

BUDGET FY2024-25: Tightening For A Rough Road Ahead

June 06, 2024

Yearly Notations

FY2023A – Actual
FY2024R – Revised
FY2025B – Budget

EXECUTIVE SUMMARY

FY2024-25 budget sizes at USD 67.6 bn, having a revenue target of USD 45.9 bn and deficit of USD 21.7 bn (4.6% of GDP vs. 4.7% in FY2023-24R). Annual Development Program (ADP) stands at USD 22.5 bn (33.2% of budget), 8.2% up from FY2023-24 Budget (revised).

- Of the total budget deficit (USD 21.7 bn), USD 13.6 bn (63.9% of deficit) would be financed from domestic sources. Of this, USD 11.7 bn will be sourced from the banking sector.
- GDP growth rate for FY2023-24 has been revised to 6.5% from the original 7.5% target. For FY2024-25, GDP growth rate has been targeted at 6.75%, despite the expectation of a challenging economic landscape ahead.
- FY2024-25 budget keeps taming both inflation and external sector worries as top priority. Provided the contractionary policy stance coupled with active exploration of targeted social safety spendings, GoB is expecting inflation to climb down to 6.5% by FY2025. For FY23-24, inflation has been revised to 8.0% from the original target of 6.0%.
- Mobilizing internal revenues has received higher strategic priority, supported by capacity development efforts to expand the direct tax base. Deficit is still being funded largely by domestic banks and foreign funds, however, GoB appears cautious about onboarding higher Foreign loans owing to currency weakening.

Key Insights from the FY25 budget

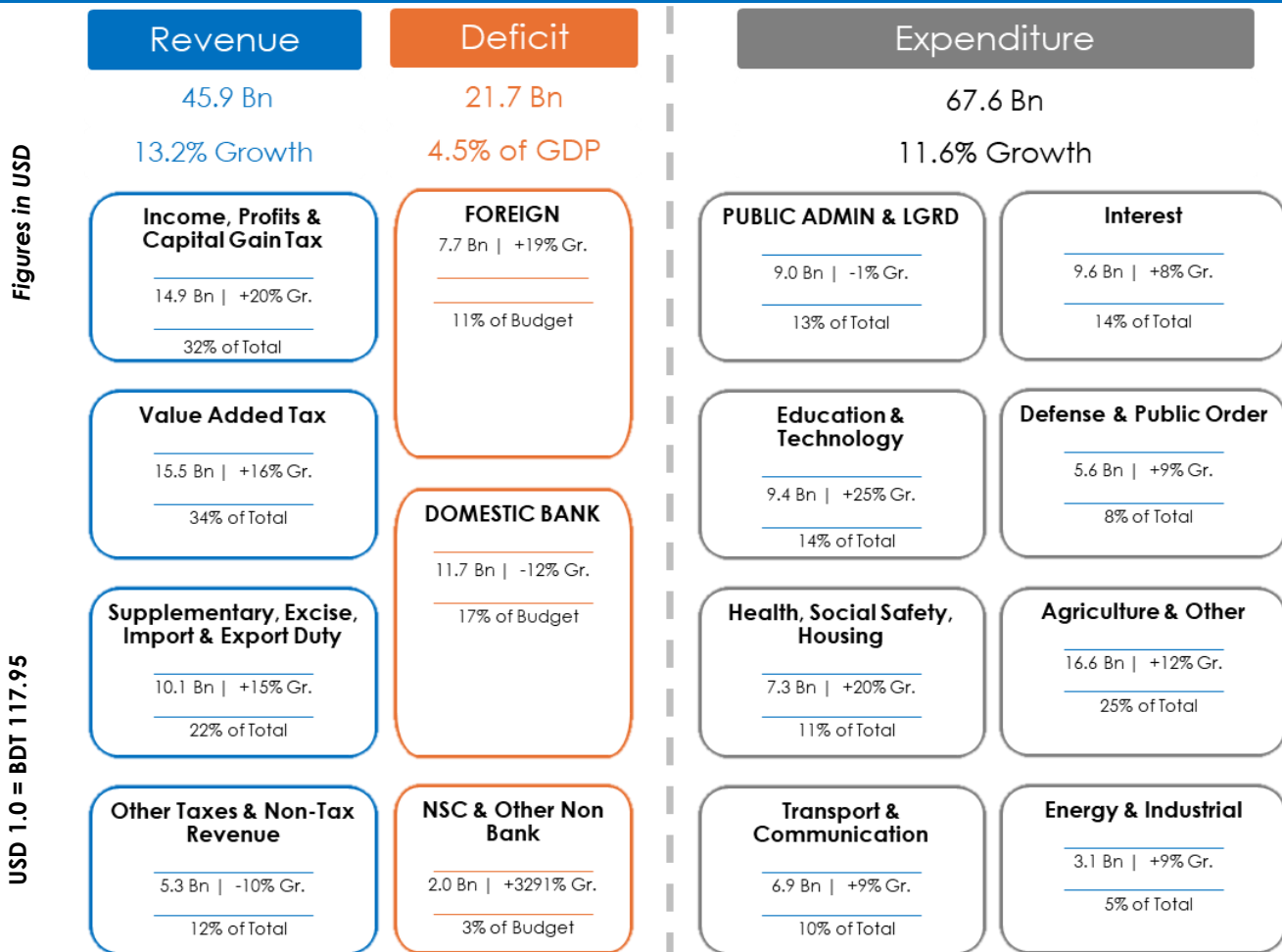
- Given the current economic challenges as well as the need to abide by IMF conditions, the Government of Bangladesh (GoB) has focused on broadening the revenue base via a more inclusive approach. Priority has been given to domestic sourcing – with a clear target to improve tax to GDP ratio.
- As the first post-election budget, strong emphasis has been placed on expanding tax base, and improving revenue collection infrastructure. Budget size has shown timid growth, however still having a targeted shortfall of 32% deficit. Subsidies are slowly being reduced across the sectors.
- Several new developments are on the cards, including allowing Universal Self Assessment for tax submissions, expanding the universal pension scheme, tightening air travel regulations and introduction of a number of laws to support better revenue mobilization and financial inclusion.
- Priority shifts to digital financial inclusion, rationalized incentives, and targeted social safety spendings. Alongside, most of revenue approaches in taxation have been largely unchanged across industries.

Post election, the accumulated worries have prompted GoB to switch from populist to an austere stance in budget FY2024-25. With strong pressures balancing external accounts, and the need to keep IMF at the side, this budget mostly focuses on meeting IMF's conditions of raising tax to GDP as well as improving FX situation. A larger effort on expanding tax and non-tax revenues, and relying on bank borrowing and foreign financing for the deficit, GoB also appears cautious to keep expenditures at leash. Reduced tax benefits and subsidies across most areas, alongside unchanged or raised income tax structure for the most part, we view this budget as less exciting to investors and business stakeholders. However, achieving the targeted GDP and inflation growth in our opinion can prove tough, especially as rate environment, reserve and other economic areas are still signaling a bumpy economic ride ahead.

** For more details on numbers and statistics of the national budget for FY2024-25, please refer to the Appendix.

Scan QR code to
view the full budget.



