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NBR takes one big step towards automation

VAT e-payment rolled out

Sohel Parvez

The National Board of Revenue yesterday rolled out the electronic payment of value-added tax, taking a much-delayed big step forward to fully automating a system that would enable businesses to comply at reduced time and cost.

Initially, firms and companies that have accounts with HSBC, Prime Bank and Midland Bank will be able to pay the indirect tax without taking the trouble of visiting banks to have the job done.

By December, the revenue authorities aim to bring all the banks on board to facilitate the e-payment of VAT, the biggest source of revenue for the government accounting for 39 per cent of total tax collection.

"This will be considered as a milestone in VAT collection," said NBR Chairman Abu Hena Md Rahtamul Muneem at the launch of the e-payment window for nearly 167,000 VAT-registered entities at his office.

Accountholders of Islami Bank and Bank Asia will most likely be able to do the job by the end of July, said Kazi Mostafizur Rahman, director of the VAT Online Project (VOP).

This has been the fourth major step taken by the revenue administration since it took up the VOP in 2013 to implement the VAT and Supplementary Duty 2012. The new VAT law came into effect from July 1 last year intending to improve compliance and increase the state's revenue collection to finance expenditures.

Under the Tk 690-crore VOP, the NBR earlier introduced online registration for Business Identification Number (BIN), online return filing and taxpayer account as part of its plan to automate 16 modules.

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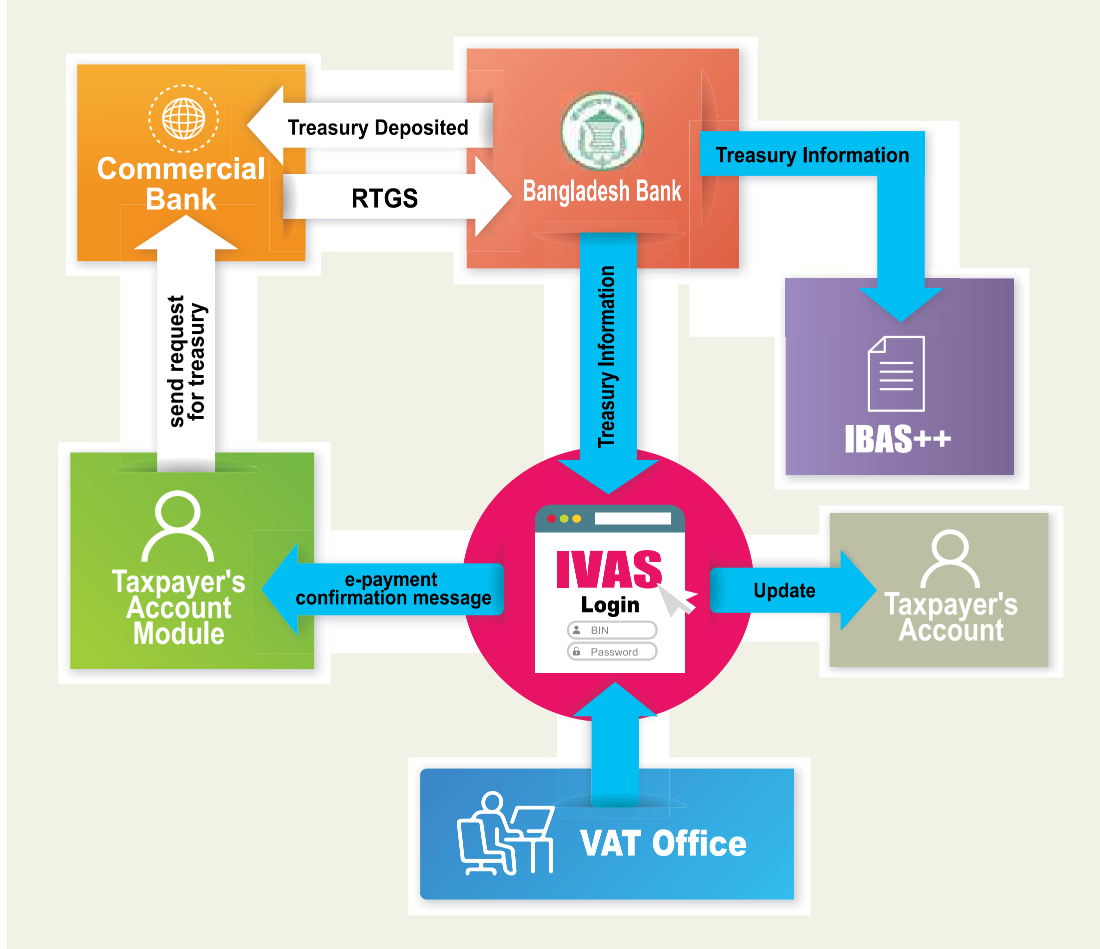
HOW THE VAT E-PAYMENT SYSTEM WOULD WORK



