

# Bourses demand corporate tax cuts

STAR BUSINESS REPORT

The Dhaka and Chattogram stock exchanges yesterday demanded a cut in the corporate tax rate for the listed companies to attract non-listed firms to the market.

They also demanded doubling of the gap in the corporate tax rate between listed and non-listed companies.

Currently, the corporate tax rate for the listed companies is 25 percent and for the non-listed companies it is 35 percent, meaning firms that went public enjoy a 10-percentage point advantage.

Now, the Dhaka Stock Exchange (DSE) says the gap should be widened to 20 percentage points.

"If the National Board of Revenue (NBR) gives the incentive, some companies will be attracted to be listed. And if they get listed, it will generate revenue for the government through share transaction and many other ways," said KAM Majedur Rahman, managing director of the DSE.

M Shaifur Rahman Mazumdar, managing director of the Chittagong Stock Exchange (CSE), said if the NBR cuts the tax rate, companies would feel inspired to go public. "This will leave a heavy impact on the market," he said.

The two spoke at a pre-budget meeting at the NBR in Dhaka yesterday. Representatives of the DSE, the CSE, the Bangladesh Merchant Bankers' Association

and many senior officials of financial institutions were present at the meeting.

There are more than 1 lakh registered companies in Bangladesh. Of them, 312 have been listed on the DSE as of January this year. The two bourses also sought tax exemption on dividend incomes up to Tk 1 lakh in a bid to encourage small investors to invest in the capital market.

At present, tax is exempted on dividend incomes up to Tk 25,000.

The DSE and the CSE also proposed to the NBR extend tax waiver to share transaction of companies that will be listed with the planned small capitalised bond.

Securities listed with the SME platform must pay a transaction tax of 0.05 percent as per the existing laws.

The bourses called for tax waiver for the listed SME firms for three years as these companies are small in terms of market capitalisation.

To develop the SME platform, the stockmarket regulator has already reduced the issue management fees, application fees, underwriting fees, initial listing fees and annual listing fees. If the new board doesn't get incentive, it will be difficult to stabilise the market, according to the DSE proposal.

Md Mosharrif Hossain Bhuiyan, chairman of the NBR, said the government was always in favour of the stockmarket.

"We will not take any decision in the budget that harms investors," he added.

# Loan recovery top priority

Says Padma Bank MD

STAR BUSINESS REPORT

Padma Bank has taken up a set of plans to make a turnaround from its current sorry state, starting off with the rebranding of its name this year to restore depositors' confidence and brighten its image.

Gross irregularities and loan scams had left the bank—formerly known as Farmers Bank—saddled with a huge amount of default loans.

The state-run bank set a target to reduce the amount of default loan by 40 percent this year, said Md Ehsan Khasru, its managing director, while addressing the bank's annual business conference at The Westin Dhaka yesterday.

The total amount of default loans stood at Tk 3,184 crore at last year's end, which was 59.55 percent of the total loan, according to Bangladesh Bank data. Recovering the loans is the bank's highest priority and bad loans will be recovered through third parties, said Khasru.

He said the bank plans to sell bad loans amounting to Tk 1,000 crore to asset management companies which specialise in loan recovery and it has already sought approval from Bangladesh Bank. The bank will bring down its advance deposit ratio (ADR) by this year in line with the central bank's guideline, he said.

The ADR remained above 85 percent in the last two years and stood at 116.67 percent in December last year, central bank data shows.

The bank issued subordinated bonds amounting to Tk 1,000 crore to raise capital for meeting liquidity crisis. Already Tk 250 crore has been raised, said the top executive.

The bank is making a turnaround fast as depositors have started returning to park their money, he added. Bangladesh Bank Governor



Finance Minister AHM Mustafa Kamal poses at the first annual business conference of Padma Bank at a hotel in Dhaka yesterday.

Fazle Kabir echoed Khasru on the priority being loan recovery. He said the bank would have to avoid aggressive lending and excessive spending.

The bank is going through an image rebuilding process so the management should stay alert so that no cheque is dishonoured, suggested Kabir, adding that the management and board would have to cultivate a corporate governance culture.

Finance Minister AHM Mustafa Kamal said no institution collapsed for money rather it was for management. A group of good people has taken the lead of the bank so it will be a safe bank for

depositors, he announced. "We do not want any bank to fall," said Md Ashadul Islam, secretary to the financial institutions division of the finance ministry. He said Padma Bank would be an example of how a falling bank can turnaround.

A group of big borrowers did not pay back their loans despite having the capacity, said Md Mosharrif Hossain Bhuiyan, chairman of the National Board of Revenue.

