STOCKS		COMMODITIES		ASIAN MARKETS			
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 0.03%	▼ 0.04%	▼ $1,724.58 (per ounce)	▲ $41.19 (per barrel)	▲ 2.09%	▼ 0.45%	▼ 0.15%	▲ 0.12%
3,960.57	6,818.50			34,208.05	22,355.46	2,665.66	2,939.32

CURRENCIES — STANDARD CHARTERED BANK

	$USD	€EUR	£GBP	¥CNY
BUY TK	83.95	93.22	104.26	11.71
SELL TK	84.95	97.02	108.06	12.31

Star BUSINESS

DHAKA FRIDAY JUNE 19, 2020, *ASHAR 5, 1427 BS* ● starbusiness@thedailystar.net

Please don't go for pay and job cuts

BB solicits bank chief executives

Sohel Parvez

The adult has finally entered the room.

Earlier this week, like a bolt from the blue, an extraordinary notice from the Bangladesh Association of Banks (BAB), a forum of bank sponsors, instructing lenders to cut the salaries of staff who draw a gross salary of more than Tk 40,000 monthly by 15 per cent, knocked the stuffing out of bankers all over the country.

With the view to tackling the dent in revenue brought on by the pandemic, the BAB recommended banks to go for the pay cut for the period of July 1 this year through to December 31, 2021 as well as suspend promotion, increment and incentive bonus and put a freeze on all sorts of hiring including ongoing hiring.

But now, the Bangladesh Bank (BB) has stepped in and implicitly asked banks' chief executive officers and managing directors to ignore the BAB notice.

READ MORE ON B3

BB asks banks to continue identifying good borrowers

Star Business Report

The central bank has asked banks to continue their activities to identify good borrowers and investors to facilitate providing incentives to them.

The instruction came as the Bangladesh Bank said good borrowers would only get the 10 per cent rebate on interest or profits as of September 30 last year.

In 2015, the BB unveiled a new policy to provide good borrowers with incentives, including the 10 per cent rebate on interests, to eliminate wilful loan default culture.

Before this, the central bank formulated various policies to rescue struggling big borrowers but never did they come up with any institutional policy to encourage a good lending culture in Bangladesh.

In May 2019, the BB instructed banks to provide 10 per cent rebate on the interest or profit accrued from working capital, demand and term loans and investments from October to September of a year.

But after enforcing the cap on lending and deposit rates from April 1, the central bank decided that a good borrower or investor would get the rebate as of September 30, 2019.

But banks would have to continue the task to identify the good borrowers and investors, the BB said in a notice yesterday.

Now, banks would identify good borrowers or investors at the end of December every year.

A good borrower would have to have their working capital loans as non-classified as of December of a year and the preceding four quarters and there has to be a satisfactory transaction in the loan account.

In case of demand loans, all credits would have to be adjusted as non-classified until December and in the previous four quarters. The term loan borrowers would have to have 12 preceding instalments cleared on time and their loans would have to carry the status of non-classified in the preceding four quarters, to be eligible as good borrowers.

READ MORE ON B3

Subsidy spending climbs for crisis-related expenditure

EYE ON BUDGET

Rejaul Karim Byron *and* Md Fazlur Rahman

The government's subsidy spending would go up by 26.25 per cent to Tk 56,051 crore in the next fiscal year, on the back of taxpayer-funded allocation for food, interest and agriculture sectors.

The allocation was Tk 44,400 crore in the original budget for fiscal 2019-20.

Next fiscal year's subsidy outlay is 15.57 per cent higher than Tk 48,500 crore set aside in the revised budget for fiscal 2019-20 and accounts for 9.87 per cent of the total budget.

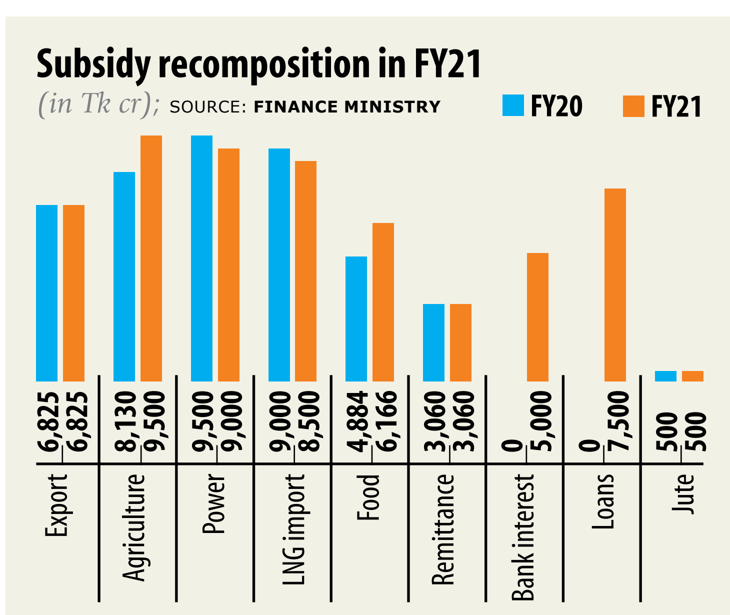
Subsidies and transfer play an important role in achieving pro-poor and inclusive economic growth, according to a macroeconomic policy statement of the government.

The government gives priorities while allocating subsidies and incentives to the sectors that create positive externalities for other sectors, it said.

Transfers are set aside for the not-for-profit companies that provide service at the households' levels.

Usually, sectors such as food, fertiliser and rural electrification receive subsidies through budgets.

The Bangladesh Power Development Board, the Bangladesh Petroleum Corporation and the Bangladesh Jute Mills Corporation get financial assistance in the form of loans.



Agriculture and export sectors receive the government support every year as the engines of the economy.

The next fiscal year's subsidy budget would be mostly going towards taxpayer-funded spending for agriculture, food support for the poor and loans for large industries and SMEs.

The move to provide low-cost loans to pandemic-hit micro, small, medium and large entrepreneurs, farmers and exporters would increase the subsidy spending on interests to Tk 5,000 crore in the upcoming fiscal year. There has been no such allocation in the ongoing fiscal year.

READ MORE ON B2

Bangladesh to post highest GDP growth in Asia this fiscal year

Says ADB in its latest publication

Rejaul Karim Byron *and* Md Fazlur Rahman

The Asian Development Bank, it seems, is rather certain that Bangladesh's economic recovery from the coronavirus-induced downturn would be V-shaped.

While its fellow multilateral lenders remained circumspect of Bangladesh's growth prospects in the near term, the Manila-based lender looked at the bright side.

In its Asian Development Outlook Supplement (ADOS), which was unveiled yesterday, it said that the country would grow at 7.5 per cent next fiscal year that begins on July 1, helped by strong manufacturing.

Earlier this month, the World Bank projected that the economy would grow at just 1 per cent in fiscal 2020-21 and the International Monetary Fund 5.7 per cent.

The government though is holding out for an 8.2 per cent growth next fiscal year.

This fiscal year, the Bangladesh economy would grow at 4.5 per cent, the highest in Asia, according to the ADB, again closely trailing the government's projection of 5.2 per cent.

