

FDI reporting time slashed for firms, dealer banks

STAR BUSINESS REPORT

The Bangladesh Bank has cut down the time for foreign direct investment receiving and sending firms and their dealer banks to submit FDI reporting forms and supporting documents to the central bank.

All FDI recipients and sending firms, both 100 per cent foreign-owned companies and joint ventures, had to hand in the FDI reporting form and supporting papers to their dealer banks on a quarterly basis within a month after the end of a quarter.

Now, they will get 20 days, according to a notice of the Bangladesh Bank yesterday.

Supporting documents include all audited and un-audited financial statements and papers outlining both inward and outward FDIs.

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The authorised dealer banks will verify the reporting forms. Afterwards, they will submit them to the central bank within a month after a quarter comes to an end. It was one month and 15 days previously.

Despite being a strong manufacturing destination, Bangladesh has not been able to attract a higher level of FDI.

The net FDI flow to the country stood at \$3.4 billion in the last fiscal year of 2021-22, up about 36 per cent from \$2.5 billion a year earlier, BB data showed.

The FDI comes in three forms: equity capital, reinvested earnings, and intra-company loans.

Net equity capital rose about 65 per cent year-on-year to \$1.35 billion in FY22. It was \$816.17 million in FY21. Reinvested earnings stood at \$2.04 billion, up 28.93 per cent from \$1.59 billion in FY21. Intra-company loans, however, contracted 54.47 per cent to \$47.90 million from \$105.20 million in 2020-21, according to the central bank data.

In 2021-22, gross FDI inflows were \$4.64 billion, recording an increase of \$1.25 billion, or 36.9 per cent, year-on-year. FDI stock was \$20.5 billion at the end of the last financial year.



PHOTO: AKLAKUR RAHMAN AKASH

A worker is seen collecting eggs from a poultry farm at Dhamrai, Dhaka. Called the Nikhil Poultry Farm, it has 7,000 birds that produce 6,300 eggs daily. Nikhil Chandra Das, the owner, says he gets Tk 10.6 per egg against a production cost of Tk 9.

Tax waived loans or their interest: ICMAB

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Cost and management accountants yesterday proposed that the government tax either loans waived by commercial banks and non-bank financial institutions or the interest accrued on the loans to discourage defaulting on loans.

The proposal was placed at a pre-budget meeting organised by the National Board of Revenue (NBR) at its headquarters in the capital's Agargaon.

"We are proposing for inclusion of the provision to discourage the practice of loan default and interest waiver," said Abdur Rahman Khan, president of the Institute of Cost and Management Accountants of Bangladesh (ICMAB), at the event.

The NBR organised the meeting to hear views and concerns of businesses and stakeholders as a part of its preparation to frame tax proposals for fiscal year 2023-24 beginning from July.

NBR Chairman Abu Hena Md Rahmatul Munem chaired the event where the Institute of Chartered Secretaries of Bangladesh (ICSB) also submitted some proposals of their own.

"This is necessary for equity. The removal of waiver of interest on loans will also increase government's revenue collection," Khan said.

The suggestion comes at a time

when the amount of defaulted loans is increasing, with many banks waiving interest on loans to recover the money.

The ratio of default loans to total outstanding loans as of September 2022 was 9.36 per cent.

The total amount of outstanding default loans was Tk 134,396 crore, showed data from Bangladesh Bank.

As per existing provision of income tax, loans and interest waived by commercial banks are not treated as income and so are not taxed, said the ICMAB.

In its proposal, the ICMAB also urged that the NBR automate the selection process for auditing tax returns, saying that because of the manual process of tax file selection, many taxpayers are repeatedly being selected for audits although it should not be.

"Audit should be selected in an automated manner to eliminate harassment," said Khan, adding that he knew a person whose tax file came under audit of the field office for eight consecutive years.

The ICMAB said in many cases tax returns were selected for audits at the wish of the tax authority.

