

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES				
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	CNY	
0.84%	0.75%	\$1,685.23	\$42.30	34,287.24	22,863.73	2,751.50	2,930.80	83.95	93.16	104.39	11.64	
4,008.29	6,808.23	(per ounce)	(per barrel)					BUY TK	84.95	96.96	108.19	12.23



# Star BUSINESS

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## TAMING CORONAVIRUS RAMPAGE

### SMEs to be gifted with turnover tax cut



REJAUUL KARIM BYRON

Small and medium enterprises (SMEs) are likely to get a respite from paying turnover tax in the next fiscal year as the government looks to support businesses that suffered sales losses owing to the more than two-month-long shutdown.

The lockdown, which began on March 26, partially ended on May 30. But its fallout continues to remain deep as many businesses are struggling to clear salaries and wages of employees because

of unprecedented demand collapse and supply chain breakdown.

So, to give relief to small businesses, the turnover tax may be curtailed to 3 per cent in fiscal 2020-21 from 4 per cent now, said officials of the finance ministry.

At present, businesses that register an annual turnover of Tk 50 lakh to Tk 3 crore pay 4 per cent in turnover tax.

Officials say as the lockdown has shattered businesses in almost all sectors of the economy, the tax relief would reduce the pressure on them.

The country has more than 78 lakh economic units and 12 per cent of them are micro and SMEs, according to the Bangladesh Bureau of Statistics' Economic Census 2013.

The government may also reduce advance tax (AT), a form of value-added tax (VAT) levied on imports, to cut the operational cost of industries, said revenue officials.

Currently, businesses, mainly domestic market-oriented industries and traders, pay 5 per cent AT during the import of goods.

The AT rate for the import

**Likely tax measures in FY21's budget**

- SMEs to get a 1 percentage point cut in turnover tax at 3%
- Advance tax on industrial raw materials to be slashed to 3% from 5%
- Supplementary duty on cigarettes to be hiked 5-10%
- Hike in excise duty on account balance of Tk 5 cr and above by 15%

of industrial raw materials may be set at 3 per cent, the officials said.

However, smokers are likely to face higher taxes as the government is considering increasing the prices of the

cigarettes to attain the increased revenue collection target of Tk 128,800 crore in fiscal 2020-21 from VAT, up 19 per cent from the revised target of Tk 108,000 crore in the outgoing fiscal year.

Cigarette, the biggest sources of VAT and supplementary duty (SD), brought Tk 22,000 crore, which is 28 per cent of the total VAT and SD collected in fiscal 2017-18.

Depending on price slabs, smokers now pay from 55 per cent to 65 per cent of SD for every 10-stick.

The price-slab fixed by the NBR may be hiked by 5-10 per cent in the next fiscal year.

To achieve a higher tax collection target to finance the budget, the government may also increase the excise duty on accounts with debit or credit balance of above Tk 5 crore at any time of the year by as much as 15 per cent.

At present, account holders with such balances have to pay Tk 25,000 per account annually, according to the NBR.

The pandemic has a significant impact on the country's fiscal position.

The tax revenue collection was expected to increase due to sustained economic growth and a newly implemented VAT scheme.

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### BGMEA dispels confusion over job cut comment

STAR BUSINESS REPORT

The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) yesterday vehemently denied it has announced any job cut in the apparel sector amid a slump in work orders because of the coronavirus pandemic.

The clarification comes as many had thought that BGMEA President Rubana Huq on Thursday had announced job cuts in the sector while addressing a virtual event for the inauguration of a coronavirus testing laboratory for garment workers.

It prompted the Garment Sramik Odhikar Andolan, a workers' rights platform, along with a few other labour rights bodies and left-wing political parties to call a press conference on Friday to protest the job cuts.

"The news was not presented correctly. The BGMEA, as an organisation, has no scope to make such an announcement," it said in a statement.

What the BGMEA president had articulated was her deep concern and apprehension of possible job losses because of the fallout of the coronavirus pandemic.

The global pandemic has badly impacted Bangladesh's apparel shipments and inflow of work orders. For instance, apparel shipments fetched just \$378.40 million in April, down from \$2.26 billion in March.



