DBL SECURITIES LIMITED

Research and Development Unit

BUDGET 2013-2014

BUDGET AT A GLANCE:

Figure in Crore

Particulars	Growth (%)	Budget 2013-2014	Revised Budget 2012-2013	Budget 2012-2013	Accounts upto Mar, 2013
Total Revenue Income	19.90%	1,67,459	1,39,670	1,39,670	91,607
Total Expenditure	17.52%	2,22,491	189,326	191,738	96,850
Surplus/(Deficit)	**10.83%**	**(55,032)**	**(49,656)**	**(52,068)**	**(5,243)**

ESTIMATES OF REVENUE INCOME:

Figure in Crore

Particulars	Growth (%)	Budget 2013-2014	Revised Budget 2012-2013	Budget 2012-2013	Accounts upto Mar, 2013
NBR Tax Revenue	21.23%	1,36,090	1,12,259	1,12,259	72,308
Non-NBR Revenue	12.35%	5,129	4,565	4,565	2,900
Non Tax Revenue (NTR)	14.86%	26,240	22,846	22,846	16,399
Total Revenue Income	**19.90%**	**1,67,459**	**1,39,670**	**1,39,670**	**91,607**

ESTIMATES OF EXPENDITURE:

Figure in Crore

Particulars	Growth (%)	Budget 2013-2014	Revised Budget 2012-2013	Budget 2012-2013	Accounts upto Mar, 2013
(A) Non-Development Expenditure	10.28%	1,13,471	1,02,892	99,496	65,810
(B) Development Expenditure	25.15%	72,275	57,751	60,137	20,330
ADP (On Develop. Exp.)	25.79%	65,870	52,366	55,000	19,974
(C) Other Expenditure	24.62%	35,745	28,683	32,105	10,710
Total Expenditure (A+B+C)	**17.52%**	**2,22,491**	**189,326**	**191,738**	**96,850**

BUDGET DEFICIT & FINANCING:

Figure in Crore

Particulars	Growth (%)	% Allocation	Budget 2013-2014	Revised Budget 2012-2013	Budget 2012-2013	Accounts upto Mar, 2013
Deficit Financing:						
(A) Foreign	**22.61%**	**38.28%**	**21,068**	**17,183**	**18,584**	**1,647**
Foreign Grants	**26.33%**	**12.12%**	**6,670**	**5,280**	**6,044**	
Foreign Loan	18.94%	43.12%	23,729	19,951	20,398	
Amortization	15.94%	16.96%	9,331	8,048	7,858	
Foreign Loan (Net)	**20.96%**	**26.16%**	**14,398**	**11,903**	**12,540**	
(B) Domestic:	**4.59%**	**61.72%**	**33,964**	**32,473**	**33,484**	**3,478**
Banking Source	(8.80%)	47.23%	25,993	28,500	23,000	10,759
Savings Certificates & other Non Banking Sources	100.13%	14.48%	7,971	3,983	10,484	
Total Deficit Financing (A+B)	**10.83%**		**55,032**	**49,656**	**52,068**	

OTHERS:

Particulars	Budget 2013-2014	Revised Budget 2012-2013	Budget 2012-2013
Nominal GDP (In Crore Tk.)	1,188,800	1,037,987	1,041,360
GDP Growth Rate	7.2%	7.2%	7.2%
Inflation	7.0%	7.5%	7.5%

SECTOR WISE DIVISION & PRIORITY OF BUDGET 2013-2014:

Figure in Crore

Ministry/ Division	Growth (%)	Budget 2013-2014	Revised Budget 2012-2013	Budget 2012-2013
(a) Social Infrastructure	**13.41%**	**51,555**	**45,460**	**46,296**
% Allocation		**23.17%**	**24.01%**	**24.15%**
Human Development				
1. Ministry of education	14.03%	13,163	11,543	11,583
2. Primary & Mass Education	26.20%	11,930	9,453	9,825
3. Health & Family welfare	3.72%	9,470	9,130	9,333
4. Others	11.00%	9,052	8,155	8,649
Sub Total	**13.93%**	**43,615**	**38,281**	**39,390**
Food and Social Safety				
5. Food Division	7.19%	1,417	1,322	1,080
6. Disaster Management	11.37%	6,523	5,857	5,826
Sub Total	**10.60%**	**7,940**	**7,179**	**6,906**
(b) Physical Infrastructure	**11.46%**	**67,147**	**60,242**	**53,330**
% Allocation		**30.18%**	**31.82%**	**27.81%**
Agriculture & Rural Development				
7. Ministry of Agriculture	(17.53%)	12,270	14,878	8,911
8. Ministry of Water Resources	3.68%	2,593	2,501	2,892
9. Local Government Division	(-1.96%)	12,961	13,220	12,433
10. Others	4.73%	4,448	4,247	4,436
Sub Total	**(-7.39%)**	**32,272**	**34,846**	**28,672**
Power and Energy	**13.59%**	**11,351**	**9,993**	**9,544**
% Allocation		**5.10%**	**5.28%**	**4.98%**
Communication Infrastructure				
11. Road Division	1.56%	5,550	5,465	4,246
12. Railway	21.18%	5,589	4,612	4,900
13. Bridge Division	750.55%	7,000	823	1,151
14. Others	7.38%	1,121	1,044	1,283
Sub Total	**61.25%**	**19,260**	**11,944**	**11,580**
15. Other Sectors	23.27%	4,264	3,459	3,534
(c) General Service	**52.14%**	**49,950**	**32,832**	**37,002**
% Allocation		**22.45%**	**17.34%**	**19.30%**
Public Order & Safety	**8.48%**	**10,537**	**9,713**	**9,218**
% Allocation		4.74%	5.13%	4.81%
16. Others	70.48%	39,413	23,119	27,784
Total	**21.74%**	**1,68,652**	**1,38,534**	**1,36,628**
% of Total Allocation		75.80%	73.17%	71.26%
(d) Interest Payments	**18.83%**	**27,743**	**23,347**	**23,302**

