

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES			
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



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



REJAUUL 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

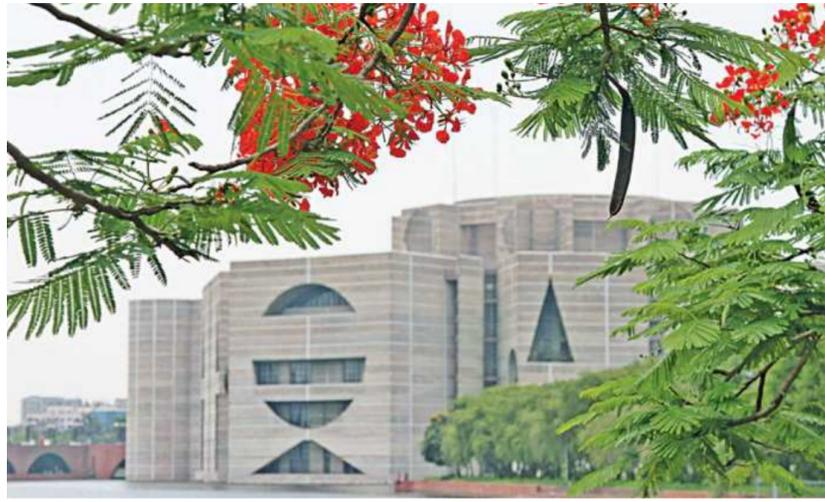
proposal to hike the supplementary duty on mobile services, when it has become an absolutely essential service amid the pandemic, by 5 percentage points to 15 per cent.

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



### 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%
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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.

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## 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.

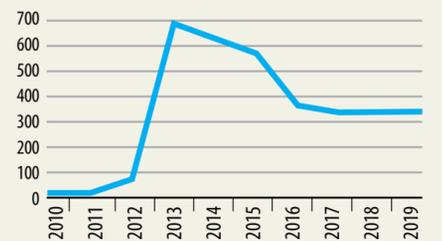
The company did not declare a dividend in 2017 and 2018. It announced a 10 per cent stock dividend last year.

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.

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## 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 fledgling 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

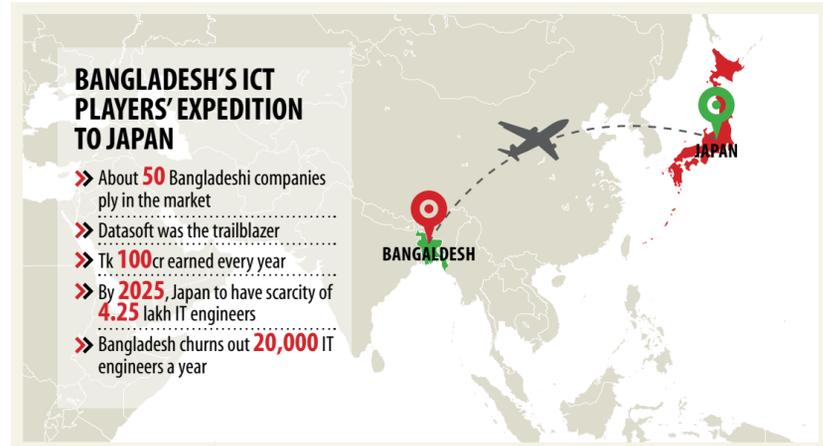
can generate the lion's share of the government's 2023 export target of \$5 billion, according to entrepreneurs and industry insiders.

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.

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## 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 ULHAH 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

### VAT online project's major outlay (in Tk lakh)

As of Jun'19; SOURCE: WB

Inegrated VAT management systems	11,223
Consultancy	4,387
Advertisement	1,836
Training	1,423
Generator	1,292
Logistics, furniture, equipment	1,262
Office rent	630
Salary	155

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 sent 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.

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### 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 Information 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