Budget
Highlights
2022-23

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Budget Highlights 2022-23

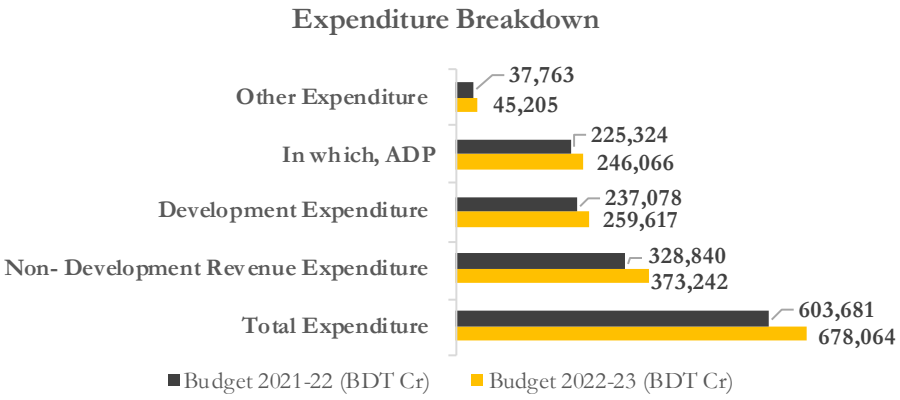
Return to the Path of Development Leaving the COVID-19 Behind

Revenue & Expenditure Composition

Expenditure Breakdown

Particulars	Change (%)	Budget 2021-22 (BDT crore)	Weight (%)	Budget 2022-23 (BDT crore)	Weight (%)
Total Expenditure	12%	603,681	100%	678,064	100%
Non- Development Revenue Expenditure	14%	328,840	54%	373,242	55%
Development Expenditure	10%	237,078	39.27%	259,617	38%
In which, ADP	9%	225,324	37.33%	246,066	36%
Other Expenditure	20%	37,763	6%	45,205	7%

Source: Ministry of Finance, ACAML Research Team

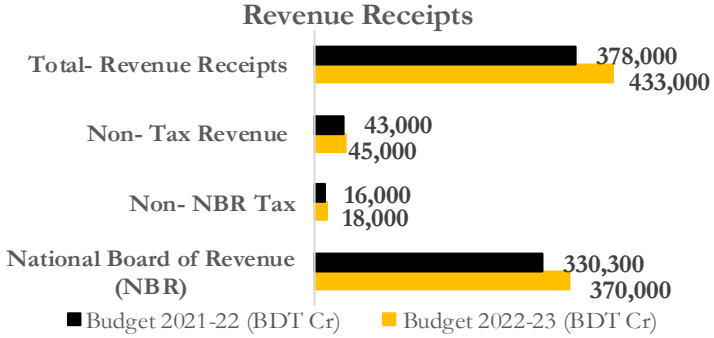


Budget 2022-23 has seen a 12% increase in total expenditure in comparison with the previous fiscal year. Non-Development Expenditure comprised of the largest portion of total expenditure albeit a 1% reduction in the weightage allocation related to 2021-22. Annual Development Program (ADP) which is considered as a key indicator of the structural development rose by 9% what with the proportion allocated to this fund illustrating a slight decrease. A rise in fiscal outlay can be attributed to measures designed to stimulate a battered economy which is yet to recover to its pre-pandemic growth trajectory.

Revenue Receipts

Particulars	Change (%)	Budget 2021-22 (BDT crore)	Weight (%)	Budget 2022-23 (BDT crore)	Weight (%)
National Board of Revenue (NBR)	12%	330,300	87%	370,000	85%
Non- NBR Tax	13%	16,000	4%	18,000	4%
Non- Tax Revenue	5%	43,000	11%	45,000	10%
Total- Revenue Receipts	15%	378,000	100%	433,000	100%

