DHAKA SUNDAY JUNE 12, 2022, JAISHTHA 29, 1429 BS ● starbusiness@thedailystar.net

Star BUSINESS

Corporate tax reduced by 2.5 percentage points

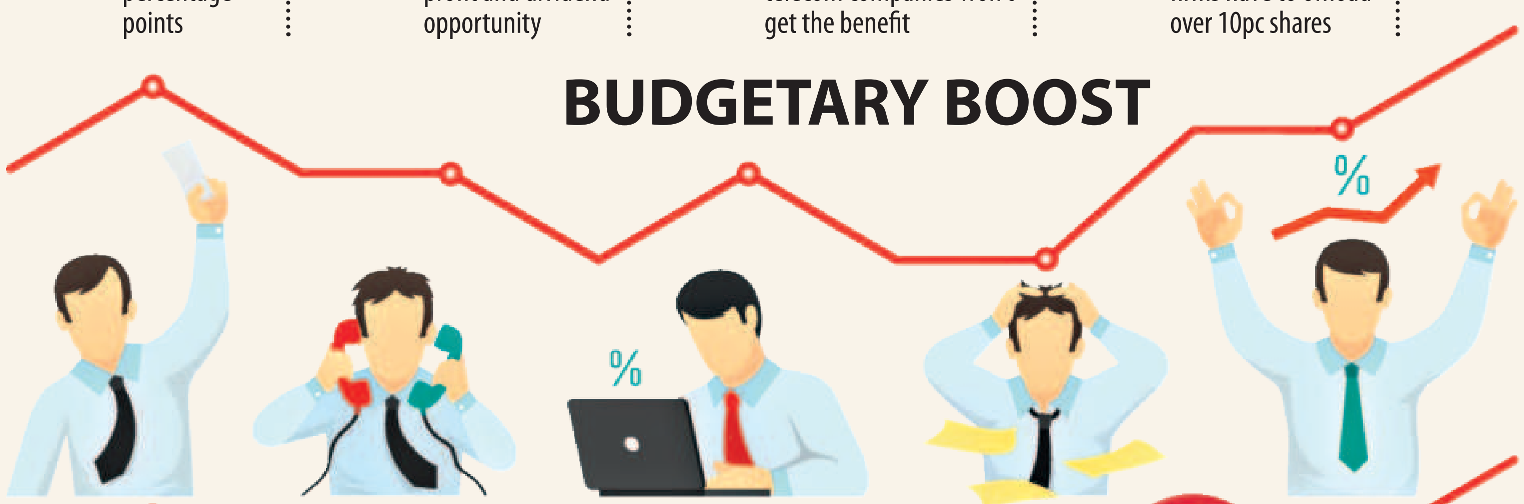
Corporate tax cut may raise net profit and dividend opportunity

Banks, non-banks, tobacco, insurance and telecom companies won't get the benefit

To avail the corporate tax benefit, listed firms have to offload over 10pc shares

No more black money whitening opportunity in stock market

BUDGETARY BOOST



COMPANIES THAT OFFLOADED 10PC SHARES OR LESS

Share offloaded thru IPO (in %)

Walton*	0.97
Berger	5
Marico	10
United Power Generation	10
ICB**	3.5

* Walton already enjoys tax holiday for being a hi-tech industrial park
** Tax benefit not applicable for ICB

CORPORATE TAX STRUCTURE (In %)

SECTORS	LISTED FIRMS	NON-LISTED FIRMS
Bank, NBFI, insurance	37.5	40
Tobacco	45+2.5 (Surcharge)	45+2.5 (Surcharge)
Mobile operator	40	45
All other companies	20	27.5

CORPORATE TAX RATE CUT

Berger, Marico, United Power may miss out on benefit

AHSAN HABIB

The government has proposed a 2.5 percentage point cut in corporate tax rates for the listed companies in the national budget unveiled for the next fiscal year in a bid to develop the stock market and attract investments.

This brings down the corporate tax rate to 20 per cent from 22.5 per cent for the publicly-traded firms that have issued shares worth more than 10 per cent of their paid-up capital through initial public offerings (IPOs).

For the listed companies that have offloaded equities worth 10 per cent or fewer, the rate has been kept unchanged at 22.5 per cent.

However, the listed companies, whether shares equivalent to more than 10 per cent of their paid-up

capital are offloaded or not, must carry out all receipts and incomes as well as all expenses and investments of more than Tk 12 lakh through bank transfer to qualify for the 2.5 percentage point cut in the corporate tax rate.

Industry people have welcomed the budgetary proposal.

"The tax rate cut for the listed companies will have a positive impact on the market," said Mir Ariful Islam, managing director of Sandhani Life Insurance Asset Management Company.

Mohammad Emran Hasan, chief executive officer of Shanta Asset Management, said the reduction in the corporate tax would directly raise the net profits of the listed companies.

However, Berger Paints, United Power Generation and Marico Bangladesh, are likely to miss out on the benefit since they have offloaded 10 per cent or fewer shares.

Berger Paints has offloaded 5 per cent shares while it is 10 per cent for Marico and United Power Generation, data from the Dhaka Stock Exchange showed.

"If the three companies offload more shares to qualify for the tax benefit, it will be good for the stock market," Islam added.

A top official of the National Board of Revenue (NBR), preferring anonymity, said some companies enjoy huge tax benefits by offloading a meagre number of shares, prompting the revenue administration to take the latest move.

"The firms that have offloaded 10 per cent or fewer shares will be able to avoid paying a higher amount of tax if they offload more shares to the public."

The NBR move came nearly a year after the Bangladesh Securities and Exchange Commission (BSEC) asked listed companies to ensure at least 10 per cent of their shares are available for general investors in the stock market.

The instruction came after the regulator included a new provision in the public issue rules in September 2021, making it mandatory for the companies to offload at least 10 per cent of their holdings.

