STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES (STANDARD CHARTERED BANK)				
DSEX	CSCX	Gold ▲	Oil ▲	MUMBAI	TOKYO	SINGAPORE	SHANGHAI		$ USD	€ EUR	£ GBP	¥ CNY
▲ 0.14%	▲ 0.24%	$1,771.11	$41.24	▼ 0.60%	▼ 2.30%	▼ 1.17%	▼ 0.61%	BUY TK	83.95	93.14	102.70	11.70
3,981.64	6,846.85	(per ounce)	(per barrel)	34,961.52	21,995.04	2,574.10	2,961.52	SELL TK	84.95	96.94	106.50	12.30

Star BUSINESS

DHAKA TUESDAY JUNE 30, 2020, *ASHAR 16, 1427 BS* ● starbusiness@thedailystar.net

Mobile users, FMCG companies miffed as Finance Bill 2020 stays mostly unchanged

EYE ON BUDGET

REJAUL KARIM BYRON *and* MD FAZLUR RAHMAN

Finance Minister AHM Mustafa Kamal must have harked back on that oft-quoted saying of English monk John Lydgate when he was finalising the Finance Bill 2020.

Lydgate had said: "You can please some of the people all of the time, you can please all of the people some of the time, but you can't please all of the people all of the time."

The final version of Kamal's finance bill is of that nature too.

While it brought relief to individual taxpayers amid the hard times, consumers and businesses were left disappointed as the bill was passed in the parliament yesterday without any major changes.

What elicited the most discontent, probably, was his refusal to back down from his proposal to hike the supplementary duty on mobile services, when it has become an absolutely essential service amid the pandemic, by 5 percentage points to 15 per cent.

The carriers implemented the new rate from midnight on June 12, which has taken the customers' total service tax to 33.25 per cent.

Both the operators and users were holding out for a withdrawal of the hike, but those calls went unanswered.

Even Telecom Minister Mustafa Jabbar wrote to Kamal on Wednesday requesting for scrapping the additional SD, pointing out that it would thwart the process of digitalisation. Several other cabinet members and members of the parliament joined in the chorus, too.

"Had the situation been normal, we would have considered many of the proposals put forward by the members of the parliament. But given the situation, we could not take into account the rest of the proposals. I am extremely sorry for this," Kamal said in his concluding speech on the budget in the parliament yesterday.

Similarly, businesses, particularly the fast-moving consumer goods ones, are left disappointed too, as their promotional expenses would have to be reined in.

In an unprecedented move, the companies' promotional expenditure exceeding 0.50 per cent of their turnover would be taxed. Promotional expenses exceeding the cap would be listed as income and therefore, companies will have to pay tax on the expenditure.

READ MORE ON B3

FINANCE BILL 2020 TALKING POINTS

- 15% SD on telecom services continues
- Lock-in period on investment of untaxed money in stock market shortened to one year
- Businesses can claim tax rebates on value of inputs as in fiscal 2019-20
- One-off 20% deposit for revision of VAT claims retained
- Cap on promotional expenses of firms unchanged
- Plan to impose 5% source tax on profits of investments in treasury bills, bonds scrapped
- VAT on non-AC hotels retained at 7.5%

Japan, the land of rising promise for Bangladesh's ICT sector

BASIS inaugurates a dedicated desk to serve the Fareast nation

MUHAMMAD ZAHIDUL ISLAM

Japan -- ever at the forefront of science and technology thanks to its culture of intensive mathematics education and reverence for engineers.

So it is a marvel then that Bangladesh's fledgeling ICT players are slowly carving a space for themselves in that market over the decade, spearheaded by Mahboob Zaman during his time as the president of Bangladesh Association of Software and Information Services (BASIS).

Today, Bangladesh's annual exports of information and communications technology (ICT) products to Japan amount to about Tk 100 crore. In the last couple of years, Japan has been the single largest market for Bangladesh's ICT sector.

And the exports can grow manifold within the next couple of years if the local companies can leverage the market's potential. So much that the Far Eastern nation can generate the lion's share of the government's 2023 export target of $5 billion, according to entrepreneurs and industry insiders.

Moreover, the global coronavirus pandemic has further opened doors for local firms in Japan, which is keen on shifting its associated businesses to destinations other than China, they said.

Within the next three to five years Bangladesh might become the main driver of Japan's ICT market if the local companies can grab the opportunities where relationships will play a vital role, said Rashad Kabir, managing director of Dream71.

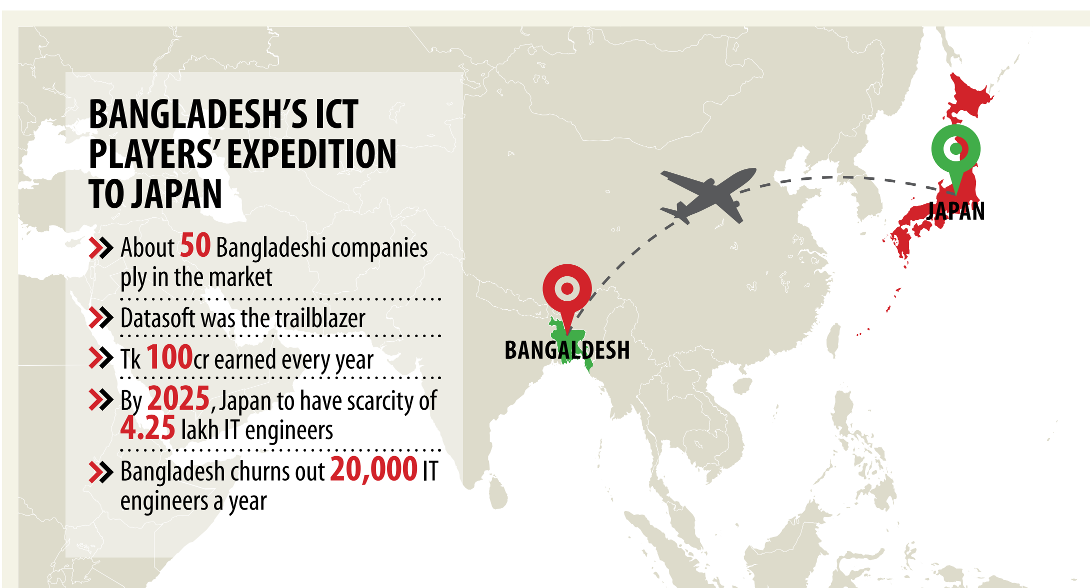
His firm is currently one of the 50 or so local entities doing business with different Japanese ICT companies and this number can be increased further, said Kabir, also the director of the Bangladesh Association of Software and Information Services (BASIS).

