

Following is a summary of important business news published in the leading daily newspapers of Bangladesh. For the complete news, please follow the online link given below each news. Please note that the news summary doesn't reflect the opinion of BRAC EPL Stock Brokerage Limited.

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, he 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.
- He 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>

World Stock and Commodities*

Index Name	Close Value	Value Change	% Change
Crude Oil (WTI)*	\$53.98	+0.08	+0.15%
Crude Oil (Brent)*	\$62.11	-0.03	-0.05%
Gold Spot*	\$1,344.30	-2.31	-0.17%
DSEX	5,400.24	+24.94	+0.46%
Dow Jones Industrial Average	26,465.54	+353.01	+1.35%
FTSE 100	7,443.04	+85.73	+1.17%
Nikkei 225	21,316.37	+343.66	+1.64%

Exchange Rates**USD 1 = BDT 84.50*****GBP 1 = BDT 106.16*****EUR 1 = BDT 94.59*****INR 1 = BDT 1.22***

**Currencies are taken from XE Currency Converter and Commodities are taken from Bloomberg.*

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