BUDGET FY2024-25: THE FISCAL SKELETON


| Figures in BDT billion | 2024-25 Budget | Change* | % of Budget | % of GDP | 2023-24 Revised | 2022-23 Actual |
|-----------------------------|----------------|--------------|---------------|---------------|-----------------|----------------|
| Expenditure | | | | | | |
| Non-Development Expenditure | 4,690 | 8.0% | 58.8% | 8.4% | 4,341 | 3,571 |
| Development Expenditure | 2,815 | 8.2% | 35.3% | 5.0% | 2,600 | 2,052 |
| Other Expenditure | 466 | 128.8% | 5.8% | 0.8% | 204 | 116 |
| Total Expenditure | 7,970 | 11.6% | 100.0% | 14.2% | 7,144 | 5,739 |
| ADP | 2,650 | 8.2% | 33.2% | 4.7% | 2,450 | 1,919 |
| Interest Payment | 1,127 | 7.0% | 14.1% | 2.0% | 1,053 | 921 |
| Revenue | | | | | | |
| NBR Tax | 4,800 | 17.1% | 60.2% | 8.6% | 4,100 | 3,197 |
| Non-NBR Tax | 150 | -21.1% | 1.9% | 0.3% | 190 | 80 |
| Non-Tax Receipt | 460 | -6.1% | 5.8% | 0.8% | 490 | 389 |
| Total Revenue | 5,410 | 13.2% | 67.9% | 9.7% | 4,780 | 3,667 |
| Deficit Financing | | | | | | |
| External | 907 | 18.9% | 11.4% | 1.6% | 763 | 792 |
| Domestic | 1,609 | 2.7% | 20.2% | 2.9% | 1,566 | 1,244 |
| Bank | 1,375 | -11.8% | 17.3% | 2.5% | 1,559 | 1,180 |
| Budget Deficit | 2,560 | 8.3% | 32.1% | 4.6% | 2,364 | 2,072 |
| GDP (Estimated) | 55,974 | 10.9% | 7.0x | 100.0% | 50,480 | 44,393 |

*Change over FY2024-25 Revised, Source: Ministry of Finance

TAX RATE FOR COMPANIES

- GoB has introduced the "Prospective Tax" regime, stipulating the tax rates in advance for companies for FY25 and FY26. While the corporate tax rates have remained broadly unchanged for the listed companies and financial institutions, non-listed companies saw further corporate tax reduction (please see table below).

| Description | Existing 2023-24 | | Proposed 2024-25 and 2025-26 | |
|--|--------------------------|--------------------------------------|------------------------------|------------------------------|
| | Tax Rate | On failure to comply with conditions | Tax Rate | Compliance with conditions** |
| Publicly traded company (Shares transferred through IPO worth >10% of Paid-up Capital) | 20.00% | 22.50% | 22.50% | 20.00% |
| Publicly traded company (Shares transferred through IPO worth 10% or less of Paid-up Capital) | 22.50% | 25.00% | 25.00% | 22.50% |
| Non publicly traded company | 27.50% | 30.00% | 27.50% | 25.00% |
| One Person Company (OPC) | 22.50% | 25.00% | 22.50% | 20.00% |
| Publicly traded bank, insurance and NBFI | 37.50% | n/a | 37.50% | n/a |
| Non-publicly traded bank, insurance and NBFI | 40.00% | n/a | 40.00% | n/a |
| Merchant bank | 37.50% | n/a | 37.50% | n/a |
| Tobacco item Manufacturer | 45.00% + 2.50% Surcharge | n/a | 45.00% + 2.50% Surcharge | n/a |
| Publicly traded Mobile Operator Company * | 40% | n/a | 40% | n/a |
| Non-publicly traded Mobile Operator Company | 45.00% | n/a | 45.00% | n/a |
| Cooperative Society | 15% | n/a | 20% | n/a |

* See FY25 Budget for details
 ** All income and receipts and all expenses and investments above BDT 5.0 lakh in each single transaction and above BDT 36.0 lakh in total per annum must be done through bank transfer.

Source: Ministry of Finance, BRAC EPL Research

Tax at Source reduction:

In conjunction with Budget FY25, NBR has outlined applicable tax deducted at source (TDS) for different stages. The following provides TDS rates applicable for some of the industries and services (Further details available at SRO No. 161-Ain/Income Tax-36/2024).

- 10% on supplying tobacco products
- 7% on service offered for manufacturing, process/conversion, civil works, engineering or similar contracts.
- 0.5% on scrap supply to MS billet manufacturers
- 2% on production of cement, iron, and ferro-alloy products
- 3% on gas transmission and distribution
- 3% on supplying raw materials to industrial production
- 3% on electricity wheeling charge
- 10% on internet service

PERSONAL TAX RATES

- The proposed tax-exempt income ceiling for individuals has been kept unchanged, while some tax slabs have been widened and an additional tax slab (30%) has been introduced. (See Annex on Page 15).
- The surcharge on income tax has been kept unchanged.

CAPITAL MARKET

- Capital gain exceeding BDT 5.0 Mn received by a natural individual taxpayer from the transfer of shares or units of a listed company or fund would be subject to taxation. We expect the applicable tax rate to be per Income Tax Act 2023.
- Non-listed companies to see a 2.5 percentage point reduction in corporate tax, further minimizing the tax gap between a listed and non-listed one (Page 3).
- The provision for whitening undisclosed money through capital market investment has been kept unchanged.

TELECOMMUNICATION & IT

No Change in Tax For MNOs

- Turnover tax is kept at 2%.
- Corporate tax rate is kept at 40% for listed telcos.

Development For The Telecommunication Sector in FY25:

- Cellular mobile phone operator company must deduct a 20% (10% in FY24) tax from any income distribution, including but not limited to royalties, technical services, license fees, or any other fees, regardless of their name. Publicly traded MNOs, including **Grameenphone (DSE: GP, Bloomberg: GRAM BD)** and **Robi (DSE ROBI: Bloomberg: ROBI BD)**, could be hurt because of the aforementioned source tax.
- Extension for one year to June 30, 2025, of the continued existing VAT (2% - 2.5% in various levels) on locally produced cell phones would indirectly benefit **GP and ROBI** marginally.
- Rising SD to 20% from 15% on the enabling of SIM/RUIM and BDT 300.0 as a fixed cost for supplying each SIM/e-SIM could **affect GP and ROBI**.
- To appeal for solving any dispute, both **GP and ROBI** might pay 10% instead of the existing 20% of the demand, considered as a **positive** impact.

Development For IT Sector In FY25 Budget:

- Extension of existing VAT exemption facility continues for the production & assembling of cell phones might have an indirect **benefit** for **Grameenphone (DSE: GP, Bloomberg: GRAM BD)** and **Robi (DSE ROBI: Bloomberg: ROBI BD)**.
- Waiver of 15% VAT at import stage for the laptop would help to reduce the TTI to 31.5% from 20.5%, **benefit** could be for **DAFFODILCOM (Bloomberg: DAFODILC BD)**.
- A 3-year VAT extension on optical fiber is proposed to be continued till June 30, 2027, thus might give benefit directly to **BDCOM Online Ltd (DSE: BDCOM, Bloomberg: BDCOM BD)**, while this extension could provide intricately benefit to **Bangladesh Submarine Cables PLC (DSE: BSCPLC, Bloomberg: BSCC BD)**. This could result in a **direct benefit** if **GP and ROBI** sourced locally produced optical fiber cables.
- Income might get tax exempted in FY25 from producing software development and customization, thus providing substantial leverage to **IT Consultants PLC. (DSE: ITC, Bloomberg: ITC BD)**, **eGeneration Limited (DSE: EGEN, Bloomberg: EGEN BD)** and **AGNISYS (Bloomberg: AGNISY BD)**. **Genex Infosys PLC (DSE: GENEXIL, Bloomberg: GENEXIL BD)** could also be benefitted from the tax exemption arising from software development, IT assistance and software maintenance service, digital animation development, and cyber security service. Tax exemption for income across web development and software development could provide benefits for **Information Services Network Ltd. (DSE: ISNLTD, Bloomberg: INSN BD)**.

