

Germany seeks VAT exemption for gas levy

REUTERS, Berlin

German finance minister Christian Lindner has written to the European Commission seeking permission to waive value added tax on a new gas price levy for a limited period of time, a copy of his letter seen by Reuters showed on Sunday.

Germany's gas market operator is set to announce on Monday the size of the levy, which Berlin is imposing on all gas consumers to spread the additional cost of gas imports.

The levy is aimed at helping Uniper and other importers cope with soaring energy prices due to reduced Russian export flows, but it would add to already sky-high energy prices and inflationary pressures for customers.

Under EU law concerning VAT on energy products, the levy is considered a component of the overall gas price, effectively meaning it is mandatory, which is why Germany needs to ask for Brussels' permission to waive it.

Lindner said that while he was asking on behalf of Germany, he was effectively asking for a VAT law change that would give all member

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states the temporary option to make similar moves.

Lindner's English language letter, dated August 12, said Germany would apply formally to the EC later but he wanted to appeal to Brussels beforehand to persuade authorities that policymakers were concerned about possible hardships and resentment.

"VAT on government-imposed levies pushes up prices and is met with increasing opposition from the population, especially in the current exceptional situation," he said.

"However, the population's acceptance of tax laws is crucial for their enforceability," it said.

Russia since mid-June has drastically cut flows to Europe via the Nord Stream 1 pipeline and currently supplies just 20 per cent of agreed volumes, blaming faulty and delayed equipment, while Europe says the move has been politically motivated.

Utilities - wedged between importers and squeezed end consumers - fear being stuck with back-breaking costs.

"Rising energy prices are a threat to our prosperity and stability," Lindner said.



Small and medium enterprises are the backbone of the economy but banks are reluctant to provide loans to this sector and tend to give loans to large business as it is of a lesser hassle, said FBCCI President Md Jashim Uddin.

PHOTO: STAR/FILE

91pc SMEs don't have access to finance: expert

STAR BUSINESS REPORT

Some 91 per cent small and medium enterprises (SMEs) still do not have access to financing although the government has allocated funds to help them shrug off the Covid-19 shocks.

Commercial banks distribute 18 per cent of their total disbursed loans to the SME sector, but only 9 per cent small businesses have access to bank finance.

Khandakar Golam Moazzem, research director of the Centre for Policy Dialogue (CPD), shared the information while delivering a keynote presentation at a seminar titled "Bangabandhu's thought on SME development and present perspective".

The Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) organised the seminar at its office in Dhaka yesterday.

"We have good policies, but most of them have not been implemented due to a lack of necessary collaboration among ministries," said Moazzem, a panel adviser of the FBCCI.

The SMEs are the backbone of the economy but banks are reluctant to

provide loans to this sector and tend to provide loans to large business as it is of a lesser hassle, said FBCCI President Md Jashim Uddin.

At the height of the pandemic, the government announced an incentive package of Tk 22,000 crore for the SME sector but two years on, loans from this package are yet to be disbursed, he said.

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He said the increase in fuel prices raised the cost of transportation alongside raw materials for industries, for which unemployment would increase and poverty alleviation would be hampered.

Uddin urged banks to provide loans to SMEs through tripartite agreements with sector-based associations and district chambers if necessary.

Entrepreneurs in the SME sector do fail to repay loans but they do not get loans in times of their needs, so policies should be simplified, said Mafizur Rahman, managing director of SME Foundation.

Industries Minister Nurul Majid Mahmud Humayun said a bank's job was not just to make a profit but also perform certain duties for the nation.

He said banks should not enhance the disparity between cities and villages by giving loans to big businesspeople in urban areas. Rather, it is their responsibility to ensure balanced development, he said.

The minister said everyone talks about SMEs but do not do any work. Assuring that the limitations at the government level will be overcome quickly, SME Foundation has to be financially strengthened, said Humayun.

Research conducted through SME Foundation shows that there are about 10 lakh SMEs and 68 lakh cottage industries in the country, of which 7.21 per cent are run by women.

Cottage, micro and SMEs account for nearly a fourth of Bangladesh's gross domestic product.

Cargo movement

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"We are also importing other materials through waterways," he said, suggesting that the BIWTA and authorities in India to improve infrastructure in waterways to facilitate more cargo movement and improve river routes including dredging and other facilities.

Apart from fly ash, steel and iron, stone chips, rice, wheat and maize were also imported using the river routes in fiscal year 2021-22. Of those, Bangladesh has been bringing imported steel products and stone chips for the last couple of years, according to the BIWTA.

"We see increased awareness and interest among businesses to use waterways in recent years. In the past, people were not that much aware about the scopes to use rivers routes," said a senior official of the BIWTA.

A portion of the cargo is also exported to India using the protocol routes, the official added.

Under the protocol, there are 11 ports or terminals in each country to load and unload imported and exported cargoes.

Of that, water transporters mainly use Narayanganj, Mongla and Chilmari in Bangladesh and Kolkata

and Haldia in India, according to operators.

Nazmul Hossain Hamdu, managing director of Sohag Trading Company, which operates 25 vessels, said cost of transporting goods through waterways was almost half of road transport cost per tonne.