ADB's revised growth projections for South Asia

	2020	2021
Afghanistan	-4.50%	3%
Bangladesh	4.50%	7.50%
Bhutan	2.40%	1.70%
India	-4%	5%
Maldives	-11.30%	13.70%
Nepal	2.30%	3.10%
Pakistan	-0.40%	2%
Sri Lanka	-6.10%	4.10%

As per the IMF's projection, growth would be 3.8 per cent, and as per the WB's projection, just 1.6 per cent.

Bangladesh's economy recorded the highest GDP growth in Asia in fiscal 2018-19 of 8.2 per cent. Despite the downward projections, the country is expected to retain the position in fiscal 2019-20 among 46 economies.

In fiscal 2020-21, Bangladesh's GDP growth would be the second-highest in the continent, lagging behind only the Maldives, which would grow by 13.7 per cent if the pandemic peters out.

As many as 33 economies in Asia would post negative growth in fiscal 2019-20.

Bangladesh had strong growth before the pandemic, but coronavirus has hit export earnings and remittances are likely to have fallen sharply in March and April, the ADOS said.

The government has revised the GDP growth rate for the current fiscal year downward to 5.2 per cent, up from 8.2 per cent initially projected.

"However, in view of the post-COVID recovery, the growth rate is projected at 8.2 per cent for fiscal 2020-21 in line with the long-term plans," Finance Minister AHM Mustafa Kamal said in his budget speech on June 11.

India, the largest economy in South Asia, would contract 4 per cent in fiscal 2019-20 before rebounding to 5 per cent in fiscal 2020-21.

In Bhutan, GDP growth is projected at 2.4 per cent in fiscal 2019-20 before falling to 1.7 per cent in fiscal 2020-2021, the ADOS said. In Nepal, growth in fiscal 2020-21 is projected at 3.1 per cent.

Pakistan's economy is projected to contract by 0.4 per cent in fiscal 2019-20 and would grow by 2 per cent in fiscal 2020-21.

READ MORE ON B3

Advance tax weighs heavy on businesses amid pandemic

Refund claims of about Tk 800 crore held up in bureaucratic tangles

Sohel Parvez

The government's decision to slash the advance tax (AT) when importing raw materials from 5 per cent to 4 per cent for the upcoming fiscal year will encourage local manufacturers by reducing their financial burden.

However, even with reduced rates, the tax will still block a portion of working capital and increase operating costs.

Businesses belonging to sectors with low-value addition will get refunds on the tax as the amount of AT paid during import will be higher than the total payable amount of value-added tax (VAT) on final products.

"But getting refunds is a lengthy and cumbersome process," said various industry insiders.

The government's decision to decrease AT comes at a time when companies from various industries, such as steel and shipbreaking, are pressing for refunds on the excess amount of VAT paid.

The AT related refund claims amount to nearly Tk 800 crore as disbursements have remained stuck at the National Board of Revenue's (NBR) field offices due to bureaucratic tangles.

As per a previous NBR directive, field offices dealing with VAT were supposed to open accounts with the Bangladesh Bank through the Office of the Controller General of Accounts (CGA) to receive cheque books.

The NBR offices would then be required to disburse AT refunds by issuing cheques to the respected taxpayer.

However, months after this decision was made, the field offices are yet to open their central bank accounts because of administrative issues, said two VAT commissioners yesterday.

As a result, businesses are suffering from a lack of working capital and increased operation costs, according to numerous entrepreneurs and business executives.

"We wanted a full exemption from AT for the next fiscal year along with waivers for advance income tax during imports and sales as the flow of funding is becoming seriously narrow," said Manwar Hossain, chairman of the Bangladesh Steel Manufacturers Association (BSMA).

The association represents Bangladesh's steel manufacturing industry, which produces 60 lakh tonnes of the product annually.

The NBR had initially introduced a 5 per cent AT charge under the new VAT laws on importing goods for fiscal 2020-21 to encourage businesses to keep proper and updated records of their accounts.

READ MORE ON B3

Offshore banking units to get more funds from banks' local operations

Star Business Report

The central bank yesterday eased rules allowing banks to transfer more funds from their domestic operations to offshore banking units (OBUs).

As per a central bank's notice issued yesterday, banks would be able to transfer up to 30 per cent of their total regulatory capital to OBUs, up from previous 20 per cent.

An offshore banking unit is a bank's shell branch that conducts regular banking activities but in foreign currency.

The central bank also eased rules on taking foreign currency loans from OBUs by the bank's own subsidiaries not resident in Bangladesh.

A bank's own subsidiary now can avail loans without letter of credit from a licensed bank abroad with acceptable credit rating or foreign exchange brought in from abroad and deposited in a bank in Bangladesh, which are required for the juristic persons not resident in Bangladesh.

A juristic person is an entity, such as a corporation, that is recognised as having legal personality and is capable of enjoying and being subject to legal rights and duties, according to Oxford Reference.

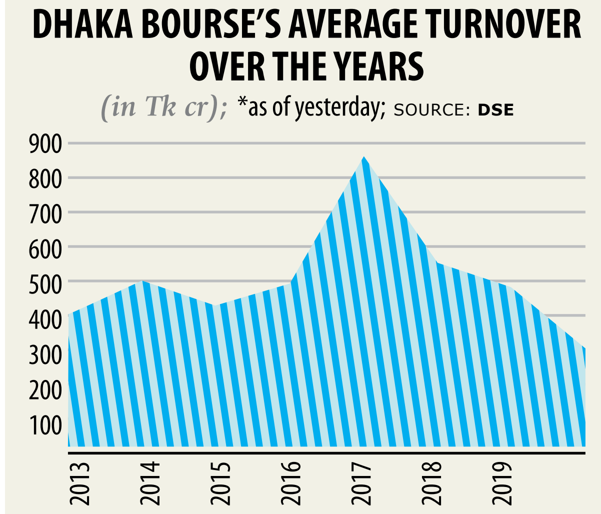
Offshore banking transactions with the juristic persons not resident in Bangladesh shall include nothing other than accepting deposits and borrowings, the BB said.

READ MORE ON B3

Stockbrokers call for slashing advance income tax

Ahsan Habib

Stockbrokers have urged the government to reduce the advance income tax on the volume of trade as most of them are incurring losses amid the bearish trend in the market.



EYE ON BUDGET

The stockbrokers now pay 0.05 per cent advance income tax, which means they have to pay Tk 50 for every Tk 1 lakh in their turnover. When the tax was imposed in 2010, turnover of the market was more than Tk 1,000 crore, said Sharif Anwar Hossain, president of the DSE Brokers' Association.

But it has been hovering around the Tk 500 crore-mark for the last couple of years.

"So the government should bring down the tax as soon as possible," he said.

Subsequently, in a letter to the finance minister on Wednesday, the platform of brokers called for bringing down the advance income tax to 0.015 per cent.

Many stockbrokers were compelled to shut their branch offices to reduce cost amid the steep fall in turnover in the stock market, Hossain said, adding that the situation has taken a turn for the worse due to the pandemic.

