

Slow start for India's ambitious plan to resuscitate small businesses

REUTERS, Mumbai/New Delhi

India's ambitious plan to provide some 3 trillion rupees (\$39.5 billion) in loans to small businesses to boost an economy ravaged by the coronavirus pandemic has got off to a slow start with banks disbursing only a tiny fraction of the available funds.

Lenders have paid out just 122 billion rupees, barely 4% of the sum earmarked, and approved loans worth 242.60 billion rupees since the third

week of May, according to finance ministry data released on Thursday.

A senior finance ministry official accepted that according to feedback received from the industry, the scheme is facing several problems, and the government is trying to convince bankers to implement the scheme in "letter and spirit". However, a senior banker at a public bank also said there had been a clear lack of demand because of the country's lockdown.

"Businesses don't want to avail

themselves of it so the traction has been low," he said.

The finance ministry and the Indian Banks' Association, an industry body for lenders, did not immediately respond to a request for a comment.

India last month unveiled the fully-guaranteed government-backed loan scheme for small businesses, which account for nearly a quarter of India's economy and employ hundreds of millions of workers, according to government estimates.

Realtors welcome budget but want cuts in registration fees

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To secure some of this untaxed income, the government on several occasions in the past allowed black money-holders to legalise their assets through investment in real estate. However, the Anti-Corruption Commission (ACC) often raised questions about the source of the investors' income.

Now these individuals can invest in the sector without facing any hassles, Bhuiyan said, adding that they don't know how long the industry will take to recover from the ongoing crisis.

For a number of reasons, the country's real estate industry witnessed sluggish sales in the past few years and the current economic uncertainty caused by the pandemic could plunge

demand even further.

"The demand for apartments fell this year as no one wants to buy property in times of crisis," Bhuiyan said.

REHAB members have about 6,000 projects currently lost in limbo due to the two-month nationwide lockdown that began on March 26 as employees are unable to return to work because of the social distancing and other health guidelines in place.

As a result, allied sectors of the industry are also counting losses but could now benefit from the government's decision, said Shihab Ahmed, general manager for sales and customer services at Shanta Holdings, a developer.

However, not everyone was so quick to welcome the proposed budget.

Four construction projects of Selim Raza Pintu, owner of Raza Holdings, have been sitting idle for the past two months, during which he had to spend around Tk 22 lakh on operating expenses.

"Undisclosed income will not help us greatly, rather lowering registration fees to 5 per cent will help a lot," said Raza, who is also a REHAB director.

According to Kamal Mahmud, managing director of Skiros Builders, apartments with a price range of Tk 60 to Tk 90 lakh have high demand as this is the preferred range for middle-income earners.

Mahmud also believes that sales will increase by 30 per cent in the upcoming fiscal year.

Social protection schemes' expansion falls short of needs

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In fiscal 2020-21, the government would distribute Tk 500 crore among 50 lakh families whose livelihoods have been affected by the pandemic.

Kamal has allocated Tk 6,625 crore to bear a part of the interest on the savings schemes.

There was no such allocation in the original budget for this fiscal year but the revised budget allocated Tk 6,766 crore for the purpose.

The agriculture ministry received Tk 1,900 crore in farm subsidies and the assistance would cover 87 lakh small and marginal farmers. The ministry got another Tk 2,500 crore for farm rehabilitation, up from Tk 160.85 crore this fiscal year.

Kamal has allocated Tk 322 crore in grants to the families of the government employees if they die while in duty. It was Tk 220 crore in the revised budget.

As part of the credit support programme, Tk 2,000 crore has been allocated for job creation through Palli Sanchay Bank, Probashi Kallyan Bank, Karmasangsthan Bank and Palli Karma-Sahayak Foundation.

Another Tk 3,000 crore has been set aside to run a refinancing scheme for the low-income farmers and small businessmen.

The allowance for the old-age scheme rose to Tk 2,940 crore from Tk 2,640 crore, for the widow, deserted and destitute women to Tk 1,230 crore from Tk 1,020 crore and financially insolvent disabled to Tk 1,620 crore from Tk 1,390.

The honorarium for freedom fighters was unchanged at Tk 3,385 crore and the allocation for pension for retired government employees and their families was slightly down to Tk 23,000 crore.

The allocation for the Vulnerable Group Development, one of the largest safety net programmes, was up 3.4 per cent to Tk 1,756, while the allocation for Vulnerable Group Feeding programme, which provides food transfers to the poor during disasters and major religious festivals, was down 52 per cent to Tk 940 crore.

