

*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.*

### **Budgetary measures for stock market**

- The market operators and experts have expressed their mixed reaction over the measures announced for the country's capital market in the proposed budget for the fiscal year (FY) 2019-20. Hailing the proposed budgetary measures, some of them have said investors will enjoy the benefits of incentives while others said good companies may face difficulties over the proposed tax on reserve and retained earnings. The finance minister has proposed, among others, imposition of 15 per cent additional tax on so much of retained earnings and reserves as it exceeds 50 per cent of the paid up capital of the company.
- One of the former chairman of the securities regulator said the increased limit of tax-free dividend income is a positive sign for the capital market. Most of the companies go for expansion through issuance of stock dividend. That's why the companies may face problems in case of expansion due if 15 per cent tax is imposed on the stock dividend said also an advisor to the last caretaker government. He said the proposal of imposing 15 per cent tax on retained earnings and reserves may be a reason of difficulty for good companies as they retain profits for future investments.
- Particularly, he is not optimistic about the outcomes of the proposed measures, he added. The finance minister's budget speech mentioned that investors expect cash dividends from their investment in the shares of a company. "From that point of view, cash dividend plays an important role in increasing the value of the share and also strengthening the share market," according to budget speech. But the companies are generally distributing stock dividend instead of cash dividend. As a result, investors are deprived of their well-deserved return. In order to encourage the distribution of cash dividend, he propose imposition of 15 per cent tax on stock dividend distributed to the shareholders by any listed company, according budget speech.
- In his reaction, the former president of the Dhaka Stock Exchange (DSE) said it's a good sign for the country's economy as the government has realised the importance of the capital market. In the proposed budget, the tax free dividend income for individuals has been increased up to Tk 50,000 from the existing Tk 25,000. To encourage the recommendation of cash dividend, the finance minister has also proposed a 15 per cent tax on stock dividend distributed to shareholders by any listed company amid the ongoing practice of recommending stock dividends frequently.

<http://today.thefinancialexpress.com.bd/stock-corporate/budgetary-measures-for-stock-market-1560613490>

### **Higher bank borrowing to hit private investment: Federation of Bangladesh Chambers of Commerce and Industry (FBCCI)**

- The government's higher bank borrowing to finance budget deficit may impact private sector's access to funds, the country's top trade body said Saturday. The government plans to borrow Tk 473.64 billion (net) from the banking system in the next fiscal year, according to budget document. The chamber said the alternative sources of fund as mentioned in the budget document are a welcome step, which can address fund crisis. The FBCCI also urged the government to take funds from other sources instead of banking sources as it hurts private sector investment.
- The chamber called the proposed national budget for fiscal year 2019-20 "business-friendly" as it believes the government has addressed some issues that affect business people. FBCCI president said single-digit interest rate is conducive for the investment. This will lower the cost of borrowing by entrepreneurs. He welcomed legalising undisclosed money. He said the proposed budget is time-befitting as it has given special emphasis on social safety net, research and development, innovation and information communication and technology (ICT), infrastructure, socio-economic development, poverty alleviation, human resource development, education and health sectors.

<http://today.thefinancialexpress.com.bd/first-page/higher-bank-borrowing-to-hit-pvt-investment-fbcc-1560616489>

<https://www.dhakatribune.com/business/economy/2019/06/15/fbcc-finds-budget-pro-people-business-friendly>

<https://www.dhakatribune.com/business/banks/2019/06/15/experts-warns-govt-borrowing-from-banks-to-affect-private-sector>

<http://today.thefinancialexpress.com.bd/public/first-page/govts-bank-borrowing-to-strain-liquidity-situation-ficci-1560536049>

### **New budget frustrates RMG accessories makers**

- Garment accessories makers have urged the government to provide them with equal budgetary facilities as proposed for the country's readymade garment (RMG) sector. Bangladesh Garments Accessories and Packaging Manufacturers and Exporters Association (BGAPMEA) in a budget reaction on Saturday expressed frustration as their demands for reducing corporate tax, source tax and providing cash incentive have not been addressed in the proposed budget for

fiscal year 2019-20.

