Govt offices should use locally made software

BASIS made the call in budget proposals

STAR BUSINESS REPORT

THE government should promote the use of locally developed software and ICT services in all government offices to help the sector flourish, Bangladesh Association of Software and Information Services (BASIS) said yesterday.

In the next national budget, the government should also allocate at least 5 percent of the 'digitisation fund' especially for software and ICT services, the association said.

The country's leading platform for software and information services made the call at a meeting with Finance Minister AMA Muhith at his office in the capital.

The minister assured the BASIS leaders of working on the issue, Farhana A Rahman, senior vice president of the association, said after the meeting.

The government has allocated Tk 9,242 crore to specifically ensure digital services for citizens through the implementation of 76 projects in the current fiscal year. The figure was Tk 5,765 crore in 2016-17.

The association sought measures so the exporters do not face difficulties in getting 20 percent cash incentive on exports of software and ICT services.

They also wanted the process of getting a tax exemption certificate to be simplified and urged the revenue authority to withdraw all kinds of charges—including value added tax—on the use of internet.

A 15 percent VAT is imposed on broadband internet connections while the rate is 21.75 percent for internet use through mobile phones thanks to VAT, supplementary duty and surcharge.

Earlier, the Association of Mobile Telecom Operators of Bangladesh also demanded that the use of internet be made VAT-free.

BASIS also urged the finance minister to exempt the start-ups for the first three years from submission of tax returns.

BASIS

Senior Vice President of BASIS Farhana A Rahman leads a delegation to meet with Finance Minister AMA Muhith to place their budget proposals, at the minister's office in Dhaka yesterday.

Insurers want gain tax to go

STAR BUSINESS REPORT

The Bangladesh Insurance Association (BIA) yesterday demanded withdrawal of a 5 percent gains tax on bonuses given to policyholders against premiums.

The tax deterred people from taking up the policy, affecting the insurance industry, Sheikh Kabir Hossain, president of the BIA, told a press conference on the upcoming budget at the BIA headquarters in Dhaka.

Insurers said policyholders do not get much benefit against their deposits of premium, for which the imposition of the tax was illogical.

The association leaders have been seeking the withdrawal since its imposition in 2014.

Insurance companies do not offer attractive benefits to policyholders as the main objective of insurance is to give accident coverage, the association said in a statement.

The association also demanded a waiver of 15 percent source tax on agent commissions.

The agents are working as an arranger between insurance companies and clients, earning a certain percentage as commission over the collected premium, it said.

Agents have to pay a 5 percent income tax on the commission earnings and the imposition of the 15 percent source tax means that they are facing double taxation, the leaders explained.

The association also demanded giving a second thought to a 40 percent income tax on excess expenditure.

Companies have to face financial penalties from the regulatory authority if they exceed the annual expenditure limit. Moreover, they have to pay a 40 percent tax on the excess amount, meaning that the punishment has been doubled, the leaders claimed.

China relieved after trade tension; US business ambivalent

REUTERS, *Beijing*

CHINA on Monday praised a significant dialing back of trade tension with the United States, with the government saying agreement was in the interests of both countries while state media trumpeted what it saw as China's refusal to surrender.

The cooling of tension elicited mixed reactions from US business leaders dealing with China, with some happy to see the prospect of damaging tariffs fade, while others said it would be difficult for Washington to rebuild momentum to address what they see as troubling Chinese policies.

A trade war was "on hold" after the world's largest economies agreed to drop their tariff threats while they work on a wider trade agreement, US Treasury Secretary Steven Mnuchin said on Sunday.

The previous day, Beijing and Washington said they would keep talking about measures under which China would import more energy and agricultural commodities from the United States to narrow the $335 billion annual US goods and services trade deficit with China.

Speaking at a daily briefing, Chinese foreign ministry spokesman Lu Kang said both countries had clearly recognized that the reaching of a consensus was good for all.

"China has never hoped for any tensions between China and the United States, in the trade or other arenas," Lu said. But Chinese media was also quick to point out how the country had successfully defended its interests.

Mei Xinyu, a commerce ministry researcher, wrote on the WeChat account of the overseas edition of the ruling Communist Party's official People's Daily that the agreement preserved China's right to develop its economy as it sees fit, including moving up the value chain.

The deal also focused on China's "positive position" to increase imports rather than a "negative position" of getting it to cut exports, Mei said.

The official China Daily said everyone could heave a sigh of relief at the ratcheting down of the rhetoric, and cited China's chief negotiator, Vice Premier Liu He, as saying the talks had proved to be "positive, pragmatic, constructive and productive".

"Despite all the pressure, China didn't 'fold', as US President Donald Trump observed. Instead, it stood firm and continually expressed its willingness to talk," the English-language newspaper said in an editorial.

"That the US finally shared this willingness, means the two sides have successfully averted the head-on confrontation that at one point seemed inevitable", it said.

During an initial round of talks this month in Beijing, the United States demanded that China reduce its trade surplus by $200 billion. No dollar figure was cited in the countries' joint statement on Saturday.

