

Garment accessories traders dread VAT law

REFAYET ULLAH MIRDHA

BUSINESSMEN in the export-oriented garment accessories sector are fearing a rise in production costs due to implementation of the proposed VAT law from July despite assurances to the contrary from the revenue authority.

At present, all export-oriented sectors are out of the purview of value-added tax. The new law prescribes a uniform 15 percent VAT for most goods and services.

The VAT officials at the field levels -- knowingly or unknowingly -- have said that if any trader buys garment accessories from the local market and sells those to the export-oriented garment factories, VAT will have to be paid at the government-fixed rate.

"When I met a VAT official he told me that the garment accessories traders will have to pay VAT if he purchases from the local markets and re-sells to the same markets," said an accessories trader and garment exporter ask-

ing not to be named.

However, Zakir Hossain, deputy project director of the National Board of Revenue's VAT Online Project, said if any accessories trader purchases goods from the local market by opening letters of credit they will not have to pay the VAT.

The traders will have to pay the VAT if the goods are purchased from the local markets in cash, but the sum can be reclaimed at the end of the month in the form of rebate.

"So ultimately, the garment accessories makers and traders would not be paying the VAT," Hossain told The Daily Star by phone.

The export-oriented garment accessories sector should be exempt from VAT even if they purchase from and re-sell to the local market, the accessories trader said.

If the proposed VAT rate of 15 percent is implemented for garment accessories as well, the garment sector's cost of production will go up abnormally and Bangladesh will lose

AT A GLANCE	
Export-oriented sectors are out of VAT purview now	
Garment exporters pay 0.7% source tax	
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The share of accessories sector was 20% in the total garment export of \$ 28.06b last fiscal year	

its competitiveness in the international markets, said the trader.

"Most of the accessories makers and traders run small businesses as they do not have big capital. As a result, these small accessories makers and traders would be in big

trouble if the new VAT law is applied to the sector."

Moreover, the new VAT is not well understood by the majority of the small accessories makers and traders.

"So, there is a big chance of misunderstanding between the VAT officials and the small businessmen," he added.

Currently, garment exporters are overburdened with the 0.70 percent tax at source, said Md Abdul Kader Khan, president of the Bangladesh Garment Accessories and Packaging Manufacturers and Exporters Association.

If the VAT is imposed the sector will be abnormally affected, he said.

The garment accessories makers have invested more than Tk 30,000 crore, according to Khan.

The number of accessories making factories is nearly 1,600.

"Now we are capable of meeting the whole requirement of the garment sector," said

Khan.

The share of accessories sector is 20 percent in the total garment export, he said. For instance, if a formal shirt is exported at Tk 100, the accessories makers get Tk 20.

With the rise of the sector, the local manufacturers can supply cartons, sewing thread, buttons, stickers, labels, steel buttons, zippers, hand tags, plastic hangers, collar interlinings, tissue papers, plastic clips and printed materials to the garment sector.

The local manufacturers are also supplying accessories worth nearly \$1 billion in a year to some other rising export-oriented sectors like ceramics, frozen fish, flowers, crockery and pharmaceuticals.

In the early days of garment business in the 1980s, Bangladesh was dependent on accessories imports from China, Hong Kong, Taiwan, Turkey and India.

"Now, the accessories makers import only if the retailers and brands select a particular item from a particular country," Khan added.



From left, Saleemul Huq, director of International Centre for Climate Change and Development; Shamsul Alam, member of General Economics Division; Debapriya Bhattacharya, convener of Citizens Platform for SDGs, Bangladesh and distinguished fellow of the Centre for Policy Dialogue; Ainun Nishat, professor emeritus at Brac University; Shaheen Anam, executive director of Manusher Jonno Foundation; and A Atiq Rahman, executive director of Bangladesh Centre for Advanced Studies, attend a seminar on "Understanding Climate Change from SDG Perspective" at the Westin hotel in Dhaka yesterday. The Citizens Platform for SDGs, Bangladesh organised the event.

BASIS rolls out credit card in partnership with Mastercard, EBL

STAR BUSINESS REPORT

Bangladesh Association of Software and Information Services (BASIS) yesterday launched a credit card in partnership with Eastern Bank and Mastercard to help its members remit money abroad fast and reliable way.

