

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.

The parliament passes Finance Bill

- The parliament today passed the Finance Bill 2020 incorporating some minor changes paving the way for making the proposed budget for the next fiscal year (FY21) an inclusive one and welfare-oriented. The Finance Bill 2020 incorporated some minor changes that include minimizing the lock-in period for investing black money in the capital market to invite this untaxed money in the market for boosting it further.
- Finance Minister AHM Mustafa Kamal in the proposed budget for FY21 earlier had proposed for three years lock-in tenure for investing black money in the capital market. But it has been reduced to one year while passing the Finance Bill. The Finance Bill also waived 15% supplementary duty on BRTA fees and charges imposed on the three wheelers. The imposed tax on zero coupon bond has been taken back to its previous position, which is zero.
- The Finance Bill also made it mandatory of depositing 20.0% of a disputed VAT amount which was imposed by any VAT official while filing any appeal. But no deposit is required for going to Customs, Excise and VAT Appellate Tribunal. Previously it was 10% for filing appeal while another 10% for going to Tribunal. The Minister said that in this budget, the government has given highest importance on the health sector and allotted BDT 292.4 billion. Besides, to face the Covid-19 pandemic, additional BDT 100.0 billion has been proposed.

<https://tbsnews.net/economy/budget/js-passes-finance-bill-99733>

<https://www.thedailystar.net/business/news/mobile-users-fmccg-companies-miffed-finance-bill-2020-stays-mostly-unchanged-1922797>

Remittance crosses USD 18.0 billion two days before FY20 ends

- For the first time, remittance inflow to the country has crossed USD 18.0 billion in a fiscal year despite a recent fall owing to the Covid-19 pandemic. According to data provided by the Bangladesh Bank, from July 1 last year to June 28 this year, expatriate Bangladeshis sent home USD 18.02 billion (9.80% growth from that of the same period of the previous year).
- The government allocated BDT 30.6 billion remittance incentive for the current fiscal year. In FY2018-19, the country received USD 16.4 billion in remittance. The figure was USD 14.98 billion in the previous fiscal. According to the budget proposal for the forthcoming FY2020-21, the government is sticking to 2.0% incentive on inward remittance. Currently, there are over 10.2 million Bangladeshis working in 174 countries across the world.
- The Bangladesh Bank's data show remittances worth USD 16.4 billion arrived in the country in the July-May period of this fiscal year. The figure is 8.7% higher than that of the same period of the previous fiscal. In the first 28 days of this month, the country received USD 1.66 billion in remittance, a senior official of the Bangladesh Bank told The Business Standard. Meanwhile, Bangladesh's forex reserve stood at USD 35.0 billion on Wednesday (June 23) thanks to the growing remittance and the foreign aid inflow. On Monday, the reserve increased to USD 35.8 billion for adding remittance.

<https://tbsnews.net/bangladesh/remittance-crosses-18b-two-days-fy20-ends-99757>

Mobile banking transactions drop by 27.0% in April

- Transactions through mobile financial services (MFS) dropped by 27.0%, or BDT 107.6 billion, in April mainly due to the countrywide shutdown and subsequent stagnation of economic activities. According to the latest Bangladesh Bank data, MFS transactions fell to BDT 290.3 billion in April, from BDT 397.9 billion in the previous month. As a result, daily average transactions through the payment gateway dropped to BDT 9.7 billion in April this year, from BDT 12.8 billion in March.
- Apart from the transaction value, the number of daily average transactions also declined by 7.8% in April. In that month, the number of transactions decreased to 217.6 million from 235.8 million in the previous month. However, the number of registered MFS clients increased by 3.1% to 85.1 million in April, from 82.6 million in the previous month. The number of active MFS subscribers also increased by 4.9% to 28.1 million from 26.8 million. Due to the outbreak of coronavirus and limited movement, remittance inflow through MFS increased significantly to BDT 1.1 billion from BDT 316.3 million in the previous month.

<https://tbsnews.net/bangladesh/telecom/mobile-banking-transactions-drop-27-april-99727>

<https://www.newagebd.net/article/109804/mfs-transactions-dip-27pc-in-april-on-pandemic>

Businesses' major tax demands unmet

■ Parliament passed the Finance Bill 2020 on Monday without considering most of the major proposals from the businesses. There were only a few tweaks to the original bill. One of the concerns of the businesses, empowering lower rank tax officials for enquiry and enforcement, stays, which they think will create inconvenience for them.