READ MORE ON B3

Budget to spur entrepreneurship

FBCCI says, calls on govt to expand tax net

STAR BUSINESS REPORT

The Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) has welcomed the proposed national budget for the upcoming fiscal year, saying some of the steps will help entrepreneurs.

However, it opposed several proposals that would affect businesses adversely.

"The proposed budget would be helpful to the development journey of Bangladesh amid the current crisis," said Md Jashim Uddin, president of the FBCCI, at a post-budget media briefing at the conference room of the apex trade body of Bangladesh yesterday.

The federation has identified the main challenges for the budget implementation. They are ensuring good governance, proper monitoring, raising investment, and attaining revenue generation goal.

"Bangladesh's tax-to-GDP ratio is not rising," Jashim said.

The revenue collection has risen in the current fiscal year on the back of higher import duty receipts amid increased prices of imported products.

In order to generate more revenues, the FBCCI suggested making tax policies business-friendly and automating the collection system.

"We recommended expanding the tax net several times, but the NBR is stabbing existing taxpayers. But don't kill the goose that lays eggs," said Jashim.

The apex trade body recommended accelerating the use of external financing to meet the budget deficit, instead of relying on the banking system.

"A huge government borrowing can crowd out the private sector," said Jashim.

The FBCCI said the budgetary proposal to

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STOCKS (WEEK-ON WEEK)

DSEX ▲	CASPI ▲
0.45%	0.70%
6,480.30	19,025.84

COMMODITIES (AS OF FRIDAY)

Gold ▲	Oil ▼
$1,871.61 (per ounce)	$120.62 (per barrel)

ASIAN MARKETS (FRIDAY CLOSINGS)

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 1.84%	▼ 1.49%	▼ 0.87%	▲ 1.42%
54,303.44	27,824.29	3,181.73	3,284.83

LIQUEFIED PETROLEUM GAS

VAT reduction extended for cylinder makers

SUKANTA HALDER

The National Board of Revenue (NBR) has extended for another year a value added tax (VAT) reduction for local liquefied petroleum gas (LPG) cylinder manufacturers, who believe it would help keep fuel prices low against rising demand.

The NBR reduced VAT on domestic manufacturing of LPG cylinders to 5 per cent from 15 per cent in September 2020 in response to demands from manufacturers seeking to better compete with imported cylinders.

The benefit was set to expire on June 30 this year.

"The extension of the support will help the industry grow further," said Azam J Chowdhury, chairman of East Coast Group, which has an LPG cylinder production plant.

He said LPG prices were spiralling globally, exceeding the purchasing capacity of many families, and so extending the reduction would enable keeping prices low.

"We have been demanding that the government continue it until the market grows and comes to a size. But if the price goes beyond the purchasing power of the people, then the market will not grow anymore. It is good that the government has accepted our request," he added.

Officials of the NBR said the market for LPG, now used in both urban and rural areas, had been growing fast

READ MORE ON B3

Cylinders of liquefied petroleum gas (LPG) await distribution among dealers in Barishal on being refilled from Mongla. The photo was taken in Rupatoli area of Barishal city yesterday.

PHOTO: TITU DAS

UNPAID VAT

Lowering penalty business friendly

Says ICAB

STAR BUSINESS REPORT

The proposed reduction of the fine on businesses failing to pay value added tax (VAT) in the national budget for fiscal year 2022-23 will reduce operational costs, said The Institute of Chartered Accountants of Bangladesh (ICAB) yesterday.

The fine was 100 per cent of the payable VAT and the National Board of Revenue's (NBR) proposal was to reduce it to 50 per cent.

The penalty reduction by the revenue authority is timely and business friendly, said the ICAB.

A corporate tax reduction for transactions through banks, operation of bonded warehouses electronically and equal

READ MORE ON B3

Mangoes put up for sale on rickshaw vans at the Kansat mango market in Chapainawabganj's Shibganj upazila. Prices are better compared to the previous two years. The photo was taken on Friday.

PHOTO: RABIUL HASAN

Japan closer to yen intervention

REUTERS, *Tokyo*

Japan's government and central bank said on Friday they were concerned by recent sharp falls in the yen in a rare joint statement, the strongest warning to date that Tokyo could intervene to support the currency as it plumbs 20-year lows.

The statement underscores growing concern among policymakers over the damage that sharp yen depreciation could inflict on Japan's fragile economy by hurting business activity and consumers.

But many market players doubt that G7 member Japan will step in soon to directly prop up the yen, a diplomatically fraught and potentially costly course of action that last occurred 20 years ago.

After a meeting with his Bank of Japan (BOJ) counterpart, top currency diplomat Masato Kanda told reporters that Tokyo will "respond flexibly with all options on the table." He declined to say whether Tokyo could negotiate with other countries to jointly step into the market.

The G7 has a long standing policy that markets ought to determine currency rates, but that the group will closely coordinate on currency moves, and that excessive and disorderly exchange-rate moves could hurt growth.

"We have seen sharp yen declines and are concerned about recent currency market moves," the Ministry of Finance, BOJ and the Financial Services Agency said in the joint statement released after their executives' meeting.

"We will communicate closely with each country's currency authorities and respond appropriately as needed," based on the G7 principles, the statement said.

Officials of the three institutions meet occasionally, usually to signal to markets their alarm over sharp market moves. But it is rare for them to issue a joint statement with explicit warnings over currency moves.

The statement came hours ahead of the release of the US Treasury Department's twice-annual currency manipulation report, which kept Japan on a list of 12 countries whose foreign exchange practices merit "close attention." It took note of the recent yen weakness, which it attributed largely to interest rate differentials owing to the BOJ's continued policy accommodation.

