

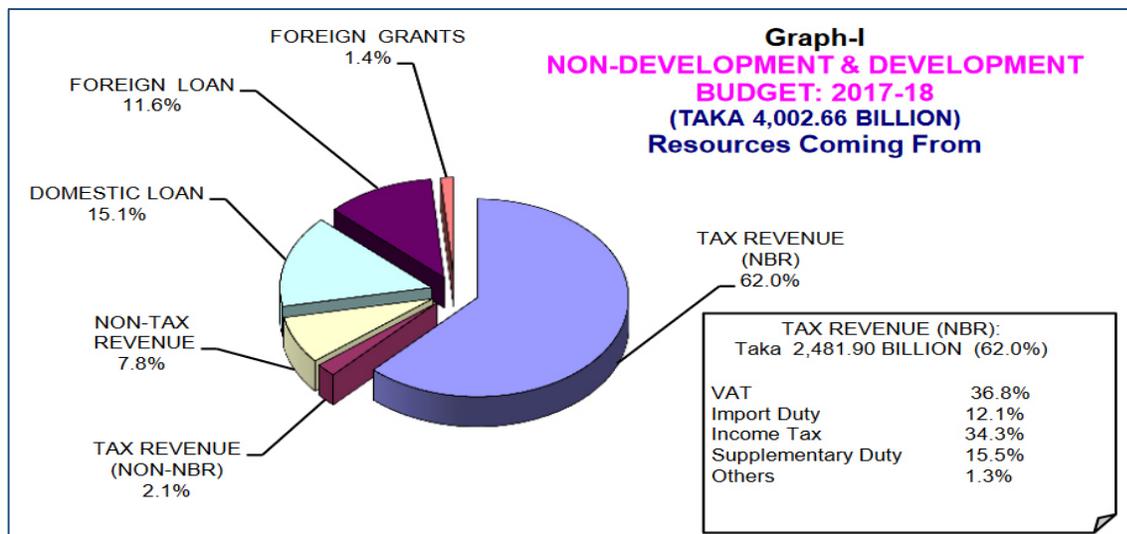
**BUDGET 2017-2018**

**BUDGET AT A GLANCE:**

Figure in Crore

Particulars	Growth (%)	Budget 2017-2018	Revised Budget 2016-2017	Budget 2016-2017
NBR Tax	34.16%	2,48,190	1,85,000	2,03,152
Non-NBR Tax	18.74%	8,622	7,261	7,250
Non Tax Revenue	18.83%	31,179	26,239	32,350
<b>Total Revenue</b>	<b>31.80%</b>	<b>2,87,991</b>	<b>2,18,500</b>	<b>2,42,752</b>
Non-Development Revenue				
Expenditure	16.27%	2,07,138	1,78,154	1,88,966
Development Expenditure	37.09%	1,59,013	1,15,990	1,17,027
ADP	0.00%	1,10,700	1,10,700	1,53,331
Other Expenditure	565.79%	153,331	23,030	34,612
<b>Total Expenditure</b>	<b>26.20%</b>	<b>4,00,266</b>	<b>3,17,174</b>	<b>3,40,605</b>
<b>Budget Deficit</b>	<b>13.78%</b>	<b>1,12,275</b>	<b>(98,674)</b>	<b>(97,853)</b>
Deficit Financing				
External Source	80.47%	51,924	28,771	36,305
Domestic Source	-13.66%	60,352	69,903	61,548
Bank Borrowing	17.99%	28,203	23,903	38,938
Savings Instruments	-30.11%	32,149	46,000	22,610
<b>Nominal GDP</b>		<b>22,23,600</b>	<b>19,56,055</b>	<b>19,61,017</b>
<b>GDP Growth Rate</b>		<b>7.40%</b>	<b>7.20%</b>	<b>7.20%</b>
<b>Inflation</b>		<b>5.50%</b>	<b>6.00%</b>	<b>6.00%</b>

**DEVELOPMENT & NON-DEVELOPMENT BUDGET SOURCES:**



**TOP 10 SECTORAL ALLOCATION:**

Figure in Crore Tk.