TOBACCO

- GoB has proposed to increase the minimum MRP of 10-stick cigarettes: BDT 160.0 for the premium segment, BDT 120.0 for the high segment, BDT 70.0 for the medium segment, and BDT 50.0 for the low segment.
- Supplementary duties for cigarettes have increased for the low segment (from 58% to 60%), whereas a margin increased from 65% to 65.5% for all other slabs. Considering the inflationary pressure, we estimate the price increase

would favour tobacco companies such as **British American Tobacco Bangladesh (DSE: BATBC, BLOOMBERG: BATB BD)**.

- In the previous budget, the low segment saw the highest increase in price (+12.5%) and the high segment saw the lowest increase in price (+1.80%). This year's budget allocates a tiered structure for cigarette price increases. The low segment, accounting for the majority of cigarettes sold, will experience the most significant increase at 11.11%. Price hikes are also planned for the high and premium segments, considered less responsive to price changes, at 6.19% and 6.67%, respectively. The medium segment will see the smallest price increase of 4.48%. This targeted strategy suggests the Government of Bangladesh's (GoB) intention to raise state revenue by taxing cigarettes across all segments, with a likely emphasis on discouraging consumption within the most popular low-priced category.
- Even though the MRP of bidi remains unchanged, the MRP of jarda increased to BDT 48 Per 10 Grams (FY24: 45), and the MRP of gul increased to BDT 25 Per 10 Grams (FY24: 23).
- GoB has proposed increasing Value Added Tax (VAT) on locally manufactured cigarettes and bidi paper from 7.5% to 15%. This increase would apply at the production stage.
- GoB has amended the provision for appeal to the Appellate Tribunal and Appeal Commissionerate to 10% from 20%. We estimate this would work in favor of companies with disputed claims, such as BATBC.

Table: Existing and proposed price slabs and supplementary duty structure

| | Existing price per 10 sticks | Proposed price per 10 sticks | % Change | Existing SD | Proposed SD | SD Change (bps) |
|---------|------------------------------|------------------------------|----------|-------------|-------------|-----------------|
| Premium | 150 | 160 | +6.67% | 65.0% | 65.5% | 50 |
| High | 113 | 120 | +6.19% | 65.0% | 65.5% | 50 |
| Medium | 67 | 70 | +4.48% | 65.0% | 65.5% | 50 |
| Low | 45 | 50 | +11.11% | 58.0% | 60.0% | 200 |

Source: Ministry of Finance, BRAC EPL Research

| Handmade Non-filter Bidi | | | | |
|--------------------------|----------------|----------------|----------|-----------------|
| | Existing Price | Proposed Price | % Change | SD |
| 25 sticks | 18 | 18 | 0% | |
| 12 sticks | 9 | 9 | 0% | 30% (unchanged) |
| 8 sticks | 6 | 6 | 0% | |

Source: Ministry of Finance, BRAC EPL Research

| Handmade Filter Bidi | | | | |
|----------------------|----------------|----------------|----------|-----------------|
| | Existing Price | Proposed Price | % Change | SD |
| 20 Sticks | 19 | 19 | 0% | |
| 10 Sticks | 10 | 10 | 0% | 40% (unchanged) |

Source: Ministry of Finance, BRAC EPL Research

Corporate Tax Rate (Unchanged)

All sorts of tobacco including cigarette, bidi, chewing tobacco, gul, manufacturing

Existing
FY 2023-24

45% + 2.5%
(Surcharge)

Proposed
FY 2024-25 & FY2025-26

45% + 2.5%
(Surcharge)

BANKS, FINANCIAL INSTITUTIONS & MFS

- The following table represents the government initiative to rationalize the excise duty on bank deposits,

| Deposit Amount (in BDT) | FY 2023-24 | FY 2024-25 & FY2025-26 |
|-------------------------|------------|------------------------|
| 0 - 100,000 | 0 | 0 |
| 100,000 - 500,000 | 150 | 150 |
| 500,001 - 1,000,000 | 500 | 500 |
| 1,000,001 - 5,000,000 | 3,000 | 3,000 |
| 5,000,001 - 10,000,000 | 3,000 | 5,000 |
| 10,000,001 - 20,000,000 | 15,000 | 10,000 |
| 20,000,001 – 50,000,000 | 15,000 | 20,000 |
| 50,000,001 + | 50,000 | 50,000 |

- Notably, for offshore banking, no excise duty will be applied (foreign lenders and depositors).
- Government has amended the 'Bank Deposit Insurance Act-2000' and renamed it as the 'Deposit Protection Act-2023'.
- Mobile Financial Services (MFS) and modern payment systems are being expanded to increase participation in financial inclusion activities. Various initiatives have been taken to develop the MFS system by reducing cash out charges and increasing transaction limits, use of MFS accounts in micro credit programs including disbursement of social security program allowances under G2P system, and expansion of sub-branch and agent banking systems.

PHARMACEUTICALS

- Dialysis filter and dialysis circuit to see import duty slash from 10% to 1% in this proposed budget of FY25. The market dedicated to diabetes equipment is mostly import-dependent.
- MoF has fixed a 5% import duty (CD) for Spinal Needle products which we believe is a positive thrust to local manufacturers of intravenous (IV) needles and syringes. **JMI Hospital Requisite Manufacturing Ltd (DSE: JHRML, Bloomberg: JHRML BD) & JMI Syringes & Medical Devices Ltd (DSE: JMISMDL, Bloomberg: JSMD BD)** are potential beneficiaries.
- Abiraterone Acetate, a biosynthesis inhibitor for treating prostate cancer patients while Capecitabine and Niraparib are chemotherapeutic agents to treat Colon cancer and peritoneal cancer respectively. We believe the manufacturers focused on Oncology would be the beneficiaries of such molecular inclusion in the essential list of raw materials to produce cancer medicines. The listed companies that will benefit from this are **Beacon Pharmaceuticals PLC (DSE: BEACONPHAR, Bloomberg: BPL BD), Renata PLC (DSE: RENATA, Bloomberg: RENATA BD) & Beximco Pharmaceuticals (DSE: BXPHARMA, Bloomberg: BXPHAR BD)**.
- MoF also added several new crucial binders and solvents to create API from an advanced intermediate stage to its list of importing raw materials which enjoys concessional facility. Such move will benefit companies that have the capacity to procure API locally from its intermediate stage. We understand, **Square Pharmaceuticals PLC (DSE: SQURPHARMA, Bloomberg: SQUARE BD) & Beximco Pharmaceuticals (DSE: BXPHARMA, Bloomberg: BXPHAR BD)** to benefit largely amongst its listed partners from this being one of the few companies that can source API locally.
- Azithromycin, a drug to primarily treat common infections in the respiratory tract (Rhinitis, Bronchitis & Pneumonia) has been enlisted in the essential raw materials list which will likely enjoy concessional facilities. Top players in the respiratory field to be potential beneficiaries such as – **Beximco Pharmaceuticals (DSE: BXPHARMA, Bloomberg: BXPHAR BD), Square Pharmaceuticals PLC (DSE: SQURPHARMA, Bloomberg: SQUARE BD), Renata PLC (DSE: RENATA, Bloomberg: RENATA BD)**.
- MoF has proposed imposing a 10% customs duty on the imported medical equipment by referral hospitals which may negatively impact **Samorita Hospital Limited (DSE: SAMORITA, Bloomberg: SAMORI BD)** and partially **Square Pharmaceuticals PLC (DSE: SQURPHARMA, Bloomberg: SQUARE BD)** as it holds a sizable stake (49.9%) in Square hospitals Ltd.
- Existing concessional facilities for Linear Alkyl Benzene Sulphonic Acid (LABSA) has been further extended until FY27 and would benefit **Wata Chemicals Limited (DSE: WATACHEM, Bloomberg: WATACH BD)**.