The yen briefly rallied to 133.37 yen per dollar after Tokyo's statement, but retraced most of that after a stronger-than-expected reading of US inflation signaled more aggressive rate increases ahead from the Federal Reserve, which are likely to further widen the rate differentials hanging over the yen. It was last at 134.15.

"Tokyo could intervene if the yen slides below 135 to the dollar and starts going into a free fall. That's when Tokyo really needs to step in," said Atsushi Takeda, chief economist at Itochu Economic Research Institute in Tokyo.

"But Washington won't join so it will be solo intervention. For the United States, there's really no merit in joining Tokyo on intervention."

The yen's sharp declines have inflated already rising raw material import costs, jacking up households' living costs and putting pressure on the BOJ to address creeping inflation.

The BOJ and the US Federal Reserve are both scheduled to hold policy meetings next week.

With the Japanese economy still much weaker than its peers, the BOJ is widely expected to maintain its ultra-easy policy next week. But it will face the dilemma of having to stick with low rates, even though it could fuel further yen declines.

"I don't think today's statement would have a direct impact on the BOJ's policy meeting next week," said Hiroshi Ugai, chief Japan economist at JPMorgan Securities. "There are limits to what the BOJ can do."

Unlike other major central banks which are flagging aggressive interest rate hikes to tackle inflation, the BOJ has repeatedly committed to keeping rates low, making Japanese assets less attractive for investors.

That increasing policy divergence sent the yen down 15 per cent against the dollar since early March and within striking distance of 135.20 hit on January 31, 2002. A break past that would be its lowest since October 1998.

Underscoring growing public sensitivity to rising living costs, BOJ Governor Haruhiko Kuroda was forced to apologise on Tuesday for a remark a day earlier that households were becoming more accepting of price rises.

"What can potentially slow the pace of depreciation is a change in policy but right now it looks like there is no indication that the Bank of Japan is concerned about inflation or the impact of the weak yen on that," said Moh Siong Sim, a currency strategist at Bank of Singapore.

Eastern Bank, DSE launch Visa credit card

STAR BUSINESS DESK

Eastern Bank has launched a co-brand credit card with Dhaka Stock Exchange (DSE) and Visa exclusively for the stock market employees and its trading right entitlement certificate (TREC) holder companies.

Ali Reza Iftekhar, managing director of Eastern Bank, and Md Eunusur Rahman, chairman of the DSE, jointly unveiled the product at the DSE head office in Motijheel, Dhaka recently, said a press release.

Richard D Rozario, president of the DSE Brokers Association of Bangladesh, Soumya Basu, country director of Visa Bangladesh, Siraj Siddiquey, director of products and solutions for South Asia at Visa, M Khorshed Anowar, deputy managing director of the bank, Ahsan Ullah Chowdhury, head of digital financial services, and Ziaul Karim, head of communications and external affairs, were present.

Canada jobless rate hits record low

REUTERS, *Ottawa*

Canada's jobless rate inched down to a new record low after adding more jobs than expected in May, and wage growth picked up steam, official data showed on Friday, bolstering the case for an even larger rate increase next month by the central bank.

Canada added a net 39,800 jobs in May, entirely in full-time work, beating expectations for a gain of 30,000, Statistics Canada data showed. The jobless rate dropped to 5.1 per cent, beating predictions it would remain at 5.2 per cent.

The average hourly wage of permanent employees rose 4.5 per cent, accelerating from 3.4 per cent April and in-line with gains seen in 2019, when the labor market was also extremely tight.

The result is likely to bolster calls for the Bank of Canada to act more aggressively at its July interest rate decision.

"Certainly, this does come down on the hawkish side of the ledger and it is going to add to the speculation around a potential 75-basis-point move next month," said Andrew Kelvin, chief Canada strategist at TD Securities.

"It's another signal to the Bank of Canada that they are a little bit behind the curve on their rate hikes."

The central bank hiked to 1.5 per cent from 1.0 per cent last week, its second consecutive 50-basis point hike, and said it would act "more forcefully" if needed to curb inflation, which is running at a 31-year high.

Money markets see about a 60 per cent chance the bank will increase by 75 bps on July 13 and expect rates to hit 3.25 per cent by year-end, up sharply from 0.25 per cent in January.

For economists, the bigger question is whether inflation moved above 6.8 per cent in May to hit a four-decade high. That data is due later this month. US inflation accelerated to 8.6 per cent in May, driven by rising gasoline and food prices.

High and low tide

FROM PAGE B4

Above and beyond $25 billion

The $25 billion prediction for FY 2022-23 is not riding on the cash incentive alone. There are four more reasons why it is bound to happen and will see a steeper rise in the following years:

First, oil rich countries are getting richer as the fuel prices are soaring. We have the largest concentration of wage earner diaspora, roughly 55 per cent, in this mineral mighty region of Asia. With the widening size of their economies these nations would bring changes in their wage patterns, a basic economic assumption.

Second, our government is relentless in facilitating employment beyond borders. The Bureau of Manpower, Employment and Training (BMET) website shows 7.34 lakh, 7 lakh, 2.17 lakh and 6.17 lakh new workers were sent abroad in last four calendar years respectively. In the first four months of this year, 4.26 lakh have flown out. This is a special year as we are addressing pent up demand (demand withheld during the pandemic) from various countries. Combined with the decision of last week's joint working group meeting with the Malaysian government accommodating 5 lakh employees in five years, total overseas employment by the end of December might hit 1 million.

Third, that people prefer safer, quicker, and more yielding modes of money transfer is a common wisdom. The banking channel is safer than hundi. These days they both are quick but for the last three months hundi's yield is significantly higher than the official routes. The more the government truncates the difference, less and less people will use the risky medium.