The turnover of the Dhaka Stock Exchange has been below Tk 100 crore since trading resumed on May 31 after more than two months of government-announced holidays to curb the spread of the novel coronavirus.

"Stockbrokers didn't earn a single penny during the time, but had to spend on employee salaries and count other charges," said Hossain, who is also the managing director of Shahidullah Securities.

READ MORE ON B3

Europe threatens digital taxes without global deal, after US quits talks

REUTERS, Paris/Brussels

France said a US decision to quit global talks on how to tax big digital firms such as Google, Amazon and Facebook was a "provocation" and the European Union said it could impose taxes even if no deal was reached by year-end.

The latest transatlantic trade row was ignited after the Washington said on Wednesday it was withdrawing from negotiations with European countries over new international tax rules on digital firms, saying talks had made no progress.

Nearly 140 countries are involved in the talks organised by the Organisation for Economic Cooperation and Development (OECD) on the first major rewrite of global tax rules in a generation to bring them up to date for the digital era.

The talks aim to reach a deal by the end of 2020, but that deadline is now slipping out of reach with Washington's latest move and the US presidential election in November.

Finance Minister Bruno Le Maire said France, Britain, Italy and Spain had jointly responded on Thursday to a letter from US Treasury Secretary Steven Mnuchin announcing the pullout.

"This letter is a provocation. It's a provocation towards all the partners at the OECD when we were centimetres away from a deal on the taxation of digital giants," Le Maire said on France Inter radio.

A Spanish government spokeswoman said Madrid and other European countries would not accept "any type of threat from another country" over the digital tax dispute.

European countries says tech firms pay too little tax in countries where they do business because they can shift profits around the globe with little physical infrastructure. Washington has resisted any new unilateral taxes on Silicon Valley companies in the absence of an OECD deal.

"The European Commission wants a global solution to bring corporate taxation into the 21st century," European Economic

Finance Minister Bruno Le Maire

Commissioner Paolo Gentiloni said.

"But if that proves impossible this year, we have been clear that we will come forward with a new proposal at EU level," he said, saying taxes could be introduced even without a global deal.

France, one of several European countries which has enacted new taxes to collect more revenue from digital companies, had agreed to suspend collection of its levy while talks were under way on a global approach.

Le Maire said France would impose its digital services tax this year, whether or not Washington returned to negotiations.

"No one can accept that the digital giants can make profits from their 450 million European clients and not pay taxes where they are," he said.

The French tax applies a 3 per cent levy on revenue from digital services earned in France by companies with revenues of more than 25 million euros ($28 million) in France and 750 million euros worldwide.

Washington has threatened to impose trade tariffs on French Champagne, handbags and other goods in response.

The United States opened trade investigations this month into digital taxes in Britain, Italy, Spain and other countries over concerns that they unfairly target US companies.

President Donald Trump threatened this month to impose tariffs on EU cars if the bloc did not drop its tariff on American lobsters.

Gold firms as new virus cases cast shadow over economic recovery hopes

REUTERS

Gold prices rose on Thursday, as fears that new coronavirus cases could impede economic recovery bolstered demand for the precious metal and weighed on riskier assets.

Spot gold was up 0.3 per cent at $1,731.88 per ounce by 0933 GMT, having earlier hit a near one-week high of $1,736.49. US gold futures rose 0.5 per cent to $1,744.80 per ounce.

Gold, seen as a safe asset during times of economic turmoil, continues to be supported by persistent concerns over the state of the global economy, said FXTM market analyst Han Tan.

"Investors are currently dealing with competing narratives, between the risks of a second wave and the optimism surrounding the post-pandemic recovery," Tan said.

Once markets get more clarity that should determine bullion's path outside of the $1,660-$1,750 range, he said.

The imposition of travel curbs in Beijing to stop a new outbreak of coronavirus in the Chinese capital and surging new infections in several US states have marred hopes of a swift global economic recovery, pressuring stock markets.

Investors now await a Bank of England meeting, where policymakers are expected to expand quantitative easing, and US weekly jobless claims data, due later on Thursday, for further clues on the global economic outlook.

India's rice output could hit record as farmers expand area

REUTERS, Mumbai

India's rice production is likely to surge to a record high as farmers are expanding the area under paddy because of good monsoon rains and after the government raised the price at which it will buy the new-season crop.

Higher output by the world's biggest rice exporter could dampen domestic prices and make exports more competitive, compensating for lower supplies from rivals Thailand and Vietnam. It could also force India's state-run agencies to ramp up purchases from farmers even as inventories are bulging.

"Farmers are interested in rice. They are likely to expand area due to government support. In the new marketing year, we could produce as much as 120 million tonnes," said

REUTERS/ FILE

Farmers plant saplings in a rice field on the outskirts of Ahmedabad, India.

B.V. Krishna Rao, president of India's Rice Exporters Association.

The government raised the price at which it will buy new-season rice from farmers by 2.9 per cent. India, which produced a record 117.94 million tonnes of rice in 2019/20, has started planting the summer-sown crop as the monsoon has spread to main rice-growing areas in the south and east.

The good monsoon rain and rising exports due to a rally in global prices have been encouraging Indian farmers to plant more rice, said Nitin Gupta, vice president for Olam India's rice business.

Rice prices in Thailand and Vietnam, the second and third biggest exporter of the grain respectively, hit multi-year highs this year due to limited supplies. Unlike its competitors, India has a massive surplus for export and it will get bigger in the new season, Gupta said.

State-run agencies were holding 27.4 million tonnes of rice and another 21 million tonnes of unmilled paddy, according to the state-run Food Corporation of India (FCI).

But another record harvest could dampen domestic prices and force the FCI to buy nearly half of the output from farmers, said Rao.

PepsiCo drops Aunt Jemima branding; Uncle Ben's, others under review

REUTERS

PepsiCo Inc said on Wednesday it will change the name and brand image of its Aunt Jemima pancake mix and syrup which have been criticized as racist amid a national debate over racial inequality in the United States.

The more than 130-year-old brand logo features an African-American woman named after a character in 19th-century minstrel shows and is rooted in a stereotype of a friendly black woman working as a servant or nanny for a white family.

Following PepsiCo's move, the makers of Uncle Ben's rice, owned by Mars Inc, Mrs. Butterworth's syrup, owned by ConAgra Brands Inc and Cream of Wheat porridge, owned by B&G Foods Inc, also said they would review their packaging.

The moves are part of Corporate America's reckoning with the treatment of African Americans amid weeks of protests over racism and police brutality after the death of George Floyd, a black man, in police custody in Minneapolis.

The Aunt Jemima brand had been called out in recent days on social media. A TikTok video called "How To Make A Non Racist Breakfast" by user @singkirbysing, in which a woman pours the pancake mix down the sink, has received 175,000 views on Instagram since being posted on Tuesday.

"We recognize Aunt Jemima's origins are based on a racial stereotype," Kristin Kroepfl, vice president and chief marketing officer of PepsiCo-owned Quaker Foods North America, said in a statement.

Quaker did not announce a brand name or logo, but said packages without the Aunt Jemima image would appear in the fourth quarter of this year.