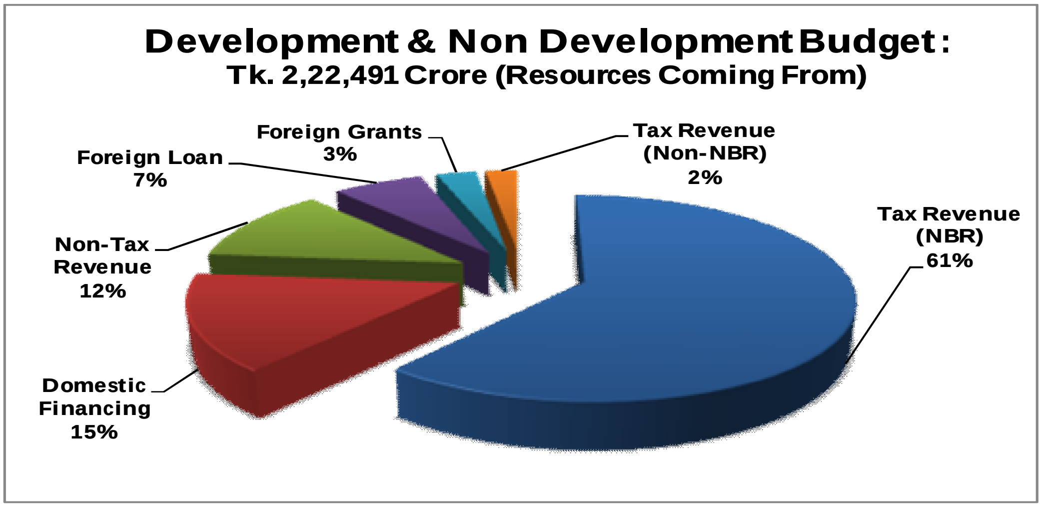
% Allocation		**12.47%**	**12.33%**	**12.15%**
(e) PPP Subsidy and Liability	**114.67%**	**7,318**	**3,409**	**9,409**
% Allocation		**3.29%**	**1.80%**	**4.91%**
(f) Net Lending and Other Expenditure	**(21.87%)**	**18,781**	**24,039**	**22,399**
% Allocation		**8.44%**	**12.70%**	**11.68%**
Total Budget	**17.52%**	**2,22,491**	**189,326**	**1,91,738**

SECTOR WISE DIVISION IN ANNUAL DEVELOPMENT PROGRAMME (ADP):

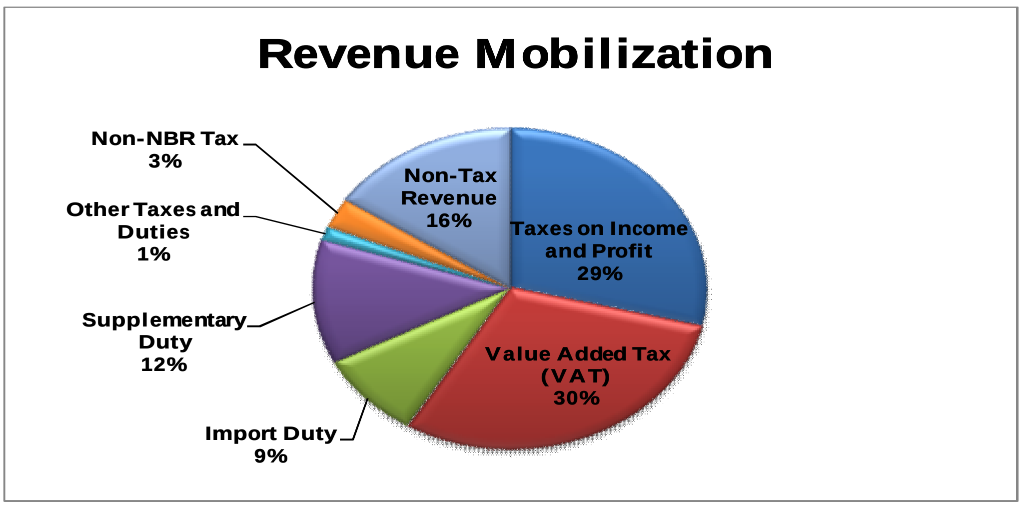
Figure in Crore

Ministry/ Division	Growth (%)	Budget 2013-2014	Revised Budget 2012-2013	Budget 2012-2013
(a) Human Resources				
1. Primary & Mass Education	34.78%	5,278	3,916	4,382
2. Health & Family Planning Affairs	(0.58%)	3,602	3,623	3,825
3. Education	37.59%	3,100	2,253	2,554
4. Others	25.50%	3,160	2518	3,257
Sub Total	**22.99%**	**15,140**	**12,310**	**14,018**
% Allocation		**23.0%**	**23.5%**	**25.5%**
b) Agriculture & Rural Development				
5. Local Government Division	(0.70%)	11,195	11,274	10,815
6. Ministry of Water Resources	4.58%	1,850	1,769	2,176
7. Ministry of Agriculture	18.40%	1364	1152	1,242
8. Others	16.97%	2,323	1,986	2,204
Sub Total	**3.41%**	**16,732**	**16,181**	**16,437**
% Allocation		**25.4%**	**30.9%**	**29.9%**
(c) Energy Infrastructure				
9. Power division	5.75%	9,053	8,561	7,890
10. Energy & Mineral Resources	62.70%	2,255	1,386	1,608
Sub Total	**13.68%**	**11,308**	**9,947**	**9,498**
% Allocation		**17.2%**	**19.0%**	**17.3%**
(d) Communication Infrastructure				
11. Railway Ministry	28.33%	3,878	3,022	3,310
12. Road Division	(4.90%)	3,457	3,635	2,652
13. Bridge Division	750.55%	7,000	823	1,151
14. Others	15.62%	881	762	1,044
Sub Total	**84.62%**	**15,216**	**8,242**	**8,157**
% Allocation		**23.1%**	**15.7%**	**14.8%**
Total (a+b+c+d)	**25.10%**	**58,396**	**46,680**	**48,110**
% Allocation		88.65%	89.14%	87.47%
15. Others	**31.45%**	**7,474**	**5,686**	**6,890**
% Allocation		11.35%	10.86%	12.53%
Total ADP	**25.79%**	**65,870**	**52,366**	**55,000**

