

A BRIEF REVIEW ON THE NATIONAL BUDGET :: FY 2021-22

- The Finance Minister, AHM Mustafa Kamal, unveils the 50th fiscal plan coinciding with the golden jubilee of the country's independence amidst pandemic-induced constraints aiming **7.2% target GDP growth for FY 2021-22** consistent with the government's long term plan and taking the post-covid recovery against the **revised target of 6.1% growth** for the last FY 2020-21. Meanwhile, the country has achieved 5.2% GDP growth in FY 2019-20. For the budget of FY22, the theme is **"Tomorrow's Bangladesh, Prioritizing Lives and Livelihoods"**. The proposed budget will give special priority to health, agriculture, social safety net, employment, food and disaster management, and food security apart from addressing Covid-19 related issues.
- The **inflation rate during this year is forecasted at 5.3%**. The point-to-point inflation rate was 5.56% as of April 2021.
- Budget Size:** The total size of the proposed budget is **BDT 6.03 trillion registering 12.06% growth** than that of the revised budget of FY 2020-21 which is **17.47% of GDP** aimed at expediting economic recovery and bolstering efforts to save lives and livelihoods. Over the years, the Country has witnessed progress in its budget size.

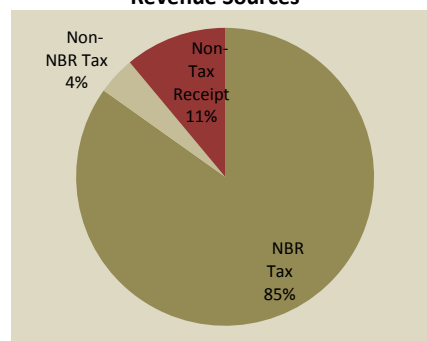
Budget Structure for the FY 2021-22 (BDT bn)

Particulars	2021-22	2020-21 (Revised)	Growth	% of total
Total Revenue	3,890	3,515	11%	100%
NBR Tax	3,300	3,010	10%	85%
Non-NBR Tax	160	150	7%	4%
Non-Tax Receipt	430	355	21%	11%
Total Expenditure	6,037	5,389	12%	100%
Non Development	3,288	3,025	9%	54%
Development	2,371	2,080	14%	39%
Other Expenditure	378	284	33%	6%
Budget Deficit	2,147	1,874	15%	
Financing				
Domestic Financing				
a) Bank	765	797	-2%	36%
b) Non-Bank	370	371	0%	17%
External Financing	1,012	562	40%	47%

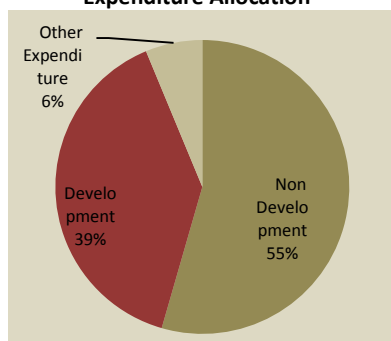
Historical Budget and Budget Deficit

Particulars	2018-19	2019-20	2020-21	2021-22
Budget Size (BDT bn)	4,000	4,202	5,390	6,037
Growth	17.0%	5.1%	28.3%	12.0%
% of GDP	15.8%	15.0%	17.5%	17.5%
Development Budget	1,511	1,618	2,080	2,371
Growth	23.7%	7.1%	28.6%	14.0%
% of GDP	6.0%	5.8%	6.7%	6.9%
Non-Development Budget	2,178	2,361	3,025	3,288
Growth	21.7%	8.4%	28.1%	8.7%
% of GDP	8.6%	8.4%	9.8%	9.5%
Deficit (BDT bn)	1,398	1,543	1,875	2,147
% of Budget	35.0%	36.7%	34.8%	35.6%
% of GDP	5.5%	5.5%	6.1%	6.2%