DataSoft Systems was one of the first local companies to focus on Japan.

It opened an office there and ran some projects, including one in which it partnered with Johnson Control Hitachi to develop Internet of Things (IoT) products for them. It is now engaged in a research partnership with a Japanese university.

Its Managing Director Zaman inspired several local companies a few years back to focus on that market as it has a shortage of ICT engineers, whereas Bangladesh has workforce aplenty.

READ MORE ON B3



Sonali Paper is back on DSE mainboard. But its return is not without controversy.

AHSAN HABIB

Small capital-based Sonali Paper & Board Mill's re-listing on the mainboard of the Dhaka Stock Exchange has raised questions as the regulator granted an exemption to it to pave the way for the resumption of its trading.

Sonali Paper will start trading on the mainboard from Thursday, said the premier bourse yesterday.

The stock market regulator amended the listing regulations in July last year so that companies, whose paid-up capital is less than Tk 30 crore, can't be listed with the mainboard as gamblers target the companies to make a quick buck.

However, the previous commission of the Bangladesh Securities and Exchange Commission (BSEC), whose tenure ended recently, approved the re-listing of Sonali Paper by exempting it from fulfilling the condition on the paid-up capital.

Sonali Paper's paid-up capital stood at Tk 16.63 crore in 2019, according to DSE data.

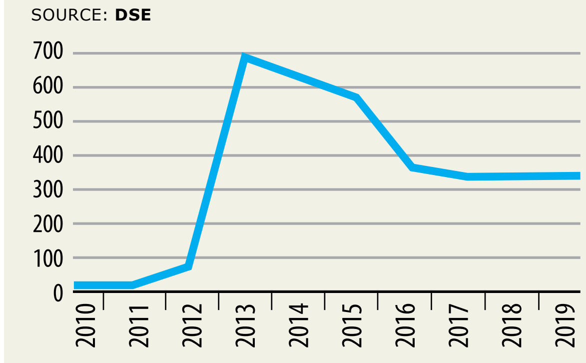
In response to the company's request, the commission also gave another exemption. As a result, it did not have to comply with the rule on net positive cash flow in the immediate three financial years.

The company did not declare a dividend in 2017 and 2018. It announced a 10 per cent stock dividend last year.

The company's annual report has not been published on the website of the DSE and its website. But DSE data showed it made a profit of Tk 6.34 crore in 2019.

Sonali Paper would be traded as a "Z" category company and the status would continue until it holds its annual general meeting, the DSE said.

The rise in Sonali Paper's NAV over the years (in Tk)
SOURCE: DSE



The floor price of the company will be the last closing price on the over-the-counter (OTC) market on January 30, when it was Tk 273. The price is almost seven times that of Bashundhara Paper Mills, the leading peer company. Yesterday, Bashundhara Paper's shares traded at Tk 39.

"This is clear that Sonali Paper would be another item for gamblers because of its lower number of shares," said a merchant banker requesting anonymity to speak candidly on the matter.

It should have been listed with the small-cap board. Then the main market would not have seen another gambling item.

"At a time when we need to transfer small-cap companies from the mainboard to the small-cap board to cut the scope for gambling, the re-listing of this type of companies will only give room to gamblers," the merchant banker added.

The company was sent to the OTC market 10 years ago after it failed to comply with rules.

The previous commission decided to re-list it as per its consideration and the current commission can't say anything now, said a top official of the BSEC, preferring anonymity.

Maybe, the previous commission allowed the company as it returned to profits in recent years, he added.

The elusive quest for VAT automation

About Tk 238 crore spent out of the project allocation of Tk 690 crore in seven-odd years

SOHEL PARVEZ *and* REFAYET ULLAH MIRDHA

Much has been said about the modernisation and automation of the value-added tax system in Bangladesh over the last decade. Yet, the automation of the VAT administration is halfway, although the project's tenure is supposed to come to its end this year.

Businesses say they can get registration online and file a return electronically.

Still, they have to make a trip to the field offices of VAT under the National Board of Revenue (NBR) along with papers -- a hassle from which they were supposed to get relief once the automation was put into action.

So far, Tk 238 crore out of the total estimated cost of Tk 690 crore for the VAT improvement project has been spent. And a large chunk of the money is likely to remain unspent.

Dubbed as a game-changer for improving the collection of the indirect tax and widening the country's capacity to finance expenditure, the government took the VAT Online Project (VOP) in 2013 to implement the VAT and Supplementary Duty Act 2012 and end the manual system and more than two-decade-old VAT laws.

The idea was also to reduce the cost of businesses, improve compliance and increase revenue collection in the country, which has the lowest tax-GDP ratio in South Asia.

Initially, the NBR had planned to start with a uniform 15 per cent VAT rate on all goods and services, moving away from multiple VAT rates.

But its enforcement was delayed on several occasions for a lack of preparedness of the revenue administration and opposition from the businesses, particularly from the Federation of Bangladesh of Chambers of Commerce and Industry (FBCCI).

Finally, the government began to implement the law from July last year with multiple VAT rates to appease businesses.

The issue of the new VAT system once came to the spotlight after the FBCCI demanded an investigation against consultants and government officials for their failure to establish the automated VAT system and for creating new complexities for businesses.

FBCCI President Sheikh Fazle Fahim at a press conference said they had been demanding an easing of rules so that businesses can comply effortlessly and single-digit VAT.

The government pushed back the implementation of the new law by two years for review.

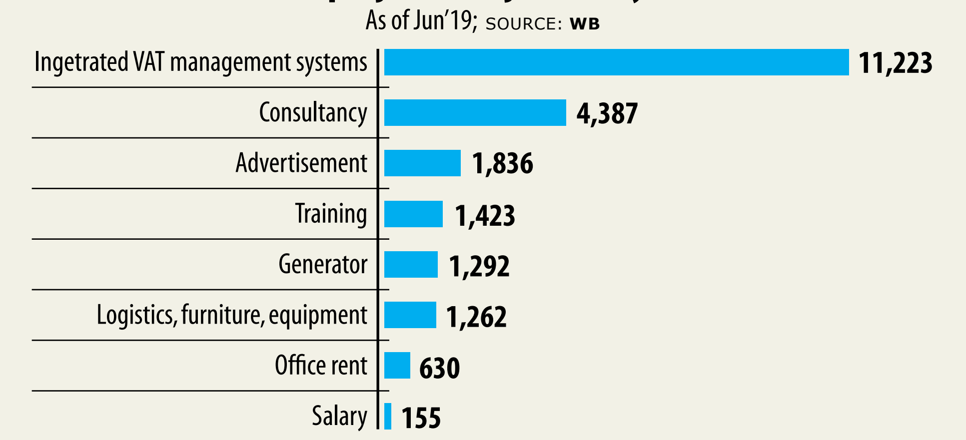
"But they did not work in the two years. We got a letter in November 2018, which showed that a law was seen hastily," he said.