Fourth, last but not least, the BMET may consider incorporating the tax factor of remittance channeled through banks in their training sessions for the outbound workers. If you send the money officially, you do not pay a pie as tax but can put it in your tax file and make crores of white money in the process. In sharp contrast while your closest keens receive your remittance through illegal routes no one can put it in tax records, nor you neither the receiver. The money can be used now, but also can be questioned at a certain point of time.

The skeptics' dilemma

There is a not-so-popular but alive stream of thought that when a government pampers it's remitters with incentives or otherwise, a poisonous cycle of unearned income may roll out. How? Well, it is a three-step action plan. First you amass illegitimate earnings, then send it abroad through informal ways and then bring it back as remittance.

What a scheme! Legitimising illicit money without paying taxes and there is also a bit of icing on the cake. All you need to run the project is a "brother" who lives abroad and who you can be trusted with hoarding the money for a while and then re-routing it to you.

Skeptics always bring this evil design to the fore whenever the question of more subsidy is raised. They say effective addition of forex is negligible in this process.

There are arguments as well which brush aside all skepticism. Most reasonable of them would be, what is the harm if it really turns out to be a respite for earners of illegal wealth? Forex still rolls on to the country which could have been left outside permanently. If the person in question has really piled up unearned income, he would always be at risk for the money trail he leaves behind unknowingly.

Last word

Remitters are our unsung heroes. That we have never valued them with dignity and honour is evidential in our airports, onboard the national carrier and in many cases in our embassies.

It's time we express our gratitude. One small step would be to add one more taka for every hundred taka they send putting in the blood and sweat.

Views expressed here are personal. The writer is a member of the Pacific Council on International Policy. He can be reached at amamoon42@gmail.com

Servier launches medicine to treat high blood pressure

STAR BUSINESS DESK

France-based pharmaceutical manufacturer Servier has launched a medication in Bangladesh that treats high blood pressure.

The drug is a combination of amlodipine, which works by relaxing blood vessels so blood can flow more easily, and indapamide, which works by creating more urine to help get rid of extra salt and water.

M Nazrul Islam, professor of cardiology at the Bangabandhu Sheikh Mujib Medical University hospital, unveiled the medicine at a scientific symposium organised by Servier at the Radisson Blu Dhaka Water Garden on Friday, said a press release.

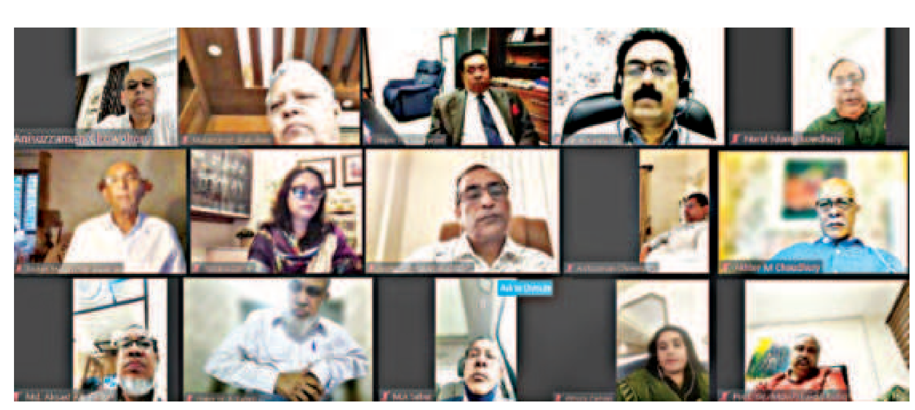
Speakers at the symposium said an estimated 1.28 billion people in the world suffer from hypertension (high blood pressure), one of the leading causes of deaths, and two-third are living in low and middle-income countries. Of them, around 3 crore are in Bangladesh, over half of whom are unaware and almost half of whom are aged above 55 years while among those taking anti-hypertensive, 88 per cent are uncontrolled.

Neil Poulter, professor of preventive cardiovascular medicine at Imperial College London in the United Kingdom, delivered a keynote speech.

National Professor Abdul Malik, founder and president of the National Heart Foundation of Bangladesh, Prof KMHS Sirajul Haque, honourary professor of cardiology at Anwer Khan Modern Medical College, and Tofazzal Hossain Bhuiyan, head of operations of Servier Bangladesh, were also present.

M Nazrul Islam, professor of cardiology at the Bangabandhu Sheikh Mujib Medical University hospital, unveiled a medication of France-based pharmaceutical manufacturer Servier that treats high blood pressure at the Radisson Blu Dhaka Water Garden on Friday.

PHOTO: SERVIER BANGLADESH



Bazal Ahmed, vice-chairman of United Commercial Bank, virtually presided over its 39th annual general meeting recently. The meeting approved 10 per cent stock dividend for the year that ended on December 31, 2021. Arif Quadri, managing director, Faruk Ahammad, chief financial officer, and ATM Tahmiduzzaman, deputy managing director, were present.

PHOTO: UNITED COMMERCIAL BANK

India's fuel demand

FROM PAGE B4

"However, high oil prices are likely to have an impact on consumption in the next few months. High fuel prices do not bode well for motorists all over the world," he added. Consumption of diesel rose 31.7 per cent in May year-on-year to 7.29 million tonnes and was up about 32.6 per cent from two years earlier.

Sales of gasoline, or petrol, were 51.5 per cent higher than a year earlier at 3.02 million tonnes.

Daily gasoil sales of Indian state refiners declined in May from April as lower consumer spending curtailed truck movement in the country, preliminary fuel sales data showed on June 1. India's gasoline sales have been rising since the country eased pandemic lockdowns, as people continued to prefer using personal vehicles over public transport for safety reasons and to avoid heatwaves.

US inflation skyrockets

FROM PAGE B4

But he acknowledged the rising inflation was a severe problem, saying in an earlier statement the United States "must do more -- and quickly -- to get prices down."

