

Proposed Income Tax Act 2023

No more tax waiver on dividend income

The proposed Income Tax Act 2023 left no room for tax exemption on small investors' annual dividend income from stocks and mutual funds, and market experts believe it would add to the country's left-behind capital market's struggle to attract savers. Companies and mutual funds deduct 10% to 20% taxes, depending on the type and size of the investors, at source before the disbursement of their cash dividends, while the highest-slab taxpayers' have to pay up to 25% tax on their income including dividends.

However, individual investors, during their tax return submission, had been allowed to claim an adjustment of the already deducted tax at source on their annual dividend income up to Tk50,000 from stocks and up to Tk25,000 from mutual funds. The Income Tax Bill 2023, placed in parliament last week, left no provision for the dividend tax exemption regardless of how small the amount is.

If the bill is passed, an individual investor will end up paying Tk5,000 tax on Tk50,000 in annual dividend income from stocks, which is exempted till now.

A relief for the mutual fund investors

However, the proposed Income Tax Act has corrected a double taxation problem for the mutual fund industry that came earlier this fiscal year. Income, mainly the dividends from portfolio companies, of mutual funds was made taxable last year and it ended to create a double taxation as mutual fund investors had to pay the same tax again when they avail dividends from the mutual funds.

Now income of mutual funds, collective investment schemes, alternative investment funds and special purpose vehicles would be tax exempted. However, there are still pockets of areas such as tax rebate where investments in open-ended mutual funds are treated differently than direct investment in listed stocks and closed-end mutual funds as all the instruments except for listed shares have had a limit of Tk5 lakh for investment tax rebate.

<https://www.tbsnews.net/nbr/no-more-tax-waiver-dividend-income-647522>

Investment ceiling likely at BDT 0.5 Mn for rebates on govt securities

Investors in government securities may experience a reduction in their investment rebate on tax filings starting from July 1, 2023. According to the new Income Tax Bill-2023, which was placed in Parliament on Thursday, the government is going to establish a limit of up to BDT 0.5 Mn for the first time, allowing investment rebates in its savings instruments. This measure is being taken in an effort to control the investment in savings instruments and alleviate the government's burden of interest payments from domestic borrowing, according to officials.

Investors in savings certificates enjoy an interest rate of up to 11.52%, whereas it ranges from 6.0 to 8.0% in banks. The tax authority said it will not grant tax rebates to individual taxpayers exceeding the limit from the upcoming fiscal year if the new law receives parliamentary consent. The cabinet approved the new law on June 1, 2023.

<https://thefinancialexpress.com.bd/economy/bangladesh/investment-ceiling-likely-at-tk-05m-for-rebates-on-govt-securities>

Economy

World Bank keeps Bangladesh GDP growth unchanged at 5.2% in FY23

The World Bank, in its latest June edition of Global Economic Prospects, has kept Bangladesh's gross domestic product (GDP) growth unchanged at 5.2% in the current fiscal year. "In Bangladesh, elevated inflation, policy uncertainty, and weakening external demand are expected to slow growth to 5.2% in FY23 from 7.1% in the previous fiscal year," the World Bank said in its flagship report released on Tuesday.

According to the Washington-based lender, in Bangladesh, continued import suppression measures and energy shortages have weighed on both industrial production and the services sector. Real household earnings are yet to recover to pre-pandemic levels despite an improvement in employment. The lender expressed concerns that financial sector risks remain elevated in Bangladesh, with high levels of non-performing loans, weak capital buffers, and weak bank governance. Ratios of non-performing loans to total loans are elevated and have recently been rising. It also mentioned that weak corporate governance and capital buffers also increase the risk of stress in the financial sector.

<https://www.tbsnews.net/economy/world-bank-keeps-bangladesh-gdp-growth-unchanged-52-fy23-647014>

Chinese ship reaches Mongla with over 26,000 tonne of coal for Rampal power plant

Chinese cargo ship "MV Zhe Hai" has reached Mongla Port carrying coal for the Rampal Thermal Power Plant in Bagherhat. On Saturday (10 June) morning, it unloaded 26,620 tonne of coal at the port. Previously, on 16 May, the Bangladeshi flag-bearing vessel MV Boshundhara Empress arrived at Mongla Port carrying 30,000 tonne of coal, and on 29 May, MV Boshundhara Majesty arrived with 30,500 tonne of coal for the Rampal power plant. The Payra Thermal Power Plant was shut down on 5 June, and the Bashkhali Thermal Power Plant was also shut down yesterday (9 June) due to an acute coal crisis.

