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.

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%

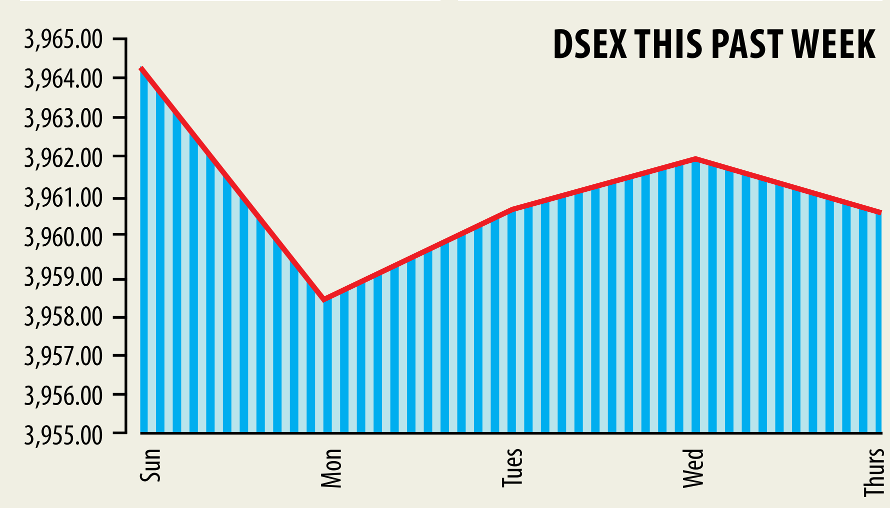
TOP SECTORAL CONTRIBUTION

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

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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.

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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 also 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.

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