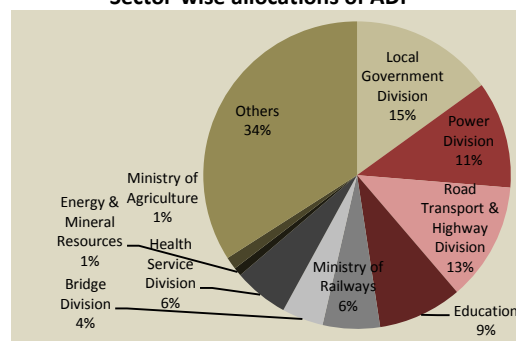
Revenue Sources



Expenditure Allocation



Sector-wise allocations of ADP



- Revenue:** The targeted revenue is set to **BDT 3.89 trillion which is 10.51% higher** over the last year's revised budget emphasizing on increasing the **NBR tax revenue that will contribute around 85% of total revenue target**.
- Expenditure:** Total expenditure in the proposed National Budget has been **augmented by 12.06%** than that of the revised budget of FY '21 to BDT 6.04 trillion which is 17.48% of GDP. Of this total expenditure 54.47% are for non-development expenditure grew by 8.58% over the revised budget of FY '21, 39.24% are for Development Expenditure grew by 13.94% over the revised budget of FY '21 and 6.29% are for Other Expenditure grew by 32.92% over the revised budget of FY '21.
- Budget deficit:** The proposed budget estimates the overall **budget deficit for the next FY at BDT 2.15 trillion which is 35.60% of the proposed budget and 6.22% of GDP**. Of the deficit, BDT 1,012 billion will be financed from external sources which are 2.92% of GDP and BDT 1,135 billion from domestic sources which is 3.27% of GDP.
- ADP Composition:** The proposed **budget allocated BDT 2.25 trillion in annual development program (ADP)** which is 13.64% higher over last year's revised allocation which is 6.51% of GDP and 37.25% of the proposed budget.

MACRO-ECONOMIC PARAMETERS:

■ GDP Growth:

The growth rate for FY2021-2022 has been fixed at **7.2%** aligning with the government's long-term plan and taking the post-Covid recovery situation into account. In the year 2020-21, the Bangladesh's economy continued to grow albeit modestly at an estimated 6.2% (revised) though much less than the target of 8.2%, is the highest in Asia amid ongoing pandemic.

■ Investment:

The Government aims to take **total investment at 33.1% of the GDP** (of which private sector investment is 25.0% and public sector investment is 8.1% in the FY 2021-22 which is 24.2% and 8.2% respectively in the revised budget of FY 2020-21.

■ Inflation

Govt. aims to keep the **average inflation rate at 5.3%** in fiscal 2021-22 as part of the efforts to prevent a price spiral amid the coronavirus pandemic which was capped at 5.4% in the current fiscal year.

■ Export & Import

Export has registered the **growth of 8.74%** in the first 10 months (July-April). The growth is driven by the rebound of apparel shipment with the reopening of the US and European economies and the increasing demand for casual knitwear items, as people were staying at home for longer periods. The government has selected 17 products to promote in the post-Covid era and to enhance their exports after Bangladesh graduates from the least developed country (LDC) to lower middle income status.

Import grew by 13.02% during the July-April period.

■ Remittance

Foreign remittance has grown by **better-than-expected growth of 40.1%** until 31 May, 2021 compared to the same period of the previous fiscal year. A total of 2,17,669 Bangladeshi workers were employed abroad in 2020 despite the prevalence of COVID-19 pandemic. Apart from the traditional labor markets, Bangladesh has started sending workers in new labor markets of many East European and Asian countries. The government declares the continuation of cash incentives at the rate of 2% on expatriate income and special 'package programmes' will be initiated by concerned banks to increase the flow of remittances through the banking channel.

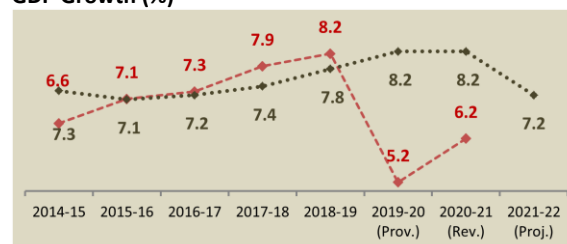
■ Current Account Balance

During the July-February period of FY 2020-21, the current account balance has seen a **surplus by US\$ 1.557 billion**. This is due to high remittance inflow and low import rate.