He said the number of vessels carrying goods on the protocol routes increased but the volume of goods did not increase to that much of an extent.

"Future prospects look bright as the Indian government plans to carry goods through Bangladesh to the seven sisters in its northeastern part," said Hamdu, vice president of Bangladesh Cargo Vessel Owners' Association.

Mahfuz Hamid, former chairman of the Coastal Ship Owners Association of Bangladesh, said use of waterways would increase if the National Board of Revenue (NBR) allows unloading of items such as steel, machinery and industrial raw materials at Narayanganj.

"This will benefit industries by reducing freight cost. On the other hand, the pressure on roads will reduce," he said, adding, "What is needed is completion of customs procedures there."

BB moves to ensure finance for small business clusters

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and handicraft, energy saving products, jewellery, toy, cosmetics and toiletries, agar, furniture making, mobile, computer and television servicing.

"We are giving importance to cluster-based financing so that the firms in the area can develop and cater to the export market," said a senior official of the BB.

Of the total loans and advances provided by banks and financial institutions, cottage, micro and SMEs

accounts for around 20 per cent, said the BB official.

Bangladesh Bank said cluster-based financing was popular across the world and the proper support to the clusters would enhance capacity of micro and small firms to compete in domestic and international markets. This will bring about significant benefit to the economy, it said.

The central bank asked banks to frame a credit policy by including cluster financing in the policy.

Entrepreneurs demand

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stabilise foreign currency reserves. The central bank has been maintaining a 9 per cent lending rate since April 2020, while the forex reserves have come under strain following a sharp increase in import payments amid a fall in remittance and moderate exports.

The DCCI chief said government borrowing through savings certificates needs to be reduced and cheap sources of funds from external sources must be accessed.

To boost export revenue, he recommended the expansion of the service sector and ensuring an increased capability in the ports and logistics sectors.

Currency swap can be considered to facilitate low-cost imports and improve the foreign currency reserves, he said.

To face the challenges of graduation from the group of least-developed countries, Rahman's advice has been to expedite the signing of bilateral and multilateral comprehensive economic partnership agreements with trade partners and revise the import tariff structure.

Md Shafiqul Islam, a ruling party lawmaker and former president of the Federation of Bangladesh Chambers of Commerce and Industries, called the existing crisis temporary, saying the government is managing the situation in an efficient manner.

Terming the business community as the engine of growth, the businessman urged the tax department to be proactive and help businesses grow without any hassles.

Not only Bangladesh's economy but the whole global economy is going through a tough time in terms of economic stress, inflation, fuel price hike and supply chain disruptions, said State Minister for Planning M Shamsul Alam.

Some indicators are facing discomfort but the overall economy is doing well, he said.

The manufacturing sector saw a 23 per cent growth in the last fiscal

year, and other facts and figures showed that the economy is on the right track.

"So, there is no need to panic that the economy may collapse like Sri Lanka."

The state minister, however, warned that as the national election is approaching, some people may want to take advantage by spreading rumours that the economy will collapse.

"The government is well-prepared to tackle the economic situation and no danger is imminent."

Prof Alam said that the government should take loans from foreign sources to ease pressure on the US dollar.

Full automation of the taxation system will reduce hassles and boost tax collection, he added.

Habibur Rahman, chief economist of the Bangladesh Bank, said the central bank was thinking about the option of a currency swap with a number of countries in order to cut the pressure on US dollars.

"But it will be possible only with the countries with which we have a lower trade gap. When the trade gap is higher, we have to diversify our foreign reserves portfolio since a currency swap involves risks."

According to BKMEA's Hatem, the government should borrow from multilateral lenders to fight the present situation instead of raising fuel prices as it has had a massive impact on the industries and the economy.

The business leader cited the activities of the National Board of Revenue (NBR) as the main barrier standing in the way of higher exports and imports.

"I have to talk to the top officials of the NBR almost every day as our members are facing harassment though they are doing businesses legally."

"If any businessman does any wrong, punish them. But don't harass honest businessmen for your unethical want."



Pragyan Kumar, chief executive officer of Asian Paints Global International, inaugurates the company's new campaign "Colour Next-2022" at the Radisson Blu Dhaka Water Garden in the capital. Shirish Rao, regional head of the company, and Budhaditya Mukherjee, country head of Bangladesh, were present.

PHOTO: ASIAN PAINTS BANGLADESH

Vietnam considers \$58.7b high-speed railway

REUTERS, Hanoi

Vietnam is considering building a high-speed railway that runs along the country's length with a possible price tag of up to \$58.7 billion, the government said on Sunday.

The Southeast Asian country's transport ministry will next month submit a proposal to build the 1,545 km (960 miles) railway to the Politburo, the powerful decision-making body of the ruling Communist Party of Vietnam, the

US to pause oil, gas leasing in Colorado over climate

REUTERS

The Bureau of Land Management will pause oil and gas leasing on 2.2 million acres of Colorado public land after environmental groups alleged its current management plan failed to consider climate impacts, according to a settlement.

The agreement was filed and requires the government to conduct a new environmental analysis of the climate impacts of oil and gas leasing on public lands in southwestern Colorado. The government also agreed to consider how the leases may impact the endangered Gunnison sage grouse and its habitat.