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Top taxpayers call for widening tax net

STAR BUSINESS REPORT

Honest and diligent taxpayers have urged the government to bring more people under the tax net as they think there were many more still taxable.

But that will not be an easy task if the fear of harassment by tax collectors is not allayed, they said.

Their comments came yesterday on the sidelines of a ceremony honouring 141 highest taxpaying individuals and companies for their sincere contribution towards the development of the country.

The National Board of Revenue (NBR) organised the programme at Pan Pacific Sonargaon Dhaka in a bid to encourage compliance so that the state can accomplish financing its development goals through domestic resources.

Bangladesh, with its economy growing by more than 7 percent a year, lags behind other developing countries in generating domestic revenue owing to tax evasion.

The Centre for Policy Dialogue recently said only 32 percent of people with taxable income pay tax.

The NBR data shows that the number of registered taxpayers and return submissions have been rising in the last couple of years. Yet, just over one percent of the population submit annual income tax returns now, which had hovered below one percent for several years.

Bangladesh's tax-GDP ratio, a measure of the state's capacity to finance its expenditure, stands at 9 percent whereas the developing country average is 15 percent.

"Tax net should be increased. It appears that the number of people with taxable income is higher than the number of people paying tax," said KM Tanjib-ul Alam, who was honoured in a category for lawyers.

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(Clockwise from top left) NBR Chairman Md Mosharraf Hossain Bhuiyan presents a memento to Finance Minister AMA Muhith for his "extraordinary contribution to tax collection" at a ceremony at Pan Pacific Sonargaon yesterday to recognise 141 highest taxpaying individuals and organisations. Mahfuz Anam, editor and publisher of The Daily Star; Rokia Afzal Rahman, chairperson of Mediaworld, the owning company of The Daily Star, and Matiur Rahman, editor and publisher of Prothom Alo, take a photo on being presented accolades. Guests at the programme. Standard Chartered Bank Bangladesh CEO Naser Ezaz Bijoy receives an award on behalf of the bank.

Farmers deprived of low-interest loans

AKM ZAMIR UDDIN

Farmers continue to face interest rate as high as 25 percent for agriculture loans as many banks prefer to disburse them through non-government organisations that keep a cut for themselves.

In the process, the central bank's intent to extend low-interest loans to farmers gets defeated.

Considering agriculture as a priority sector, the central bank usually sets the interest rate on farm loans at 2-3 percent rate less than the major credit products of lenders.

If the loans are disbursed through bank branches, farmers can get them at 9 percent interest rate.

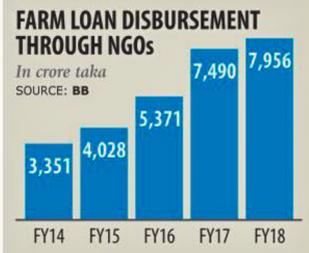
But when disbursed through NGOs

and microfinance institutions, the rate goes up to 20-25 percent as they take the funds from banks first at 9 percent interest and then give them out to farmers.

Banks turn to NGOs and microfinance institutions for farm loan disbursement to lessen their supervisory- and recovery-related costs.

The central bank earlier instructed lenders to distribute at least 30 percent of their annual farm loan disbursement target through their respective branches, but a number of banks disregarded the rule.

At least 26 banks disbursed more than 70 percent of their farm loans last year through NGOs, but the central bank has not taken any punitive measures against them. In fiscal 2016-17, the



number was 22. "Banks' dependency on NGO channel is on rise as the central bank has been overlooking the issue," said a BB official.

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BOOK-BUILDING METHOD

BSEC at its wit's end over manipulation

STAR BUSINESS REPORT

The chairman of the stock market regulator yesterday expressed deep frustration on the book-building method as it has failed to get fair prices for the recently listed companies.

Book-building is the process by which an underwriter attempts to determine the price to place a securities offering, such as an initial public offering, based on demand from institutional investors.

Institutional investors quote a higher price in the bidding through a collusive discussion, said M Khairul Hossain, chairman of the Bangladesh

Securities and Exchange Commission (BSEC).

"If they quote a higher price we have nothing to do," he said at the inaugural ceremony of a financial literacy programme for journalists.

But, market analysts said the issue managers advise the institutional investors to bid high, so that they get a good profit in the first few days of trading.

The Dhaka Stock Exchange (DSE) data shows the cut-off price of Aman Cotton was Tk 40, Bashundhara Paper Mills Tk 80, Aamra Networks Tk 39 and ACME Laboratories Tk 77.

In the first few days of trading,

Aman Cotton saw its price soar to Tk 83, which is 107.5 percent higher than the cut-off price.

Bashundhara Paper's share price touched Tk 181.60, which is 127 percent higher than its cut-off price.

Acme's share price hit Tk 120.8, which is 56.88 percent more than the cut-off price. The share price of Aamra Networks shot up to Tk 144.50, which is 270.51 percent higher than the cut-off price determined in the book-building process.

When the institutional investors sell their shares, the price tumbles, analysts said.

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Polls spending to fuel inflation

Economist says at BIDS event

STAR BUSINESS REPORT

Electoral expenditure will put pressure on inflation in the coming months, said experts at an event yesterday.

"Inflation is likely to remain upwards due to high expenditure centring on the upcoming national election," said Wahiduddin Mahmud, a noted economist and former adviser to the caretaker government.

He went on to express his confusion over inflation data.

"I am not saying there is manipulation in the inflation data and the growth rates, but the government should make the statistical data more credible," he said at the concluding session of the two-day BIDS Research ALMANAC 2018.

Inflation stood at 5.43 percent in September against the Bangladesh Bank's target of 5.8 percent.

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