Sector	Growth	Budget 2017-2018	Budget 2016-2017
Finance Division	7.77%	90,672	84,133
Ministry of Education*	5.82%	28,418	26,855
Ministry of Defense	16.39%	25,740	22,115
Local Government Division	15.70%	24,674	21,326
Ministry of Primary & Mass Education	-0.63%	22,021	22,160
Ministry of Health & Family Welfare	18.06%	20,679	17,516
Road Transport & Highways Division	80.52%	19,697	10,911
Power Division	44.64%	18,894	13,063
Ministry of Home Affairs	-5.16%	18,288	19,282
Ministry of Railways	33.88%	16,032	11,975

\*Includes budget allocation of Secondary & Higher Secondary Division and Technical and Madrasha Education Division.

**INCOME TAX FOR INDIVIDUALS:**

(a) Income Threshold for Individual Taxpayers is as follows –

Types of Tax Payer	Proposed (Budget 2017-2018)	Existing (Budget 2016-2017)
General Tax Payer	Tk. 2.50 Lac	Tk. 2.50 Lac
Women and aged taxpayers (65 years of age and above)	Tk. 3.00 Lac	Tk. 3.00 Lac
Physically Challenged	Tk. 4.00 Lac	Tk. 4.00 Lac
Gazetted War-wounded gazette freedom fighters	Tk. 4.25 Lac	Tk. 4.25 Lac

(b) Individual tax rate and income slabs are as follows -

Proposed Income Slabs (Budget 2017-2018)	Rate
On the first Tk. 2,50,000	Nil
On the next Tk. 4,00,000	10%
On the next Tk. 5,00,000	15%
On the next Tk. 6,00,000	20%
On the next Tk. 30,00,000	25%
On the balance of Total Income	30%

(c) Tax Rate for Cigarette Manufacturers other than Companies: 45%

(d) Tax Rate on Income of Non-Resident: 30%

(e) Tax Rate for Co-operative Society: 15%

**CORPORATE TAX:**

Company Tax Payers	Status	Proposed Rate (Budget 2017-2018)	Existing Rate (Budget 2015-2017)
<b>Mobile Company</b>	Publicly Traded	40%	40%
	Other than Publicly Traded	45%	45%
<b>Cigarette Company</b>	Publicly Traded	45%	45%
	Other than Publicly Traded	45%	45%
<b>Bank, Insurance &amp; Financial Institutions</b>	Publicly Traded-Bank, Insurance & Financial Institutions(other than Merchant Bank)/ Newly established Bank, Insurance & Financial Institutions approved by Govt. in 2013	40%	40%
	Merchant Bank & Private Limited Company	37.5%	37.5%
	Non-Publicly Traded Bank, Insurance and Financial Institution	42.5%	42.5%
	Non-Publicly Traded Company	35%	35%
<b>Dividend Income</b>		20%	20%

**CAPITAL MARKET IMPLICATIONS:**

- The proposed budget has no significant change for the capital market as most of the indicators remained unchanged.
- Corporate tax rate unchanged for banks, insurances and NBFIs, standing at 40.0%.
- Corporate tax rate also unchanged for other sectors.
- Tax rate on dividend unchanged – the rate stood at 20.0%.
- The process of forming a council under the Financial Reporting Act enacted to promote transparency, accountability and international standard of financial reporting, is in the final stage. The chairman of the council has already been appointed.
- Government also plans to establish a separate clearing and settlement company as part of a long term action plan for development of capital market.

**POSITIVE IMPACT:**

SECTOR	STOCK (DSE)	PROPOSED CHANGE	EXISTING RATE/AMOUNT	PROPOSED RATE/AMOUNT	IMPLICATIONS
Food & allied (Biscuit Manufacturers)	Olympic Industries	Hike in supplementary duty on imported sweet biscuits	45%	50%	Olympic Industries has taken initiatives to penetrate the premium segment of biscuit markets in recent years. The proposed 5% increase in SD is likely to benefit Olympic in penetrating the premium segment as the competition from foreign branded biscuits would lessen.
Food & allied (Tobacco)	British American Tobacco	a) Increase Supplementary duty for low segment of cigarettes b) Imposition of surcharge c) Increase in export duty	a) 50% SD for low segment of int. brand cigarettes. b) 0% surcharge c) 10.0% export duty	a) 55% SD for low segment of int. brand cigarettes. b) 2.5% surcharge c) 25.0% export duty	a) The lower SD on low segment for local brand cigarettes (52.0%) would erode some competitiveness for the international brands for 3% additional SD. b) Export revenue would be negatively affected
Fuel and power (LPG)	MJLBD	a) Extension of VAT exemption facility up to 30 June 2019 for LPG cylinder manufacturers, b) Reduction of custom duty on both LPG cylinder imports and raw materials required for producing LPG cylinder c) The machinery and equipment required to set up LPG plant would get duty exemption facility over 1.0%	10.0% custom duty	5.0% custom duty	a) VAT exemption would keep rising demand for LPG cylinder in the country on track. b) Reduction of custom duty on raw materials would improve gross profit of LPG manufacturers c) New entrants in the industry would be encouraged
Pharmaceuticals	Square Pharma, Beximco Pharma, Renata	Duty exemption for various raw materials for medicines, including medicines for cancer treatment.	-	-	COGS would decline for various medicine products

