Star BUSINESS

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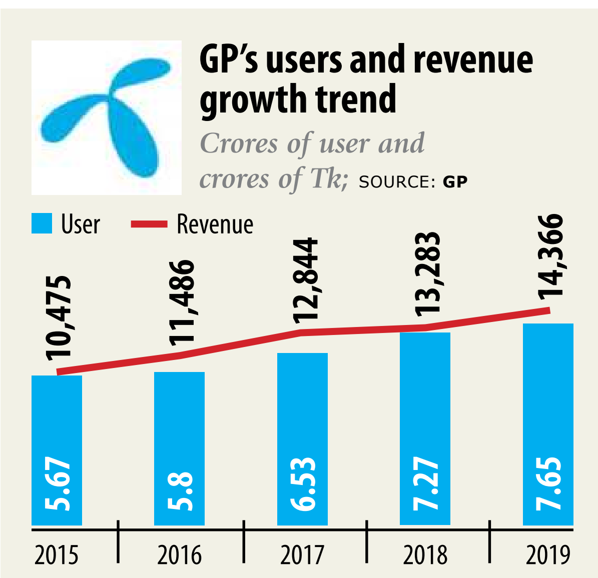
BTRC imposes two restrictions on GP

MUHAMMAD ZAHIDUL ISLAM

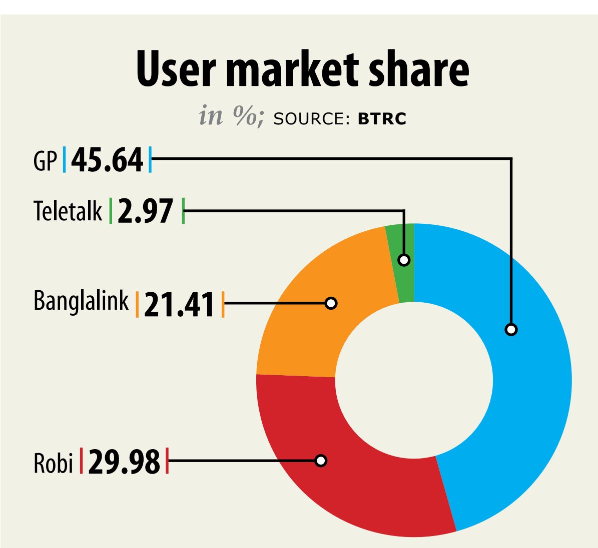
The telecom regulator has imposed two new restrictions on Grameenphone. The move comes 16 months after it declared the country's leading mobile phone operator a significant market power (SMP).

According to the restrictions, Grameenphone will have to secure prior approval from the Bangladesh Telecommunication Regulatory Commission (BTRC) before rolling out any packages or offers.



The operator will also have to all of its existing packages and offers validated by August 31. However, for new offers and packages, the directive will become effective on July 1.

The carrier would not be able to change or amend any of the conditions of approved packages or offers without consent from the commission.



The regulator has also made it easier for a subscribers to leave Grameenphone under the mobile number portability (MNP) facility.

Currently, if a user wants to switch to another network, they will have to stay with the new carrier for at least 90 days. But subscribers can now abandon Grameenphone after just 60 days.

The operator received the letter from the BTRC yesterday.

In February last year, the commission declared Grameenphone an SMP operator but did not follow through with the associated restrictions.

The telecom watchdog came up with four restrictions twice but Grameenphone challenged the conditions and processes at the High Court.

However, on December 15 last year, the High Court cleared the way for the telecom regulator.

READ MORE ON B3

Source tax a fresh blow to bond market: bankers

EYE ON BUDGET

AKM ZAMIR UDDIN

The country's feeble bond market is going to face a major blow as the government plans to impose a 5 per cent source tax on profits of investments in treasury bills and bonds.

The government may face an impediment to managing its bulging budget deficit during the ongoing economic fallout if it implements the proposed source tax, bankers say.

As per the Finance Bill 2020, the government will impose the source tax from the upcoming fiscal year, in a development that will discourage both individuals and corporate entities to invest in government securities.

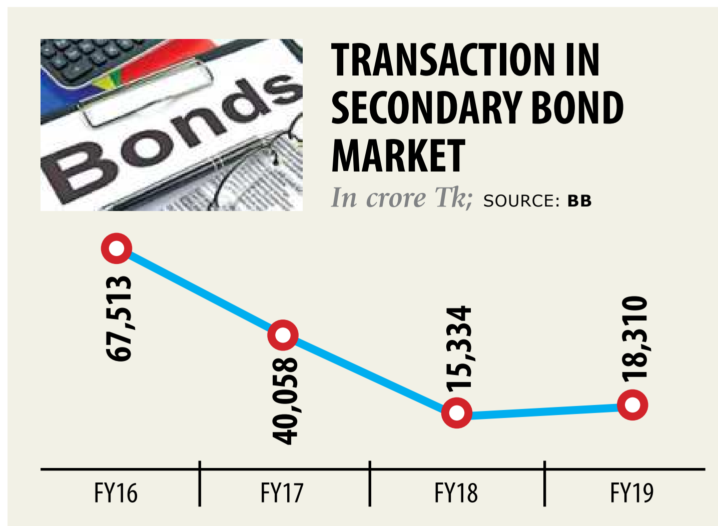
Against the backdrop, the central bank requested the finance ministry on June 18 to withdraw the tax proposal, saying banks would be forced to lend more to the government due to lower investment by individuals and corporate entities.

Bangladesh Bank also sent the same letter to the National Board of Revenue, urging it to take required measures.

The outstanding investment in government securities stood at around Tk 280,000 crore, of which 30 per cent came from individuals and corporate organisations, according to data from the central bank.

The government earlier took a set of initiatives to encourage insurance companies, mutual funds and provident funds of private organisations to invest in government securities.

This had subsequently increased the demand for government securities bringing down the interest rate, according to the central bank letter.



For instance, the interest rate on 20-year T-bond stands at around 9 per cent, down from 15.50 per cent six years ago.

In the past, banks largely participated in the auction of securities but now many other organisations invest funds.

The private sector will be deprived of adequate loans if banks are forced to invest in the instruments in order to help the government manage the deficit financing, the central bank warned.

"This will create a crowding-out effect in the financial sector."

The crowding out effect is an economic theory arguing that rising public sector spending drives down or even eliminates private sector spending.

The proposed plan will raise the interest rate on government securities as individuals and corporate entities will shy away from the instruments.

In addition, individuals will feel the pinch in buying and selling securities in the secondary bond market as they will have to bargain over who would foot the source tax.

The BB letter explained that an individual is allowed to enjoy profit from the tools every six months and they would face trouble in selling the instruments before they mature to provide interest.

If the bond-holder sells the securities halfway to maturity, this will create an ambiguity. There will be a dispute about who will provide the tax or how the amount will be divided.

The Primary Dealers Bangladesh, a forum of 21 banks dedicated to lending to the government by taking the securities, also requested the central bank to take measure to this end.

The government withdrew the 5 per cent source tax in 2012 in order to make the secondary bond market vibrant, the association said in a letter on June 16.

