

Following is a summary of important business news published in the leading daily newspapers of Bangladesh. For the complete news, please follow the online link given below each news. Please note that the news summary doesn't reflect the opinion of BRAC EPL Stock Brokerage Limited.

Tax deducted at source (TDS) a disincentive to exports: Metropolitan Chamber of Commerce and Industry (MCCI)

- The Metropolitan Chamber of Commerce and Industry (MCCI), Dhaka, a leading trade body, has suggested halving the tax deducted at source (TDS) on exports, describing it as a disincentive to export growth and tax compliance. The MCCI has suggested revising downward the TDS on exports to 0.25% from existing 0.50% for all the sectors and also keeping it unchanged for at least three years.
- The trade body said the existing TDS system on export sales is against the principle of income tax. Most of the time the TDS rates are published in the Finance Act and with no prior idea what rate would be applied in the coming years, causing total uncertainty in its future application, and future financial planning for the businesses, said the MCCI president. Export sales of the company in FY 2019-20 decreased by 1.44 million pairs to 3.527 million pairs as against 4.965 million pairs in FY2018-19 due to the negative effect of COVID-19 on its supply chain, production and export orders.
- The tax expenses of the company increased by 111% although its exports declined by 29.0% in the fiscal year 2019-20 compared to that of the previous FY. The TDS rate on export sales was 0.25% in FY19 but was suddenly increased to 1.0%, a 400% rise, in the budget for FY20, it said. The increased rate remained applicable until October 21, 2019 which is the peak period for export of leather and footwear items.

<https://today.thefinancialexpress.com.bd/first-page/tds-a-disincentive-to-exports-mcci-1606585456>
<https://www.newagebd.net/article/122859/businesses-demand-reduction-in-export-tax-to-025pc>

Taxpayers may get one month more for returns submission

- Holders of a tax identification number (TIN) may get an extra month to file their income tax returns, due to the novel coronavirus pandemic. The National Board of Revenue (NBR) is awaiting the issuance of a special notification after having completed the legal preparations for this purpose. However, the revenue authority may declare it, instead of time extension, as a scope for waiver of possible interest and fines on taxpayers. They may issue a directive in this regard on the upcoming 30 November or 1 December, multiple NBR sources confirmed.
- According to the Income Tax Ordinance, tax officials will impose a penalty of 50.0% and late interest of 2.0% per month on the taxable money if taxpayers fail to file returns within the stipulated schedule. Many taxpayers have not been able to complete their necessary banking work related to taxpaying as many were in quarantine due to the novel coronavirus. Many were not even able to collect all the necessary documents. Against this backdrop, professionals of various categories, including businessmen and income tax lawyers, wrote to the NBR demanding an extension in time for filing returns.

<https://tbsnews.net/economy/taxpayers-may-get-1-month-more-returns-submission-164461>

High remittance growth raising government's incentives expenses

- The government's incentives expenditures are rising due to the high growth of remittance inflow. The Ministry of Finance has approved the disbursement of BDT 13.2 billion for incentives for the second quarter (October-December) of the current financial year – which is BDT 5.6 billion more than the amount in the first quarter. The government is currently giving incentives at a 2.0% rate against remittances coming in through legal channels. In the budget for the current financial year, BDT 30.6 billion was allocated for this sector, with BDT 7.7 billion for each quarter.
- In the first four months of the current fiscal year, USD 8.83 billion came in through legal channels, which was 43.0% more than the amount during the same period last year. Compared to the previous financial year, remittances increased by 62.0% in July this year, 36.0% in August, 45.0% in September, and 28.0% in October. In the first 12 days of November, remittances reached USD 1.0 billion. Never before has so much remittance come in during such a short time span. This trend of high growth in remittance inflow is expected to continue for a while.

<https://tbsnews.net/economy/high-remittance-growth-raising-govts-incentives-expenses-164452>

Government likely to ease rules on duty-free fabric use to export high-end apparels

- The government may ease the rules on the use of fabric imported duty-free to help local manufacturers shift to high-end apparels and boost export earnings as firms generate more waste while producing fancy items for international markets. It came after garment manufacturers and exporters last week demanded the bond commissioner in Dhaka to increase the ratio of waste in garment manufacturing as the local apparel exporters are shifting to high-end items that

need more waste of yarn and fabrics.

- In 1998, the commerce ministry set the waste ratio for garments between 7.0 to 9.0%. Even at that time, local manufacturers and exporters had said that the limit was far too little considering the amount of material used for a finished product. Since more fabric inevitably gets wasted in the making of high-end garment items, both manufacturers and exporters have urged the government to increase the limit to up to 30.0% or more.
- About 40.0% of all garment items shipped from Bangladesh are high-end products. The local garment industry is gradually shifting away from basic and semi-high-end products, and at this time, manufacturers find it difficult to maintain the existing limit on waste. This is because high-end products are subject to three important facets of the manufacturing process: sampling, development and approval from buyers, they added. When it comes to high-end garment making, the volume of fabric used is less, but the value is high. As a result, these products require more fabric compared to basic garment items since apparel makers need to provide small details in their samples.

