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### **TAMING CORONAVIRUS RAMPAGE**

# Imports crash in April, as expected

REJAUL KARIM BYRON and AKM ZAMIR UDDIN

The country's import decreased 62 per cent year-on-year to \$1.95 billion in April as industrial production has almost come to a halt due to the ongoing shutdown to tackle the spread of the coronavirus.

The settlement of letters of credit (LCs), or generally known as import, also declined 53 per cent in April from a month earlier, when the figure stood at \$4.17 billion, according to data from the central bank.

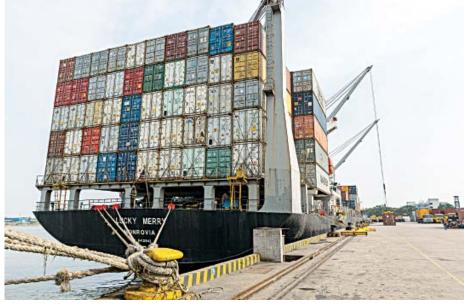
Both the LCs settlement for industrial raw materials and capital machinery nosedived last month, putting an adverse impact on the overall import.

A large part of the imports is mainly for the export-earning garment sector, but the industrial units had suspended their manufacturing last month for the countrywide shutdown to flatten the curve on coronavirus.

The rogue virus has harmed the export earnings as well last month

In April, exports nosedived five times from the previous month and 82.9 per cent from a year earlier to just \$520.01 million, according to data from the Export Promotion Bureau.





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to a big price fall in the global market in the wake of the ongoing financial meltdown.

This has also helped the country count a lower import payment.

Oil prices in the global market plunged to an 18-year low of less than \$20 a barrel last

> month. The international Brent crude, marker however, rose more than 3 per cent to above \$30 on

May 14. The opening of LCs, or better known as actual import orders, also saw a steep decline last month

products also reduced to a great extent due when the volume stood at \$1.60 billion, down 70 per cent year-on-year.

This has indicated that imports may decrease further in the months ahead. "Businesses showed reluctance in

opening and settling LCs last month as their industrial units faced shutdown during the period," said Syed Mahbubur Rahman, managing director of Mutual Trust Bank.

Although the industrial units of the garment sector have opened, many other factories are yet to start to run.

Against the backdrop, import has not increased significantly this month, said Rahman, also an immediate past chairman of the Association of Bankers, Bangladesh, a forum of managing directors of banks.

He, however, said that imports in the fight the ongoing crisis.

ship-breaking industry have recently increased.

Imports will bounce back when the economy will reopen, according to him.

There is no great difference between the import of April and May, said Md Abdul Halim Chowdhury, managing director of Pubali Bank.

Back-to-back LCs for the garment sector have increased slightly, which is a positive thing for the economy.

Businesses now import food grains, petroleum products and some other food items; the import of other products have dropped remarkably.

Chowdhury, however, hopes that imports would get momentum as many foreign nations are now reopening their economies

Banks usually gain a major of their profits from the import-export businesses, said another managing director of a bank

on condition anonymity. So, lenders' profit will contract in the

coming days if international trade does not pick up, he said. In a separate move, the central bank

yesterday increased the loan ceiling for the member factories of the Bangladesh Garment Manufacturers and Exporters Association and the Bangladesh Textile Mills Association from the export development fund (EDF).

As per the central bank instruction, the two associations' members will be allowed to get \$30 million instead of the previous \$25 million.

Exporters will get the support until December 31.

The central bank has recently extended the volume of the EDF to \$5 billion from the previous \$3.5 billion to help exporters

## NBR to roll out VAT e-payment pilot from June

REJAUL KARIM BYRON and SOHEL PARVEZ

The National Board of Revenue plans to introduce e-payment for value-added tax on a pilot basis from June to automate the VAT system and administration, ease the hassles faced by businesses and reduce the time and the cost of compliance.

"We will place a proposal to the higher-ups in this regard after Eid," said Kazi Mostafizur Rahman, project director of the VAT Online Project of the NBR.

The plan to proceed with the VAT e-payment comes after the project succeeded in conducting a mock-test of electronic payments of some firms through HSBC and Midland Bank.

The payments were small but the results were positive,

"We are ready and now we are planning to go big," he added. Some 100 companies with accounts with the two banks

would be brought under the piloting of digital payment of VAT as per plans. Once the e-payment starts, businesses will be able to

pay VAT without visiting banks and the VAT offices will get a copy of the payment electronically.

The initiative to open the electronic payment for VAT option for businesses follows the launch of the online return filing window for 150,000 VAT-registered firms in October.



The responses were initially were low. But the number of online return filers has risen overtime: from 3,000 to more than 34,000 in February.

The number dropped to 28,000 in March because of the coronavirus pandemic.

The tally of online return filers rose in April to 32,000, reflecting that firms are showing increasing interest in settling VAT matters electronically.

Once the e-payment facility is completed, 40 per cent of the total functions of the automation of the VAT system and administration would be done, Rahman said.

"Still a lot of things such as VAT refund remains to be done," he said, adding that all the remaining tasks would be complete by September. The government took the VAT online project in 2014

to implement the VAT and Supplementary Duty Act 2012 through the automation of VAT administration, ending manual system and more than two-decade-old VAT laws.

The idea was to reduce the cost of businesses, improve compliance and increase revenue collection in the country, which has the lowest tax-GDP ratio in South Asia.

