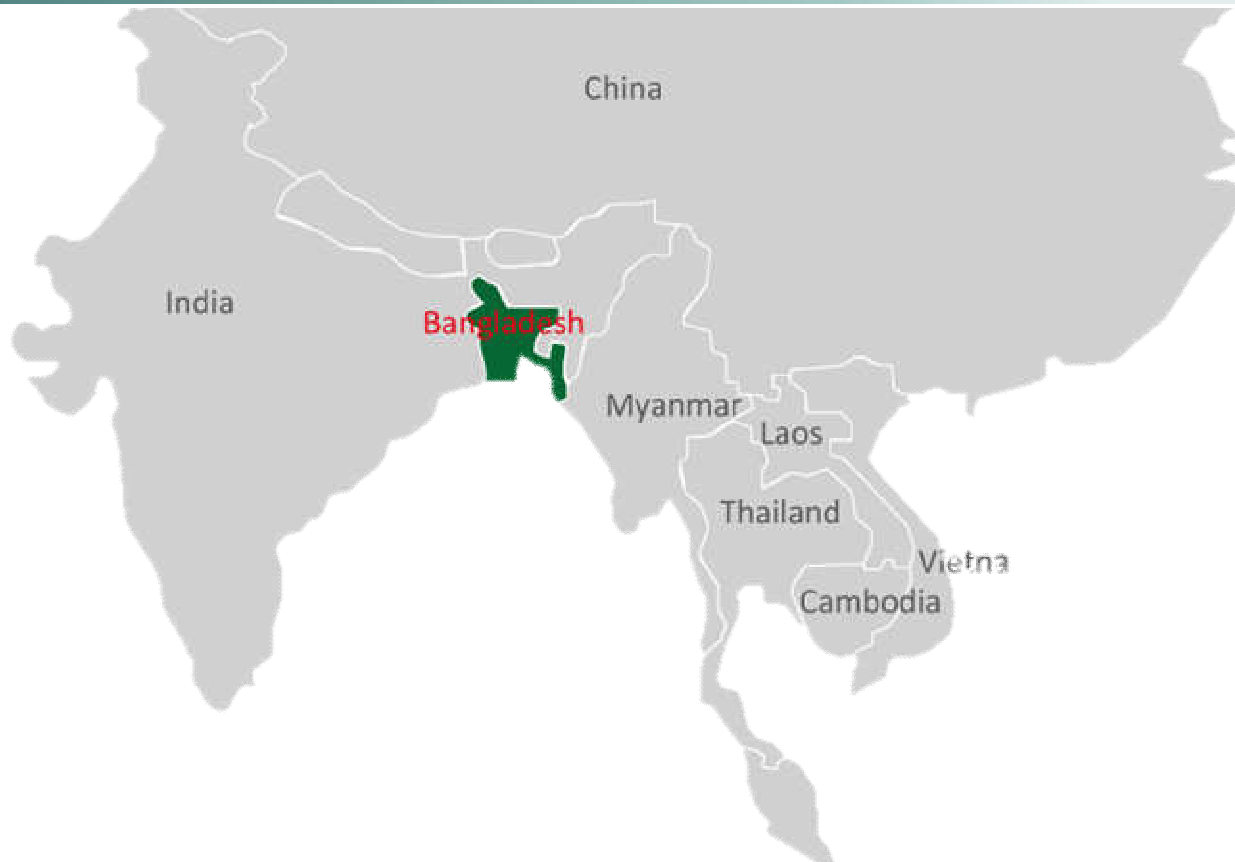
Bangladesh Budget Analysis FY18



Foreword

After completing the Millennium Development Goals (MDGs) with tremendous success, Bangladesh has stepped into the era of Sustainable Development Goals (SDGs). The Government has already identified the lead and associate ministries involved in achieving each SDG. Besides, Annual Performance Agreements of various ministries/divisions have been aligned with the SDGs.

Bangladesh achieved 7.24% GDP growth in FY17 (provisional) amidst a number of global uncertainties. The government has set GDP growth target at 7.4% for FY18; 20 bps higher than the 7.2% growth target of FY17. The economy of Bangladesh has been on a steadily improving trend over the past five years. Low inflation, record amount of forex reserve, commodity disinflation with significant drop in oil price, robust external sector, and falling trend in domestic interest rates are some of the commendable developments that the economy has been experiencing lately. Private sector credit, which suffered slowdown during 2013-14 period due to political turmoil, picked up again in 2015 and is currently growing at a healthy and growth supportive pace. Encouraged by the growing strengths of macro indicators in recent times the government plans to boost up the growth by enhanced public expenditures.

The Government of Bangladesh proposed the National Budget for FY18 on 1st June, 2017. The proposed budget size is BDT 4,002.66 billion which is 26.2% higher than compared to that of the FY17 revised budget and the largest of its history. Non-development expenditure is BDT 2,071.38 billion, which is 51.8% of the budget and development expenditure is BDT 1,590.13 billion, 39.7% of the budget.

The budget has revenue target of BDT 2,879.91 billion which is 31.8% higher than that of the FY17 revised budget. Attaining such high growth will be a great challenge for tax administration as it had never achieved such high growth. Side by side, capability of spending may be an issue as well, considering the gigantic size of the budget. Sector wise, notable allocations have gone to Education, Interest Payment, Human Resource, Power and energy, Transport & Communication, Agriculture, etc.

Projected deficit of the budget is BDT 1,122.75 billion which is 5.0% of GDP and 28.1% of the budget. Budget deficit in FY18 is 13.8% higher than the previous fiscal year. 53.8% of this deficit is expected to be financed through domestic sources, while the rest will be funded by external sources.

The proposed budget FY18 expresses very optimistic expectation about tax revenue receipts, which is projected to increase by 1.7% of GDP. The new Value Added Tax law has been declared to be implemented starting from July 1, 2017. The number of VAT exempt products has been almost doubled. VAT exemption facility has been extended until Jun'19 for local manufacturers of refrigerator, freezer, and air conditioner, domestic producers and suppliers of edible oil, and local LPG cylinder manufacturers. There hasn't been any significant change in the income tax structure. Corporate tax rate for most industries has also been kept unchanged, except RMG industry for which the tax rate has been decreased by 500 basis points to 15%. The preferential tax treatment for the ICT sector has been extended by including 8 new types of ICT companies in the tax exempt list. There has been brought some interesting changes in the tobacco products duties and pricing structure which might induce some dynamic shift in the consumer end. Overall duties have been increased, but some industries will be better off in the new duty structure. ICT companies, consumer electronics makers, automakers, motorcycle manufacturers, ceramic, agriculture, leather etc. are among the benefitted ones.

Budget Highlights (FY18)

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Table-1: Budget Overview FY18

	FY'18 (BDT bn)	Revised FY'17 (BDT bn)	Growth over FY'17 (Revised)
Budget Size	4,002.66	3,171.74	26.2%
Target Revenue	2,879.91	2,185.00	31.8%
Budget Deficit	1,122.75	986.74	13.8%
Bank Borrowing	282.03	239.03	18.0%
External Borrowing	519.24	287.71	80.5%

Source: Ministry of Finance & LBSL Research

Table-2: Summary of the Budget (BDT bn)

	FY'18	FY'17	FY'17 (Revised)	FY16 (Actual)
Revenue Earnings	**2,879.91**	**2,427.52**	**2,185.00**	**1,729.53**
NBR tax revenue	2,481.90	2,031.52	1,850.00	1,462.42
of which VAT	912.54	727.64	686.75	545.76
Non-NBR tax revenue	86.22	72.50	72.61	56.45
Non-tax revenue	311.79	323.50	262.39	210.66
Public Expenditure	**4,002.66**	**3,406.05**	**3,171.74**	**2,384.33**
Non-development expenditure	2,071.38	1,889.66	1,781.54	1,444.31
Development Expenditure	1,590.13	1,170.27	1,159.90	814.07
In which ADP	1,533.31	1,107.00	1,107.00	793.51
Other Expenditure	341.15	346.12	230.30	125.95
Budget Deficit	**1,122.75**	**978.53**	**986.74**	**654.80**
Financing				
Domestic Sources	603.52	615.48	699.03	507.30
Bank Borrowing	282.03	389.38	239.03	106.14
Non-Bank Borrowing	321.49	226.10	460.00	401.16
External Sources	519.24	363.05	287.71	147.55