So, the latest decision is quite contradictory to the previous decision, said a central bank official, wishing not to be named.

The secondary bond market faced troubles for a long time due to the higher interest rate of the national savings tools.

The government is paying interest rates ranging from 11.04 per cent to 11.76 per cent to the investors of savings instruments at a time when clients get a maximum of 9.20 per cent by investing funds in government securities.

However, many clients have recently opted for T-bills and bonds as the government capped the investment in the savings tools.

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BB cuts cash reserve ratio for non-banks

Move to free up Tk 305cr for them

AKM ZAMIR UDDIN

The central bank yesterday cut the cash reserve ratio (CRR) for non-bank financial institutions (NBFIs) in order to help the cash-strapped entities tackle the ongoing economic fallout brought on by the coronavirus pandemic.

The regulator of the banking sector reduced NBFIs' CRR by 100 basis points to 1.50 per cent, a move that would free up Tk 305 crore for them, said a central bank official.

The CRR determines the portion of customer deposits that commercial banks must keep as a reserve with Bangladesh Bank.

NBFIs will have to maintain at least 1.5 per cent as CRR on a weekly basis and the ratio will not decline below 1 per cent under any circumstances.

But the banking watchdog has not revised a 5 per cent statutory liquidity ratio (SLR) that NBFIs had earlier maintained. CRR is a part of SLR.

Banks and NBFIs have to invest a

portion of their depositors' fund in the treasury-bills and bonds to maintain SLR. This means NBFIs will have to invest 3.50 per cent of their depositors' fund in the government securities against the previous ceiling of 2.50 per cent.

But, the NBFIs, which do not take any term deposit, will be allowed to maintain the portion of SLR. They will have to keep 2.50 per cent as SLR in the central bank.

There are 35 NBFIs in the country of which 5 do not mobilise term deposit.

The unrevised SLR will not put any adverse impact on NBFIs as majority of them have invested their fund in the government securities surpassing the mandatory limit.

The central bank has already reduced banks' CRR by 150 basis points to 4 per cent, a move that has injected more than Tk 19,000 crore into the economy.

This is a welcome move as it will help NBFIs address the ongoing financial meltdown, said Mominul Islam, chairman of the Bangladesh Leasing and Finance Companies Association (BLFCA), an organisation of managing directors of NBFIs.

"We have frequently requested the central bank to do so," he said, adding that the BLFCA had called for reducing the whole SLR.

The organisation will meet with the central bank officials within this week where it will raise more other issues to tackle the meltdown, said Islam, also managing director of IPDC Finance.

The central bank is working on forming a refinance scheme of Tk 10,000 crore for NBFIs.

"We will also discuss the issue with the governor," Islam said.

Businesses worried about changes in VAT law

SOHEL PARVEZ

Businesses are worried that some proposed changes in the value-added tax (VAT) law will increase their costs and discourage them from seeking justice against inflated revenue claims by field officials of the National Board of Revenue (NBR).

One of the changes is that the deposit needed for appealing against tax claims before VAT commissioners and appellate tribunals has been hiked from 10 per cent of the disputed amount at present to 20 per cent from next fiscal year, beginning in July.

In his budget speech, Finance Minister AHM Mustafa Kamal said the increase aimed at reducing a tendency of lodging "illogical cases" against VAT claimed by field officials of the revenue authority.

Businesses, however, said the measure was detrimental to the right to seek justice to resolve disputes.

"This will be a punishment for business. It should be withdrawn," said NKA Mobin, senior vice president of the Dhaka Chamber of Commerce and Industry.

The current practice is that firms file appeals for revision of VAT claims before commissioners of the respective fields by paying 10 per cent of the disputed amount. Then they can appeal before VAT Appellate Tribunal of the NBR by paying another 10 per cent of the disputed amount.

This means that they have to pay one fifth of the claimed amount to resolve the dispute.

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ADP spending plunges 48pc

REJAUL KARIM BYRON *and* MD FAZLUR RAHMAN

Development spending nosedived 48.22 per cent in April and May in the current fiscal year, highlighting how the pandemic-induced shutdown brought the country's economic and development activities to a screeching halt.

The government managed to spend Tk 24,717 crore in April and May together, down from Tk 36,635 crore during the same period a year ago.

April was the first full month that witnessed the impact of the countrywide lockdown the government was compelled to put in place to stop the spread of the raging coronavirus pandemic. The deceleration in development activities continued into May.

Last month, the expenditure under the Annual Development Programme (ADP) fell 38.79 per cent to Tk 16,581 crore from Tk 23,012 crore in May in FY18-19 as the shutdown continued.

The government implemented development works involving Tk 115,421 crore in the first 11 months of the current fiscal year, which was Tk 120,043 crore during the same time a year ago, or down 3.85 per cent year-on-year.

The ADP implementation rate was 57.37 per cent in the July-May period, against 67.97 per cent during the same period in FY19, said Planning Minister MA Mannan at the meeting of the Executive Committee of the National Economic Council in Dhaka yesterday.

"We all know that the ADP implementation is lower because of the global coronavirus pandemic."

In April, ADP spending was Tk 8,136 crore, which was Tk 13,623 crore in the same month in FY19.

The development spending may end the current fiscal year in a dismal state because of massive fall in activities across the country despite partial reopening of the economy from June.

In fact, the slowing trend of development spending will continue into FY21 as the government diverts funds to meet the immediate needs to prop up the economy caving under the burden of the global pandemic.

It is also uncertain when the pandemic would peter out as the cases of coronavirus infections in Bangladesh are on the rise.