"This practice will stop if automation is done. It is essential," said Khan.

The ICMAB said automated audit selection would also increase revenue.

"Unwanted hassle will decrease. It will bring harmony among the taxpayers," added Khan.

On the provision making it compulsory for holders of taxpayer identification numbers (TINs) to submit tax returns, the ICMAB said it should be scrapped for people who do not have taxable income.

Because of the rule, a TIN holder has to prepare returns, which involves costs, even in cases when one does not have taxable income, he said.

A 90-year-old has to submit returns for the law although the person may not have taxable income. It could be that the person cannot even sign for age-related complications, Khan said.

"What is the benefit of wasting papers?" he asked.

The ICMAB also suggested the tax authority offering an amnesty—that returns of taxpayers informing of wealth of up to Tk 25 lakh would not fall under audits.

"This will encourage new taxpayers to furnish returns," he said.

The ICSB, in its proposal, suggested that the NBR increase the tax-free income limit to Tk 700,000 annually from the existing provision of Tk 300,000. "We propose the measure as the living standard of lower and middle class has eroded for high inflation and the rising cost of living," said ICSB President Mohammad Asad Ullah.

Southeast Bank gets two new DMDs



Abidur Rahman Chowdhury



Md Masum Uddin Khan

STAR BUSINESS DESK

Southeast Bank recently promoted two senior executive vice-presidents to the post of deputy managing directors.

Of them, Abidur Rahman Chowdhury was the senior executive vice president and head of branch at the principal branch of the bank. He started his career at the bank as a probationary officer in 1996.

Chowdhury obtained his honour's and master's degrees in finance and banking from the University of Dhaka and an MBA in management from the same university.

Meanwhile, Md Masum Uddin Khan was the head of credit risk management division and senior executive vice-president of the bank. He joined Southeast Bank in 2019.

Khan started his career at Agrani Bank in 1996, and later worked for Basic Bank and City Bank.

He attained his graduation degree in finance and banking and post-graduation in finance from the University of Dhaka and an MBA (major in marketing) from the same university.

Fu-Wang Ceramic posts lower profit in Oct-Dec

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Fu-Wang Ceramic Industries Ltd's profit fell about 22 per cent to Tk 95.38 lakh in the second quarter of the current financial year.

The cement manufacturer made a profit of Tk 1.23 crore in the October-December quarter of the previous financial year of 2021-22.

Thus, Fu-Wang Ceramic reported earnings per share of Tk 0.07 for October-December of 2022-23 compared to Tk 0.09 in the identical quarter a year earlier, according to the un-audited financial statements.

Its profit fell to Tk 1.64 crore in the first half of FY23 from Tk 2.32 crore in the same period of FY22, a year-on-year decrease of 29.41 per cent.

So, its EPS was Tk 0.12 in July-December in the ongoing financial year against Tk 0.17 in the July-December of FY22.

The net operating cash flow per share of the company improved to Tk 0.29 in the first half of FY23 from Tk 0.20 in FY22. The net asset value per share rose to Tk 12.35 on December 31 from Tk 11.78 on June 30.

Shares of Fu-Wang Ceramic were unchanged at Tk 17.40 on the Dhaka Stock Exchange yesterday.

Bida identifies 106

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In Bangladesh, factories need to follow national building codes and ensure fire safety measures and environmental standards. But Chowdhury said the 106 factories could not fulfil the requirement, which poses a threat.

The vulnerable factories are located in Keraniganj of Dhaka and Narayanganj and represent the chemical, plastic and knitwear sectors.

It was found that plastic and chemical industries in Keraniganj don't have minimum fire safety and environmental protection measures which is a health hazard, and accidents may occur any time, Chowdhury warned.

The central coordinator of the inspection teams said a number of knitwear factories, mainly small units, in Narayanganj don't maintain minimum safety standards.

Razekuzzaman Ratan, president of the Socialist Workers' Front, welcomed the Bida's initiative since it has started inspecting factories proactively and

identified the risky ones.