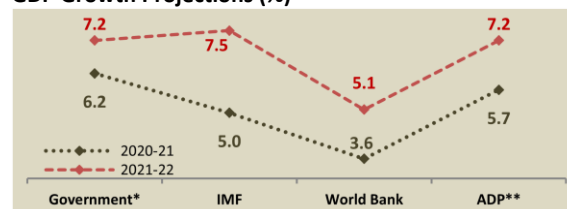
■ Foreign Exchange Reserve

Foreign exchange reserve **exceeded USD 44 billion** until 31 May, 2021. The higher inflow of inward remittance, higher export earnings and purchasing of the US currency continuously from the commercial banks have contributed to achieving such forex reserve.

GDP Growth (%)

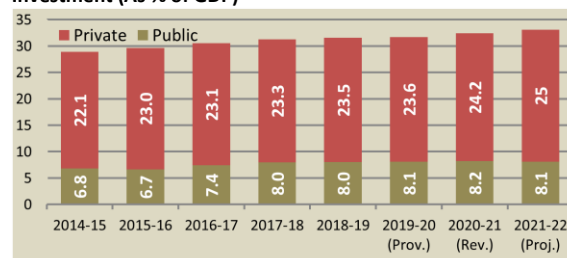


GDP Growth Projections (%)

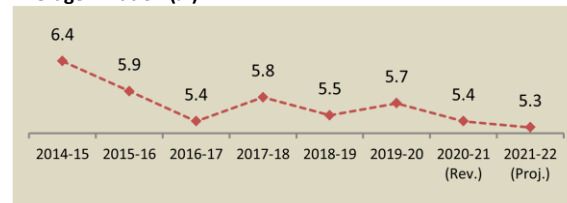


*Revised GDP for 2020-21; **Proj. for 2020-21: 5.5 to 6.0

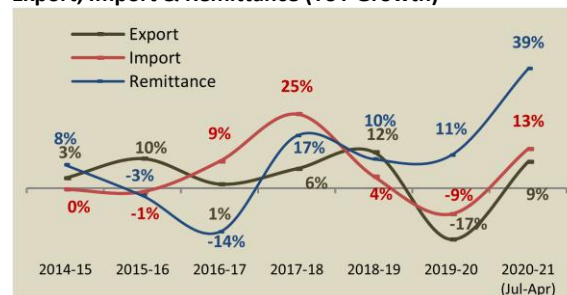
Investment (As % of GDP)



Average Inflation (%)

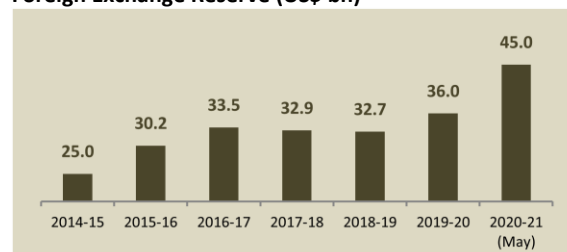


Export, Import & Remittance (YoY Growth)



*2020-21: Remittance growth up to May 2021

Foreign Exchange Reserve (US\$ bn)



CHANGES IN TAXATION

Company Tax Rate

	Existing Rates	Proposed Rates
Publicly Traded Company	25%	22.5%
Non-publicly Traded Company	32.5%	30%
Publicly traded Bank, Insurance and Financial Institution (other than Merchant Bank)	37.50%	Unchanged
Non-publicly traded Bank, Insurance and Financial Institution	40%	Unchanged
Merchant Bank	37.50%	Unchanged
All sorts of tobacco including cigarette, bidi, chewing tobacco, gul manufacturing company	45% +2.5% (surcharge)	Unchanged
Mobile Phone:		Unchanged
Publicly traded	40%	Unchanged
Non-publicly traded	45%	Unchanged
Publicly traded provider of mobile financial service (MFS)	32.5%	37.5%
Non-publicly traded provider of mobile financial service (MFS)	32.5%	40%
Dividend Income	20%	Unchanged
One Person Company	32.5%	25%
Association of persons	32.5%	30%
Artificial juridical person and other taxable entities	Rate applicable for individual taxpayer	30%
Private university, private medical, dental and engineering college or private college solely dedicated to imparting education on ICT	15.0% (rate fixed by SRO)	15%