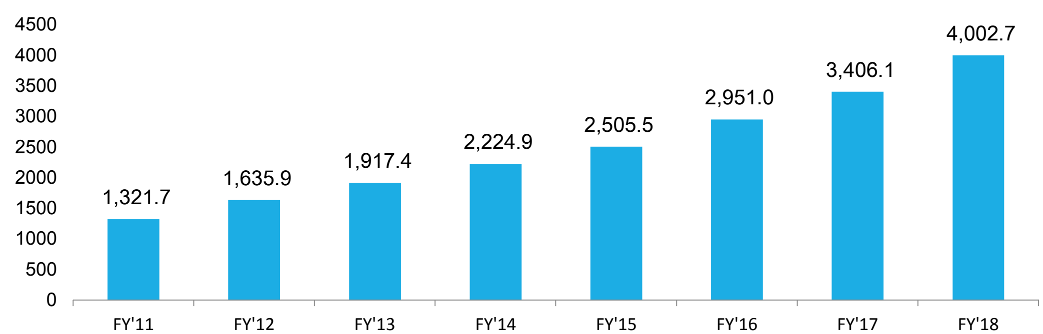
Source: Ministry of Finance & LBSL Research

- The National Budget of Bangladesh for the fiscal year 2017-18 (FY18) has been published on June 1, 2017. The government has set GDP growth target at 7.4% for FY18; 20 bps higher than the 7.2% growth target of FY17. Bangladesh achieved 7.24% GDP growth in FY17 (provisional) amidst a number of global uncertainties. After completing the Millennium Development Goals (MDGs) with tremendous success, Bangladesh has stepped into the era of Sustainable Development Goals (SDGs). The Government has already identified the lead and associate ministries involved in achieving each SDG. Besides, Annual Performance Agreements of various ministries/divisions have been aligned with the SDGs.

- The budget size is BDT 4,002.66 billion which is 26.2% higher than compared to that of the FY17 revised budget and the largest of its history. The budget has revenue target of BDT 2,879.91 billion which is 31.8% higher than that of the FY17 revised budget. Projected deficit of the budget is BDT 1,122.75 billion which is 5.0% of GDP and 28.1% of the budget. Budget deficit in FY18 is 13.8% higher than the previous fiscal year. However, the government has estimated that revenue will grow at a much faster pace than public expenditure.

- Non-development expenditure is BDT 2,071.38 billion which is 51.8% of the budget and development expenditure is BDT 1,590.13 billion, 39.7% of the budget. Sector-wise, notable allocations have gone to Education (11.28%) and Interest Payment (10.36%).

Chart-1: Proposed Budget Size (BDT bn)



Source: Ministry of Finance & LBSL Research

Budget Highlights (FY18)

- The total ADP size in the Budget FY18 is BDT 1,533.31 billion which is 38.5% higher than that of FY17 revised budget. It is 96.4% of the total development expenditure. In the ADP for FY18, 28.7% is allocated to Human Resource sector (Education, health and others), 21.2% to overall agricultural sector, 13.7% to energy sector, 26.8% to communication sector and the rest 9.7% is allocated to other sectors.
- The government scaled up its revenue generation target to BDT 2,879.91 billion, a rise of 31.8% from BDT 2,185.00 billion of the FY17 revised budget. The targeted revenue is 13.0% of the GDP, higher than that in the previous fiscal year (12.4%). The key growth driver for collecting such a big amount of revenue will be uniform VAT which is proposed to be 15.0% in FY18 budget.
- This year's budget deficit is kept unchanged to that of the previous year's budget at 5.0% of the GDP. The total Budget deficit is estimated to be BDT 1,122.75 billion. Out of which domestic source will finance 53.8% and external source will finance 46.2%. Out of domestic sources, Govt. will borrow BDT 282.03 billion from banking system, which is 27.6% lower than the FY17 targeted bank borrowing (18.0% up from the revised FY17 budget).

Chart-2: ADP Composition of BDT 1,533.31 bn

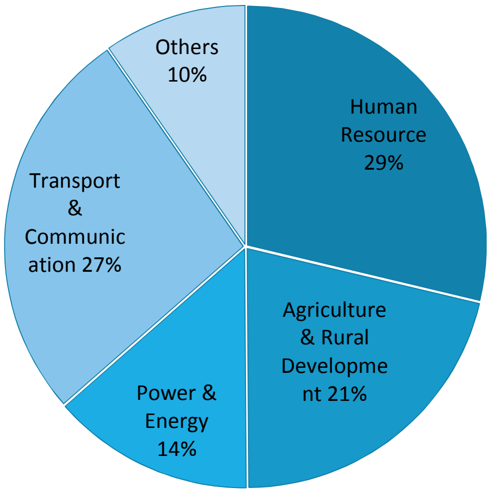


Chart-3: Revenue and Financing Sources

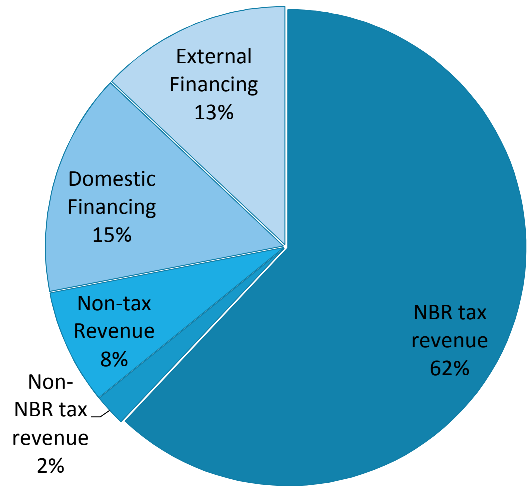
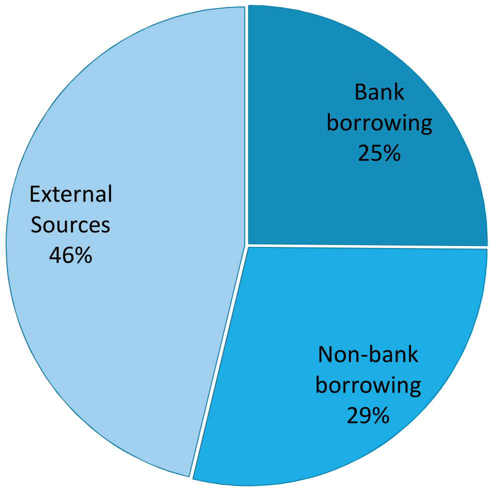


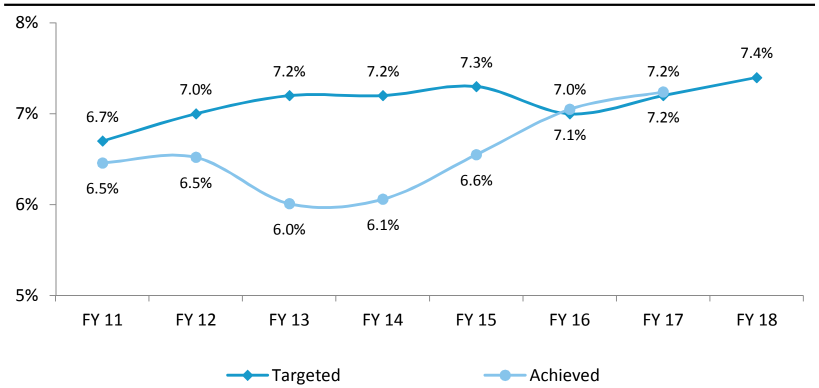
Chart-4: Budget Deficit (BDT 1,122.75 bn) Financing



Source: Ministry of Finance & LBSL Research

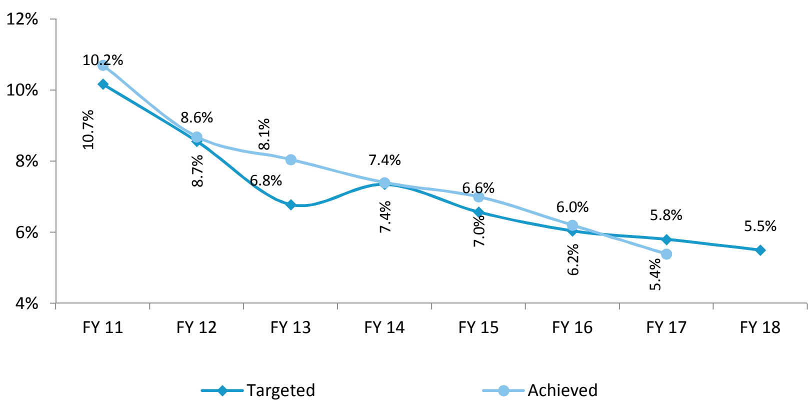
Targeted Economic Indicators

Chart 5: GDP Growth Comparison



Source: Ministry of Finance & LBSL Research

Chart 6: Inflation Comparison



Source: Ministry of Finance & LBSL Research

GDP

Government has set GDP growth target at 7.4% for FY18, 20 bps higher than the 7.2% growth target of FY17. 7.24 percent GDP growth was achieved in FY17 (provisional) which has weathered global uncertainties. A number of factors have contributed to achieve this growth. First of all, the political calmness prevailing throughout 2016 has bolstered overall economic activities in the country. As of March, 2017, private sector credit growth stood at 16.06% which exceeded the target. However, attaining 7.4% GDP growth trajectory in FY18 will be a tough task. The government has taken a range of steps in power, energy, and communication sectors along with development of ports and economic zones. The monetary and fiscal policies are also set to be accommodative of high growth.

