

Stocks tumble despite corporate tax cuts

Lack of new measures to blame, experts say

STAR BUSINESS REPORT

The domestic stock market took a dive yesterday, the first trading session since Finance Minister AHM Mustafa Kamal proposed the national budget for the fiscal year of 2022-23 in parliament on Thursday.

The DSEX, the benchmark index of the Dhaka Stock Exchange (DSE), decreased by 48 points, or 0.72 per cent, to close the day at 6,431.

Similarly, turnover of the Dhaka bourse dropped 16 per cent to Tk 636 crore from the Tk 758 crore registered on Thursday.

"Investors are not happy with the budgetary measures given for the stock market and so, they are reacting negatively," a merchant banker said.

A corporate tax cut of 2.5 percentage points was included in the proposed national plan but it was for both listed and non-listed companies.

Moreover, two conditions were given that companies will have to

offload more than 10 per cent of shares and maintain all income transactions through banking channels in order to enjoy the benefit.

Besides, banks, NBFI, insurance, tobacco and telecom companies were excluded from the benefit even though there are 113 of these companies that make up one-third of all listed firms.

What is more, the government abolished the opportunity to whiten black money through the stock market.

"So, investors think the market did not get any exclusive measures in the budget," the merchant banker said.

A stockbroker said investors hoped that the government would increase the tax-free dividend income limit up to Tk 50,000 for the next fiscal year. In addition, the tax gap between listed and non-listed companies should be increased so that more companies are encouraged to go public.

"However, no direct measures for the stock market were given," he added. The DS-30, the blue-chip index,

and the DSES, the Shariah-based index, fell by 17 points and 10 points, respectively.

"The DSE slumped into negative territory as investors took the proposal to withdraw the scope of investing undisclosed income in stocks as an unfriendly measure towards the market," International Leasing Securities said in its daily review.

The change alone prevented investors from injecting new funds into the market. As such, the index began a steep slide from the beginning of the trading session.

However, upward price movements of a few stocks later in the day helped buck the declining trend to some extent, it added. Almost all major sectors posted losses, with paper and printing dropping 2.6 per cent while ceramics fell 0.7 per cent.

Investors were mainly focused on the textile (11.8 per cent), pharmaceuticals (10.7 per cent), miscellaneous (10.5 per cent) and

engineering (9.6 per cent) sectors.

At the DSE, 53 stocks rose, 306 fell and 19 remained unchanged.

Meghna Insurance topped the gainers' list, rising 9.91 per cent, while Dulamia Cotton Spinning Mills, Monno Fabrics, Shinepukur Ceramics, and Shurwid Industries were placed in the top five.

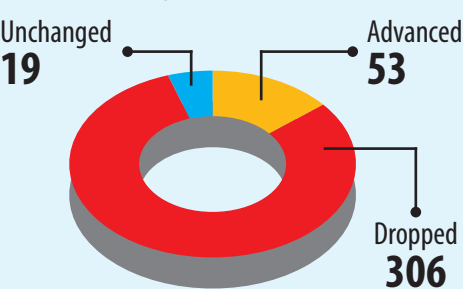
Summit Alliance Port eroded the most, dropping 2 per cent. Renwick Jasneswar & Company, Green Delta Insurance, Nitol Insurance Company, and Janata Insurance were among other companies in the loser tally.

Shinepukur Ceramics became the most traded stock with its shares worth Tk 39 crore changing hands, followed by Beximco Ltd, BDCOM Online, IPDC Finance, and Bangladesh Shipping Corporation.

The Chittagong Stock Exchange (CSE) also fell yesterday as the CASPI, the prime index of the port city bourse, edged down 134 points, or 0.70 per cent, to 18,891.

Share Price Movement on June 12

(number of companies) SOURCE: DSE



BUDGETARY MEASURES

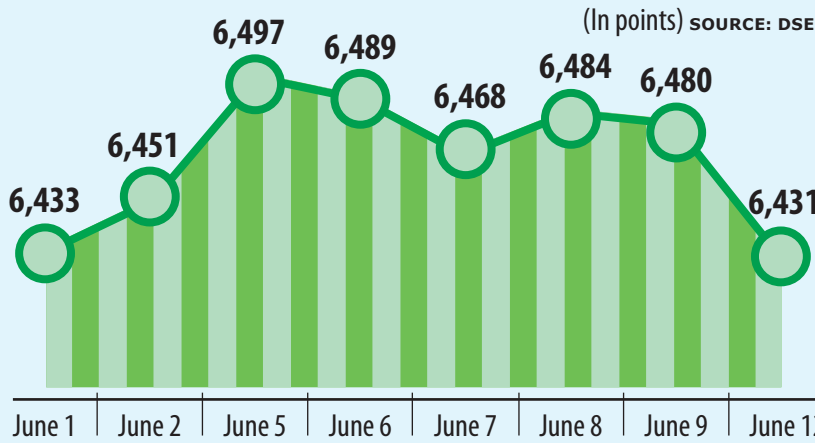
Corporate tax cut by 2.5 percentage points on two conditions

Banks, NBFI, insurance, tobacco, telecom are out of the benefits

No scope to whiten black money

Movement of DSEX

(In points) SOURCE: DSE



Govt cuts

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The amount was higher than the government's initial distribution plan of 28.36 lakh tonnes for the current fiscal year, according to finance ministry documents.