CONSUMER DURABLES

Introduction of New Duty:

- Adding 7.5% VAT from 0% on AC at the manufacturing stage for the local producers, which could be unfavorable for **Walton Hi-Tech Industries PLC (DSE: WALTONHIL, Bloomberg: WALTONHI BD)** and **Singer Bangladesh Limited (DSE: SINGERBD, Bloomberg: SINGER BD)**.
- Additionally, enhancing VAT to 15% from 5% at the manufacturing stage for the energy bulb ranges (1-50 watts) and tube lights (18-36 watts), along with a 10% import duty on the raw materials to produce LED lamp locally would hurt **Walton Hi-Tech Industries PLC (DSE: WALTONHIL, Bloomberg: WALTONHI BD)**, and **Bangladesh Lamps Limited (DSE: BDLAMPS, Bloomberg: BDLAMP BD)**.
- Increasing VAT to 7.5% from 5% for refrigerators and fridges at the production stage for the local producers could affect **Walton Hi-Tech Industries PLC (DSE: WALTONHIL, Bloomberg: WALTONHI BD)** and **Singer (DSE: SINGERBD, Bloomberg: SINGER BD)**.

Extension of Existing Benefits:

- VAT (including AIT) and SD (where applicable) on the import and local purchase of raw materials and spare parts (123 items for freezers) will continue to be exempted till June 30, 2025, for the local manufacturer of facility for production of refrigerator, freezers, and AC, a **benefit** for **WALTONHIL** and **SINGERBD**.

POWER AND FUEL

- Energy subsidies to continue, however, might be phased out on gradual basis. Due to the shortage of gas reserves and rising demand on the other hand, the CAGR of 7 years (FY Basis) of gas production was -2.7%, reaching 2201.7 MMcfd in FY23. On top, capacity utilization of natural gas-based power plants has been consistently reducing since FY09 (57.0%) and reached 46.2% in FY23 (5.13 BDT/KWh). Hence, GoB switched to the next alternative source of energy despite incurring a high cost i.e. COAL (11.5 BDT/KWh), Adani Power (14.02 BDT/KWh), and HFO (23.4 BDT/KWh). High generation cost and capacity charges were most likely the key to driving the subsidy.
- A rising 81.1% tariff/Ton for HFO would adversely affect HFO-based power producers and HFO sellers. Because of this price hike, **Khulna Power Company Limited (DSE: KPCL, Bloomberg: KPCL BD)**, **Energypac Power Generation PLC (DSE: EPGL, Bloomberg: EPGL BD)**, **GBB Power Ltd. (DSE: GBBPOWER, Bloomberg: GBB BD)**, **Doreen Power Generations and Systems Limited (DSE: DOREENPWR, Bloomberg: DOREENPW BD)**, **Baraka Power Limited (DSE: BARKAPOW, Bloomberg: BAPL BD)** and **Summit Power Limited (DSE: SUMITPOWER, Bloomberg: SUMITPOW BD)** could be **negatively** impacted.
- Due to rising customs duty to 5% from 0%, set-up and erection of a new power plant might get expensive.
- GoB proposed to extend its concessional facility on containers for compressed or liquefied gas of iron or steel at the local manufacturing stage. Such a move would **positively** impact **MJL Bangladesh PLC (DSE: MJLBD, Bloomberg: MJL BD)**, **Energypac Power Generation Limited (DSE: EPGL, Bloomberg: EPGL BD)**, and **Intraco Refueling Station Limited (DSE: INTRACO, Bloomberg: INTRACO BD)**.
- GoB has imposed minimum value for synthetic, mineral, and base oil. This would have an impact on **MJL Bangladesh PLC (DSE: MJLBD, Bloomberg: MJL BD)**, **Padma Oil Co. Ltd. (DSE: PADMAOIL, Bloomberg: PADMAO BD)**, and **Meghna Petroleum Limited (DSE: MPETROLEUM, Bloomberg: MPL BD)**.
- GoB proposed custom duty from 3% to 5% on imported materials used for establishing or operating CNG/LPG stations, might **negatively** impact **Navana CNG Limited (DSE: NAVANACNG, Bloomberg: NAVANA BD)**, and **Bangladesh Autocars Ltd. (DSE: BDAUTOCA, Bloomberg: BDAUTO BD)**.

FOOD & FAST-MOVING CONSUMER GOODS SECTOR

- Exemption of VAT (excluding AT) and SD (where applicable) on imported raw materials of sanitary napkins and diapers will benefit **Bashundhara Paper Mills Limited (DSE: BPML, Bloomberg: BPML BD)**, **ACI Limited (DSE: ACI, Bloomberg: ACI BD)**.
- Implementation of a 5% import duty along with a 10% regulatory duty on the import of Shelled Cashew Nuts will benefit **Rahima Food Corporation Limited (DSE: RAHIMAFOOD; Bloomberg: RAHIMA BD)**, one of the local processors of Cashew Nuts.
- SD has been increased in all kinds of ice cream from 5% to 10%. **Taufika Foods and Lovello Ice-cream PLC (DSE: LOVELLO, Bloomberg: TAUFIKA BD)**, **Golden Harvest Agro Industries Ltd. (DSE: GHAIL, Bloomberg: GHAI BD)** may have to increase their products' prices to pass it off to the customers.
- SD on carbonated beverages to be set at 30%, previously 25%. In addition, 40% SD will be charged on beverages containing ingredients differing from that of carbonated beverages, instead of the existing 35%. Following these SD surges, products of **Agricultural Marketing Company Ltd. (Pran) (DSE: AMCL(PRAN), Bloomberg: AMCL BD)**, **BD Thai Food & Beverage Limited (DSE: BDTHAIFOOD, Bloomberg: BDTHAIFO BD)** might witness a price hike.
- 15% VAT, previously 5%, to be imposed at the manufacturing stage for the local mango bar, mango juice, pineapple juice, guava juice and tamarind juice producers. As a result, local producers namely **Agricultural Marketing Company Ltd. (Pran) (DSE: AMCL(PRAN), Bloomberg: AMCL BD)**, **BD Thai Food & Beverage Limited (DSE: BDTHAIFOOD, Bloomberg: BDTHAIFO BD)**, **Fine Foods Limited (DSE: FINEFOODS, Bloomberg: FINEFOOD BD)** may have to increase their products' prices.
- Turnover tax on income from sweetened beverage production will be set at 3% instead of the existing rate of 0.6% will have a toll on **AMCL(PRAN)**, **BD Thai Food & Beverage Limited (DSE: BDTHAIFOOD, Bloomberg: BDTHAIFO BD)**, **Fine Foods Limited (DSE: FINEFOODS, Bloomberg: FINEFOOD BD)**.
- Aseptic packaging products will have a uniform TTI of 37% for both roll form and open rectangular-shaped cartons. As a result, juice producers using carton packages, **AMCL(PRAN)** will be negatively impacted.