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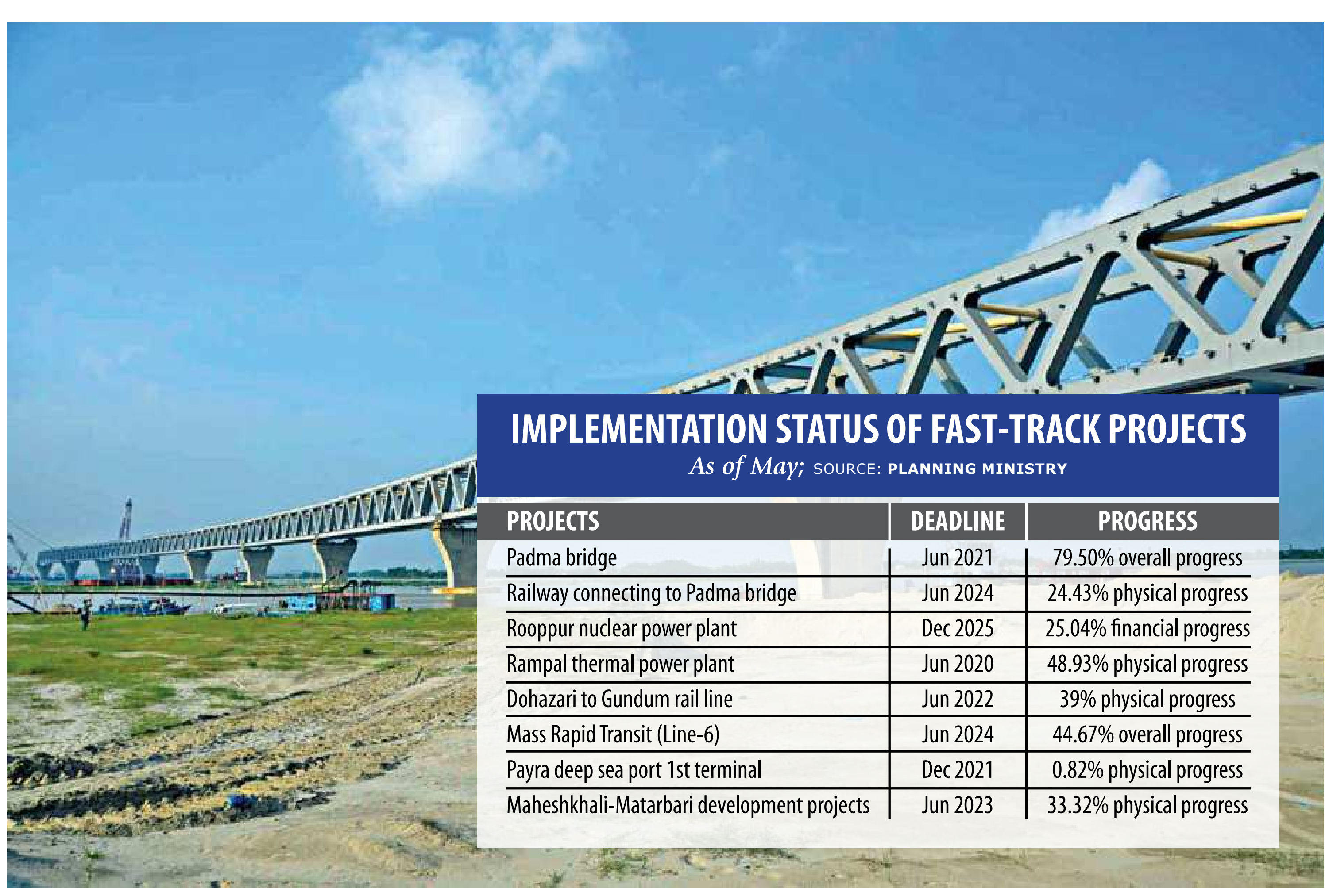


IMPLEMENTATION STATUS OF FAST-TRACK PROJECTS

As of May; SOURCE: PLANNING MINISTRY

PROJECTS	DEADLINE	PROGRESS
Padma bridge	Jun 2021	79.50% overall progress
Railway connecting to Padma bridge	Jun 2024	24.43% physical progress
Rooppur nuclear power plant	Dec 2025	25.04% financial progress
Rampal thermal power plant	Jun 2020	48.93% physical progress
Dohazari to Gundum rail line	Jun 2022	39% physical progress
Mass Rapid Transit (Line-6)	Jun 2024	44.67% overall progress
Payra deep sea port 1st terminal	Dec 2021	0.82% physical progress
Maheshkhali-Matarbari development projects	Jun 2023	33.32% physical progress

Poorest countries to save $12b in 2020 debt relief: World Bank

REUTERS, *New York*

The world's poorest countries could save over $12 billion (9.71 billion pounds) owed to sovereign and other creditors this year through their participation in a debt-relief program, with Angola alone saving some $3.4 billion, according to estimates published Friday in a new database from the World Bank.

The savings under the COVID-19-linked Debt Service Suspension Initiative (DSSI) will be short-term, since the initiative only provides for suspension of debt payments through the end of the year. It postpones those payments until a later date but does not cancel them outright.

The second-largest saver among eligible DSSI countries would be Pakistan, with $2.4 billion, followed by Kenya with $802 million, according to the data. In terms of savings compared with gross domestic product, Bhutan would reap the most benefits from the plan with 7.3 per cent of GDP savings, followed by Angola at 3.7 per cent and Djibouti at 2.5 per cent.

Besides each country's estimated savings, the database includes details on debt owed to multilaterals like the International Monetary Fund as well as on official and non-official bilateral debt disbursed and debt service due per year.

IMF and World Bank officials have warned that the COVID-19 pandemic will hit developing and emerging markets particularly hard given high levels of debt, sharp drops in oil and other commodity prices and insufficient healthcare systems.

The DSSI is backed by the G-20, the World Bank, the IMF and the Paris Club of sovereign lenders. The database provides a new level of transparency about debts and creditors, including China, which has become one of the largest creditors in Africa and elsewhere over the past two decades.

The Jubilee Debt campaign has estimated the cancellation of poor countries' debt payments, including to private creditors, would free over $25 billion for the countries this year, or $50 billion if extended through 2021.

REUTERS/FILE

A labourer pulls a hand cart as he delivers supplies to a nearby market, amid the outbreak of the coronavirus disease, in Karachi, Pakistan.

Inflation dog may finally bark, investors bet

REUTERS, *London*

Gold, forests, property stocks, inflation-linked bonds - these are just some of the assets investors are pouring money into on the view that the recent explosion of government spending and central bank stimulus may finally rouse inflation from its decade-long slumber.

With the world economy forecast to shrink 6 per cent this year, it may seem like a strange time to fret about inflation.

And sure enough, market-based gauges suggest an uptrend in prices may not trouble investors for years. US and euro zone inflation gauges indicate that annual price growth will be running at barely over 1 per cent even a decade from now.

So if inflation really is, as the IMF put it in 2013, "the dog that didn't bark", failing to respond to all the central bank money-printing unleashed in the wake of the 2008-9 crisis, why should investors prepare for it now, especially as demographics and technology are also conspiring to tamp down inflation across the developed world?

The answer is that some think the dog really will bark this time, partly because - unlike in the post-2008 years - governments around the world have also been rolling out massive spending packages, in a bid to limit the impact of the coronavirus pandemic.

"We will be pushing, pushing, pushing on the string and dropping our guard, then 3-5 years from now... that's when the (inflation) dog will start barking," said PineBridge Investments' head of multi-asset Mike Kelly, who has been buying gold on that view.

"Gold worries about such things long in advance. It has risen through this coronavirus with that down-the-road-risk top of mind," he added.

Even typically frugal governments such as Germany have joined central banks with trillions of dollars in stimulus programmes. Investors say even the long taboo topic of debt monetisation, where central banks directly fund government spending, may be on the cards.

"What worries me is that at the moment it seems that there is no limit to fiscal stimulus," said Klaus Kaldemorgen, a portfolio manager at asset manager DWS, who said he was investing in inflation hedges far more now than he was after 2008.

Inflation hawks also cite a trend of de-globalisation, where shrinking international trade and Western companies bringing production back to their own countries leads to higher prices. This view that inflation could pick up ahead is reflected in forward swaps and in Citi's inflation surprise indexes, which show that the extent that US inflation readings are surprising against market expectations has been at a record high and has ticked higher in the euro zone, too.

Investors have an interest in pricing future inflation correctly to safeguard their returns, hence the need for hedges, assets that increase in value or at least hold it when price growth accelerates.

They appear primarily to favor US inflation-linked bonds and gold. Wealth managers canvassed by Reuters have been channelling up to 10 per cent of clients' portfolios into the yellow metal via index funds, gold shares and even bullion.