Inflation

For FY18, inflation target is 5.5%. Inflation target in FY17 was 5.8% and government has been quite successful in attaining that. Actual Inflation in March'16 was 6.10% and it came down to 5.39% in March'17. This decline in inflation reflects a confluence of factors like domestic output growth supported by inclusive financing, continuing moderation in global commodity prices, and BB's growth supportive yet cautious monetary stance. Domestic interest rates are in a lower regime but are expected to go up due to government's development projects. Considering all these factors, a 5.5% inflation target is quite achievable.

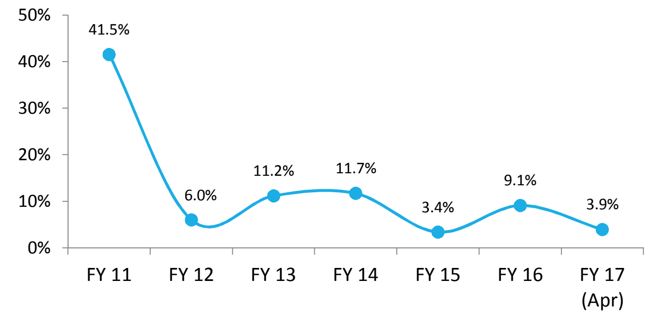
Table 3: Targeted Economic Indicators

	FY 18	FY 17
GDP Growth	7.40%	7.20%
Inflation	5.50%	5.80%

Source: Ministry of Finance & LBSL Research

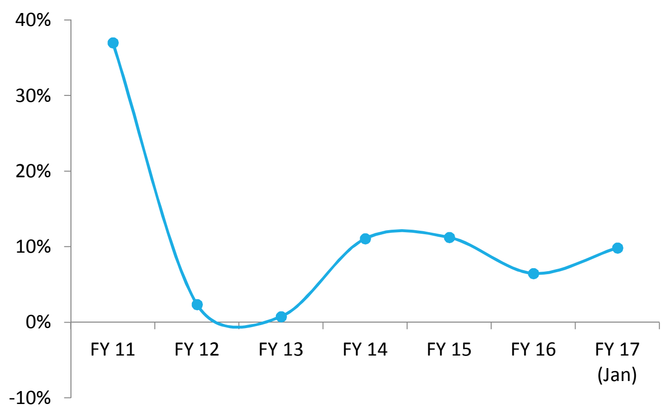
Targeted Economic Indicators

Chart 7: Export Growth



Source: Ministry of Finance & LBSL Research

Chart 8: Import Growth



Source: Ministry of Finance & LBSL Research

Export

Finance minister in his budget speech this year did not mention any export target for FY18 as well. In FY16 the government set an export growth target of 8.5%, where export registered 3.92% growth till April in the current fiscal year of 2017. Total export value amounted at around USD 29 billion which is around 78% of the annual target of USD 37 billion. Adverse conditions in international market have created a downward pressure on RMG export. But of the two major export destinations, export to the European Union has improved significantly. It's expected that export in the USA market will increase considerably with accelerated economic recovery in the US.

Import

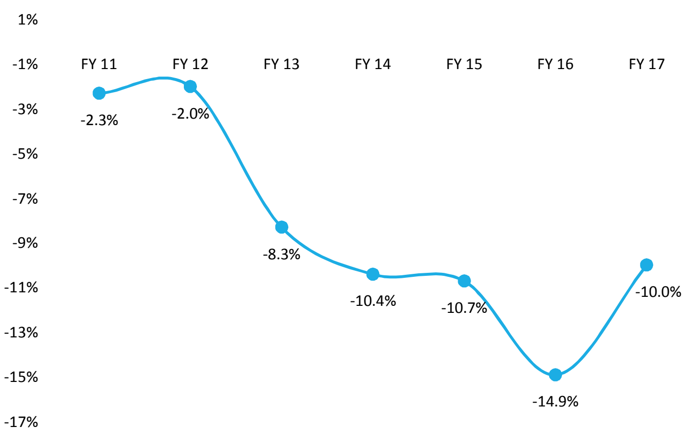
There was no specific target provided in the FY18 budget for import either. Import payment was USD 35 billion in March 2017 compared to USD 31.3 billion at the same time last year. Growth of imports was mainly triggered by the existing momentum of domestic demand. During this period, growth of both import LC opening and rate of settlement were quite satisfactory. Especially, there has been significant increase in the import of capital machinery, which is indicative of increasing production capacity in the days ahead. With GDP acceleration, import demand is rising which is creating depreciation pressure on the exchange rate.

Remittance

Remittance inflow in Bangladesh significantly depends on variables like the GDP of domestic and host country of the migrant workers, exchange rate, petroleum price, and skill of labour. Remittance, which is the largest source of foreign exchange for Bangladesh after export receipts, declined 16.08 percent year-on-year to $10.28 billion in the first 10 months of fiscal 2016-17. This recent decline in remittance reflects a combination of global and local factors, but mainly driven by weaker economic activity in the Middle East. This is because 58% of the remittance Bangladesh receives comes from six Middle-East countries. Also there was a devaluation of foreign currencies like British pound, euro, Malaysian Ringgit, Singapore Dollar to US Dollar around July 2016 due to BREXIT and slowly growing US economy. Because of this currency devaluation, we are getting less in Bangladeshi taka against the earnings of our workers' in these countries. Remittance inflow was US $ 940.75 in February 2017 which was the lowest in last five years. Flow of remittance via illegal channel is also a factor for declining remittance growth. It has again started to grow in last two months. Recovery in remittance growth can be expected over the near to medium term from oil price stabilization boosting Middle Eastern economies, as also from the recent upsurge in manpower exports from Bangladesh. Manpower export is expected to hit 35% which will bring momentum to remittance growth.

Revenue Estimates & Financing Sources

Chart 9: Deviation of actual revenue from targeted revenue



Source: Ministry of Finance & LBSL Research

Revenue Estimates and Financing Sources

The budget for the FY18 has revenue target of BDT 2,879.91 billion, the government targets 31.8% growth in FY18 compared to FY17 revised budget. The incremental revenue will be grossly shared by income tax (32.3%) and VAT (32.5%) whereas the incremental revenue in FY17 (revised) was shared by income tax (45.58%) and VAT (36.38%) . The uniform VAT from July 1, 2017 will be a key growth driver for the VAT revenue growth. Projected deficit is BDT 1,122.75 billion. Historically, the government has never achieved its revenue target and the dispersion is rising in last three budgets. The average deviation of actual revenue from target revenue for the last five fiscal years (FY12-FY17) stands at –8.4%. Only in FY'12 the target revenue was achieved.

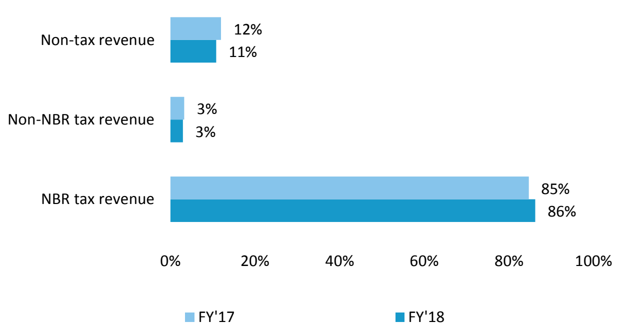
NBR Tax Revenue

The budget for the FY18 has targeted BDT 2,481.90 billion revenue from NBR tax which is 86.2% of the target revenue. This is 34.16% higher than that of FY17 revised budget. In the revised budget of FY17, this target was BDT 1,850.00 billion which was 84.7% of total revenue.

Non NBR Tax Revenue & Non Tax Revenue

There is target for BDT 86.22 billion or 3.0% of total revenue to collect from Non-NBR tax. Revenue from non-tax sources is estimated to be BDT 311.79 billion or 10.8% of total revenue which was BDT 323.50 billion or 13.3% of total revenue in the FY17 initial budget. In order to achieve these targets, automation in tax collection is set in to reduce complication in tax collection and significant administrative reform has been done.

