BRAC EPL
STOCK BROKERAGE LTD

Weekly Market Update

Jun 20, 2019 (Week: Jun 16, 2019 - Jun 20, 2019)

Dhaka Stock Exchange

DSEX lost 1.44% in the week

Capital Market Overview

The market closed in red this week. The benchmark index DSEX (-1.44%) lost 78.68 points and closed the week at 5,395.63 points. The blue-chip index DS30 (-1.27%) lost 24.34 points and stood at 1,894.39 points. The shariah based index DSES (-0.87%) lost 10.78 points and stood at 1,233.28 points. DSEX, DS30, DSES all posted negative YTD return of +0.19, +0.72% and 0.04% respectively.

Total Turnover During The Week (DSE): BDT 26.0 billion (USD 312.5 million)
Average Daily Turnover Value (ADTV): BDT 5.2 billion (∆% Week: +5.5%)

Daily Index Movement during the Week:

The market performed five sessions during this week. Market opened this week with a negative movement of 0.79% in the first session and continued to be negative in the second by 1.02%. Market rebounded in the third session by 0.46% and continued to be positive by 0.21% respectively. On the fifth session, market closed negative by 0.29%.

Sectoral Performance:

• All the financial sectors showed mixed performance during this week. General Insurance posted the highest gain of 1.59% followed by Life Insurance (+0.86%). NBFIs experienced the highest loss of 3.10%, Banks (-2.14%) and Mutual Funds (-1.18%).

• The non-financial sectors posted mixed performance throughout this week. Pharmaceuticals booked the highest gain of 0.60% followed by Power (+0.08%). Engineering experienced the highest loss of 3.05%, Food & Allied (-2.77%) and Telecommunication (-0.56%).

Macroeconomic arena:

• Bangladesh has achieved the fastest growth in the Asia-Pacific economies comprised of 45 countries, according to ADB. In the outgoing fiscal year of 2018-19, the ADB said, the country attained 7.9% growth which was fastest expansion since 1974. The bank predicted that the growth will be 8.0% in the FY2019 and FY2020, terming it a new record.

• The continuation of concessionary duties on raw material import for motorcycle manufacturers into fiscal 2019-20 would help the fast-growing sector. Three new raw materials have added into the list for concessionary duty, which has been around since fiscal 2017-18 .

• The point-to-point inflation in the month of May last was recorded higher than that of the previous month, according to official data. It was 5.63% in May compared to 5.58% in April. The BBS showed non-food inflation in May increased by 0.20%age point to 5.84% from that of 5.64% in the previous month. However, food inflation dropped slightly in the last month as it was recorded at 5.49% in May from that of 5.54% in the previous month.

• One of the partners of the PwC, said the proposed budget is a 'long-term growth-oriented' one. She noted that from fiscal year 2005-06 until now the country's foreign currency reserve, export, import and many other indicators have gone up. This 'growth-oriented' budget has been prepared to maintain the trend.

• Multinational companies will feel discouraged to reinvest from their incomes if the proposed 15% tax on their retained earnings and stock dividends gets go-ahead, leaving a negative impact on the inflow of foreign direct investment (FDI), according to a official of the Foreign Investors' Chamber of Commerce and Industry (Ficci). Around 36-40% of the total FDI that Bangladesh receives every year comes from the retained earnings of multinational companies operating in Bangladesh and in case of this 15% tax rate, most of the money will actually go out of the country if the tax on retained earnings is imposed as most of the shareholders of the multinational companies are from abroad, Ficci president said.

Stock Market arena:

• Banks have sought to be excused from the government's plan to introduce 15% tax on stock dividend and retained earnings and reserves to encourage cash dividends as it will put some listed lenders in a difficult spot. According to the said president of the Association of Bankers, Bangladesh, it makes sense for other listed companies but not for banks as their dividend policies are transparent and regulated.

• According to Bangladesh Bank (BB) data, non-performing loans (NPLs) in the banking sector rose by BDT 169.62 billion during the period of January-March. NPLs of 10 banks rose by BDT 118.81billion, or 70.04 % of the total. The banks are Janata Bank, Agrani Bank, Rupali Bank, and private commercial banks- Islami Bank, National Bank, Al-Arafah Islami Bank, Mercantile Bank, One Bank, Southeast Bank, and Standard Bank.

Table 1: Index

Index	Closing	Opening	∆(Pts)	27-Dec-2018	∆% Week	∆%YTD
DSEX	5,395.63	5,474.31	-78.68	5,385.64	-1.44%	0.19%
DS30	1,894.39	1,918.73	-24.34	1,880.78	-1.27%	0.72%
DSES	1,233.28	1,244.06	-10.78	1,232.82	-0.87%	0.04%

Table 2: Market Statistics

		This Week	Last Week	%Change
Mcap	Mn BDT	19,924,597.5	20,017,257.5	-0.5%
	Mn USD	239,680.0	240,794.6	
Turnover	Mn BDT	25,981.3	24,633.9	5.5%
	Mn USD	312.5	296.3	
Average Daily Turnover	Mn BDT	5,196.3	4,926.8	5.5%
	Mn USD	62.5	59.3	
Volume	Mn Shares	784.0	683.1	14.8%

Figure 1: DSEX & Turnover in last four weeks

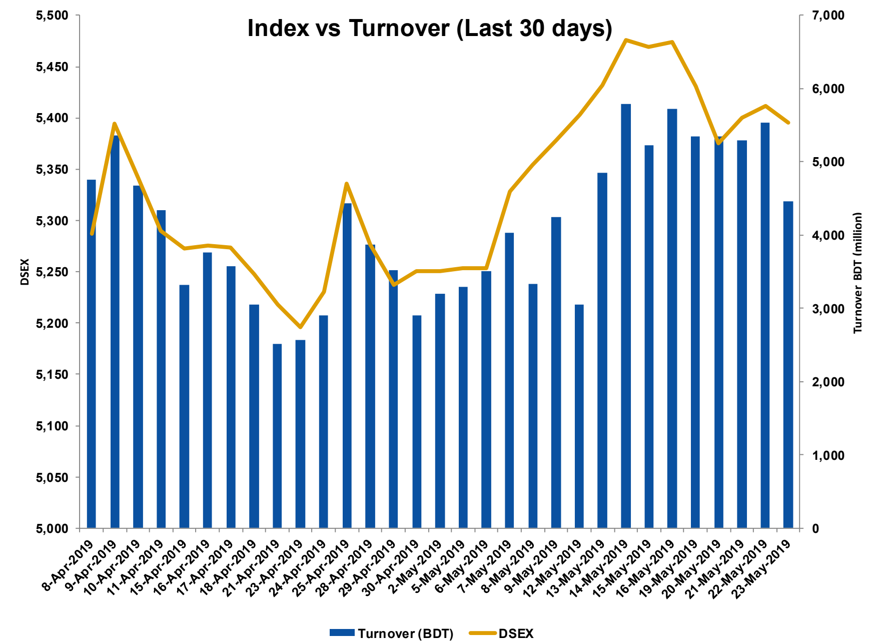

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Table 3: Top Ten Gainers

Company Name	Close	Open	Δ%	Mcap (mn BDT)	Vol (mn BDT)	P/E	P/B
First Finance Limited	7.10	5.60	26.8%	825.2	4.95	NM	0.9x
Sunlife Insurance Company Limited	32	27.00	19.3%	1,151.5	56.34	NM	3.2x
Eastern Insurance	56.00	47.70	17.4%	2,414.2	480.17	15.8x	1.8x
BD Autocars	257.10	227.80	12.9%	1,112.2	201.31	159.3x	67.0x
Dragon Sweater & Spinning Ltd.	20.30	18.30	10.9%	3,221.6	473.54	9.4x	1.5x
Nurani Dyeing & Sweater Limited	17.00	15.40	10.4%	1,722.8	418.95	11.4x	1.4x
Global Insurance Ltd.	30.80	28.10	9.6%	1,132.9	366.26	62.7x	2.7x
Republic Insurance	26.10	24.10	8.3%	1,131.1	163.62	19.2x	2.0x
Sandhani Life Ins	29.20	27.00	8.1%	3,203.2	137.87	NM	2.9x
Bangas	300.10	277.80	8.0%	2,179.2	265.17	91.3x	15.0x