But if gold prices have risen 18 per cent since the end of March, some other hedges remain cheap.

US 10-year inflation-linked bonds - known as TIPS - show "break-evens", or the anticipated rate of inflation in a decade, around just 1.2 per cent.

Also known as linkers, the face value and interest payments on these securities rise with inflation.

But despite the stimulus boom, "the inflation levels that are priced in are much lower than what was priced in at the end of last year," said Teun Draaisma, a portfolio manager at Man Group, who has invested in inflation-linked assets.

So inflation might be some years away, but banks are advising clients to pick up cheap hedges. Morgan Stanley suggests US 30-year linkers, while Natwest advises buying 30-year UK linkers and 10-year euro zone inflation swaps.

Toshiba to gradually sell Kioxia stake after ex-chip unit's IPO

REUTERS, *Tokyo*

Toshiba Corp plans to gradually unwind its 40 per cent stake in Kioxia Holdings after the world's second-largest flash memory chip firm lists its shares in an IPO later this year, two people familiar with the matter said on Saturday.

The Japanese industrial conglomerate is considering distributing about half or more of after-tax proceeds from the sale back to shareholders, the sources told Reuters, asking not to be identified because the matter is private.

Toshiba said in a filing with the Tokyo stock exchange on Saturday that it was considering various possibilities for shareholder returns, such as the handling of assets and reviewing its portfolio.

The company said nothing has been decided over its stake in Kioxia, the former flash memory chips unit it sold to a consortium led by US private equity firm Bain Capital for $18 billion in 2018.

Toshiba bought its Kioxia stake as part of that deal.

The initial public offering of Kioxia could be Japan's biggest listing this year, sources have said.

Japanese media reports have estimated market valuation to reach $32 billion in an IPO as early as October, although the coronavirus outbreak has created uncertainty over the timing and valuation of the IPO.

Many overseas fund investors are urging Toshiba to sell the stake on the grounds that flash memory chips, used in smartphones and data storage servers, are a highly volatile business that could sway Toshiba's earnings, the source said.

Toshiba has been facing pressure from activist funds agitating for changes since the company sold 600 billion yen ($5.6 billion) of stock to dozens of foreign hedge funds during a crisis stemming from the bankruptcy of the US nuclear power unit in 2017. Nearly 70 per cent of its shareholders are non-Japanese.

PG&E says bankruptcy court approves its Chapter 11 reorganisation plan

REUTERS

PG&E Corp said its Chapter 11 reorganisation plan has been confirmed by the United States Bankruptcy Court for the Northern District of California, bringing the power provider one step closer to emerging from bankruptcy and participate in a state-backed wildfire fund.

The court's approval follows the confirmation of the plan by power regulator California Public Utilities Commission in May.

"Today's ruling in the Chapter 11 proceeding concludes the process of approving PG&E's Plan of Reorganization," the San Francisco-based utility Chief Executive Officer and President Bill Johnson said in a statement on Saturday.

The company said that it expects to emerge from bankruptcy in July and that it is on track to participate in a state-backed wildfire fund, which reduces liability for investor-owned utilities but requires them to spend billions of dollars upgrading equipment.

The utility filed for Chapter 11 bankruptcy protection in January last year, citing potential liabilities exceeding $30 billion from major wildfires sparked by its equipment in 2017 and 2018.

Earlier this week, the company pleaded guilty to 84 counts of involuntary manslaughter stemming from a devastating 2018 wildfire in Northern California touched off by the utility company's power lines.

The guilty plea, part of an agreement with prosecutors in Butte County, is intended to end all criminal proceedings against PG&E from the Camp Fire, which broke out on Nov. 8, 2018, and destroyed much of the town of Paradise.

The Camp Fire killed at least 84 people and destroyed some 18,000 buildings. It is considered the most destructive wildfire in California history.

The company said earlier in June that it plans to raise $5.75 billion from public offerings as it tries to emerge from bankruptcy.

British Finance Minister Sunak plans emergency cut in value-added tax

REUTERS

British Finance Minister Rishi Sunak is ready to cut the value-added tax (VAT) as part of the government's latest efforts to tackle economic fallout from the coronavirus outbreak, the Sunday Times newspaper reported.

Sunak has ordered officials to prepare options for reducing the sales tax, including a cut in the headline rate, and zero rating more products for a fixed period, the newspaper reported.

The finance minister may announce lowering the VAT and business rates in a speech in early July, the report added, citing officials.

Britain temporarily cut its value-added tax in 2008 during the global financial crisis, and Germany will do the same from July 1 for six months.

Sunak earlier suggested he was open to the idea but would first need to see how quickly consumers resumed spending.

FRC inks deals to adopt more standards

STAR BUSINESS DESK

Financial Reporting Council (FRC) has recently signed contracts with three global accounting and auditing standard developing and setting organisations to adopt and issue audit and accounting related standards, practice notes and interpretations.

The organisations are IFRS Foundation, International Federation of Accountants (IFAC), and International Valuation Standards Council (IVSC), said the government regulatory body for professional accountants and accountancy profession in a press release yesterday.

These standard setting bodies follow a thorough, transparent and participatory process when issuing any standard, practice note or an interpretation that helps companies better implement standards.

At present 166 countries are involved in the process of adoption of the IFRS standards; 170 members from 130 countries are using the IFAC published auditing standards and the IVSC consists of more than 130 member organisations from around the world.

The IFRS develops and sets standards, interpretations for accounting and financial reporting, known as the IFRS, IASs and IFRIC interpretations.

The IFAC develops and sets standards, code of ethics, practice notes for auditing, assurance, review and other related services, most widely used and known as the International Standards on Auditing (ISAs), for professional accountants working in profession and in businesses.

The IVSC develops and sets International Valuation Standards (IVS) for business and assets valuation services.

The IFRS, ISAs and Code of Ethics have been in practice in Bangladesh accounting and auditing profession through the Institute of Chartered Accountants of Bangladesh (ICAB) for more than a decade.

With the enactment of Financial Reporting Act (FRA) 2015 and signing of contracts with the global standard setting organisations, these standards are now being included into the national law, the statement added.

In addition to the standard compliance clauses in the FRA 2015, Companies Act 1994, Banking Companies Act 1991, MRA Act 2006, and Insurance Act 2010 have been amended through the FRA, requiring the relevant companies to comply with the standards adopted and issued by the FRC.

Requirements, monitoring and reviewing of the compliances of high quality standards by legislative law and setting up a regulatory agency to effectively carry out the functions would definitely strengthen the accounting and auditing profession of Bangladesh, said the FRC.

The IVS for valuation of businesses and assets will be a new set of standards for valuation practices in Bangladesh, it added.

Colombia court overturns restriction on Uber

REUTERS, *Bogota*

A Colombian court has overturned an order which forced ride-hailing app Uber to briefly suspend operations in the country last year and change its service provision model.

The Superintendency of Industry and Commerce (SIC), which regulates fair competition and protects consumers, in December said Uber had violated competition rules amid a lawsuit from a taxi company.

Uber resumed transporting passengers in February with a new service model that allows users to rent cars with drivers.

