

## Dhaka Bank wins AsiaMoney award

STAR BUSINESS DESK

Dhaka Bank has recently been presented a "Best Corporate and Investment Bank of Bangladesh 2021" title by global financial publication AsiaMoney for "comprehensive coverage from corporate clients to investment banking and capital markets" and riding out the pandemic.

It recently introduced blockchain, web-based service Dhaka Bank TradeCloud and automated invoice and distributor financing solution Dhaka Bank Bills2Cash, says a statement.

## Xiaomi announces smart EV business, to invest \$10b over ten years

REUTERS, Shanghai

Chinese smartphone maker Xiaomi Corp has formally entered the automotive industry with a new smart electric vehicle (EV) business, the company announced on Tuesday in a filing.

The firm will initially invest 10 billion yuan (\$1.52 billion) in the wholly-owned subsidiary, with a total investment goal of \$10 billion over the next ten years.

Xiaomi CEO Lei Jun will also serve as CEO of the smart electric vehicle unit, the company added.

# Dollar breaks 110 yen for first time since March 2020

AFP, Hong Kong

The dollar broke through the 110 yen barrier Tuesday for the first time in a year as optimism about the global economic outlook and rising US bond yields see investors turn away from the safe haven Japanese unit.

The greenback hit 110.18 yen in afternoon trade as investors grow increasingly confident that world growth will pick up pace this year thanks to huge stimulus spending, particularly by the United States, with predictions it could go as high as 115 yen.

With the US government pressing ahead with a massive spending spree to kickstart the world's top economy, there is a growing expectation that inflation will rocket over the coming months.

That has led to a rise in Treasury yields to one-year highs owing to bets that the Federal Reserve will have to lift interest rates earlier than its estimated 2024 timeline.

The yen is considered a go-to currency in times of turmoil and uncertainty and the unit strengthened against the dollar over the past 12 months owing to ongoing concern about the impact of the pandemic.

But the rollout of vaccines and passage of Donald Trump's near-\$1 trillion stimulus at the end of last year, followed by Joe Biden's \$1.9 trillion package soon after, have raised expectations for a strong recovery.

The dollar is up almost six per cent from



its recent low seen at the start of January. "The dollar-yen trend is backed by the rise in Treasury yields as the market focuses on the extent of the potential US economic recovery," said Masahiro

Ichikawa, at Sumitomo Mitsui DS Asset Management. "The dollar could rise to as high as 115 yen by the end of the year, depending on the pace of the recovery."

## PayPal launches crypto checkout service

REUTERS, London

PayPal Holdings Inc will announce later on Tuesday that it has started allowing US consumers to use their cryptocurrency holdings to pay at millions of its online merchants globally, a move that could significantly boost use of digital assets in everyday commerce.

Customers who hold bitcoin, ether, bitcoin cash and litecoin in PayPal digital wallets will now be able to convert their holdings into fiat currencies at checkouts to make purchases, the company said.

The service, which PayPal revealed it was working on late last year, will be available at all of its 29 million merchants in the coming months, the company said.

"This is the first time you can seamlessly use cryptocurrencies in the same way as a credit card or a debit card inside your PayPal wallet," President and CEO Dan Schulman told Reuters ahead of a formal announcement.

Checkout with Crypto builds on the ability for PayPal users to buy, sell and hold cryptocurrencies, which the San Jose, California-based payments company launched in October. The offering made PayPal one of the largest mainstream financial companies to open its network to cryptocurrencies and helped fuel a rally in virtual coin prices.

Bitcoin has nearly doubled in value since the start of this year, boosted by increased interest from larger financial firms that are betting on greater adoption and see it as a hedge against inflation.

PayPal's launch comes less than a week after Tesla Inc said it would start accepting bitcoin payments for its cars. Unlike PayPal transactions where merchants will be receiving fiat currency, Tesla said it will hold the bitcoin used as payment.

## Humaira becomes first female MD of a commercial bank

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She joined Bank Asia in 2012. She served the lender as a deputy managing director.

Trust Bank recruited her as an additional managing director in 2018. Currently, she is serving the private commercial lender as an acting managing director.

Humaira obtained her honours and master's degrees in international relations from the University of Dhaka.