Tax Rate Other Than Company

	Existing	Proposed Rates
<i>General Taxpayers</i>	3 lakh	Unchanged
<i>Women and senior citizen aged 65 years and above</i>	3 lakh 50 thousand	Unchanged
<i>Person with disability</i>	4 lakh 50 thousand	Unchanged
<i>Gazetted war-wounded freedom fighters</i>	4 lakh 75 thousand	Unchanged
General Tax Rate:		Unchanged
On first Taka 3 lakh	Nil	
On next Taka 1 lakh	5%	
On next Taka 3 lakh	10 %	
On next Taka 4 lakh	15%	
On next Taka 5 lakh	20%	
On the balance of total income	25%	
Special Tax Rate:		Unchanged
Cigarette, bidi, zarda, chewing tobacco, gul or any other tobacco product manufacturer	45%	Unchanged
Income of non-resident	30%	Unchanged
Income of Co-operative Society	15%	Unchanged

IMPLICATION ON CAPITAL MARKET

- The proposed budget for the FY 2021-22 **has directly not mentioned any incentives** for the capital market.
- The budget proposed to reduce the corporate tax by 2.5% for both listed and non-listed companies from the FY 2021-22 for the manufacturing companies where the tax rate for the financial institution, tobacco manufacturers and service-oriented companies have remained unchanged. *This tax cut will improve the bottom line of the listed companies which in turn will benefit the capital market investors which will ultimately increase the dividend paying capacity of the companies.*
- Meanwhile, the government is implementing various reform measures to make the capital market dynamic and vibrant. The government has taken a few initiatives to make the stock exchange a profitable institution and keep pace with the times. Some of them include introduction of Government Treasury Bonds in the capital market, introduction of various instruments of modern capital market such as: Sukuk, Derivatives, Options, introduction of OTC Bulletin Board, introduction of ETF, Listing of Open-End Mutual Fund, etc.
- However, the proposed budget didn't clearly mention the provision of investment of undisclosed money in the capital market. Hence, provision of legalizing by investing of black money in the capital market is expected to remain. *This incentive may influence the taxpayers to legalize their undisclosed money through investment in the capital market which might have the positive impact in the market.*

- The budget has proposed to exempt the applicable capital gain tax at the time of transferring property to a trust or Special Purpose Vehicle or transferring property by a trust or Special Purpose Vehicle to popularize and create a strong market for Sukuk or Islamic bond.
- The proposed budget has kept the tax rules regarding capital gain and dividend income unchanged from investing in capital market.
- The budget proposed to fix the rate of allowable depreciation of ordinary building at 5% from 10%, and that of a factory building at 10% from 20%. *This initiative will have a positive impact on the bottom line of the listed companies.*

IMPACT ON THE SECTORS AND THE LISTED COMPANIES

Bank & Non-Bank Financial Institution

- The GOB has aimed to **borrow BDT 765 billion from the banking system** in FY 2021-22 which is 12.66% of the proposed budget and **4.13% lower** over the revised budget of FY 2020-21 to meet the deficit financing. As proposed, the government will borrow Tk 516 billion through long-term Bangladesh Government Treasury Bonds, generally known as bonds, and the remaining Tk 249 billion through treasury bills (T-bills).
- Corporate tax structure of the banking system has been **unchanged at 37.5%**.
- The proposed budget for the FY 2021-22 focused on **increasing the private sector investment** which is considered as the steam engine of the country's economic growth appears to have got a fair focus riding on the cut in corporate tax by 250 basis points for companies, except financial services, telecom operators and tobacco companies.
This initiative will boost up the private sector investment which in turn benefited all the financial institutions.
- The budget for FY 2021-22 proposed **to promote the use of formal banking and Mobile Financial Services (MFS) channel** for transactions. To promote the formal payment channels:
 - MFS will be considered as a formal payment channel where payment through bank transfer is mandatory. It must be conducted over crossed cheque or bank transfer or MFS if any payment exceeds BDT 50,000
 - The rate of tax deduction will be 50% higher than the applicable rate where the bills are not received through the banking channel or MFS by suppliers and contractors
 - The budget proposed to define the e-commerce platform as a source tax deducting authority. *This will increase the transactions through formal banking channels which will have a positive impact of the bank's income fee.*
Embracing of formal banking channels will increase the commission fees of the banks. The using of formal banking channels including MFS will have a positive impact on the financial institution of the country. Implementation of formal payment channels through MFS will help to increase the penetration of MFS services in the country. The business of BRACBANK (bkash) and DUTCHBANGL (Rocket) will get a boost.
- The budget proposed to increase the corporate tax rate of MFS from 32.5% to 37.5% for the listed ones and to 40.0% for the non-listed ones **which might have a negative impact on the business of the service provider.**
- The budget proposed to boost up the Small and Medium Enterprise (SME) Sector.
 - The budget proposed to keep up to BDT 7.0 million of business turnover of the women entrepreneurs outside the purview of taxation *aiming both the women entrepreneurs and the SME sector will be benefitted from this tax exemption facility*
 - To protect the SMEs, the budget proposed to increase the applicable duty on the import of some finished products made by those industries
 - The budget also proposed to provide 1% exemption rate for the import of capital machinery to SMEs irrespective of commercial and industrial establishments
These incentives for the SME sector will benefit the SME focused financial institutions.