The card will allow the members of the association to send up to \$30,000 a year abroad to meet their expenses, which could help expand their businesses.

The card will simplify the process and will provide faster, reliable, secured and exclusive solutions to more than 1,000 BASIS members, BASIS said.

MA Mannan, state minister for finance and planning, launched the card at a ceremony at Sonargaon Hotel in Dhaka.

"Nothing will be digitised without digitising the financial system. The three

parties have created history to this effect," the state minister said.

"We believe this type of initiative will expand the IT services of Bangladesh beyond the country and help reach the export earnings target of \$5 billion by 2021 from the sector," said Mustafa Jabbar, president of BASIS.

Ali Reza Iftekhar, managing director of Eastern Bank, said they are excited about the new partnership with Mastercard and BASIS. Syed Mohammad Kamal, country manager of Mastercard Bangladesh, said through the initiative they will become a vital partner of digitisation underway in the country.

The partnership will help in boosting foreign currency earnings from the ICT and IT-enabled services sector, he said.

Subir Kishore Choudhury, ICT secretary, was also present.

Hackers hit Russian bank customers, planned international cyber raids

REUTERS, Moscow

RUSSIAN cyber criminals used malware planted on Android mobile devices to steal from domestic bank customers and were planning to target European lenders before their arrest, investigators and sources with knowledge of the case told Reuters.

Their campaign raised a relatively small sum by cyber-crime standards - more than 50 million roubles (\$892,000) - but they had also obtained more sophisticated malicious software for a modest monthly fee to go after the clients of banks in France and possibly a range of other western nations.

from accounts at Alfa Bank and online payments company Qiwi, exploiting weaknesses in the companies' SMS text message transfer services, said two people with direct knowledge of the case.

Although operating only in Russia before their arrest, they had developed plans to target large European banks including French lenders Credit Agricole, BNP Paribas and Societe General, Group-IB said. A BNP Paribas spokeswoman said the bank could not confirm this information, but added that it "has a significant set of measures in place aimed at fighting cyber attacks on a daily basis". Societe General and Credit Agricole declined comment.

The gang, which was called "Cron" after



The logo of Sberbank is seen on top of a building in central Moscow.

Russia's relationship to cyber crime is under intense scrutiny after U.S. intelligence officials alleged that Russian hackers had tried to help Republican Donald Trump win the U.S. presidency by hacking Democratic Party servers. The Kremlin has repeatedly denied the allegation.

The gang members tricked the Russian banks' customers into downloading malware via fake mobile banking applications, as well as via pornography and e-commerce programs, according to a report compiled by cyber security firm Group-IB which investigated the attack with the Russian Interior Ministry.

The criminals - 16 suspects were arrested by Russian law enforcement authorities in November last year - infected more than a million smartphones in Russia, on average compromising 3,500 devices a day, Group-IB said.

The hackers targeted customers of state lender Sberbank, and also stole money

the malware it used, did not steal any funds from customers of the three French banks. However, it exploited the bank service in Russia that allows users to transfer small sums to other accounts by sending an SMS message.

Having infected the users' phones, the gang sent SMS messages from those devices instructing the banks to transfer money to the hackers' own accounts.

The findings illustrate the dangers of using SMS messages for mobile banking, a method favored in emerging countries with less advanced internet infrastructure, said Lukas Stefanko, a malware researcher at cyber security firm ESET in Slovakia.

"It's becoming popular among developing nations or in the countryside where access to conventional banking is difficult for people," he said. "For them it is quick, easy and they don't need to visit a bank... But security always has to outweigh consumer convenience."

Commodity traders, banks face hard realities with game-changing blockchain

REUTERS, London

ALISTAIR Cross was flying high after showing in a pilot project how blockchain - the technology first developed for the crypto-currency bitcoin - could transform the old-fashioned and secretive world of commodity trading.

But since the pilot ran early this year, Cross and his rivals have hit some hard realities as they try to propel their industry into the digital age at last.

