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

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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

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"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

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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

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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

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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.