But in a decision dated Thursday, the Superior Tribunal of Bogota said the time limit for the taxi company to present its complaint had expired.

The SIC has repeatedly fined technology companies like Uber and Rappi amid a lack of regulatory framework for delivery and ride-hailing apps. DiDi and Cabify also operate in the country.

Airbus extends furloughs in UK, Spain in latest effort to tackle Covid-19 fallout

REUTERS

European planemaker Airbus SE said on Friday it is extending furlough programs for 5,300 of its employees in Spain and the United Kingdom in its latest effort to cope with the impact of the coronavirus outbreak.

"This will be effective from 20th May till 30th September and affects all Airbus Operations SL employees in Spain (with some exceptions), which means around 3,100 employees", an Airbus spokesman told Reuters in an emailed statement

"Airbus Helicopters and Airbus DS employees in Spain are not impacted", the spokesman said.

In the United Kingdom, the period of furlough for about 2,200 Airbus workers will start on July 20 and end on Aug. 9, the statement said.

"In France, all employees of the commercial aircraft division are in some way affected", the spokesman said. He added about 29,500 employees in France were working on average about 30% shorter weeks.

Sources told Reuters in May that Europe's largest aerospace group was exploring restructuring plans involving the possibility of "deep" job cuts as it braced for a prolonged coronavirus crisis after furloughing thousands of workers.

The company had told senior staff it must be "resized" in plans to be set out around end-June. The coronavirus pandemic has led to a global airline crisis, with carriers and suppliers pleading for help.

Earlier this month, France unveiled what it described as a 15-billion-euro ($16.76 billion) support package for its aerospace industry, saying huge numbers of jobs were at stake amid a slump in air travel demand due to the coronavirus.

The total included 7 billion euros of aid already announced for Air France and an acceleration of existing orders for Airbus tankers and other military kit, the French government said.

India's May crude oil imports post biggest decline since at least 2005

REUTERS

India's crude oil imports in May fell 22.6 per cent from a year earlier, it's biggest drop since at least 2005, as fuel demand and refinery production was hurt by a country-wide lockdown to curb the spread of coronavirus.

Crude oil imports fell to 14.61 million tonnes, it's lowest since 2015, Petroleum Planning and Analysis Cell data showed on Friday.

Oil products imports eased 0.8 per cent to 3.57 million tonnes year-on-year, while exports rose by 5.9 per cent to 5.75 million tonnes, gaining for a ninth straight month in May as slowing demand at home prompted companies to ship more oil overseas.

The country has relaxed coronavirus-led restrictions in lower risk areas, which is expected to improve demand and scale up crude processing.

The latest data bolstered those expectations with India's fuel demand jumping nearly 50 per cent in May from the previous month, signalling a slow revival of economic activity.

However, industry analysts expect a full-scale recovery to pre-COVID-19 consumption levels in India to be months away as the monsoon season approaches while manufacturing activities remain low and transportation demand takes a hit in some parts of the country.

Diesel exports, which continued to account for a major share of exports, increased by nearly 33 per cent to 2.79 million tonnes.

India revised down its crude oil imports figure for April to 16.55 million tonnes- a decline of 16 per cent year-on-year, from 17.28 million tonnes reported earlier, the data showed.

Liquidity management to be a big challenge in post-pandemic period

FROM PAGE B4

Banks that have strong corporate governance and honest shareholders do not face such problems but those that do, suffer greatly, he added.

About the IPDC's recent growth, Islam said the company took a new innovative business approach in 2015.

Before providing innovative loan, IPDC tried to minimise its non-performing loans, which gave a result, pulling it down from 37 per cent to 2 per cent during 2006-2014, he said.

Keep startups afloat, says platform of venture capital firms

FROM PAGE B4

This is an era of startups and e-commerce, said Prof Shibli Rubayat UL Islam, chairman of the Bangladesh Securities and Exchange Commission.

"It has huge opportunities to diversify the export basket but they need financial support to grow."

The stock exchanges have SME boards so that startups can register and raise funds, he said as a special guest at the event.

The startups may be exempted from paying income tax for a period of 10 years, said Shawkat Hossain, secretary general of the association.

Venture capital firms and startups need a minimum of 10 years to earn from their core business so tax on this small income, if any, will be very disastrous for the industry, he clarified.

Syed Almas Kabir, president of the Bangladesh Association of Software and Information Services; Tina F Jabeen, investment advisor of Startup Bangladesh of ICT Division, Wali-Ul-Maroof Matin, founder and managing director of Maslin Capital, and Sujoy Mohajan, business editor of Prothom Alo, also spoke at the event.

Source tax a fresh blow to bond market: bankers

FROM PAGE B1

"Corporate organisations will get a respite if they continue to enjoy the ongoing facility," said Mirza Elias Uddin Ahmed, managing director of Jamuna Bank.

The source tax will have to be paid every six months but income tax is paid once a year.

The entities can invest in other sectors for the time being if they do not pay the source tax, Ahmed said, adding that a good number of non-taxpayers now invest in government securities instead of banks' deposit products. They have to pay a 15 per cent tax on investment in fixed deposits at banks. "But now they will be discouraged to invest in the government securities as well," Ahmed said.

The government plans to borrow Tk 84,980 crore from banking sources in FY 2020-21.

The record bank borrowing by the government will put an adverse impact on banks as some of them have been facing a liquidity crunch in recent months due to the ongoing financial meltdown brought on by the coronavirus pandemic.

The liquidity crunch will widen further if individuals and corporate companies avoid investing in government securities.

If banks fail to supply the targeted amount, the central bank will have to lend to the government. If the central bank injects money, it will create an inflationary pressure in the market.

Businesses worried about changes in VAT law

FROM PAGE B1

And when they want to seek revision of appellate tribunal verdicts before the High Court, they have to pay another 10 per cent of the disputed amount, meaning that firms have to pay nearly one-third of the total VAT claims to seek justice.

As per the proposed changes for next fiscal year, businesses will have to deposit a total of 40 per cent of the disputed VAT amount – 20 percent to file appeals before the commissioner of respective field and 20 per cent for VAT Appellate Tribunal, said Md Arshed Ali, convener of the research wing of VAT Professional Forum.

Businesses will have to deposit a further 10 per cent of the disputed tax in order to seek revision against appellate tribunal verdicts before the High Court, he said.

A top executive of a well-known multinational firm said if 50 per cent of the disputed amount was collected through these deposits, it might seriously affect the delivery of justice.

"In fact, we already consider the existing 30 per cent deposit to be very high and therefore we requested a reduction in the deposit requirement on several occasions in the past," he added.

A senior official of the VAT wing of the NBR however said confusion has been created in absence of an explanation of the measure. The ratio of total deposit of the disputed VAT claim will not be higher than 30 per cent, he added.

Apart from the process to seek justice becoming harder, changes to another provision of the VAT law will make it troublesome for firms to adjust input tax credit or claim rebate against paid VAT on inputs.

Only till the end of June, businesses would be able to claim tax rebates on the value of inputs purchased and adjust the money with total payable VAT within two months of the purchase of the raw materials.

Industry insiders said as per the proposed provision, businesses would not be able to seek input tax credit on the whole amount of inputs purchased at a time.