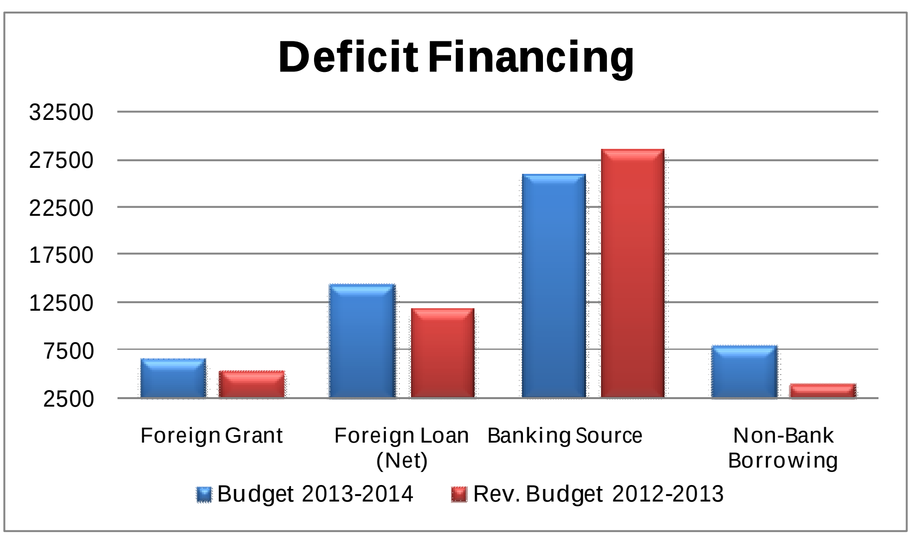
DEVELOPMENT & NON-DEVELOPMENT BUDGET SOURCES:



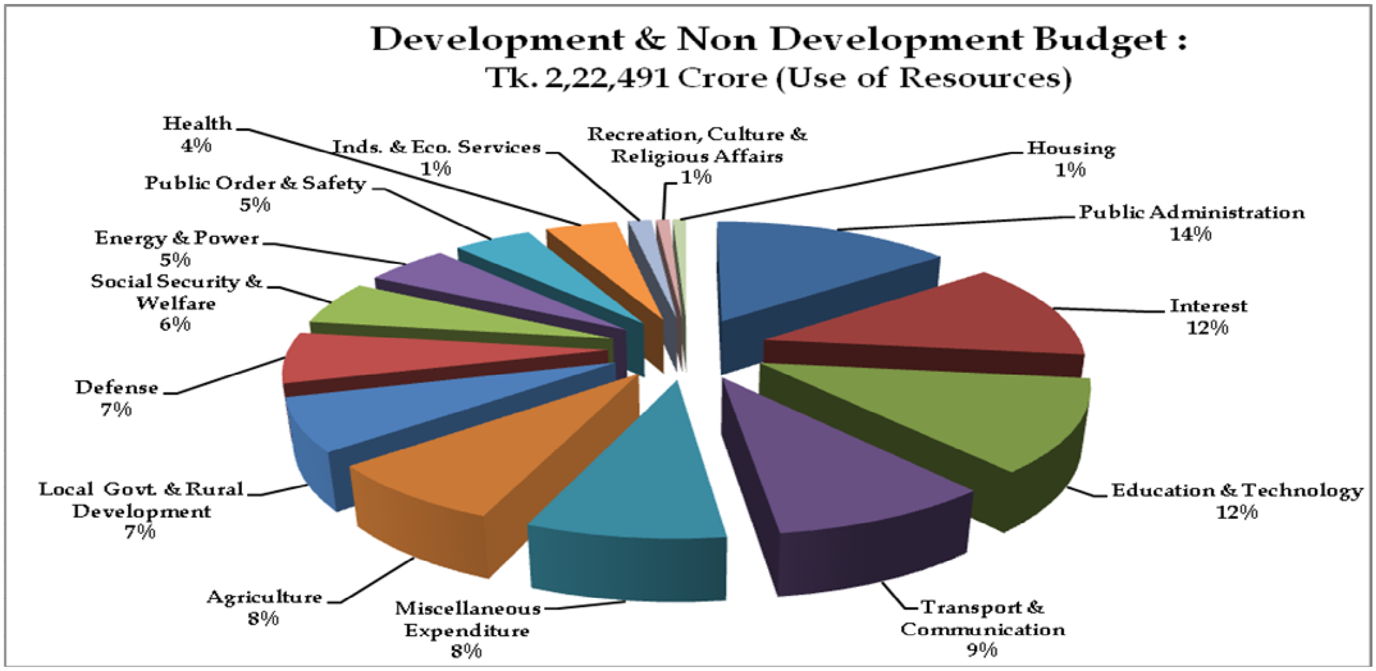
Revenue Mobilization:



DEFICIT FINANCING:



SECTOR WISE RESOURCE DISTRIBUTION: (INCLUDING SUBSIDIES & PENSION)



INCOME TAX FOR INDIVIDUALS:

Income Threshold for Individual Taxpayers is as follows –

Status	Existing (Budget 2012-2013)	Proposed (Budget 2013-2014)
Tax exempted income threshold	Tk. 2,00,000	**Tk. 2,20,000**
Women and aged taxpayers (65 years of age and above)	Tk. 2,25,000	**Tk. 2,50,000**
Physically Challenged	Tk. 2,75,000	**Tk. 3,00,000**

Individual tax rate and income slabs are as follows -

Existing Income Slabs (Budget 2012-2013)	Proposed Income Slabs (Budget 2013-2014)	Rate
On the first Tk. 2,00,000	On the first Tk. 2,20,000	Nil
On the next Tk. 3,00,000	On the next Tk. 3,00,000	10%
On the next Tk. 4,00,000	On the next Tk. 4,00,000	15%
On the next Tk. 3,00,000	On the next Tk. 3,00,000	20%
On the balance of total income	On the balance of total income	25%

There is also a proposal of minimum tax for Individual Tax payers based on location, which is as under –

Location of Tax Payer	Existing (Budget 2012-2013)	Proposed (Budget 2013-2014)
City Corporation Area	Tk. 3,000	Tk. 3,000
Paurashava at District Town	Tk. 3,000	Tk. 2,000
Other places including Upazillas	Tk. 3,000	Tk. 1,000

CORPORATE TAX:

Change occurred in case of Cigarette and mobile companies.

Company Tax Payers	Status	Existing Rate (Budget 2012-2013)	Proposed Rate (Budget 2013-2014)
Mobile Company	Publicly Traded	35%	**40%**
	Other than Publicly Traded	45%	45%
Cigarette Company	Publicly Traded	35%	**40%**
	Other than publicly Traded	42.5%	**45%**
Bank, Insurance & Financial Institutions	Other than Merchant Bank	42.5%	42.5%
	Merchant Bank & Private Limited Company	37.5%	37.5%
	Company Registered with Stock Exchange	27.5%	27.5%
Dividend Income		20%	20%

INVESTMENT CEILING & TAX REBATE FOR INDIVIDUAL TAX PAYERS:

Particulars	Existing (Budget 2012-2013)	Proposed (Budget 2013-2014)
Investment Ceiling	Tk. 1 Crore	Tk. 1.5 Crore
Investment ceiling as percentage of total income	20%	30%
Percentage of Tax Rebate	10%	15%

TAX HOLIDAY FOR INDUSTRIES:

With a view to providing incentives to new industries and creating employment berths the following proposals are made for tax holiday and tax exempted income –

Particulars	Existing (Budget 2012-2013)	Proposed (Budget 2013-2014)
Tax-Holiday for 17 Industrial Undertakings	30 June, 2013	30 June, 2015
Tax-Holiday for 17 Physical Infrastructure Facilities	30 June, 2013	30 June, 2015
15% Tax on Income Derived from Production of Jute goods	30 June, 2013	30 June, 2015
15% Tax on Income from Fabric, Dying industry etc.	30 June, 2013	30 June, 2015
50% Tax Rebate on Export of Handicrafts	30 June, 2013	30 June, 2015
Tax Exemption in Poultry Sector	30 June, 2013	30 June, 2015
Tax Rate on Income from Fisheries, Hatchery etc.	5%	3%
Tax Rate on the Income from Production of Peletted Feed for Fish, Shrimp and Cattles	37.5%	3%

TAX ON INVESTMENT IN HOUSE/FLAT:

Proposal was made to simplify the procedure of taxation on investment in apartment/house/land on payment of certain amount of tax on the basis of location of the property.

Location of the Property	Rate on per sq. meter upto 200 sq.	Rate on per sq. meter above 200
Gulshan Model Town, Banani, Baridhara, Motijheel C/A and Dilkusha C/A of Dhaka.	Tk. 5,000	Tk. 7,000
Dhanmandi Residential Area, Defence Officers Housing Society (DOHS), Mahakhali, Lalmatia Housing Society, Uttara Model Town, Bashundhara Residential Area, Dhaka Cantonment, Kawran Bazar, Bijaynagar, Segunbagicha, Nikunja of Dhaka and Panchlaish, Khulshi, Agrabad and Nasirabad Area of Chittagong.	Tk. 4,000	Tk. 5,000
Other areas of City Corporation	Tk. 2,000	Tk. 3,000
Paurasabha of any district headquarters	Tk. 1,000	Tk. 1,500
Other Areas including Upazilla	Tk. 750	Tk. 1,000
More than one house/flat	Additional 20%	Additional 20%
In Case of Plot/land Purchase:		
Tax Rate on Total Value	**10%**	
In case of more than one Plot/Land additional tax on payable sum	**20%**	

INCOME FOR SALARIED INDIVIDUALS:

Particulars	Existing (Budget 2012-2013)	Proposed (Budget 2013-2014)
Income Tax Return	8 pages	2 pages
Adjustment of Tax Payable on Salary Income With Other Tax Deducted/Collected at Source	Not adjustable	Adjustable
Tax-exempted House Rent Allowance for Salaried Taxpayers	Tk. 1,80,000	Tk. 2,40,000
Tax-exempted Conveyance Allowance	Tk. 24,000	Tk. 30,000

INVESTMENT IN THE CAPITAL MARKET:

The following proposals are made for the investors in the capital market –

Particulars	Existing (Budget 2012-2013)	Proposed (Budget 2013-2014)
Tax deductible at source on the premium over face value of share of a company	3%	Nil
Tax deductible at source on sale of Bond	0.05%	Nil
Tax rebate on the investment in private mutual fund*	Nil%	15%
Tax exempted dividend income threshold	Tk. 5,000	Tk. 10,000

