STOCKS
DSEX Closed | CSCX Closed

COMMODITIES (FRIDAY CLOSING)
Gold $1,340.00 (per ounce)
Oil $63.29 (per barrel)

ASIAN MARKETS (AS ON FRIDAY)
MUMBAI 0.22% 39,615.90
TOKYO 0.53% 20,884.71
SINGAPORE 0.64% 3,166.29
SHANGHAI Closed

CURRENCIES (AS ON TUESDAY, STANDARD CHARTERED BANK)	$USD	€EUR	£GBP	¥JPY
BUY TK	83.50	92.42	105.01	0.76
SELL TK	84.50	96.22	108.81	0.80

Star BUSINESS

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Five VAT rates on cards

Rejaul Karim Byron and Sohel Parvez

The government is likely to whittle down value-added tax rates to five from existing seven as it is getting ready to implement the new VAT law from the next fiscal year, seven years after its enactment.

This means, the government will move away from a uniform 15 percent VAT rate envisaged in the VAT and Supplementary Duty Act 2012.

The five rates are 2 percent, 5 percent, 7.5 percent, 10 percent and 15 percent.

The multiple rates aim at reducing pressure on consumers and small businesses, according to officials.

To offset the impact of revenue loss, the government is going to keep 15 percent VAT on various goods and services, by automating the VAT system, from July 1.

However, the full implementation of the much-talked-about law would take place in phases.

The finance ministry had initially planned to introduce three VAT rates and informed the IMF about it.

Finance Minister AHM Mustafa Kamal told the media after a meeting on March 31 that the new law would comprise three rates: 5 percent, 7.5 percent and 10 percent.

At the same event, Md Mosharraf Hossain Bhuiyan, chairman of the National Board of Revenue (NBR), said the 15 percent standard rate would also continue along with the three rates.

Currently, 15 percent VAT is applicable on sectors such as cigarette and telecommunications and these two sectors account for more than 45 percent of the total VAT collection. So, a cut in the rate will cause VAT receipt to decline, said officials of the NBR.

The NBR collects VAT on 84 products, including powdered spices, biscuits, LP gas, paper, exercise books, bricks and rod based on tariff value, or administered value, in order to keep the prices of the items affordable to consumers.

It realises VAT on 16 services based on truncated, or reduced rates of VAT.

The tariff value and truncated value-based rates may not continue in the next fiscal year. As a result, the prices of a number of goods and services may go up.

To reduce the impact, the government is considering 2 percent VAT on some essential products and services in the next fiscal year, said officials.

Framed at the prescription of the International Monetary Fund (IMF), the law originally envisaged a uniform 15 percent VAT, sparking protest from businesses, particularly from the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) on grounds that the enforcement of the law would hurt small and medium businesses and stoke inflation.

In the face of the protests, the government thrice deferred the enforcement of the new law, with the latest postponement came in June 2017 that pushed back the enactment by two years.

In order to ensure smooth implementation of the law from 2019-20, Kamal, the NBR and the FBCCI met several times earlier, and all agreed in principle to go for the multiple rates.

To appease businesses, Kamal on several occasions said that the law would be implemented gradually.

The NBR officials say VAT rebate benefit for goods and services except for the items having 15 percent rate may go as per a government plan. In such cases, the total incidence of VAT may go up for various items.

Muhammad Abdul Mazid, a former chairman of the NBR, said, "It will be challenging to administer the multiple tax system. In the absence of rebate, the scope of VAT will widen."

He recommended the government form a permanent expert panel to address the problems that will arise during the implementation of the law.

"Focus should be on automating the VAT system fast," he added.

Ahsan H Mansur, executive director of Policy Research Institute of Bangladesh, said the incidence of tax may go up to 37.5 percent if businesses do not get rebate, or input tax credit. It appears that manufacturers will opt for 15 percent VAT to avail the rebate, he said.

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Sluggish deposit growth poses stability risks: BB

AKM Zamir Uddin

The continued slowdown in deposit growth can go on to raise concerns of stability of the banking sector, said a Bangladesh Bank report -- in a pressing call to the government to cut down the interest rate on national savings certificates.

Deposit growth in the banking sector has been tumbling in the last four years: in 2018 it stood at 9.80 percent, down from 10.60 percent a year earlier and 13.30 percent from four years earlier.

And the large sales of national savings certificates, which come with higher interest rates than banks' deposit products, has been blamed for the low deposit growth.

There is no other option but to slash the national savings tools' interest rates as soon as possible to bolster banks' deposit mobilisation, said Ahsan H Mansur, executive director of the Policy Research Institute.

The deepening liquidity crisis in banks has already had a negative impact on their lending activities, said the central bank's financial stability report.

In 2018 it stood at 14.10 percent, down from 18.90 percent a year earlier.

The country's economic development will face an impediment if the lending growth declines, said Shafiqul Alam, managing director of Jamuna Bank.

"We have to maintain a balanced growth for both deposit and lending in the interest of the GDP growth. The authority concerned should explore all avenues to help banks mobilise their deposits," he added.