**DHAKABANK SECURITIES**  
L I M I T E D  
Research & Development Unit

SECTOR	STOCK (DSE)	PROPOSED CHANGE	EXISTING RATE/AMOUNT	PROPOSED RATE/AMOUNT	IMPLICATIONS
Textile (RMGs)	Desh Garments	Further extending the reduced taxation facility for ready-made garments.	20%	15% (14% for companies having internationally green building certification)	The new tax rate would improve the bottom line of readymade garments companies .
Ceramics	RAK Ceramics	a) Concession on duty and taxes on raw materials used in ceramic industries. b) Reduction in custom duty	a) Talc- 10% Alumina liner- 15%, Crude mica and mica rifted into sheets or splittings – 10% b) Ceramic products - 1%	a) Talc- 5% Alumina liner- 10% Crude mica and mica rifted into sheets or splittings – 5% b) Ceramic products - 10.0 - 5.0%	a) COGS is expected to decline b) Increase in competitive ad-vantage for local ceramic manufacturers
Engineering (Consumer durables )	Singer Bangladesh	Decrease in supplementary duty on parts of air conditioner	60%	25%	COGS would reduce
Engineering	National Tubes	Increase of custom duty	5%	10%	The competitive advantage of local manufactures would increase
Miscellaneous (Poultry feed manufacturers	Aman Feed, National Feed	Increase of custom duty	5%	10%	The competitive advantage of local manufactures would increase

**NEGATIVE IMPACT:**

Sector	Stock (DSE)	Proposed Change	Existing Rate/Amount	Proposed Rate/Amount	Implications
Cement	Lafarge Surma Cement	Imposition of supplementary duty on limestone	Nil	25%	COGS would increase
Engineering (Steel manufacturers)	BSRM Steel, BSRM Limited, and RSRM Steel	Change in tax rule	Pig iron - SD TK 1000/ Mt Spong iron - sp Duty TK 1000/ Mt Scrap - sp Duty TK 1500/ Mt Vessel and other floating structures for breaking up- sp Duty TK 1500/ Mt Ingots - sp Duty TK 7000/ Mt Others - sp Duty TK 1000/ Mt	CD – 0%, RD - 5%, VAT– 15% CD – 0%, RD - 20%, VAT– 15% CD – 0%, RD - 20%, VAT– 15%	This would increase the procurement cost of raw materials. Thus, margins would erode.
Food & allied (Tobacco)	British American Tobacco	a) Increase supplementary duty for low segment of cigarettes b) Imposition of surcharge c) Increase in export duty	a) 50% SD for low segment of international brand cigarettes. b) 0% surcharge c) 10.0% export duty	a) 55% supplementary duty for low segment of international brand cigarettes. b) 2.5% surcharge c) 25.0% export duty	a) The lower SD on low segment for local brand cigarettes (52.0%) would erode some competitiveness for the international brands for 3% additional supplementary duty. b) Export revenue would be negatively affected
Tannery (Footwear manufacturers)	Bata Shoe	Increase in supplementary duty on imported footwear	45%	50%	COGS for imported items would increase, which would result lower margins from sale of imported foot-wear

