STOCKS		COMMODITIES		ASIAN MARKETS			
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.46%	▲ 0.53%	▼ $1,349.30 (per ounce)	▼ $60.85 (per barrel)	▲ 0.22%	▼ 0.72%	▲ 0.96%	▲ 0.09%
5,400.23	10,044.72			39,046.34	20,972.71	3,238.73	2,890.16

CURRENCIES — STANDARD CHARTERED BANK

	$USD	€EUR	£GBP	¥JPY
BUY TK	83.50	92.79	103.71	0.75
SELL TK	84.50	96.59	107.51	0.79

Star BUSINESS

DHAKA WEDNESDAY JUNE 19, 2019, ASHAR 5, 1426 BS ● starbusiness@thedailystar.net

Advance tax on imports to raise cost of business

Sohel Parvez

The introduction of 5 percent advance tax (AT) on imports from next fiscal year will push up operational costs of businesses, particularly for domestic market-oriented industries, said entrepreneurs.

The AT, which was imposed under the new Value Added Tax (VAT) system, would be adjustable with the total VAT in their returns.

The levy comes so that firms keep records of their sales and purchases properly to adjust or seek refund of the advance tax that they would pay during bringing in goods from abroad, said officials of the National Board of Revenue.

This will facilitate the revenue authority to widen the VAT net as well as curb the scope of money laundering through trade mis-invoicing.

Businesses, particularly those who make goods to cater the domestic market, said the AT would add a big burden for the banking sector that is already suffering from liquidity crisis.

"We are not getting the working capital to meet the requirements for our existing business. If we are to pay 5 percent advance tax on imports, we will have to get the additional fund from banks," said Manwar Hossain, chairman of the Bangladesh Steel Manufacturers' Association.

"It would be very difficult for banks to provide the additional funds."

"This will add to the liquidity crisis and make our lives difficult. And the indirect cost of businesses will increase," Hossain said, adding that port charges would rise if businesses cannot release their containers on time.

The provision of AT should not apply to manufacturers. "It can be imposed on commercial importers," Hossain said.

Industry operators said commercial importers had to pay advance trade VAT (ATV) under the VAT law 1991.

Manufacturers though were exempt from ATV. Now, under the new VAT law, both traders and manufacturers will have to pay the AT. The newly slapped advance tax would not be applicable for goods on which VAT is exempt at all stages -- import, production and trade.

Manufacturers were required to deposit advance VAT before the supply of any goods under the 1991 VAT law, NBR officials said.

Under the new law, they will not have to pay VAT in advance. They will have to pay VAT at the end of a month, particularly during the submission of VAT returns.

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Tax measures to boost local industries: PwC

Star Business Report

The finance minister has proposed a number of tax measures in his budget that will help local industries grow, according to a PricewaterhouseCoopers (PwC) analysis.

The analysis said local industries, such as small and medium enterprises, footwear and pharmaceuticals that make cancer medicines, industrial gases, lifts, refrigerators, air conditioners and some other services sectors got different tax benefits in the proposed budget. PwC, however, found that the proposed duty hike on some other items would negatively affect consumers.

The US-based auditing and accounting firm yesterday came up with the analysis on the national budget placed in parliament on Thursday. SMEs with a turnover of up to Tk 50 lakh will enjoy full exemption from payment of 4 percent of VAT, up from the existing ceiling of Tk 30 lakh, it said.

OBSERVATIONS

- Govt cannot but legalise black money
- 15pc tax on stock dividend and retained earnings and reserve to help general investors
- Results from the new VAT act will come after 2-3yrs
- No scope for businesses to abuse the act
- Businesses should inform govt if they face problems with 5pc advance tax on import

Customs duty on the import of raw materials of lifts, refrigerators, compressors, air conditioners, and electric motors will be reduced to 1-5 percent, which will give a boost to the domestic manufacturing, said the firm at a press conference at its Dhaka office.

Regulatory and supplementary duties on import of inputs for the footwear industry are also exempted, which is a good step for promoting the sector, said Pulak Saha, a partner at PwC for tax and regulatory services.

He, however, said some budgetary measures that proposed hiking tax would have a negative impact on consumers.

Import of smartphones will be costlier because of an increase in customs duty from 10 percent to 25 percent. An increase in customs duty on milk powder and export duty on rice bran will create a pressure on consumers.

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Budget goes against Digital Bangladesh: Amtob

Star Business Report

The Association of Mobile Telecom Operators of Bangladesh (Amtob) yesterday called upon the government to revisit the budget proposal about telecom sector because it goes against the Digital Bangladesh vision.

If the proposed budget is passed without any change it will increase the cost of mobile usage for consumers and will also hinder the digitalisation process, the Amtob said in a press conference at the Pan Pacific Sonargaon Dhaka.