Industrial output in the garment sector saw the biggest decline, by 55.7 per cent between May 1 and May 20.

Work orders worth more than \$3 billion were either cancelled or put on hold by international retailers and brands from March, the statement said.

Many renowned Western retailers have been filing for bankruptcy and factories are running at 55 per cent production capacity because of the dearth of work orders, the BGMEA also said.

Apparel sales revenue worldwide would decline 30 per cent in 2020 from last year because of the pandemic, said the association citing a study of the McKinsey and Company.

That means, the export of garment items from Bangladesh would be \$10 billion less this year.

Management would have to run factories at below capacity if the work order does not accelerate. As a result, job creation would become difficult in all sectors and not just the garment, the statement said.

The employment of workers might reduce a bit in such a situation.

The association suggested factory owners follow labour laws strictly in cases of job losses.

Some 348 factories faced closure over the last two months and 1,926 factories are now operational.

### Uber fixing host of safety measures of its own as it waits to motor riders again

MAHMUDUL HASAN

With technological innovations and precautionary measures to contain the novel coronavirus, Uber is confident about providing safe travel to passengers as the top global ridesharing platform looks to resume operations in Bangladesh.

Safety is the top priority of the company, said Ratul Ghosh, head of East India and Bangladesh at Uber, adding: "We can't wait to go live again in Bangladesh. It's a very exciting market for us."

Bangladesh has recently reopened its economy on a limited scale allowing transport services such as buses, minibuses, trains and domestic airlines to resume operations after a lull of two months.

However, all ridesharing services have been asked to stay

off the roads until further notice.

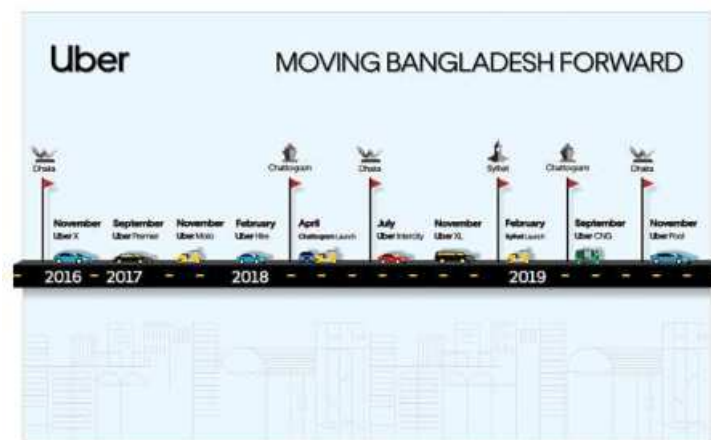
"It is not clear why we cannot resume services when the buses, trains, CNG-run vehicles and minibuses are allowed to ply the roads," Ghosh told The Daily Star in an interview over the phone last week from Kolkata.

The ridesharing industry should seek a dialogue with the government.

"If we can understand the problem, we can propose a solution, which we have done in the rest of the world."

Uber can track the whole journey and is capable of delivering safer transit than other modes of transport.

"When we resume in Bangladesh, we will come up with our own safety standards and operating procedures," he said, adding that the company's tech and safety teams have been



working to build a new product experience that will help protect users.

Before a driver can go online, they will be asked to confirm through its new 'Go Online Checklist' that they've taken

certain safety measures and are wearing masks.

And it will be verified by asking to take a selfie and the passengers would be notified about the verification.

A similar checklist will also be

introduced for riders, and before every trip, riders must confirm that they have taken precautions like wearing a face cover and washing or sanitising hands.

For Bangladesh, Uber has spearheaded the formation of a transport safety alliance, in partnership with DBL Pharma, Zantrik, Dettol (Reckitt Benckiser) and Fresh Tissue to raise safety awareness amongst consumers and equip drivers with health and safety supplies to ensure safer rides.

Uber and its allies will distribute key safety supplies such as masks, soaps, tissues and hand sanitisers to its drivers.

"I just feel, as a common person, from my knowledge, that these kinds of measures are not possible to take in many other modes of mass transports."