The new data dealt a crushing blow to Biden's efforts, as the consumer price index (CPI) jumped 8.6 per cent compared to May 2021, up from 8.3 per cent in the 12 months ending in April and topping what most economists thought was the peak of 8.5 per cent in March.

Prices continued to rise last month for goods including housing, groceries, airline fares and used and new vehicles, setting new records in multiple categories, according to the Labor Department report.

"The headline inflation numbers are dreadful. Strip away some special factors & they're merely bad," Harvard economist and former White House advisor Jason Furman said on Twitter.

Some economists expected the easing of pandemic restrictions to cause a shift of US consumer demand towards services and away from goods, which they said would ease inflation pressures, but prices for services increased as well.

If the government borrows too much from banks, the growth of private sector lending will shrink as investment in Bangladesh is mainly based on the banking system, say experts.

PHOTO: STAR/FILE

7.5pc GDP growth target unrealistic, says economist

STAR BUSINESS REPORT

The national budget for fiscal year 2022-23 predicted a gross domestic product (GDP) growth of 7.5 per cent, which is unrealistic and not objective, AB Mirza Azizul Islam, former adviser to the caretaker government, said yesterday.

Reports of various organisations such as the World Bank and International Monetary Fund say it will be less than 7 per cent.

"The budget deficit of 5.5 per cent of the GDP is rational. I would not have had any issues if it had been 6 per cent," he said.

The economist was addressing a "Post-budget Dialogue: FY2022-23" organised by Brac University Business and Economics Forum at the university's Mohakhali campus auditorium.

The revenue generation target has been set at Tk 433,000 crore, which is around 11 per cent higher than the revised budget of fiscal year 2021-22 and would require all-out effort, said the professor of Brac Business School.

The National Board of Revenue (NBR) has been tasked with collecting Tk 370,000 crore, which is 12 per cent higher than that of the budget for fiscal year 2021-22. The task here is not increasing taxes, both on income and VAT, on those already complying, but instead widening the tax net, he said.

There are over 70 lakh tax identification numbers but less than half submit returns and the NBR's performance identifying the non-compliant is not satisfactory, he added.

Even Nepal's revenue-to-GDP ratio is 22 per cent, better than Bangladesh's 10-12 per cent even though their per capita income is two thirds of that in Bangladesh.

"Though the budget mentioned this problem, I did not see any proposal on a remedy," Islam said.

A big part of the budget deficit financing has been planned through bank borrowing. Growth in private sector lending in fiscal year 2021-22 was well below the Bangladesh Bank target.

Of the 31.5 per cent of the GDP counted as investment, 24.9 per cent is set to come from the private sector while 6.6 per cent from the government.

If the government borrows too much from banks, it reduces the growth of private sector lending. Investment in Bangladesh is mainly based on banks as the stock market has till date been unable to play a significant role in financing industries.

It should be remembered that investment propels growth, he said.

A 2016 survey said some 64 per cent of the poor people were left out of social safety net programmes and with the pandemic increasing the number of financially insolvent people, proper disbursement of the aid needs to be ensured, he added.

The size of the annual development programme (ADP) for FY23 has been fixed at a record-high Tk 246,066 crore. The revised ADP budget for fiscal year 2021-22 was fixed at Tk 209,977 crore but in nine months to March, just Tk 98,934 crore could be spent.

Spending should be focused throughout the year instead of just the end of the year and the government could enable a form of "reward and punishment" for implementation officials in this regard, Islam said.

Achieving the Sustainable Development Goals will be impossible if income inequality is not addressed, he said.

Addressing the event, Mominul Islam, managing director and CEO of IPDC Finance, said this time subsidies and safety net programmes may not be enough to reduce the sufferings of ultra poor.

Though some term it a business-friendly budget, marginal people need to be protected instead of those in the upper social tiers who comprise the business sector.

"Taxing someone earning just Tk 25,000 a month is simply not right while retaining VAT on non-profit private universities will just make them even more business-oriented," he said.

Some 22 lakh youths are entering the job market each year while the market has a capacity to absorb 12 lakh, so greater focus is needed in this regard.

On the scope of allowing people to bring back money laundered abroad by paying 7 per cent tax without having to face any questions, he said there was little hope for it to work as seen in 17 countries which tried this method.

Focus should instead be on the drivers, such as lack of security in the country, trade-based money laundering and prevalence of low interest and illegal money, he added.

Reconsider amnesty to black money

Says former BB governor Atiur

STAR BUSINESS REPORT

The government should reconsider the proposals on increasing source tax on interest income of all companies, raising taxes on mobile phones, laptops and broadband internet services and giving amnesty to laundered money, Unnayan Shamannay Chair-Professor Atiur Rahman said yesterday.

The former Bangladesh Bank governor also stressed the need for cutting unnecessary spending and allocating more for social safety, education and health.

Rahman spoke while virtually presenting a keynote paper at a press conference at its office in Dhaka to review the proposed national budget for 2022-23 fiscal year (FY).

"A cautious budget has been proposed for FY 2022-23, which considers both the need to reduce imports and the demand for allocations for economic recovery," Rahman said.

It aims to push forward an inclusive economic recovery while prioritising the socio-economic security of the people and keeping the growth momentum going, he said.

"However, certain tax proposals of the budget need to be reconsidered."

Unnayan Shamannay's Lead Economist Robart Shuvro Guda and its Policy Analyst Zinia Sharmin also spoke along with Economist Jamal Uddin and Sociologist Khondoker Shakhawat Ali.

Iran, Venezuela sign two-decade cooperation deal

AFP, *Tehran*

Iran and Venezuela signed a 20-year deal on cooperation between the two allies subject to US sanctions during a visit Saturday to the Islamic republic by Venezuela's President Nicholas Maduro.

The inking of the agreement "shows the determination of the high-level officials of the two countries for development of relations in different fields," Iran's President Ebrahim Raisi said.

