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

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"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

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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

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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

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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

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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.