Revenue officials involved with the VOP said they could not proceed for the automation between July 2017 and June 2019 as a structure of the online system was planned in the light of VAT and SD Act 2020.

Hence, when the implementation was delayed, they could not go for the rollout of the online VAT registration and piloting remote submission of VAT returns owing to the opposition of a section of officials in the field and businesses as the VAT law 1991 was in effect at that time.

READ MORE ON B3

VAT online project's major outlay (in Tk lakh)
As of Jun'19; SOURCE: WB



TIMELINE OF VAT MODERNISATION PROGRAMME

TIMELINE	PROGRESS
Dec'12	VAT and SD Act 2012 passed with uniform 15% rate
Oct'13	Govt takes VAT online project
May'14	WB approved $60m for VAT Improvement Project
Jul'15	Vietnamese FPT Informa tion Systems given contract
Jul'17	VAT law roll-out pushed back amid pressure from businesses
Jan'18	Deadline for VAT project extended to Dec'20 Cost increased to Tk 690 crore
Jul'19	VAT law 2012 gets off the ground with multiple rates
Jun'20	Expenditure Tk 238 crore
Dec'20	Project closing

Coronavirus rekindles global trade disputes

REUTERS, *Brussels*

At the start of the year, US-China tensions were easing after their Phase I trade deal, while Washington, Brussels and Tokyo agreed on new global trading rules to curb subsidies. A relative calm had set in. Then the new coronavirus struck.

Countries across the world imposed 222 exports curbs on medical supplies and medicines and in some cases food, according to Global Trade Alert, a Swiss monitoring group. For medical products, it was more than 20 times the usual level.

Those curbs are now being lifted, but the pandemic has reinforced protectionist arguments by highlighting how global supply chains can deprive people of essential medical protection and disrupt food supplies, as well as threaten jobs.

US President Donald Trump has said he wants to cut ties with China, the European Union is planning barriers to state-backed investment from China and elsewhere and China is demanding declarations that food imports are virus-free.

Former EU trade chief Cecilia Malmstrom said there was a "worrying" tendency towards protectionism in the world and the re-emergence of trade conflicts briefly paused by the health crisis.

REUTERS/FILE

US and Chinese flags are seen in front of a US dollar banknote featuring American founding father Benjamin Franklin and a China's yuan banknote featuring late Chinese chairman Mao Zedong in this illustration picture.

"Trade-wise we should be concerned," she told a seminar on Wednesday.

The World Trade Organization said on Tuesday that global trade in goods was set for a record fall this year and that wider restrictions could see a 2021 rebound falling short.

In the past fortnight, the United States has withdrawn from negotiations with European countries over a tax on digital firms and pledged a "broad reset" of its set of tariffs agreed with World Trade Organization partners.

It has also threatened tariffs on a new range of European products, including fresh olives, bakery items and gin, to maintain pressure in a 16-year dispute over aircraft subsidies.

To some extent, political rhetoric is running ahead of reality: US China trade rose in April after COVID-19-related falls and US officials have said China is committed to buying more US goods in line with the Phase 1 deal.

Chinese leaders and EU chiefs met virtually last Monday, although Brussels told China to make good on its promise to allow greater access for European companies and criticised its actions on the coronavirus and Hong Kong.

China offered deeper cooperation on COVID-19 and urged the EU to relax export controls. On Wednesday, Beijing said it was opening up seven more sectors to foreign investors.

Beijing and Brussels are keeping up contacts with Washington and some progress has been made in limited EU-US talks on food standards and technology cooperation.

Senior EU and US trade officers are holding talks every three weeks, officials say. China's most senior diplomat Yang Jiechi also met with US Secretary of State Mike Pompeo in Hawaii on Wednesday, although Trump renewed his threat to cut ties with Beijing the next day.

Trade is a bellwhether for the cooperation and trust needed to help economies recover, particulary those of smaller countries, said Rohinton Medhora, president of Canada-based think tank the Centre for International Governance Innovation.

Sony sees software subscription as future for data-analysing image sensors

REUTERS, *Tokyo*

Sony Corp's image sensor business aims to replicate PlayStation's success to address its reliance on a handful of manufacturers in the fickle smartphone market: It plans to sell software by subscription for data-analyzing sensors in situ.

Transforming the light-converting chips into a platform for software - essentially akin to the PlayStation Plus video games service - amounts to a sea change for the $10 billion business, which built its dominance through hardware breakthroughs.

The effort chimes with Sony's pursuit of recurring revenue after years of loss in the volatile consumer electronics sector. Success, analysts said, could serve as a rejoinder to activist investor Daniel Loeb's calls for the business to be spun off.

"We have a solid position in the market for image sensors, which serve as a gateway for imaging data," said Sony's Hideki Somemiya, who heads a new team developing sensor applications.

Analysis of such data with artificial intelligence (AI) "would form a market larger than the growth potential of the sensor market itself in terms of value," Somemiya said in an interview, pointing to the recurring nature of software-dependent data processing versus a hardware-only business.

Sony has developed what it calls the world's first image sensor with integrated AI processor. The sensor can be installed in security cameras where it can single out factory workers not wearing helmets, for instance, or be mounted in vehicles to monitor driver drowsiness. Importantly,

Sony Corp's sensor business executive Hideki Somemiya speaks during an interview with Reuters in Tokyo.

the software can be modified or replaced wirelessly without disturbing the camera.

The Japanese conglomerate hopes customers will subscribe to its sensor software service through monthly fees or licensing, much like how gamers buy a PlayStation console and then pay for software or subscribe to online services.

Sony has not disclosed a start date for the service, but at a news conference last month, Somemiya said there was demand from "retailers, factories - mainly business-to-business".

India plans incentives for auto companies to boost exports

REUTERS, *New Delhi*

India is drawing up an incentive scheme for the autos sector aimed at doubling exports of vehicles and components in the next five years, four sources with direct knowledge of the matter told Reuters.

The Department of Heavy Industries (DHI) has sought feedback from auto industry groups on the initial proposal, which suggests giving incentives over five years to increase local production and procurement for export, the sources said.