Chart 10: Revenue Target of NBR Among Sources



Source: Ministry of Finance & LBSL Research

Chart 11: FY18 revenue and financing sources

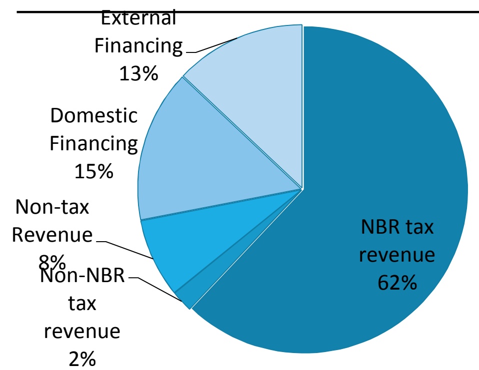
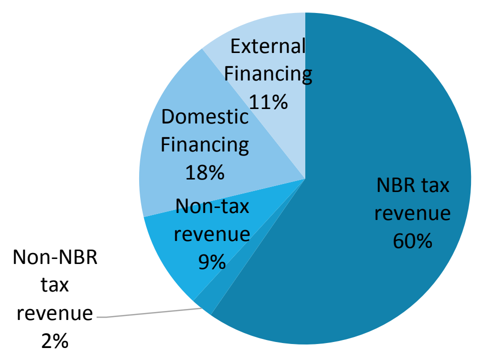
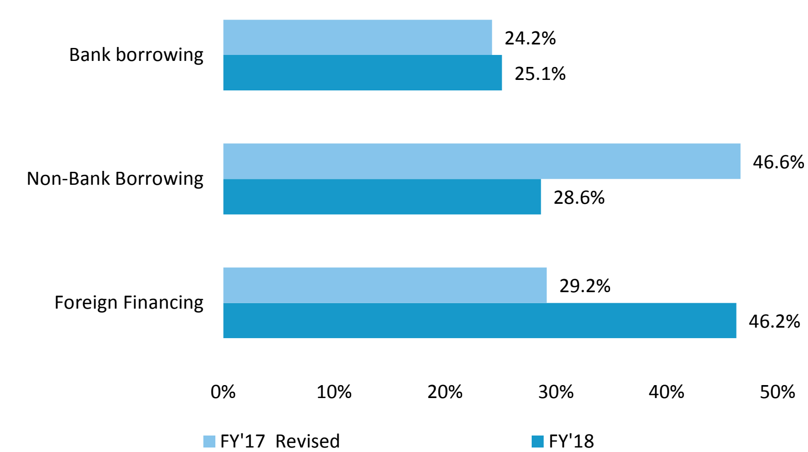


Chart 12: FY17 revenue and financing sources



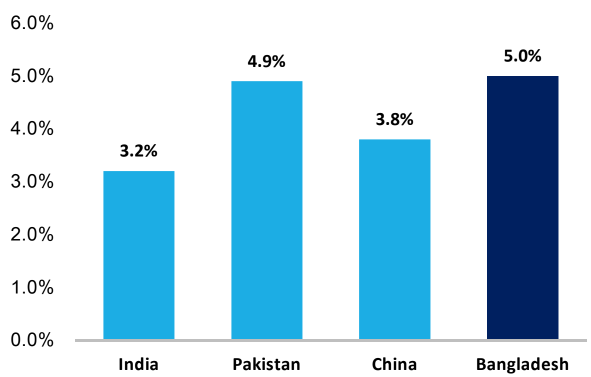
Revenue Estimates & Financing Sources

Chart 13: Deficit Financing Sources as % of Total Deficit



Source: Ministry of Finance & LBSL Research

Chart 14: Budget deficit as % of GDP



Deficit Financing

The budget deficit for the FY18 will be BDT 1,122.75 billion or 5.0% of GDP. Deficit to GDP ratio remained constant at 5% in FY18 same as FY'17 but budget deficit has increased by 13.8% from the revised budget of FY'17. Considering that Bangladesh's deficit is not that high, financing the deficit is challenging but possible. The key turnaround in deficit financing was high foreign financing (80.5% growth over the revised budget of FY17). Anticipated gross foreign aid of USD 7.6 billion in FY18 is the highest in the history,

Foreign Financing

Total budget deficit's 46.2% or BDT 519.24 billion will be financed through external sources which was BDT 287.71 billion or 29.2% in the FY17s revised budget. The growth in targeted foreign financing is 80.5% as compared to FY17s revised budget.

Bank & Non-Bank Borrowing

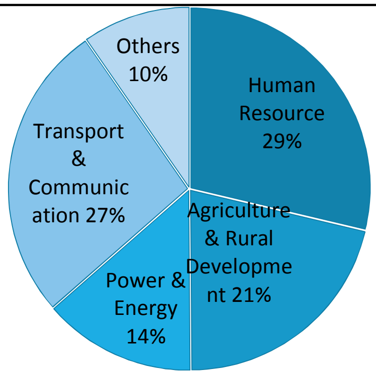
Bank will be a major source of funds to finance the budget deficit. There is a plan to borrow BDT 282.03 billion or 25.1% of deficit from banking sector which was BDT 239.03 billion or 24.2% of deficit in the FY'17 revised budget. At present, there's ample liquidity in the banking system and interest rate is all time low. Financing through non-bank borrowing has been set at BDT 321.22 billion which is 30.2% lower than the revised budget of FY'17 and 28.6% of total deficit.

Expenditure Composition

Table-3: Total Expenditure Composition

Sector	Share in FY18 (%)	Share in FY17 (%)	Change in FY18 over FY17(R)		
			BDT billion	% Change	Rank of % Change
Education and Technology	16.4	15.9	151.52	30.1	7
Public Service	13.6	10.7	206.33	61	1
Transport and Communication	12.5	11.4	138.15	38.1	5
Interest	10.4	11.1	60.99	17.2	10
LGRD	6.9	7	54.51	24.5	8
DefenceServices	6.4	7.3	25.44	11	12
Agriculture	6.1	6.3	43.97	21.9	9
Social Security and Welfare	6	6.7	29.44	13.9	11
Public Order and Safety	5.7	6.5	21.24	10.2	13
Fuel and Energy	5.3	4.6	65.57	45	2
Health	5.2	4.7	58.23	39.3	4
Others (Memorandum Item)	2.7	4.4	-30.82	-22.3	14
Industrial and Economic Services	1	0.9	12.32	43.3	3
Housing	0.9	1.6	-14.41	-27.9	6
Recreation, Culture and Religious Affairs	0.9	0.9	8.44	30.5	15
Total Expenditure	100	100	830.92		

Chart-15: ADP Composition BDT 1,533.31 bn



Source: Ministry of Finance & LBSL Research

- In the proposed budget for FY18, total expenditure has been estimated at BDT 4,002.66 billion. This is 18.0% of GDP and 26.2% higher than that of the revised budget for FY17.

- The overall expenditure framework has been categorized into three main groups based on their allocation of business. These are social infrastructure, physical infrastructure, and general services. In the proposed budget, 29.3 % of total outlay has been allocated to social infrastructure, 31.7% to physical infrastructure, and 24.0% to general services.

- Sector-wise, Education & Technology, Public Services, and Transport and communication have got preference having 16.4%, 13.6%, and 12.5% allocated respectively. Public service got the highest growth in allocation, a 61% increase in allocation.

- The allocation for non-development expenditure has been set at BDT 2,071.38 billion. For development expenditure, it has been estimated at BDT 1,590.13 billion which is almost 7.2% of GDP and 37.1% higher than that of revised budget FY17.

- Size of proposed ADP allocation is BDT 1,533.31 billion which is an increase of 38.5% from budget for FY17. In ADP transport and communication got the highest priority (26.8% allocation). Human Resource, Agriculture and Rural Development, and Power and Energy got 28.7%, 21.2%, and 13.7% of the ADP allocation respectively.