Table 4: Top Ten Losers

Company Name	Close	Open	Δ%	Mcap (mn BDT)	Vol (mn BDT)	P/E	P/B
SEML FBLSL Growth Fund	10.00	11.80	-15.3%	729.4	.03	NM	1.0x
Purabi Gen. Insurance Company Ltd.	17.60	20.20	-12.9%	1,090.2	178.99	16.7x	1.5x
National Bank	8.80	10.00	-12.0%	25,699.5	89.90	5.0x	0.5x
Bay Leasing	18.60	21.10	-11.8%	2,556.6	9.48	633.6x	1.0x
One Bank	13.20	14.80	-10.8%	11,130.1	34.98	8.7x	0.7x
Union Capital	11.00	12.20	-9.8%	1,898.3	35.74	3.7x	0.8x
Premier Leasing	10.60	11.70	-9.4%	1,342.4	78.16	19.7x	0.7x
Vanguard AML BD Finance Mutual Fund One	6.90	7.60	-9.2%	719.8	.65	NM	0.6x
FAS Finance & Investments Limited	9.70	10.60	-8.5%	1,446.1	116.64	13.8x	0.7x
Northern Jute	1,046.70	1,135.10	-7.8%	2,242.0	14.82	2701.2x	18.4x

Table 5: Top Ten Most Traded Shares

Company Name	Close	Open	Δ%	Mcap (mn BDT)	Vol (mn BDT)	P/E	P/B
United Power Generation & Distribution Company Ltd	373.20	361.50	3.2%	178,795.3	953.19	29.4x	12.6x
JMI Syringes & Medical Devices Ltd	437.60	431.30	1.5%	4,813.6	700.09	58.9x	6.2x
Eastern Insurance	56.00	47.70	17.4%	2,414.2	480.17	15.8x	1.8x
Dragon Sweater & Spinning Ltd.	20.30	18.30	10.9%	3,221.6	473.54	9.4x	1.5x
Nurani Dyeing & Sweater Limited	17.00	15.40	10.4%	1,722.8	418.95	11.4x	1.4x
Monno Ceramic	222.40	219.30	1.4%	7,264.0	403.33	33.8x	3.2x
Global Insurance Ltd.	30.80	28.10	9.6%	1,132.9	366.26	62.7x	2.7x
Rupali Life Insurance Co. Ltd.	67.10	65.80	2.0%	1,935.8	339.90	NM	6.7x
BBS Cables Limited	97.50	100.90	-3.4%	15,473.3	339.40	10.3x	4.6x
Legacy Footwear	141.40	133.80	5.7%	1,849.5	334.84	26.6x	9.3x

Table 6: Sector Indices

Sector Name	Week Close	Week Open	Year Open	%Δ Week	%Δ YTD
Banks	1467.21	1499.27	1848.21	-2.14%	-20.61%
NBFIs	2034.53	2099.66	2714.85	-3.10%	-25.06%
Mutual Funds	663.25	671.17	788.81	-1.18%	-15.92%
General Insurance	1998.33	1967.04	1592.30	1.59%	25.50%
Life Insurance	2284.63	2265.12	1834.85	0.86%	24.51%
Telecommunication	5057.68	5086.06	6494.31	-0.56%	-22.12%
Pharmaceuticals	2769.49	2752.98	2821.05	0.60%	-1.83%
Fuel & Power	1915.15	1913.62	1527.27	0.08%	25.40%
Cement	1485.09	1518.25	2280.58	-2.18%	-34.88%
Services & Real Estate	980.98	1003.49	1224.11	-2.24%	-19.86%
Engineering	3072.20	3168.90	3166.83	-3.05%	-2.99%
Food & Allied	16942.34	17424.58	15304.34	-2.77%	10.70%
IT	1823.59	1890.65	1484.41	-3.55%	22.85%
Textiles	1445.73	1452.05	1222.72	-0.44%	18.24%
Paper & Printing	7055.93	7216.44	1013.11	-2.22%	596.46%
Tannery	2449.07	2435.83	2642.41	0.54%	-7.32%
Jute	17185.90	17724.88	8867.22	-3.04%	93.81%
Ceramics	526.11	528.23	597.46	-0.40%	-11.94%
Miscellaneous	2026.38	2093.15	1725.62	-3.19%	17.43%

Table 7: Sector Trading Matrix

Sector Name	Daily average this Week	Daily average last week	% Change	% of Total Turnover	P/E	P/B
Banks	310.4	423.2	-26.65%	6.33%	9.6x	0.8x
NBFIs	201.7	241.6	-16.51%	4.11%	76.5x	2.0x
Mutual Funds	17.3	21.6	-20.06%	0.35%	NM	0.5x
General Insurance	906.4	537.2	68.71%	18.48%	15.1x	1.3x
Life Insurance	255.5	226.4	12.89%	5.21%	NM	9.5x
Telecommunication	88.1	75.1	17.29%	1.80%	13.4x	10.5x
Pharmaceuticals	467.9	449.5	4.09%	9.54%	19.2x	2.6x
Fuel & Power	391.3	478.1	-18.14%	7.98%	13.2x	2.2x
Cement	40.5	47.7	-15.17%	0.83%	30.3x	2.8x
Services & Real Estate	86.2	119.0	-27.56%	1.76%	NM	0.8x
Engineering	498.0	582.4	-14.48%	10.16%	15.6x	1.8x
Food & Allied	200.0	184.1	8.68%	4.08%	29.4x	9.9x
IT	98.8	100.4	-1.58%	2.02%	22.8x	2.9x
Textiles	814.6	464.1	75.52%	16.61%	19.3x	1.1x
Paper & Printing	14.5	12.9	12.23%	0.30%	22.2x	1.8x
Tannery	142.2	106.4	33.63%	2.90%	20.4x	2.7x
Jute	31.8	12.4	157.43%	0.65%	NM	7.8x
Ceramics	103.3	65.3	58.19%	2.11%	20.3x	2.0x
Miscellaneous	235.0	278.0	-15.46%	4.79%	26.7x	1.2x

Table 8: Most Appreciated YTD in BRAC EPL Universe

Top 10 Most Appreciated Stocks	Close	Δ% YTD	Mcap (mn BDT)	P/E
Pragati Insurance	38.00	45.73%	2,492.4	11.9x
Marico Bangladesh Limited	1,511.20	25.91%	47,602.8	25.1x
Rupali Bank	39.60	21.68%	16,401.1	31.5x
Power Grid Co. of Bangladesh Ltd.	58.30	21.46%	26,871.2	9.6x
Dutch-Bangla Bank	67.80	17.38%	33,900.0	11.1x
Pioneer Insurance	33.90	16.49%	2,372.3	8.4x
BATBC	1,357.90	15.02%	244,422.0	26.2x
Eastern Housing	53.50	14.81%	4,994.0	15.1x
Singer Bangladesh	193.40	13.66%	19,282.5	21.4x
IFIC Bank	10.20	13.23%	16,522.7	9.1x

Table 9: Least Appreciated YTD in BRAC EPL Universe

Top 10 Least Appreciated Stocks	Close	Δ% YTD	Mcap (mn BDT)	P/E
Heidelberg Cement	246.30	-26.41%	13,916.8	19.9x
IFAD Autos Limited	80.80	-25.46%	20,037.6	14.2x
Aftab Automobiles	36.60	-20.26%	3,503.8	18.4x
AB Bank	10.00	-16.67%	7,581.3	NM
ACI Limited	272.20	-16.55%	13,579.8	88.1x
International Leasing	11.60	-15.33%	2,450.5	5.9x
RAK Ceramics Limited	33.20	-14.87%	12,916.9	15.0x
IDLC Finance Ltd.	61.10	-12.34%	23,037.8	10.1x
Lafarge Surma Cement	38.80	-10.80%	45,061.3	40.4x
United Airways (BD) Ltd.	2.60	-10.34%	2,153.1	NM

Important News: Business & Economy

Bangladesh fastest economy in Asia-Pacific: Asian Development Bank (ADB)

• Bangladesh has achieved the fastest growth in the Asia-Pacific economies comprised of 45 countries, according to the Asian Development Bank (ADB). In the outgoing fiscal year of 2018-19, the ADB said, the country attained 7.9% growth which was fastest expansion since 1974. The bank predicted that the growth will be 8.0% in the FY2019 and FY2020, terming it a new record.