Source: Ministry of Finance, ACAML Research Team

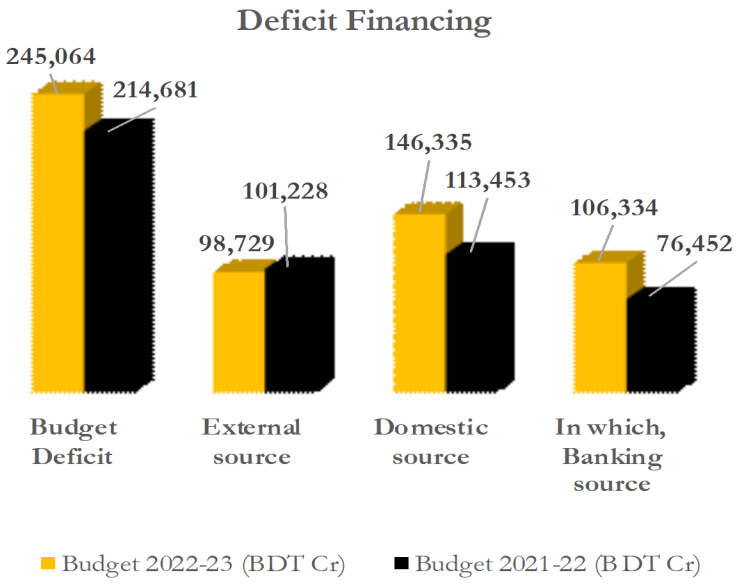


The total revenue target is anticipated to increase by 15% to facilitate a 12% growth in overall expenditure. Alongside NBR which is estimated to generate a substantial part of the revenue receipts in this budget as was also reflected in the previous budget, the composition of the Non-NBR Tax has remained roughly the same with the non-tax element projected to see a 1% increase.

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Sources for Deficit Financing					
Particulars	**Change (%)**	**Budget 2021-22 (BDT crore)**	**Weight (%)**	**Budget 2022-23 (BDT crore)**	**Weight (%)**
Total Tax Revenue	11%	389,000		433,000	
Total Expenditure	12%	603,681		678,064	
Budget Deficit	14%	(214,681.00)		(245,064.00)	
Financing Sources:					
External source	-2%	101,228	47%	98,729	40%
Domestic source	29%	113,453	53%	146,335	60%
In which, Banking source	39%	76,452	36%	106.334	43%

Source: Ministry of Finance, ACAML Research Team



Total budget deficit has been increased by 14% in the current proposed budget. External sources including grants will see a decline of 2% in supporting this current deficit funding whereas domestic sources are likely to contribute more substantially which in turn will create pressure on local institutions particularly banks hence implicating incentives for private sector borrowing and investment through the crowding out effect.

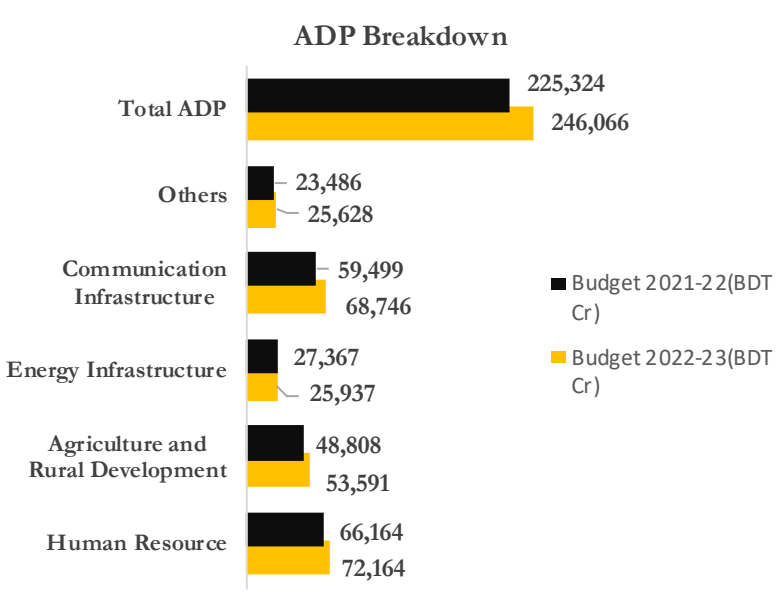
Revenue Target of NBR			
	Change(%)	**Budget 2021-22 (BDT Cr)**	**Budget 2022-23 (BDT Cr)**
Taxes on Income, Profits and Capital	15%	1,049,501,200	1,210,201,630
Value Added Tax	11%	1,277,410,000	1,411,873,800
Supplementary Tax	7%	544,650,000	585,245,300
Import Duty	16%	379,071,500	439,943,400
Export Duty	12%	560,000	628,100
Excise Duty	8%	39,626,452	42,784,000
Other Taxes	10%	131,671,215	144,837,000
Total	12%	3,422,490,367	3,835,513,230