<https://www.tbsnews.net/bangladesh/energy/chinese-ship-reaches-mongla-over-26000-tonne-coal-rampal-power-plant-647162>

1.14 Mn people to get quality power service thru first smart grid project

As many as 1.14 Mn people will benefit from a significant improvement in the quality of electricity service through the country's first-ever smart grid project initiated by the DPDC, experts have said. In addition, the smart grid project, which is now in its first phases, will help fight climate change by preventing an accumulated 104,000 tonnes of CO₂ emissions per year, experts said at a seminar, titled "Towards Power Distribution Revolution Smart Grid Technologies and Its Applications", at Buet on 7 June.

<https://www.tbsnews.net/bangladesh/energy/1141-lakh-people-get-quality-power-service-thru-first-smart-grid-project-647202>

Fighting load-shedding: Commerce to allow on-credit coal import for USD 5 Mn

The Ministry of Commerce has decided to allow individual companies to import coal worth USD 5 Mn on-credit per annum, in a bid to restore electricity supply to normal, without putting further burden on the country's foreign exchange reserves. The decision was made at a ministry meeting with stakeholders on

Thursday (8 June) following applications from several companies seeking the opportunity to import higher amounts of coal on-credit amid the ongoing dollar crisis.

The country has several coal-based power plants. Of them, the 1,320MW Payra Thermal Power Station has recently shut off due to fuel crisis, causing a fall in supply of electricity to the national grid and extensive load shedding across the country. The power plant has been importing coal on credit for a long time and its due bills now stand at USD 36 Mn. Apart from this, Rampal Coal-based Power Plant is failing to utilise its full capacity due to coal shortage. These power plants require thousands of tonnes of coal every day.

<https://www.tbsnews.net/bangladesh/energy/fighting-load-shedding-commerce-allow-credit-coal-import-5m-646590>

BB to declare new monetary policy with focus on single exchange rate

Bangladesh Bank will announce a new monetary policy this month, where measures for the single exchange rate of US dollar and market-based interest rate are getting priority, reports UNB. The monetary policy will also focus on the government's medium-term reform policy to bring stability to the macroeconomic sector, said a senior official of the central bank who is involved in its formulation wishing anonymity.

The finance division, a wing of the finance ministry, has set a 5-point reform target to get benefits in the medium term in the macroeconomic sector by overcoming the dollar crisis and strengthening the forex reserves of the country. The outline of these reforms has been finalized. These included introducing market-based interest rates on bank loans and the single currency exchange rate as per market demand rather than the current multiple rate system. Besides, the amount of subsidy will be reduced gradually, and the cost of government borrowing reduced in phases, along with cutting the volume of loans from savings bonds.

<https://thefinancialexpress.com.bd/economy/bangladesh/bb-to-declare-new-monetary-policy-with-focus-on-single-exchange-rate>

Govt liabilities from SOEs' debts swell to BDT 985.9 Bn

Government debt liabilities stemming from overdue loans of state-owned enterprises (SOEs) from local and foreign lenders go ballooning to BDT 985.9 Bn this year amid financial upheavals, sources say. The amount is over 6.0% higher than last year's—and such growing SOE borrowings may ultimately add up to the aggregate national debt in the event of the enterprises failing to pay back the borrowed money. The SOEs' debt increased mainly due to higher prices of fertiliser, especially urea, and also fuel-price upturn on the international market.

The total power-sector guarantees alone surged to BDT 514.9 Bn, nearly 4.0 % up from last year's, for fuel-price rises and payments to plant owners. The government provides guarantees and counter-guarantees against loans negotiated by various state-owned financial and non-financial enterprises who implement different public policies and programmes.