The incentives would be based on the sales value of vehicles or components and eligible companies would need to meet certain conditions, including a minimum revenue and profit threshold and presence in at least 10 countries, two of the sources said, adding the form the incentives would take had not been decided.

DHI did not immediately respond to a request for comment.

REUTERS/FILE

Cars are seen parked at Maruti Suzuki's plant at Manesar, in the northern state of Haryana, India.

The move is part of India's effort to create 'champion' sectors to attract investment, generate jobs and boost manufacturing, and comes amid calls by Prime Minister Narendra Modi to be self-reliant as a nation.

India wants to promote exports and has identified some sectors, including autos and textiles, for which incentive plans are being designed, said a senior government official.

"For autos the government has engaged with various stakeholders. We have to see what needs to be done in the global context," said the official, adding that even though talks are in early stages and details have not been finalised there is a plan to give a "big push" to the sector.

India's auto sector exports touched $27 billion in the fiscal year ending March 2019, led by companies including Ford Motor, Hyundai Motor, Maruti Suzuki, Volkswagen and Bosch, which analysts say stand to gain the most.

The push, however, comes at a time when auto sales globally have been battered because of the coronavirus pandemic and demand may take a while to recover.

To make it a success in the present scenario, India needs to ensure the proposal is not complicated by too many conditions and is not based on sales targets, said Vinay Piparsania, consulting director, automotive, at Counterpoint Research.

"Having a liberal trade policy will allow companies to bring in new and global technologies which will increase their scale and India's competitiveness as an export hub," he said.

Naogaon towel vendor becomes millionaire buying Walton refrigerator

STAR BUSINESS DESK

Solaiman Haque, a towel vendor from Naogaon's Niamatpur upazila, has become a millionaire after buying a Tk 25,000 worth Walton-branded refrigerator.

The news came after a message popped up on his mobile phone on June 21, which said that he will get Tk 10 lakh for registering the product to the brand's customers' database under its digital campaign season-7.

Walton has been conducting digital campaigns for more than two years to build a customers' database through registering and storing customer information on its server.

A cheque of Tk 10 lakh was officially handed over to Haque at Walton Plaza in the upazila on Sunday.

Under the campaign, a customer is likely to win Tk 1 million by buying any fridge, washing machine or microwave oven from Walton plazas, distributor outlets and E-Plazas across the country.

Besides, customers will get cash vouchers up to Tk 1 lakh for the purchase. The campaign will run until Eid-ul-Azha, according to a press release.

"This is the first time I've received a gift from a company. I want to use the money to invest in towel trading to explore this business," said Haque.

Walton has more than 150 models of frost and non-frost refrigerators, freezers and beverage coolers with prices ranging from Tk 10,990 to Tk 69,900.

Walton provides a one-year replacement facility for fridges along with 12-year guarantee on the compressor. There are 74 service centres across the country to provide fast and best after-sales service.

Solaiman Haque

Customs to auction off 3,000 tonnes of abandoned goods today

FROM PAGE B4

"We can neither use those containers nor send those back to the owner companies abroad as auctions do not take place in time."

The BSAA had requested the customs and the NBR several times to take measures to hold auction of undelivered consignments regularly, but the customs authority failed to do this, he said.

"We took several initiatives to accelerate the auction activities but we failed due to a lack of response from the bidders," said Fakhrul Alam, a customs commissioner.

Steps have been taken to hold auction once a month, involve 80 customs officials to make an inventory of the auction-able goods two days a week, increase manpower and equipment and launch e-tender to expedite auction activities, he added.

Facebook ad boycott campaign to go global, organisers say

REUTERS

Organisers of a Facebook Inc advertising boycott campaign that has drawn support from a rapidly expanding list of major companies are now preparing to take the battle global to increase pressure on the social media company to remove hate speech.

The "Stop Hate for Profit" campaign will begin calling on major companies in Europe to join the boycott, Jim Steyer, chief executive of Common Sense Media, said in an interview with Reuters on Saturday.

Since the campaign launched earlier this month, more than 160 companies, including Verizon Communications and Unilever Plc, have signed on to stop buying ads on the world's largest social media platform for the month of July.

Free Press and Common Sense, along with US civil rights groups Color of Change and the Anti-Defamation League, launched the campaign following the death of George Floyd, an unarmed Black man killed by Minneapolis police.

"The next frontier is global pressure," Steyer said, adding the campaign hopes to embolden regulators in Europe to take a harder stance on Facebook.

The elusive quest for VAT automation

FROM PAGE B1

So, they had to wait for the finalisation of rules to incorporate the changes in the system.

"How could we proceed with the work of automation if rules were not finalised?" said Syed Mushfequr Rahman, a former project director of the VOP.

Md Rezaul Hasan, a former member of the NBR VAT Policy and project director of the VOP, said they established data centre and call centre as well as carried out other infrastructure-related works during the delayed phase.

The original plan of automation had to change because of the incorporation of various provisions of the VAT law in 2019. As a result, the system has not become user-friendly.

There had been inertia among a section of businesses for the automation.

Hasan, however, said there has been some achievement of the VOP.

"At least, the NBR has got a structure for automation," he said, adding that planning and design have been done and more than 50 per cent of the project has been implemented.

Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, said significant works could not be done.

"But whatever is done, the NBR could not retain the achievement. Field level officials of the NBR did not want automation to proceed."

Automation of VAT registration began but fake data was inserted into the system to frustrate it, he said, adding that firms still have to visit field offices to complete registration and submit documents.

Mansur, who was also involved with the VOP, said the NBR can probe automation-related activities done so far.

But the government and the FBCCI are also responsible.

"The momentum was lost because of the negative role played by the FBCCI. We had been working in line with the 2012 law. Now, the way the law has been changed, it is not implementable. This is affecting businesses and SMEs are suffering."

The FBCCI has been successful in blocking a good law and the business community has to live with the consequences, Mansur added.

Kazi Mostafizur Rahman, project director of the VOP, said there has been progress in automation. "It would be wrong if anyone says no automation has taken place," he said.

The number of online VAT return submissions was nearly 3,000 when it was launched in October last year. The number submitted this month is nearly 39,000, he said.

"It is a big achievement. We are contacting businesses and trying to solve the problems they face so that submission increases. We are also preparing to launch e-payment soon."

By October, the VOP will be able to launch all the modules except those related to the audit.

"We will meet all the functional requirements of the project by the end this year."

Firms are required to visit offices with papers when they are requested for additional information, Rahman added.