He said they piled up their loans to avail interest waivers and rescheduling facilities and the government should be alert of such borrowers.



IFTAKHAR UDDIN CHOWDHURY, vice-chancellor of the University of Chittagong, and Md Ahsanul Hoque Bashar, head of the Association of Chartered Certified Accountants (ACCA) Bangladesh, attend "Educators Conference on Future of Learning - Shaping the Accounting Profession" organised by the association at Chittagong Club on Friday.

# Expo on capital market begins tomorrow

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A three-day fair titled Bangladesh Capital Market Expo-2019 begins in Dhaka tomorrow with a special focus on promoting the stock market and highlighting its challenges and potential.

Online financial newspaper arthosuchak.com is organising the exposition in the capital's Bangladesh Shilpakala Academy that will remain open for visitors from 10am to 8pm.

M Khairul Hossain, chairman of Bangladesh Securities and Exchange Commission, is scheduled to open the fair, officials of the organiser said in a press meet at the Economic Reporters'

Forum in Dhaka yesterday.

In Bangladesh, the ratio of the stock market capitalisation to the gross domestic product stands at around 17 percent whereas it is nearly 80 percent in India and over 100 percent in Malaysia and Hong Kong, said Ziaur Rahman, editor of arthosuchak.com.

The main objective of the expo is to raise awareness among people and do branding of the stock market so that people get encouraged to invest in the market, he said.

Some 40 companies, including stock exchanges, stockbrokers, merchant banks, asset management firms, credit rating agencies, audit firms and

listed companies, will participate in the show.

GPH Ispat and Crown Cement are the lead sponsors of the expo while BBS Cables, Prime Bank Investment and UCB Capital are the other sponsors.

On the sidelines of the fair, four seminars will be held on the challenges of the corporate governance code, present situation of the financial sector, challenges and potential of infrastructural sector in the capital market, and capital market for long-time finance.

Kamrun Nahar, managing editor of the news site, was also present at the press meet.

# MIDAS Financing gets new chairman, MD



Nasir Uddin Chowdhury and Atiar Rahman Ansary

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Mohammed Nasir Uddin Chowdhury has recently been elected chairman of MIDAS Financing for a two-year period.

The election took place at the company's 303rd board meeting, says a statement.

The company also appointed Md Atiar Rahman Ansary, the general manager, as managing director (current charge). Chowdhury is currently serving LankaBangla Securities as managing director and LankaBangla Investments as director. He was also the managing director of LankaBangla Finance.

Chowdhury also served LankaBangla Securities Limited as chief executive officer. He completed his post graduation in marketing from the University of Chittagong. Ansary joined MIDAS as an entry level officer in 1987. He completed his bachelor's and master's from the University of Dhaka.

# Gold hits three-week low

REUTERS

Gold prices slipped on Tuesday to their lowest in more than three weeks as waning concerns about a global economic slowdown lifted equities to multi-month highs, denting the precious metal's safe-haven appeal.

Spot gold was down 0.1 percent at \$1,286.41 per ounce by 0732 GMT, after touching its lowest since March 7 at \$1,284.76 earlier in the session.

# Local makers flex muscles

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Md Ole Ullah, managing director of Janata Industries, said the government has given priority to the agriculture equipment industry to promote local manufacturers and mechanise the agriculture sector in order to achieve higher growth.

"We are improving the quality of our equipment day by day," he said, adding that mechanisation is helping the agriculture sector produce more and reduce production cost. According to the USAID, 11 lakh farmers applied new technologies to their farms in 2018.

Badrul Alam Bhuiyan, production engineer of Jamil Engineering Ltd, said farmers are yet to know about the utility of agriculture equipment.

The firm makes 29 types of agriculture equipment with prices ranging from Tk 3,000 to Tk 1.65 lakh. Jamil Engineering began producing agriculture equipment in 2007 and its earnings reached Tk 7 crore in 2018.

# Japan-US trade talks likely to be held April 15-16

REUTERS, Tokyo

Japan and the United States are likely to hold their first round of trade talks in Washington on April 15-16, a Japanese government source with direct knowledge of the matter told Reuters on Tuesday.

Japanese Economy Minister Toshiyuki Motegi told reporters earlier on Tuesday he would travel to the United States as early as this month to start negotiations with his counterpart US Trade Representative Robert Lighthizer.

US President Donald Trump has made

clear he is unhappy with Japan's \$69 billion trade surplus with the United States - nearly two-thirds of it from auto exports - and wants a two-way agreement to address it.

Trade frictions between Tokyo and Washington have been present since Trump took office in 2017 with a pledge to renegotiate trade deals he considers unfair to US companies and workers.