Mansur, also a former economist of the International Monetary Fund, said the central bank should stop selling US dollar in order to curb the unnecessary imports.

"And of course, the government will have to stop borrowing from the banking sector. Otherwise, it will widen the cash shortage more."

The government should turn to foreign funds to implement its mega infrastructural projects to help banks alleviate their ongoing crisis, Mansur added.

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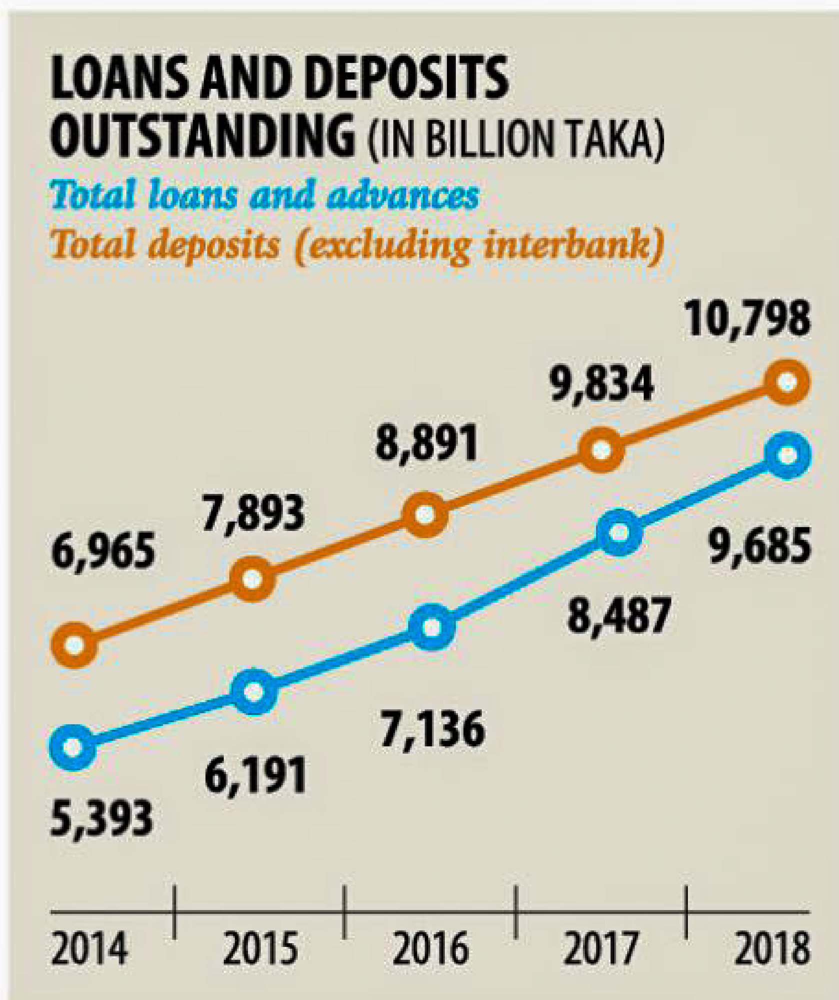