## Move to ease container crunch

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Shahed Sarwer, director of K Line shipping, told The Daily Star that container fares have increased due to a shortage of containers amid the pandemic.

Most of these containers and goods have been stuck at ports due to the pandemic-induced closure of manufacturing units around the world.

"So even though imports and exports have risen over the past few months, the containers are not being delivered accordingly," Sarwer said. For example, garment exports have been increasing slowly but empty containers are not readily available.

"To deal with this crisis, there is no option but to end the auctioning of containers quickly," he added.

Sarwer went on to say that a container can be rented out 10 times in a year and that a shipping agent loses at least \$20,000 when a container gets stuck at any port.

According to Chattogram Custom House and Chattogram Port data, importers failed to take delivery of consignments worth a total of Tk 11,286 crore between July 2016 and December 2020.

Those goods are taking up 7,737 containers as well as valuable space at the port. Besides, delivery of these consignments would have earned the government around Tk 5,500 crore in customs duty, the data shows.

Meanwhile, the customs authority earned just Tk 265.61 crore by auctioning off 10,160 lots and perishable goods from 760 containers worth Tk 220 crore as it failed to auction off those items in a timely manner.

Port users said if the auctions were arranged in due time, such wastage could be averted. In turn, the country would save foreign currency by avoiding imports of the same goods.

According to the Customs Act 1969, unclaimed goods can be auctioned off if importers fail to take delivery within 30 days of the consignment's arrival at the port.

Importers abandon their consignments at the port due to fall in prices in the local market, failure to submit original documents in support of the shipment, failure to get clearance permit reports, and their refusal to pay fines for anomalies, according to custom officials and various importers.

AKM Sultan Mahamud, deputy commissioner of Chattogram Custom, told The Daily Star that it takes a little more time to carry out disposal activities in accordance with the proper rules and in an environmentally friendly manner.

"But over the last two years, the sale of these products through regular auctions as well as the destruction of damaged or prohibited products has gained momentum," he said.

Around 59 tonnes of dangerous chemicals that were abandoned at the port were recently destroyed.

"Now, we started disposing of prohibited and perishable goods," Mahamud added.

Ahsanul Haque Chowdhury, president of the Bangladesh Shipping Agents Association, said one of the reasons these containers have been lying in the port for years is the lack of coordination among agencies concerned, including customs, city corporations, the Atomic Energy Commission and the Department of Environment.

If the goods of any containers need to be destroyed or auctioned off, then these departments must get involved.

"This makes the procedure quite lengthy and so, it should be made simpler," he said.

"We sent various letters to the National Board of Revenue and customs house to ease the auction process."

"We suggested the formation of a taskforce committee that involves all related departments to speed up the auction procedure but those recommendations are yet to be implemented," Chowdhury added.

The fact that containers are held up at Bangladesh's ports is detrimental to the country's international image as many container owners become unwilling to provide their containers for Bangladesh bound goods.

Unclaimed goods occupy 15 to 20 per cent of the port's yard, leaving insufficient space for emergency loading and unloading operations and other regular activities, said Md Omar Faruq, secretary of Chattogram Port.

"The customs and port authorities have taken several initiatives to reduce those containers as emptying activities have increased compared to the past," he added.

## LR Global allowed to manage two mutual funds again

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In 2015, the stock market regulator fined the LR Tk 50 lakh after a regulatory probe unearthed a number of gross violations of securities rules and misappropriation of hard cash of six mutual funds managed by the asset management company.

"We have been working with the honourable commission in a very constructive fashion and we will provide all necessary support and cooperation for the betterment of the capital markets. We are completely focused on improving confidence in the investment industry," said Monowar Hossain, head of LR's legal and compliance department.

"Once everything will be finalised we will inform accordingly."

## SMEs need credit the most

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The manufacturing sector has been affected not only due to the demand-side shocks but also through the import channel as the pandemic has restricted the import of necessary raw materials for production from the major import partners.

The central bank has suggested that the authority concerned exercise some policy options to restore the accelerated growth trajectory of the economy from the ongoing economic slowdown.

The government may float a special bond to mark the 100th birth anniversary of Bangabandhu Sheikh Mujibur Rahman, naming it "Bangabandhu Centenary Bond (BCB)", to materialise his long-term vision.