■ They said withholding VAT will deprive firms of the benefit of the corporate tax cut as the effective tax rate will be higher. Businesses had also demanded that the restriction on the allowable promotional expenses to 0.5% of turnover be withdrawn as it is not possible for all types of companies such as fast-moving consumer goods, telecom and pharmaceuticals, to run their businesses with this cap. This proposal from the businesses was not considered in the finance bill.

■ The businesses had also opposed the provision of 20% advanced deposit required for appealing against tax claims before VAT commissioners and appellate tribunals. They had a proposal to amend it to 10%. But this provision was not amended as expected by the businesses.

<https://tbsnews.net/economy/budget/businesses-major-tax-demands-unmet-99754>

Normalcy will return in export once Covid-19 vaccine comes: Prime Minister

■ Prime Minister Sheikh Hasina has said that Bangladesh's export sector will return to its normal state if a coronavirus vaccine comes here between October and November. She said that the vaccine is expected to come to the market in October- November next. "If so, the lifestyle of people will soon get back to normal in Europe and America, and Bangladesh's export earnings will return to the previous level."

■ As the Covid-19 outbreak has disrupted the global supply chain severely, Bangladesh's single-month shipments in May this year declined by about 62% to USD 1.4 billion. The country fetched USD 3.81 billion with a 14.78% growth in May 2019, which was the highest single-month receipt in history, riding on the higher shipment of apparels. Export earnings during July-May of the current fiscal year declined by 18% to USD 30.95 billion, which was USD 37.75 billion a year ago, according to updated data from the state-run Export Promotion Bureau (EPB).

■ The prime minister mentioned that four assumptions had been taken into account while fixing the 8.2% GDP growth target in the budget, placed amid the Covid-19 pandemic.

<https://tbsnews.net/bangladesh/normalcy-may-return-export-sector-after-arrival-covid-19-vaccine-pm-99433>

Only two banks apply for loan in two months of launch

■ The Bangladesh Bank has received only two applications for the low-cost refinance loan in two months of the formation of BDT 250.0 billion funds to support implementation of the stimulus packages announced by the government. The applying banks are City Bank and IFIC Bank. City Bank submitted application for refinance loans worth around BDT 135.0 million against its disbursement of BDT 270.0 million in stimulus loans to the cottage, micro, small and medium entrepreneurs. IFIC Bank has submitted the application for BDT 20.0 million in refinance loans against the disbursement of stimulus loans by the bank, an official of the central bank said.

■ In April this year, the central bank formed two revolving refinance funds worth BDT 250.0 billion to support the stimulus package implementation. The BB formed BDT 150.0 billion in revolving refinance fund to support the banks with liquidity to implement the BDT 300.0 billion stimulus package meant for the coronavirus outbreak-affected entities in the industry and service sectors. Another BDT 100.0 billion in revolving refinance fund was formed for the implementation of the BDT 200.0 billion stimulus package announced by the government for the micro, small and medium enterprises, including cottage industries. The banks will have to pay 4% interest for the refinance loans.

■ As of June 25, the BB has approved around BDT 30.0 billion in loan proposals of 140 entities, which were placed by different banks for the industries and service sectors affected by the coronavirus pandemic. Of the sanctioned amount, City Bank received approval on around BDT 3.0 billion against its proposal for BDT 10.2 million, while Eastern Bank received approval on BDT 4.3 million against its proposal for BDT 9.8 million.

<https://www.newagebd.net/article/109793/only-two-banks-apply-for-loan-in-two-months-of-launch>

Banks ready to invest BDT 16.5 billion in stocks once floor price is lifted

■ Fourteen banks have together formed a BDT 16.5 billion fund to invest in the stock market, but they are now waiting for the lifting of the floor price that the market watchdog set for all stocks earlier. Bangladesh Securities and Exchange Commission set the floor price for all stocks based on the average price of the past five days on March 19, in order to stop the market slump amid the coronavirus pandemic. But the DSEX, the benchmark index of Dhaka Stock Exchange, plummeted 4.46% to hit a seven-year low of 3,603 points on March 18, just a day before the floor price

was set.