Overall, the SSNP budget for the incoming fiscal year largely aimed to increase allocation for the traditional programmes, said Hossain Zillur Rahman, executive chairman of the Power and Participation Research Centre.

The existing programmes are largely rural-based. But because of the coronavirus outbreak, the urban poor has emerged as a new group of poor. The government should give attention to it, he said yesterday.

Of the allocation, Tk 5,000 crore in

interest rate support for the micro and small industries and services, Rahman said.

They are part of the informal sector and a majority of them don't operate through the formal banking channel. However, they have access to microfinance institutions (MFLs).

So, there is a question of whether this support through the banking channel would be implemented. The government should rather allocate Tk 5,000 crore to the micro and small industries through MFLs in low-cost loans and this will help revive the rural economy.

The allocation for 50 lakh families would cover the new poor. But the need for the financing is much more given the urban poor and new poor created by the pandemic.

Rahman, also the chairperson of Brac, however, was surprised after seeing that the allocation for the primary school students in stipend dropped from Tk 11,165 crore in the revised budget to Tk 900 crore in the upcoming budget.

"This is a self-contradictory move. The government had scope to widen it as the transfer is done through banks and the mothers of the students receive it. It is also a question of women empowerment."

Under the support programme, each primary school student gets Tk 100 per month and this amount was fixed in 2004.

"This should have been expanded to Tk 500 because the fund is well-utilised and goes directly to the major portion of the poor."

The drop-outs from the primary education level would accelerate because of the pandemic.

"I hope the government would reconsider the stipend allocation for the primary school students. The reduction is not acceptable at all."

The allocation for the Open Market Sale and the Food Friendly Programme should be increased because the urban poor would need support in the upcoming months even if the lockdown is eased, Rahman added.

Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, welcomed the increased spending for the SSNPs but said there is a lack of targeting.

"The government is scattering money to too many SSNPs," he said on Thursday.

A temporary scheme should have been taken for those who have been laid off or lost jobs because of the economic fallout of the coronavirus pandemic.

"There is no such focus in the budget."

Bill of entry must be presented to customs within 5 days of goods' arrival

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Mahbubul Alam, president of the Chittagong Chamber of Commerce and Industry, however, said the government should review the decision as it would increase the hassles faced by businesses.

Collection of the bill of entry depends on the bank-client relationship. It may be difficult for many businesses to collect the bill of entry from banks within five days of the arrival of goods, he said.

The initiative comes as congestion at the Chattogram port has become almost a common phenomenon owing to an increased volume of trade and lethargy among a section of importers to take delivery of imported goods.

Customs officials said there was no specific rule regarding submission of bill of entry and in absence of that many importers would delay in taking delivery of the goods from the port.

"There are allegations that many importers use ports as warehouses, which ultimately creates congestion. Besides, there are also allegations that a racket of duty evaders leave imported items at the port waiting to find a convenient time to take

the release of the goods," the official said.

A study in 2014 showed that the time taken in Chattogram port for the release of cargo at import is 11 days, 9 hours and 45 minutes and for export is 4 days, 22 hours and 38 minutes. This time needs to be reduced to facilitate legitimate trade, it said.

Improvements have been made in the later years and customs at the Chattogram port can clear 82 per cent of the imported goods within four days. More than four days are needed for the rest of the items, according to Time Release Study done from the period of July-December 2019, said the official.

Officials hope that the new rule would speed up clearance of goods and this would also improve Bangladesh's rankings in the World Bank's ease of doing business.

The NBR expects further improvements in the ease of doing business once the National Single Window (NSW), an electronic gateway for businesses to submit information related to imports and exports to regulatory authorities to clear goods, was established.

The NSW will bring together services of 39

Budget ambitious but doable: ICAB

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"So, we are not looking at the reliance on the banking sector for loans negatively subject to the implementation capacity."

A structural change in the budget compared to traditional budgets in the time of the crisis is noticeable, he said.

The health sector has been given the utmost importance and the agriculture sector has been given the second most importance with a view to ensuring food security during and after the pandemic.

A huge portion of the population have lost jobs because of the long general holiday and lockdown and slid below the poverty line. "The additional allocation in the budget to provide social safety net to this group of people is logical," Farooq said.

The increase of tax-free income threshold and introduction of a new 5 per cent slab would reduce the tax burden for the marginal taxpayers to some extent, he said.

Similarly, the cut in the corporate tax rate, which is one of the highest in South Asia, would give some relief to the companies that have been affected economically by the pandemic.

The ICAB called for bringing down the tax at source for the professionals from 10.12 per cent to 8 per cent.

Cutting the advance tax at the import stage on raw materials used in local manufacturing industries to 4 per cent from 5 per cent is a

business-friendly initiative, the ICAB said.

Attaining the revenue collection target would be a major challenge because trade, commerce, industries, import, export and services have all been affected severely by the covid-19, said Md Humayun Kabir, a former president of the ICAB.

"budget financing will be a major challenge."

The government's attention will be diverted to the health and social safety net sectors in FY21 because of the pandemic, so the supervision and monitoring of the development sector would be hit, according to Kabir.

The association found rationality in widening the areas of investment for undisclosed income in view of the current unusual situation, he said.

"However, it is expected that this extraordinary measure will not be continued beyond the stipulated year."

In order to curb the trade under-invoicing, the provision for imposition of penalty at 50 per cent is a laudable move, the ICAB said.

However, it will require judicious application of law at field level so that normal business transactions are not arbitrarily valued for imposition of such penalty, it added.

Setting an 8.2 per cent GDP growth target is puzzling to many as demand is shrinking, said Kabir. "It sounds unrealistic."

The finance minister's proposal to increase the deposit to 20 per cent from 10 per cent on disputed tax amount before filing an appeal

goes against the government's digital roadmap and would discourage foreign investment.

The chamber said it would have been happier if some of its requested concerns were addressed in this budget, namely withholding tax provisions for business-to-business supply and non-resident service providers.

It also said it would have been better if the government withdrew the minimum tax provision (2 per cent of gross receipts for telecom, tobacco 1 per cent, individuals 0.5 per cent and others 0.6 per cent) and exempt withholding tax on interest payable against foreign currency loans and deposits obtained by offshore banking units.

The chamber also proposed simplifying central business identification number (BIN) provisions and clarity in the rules and

In another statement, the Bangladesh Chamber of Industries (BCI) said the plans for overcoming the economic downturn were insufficient and should have been broader with more precise and realistic action plans.

It lauded incentives and allocations for healthcare alongside trade and commerce, including, agriculture, fisheries and livestock,

for food security.

Anwar ul Alam Chowdhury Parvez, the BCI president, urged for special incentives to deal with unemployment induced by the pandemic.

The government's incentives packages must be disbursed properly because there will be no expected benefit if they are delayed six months, he said.

Mohammad Ali Khokon, president of Bangladesh Textile Mills Association (BTMA), said the proposed reduction of VAT from 5 per cent on total sales to Tk 6 per kilogramme of manmade fibre yarn would not bear any fruit for the millers.

"We want further reduction of this amount to Tk 2 per kg," Khokon said in a statement yesterday.

He demanded that the government continue collecting source tax on export receipts at 0.25 percent rather than the proposed 0.50 percent for improving competitiveness of the local industries.

The BTMA president also demanded that the government increase cash incentives for garment exporters on use of local yarn and raw materials to 10 per cent from the existing 4 per cent for at least the next six months.

public agencies to one electronic entry platform to serve businesses involved in import, export, warehousing, transit or transhipment of goods.

In Finance Bill 2020, the NBR introduced a provision in the customs law for the establishment of the NSW.

A commissionerate, to be called Bangladesh Single Window (BSW) Commissionerate, will be established for the operation of the electronic gateway.

The BSW Commissionerate would consist of a commissioner of customs and other designated representatives from the certificate, licence and permit issuing agencies, according to the new provision.

After establishment, any person intending to engage in import, export, warehousing, transit or transshipment of goods will have to submit data and documents electronically to the BSW Commissionerate, according to the law.

A standing committee headed by the NBR chairman with one representative from each of the certificate, licence and permit issuing agencies will be formed to supervise and coordinate the activities of the BSW Commissionerate.

Bangladeshi skincare brand now selling on Amazon US

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Bangladesh's cosmetics market witnessed tremendous growth in the last few years. But the majority of the beauty products made in Bangladesh are in the fast-moving consumer goods category.

The beauty product industry has an estimated value of \$3.4 billion and will have a growth rate higher than that of the country's GDP for the next decade, Zahid said, adding that the company intends to use its newfound global recognition to further boost local demand.