Contacted, Fahim said there are records of all the communications about the 2012 VAT law from 2012 to 2019.

He said the FBCCI leadership is honorary responsibility for economic advocacy.

Simplification of some provisions and complexities that lead towards arbitrary decisions and harassments of SMEs and large enterprises at the hands of officers were issues of contention.

A seven-point agreement to simplify some clauses was reached and it was not upheld later.

"The FBCCI observation of wider net lower tariffs is a move in the right direction. The FBCCI is for lower tariff automated integrated systems. It will contribute towards a revenue-friendly and investment-friendly revenue regulatory regime," he added.

Mobile users, FMCG companies miffed as Finance Bill 2020 stays mostly unchanged

FROM PAGE B1

In turn, this may increase the effective tax rate from 6 per cent to 36 per cent depending on a profit base range between 5 and 30 per cent, according to Rupali Chowdhury, president of the Foreign Investors' Chamber of Commerce and Industry.

Due to the increase in effective tax rates, non-listed companies, the country's biggest taxpayers, will not be able to take full advantage of the proposed reduction of corporate tax from 35 per cent to 32.5 per cent, she said in a letter to Kamal last week.

The finance minister though made some concessions.

He shortened the lock-in period from three years to one year for the investment of untaxed money in the stock market, in a major change in the income tax for the new fiscal year beginning tomorrow.

However, submission of a declaration to the tax authorities before the disclosure of undisclosed investment, deposit or cash would be required.

The proposed 5 per cent source tax on individuals' income from zero-coupon bonds has been withdrawn to make the market vibrant. However, there is a tax on such bonds purchased by banks, insurance and financial institutions.

Kamal has discarded his plan to double the value-added tax (VAT) on non-air-conditioned hotels from 7.5 per cent currently to 15 per cent in fiscal 2020-21.

This would give some breathing space to the sector as they have been hit hard by the coronavirus pandemic-induced shutdown.

The duty on calcium chloride, an industrial raw material, has been kept at 10 per cent.

Kamal withdrew the proposal to increase the import tax to 15 per cent from 5 per cent for pharmaceutical raw material colour lex.

A 15 per cent SD has been levied on three-wheelers.

The tax rate on non-residents has been specified at 30 per cent whereas the maximum tax rate for individual taxpayers is 25 per cent.

The submission of withholding tax returns by universities, English medium schools and diagnostics centres have been made mandatory.

Changes to another provision of the VAT law that could make it troublesome for firms to adjust input tax credit or claim rebate against paid VAT on inputs have been scrapped.

Until 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 and the existing provision continues into fiscal 2020-21.

The provision of depositing 20 per cent of the disputed amount of VAT for filing appeal has been clarified.

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.

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.

They can then appeal before the VAT Appellate Tribunal of the National Board of Revenue by paying another 10 per cent of the disputed amount.

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.

But from fiscal 2020-21, businesses will have to deposit 20 per cent of the disputed VAT amount initially and they will not have to deposit any further money until they seek revision of appellate tribunal verdicts before the High Court.

They have to pay 10 per cent of the disputed amount before appealing at the HC as the current rate is.

As a result, the ratio of total deposit of the disputed VAT claim will not be higher than 30 per cent.

A provision has been included empowering the VAT authorities to extend the time to resolve appeals from two years' deadline.

Kamal said the budget for the next fiscal year has been designed such that it protects the people of the country from the current circumstances brought on by the coronavirus pandemic and ensures economic recovery.

"People of the country have got the most priority," he added.

The prime minister has unveiled 19 stimulus packages amounting to Tk 103,117 crore to help the people, industries, firms, businesses and farmers tackle the devastating impacts of the pandemic and they are being implemented.

The budget has given the highest priority to the health sector, which received Tk 29,247 crore in fiscal 2020-21, Kamal said. Besides, another Tk 10,000 crore has been set aside to tackle the impacts of the pandemic.

The agriculture sector has also received more attention. "We hope the agriculture sector would be one of the fundamental areas that would take us forward."

Many people, including the marginal farmers, labourers, blacksmiths, potters, fishermen, health workers, van- and rickshaw-pullers, grocers, tea-sellers, micro, small, medium and large businesses, all have been suffering from the impact of the pandemic.

"This budget is for all of them. We did not exclude any individual or group. We would have been able to come up with a smaller budget and budget deficit, had we excluded them. But the truth is very hard and we have embraced the hard truth."

Many expressed concerns that the budget can't be implemented because it is very large, the finance minister said.

"But we are hopeful of implementing the budget."

Japan, the land of rising promise for Bangladesh's ICT sector

FROM PAGE B1

"At the diplomatic level, we have a warm relationship. The local companies' only responsibility now is to nurture this relationship to their benefit," Zaman said.

The Japanese government has already decided to move its companies from China to other destinations and for that, they have declared a stimulus package of $2.43 billion.

This prompted 24 companies to move to Vietnam, 11 to Hong Kong, 3 to India and only 2 to Bangladesh, he said.

"We need to play a role in bringing the Japanese ICT investment here by giving them confidence in our capabilities and innovative ideas," he said, expecting the pandemic to open new windows of opportunities for the local firms.

The BASIS started attending Japan IT Week every year since 2015 to showcase its members' products and capabilities. And a good number of Japanese companies have also been attending BASIS Softexpo for the last couple of years.

Earlier, the BASIS was mostly focused on European markets, especially some Nordic countries and the US. But in the last couple of years, Japan turned out to be the single largest market for the ICT sector.

To grab these opportunities, the BASIS, largest trade body of the ICT and software industry of the country, yesterday opened a special "BASIS Japan Desk".

It was inaugurated by Salman F Rahman, the prime minister's private industry and investment adviser, through a virtual programme where State Minister for ICT Zunaid Ahmed Palak was also present.

Bangladesh could be a new destination for Japan and that is why the BASIS felt the need for the introduction of a special desk, said Syed Almas Kabir, president of the organisation.

The dedicated desk for the Japanese market will have features like business to business (B2B) matchmaking, links to Japanese IT companies and research on the Japanese market.

The desk will participate in all ICT events in Japan, provide grooming sessions on Japanese businesses and culture and inform Bangladeshi entrepreneurs about the latest technologies, said the BASIS.

The initiative will help Bangladeshi companies expand their businesses in Japan and boost export revenue, they added.

The government was working to increase its ease of doing business ranking and he was hoping for next year's position to be much higher, Rahman said.

