

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.

Obsession with taxing the mobile telecom sector

- There is an obsession in Bangladesh with taxing mobile telecom services. The resulting burden on the sector trickles down to the consumer, hampers growth and draws the country further away from the goals of Digital Bangladesh. As per the UN Broadband Commission, entry-level broadband services should be made affordable in developing countries at less than two% of monthly gross national income (GNI) per capita by 2025. It is, therefore, no surprise that LIRNEasia's nationally-representative AfterAccess survey found that only 13% of Bangladeshis (between 15-65 years) had ever used the internet. One-third of these internet users (between 15-65 years) cited cost of data as a barrier to further use.
- The government's recent tax proposal to increase supplementary duty (SD) for mobile services to 10% will mean that the overall tax burden on consumers rises to 16.67% (from 11.35%) for data services and 27.77% (from 21.96%) for voice and other mobile services. The government also proposes to increase taxes on SIMs and imported smartphones. Increasing the charge by 100% to BDT 200 will cripple operators if they continue to pick up the tab. If passed on to consumers, this tax will only serve to further depress mobile service adoption among the poor. Increasing SD on imported smartphones by 15%, as proposed, will bring taxes on imported devices to over 50%.
- The proposal to increase turnover tax from 0.75% to 2% will be the nail in the coffin for mobile service providers who are already reeling under financial pressure. Only Grameenphone has made consistent profits in the past; others are barely breaking even. And state-owned TeleTalk will be the worst victim of this measure. The discrepancy on VAT rebates is another issue that needs to be remedied immediately. Although VAT on data services is proposed to fall to 5% (from 7.5%), mobile operators will have no relief as they must continue to absorb VAT as a cost. Rebates can only be claimed on 15% VAT as per the VAT and Supplementary Duty Act 2012 (repealing VAT Act 1991) to be implemented from July 1, 2019.

<https://www.thedailystar.net/business/global-business/news/obsession-taxing-the-mobile-telecom-sector-1762879>
<https://www.dhakatribune.com/business/2019/06/26/high-taxes-obstacle-to-telecom-sector-s-growth>

Mobile users feeling the budget pinch

- Mobile users have already started to feel the heat of the proposed budget for fiscal 2019-20, which proposed doubling the supplementary duty and higher turnover tax on operators, said experts and related bodies yesterday. The Finance Minister in his maiden budget presentation on June 13 called for hiking the supplementary duty to 10% from 5%, SIM tax from BDT 100 to BDT 200 and turnover tax for mobile operators to 2% from 0.75% at present. After raising the supplementary duty the government will earn BDT 13 billion more, but it will come from the consumers' pocket, said the finance secretary to the Telecom Reporters Network (TRNB).
- The chief executive officer and managing director of Robi said the operator logged in profit in the first quarter of 2019 but the proposed tax measures -- which will be the highest in the world -- means the trend will not continue for the rest of the year. The government had tried to offer new mobile licenses at least three times in the past but found no response though Bangladesh as a market is very lucrative thanks to its huge tech savvy youth population.

<https://www.thedailystar.net/business/telecom/news/mobile-users-feeling-the-budget-pinch-1762885>
<https://www.dhakatribune.com/business/2019/06/26/high-taxes-obstacle-to-telecom-sector-s-growth>

The International Monetary Fund (IMF) airs concern over soaring soured loans

- The International Monetary Fund (IMF) has expressed concern over the rising trend in non-performing loans (NPLs) in the country's banking sector. The Washington-based lender also intended to learn about the banks' plan to downsize their volume of classified loans in the near future.
- The IMF's latest observations came against backdrop of rising trend in the classified loans in the banking sector, despite close monitoring by the central bank. The volume of NPLs climbed by more than 18% to BDT 1,108.73 billion in the first quarter (Q1) of the year from BDT 939.11 billion in the earlier quarter, according to figures available with the central bank. The share of NPLs also rose to 11.87% of the total outstanding loans in the Q1 of 2019 from 10.30% in the previous quarter. Also, the classified loans that cover substandard, doubtful and bad/loss of total outstanding credit stood at BDT 9,337.27 billion as on March 31. It was BDT 9,114.30 billion three months before.
- Meanwhile, the IMF mission has suggested improvement in the country's overall balance of payment (BoP) situation through export diversification. The global lender recommended that the apparel makers take effective measures to produce high-end products gradually from the existing basic items for boosting income. The IMF team also stressed the need for increasing the tax-GDP (gross domestic product) ratio through modernization of the existing tax system,

officials said.