CONSTRUCTION MATERIAL

- Medium-term action plan for FY2024-25 to 2026-27 aims to construct new rural roads (16,160 km), bridges (69,000 meters), and paved roads (27,100 km). Urban developments include 497 kilometers of roads and sidewalks and 282 km of drains. These improvements are expected to create opportunities for construction materials and real estate sector.
- GOB has proposed a reduction in import duty for manganese, a raw material used in rod/steel production. Such a move is to get minor benefit for **BSRM Limited (DSE: BSRMLTD, Bloomberg: BASR BD)**, **BSRM Steel (DSE: BSRMSTEEL, Bloomberg: BSRM BD)**, **GPH Ishpat (DSE: GPHISPAT, Bloomberg: GPH BD)**.
- Import duty to increase from 5% to 10% for components used in the construction of prefabricated buildings, might **negatively** impact **Dominage Steel Building Systems Limited (DSE: DOMINAGE, Bloomberg: DOMINAGE BD)**, **Bangladesh Building Systems PLC. (DSE: BBS, Bloomberg: BBUI BD)**.

RMG AND TEXTILE

- GoB has imposed tax on purchasing power from captive power plants, which could hurt the textile sector companies i.e. **Envoy Textiles Limited (DSE: ENVOYTEX, Bloomberg: ENTL BD)**, **Apex Spinning & Knitting Mills Limited (DSE: APEXSPINN, Bloomberg: APEXSP BD)**, **(DSE: ENVOYTEX, Bloomberg: ENTL BD)**, **R.N. Spinning Mills Limited (DSE: RNSPIN, Bloomberg: RNSM BD)**, and **Prime Textile Spinning Mills Limited (DSE: PRIMETEX, Bloomberg: PRIMET BD)**.
- Polyester (Synthetic) Staple Fiber (PSF) is mainly used in spinning production, a backward linkage industry for apparel manufacturing. Imposing a Custom Duty (CD) of 1% and waiving the rest of the duties and taxes on Purified Terephthalic Acid (PTA) and Mono-Ethylene Glycol (MEG) might decrease the domestic production cost which could potentially impact companies like **Square Textiles PLC. (DSE: SQUARETEXT, Bloomberg: SQTT BD)** and **Envoy Textiles Limited (ENVOYTEX)**.
- Waiving all the taxes (TTI in FY24: 104.68%) except CD of 5% and AIT for a chiller having a capacity of 50 Tons or more might encourage spinning factory setup, BMRE, and akin.

NEW DEVELOPMENTS:

TAXES IN ECONOMIC ZONE AND HI-TECH PARK

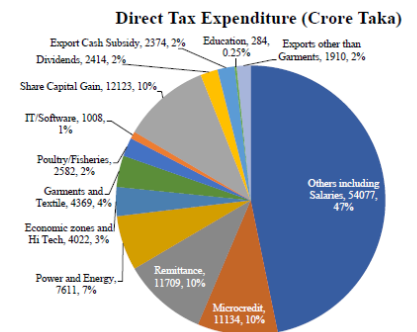
- Industries in economic zones (BEZA) can import capital machinery and construction materials at 0% concessionary rate. To rationalize tax expenditure, a 1% import duty (CD) is proposed. Also, GoB proposes exempting only import duty (CD) from vehicles imported by establishments within economic zones, while all other duties and taxes apply.

INTRODUCTION OF NEW BAGGAGE RULE

- GoB has recommended incorporating the definition of gold ornaments/jewelry in section 2 of the baggage rule 2023 to reduce customs duty evasion.
- GoB has proposed clearance of unaccompanied baggage only after payment of duties and taxes.
- GoB has updated Section 3 to allow travellers to import two used mobile phones without paying duties or taxes and import one new mobile phone paying all applicable duties and taxes.

DIRECT TAX EXPENDITURE - PROGRESS

- In the last budget, GoB has introduced the concept of “Direct Tax Expenditure”, which includes all rebates, discounts, exemptions, reduced rates, and exclusions in computing taxes, all of which otherwise represent Taxes forgone or subsidized by GoB. GoB intends to add this as part of the total subsidies provided going forward.
- Based on NBR estimate, the Direct Tax Expenditure in FY22 amounted to BDT 1,156 Bn, or 2.91% of total GDP. From the projected FY25 budget, the estimated Direct Tax Expenditure is BDT 1,469 Bn.



SUMMARIZED CAPITAL MARKET IMPACT

Below is a summarized view of stock specific impact from proposed changes in the national budget FY2024-25:

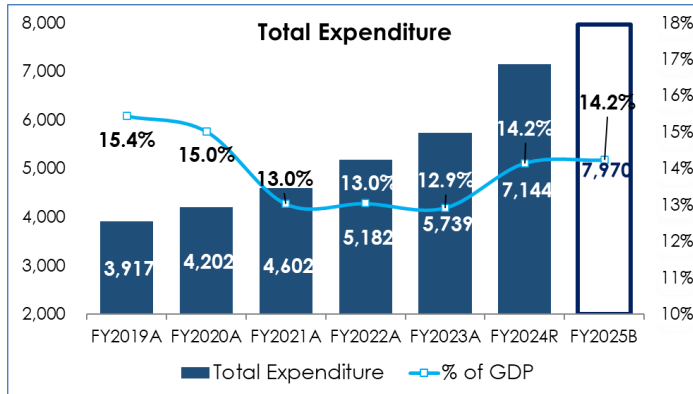
*Reference indicates the specific paragraph number of national budget FY24-25

| Sector | Stock | Impact | Reason | Reference |
|---------------|------------|--------------|--|--|
| Engineering | BDAUTOCA | Disadvantage | <ul style="list-style-type: none"> Increase of customs duty to 5% from 3% | 318 |
| Engineering | BDLAMPS | Disadvantage | <ul style="list-style-type: none"> 15% VAT, a 10% increase, at the local manufacturing stage on energy-saving bulbs capacitated from 1 to 50 watt. 15% VAT, a 10% increase, at local manufacturing stage on tube light of 18 watt and 36 watt. | 241 (f) 241 (g) |
| Engineering | NAVANACNG | Disadvantage | <ul style="list-style-type: none"> Increase of customs duty to 5% from 3% | 318 |
| Engineering | SINGERBD | Disadvantage | <ul style="list-style-type: none"> Withdrawal of full exemption and imposition of 7.5% value added tax on air conditioners at local manufacturing stage Imposition of 7.5% VAT instead of 5% on refrigerators and freezers at the local manufacturing | 242 (a) 242 (b) |
| Engineering | WALTONHIL | Disadvantage | <ul style="list-style-type: none"> 15% VAT, a 10% increase, at local manufacturing stage on energy-saving bulbs capacitated from 1 to 50 watt. 15% VAT, a 10% increase, at local manufacturing stage on tube light of 18 watt and 36 watt. Withdrawal of full exemption and imposition of 7.5% value added tax on air conditioners at local manufacturing stage Imposition of 7.5% VAT instead of 5% on refrigerators and freezers at the local manufacturing | 241 (f) 241 (g) 242 (a) 242 (b) |
| Food & Allied | AMCL(PRAN) | Disadvantage | <ul style="list-style-type: none"> Higher SD on carbonated beverages (30%) and beverages containing ingredients differing from that of carbonated beverages (40%). Higher VAT (15%) imposed at the manufacturing stage for the local mango bar, mango juice, pineapple juice, guava juice and tamarind juice producers. Turnover tax on income from sweetened beverage production will be increased to 3%. Aseptic packaging products will have a uniform TTI of 37% for both roll form and open rectangular-shaped cartons. | 241 (b) 241 (e) 259 275 |
| Food & Allied | BATBC | Disadvantage | <ul style="list-style-type: none"> Increase in price, VAT and SD | 245 |
| Food & Allied | FINEFOODS | Disadvantage | <ul style="list-style-type: none"> Higher VAT (15%) imposed at the manufacturing stage for the local mango bar, mango juice, pineapple juice, guava juice and tamarind juice producers. Turnover tax on income from sweetened beverage production will be increased to 3% | 241 (e) 259 |
| Food & Allied | GHAIL | Disadvantage | <ul style="list-style-type: none"> SD has been increased in all kinds of ice cream from 5% to 10%. | 241 (a) |
| Food & Allied | RAHIMAFOOD | Benefit | <ul style="list-style-type: none"> 5% import duty along with a 10% regulatory duty on the import of Shelled Cashew Nuts | 274 |
| Food & Allied | LOVELLO | Disadvantage | <ul style="list-style-type: none"> SD has been increased in all kinds of ice cream from 5% to 10%. | 241 (a) |
| Food & Allied | BDTHAIFOOD | Disadvantage | <ul style="list-style-type: none"> Higher SD on carbonated beverages (30%) and beverages containing ingredients differing from that of carbonated beverages (40%). Higher VAT (15%) imposed at the manufacturing stage for the local mango bar, mango juice, pineapple juice, guava juice and tamarind juice producers. Turnover tax on income from sweetened beverage production will be increased to 3% | 241 (b) 241 (e) 259 |
| Fuel & Power | MJLBD | Mixed | <ul style="list-style-type: none"> Extension of existing concessional facility on Container for compressed or liquefied gas of Iron or steel (LPG Cylinder) Setting the minimum value for synthetic lubricating oil, mineral lubricating oil and raw material of lubricating oil | 243 (c) 314 |