To make Bangladesh a prosperous and developed nation, this bond's fund can be used for Bangladesh's transition towards a developed economy by 2041.

Funds from the special purpose bond may assist in financing the country's structural changes for generating mass-scale employment, socioeconomic advancement and empowerment, advancement in digitalisation, and upcoming mega projects, if required.

Besides, funds of this bond may be useful for reviving the economy from the Covid-19 shock, the study said.

The BCB can be a 30-year development bond. It might be issued both in local and foreign currency to attract local and global investors.

Tax exemption, inflation linkage, quarterly coupon, small denominations and put options can be the special features of this bond.

The government can also consider issuing a special social safety bond under the name Covid-19 Pro-Poor Bond (PPB) to address short-term socio-economic setbacks due to the pandemic.

The proceeds of the bond could be used for the people who have lost their jobs and whose livelihoods have been severely affected during the pandemic, in order to pull them out of the poverty line by ensuring job security.

## Energypac exporting transformers to India's Adani

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It is a subsidiary of Ahmedabad-based multinational conglomerate Adani Group, which has a market cap of over \$80 billion.

Over the years Adani Group, comprising six publicly traded companies, has positioned itself as India's infrastructure kingpin, diversifying from mines, ports and power plants to airports, data centres and defence.

In the past year, Adani Group has added a total of \$16.2 billion to its net worth, which was the highest in the world for that period.

Adani Power, India's largest private power company, is setting up a 1,600 MW ultra-supercritical power project at Godda in Jharkhand to supply energy to Bangladesh, according to the company's annual report.

Meanwhile in Bangladesh, Energypac has turned itself into a market leader on being established in 1982.

It has integrated capabilities across technology, engineering, construction and manufacturing in designing and producing power products and systems, including switchgears.

This bond can particularly fund projects to tackle unemployment emanating from the pandemic, according to the study.

In particular, the government could announce some public work projects for the jobless informal sector workers for a limited time as a number of countries have already taken such initiatives.

The PPB can be tax-exempted and can contain put options and other facilities (small denominations and monthly coupon) to attract investors. The maturity of the bond could be five to 10 years.

Commoners, including non-resident Bangladeshis, banks, NBFIs and other financial institutions, might be eligible to invest in the bond.

Worldwide, many social bonds are increasingly getting popular, and the PPB in Bangladesh might be a promising one.

In addition, banks and NBFIs should continue to pay dividends cautiously, just as they did last year as per the central bank's instruction.

"The financial sector's post-Covid-19 resilience is yet to be understood. Globally, it is assumed that the post Covid-19 period would be challenging for financial institutions due to gradual withdrawal of regulatory relaxation," the study said.

To strike a balance between a healthy capital market and a sound banking sector, the dividend pay-out policy needs to be revisited and rationalised. This initiative may enhance the banking sector's capacity to absorb any unexpected losses.

The government can also think of bringing the SMEs under a relaxed tax policy. Healthy growth of the SME sector is vital from an employment perspective, the study said.

The central bank official said a fresh study should be carried out as the second wave of coronavirus infections has already hit the country.

"This will help assess the actual loss of the financial sector. And a set of proposals will be required to fight the probable economic slowdown that would be brought on by the second wave," he said.

The company exports a number of electrical products to more than 20 countries, including India, Nepal and Malaysia.

In India, Energypac's products have been used in various projects, including the Jaldhaka Hydel power project, Sagardighi thermal power plant and Indian Institutes of Science Education and Research, Alam added.

It products have also been used in notable projects in Bangladesh, such as that of the Rooppur nuclear power plant and Dhaka metro rail.

Bangladeshi companies have achieved European standards in terms of quality and safety, said Prof Shaikh Anowarul Fattah of electrical engineering at the Bangladesh University of Engineering and Technology.

Now companies including Energypac and BRB have been exporting quality products to different countries. The sector has become self-sufficient, said Fattah, who sees Energypac's first transformer shipment as a big success for Bangladesh.

Representatives of Adani Group could not be reached for a comment by the time this report was filed.