ConAgra said its packaging, meant to evoke a "loving grandmother", could be interpreted "in a way that is wholly inconsistent with our values" and that it has "begun a complete brand and packaging review on Mrs. Butterworth's".

Mars said it had "a responsibility to take a stand in helping to put an end to racial bias and injustices" and that "one way we can do this is by evolving the Uncle Ben's brand, including its visual brand identity."

Subsidy spending climbs for crisis-related expenditure

FROM PAGE B1

The government has allocated Tk 9,500 crore for the agriculture sector for fiscal 2020-21, up 16.85 per cent from Tk 8,130 crore of the revised budget to maintain the growth in farm production and ensure food security.

Usually, agriculture subsidy spending hovers around Tk 6,000 crore every year and this may go up to Tk 7,000 crore this fiscal year.

As much as Tk 200 crore has been allocated as incentives for farm mechanisation.

Besides, the government has raised the target for government procurement and distribution of rice and paddy by 2 lakh tonnes in fiscal 2020-21 to ensure that farmers get a fair price for their produce while at the same time the retail market price of rice remains stable, said Finance Minister AHM Mustafa Kamal in his budget speech on June 11.

The agriculture sector needs to ensure proper utilisation of subsidy in fiscal 2020-21, said the Centre for Policy Dialogue on June 7.

Despite the allocation of Tk 9,000 crore in successive budgets over the last three years, a significant part of the sum remained unutilised.

In fiscal 2015-16 Tk 2,570 crore was unused, in fiscal 2016-17 Tk 5,390 crore was left idle and in fiscal 2017-18 Tk 3,800 crore, the think-tank said.

Despite the collapse in economic activities at home and abroad owing to the coronavirus pandemic, the government has kept unchanged the subsidy allocation for export and remittance -- the two major sources of external financing for Bangladesh -- at Tk 6,825 crore and Tk 3,060 crore for fiscal 2020-21.

The subsidy for the power sector was trimmed from Tk 9,500 crore to Tk 9,000 crore and that of liquified natural gas imports from Tk 9,000 crore to Tk 8,500 crore.

Bangladesh has deferred two LNG cargoes as a nationwide lockdown to combat the coronavirus pandemic dented domestic demand for natural gas.

Both the cargoes were bound to supply LNG in May from Qatar's QatarGas, Md Kamruzzaman, managing director of state-run Rupantarita Prakritik Gas Company, told S&P Global Platts, a provider of information, benchmark prices and analytics for the energy and commodities markets.

Both cargoes have been re-scheduled for later in the year -- one of them will supply LNG in September and another in December -- when domestic demand is expected to grow, he said.

Food subsidies rose 26.25 per cent to Tk 6,166 crore, from Tk 4,884 crore.

The subsidy spending for providing food has been increased as the country's expenditure to feed the poor has increased sharply because of the coronavirus-induced shutdown, which has put a brake on the economic activities leaving people with no work.

More subsidies have to be given in the next fiscal year compared with previous years and the increase in subsidies for the priority sectors such as agriculture, food and interest rate is understandable, said Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, a think-tank.

"But $6.5 billion in subsidy spending is not a small amount. We have to think about the sector. We can't give such large allocations inefficiently. We have to bring it down gradually," he told The Daily Star recently.

The Tk 5,000 crore earmarked as interest subsidies is a token amount but still desirable as the funds are being channelled for economic recovery.

Remittance and export subsidies are unnecessary and these could be extended by depreciating the exchange rate to some extent, Mansur added.

Fitch cuts India's sovereign rating outlook to 'negative'

REUTERS, Mumbai/Bengaluru

Fitch cut its outlook on India's sovereign rating to "negative" from "stable" on Thursday and forecast a 5 per cent contraction in growth for the current fiscal year, saying the coronavirus outbreak was extracting a heavy toll on the economy.

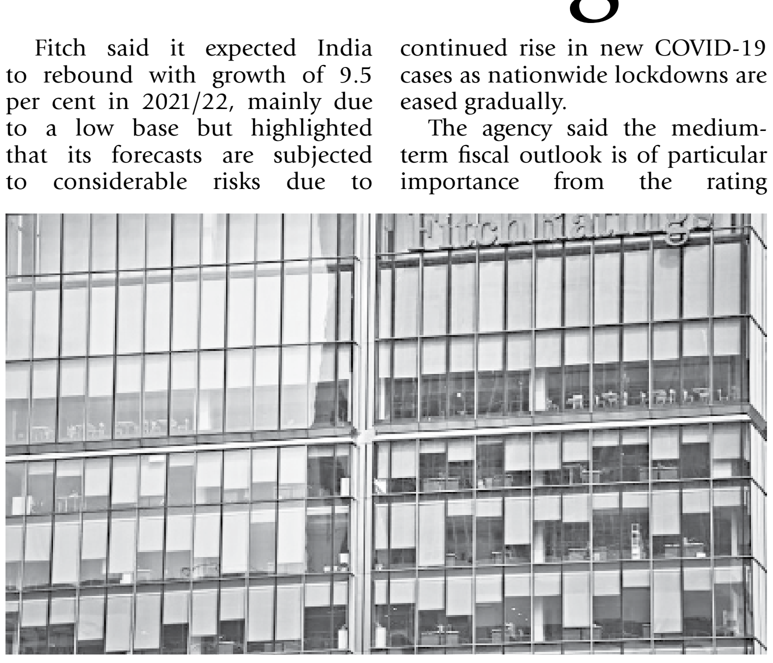
"The coronavirus pandemic has significantly weakened India's growth outlook for this year and exposed the challenges associated with a high public-debt burden," the ratings agency said in a statement.

However, Fitch maintained its India rating at 'BBB-', the lowest investment grade.

The move comes after Moody's downgraded India earlier this month to a notch above junk, falling in line with other global agencies, while also cutting its outlook to 'negative'. But S&P shortly after affirmed its rating and maintained a 'stable' outlook.

Fitch said it expected India to rebound with growth of 9.5 per cent in 2021/22, mainly due to a low base but highlighted that its forecasts are subjected to considerable risks due to continued rise in new COVID-19 cases as nationwide lockdowns are eased gradually.

The agency said the medium-term fiscal outlook is of particular importance from the rating perspective, but is subject to great uncertainty and would depend on the level of GDP growth and government's policy intentions.



REUTERS/FILE

The offices of Fitch Ratings building appears empty in Canary Wharf, following the outbreak of the coronavirus disease, London, Britain.

Fiscal metrics have deteriorated significantly and Fitch said it expects government debt to jump to 84.5 per cent of GDP this year from 71 per cent last year and sharply higher than the median 52.6 per cent for other similar rated countries in 2020.

Fitch said India's medium-term GDP growth outlook might be negatively affected by renewed asset-quality challenges in banks and liquidity issues in non-banking financial companies and need for further financial support for banks is inevitable.

"It remains to be seen whether India can return to sustained growth rates of 6 per cent to 7 per cent as we previously estimated, depending on the lasting impact of the pandemic, particularly in the financial sector," they wrote.