• The ADO, the annual publication of the ADB, evaluates and forecasts economic performance of the 45 Asian and Pacific countries. It said the growth will be moderate across most of developing Asia -- 5.7% in 2019 and 5.6% in 2020 from 6.2% in 2017 and 5.9% in 2018. South Asia will see buck trend of slowing growth in Asia -- 6.8% in 2019 and 6.9% in 2020.

• The ADO said the key attributors of this growth are strong leadership, good governance, stable government and continued political calm, sound macroeconomic policy and right development priorities. The drivers of the growth have been identified as higher public investment, stronger consumption demand, revival in exports, improved power supply and higher growth in private sector credit. The ADO pointed out that Bangladesh has favorable trade prospects despite a weaker global growth while exports and remittances are likely to increase further. It also mentioned that strong public investment due to continued policy environment and expeditious implementation of large infrastructure projects and higher tax collection with expanded tax base will move Bangladesh economy further. It said Bangladesh's banking system reforms will attract higher private investment which will support the growth.

http://today.thefinancialexpress.com.bd/first-page/bd-fastest-economy-in-asia-pacific-adb-1560966801
https://www.thedailystar.net/business/news/bangladesh-fastest-economy-asia-pacific-adb-1759753
https://www.dhakatribune.com/business/economy/2019/06/19/adb-bangladesh-fastest-growing-economy-in-asia-pacific

National Board of Revenue (NBR) to get BDT 365 billion more from consumers with new VAT law

• Consumers are set to face additional burden of price hike of many essential and consumer products due to the fallout of implementation of new Value-Added Tax and Supplementary Duty Act-2012 as the National Board of Revenue eyes collecting additional BDT 375.82 billion in VAT and SD in the next fiscal year. Of the VAT amount estimated, BDT 253.09 billion would come directly from imposition of VAT and SD at different rates on different sectors while another BDT 122.73 billion would come from normal business growth in the country. The tax authority, however, said that it would get BDT 10.60 billion less due to VAT exemption offered to various sectors including small and medium enterprises. So, the net collection from the measures would stand at BDT 365.22 billion in the next fiscal year (2019-20).

• The revenue board has targeted the VAT sector to achieve its huge revenue collection target set at BDT 3.25 trillion for FY20 of the revenue amount targeted, the NBR has set the target of collecting the highest — BDT 1.17 trillion— from VAT.

• A flat 5% VAT has also been imposed on local supply of goods while 5% advance tax on import of goods According to the provisional estimation of NBR, it would get additional BDT 81.25 billion in SD at local stages. The revenue board also estimated that BDT 20.92 billion would come from newly imposed VAT on goods and services and BDT 39.45 billion would come from imposition of VAT at 5% on various goods and services. It would get BDT 27.36 billion from sectors on which VAT has been proposed at the rate of 7.5% and BDT 110 million from sectors on which VAT has been proposed at the rate of 10%.

• Around BDT 7 billion would come from petroleum products, medicine, and land development organizations on which specific VAT has been imposed The NBR also estimated that it would get BDT 50 billion from the retail sector due to use of electronic fiscal devices and BDT 15 billion from imposition of advance tax on import of all types of goods. In addition to that, BDT 12 billion would be realized from dues and by settling VAT disputes. The largest amount of SD worth BDT 70 billion would come from price hike of cigarettes, BDT 6 billion from price hike of bidi and BDT 500 million from gul and zarda. It would get another BDT 3 billion from 10% SD on obtaining and renewal of fitness certificates, route permit of all kinds of private vehicles excluding passenger bus, goods-carrying truck and lorry, ambulance and school bus. Another BDT 1 billion is estimated to come from increase in SD to 10% from 5% on mobile services including talk time and internet uses.

http://www.newagebd.net/article/75904/nbr-to-get-BDT-36500cr-more-from-consumers-with-new-vat-law
https://www.thedailystar.net/business/news/new-vat-system-bring-BDT-11000cr-more-1759729

Budget positive for motorcycle makers

• The continuation of concessionary duties on raw material import for motorcycle manufacturers into fiscal 2019-20 would help the fast-growing sector, said market players. Furthermore, Finance Minister added three new raw materials into the list for concessionary duty, which has been around since fiscal 2017-18. This is great news for the automobile sector," said the chairman of Runner Automobiles, one of the leading motorcycle manufacturers. He, however, called for a long-term policy for the sector, as the constant change in rules leaves investors in a state of confusion and scares off potential ones.

• The government's move to declare it a thrust sector would help expand motor bike assemblers and manufacturers' business, said one of the former presidents of the Dhaka Chamber of Commerce and Industry. "I think entrepreneurs will invest in this sector and foreign investors come to invest in this sector. The demand of motor bike, three wheelers and four wheeler is increasing gradually, so the government's initiative is really positive." the chairman of Nitol-Niloy Group that manufactures the Indian brand Hero's motorcycles in Bangladesh, echoed the same.

• About 0.4 million units of motorcycles were sold last year, and the annual sales figure will cross 1.5 million units by 2025. The motorcycle market size reached approximately BDT 40.00 billion in 2018, according to an estimate of the market players. At present, local manufactures caters to 40% of the total demand for motorcycles in Bangladesh.

https://www.thedailystar.net/business/bangladesh-budget-2019-20-is-positive-motorcycle-makers-1759726

The International Monetary Fund (IMF) seeks clarification of 'willful defaulters'

• The International Monetary Fund (IMF) has expressed interest to know about the definition of willful loan defaulters, which will be used for identifying them legally. The BB officials said that the central bank has initially set four criteria to identify the willful loan defaulters who might face stern action. For example, if a borrower who has the ability to repay the loan, but avoids repayment will be treated as willful defaulter. Similarly, if the borrower sells the mortgaged property without consent of the banks, he or she will deemed willful loan defaulter.

• Senior bankers, however, urged the authorities concerned to issue a guideline defining habitual or willful loan defaulter immediately. Currently, there is no guideline to detect willful or habitual loan defaulter legally, according to bankers.

• The volume of defaulted loans climbed by more than 18% to BDT 1.11 trillion 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.

http://today.thefinancialexpress.com.bd/first-page/imf-seeks-clarification-of-wilful-defaulters-1560966759

Bangladesh Mobile Phone Business Association (BMBA) fears cut in smartphone usage

• The government proposed to hike supplementary duty on imported smartphones to 25% from existing 10% in the budget. Duty rise in smartphones from fiscal year 2019-20 will cut handset use and consequently affect the 'Digital Bangladesh' vision, according to industry watchers. The proposed duty would push up illegal imports as neighboring India has less tax on smartphone handsets, they observed. According to stakeholders, illegal imports will divert an estimated BDT 20 billion per annum from Bangladesh. Once this budget is passed, the BMBA leader said, they will have to pay around 57.31% in taxes.

• Five plants now assemble 30% of the country's total annually demand for 30 million handsets. The BMBA leaders said the country has more than 90 million active internet users. Of them, about 95% are using internet through mobile phones.

http://today.thefinancialexpress.com.bd/trade-market/bmba-fears-cut-in-smartphone-usage-1560968484
http://www.newagebd.net/article/75906/scrap-addl-tax-on-smartphone-save-customers-from-price-shock-bmba

The Bangladesh-China-India-Myanmar (BCIM) hits speed bump as Sino-Indian geopolitics stalks

• The Bangladesh-China-India-Myanmar (BCIM) economic corridor has been put on the back burner because of the clash between China and India over their geopolitical interest. The multilateral initiative is aimed at facilitating trade in the region. The 2,800-kilometre corridor has been proposed linking Kunming in China's Yunnan province with the Indian city of Kolkata, passing though points such as Mandalay in Myanmar and Dhaka in Bangladesh. The BCIM economic corridor is a sub-regional initiative, earlier known as "Kunming Initiative", or BCIM Regional Economic Cooperation. The was launched in August 1999 in Kunming, capital of China's south-western Yunnan province by the leaders of China, India, Bangladesh and Myanmar. Experts said the strengthening of the Belt and Road (BR) initiative in recent years and India's isolation from the China-led scheme might have made the BCIM less of a priority.