"The factories should implement the corrective measures as soon as possible. Otherwise, the national initiative will go in vain."

He stressed strong monitoring to see whether the vulnerable factories are taking corrective measures within the stipulated time.

Khondaker Golam Moazzem, research director of the Centre for Policy Dialogue, also termed the initiative of the Bida praiseworthy.

He, however, does not think that shutting down factories with dangerous working conditions should be a solution.

"Rather, the authorities would have to extend cooperation to them so that they correct themselves and improve the working environment."

The economist urged the Bida to make the inspection report public on its website since it is related to public safety and stressed regular monitoring led by the Bida in association with other agencies such as the DIFE.

Foodpanda lays off employees

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make the difficult decision to downsize some of our teams," Foodpanda said.

"We are doing all we can to support the impacted employees during this transition," it said, referring to its employee assistance programmes and insurance and other benefits.

A former employee who was terminated earlier this week said he was given full benefits as a part of the severance package.

"Still, I am dejected as I worked hard to help this company grow," he added.

Foodpanda, a subsidiary of the Berlin-based Delivery Hero operating in 14 countries, is also cutting jobs in some other markets.

It appears that many of the affected staff were based in Malaysia, as per a number of LinkedIn posts. However, Foodpanda has laid off staff across the Southeast Asian markets it operates in, reports Tech in Asia, a

technology news provider.

Foodpanda's business in Bangladesh had boomed since the beginning of the coronavirus pandemic as people were forced to move online to make purchases.

As Uber Technologies closed the operations of its food delivery platform, Uber Eats, in June 2020, Foodpanda got another shot in the arm.

It went through a massive expansion by receiving abundant cash from Delivery Hero and started food delivery in all 64 districts of the country by the second week of December 2020.

It also launched a grocery shopping platform called Pandamart at the end of 2020.

Riding on its mega discount offers, its per-day delivery numbers surpassed 1 lakh on a number of occasions in the first half of 2022.

Foodpanda's dominance grew so much that Shohoz was also compelled

to close its food delivery service after failing to compete, according to industry people.

But Foodpanda's supremacy came at a cost: in order to ascend to the top, the company had to subsidise its operations with a huge amount of money.

According to Delivery Hero's financial reports, its operations in Bangladesh incurred losses of 17.1 million euros in 2020 and 23.22 million euros in 2021.

But in late 2022, the parent company compounded its pressure on the top local officials to attain profitability, according to insiders.

Amid pressure, Foodpanda has imposed a "platform fee" of Tk 3 since August, payable on every order by the customer.

But as the economic downturn intensified, orders outside Dhaka fell sharply while orders inside Dhaka also saw a significant decrease.

HungryNaki, Alibaba's food

delivery affiliate in Bangladesh, also scaled down operations and laid off a majority of its employees in the second half of last year.

As Foodpanda cut the subsidy, the order number dropped. It shrank its operations outside the capital. Despite the job cuts and cut in expenses, profitability has remained elusive for the company, according to an industry expert.

"In recent months, we have seen a challenging time for a lot of quick commerce platforms," said AKM Fahim Mashroor, chief executive officer of bdjobs.com.

"In other countries like India and Pakistan and a few other Southeast Asian countries, a number of food delivery and instant grocery platforms have been shut down or they cut back their operations."

"Companies need to be efficient to sustain during this difficult time. Only discounts can't make a business feasible in the long run."

NBR's back against the wall

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imports and reduced profits of firms, limiting the government's scope to spend on development activities.

The NBR clocked 11 per cent year-on-year growth in tax receipts, which amounted to Tk 145,431 crore in the July-December period of 2022-23.

Alamgir Kabir, president of the BCMA, said businesses were facing a crisis because of a sharp depreciation of the taka against the US dollar, the dollar shortage, the reluctance of banks to open letters of credit aimed at importing raw materials, and the abnormal increase in the prices of fuel, gas and electricity.

