



AMERICAN CHAMBER OF COMMERCE IN BANGLADESH

The American Chamber of Commerce in Bangladesh (AmCham)

Stance on proposed Budget FY 2020-21

Uncertainty in view of Covid-19 and consequent repercussions creating added pressure for Bangladesh economy. In the proposed national budget for the next fiscal year (FY), 2020-2021, the government has taken certain measures in support of investment or for protecting critical domestic industries in the crisis.

In addition, health sector, SMEs, government infrastructure developments, air-ocean transport business, hospitality services and the related linkage goods and services will face serious consequences even after the alleviation of corona-crisis and to attract foreign direct investment (FDI). Waterways and railways development will also help the common people to reduce the cost of transportation for both goods and passengers ensuring smooth supply chain.

AmCham emphasizes on key procedural matters to the proposed budget in following notes:

- 1. Automation and introduction of e-payment and e-TDS system:** The COVID-19 pandemic and the resulting closure or disruption of regular governmental services now require accelerating the utilization of online tools and e-platforms. We recommend introducing the e-payment and e-TDS system as the online submission of tax returns will not work without it.
- 2. VAT payments Lead time:** We request to reduce the number of VAT payments from monthly to quarterly, expediting the VAT refund process under the new VAT law, automating the submission of tax returns and developing risk profile of businesses and making audits more efficient through the developed risk management system.
- 3. Modernization of the Customs Law and disputes:** The Customs Act, 1969 needs to be modernized with the launch of provision for full implementation of Revised Kyoto Convention, introduction of World Customs Organization (WCO) SAFE Framework of Standards. We recommend that importers are allowed to release goods, in case of disputes, through giving bank guarantees for only the disputed amount.
- 4. Facilitating Foreign Direct Investment (FDI):** The ongoing pandemic may bring about relocation commercial and industrial hubs around the world. Bangladesh has ample scope to attract such migration of investments soon. We recommend that single approval process in all ports to allow import of capital machinery and remove time bar for the same.
- 5. Royalty Transfer, Technical know-how fees etc for Economic Zones:** Newly established foreign entities operating in Economic Zones (EZs) are allowed to remit the royalty, technical know-how and technical assistance fees. We recommend increasing the rate for **new projects** from 6% to 8%.
- 6. Reduction of “Corporate” & “Withholding” tax rate:** We request the Government to consider this area in the forthcoming budget and reduce the rate of corporate taxes at least by 5%. We also request to reduce **withholding tax** rates with a lower limit of 5% with a higher range of 10% and where the withholding taxes are higher than the actual legitimate tax liability, NBR should exempt the tax to that extent.
- 7. Tax incentives for all business:** We recommend that NBR should declare waiver of VAT at the domestic stage for the period of March-June, 2020, and payment of corporate taxes for assessment year 2020-21 by instalments till March, 2021.



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8. **Special package for monetary and sector-specific measure during pandemic:** We request deferred payment of loan-installment, deferred payment of fees of public utilities without late charge, an extension of time for payment of the bill of entry of import-related letter of credits for the concerned business houses. We request special package with a revolving loan fund facility at a subsidized interest rate for the affected business houses considering the adverse financial condition faced for foreign investors in Bangladesh.
9. **Tax incentives for capital market:** We recommend reducing the tax on dividend, tax exemption of newly foreign investments at least for 2 (two) years. Further we recommend including tax incentive proposals for stock exchanges, Trading Right Entitlement Certificate (TREC)-holders, general small investors in the upcoming national budget 2020-21.

Syed Ershad Ahmed
President