• But state minister for foreign Affairs felt that the issues to be dealt under the BCIM are being handled bilaterally. The main spirit of the BCIM was to promote trade and commerce in the region through expanding regional connectivity, he said. Now, we are doing this bilaterally. We have strengthened our connectivity with India, and we have taken initiative to expand Dhaka-Yunnan connectivity, he added.

http://today.thefinancialexpress.com.bd/first-page/bcim-hits-speed-bump-as-sino-indian-geopolitics-stalks-1560966674

Inflation up in May

• The point-to-point inflation in the month of May last was recorded higher than that of the previous month, according to official data. It was 5.63% in May compared to 5.58% in April, according to the of the Bangladesh Bureau of Statistics (BBS) data published on Tuesday. According to BBS, inflation rate dropped to 5.35% last December, but it started rising from the month of January. It was recorded lower at 5.57% in May last year. The BBS showed non-food inflation in May increased by 0.20%age point to 5.84% from that of 5.64% in the previous month. However, food inflation dropped slightly in the last month as it was recorded at 5.49% in May from that of 5.54% in the previous month.

http://today.thefinancialexpress.com.bd/first-page/inflation-up-in-may-1560878859
http://www.newagebd.net/article/75804/inflation-rises-for-fifth-month
https://www.thedailystar.net/business/news/inflation-hits-13-month-high-1759252

Government agencies spend 68% Annual Development Programme (ADP) outlay in 11 months

• The government agencies have spent 68% of the Annual Development Programme (ADP) allocations in last 11 months to May of the current fiscal year (FY) 2018-19, officials said on Tuesday. The spending rate of the development budget is five percentage points higher than that of the corresponding period in the previous FY 2017-18. After the meeting of the Executive Committee of the National Economic Council (ECNEC), the Planning Minister said the government agencies spent BDT 1.20 trillion, a 68% of the total ADP outlay, during the July-May period of the outgoing FY 2019. During the same period in FY 2018, he said, the agencies spent BDT 989.79 billion, a 63% of the total outlay. Initially, the government prepared a BDT 1.76 trillion ADP for the current FY 2019 which was cut to BDT 1.65 trillion in the fourth quarter due to a lower execution rate.

• Meanwhile, the ECNEC at its meeting, held on Tuesday with the Prime Minister in the chair, approved 11 projects at a total cost of BDT 80.53 billion. Of the total cost, BDT 33.89 billion will come from internal sources while BDT 41.13 billion as project aid from external sources and the rest BDT 5.51 billion from own funds of the implementing agencies concerned. Among the approved projects, seven are new and the remaining four are revised ones.

http://today.thefinancialexpress.com.bd/last-page/govt-agencies-spend-68pc-adp-outlay-in-11-months-1560879251
http://www.newagebd.net/article/75801/adp-spending-rises-slightly-in-11-months

PricewaterhouseCoopers (PwC): Budget good for Foreign Direct Investment (FDI)

• The new VAT law, to be effective from next month (July), will cause price hike of commodities at consumer level, the PricewaterhouseCoopers (PwC) has said. According to the new law, the products paying less than 15% value added tax (VAT) would not get input tax credit. Thus, producers of these goods will be forced to raise their prices.

• The new act has decreased the VAT rate of some products to 10% and 7.5% from the existing 15%. As a result, the products have lost the eligibility of enjoying input tax credit, and their prices will go up, a partner of PwC India said. He, however, opined that every reform measure has initial heat, but if that can be absorbed, a positive result will come in two to three years.

• Another partner of the PwC, said the proposed budget is a 'long-term growth-oriented' one. She noted that from fiscal year 2005-06 until now the country's foreign currency reserve, export, import and many other indicators have gone up. This 'growth-oriented' budget has been prepared to maintain the trend. The government has moved to raise the contribution of income tax to total revenue collection from the present 35% to 50% by 2021. It is possible by widening tax coverage, on which the finance minister has focused.

http://today.thefinancialexpress.com.bd/last-page/new-vat-act-to-up-prices-of-goods-pwc-1560879379
https://www.dhakatribune.com/business/economy/2019/06/18/pwc-budget-good-for-fdi
https://www.thedailystar.net/business/news/tax-measures-boost-local-industries-pwc-1759258

Tax on retained earnings to imperil FDI: Foreign Investors' Chamber of Commerce and Industry (Ficci)

• Multinational companies will feel discouraged to reinvest from their incomes if the proposed 15% tax on their retained earnings and stock dividends gets go-ahead, leaving a negative impact on the inflow of foreign direct investment (FDI), said officials of the Foreign Investors' Chamber of Commerce and Industry (Ficci) yesterday. The president of Ficci said that he thinks many chambers raised this issue, to be relooked. They do not have this money because retained earning does not mean that they actually have this money in the banks. They need to review this.

• Around 36-40% of the total FDI that Bangladesh receives every year comes from the retained earnings of multinational companies operating in Bangladesh, which are later reinvested, the president of Ficci added. It is a significant amount that they actually retain within the business in Bangladesh that enables them to invest for growth and that is the main reason you have retained earnings in the business. Most of the money will actually go out of the country if the tax on retained earnings is imposed as most of the shareholders of the multinational companies are from abroad, he said.

• If they are to reinvest into the business, then they have to retain this money. If 15% tax is imposed, most of the companies will face serious problems. Paying 15% tax is almost impossible for them, he added. Advocating for exemption of 7.5% VAT on e-commerce business, the president of Ficci suggested that the government help this new kind of business to grow further.

• The president of Ficci also suggested that the government take at least six months' time to impose new multiple rates of VAT in business so that the companies can be accustomed with the new system. In response to Fcci president's queries, the NBR chairman said he would sit with the members of the Ficci soon to listen to their problems so that the FDI inflow does not get affected. He also said many supermarkets were unhappy with the fact that VAT was imposed on them sparing the e-commerce businesses although both are doing the similar kind of business.

https://www.thedailystar.net/business/news/tax-retained-earnings-imperil-fdi-ficci-1759249

Biggest revenue target 'challenging' on exemptions: National Board of Revenue (NBR) chairman

• Achieving the 'biggest' revenue target would be a challenging task with so many tax exemptions proposed in the budget, the revenue board chief said on Tuesday. He said a BDT 3.25 trillion revenue target has been proposed for fiscal year 2019-20 against their projection of around BDT 2.50 trillion in the budget. The government target is much higher than what was calculated earlier, National Board of Revenue (NBR) chairman added. He said such a target stumbles against tax exemptions offered in the budget in so many areas like agriculture, new investment, hi-tech park and special economic zone

• According to NBR, overall tax revenue collection fell short of the original target of BDT 2.96 trillion by around BDT 500 billion until March 2019. The NBR chairman said share market is reeling in rumors and most of the actors in the market are not well aware of their business. So, we gave some fiscal relief to the investors in the capital market, he continued. The NBR chief said tax exemption threshold on dividend income was proposed at BDT 50,000 from existing BDT 25,000-a budgetary measure hailed by many quarters.

http://today.thefinancialexpress.com.bd/first-page/biggest-revenue-target-challenging-on-exemptions-1560878632

No fee for mobile financial service (MFS) balance check, says Bangladesh Telecommunication Regulatory Commission (BTRC)

• The clients of mobile financial service (MFS) providers need not pay any fee for checking their account balance. The MFS providers will pay the charges to mobile operators, a Bangladesh Telecommunication Regulatory Commission (BTRC) statement said on Tuesday. The BTRC on Monday fixed charges for unstructured supplementary service data (USSD) and short message service-a move that raised speculation of increasing costs of MFS accounts. As proposed, the duration of a USSD revenue-generating session is 90 seconds and the charges would be BDT 0.85 for MFS, along with two free short messages. A non-revenue session's charge is BDT 0.40.

http://today.thefinancialexpress.com.bd/last-page/no-fee-for-mfs-balance-check-says-btrc-1560879541
http://www.newagebd.net/article/75803/no-mfs-cost-hike-for-customers-btrc

Withdrawal of all new taxes on telecom sector sought by The Association of Mobile Telecom Operators in Bangladesh (AMTOB)

• The country's mobile operators sought on Tuesday withdrawal of all new taxes on the telecom sector in the proposed national budget for the fiscal year (FY) 2019-20. They said the proposed taxes went directly against the country's foreign investment policy and the spirit of Digital Bangladesh. The operators said the proposed SD would put a BDT 130 billion burden on the mobile phone users and discourage further development of the sector.