AMM Shawkat Ali, a former food adviser to the caretaker government, said the purchasing power of the poor and low-income groups has gone down amid rising inflationary pressure.

"The rice market is volatile. At this moment, the government's food distribution should increase to ensure the food security of the poor," he said, suggesting raising the allocation for public food distribution by 10 per cent from the revised allocation of 32.75 lakh tonnes for FY22.

He said keeping the food budget below the revised budget is not a correct assessment of the situation.

"If the government remains strict to it, it will

definitely be anti-poor."

"Allocation should be reviewed and expanded during the coming lean season of September-October. Otherwise, there will be a silent effect of hunger." The government has allocated Tk 14,116 crore for food distribution for FY23, down marginally from the revised allocation for FY22.

M Asaduzzaman, a former research director of the Bangladesh Institute of Development Studies (BIDS), said the allocation for public food distribution should have increased as many people fell into poverty for the coronavirus pandemic and the soaring prices of food for the war in Ukraine.

"Allocation should have been at least equal to the revised budget of the current fiscal year as a caution. The government will not use it if it is not needed."

Quazi Shahabuddin, a

former director-general of the BIDS, said the prices of essentials, including rice, are rising even during the peak harvesting season. "So, the reduction from the revised budget could have been justified had the prices of rice declined. It will have an adverse impact on food security, particularly of the poor."

Md Shakhawat Hossain, director-general of the Directorate General of Food, said the government may increase allocation depending on the situation.

The food directorate has planned to distribute more than 24 lakh tonnes of rice and over 8 lakh tonnes of wheat through various cash and non-cash programmes. Hossain said his office sought to expand the coverage of the food-friendly programme to 60 lakh households from 50 lakh households. It has also expanded the OMS operation this year, he said.

US, EU divided over LDC

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any reason so that no country faced any food crisis.

"A food crisis, along with economic downturns, is imminent. Small and vulnerable economies are suffering the most," he said in a speech delivered at the conference.

"We urge members not to impose export restrictions on products that are essential for our survival, particularly relevant for our food security, public health and long-term development goals in the LDCs."

The commerce minister said the WTO could not deliver any result to date to respond to the pandemic.

"Some of us could not prioritise the human needs over the profit maximisation. Hope during the upcoming food crisis and economic recession, the WTO shall play its role to ensure certainty and predictability."

Ghosh also said Bangladesh has already demanded the continuation of fishery subsidies for the LDCs as a few million small families of the world make a living off fisheries.

He, however, said if any restriction were to come about, it may be on marine fisheries. If such a restriction is imposed, Bangladesh might not be affected much as fisheries in Bangladesh were mainly based on land.

Halizur Rahman, director-general of the WTO cell under the commerce ministry, said Bangladesh is negotiating for the extension of a Trade-Related Aspects of Intellectual Property Rights (TRIPS) up to January 2033.

Following the LDC graduation set for 2026, Bangladesh will be unable to continue enjoying the TRIPS facility and prices of medicine will go up in the domestic market because of the discontinuation of patent rights of generic medicine.

The food crisis and fuel price hike became major issues for negotiations at the conference as many countries have already restricted food export and fuel prices have soared primarily for the pandemic and the Russia-Ukraine war.

Ngozi Okonjo-Iweala, director-general of the WTO, at a press conference, said the food crisis had turned into another challenge for the world because of the Russia-Ukraine war.

On fishery subsidies, the DG hinted that they may reach a conclusion at the end of the four-day negotiation as member countries also want a ban on subsidies on marine fishing.

Regarding other burning issues, Ngozi Okonjo-Iweala strongly urged member countries to be more cohesive in reaching a consensus in giving trade benefits and extending the TRIPS benefits to graduating LDCs and refraining from imposing any sudden ban on food grain exports.

Timur M Suleimenov, first deputy chief of staff of the president of the Republic of Kazakhstan, chaired the conference.

The world needs less uncertainty, he said, regarding the current food crisis. The MC12 is scheduled to come to an end on June 15.



Hassan O Rashid, managing director of Prime Bank, recently unveiled an updated version of MyPrime app at a hotel in Dhaka. Faisal Rahman, additional managing director, and Mohammad Habibur Rahman Chowdhury, ANM Mahfuz, Shams Abdullah Muhaimin and Md Ziaur Rahman, deputy managing directors, were present.

PHOTO: PRIME BANK

Telcos fined Tk 7.65cr

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illegal VoIP equipment, a fine of Tk 5,000 was set to be charged against every SIM, which was later increased to Tk 10,000.

The operators can find out, through their systems and logic, whether SIMs are being used in illegal VoIP activities and they can bar the connections. But the operators have not taken prompt action to bar them.

"We have fined the operators as part of our duty as a regulator since their SIMs were found in the illegal VoIP equipment," Shyam Sunder Sikder, chairman of the BTRC, told The Daily Star.