They will be able to claim rebate proportionate to the sale and use of raw materials that are used to make the products. And businesses will be required to seek rebate on inputs in four months.

"This will also force businesses to consume all materials within four months of receipt to avoid significant VAT rebate loss, which is impractical in certain cases for slow moving goods or sudden fall in demand," said the official of the foreign company operating here for many years.

"Besides, a significant amount of working capital will be blocked. Especially when entire industries are suffering for a liquidity crisis due to Covid-19, this new provision will literally kill many industries," the executive added.

Ali said the provision for businesses to claim rebates was not business friendly.

"It may not be possible for a firm to clear all inputs to make a product within four months. And it is more difficult particularly at this time when the Covid-19 crisis affected demand," Ali said.

Snehasish Barua, partner of a chartered accountancy firm Snehasish Mahmud & Co, said a company often procures raw materials in bulk quantities based on lead time, order quantity, seasonality, etc.

In many cases, it may be difficult or even impossible for a company to use all the materials within four tax periods.

It will also be difficult for companies to keep track of dates and costs of materials purchased and used. Companies will be required to customise their software, raising the cost of business, he said.

"As companies also procure services as input, it will be difficult to keep track of monthly, quarterly, half-yearly, annual services received towards production," said Barua.

"In many cases, disputes will arise between companies and the NBR officials over the usage. I do not see any reason why such a long-established provision for obtaining rebate needs to be amended," he said.

On the issue, the NBR official said they were examining the matter. "We will take steps for the ease of all," he said.

VAT, an indirect tax paid by consumers, is the biggest source of revenue for the NBR, bringing in more than 85 per cent of total annual revenue for the state.

The government has assigned the NBR to collect a 14 per cent higher amount in VAT to Tk 125,160 crore in the next fiscal 2020-21 from the revised target of Tk 109,850 crore of the outgoing fiscal year.

The VAT target is 38 per cent of the NBR's total collection goal of Tk 330,000 crore for the next fiscal year.

BTRC imposes two restrictions on GP

FROM PAGE B1

The previous directive from the BTRC had contained four tough conditions but considering the ongoing Covid-19 pandemic, the regulator has chosen to go soft.

One of the four restrictions was to fix the minimum floor price on call charge at Grameenphone at Tk 0.50 per minute, which is currently Tk 0.45 for all operators.

The BTRC had also decided to increase the interconnection charge to Tk 0.15 per minute for Grameenphone. The rate is currently Tk 0.10.

Market insiders say the two restrictions that have not been implemented yet would increase the cost of services for end-users.

But the commission is unwilling to increase the cost of telecom services amid the coronavirus pandemic, said a top BTRC official.

"Actually, amid the Covid-19 outbreak, we have no intention to impose restrictions as all operators are serving customers at reduced charges following our request," said Md Jahurul Haque, chairman of the commission.

"It has been a long pending issue and we were getting pressure on that matter from other parties."

Perhaps this is the first SMP process in Bangladesh and that is why the BTRC moved slowly to observe the situation, he said.

The SMP issue surfaced after the recent emergence of a rift between Grameenphone and the three other operators.

On April 12, Robi, Banglalink and Teletalk asked for free spectrum for three months to serve their customers during the pandemic to handle the surge in data use. But the market leader opposed the free allocation.

The rift widened after Grameenphone in the first week of May offered 10 crore free minutes to 1 crore customers and monthly 30GB data to 25,000 doctors registered with the Directorate General of Health Services with a token Tk 1 per month for the next six months.

"The Bangladesh mobile telecom market is competitive and Grameenphone has grown through timely investment, innovations and operational efficiency," said Hossain Sadat, director for public and regulatory affairs at Grameenphone.

"The latest impositions deviate from the objectives of the SMP regulations and are not based on evidence of market failure," he said in a statement.

"These asymmetric impositions are anti-competitive in nature, which we believe are not in the interest of consumers and will have adverse impact on the national exchequer and the investment climate," Sadat added.

Grameenphone holds 45.64 per cent share of the subscriber base and more than 50 per cent revenue share.

According to the SMP guideline, the regulator can declare a carrier as an SMP operator if it controls more than 40 per cent share in any parameter.

The number of active subscribers at Grameenphone stood at 7.65 crore, earning the carrier Tk 14,366 crore by the end of 2019. It logged a record Tk 3,452 crore profit last year, the highest to date.

The telecom regulator has been working on the SMP issue since 2011. The BTRC formed a committee to devise a process to implement it.

The committee, in a guideline, recommended increasing the SMP operator's tariffs on both voice calls and data and imposing quality control parameters.

The regulation states that if an operator is found to have wage anti-market activities, the BTRC can step in to break the monopoly or oligopoly.

Any competitor can file a complaint against the SMP and the regulator will have to look into it.

The restrictions on Grameenphone are expected to give Robi a leg up in the market while Banglalink and, to a certain extent, Teletalk could also benefit.

Robi controls 29.98 per cent of the total subscriber base followed by Banglalink at 21.41 per cent and Teletalk at 2.97 per cent.

Declaring the dominant operator as an SMP is a common practice in the developed world and such regulations are also in place in India, Thailand, Singapore and Malaysia.

ADP spending plunges 48pc

FROM PAGE B1

The ADP for next fiscal year is Tk 205,145 crore, up only 6.33 per cent from this year's revised development budget.

At least 2 per cent of GDP may be lost in revenue income in this fiscal year and this prompted the government to focus on priority projects.

Health, agriculture and employment creation have given priority while allocating resources for the ADP.

The government has also unveiled a social protection and economic stimulus package amounting to Tk 103,117 crore, which is equivalent to 3.7 per cent of the gross domestic product and the highest in South Asia in terms of GDP.

Critical element will be utilisation of foreign aid through faster-paced ADP project implementation with good governance, the Centre for Policy Dialogue said in a paper on Saturday.

There is no high ambition in financing ADP from foreign aid. Indeed, foreign aid expectation in terms of both allocation and number of projects decreased drastically in FY21, the think-tank said.

"Financing from revenue surplus is also on a declining trend."

The implementation of the mega projects, many of which are already behind schedule, would also be pushed back further because of the pandemic.

The construction of the Padma Multipurpose Bridge had 79.50 per cent overall progress as of May this year, data from the planning ministry showed.

The railway connecting to Padma Bridge had 24.43 per cent physical progress followed by Rooppur Nuclear Plant project 25.04 per cent financial progress, Rampal Thermal Power plant 48.93 per cent physical progress, Dhaka Mass Rapid Transit Development Project (Line-6) 44.76 per cent overall progress and the single track dual gauge railway line from Dohazari to Gundum near Myanmar 39 per cent physical progress.

The Maheshkhali-Matarbari Integrated Infrastructure Development Activities, which include 12 projects, had 33.32 per cent progress, while the construction of the first terminal and other infrastructure of the Payra Deep Sea Port progressed 0.82 per cent.

Covid-19 to leave deep scars on LDCs, says ICC Bangladesh

FROM PAGE B4

It infected 500 million people – about a third of the world's population at that time and caused the death of some 50 million.