• The new changes in the proposed budget are: 5.0% rise in supplementary duty on services provided through mobile phones from the existing 5.0%, SIM tax has been raised from BDT 100 to BDT 200, 15% tax on retained earnings for listed companies, rise of minimum tax for mobile companies' turnover from 0.75% to 2.0%, and import duty on smart phones is raised from 10% to 25%. The AMTOB secretary said that telecom industry contributes more than 6.2% to the gross domestic product (GDP) but there is no reflection of this in the proposed budget.

http://today.thefinancialexpress.com.bd/last-page/withdrawal-of-all-new-taxes-on-telecom-sector-sought-1560879435
http://www.newagebd.net/article/75805/increased-tax-on-telcos-contradicts-foreign-investment-protection-law-amtob

Budget measures undermine vision of Digital Bangladesh

• The government has two and a half years to attain its vision of Digital Bangladesh by 2021, and by the time it took a number of initiatives and spent a lot to realize its dream of providing services online, moving towards cashless economy and introducing digital payment gateway. But measures in the proposed budget for fiscal year 2019-20 have raised questions as to if Bangladesh is on the right track or not in its journey to total digitization. Sector people have termed the steps running against the government vision of a Digital Bangladesh as they pose a threat to emerging online and IT-based business.

• Proposals such as surcharge on mobile data use, 7.5% VAT on e-commerce, 5% regulatory duty (RD) on fibre optic cable, computer parts in the proposed budget for the fiscal year 2019-20 contradict the government vision and its target of earning USD 5 billion from exports in IT sector by 2021. Since the ICT sector is at its growing stage, the government should think of imposing tax on related issues after 2021, when there will be a stable situation and the infrastructure will be fully ready, says the president of Bangladesh Association for Software and Information Services (Basis).

• As per the Finance Bill 2019 on proposed budget for the fiscal year 2019-20, social media and virtual businesses will have to pay 7.5% VAT (value added tax) on sales. Talking on the VAT on online shopping, people in the sector fear that it will go costlier and push people towards offline shopping. A rural consumer has to pay BDT100 as delivery charge, while a 7.5% VAT will increase the total cost of goods. Products priced BDT 500 will cost BDT 537.5 with the VAT, says the managing director of e-commerce company ajkerdeal.com. The government should reconsider the VAT on e-commerce and it should be kept out of VAT purview for the next five years to create an online-based customer base, he adds.

https://www.dhakatribune.com/business/regulations/2019/06/18/budget-measures-undermine-vision-of-digital-bangladesh

Advance tax on imports to raise cost of business

• The introduction of 5% advance tax (AT) on imports from next fiscal year will push up operational costs of businesses, particularly for domestic market-oriented industries, said entrepreneurs. The AT, which was imposed under the new Value Added Tax (VAT) system, would be adjustable with the total VAT in their returns. The levy comes so that firms keep records of their sales and purchases properly to adjust or seek refund of the advance tax that they would pay during bringing in goods from abroad, said officials of the National Board of Revenue.

• This will facilitate the revenue authority to widen the VAT net as well as curb the scope of money laundering through trade mis-invoicing. Businesses, particularly those who make goods to cater the domestic market, said the AT would add a big burden for the banking sector that is already suffering from liquidity crisis. They are not getting the working capital to meet the requirements for our existing business. If we are to pay 5% advance tax on imports, we will have to get the additional fund from banks, said chairman of the Bangladesh Steel Manufacturers' Association. It would be very difficult for banks to provide the additional funds, he added.

• This will add to the liquidity crisis and make our lives difficult. And the indirect cost of businesses will increase," he also said, adding that port charges would rise if businesses cannot release their containers on time. The provision of AT should not apply to manufacturers. "It can be imposed on commercial importers.

• Manufacturers though were exempt from ATV. Now, under the new VAT law, both traders and manufacturers will have to pay the AT. The newly slapped advance tax would not be applicable for goods on which VAT is exempt at all stages -- import, production and trade. Under the new law, they will not have to pay VAT in advance. They will have to pay VAT at the end of a month, particularly during the submission of VAT returns. So, this will reduce the pressure on them. Besides, they would be able to adjust the AT with the VAT paid, said an official of the NBR requesting anonymity.

https://www.thedailystar.net/business/news/advance-tax-imports-raise-cost-business-1759264

CWT emerging mutual fund gets nod

• The Bangladesh Securities and Exchange Commission (BSEC) has approved an open-ended mutual fund named CWT Emerging Bangladesh First Growth Fund. The primary target of the fund is BDT 100 million of which asset manager CWT Asset Management Company will provide BDT 10 million and the rest would be open for general investors. Trustee and custodian of the fund is Sandhani Life Insurance and Brac Bank respectively.

https://www.thedailystar.net/business/news/cwt-emerging-mutual-fund-gets-nod-1759234

Making Bangladesh a regional internet hub

• Bangladesh simultaneously exports and imports international internet bandwidth to and from the same country – India. Such unique-in-the world bandwidth trading started with import when Bangladesh was linked with the single submarine cable: SEA-ME-WE4 (South East Asia–Middle East–Western Europe 4). High risk of outages has prompted the government to grant six international terrestrial cable (ITC) licences in 2012 as the lone submarine cable's backup.

• The ITCs have connected Bangladesh across its western border with India. But the latency of the ITC networks remains higher than what the SEA-ME-WE4 submarine cable offers because the traffic via the cable's landing station at Cox's Bazar travels lesser distance to Singapore as opposed to the ITCs' terrestrial traffic being routed via India's Chennai or Mumbai gateways. Bangladeshi carriers have accepted this shortcoming in exchange of crucial backup during outage. The arrival of second submarine cable -- SEA-ME-WE5 -- in late 2017 has diminished the ITCs' lifesaving role. Yet, the latter provides budget bandwidth to cater certain segment of the industry.

• International carriers are currently forbidden to directly sell their services among the Bangladeshi carriers. State-owned BSCCL retains the unwritten monopoly of international submarine connectivity. It is a huge barrier to the nation's digital competitiveness. Global carriers' presence, at the carrier-neutral facilities, will make Bangladesh identical to Singapore or Hong Kong in terms of international connectivity. The country will become its neighbours', including India's, preferred destination of global connectivity.

• Now the power transmission grid, embedded with OPGW, from Nepal and Bhutan will directly connect Bangladesh. Using that infrastructure, Bangladesh can reciprocate with exporting internet bandwidth to both the landlocked Himalayan neighbours. This landmark decision of New Delhi positions Bangladesh as an emerging regional internet wholesaler. Initially, Bangladesh may offer Nepal the passage to Singapore or Hong Kong through its submarine routes. Subsequently it should reform the domestic and international telecommunication policies to localise the services that Southeast Asian city states currently offer. Eventually Bhutan, which still struggles with the Indian carriers' monopoly, will also come to Bangladesh for international connectivity. But Bangladesh must overhaul its telecommunication policies to achieve that goal.

https://www.thedailystar.net/business/news/making-bangladesh-regional-internet-hub-1758592

Bank cards to be costlier

• The cost for issuing new credit and debit cards will balloon 3-6 times after the government imposed fresh duty on the imported items, which the bankers say is conflicting with the Bangladesh Bank's push towards a cashless society. In the budget for fiscal 2019-20 unveiled on June 13, there was a fresh tariff of USD 0.70 on each magnetic stripe card import, USD 2 for chip-and-pin card and USD 3 for contactless card. There was no declared tariff rate on the imported cards, but the Customs Department commonly imposed a maximum of USD 0.52 on each card, according to an official of the National Board of Revenue.