Insurance

- To make the insurance service people-friendly and welfare oriented, steps have been taken to introduce expatriate insurance, agricultural insurance, health insurance, livestock insurance, crop insurance for Haor area.
- The feasibility of introducing micro-insurance to alleviate poverty is being explored.
- Steps have been taken to enhance women empowerment by bringing poor women under micro insurance.
- In addition, there will be initiatives to introduce automation in the insurance sector.
- In the meantime, the uniform Know Your Customer (KYC) system has been introduced.
All the insurance companies business will be facilitated.

Food & Allied

- To flourish the agro based industries, the budget proposed to exempt tax for ten years to industries engaged in processing locally grown fruits and vegetables, producing milk and dairy products.
*These initiatives will benefit the business of **GHAIL, AMCL(PRAN), RDFOOD, TAUFKA***
- The budget proposed to increase VAT from existing 0% to 15% in fresh/chilled/frozen meat. *This will increase the cost of business of **GHAIL***

Tobacco Industry

To reduce the consumption of tobacco products and maximize revenue collection from this sector, the budget proposed to revise the *Tobacco Tariffs & SD of cigarette and bidi as follows:*

Cigarette Segment	Price (10 Sticks)			Supplementary Duty		
	Exiting	Proposed	Change	Exiting	Proposed	Change
Premium	BDT 128	BDT 135	5.47%	65%	65%	unchanged
High	BDT 97	BDT 102	5.15%	65%	65%	unchanged
Medium	BDT 63	BDT 63	unchanged	65%	65%	unchanged
Low	BDT 39	BDT 39	unchanged	57%	57%	unchanged
Bidi Segment	Price			Supplementary Duty		
	Exiting	Proposed	Change	Exiting	Proposed	Change
Non-filter bidi (25 Sticks)	BDT 18	BDT 18	unchanged	30%	30%	unchanged
Filter bidi (20 Sticks)	BDT 19	BDT 19	unchanged	40%	40%	unchanged

The budget proposed to -

- Increase the price of the high and premium segment by 5.15% & 5.47% respectively and keep the supplementary duty rate to the existing 65.0%;
- keep the existing price and supplementary duty rate of the medium and low segment cigarette unchanged;

The price hike of the Premium and High segment cigarettes with unchanged supplementary duty (SD) will result in improved margin of the cigarette manufacturers. The customers of these two segments are usually loyal to their brands and unlikely to bring changes in their regular consumption.

The customers of the low segment cigarette are relatively more sensitive to the price changes. To mobilize revenue from at the lower level, the government has not increased the price of low segment. Hence, sales volume in this segment may remain static. More than 50% of industry volume comes from the low segment.