*Tax rebate on investment in Public Mutual Fund is 15%

** Govt. has plan to withdraw tax in case of Demutualization.

IMPORT DUTY:

Particulars	Existing (Budget 2012-2013)	Proposed (Budget 2013-2014)
Customs duty on import of Capital Goods	3%	2%
Customs duty on import of Intermediate raw materials	12%	10%
Regulatory duty on selected products	10%	5%
Food & Agriculture:		
Supplementary duty on imported chips	Nil	60%
Custom Duty on Mats imported by VAT registered bio-gas plant	25%	10%
Custom Duty on import of Woven fabrics of rovings, Articles of glass fibre by VAT registered bio-gas plant	12%	5%
Custom Duty on Roses, Carnations,Orchids,Chrysanthemums, Lilies and some other species	12%	25%
Custom Duty on Preparations for infant use in bulk imported by VAT registered infant food industry	5%	10%
Supplementary duty on Betelnuts wrapped / canned upto 2.5 kg and other Betelnuts	30%	20%
Supplementary duty on Sugar confectionery (including white chocolate), not containing cocoa	60%	30%
Supplementary duty on Sweet biscuits, Waffles, wafers, Rusks, toasted bread and similar toasted products	100%	60%
Supplementary duty on Strawberries, Raspberries, mulberries, blakhkberries, loganberries, Kiwifruit,Persimmons, Durians, Cranberries, bilberries and other fruits of the genus Vaccinium	0%	20%
Supplementary Duty on Unmanufactured tobacco & tobacco refuse	60%	100%
Supplementary Duty on Cigars, cheroots and cigarillos containing tobacco	100%	150%
Dairy Industry:		
Custom Duty on Commercial Import of powder milk	5%	10%
Customs duty on Milk Tanker	5%	2%
Paper Industry:		
Custom Duty on Bamboo (Raw material for pulp)	12%	Nil
Textile Industry:		
Custom Duty on artificial filament tow (Used to produce Acrylic yarn)	5%	Nil
Custom Duty on Preparations for the treatment of textile materials, leather, furskins or other materials	12%	5%
Supplementary Duty on Woven fabrics	45%	20%
Supplementary Duty on Woven pile fabrics, Warp knit fabrics, Knitted or crocheted fabrics and chenille fabrics	60%	45%
Supplementary Duty on import of fabrics	45%	20%
Ceramic & Glass Industry:		
Supplementary Duty on import float glass	30%	45%

Duty of cobalt oxide used as raw materials	12%	5%
Custom Duty on import of Flint, grinding pebbles, silex / lining / abrasive / polishing disc for Ceramic industry	25% (with 5% Regulatory Duty)	10% (with 5% Regulatory Duty)
Iron, Steel and Engineering Sector:		
Specific Duty on Billets	Tk. 2,500 per m.ton	Tk. 3,500 per m.ton
Custom Duty on Alloy steel	12%	Nil
Custom Duty on Bars and rods, hot-rolled, in irregularly wound coils, of iron or non-alloy steel.	5%	10%
Duty on Cold rolled coil	25% CD & 5% RD	25% CD (RD Exempted)
Custom Duty on LPG gas cylinder capacity below 5000 litres	3%	10%
Custom Duty on Com. Import of Generator parts	-	2%
Specific Duty on Iron and non-alloy steel in ingots & other primary forms and other Semi-finished products	Tk. 2,500 per m.ton	Tk. 3,500 per m.ton
Computer and Tourism Sector:		
Custom Duty on Digital cameras and web camera	25%	10%
Custom Duty on Server Rack for ICT sector	25%	10%
Supplementary Duty on SIM Cards	30%	20%
Import Duty on Optical Fibers	12%	5%
Custom Duty on Water blocking yarn / tape / Color optical fibres imported by VAT registered optical fibre cable manufacturing industry	12%	Nil
Public Health Sector:		
Duty on import of FEP / Teflon Tube raw materials	25% CUSTOM DUTY & 5% RD	10% CUSTOM DUTY & 5% RD
Power Sector:		
Custom Duty on solar lantern and LED lamp	12%	5%
Supplementary Duty on LED lamp parts imported by VAT registered LED lamp manufacturing industry	60%	Nil
Transport Sector:		
Custom Duty on Minibus chassis	25%	10%
Custom Duty on Windshield glass	12%	5%
Infrastructure and Ship Building Industry:		
Duty and taxes above 5 percent on Anchor Chain with standard accessories, Life boat, Rafts and Navigation Lights		Fully Exempted
Custom Duty on Dump Truck	25%	10%
Others:		
Custom Duty on Fire Extinguishers	12%	5%
Supplementary Duty on chests, cabinets, display counters, show-cases and others for storage and display, incorporating refrigerating or freezing equipment imported by VAT registered super shop	30%	Nil

Custom Duty on inputs of leather sector such as preparations of treatment of leather sulphates of chromium, casein, other casein and prepared binders for foundry moulds	12%	5%
Supplementary Duty on Prepared explosives, other than propellant powders, Fireworks, matches, signaling flares, rain rockets, fog signals & other pyrotechnic articles	20%	45%
Supplementary Duty on Mosquito coil	20%	45%
Supplementary Duty on Statuettes and other ornamental articles	20%	45%
Supplementary Duty on Floor coverings and Mats	0%	20%

DEPRECIATION ON RE-CONDITIONED CARS:

Particulars	Rate
Less than one year old	0%
Above 1 (one) year but less than 2 (two) year old vehicles	30%
Above two (2) year but less than three (3) years old	35%
Above three (3) years but less than four (4) years old vehicles	40%
Above four (4) years but up to five (5) years old vehicles	45%

TURNOVER TAX:

Proposal is made to increase the annual turnover of SME from existing Tk. 70 lacs to Tk. 80 lacs.