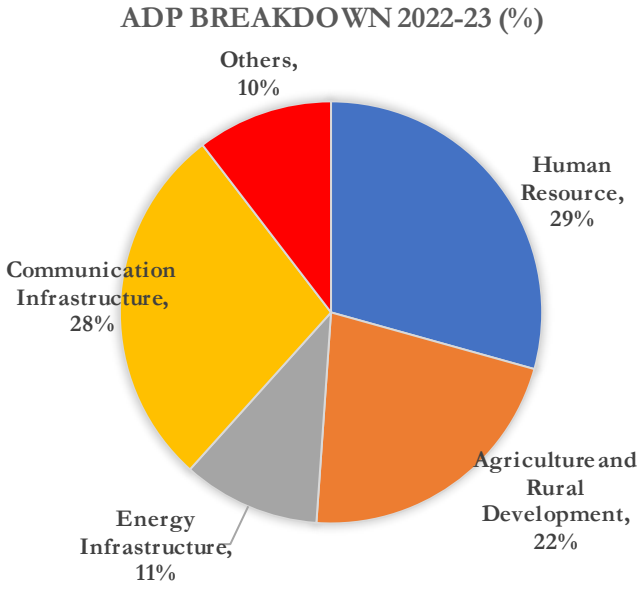
Source: Ministry of Finance, ACAML Research Team

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ADP Breakdown					
Particulars	**Change (%)**	**Budget 2021-22 (BDT crore)**	**Weight (%)**	**Budget 2022-23 (BDT crore)**	**Weight (%)**
Human Resource	9%	66,164	29%	72,164	29%
Agriculture and Rural Development	10%	48,808	22%	53,591	22%
Energy Infrastructure	-5%	27,367	12%	25,937	11%
Communication Infrastructure	16%	59,499	26%	68,746	28%
Others	9%	23,486	10%	25,628	10%
Total ADP	9%	225,324	100%	246,066	100%

Source: Ministry of Finance, ACAML Research Team





Total Budget Deficit Financing Requirement				
Particulars	**Budget 2021-22(BDT crore)**	**As % of GDP**	**Budget 2022-23(BDT crore)**	**As % of GDP**
Total Tax Revenue	389,000	10%	433,000	13%
Total Expenditure	603,681	15%	678,064	20%
Budget Deficit	-214,681	-5%	-245,064	-7%
GDP	3,976,462	100%	3,456,040	100%

Source: Ministry of Finance, ACAML Research Team

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Proposed Corporate Tax Structure

Description	Proposed 2022-2023	Existing 2021-2022
Publicly traded company that issues shares worth more than 10 percent of its paid up capital through Initial Public Offering (IPO)	22.5%	20%
Publicly traded company that issues shares worth ten percent or less than ten percent of its paid up capital through IPO	22.5%	22.5%
Non-publicly traded company	30%	27.5%
One Person Company (OPC)	25%	22.5%
Publicly traded bank, insurance and financial institution (except merchant bank)	37.5%	37.5%
Non-publicly traded bank, insurance and financial institution	40%	40%
Merchant bank	37.5%	37.5%
Company producing all sorts of tobacco items including cigarette, bidi, chewing tobacco and gul	45% + 2.5% (surcharge)	45% + 2.5% (surcharge)
Publicly traded mobile operator company	40%	40%
Non-publicly traded mobile operator company	45%	45%
Association of persons	30%	27.5%
Artificial juridical person and other taxable entity	30%	27.5%
Private university, private medical college, private dental college, private engineering college or private college solely dedicated to imparting education on ICT	15%	15%

Source: Ministry of Finance, ACAML Research Team

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Sector Wise Incentives

Manufacturing Sectors

- **Refrigerators and Freezers**

⇒ Continuation of existing exemption facilities on imported and local purchase of raw material and equipment till June 30, 2023

⇒ Extension of existing VAT exemption facility for production of compressors of refrigerators and freezers till June 30, 2025

- **Steel**

⇒ Reduction in the existing import duty from 10 percent to 5 percent on Hot-Rolled Stainless-Steel sheet as raw material

⇒ Reduction on import duty on the import of Bars & Rods of alloy steel used as a raw material to 5 per-cent

Healthcare Sectors

- **Pharmaceuticals**

⇒ VAT exemption at local manufacturing stage and VAT (including Advance Tax) and Supplementary Duty exemption on import and local purchase of raw materials are proposed till December 31, 2025

Agriculture Sectors

- **Fisheries, Livestock and Dairy**

⇒ BDT 3,808 crore subsidy

⇒ Continuation of zero tariff rates and other concessions given in the past for the import of food items and miscellaneous items

⇒ Expansion the concession facility for 03 new materials (test kits for use in poultry, molasses feed grade and cane molasses feed grade) used in livestock sector

⇒ Ten year tax holiday for dairy and dairy products (applicable for start-ups)

ICT/Tech Sectors

- **Computers**

⇒ Expansion of the concession facility for import of raw materials for computer accessories

⇒ Inclusion of a few more raw materials which are used in the production of computer and computer equipment in the existing SRO for Hi-Tech Park

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Sector Wise Incentives

- **Export oriented industries**

⇒ Exemption of the earnings through foreign exchange by ocean going vessels carrying Bangladeshi flag from paying tax until 2030 has been offered.