• Given the government and the central bank's push for making a cashless society the new rates are completely illogical, said chairman of the Association of Bankers, Bangladesh, a platform of private banks' managing directors. The move will discourage clients from asking for credit and debit cards as banks will be compelled to impose charges for issuing them. The ABB will approach the authority concerned within a day or two to withdraw the duty, he added.

• Thanks to the duty a magnetic stripe card will cost BDT 120- BDT 125 in contrast to BDT 20- BDT 25 at present, said the managing director of Lark Technologies, one of the major card importers. For a chip-based card, the cost of import will stand at BDT 370, up from BDT 100- BDT 120. The cost of contactless credit card will escalate by more than three times to BDT 550. As much as 2.5-3.0 million cards are usually imported by the local companies per year to meet the domestic demand, he also said.

• The local banks are highly dependent on imports as only one company in Bangladesh has the accreditation of Visa to manufacture the cards, said also the managing director of Dhaka Bank. The company's capacity is limited, he said, adding that it has yet to manage certification from Visa to manufacture contactless cards. No local company has so far taken authorisation from Mastercard, American Express, JCB and other global companies to produce their cards. So, the new duty has become a big blow for the banking sector, he said.

• If a company wants to manufacture the cards locally more than USD 100,000 must be paid as royalty and audit fees every year to card issuers like Visa, Mastercard, Nexus and so on, said an official of a bank with knowledge of the matter. The local company will have to churn out nearly 10 million cards to break-even and it is tough given the volume of the country's card market, he said. The new tariff may encourage consumers to go back to conventional methods, said the country manager of Mastercard Bangladesh.

https://www.thedailystar.net/business/news/bank-cards-be-costlier-1758637

Transport operators to face higher tax

• Road and water transport operators are set to face 25% higher taxes on their earnings from next fiscal year as the revenue authority feels tax collection from the transport sector is not up to the mark. The spike in taxes, which comes five years after the NBR had increased the presumptive tax from road and water transport owners, is expected to fetch higher revenues, he said. Land and water transport accounts for nearly 8% of the country's GDP in fiscal 2018-19. Yet, tax collection from all vehicles, including personal cars, hover around BDT 10.00 billion, according to data from the Bangladesh Bureau of Statistics and the NBR.

• The latest data on tax collection from vehicles, including buses and trucks, is not available. The recently released NBR's annual report for fiscal 2016-17 showed that the tax collector got BDT 8.94 billion, up 21% year-on-year. It got BDT 109.4 million in tax from inland water transport, up 58% from fiscal 2015-16. Currently, a bus owner has to pay BDT 9,000 for a 52-seater bus as tax every year and BDT 12,500 for a vehicle with more than 52 seats. The same BDT 12,500 tax is applicable for a five-tonne capacity truck. Owners of luxury and air-conditioned buses have to count BDT 30,000 for each bus.

• Inland water transport operators have to pay tax based on the carrying capacity of passengers and cargoes. Owners of passenger carrying vessels have to pay BDT 100 for each passenger. Transport operators have to pay the tax for each regardless of their income per bus, truck or vessel, the NBR official said. The decision to increase the tax followed meetings with representatives of transport owners associations. It means if tax is hiked 25%, the total amount of presumptive tax for a below 52-seater will be BDT 11,250. A notification will be issued in this regard soon, the official added.

• And a 25% hike in fixed tax would affect the transport sector that has approximately 0.3 million bus, truck, minibus and other commercial vehicles, said the secretary general of Bangladesh Road Transport Owners Association (BRTOA). Overall, the NBR will have to collect BDT 3.26 trillion in fiscal 2019-20, BDT 1.14 trillion of which should come from income tax.

https://www.thedailystar.net/business/news/transport-operators-face-higher-tax-1758643

Now mobile financial service (MFS) providers to pay service charge

• The country's mobile financial service (MFS) providers will have to pay service-based charge to mobile network operators (MNOs) for using their infrastructure, according to new directives issued by Bangladesh Telecommunication Regulatory Commission (BTRC). Mobile financial service users won't need to pay the charge from their airtime. MNOs and MFS providers would introduce a new charge structure through separate agreements, said the directives issued on Monday.

• MFSPs used to pay mobile operators 7% of their profits. If any MFSP earns BDT 20 per BDT 1,000 transactions, it used to pay 7% to MNO. The new charge will be based on mobile operators' services, irrespective of transactions. According to new directives, BTRC divided the charge into revenue generating services and non-revenue generating services. For revenue generating transaction, tariff for each successful Unstructured Supplementary Services Data (USSD) session of 90 seconds or fraction thereof will be BDT 0.85. Maximum two SMSs shall be included for each session within this tariff. Revenue generating services will have to be declared as per existing invoice and none is authorized to change that service type without prior permission from BTRC, the directives said. The directive said tariff for each successful USSD session of 90 seconds or fraction thereof will be BDT 0.40. Maximum two SMSs shall be included for each session within this tariff for non-revenue generating transaction.

http://today.thefinancialexpress.com.bd/trade-market/now-mfs-providers-to-pay-service-charge-1560790494
http://www.newagebd.net/article/75692/btrc-allows-telcos-to-charge-more-for-mobile-banking-service

BDT 151.66 billion supplementary budget for FY 2018-19 passed

• Parliament on Monday passed the supplementary budget of BDT 151.66 billion for the fiscal 2018-19 to meet the increased expenditures under different ministries and divisions, reports UNB. According to the budget document, an amount of BDT 4.64 trillion was allocated in favor of 62 ministries and divisions for the 2018-19 fiscal year. But in the supplementary budget, allocations for 37 ministries and divisions have been increased to BDT 151.66 billion while BDT 373.48 billion reduced for 25 ministries and divisions. As a result, the budget allocations for these ministries and divisions got reduced of BDT 220.32 billion and the total allocation now stands at BDT 4.42 trillion. The Election Commission Secretariat got the highest allocation of BDT 24.47 billion while the lowest BDT 8.35 million to Expatriate Welfare and Overseas Employment Ministry.

http://today.thefinancialexpress.com.bd/trade-market/BDT-15166-billion-supplementary-budget-for-fy-2018-19-passed-1560790684

Loss making entities must also pay tax at regular rate

• Tax burden of source tax deducting entities, including companies, banks, NGOs, government agencies and other employers, would increase significantly if they did not deduct source tax from applicable expenditures. The organizations would have to pay tax at regular corporate rates on the expenditures irrespective of profit or loss of the companies as the National Board of Revenue would not accept the expenses as admissible costs for tax waiver in case of failure of tax deduction at source. According to the existing income tax law, tax officials could disallow the expenditures on which TDS was not made, NBR officials said. But, in many cases, tax officials could not collect the tax from disallowed expenditures as many tax deducting authorities pay minimum tax or show loss in tax returns, they said.

http://www.newagebd.net/article/75694/loss-making-entities-must-also-pay-tax-at-regular-rate

Raising private investment to be tricky: analysts

• The government's target to raise private investment to 24.2% of GDP will be challenging given the trend in last several years and the ongoing liquidity crisis in the banking sector. Private investment has been hovering around the 22-23% mark for long. For instance, this fiscal year it reached 23.40% of GDP, up from 22.07% five years ago, according to the Bangladesh Bureau of Statistic (BBS). Bangladesh needs additional BDT 230 billion to achieve the investment target, one of the former presidents of Dhaka Chamber of Commerce and Industry.