REBATE ON INPUT VAT FOR MANUFACTURERS:

Presently, manufactures may take from 60 percent to 80 percent rebate of input VAT paid on the use of some services. Proposal in made to raise this facility to 80 percent in respect of all such services.

OTHERS:

Particulars	Existing (Budget 2012-2013)	Proposed (Budget 2013-2014)
VAT on crude and refined palm oil, soybean oil and Crude Sun flower and Safflower oil at the import stag	10% (upto June 30, 2013)	10% (upto June 30, 2014)
VAT on Poultry / Dairy / Fish feed, all kinds of fertilizer, Insulin, Insulin pen. Streptokinase Injection, Wheel chair and carriages for disabled persons, Watches for blind and Hospital bed etc. at the manufacturing level.		Withdrawn
Exemption from the payment of VAT for local manufacturer of LPG cylinder	Up to 30 June, 2013	Up to 30 June, 2017
VAT on cullet and plastic waste		Withdrawn
Investment ceiling for plant, machineries and equipment for Small and Cottage Industries	Tk. 25 lac	Tk. 40 Lac
Annual turnover of Small and Cottage Industries	Tk. 40 Lacs	Tk. 60 Lacs

BUDGET SUMMARY:

Macroeconomic Targets:

- Target for GDP growth rate is set at 7.2% in the Budget whereas the current GDP growth rate is only 6%.
- Export is expected to increase by 15%, whereas import is anticipated to grow by 10%.
- The budget also predicts inflation rate to come down to 7.0% from existing 7.9%.

Revenue & Expenditure Estimates:

- Revenue (19.90%) is expected to grow faster than public expenditure (17.52%)
- Development expenditure (25.58%) is programmed to grow faster than non-development revenue expenditure (10.28%)
- ADP is 29.61% of total public expenditure
- To finance Budget Deficit (10.83% higher than last budget), high foreign financing target (22.61% growth) has been set with anticipated gross foreign aid flow of USD 3.8 billion
- Government's net bank borrowing will decrease by 8.8%
- The budget targets additional revenue of Tk. 27,789 crore with NBR taking the lead role (21.23% growth) in revenue collection.
- Taxes on Income and Profit are expected to be 37% higher than last fiscal year.
- Import duty collection target is at a lower rate (only 1% growth) while 10% import growth is projected.
- Non-NBR revenue will remain at a subdued level which is only 3% of total revenue target.
- Domestic Interest Payment will increase by Tk. 4,399 crore (20.36% growth) while foreign interest payment will decrease by Tk. 3 crore.

Figure in Crore

Particulars	Budget 2013-14	Rev. Budget 2012-13	Change	Growth	% share in 2013-2014	% share in 2012-2013
Pay and Allowances	24,867	22530	2,337	10.37%	21.92%	21.90%
Goods and Services	15,828	13847	1,981	14.31%	13.95%	13.46%
Interest Payments:						
Domestic	26003	21604	4,399	20.36%	22.92%	21.00%
Foreign	1740	1743	-3	-0.17%	1.53%	1.69%
Subsidies and Current Transfers	43,145	42746	399	0.93%	38.02%	41.54%
Block Allocations	1,887	423	1,464	346.10%	1.66%	0.41%
Total Non-Development Revenue Expenditure	113,470	102,893	10,577	10.28%		

Subsidy:

- Subsidy for Agriculture is reduced from Tk. 12,000 crore to Tk. 9,000 crore (25% reduction)
- Total subsidy in the revised budget for 2012-2013 was Tk. 38,808 crore whereas total subsidy is expected to be Tk. 28,695 crore for the year 2013-2014 (Reduced by about 26%)
- BPC subsidy is expected to be Tk. 7,950 crore (Reduction by 47.8%)
- PDB subsidy for is expected to be Tk. 5,500 crore (6.4% higher)

ADP:

- ADP of Tk. 65,870 crore (5.5% of GDP) has been proposed for FY 2013-2014.
- ADP for the year 2013-2014 is 25.79% higher than Revised ADP for 2012-2013
- Project Aid component (Tk.24563 Crore) is 37.29% of total ADP in the Budget for 2013-2014, whereas it was 35.33% in Revised ADP of 2012-2013.
- Local Government Division got the highest allocation (Tk. 11,195 Crore) in ADP.
- Power division and Bridge division got allocation of Tk. 9,053 crore (Tk. 8,561 crore last year) and Tk. 7,000 crore (Tk. 823 crore last year) respectively.
- Energy & Mineral Resources division got allocation of Tk. 2,255 crore which is 62.70% higher than last year allocation.
- Ministry of Agriculture is allocated Tk. 1,364 Crore which is 18.40% higher than last year.
- Primary & Mass Education received allocation of Tk. 5,278 crore which is 34.78% higher than last year allocation.
- Road division received allocation of Tk. 3,457 crore which is 4.90% lower than last year allocation.