- The 14 banks which have formed the special investment fund have taken approval from their boards and informed Bangladesh Bank but are yet to invest, confirmed a top official of the central bank preferring anonymity. The banks are Sonali, Janata, Agrani, Rupali, NCC, Shahjalal, One, United Commercial, Mercantile, Pubali, City, Exim and two other scheduled banks. As Bangladesh Bank gave them incentives on investing in the bearish stock market, they are coming forward, the BB official said.
- On February 10, the banking watchdog announced a package for banks, allowing each to set up funds worth BDT 2.0 billion by taking the funds from the central bank through repo. Repo refers to a system of repurchasing treasury bills from banks to lend money. The banks will have to pay 5% interest for the fund and the credit tenure will be until February 2025. The funds of BDT 2.0 billion would not be accounted in the market exposure, meaning the limit on banks' investment in the market, according to the Bangladesh Bank direction.

<https://www.thedailystar.net/business/news/banks-ready-invest-BDT-1650cr-stocks-once-floor-price-lifted-1922757>

Rules for investing black money in stocks relaxed

- The government has relaxed the rules for investing untaxed money in the stock markets. The lock-in period for such investment has been revised to one year from three years. Following the approval of Finance Bill 2020 in the parliament on Monday, the development came.
- In the proposed budget, the government had declared to allow the investment of untaxed or black money in the capital market with the conditions of a 10% tax and three-year lock-in period. However, it seemed unattractive as the government also allowed whitening of individual taxpayers' undisclosed cash, bank deposit, saving schemes at the same tax rate alongside whitening of real estate assets with a particular tax schedule. Most importantly no other asset classes other than the capital market instruments include a minimum period of mandatory holding.
- The capital market groups including the associations of brokers and investment bankers demanded it to be unconditional for the capital market as the budget proposal had been announced in the second week of June. They also requested the government to cut the whitening tax for capital market investments to 5-7% so that the depressed market can attract taxpayers. The Bangladesh Securities and Exchange Commission (BSEC) also requested the government to impose no lock-in period on black money if invested in the capital market. However, the government responded to the requests with only reducing the lock-in period by two years. And it kept the tax rate of 10% unchanged.
- In the proposed budget, the government outlined the way to lower the irrational income tax burden on brokerage fee from transactions of bonds and other exchange tradable securities – except for stocks and mutual funds. Market groups also requested to cut the advance tax on brokerage commission for all securities alongside increasing the tax-free limit of individuals' annual dividend income and lowering corporate tax for merchant banks. However, the government ignored the requests.

<https://tbsnews.net/economy/stock/rules-investing-black-money-stocks-relaxed-99736>

Fiscal incentive in zero coupon bonds restored

- Fiscal incentive for the investors of zero-coupon bonds has been restored, according to the amended Finance Bill 2020. The bill turned into the Finance Act on Monday, with adoption of the amendments after the announcement of the proposed budget earlier this month.
- The Bangladesh Securities and Exchange Commission (BSEC) in its budget proposal had requested the government for some fiscal incentives that would inspire issuance of and investments in bonds so that the capital market can popularise the debt securities and reduce the burden on the banking system. Income or discounts from zero coupon bonds have been subject to no income tax for all investors other than banks, insurance and financial institutions.
- Finally, the government only restored the existing incentive and did not extend it for other types of bonds. Zero coupon bonds are a type of bonds where investors buy the bond at a discount and receive the face value after maturity, where coupon bearing bonds pay a periodical interest after investors buy the bonds at face value initially.

<https://tbsnews.net/economy/fiscal-incentive-zero-coupon-bonds-restored-99739>

World Stock and Commodities*

| Index Name | Close Value | Value Change YTD | % Change YTD |
|--------------------|--------------|------------------|--------------|
| Crude Oil (WTI)* | USD 39.47 | (USD 22.16) | -35.96% |
| Crude Oil (Brent)* | USD 41.48 | (USD 26.96) | -39.39% |
| Gold Spot* | USD 1,771.91 | USD 250.44 | 16.46% |
| DSEX | 3,981.64 | -471.29 | -10.58% |
| S&P 500 | 3,053.24 | -177.54 | -5.50% |
| FTSE 100 | 6,226.40 | -1360.65 | -17.93% |
| BSE SENSEX | 35,171.27 | -6470.87 | -15.54% |
| KSE-100 | 33,939.49 | -6795.59 | -16.68% |
| CSEALL | 5,163.35 | -965.86 | -15.76% |

Exchange Rates

USD 1 = BDT 85.18*

GBP 1 = BDT 104.77*

EUR 1 = BDT 95.75*

INR 1 = BDT 1.13*

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

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