The Trump administration is also engaged in ongoing trade talks with both the European Union and China as part of the Republican president's "America First" agenda.

# Mechanisation key to higher farm yield

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If the harvester is used, crop loss comes down within 2 percent whereas it is more than 10 percent in case of traditional harvesting, he said.

Machines for transplanting and harvesting helps to cut labour cost and save time but a lot of investment is required to purchase those, which is a drawback consider the fact that those have no multipurpose use.

There are very few formal financing facilities for agricultural mechanisation in Bangladesh, he said, adding that the banks were giving out agricultural loans every year but those were not being used for mechanisation.

"There is no monitoring in Bangladesh on where the agricultural loans are going. In India, the Reserve Bank of India conducts monitoring on a quarterly basis," he said.

Palli Karma-Sahayak Foundation, SME Foundation and banks' SME loans can be provided to those who purchase agricultural machines to rent those out, he said. The government can dedicate some branches of banks to provide agricultural

mechanisation loans, he said.

He proposed that a government-to-government deal be signed with Japan for a line of credit to promote agricultural mechanisation.

Mechanisation is very important when it comes to attracting next generation farmers who are educated and seeking profits, he said, adding, "Profitability in farming is a big question now."

Subsidies will not be required if the government can ensure good prices to farmers for their agricultural produce, he said. The government can also go for forming a price commission, the official said.

Businesses involving agricultural mechanisation are not that popular in Bangladesh, he said.

People in the business are not even considered for the commercially important person status but they deserve it, Das said.

Some of the big local companies, including Rahimafrooz, Gazi and Walton, had earlier opened agri-mechanisation wings in their business but abandoned those as it is difficult to generate profits, he said.

# Private credit growth hits 53-month low

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So, many banks have almost slowed down their lending to avoid criticisms, said Rahman, also the managing director of Dhaka Bank.

Banks have also been on a dollar purchasing spree from the central bank for months to meet import payments, casting a pall of gloom over their deposit base.

"This is an indication that a dark cloud will hang over the banking sector soon as loan disbursement is the pivotal component for

lenders to enjoy profit," Rahman added.

Lenders had earlier provided substantial credit for implementation of the mega infrastructure projects, a move that has dried up the available liquid funds in banks, said Faruq Mainuddin Ahmed, managing director of Trust Bank.

Confusion has been created for both banks and clients about the interest rate on lending and deposit, which has had a negative impact on the financial health of lenders, he said.

# Bapi re-elects president, secretary general



Nazmul Hassan and SM Shafiuzzaman

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Nazmul Hassan, a lawmaker and the managing director of Beximco Pharmaceuticals, and SM Shafiuzzaman, managing director of Hudson Pharmaceuticals, have recently been re-elected president and secretary general respectively of the Bangladesh Association of Pharmaceuticals Industries (Bapi) for 2019-21.

The election took place at the association's 48th annual general meeting, according to a statement. Abdul Muktedir, chairman and managing director of Incepta Pharmaceuticals, was elected senior vice president while Harunur Rashid, managing director of Globe Pharmaceuticals, and Halimuzzaman, deputy managing director of Healthcare Pharmaceuticals, were re-elected vice president and treasurer respectively.

Salman F Rahman of Beximco Group, Mizanur Rahman Sinha of ACME Laboratories, Tapan Chowdhury of Square Pharmaceuticals, Momenul Haq of General Pharmaceuticals and MA Hassan of Aristopharma were elected advisory committee members.

# IMF warns of revenue leakage

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Subsequently, the Washington based-lender suggested analysis of the fiscal impact before amending the VAT and Supplementary Duty Act 2012.

The IMF team's opinions come just two months before the planned implementation of the Act from July 1 after a two-year deferral.

IT systems will have to be adapted to the new system and accordingly incorporate the recently announced changes and will need to be fully tested in advance of the launch of the new system.

"The NBR has much to do in a short time in order to ready for the implementation of the VAT reforms," the report said, citing the need for drafting relevant provisions for any changes in the law.

VAT is the biggest source of revenue for the government. The World Bank earlier said the implementation of the new VAT law under an automated environment would increase the VAT to GDP ratio by at least one percentage point of GDP by 2019. In the fiscal year of 2012-13, the ratio was 3.7 percent.

Subsequently, the government took up a \$60 million project to automate the VAT administration.



NAGINA AFZAL SINHA, chairman of ACME Laboratories; Mizanur Rahman Sinha, managing director, and Shams Abdullah Muhaimin, head of transaction banking of Prime Bank, attend a deal signing ceremony in Dhaka yesterday for "PrimePay", a digital platform of the bank for processing payment instructions.