**OTHER IMPLICATIONS:**

SECTOR	CHANGES	IMPLICATIONS
Bank	<ul style="list-style-type: none"> <li>✓ The proposed budget for FY18 projects deficit of BDT 1,122.75 billion which is 5.0% of GDP and 28.1% of the total proposed expenditure. Of this total deficit, 25.1% or BDT 282.03 billion is expected to be financed from the banking system.</li> <li>✓ No change in the corporate tax structure of the banking system.</li> <li>✓ Excise duties on bank accounts have been increased for all bank accounts with balance (debit or credit) exceeding BDT 100 Thousands. Excise duty has been increased to BDT 800 (instead of existing BDT 500) for balance between BDT 100 thousands to BDT 1 million; to BDT 2,500 (instead of existing BDT 1,500) for balance between BDT 1 million and BDT 10 million; to BDT 12,000 (instead of existing BDT 7,500) for BDT 10 million to 50 million; and to BDT 25,000 (instead of existing BDT 15,000) where balance exceeds BDT 50 million. The duties will apply if the account exceeds the aforementioned balances at any point in time during the fiscal year.</li> </ul>	<ul style="list-style-type: none"> <li>✓ If the government really starts financing a large amount of budget deficit from the banking system again, then it will improve the domestic credit scenario, decrease excess liquidity in the banking system, and put a stop on the continuous decline of the overall market interest rates. Mentionable here, amid higher non-bank borrowing, especially through National Savings Certificates, bank borrowing financed only 0.9% and 16.2% of the budget deficit in FY15 and FY16 respectively. The revised budget for FY17 expects BDT 239.03 billion as financing from the banking system, while there was actual bank repayment in 9 months of FY17 of BDT 164.02 billion.</li> <li>✓ Higher excise duty on bank balances might encourage higher amount of transactions outside the banking channel, which will put a negative pressure on banks' deposit base and commission income.</li> <li>✓ Deposit rate at banks have been declining over the last few years due to a general decline in interest rate environment. Increase in excise duty in this situation is likely to discourage deposits in financial institutions.</li> </ul>

SECTOR	CHANGES	IMPLICATIONS
ICT	<ul style="list-style-type: none"> <li>✓ 8 new industries in the ICT sector has been added to the existing list of 14 income tax exempt industries in the ICT sector, taking the total number of tax exempt ICT industries to 22</li> <li>✓ Reduced the duties on the machineries and parts required to assemble or manufacture items like computers, cellular phone, laptops, pad etc.</li> <li>✓ Customs duty on cellular phones, modems, other transmitting and receiving equipment, recorded magnetic media, Flash memory card, etc. have been increased from 5% to 10%.</li> <li>✓ Customs duty on database software has been increased from 2% to 25%, while for other computer software it has been increased from 5% to 10%.</li> </ul>	<ul style="list-style-type: none"> <li>✓ The income tax exemption will propel the development of our ICT sector which has huge potentials</li> <li>✓ Reduced import cost will help the local companies manufacturing mobile phones, laptops, pads, modems, and other transmitting and receiving equipment. 5% increase of CD on mobile phones will not have a major impact on smart phone penetration due to the presence of strong local players (like Walton) engaging in manufacturing of mobile phone sets.</li> <li>✓ The increased customs duties will provide further competitive advantage to the local industry</li> <li>✓ Increased duty will increase foreign software prices and give the local software firms a competitive edge</li> </ul>
Consumer Electronics	<ul style="list-style-type: none"> <li>✓ VAT exemption facility, which is supposed to expire on Jun' 17, has been extended up to Jun' 19 for the local manufacturers of refrigerator, freezer, and air conditioner</li> <li>✓ Increased the customs duty on Parts of electrical goods from 10% to 25%</li> <li>✓ Customs duty on parts of air conditioner has been decreased from 60% to 25%, while it has been reduced from 25% to 15% for Nickel bar, rods, profiles, wires, plates, sheet, strip, and foil</li> <li>✓ Custom duty has been increased from 5% to 10% for other Nickel articles and tungsten wire</li> </ul>	<ul style="list-style-type: none"> <li>✓ VAT exemption will keep the prices of locally manufactured refrigerator, freezer, and air conditioner low</li> <li>✓ Increased customs duty on electrical goods parts will encourage higher local manufacturers. Decrease in the customs duty on the air conditioner parts and nickel articles will increase the local fridge and air conditioner manufacturers' margins</li> <li>✓ Increased duty on tungsten wires will reduce margins of bulb manufacturers</li> </ul>