Apparel-makers pursue another round of low-cost loans

Tk 7,500cr made available for exporters so far

Rejaul Karim Byron *and* Refayet Ullah Mirdha

Pandemic-hit apparel exporters have sought continuation of low-cost loans from the government for three more months to help them pay wages to workers as the sector is struggling to stay afloat.

The Bangladesh Garments Manufacturers and Exporters Association (BGMEA) and the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), whose members generate most of the export receipts, jointly wrote to Finance Minister AHM Mustafa Kamal on June 22 as they pursued another round of financing.

The letter was also sent to the principal secretary to the prime minister.

Garment factories in Bangladesh were one of the worst-hit sectors as demand collapsed in Western countries, forcing many international buyers to cancel or suspend orders worth more than $3 billion with local suppliers.

Earnings from apparel shipments in the immediate past fiscal year fell to its lowest in a decade of $27.83 billion. The amount is 18.45 per cent lower than in fiscal 2018-19.

The country's overall export receipts in fiscal 2019-20 fell 16.93 per cent to $33.67 billion.

The government though has been brisk in its response to stemming the damage done by the unprecedented global coronavirus pandemic.

The export sector has been the first beneficiary for which the government announced a stimulus package to help them ride the crisis brought on by the pandemic.

On the eve of Bangladesh embarking on a countrywide shutdown on March 26, the government announced a Tk 5,000-crore special package for to pay the wages and allowances of export-oriented industries' workers for three months starting from April.

The export-oriented industries are dominated by garment factories. As the fund was later found to be inadequate, the government released another Tk 2,500 crore from the Tk 30,000 crore bailout package rolled out for the large industries affected by the pandemic.

Banks disbursed the amount directly to the workers' bank accounts or mobile financial service accounts.

The borrower enterprises were to repay the loans in 18 instalments over two years, which include six months as a grace period.

The interest-free loan carried a 2 per cent service charge.

Garment factory owners are in deep worry about carrying out various activities, the future of the industry and how to pay wages to the workers, the joint letter said.

"As a result, it would not be possible for most garment factory owners to pay wages to workers for July, August and September."

The stimulus package helped the garment sector withstand the crisis, the letter said.

Garment factories in Bangladesh were closed because of the shutdown imposed to stop the spread of the coronavirus pandemic, the BGMEA and BKMEA said.

Besides, the garment sector has been under a debacle because of the situation caused by the coronavirus pandemic. As a result, many factories are closing. International brands and retailers are increasingly cancelling orders.

The garment sector is facing a financial crisis because of the cancellation or suspension of orders by the buyers and delay in payment, according to the letter.

"It may take up to eight months to get the payment for the shipment already made," the letter said.

Workers have to be paid to keep factories up and running to execute the current shipments and make the delivery for the orders coming in, the two trade bodies said.

The funds should be given on easy terms like the government previously released, the letter said.

Contacted, Mohammad Hatem, vice-president of BKMEA, said the garment exporters did not state any particular sum in the letter.

"We only said that we need another package. We do not have an adequate inflow of work orders from our international retailers and brands. So we demanded financial support from the government so that we can overcome our challenges," Hatem told The Daily Star over the phone.

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Is the $41b export target a mountain too high amid pandemic?

Refayet Ullah Mirdha

Aiming high is always a welcome attribute. But, sometimes, in its quest, one ends up setting targets so high that it just seems hopeless.

And looking at the $41 billion export target the government announced yesterday for the current fiscal year, one gets a feeling of futility.

In announcing the target, the government seems to have ignored the elephant in the room: the global coronavirus pandemic, which is still raging on and with no end in sight.

Unless a vaccine is available for the rogue pathogen, the global economic locomotive would not be chugging along as before.

So this begs the question, would there be demand for such volumes of goods between July this year and June next year.

The target is 21.75 per cent higher than the export earnings of $33.67 billion logged in for last fiscal year, when normalcy prevailed for at least half the time.

But this fiscal year started on the back foot and how long this continues is absolutely uncertain.