The descendants of the 1918 virus remain today. As endemic influenza viruses, they cause significant mortality each year.

The world has made so much of development since then, but unfortunately the health sector has been the most neglected.

The crisis highlighted the need for urgent action to cushion the pandemic's health and economic consequences, protect vulnerable populations and set the stage for a lasting recovery.

For emerging markets and developing countries, it is critical to strengthen public health systems, address challenges posed by informality and implement reforms that will support strong and sustainable growth once the health crisis abates.

It is still too early to properly assess the extent of the negative impacts the virus will have on the world economy. Since the situation is evolving every day, economic estimates can only provide a magnitude of the impact.

The actual ramifications will depend on the extent of the spread and length of the duration of the outbreak and how quickly policymakers can take action to mitigate the health and economic damage.

Covid-19 is both the biggest health crisis and most uncertain threat to the world's economy. Many highly developed countries are taking emergency plans to deal with economic disruptions surfacing abruptly.

From an economic perspective, the key issue is not just the number of cases of Covid-19, but the level of disruption to economies from containment measures.

There is a lot of uncertainty over what will happen in the post-coronavirus world. Experts think that a new world would emerge which is very much different and unknown.

The world leaders have to come together to save humanity and agree on spending more resources on development of healthcare and medicines to fight such a pandemic in the future.

Liquidity management to be a big challenge in post-pandemic period

IPDC Managing Director Mominul Islam says in an interview

AHSAN HABIB

Liquidity management in the banking sector will become a challenging task in the near future due to the coronavirus fallout, said Mominul Islam, managing director of IPDC Finance.

Besides, the non-bank financial institutions also struggled with funding for the past two years while the liquidation of the People's Leasing Financial Services company has only intensified the sector's woes.

Due to the current crisis, government borrowing from the banking sector will rise while deposits may drop along with loan repayment, Islam said during an interview with The Daily Star last week.

He shed light on the challenges and opportunities the financial sector may face in the upcoming days.

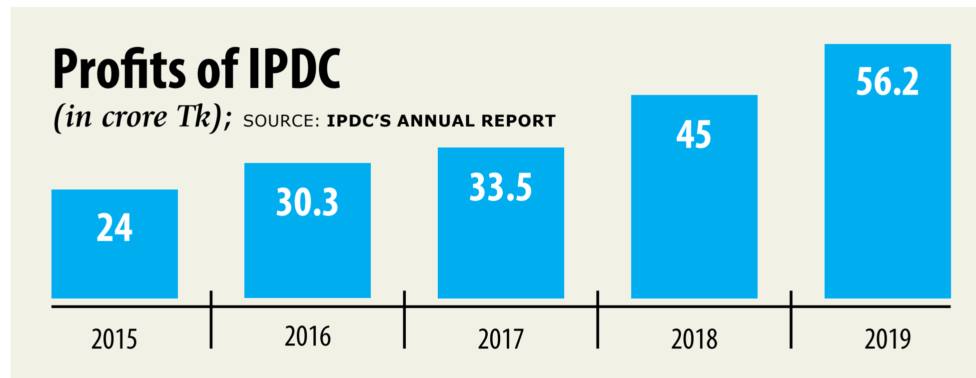
"Liquidity will not be a big problem right now thanks to steps taken by Bangladesh Bank," said the top official of IPDC Finance, the country's first private non-bank financial institution established in 1981.

One of the steps was a cut in the cash reserve ratio (CRR) and repo rate for financial institutions.

The banking regulator reduced the CRR for all financial institutions by 100 basis points to 4 per cent while the repo rate was shrunken by 50 basis points to 5.25 per cent.

In the upcoming days, private sector credit demand will rise alongside the public sector demand, he said.

Since revenue collection by the National Board of Revenue has not yet reached its target level, it will create more credit demand from the government's side.



"So, the liquidity supply could deteriorate in the process," Islam added.

Considering the situation, the Bangladesh Leasing and Finance Companies Association (BLFCA) has asked the government to provide the sector with a special refinancing scheme of Tk 10,000 crore at bank rates for the next 10 years.

"If we get these funds, then our liquidity shortage will be solved," said Islam, who is also president of BLFCA.

The country's financial sector is also seriously lacking in other ways due to the absence of an effective bond market. If a proper bond market is not established, then it is impossible to save the industry from liquidity shortages in the long run.

"Now, lenders are financing term loans with short term deposits, which is not a sustainable option," the managing director said.

However, it brings hope that the finance minister and recently appointed chairman of Bangladesh Securities and Exchange Commission have already emphasized on the need to develop a bond market.

However, there do not seem to be any such measures included in the proposed budget for fiscal 2020-21.

Although the government claimed to have reduced taxes in the new budget, there was no clause for advance income tax on bond owners, which was proposed this year.

"It will deter the bond market's development rather than help it go forward," said Islam.

Another step the government has taken is to make the tax applicable on commissions instead of transactions.

"This is a good initiative but the impact is very marginal," the managing director continued. "We expected the government to exempt tax for a time being or at least decrease the rate to help develop the market.

However, the government issued a new tax for individual and corporate investors on the purchase of zero coupon bonds.

This is a big blow to the development of the bond market, he added.

Making matters worse is that non-performing loans (NPL) is another challenge faced by the financial sector, which is undergoing a transition period due to the ongoing coronavirus pandemic.

However, the level of NPLs in Bangladesh can be considered to be abnormally high.

The government has already relaxed the fines on late payments for loans until June but it may extend the deadline considering the deteriorating Covid-19 situation.

To address the situation, banks should hold discussions with their customers to analyse the best way to manage NPL issues.

"We have to keep our customers alive as well since they are the lifeblood of our business," Islam said.

In order to do so, financial institutions should keep high fund provisions so that they can handle any liquidity issue in the coming days.

Banks will also have to be cautious when managing their expenditures as well so that unnecessary costs do not become a cause of capital erosion during such a time of crisis. Financial institutions will desperately need the money to regain their business after the pandemic comes to an end.

Investment in the country's healthcare industry could also increase as the coronavirus has proven that the sector is fragile and lacking funds. Likewise, the e-commerce sector will have an opportunity to grow as consumer behaviour has changed drastically in the past few months.

Digitization will also become another booming sector as many offices conduct all of their business-related activities online in an effort to keep their workers' safe from infection.

To help facilitate these opportunities, financial institutions need to keep an adequate supply of funds so that they do not need to ask for extra provisions in the coming years.

"At this time, we do not need to keep provisions thanks to policy support from the central bank. However, in the next few years, we will have to put an end to non-performing loans," Islam said.

So, if banks keep adequate provisions from now on, they will be able to help the economy recover fully after the end of the pandemic.

In response to a query, Islam said political influence or any other outside influences in money lending creates risk for the sector. This is because when a lender provides funds without conducting a proper assessment, it could lead to a default.

READ MORE ON B3

Covid-19 to leave deep scars on LDCs, says ICC Bangladesh

STAR BUSINESS REPORT

The outbreak of Covid-19 will have devastating economic effects on least developed countries (LDCs) as economic activities have been slowed down significantly, said the International Chamber of Commerce-Bangladesh (ICC Bangladesh).