"There is no alternative to attracting foreign direct investment for the development of a country and the BASIS has chosen such a country which has been a trusted partner for decades."

He also requested the BASIS to showcase their successes before Japan and other countries as currently Bangladesh was going very strong in this sector.

Rahman also asked to set up a corresponding help desk in Tokyo.

Senior Secretary to the ICT Division NM Zeaul Alam; Commerce Secretary Md Jafar Uddin; Ambassador Extraordinary and Plenipotentiary of Japan to Dhaka Ito Naoki; officials from the Bangladesh embassy in Tokyo; and JICA Bangladesh Chief Representative Mikio Hataeda, spoke at the event, among others.

Banks ready to invest Tk 1,650cr in stocks once floor price is lifted

FROM PAGE B4

When a potential company's price to earnings ratio falls under 10, then it is considered as a safe investment, according to market analysts.

Analysis shows that these well-performing companies' earnings will fall due to the economic contraction amid the pandemic, so their stock price also needs to be adjusted, the banker said.

"But the stock market is not run on a demand-supply basis, so we are investing money but keeping room to invest further," he said, adding that the DSE index did not fall as much as world stocks had in the pandemic.

The stock markets around the world started to plunge from late February when the virus began to spread globally. The fall lasted until late March.

India's BSE Sensex dropped 35 per cent to 25,981 points, the US's S&P 500 index slumped 32.96 per cent to 3,337 and Eurozone's Euro Stoxx 50 fell 37 per cent to 2,385 during the time.

The DSEX gave up 16 per cent to settle in the same time.

"This is not a sustainable way to stop the falling of an index artificially," the banker added.

Tanners in a capital crunch, seek Tk 600cr

FROM PAGE B4

On the other hand, work orders from China remain stable but they quote very low prices, he said, adding that around 30 per cent of the country's yearly production of finished and crafted leather is exported to China. Tanners are forced to sell their products to noncompliant Chinese companies at nearly 40 per cent below the regular price as European and American buyers are currently uninterested in the goods from Bangladesh.

Commerce Secretary Md Jafar Uddin said a high-power taskforce has been formed to address the problems faced by the rawhide businesses.

The committee, comprised of the representatives from the Federation of Bangladesh Chambers of Commerce and Industry, industries ministry, commerce ministry and other organisations, has already started to work.

The commerce ministry will set a minimum price for rawhide at the field level so that nobody can manipulate the supply and prices, Jafar Uddin said.

Meanwhile, Jitendra Nath Paul, project director of the Savar Tannery Industrial Estate, has informed that the estate is ready to tan rawhides. However, the construction of a fully functional solid waste management system will take a bit more time, according to the commerce secretary.

Exports: riding the waves of uncertainty

FROM PAGE B4

For every million-dollar garment export, 142 workers are employed in Bangladesh, which is 48 in both Vietnam and China and 75 in Cambodia.

Foreign direct investment-led garment manufacturing in these countries has thus resulted in deepening of automation to put pressure on traditional labour-dependent production processes.

While Bangladeshi garment exporters have been complaining about buyers' offering unfair prices, the fact of the matter is technological progress has made bulk production elsewhere possible in competitive prices.

In the above backdrop, the potential loss of duty-free market access because of Bangladesh's graduation to a developing nation constitutes a cause for serious concern.

Such market access is a critical source of competitive advantage, particularly in the EU, which buys almost 60 per cent of Bangladesh's apparels at zero tariffs while most other suppliers must pay 9-12 per cent tariffs.

Given the existing EU provisions, Bangladesh will not qualify for any tariff concessions after its graduation followed by a three-year transition period.

Unless some fundamental changes are introduced, Bangladeshi exporters will see tariff hikes on their exports after graduation.

On the other hand, Bangladesh's most important competitor, Vietnam, has now struck a free trade deal with the EU. This will result in a phased elimination of most EU tariffs on Vietnam's exports.

As things stand, there could be a striking coincidence in which Bangladesh's garment exporters would see tariffs on their exports to the EU rise from zero to about 10 per cent on an average in 2027 when the Vietnamese exporters would start enjoying duty-free market access.

The estimated impact of this situation – derived from a quantitative modelling exercise – seems to suggest a loss of up to one-third of Bangladesh's garment exports to the EU.

Even without considering Vietnam's trade deal with the EU, estimates arising from numerous sources indicate a potential export loss in the range $2-$6 billion because of the LDC graduation.

In the aftermath of the Covid-19 pandemic, global discussions are currently underway about the United Nations-led LDC graduation process.

Bangladesh in collaboration with other LDCs could request the UN to defer its next triennial LDC status review (in 2021) until 2024 when the full impact of the unfolding crisis would be clear.

Given the unprecedented nature of it, the UN can also be asked to postpone all LDC graduation until 2030.

Any additional time obtained before graduation can help Bangladesh enormously in rebuilding its export sector.

China's move to give duty-free market access in 97 per cent tariff lines should be regarded as an extremely timely opportunity in this respect.

Despite slowing down considerably, the world's second largest economy is projected to expand 5 per cent per annum over the medium-to-long term, generating huge market prospects.

This is the first time China has given such an extensive and non-reciprocal market access to a country (Bangladesh) with potentially large supply-side capacity.

Unlike in developed countries, average tariffs in China, and thus tariff margins due to duty-free access, are much higher -- in the range 15-30 per cent for many products.

Such deep and comprehensive preferential market access can attract Chinese firms into Bangladesh to produce goods and export to China where wages have been rising reducing profitability.

Most global multinational firms are eager to capture market share in China, which is expected to expand from currently $14.5 trillion to about $27 trillion by 2030.

The new duty-free Chinese market access can greatly boost Bangladesh's attractiveness and competitive strength in attracting investments from those firms across the world.

Securing an extension of LDC graduation will provide investors a clear signal of their being able to make use of the duty-free market access in China for a longer duration thereby making their business propositions in Bangladesh much more viable and profitable.

For any populous and fast-growing developing country, local firms can find the expanding domestic market more attractive than foreign markets and they tend to invest less in export-oriented sectors.

The existing high tariffs then make the domestic market even more lucrative.

Furthermore, lack of strict enforcement of product quality and standards in the local market means firms targeting the domestic consumers tend to compromise with quality and, in turn, find it difficult to break into overseas markets.

Sustained appreciation of the real exchange rate has also acted as a disincentive for exporting firms.

Despite towering waves of uncertainty, there are tremendous opportunities for Bangladesh to be strategic and unleash its right policy options to come out of this crisis stronger than ever.