## Dilemma of VAT registration of non-resident entities and their VAT agents

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In our small research, we have found that the concept of such VAT agent is present in many countries of the world, but we did not find such strict risk/liability caveats anywhere.

The provision for VAT agent to bear all risks and responsibilities of the non-resident service providers is not rational.

Hence, nearly 2 years have passed from the introduction of new VAT law and the NBR is yet to receive any application for registration of VAT agents from CA firms.

It did not also receive any application from non-residents— including world-renowned multinationals—for registration.

Ideally, these agents cannot be responsible for intentional or unintentional defaults of the non-residents. It has to act based on information provided by the non-resident it is representing.

There might be cases like a delay by a non-resident in providing information leading to late in submission of monthly VAT return or delays by non-residents in payment of for their business.

Currently, all these situations will make the VAT agent a defaulter of law.

Considering such practical scenarios, the NBR or the government has to carefully review/ formulate the law to make the non-resident

taxpayer defaulter, not the agent.

Obstacles to registration of non-residents: Bangladesh is going through a digital transformation in all areas of the country. It has made both tax and VAT registrations possible through online. These are considered to be the most successful online platforms of the government by many critics.

However, non-residents' online VAT registration part is still not operational which is not desirable. It is pertinent to note here that manual registration is also not possible.

Here the chemistry is very strange. While new VAT act has become effective from July 2019 and the NBR is desperately looking for VAT revenues from non-residents, but unfortunately online platform for registration of non-residents is yet to be operational.

It sounds like a daydream to expect VAT collection from non-resident entities while the online VAT registration system could not be made operational in nearly two years' time.

Moreover, it is not clarified that how a non-resident will pay the VAT to the government treasury as they do not have any presence or bank account in Bangladesh.

How and where the non-residents shall remit the VAT payable amount to deposit to the government treasury? No direction is there in

the law/rule/statutory regulatory order regarding this. This is also creating confusion among the non-residents. Again, as per the new VAT law it is mandatory to maintain VAT software if annual turnover exceeds Tk 5 crore.

It is not clarified whether this law is equally applicable for non-residents. If yes, how the data/information will be captured into the VAT software remains unanswered.

We expect that the NBR will take appropriate measures to remove the barriers and provide clarification on all of the above issues to make the system and processes smoothly operational.

We understand that the NBR is revisiting the VAT laws as regards to risk and responsibilities of VAT agent, which may be reflected in the next Finance Bill 2021.

We expect rational changes in the VAT law to make this more practicable and to start getting VAT revenues from non-resident entities doing business in Bangladesh.

The government is losing a huge amount of tax because of this dilemma related to the registration of non-resident entities and the work of their VAT agents.

The writer is a chartered accountant and the associate director - tax at Nurul Faruk Hasan and Co (Deloitte in Bangladesh).

## Sammilita Parishad pledges to revive exports

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The Parishad said it would hold talks with the government and the European Union so that Bangladesh can continue to enjoy duty-free access to the market until 2031, even after the graduation from the category of the least-developed countries in 2026.

It will form a task force involving the BGMEA and the ministries concerned to carry out official discussions with the EU for the continuation of the market access and secure GSP Plus status.

It will call for simplifying re-export procedures and propose necessary amendments to the policy through discussions with the customs department and other government agencies, Hassan said.

The entrepreneur pledged to work to bring changes to the mandatory wage revision of workers every five years.

## Forum panel vows to brighten sector's image

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The panel pledged that it would work in the areas of technological efficiency, graduation from the grouping of the least-developed countries, skills, innovation, sustainability, and labour welfare.

The incumbent BGMEA chief said many local garment suppliers were facing troubles in running businesses because of the delay in payment by buyers as their sales dropped significantly because of the fallouts of Covid-19.

"Many renowned retailers and brands went bankrupt. So, both suppliers and bankrupted companies are facing a lot of

troubles," she said.

According to Huq, the devastating impacts of the pandemic reminded her of the necessity of the creation of an unemployment protection scheme to pay wages to workers in times of emergency.

The panel said it would set up an online sales platform to widen the scope of e-commerce in the garment business and strengthen the sustainability reporting by factories.

The BGMEA awarded certificates to 47 garment factories on March 28 for their sustainability reports.