Word spread fast through the business when Mercuria, the Swiss-based commodities house where Cross is head of operations, successfully tested an oil trade. "The number of phone calls I've had from people in the last month once they heard we had done this has been incredible," he told Reuters.

Cross and many others in the sector are excited about the possibility of saving billions of dollars a year in commodities trading by scrapping millions of paper documents and moving to a digital equivalent with blockchain.

But adopting some form of blockchain, which in the case of bitcoin allows for transactions through a peer-to-peer computer network, with no need for middlemen, wouldn't be universally welcomed. Many in the conservative commodity business shrink from the thought of losing discretion in their dealings, as well as jobs and perhaps even their business if the technology succeeds disrupting the status quo.

After a series of upbeat announcements from Mercuria and others about successful pilots and "proofs of concept", Cross and rivals have found that translating enthusiasm into a broad-based roll-out of the technology is proving difficult.

Even if problems in the blockchain technology are ironed out, the sector has to hammer out common legal standards, ensure there are links between different dealing platforms and persuade scattered elements of the supply chain - from commodity producers and brokers to traders and consumers - to co-operate.

For Cross, the fear is that a profusion of systems will emerge. "There's got to be consolidation in all this because if everyone comes up with their own offering it will be too burdensome, it will kill itself," he said.

Long after stock, currency and bond trading moved to electronic systems, the business of buying and selling commodities is largely stuck in an era of paper and fax machines.

"When you start to think about some of the (possible) efficiencies in that environment, it's astronomical," said Guy Halford-Thompson, CEO of BTL Group, a technology firm that is running a blockchain pilot with European energy companies.

Whether it is trading oil, copper or wheat,

participants currently grapple with a mountain of documents including letters of credit, bills of lading and inventory receipts.

For instance, more than 4.5 million letters of credit were issued in 2015, accounting for over \$2 trillion of global trade, according to HSBC. Blockchain has the potential to eliminate all this kind of paper and much more.

Shaving only part of the costs from such a huge volume of trade could amount to billions of dollars in gains for firms across the supply chain. Mercuria has estimated that costs in terms of payments could slide by 30 percent by using the technology.

Eager to turn the concept into reality, HSBC completed a test run last year along with Bank of America Merrill Lynch and the R3 technology group, proving that a letter of credit could

money, you're not in the business of sharing that with anybody," said Talib Dhanji, EY's Commodities Markets Leader.

Blockchain technology allows for public, private and mixed platforms, but to reap the benefits, the whole supply chain including producers, shippers, warehouse operators and customs authorities must use it.

Technology giant IBM recognises the difficulty of moving beyond a pilot of trading crude oil that it has tested with French bank Natixis and trading house Trafigura. "Clearly it needs a number of banks and a number of buyers and sellers, enough to get a critical mass to make a business network valid," said Keith Bear, IBM's vice president of financial markets.

Even among commodity and technology partners working on blockchain projects, there



A flag with the logo of Mercuria commodity trading house is pictured in Geneva.

be replicated on a distributed ledger.

The test, while successful, also revealed the tough road ahead. "We learned that it could be done, but there were quite a few restrictions with the technology itself... particularly around the scalability and security," said Vivek Ramachandran, global head of product for HSBC's trade finance business.

HSBC is now working with another broader group of banks and technology firms to move the project forward.

Ramachandran believes the technology will eventually transform the sector, but it will be tough convincing a wide range of market participants to set aside rivalries and move onto a blockchain platform. Some in a fiercely competitive commodities sector are reluctant to put their data on a common platform.

"If you're a proprietary trader with your specific strategies that make you a lot of

is reluctance to share information.

"You don't want to give away your intellectual property or your market knowledge, access to clients, to fintech companies for the privilege of paying for that technology for the rest of your life," said Kris Van Broekhoven, global head of commodity trade finance for Citibank. "So it's not an easy discussion."

In some cases, people may be wary of joining an initiative that may render their roles redundant. Banks, brokers and energy utilities could all face uncertain futures in a world where the buyer and seller can do business directly in a digital system.

"Once you have the transparency, the visibility, the digital trust...it means a challenge to the value that they add to that process," said Richard Payne, managing director of commodities trading and risk management at Accenture Resources.