Maduro, speaking at a joint news conference in the Iranian capital, said the cooperation covered the energy and financial sectors as well as "work together on defence projects".

Alongside the likes of Russia, China, Cuba and Turkey, Iran is one of Venezuela's main allies. And like Venezuela it is subject to tough US sanctions.

"Venezuela has passed hard years but the determination of the people, the officials and the president of the country was that they should resist the sanctions," Raisi said during the news conference, quoted by state television.

"This is a good sign that proves to everyone that resistance will work and will force the enemy to retreat," the Iranian president added.

Berger, Marico, United Power may miss

FROM PAGE B1

Listed firms have been suggested to offload a maximum of 1 per cent of the required amount of shares every month and reach the target within a year.

The corporate tax rate for the non-publicly traded company has been slashed to 27.5 per cent from 30 per cent currently. However, the companies will have to comply with the bank transfer rule to benefit from the cut.

Industry people say if the government widens the tax gap between listed and non-listed companies, it will act as an incentive for the non-listed companies to go public.

Khandker Abu Jafar Sadique, company secretary of Berger Paints Bangladesh, told The Daily Star that the paint-maker had already taken the step to offload more than 5 per cent shares by September.

"The sponsors who need to offload shares are positive about increased participation of the general public."

A senior official of Marico Bangladesh says it would examine the issue before taking any decision.

United Power could not be reached for comments.

Although Walton Hi-tech Industries has offloaded the lowest percentage of share, or 0.97 per cent, among all the listed companies in Bangladesh, the electronics behemoth would not be impacted by the new tax rate, as it does not have to pay any such tax since it is enjoying the tax holiday.

As a hi-tech park, Walton has been exempted from paying any corporate tax from the current fiscal year and it would continue for another two years. It will pay a reduced rate for the next seven years.

If the government widens the tax gap between listed and non-listed companies, it will act as an incentive for the non-listed ones to go public

Still, the company is in the process of offloading up to a 10 per cent share in order to comply with the BSEC's instruction, said Md Rafiqul Islam, company secretary of Walton Hi-tech Industries.

Tax experts have praised the decision aimed at shifting transactions to the banking channel since it would cut the use of cash. They are, however, raised questions about whether it would be possible for companies to collect all sales proceeds using the banking channel.

Snehasish Barua, a partner at Snehasish Mahmud & Co, a chartered accountancy firm, says some big companies collect demand drafts or pay orders and then deliver their goods. For them, it is very easy to comply.

But most companies collect cash from customers whenever they can, depending on the credit period.

"Sometimes, it is difficult to recover money, let alone bring it through the banking channel," said Barua.

One might think about bringing the money using the mobile financial service system. But it comes with a cost, which is about 1 per cent.

So, businesses might not be ready to spend unless the transaction cost is reduced to a substantially low level, according to Barua.

He thinks stringent conditions should be liberalised upon discussions with professionals and trade bodies.

In his budget proposal, Finance Minister AHM Mustafa Kamal, however, has proposed to discontinue the scope to invest untaxed incomes in the stock market.

"The opportunity had been available for years but it did not attract a huge fund injection in the market. So, it has been the right decision not to continue it," Hasan said.

Banking, insurance, financial institutions, tobacco, and telecommunication sectors, however, would not see any benefit increase since their corporate tax rates have remained unchanged.

Budget to spur

FROM PAGE B1

increase the tax on bank deposits was not a logical move since it would encourage people to keep their cash in hand or under the pillows.

In order to remove tax disparities among the export-oriented sectors, the finance minister has proposed a uniform rate for all exporters – a move that the FBCCI has described as praiseworthy.

"It will help diversify exports," said Jashim.

Similarly, the corporate tax rate cut by 2.5 percentage points will increase competitiveness, he said.

"However, the reduction will not fetch major benefits since the advance income tax and advance tax have remained unchanged. Thus, the government is taking more from us compared to what it is giving," Jashim said.

The FBCCI has long been calling for the elimination of the advance income tax and advance tax because they increase the cost of production since refunds are not made properly.

"But no steps have been taken to this effect. I don't realise why the NBR has to collect a tax that it has to refund," said Jashim.

The budget has proposed to bring down the turnover tax for startups to 0.10 per cent from the existing 0.60 per cent, which is a commendable initiative, said the FBCCI.

"The government can exempt all types of start-ups from paying the direct tax for three to five years," said Jashim.

The cut in VAT for restaurants as well as for the companies producing sari, lungi, paper, coil, sugar, motor vehicle equipment and some other products is a positive move, according to the FBCCI.

The trade body called for raising the tax-free income limit to Tk 4 lakh from the current threshold of Tk 3 lakh, considering the higher prices of essentials in Bangladesh.

The FBCCI urged the government to keep the source tax on export proceeds at the current level of 0.50 per cent instead of raising it to 1 per cent as proposed in the budget.

It termed the proposed import duty on solar panels and the VAT on laptop imports illogical.

"Though laptops are produced locally, their quality is not up to the mark. The VAT will deter the digitalisation process of the country," said Jashim.

"Entrepreneurs have not made such recommendations. Who are the NBR giving protection to?" he asked.

Mostofa Azad Chowdhury Babu, senior vice-president of the FBCCI, MA Momen, vice-president of the trade body, Rizwan Rahman, president of the Dhaka Chamber of Commerce and Industry, and Mohammad Hatem, executive president of the Bangladesh Knitwear Manufacturers and Exporters Association, were present at the media briefing.

VAT reduction extended for cylinder makers

FROM PAGE B1

over the last couple of years thanks to the entry of private investors.

Bangladesh has over 25 LPG operators and the country annually uses nearly 14 lakh tonnes of LPG. The amount of consumption was nearly 3 lakh tonnes in fiscal year 2015-16, according to industry insiders.