- "There is no reflection of our demands," the BGAPMEA president said in the statement. He added that the trade bodies like BGMEA, BKMEA and FBCCI backed our demands while the authorities concerned assured us of considering the demands. "Though the export-import policy mentioned about providing equal facilities to both direct and deemed exporters, our corporate tax remained same at 35 per cent whereas the rate is 10, 12 and 15 per cent for the direct exporters," he said.
- He requested the government to reduce the corporate tax to 10 to 12 per cent as proposed for the RMG sector, considering their contribution to the export trade. Some 1,700 small and medium accessories and packaging makers are meeting the requirements for 30 to 35 types of such items needed for the RMG exporters while contributing to help save a huge amount of foreign currency, he explained. The proposed budget announced an enhanced 1.0 per cent cash incentive for apparel items produced locally, the BGAPMEA president said.
- The budget will come up with new directives for the National Board of Revenue on how to simplify the revenue-generating process, the ministry said. It will have directives on implementing the new VAT law, which will have more than one VAT rate. Necessary amendments will be brought to customs and income tax laws to make them simplified and business-friendly, the statement said, adding that all import and export consignments will be scanned. There is no announcement of cash incentive in the proposed budget or no assurance for the backward linkage industry of RMG the BGAPMEA president said urging the government to provide equal incentive to the accessories and packaging makers.
- The government has reduced the rate of source tax to 0.25 per cent for the export sectors from the proposed 1.0 per cent in the current fiscal year, following the demands of exporters, he said, adding that the only equal benefit that deemed exporters are also enjoying as given to the direct exporters. The 0.25 per cent source tax will continue until June 30 and 1.0 per cent rate will be applicable from July 01. The BGAPMEA urged the government to continue with the 0.25 per cent source tax for all the exporters.
- The trade body also demanded of the government to provide equal budgetary facilities to the accessories and packaging makers as given to the direct exporters, taking the sub-sector's contribution to the export trade and economy. The BGAPMEA also hailed the government for proposing duty-free import of safety equipments to ensure safe workplaces, increase social safety net, creating employment opportunities and easing the procedures to attract foreign direct investment.

<http://today.thefinancialexpress.com.bd/trade-market/new-budget-frustrates-rmg-accessories-makers-1560614087>

### **TIN must for property transfer valued at Tk 0.1 million or above**

- Buyers and sellers of immovable properties have to mention their tax identification numbers (TINs) while transferring their assets if the deed value is Tk 0.1 million or above, according to the budget document. The Finance Bill-2019 said the provision will be applicable to the transfer of properties in city corporation areas, cantonment board and district municipal towns. Buyers and sellers will have to furnish the TINs in the property transfer certificates on a mandatory basis from the upcoming fiscal year (FY), said the bill.
- The provision will be applicable to both the sellers and buyers of land, building and apartments in the locations mentioned above. The finance bill was presented in parliament Thursday. In the bill, tax at source at the rate of 5.0 per cent has been imposed on rent or use of any vacant land or plant or machinery. The government has also made the production of the 12-digit electronic TIN mandatory for receiving foreign donations by non-government organizations (NGOs) and microcredit organisations.
- Private universities, private hospitals, clinics, diagnostic centres, firms and association of persons will also have to obtain TINs and file withholding tax returns from the upcoming fiscal, the bill said. From the next fiscal, if tax at source is not deducted in case of the applicable sector, taxmen will restrict all the claimed expenditure of the taxpayers and impose tax on it. Advance sales and deposits should be transacted through the banking channel otherwise it would be considered income of the taxpayers. Also, advance house rent over Tk 0.2 million should be transferred through the banking channel, otherwise that amount would be considered taxable income.

<http://today.thefinancialexpress.com.bd/first-page/tin-must-for-property-transfer-valued-at-tk-01m-or-above-1560616732>

**World Stock and Commodities\***

<b>Index Name</b>	<b>Close Value</b>	<b>Value Change</b>	<b>% Change</b>
Crude Oil (WTI)*	\$52.51	+0.23	+0.44%
Crude Oil (Brent)*	\$62.01	+0.70	+1.14%
Gold Spot*	\$1,341.70	-0.61	-0.05%
DSEX	5,474.30	+4.68	+0.09%
Dow Jones Industrial Average	26,089.61	-17.16	-0.07%
FTSE 100	7,345.78	-22.79	-0.31%
Nikkei 225	21,116.89	+84.89	+0.40%

**Exchange Rates**

USD 1 = BDT 84.52\*

GBP 1 = BDT 106.31\*

EUR 1 = BDT 94.96\*

INR 1 = BDT 1.21\*

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

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