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### Businesses should use funds from stimulus packages properly

EBL Managing Director says in an interview

AKM ZAMIR UDDIN

Businesses should use the funds from the stimulus packages properly to make a turnaround from the ongoing economic fallout, or else they will collapse into a bad state of affairs, said a top banker.

The Tk 100,000 crore stimulus packages, unveiled by the government in response to the coronavirus pandemic, are not adequate given the gravity of the recession.

"So, businesses will have to use the money cautiously," said Ali Reza Iftekhar, managing director of Eastern Bank, one of the leading private banks in Bangladesh.

Businesses and industries can't go for expansion at the moment as the market is not ready to absorb the investment in the wake of a fall in demand for almost all types of products.

So, they should give full attention to protect the existing businesses from the probable



stringent situation, he told The Daily Star in an interview recently.

"We have already suggested our corporate clients change their business model and embrace new strategies to keep up with the situation."

Lenders are in a challenging situation while giving out loans from the stimulus packages. Banks have started distributing loans from the funds, but they don't know the actual impact of lending on the economy.

"It will take more time to comment on this as the whole situation depends on containing the pandemic," said Iftekhar, also the chairman of the Association of Bankers, Bangladesh, a

forum of managing directors of banks.

He thinks the economy will blast off if the stimulus funds help create demand.

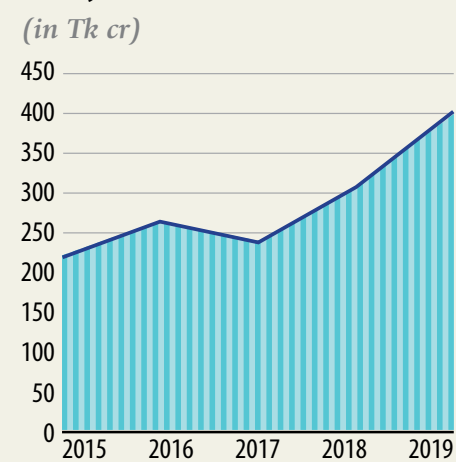
"If the spending capacity of people does not increase as expected, the economy will face more difficulties."

Banks have the required liquidity after the central bank cut the policy rate and cash reserve ratio and relaxed the loan-deposit ratio in tandem.

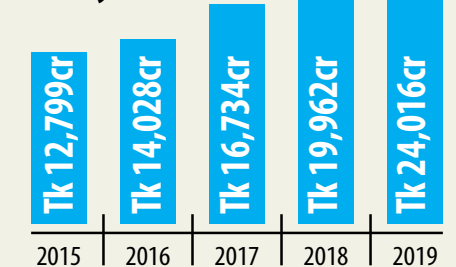
Lenders are also getting finances from the Export Development Fund (EDF) of the central bank, which will help export-oriented industries bounce back from the pandemic.

The Bangladesh Bank increased the volume

#### Rise in EBL's profit over the years



#### EBL's deposits over the years



of the EDF to \$5 billion from \$3.5 billion to shore up the pandemic-stricken economy.

"But banks will have to give all-out effort to recover the stimulus funds, which are being provided in the form of refinance scheme, on time from the borrowers."

The central bank will take back the funds from banks in due time as it is not a bailout one.

Iftekhar warned lenders would face a problem if the economy does not pick up soon and the whole financial system would plunge into a vulnerable situation if the health of banks deteriorates.

"So, the senior management of banks would have to focus on strengthening balance sheets and helping businesses so that they can recover quickly."

Banks need to take a lot of initiatives to maintain adequate liquidity as no one knows when the pandemic disappears, according to the experienced banker.

Besides, lenders would have to preserve adequate capital buffer so that they can absorb the shocks stemming from the economic fallout.

"The central bank will have to compel banks to take initiatives in line with its result of the stress testing."

The initiatives would help banks avert financial problems if some large borrowers default due to the ongoing crisis, Iftekhar said.

The testing module gives a score to banks about the capacity to absorb shock.

The image of the financial sector would be tarnished if the strength of banks turns fragile. Under such circumstances, foreign banks and organisations will lose confidence in the financial sector, Iftekhar said.

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#### EBL's EPS over the years