<https://thefinancialexpress.com.bd/economy/bangladesh/govt-liabilities-from-soes-debts-swell-to-tk-9859b>

Imports keep falling amid lingering dollar crisis

Bangladesh's imports dropped 14.40% year-on-year to USD 58.78 Bn in July-April of the ongoing financial year, which might be seen as a relief for the volatile foreign exchange regime but it could also deal a blow to the economy, official figures showed yesterday. Compared to July-March 2022-23 when it stood at USD 53.94 Bn, import bills declined nearly 9% in the first 10 months of the financial year, according to the data from the central bank. ▪ Central bank data showed the deficit in the financial account widened further to USD 2.16 Bn in July-April. The deficit was USD 2.04 Bn in July-March whereas it stood at a surplus of USD 11.95 Bn in July-April of the last financial year.

<https://www.thedailystar.net/business/economy/news/imports-keep-falling-amid-lingering-dollar-crisis-3341466>

Budget 2023-24

BD may cut debt reliance as Finance Div devises strategy

Bangladesh would make its strides to reduce reliance on debt in the medium term amid two key macroeconomic challenges - low revenue collection and high-interest rate regime. To face the looming challenges, the finance division came up with the strategy for the next three financial years (FYs) as suggested in its latest Medium Term Macroeconomic Policy Statement (MTMPS) for FY 2023-26, released with the proposed budget documents.

The low revenue collection is limiting the capacity to invest in infrastructure and other developmental projects, it observed, adding that the low tax-GDP ratio also affects the debt sustainability. The finance division found, according to the MTMPS, a high-interest rate regime both in the domestic and international markets as another key challenge for the country's economy. The high-interest rate regime is increasing the government's borrowing costs and putting a strain on public finances, it said.

<https://thefinancialexpress.com.bd/economy/bangladesh/bd-may-cut-debt-reliance-as-finance-div-devises-strategy>

Current account gap to go in two years

The government expects that the country's current-account deficit will go within the next two years after remaining in negative territory for most of the past decade or so. However, economists differ with the prediction made by the Ministry of Finance. By FY26, the MTMPS mentioned that export earnings may reach USD 78 Bn and imports may stand at USD 101 Bn. The gross foreign exchange reserves may then reach USD 48 Bn from the present amount of less than USD 30 Bn, it added.

Bangladesh Bank data shows that during the July-April period of the current fiscal year, the current account deficit was USD 3.772 Bn, while the gap was USD 15.486 Bn in the same period of the last fiscal year. In the entire fiscal year 2021-22, the deficit was USD 18.697 Bn. The fighting in Ukraine is expected to intensify during the next few months, and if it turns out to be a larger conflict involving other countries, the world economy will most likely enter an unprecedented perilous phase, it said.

<https://thefinancialexpress.com.bd/economy/bangladesh/current-account-gap-to-go-in-two-years>

Bank, NBF, and Insurance

Family's grip to loosen, willful defaulters to face music

A maximum of three persons from a single family would be able to become directors of a commercial bank from the existing four, according to the Bank Company (Amendment) Bill 2023. The draft act has also defined habitual defaulters and set punitive measures against delinquent borrowers, the first such measure in the country's history. The reduction in the number of directors from a single family has been a long demand from analysts and experts in order to strengthen corporate governance and bring back stability in the banking sector where default loans have gone through the roof owing to poor enforcement of laws.

There are allegations that a few families are controlling a number of banks in the country. The draft act, which has been in the works since 2019, has been a longstanding demand of the multilateral lenders such as the World Bank and the International Monetary Fund. The IMF has stipulated submitting the draft law before the parliament by September as a part of its USD 4.7 Bn loan.

<https://www.thedailystar.net/business/economy/news/familys-grip-loosen-willful-defaulters-face-music-3341481>

Q1 no-frill accounts grow 1.44%

The number of NFAs (no-frill accounts) has grown by 1.44% to more than 30.45 Mn with BDT 58,898.28 Mn deposits during the January-March period over its previous quarter. The central bank's move is to ensure financial services for people of all segments in society. The Bangladesh Bank has been allowing the opening of accounts for marginalized people with an initial deposit of BDT 10, 50, or 100.

Such accounts play a role in inward remittance. Deposits from students under school banking are also part of the NFAs. These accounts require neither a minimum balance nor any service charge/fee. On the contrary, relatively higher interest rates than the existing savings rates are offered in these accounts to augment welfare of the low-income people. The number of 10-taka accounts for farmers remains the largest component of the NFAs, contributing 37.77% of the total BDT 10/50/100 accounts.