Currently three companies make LPG cylinders and 35 lakh cylinders were produced locally in fiscal year 2020-21, up 68 per cent year-on-year, according to data of the Department of Explosives.

Import of LPG cylinders, reaching as high as 39.6 lakh units in fiscal year 2017-18, dropped by more than half to 6.13 lakh units in fiscal year 2020-21 from that in the previous year.

Currently three companies make LPG cylinders and 35 lakh cylinders were produced locally in fiscal year 2020-21, up 68 per cent year-on-year

Jakaria Jalal, head of division at Bashundhara LP Gas, said they had urged the government to provide a full exemption for a period of time as LPG prices were high in the international market.

First introduced for domestic purposes by state-owned Bangladesh Petroleum Company in 1978, LPG gained popularity since 2008 after the government stopped providing new gas connections to households due to dwindling reserves of natural gas.

LPG is any of several liquid mixtures of volatile hydrocarbons propene, propane, butene, and butane while natural gas is a highly flammable gaseous hydrocarbon consisting primarily of methane and ethane, according to Britannica.

Lowering penalty

FROM PAGE B1

tax rates for all exporters, 10 per cent for green businesses and 12 per cent for non-green ones, are also laudable, it added.

"The reduction of tax rates for all exporters will encourage diversification of exports," said ICAB President Md Shahadat Hossain sharing the platform's analysis on the June 9 budget at a press conference in its office.

"We appreciate that the proposed budget has focused on tax reform measures as we believe it will contribute to improving the tax-GDP ratio and increasing revenue collection," he said.

The ICAB welcomed the proposed changes in source tax and its areas and changes in the definition of amalgamation, research and development.

Besides, separate provisions to facilitate startups will encourage creative ventures, he said.

The professional body of accountants said the government has taken up the challenge of implementing a development budget of Tk 246,066 crore for the next fiscal year amid domestic and global crises.

This is a very encouraging step for a developing country like Bangladesh to move forward, it said.

He said a joint initiative of the NBR and ICAB in setting up an automated document verification system to check the authenticity of audits of financial statements would facilitate the achievement of the revenue collection target.

Among others, former ICAB president Md Humayun Kabir and ICAB Chief Executive Officer Shubhashish Bose also spoke at the event.

Biden chides oil firms for fattening profits

REUTERS, *Los Angeles*

US President Joe Biden on Friday accused the US oil industry, and Exxon Mobil Corp in particular, of capitalizing on a supply shortage to fatten profits after a report showed inflation surging to a new 40-year record.

US consumer inflation accelerated in May as gasoline prices hit a record high and the cost of food soared, leading to the largest annual increase in four decades. A gallon of regular gasoline cost an average $4.99 nationwide on Friday, according to motorist group AAA.

Biden, who came into office vowing to reduce US dependence on fossil fuels, said on Friday he was hoping to speed up oil production, which is expected to hit record highs in the United States next year.

US oil companies are not using higher profits to drill more but to buy back stocks, the US president said

But he also issued a warning to the industry, whose profits have jumped with oil and gas prices, pointing to the gains as evidence consumers are paying for more than higher labor and shipping costs.

"Exxon made more money than God this year," Biden told reporters following a speech to dockworker union representatives at the Port of Los Angeles. US oil companies are not using higher profits to drill more but to buy back stock, he added.

Share buybacks improve earnings per share by reducing the number of shares outstanding, indirectly helping to boost share prices. Companies see buybacks as a way to reward investors.

"Why aren't they drilling? Because they make more money not producing more oil," Biden said. "Exxon, start investing and start paying your taxes."

Exxon pushed back at the comments, noting it has continued to increase its US oil, gasoline and diesel production, and had borrowed heavily to increase output while suffering losses in 2020.

ICT SECTOR AT A GLANCE

SOURCE: BUDGET SPEECH 2022-23

Current annual export earnings:	Business activities started at 9 high-tech parks/IT incubation centres	Local investment in the parks so far:	Proposed foreign investment in the parks:	Number of start-ups in Bangladesh:	Direct and indirect employments:	Export target by 2025:
$1.4b		Tk 2,000cr	$439m	2,500	15 lakh	$5b

ICT sector's demands not reflected in budget: BASIS

STAR BUSINESS REPORT

The proposed budget does not reflect the ICT sector's demands although they are aimed at accelerating the development of the industry, said the Bangladesh Association of Software and Information Services (BASIS) yesterday.

It said it had proposed extending the exemption of corporate tax to businesses related to software development and information technology-enabled services (ITESs) from 2024 to 2030, but this has not been considered in the budget.

The BASIS also suggested allocating at least 10 per cent of the budget for the internal development of all ministries and their affiliated agencies, particularly the purchase of software and ITES.

"But we did not see any specific guidelines in this year's budget," it said.

The BASIS suggested allocating at least 10 per cent of the budget for the internal development of all ministries and their affiliated agencies, particularly the purchase of software and ITES. But it said it did not see any specific guidelines in this year's budget.

"The budget for the IT sector did not reflect our proposals," said Abu Daud Khan, a vice-president of the association.

He thanked the finance minister for increasing the budget allocation for the

ICT sector by 16.69 per cent, or about Tk 274 crore, to Tk 917 crore compared to the revised budget.

"However, there was no clear indication as to which projects or sectors the money would be spent and how it would benefit the ICT industry and its entrepreneurs."

Khan also applauded the proposal that exempts start-ups from all types of reporting obligations, except the filing of income tax returns.

The BASIS said it proposed creating a fund of at least Tk 300 crore to provide loans to women entrepreneurs at a 2 per cent interest rate to increase their participation in the ICT sector.

It also sought incentives equivalent to 10 per cent of the monthly salary of female officers or employees working at software and ICT companies to give a boost to women's employment.

However, the proposed budget did not consider the proposals, said the association.