• As the banking sector is facing liquidity shortage, we don't know where the money will come from, he added. Private sector credit growth sank to a 56-month low of 12.07% in April and the government's target to borrow more from the banks may tighten the situation further. The government last year set a target to raise private investment to 25.15% of GDP for the outgoing fiscal year, but budget documents show it edged up to 23.4% from 23.26% a year ago. Despite stagnant private investment, Bangladesh's economic growth has been impressive for the past decade. Provisional estimates show the economy is likely to grow at more than 8% in the outgoing fiscal year thanks to a steady rise in public investment.

• Public investment jumped to 8.17% of GDP in the outgoing fiscal year, up from 6.82% five years ago. Private investments are constrained by a lack of land, reliability of energy supply, poor connectivity, cumbersome regulatory processes as well as regulatory unpredictability, high corporate taxes, limited access to long-term finance and shortage of skills, one of the lead economists of the World Bank's Dhaka Office. Without removing the constraints, it will be difficult to achieve a sustained increase in the private investment rate.

• Public investment has increased because of higher expenditure in investment projects, mostly under the annual development programme, he said. Many of these projects are yet to be completed. Their crowding-in effects on private investment cannot materialize until the projects are up and running, he added.

https://www.thedailystar.net/business/news/raising-private-investment-be-tricky-analysts-1758214

Despite rise, ADP spend to miss target

• The government is set to miss the development spending target despite a 21.28% year-on-year rise in such spending in the first 11 months of 2018-19. The government will have to spend five times more—BDT 565.77 billion—in June than its monthly average of BDT 109.13 billion to reach the target of the Annual Development Programme (ADP) for the full fiscal year. Between July and May, ministries and divisions expended BDT 1200.43 billion, up from BDT 989.78 billion in the same period a year ago, according to data from the Implementation Monitoring and Evaluation Division of the planning ministry.

• Planning Minister reviewed the progress in the development spending yesterday at a meeting with the officials of ministries and divisions, instructing them to be more sincere about implementation. The priority for the government is to end corruption in the implementation of projects and accelerate the pace of execution, he said at the meeting at the auditorium of the National Economic Council at the Planning Commission in Dhaka. The ADP implementation scenario, however, has changed from what it was at the beginning of the fiscal year. It picked up in November amid the fervor surrounding the parliamentary polls in December.

• A planning ministry official said the finance and planning ministries took some measures in the beginning of 2018-19 to boost the spending and the measures started to bear fruit from November. Since November, the expenditure has averaged more than BDT 120 billion per month in contrast to BDT 62.16 billion posted every month in the preceding four months. In June last year, the finance division empowered project directors, giving them authority to release funds in the first two quarters of a fiscal year by themselves instead of waiting for approval from ministries or divisions, an exercise that takes up two to three months.

• The top ADP performer was the power division, which spent 79.64% of the allocation, followed by the Prime Minister's Office 79.25%, the science and technology ministry 78.89%, the primary and mass education ministry 73.54%, and the shipping ministry 72.75%. Among the poor performers, the public security division managed to spend 23.07%, followed by the railways ministry 44.68%, the secondary and higher education division 53.87%, the water resources ministry 59.41% and the bridges division 64.51%.

https://www.thedailystar.net/business/news/despite-rise-adp-spend-miss-target-1758202

National savings tools: Government to slash reliance by 42% over three years

• The government has targeted cutting its borrowing target from the national savings certificates(NSC) by 42% in the next three fiscals aimed at reducing fiscal risk, according to official document. The government wants to reduce borrowing from BDT 450 billion of the outgoing fiscal year to BDT 260 billion by FY 2021-22. According to the revised target, the government will borrow BDT 450 billion through selling the savings tools during the current fiscal. The finance ministry, in its policy statement, said the government will reduce the sales of savings tools to BDT 270 billion during FY2020. The government has also a target to slash borrowing from NSC in the subsequent two fiscals. The target is to borrow BDT 250 billion through selling savings certificates during FY2021 and BDT 260 billion during FY2022.

• The policy statement said in the next three consecutive years, it will slash the non-bank borrowing and increase the bank borrowing to finance the budget deficit. According to the target, the borrowing from the non-banking sector will go down to 1.0% of GDP, which will be 3.2% of GDP from the banking sector. Currently, the ratio of the government's bank and non-bank borrowing is 1:1.5. The finance minister has raised the tax at source to 10% from the current rate of 5.0% for the purchase of savings tools.

http://thefinancialexpress.com.bd/economy/national-savings-tools-govt-to-slash-reliance-by-42pc-over-three-years-1560656646

Increased tax on savings tools: Limited income people to receive fatal blow

• Families which survive on profits from savings certificates are set to receive a fatal blow as the government plans to increase tax to 10% from existing 5% on the proceeds from the tools. Retired persons, limited income families, senior citizens and some other particular groups of people are allowed to buy the tools at higher interest rate while the government utilizes the fund for meeting budget deficit. Experts have criticized the proposed tax increase as they think it will hit hard people dependent on the tools and urge the government to withdraw all taxes on them.

• Nation Board of Revenue (NBR) officials said the rule was supposed to be effective from July 1.Anyone who wants to cash the profit from previous investment after June will have to pay 10% TDS, NBR officials clarified, suggesting that the investors withdraw their profit by June to avoid new tax rate. Currently people are getting various types of profit rates based on tools category — family savings certificate offers 11.52% profit, pension savings 11.76%, five-year savings certificate 11.28%, three-months profit-based saving certificates 11.04%, and the three-year post office savings certificate offers 11.28%.

https://www.dhakatribune.com/business/regulations/2019/06/16/increased-tax-on-savings-tools-limited-income-people-to-receive-fatal-blow

International Monetary Fund (IMF) mission sounds alarm as banks' stressed assets soar

• The International Monetary Fund (IMF) has expressed concern over the rising trend in stressed assets in the banking sector. The Washington-based lender recommended that the quality of assets should be improved immediately.
Stressed assets are defined as the sum of gross non-performing assets plus restructured and rescheduled standard advances, the central bank explained. The IMF's latest observations came against backdrop of rising trend in stressed assets ratio as a percentage of total loans and advances in the banking sector.

• The stressed assets' ratio climbed to 20.5% in 2018 from 19% from the previous year as the volume of non-performing assets and rescheduled advances went up, according to the Bangladesh Bank's latest Financial Stability Report (FSR). Within a year, gross non-performing loans (NPLs) ratio increased by 100 basis points, rescheduled standard advances ratio increased by 40 basis points and restructured advances ratio increased by 10 basis points, according to the report. The rise in NPLs contributed mostly to the increase in stressed assets ratio in December 2018, it added.

http://today.thefinancialexpress.com.bd/first-page/imf-mission-sounds-alarm-as-banks-stressed-assets-soar-1560707702

Bourses welcome budget proposals

• Both the bourses of the country have welcomed most of the budgetary measures, proposed by the finance minister in the budget for the next fiscal year (FY), 2019-20. In two separate post-budget press briefings on Sunday, the Dhaka Stock Exchange (DSE) and the Chittagong Stock Exchange (CSE) said a set of incentives and reformative measures proposed in the budget have fulfilled the expectations of the investors.

• However, two directors of the DSE gave mixed reactions over the proposal of imposing 15% tax on stock dividend and retained earnings. A director of the main bourse expressed the negative view regarding outcome of the tax on retained earnings and stock dividend. This proposal should be revised, as it is not operation-friendly for companies. The securities regulator is also concerned over the proposal, he said. Another director, however, supported the proposal, saying that many listed companies are retaining earnings year after year without disbursing dividends to their shareholders.

http://today.thefinancialexpress.com.bd/first-page/bourses-welcome-budget-proposals-1560707846
http://www.newagebd.net/article/75580/dse-board-divided-over-govt-move-to-tax-cos-reserve

Government set to ink maiden coal import deal today

• Indonesia's PT Bayan Resources is set to supply around 4.0 million tonnes of coal annually for generating electricity in the 1,320-megawatt (MW) coal-fired thermal power plant at Payra in Patuakhali for ten years. The Bangladesh-China Power Company Limited (BCPCL), the power plant executing agency, is going to sign a deal in this regard with the Indonesian company at a city hotel today (Monday). This would be the country's first-ever deal for importing coal to generate electricity. First consignment of coal from the Indonesian firm is expected to reach Payra Port by late July or early August said the BCPCL Managing Director.