At the same time, as developed economies slip into recession, it will result in falling commodity prices and causing a double squeeze on export earnings of LDCs.

Countries all over the world, including Bangladesh, are racing to slow the spread of the virus through testing and treating patients, enforcing lockdowns, carrying out contact tracing, limiting travel, quarantining citizens and cancelling large gatherings.

ICC BANGLADESH INTERNATIONAL CHAMBER OF COMMERCE
The world business organization

ICCB's OBSERVATIONS

- **COVID-19** is the most uncertain threat to the world economy
- LDCs to be affected the most
- Commodity prices will fall
- Countries' export earnings will face severe blow
- Longer-term consequences may arise from unemployment
- Tourism and aviation to be hit hard
- World leaders must agree on spending more on healthcare
- Actual ramification will depend on the extent of the spread of coronavirus

The pandemic is moving like a wave, one that may yet crash on those least able to cope.

"The longer-term consequences of this pandemic may arise from mass unemployment and business failures," the ICC Bangladesh also said.

According to the chamber, some industries, such as tourism and aviation, would certainly face hardships.

It has created an unprecedented level of risk, causing investors to suffer significant losses in a very short period of time.

On the other hand, the necessity for social distancing has led to cancellation of an enormous number of events, ravaged business travel and closed businesses, restaurants and shopping malls, resulting in an outsized negative demand shock.

The world is facing a severe and acute public health emergency and economic threat due to the Covid-19 global pandemic, which originated in Wuhan province of China last December.

World Health Organization (WHO) on March 11 officially declared the coronavirus (Covid-19) as a global pandemic.

With this announcement, financial markets across the world started to tumble.

The outbreak has also led major institutions and banks to cut their forecasts for the global economy, the chamber said in its news bulletin editorial for the January-March quarter.

Covid-19 is the defining global health crisis and the greatest economic challenge the world has faced since World War II and the Spanish flu, also known as the 1918 flu pandemic, which lasted for 15 months.

READ MORE ON B3

Keep startups afloat, says platform of venture capital firms

EYE ON BUDGET

STAR BUSINESS REPORT

Startup companies and an association of venture capital firms have urged for financial and policy support from the government to help them survive the coronavirus pandemic.

"Both our businesses and economy are facing an unprecedented challenge and so, start-ups, backed by venture capital, have been struggling to survive the recent economic scenario," said Shameem Ahsan, chairman of the Venture Capital and Private Equity Association of Bangladesh.

Bangladeshi startups need support through tax exemptions, grants, soft loans and equity investments to pass this 'herculean' test, he said, adding that the government could form a fund of Tk 200 crore to provide soft loans for startups."

Ahsan made these remarks during his keynote presentation while chairing a roundtable session organised by the association in partnership with Capital Market Journalist Forum yesterday.

Venture capital has been instrumental in the economic development of both developed and developing countries, said Ahsan, also a general partner at Pegasus Tech Ventures.

Governments in countries such as France, Singapore, Japan, and Malaysia are providing adequate financial and policy support to venture capital firms, helping startups survive, he added.

Planning Minister MA Mannan said the government would try to eradicate all problems being faced by startups.

The government is well focused on ensuring the wellbeing of startups because they are creating employment opportunities for educated youth, he said.

Bangladesh's economy is expanding as the people's purchasing power is soaring and the demand for IT-based products and services has surged.

"Therefore, there are a lot of opportunities for startups," said State Minister for ICT Zunaid Ahmed Palak.

If homegrown startups cannot meet demand then foreign companies will fill the void. Luckily though, local firms are staying on target and generating employment for the youth, he added.

"We hope we will be able to lend a fund of around Tk 100 crore to the startups in the upcoming year while maintaining due diligence," Palak said, requesting all startups to get registered with the government.

The government can exempt registered startups from paying corporate tax till 2024, he said, urging the planning minister to take an initiative on financing startups through the provident fund of government officials.

READ MORE ON B3

Withdraw SD on ceramic sanitary ware: manufacturers

EYE ON BUDGET

JAGARAN CHAKMA

Ceramics makers have demanded withdrawal of the proposed supplementary duty (SD) on sanitary ceramic products to help protect the local industry amid the Covid-19 outbreak.

The proposed national budget recommended imposing a 10 per cent SD on ceramic sink, basin pedestal, commode, toilet pan and fittings of bathroom and fixtures.

"We will fail to keep up with the foreign products if the supplementary duty is imposed now," said Irfan Uddin, general secretary of Bangladesh Ceramic Manufacturers and Exporters Association (BCMEA).

The new SD will create pressure on the industry at a time when it is struggling to survive, said Irfan, also the managing director of FARR Ceramics Ltd.

The trade body placed its demands to the National Board Revenue on June 16.

Bangladesh has 68 ceramic manufacturers, of whom 61 are currently active in production. Twenty of them produce tableware, 25 tiles and 16 sanitary wares, Irfan said.

But still the country has to import some raw materials such as zirconium silicate, cover coat, printing ink, lavatory seats and covers, flushing equipment, tank fitting and concealed water tank, he said.

CERAMICS INDUSTRY AT A GLANCE						
Budget imposed supplementary duty of 10% on sanitary ware	Demand for all ceramics rises 20% on average every year	Market size: Tk 35,000cr	The sector meets 80% of local demand	Bangladesh meets 0.14% of global demand	Active factory: 61	Total investment: Tk 9,000cr

"The customs duty on these products hovers between 15 and 25 per cent, which is too much for us now as we could not sell a single product in the last three months due to the countrywide shutdown."

So, the association also called for reducing the customs duty on import of the products by 20 percentage points to 5 per cent.

The local industry produced over 25 crore pieces of tableware, nearly 20 crore square metres of tiles and over 83 lakh pieces of sanitary ware in fiscal 2017-18, according to BCMEA.

Bangladeshi manufacturers meet 80 per cent of the local demand for ceramics products and the demand has been increasing at 20 per cent on an average for the last few years, Irfan said.

But the demand came to a halt when the government imposed the nationwide closure to control the spread of coronavirus, said Shirajul Islam Mollah, president of BCMEA.

"It would take at least six months to return to normalcy and it will be a long-term challenge for the sector as consumers will focus on purchasing luxury items only after recovering from the coronavirus crisis."

Around Tk 35,000 crore worth of ceramic products was sold in Bangladesh in 2019 and it has experienced a 200 per cent growth in production in the last 10 years, according to the association.

In 2018-19, local ceramic makers exported $68.97 million worth of products, posting a 32.79 per cent year-on-year rise, according to the Export Promotion Bureau.

Bangladesh now holds 0.14 percent of the global ceramic market and ships its products to 50 countries, including the USA, the UK, Canada and Europe and Latin America.

Businesses have so far invested Tk 9,000 crore in the local ceramics industry and provided jobs to five lakh workers, of whom 40 per cent are women, Irfan said.

"Fifteen new entities are planning to enter Bangladesh market and five of them will soon start investing here."

The sector is yet to become export-oriented and still it has a huge potential, he said.

The ceramics sector was completely import dependent just 15 years ago, but now local manufacturers have gained trust of the domestic and global consumers, he said.