DHAKA THURSDAY JUNE 15, 2023, ASHAR 1, 1430 BS ● starbusiness@thedailystar.net

Star BUSINESS

BB frames rules for setting up digital banks

SOHEL PARVEZ

The Bangladesh Bank yesterday approved the guideline on digital banks, paving the way for establishing branchless banking operations, a development that is expected to accelerate cashless transactions and digital transformation.

"We are moving towards digital transformation of banking. We will issue the guideline soon for public and call for applications from investors who want to set up digital banks," said Md Abul Bashar, a spokesperson of the central bank.

As per the guideline, investors willing to set up a digital bank will have to have a minimum paid-up capital of Tk 125 crore and the capital will have to come from sponsors.

The minimum paid-up capital that a sponsor will have to contribute has been set at Tk 50 lakh.

The decision comes within two weeks after Finance Minister AHM Mustafa Kamal, in his budget speech, said a central bank committee was working to draw up strategies to broaden financial inclusion.

"The committee's work on formulating the outline for setting up digital banks has now completed. In 2023–24, we hope to be able to launch a digital bank," said Kamal on June 1.

At the same time, the government is developing a machine learning and artificial intelligence-based credit rating system.

"With these, it will be much easier to spot fake and anonymous borrowers. At the same time, it will be considerably simpler for genuine borrowers to obtain loans," said Kamal.

Currently, the central bank is developing a portal to receive applications from interested investors online.

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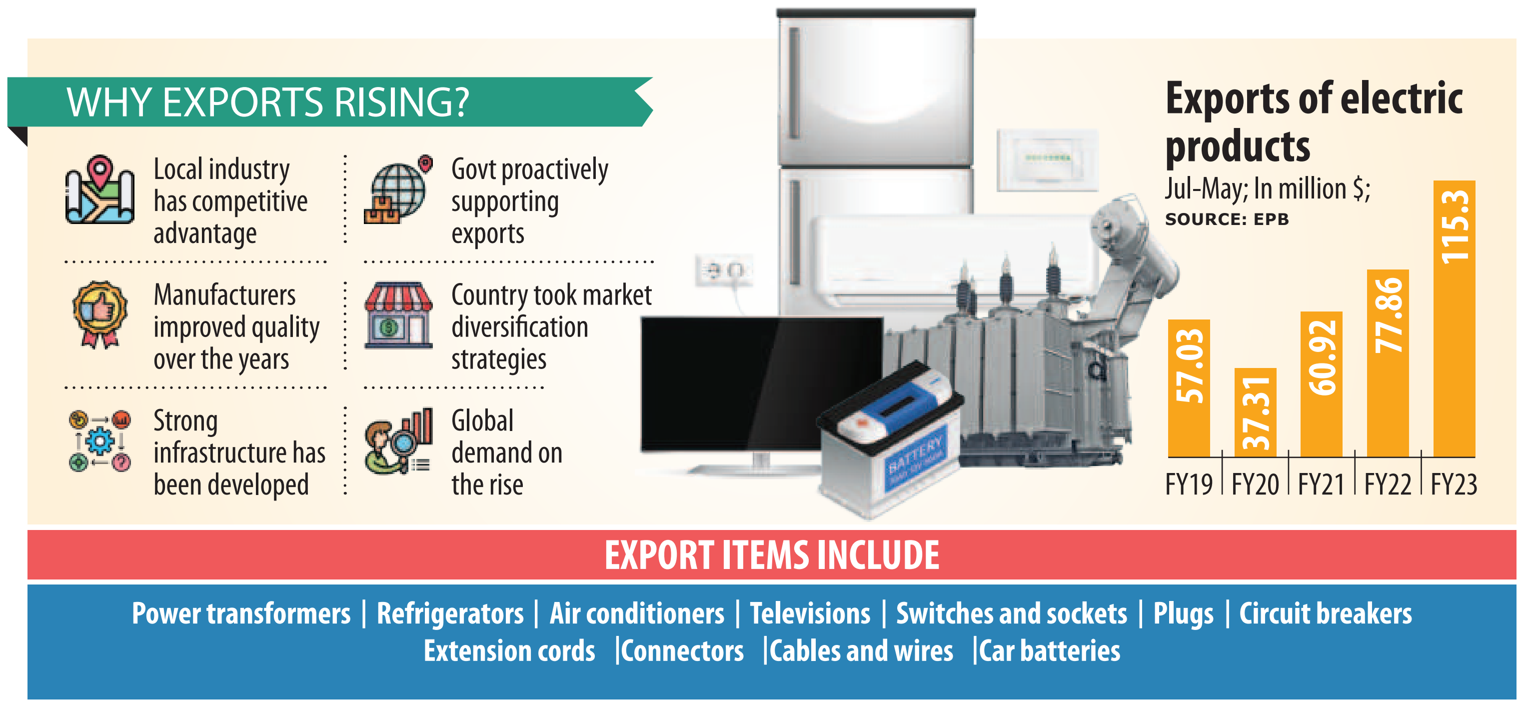