So, the association demanded the reduction of the advance income tax to 0.50 per cent at the import and sales stage from the 2 per cent currently.

It also called for the withdrawal of a 30 per cent supplementary duty on limestone and requested the NBR

to cut the customs duty on clinker to Tk 200 per tonne from Tk 500 presently.

The Bangladesh Steel Mill Owners Association proposed bringing down the tax deducted at source on the sale of rods to 1 per cent from 2 per cent.

At present, the steel sector pays an advance income tax of Tk 500 per tonne. The association has recommended reducing it to Tk 100.

The Bangladesh Auto Brick Manufacturers Association demanded tax exemption on the purchase of raw materials.

The platform said its members collect soil and coal as raw materials. And those who sell soil are small-scale traders and they don't have a taxpayer identification number.

At present, auto brick manufacturers pay a 0.60 per cent turnover tax on sales. At the same time, tax is deducted at the source during the purchase of raw materials.

Only 3.6% SME stimulus loans provided

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House in Chattogram's Chawkbazar area, told The Daily Star that he had to face huge losses due to the long shutdowns during the Covid-19 pandemic.

"I applied at several banks after the announcement of Bangladesh Bank but they hesitated to give loans. As a result, my business dropped for a lack of new investment," he added.

The same was stated by Md Rahim Khan, proprietor of Khaja Gharib Nawaz Department Store on Chattogram Commerce College Road.

The shop owner said the company faced huge losses during the pandemic period and in spite of applying with various banks for the past one year, he has received no loan from the incentive package so far.

On the other hand, many small and medium enterprises registered with the various BSCICs of Chattogram district said self-employed entrepreneurs and people who have good relations with banks

were getting the low interest loans but the real victims were being harassed.

Nizam Uddin, member secretary of the district CMSME Loan Disbursement Monitoring Committee and deputy general manager of the BSCIC, said the ongoing loan disbursement process was progressing very slow compared to previous periods.

However, the trade bodies are supporting the entrepreneurs so that they can get the loans easily alongside through the monitoring activities of the banks, he said.

"We are already supporting the affected entrepreneurs through regular meetings apart from providing information through letters to the banks for increasing loan disbursements," he added.

"Public and private banks should extend a helping hand to overcome the crisis," Mahbulul Alam, president of the Chattogram Chamber of Commerce and Industry, told The Daily Star.

"A huge number of applications

came from entrepreneurs due to the loan facility under the package having a low interest," Mosroor Hossain, deputy manager of Basic Bank's Dohazari branch in Chattogram, told The Daily Star.

"It is difficult to identify the real victims from these applications," he said.

"Sometimes we found that some businesspeople applied but do not need loans for their business purposes. As a result, loan supply has decreased a little compared to before," he added.

Two of other banks were contacted for comment on the disbursements falling short of the target. None agreed to comment.

However, several bank officials, requesting anonymity, said the loan disbursement was normal in the first two phases.

But now, some banks are apprehensive over securing the repayments on time and as a result, the loans are being provided after a lot of scrutiny, they said.

Small businesses

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But the latest move will allow cottage, micro and small enterprises to take term loans, which must be paid within three years.

The soft loan is being given at a 9 per cent interest rate. Of the interest rate, 4 per cent is being borne by borrowers and the rest by the government.

Commercial banks usually disburse loans to the CMSME sector at a 9 per cent interest rate. This means borrowers will get the loans at a cheaper rate under the refinancing scheme.

A BB official says that a majority of banks and NBFIs in Bangladesh have been facing an acute liquidity crisis for months. As a result, their capacity to give out loans has shrunk.

"So, the refinancing scheme will help banks and NBFIs disburse funds to borrowers smoothly," he said.

The government signed the loan agreement with the AIB in 2021. The lender will disburse the fund at a 2 per cent interest rate. The repayment period is five years.