Air maintenance firms, manufacturers plan for $60 billion in lost sales

REUTERS

Maintenance firms and spare parts producers who keep airplanes running are bracing for a decline of up to 75 per cent in sales this year - and more pain to follow - as airlines park or retire thousands of aircraft due to the coronavirus pandemic.

Worth about $80 billion in sales last year, the industry ranges from engine makers like General Electric Co and Rolls-Royce Holdings Plc to systems companies like Honeywell International Inc and Raytheon Technologies Corp and a host of smaller suppliers.

Jetliners on average cost $3 million a year to service and make up a significant portion of revenue for most of these firms. That is under threat as the crisis cripples air travel and reduces the number of hours planes spend in the air, pushing back overhauls.

"We foresee reduction in maintenance, repair and overhaul demand of 60 per cent or more for commercial aero engines (in 2020). And production will fall 40-50 per cent," said Kevin Michaels, managing director at aerospace consulting firm AeroDynamic Advisory.

"We will have an overhang of thousands and thousands of aircraft more than we require for years. To balance that out, you are going to have to retire thousands of aircraft."

The decline of up to 75 per cent in services revenue, which amounts to about $60 billion in lost sales, was estimated by analyst Richard Aboulafia at aerospace consultancy Teal Group.

Lower demand for new jets is also causing the industry to revisit projections for demand for services later on, as fewer jets come down the pipeline for future parts servicing.

Thousands of layoffs are already planned or under way but some aerospace experts suggest the impact is likely to be deeper than originally thought and point to several years of hard choices, with the market properly recovering only in 2023.

The International Air Transport Association said last week that airlines would lose $84 billion in 2020, with revenue down by half to $419 billion, the worst year in the sector's history.

"This is going to be a very brutal time for companies dependent upon aftermarket revenues," Aboulafia said.

"The job cuts and spending cuts have only begun," he added. "Generally, they need to fall as closely in line with output as possible, and output - of aircraft and spare parts - has only begun to be cut too."

Advance tax weighs heavy on businesses amid pandemic

FROM PAGE B1

The idea behind the move was to widen the VAT net and curb the scope for money laundering through trade misinvoicing.

The new AT would be adjustable with the total payable VAT in their returns and the tax paid in excess would be refunded to the taxpayer.

However, steel manufacturers already have to invest huge sums of money to import raw materials and with the new AT, which was first introduced under VAT law in fiscal 2019-20, firms will have to pay a considerable amount of AT, which exceeds the actual VAT payable, the BSMA said.

Manufacturers suffer financially while taking the hassle to get refunds, blocking their working capital and increasing costs in the process, the association added.

Following their demands to withdraw AT completely, it was only reduced by a single percentage.

"This one per cent reduction is not enough. While the COVID-19 crisis has induced a capital shortage, steel millers will only incur more losses due to the imposed AT," the BSMA said.

Aside from those in the steel industry, manufacturers in other sectors who sell their products in the domestic market will face similar difficulties.

"We kept our factory shut for two months because of the coronavirus outbreak and are now suffering from liquidity shortage. At this time, it would have been very helpful had AT been exempted," said Abu Sufian Chowdhury, managing director of Modern Poly Industries.

Modern Poly Industries, a producer of yarn and other man-made fibres used in clothing, imports PET chips to make drawn textured yarn, also known as polyester textured yarn.

Up until fiscal 2018-19, AT was not levied on the import of PET chips while cotton or staple fibre imports remain exempt from the charge for the upcoming fiscal year, beginning on July 1.

Therefore, it is justifiable to exempt AT on similar products like PET chips, Chowdhury said.

AT charges are comparatively higher for Modern Poly Industries as the customs authority assess the value of ingredients needed to make polyester yarn to be higher than its invoice value, he added.

Besides, although the 1 per cent reduction in AT rates is a welcome change, most manufacturers were hoping for a complete withdrawal of the provision.

The managing director also demanded similar VAT rates for cotton yarn and man-made fibres.

Echoing Chowdhury's sentiment, Md Shafiul Ather Taslim, director for finance of TK Group, said that the change in AT to 4 per cent comes as a relief.

"There will be some savings at the least even though we still have to bear interest on bank loans while waiting for a refund," he said.

TK Group, a company that caters to diversified sectors such as commodity importing and processing, has been waiting for a refund amounting to about Tk 100 crore for several months now.

"But there is still no update," Taslim added.

Refunds are generated in sectors with low-value addition and so, if the government wants to levy AT, it should be industry-specific, according to the director.

An official of the VAT Commissionerate in Dhaka said that the issue of blocked working capital would be eased once the refund process is streamlined.

However, others remain adamant about the tax being a bane on the production process.

"AT should be eliminated. It is a very inefficient system for doing business as it increases costs at a time when we are seeking to build an investment-friendly environment," said Abul Kasem Khan, chairman of the Business Initiative Leading Development (BUILD).

On the other hand, the government could levy advance tax and corporate tax if it increases investment in productive sectors and job creation, he added.

Please don't go for pay and job cuts

FROM PAGE B1

In a notice yesterday, the BB asked banks' chief executives to take 'all required measures' such that the bankers feel regenerated and play a proactive role in implementing the government-announced Tk 103,000 crore stimulus package for revival of the coronavirus-battered economy.

"The role of bankers and staffs to keep the wheels of the economy rolling is undeniable during this hard time of the country. It will not be possible to make a turnaround of the economy and attain the desired goal of GDP without the active participation of bankers and employees," the central bank said in the notice.

In its notice yesterday, the BB did not mention the salary cut issue but asked the bank chief executives for taking all sorts of initiatives so that bankers and employees, infused with a new life, can play the role of front liners in executing the stimulus packages.

"We have issued the directive so that banks do not take any step like salary cuts or job cuts, which would make bankers morally weak," said a senior central banker seeking to remain unnamed.

Over the last three months, since the country's first confirmed cases of COVID-19 were announced and the subsequent shutdown to slow the spread of the rogue virus, the government announced various incentive packages to take the businesses and the economy out of the wreckage caused by the two-and-a-half month-long countrywide shutdown and waned domestic and global demand.

The BB said banks will use of their own funds to provide working capital support of Tk 20,000 crore to the affected cottage, micro, small and medium enterprises, and Tk 30,000 crore to industries and service sectors.

The government will bear a portion of the interest of the funds.

Most of the packages announced by the government are being implemented by banks. As such, bankers are required to have adequate knowledge of the packages.

It is also urgent to include officials of branches and head office for implementation of the packages.

The BB asked banks to open help desks at every branch so that the affected businesses get finance in the least possible time.

Private sector should lead economic recovery: experts

FROM PAGE B4

Selim Raihan, executive director of the South Asian Network on Economic Modeling (SANEM), suggested that the government should effectively implement its stimulus packages so that firms, especially cottage, micro, small and medium enterprises, can continue to grow even during these troubled times.

A complete reform of the country's VAT law is required as the harassment businesspeople face under the current law is on the rise, said Rupali Chowdhury, president of the Foreign Investors' Chamber of Commerce and Industry.

"The effective VAT rate on honest taxpayers is also really very high," Chowdhury added.

