STOCKS (Week-on-week)	
DSEX	CSCX
▼ 2.41%	▼ 2.55%
5,434.69	9,500.76

COMMODITIES (As of Friday)	
Gold ▲	Oil ▲
$1,744.74	$64.53
(per ounce)	(per barrel)

ASIAN MARKETS (Friday Closings)			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 1.30%	▼ 1.41%	▼ 0.1%	▼ 1.69%
49,858.24	29,792.05	3,134.54	3,404.66

CURRENCIES (As on Thursday, STANDARD CHARTERED BANK)	USD	EUR	GBP	CNY
BUY TK	83.95	99.33	116.18	12.70
SELL TK	84.95	103.13	119.98	13.35

Star BUSINESS

DHAKA SUNDAY MARCH 21, 2021, *CHAITRA 7, 1427 BS* ● starbusiness@thedailystar.net

Ready flats almost sold out

Amnesty to black money mainly paves the way

JAGARAN CHAKMA

Ask any well-known realtor for a flat ready for sale, chances are there will be just a handful of offers. However, assurances will be aplenty that more are being erected in some ongoing projects.

Most ready-for-occupants flats in Dhaka, the key market for real estate, have been sold out.

Demand has soared after the government allowed unquestioned amnesty for investment of illegal and undisclosed money, or in other words untaxed money, on land and flats on payment of certain amount of tax, which would be calculated based on the property's size and location.

A fall in interest rates on loans for home purchase and a bearish trend in the stock market further fuelled demand for new homes, doing away with troubled times faced by the home and property builders two to three years ago.

In May 2018, there were around 11,000 flats lying unsold, said the Real Estate and Housing Association of Bangladesh (REHAB) at that time.

But now turning newspaper pages reveals advertisements from developers fervently looking for land for building homes or creating commercial spaces.

"During the pandemic we did not take the risk of constructing complete or readymade apartments," said REHAB President Alamgir Shamsul Alamin.

"But the demand increased thanks to government policy support. For this reason there is now a shortage of ready apartments against demand," he said.

The influencing factors include the demand increase, the government policy support, a reduction in flat registration fees and availability of cheaper home loans, he said.

He said around 2,000 flats were sold between last November to January.

WHY SALES ROSE

- Amnesty to black money
- Low deposit rate
- Unsteady capital market
- Low registration cost

BY THE NUMBERS

Apartment sales in Nov-Jan: 2,000 units	Price rises by Tk 100 to 500 per sft	Around Tk 5,000cr untaxed money invested in last 8 months
In the last 5 years the price of per sft apartment rose over 25%	Mid-range apartments of 1,000 to 1,500sft high in demand	Number of ready flat falls due to a halt in construction work amid pandemic

The REHAB president believes that at least Tk 5,000 crore of untaxed money has been invested in the housing sector.

But he could not state how many flats were sold during the last eight months of the current fiscal year.

The REHAB chief went on to say that the government should extend the existing support and reduce the registration rate on the price of the purchase to 7 per cent from around 12 per cent at present.

FR Khan, managing director at the Building Technology & Ideas (bti), said the demand for flats had increased since September for the government amnesty as well as the low rate on bank deposits.

For this reason people who have money available invested in purchasing flats to permanently own assets, a psychological impact of the helplessness created by the Covid-19 pandemic, he said.

On a recent price hike of raw materials, he said it would raise prices of every square feet by Tk 400 to Tk 500 and this impact would fall directly on customers.

READ MORE ON B3

BB bats for sukuk investors

Requests NBR to consider incomes from Islamic securities as tax-free

AKM ZAMIR UDDIN

The central bank has proposed the National Board of Revenue (NBR) to consider the profits earned by individual investors from their investment in the Islamic bond as tax-free income.

The banking regulator has also suggested the NBR withdraw the 5 per cent source tax on the investment in the Shariah-compliant bond, known as sukuk.

The Bangladesh Bank wrote a letter to the NBR on March 4, requesting it to take measures so that clients get inspired to purchase Sukuk certificates in the secondary bond market.

A sukuk is an Islamic financial certificate, similar to a treasury bond, which complies with Shariah laws.

The Bangladesh Bank issued a sukuk on December 28, the first of its kind in Bangladesh, to raise Tk 8,000 crore for the implementation of a nationwide safe water supply project.

The government initially raised 50 per cent of the targeted amount, and the rest Tk 4,000 crore will be mobilised in May.

Thirty-seven banks, including eight Islamic lenders and two individual investors, took part in the first auction.

Investors will enjoy a profit of 4.69 per cent on their investment in the Islamic bond.

The sukuk will mature in five years, and the government looks to implement the safe water supply project by June 30, 2025.

Investors now pay tax annually against the income from traditional treasury bills and bonds. In addition, they face a 5 per cent source tax when profits are distributed to them periodically.

The NBR calculates the amount of annual income tax for an individual or institution after deducting the source tax, a central bank official said.

The taxes are discouraging people from parking their funds in the Shariah-compliant bond.

READ MORE ON B3

Adopt global standards for better financial reporting

Experts suggest at ICAB webinar

STAR BUSINESS REPORT

Adoption of International Public Sector Accounting Standards (IPSAS) in the public sector reporting framework is a must for improving transparency and accountability of financial reporting in Bangladesh.

"And this (IPSAS) should be considered for adoption today or tomorrow."

Mahmudul Hasan Khusru, president of the Institute of Chartered Accountants of Bangladesh (ICAB), made the comments yesterday.

He spoke at a webinar on the 'Impact of Public Financial Reforms in Bangladesh on Public Sector Financial Reporting and Public Sector Auditing' organised by the ICAB.

"We have seen the IPSAS standards are very similar with the International Financial Reporting Standards (IFRS)," Khusru also said.