The highest number of confiscated SIMs, 32,845, was of Teletalk and the operator was initially fined Tk 17.73 crore. Md Shahab Uddin, managing director of Teletalk, said the operator was yet to receive any copy of the letter.

"We had submitted our statement to the BTRC during the hearing. We will appeal once again to the BTRC for the revision after obtaining the commission's letter."

Robi Axiata initially was fined Tk 7.55 crore, which was later slashed to Tk 2 crore. Officials of Robi also said they have not yet received any such letter.

Grameenphone was slapped with a fine of Tk 99 lakh, but the amount was later reduced to Tk 50 lakh. The biggest mobile phone operator did not immediately respond to a request for comments.

Banglalink also did not want to immediately comment on the fine, which was initially set at Tk 33 lakh and later slashed to Tk 15 lakh. Earlier, Telecom Minister Mustafa Jabbar said illegal VoIP hampers the state's revenue collection and hurts the telecom sector as well.

"So, actions taken against such activities are justified," he told The Daily Star.

Ensure simple tax measures

Speakers say at ICAB-JBCCI roundtable

STAR BUSINESS REPORT

Simplification of tax administration and proper infrastructure development are needed to attract more foreign direct investment (FDI) to Bangladesh, according to speakers at a roundtable on FDI prospects in view of the proposed national budget for the fiscal year of 2022-2023.

The discussion was jointly organised by the Institute of Chartered Accountants of Bangladesh (ICAB) and the Japan-Bangladesh Chamber of Commerce and Industry (JBCCI) at the InterContinental Dhaka in the capital yesterday.

Addressing the event as chief guest, Japanese Ambassador Ito Naoki said Bangladesh has set a very a unique example in terms of economic recovery from the Covid-19 pandemic.

"However, the Russia-Ukraine war has again changed the world's economic situation," he said.

Mentioning that all international rules and regulations should be followed, Naoki said foreign companies in Bangladesh need to renew their work permits after every one to three years, which is not realistic.

"It should be made a one-time issue."

The Japanese ambassador went on to say that ICAB and the JBCCI will continue collaborating to create a congenial business environment in Bangladesh where foreign investors can enjoy more facilities.

"They (ICAB and JBCCI) will come together with specific proposals to the policymakers and very strategic efforts are needed for this purpose," Naoki added.

ICAB President Md Shahadat Hossain said Japan has been continuously supporting Bangladesh for the nation's successful graduation from its status as a least developed country.

Approximately 320 Japanese companies are currently doing business in Bangladesh and the number is expected to rise in the next few years.

Bangladesh aims to bring \$2 billion in FDI in 2022 and \$2.5 billion in 2023, and the ICAB believes that Japanese entrepreneurs will largely contribute to achieving this target, he added.

JBCCI President Asif A Chowdhury said appropriate reform measures are needed in the country's tax administration to reduce the bureaucratic tangle and interference in business and investment to attract more investment.

Stressing the need for improving the efficiency of port services, he said customs clearance procedures must be simplified to ensure ease of doing business. He also placed some recommendations regarding privatisation, modernisation of business law and policies for macroeconomic stability.

Highlighting key features of the next budget, ICAB Vice President NKA Mobin demanded simplification of the country's tax administration and proper infrastructure development to attract more FDI.

Yuji Ando, chief country representative of the Japan External Trade Organisation, said VAT registration has been made mandatory for liaison and branch offices of foreign companies from the next fiscal year, which will take more time as entrepreneurs will face difficulty in the VAT registration process.

Over half

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of cyberattacks and data breaches increased by 15.1 per cent from that the previous year.

"This is a matter of grave concern for us. Keeping sensitive business information secure is more important than ever," said Hussain, also the managing director of Brac Bank.

Banks must protect their IT infrastructure – ATM, internet banking, app, debit and credit card systems, phone banking and a host of digital banking platforms – from cyber threats, he said.

More than 200 participants from the banking industry, including managing directors of banks, are participating in the summit.

Ukraine grain exports face bottlenecks

REUTERS, Singapore

Ukraine has established two routes through Poland and Romania to export grain and avert a global food crisis although bottlenecks have slowed the supply chain, Kyiv's deputy foreign minister said on Sunday.

Dmytro Senik said global food security was at risk because Russia's invasion of Ukraine had halted Kyiv's Black Sea grain exports, causing widespread shortages and soaring prices. Ukraine is the world's fourth-largest grain exporter and it says there are some 30 million tonnes of grain stored in Ukrainian-held territory which it is trying to export via road, river and rail.

Ukraine was in talks with Baltic states to add a third corridor for food exports, Senik said.

He did not give details on how much grain has already moved or would be moved through these routes. Ukrainian Deputy Foreign Minister Dmytro Senik speaks to Reuters at the 19th Shangri-La Dialogue, in Singapore. "Those routes are not perfect because it creates certain bottlenecks, but we are doing our best to develop those routes in the meantime," he told Reuters on the sidelines of an Asian security summit in Singapore.