Area71, Bangladesh's lone authorised Service Provider Network for Amazon, managed and supported Skin Café's journey from Bangladesh to the US.

"We are going to create a sustainable ecosystem for cross-border e-commerce in Bangladesh and Skin Café has the vision to go beyond borders with their product line," said Md Ahsan Habib, CEO of Area71.

Dream71 to develop video game for East Timor children

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The project is set to be complete within the next four months, after which the local software company will maintain the quality of the computer game through bug patches for the following four months, he said.

Students will have the choice to play in either English, Portuguese or Tetun, a local language of East Timor, and each game will have a total runtime of about two hours.

"The UNDP office in East Timor will help us with the language issues," Kabir said.

The games' development will be carried out virtually due to the social distancing guidelines in place aimed at curbing the spread of coronavirus within the country.

Dream71 started as a video game developer but has now grown into a full-fledged software company with clients from 14 countries, including Japan, South Korea, the Netherlands and the UAE.

The firm is specifically proficient in producing human resource and tax management applications.

Recently, Dream71 expanded their network to Africa by striking an agreement with Melt Group, a company that specialises in recruitment, selection, workforce management, staffing and professional training, for various ventures in the continent.

Dream71 is also currently in the process of securing a huge work order from Afghanistan, Kabir added.

Job hardly got any focus

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Bangladesh Bank will need to work closely with banks, some non-bank financial institutions and effective

non-governmental organisations as well as other stakeholders to ensure that the allocated funds reach the hands of the cottage, micro and small enterprises, for which the current regulations are too cumbersome to comply with.

The chamber appreciated the allocation of Tk 205,145 crore for fiscal 2020-21's annual development programme (ADP).

It is 1.20 per cent higher than the original allocation for the current fiscal year (Tk 202,721 crore) and also 6.34 per cent higher than the revised ADP (Tk 192,921 crore).

The MCCI appreciated the reduction in the corporate tax rate for non-listed firms from 35 per cent to 32.50 per cent and said it was the first move in the right direction.

The high corporate tax rates for non-listed companies, which make up the bulk of corporate entities,

coupled with the tax on dividends, makes Bangladesh an unattractive business destination compared with neighbours in the region.

"We trust that over the next several years, this trend to lower the corporate tax will continue."

The proposed budget, however, kept the corporate tax rate unchanged at 25 per cent for publicly traded companies.

The MCCI expressed deep concerns about allowing the indiscriminate opportunity of whitening black money by paying only 10 per cent tax.

"We have seen in the past that such opportunities to whiten black money have not yielded much results while unnecessarily raising questions about the probity of our financial and accounting practices," said Nihad Kabir, president of the MCCI, in the statement.

The cost-benefit analysis will show a higher cost and almost no benefit. This will seriously discourage compliant taxpayers and, in fact, be

seen as if to be penalising them.

If at all, it should only have been allowed to those whose income is from legal sources but for some reasons remained undisclosed.

Again, the opportunity should have been given to investment in specific sectors only such as for employment creation and enhancing social safety net, innovation and technology transfer.

Allowing the entry of black money into the stock market may open up new problems for an already weak capital market.

More importantly, allowing deposit of such money into bank accounts may bring Bangladesh's banks into contravention of international money laundering laws and norms, thereby preventing them from interacting with international banks, which will be extremely detrimental to the economy.

The deposit of such funds into bank accounts without any explanation should not be permitted, the country's oldest chamber added.

Austria plans coronavirus help for jobless, families

REUTERS, Zurich

The Austrian government intends to make one-off payments to jobless people and boost spending on families with children as part of measures this year to cushion the blow from the coronavirus pandemic, its coalition leaders said.

Measures to be approved at a cabinet meeting next week include payments of 450 euros (\$506) to the unemployed and 360 euros per child under 18, Chancellor Sebastian Kurz and Greens party leader Werner Kogler told broadcaster ORF in interviews aired on Saturday.

In addition, the government plans to cut the lowest income tax bracket to 20 per cent from 25 per cent and make the change retroactive to the start of this year.

Kurz said the coalition government of conservatives and Greens would have more to say about the costs of the measures when the meeting wraps up on Tuesday.

In May the government announced an aid package of up to 38 billion euros to keep companies and the economy afloat. On Friday it almost doubled the amount of debt it plans to issue this year to a record level.

Austria plans to cut value-added tax (VAT) for restaurants and the culture sector to 5 per cent until the end of the year to help them cope with the fallout, the government said on Friday.