<https://thefinancialexpress.com.bd/economy/imf-airs-concern-over-soaring-soured-loans-1561606585>

Bangladesh Bank opens GTF for all sectors

- Bangladesh Bank on Wednesday opened up its Green Transformation Fund (GTF) for all manufacturing and export oriented entities irrespective of sector. Earlier, the BB only allowed three sectors — textile, leather and jute — to access fund from the GTF to import capital machinery and accessories for implementing specified green or environment-friendly initiatives. However, other conditions to get refinance fund from GTF would remain unchanged, a BB circular issued on the day said.

- In January, 2016, BB introduced a refinance scheme namely GTF amounting to USD 200 million for the export oriented industries of the textile and leather sectors to set up environment friendly infrastructures. In October, 2017, the facility of accessing fund from the GTF was extended to the Jute sector. The refinance fund is being provided for water use efficiency in wet processing, water conservation and management, waste management, resource efficiency and recycling, renewable energy, energy efficiency, heat and temperature management, air ventilation and circulation efficiency and work environment improvement initiatives in the export-oriented textiles and leather industries.

- In 2017, the BB as part of its move to widen the scheme reduced the interest rate of the scheme to six-month USD LIBOR plus 1% instead of six-month USD LIBOR plus 2.25%. The exporters and manufacturers receives loan from the GTF for 5 to 10 years with 1 year grace period. The borrowers were also allowed to repay the interest accrued for the grace period in equal quarterly basis without compounding.

<http://www.newagebd.net/article/76641/bb-opens-gtf-for-all-sectors>

World Stock and Commodities*

Index Name	Close Value	Value Change	% Change
Crude Oil (WTI)*	\$59.17	-0.21	-0.35%
Crude Oil (Brent)*	\$66.31	-0.18	-0.27%
Gold Spot*	\$1,407.91	-1.09	-0.08%
DSEX	5,410.70	+29.74	+0.55%
Dow Jones Industrial Average	26,536.82	-11.40	-0.04%
FTSE 100	7,416.39	-6.04	-0.08%
Nikkei 225	21,262.10	+175.51	+0.83%

Exchange Rates

USD 1 = BDT 84.40*

GBP 1 = BDT 107.06*

EUR 1 = BDT 95.90*

INR 1 = BDT 1.22*

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

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BRAC EPL Stock Brokerage Limited

Research

Ayaz Mahmud, CFA	Deputy Head of Research	ayaz.mahmud@bracepl.com	01708 805 221
Md. Sakib Chowdhury	Research Analyst	sakib.chowdhury@bracepl.com	01709 641 247
S. M. Samiuzzaman	Research Analyst	sm.samiuzzaman@bracepl.com	01708 805 224
Sadman Sakib	Research Associate	sadman.sakib@bracepl.com	01730 727 939
Ahmed Zaki Khan	Research Associate	zaki.khan@bracepl.com	01708 805 211
Md. Rafiqul Islam	Research Associate	mrafiqulislam@bracepl.com	01708 805 229
Md. Mahirul Quddus	Research Associate	mmahirul.quddus@bracepl.com	01709 636 546

International Trade and Sales

Ahsanur Rahman Bappi	Head of International Trade & Sales	bappi@bracepl.com	01730 357 991
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BRAC EPL Research www.bracepl.com

121/B Gulshan Avenue
Gulshan-2, Dhaka
Phone: +880 2 881 9421-5
Fax: +880 2 881 9426
E-Mail: research@bracepl.com