Padma Multipurpose Bridge Project:

- Total allocation for The Padma Multipurpose Bridge Project is Tk. 6,852 crore which is 33.4% of total project cost of Tk. 20,500 crore.
- Tk. 1,600 crore has been kept as project aid allocation in ADP (USD 200 million Indian credit)

Budget Deficit & Financing:

- Share of Domestic Financing is 61.72% (65.4% in Revised Budget for 2012-2013)
- Share of foreign financing will be 38.28% (34.6% in Revised Budget for 2012-2013)
- Tk. 25,993 crore (47.23%) will come from the Bank Borrowing (57.4% in Revised Budget for 2012-2013)
- Net Bank Borrowing will decline by Tk. 2,507 crore compared to revised budget for 2012-2013
- Tk. 7,971 crore (14.5%) will come from non-bank sources (8.0% in RB of FY13)

Personal Income Tax:

- Increase of Personal Income Tax threshold from existing Tk. 200,000 to Tk. 220,000 will be helpful for low income earners
- Reduction of minimum tax for individual tax payers living in the Paurashava area of district town (Tk. 3,000 to Tk. 2,000) and the Upazilas (Tk. 3,000 to Tk. 1,000) will help broaden the tax base

Corporate Tax:

- Tax for publicly traded mobile phone company has been increased from 35% to 40%
    - One particular firm will be affected
    - Erosion of incentive for being listed (spread reduced from 10% to 5 %)
- Increased of tax rate for cigarette companies is a good move for revenue mobilization and public health
- Corporate tax remains unchanged for other cases

Black Money Whitening:

- The budget proposed extension of the scope for whitening undisclosed income for investment in the real estate sector at a flat rate of 10%
- Holders of undisclosed money can invest in this sector by paying taxes between Tk. 750 to Tk. 5,000 and Tk. 1,000 to Tk. 7,000 depending on location and size
- In case of plot / land, buyers can purchase by paying 10% tax on total value
- Tax will be 20% in case of more than one plot / land
- However, the provision on allowing undisclosed money in the capital market has not been extended
- The scope for whitening black money is morally unacceptable and economic benefits remain questionable
- The opportunity benefits only some particular sector(s)
- Only Tk. 38 crores was received as tax as against the total whitened amount of Tk. 1,305 crores during 2009-2013

Import Duty and Supplementary Duty:

- The present 3% Customs duty on the import of capital goods reduced to 2%.
- Custom Duty on raw materials is reduced to 10% from existing 12%.
- Provision of 5 % regulatory duty on goods chargeable to 25% customs duty will be continued
- Regulatory duty on few items which are chargeable at 10% customs duty has been proposed at 5%

Value Added Tax (VAT):

- Existing uniform trade VAT at the rate of 4% at all levels of wholesale and retail sales will remain unchanged
- 15% VAT will be applicable for traders who are willing to pay VAT on actual value addition which is in preparation for the introduction of the new VAT rate from 2016

Duty and Taxes on Vehicles:

- No major amendment in tax structure of motor cycles, except that tax has been reduced on roller chains
- No modifications in the tax structure for reconditioned vehicles but restructuring of the depreciation rate

Industry:

- A number of proposed measures is likely to facilitate new investment as well as to help retain or improve competitiveness of different industries –
  - Continuation of tax holiday for 17 industrial undertakings, 17 physical infrastructure, jute goods, fabric & dyeing, poultry, fisheries, shrimp, fish etc.
  - Reduction of Custom Duty on capital machineries & intermediate products, imposition of Supplementary Duty on finished products and on few other items similar to intermediate products.
- Local industries have been given protection and support through the following changes in tariffs and duties. Some of these are import-substituting.

- Imposition of Custom Duty / Supplementary Duty on imports, withdrawal / reduction of Supplementary Duty on domestic production; and reduction of Custom Duty in imported input
- Imposition of 60% Supplementary Duty on imported potato chips, increase Custom Duty to 10% on imported milk powder and reduction of Custom Duty over milk tanker
- Exemption of Custom Duty over raw materials of paper and reduction of Custom Duty over acrylic yarn
- Increase Supplementary Duty over float glass and reduction of Custom Duty over cobalt dioxide for glass industry, and reduction of Custom Duty of raw materials for ceramic industry
- Increased specific duty on billet (adverse impact on real estate sector)
- Exemption of Custom Duty on alloy steel and exemption of Regulatory Duty on CR coils
- Imposition of Custom Duty over LPG cylinder, and reduction of import duty on generator parts

- A number of proposed changes in the fiscal measures may have adverse impact on domestic industries -
  - Reduction of Supplementary Duty on imported SIM cards
  - Reduction of Supplementary Duty on imported consumer goods (sweet biscuits, waffles and wafers, and toasted bread)
- Proposed measures in support of poultry industry would contribute to rebuilding its competitiveness -
  - Tax exemption for another two years
  - Reduction of duties on raw materials and spare parts
  - ADP allocation of Tk.3.65 crore for poultry farmers of 22 districts

SMEs:

- Proposed rise in annual turnover ceiling from Tk.70 lakh to Tk.80 lakh for tax purposes will reduce tax burden and would have positive implications for SMEs' competitiveness
- Increase of investment ceiling of small & cottage industries from Tk.25 lakh to Tk.40 lakh for tax exemption and increase of annual turnover from Tk.40 lakh to Tk. 60 lakh are positive initiatives.
- Proposed upward revision of VAT eligibility on turnover of small traders, wholesalers and shopkeepers may not have significant adverse impact because hike is not significant

Light Engineering:

- Reduction of Custom Duty on capital machineries & intermediate products will reduce overall production cost
- Exemption of Custom Duty and Regulatory Duty on alloy pig iron, non-alloy pig iron, flat rolled products, carbon filter etc. will reduce production cost

Export Promotion:

- Proposed allocation of Tk. 2,592 crore (8% of total subsidy in FY14) as export incentive is a positive initiative.
- **Leather:** Proposed reduction of Custom Duty on selected inputs of leather (chromium, casein etc) is likely to reduce production cost