While presenting his keynote paper, MA Razzaque said that if the economic development witnessed in Bangladesh during the pre-coronavirus era had held steady, then the country could have been free of extreme poverty by 2028-29.

But the Covid-19 pandemic abruptly upset the economy in such a way that that it could take an additional 5 years beyond that point to reach zero poverty, Razzaque said while suggesting that the government should increase the flow of funding in the private sector and increase exports.

Asif Ibrahim, chairman of the Chittagong Stock Exchange, recommended the government set corporate tax for listed companies at 20 per cent as opposed to the proposed 25 per cent to encourage more companies to go public.

Offshore banking units to get more funds from banks' local operations

FROM PAGE 1

But with permission from the Foreign Exchange Investment Department of the BB, banks, as part of their offshore banking, may also make loans or advances to the juristic persons not resident in Bangladesh provided that the full amount of loan or advance is covered by requirements.

The central bank on May 27 last year revised its policy to allow local industrial enterprises to take foreign currency loans from OBUs. Applications for approval of loans from offshore banking to resident industrial enterprises have to be submitted to the foreign exchange investment department, not to the banking regulation and policy department.

For OBUs, banks are required to maintain a minimum 2 per cent cash reserve ratio with the BB on bi-weekly average basis with a provision of minimum 1.5 per cent on a daily basis of the average total demand and time liabilities of OBUs.

This order will be effective from July 1.

With a view to bringing discipline to the offshore banking programme, the BB on February 25 last year issued a full-fledged policy.

Bangladesh to post highest GDP growth in Asia this fiscal year

FROM PAGE B1

Afghanistan is expected to contract by 4.5 per cent in 2020. Maldives's economy is expected to contract by 11.3 per cent in 2020. Sri Lanka's forecast for 2020 is downgraded to contraction by 6.1 per cent.

"If the pandemic dissipates in 2021, these three economies are set to rebound to growth by 3 per cent in Afghanistan, 13.7 per cent in the Maldives, and 4.1 per cent in Sri Lanka," the ADOS said.

Stockbrokers call for slashing advance income tax

FROM PAGE B1

He said they had appealed to the regulator, bourses and other stakeholders seeking a waiver of some charges at least for the current year, but to no avail.

"If we survive, so will investors. Otherwise, the government will lose huge revenue from stock trading," Hossain said.

He went on to call for a special fund for three years such that they can pay staff salaries.

"Every year we expect that the coming year would be better, but that year too ends in mounting losses," said another stockbroker asking not to be named.

Very few stockbrokers can book some profit at the end of the year.

"So the government should help us remain in business," he added.

The platform of brokers in its letter also urged the government to lower the corporate tax for listed companies to maintain the gap in corporate tax between listed and non-listed firms the same as before.

The provision in the proposed budget to allow investment of undisclosed money in the stock market is a positive gesture but the lock-in period of three years tagged with the proposal should be lifted, it said.

The tax rate for investing the undisclosed money in stocks should be 5 per cent and not 10 per cent as was proposed, the stockbrokers said.

BB asks banks to continue identifying good borrowers

FROM PAGE B1

If a borrower has more than one loan, they have to fulfil each condition for all of the load products, the BB notice said.

In all cases, if a borrower or their related companies have a classified loan in any bank in the preceding 12 months, they would not qualify as good borrowers.

If a loan is regularised through a restructuring or rescheduling for the first time for logical reasons, they would qualify as a good borrower.

The information about the loan of a good borrower has to be sent to the Credit Information Bureau.

Cement manufacturers on shaky ground

FROM PAGE B4

To establish their factories, cement companies collectively borrowed at least Tk 30,000 crore from the banking sector as market assessments found that the demand for the key construction product would remain constant until 2041.

"However, it is unfortunate that the industry continues to suffer because of the novel coronavirus," Kabir said.

Besides, the government receives a huge amount of income tax from the country's cement companies while the industry creates thousands of opportunities for direct and indirect employment.

The current economic climate caused panic among cement manufacturers seeing that as much as 60 per cent of the country's construction projects have been put on hold.

This means that while production remains underutilised, factories have had to pay their workers' wages and other fixed operating costs.

With decreased demand leading to a lack of revenue, factory owners have had an increased burden of paying interest on their loans during this period as well.

Md Shahidullah, first vice-president of the BCMA and managing director of Metrocem Cement, also participated in the virtual press conference.

Budget should leave no one behind

Citizen's Platform for SDGs says

EYE ON BUDGET

STAR BUSINESS REPORT

Implementation of the proposed budget for fiscal 2020-21 requires a detailed work plan alongside a periodic reporting system with a focus on the concept of "Leaving No One Behind", said the Citizen's Platform for SDGs, Bangladesh yesterday.

It suggested using the SDG framework for designing the recovery strategy for the Covid-19 pandemic by embedding national priority indicators and articulating and linking the new challenges to SDG delivery in framing the Eighth Five-Year Plan.

The platform, which comprises more than 100 non-state actors and their networks and associates, also proposed increasing availability, accessibility and usability of disaggregated data and setting up a social accountability system, driven by non-state actors, to ensure delivery to Leaving No One Behind.

The suggestions came under a new initiative of the platform titled "Strengthening Citizen's Engagement in Delivering SDGs in view of Covid-19 Pandemic". They were presented at a webinar styled "New Challenges to SDG Delivery in BD and Budget21" yesterday.

Prof Mustafizur Rahman, a distinguished fellow at the Centre for Policy Dialogue (CPD), suggested raising the tax-GDP ratio to 14 per cent, avoiding loan traps induced by deficit financing, and joining initiatives for debt cancellation and global compacts for the private sector to attain the SDGs by 2030.

Mushtaque Chowdhury, vice-chairperson of Brac, spoke of the need for healthcare reforms, including increasing investment in healthcare from 1 per cent of GDP to 2.5 per cent and establishing a permanent health commission.

He also called for separating purchaser and provider to ensure accountability in procurements and good governance at the management level, and to tackle weaknesses in research and data.

Asif Ibrahim, an entrepreneur and a member of the platform's core group, suggested simplifying the process to avail government support in the form of working capital, initiating public-private partnerships to ensure housing and healthcare for workers and waiving VAT collection for a year.

Rasheda K Choudhury, executive director of the Campaign for Popular Education, stressed the need for allocations in education research and protecting gains made with regard to malnutrition and child labour.

Dr Iftekharuzzaman, executive director of the Transparency International Bangladesh, said the budget awarded corruption, encouraged inequality and went against the constitution, laws of the land and the SDGs all the while whistle-blowers were being harassed.

Shaheen Anam, executive director of the Manusher Jonno Foundation, said she found no budgetary measures on addressing the challenges such as domestic violence, increased work burden at home and child marriage faced by women now heightened by the pandemic.

Citizen's Platform for SDGs, Bangladesh
এসডিজি বাস্তবায়নে নাগরিক প্ল্যাটফর্ম, বাংলাদেশ

Shamsul Alam, a member of the General Economics Division of the planning ministry, advocated for continuation of "soft lockdowns" and acknowledged the need for avenues other than banks for the financial inclusion of farmers.