The writer is a director at the Policy Research Institute of Bangladesh and chairman of the board of Research and Policy Integration for Development.

Banks ready to invest Tk 1,650cr in stocks once floor price is lifted

Ahsan Habib

Fourteen banks have together formed a Tk 1,650 crore fund to invest in the stock market but they are now waiting for the lifting of the floor price that the market watchdog set for all stocks earlier.

Bangladesh Securities and Exchange Commission set the floor price for all stocks based on the average price of the past five days on March 19, in order to stop the market slump amid the coronavirus pandemic.

But the DSEX, the benchmark index of Dhaka Stock Exchange, plummeted 4.46 per cent to hit a seven-year low of 3,603 points on March 18, just a day before the floor price was set.

"So we are waiting to see how much it slumps and what effect the market forces have on the stocks once the floor price is lifted," said the managing director of a state-run bank preferring anonymity.

"We wanted to invest, as the index plunged to a seven-year low. But the index was in a declining trend before the floor price was set," said the official of the bank, which also formed such a fund of Tk 200 crore.

"Till there is an understanding on the effect of the market forces on the stock price, we cannot buy stocks with people's money," he said.

"When the floor price is lifted and the market forces get the index to evolve, then we will buy stocks. With purchases the index will also go up on its own. This will be the market's real scenario," he added.

The 14 banks which have formed the special investment fund have taken approval from their boards and informed Bangladesh Bank but are yet to invest, confirmed a top official of the central bank preferring anonymity.

The banks are Sonali, Janata, Agrani, Rupali, NCC, Shahjalal, One, United Commercial, Mercantile, Pubali, City, Exim and two other scheduled banks.

As Bangladesh Bank gave them incentives on investing in the bearish stock market, they are coming forward, the BB official said.

On February 10, the banking watchdog announced a package for banks, allowing each to set up funds worth Tk 200 crore by taking the funds from the central bank through repo.

Repo refers to a system of repurchasing treasury bills from banks to lend money. The banks will have to pay 5 per cent interest for the fund and the credit tenure will be until February 2025.

The funds of Tk 200 crore would not be accounted in the market exposure, meaning the limit on banks' investment in the market, according to the Bangladesh Bank direction.

The central bank official said the banks have taken the approval in March, right after which the stock market closed thanks to the government leave to contain the Covid-19, so they did not get the chance to start investing.

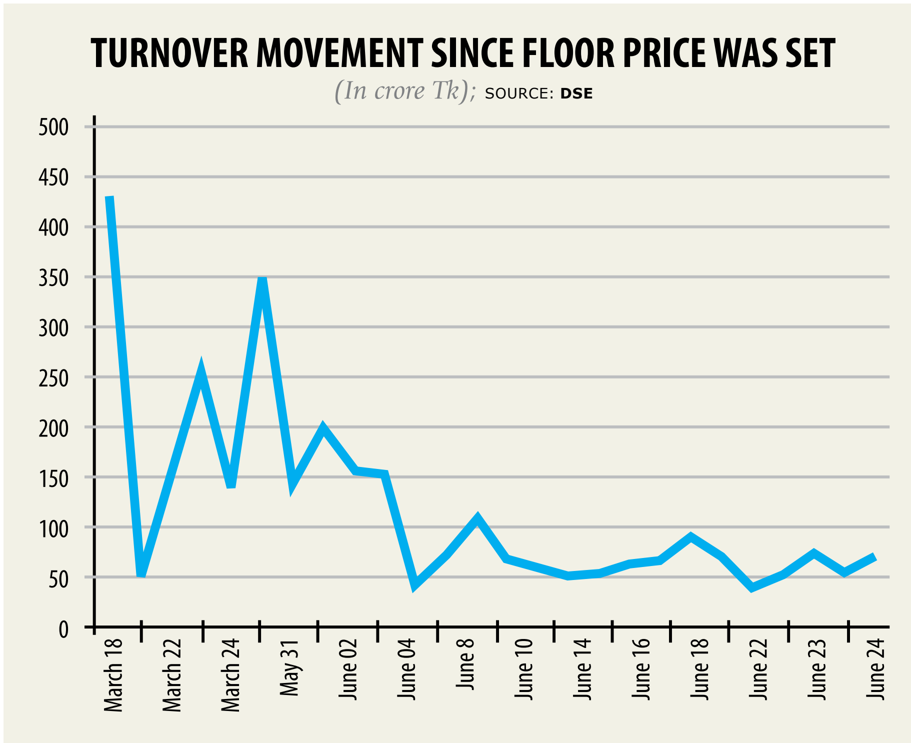
They will invest when they think their money is comparatively safe, he added.

"As the stock prices have come down we have formed a fund to inject in the stock market," said Mohammed Rahmat Pasha, managing director of UCB Capital, a subsidiary of United Commercial Bank.

"But the stock prices are not yet controlled by market forces, so we are waiting to see the demand-supply based stock prices," he said.

"Our analysis shows a number of stocks are waiting to adjust to the demand-supply based market, so why will we buy the stocks now?"

A top official of a private bank said his bank wants to enrich its portfolio with some well-performing stocks and this was the perfect time as many companies' price-earnings ratio has fallen to 7 to 8.



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Customs to auction off 3,000 tonnes of abandoned goods today

Mohammad Suman, *Ctg*

Chattogram customs house will auction off around 3,000 tonnes of abandoned items today, including four luxury cars, which had arrived in the port between 2018 and mid-2019.

The items are stored in over 210 containers, according to customs documents.

The auction will give the port some relief, as it is now suffocating with around 8,413 containers of unclaimed goods worth Tk 11,000 crore that were imported in between January 2015 and March this year.

"Quality of the goods has been checked before putting those up for auction," Faisal Al Mamun, deputy commissioner for auction at Chattogram customs, told The Daily Star.

The bidders are getting a decent response as the quality of the goods is still good, he said.

"To reduce the pressure on auction-able goods, the custom house has taken an initiative to organise one auction every month. Hopefully, if it is done regularly, the products will be saved from turning into waste."

Over 100 types of products are there in the unreleased goods' list, including commodities, cosmetics, chemicals, plastics, automobiles, electronic goods, leather goods, construction materials, tiles and ceramics, according to data from the National Board of Revenue (NBR) and Chattogram customs.

ITEMS TO BE AUCTIONED OFF

- Fabrics: 836 tonnes
- Animal feed: 729 tonnes
- Apple: 612 tonnes
- Buffalo meat: 174 tonnes
- Art paper: 160 tonnes
- Onion: 150 tonnes
- Chemicals: 10 containers
- Luxury cars: 4

Most of them came from China, India, Australia and Singapore.

