major challenges facing the banking sector, said a top banker.

The number of banks in the country is more or less proportionate to the size of the economy, Syed Mahbubur Rahman, managing director and chief executive officer of Dhaka Bank, told The Daily Star in an interview on Monday.

"But the quality manpower size did not grow."

Educational institutions and commercial institutions should work in tandem to develop quality manpower by giving students practical knowledge, he said. "Such practice is rare in Bangladesh."

As a result, students cannot perform well in a professional setting once they graduate, even with high scores.

The sector is suffering severely for shortage of experienced people in the mid- and top-level positions, he said.

Rahman, who has been in this



Syed Mahbubur Rahman

line of work for three decades now, elaborated on the overall business of the banking sector.

Expressing concern about the rising default loans, he said the banks' tendency to reschedule and restructure loans to show inflated profits ultimately cost them.

The loans eventually become default, raising the industry's NPL ratio. Bangladesh Bank data shows, classified loans to total

outstanding of the banking sector reached 10.53 percent at the end of March this year, up from 9.23 percent a quarter ago.

"Loan rescheduling is necessary but recovery will have to be good," said Rahman, who joined Dhaka Bank in November 2015.

Dhaka Bank maintains a higher provision from profits to keep its book clean, he said. As of March, the bank's default loan ratio was

4.34 percent, according to data from the central bank.

The banking sector may face a little liquidity crunch if the existing credit growth continues and the government takes Tk 20,000 crore for the power sector, he said.

"The power sector is a good sector for investment," he said, adding that the risk factor lies in project implementation.

The bank's total deposits stand at Tk 15,716 crore against the loan portfolio of Tk 13,468 crore. The bank made net profit of Tk 146 crore last year.

Dhaka Bank, which will step into its 22nd year of operation on July 5, is gradually switching its focus to retail banking from wholesale banking. It is re-vamping its consumer banking platform to make it more convenient for its customers.

The bank has also adopted a cost-cutting strategy to make it more agile going forward. It plans to reduce its fixed deposit portion and bump up current account, savings accounts.

READ MORE ON B3

Kishoreganj economic zone gets initial approval

STAR BUSINESS DESK

Bangladesh Economic Zone Authority (BEZA) has granted a pre-qualification licence to Kishoreganj Economic Zone, a concern of Nitol Niloy Group.

The KEZ is expected to create jobs for 15,000 people within the first five years of operations.

The licence was awarded at a ceremony at the Sonargaon hotel in Dhaka on Monday, according to a statement of Nitol Niloy Group.

Md Abul Kalam Azad, chief coordinator for Sustainable Development Goals Affairs under the Prime Minister's Office, Abdul Matlub Ahmad, chairman of Nitol Niloy Group, Paban Chowdhury, executive chairman of the BEZA, and Md Harunur Rashid, executive member of the BEZA, attended the ceremony.

The KEZ will be set up on 91.63 acres of land in Pakundia upazila near the Bhairab-Kishoreganj highway.

READ MORE ON B3

Asia leads in awareness of artificial intelligence

ASIA NEWS NETWORK

Asia leads in the awareness of artificial intelligence (AI) and positive impact belief, according to a survey conducted by ARM Co and Northstar Co.

Ian Smythe, a senior director at ARM, a UK-based leading supplier of microprocessor technology with Softbank among its shareholders, said the awareness of AI is just 21 percent in Europe as compared to 32 percent in the US and 42 percent in the US and Asia respectively.

on society is also highest in Asia with 74 per cent as compared to 61 per cent in the US and 42 per cent in Europe.

And the three most appealing applications of AI are thought to be medical apps that can diagnose illnesses earlier, traffic control that alter lights in real-time to cut congestion, and personal companions or assistants for fully automated vehicles.

The top three jobs where AI is perceived to be doing better than humans are heavy construction, package delivery and piloting public

transportation.

But the survey findings suggest consumers think that manufacturing and banking jobs are under threat the most, while jobs in science and healthcare are the safest.

In the survey on awareness of existing apps with AI, Apple's Siri topped the list, followed by Amazon, Nest, Facebook, Netflix, Pandora and Spotify.

There are mixed emotions to prospects of AI in the future with 27 per cent concerned and 25 per cent unsure, 20 per cent enthusiastic and 30 per cent excited.

Stocks continue positive vibes

STAR BUSINESS REPORT

Investors continue to show their confidence in stocks for the last one week, as the government backtracked from its plan to implement the uniform 15 percent VAT this fiscal year.

Index and turnover at Dhaka Stock Exchange (DSE) have been rising since the beginning of July.

Turnover on the premier bourse continued rising for the second day yesterday as enthusiastic investors put in fresh funds after the Eid vacation.

DSEX, the prime index of the bourse, increased 0.59 percent or 34.12 points before closing the day at 5,760.

The daily turnover stood at Tk 1,223 crore at the end of the trading session yesterday, up by 17 percent from the previous day. The turnover hit three-

month high of Tk 1,046 crore on Monday.

In the final half of the session, the index moved upward and closed positive with buoyant transaction, LankaBangla Securities, a stockbroker, said in its regular market analysis.

Among the major sectors, cement, textile and bank gained during the session. Some five textile companies featured in the top gainer list. Simtex Industries gained highest by Tk 2.8 a share to close at Tk 31.40.

Rupali Bank continued holding its position in the top gainer list for the last two days, as it declared higher operating profit for the first six months of 2017.

The state-owned bank made an operating profit of Tk 200 crore in the six months to June, up from Tk 32 crore

in the same period last year.

Each share of Rupali gained Tk 3.10 or 9.25 percent yesterday before closing at Tk 36.60.

Small cap companies dominated the top losers list. Beach Hatchery, a small company with a paid-up capital of Tk 41.40 crore, was the top loser with a decline of Tk 1.9 before closing the day at Tk 20.

Of the traded issues, 195 gained, 107 declined and 28 remained unchanged.

Chittagong stocks also gained yesterday with the bourse's benchmark index, CSCX, increasing 77.97 points or 0.72 percent to stand at 10,794.92.

Gainers beat losers as 146 scrips advanced and 88 declined while 27 closed unchanged on the Chittagong Stock Exchange.