Md Shahid Uz Zaman, executive director of the Eco Social Development Organization, said around 20 lakh people of plain land ethnic communities got no focus in the budget. Migrant workers in the north-western regions who were made redundant also necessitated attention.

Smallholder tea cultivators of Thakurgaon and Panchagarh are suffering from a drop in price of tea leaves from Tk 40 to Tk 14 a kilogram for a syndicate, he said.

There are doubts over how sharecroppers would avail the government support announced for farmers through the credit market as the package was intertwined with land ownership, he added.

Ashrafun Nahar Misti, executive director of Women with Disabilities Development Foundation, said the Bangladesh Bureau of Statistics needed to focus on generating data on whether the 18 lakh challenged persons were getting the government's allowance.

Just 1.96 per cent of the social safety net allocation was for the challenged, whose capacity for productivity again failed to get due recognition, she said.

Hassan Ali, president of the Ageing Support Forum, said the elderly, who constituted 8 per cent of the population, were not accommodated in the health budget.

Benapole port to remain open 24/7

STAR BUSINESS REPORT

The stakeholders of Benapole land port have decided to keep the trading point open 24/7 to help the businesses cover up the losses caused by the pandemic.

Banks will also be kept open on Friday to boost goods delivery and revenue collection in the port through which Tk 32,000 crore worth of trade takes place every year.

The decision was taken in a joint meeting of trade associations, customs and port authorities of Bangladesh and India on Thursday morning.

Export-import through the port restarted on June 1 after remaining closed for two-and-a-half months and stranding some 5,000 trucks loaded with goods due to the coronavirus outbreak.

But the traders are paying a heavy price for their imports, as India's Petrapole port is charging Rs 20,000 from each truck in additional charges along with the regular port fees.

"The government withdrew the port charges for the trucks stuck in Chattogram port.

The same should be done for Benapole port also, where 60,000 tonnes of goods got stranded," said Matiar Rahman, a director of India Bangladesh Chamber of Commerce.

Benapole is the largest land port in the country from where the government earns more than Tk 5,000 crore a year, he said.

"Most of the raw materials of Bangladesh's industrial sector and garment factories are imported from India through the Benapole port."

Benapole Custom House has decided to keep the port open on a holiday like Friday to meet its revenue collection target of Tk 5,000 crore this fiscal year, said Mamun Tarafdar, a director of Benapole port.

BB eases rules for repatriation of share sales proceeds

STAR BUSINESS REPORT

Bangladesh Bank has eased the process for repatriating the sales proceeds of nonresident equity investment in non-listed public limited companies and private limited companies.

No permission from the central bank is required to repatriate up to Tk 1 crore equivalent foreign currency without valuation reports, according to a BB circular issued yesterday.

The central bank has taken the decision in order to attract more foreign investment, read the notice signed by its Deputy General Manager (foreign exchange investment department) Abu Saleh Mohammed Shahab Uddin.

If a company takes the net asset value approach to evaluate the share price, then authorised dealers (ADs) are allowed to effect remittances on account of sales proceeds of shares regardless of the amount, he said.

The ADs shall satisfy themselves from the undertaking of the target companies countersigned by auditors to the effect that in net asset value approach audited financial statements have contained no revalued assets, intangible assets, expenses/losses shown as asset.

The certificate should specify that the impairment of assets has been adjusted, according to the notice.

The ADs should also be ensured that there is no abnormal growth in total assets in any of the last three years, particularly last year.

In case of other valuation processes, the ADs may also effect remittances of above Tk 1 crore up to Tk 10 crore equivalent foreign currency on account of sales proceeds.

But the ADs shall submit post facto reports detailing the transactions to the BB's foreign exchange investment department.

On completion of the transactions, the ADs shall comply with usual reporting routine and preserve the records of the transactions for eventual inspection, unless under investigation, for a period of five years.

In case of any inconsistencies, the ADs should seek opinion from the central bank.

STOCKS END FLAT

The index was almost flat during the week thanks to the floor price. The Bangladesh Securities and Exchange Commission set the floor price in order to stop the fall of the index by considering five days average price of the stocks. Removal of floor price restriction in the block transaction led to the increase in turnover of block transaction as it made some way for investors to exit or seek for bargain price.

DSEX fell to 3,960.58 points (down 6.7 points, or 0.17%)

Average turnover fell to Tk 67.8cr (down Tk 30.8cr, or 4.25%)

TOP FIVE GAINERS

Company	Gain (in %)
Eastern Lubricants	10.8
Reckitt Benckiser	9.2
Dacca Dyeing	8.6
ICB Employees Mutual Fund	4.8
Linde Bangladesh	4.2

TOP FIVE LOSERS

Company	Loss
Beximco Synthetics	6.8%
Beximco Pharmaceuticals	4.7%
Prime Finance First Mutual Fund	4.7%
Aci Formulations	4.5%
Shyampur Sugar	4.1%

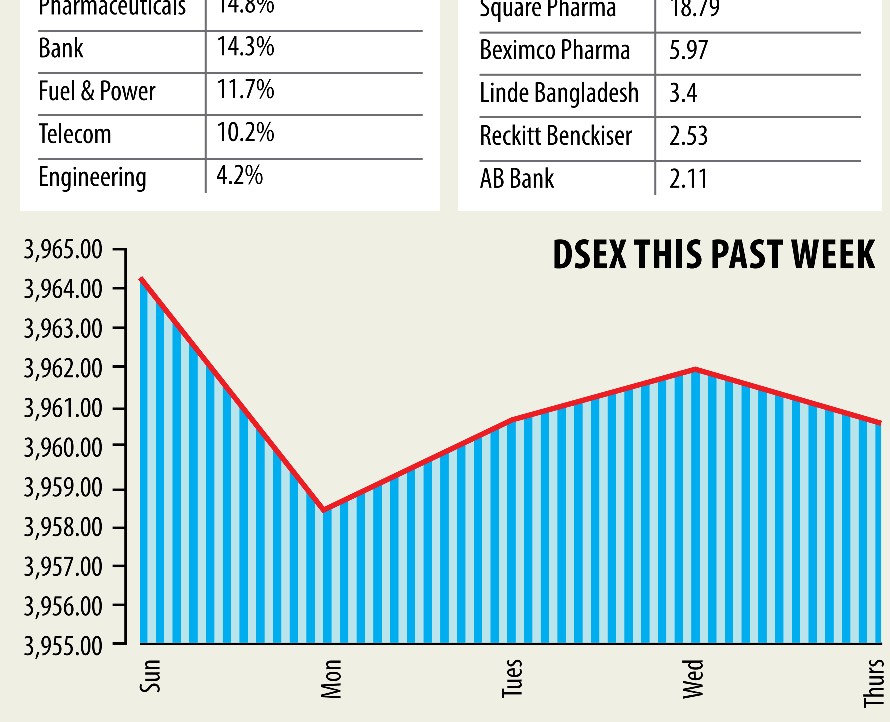
TOP SECTORAL CONTRIBUTION

Sector	Change in market cap
Pharmaceuticals	14.8%
Bank	14.3%
Fuel & Power	11.7%
Telecom	10.2%
Engineering	4.2%

TOP TURNOVER

Company	Turnover (in crore Tk)
Square Pharma	18.79
Beximco Pharma	5.97
Linde Bangladesh	3.4
Reckitt Benckiser	2.53
AB Bank	2.11

DSEX THIS PAST WEEK



Private sector should lead economic recovery: experts

STAR BUSINESS REPORT

Private sector entrepreneurs should be given priority so that they can lead the country's economic recovery from losses incurred due to the ongoing coronavirus pandemic, said Salman F Rahman, private sector industry and investment adviser to the prime minister, yesterday.