Some in US business groups who had been pushing for tougher measures to pressure China to ease long-standing market barriers on US companies expressed disappointment.

James Zimmerman, a Beijing-based lawyer and a former chairman of the American Chamber of Commerce in China, said the Trump administration's move to walk back its threatened trade actions was premature, and a "lost opportunity" for American companies, workers and consumers.

"The Chinese are in a state of quiet glee knowing that Trump's trade team backed off on sanctions without getting any real and meaningful concessions out of Beijing," Zimmerman said.

But Jacob Parker, vice president of China operations at the US-China Business Council, called the apparent de-escalation in trade tension "a great bit of progress".

Japan's new 'Airbnb law': a double-edged sword

AFP

Room rental user Max Ikeda, a Ukrainian-Japanese living in Hiroshima, *left*, talks with rental house owner Nobuhide Kaneda, *right*, and his partner Hitomi Watanabe in Tokyo.

AFP, *Tokyo*

RENTAL platforms like Airbnb are hoping for a boost from a new law coming into force next month in Japan ahead of an expected surge in demand for the 2020 Olympics, but experts warn it could actually hamper business in the short-term.

Currently anyone renting out a room risks falling foul of the law but short-term rentals will be legalised on June 15, clearing up a legal grey area.

But the new law also introduces fresh restrictions, dismaying many who rent out rooms to tourists via Airbnb or similar platforms.

Would-be renters will have to register their lodgings with the authorities and the new law limits total overnight stays to 180 days per year.

The new legislation allows local authorities to impose their own restrictions too.

The tourist-magnet of Kyoto, for example, has said it will only permit rentals in residential areas between mid-January and mid-March, the low season for tourist arrivals.

Jake Wilczynski, Airbnb spokesman for Asia-Pacific, told AFP the new laws are a "clear sign that Japan is buying in to the idea of short-term rentals for individuals".

But many have cancelled reservations or simply taken their lodgings off the platform.

"Under the new law, Airbnb hosts will not be able to accommodate guests as easily as before. I hope this doesn't put the bar too high for us," 41-year-old Nobuhide Kaneda, who rents out a room in Tokyo, told AFP.

On an Airbnb discussion forum, an Australian host identifying herself as Narelle wrote: "I am... becoming frustrated that no one knows what is required."

"I also feel the three-month timeframe to organise a notification number is unrealistic."

Airbnb does not say how many properties on its platform already comply with the new laws but does not deny there have been some teething problems.

Wilczynski said the firm was "in the process of discussing the issue with the Japanese Tourism Agency".

"We are waiting for instructions," said the spokesman for Airbnb, which has informed its members of the legal changes.

Despite the new restrictions, there is a huge potential market for short-term rentals as the country gears up for Tokyo 2020 and the Rugby World Cup the previous year.

Airbnb rentals have boomed in recent years, driven by an increase in tourism and a surprising lack of hotel infrastructure.

With around 60,000 listings, Airbnb dominates the Japanese vacation rental market, even though it lags far behind many countries in Europe -- France, for example, has 450,000 listings. And demand is poised to rise as Japan targets an influx of 40 million visitors in 2020 when it hosts the Summer Olympics -- up from 29 million last year.

Yasuhiro Kamiyama, CEO of Hyakusenrenma, a local firm that manages 2,000 private rentals, said the new law will begin to "normalise Japan's Airbnb market".

He hopes to have 30,000 rental properties on his books by 2020.

Mizuho, a research institute, said that "vacation rental services are unlikely to rapidly expand after (the law's) introduction. But the potential needs are great among foreign tourists, particularly from Asia."

However, the loosening of the law will also open the door to fierce competition.

E-commerce giant Rakuten is planning to launch a property rental site as soon as it comes into effect and telecom group KDDI has also set up a reservation platform.

Hotel chains will also be stepping up their game, building new sites to counter "the risk of a shortage" come 2020, according to a recent research note from Mizuho.

An additional problem faced by potential hosts is opposition from neighbours, who worry about noise from holidaymakers or security.

According to Japanese media, there have been several cases of management companies or co-owners banning sub-lets in their buildings.