Allocation to mega projects and progress

Table-4: Progress of Mega Infrastructure Projects

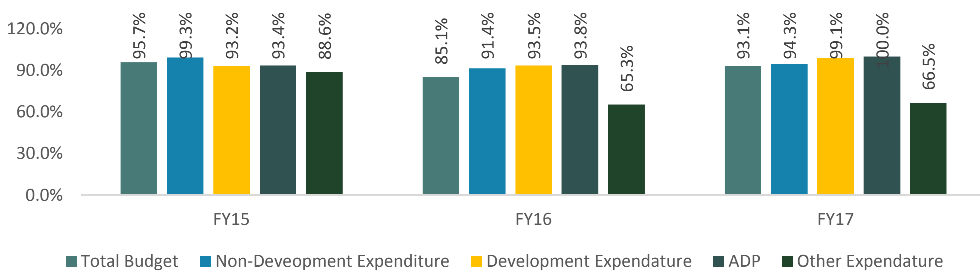
Project Name	Project period	Project Cost (BDT bn)	Projected progress till June, 2017 (in %)
Materbari 2* 600 megawatts Ultra super critical coal fired power project	01/07/2014-30/06/2023	359.84	3.0%
Padma Bridge Rail Link	01/01/2016- 30/06/2020	349.89	13.8%
Padma Multipurpose Bridge Construction	01/01/2009- 31/12/2018	287.93	52.6%
Dhaka Mass Rapid Transit Development Project	01/07/2012- 30/06/2024	219.85	7.8%
Dohazari-Cox's Bazar Railline Project	01/07/2010- 30/06/2022	180.34	12.7%
Rooppur Nuclear Power Plant Project (FirstPhase)	01/03/2013- 30/06/2018	50.87	95.1%
Planning the preservation and construction of boundary wall and land development of Rampal Electricity Centre 2nd Block	01/01/2015- 30/06/2017	4.63	56.3%
Payra Sea Port Infrastructure Development	01/07/2015- 30/06/2018	11.28	23.2%

Fast Track Projects

- The government has allocated BDT 306.14 billion to large high infrastructure and fast-track projects in its FY18 budget, which is 19.9% of total ADP of FY2018 (BDT 187.27billion and 16.9% in FY17).
- Most of the projects did not make considerable progress except that of Rooppur Power Plant and Padma Bridge.
- Unable to utilise allocated budget (unutilised resources in FY17 was BDT 35.60 billion)
- Given the progress of work of Padma bridge, it would be difficult to complete the remaining works of main bridge, river training and rail links by December 2018.

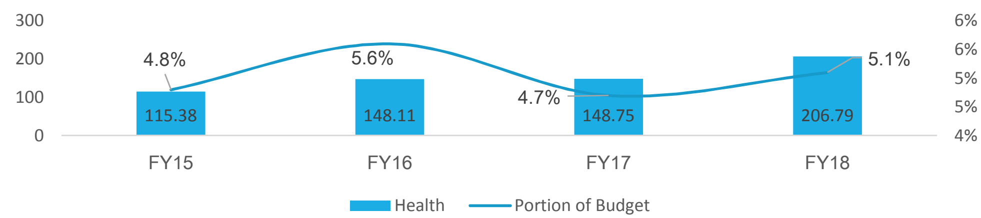
Expenditure Composition

Chart-16: Revised Expenditure/ Proposed Expenditure



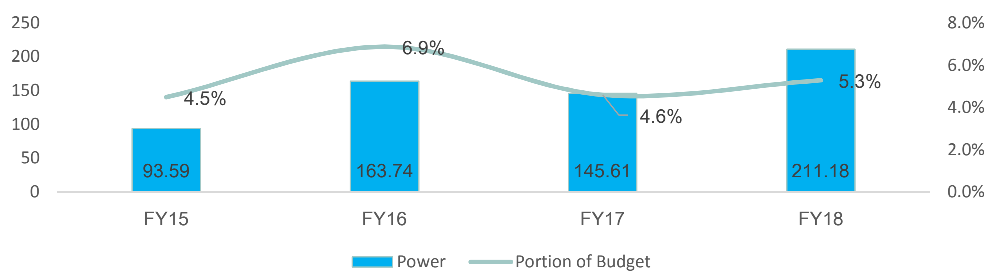
Source: Ministry of Finance & LBSL Research

Chart-17: Health Allocation (BDT bn)



Source: Ministry of Finance & LBSL Research

Chart-18: Energy and Power Allocation (BDT bn)



Source: Ministry of Finance & LBSL Research

Historically, the government revised down the expenditure on an average to 91.0% of what it proposed in the budget. The government usually sticks to the initial allocation for non-development segment in revised budget and utilized almost full allocation in the last few years. During FY14 to FY17, the average revised non-development expenditure budget was 94.3% of what government actually proposed in the budget. In revised budget FY17, it came down to 94.3% of proposed allocation. On the other hand, the government always expended less than what it proposed for development expenditure segment. In the last three years, the average development expenditure and average ADP expenditure was 94.2% and 94.9% respectively of what government actually proposed in the budget.

Health

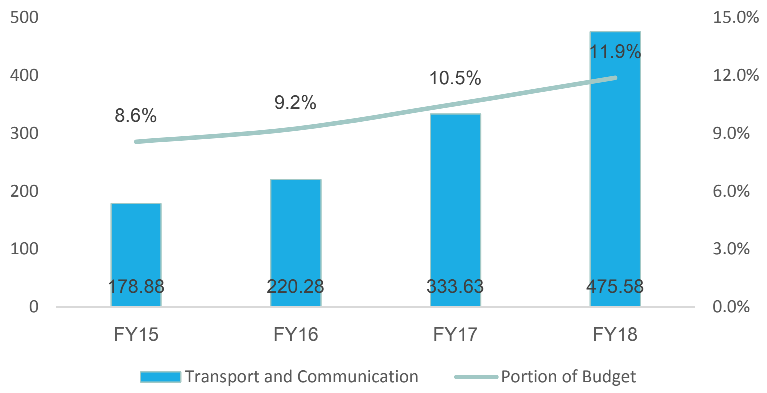
To make healthcare readily available to mass people in rural areas 13,339 community clinics have been set-up. Health segment has got higher allocation by 40 bps in proportion to budget in FY18 amounting BDT 206.52 billion (161.82 billion in health service devisor and 44.7 billion in medical education and family welfare division) which is BDT 148.29 billion in revised FY17 budget, having a growth rate of 39.3% (YoY) in this budget. A decreasing trend is observed in the allocation for this segment in proportion to total expenditure steadily for the last three budgets. Real per capita allocation for health has been proposed to BDT 617, which was BDT 561 in the revised budget of FY17.

Energy & Power

Allocation for Energy & Power sector increased in FY18 budget. The government has increased its allocation by 68 bps from 4.6% in revised FY17 to 5.3% in FY18. The amount available for Energy and Power sector is BDT 211.18 billion which was BDT 145.61 billion in FY17 revised budget, a staggering increase of 45.0% (YoY). In previous budget, the government lowered the budget allocated for energy and power to implement more power plant projects along with transmission and distribution networks. This sector comprises 13.8% of the total development expenditure budget for FY18.

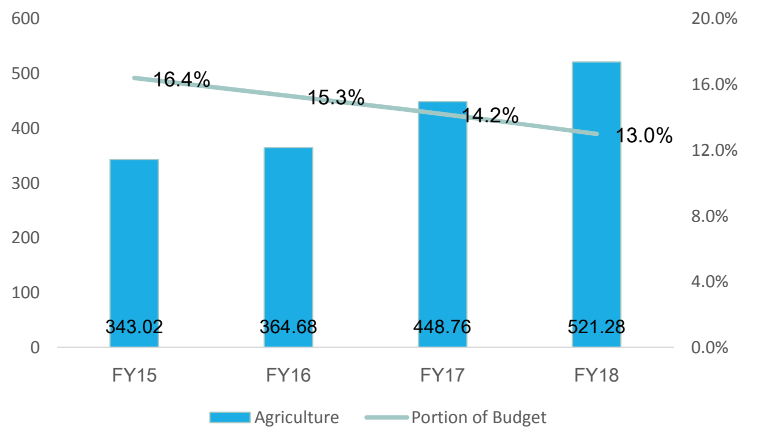
Expenditure Composition

Chart-19: Transportation and Communication Allocation (BDT bn)



Source: Ministry of Finance & LBSL Research

Chart-20: Agriculture Allocation (BDT bn)



Source: Ministry of Finance & LBSL Research

Transportation & Communication

Allocation for transportation and communication sector has been experiencing upward trend since FY13 budget. It still remained the most preferred segment in development budget having 11.9% of allocation in FY18 proposed budget. The allocation for this sector is BDT 475.58 billion as compared to BDT 333.63 billion of revised FY17 budget, having a growth rate of 42.5% (YoY). One of the major reasons for this higher allocation is that, the government has undertaken some major project to improve the transportation system of the country.

Agriculture and Rural Development

Agriculture and rural development budget allocation had been consistently increasing since FY12 and has continued the trend in the most recent budget. In FY18, it got BDT 521.28 billion as compared to BDT 448.76 billion in FY17 revised budget, grew by 16.2% (YoY). The allocated amount for the sector is 34.0% of total ADP and 13.0% of total budget.

