

A summary sheet for active export oriented industry for obtaining stimulus package

In light of rapid spreading of novel Coronavirus (COVID-19) and unprecedented lockdown across the globe to slow down its spreading leading to economic stagnation across many regions of the world and in recognition of its adverse impact on the export industry, Ministry of Finance of Government of People's Republic of Bangladesh through its memo no. 07.101.020.03.01.001.2020-726 dated 31st March, 2020 have declared a stimulus package for export oriented organizations. The support measure offers loans for payment of allowances of the employees. We summarize below the salient features of this support measure.⁷

Key Facts:

- The size of the stimulus package: BDT 5,000 crore;
- This will be interest free loan to the commercial banks from Bangladesh Bank who will then lend it to the borrowing organizations at one-off 2% service charge payable along with the installments for payment of salaries and allowances of the employees and workers subject to fulfillment of various conditions;

Form of the stimulus package:

- The loan is to be repaid by the borrowing organization over 2 years in 18 equal installments after a 6-month grace period.
- Other than government imposed service charges and a one-off 2% service by the scheduled commercial banks no further service charge should be imposed on such disbursements.
- In case of non-repayment, the borrowing organization will be classified as a loan defaulter and a 2% (simple interest) penalty charge will be imposed on the outstanding balance.

Eligibility:

- The borrowing organization must be an export oriented active organization¹;
- The organizations with at least 80% of its total output exported based on examination of their Letter of Credits by the processing scheduled commercial banks;
- The borrowing organizations have not laid off any employees or workers
- Deemed exporters are not eligible to apply under this scheme. They will have to obtain working capital (out of which they can pay salary and allowances of the workers and employees) loan from BDT 20,000 crore package announced for SME's.

Use of the fund:

- This fund can only be used by the borrower to pay off salaries and allowances of the workers and employees as per labour law.
- The fund cannot be used to pay the salary and allowances of the executives.

How much can be claimed?

- The borrowing organization can claim up to 3 month's salary and allowances of the employees and workers which will be calculated as the lower of the actual claim and average of the salaries and allowances paid off in the previous 3 months (December 2019, January 2020 and February 2020).

Which employees can be claimed for?

- The employees/workers with bank accounts (including mobile financial system (MFS) account) with National Identification Number (NID) or birth certificates (under special consideration)².

Where to apply?

- The borrowing organization should apply through the commercial bank^{3,4} which they normally use to pay the salaries and allowances of its workers and employees. However, if the borrowing organization use multiple commercial banks to pay the salary and allowances, it can either apply through all such commercial banks or apply for a syndicated loan through all such commercial banks.
- The borrowing organization must separately state the income tax deducted at source for each employee and contribution to provident fund in its application.

How the loan disbursements will take place?

- The scheduled commercial banks will on the last working day of each of the 3 months will create a loans and advances against the borrower and transfer the appropriate salary and allowances directly to the MFS/bank account of the employees and the workers after deduction of tax at source and contribution to provident fund.

- The scheduled commercial bank to deposit the deducted tax at source to government treasury and provide the borrower with the challan/certificate of such deduction. In case of contribution to provident fund the bank will transfer the amount with the respective provident fund account of the borrower.
- At the end of the 3 months, the 6-month grace period will begin and 18 equal installment repayment should start from the end of the said 6 months i.e, 01st January, 2021.
- No cash transaction must take place.
- MFS companies will charge 0.8% fees for processing the payment of which 0.4% will be paid by the borrower company and the bank will bear 0.4% out of 2% service charge earned by the bank.

What data do you need?

- A loan application
- Bank account number and/or MFS for each worker or employee
- Form D (please see below for a format)
- Declaration form signed and sealed by the Chairman and the managing director of the borrower
- Certificate from respective representative trade organization (e.g., BGMEA)^{4,5}

Notes:

1. An active organization is the one which has paid the salaries and allowances of its employees for the months of December-19, January-20 and February-20;
2. The borrowing organization will need to ensure that its employees and workers have an MFS account. If an employee or worker wants to open a bank account s/he can without depositing minimum amount based on his/her NID;
3. A borrower must be a customer of the scheduled commercial bank and must have at least 3 months' history of export activity with that bank / salary and allowances payment through that bank.
4. The applicant must apply through the Principal Branch/Head office of the scheduled commercial bank
5. The trade organization certificate should certify export orientation of the borrower. An email with soft copy of the Form D will have to be sent to them. (e.g., for BGMEA: incentive@bgmea.com.bd)
6. All related documents to be kept at the scheduled commercial bank principal branch for at least 3 years for audit and examination.
7. This summary sheet is only for general information purpose only and is not a substitute for a professional opinion. For comprehensive guideline please refer to relevant Bangladesh bank circulars.

Last updated-18th May 2020

Form-D

Name of the Company:

Address:

Employee's Salary Statement

(Figure in

Taka)

S L	Name of the Employees (শমিক- কর্মচারী)	NID / Birth Registration Number	Mobile Number	Joining Date	Information regarding last three months' Salary (in Taka)				Salary payable				Proposed Loan	Bank/ MFS Account number	Name of the Banks/ MFSs
					Dec/ 2019	Jan/ 2020	Feb/ 2020	Avg. of last three months salary	Monthly Salary	Income Tax	Subscrip tion of PF	Paid as Salary (after deducting Income tax & PF Subscription) to the Employees (শমিক-কর্মচারী) Account			
1	2	3	4	5	6	7	8	$9=(6+7+8)/3$	10	11	12	$13=(10-11-12)$	$14=(10 \times 3)$	15	16

Signed and verified by Representative Association

Date:

Signed by at least two persons including Chairman/Managing
Director of the Company

Date: