

National Budget Review: FY 2015-16

June 04, 2015

- ✓ The budget aims to achieve 7.0% GDP growth. In addition, inflation is targeted to reduce further from existing level [2014-15 (P)] of 6.6% to 6.2%.
- ✓ Overall, the budget brings positive policy changes for capital market.
- ✓ Bank, Pharmaceuticals and Engineering sectors are expected to be benefited; while Telecom, Tobacco and Textile are expected to be negatively affected from the proposed budget.

Capital Market Implications

Recognizing importance of capital market in economic development, the budget has declared several incentives (Table 1) which are expected to ensure a well-functioning capital market, in future. We believe that declared incentives, added with the existing ones, will contribute for capital market development.

Table 1: Capital Market Incentives

Capital Market Incentives to be continued with some additional incentives	<p>The following incentives have been proposed in Budget 2015-16,</p> <ul style="list-style-type: none"> ✓ Tax rate to be reduced from 27.5% to 25.0% for publicly traded companies ✓ Tax rate for Bank, Insurance and Financial Institutions to be reduced from 42.5% to 40.0% ✓ Tax exempted dividend income threshold has been raised to BDT 25,000 from the existing BDT 20,000 ✓ Withdrawal of provision of 10.0% deduction at source on income from share market by any company or partnership firm <p>However, 10.0% tax rebate has been removed for listed companies paying more than 30.0% dividend [Source: NBR].</p>
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Sectors/Industry – Positively Affected

1. Bank	<ul style="list-style-type: none"> ✓ Government of Bangladesh (GOB) targets to borrow BDT 385.2 bn from banking system during 2015-16 ✓ Tax rate to be reduced from 42.5% to 40.0% ✓ 10.0% rebate on accrued interest/profit to regular paying borrowers to improve repayment behavior ✓ Withdrawal of existing 5.0% upfront source tax (TDS) on interest income of Treasury bond and Treasury bill
2. Textile	<ul style="list-style-type: none"> ✓ Reduced SD from 30.0% to 20.0% for textile fabrics, impregnated, coated, covered or laminated with polyvinyl chloride to benefit synthetic textile manufactures

<p>3. Pharmaceuticals & Chemicals</p>	<ul style="list-style-type: none"> ✓ Declined SD for mosquito coil; aerosol; mosquito repellent from 30.0% to 20.0% may benefit RECKITTBEN ✓ Racks, used in the pharmaceutical laboratory, imported by VAT registered pharmaceutical industries to be subjected to reduced-CD of 10.0% from the existing 25.0% ✓ Reduced SD for glucose and glucose syrup from 30.0% to 20.0% will benefit GLAXOSMITH
<p>4. Energy</p>	<ul style="list-style-type: none"> ✓ Tax deducted at source reduced to 3.0% for gas distribution companies
<p>5. Engineering</p>	<ul style="list-style-type: none"> ✓ Increased CD on Iron and non-alloy steel in ingots or other primary forms or semi-finished products of iron or non-alloy steel from BDT 5,000/MT to BDT 7,000/MT will benefit BSRM, GPHISPAT and other billet manufactures ✓ Tax holiday for Automobile manufacturing and Tyre manufacturing industry. ✓ Declined SD on Plastics & Plastics products, Polyesters etc.
<p>6. Food & Allied</p>	<ul style="list-style-type: none"> ✓ Reduced SD from 30.0% to 20.0% on sugar confectionary like chocolate, Jams, Jellies will benefit RDFOOD and FUWANGFOOD.
<p>7. ICT</p>	<ul style="list-style-type: none"> ✓ Reduced SIM tax from BDT 300 to BDT 100 will reduce SIM tax subsidy of GP and other telecom operators ✓ Giving concession to IT products like computers by reducing the duty from 25.0% to 10.0%

Sectors/Industry – Negatively Affected

<p>1. ICT</p>	<ul style="list-style-type: none"> ✓ Imposition of 5.0% SD on the services provided through SIM and RUIM card of mobile phone. This will directly increase the cost of end users consequently negatively impact the average minute per user (AMPU), possibly resulting decline in top line growth ✓ Increased SD on SIM card from 15.0% to 20.0%
<p>2. Tobacco</p>	<ul style="list-style-type: none"> ✓ Uniform tax rate for private limited, public limited or publicly traded company and for taxpayers including individual and partnership firm at 45.0%. ✓ Increase of SD at lower segment cigarette from existing 43.0% to 48.0% ✓ Since, listed tobacco companies existing tax rate is 40.0%, these will negatively impact BATBC ✓ Tax Rate for Cigarette Manufacturers other than Companies stepped up to 45.0% from existing 0-35.0% ✓ Increased price of 25 sticks of non-filter and 20 sticks of filter bidi to BDT 7.06 and BDT 7.98 respectively from existing Tk. 6.14 and Tk. 6.92.
<p>3. Ceramics</p>	<ul style="list-style-type: none"> ✓ 20.0% supplementary duty on Bathtub, Jacuzzi, Shower and Shower tray made of ceramics.
<p>4. Engineering & Cement</p>	<ul style="list-style-type: none"> ✓ Increased SD for Electric Battery operated motor car and four stroke motorcycle ✓ Increased CD on Gypsum other than fertilizer will increase cost to produce Cement
<p>5. Food & Allied</p>	<ul style="list-style-type: none"> ✓ Increased CD for Raw Sugar and Refined Sugar from existing BDT 2,000.0/MT and BDT 4,500/MT to BDT BDT 4,000.0/MT to BDT 8,000.0/MT, respectively might negatively impact OLYMPIC and GLAXOSMITH ✓ Fish & Fish Products, Flours, Vegetables and Tea will be imposed 20.0% SD.
<p>6. Textile</p>	<ul style="list-style-type: none"> ✓ Impose 1.0% tax of export proceed from existing 0.3% on all export items including garments, terry towel, carton and accessories will negatively impact export oriented RMG
<p>7. Pharmaceuticals & Chemicals</p>	<ul style="list-style-type: none"> ✓ Increased CD on chemicals namely – Azo Dyes, Organotin Compounds, Chlorophenols from 5.0% percent to 25.0% ✓ Increased SD from 15.0% to 20.0% on chemicals, acids, paints and vanishes may impact BERGERPBL
<p>8. Other</p>	<ul style="list-style-type: none"> ✓ VAT increased from 2.0% to 4.0% for super shop which will negatively impact ACI Retail Chain (SHWAPNO)

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