Initially, the NBR had planned to go with a uniform 15 per cent VAT rate on all goods and services.

However, in the face of opposition from business, the government had delayed the implementation of the new law several times since it was originally scheduled to roll out in July 2015. The law finally came into effect from July last year.

The revenue authority also backpedalled from introducing uniform VAT rates, delaying the implementation of the project, especially for two years from 2016 to 2018.

Registration and return modules were developed based on the original law and these modules had to be changed after the revision in the new VAT law, Rahman said.

The Tk 690-crore VAT Online Project, with a majority of the financing coming from the World Bank, is slated to end on December 31.

Until recently, Tk 235 crore of the project has been

### Govt instructs shipping lines to waive container detention charges waiver on the container detention charges

STAR BUSINESS REPORT

The Department of Shipping yesterday instructed foreign shipping lines and their local agents not to impose container detention charges on the import containers because of the coronavirus pandemic. It also asked them to return the charges

that have already been collected.

The decision came in a meeting with stakeholders chaired by Syed Ariful Islam, director general of the Department of Shipping. Representatives of the Bangladesh

Containers Shipping Association, the

Bangladesh Garments Manufacturers and Exporters Association, the Federation of Bangladesh Chambers of Commerce and Industry, foreign shipping lines and local shipping agents attended the meeting. Detention charges include the money that merchants pay for the use of container within the terminal beyond the free period

and the fee that merchants pay for the use of container outside of the terminal or depot beyond the free period. Usually, containers can stay from five to 21 days without incurring any charges depending on the contracts with shipping companies. After that, \$5 to \$120 are charged

for a container per day in detention charges. Importers had been demanding the



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since they had to pay a huge amount for holding the import containers beyond the agreed period as they could not be taken out of the port during the shutdown.
On April 29, the DG Shipping issued a notice advising the shipping lines not

to impose the detention charge for March 26 to May 5. Later, the general holiday has been extended to May 30. The global shipping lines and their local

agents refused to comply, saying the sector s bleeding because of the pandemic. The World Shipping Council on May

5 sent a letter to the principal secretary to the prime minister and the executive chairman of the Bangladesh Investment Development Authority requesting the removal of the advisory.

Since the shipping agents continue to collect detention charges, the Department of Shipping convened the meeting.

"Every sector has been hurt in this pandemic and all the stakeholders of the export-import activities need to make sacrifices," Islam said.

The agents would inform the foreign shipping lines, who are the authorities to impose or waive the detention charges, about the outcome of the meeting, said Ahsanul Huq Chowdhury, chairman of the Bangladesh Shipping Agents Association.

## China offers generous duty privilege

REFAYET ULLAH MIRDHA

Here's a spot of good news amid the

doom and gloom. China, the biggest trading partner of Bangladesh, has granted zeroduty benefit for 97 per cent of the country's export items, a development that might provide some respite to exporters who are struggling to remain afloat amid a plunge in orders from Western buyers.

"This is a generous duty privilege," Sharifa Khan, additional secretary (free trade agreement) of the commerce ministry, told The Daily Star over the phone.

Bangladeshi exporters can enjoy the benefit from this month, she said, adding that China has granted the privilege both bilaterally and under the Asia-Pacific Trade Agreement (APTA).

"So, in a sense, the Chinese offer China granted the 97 per cent privilege is broader compared with those provided by other countries."

Earlier in 2015, China offered various least-developed countries (LDCs) extensions on the trade benefits for up to 97 per cent of their

However, the nations that took up on the offer were no longer allowed to enjoy the benefits under the APTA.

Then again China gave Bangladesh an option that if it withdraws its name as an APTA beneficiary, it would grant the 97 per cent package to Bangladesh like the one extended to other LDCs.

Bangladesh agreed to proposal and applied to the Chinese government for the 97 per cent package instead of 65 per cent under

However, after the final negotiation,

along with the APTA benefit as China thinks Bangladesh is a very important as China itself is one of the biggest

that we can utilise this opportunity trading partner for them, Khan added. consumer markets in the world," said

#### **Exports to China over the years** (\*as of April)



"We must take preparations such Abdur Razzaque, research director of the Policy Research Institute (PRI).

The benefit will also help Bangladesh increase shipments of new products like pharmaceuticals and some non-traditional items. As a result, Bangladesh has got an opportunity to diversify both its products and markets, Razzaque said.

Chinese tariffs are usually very high compared with those of the EU and the US, the two main export destinations for Bangladesh.

For instance, the average tariff to the EU is 12 per cent -- but Bangladesh does not face any duty to the EU as an LDC -- and Bangladeshi exporters face on average 15.62 per cent duty on shipments to the US.

On the contrary, the tariff rates the exporters face in the Chinese market vary from 25 per cent to 30 per cent.

So, Bangladesh will not need to compete with countries like Vietnam in the Chinese market, which is why the demand for Bangladeshi goods, especially apparel, will rise further in China, Razzaque said.

Recently, many Chinese garment factories have shown interest to move out to Bangladesh for the higher cost of production and a shortage of skilled manpower in their apparel industry.

Granting a zero-duty benefit for Bangladeshi goods in the Chinese markets indicates that both the Chinese government and private sector are shifting their focus towards Bangladesh.

Because of the duty privilege, in future the Chinese manufacturers might make their goods in Bangladesh to export those to their own country, experts said.