As usual, the government would rely on apparel, which typically accounts for 85 per cent of the country's yearly export earnings, to pull off the goal, which is $5.5 billion lower than fiscal 2019-20's target of $45.5 billion.

Commerce Minister Tipu Munshi announced the new goal during a virtual meeting featuring senior government officials, lawmakers, trade body heads and exporters.

According to Munshi, the decrease in global demand for various products following the coronavirus outbreak was taken into consideration while setting the target.

"The target is achievable as it is not overly ambitious."

Since stores in the US and the EU have started to reopen, export orders, especially for garments, are on the rebound, Munshi added.

Export revenue in the apparel industry witnessed a year-on-year decline 18.29 per cent in March, 82.85 per cent in April and 61.57 per cent in May as economies were under lockdowns in a bid to curb the spread of coronavirus.

However, as restrictions were slowly being lifted and a state of normalcy returned to the global supply chain, export earnings picked up as receipts of $2.71 billion were recorded in June, just 2.5 per cent less than what it was during the same period the previous year.

Besides, following the coronavirus outbreak, shipments of personal protective equipment such as surgical masks and isolation fabrics have risen considerably.

The fact that Asian markets like China, Japan and India have shown great promise for Bangladeshi products was also a driving factor behind the new export target.

At the meeting, the commerce minister also set a $7 billion target for the services sector in the current fiscal year. Earnings from the offshore services sector were 9.46 per cent higher at $6.39 billion.

"So, our target for the ongoing fiscal year is $48 billion, which is 19.79 per cent higher than the total real export value of the year before," Munshi said.

Sector-wise targets for major items sectors were declared at the meeting. The target for earnings from garment shipments was fixed at $33.78 billion, up 20.88 per cent from the real export value of $27.94 billion in fiscal 2019-20.

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Export targets for fiscal 2020-21

Merchandise	$41b
Services	$7b
Major sectors	
Garment	$33.78b
Frozen and live fish	$0.57b
Agricultural products	$1.07b
Chemicals	$0.25b
Pharmaceuticals	$0.17b
Plastics	$0.12b
Leather and leather goods	$0.92b
Leather footwear	$0.54b
Jute and jute goods	$1.16b
Specialised textiles	$0.14b
Home textile	$0.96b
Footwear	$0.38b
Engineering products	$0.36b

SOURCE: COMMERCE MINISTRY

Sunlife Insurance holding on to dear life

Ahsan Habib

While others have been slowly but surely drawing in new clients, one insurer has been showcasing a dismal performance to such an extent that its gross premium in 2018 reached half of what it was five years back.

Sunlife Insurance stated in its annual report that its gross premium was Tk 80 crore in 2018. In 2015, it was Tk 165 crore.

Its life insurance fund amounted to Tk 231 crore in the first three quarters of 2019.

During this same period in 2018, it was Tk 301 crore, according to the company's latest data published on the website of Dhaka Stock Exchange (DSE).

Since being listed in 2013, it provided 18 per cent stock dividend in total but could come up with no cash dividend.

The gradual deterioration in performance left it incapable of providing any dividend to shareholders in 2018, causing it to be placed in the Z category.

At present, the company has no reserve or surplus.

Each stock of Sunlife Insurance, which has a paid-up capital of Tk 35.76 crore, traded at Tk 17 yesterday.

On Tuesday, it announced through the DSE that it was going to liquidate a fixed asset: selling a piece of land worth Tk 45 crore.

The company's main problem was that it failed to attract clients as required whereas an insurance company's lifeline is the addition of new clients, said a top official of the company requesting not to be named.

So, its gross premium declined and claim settlements became tough, he said.

The problems intensified when some claim settlements were delayed and it eroded the confidence of its clients, he added.

Contacted, Rubina Hamid, chairperson of Sunlife Insurance, said the insurer has been facing some problems because its costing was high.

"So, some problems arose in claim settlements."

Probed further on this, she said after a certain period following its launch a life insurance company needs to simultaneously settle several claims, leading to some problems.

Then the global coronavirus pandemic arrived and exacerbated matters. Sunlife's business was troubled like others because claim settlements and arrear withdrawals were handicapped.

"But I think we will be able to come out from the trouble very soon as the economy has started to roll. We have passed the crisis period so we will be able to bounce back."

On the announcement to liquidate the asset, she said: "We are selling the land to liquidate money that would be invested either in a fixed deposit into banks or the stock market."

"We think investment into banks, bonds or the stock market would give us a better return than through the land investment."

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SUNLIFE INSURANCE'S PERFORMANCE OVER THE YEARS