

# Tax cuts for cement industry nominal, won't lower prices

Market players cite rising raw material prices, shipping costs



JAGARAN CHAKMA

Although the government said that it would reduce the taxes levied on the import of raw materials used to make cement, this initiative will not have a satisfactory impact as prices would remain the same at the consumer level, according to market players.

While announcing the proposed national budget for fiscal 2021-22 on Thursday, Finance Minister AHM Mustafa Kamal said the advance income tax on raw material imports for cement production would be reduced from 3 to 2 per cent.

Kamal also proposed that the tax deducted at source on the supply of cement be cut by 1 percentage point to 2 per cent, and to provide tax incentives for the industry to ensure easy and cost effective infrastructure development in the country.

"But this nominal reduction will not benefit consumers as raw material prices recently increased in the international market," said Mohammed Amirul Haque, managing director of Premier Cement.

Besides, the shipping costs have risen significantly over the past three to four months, he added.

According to Haque, the current shipping cost of one tonne of clinker is around \$63 while it was \$56 just a few weeks ago.

"This is why the price of cement has increased in the domestic market since mid-March," Haque said.

Similarly, the rising trend in international shipping costs began last November.

Just one-and-a-half months ago, it would cost about \$20 to

transport one tonne of clinker on a mother vessel from Indonesia, Vietnam, or even the Middle East, to Bangladesh.

"So, reducing advance income tax and source tax by 1 percentage point each will not bring an adequate benefit for consumers," Haque added.

Md Shahidullah, managing director of Metrocem Cement and first vice-president of the Bangladesh Cement Manufacturers

Association (BCMA), echoed the same. "If the government reduced the import taxes to Tk 200 from Tk 500 per tonne of clinker, then consumers would be benefited," he said.

The price of each 50-kilogramme (kg) bag of cement recently rose by around 12 per cent, or Tk 50, to hit roughly Tk 450 -- a development which will surely push up construction costs, be it for the government's development projects or private projects.

Against this backdrop, cement makers have demanded the complete withdrawal of the inconsistent advance income tax imposed on raw material imports as the impact of the tax concession given to the cement sector in the proposed budget is very nominal.

"We will meet with officials from the National Board of Revenue to discuss our demands, including the complete withdrawal of tax

the final budget.

"The proposed tax cuts are nothing but unreasonable coercion for an industry since we cannot say just how much profit it could make," said Md Alamgir Kabir, president of the BCMA.

"It depends on the country's economy, market system, demand and above all, competition," he added.

The BCMA chief went on to say that profit and loss are determined



## MAIN TAKEAWAYS

- AIT reduced by 1 percentage point
- Source tax at supply stage cut by 1 percentage point
- Price rose 12% in one year
- Price increased by Tk 50 per bag on average
- Clinker price went up by \$6 per tonne during last one month
- Shipping cost rose by \$6 per tonne

paid at source on the supply stage," Shahidullah added.

As far as the market players are concerned, the taxes levied on raw material imports has always been inconsistent and therefore, is by no means desirable.

So, if not a complete withdrawal, then the taxes should at least be made compatible.

The BCMA also demanded that the rate of withholding tax on cement supply, which has been proposed to be reduced from 3 per cent to 2 per cent, be withdrawn in

after an audit by a government-designated body, regardless of whether it is a listed company or not.

"So, if the government thinks that advance income tax should be paid, we should not have any objection," he said.

"But the income tax imposed should not ultimately be a liability in any way," Kabir added.

At present, there are about 35 local and foreign cement companies in Bangladesh.

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# BASIS welcomes budget, but wants tax break until 2030



STAR BUSINESS REPORT

Bangladesh Association of Software and Information Services (BASIS) has welcomed the new national budget, but it expressed its worries as the fiscal plan did not include the proposals placed by the association.

The government did not enlist broadband internet service and training on information technology as an Information Technology Enabled Service (ITES), which is a long-pending demand of the association.

"We proposed reducing the tariff on cyber security software, but the government did not say anything about it in the budget," said BASIS President Syed Almas Kabir.

Tech-enabled services have been enjoying tax exemptions since 2008 and it will continue until 2024.

The government also added e-learning and e-books within the scope of ITES.

The software and information service providers wanted the tax exemption to be extended until 2030 to attract long-term investment for the sector, but nothing was there about it in finance minister's budget speech on June 3.

Earlier, the association also had urged the government to allocate Tk 500 crore for the technical assistant project to brand Bangladesh globally as a technical assistance (TA) provider nation.

It had also suggested the government to set aside a Tk 300 crore fund from where women entrepreneurs can take loans at 2 per cent interest.

However, the new budget did not explicitly mention the TA project or the creation of women IT entrepreneurs, Kabir said.