Every year in the budget the industry is presented with different moves that go against the government's Digital Bangladesh vision, said Mahtab Uddin Ahmed, the acting chairman of Amtob.

And this year the proposed budget is contradicting with different policies and rules of the government, said Ahmed, also the CEO and managing director of Robi.

This imposition of increased taxes on the mobile industry was contradictory with the Foreign Private Investment (Promotion and Protection) Act, 1980 as such taxation would result in capital erosion for the loss-making overseas telecom operators, said SM Farhad, secretary general of Amtob. "Rather than supporting this vital industry further, the government has decided to add to the back-breaking tax structure."

The proposed budget has undermined the contribution made by the telecom industry to implementing the vision of Digital Bangladesh.

"The telecom industry contributes more than 6.2 percent to GDP but there is no reflection of this fact in the proposed budget. It is widely recognised that the sector in Bangladesh is loaded with the highest tax burden in the world," Farhad added.

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AMTOB

Mahtab Uddin Ahmed, acting president of the Association of Mobile Telecom Operators of Bangladesh, speaks at a post-budget press briefing at the Sonargaon hotel in Dhaka yesterday.

Indonesian firm to supply coal to Payra power plant

Star Business Report

Bangladesh is going to import coal for the first time for a power plant as part of its efforts to diversify the fuel mix in the electricity generation sector.

Bangladesh-China Power Company signed a deal with an Indonesian firm at a hotel in Dhaka on Sunday to import the coal from the Southeast Asian country for the 1,320-megawatt coal-fired Payra power plant in Patuakhali.

Dipak Kumar Dhali, secretary of state-run North-West Power Generation Company, and Purnomo Yusgiantoro, chairman of PT Bayan Resources Tbk, inked the deal.

A statement of the power division confirmed that this was the first agreement for coal import.

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Tax on retained earnings to imperil FDI: Ficci

Star Business Report

Multinational companies will feel discouraged to reinvest from their incomes if the proposed 15 percent tax on their retained earnings and stock dividends gets go-ahead, leaving a negative impact on the inflow of foreign direct investment (FDI), said officials of the Foreign Investors' Chamber of Commerce and Industry (Ficci) yesterday.

"I think many chambers raised this issue, to be relooked. We do not have this money because retained earning does not mean that we actually have this money in the banks. We need to review this," Shehzad Munim, president of Ficci, said at its regular luncheon meeting at the Westin hotel in Dhaka.

He was addressing a section of Ficci members with Mosharraf Hossain Bhuiyan, chairman of the National Board of Revenue (NBR), as the guest of honour.

Around 36-40 percent of the total FDI that Bangladesh receives every year comes from the retained earnings of multinational companies operating in Bangladesh, which are later reinvested, Munim said.

"It is a significant amount that we actually retain within the business in Bangladesh that enables us to invest for growth and that is the main reason you have retained earnings in the business."

Most of the money will actually go out of the country if the tax on retained earnings is imposed as most of the shareholders of the multinational companies are from abroad, he said.

"If we are to reinvest into the business, then we have to retain this money. If 15 percent tax is imposed, most of the companies will face serious problems. Paying 15 percent tax is almost impossible for us," he added.

Advocating for exemption of 7.5 percent VAT on e-commerce business, Munim suggested that the government help this new kind of business to grow further.

He also suggested that the government take at least six months' time to impose new multiple rates of VAT in business so that the companies can be accustomed with the new system.

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Inflation hits 13-month high

Star Business Report

Inflation hit a 13-month high in May thanks to a sharp increase in prices of non-food items on the occasion of Ramadan, which typically sees a spike in consumption.

Last month, inflation stood at 5.63 percent after advancing five basis points from April, according to data from the Bangladesh Bureau of Statistics (BBS), which was unveiled yesterday by Planning Minister MA Mannan. It was six basis points higher than a year earlier.

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SOURCE: BBS

NEWS IN brief

CWT emerging mutual fund gets nod

The Bangladesh Securities and Exchange Commission (BSEC) has approved an open-ended mutual fund named CWT Emerging Bangladesh First Growth Fund.

The primary target of the fund is Tk 10 crore of which asset manager CWT Asset Management Company will provide Tk 1 crore and the rest would be open for general investors.

Trustee and custodian of the fund is Sandhani Life Insurance and Brac Bank respectively.

Delta Life declares 26pc cash dividend

Delta Life Insurance has recommended 26 percent cash dividend for the year ending on December 31, 2018.

The record date of obtaining the dividend is July 9.

Union Capital to issue bond of Tk 200cr

Union Capital plans to issue an unsecured, subordinated, redeemable and non-convertible bond worth Tk 200 crore.

The face value of the bond is Tk 1 crore and the tenure seven years.