Stock Market

Stocks slump on proposed tax on reserve

New Age, June 17, 2019

- Dhaka stocks slumped on Sunday as investors becoming muddled following the government's proposal to impose 15 % tax on the listed companies' reserve and stock dividend, went for selling shares.
- DSEX, the key index of Dhaka Stock Exchange, lost 0.79 %, or 43.47 points, to close at 5,430.83 points on Sunday after gaining 4.67 points in the previous session.
- The government has proposed 15 % tax on retained earnings and reserve if the figures exceed 50 % of the paid-up capital of a listed company. The government has also imposed tax on the value of stock dividend at the rate of 15 %, which will be collected from the listed companies within sixty days of such dividend declaration.
- Market operators said the tax measures gave a negative signal to the market as stakeholders, companies and investors became worried about their (measures) impact on the listed companies. They said that how it could be an incentive for a company's shareholders when the government would collect tax from the company multiple times to increase its revenue.
- Earlier, Kamal and other government high-ups pledged that there would be some incentives for the capital market, which would go beyond the investors' expectations. A number of investors on Sunday joked angrily, 'Truly, the tax measures proposed in the budget are beyond our expectations.'
- Market experts said that the initiative related to tax on retained earnings and reserve was against business norms, and it would result in double taxation as the companies paid tax on their total earnings. Share market analyst and United International University professor Mohammad Musa told New Age that the market fell as it was evident that investors rejected the tax measures for the listed companies.

http://www.newagebd.net/article/75579/stocks-slump-on-proposed-tax-on-reserve

Govt may take away BDT 11,000cr in tax from listed cos' reserve

BAPLC demands withdrawal of proposed tax on reserve

New Age, June 17, 2019

- The National Board of Revenue will collect at least BDT 11,000 crore in additional taxes from the reserves of the listed companies if the Finance Bill 2019 that was placed with the budget proposal is passed, according to a Dhaka Stock Exchange analysis.
- Finance minister AHM Mustafa Kamal on Thursday placed the national budget for the financial year of 2019-20 where he proposed imposition of 15 % tax on retained earnings and reserve if the figure exceeded 50 % of the paid-up capital of a listed company.
- As per the DSE data, there are 317 companies listed with the stock exchange. Of them, 209 companies have reserves exceeding 50 % of their paid-up capitals, 87

Reserves of 15 leading cos and possible tax on them

(Tk in crore)

Company	Paid-up capital	Total reserve	Possible tax
TITAS Gas	989.22	5,574.82	762.03
BEXIMCO Ltd	876.32	5,255.79	722.64
Square Pharma	789.01	4,829.53	665.25
Islami Bank	1609.99	3,456.40	397.71
BATBC	60.00	2,251.24	333.19
ICB	697.68	2,263.43	287.19
DBBL	500.00	2,107.49	278.62
Jamuna Oil	110.42	1,888.53	275.00
Beximco Pharma	405.56	1,775.64	235.93
Unique Hotel	294.40	1,702.16	233.24
Renata	80.54	1,469.59	214.40
BRAC Bank	1233.38	1,906.25	193.43
Pubali Bank	1028.29	1,692.39	176.74
EBL	811.80	1,525.75	167.98
Padma Oil	98.23	1,147.19	164.71

companies don't have taxable reserves and 21 companies have negative reserves.

- The 209 companies have BDT 97,901.27 crore in reserves. Of the amount, BDT 71,949.6 crore falls under the new tax measure. The government would collect BDT 10,792 crore from the companies by imposing 15 % tax on the amount.
- Market experts said that the figure might be higher as share premium would be added to the figure. Listed companies would soon declare their June-end yearly earnings that might enlarge their reserves. A number of trade bodies and experts have already expressed their concerns over the budget proposal for imposing the tax on reserve and retain earnings saying that such move went against business norms and would hinder expansion of business of companies.
- Titas Gas might require to pay additional BDT 762 crore, Bangladesh Export Import Company BDT 722 crore, Square Pharmaceuticals BDT 665 crore, Islami Bank BDT 397 crore, British American Tobacco BDT 333.19 crore, Investment Corporation of Bangladesh BDT 287 crore, Dutch-Bangla Bank BDT 278.62 crore, Jamuna Oil BDT 275 crore, Beximco Pharmaceuticals BDT 235 crore and BRAC Bank BDT 193.43 crore considering their paid-up capital and reserve.

http://www.newagebd.net/article/75578/govt-may-take-away-BDT-11000cr-in-tax-from-listed-cos-reserve