In the proposed budget for fiscal 2020-21, tax rates were increased and this acts more like a punishment for regular taxpayers, he said.

Besides, the current VAT law is still similar to that of 1991 and needs to become more business friendly so that private sector firms can pay these taxes easily and without any hassle from field officers of the National Board of Revenue, Rahman said.

The prime minister's adviser also said that if the government overborrows from banks, it will cause trouble for private companies by disturbing the flow of finances.

"More financing in the private sector would be better for the economy given the current slump in economic activities," he added.

However, economic recovery from the coronavirus fallout largely depends on how well Bangladesh's healthcare system responds to the prevalent crisis.

"We have to strengthen our healthcare system because there could be a second wave of coronavirus cases even after we recover from the pandemic," said Rahman while addressing a virtual discussion.

The discussion styled "Budget 2020-21: What is the takeaway for the business community?" was organised by the Metropolitan Chamber of Commerce and Industry (MCCI) in collaboration with the Policy Research Institute (PRI).

MCCI Since 1904

pri Policy Research Institute

Various ministers, two advisers to Prime Minister Sheikh Hasina, entrepreneurs, trade body leaders and economic researchers participated in the event, which was moderated by MCCI President Nihad Kabir.

MA Razzaque, PRI's research director, and Adeeb H Khan, chairman of MCCI's tariff & taxation sub-committee, presented separate keynote papers during the discussion.

"It is true that the government's target to achieve 8.2 per cent GDP growth in the upcoming fiscal year is a bit unrealistic as businesses are going through a bad time due to the coronavirus," said Planning Minister MA Mannan, adding that giving VAT collection officers more power would be counterproductive as it could lead to more cases of harassment.

Imposing tax on an employee's gratuity is not right either and the VAT refund system should be made simpler so that businessmen can easily collect their funds, according to Mashiur Rahman, the prime minister's economic affairs adviser.

Syed Almas Kabir, president of the Bangladesh Association of Software and Information Services (BASIS), said that imposing more taxes on interne and mobile phone services will discourage people from adopting newer technologies, creating a possibility for the government to lose more revenue from the sector than it can earn.

For instance, the government could collect up to Tk 500 crore by imposing additional taxes on internet use. However, if left untaxed, the amount of revenue generated by internet and mobile phone services could be higher since more people would be engaged with those services as costs would be kept lower.

There are currently about 10 crore people using the internet in Bangladesh, mostly through mobile devices. If prices are lowered, the number of users and the amount of time they spend on the internet would surely go up and this means increased revenue for the government as well, Kabir said.

The government's aim to take private sector investment to higher than 25 per cent of the country's GDP is a very ambitious prospect since it has remained at stagnant at 23 per cent for many years now, said Abul Kasem Khan, chairperson of the Business Initiative Leading Development (BUILD).

It was expected that non-listed companies in the private sector would see a 5 per cent reduction in corporate tax. However it was only decreased by 2.5 per cent from the existing 35 per cent, Khan added.

READ MORE ON B3

Cement manufacturers on shaky ground

BCMA calls for withdrawal of AIT, decreased import duty

STAR BUSINESS REPORT

Cement manufacturers will suffer from capital shortage if the government does not withdraw the advance income tax (AIT) and high customs duty levied on clinker imports, according to the Bangladesh Cement Manufacturers Association (BCMA).

Besides, after facing heavy losses due to the ongoing coronavirus pandemic, it will be difficult for the industry to recover with all the taxes, specifically import duty on raw materials, as it increases production costs.

Cement factories are completely dependent on imported raw materials but the import duty imposed on production resources is unreasonable, said various industry insiders.

Clinker, a fine powder used as a binder in many cement products, is bought from abroad at $42 per tonne but after paying customs duty, the price becomes $50 per tonne.

Meanwhile, the import duty on the binding agent stands at Tk 500 per tonne, which is not consistent with any other country and seems very unfair, said BCMA President Md Alamgir Kabir.

Kabir made these comments during a virtual press conference on the proposed budget for fiscal 2020-21 held yesterday.

Considering the current situation, the BCMA demanded that the existing 3 per cent AIT charge on imports and 3 per cent income tax on sales of cement products be removed for the upcoming fiscal year.

"If the government does not consider our demands, cement companies will not be able to continue operations since they don't have the additional capital to cover AIT, income tax and increased import tax," Kabir said.

The usage of cement reached 200 kg per capita in 2019, while it was just 45 kg back in 2000, according to BCMA data.

CEMENT SECTOR AT A GLANCE

Market size: Tk 25,500cr

Active cement factory: 35

Total investment: Tk 42,000cr

Govt revenue: Tk 5,000cr

Direct employment: 60,000

Indirect employment: 1,000,000

Consumption: 35m tonnes

Production capacity: 60m tonnes

Over the years, the industry has struggled with the rising cost of raw materials, un-adjustable advance income tax, unhealthy competition and increasing road and river transportation costs.

And although the sector started doing well early this year, the coronavirus outbreak in Bangladesh subsequently pushed the industry back into troubled waters.

To provide cement manufacturers with some relief under these difficult circumstances, the association has repeatedly asked the National Board of Revenue (NBR) to refund the Tk 750 crore that has been accumulated over the years as unadjusted AIT.

A taxpayer is entitled to refunds when their payment exceeds the tax payable. When making a refund is delayed for whatever reason, the government is charged an annual interest rate of 7.5 per cent of the total value until the refund is complete.

"However, the unfortunate part is that such refunds have not been made for years despite our numerous applications," Kabir said.

In recent times, the industry enjoyed double-digit growth rates, fuelled by the country's high GDP growth and increased private and public investment in construction.

To keep the upward trend going, the association called for import duties on clinker, a major production material, to be brought down from the existing Tk 500 per tonne to at least Tk 300 a tonne.

"Import duty should be restricted to 5 or 10 per cent at most. Therefore, entrepreneurs are demanding that the tax be set at 5 per cent or Tk 300 per tonne," the BCMA president said.

Although the country's annual demand for cement is just 35 million tonnes, the 35 cement factories active in Bangladesh have a total production capacity of 60 million tonnes.

Production capacity will increase by another 11 million tonnes in the next three years, according to Kabir.

Over the past 15 years, the cement industry has made tremendous contributions to the country's economic development as the excess cement supply is exported to neighbouring nations.

Manufacturers have invested about Tk 42,000 crore in their businesses and they deposit about Tk 5,000 crore to the government treasury as revenue each year.

READ MORE ON B3