Tax for Individuals

Table-4: Minimum Income for Individual Tax Payer	
Types of Tax Payer	**Threshold of Taxable Income**
General Tax Payer	BDT 250,000
Women & Senior Citizens	BDT 300,000
Persons with Disabilities	BDT 400,000
War-wounded gazetted freedom fighters	BDT 425,000

Source: Ministry of Finance & LBSL Research

Table-5: Tax Rate for other than companies	
For Individuals	**Tax Rate**
On first BDT 0.25 mn of TI	Nil
On next BDT 0.40 mn of TI	10.0%
On next BDT 0.50 mn of TI	15.0%
On next BDT 0.60 mn of TI	20.0%
On next BDT 3.00 mn of TI	25.0%
For Others	
Tobacco products manufacturers other than company	45.0%
Non-residents (Other than NRBs)	30.0%
Registered Co-operative Society	15.0%

Source: Ministry of Finance & LBSL Research

Table-6: Surcharge Rate on Individual's Net Worth	
Wealth Size	**Rate**
Up to BDT 22.5 mn	Nil
Exceeds BDT 22.5 mn, but less than BDT 50 mn	10.0%
Exceeds BDT 50 mn, but less than BDT 100 mn	15.0%
Exceeds BDT 100 mn, but less than BDT 150 mn	20.0%
Exceeds BDT 150 mn, but less than BDT 200 mn	25.0%
Exceeds BDT 200.0 mn	30.0%

Source: Ministry of Finance & LBSL Research

- The FY17 proposed budget suggests no change in the existing tax rates for the individual tax payers.
- The tax threshold for persons with disabilities has been increased to BDT 400,000 from BDT 375,000 in the last fiscal year. The other thresholds are unchanged.
- The minimum tax payment for tax payers have also been kept untouched. It is BDT 5,000 for Dhaka North, Dhaka South, and Chittagong; BDT 4,000 for other city corporations, and BDT 3,000 for the rest of the country.
- The maximum tax rate for individuals remains unchanged at 30.0% which will be applied for income surpassing BDT 4.75 million as in the previous fiscal year.
- No change has been made to the wealth surcharge structure. The minimum amount of surcharge for individuals with net worth in excess of BDT 22.5 mn also remains at last year's level of BDT 3,000.
- Tax exemption will be provided to welfare allowances or honorariums received by individuals, national awards and monitory benefits and on income of elder care homes.

Corporate Tax Rate

Table-7: Tax Rate for other than companies	
Company Category	Tax Rate
Publicly Traded Company	**25.0%**
Non-publicly Traded Company	**35.0%**
Publicly Traded Bank, Insurance and NBFI (excluding Merchant Bank)	40.0%
Newly Established Bank, Insurance and NBFI (excluding Merchant Bank)	40.0%
Non-publicly Traded Bank, Insurance and NBFI (excluding Merchant Bank)	42.5%
Merchant Bank	37.5%
Tobacco Good Manufacturers:	
Cigarette Manufacturers (Public or non-public)	45.0%
Other Tobacco Product Manufacturers	45.0%
Mobile Phone Operators	
Publicly Traded	40.0%
Non-Publicly Traded	45.0%
Dividend Income	20.0%

Source: Ministry of Finance & LBSL Research

Table-8: Ready Garment Industry		
Ready Garment Industry	Existing	Proposed
Companies without Green Building Certification	20.0%	15.0%
Companies with Green Building Certification	20.0%	14.0%

Source: LBSL Research

- Company tax rates have been kept mostly unchanged in the proposed budget for FY18. The upcoming budget has to a large extent left direct taxes unchanged as focus will be given on tax compliance rather than increased tax rates to boost revenues.
- Ready-made garment (RMG) sector is one of the main exporting sectors of Bangladesh making important contribution to the GDP growth and employment generation. Acknowledging this, Bangladesh Government is already providing substantial tax benefits to this sector. The most significant change is that the tax rate for ready garment company has been proposed to be reduced to 15.0% from the existing rate of 20.0%. Furthermore, if the ready garment company has a globally recognized green building certification, the rate will be 14.0%. However, no differentiation has been mentioned in the proposal regarding listed and non-listed textile companies.
- Minimum tax rates also remain unchanged. In the previous fiscal year FY17, companies having gross revenue of more than BDT 5 mn had a minimum tax of 0.60% on gross receipts while tobacco goods manufacturers faced a minimum tax of 1.0% and mobile phone operators faced 0.75%.
- Bangladesh Securities & Exchange Commission is exempted of taxes in order to make a positive impact on the twin bourses of the country.
- A surcharge of 2.5% has been imposed on income from businesses producing tobacco items.

Excise, Customs & Supplementary Duty

- Excise duties on bank accounts has been increased. BDT 800 Excise Duty has been imposed in place of previous BDT 500 on account balances exceeding BDT 1 lakh up to 1; BDT 2,500 instead of previous BDT 1,500 on accounts exceeding 10 lakh-1 crore; BDT 12,000 will be imposed in place of BDT 7,500 in accounts exceeding BDT 1 up to 5 crore while BDT 25,000 will replace BDT 15,000 duty on accounts exceeding BDT 5 crore. The duties will apply if the account exceeds the aforementioned balances at any point in time during the fiscal year.

- Excise duty on airlines tickets have been doubled. The rates are now BDT 2,000 for non-SAARC Asia and BDT 3,000 for countries outside Asia.

- Existing duty exemptions or duty free facilities for essential consumer goods in sectors like agriculture, industry, infrastructure, healthcare, environment, IT etc. have been continued with scope widened in some cases.

- The Second Schedule of the Value Added Tax and Supplementary Duty Act, 2012 has been replaced with a new schedule. Number of SD Rates will come down to 8 from prev. 11. The new rates are 25, 50, 100, 150, 200, 250, 350 and 500 percent. SD is applicable on 256 tariff line items.

- Prices of locally made low segment cigarettes (10 sticks) are fixed at BDT 27 up from BDT 23 with SD increased to 52% up from 50%. For foreign made cigarettes in low segment, a fixed price of BDT 55 has been introduced with SD at 55%.

- Existing SD on bidis are unchanged. Tariff value of bidis has been abolished. Tax inclusive price of non-filter bidis has been set at BDT 15 (25 sticks) and that of filter bidis is now BDT 15 (20 sticks).

- E-cigarettes and re-fill packs now have CD of 25% and SD of 100% imposed on them.

- Customs Duty has been reduced on raw materials for ceramics industry & battery industry. 10% Customs Duty imposed on imported solar panels. CD has increased to 10% for imported poultry feed from existing 5% while customs duty for imported LPG cylinders (below 5000l) has been slashed to 5% from prev. 10%.

- Duties have been reduced on materials required to locally manufacture or assemble computers or mobile phones.

- Customs Duty has been increased to 25% from existing 10% on imported sealed lead batteries and to 25% from 2% on database software. Aluminum bars and tubes as well as imported ceramics have also seen increased CD imposed.

Value Added Tax

- The new VAT Rate will be a single and uniform 15%. This rate will be unchanged for the next 3 years effective from July 1, 2017.
- The VAT and SD Act, 2012 provides for imposition of VAT and taking of input tax credit at every stages of the transaction. This uniformly spreads the tax burden at every stage and does not create unnecessary tax burden at any particular stage. It allows the taxpayers to pay the VAT only on the value addition they make at their end.
- Annual turnover has been raised from BDT 30 lakh to BDT 36 lakh. The firms with this annual turnover will be completely out of the scope of tax.
- Threshold for registration under VAT has been raised to BDT 1.5 crore up from BDT 80 lakh last fiscal. Businesses having a total yearly turnover up toTk 1 crore 50 Lakh will be able to avail the opportunity to pay only 4 percent tax on their turnover.
- VAT exemption on 536 primary food items, 93 life saving drugs, public transport & public health service, education & training service, non commercial charitable and cultural activities. Furthermore, VAT exemption for 404 items of agriculture, fisheries, livestock sectors will continue.
- VAT exemption of for local manufacturers of freezers, air conditioners, palm & soya bean oil and local LPG cylinders has been extended up to June 30, 2019.
- Govt. targets to increase number of VAT return filers from 32,000 to 60,000 within 2 years.

Industry Implication (Budget FY’18)

Bank Industry

Deficit Financing: 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 bn is expected to be financed from the banking system.

Changes in Tax/VAT/Duty structure

• No change in the corporate tax structure of the banking system.

• Excise duties on bank accounts has 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 mn; to BDT 2,500 (instead of existing BDT 1,500) for balance between BDT 1 mn and BDT 10 mn; to BDT 12,000 (instead of existing BDT 7,500) for BDT 10 mn to 50 mn; and to BDT 25,000 (instead of existing BDT 15,000) where balance exceeds BDT 50 mn. The duties will apply if the account exceeds the aforementioned balances at any point in time during the fiscal year.

Implication

• 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 bn as financing from the banking system, while there was actual bank repayment in 9MFY17 of BDT 164.02 bn.