He made the comments in a virtual press briefing on the proposed national budget for 2021-22 fiscal year. BASIS organised the event yesterday.

About Tk 95,000 crore has been allocated in the budget for education and technology, but it is not clear how much of

it is allocated for the IT sector.

Moreover, there is no specific direction in the budget about how a local IT market for private software companies will be created and how the government will implement digitisation.

Mobile financial services or digital transactions should have been exempted from value-added tax to give a boost to the industry, but the government increased taxes for the sector, which will make MFS expensive for the mass, the BASIS president said. The speakers of the event also demanded e-commerce or online business be exempted from source tax and advance trade VAT.

A lot of mega infrastructure projects are going on in the country now, but it is not clear how much will be spent for the local software sector of the projects, Kabir said.

"Local software and IT services industry will not expand if local software companies do not get the opportunity to provide software or IT services in these infrastructure projects."

The BASIS leaders hoped the government will consider the proposals tabled by the association for building a truly digital Bangladesh.

*The software and information service providers wanted the tax exemption to be extended until 2030 to attract long-term investment for the sector, but nothing was there about it in finance minister's budget speech on June 3.*

## GLOBAL BUSINESS

# US hiring underwhelms in May as economic reopening hits turbulence

AFP, Washington

The United States added 559,000 jobs last month as hard-hit sectors rehired workers laid off during the worst days of the pandemic, but analysts warned the virus was continuing to complicate the economy despite massive government stimulus.

The Labor Department data undershot analysts' expectations for a lofty rebound in hiring enabled by accelerating Covid-19 vaccination campaigns, following the surprisingly weak employment gains in April.

Even so, the jobs gains pushed the unemployment rate down to 5.8 per cent from 6.1 per cent in April.

Rubeela Farooqi of High Frequency Economics said the report indicated unemployed Americans were staying away from workplaces as companies rehired, which she blamed on the persistent aftershocks from business restrictions meant to stop the virus from spreading.

"Job growth remains surprisingly sluggish in an economy that is no longer facing capacity constraints," she said in an analysis, adding, "Ongoing pandemic-related issues including childcare and health concerns are likely a constraint on job growth."

That echoes widespread reports from businesses about the difficulty filling open positions.

President Joe Biden acknowledged the bumpy recovery but said his bet on the \$1.9 trillion pandemic rescue measure he signed into law in March was paying off, helping the economy recover strongly from the mass layoffs that put tens of millions of people out of work as the pandemic began in March 2020.

"This is progress, historic progress" after "our worst crisis in 100 years," Biden said of the data.

He said the country was leading the world in recovering from the pandemic with two million jobs created in his first four months in office.

"No other major economy in the world is going as fast," he said.

The US economy still has a long road to travel before it can return to the record-low unemployment seen before the pandemic

hit. The May data showed there are still 7.6 million jobs yet to be regained from February 2020.

"We're going to hit some bumps along the way," Biden said.

"You can't reboot the world's largest economy like flipping on a light switch."

"Still, the report contained important evidence that people who wanted jobs were getting them, with 431,000 people leaving the ranks of the long-term unemployed, dropping the total to a still-high 3.8 million in May.

Sectors that were badly damaged by pandemic business restrictions made up the bulk of the employment gains last

month, with the leisure and hospitality sector adding 292,000 jobs, two-thirds of which were in businesses like bars and restaurants.

Accommodations added 35,000 jobs, and amusement, gambling and recreation businesses added 58,000, but the leisure and hospitality sector overall remains short 2.5 million positions compared to February 2020, the report said.

Brian Deese, director of the White House National Economic Council, noted the jobs report was based on data for the week of May 12, and since then vaccinations have increased further as business restrictions eased.

"Since that period, an additional 21 million adult age Americans have gotten fully vaccinated, and so we're making progress even since this snapshot in time," Deese told reporters.



US businesses are hiring, but Labor Department data indicates some unemployed workers are staying away from the workplace, constraining employment growth.

# US leisure and hospitality pay surges to a record

REUTERS

Hotels, restaurants and other businesses are boosting pay as they try to rebuild their staffs and meet increasing demand from Americans ready to venture out as pandemic-related restrictions are lifted and more people are vaccinated.

But it is unclear if the increases will be sufficient to entice enough workers back to close the employment gap remaining in the sector hit hardest by Covid-19 job losses. Average hourly earnings for workers in leisure and hospitality rose to \$18.09 in May, the highest ever and up 5 per cent from January alone, according to Labor Department data released on Friday.