Related listed company: **BATBC**

Engineering

- The government has proposed 15% increase the ADP in the FY 2021-22 with the aim of achieving higher growth. In line with this goal, the government will strive for timely implementation of all nationally important projects including mega projects in the infrastructure sector.
*This initiative will have positive impact on the business of **BSRMLTD, BSRMSTEEL, GPHISPAT, RSRMSTEEL, SSSTEEL***
- The budget proposed to reduce the rate of tax deduction at source on supply of iron and iron products from 3% to 2%. This will facilitate the business of **BSRMLTD, BSRMSTEEL, GPHISPAT, RSRMSTEEL, SSSTEEL, APOLOISPAT, SALAMCRST**
- The budget proposed exemption of Advance Tax (AT) on certain raw materials of iron products and scrap vessel. *This initiative will have positive impact on the business of **BSRMLTD, BSRMSTEEL, GPHISPAT, RSRMSTEEL, SSSTEEL***
- To protect iron wire industry, the budget proposed to impose 3% regulatory duty (RD-3%) on the import of such finished products of those industries. *This will facilitate the business of **BSRMLTD, BSRMSTEEL, GPHISPAT, RSRMSTEEL, SSSTEEL***
- To protect the fire-resistant door manufacturing industry, the budget proposed to provide concessionary facilities for the import of core raw materials (Cold Rolled Iron / Steel) of that industry. *This will facilitate the business of **APOLOISPAT, SALAMCRST***
- The budget proposed necessary amendment to provide equal facility to local companies as enjoyed by the foreign companies in case of international tender. *This will facilitate the business of **MIRAKHTER***
- To protect the domestic industry, the budget proposed to expand the existing concessionary VAT exemption facility for manufacturing of refrigerator, freezer and its compressor for one more year. *This initiative will have positive impact on the business of **WALTON, SINGERBD***
- The budget proposed extension of existing VAT exemption facility for manufacturing of air conditioner and its compressor for three more years. *Compressor manufacturer will enjoy better margin which will benefit the business of **WALTON***
- To promote the electronics industrial sector, the budget proposed to expand the existing concessionary rate on raw materials importation of refrigerator and compressor manufacturing industries for their protection. In order to protect the washing machine manufacturing industry, it proposed to issue a new SRO. Moreover, it also proposed more concession on certain raw materials of TV manufacturing industry for the development of this sector. *These initiatives will facilitate the business of **WALTON, SINGERBD***
- The budget proposed tax exemption for local three and four-wheeler manufacturers for 10-years subject to meeting certain conditions. This facility may be extended for another 10-year on the fulfillment of certain other requirements. *Related listed companies are **RUNNERAUTO, IFADAUTOS***
- The budget proposed extension of existing VAT exemption facility for manufacturing of motor car and motor vehicle for five more years. *This will facilitate the business of **ACI, RUNNERAUTO, AFTABAUTO, EPGL & IFADAUTOS***
- The budget proposed to reduce tariffs on microbus imports to discourage the use of accident-prone vehicles like nasimon, laguna and encourage the use of minibuses as an alternative public transport. *This will facilitate the business of **ACI, RUNNERAUTO, AFTABAUTO, EPGL & IFADAUTOS***
- To encourage the use of environment friendly hybrid vehicles, the budget proposed to restructure the tariffs on imports of hybrid vehicles. *This will facilitate the business of **ACI, RUNNERAUTO, AFTABAUTO, EPGL & IFADAUTOS***
- To protect the dumper/tipper assembling industry, the budget proposed to reduce the tariff on import of dumper/tipper in CKD condition. *This will facilitate the business of **RUNNERAUTO, AFTABAUTO, EPGL & IFADAUTOS***
- For the development of motorcycle manufacturing/assembling industry, the budget proposed to bring necessary adjustments and also to include some raw materials in the existing SRO. *This will facilitate the business of **ACI, RUNNERAUTO, ATLASBANG, WALTON***
- The budget proposed advance tax (AT) exemption on thresher machines, power reaper, power tiller, operated seeder, combined harvester, rotary tiller, weeder, and winnower. *Related listed company: **ACI, RUNNERAUTO***
- To lessen dependence on foreign goods, the budget proposed VAT exemption at local production stage in manufacturing of blender, juicer, mixer, grinder, electric kettle, rice cooker, multi-cooker, pressure cooker. *This initiative will have*

positive impact on the business of **WALTON, SINGERBD**. Walton manufactures and assembles most of their products in their domestic plant.