Electrical, electronic goods export surges

JAGARAN CHAKMA

The shipment of electrical and electronics goods from Bangladesh displayed an impressive growth of 48 per cent in July-May of the outgoing financial year on the back of improving product quality and government support, official figures showed.

According to the Export Promotion Bureau, Bangladesh earned $115.30 million by selling electrical and electronics items in the overseas markets in the first 11 months of 2022-23, which was $77.86 million during the identical period a year earlier.

This means the segment has surpassed the $105 million export target set for the entire FY23, which ends on June 30, as well as the actual receipts of $100.10 million recorded in the previous financial year.

The stellar performance comes at a time when Bangladesh's overall export earnings have slowed owing to the global slowdown and higher inflation. The shipment grew 7.11 per cent year-on-year in July-May.

Bangladesh exports electronic home appliances such as refrigerators, air-conditioners and televisions as well as electrical goods like power transformers, fans, cables, switches, sockets, circuit breakers and batteries.

"The rising export of electrical and electronics products gives a signal that Bangladesh is advancing in technologies," said Rabiul Alam, chief executive officer of Energypac Engineering Ltd.

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

According to Alam, the export of electrical products such as transformers is growing significantly thanks to higher quality and competitive prices.

Energypac Engineering is already exporting transformers to Adani Electricity Mumbai.

Alam said Energypac has obtained certification from Italy about the quality of its transformers. "This has opened up the opportunities to tap export potentials in Europe and other countries."

Didarul Alam Khan, chief marketing officer at Walton Hi-Tech Industries PLC, said the company is producing electrical products of international standards.

"Bangladesh is now capable of producing quality consumer electronics goods at competitive prices because the country has skilled workers."

Walton is exporting consumer electronic goods, including refrigerators, air conditioners and televisions, to more than 40 countries, and is working to expand its footprint in Europe and America.

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Advanced income tax should be abolished

Says Mannan

STAR BUSINESS REPORT

The advanced income tax (AIT) should be abolished as the National Board of Revenue's overall capacity to realise taxes has expanded, according to Planning Minister MA Mannan.

The cancellation of AIT is necessary because the overall capacity of the NBR has widened, the number of its workforce has increased, it has deployed equipment, and its use of computers has increased, he said.

"The AIT should not be deducted."

He said the refund does not take place later even if the tax paid in advance exceeds the tax liability, and many companies unsuccessfully try to get the refunds before surrendering it.

"This situation should not have been created at all. I think there is no need to keep it now," he said.

The minister made the remarks at a post-budget discussion, organised by the Institute of Cost and Management Accounts of Bangladesh (ICMAB), in the capital on Tuesday.

The business community has long opposed AIT.

Mannan said the economy is standing on three pillars: remittance, export and agriculture.

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Workers are seen spreading boro paddy for drying, earning them around Tk 1,000 per week. Sun-drying paddy is a traditional method for reducing the moisture content in rice. The picture was taken at Shachibunia village in Batiaghata upazila of Khulna recently. PHOTO: HABIBUR RAHMAN

Foreign investors worried over income tax law provisions

STAR BUSINESS REPORT

Foreign investors in Bangladesh yesterday expressed concern over some provisions of a proposed income tax law alongside measures, including one on increasing the minimum tax on carbonated beverage makers.

The National Board of Revenue (NBR) wants to slap a 5 per cent tax on gross receipts or turnover of carbonated beverage makers from next fiscal year. It is currently 0.6 per cent.

The increase is prohibitive and detrimental to business, said Naser Ezaz Bijoy, president of the Foreign Investors' Chamber of Commerce and Industry (FICCI), at a press conference in Sheraton Dhaka.