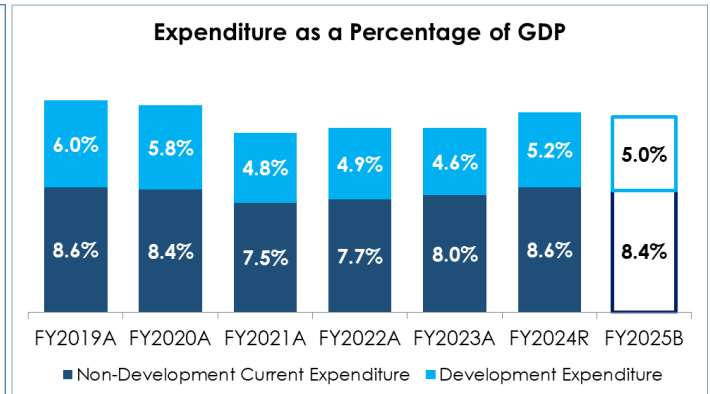
| Sector | Stock | Impact | Reason | Reference |
|-------------------|------------|--------------|--|-------------------------------|
| Fuel & Power | INTRACO | Benefit | <ul style="list-style-type: none"> Extension of existing concessional facility on Container for compressed or liquefied gas of Iron or steel (LPG Cylinder) | 243 (c) |
| Fuel & Power | EPGL | Benefit | <ul style="list-style-type: none"> Extension of existing concessional facility on Container for compressed or liquefied gas of Iron or steel (LPG Cylinder) | 243 (c) |
| IT | BDCOM | Benefit | <ul style="list-style-type: none"> 3 (three) years extension of the VAT exemption facility on "optical fiber cable" at the production stage | 243 (e) |
| IT | DAFODILCOM | Benefit | <ul style="list-style-type: none"> Exemption of VAT upon the local purchases of the raw materials and spare parts. | 243 (d) |
| IT | ISNLTD | Benefit | <ul style="list-style-type: none"> 3 (three) years extension of the VAT exemption facility on "optical fiber cable" at the production stage | 243 (e) |
| IT | AAMRATECH | Disadvantage | <ul style="list-style-type: none"> Imposing 5% CD instead of 1% on CC-TV Camera | 304 |
| IT | AAMRANET | Benefit | <ul style="list-style-type: none"> 3 (three) years extension of the VAT exemption facility on "optical fiber cable" at the production stage | 243 (e) |
| Paper & Printing | BPML | Benefit | <ul style="list-style-type: none"> Exemption of VAT and SD on imported raw materials of sanitary napkins and diapers | 244 |
| Pharmaceutical | ACI | Benefit | <ul style="list-style-type: none"> Exemption of VAT and SD on imported raw materials of sanitary napkins and diapers | 244 |
| Pharmaceutical | BXPHARMA | Benefit | <ul style="list-style-type: none"> Incorporate several new raw materials into the notification of raw materials necessary for producing medicines for cancer treatment | 280 |
| Pharmaceutical | RENATA | Benefit | <ul style="list-style-type: none"> Incorporate several new raw materials into the notification of raw materials necessary for producing medicines for cancer treatment | 280 |
| Pharmaceutical | BEACONPHAR | Benefit | <ul style="list-style-type: none"> Incorporate several new raw materials into the notification of raw materials necessary for producing medicines for cancer treatment | 280 |
| Pharmaceutical | JMISMDL | Disadvantage | <ul style="list-style-type: none"> 5% import duty (CD) on Spinal Needle product | 278 |
| Pharmaceutical | WATACHEM | Benefit | <ul style="list-style-type: none"> Extension of the concessional facility for the manufacturing of Linear Alkyl Benzene Sulphonic Acid (LABSA) and Sodium Lauryl Ether Sulphate (SLES) at the production stage | 243 (f) |
| Telecommunication | GP | Mixed | <ul style="list-style-type: none"> Increased supplementary duty (20%) only upon the SIM/RUIM card The concessional facilities to the local manufacturer and assembler to be extended by one year Increasing the rate of deduction of tax from distribution of income or any license fee or any other fee or charge paid by any cellular mobile phone operator | 241 (d) 243 (a) 257 (h) |
| Telecommunication | ROBI | Mixed | <ul style="list-style-type: none"> Increased supplementary duty (20%) only upon the SIM/RUIM card The concessional facilities to the local manufacturer and assembler to be extended by one year Increasing the rate of deduction of tax from distribution of income or any license fee or any other fee or charge paid by any cellular mobile phone operator | 241 (d) 243 (a) 257 (h) |
| Textile | APEXSPINN | Disadvantage | <ul style="list-style-type: none"> Rationalizing the rate of deduction of tax against purchase of power from captive power producers | 257 (j) |
| Textile | PRIMETEX | Disadvantage | <ul style="list-style-type: none"> Rationalizing the rate of deduction of tax against purchase of power from captive power producers | 257 (j) |
| Textile | SQUARETEXT | Benefit | <ul style="list-style-type: none"> Imposing a Custom Duty (CD) of 1% and waving the rest of the duties and taxes on Purified Terephthalic Acid (PTA) and Mono-Ethylene Glycol (MEG) | 288 |
| Textile | RNSPIN | Disadvantage | <ul style="list-style-type: none"> Rationalizing the rate of deduction of tax against purchase of power from captive power producers | 257 (j) |
| Textile | ENVOYTEX | Mixed | <ul style="list-style-type: none"> Rationalizing the rate of deduction of tax against purchase of power from captive power producers Imposing a Custom Duty (CD) of 1% and waving the rest of the duties and taxes on Purified Terephthalic Acid (PTA) and Mono-Ethylene Glycol (MEG) | 257 (j) 288 |