- The budget proposed VAT exemption at production level in manufacturing of washing machine, microwave oven and electric oven. *This initiative will have positive impact on the business of **WALTON, SINGERBD***
- To ensure harmony between manufacturing and assembling industry and also for the development of LED light manufacturing/assembling industry, the budget proposed to reduce the existing tariff on import of parts of those industries. *This will facilitate the business of **NTLTUBES, BDLAMPS***
- The budget proposed exemption of Advance Tax (AT) on certain raw materials of ethylene glycol, terephthalic acid, ethylene/propylene which are used for manufacturing of PVC and PET resin. *This will facilitate the business of **DESHBANDHU, NPOLYMAR, YPL***
- The budget proposed extension of existing VAT exemption facility for manufacturing of polypropylene staple fiber for two more years. *This will facilitate the business of **DESHBANDHU, NPOLYMAR, YPL***
- The budget proposed concessionary rate of 5% from existing 25% on the imports of coated calcium carbonate by Industrial IRC holder VAT compliant plastic goods or calcium carbonate filler or Cable manufacturing industry. *This will facilitate the business of **BBSCABLES, ECABLES***
- The budget proposed concessionary rate of 15% from existing 25% on the import by Industrial IRC holder VAT compliant cable manufacturing industry. *This will facilitate the business of **BBSCABLES, ECABLES***
- The budget proposed to exempt the duty to 15% from existing 25% for threaded self-tapping screw imported by Industrial IRC holder VAT compliant pre-fabricated building industry. *This will facilitate the business of **NAHEECAP***

Cement

- The government has proposed to 15% increase the ADP in the FY 2021-22 with the aim of achieving higher growth. In line with this goal, the government will strive for timely implementation of all nationally important projects including mega projects in the infrastructure sector. *This initiative will have positive impact on the business of **cement manufacturers***
- The budget proposed to reduce the rate of tax deduction at source on supply of cement from 3% to 2%. *This initiative will have positive impact on the business of **cement manufacturers***
- The budget proposed to reduce the rate of tax on import of raw materials related to cement production from 3% to 2%. *This initiative will have positive impact on the business of **cement manufacturers***
- The proposed budget didn't clearly mention the provision to legalize by investing of black money in the purchase or construction of any apartment or flat and building if tax is paid at certain rates. However, the provision is expected to remain in the next fiscal. *If the provision will remain cement manufacturers will be facilitated*

Fuel & Power

- To keep the existing momentum of growth of local industries, the budget proposed to continue the existing 5% VAT rate for manufacturing of LPG cylinder for another year. *This will facilitate the business of **MJLBD, NAVANACNG, BEXIMCO***
- To protect local LP gas manufacturing industries, the budget proposed to expand the existing concessionary rate for those industries. *Related listed company: **MJLBD, NAVANACNG, BEXIMCO***
- To discourage import of environmentally harmful recycled lube base oil and lubricating oil, the budget proposed to increase import duty on those products. However, to protect the lube blending industry, the budget also proposed to decrease import duty on additives from the existing 10.0% to 5.0% as one of the raw materials of that industry. *This will facilitate the business of **MJLBD***

Pharmaceuticals & Chemicals

- The budget proposed to extend the waiver of all tariffs on the import of raw materials for hand sanitizers, masks and PPE production. *This will facilitate the business of **ACI, BEXIMCO, RECKITT BEN***
- In order to consolidate the health sector, the budget proposed to expand the existing concessional facilities for import of raw materials required for the production of medical products. *This will have a positive impact on the business of **JMISMDL***
- The budget proposed reduction of duty and taxes of feed ingredients used in Medical Device Manufacturing. *This will have a positive impact on the business of **JMISMDL***
- The budget proposed reduction of duty and taxes on ingredients used in anti-cancer medicine manufacturing and API for medicine manufacturing. *This will facilitate the business of **BXPHARMA, SQURPHARMA, BEACONPHAR, ACI, ACMELAB, RENATA***
- The budget proposed to increase the customs duty (CD) of Liquid Paraffin (raw material for Value-added Hair Oil) from existing 10.0% to 15.0% which will *increase the cost of production of **MARICO***.
- The budget proposed two years extension of existing VAT exemption on importation of certain raw materials used for production of sanitary napkin and diaper. *This will facilitate the business of **SQURPHARMA, ACI***