• The 1,320-MW Payra thermal power plant would be the first one to be run with imported coal. Some 180,000 tonnes of coal would be required every month to run each unit of the power plant. It would need around 12,000 tonnes of coal daily to generate electricity. Around 4.0 million tonnes of coal would be required to run the power plant being built at a cost of USUSD 1.98-billion. The first unit of the Payra power plant, having the capacity of 660 MW, would go into operation by December 2019, and the second unit, having the same capacity, by June 2020. The BCPCL is a 50:50 joint venture between the North-West Power Generation Company Ltd (NWPGCL) of Bangladesh and the China National Machinery Import and Export Corporation (CMC) of China.

http://today.thefinancialexpress.com.bd/last-page/govt-set-to-ink-maiden-coal-import-deal-today-1560708565

State-owned Enterprises (SoEs) on track to rack up BDT 56 billion losses next fiscal

• The government said state-owned enterprises (SoEs) will incur a loss of BDT 56.7 billion in the next fiscal year, accentuated by rising price of fuel in the international market. The forecast is higher than BDT 13.1 billion losses incurred during the fiscal year 2018. This picture was evident in the brief budget on the SOEs, a part of the fiscal blueprint. The document shows that the 49 non-financial organizations will incur loss even before paying taxes.

• Dismissing the government's logic, economists, who are familiar with the matter, said SoEs are inefficient organizations and for this reason they sustain losses year after year. They suggested conducting a public sector reform to make them profitable.

http://today.thefinancialexpress.com.bd/trade-market/soes-on-track-to-rack-up-BDT-56b-losses-next-fiscal-1560703585

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 conductive 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.

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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

Important News: Capital Market

NPLs of 10 banks increase alarmingly in Jan-March period

• The non-performing loans (NPLs) of three state-owned and seven private banks have increased alarmingly compared to other banks during the first three months of 2019. According to Bangladesh Bank (BB) data, non-performing loans (NPLs) in the banking sector rose by BDT 169.62 billion during the period of January-March. NPLs of 10 banks rose by BDT 118.81billion, or 70.04 % of the total. The banks are Janata Bank, Agrani Bank, Rupali Bank, and private commercial banks- Islami Bank, National Bank, Al-Arafah Islami Bank, Mercantile Bank, One Bank, Southeast Bank, and Standard Bank.

• The amount of stress loans in the banking sector stood at BDT 1.11 trillion at the end of March, which is the largest ever in the country's history. During the period, Janata Bank's defaulted loans rose by BDT 41.86 billion, Islami bank's rose by BDT 36.00 billion, National bank's increased by BDT 15.37 billion; Al-Arafah Islami bank by BDT 7.30 billion; Agrani bank by BDT 3.97 billion; Southeast bank by BDT 3.34 billion; One bank by BDT 3.20 billion; Mercantile bank's defaulted rose by BDT 3.14 billion; Rupali bank's rose by BDT 2.40 billion, and Standard Bank's defaulted loans rose from BDT 2.23 billion to BDT 10.17 billion, according to the latest data of the central bank.

• The Agrani Bank Managing Director said: "The non-performing loans (NPLs) usually increase in the first quarter of every year. He hoped that these NPLs would decrease during the June quarter. On June 11, the central bank cautioned the chief executive officers of Sonali, Janata, Agrani, Rupali, National, Islami, and Al Arafah Islami banks after their default loans had marked an alarming rise in the first quarter of this year. Bangladesh Bank spokesperson, and Executive Director said that Bangladesh Bank governor inquired about the reasons why the defaulted loans had shot abnormally as of March this year. He asked them to bring down their defaulted loans without any delay.

• The CEOs of these 10 banks have assured that they would undertake attempts to reduce the amount of defaulted loans in the June quarter, he added. Furthermore, the banking sector faced a combined provision shortfall of BDT 116.52 billion at the end of March, exposing their aggravating financial health. Fourteen public and private sector banks are included in the list. Of the 14 banks, four are state-owned, while the remaining ten are private commercial banks.

https://www.thedailystar.net/business/news/transport-operators-face-higher-tax-1758643

Union Cap to issue BDT 2.0 billion unsecured bond

• The board of directors of Union Capital has decided to issue unsecured subordinated redeemable non-convertible bond of BDT 2.0 billion in face value through private placement. Face value per unit (lot size) of the bond is BDT 10 million only with seven years tenure, grace period two years and coupon range is 9.0% to 12% per year, according to a disclosure on Monday. The issuing of bonds is subject to the approval of the regulatory authorities - Bangladesh Bank (BB) and Bangladesh Securities and Exchange Commission (BSEC), the disclosure said.

http://today.thefinancialexpress.com.bd/stock-corporate/union-cap-to-issue-BDT-20b-unsecured-bond-1560789960

Spare banks from stock dividend tax

• Banks have sought to be excused from the government’s plan to introduce 15% tax on stock dividend and retained earnings and reserves to encourage cash dividends as it will put some listed lenders in a difficult spot. It makes sense for other listed companies but not for banks as their dividend policies are transparent and regulated, said president of the Association of Bankers, Bangladesh, the platform of private banks’ managing directors. At present, banks that face provisioning shortfall are not allowed by the Bangladesh Bank to hand out cash dividend; they can only give stock dividend.

• As of March this year, 14 banks failed to keep the required provisioning against their bad loans. Of them, 10 lenders are listed with the capital market. And lenders usually strengthen their capital base from their retained earnings and reserves, so the move to put 15% tax on that would be a double-whammy for them, said the managing director of Bank Asia. The budgetary proposals will have an adverse impact on the entire banking sector more or less, he added. The capital base of the banking sector eroded last year and the trend will continue if the proposals are implemented.

• As of December last year, banks’ capital adequacy ratio (CAR), which determines the adequacy of banks’ capital in keeping with their risk exposures, stood at 10.50%, down from 10.83% a year earlier, according to data from the central bank. However, the managing director of Pubali Bank, said only the weak banks might face problem because of the proposed measure. The proposed tax policy on stock dividend and retained earnings and reserves will not bring anything positive for the growth-oriented companies,” said the executive director of the Policy Reserve Institute.

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• Good companies will show reluctance in going to the capital market for their funding needs in the days to come if such proposals are imposed on them, said one of the former presidents of the Dhaka Chamber of Commerce and Industry. The whole process of offering stock dividend is highly transparent. So banks should be exempt from the upcoming instruction or else it will hurt lenders, said also the managing director of Dhaka Bank.

https://www.thedailystar.net/business/news/spare-banks-stock-dividend-tax-1758205

Listed companies fear stunted growth

• A total of 209 listed companies will have to pay an additional BDT 107.92 billion if the proposed 15% tax on 'reserves and retained earnings' is implemented. Officials concerned said a large number of companies, especially banks, will face an operational setback following the execution of the budgetary measure. Finance Minister has also proposed a 15 -per cent tax on stock dividends to encourage cash dividends by listed companies. According to stakeholders, this proposal would rather hinder expansion of the companies.

• Besides, the proposed tax on reserves and retained earnings will cause double taxation as the companies pay tax on those amounts once. The president of Bangladesh Association of Publicly Listed Companies, said the implementation of the proposed tax would create 'huge' obstacles. It'd be a matter of double taxation. The well-performing companies have also been treated like bad companies which unnecessarily issue stock dividends, he said. He said the proposed tax also contradicts the securities rules that require the listed companies concerned to give clarification in case of recommending stock dividends.

• The Finance Minister in his budget speech proposed a 15% additional tax on retained earnings and reserves when the size of the same exceeds 50% of a company's paid-up capital. According to the government's observations, some companies retain or reserve the net profits instead of distributing dividends to investors. According to an estimate of the Dhaka Stock Exchange (DSE), the additional tax of 209 listed companies will stand at above BDT 107.92 billion as of May this year.

http://today.thefinancialexpress.com.bd/first-page/listed-cos-fear-stunted-growth-1560707801
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