The customs law states that importers have to take delivery of goods within 30 days of those reaching the port. Defaulting on the timeline results in the customs authority to start the procedures to auction off the goods.

Deliveries are not taken because of a number of reasons, according to customs officials and importers.

A fall in the prices of goods in the local market, failure to submit original documents in support of the shipment, failure to get clearance permit reports and importers' refusal to pay fines for anomalies are some of the reasons.

The auctions get delayed because of a shortage of manpower and equipment, the officials said. "Some importers or auctioneers also go to the court which leads to further delay."

The auction-able goods lying at the port occupying huge space for years are not only hampering port activities but also causing losses for the respective shipping agents, said Ahsanul Haque Chowdhury, president of the Bangladesh Shipping Agents Association (BSAA).

"The shipping agents have to bear the storage charges as long as the products are not delivered. The losses in rent are huge for these undelivered goods," he said.

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Tanners in a capital crunch, seek Tk 600cr

Refayet Ullah Mirdha

Tanneries are suffering from a capital shortage following a drop in sales amid the ongoing coronavirus pandemic, and subsequently, the country's rawhide business has been severely impacted, according to the Bangladesh Tanners Association (BTA).

Stocks of leather remain unsold at many processing factories due to low demand among buyers and this spells trouble for the business as most tanneries do not have enough working capital to purchase rawhide this year, said BTA President Md Shaheen Ahmed.

Last year, traders were forced to dump thousands of pieces of rawhide after they were unable to get adequate prices for the product from seasonal traders at the field level.

During that time, tanneries did not even pay the arrears owed to rawhide wholesalers for previous purchases. This had a trickle-down effect as wholesale merchants were then unable to pay the seasonal traders, mainly dairy farmers, in advance for their stocks of rawhide.

"However, the current situation may be even worse than last year as the Covid-19 fallout has had an adverse impact on our business," Ahmed told The Daily Star over phone.

BTA leaders met with the officials of the finance ministry, Bangladesh Bank and state-owned banks yesterday to address the industry's financial crisis, he added.

Managing directors of Agrani, Janata, Rupali, Sonali and BASIC banks were present at the meeting as those lenders mainly provide financing to tanners.

Ahmed said they sought Tk 600 crore from the government to solve the rawhide sector's capital crisis.

The BTA president also demanded waiver of the interest owed by tanners on previously availed bank loans.

Since 1990, about Tk 2,600 crore has been circulating in the tanning industry as loans, nearly 95 per cent of which have fallen in the classified category.

"We want a moratorium period for payments of our old loans as much of those turned classified over the years," he said.

The amount of money owed by the industry could be much higher considering the fact that two leather goods manufacturers recently went bankrupt after borrowing Tk 5,000 crore in total.

Most tanners have been unable to enjoy the benefits of the government's Tk 20,000 crore and Tk 30,000 crore stimulus packages due to the stringent conditions tagged with the two schemes.

Only 30 per cent of 155 tanneries at the newly established Savar Tannery Industrial Estate are currently operational due to a thin flow of work orders.

Work orders for finished and crafted leather from four major markets -- Spain, Italy, Hong Kong and South Korea -- dropped 40 per cent because of the pandemic, Ahmed said.

The four markets account for about 60 per cent of the total export of finished and crafted leather products from Bangladesh.

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Exports: riding the waves of uncertainty

Abdur Razzaque

In the wake of Covid-19 spreading in Europe and the US, global trade descended into a free-fall.

Bangladesh's export in March 2020—the first month to take the hit—was $2.73 billion, down by 18 per cent year-on-year.

Then came the most devastating blow in April when the figure decreased 84 per cent year-on-year to $520 million.

Things improved slightly in May, but the export receipt of $1.6 billion was still 62 per cent lower than that of the same month a year ago.

It is almost inevitable that shipments in June will also register a negative growth.

While Covid-19 has made the situation an extreme one, 2019-20 was already an unusual year for Bangladesh.

In the eight months to February this year, export earnings on six occasions were lower than those of the corresponding months in the previous year.

That is, except for July and December, export growth for 10 months in the outgoing fiscal year will be negative.

For many years, our export success had defied overwhelming odds. Bangladesh has repeatedly been shown performing worse than its competitors in various global surveys considered to be the determinants of competitiveness and trade performance.

Furthermore, vulnerability associated with excessive dependence on readymade garments has regularly dominated policy discussions and newspaper headlines.

Yet, in the most recent past decade of 2008-18, Bangladesh achieved the second highest (after Vietnam) average annual export growth amongst the global economies.

Bangladesh's wheel of fortune has now apparently taken a dramatic turn for the worse exacerbated by the global pandemic.

While most global economies have seen their exports plummeting in April and May, Bangladesh looks more vulnerable given its extremely concentrated export basket in which the share of clothing alone is about 84 per cent.

A recent study jointly undertaken by the Policy Research Institute (PRI) and London-based Overseas Development Institute shows that Covid-19 induced recessions in Western countries would lead to an 8-per cent drop in the demand for Bangladesh's exports.

This does not include other factors such as supply-side disruptions, reduced travel and tourism activities, and low consumer confidence that also adversely affects the demand.

McKinsey, a global management consultancy firm, anticipates 40 per cent of European and US consumers would reduce household spending, but a much higher proportion of 60 per cent would cut back spending on clothing and footwear.

Many analysts expect an inverted J-curve in consumer spending in the short term – a very short-lived increase in spending as people leave lockdown, but then a decline of longer duration.

Overall, a 27-30 per cent decrease in the combined demand for apparel and footwear is anticipated.

This economic downturn thus could have a disproportionately larger impact on Bangladesh's exports.

The emerging evidence seems to suggest new orders from the largest buyers (global chains and brands) to be about 30 per cent of the 'normal' level.

Retailers in the importing countries are trying to get rid of unsold spring/summer stock in markets with less seasonal differentiation.

It is now almost inevitable that the garment sector in Bangladesh will undergo significant consolidation and many smaller firms will disappear.

Many analysts and officials in the policy circle held strong views about Bangladesh's having low labour-cost advantage.

They argued that lower-income consumers in the developed countries are dependent on low-priced Bangladeshi products for which there are no alternative suppliers.

However, the notion of comparative advantage based on the labour cost alone has fast changed due to technological progress and automation.

Indeed, rival firms in China, Vietnam and Cambodia have adopted technologies to replace labour at a faster pace than their counterparts in Bangladesh.

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