Information Technology

- To encourage the growth of local ICT sector, the budget proposed VAT exemption for 10 years on local manufacturing of some selective IT hardware. *Related listed company **WALTON***
- The budget proposed further expand the existing 22 ITES (information technology enabled services) services enjoying tax exemption.
- The budget proposed to offer tax exemption facility to providers of cloud service, system integration, e-learning platform, e-book publications, mobile application development service and IT freelancing until 2024.
- The budget proposed to provide concessionary facilities for the import of computer accessories and raw materials to protect the domestic computer / laptop and ICT product manufacturers. *Related listed company **WALTON***

Telecom

- For the expansion of cellular phone manufacturing, assembling and backward linkage industry, the budget proposed to make the existing concessions on raw materials of that industry more investment friendly and rational. The budget also proposed extension of existing VAT exemption facility on manufacturing and assembling of mobile phone for two more years. *Related listed company **WALTON***
- The budget proposed to increase tariff from existing 10% to 25% on import of feature phones to protect domestic industry. *Related Listed Company: **WALTON***
*Manufacturing mobile phones locally will make cheaper than that of imported ones which ultimately increase the mobile penetration which will benefit the mobile operators. Related Listed Company: **GP, ROBI***
- The budget proposed increasing the supplementary duty on SIM cards by 20%. Earlier, supplementary duty on SIM cards was 15%. Hence, SD duty on SIM cards stands at 35%. *The proposal is not likely to affect the mobile operators as most of them procure SIM cards from seven local manufacturers. This will benefit the local companies who are in production.*

Textile

- The budget proposed to continue to provide an export incentive of 1% in the next fiscal year to the RMG industry.
This initiative would improve the financial condition of the textile companies.
- The budget proposed to include photosensitive rotary screen, temperature sensor and loaded PCB in the concessionary rate to protect the textile industry.
- The budget proposed to extend the waiver of all tariffs on the import of raw materials for masks and PPE production.
*This will facilitate the business of **textile companies** engaged in masks and PPE production.*

Service & Real Estate

- The proposed budget didn't clearly mention the provision to legalize by investing of black money in the purchase or construction of any apartment or flat and building if tax is paid at certain rates. However, the provision is expected to remain in the next fiscal. *If the provision will remain, **construction material sectors, EHL, DBH, NHFIL** will be benefited.*

Tannery

- The budget proposed to provide concessionary rate from the existing 25.0% to 15.0% for import of two raw materials for the footwear industry: Dyed knitted or crocheted fabrics and Yarns of different colors knitted or crocheted fabrics.
*Related Listed Company: **APEXFOOT, BATASHOE***

Ceramics

- To facilitate the local business, the budget proposed to reduce burden of VAT on dealers and distributors of locally produced tiles and sanitary ware 15% VAT is proposed to be chargeable on the net commission only.
- The proposed budget didn't clearly mention the provision to legalize by investing of black money in the purchase or construction of any apartment or flat and building if tax is paid at certain rates. However, the provision is expected to remain in the next fiscal. *If the provision will remain, the business of **RAKCERAMIC** will be benefited.*

Miscellaneous

- The budget proposed to reduce the duty and taxes of feed ingredients used in poultry/dairy/fish feed to protect the local industry.
- The budget proposed to increase the supplementary duty of meat and edible offal of bovine animals, sheeps or goats to 20% from existing 0% to protect local poultry sector.
*Related Listed Company: **AMANFEED, NFML, FINEFOOD, INDEXAGRO***

Bond Market

- The government has taken steps for flourishing the bond market and decided to provide policy support in building a strong bond market as an alternative to banks for sourcing long term finance to entrepreneurs.
- The budget proposed tax exemption on the applicable capital gain tax at the time of transferring property to a trust or Special Purpose Vehicle, or transferring property by a trust or Special Purpose Vehicle, vice versa, with a view to popularizing and creating a strong market for Sukuk or Islamic bond. *This initiative will facilitate collecting long-term capital through bond issuing and reduce bank dependency.*

- The government has introduced a Shariah-compliant investment instrument or sukuk to integrate the evolving trend of the economy into development finance.
- To address the Sukuk issue, Bangladesh Bank has been given the responsibility of managing Sukuk assets, as Special Purpose Vehicle or SPV for Sukuk issuance and as Trustee for safeguarding the interests of Sukuk investors.
This initiative will facilitate the flourishing of a strong bond market in the country which will act as an alternative source of long-term financing.

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