Pay rose even faster for workers in non-manager roles, who saw earnings rise by 7.2 per cent from January, far outpacing any other sector. That higher pay could be a sign that companies are lifting wages as they seek to draw people back to work after more than a year at home. Some businesses are struggling to keep up with higher demand as more consumers, now fully vaccinated, get back to flying, staying in hotels and dining indoors. Job gains in leisure and hospitality this year have so far outpaced gains in other sectors.

But it is too soon to know whether the boost will be enough



REUTERS/FILE

People crowd outdoor dining at a restaurant as coronavirus disease restrictions are eased in Ann Arbor, Michigan, US on April 4.

to help speed up hiring at a time when many workers are still facing other obstacles, including health concerns and having to care for children and other relatives.

"The fact of the matter is, the pandemic is still going on," said Daniel Zhao, a senior economist for Glassdoor. "The economy is running ahead of where we are from a public health situation."

Some 2.5 million people said they were prevented from looking for work in May because of the pandemic, according to the Labor Department.

And just about 40 per cent of Americans are now fully vaccinated, meaning that many workers may still be concerned about the health risks they might face on the job, Zhao said. Employment in leisure and hospitality is still in a deep hole when compared with pre-pandemic levels.

The industry added 292,000 jobs in May, with about two-thirds of that hiring happening in restaurants and bars.

But overall employment is still down 2.5 million jobs, or 15 per cent from pre-pandemic levels,

more than any other industry.

If job gains continued at the pace seen in May, it would take more than eight months to replace the jobs lost. And it's not yet clear that all of the jobs will be recovered, especially if business travel remains depressed or if other habits change after the pandemic.

Some people who previously worked at hotels or restaurants moved on to other types of jobs during the pandemic, such as packaging goods at a warehouse, and it's too soon to know whether they will switch back as more of the economy reopens, said Zhao.

Some Republicans and businesses struggling to find workers say generous unemployment benefits are slowing down the labor market recovery by making it easier for workers to stay home.

Others say the benefits may be helping workers cover the bills while they wait for schools to reopen, receive vaccinations and resolve other obstacles that made it difficult for them to work during the pandemic. "People were making decisions based on those other factors, but they had the wherewithal to make those choices because of the extended unemployment benefits," Cleveland Federal Reserve Bank President Loretta Mester said during an interview with CNBC.

# Powell, Lagarde split over central bank role in climate policy

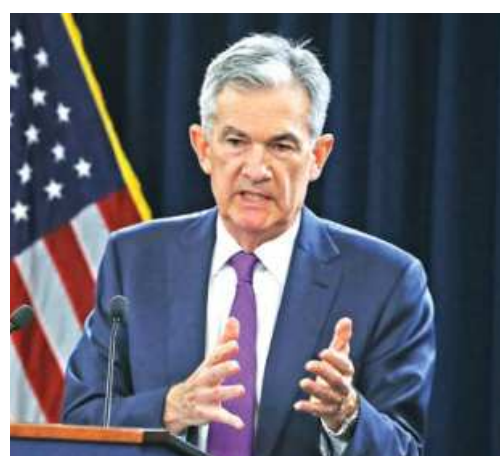
AFP, Paris

US Federal Reserve chief Jerome Powell said Friday it was not the central bank's role to set climate policy, a stance rejected by European counterpart Christine Lagarde who warned that "the planet is burning".

"We are not and we do not seek to be climate policy makers as such. We have a very specific mandate and precious independence," Powell told a videoconference hosted by the Bank of International Settlements (BIS) and France's central bank. "We should avoid trying to fill in public policy where governments haven't done so yet, that's not up to us," the head of the US central bank concluded. Lagarde did not agree.

"Our planet is burning and we, central bankers, could look down at our mandate and pretend that it is for others to act. And that we should simply be followers, I don't think so," Lagarde said.

"I believe that if we did, we would be failing on our mandate and that we would be missing in action," she added. Chinese counterpart Yi



US Federal Reserve chief Jerome Powell

Gang agreed that "our planet is in danger", and added: "The most important thing we are doing is to tell the general public how important green finance and climate change risk is."

"Lagarde, who has made climate protection

financing an ECB priority, referred to one of its key concerns when she said: "Climate change could impair monetary policy transmission because it is likely to induce financial instability if it is not taken into account."

"The bank would be "squarely in our mandate when we guide banks on climate related risks as well as environmental risks," she added.

Powell steadfastly sought to keep the Fed out of the fray, however, saying that "climate change is not something we directly consider in setting monetary policy." He nonetheless acknowledged that "there is no question that climate change has the potential to affect the structure of the economy over time."

"Central banks clearly can play an important role in building data and analysis to understand the macroeconomic consequences of climate change, to qualify the risks for financial system through scenario analysis for example."

"Gang agreed that central banks could play an informative role "so that households, general public, firms, enterprises and also ordinary people understand the very implication of climate change."