The trade body said the budget also did not reflect its demand for the inclusion of the platform as a service (PaaS) and the software as a service (SaaS) in the definition of ITES.

The PaaS is a cloud computing model where third-party providers deliver hardware and software tools to users, while SaaS platforms make software available to users, both over the internet.

But the demands were not taken into account, the BASIS said.

"We noticed that many schemes have been taken up by the government in many sectors from time to time to compensate for business losses owing to the coronavirus pandemic. So, we proposed to take up a Tk 2,000 crore stimulus package for the ICT sector at 5 per cent government-subsidised interest rate, but we did not see that in the budget outline either."

The organisation went on to say that the budget proposed to impose a 15 per cent value-added tax (VAT) on the imports of essential equipment used in the ICT sector, especially laptops and printers.

"This will increase the cost for both traders and consumers."

There should be a plan to multiply the production of laptops locally by building an ecosystem for making it faster. Otherwise, the price of imported laptops may go past the purchasing power of freelancers, it added.

Fahim Ahmed, a vice-president of the BASIS, said he hoped the government would reconsider the issues.

High and low tide of inward remittance

AL MAMOON

Till the end of May our inbound remittance totaled $19.19 billion, $3.6 billion dollar less than that last year. With the current downward trend, in an optimistic estimation, we can eye a near $21 billion by the end of the financial year which would be 15 per cent less on a year-on-year basis. But based on this figure alone will it be justified to arrive at a decision that the magic of remittance have waned, we have run out of means to fill the increasing trade gaps, and are quickly embracing a bleak financial future? Before siding with a yes or a no let us revisit the trend of remittance flow.

Bangladesh Bank recorded our remittance inflow from FY 2016-17 to FY 2019-20 at $12.77, $14.98, $16.42 and $18.21 billion on each year respectively. At this progression, in 2020-21 it would have been between $20.50 and $21 billion. But as Covid-19 turned all predictions upside down, we closed the year with $24.78 billion, an unprecedented 36 per cent rise.

While we label the current trend of remittance inflow as "declining", we must not forget that this rise was somewhat unnatural. Which is why, it was inevitable to fall from that cliff, settle at a lower point, regroup, and start the uphill climb again.

The market forces that traditionally prevailed, but were gone during the pandemic, are striking back now. One such force is the alternative channels of money transfer. The whole hundi racket went into oblivion since April 2020, money came through banking channels mostly and we piled up a near $25 billion. But the bad boys are back on the streets now and the gap of Tk 6 to Tk 7 between bank rates and the kerb market is only fueling the fire.

While we label the current trend of remittance inflow as "declining", we must not forget that this rise was somewhat unnatural. Which is why, it was inevitable to fall from that cliff, settle at a lower point, regroup, and start the uphill climb again

Has the government failed to respond?

Some economists might not have approved of the way the central bank acted in the face of a rising rate of US dollars in the unofficial market and later amended its actions but one thing is for sure that is the government cannot be blamed for its inaction. The government is also allowing unlimited fund transfers without requiring supporting documents since May 23. Also, we heard it on the grapevine that the 2.5 per cent incentive will go up in the budget proposals.

If it is done, we would not hesitate to welcome the move. Let us assume that the receiving party cashes Tk 103.50 for every Tk 100.00 remitted. Let us also assume we reach $25 billion again in June 2023. How much additional expenses will the government incur for it at the existing exchange rate of Tk 89.90? It would be a subsidy of Tk 5,618 crore with 2.50 per cent and with one taka more in every hundred it would be Tk 7,866 crore. That is an additional subsidy of Tk 2,247 crore worth spending for the greater good of a greater number of people, for stabilising the forex market and for ousting the bad players from the ground.

READ MORE ON B2

US inflation skyrockets

AFP, *Washington*

US inflation surged to a new four-decade high in May, defying hopes that price pressures had peaked and deepening President Joe Biden's political troubles as Americans struggle to meet the cost of essentials like food and gas.

Government data released Friday put inflation at 8.6 per cent, extending increases not seen for a generation, with gas prices hitting daily records fueled by Russia's invasion of Ukraine and supply chain challenges related to the pandemic.

Biden, whose popularity has taken a hit as prices surge just months before November's midterm elections, has made fighting inflation his top domestic priority but is finding he has few tools to directly affect prices.

"I'm doing everything in my power to blunt Putin's price hike and bring down the price of gas and food," he said Friday while speaking at the Port of Los Angeles.

"We're better positioned (than) just about any country in the world to overcome the global inflation we're seeing and to take the next step towards forming a historic recovery."

The president has tried to hammer home his optimistic message about economic progress in the wake of the pandemic, including rapid GDP growth and record job creation, while pressing Congress to take action to lower costs on specific products.

Biden cited releasing 30 million barrels of reserve oil and repeated his call to approve legislation to go after firms such as shipping companies that are taking advantage of limited competition to impose steep price hikes.

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People shop for groceries at a supermarket in Glendale, California. Government data released Friday put inflation at 8.6 per cent, extending increases not seen for a generation, with gas prices hitting daily records.

PHOTO: AFP/FILE

India's fuel demand jumps 24pc

REUTERS

India's fuel consumption jumped 23.8 per cent in May from a year earlier, continuing a recovery from a relatively low base in 2021 when the world's third biggest oil consumer was in the grip of a second wave of Covid-19.

Consumption of fuel, a proxy for oil demand, totalled 18.27 million tonnes last month, according to data from the Indian oil ministry's Petroleum Planning and Analysis Cell.

Last month's increase was the biggest year-on-year jump since April 2021. Consumption also rose modestly, by 0.4 per cent, from April.

The yearly increase is "because of a lower base, as demand in May 2021 was low due to high Covid cases at that time," although the monthly rise was surprising, said Refinitiv analyst Ehsan Ul Haq.

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