APPENDICES

GOVERNMENT EXPENDITURES

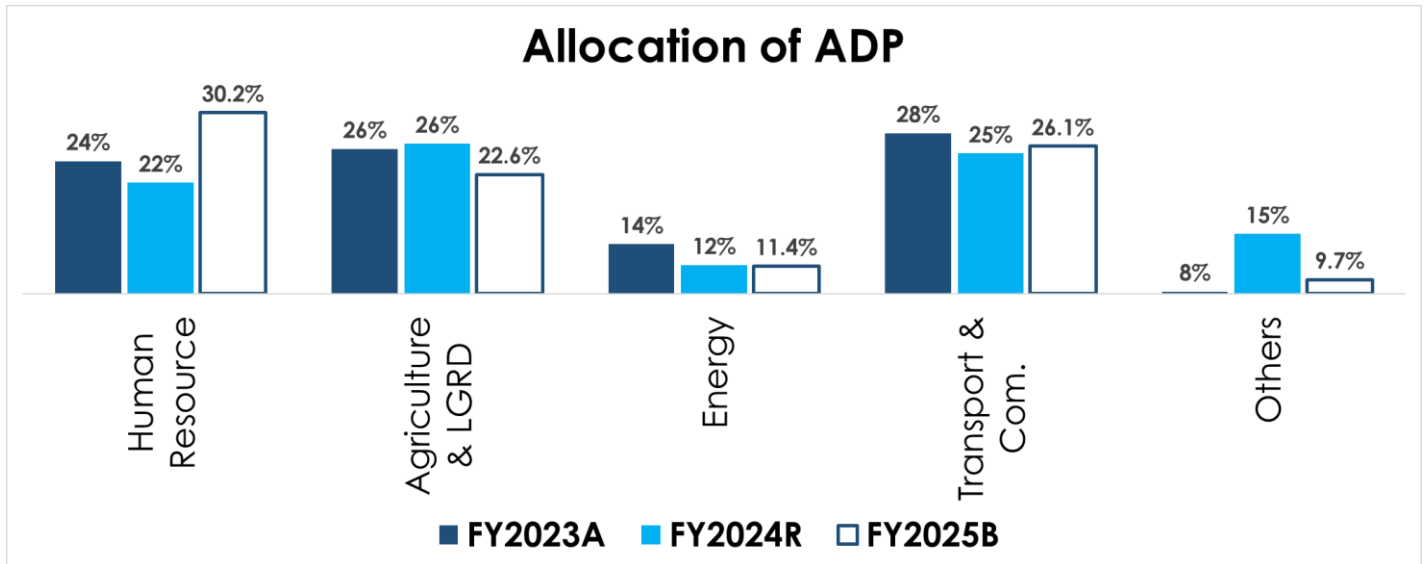


Source: Ministry of Finance



Source: Ministry of Finance

ALLOCATION OF ADP

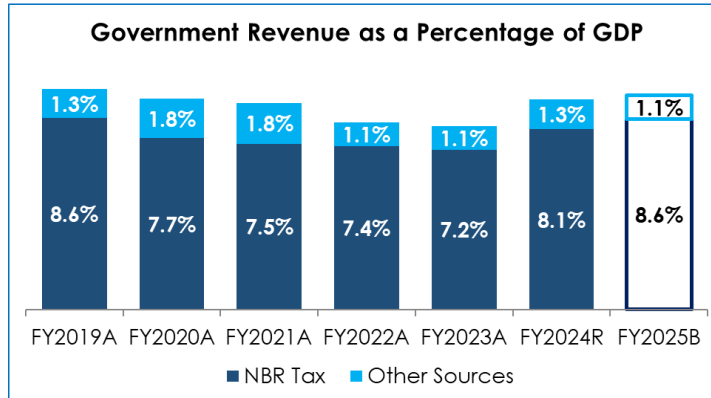


*Change over FY2022-23 Revised, Source: Ministry of Finance

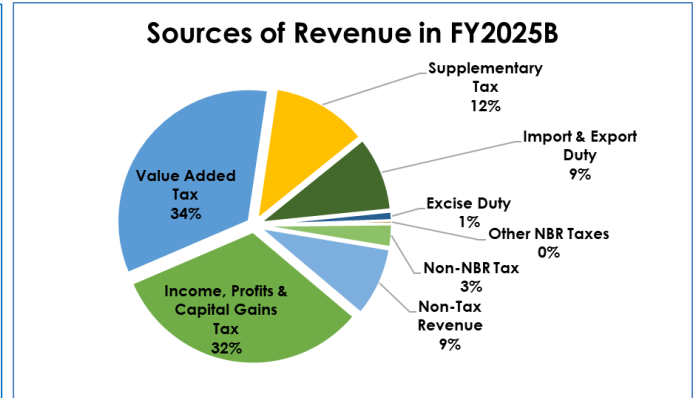
| Figures in BDT billion | 2024-25 Budget | Change * | % of Total | 2023-24 Revised | 2022-23 Actual |
|------------------------|----------------|-----------|-------------|-----------------|----------------|
| Human Resource | 800 | 51% | 30% | 529 | 465 |
| Agriculture & LGRD | 600 | -7% | 23% | 647 | 494 |
| Energy | 302 | 7% | 11% | 282 | 270 |
| Transport & Com. | 691 | 12% | 26% | 617 | 531 |
| Others | 258 | -31% | 10% | 375 | 159 |
| Total | 2,650 | 8% | 100% | 2,450 | 1,919 |

APPENDICES

REVENUE COLLECTION



Source: Ministry of Finance



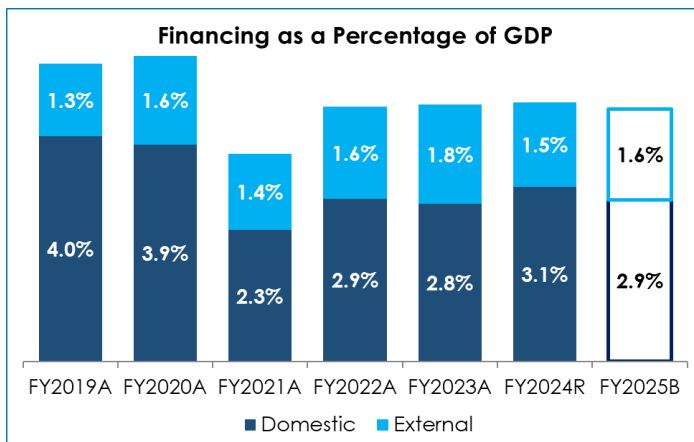
Source: Ministry of Finance

SOURCES OF TAX

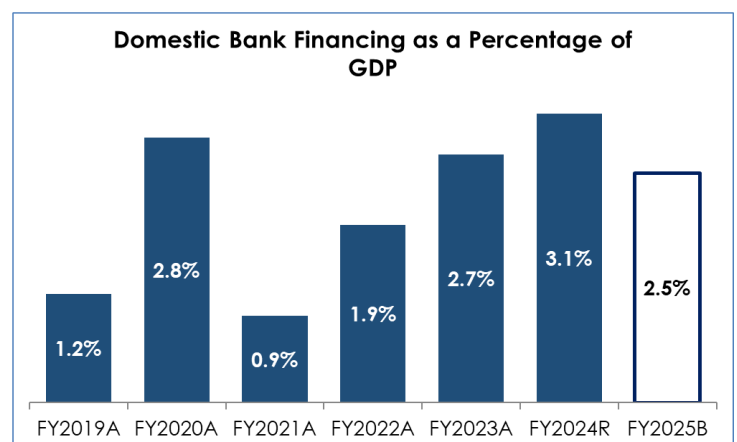
| Figures in BDT billion | 2023-25 Budget | Change* | % of Total | 2023-24 Revised |
|-------------------------------------|----------------|------------|-------------|-----------------|
| Income, Profits & Capital Gains Tax | 1,756.2 | 20% | 32% | 1,458.7 |
| Value Added Tax | 1,827.8 | 16% | 34% | 1,580.7 |
| Supplementary Tax | 642.8 | 16% | 12% | 554.4 |
| Import & Export Duty | 495.3 | 13% | 9% | 439.4 |
| Excise Duty | 58.1 | 17% | 1% | 49.6 |
| Other NBR Taxes | 19.8 | 14% | 0% | 17.4 |
| Non-NBR Tax | 150.0 | -21% | 3% | 190.0 |
| Non-Tax Revenue | 460.0 | -6% | 9% | 490.0 |
| Total | 5,410.0 | 13% | 100% | 4,780.0 |