<https://www.thedailystar.net/business/news/govt-likely-ease-rules-duty-free-fabric-use-export-high-end-apparels-2002869>

Arcadia's Bangladeshi suppliers are bundles of nerves as the British high-street giant edges towards collapse

- British billionaire Philip Green's high-street retail empire Arcadia is preparing to enter administration, putting hundreds of shops and more than 13,000 jobs at risk in what would be the biggest retail collapse of the pandemic so far. While Arcadia said it is working on contingency options so that it could avert the collapse, it is not of much solace for its Bangladeshi suppliers, who have not received payments, which are in tens of millions, for months.
- According to a June estimation of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), the sector's apex trade body, six Arcadia brands including Burton, Dorothy Perkins, Topman, Topshop and Miss Selfridge cancelled or held work orders amounting to USD 26.4 million. Arcadia restored the work orders and took the products it had cancelled when the pandemic began. But it is making an unusual delay in clearing the payment, said a supplier

<https://www.dhakatribune.com/business/economy/2020/11/29/arcadia-s-bangladeshi-suppliers-are-bundle-of-nerves-as-it-giant-edges-towards-collapse>

Ratanpur Steel Re-Rolling Mills (RSRM) and IFIC Bank have failed to get nod on rights from Bangladesh Securities and Exchange Commission (BSEC)

- The securities regulator has rejected the proposal of rights issue of Ratanpur Steel Re-Rolling Mills (RSRM) as the company failed to submit revised proposal with updates on accounts. In last week, the BSEC also turned down another proposal of rights issue of IFIC Bank as the company failed to get under writer. According to BSEC officials, Ratanpur Steel Re-Rolling Mills was supposed to submit the update on accounts by October 31 last to the commission.
- Ratanpur Steel Re-Rolling Mills was supposed to submit the update on accounts by October 31 last to the commission. But the company was not able to submit revised proposal and supporting documents in favour of its proposal of rights, according to BSEC officials. Ratanpur Steel Re-Rolling Mills, presently an 'A' category company, was listed on the stock exchanges in 2014.

<https://today.thefinancialexpress.com.bd/stock-corporate/rsrm-fails-to-get-nod-on-rights-from-bsec-1606576942>

Golden Harvest and Square Pharma's turn to face Bangladesh Securities and Exchange Commission (BSEC)'s music

- Golden Harvest Agro Industries, the pioneer in Bangladesh's frozen food business, has run afoul of the securities regulator for lending to its sister companies free of interest over a five-year period while bearing the BDT 3.79 billion of interest on the sum itself. Between 2016 and 2020, the company had lent BDT 28.09, BDT 893.1 million, BDT 751.7 million and BDT 431.8 million to its associated companies at free of interest or at lower interests of 6 to 10%, said the letter from the Bangladesh Securities and Exchange Commission dated November 18.
- Square Pharmaceuticals, the country's leading drug maker, also got the rap from the BSEC for providing about BDT 3.06 billion as loan and guarantee of another BDT 14.56 billion to its associated/concerned companies by charging interest at 9% or less in the last five years, breaching securities rules. Subsequently, the BSEC sought an explanation from the two companies for their transgressing actions that violated its notification on September 10, 2006. The notification barred any listed company from providing loans to its associate companies, which are usually owned by its sponsor-directors.

<https://www.dhakatribune.com/business/stock/2020/11/29/now-it-is-golden-harvest-and-square-pharma-s-turn-to-face-bsec-s-music>

Half the IPOs failed their shareholders

- Bangladesh's capital market has come through a very controversial phase over the last decade in terms of quality of the initial public offerings (IPO), as majority observers believe a large number of companies took advantage of their investors by presenting inflated financial figures. An August 2020 study by a local equity research team reveals that of the 91 company IPOs subscribed between 2011 and early 2020, only 44 generated returns that surpass the popular fixed income alternatives like National Savings Scheme – "Shanchayparta", while 20 yielded losses for primary shareholders and the remaining 27 merely saved the back with a meagre positive annualised average return at single digit.

- Irrespective of company fundamentals, each had enjoyed an overwhelming response from IPO investors as primary shares are popularly perceived as risk-free investments due to market hype for most of the new shares. However, it takes a few years to see the actual face of the company in terms of sustainability in business growth, dividends, and capital gains. Till August 16 this year, even primary investors lost money in 20 companies (check the link given below for the list) that came in the market in the last decade—mostly from textile, hospitality, steel, power generation, paper production, and automobile sectors.

<https://www.dhakatribune.com/business/stock/2020/11/29/now-it-is-golden-harvest-and-square-pharma-s-turn-to-face-bsec-s-music>

World Stock and Commodities*

Index Name	Close Value	Value Change YTD	% Change YTD
Crude Oil (WTI)*	USD 45.53	(USD 16.10)	-26.12%
Crude Oil (Brent)*	USD 48.18	(USD 20.26)	-29.60%
Gold Spot*	USD 1,787.79	USD 266.32	17.50%
DSEX	4,869.09	416.16	9.35%
S&P 500	3,638.35	407.57	12.62%
FTSE 100	6,367.58	(1,219.47)	-16.07%
BSE SENSEX	44,149.72	2,507.58	6.02%
KSE-100	40,807.09	72.01	0.18%
CSEALL	6,180.86	51.65	0.84%

Exchange Rates

USD 1 = BDT 84.85*

GBP 1 = BDT 112.98*

EUR 1 = BDT 101.52*

INR 1 = BDT 1.15*

*Currencies are taken from XE Currency Converter and Commodities are taken from Bloomberg.

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