• We do not expect any significant effect from the higher excise duty on bank balances. However, this might encourage higher amount of transactions outside the banking channel, which will put a negative pressure on banks' deposit base and commission income.

LPG Industry

Changes:

- All machineries essential to establish LPG bottling plant had been given duty exemption facility above 1%, this facility continues.
- Raw materials required to produce LPG cylinders have been given special tax expenditure-reducing the duty from 10% to 5%.
- Customs duty on LPG cylinder with capacity below 5,000 liters has been proposed to reduce from 10% to 5%.
- VAT exemption facility for local LPG cylinder manufacturers has been extended from Jun’17 up to Jun’19.

Implication

- Gas is our currently main fuel for electricity, vehicle, kitchen and all other productions. However, due to shortage of natural gas, the government is trying to replace gas with LPG. The government has already given permission to 50 industries for setting up LPG bottling plants in the country, some of which are already in operation. The duty exemption on capital machineries of this sector will reduce the cost of set up and encourage higher growth in terms of capacity development. The duty reduction from both cylinders and raw materials for producing cylinders will increase the margins of LPG bottling companies and cylinder makers. This and the VAT exemption facility for LPG manufacturers will reduce the price of cylinders which will be beneficial for both the LPG bottling companies and end-users.
- Related Listed Company: MJL Bangladesh Limited, Navana CNG Limited

RMG Industry

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Changes

- The corporate tax rate for Ready Garment Companies has been proposed to be reduced to 15.0% from the existing rate of 20.0%. Furthermore, if the Ready Garments Company has a globally recognized green building certification, the rate will be 14.0%.
- RMG exporters are currently paying withholding tax at 0.7%. As the latest budget has not addressed this issue, this facility will expire at the end of Jun'17 and the withholding tax will reinstate to its previous 1.0%.

Implication

- Knitwear and woven garments industries will benefit hugely from this corporate tax reduction, except for companies paying minimum tax of 0.6% on turnover
- The special tax reduction for green factories will encourage companies to start more environment friendly operations

Related Listed Companies:

Apex Spinning & Knitting Mills Limited, Argon Denims Limited, C & A Textiles Limited, Desh Garmants Ltd., Dragon Sweater and Spinning Limited, Envoy Textiles Limited, Shasha Denim, Far East Knitting & Dyeing Industries Limited, Generation Next Fashions Limited, Mithun Knitting and Dyeing Ltd., Stylecraft Limited , Tosrifa Industries Limited and HR Textile etc.

Tobacco Industry

Changes

- No change in the corporate tax rate of tobacco and tobacco product manufacturers as they are currently paying corporate tax at 45%, the highest legal tax rate in the country.
- A surcharge of 2.5% has been imposed on income from businesses producing tobacco items.
- The price of the low segment for every 10 sticks of local brand cigarette has been proposed to be fixed at BDT 27 from existing BDT 23 and the Supplementary Duty rate increased to 52% from existing 50%. At the same time, the price of the low segment for every 10 sticks of international brand cigarette has been fixed at BDT 35 (from existing BDT 23) and the Supplementary Duty rate at 55% (increased from 50%). However, there hasn't been proposed any price or Supplementary Duty increase for the medium and high segment cigarette brands which are currently being sold at BDT 45 and above and price fixation decision has been left to the manufacturer.
- The existing tariff value of bidi has been proposed to be abolished. The existing Supplementary Duty rate for non-filter bidi and filter bidi will remain unchanged at 30% and 35% respectively. However, effective from 1st June 2017, the tax inclusive price for both 25 sticks of non-filter bidi and 20 sticks of filter bidi has been fixed at BDT 15 which used to be BDT 10.61 and BDT 12.03 respectively.
- 25% export duty imposed on the exports of tobacco and tobacco products.
- Customs duty on e-cigarette and its refill pack have been increased form existing 10% to 25%. At the same time, 100% Supplementary Duty has been imposed on these two items.

Tobacco Industry

Table: Company Tax Rate for All Tobacco Goods Manufacturers		
Company	**Existing rates**	**Proposed rates**
Corporate Tax rate for All types of Tobacco Product Manufacturers	45%	45%
Minimum Tax Rate (on turnover)	1%	1%
Surcharge	0%	2.5%

Table: Product wise changes in Price and Duties				
Cigarettes	**Existing Price**	**Proposed Price**	**Existing SD**	**Proposed SD**
Lowest Slab (10 Sticks)				
Local Brand	BDT 23	BDT 27	50%	52%
Foreign Brand	BDT 23	BDT 35	50%	55%
Substitutes of Cigarettes	Existing Price	Proposed Price	Existing SD	Proposed SD
Bidi (25 sticks, non-filter)	BDT 10.61	BDT 15	30%	30%
Bidi (20 sticks, filter)	BDT 12.03	BDT 15	35%	35%
Non-tobacco Substitutes	Existing CD	Proposed CD	Existing SD	Proposed SD
E-cigarettes	10%	25%	0%	100%

Implication

- The surcharge will slightly reduce the profitability of the tobacco product manufacturers
- The prices of the low segment cigarettes and bidi will increase substantially.
- In the low segment of cigarettes, prices of local and international brands will have a significant difference, which will give the local brands a competitive advantage over their foreign counterparts.
- The new price levels is most likely to create some shifting among consumers from filtered bidi to low segment cigarettes and from low segment to middle segment of cigarettes, which will be beneficial for cigarette makers.

Related Listed Company: British American Tobacco (Bangladesh) Company Limited

ICT Sector

Changes

- 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
- Reduced the duties on the machineries and parts required to assemble or manufacture items like computers, cellular phone, laptops, pad etc.
- 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%.
- 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%.

Implication

- The income tax exemption will propel the development of our ICT sector which has huge potentials
- Reduced import cost will help the local companies manufacturing mobile phones, laptops, pads, modems, and other transmitting and receiving equipment
- The increased customs duties will provide further competitive advantage to the local industry
- The prices of the kind of devices will decrease which will help to increase the overall usage
- Increased duty will increase foreign software prices and give the local software firms a competitive edge

Related companies: ACI Limited (Style Mobile), Aamra Technologies Limited, Agni Systems Ltd, BDCOM Online Ltd. Daffodil Computers Ltd., etc.

Steel Industry

Particulars	Existing							Proposed						
	CD	VAT	AIT	RD	ATV	Specific Duty/MT*	TTI	CD	VAT	AIT	RD	ATV	Specific Duty/MT*	TTI
Alloy Steel Ingot	0	15	5	20	4	0	48.01	0	15	5	20	4	0	49.08
Ferro-Manganese	5	15	5	0	4	0	30	0	15	5	15	4	0	43.08
Ferro-Selicon	5	15	5	0	4	0	30	0	15	5	15	4	0	43.08
Ferro-silico-manganese	5	15	5	0	4	0	30	0	15	5	15	4	0	43.08
Ferrous waste & scrap	1500	0	800	0	4	1500	2380	0	15	800	5	4	0	826
Sponge Iron	1000	0	800	0	4	1000	1854	0	15	5	5	4	0	31.07
Iron Ingot	5	15	5	0	4	7000	30	0	15	5	20	4	0	49.08
Billet	0	15	800	20	4	0	843	0	15	800	20	4	0	844
Scrap Vessels	1500	0	800	0	4	1500	2380	0	15	800	5	4	0	826.7
Pig iron	1000	0	5	0	4	1000	1059.67	0	15	5	5	4	0	31.07

* in BDT

Changes:

- 20% Regulatory Duty has been imposed on Billet in FY17-18 proposed budget which was in place in previous year as well. However, 5% to 20% Regulatory Duties have been imposed on several other raw materials in steel industry instead of Specific Duties. These are: Alloy steel ingot, Ferro-Manganese, Ferro-Silicon, Ferro-Silicon-Manganese, Ferrious waste & scrap, Sponge Iron, Iron Ingot, Billet, Scrap Vessels, and Pig Iron. Customs Duties regarding of raw materials have been exempted. Also, a straight 15% VAT rate has been imposed on all raw materials.

Implication:

- Gross margin of Steel industry is very much depended on raw material. Looking at three major players in the industry, it can be seen that raw material contributes about 85% of cost of sales. Any changes in raw material expenses will have direct impact on margins. Looking at financial data of 2015, listed companies in steel industry maintains a gross margin of around 14%. Due to new VAT impose and additional Regulatory Duty imposed in various raw materials, there is a possibility that raw material expenses will increase in future. If the steel manufacturers do not increase the prices of finished goods, then there may be possibility of shrinkage in margins. However, if the manufacturers increase the prices in immediate basis, then negative effect on margins may be avoided, but there could be adverse impact on demand, which will have direct influence on topline.