*Change over FY2023-24 Revised, Source: Ministry of Finance

FINANCING THE DEFICIT



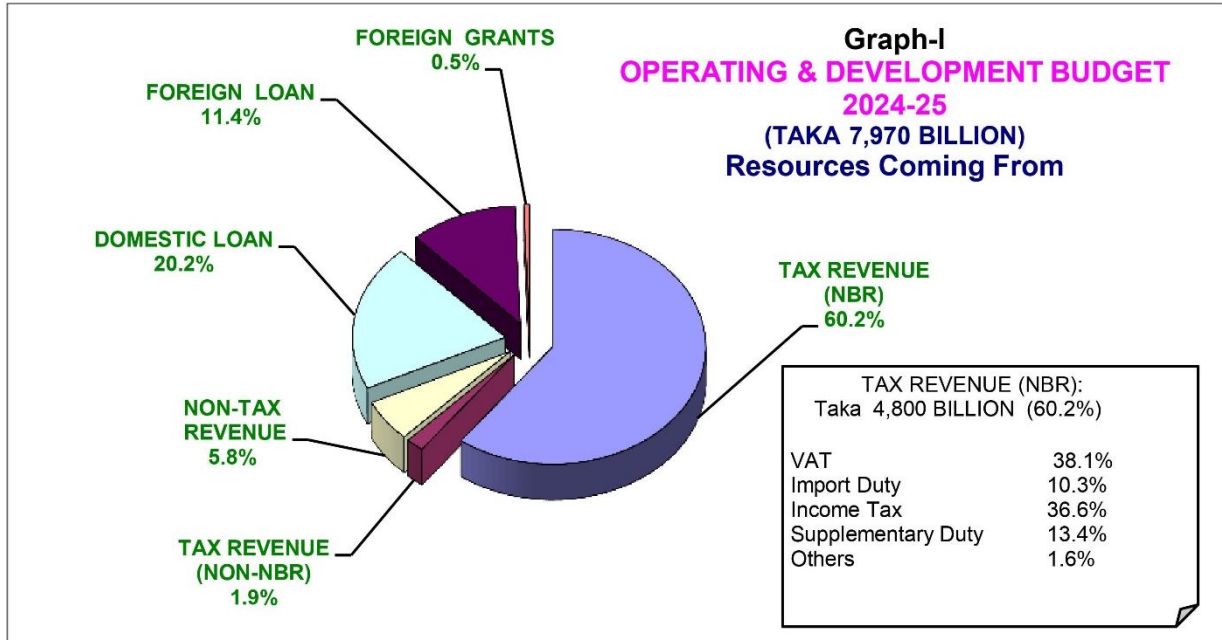
Source: Ministry of Finance



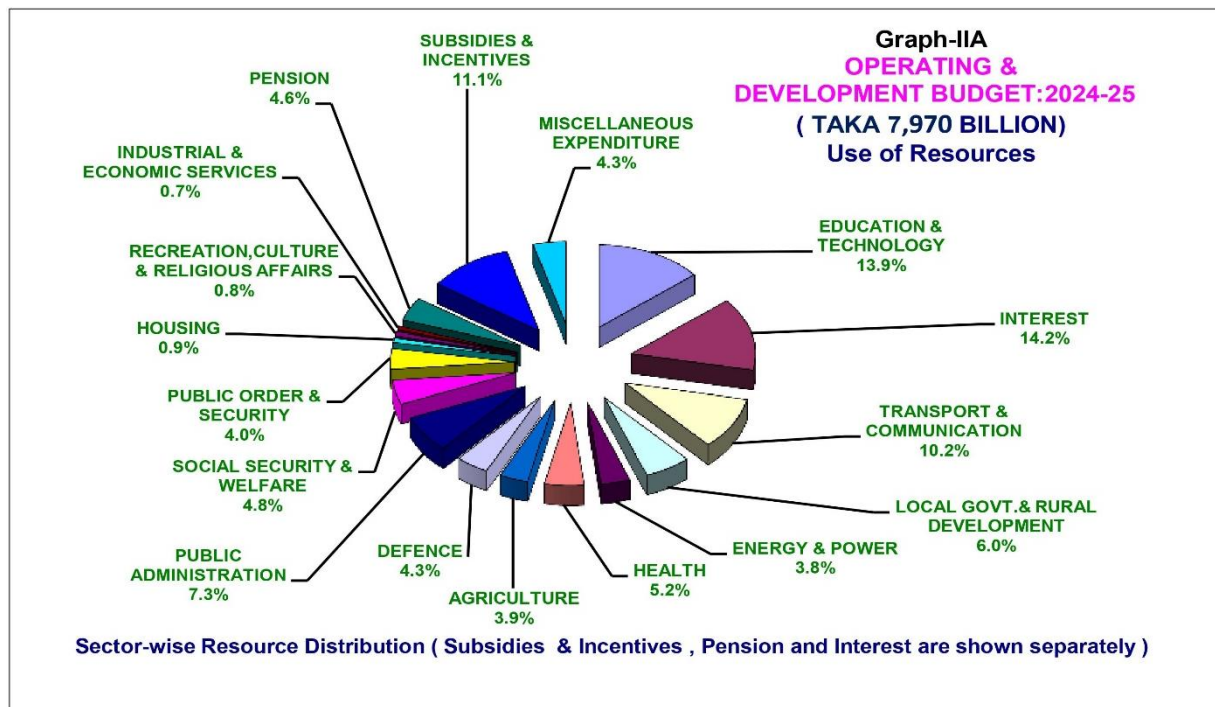
Source: Ministry of Finance

APPENDICES

OPERATING & DEVELOPMENT BUDGET



Source: Ministry of Finance



Source: Ministry of Finance

APPENDICES

TAX RATES FOR INDIVIDUALS

| AS PER LAST BUDGET (FY2023-24) | | PROPOSED (FY2024-25 & FY2025-26) | |
|--|-----------|--|-----------|
| Tax Exemption Threshold | in BDT | Tax Exemption Threshold | in BDT |
| General Taxpayers | 350,000.0 | General Taxpayers | 350,000.0 |
| Women, Third Gender & Senior Citizen (65 years+) | 400,000.0 | Women, Third Gender & Senior Citizen (65 years+) | 400,000.0 |
| Person with Disability | 475,000.0 | Person with Disability | 475,000.0 |
| War-wounded Freedom Fighters | 500,000.0 | War-wounded Freedom Fighters | 500,000.0 |
| General Tax Rate | Tax Rate | General Tax Rate | Tax Rate |
| Up to BDT 350,000 | Nil | Up to BDT 350,000 | Nil |
| Next BDT 100,000 | 5% | Next BDT 100,000 | 5% |
| Next BDT 300,000 | 10% | Next BDT 400,000 | 10% |
| Next BDT 400,000 | 15% | Next BDT 500,000 | 15% |
| Next BDT 500,000 | 20% | Next BDT 500,000 | 20% |
| On balance | 25% | Next BDT 2,000,000 | 25% |
| | | On balance | 30% |

The income tax-free threshold would be increased for parents or legal guardians of physically challenged child/adapted child by BDT 50,000 for each child.

Source: Ministry of Finance

IMPORTANT DISCLOSURES

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