"And as we have the expertise on successful implementation of IFRS mainly in public interest entities in Bangladesh, I believe we will be highly recommended in any project for gradual adoption and implementation of IPSAS in Bangladesh."

Md Humayun Kabir, council member and past president of the ICAB, moderated the conference.

From next fiscal year, all the transaction by 10,000 entities would be done on a real-time basis, including the cash flow, said Mohammad Muslim Chowdhury, comptroller and auditor general of Bangladesh, who took part in the conference as the chief guest.

READ MORE ON B3

Rising imports leave little room to use reserves for dev projects

REJAUL KARIM BYRON *and* DWAIPAYAN BARUA

The government's plan to use foreign exchange reserves to bankroll infrastructure projects may face difficulty in the current fiscal year as rising imports will leave little leeway for making such lending.

If the monthly import expenditure of January is taken into consideration, Bangladesh now has foreign exchange reserves that can cover import expenditures for 5.94 months, below the comfortable level of six months.

The reserves, aided by robust remittance and lower imports, stood at $44.04 billion on February 28 before coming down to $42.98 billion on March 10, according to the latest data of the Bangladesh Bank.

Import payments were $7.23 billion in January, up 35.64 per cent year-on-year.

The overall import declined by 0.23 per cent from July to January.

FOREX RESERVES

- Mar 10: $42.98b
- Feb 28: $44.04b

- Rice imports: 4,180 tonnes in FY20
- 5.01 lakh tonnes in Jul-Mar period in FY21
- Another 13 lakh tonnes are planned

- Imports in Jan: $7.24b, up 35.64% year-on-year
- Forex reserves cover 5.94 months of imports as per Jan import figures

- According to Bangladesh Infrastructure Development Fund: More than $2b can't be disbursed from reserves in a single year
- Reserves must cover six months of imports

It, however, has been rising since January because of the recovery of the economy from the pandemic-induced slowdown.

On March 15, the government, for the first time, took a move to lend money from the forex reserves for a development project. It sanctioned a loan of 524.56 million British pounds, or Tk 5,417 crore, from the reserves for the dredging of a channel for Payra Port, a seaport in Kalapara, Patuakhali.

The government has formed the Bangladesh Infrastructure Development Fund (BIDF) to lend money from the reserves.

According to finance ministry documents, two conditions have to be met before lending from the fund are: the annual investment target from the fund would be no more than $2 billion, and the lending needs to be done after keeping the reserves for at least six months of import expenses.

Import expenditure may rise in the future as the economy is making a turnaround.

According to the letter of credit (LC) settlement data of the BB, the import of consumer goods rose 12.48 per cent from July to December. The LC opening such goods increased 4.58 per cent.

The LC opening to buy raw materials from international markets was up 1.71 per cent during the six months. The LC settlement for capital machinery declined.

The import of food grains has gone up since January.

A total of 5 lakh tonnes of rice were imported from July to March 15. It was 4,180 tonnes in the whole fiscal year of 2019-20.

The government imported 1.42 lakh tonnes of rice out of 5 lakh tonnes that entered the country so far in the current fiscal year. And most of the imports took place in the last two and a half months.

The government has also initiated the process to import another 13 lakh tonnes of rice to keep the supply smooth and avoid price volatility.

READ MORE ON B3

Mutual funds fail to attract investors despite discounts

AHSAN HABIB

Almost all mutual funds have come up with huge discounts, but they are still failing to attract investors due to a lack of trust, poor performance of fund managers and meagre dividends.

Mutual funds pool together the money from many investors and channel it into securities such as stocks, bonds and other assets.

Once profits are logged, the fund manager disburses it among the unit holders.

Investors buy mutual fund units considering their net asset value (NAV). A mutual fund is considered discounted and lucrative when its price is lower than its NAV.

Among 37 closed-end mutual funds, 35 are being traded at a discount at the Dhaka Stock Exchange (DSE). Of the 35 funds, 18 are traded at discounts of more than 30 per cent, according to data from IDLC Asset Management Company.

AT A GLANCE

- Number of closed-end mutual funds: 37
- Asset managed by these funds: Tk6,320cr

MUTUAL FUNDS' DISCOUNTS

- Over 50% for nine closed-end funds
- 30-50% for nine funds
- 20-30% for nine funds
- Up to 20% for eight funds
- Two funds are traded at premium

"Most mutual funds were launched during the bubble and crash period of 2010 and so, many of them bought shares at high prices," said Faruq Ahmed Siddiqi, former chairman of the Bangladesh Securities and Exchange Commission (BSEC).

Some 24 funds were kicked-off the trading list during 2019 and 2020, according to BSEC data.

"Their motive was profit making instead of investment and they were not professional enough to realise that the high prices would not continue," Siddiqi said.

"So, they incurred loss."

Although the number of mutual funds in the market has risen over the past decade, skilled manpower did not grow in the sector.

Mutual funds are enjoying 10 per cent quota in every initial public offering (IPO), which is a huge opportunity for them to make profit.

"But why their profit is still not attractive should be analysed by the BSEC," Siddiqi said.

The market regulator should also investigate how and where the funds are being invested to find whether the cause of their poor performance is due to a lack of efficiency or misuse of funds.

Sudden policy changes without analysing the potential impacts should be stopped as well, he said, adding that mutual funds should not be allowed to raise their fund size through returns.

"The fund tenure should also not be extended by any means."

In 2018, the BSEC allowed the extension of closed-end mutual fund tenures by another 10 years following calls from a few asset management companies.

"Our investors don't realise the function of mutual funds. They think the units are company's shares so they expect capital gains rather they should invest here for dividend gains," the former BSEC chairman said.

READ MORE ON B3