SECTOR	CHANGES	IMPLICATIONS
Construction Materials	<ul style="list-style-type: none"> <li>✓ SD Rates on Aluminum bars, rods and profiles have been proposed to increase to 15% from existing 10</li> <li>✓ SD Rates on Aluminum fittings, tubes and pipes have been proposed to increase to 10% from existing 1%.</li> <li>✓ Proposed duties on capital machineries for aluminum fittings, tubes &amp; pipes are 10-15% (1% in the last fiscal year)</li> </ul>	<ul style="list-style-type: none"> <li>✓ Local manufacturers are likely to benefit from this change.</li> <li>✓ However, the significantly increased duties on capital machinery required to produce aluminum will increase cost of expansion and possibly future financial obligations.</li> </ul>
Chemicals, Paint & Plastic	<ul style="list-style-type: none"> <li>✓ SD &amp; RD on Sulphuric Acid has been proposed to increase to 25% and 15% from 20% and 4% respectively,</li> <li>✓ The increase is offset by a 20% reduction in customs duty to 5%. Increase in Customs Duty of organic compounds to 5% has also been proposed.</li> <li>✓ 5% SD has been increased on PVC and Several Plastic Product which was previously 20% and 45%.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Net effects on the price of imported Sulphuric Acid are negligible- only the burden has shifted from customs duty to SD and RD resulting in a slight decrease in duty.</li> <li>✓ Paint companies are likely to be affected by increased price of organic chemical compounds as they use chemical derivatives in production</li> <li>✓ Local plastics companies will get more protection from imported plastic products</li> </ul>
Leather	<ul style="list-style-type: none"> <li>✓ Decrease in SD of glues and acetates to 5% from 15% and 10% respectively.</li> <li>✓ Increase in SD of footwear with outer soles and uppers of rubber or plastics from 45% to 50%</li> </ul>	<ul style="list-style-type: none"> <li>✓ Local leather industry is likely to be benefitted from the reduced prices of glues and acetates and increased price of imports. But Global brand like BATA's cost of imported shoes and its overall COGS will be increased. Though Bata is the sole distributor of a few global brands like Hush Puppies, Nike and Scholl, many of these brands are also coming through illegal channel where importers are not paying duties properly and thereby selling these brands at a much lower price than Bata.</li> <li>✓ Increase in SD will increase production cost slightly.</li> </ul>

SECTOR	CHANGES	IMPLICATIONS															
Fish & Shrimp	<ul style="list-style-type: none"> <li>✓ Increase in SD of shrimps, prawn and several categories of fish by 5% to 25%</li> </ul>	<ul style="list-style-type: none"> <li>✓ Prices of imported shrimps, prawn and fish are likely to go up as a result of the increased supplementary duty. Local fishermen and hatcheries could benefit from increased competitiveness.</li> </ul>															
Recondition Car	<ul style="list-style-type: none"> <li>✓ Depreciation rate of recondition cars reduced to 40% from existing 45%</li> <li>✓ In a parallel move, SDs of different engine capacities' hybrid cars has been brought down to narrow the price differences between hybrid and recondition cars.</li> </ul> <table border="1" style="margin-left: 40px; border-collapse: collapse; width: 200px;"> <thead> <tr> <th style="text-align: left;">Engine Capacity</th> <th style="text-align: center;">Proposed</th> <th style="text-align: center;">Existing</th> </tr> </thead> <tbody> <tr> <td>Up to 1,600 CC</td> <td style="text-align: center;">25%</td> <td style="text-align: center;">30%</td> </tr> <tr> <td>1601 – 2,000 CC</td> <td style="text-align: center;">45%</td> <td style="text-align: center;">60%</td> </tr> <tr> <td>2,001-3,000 CC</td> <td style="text-align: center;">60%</td> <td style="text-align: center;">150%</td> </tr> <tr> <td>3,001 CC and above</td> <td style="text-align: center;">100%</td> <td style="text-align: center;">-</td> </tr> </tbody> </table>	Engine Capacity	Proposed	Existing	Up to 1,600 CC	25%	30%	1601 – 2,000 CC	45%	60%	2,001-3,000 CC	60%	150%	3,001 CC and above	100%	-	<ul style="list-style-type: none"> <li>✓ The middle-class consumers will have to pay more to buy a reconditioned car next fiscal year due to a cut in the depreciation rate used to determine the vehicle's value. The prices of popular models of Toyota -- Allion, Fielder, Axio, Premio -- will go up by Tk 50,000 to Tk 1 lakh</li> <li>✓ Hybrid recondition cars can be imported with less cost.</li> </ul>
Engine Capacity	Proposed	Existing															
Up to 1,600 CC	25%	30%															
1601 – 2,000 CC	45%	60%															
2,001-3,000 CC	60%	150%															
3,001 CC and above	100%	-															
Super Shops	<ul style="list-style-type: none"> <li>✓ VAT rate raised to 15% from existing 4%</li> </ul>	<ul style="list-style-type: none"> <li>✓ Since there will be no truncated or tariff value in the new VAT law, the modern retail (or super shops) will now be subject to a VAT rate of 15.0% instead of the existing 4.0%.</li> </ul>															