Related companies: BSRM Steel, RSRM Steel, GPH Ispat, etc.

Cement Industry

Particulars	Existing							Proposed						
	CD	SD	VAT	AIT	RD	ATV	TTI	CD	SD	VAT	AIT	RD	ATV	TTI
Boulder Stone	5	10	15	5	4	4	47.89	5	0	15	5	15	4	49.08
Fly Ash	5	0	15	5	0	4	30	5	0	15	5	10	4	43.08
Limestone	5	0	15	5	0	4	30	5	25	15	5	0	4	62.59

Changes:

In regards to raw materials of cement industry, there has been a few minor impose of duties. In terms of Boulder Stone, Supplementary Duty has been exempted which was 10% in previous year. Also, Regulatory duty regarding Boulder Stone has been increased to 15% which was only 4% in previous year. Major changes came to Fly Ash and Limestone. A 10% of Regulatory Duty has been imposed on Fly Ash which was 0% in previous year. In terms of Limestone, 25% Supplementary Duty has been imposed in comparison with 0% in previous year.

Implication:

In general, fly ash, boulder stone, and limestone are very small component of cement raw materials. Fly Ash, on average, contributes about 7.5% of raw material expenses. Impose of 10% regulatory duty in Fly Ash will barely have any impact on margins of cement manufacturers.

Limestone, on average, contributes about 5% of raw materials expenses of cement industry (except Lafarge Surma). Addition of 25% Supplementary Duty will have very insignificant impact on raw material expenses. Impact of Fly Ash and Limestone altogether may very slightly shrink the margin of most cement manufactures.

Considering that Lafarge has clinker production capacity, limestone is one of the key raw materials for them. About 46% of raw material expenses come from limestone. However, the HS Code of Limestone in Tarrif has been changed. As a result, the exact impact of the change in duty regarding limestone is inconclusive regards to Lafarge Surma.

Related companies: Aramit Cement, Confidence Cement, Heidelberg Cement, Lafarge Surma Cement, MI Cement, Meghna Cement, and Premier Cement.

Consumer Electronics

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Changes

- 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
- Increased the customs duty on Parts of electrical goods from 10% to 25%
- 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
- Custom duty has been increased from 5% to 10% for other Nickel articles and tungsten wire

Implication:

- VAT exemption will keep the prices of locally manufactured refrigerator, freezer, and air conditioner low
- Increased customs duty on electrical goods parts will encourage higher local manufacturing of these things
- Decrease in the customs duty on the air conditioner parts and nickel articles will increase the local fridge and air conditioner manufacturers’ margins
- Increased duty on tungsten wires will reduce margins of bulb manufacturers

Related Listed Companies: Singer Bangladesh Limited, Bangladesh Lamps Limited, etc.

Other Industry

Ceramics Industry

Changes

- Reduction on customs duty on Talc from 10% to 5%, alumina liner 15% to 10% and crude mica from 10% to 5% is proposed. Increase on Supplementary duty on limestone from 0% to 25% has been proposed.

- Duty on capital machinery for ceramics products increased from 1% to 5-10%.

Implication

- If CD on these products fall, manufacturing cost of companies operating in ceramic sector will decrease, especially the import cost of raw materials.
- However, if SD of capital machinery increases from existing 0%-1% to proposed 5%-10%, it would raise cost of entry and expansion.

Related Companies: FUWANGCER, MONNOCERA, RAKCERAMIC, SPCERAMICS, STANCERAM

Construction Materials

Change

- SD Rates on Aluminum bars, rods and profiles have been proposed to increase to 15% from existing 10
- SD Rates on Aluminum fittings, tubes and pipes have been proposed to increased to 10% from existing 1%.
- Proposed duties on capital machineries for aluminum fittings, tubes & pipes are 10-15% compared to 1% in the last fiscal year.

Implication

- Local manufacturers are likely to benefit from this change.
- However, the significantly increased duties on capital machinery to required to produce aluminum will increase cost of expansion and possibly future financial obligations.

Related Companies: BDTHAI

Other Industry

Consumer Goods

Changes

- Customs Duty has been imposed on Copra imports at 5%

Implication

- Copra is the principal raw material in the manufacture of coconut oil comprising the majority of cost of production. As a result, even a small increase in the price of copra can have a strong impact on erosion of margins.

Related Companies: MARICO

Other FMCG

- Customs duties on many FMCG health and beauty products are proposed to rise by 5%. The proposed rates are 25% for oral and dental hygiene products, detergents, toiletries and soaps, 50% for make-up preparation products.

Implication

- Local FMCG manufacturers are likely to be benefitted from these changes are their relative prices will be more attractive compared to imported products once the proposal comes into effect.

Related Companies: RECKITTBEN, KEYACOSMET, KOHINOOR, ACI

Other Industry

Chemicals, Paint & Plastic

- SD & RD on Sulphuric Acid has been proposed to increase to 25% and 15% from 20% and 4% respectively,
- 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.
- 5% SD has been increased on PVC and Several Plastic Product which was previously 20% and 45%.

Implication

- 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.
- Paint companies are likely to be affected by increased price of organic chemical compounds as they use chemical derivatives in production
- Local plastics companies will get more protection from imported plastic products.

Related Companies: WATACHEM, SALVOCHEM, BERGER, NATIONAL POLYMER, PREMIAFLEX PLASTICS LIMITED (ACI)

Other Industry

Leather

- Decrease in SD of glues and acetates to 5% from 15% and 10% respectively.
- Increase in SD of footwear with outer soles and uppers of rubber or plastics from 45% to 50%

Implication

- Local leather industry is likely to be benefitted from the reduced prices of glues and acetates and increased price of imports.
- Increase in SD will increase production cost slightly.

Related Companies: BATASHOE, FORTUNE and APPEXFOTWEAR

Fish & Shrimp

- Increase in SD of shrimps, prawn and several categories of fish by 5% to 25%.

Implication

- 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.

Related Companies: BEACHHATCH; GEMINISEA

Agriculture & Feed

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Table-# Change in SD of Major Agricultural Commodities

Type of Product	Type	Existing	Proposed
Pepper, Cinnamon, Cardamom, Cumin Seed	SD	20%	50%
Pepper, Cinnamon, Cardamom, Cumin Seed	CD	25%	5%
Cassava and Other Starches	CD	5%	15%
Oil-cake based feed	CD	0%	5%
Finished poultry feed	CD	5%	10%

Source: Ministry of Finance & LBSL Research

Table-6: Abridged List of Agricultural Machineries with Tax & Duty Concessions

Wealth Size
Tubes, pipes & hoses
Screws & Bolts
Diesel Engine (Agricultural Usage)
Spare Parts of Diesel Engine (Agricultural Usage)
Gear & Gearing
Elywheels & Pulleys
Machinery Parts

Source: Ministry of Finance & LBSL Research

Implications

- In FY18, despite the govt. reduction in customs duty, a larger increase in supplementary duty is likely to push the prices of essential spices upwards. Restaurant meals are likely to get much more expensive combined with the 10% surcharge on fast food items.
- Imported oil-based animal feed including finished poultry feed is likely to become more expensive. Local feed manufacturers are likely to benefit from this potential change in relative pricing.
- Agriculture has traditionally been and continues to be the major employment source in the country although its importance has been declining over the last few decades. Government has provided tax and duty concession on many agricultural machines and parts of agricultural machines in an effort to increase use of technology in agriculture. This is much welcome news as the manufacturing and service sector of the country continue to grab greater shares of GDP, labour and land use.

RELATED COMPANIES: AMANFEED, NFML

Source: Ministry of Finance & LBSL Research

Capital Market Implications

**Tax Exemption for
Bangladesh Securities & Exchange Commission**

**Tax Exemption on
Alternative Investment Funds**

Branches, liaisons and subsidiaries are allowed to maintain financial year in line with their parent companies

Source: Ministry of Finance & LBSL Research

- No large change has been brought to capital market tax regulations in the budget for FY18 although tax implications in other areas of the economy will certainly have profound impacts on performance of several listed companies.
- Among the major changes, Bangladesh Securities and Exchange Commission- the primary regulator of the two bourses of the country has been exempted from taxes.
- Tax exemption has been extended to investment in Alternative Investment Funds. This is positive news for the sector that is still relatively small in Bangladesh and will hopefully encourage more alternative investment opportunities such as private equity, venture capital etc. However, dividends are still subject to tax.
- While multinational companies listed in the bourses were not required to change their year end to June in the last fiscal year, the renewed confirmation from the Minister of Finance reaffirms the government’s commitment to leave the financial year of subsidiaries of foreign companies unchanged.

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