<https://thefinancialexpress.com.bd/economy/bangladesh/q1-no-frill-accounts-grow-144p>

VISA rules the roost, says BB

Transactions through credit cards continue to grow with VISA, thereby dominating the credit-card usage among Bangladeshis at home and abroad, according to officials. Not only Bangladeshis, but also the foreigners, who stay here for varied purposes, use the VISA card most in terms of transfer funds electronically. These are the findings of a Bangladesh Bank (BB) report styled 'An Overview of Credit Card Users Spending Pattern within and outside the Country' for March 2023.

According to the report, credit card-based transactions in the domestic market rose by 9.79% in March 2023 compared to that of previous month. Of the total figures, the share of VISA credit card was 70.26% followed by MasterCard (17.04%) and AMEX (12.50%). Seeking anonymity, a BB official said the volume of credit card-based transactions keeps rising in the home market with high costs of living amid rising inflation. Analyzing the spending behavior of credit cardholders, he said it is found that they mostly used credit cards in department stores where 55.25% transactions occurred in March. According to the BB

official, it has been observed that the credit cardholders mostly used their plastic in the neighboring nation India.

<https://thefinancialexpress.com.bd/economy/bangladesh/visa-rules-the-roost-says-bb>

MFS usage restricted to basics at marginal level

Major use cases of mobile financial services (MFS) are still confined to receiving, sending and withdrawing money at marginal levels, where the gender divide is palpable, according to three studies. About 83% of the people in plainland ethnic communities in northern Bangladesh use MFS for receiving money, as per a survey commissioned by the Policy Research Institute (PRI). The study found that only 6% of participants use MFS for depositing money, 10% for receiving government stipends for children, 8% for government grants, 9.5% for government allowances, and 1% for paying bills. A major reason for not being able to use MFSs is a lack of literacy or formal education, another study found.

<https://www.thedailystar.net/business/economy/news/mfs-usage-restricted-basics-marginal-level-3341421>

Stock-Specific News

Emerald Oil declares 5% interim cash dividend

Emerald Oil Industries — producer of the Spondon branded rice bran oil — has declared a 5% interim cash dividend for the July to March period of the 2022-23 fiscal year. The company, in its disclosure on the Dhaka Stock Exchange (DSE) website on Thursday, said its previous sponsor-directors who held 30.54% shares will not be entitled to this interim dividend. The record date is 26 June this year. At present, the oil producer is running its factory for only seven to eight hours a day owing to a gas crisis.

<https://www.tbsnews.net/economy/stocks/emerald-oil-declares-5-interim-cash-dividend-646454>

Rangpur Dairy & Food to buy 203 decimal land

The Rangpur Dairy & Food Products – a manufacturer of dairy and non-dairy products using milk in the country – has decided to purchase 203 decimals of land in Rangpur for expansion of its factory. The company, which is widely known as RD Food said, the cost of purchasing land is Tk4.06 crore excluding registration and related expenses. On Sunday, its shares are being traded at Tk55 each at 10.35 am.

<https://www.tbsnews.net/economy/stocks/rangpur-dairy-food-buy-203-decimal-land-647546>

BRAC Bank to issue BDT 7.0 Bn subordinated bond

BRAC Bank Ltd wants to raise BDT 7.0 Bn by issuing non-convertible subordinated bonds to enhance the Tier-II capital base of the bank. The bond issue decision was taken at a meeting of the board of directors of the bank held on Wednesday, according to a filing with the Dhaka Stock Exchange on Thursday. The tenure of the bond will be seven years which is non-convertible, fully redeemable, coupon bearing, floating rate subordinated bonds. The bond issuance is subject to the approval of the concerned regulatory authorities such as Bangladesh Bank and Bangladesh Securities and Exchange Commission. The proceeds will be treated as capital and it will help the bank grow its investment and loan portfolio. The bank's first quarter (Q1) consolidated earnings per share grew 25% year-on-year to BDT 0.96 for January-March 2023.

<https://thefinancialexpress.com.bd/stock/bangladesh/brac-bank-to-issue-tk-70b-subordinated-bond>