DSE board divided over govt move to tax cos' reserve

New Age, June 17, 2019

- The board of directors of Dhaka Stock Exchange are divided over the tax measures proposed by the government in the national budget for the listed companies. The government has proposed 15 % tax on retained earnings and reserve if the figures exceed 50 % of the paid-up capital of a listed company.
- The government has also imposed tax on the value of stock dividend at the rate of 15 %, which will be collected from the listed companies within sixty days of such dividend declaration. DSE chairman Abul Hashem said that the tax measure related to stock dividend was an incentive for the general shareholders as it would force the companies to provide cash dividends. Hashem couldn't provide reporters any justification for his stance in favour of the tax measure.
- DSE director Rakibur Rahman agreed with Hashem saying that they were pleased with the government initiative to curb ill-practices in the capital market. He also said, 'We should observe the impact of the policy for next three years and assess the positive and negative aspects of it.'
- On the other hand, DSE managing director KAM Majedur Rahman said, 'We will assess reactions from the listed companies and their association to make a proposal over the tax measures.' The DSE will send proposal over the tax measures considering the companies' business situation, he said.
- DSE director Minhaj Mannan Emon said, 'We will discuss the tax issue with the regulators and will propose the government reconsider the tax measures.' Seeking anonymity, another DSE director said that the tax imposition on reserve and retained earnings of the listed companies was illogical.

http://www.newagebd.net/article/75580/dse-board-divided-over-govt-move-to-tax-cos-reserve

Spare banks from stock dividend tax

New Age, June 17, 2019

- Banks have sought to be excused from the government's plan to introduce 15 % tax on stock dividend and retained earnings and reserves to encourage cash dividends as it will put some listed lenders in a difficult spot.
- "It makes sense for other listed companies but not for banks as their dividend policies are transparent and regulated," said Syed Mahbubur Rahman, president of the Association of Bankers, Bangladesh, the platform of private banks' managing directors.

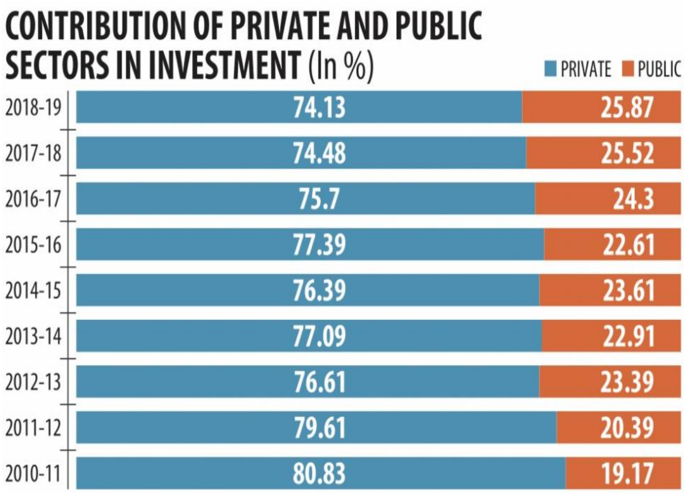
- At present, banks that face provisioning shortfall are not allowed by the Bangladesh Bank to hand out cash dividend; they can only give stock dividend. As of March this year, 14 banks failed to keep the required provisioning against their bad loans. Of them, 10 lenders are listed with the capital market.
- And lenders usually strengthen their capital base from their retained earnings and reserves, so the move to put 15 % tax on that would be a double-whammy for them, said Md Arfan Ali, managing director of Bank Asia.
- As of December last year, banks' capital adequacy ratio (CAR), which determines the adequacy of banks' capital in keeping with their risk exposures, stood at 10.50 %, down from 10.83 % a year earlier, according to data from the central bank.
- "The proposed tax policy on stock dividend and retained earnings and reserves will not bring anything positive for the growth-oriented companies," said Ahsan H Mansur, executive director of the Policy Reserve Institute.

https://www.thedailystar.net/business/news/spare-banks-stock-dividend-tax-1758205

Economy

Raising private investment to be tricky: analysts

The Daily Star, June 17, 2019



- The government's target to raise private investment to 24.2 % of GDP will be challenging given the trend in last several years and the ongoing liquidity crisis in the banking sector.
- Private investm ent has been hovering around the 22-23 % mark for long. For instance, this fiscal year it reached 23.40 % of GDP, up from 22.07 % five years ago, according to the Bangladesh Bureau of Statistic (BBS).
- Bangladesh needs additional BDT 23,000 crore to achieve the investment target, said Abul Kasem Khan, former president of Dhaka Chamber of Commerce and Industry.
- Private sector credit growth sank to a 56-month low of 12.07 % in April and the government's target to borrow more from the banks may tighten the situation further.
- The government last year set a target to raise private investment to 25.15 % of GDP for the outgoing fiscal year, but budget documents show it edged up to 23.4 % from 23.26 % a year ago.
- Despite stagnant private invest-ment, Bangladesh's economic growth has been impressive for the past decade. Provisional estimates show the economy is likely to grow at more than 8 % in the outgoing fiscal year thanks to a steady rise in public investment.

https://www.thedailystar.net/business/news/raising-private-investment-be-tricky-analysts-1758214