- **Jute:** Proposed extension of timeline for exemption of 15% of the income tax for Jute Industries till June, 2015 will support newly set up industries
- **Ship Building:** Proposed exemption of Custom Duty, Supplementary Duty and VAT for vessels above 5000 DWT capacity will facilitate domestic production of vessels up 5000 DWT
- Exemption of duty and taxes above on anchor chain, life boat, rafts will support local industry
- Textiles and RMG: Proposed exemption of Custom Duty on acrylic yarn will make the fibre locally available at lower cost which will facilitate development of spinning mills
- Reduction of Supplementary Duty for a number of woven/knit fabrics would reduce leakages through bond facilities and reduce smuggling
- 10 vocational institutes, strengthening of the knitted textiles colleges and support to RMG sector under BWTG programme should be properly implemented as per the revised timeline
- **Pharmaceutical Industry:** Completion of API Industrial Park Project will be further delayed (48.5% in FY14; extended till 2015)
- Reduction of duty on cartridge/membrane filter for the pharmaceutical industry was likely to benefit local companies
- **ICT:** ADP allocation for ICT in the budget for 2013-2014 is Tk.757.6 crore which is 56.6% higher than 2012-2013 and 153.2% higher than Revised ADP for 2012-2013.
- Proposed ICT Skill Trust Fund with an allocation of Tk.50 crore for skill development to train 10,000 professionals in next two years is a positive initiative
- Attention needed for timely completion of SASEC Information Highway, Software Technology Park, and connection to the 2nd Submarine Cable
- Reduction of Custom Duty on computer accessories is appreciable (web camera, server rack)
- Proposed reduction of custom duty on optical fibre and its raw materials will help quality optical fibre to be available at cheaper price
- Reduction of Supplementary Duty on SIM cards will have little impact on telephone sector; rather it would affect local SIM producers

Capital Market:

- A number of tax proposals will benefit different groups of stakeholders in the capital market
    - Withdrawal of 3% tax over extra premium on listed company's share's face value
    - Withdrawal of 0.05% tax at source in case of transfer of bonds
    - 15% tax rebate on investment in private mutual funds
    - Increased threshold limit for tax-exempted dividend income (from Tk.5,000 to Tk.10,000)
    - Existing provision of exemption of gain tax will continue
- The timeline with regard to investment of undisclosed money in the capital market discontinued after 30 June 2013
- 'Financial Reporting Act' needs to be finalized soon
- Effective functioning of demutualised stock exchanges needed
- SEC should prepare a code of conduct for institutional investors to encourage them towards long term investment
- No mention about Tk. 900 crore refinancing scheme for the Capital market.

Concluding Remarks:

- Bangladesh has not been able to attain more than 7% GDP growth in the past. Attaining the targeted growth of 7.2% will critically hinge on raising investment-GDP ratio and lowering capital-output ratio. Therefore, achieving expected GDP growth will be difficult.
- Reducing inflation from existing 7.9% to target 7% will not be easy.
- The issue of Padma Bridge financing and the generation of the required resources and its likely implications for fiscal-monetary management will likely remain a continuing distraction in FY 2013-2014.
- Foreign exchange reserves will definitely suffer erosion if there is no notable external financing associated with the Padma Multipurpose Bridge project.
- Target for revenue mobilization by the NBR has been set at high levels (particularly in view of current year's actual likely performance). In view of expected slow pace of import take-off and the lower tax incidence emanating from tax measures, it will be a challenge to attain the target.
- Target for NRB Revenue will be hard to achieve as the income threshold for individual has been increased and other tax incentives are allowed to different sector.
- As import duty for different sectors is reduced significantly in the budget, the target for revenue generation from duty and VAT will be a massive task.
- Gross foreign aid requirement will be around USD 3.8 billion which is an almost impossible target in view of only USD 2.0 billion being received during Jul-Apr FY13.
- A major challenge will be mobilizing the required USD 3.8 billion of foreign aid for underwriting the deficit financing. The second challenge here will be the ensuring that the development administration has the capacity to use this significantly higher amount of resources.
- The increasing share of bank borrowing in deficit financing could crowd-out private sector borrowing and is likely to further raise interest burden in the economy particularly at a time of high nonperforming loans afflicting the banking system.
- Due to recurring deficits and increased public borrowing, spending on interest payment will go up further in the next fiscal. Interest payment alone amounted to around Tk 23,300 crore in the last fiscal, which is expected to surpass Tk 30,000 crore in the upcoming fiscal.
- The government will have to undertake a number of measures in line with the IMF-ECF conditions. Raising power tariff, ceiling on borrowings, reducing subsidies are a few. It will need to be seen how the government accommodates the attendant tensions in this regard.
- Increase of tax rate for cigarette companies is a good move for revenue mobilization and public health
- Reduction of tax rate, extension of tax holiday period, and reduction in import duty for different sectors like Textile, ICT, Fisheries, Dairy, Ceramic, Glass, Steel & Engineering etc. is a laudable step which will allow the sectors to grow faster and contribute to the overall economy.
- Reduction of Custom Duty for Capital goods & Raw materials will be helpful in terms of stimulating private investment and reduce the investment cost and working capital cost
- Reduction of Custom Duty will be helpful in terms of stimulating private investment and reduce the investment cost and working capital cost

- The proposed Regulatory duty will enhance effective rate of protection for import-substituting industries and discourage import of these commodities
- Full exemption of customs duties applicable to essential goods such as rice, pulse, wheat, onion, agricultural inputs, life-saving drugs and industrial raw material like cotton will benefit consumers
- Exemption of customs duties on agricultural inputs (fertilizer, insecticides, seeds) will help the agricultural sector
- Exemption of customs duties for some industrial raw materials such as cotton will promote textile industry.
- Extension of existing tax holiday facilities for Industrial undertakings and Physical infrastructure facilities from June 2013 to June 2015 will be helpful for new industries.
- There has been criticism in the past with regard to misuse of tax holiday facilities and also its effectiveness. Proper implementation is necessary to ensure that the facility is not misused
- Cars older than three years will be comparatively cheaper, while cars less than two years old would be relatively highly priced