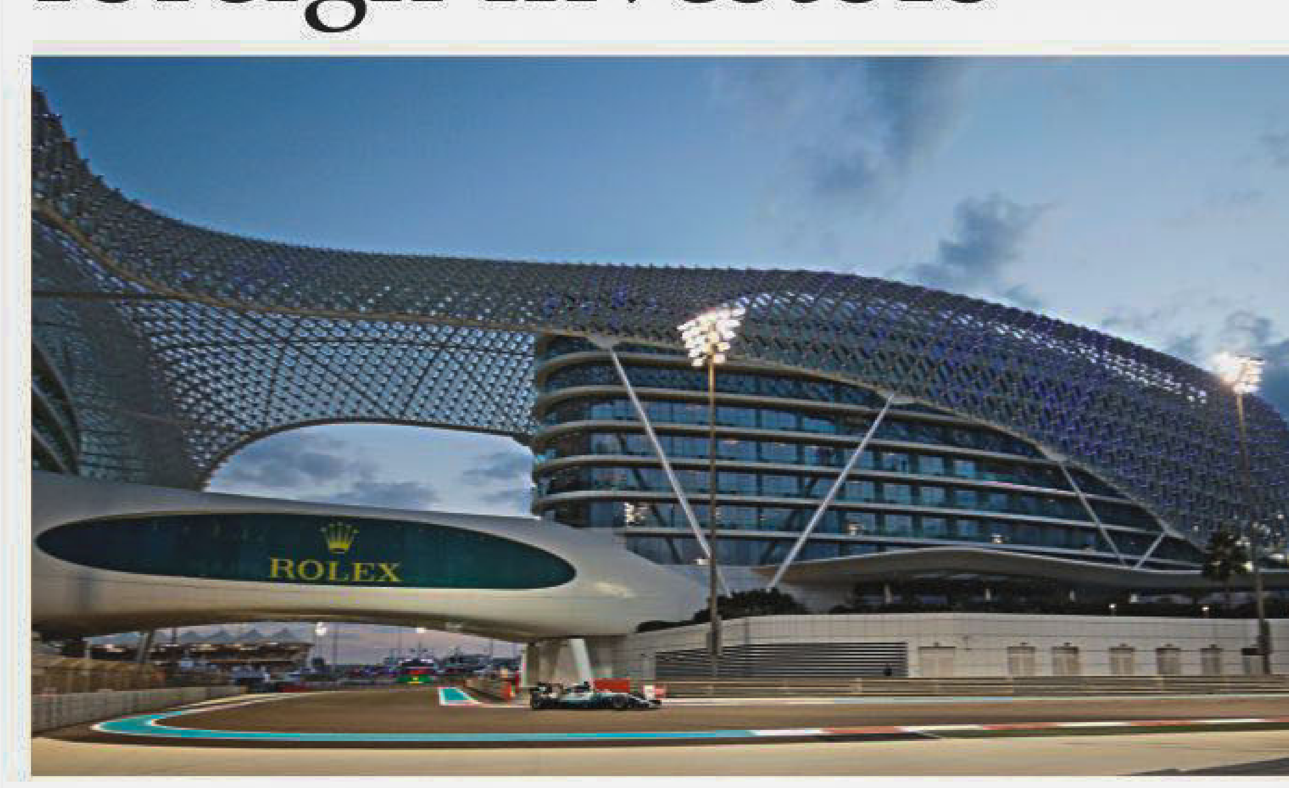
Soichi Taguchi, a Japanese tourism official, said the new laws were "urgently needed to ensure public health and prevent trouble with local residents".

But Airbnb called such incidents "extremely rare", and Hyakusenrenma's CEO said "all the problems have stemmed from illegal rentals because neighbours did not know who was operating them".

In a bid to overcome such local difficulties, some platforms offer extra services to manage rentals, such as providing the welcome to guests, handing over keys and showing them around the property.

Airbnb has forged a partnership with a service provider which registers properties with local authorities, and arranges wireless internet and cleaning after the rental.

UAE's new ownership, visa reforms to lure foreign investors



REUTERS

The Yas Marina circuit at Abu Dhabi in the UAE is seen.

AFP, *Abu Dhabi*

THE United Arab Emirates has announced plans to allow 100 percent ownership and visa incentives to foreigners, in a bid to attract investors to boost its slowing national economy.

The decision, taken by the UAE cabinet Sunday night, aims to lure "international investments and exceptional talent", according to Dubai ruler Sheikh Mohammed bin Rashed Al-Maktoum.

The new measures come amid signs of an economic slowdown in the oil-rich Gulf state on the back of lower oil prices, with reports showing the vital real estate and tourism sectors of Dubai struggling.

The decision will allow foreign investors 100 percent ownership of companies, coupled with 10-year residence permits for them and their families, according to a cabinet statement cited by WAM news agency.

The measures will come into force by the end of 2018, the statement said.

The UAE leads all Arab countries in terms of foreign direct investment, attracting $11 billion last year -- a jump of 22 percent on 2016 -- according to the International Institute of Finance.

Although it is the most diversified and open economy in the Middle East, foreigners can only own up to 49 percent of companies unless they are established in special free trade zones.

The new measures also grant 10-year long residence permits to professionals in the medicine, science, research and technical fields.

Like other energy-rich Gulf Cooperation Council (GCC) states, foreigners working in the UAE must have their residence permits made by a national sponsor known as kafeel.

The International Monetary Fund earlier projected that UAE economic growth would fall from 3.0 percent in 2016 to 1.3 percent in 2017.

Capital Economics, a London-based think tank, however has said that the UAE economy grew by just 0.5 percent last year.

It said that the economy of Abu Dhabi, the largest of the seven emirates making up the UAE and the richest in oil, shrank by 1.3 percent and 1.1 percent in the third and fourth quarters of last year, respectively.

In Dubai, sales and rents in the real estate sector slowed by five to 10 percent in 2017. The downturn is expected to continue through 2019, before picking up in 2020 when it will host the World Expo trade fair.