Garment exporters not happy with budget proposals

Demand 3pc cash incentive instead of 1pc proposed

The Daily Star, June 17, 2019

- Apparel exporters yesterday voiced their dissatisfaction with the 1 % cash incentive handed to them in the proposed budget for fiscal 2019-20 as it is insufficient to help them tide through the current volatile situation in garment trade.
- They had originally demanded 5 % cash incentive, but are now meeting the government halfway and asking for 3 %. Finance Minister AHM Mustafa Kamal has already allocated BDT 2,825 crore in the budget; another BDT 5,650 crore would be needed if the garment exporters' new demand is to be entertained.
- In a post-budget reaction press conference at the Amari Dhaka, Rubana Huq, president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), also urged the government to devalue the local currency by at least BDT 5 against the US dollar to enhance the garment exporters' competitiveness in global trade.
- The move would require an additional BDT 12,419 crore. "We demand both 3 % cash incentive and devaluation of the local currency against the USD," Huq said. The BGMEA chief, however, lauded the government's proposal of full VAT waiver on the use of natural gas, electricity bill and water in the garment sector.

https://www.thedailystar.net/business/news/garment-exporters-not-happy-budget-proposals-1758211

Tax hike to affect digital business

The Daily Star, June 17, 2019

- Four tech-centric trade bodies yesterday said the proposed budget would hinder the growth of digital business and increase costs for consumers.
- The government has proposed increasing some taxes, including value-added tax, on different services which will ultimately increase the cost of doing business, the leaders of the oganisations opined.
- However, the leaders of Bangladesh Association of Software and Information Services (BASIS), Bangladesh Computer Samity, Internet Service Providers Association of Bangladesh (ISPAB) and Bangladesh Association of Call Center and Outsourcing (BACCO) welcomed the overall budget for 2019-20.
- Lamenting the finance minister's suggestion on Thursday for imposing 7.5 % VAT on the virtual business, Syed Almas Kabir, president of the BASIS, said it was not what was expected for digital services.
- "Shoppers just started spending though this platform…first we need to give time for the industry to grow and then the tax issue can come," he said.
- ISPAB President MA Hakim raised concerns over increasing VAT on fibre optic cables, which he termed "the backbone of the digital ecosystem".
- "This initiative will definitely increase our cost of doing business and that will be passed on to customers who are using broadband services," he said.
- The bodies, however, welcomed the BDT 100 crore fund allocation for start-ups and reduction of VAT on digital marketing. They requested creating another fund to help the outsourcing industry grow. The BACCO secretary general also spoke on the occasion.

https://www.thedailystar.net/business/news/tax-hike-affect-digital-business-1758208

IMF mission sounds alarm as banks' stressed assets soar

The Financial Express, June 17, 2019

- The International Monetary Fund (IMF) has expressed concern over the rising trend in stressed assets in the banking sector. The Washington-based lender recommended that the quality of assets should be improved immediately.
- Stressed assets are defined as the sum of gross non-performing assets plus restructured and rescheduled standard advances, the central bank explained.
- The IMF's latest observations came against backdrop of rising trend in stressed assets ratio as a %age of total loans and advances in the banking sector.
- The stressed assets' ratio climbed to 20.5 % in 2018 from 19 % from the previous year as the volume of non-performing assets and rescheduled advances went up, according to the BB's latest Financial Stability Report (FSR).
- Within a year, gross non-peforming loans (NPLs) ratio increased by 100 basis points, rescheduled standard advances ratio increased by 40 basis points and restructured advances ratio increased by 10 basis points, according to the report.

http://thefinancialexpress.com.bd/economy/bangladesh/imf-mission-sounds-alarm-as-banks-stressed-assets-soar-1560745945

International

China prepared for long trade fight with US

The Daily Star, June 17, 2019

- The United States has underestimated the Chinese people’s will to fight a trade war and Beijing is prepared for a long economic battle, an influential Chinese Communist Party journal said on Sunday.
- China would not give way on major principles in its negotiations with the United States on ending the dispute, the commentary in the ideological journal Qiushi, or Seeking Truth, said.
- The editorial represented “a further mobilisation of Chinese society” in the struggle against US trade pressure, wrote Hu Xijin, editor-in-chief of the state-run Global Times newspaper, in a tweet.
- “China will not be afraid of any threats or pressure the United States is making that may escalate economic and trade frictions. China has no choice, nor escape route, and will just have to fight it out till the end,” the commentary said.
- “No one, no force should underestimate and belittle the steel will of the Chinese people and its strength and tenacity to fight a war.” The United States kicked off a tariff battle with China in 2018, seeking sweeping structural changes from Beijing and alleging that the Chinese have engaged in intellectual property theft over many years, which China denies.

http://thefinancialexpress.com.bd/economy/bangladesh/imf-mission-sounds-alarm-as-banks-stressed-assets-soar-1560745945

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