"It is not logical to hike the tax rate suddenly," he said at the event organised by the FICCI to share its views on the proposed budget for fiscal year 2023-24 and on an Income Tax Bill-2023 placed in parliament last week.

The apex chamber of more than 200 multinational companies and foreign investors welcomed the bill but added that some provisions would have implications for the businesses and employees in Bangladesh.

Naser Ezaz Bijoy, president of FICCI

The FICCI said the increase in minimum tax would increase the effective tax on companies and possibly have implications on employee earnings.

Besides, as per the bill, individuals could no longer enjoy exemptions on income from Workers Profit Participation Fund, mutual fund and dividend to certain limits.

Under the proposed law, the NBR wants to tax provident funds. This will substantially reduce the net income of individuals, the FICCI said.

The new law also seeks to make submission tax returns compulsory by government-recognised private funds such as provident funds and gratuity funds.

"Taxing government-recognised private provident funds will reduce earnings of the beneficiaries while exempting government provident funds from taxes is discriminatory," said the FICCI.

The trade body said a provision has been included in the bill to impose tax on interest on foreign loans, which was not desirable at a time when Bangladesh needs foreign currency to tackle the current economic challenges.

"This will lead to a decline in foreign currency inflow. And because of tax on interest, cost of fund will go up and consumers will be affected. This is absolutely detrimental to business and economy," said Naser.

The FICCI opposed the plan to disallow entire expenses of a company if it fails to provide proof of submission of tax return by third party vendors. It should be omitted, it said.

The foreign investors' chamber said it urged for relaxing the rule on limiting cash transactions to Tk 36 lakh for companies to enjoy a reduction in corporate tax.

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Cut customs barriers for more Japanese investment

Says envoy

STAR BUSINESS REPORT

Bangladesh needs to improve on cumbersome government approval procedures, customs clearance delays, restrictions through customs duty and processes for receiving remittance to attract more Japanese investment, said Iwama Kiminori, Japanese ambassador to Bangladesh, yesterday.

"In particular, delays in LC payments are often encountered in Bangladesh, which increases the financial and time burden on companies, and thus require immediate action," he said.

"I hope these remaining problems would be continuously addressed in the course of the next round of meetings so that we can find improvements in the situation in the near future," he said.

Kiminori was addressing a seminar on the national budget for 2023-24 titled "Investment Prospects and Key Proposals Highlights with Business Impacts" at Sheraton Dhaka.

The Japan-Bangladesh Chamber of Commerce and Industry (JBCCI) in collaboration with Japan External Trade Organisation (JETRO) organised the seminar which was attended by diplomats, businesspeople of Bangladesh and Japan, economists, exporters and importers.

Discussions on the overall tax reform, especially reducing reliance on custom duties for generating revenue, is extremely essential not only for the formulation of a sound budget but also for decreasing the burden of the business community, said Kiminori.

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Tax return for credit card to bar financial inclusion

Says Mastercard country manager

STAR BUSINESS REPORT

National BUDGET FY2023-24

Syed Mohammad Kamal

The tax on digital payments tools should be reduced and incentives should be given to encourage electronic payments in a bid to transform the country into a cashless society, said Syed Mohammad Kamal, country manager of Mastercard.

"Urgent action is suggested to introduce fiscal measures that simplify obtaining digital payments tools and incentivise digital payments, aligning with the vision of a Smart Bangladesh," said Kamal while sharing his reactions about the proposed budget for the next fiscal year.

According to the government's vision of "Smart Bangladesh" by 2041, the country would become a technology-driven smart nation, a strategic roadmap building on the existing "Digital Bangladesh" Vision.

With four fundamental pillars -- Smart Citizen, Smart Economy, Smart Society, and Smart Government -- the vision outlines an inclusive society and an aspiration to become a fully cashless economy.

However, amidst discussions of building a Smart Bangladesh and a cashless economy, Kamal said, one critical pillar remains unaddressed in the recent budget: incentivising digital payments.

The digital payments industry, including different top chambers, had long anticipated the

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STOCKS

DSEX ▼	CASPI ▼
0.38%	0.38%
6,274.75	18,548.37

COMMODITIES

Gold ▲	Oil ▲
$1,947	$70.30
(per ounce)	(per barrel)

ASIAN MARKETS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.14%	▲ 1.47%	▲ 0.9%	▼ 0.14%
63,228.51	33,502.42	3,218.14	3,228.99