⇒ The prevailing tax rate for the export oriented RMG sector (12%) will be applied across other general industries exporting goods and services and 10 percent for all other green industries exporting goods

- **Start-ups**

⇒ Minimum tax based on turnover decreased to 0.1% of the turnover in the growth year

⇒ 10-year tax break to the startups involved in fruits and vegetable processing, dairy products, baby food products and agricultural equipment manufacturing

⇒ Carry forward of losses up to nine assessment years

⇒ Disallowances of specified expenditure will not be applicable in the growth years

⇒ Limited reporting obligations, given there is access to its systems or books to the income-tax authorities

Mergers and Acquisitions

- **Amendment in definition of amalgamation** - To cover the amalgamation of a Bangladeshi company into another Bangladeshi company, where shareholders holding at least 75% of the value of shares in the amalgamating company become shareholders of the amalgamated company.
- **Expansion in definition of amalgamation** - To cover the amalgamation of a foreign company (holding shares directly or indirectly in a Bangladeshi company) into another foreign company, where shareholders holding at least 75% of the value of shares in the amalgamating foreign company become shareholders of the amalgamated foreign company
- **Tax implications**-Any consideration received by shareholders of amalgamating company in any manner other than shares of amalgamated company shall be subject to applicable tax .
- **Financial reporting**-Eligibility granted to the amalgamated company to carry forward the accumulated loss and unabsorbed depreciation of the amalgamating company

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Implications of VAT on the domestic industry

Positives

- Specific VAT on Mild Steel(MS) product to be decreased from BDT500 per M.T. to BDT200 per M.T. at the trading stage
- Exemption on Import VAT, AT and SD on import of raw materials used in the manufacture of three -wheelers
- VAT in excess of 5% to be exempted on local manufacture of three-wheelers
- VAT exemption on local manufacture of motor car and motor vehicle to be expanded in respect of various types of motor cars and motor vehicles
- Exemption on Import VAT and SD on the import of raw materials used in the manufacture of maintenance-free battery using idling stop/ start-stop technology
- Exemption om VAT on local manufacture and supply of mobile phone charger and battery
- Reduction from 10% to 5% VAT rate on AC restaurants except for restaurants located in three-star and above category hotels

Negatives

- Imposition of 5% VAT on local manufacturing and supply of refrigerator and freezer, which was earlier exempted from VAT payment
- Increase from 15% to 25% on Customs duty on import of mobile phone charger and battery
- Withdrawal in exemption of customs duty in excess of 5%, VAT, SD on import of computer, computer printer and toner cartridge
- Withdrawal on current exemption of local VAT is exempted on the sale of mobile phones at the trading stage
- Currently, local VAT is exempted on the local manufacture of refrigerator, which will be withdrawn and 5% VAT will be imposed
- Withdrawal on VAT exemption on local manufacture and trading of COVID-19 test kit, PPE kit
- VAT exemption on local manufacture of concrete ready-mix to be withdrawn
- 'Software Development and Customisation' to be excluded from the definition of 'ITES', on which 5% VAT is applicable, now chargeable to VAT at 15%.

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Capital Market Insights

- Corporate tax cuts outlined in the proposed budget for listed companies will boost their profitability and dividend paying capacity which in turn will draw a wider section of the investing public.
- Financial institutions have an integral role to play in structuring various types of instruments (ETFs, futures, REITs) and bringing them to investors to inject much needed diversity. Hence absence of tax holidays for this sector can have implications for the development of the capital market.
- Tax exemption on raw material import and VAT exemption at the supply level will help to bring down costs on production while creating opportunities to invest in research and development and expand production. Thereby, the Capital Market will make significant contributions as a platform for generating the much needed funds to facilitate investment in sectors which are likely to benefit from budgetary support as a result of the profit making prospects which are likely to arise from such incentives.
- If the start-ups deliver strong profit and cash flow outcomes in the wake of a business friendly environment implied by the budget, it is likely to capture investor interest on a wide scale which will be reflected in high valuations (possible unicorn status) and a growing number of IPOs.
- Initiatives to introduce digital currency are likely to be implemented soon. This will improve liquidity and can significantly enhance trade volumes if it gains widespread acceptance amongst regulatory authorities as a payment method for financing investments.

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