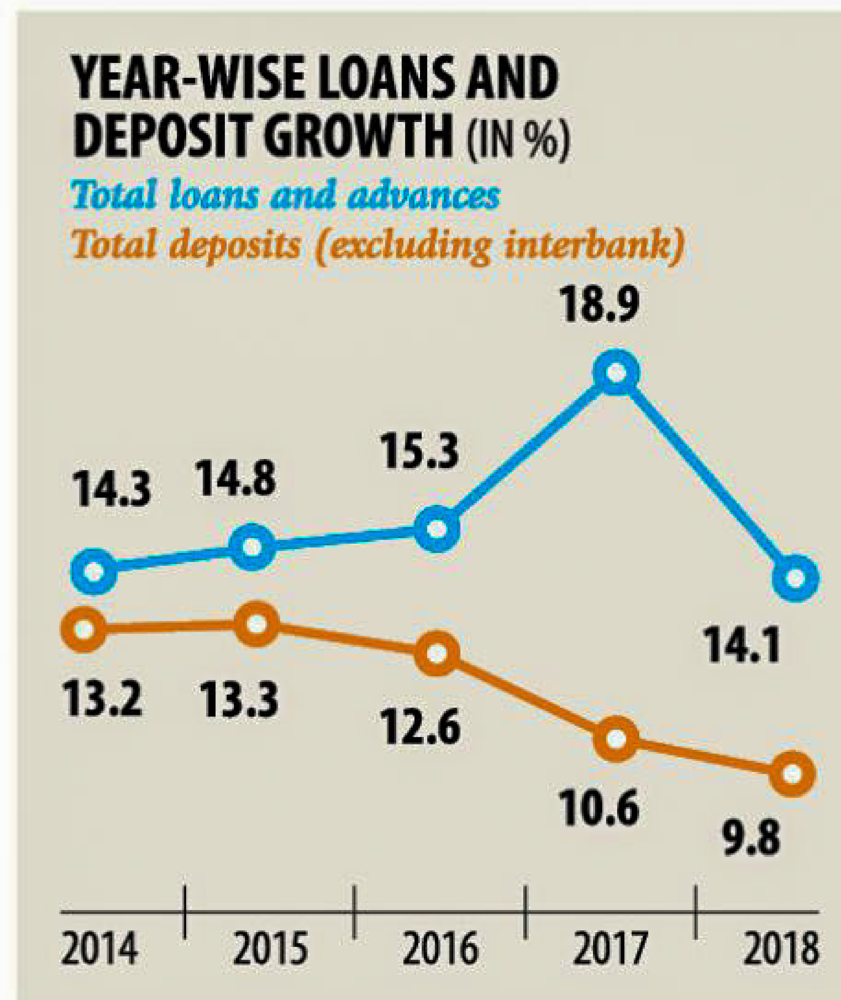

Cash incentive inadequate

Exporters say govt's proposed hike in incentive won't boost shipments

Refayet Ullah Mirdha

The government's proposal to increase cash incentive by one percentage point for exporters is insufficient to jumpstart shipments from many sectors, said leaders of different trade bodies.

"It is absolutely inadequate considering the current situation of the garment sector," said Rubana Huq, president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), yesterday.

At present, garment shipments to new markets -- which are destinations other than the US, the EU and Canada -- and the use of local yarn yield 4 percent cash incentives.

The sector, the country's main export earner, demanded 5 percent cash incentive on export receipts for all for at least the next five years due to the rising costs amid implementation of a new salary structure in the industry.

"The garment sector, especially the small and medium factories, needs a boost from the government as we are passing through a bad time," Huq said.

Echoing with the views of Huq, Monsoor Ahmed, secretary to Bangladesh Textile Mills Association (BTMA), said the cash incentive on export should be at least 7 percent for the benefit of the primary textile sector.

The primary textile sector entrepreneurs enjoy 4 percent cash incentive if the garment exporters source the yarn and fabrics from them.

"One percent incentive is too little and seven percent is rational for the sector," Ahmed told The Daily Star.

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STAR/FILE

To boost shipments, 26 sectors are now provided with cash incentives ranging from 2 percent to 20 percent of their export proceeds.

PRE-BUDGET ANALYSIS

PwC proposes tax incentives to attract FDI

Star Business Desk

The government should analyse the possibilities of fiscal incentives to draw interest of the investors and entrepreneurs in power and automobile sectors along with development of infrastructure and backward areas, PricewaterhouseCoopers said in its pre-budget analysis.

These incentives not only attract foreign investments to meet the rising investment requirements to boost economic growth but also contribute to the macroeconomic stability by enhancing employment opportunities, it said.

To attract new investments in these areas which would boost the economic growth of the country, the government should consider policies to remodel the existing incentives, said the global network of firms delivering world-class assurance, tax and consulting services.

Sushmita Basu, partner of PwC; Kapil Basu, director; Alok Goenka, assistant manager, and Sk Aminul Islam, associate manager of PwC, prepared the analysis.

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Agricultural census 2018 begins today

Unb, Dhaka

The sixth agricultural census 2018 begins today to collect latest information on the country's crops, fisheries and livestock resources.

Agriculture contributes 13.31 percent to the country's gross domestic product while 40 percent people are directly and indirectly involved in the sector.

The census will continue until June 20, according to Bangladesh Bureau of Statistics.

It is being conducted as per the guideline of World Programme for the Census of Agriculture-2020 (WCA 2020) of the Food and Agriculture Organisation.

Modular approach will be followed for data collection. Short questionnaire will be used initially and later, sample census will be conducted through long questionnaire in farm households.

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Stock trading resumes today

Star Business Report

Trading at the stock market is going to resume today after a nine-day Eid vacation.

The trading on the bourses begins at 10:30am and will continue until 2:30pm as usual. The office hours are from 9:30am to 5:30pm.

The vacation began on May 31 on the occasion of Eid-ul-Fitr and included the weekend and a special holiday.

On the last trading day before the vacation, stocks performed well as investors showed appetite for stocks amid high post-Eid expectations.

On May 30, the DSEX, the benchmark index of the Dhaka Stock Exchange, went up by 23.54 points, or 0.44 percent, to settle at 5,377.

Turnover, another important indicator of the market, rose to Tk 425 crore, up by 28 percent.

STOCKS BEFORE BUDGET

Indices under strain as usual

PRE-BUDGET MARKET
(In three months until budget is announced)

YEAR	FALL IN INDEX (IN POINTS)
2019	368.88
2018	455.52
2017	158.51
2016	16.09
2015	90.11
2014	301.01

Ahsan Habib

Stock markets remain skittish ahead of the unveiling of a national budget as the government's annual financial plan in recent years has mostly lacked incentives needed to shore up investors' confidence.

What is more, rumours of policy changes related to companies' earnings run deep before the finance minister proposes the budget for a fiscal year.

As a result, the key index normally falls during this period and this year is no different.

The DSEX, the key index of Dhaka Stock Exchange, has lost 368 points in the three months to the budget, according to data from the premier bourse.

The scenario was the same in the previous five years when the index shrank 455.52, 158.51, 16.09, 90.11 and 301.01 points respectively.

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