

National Budget Review FY2019-20
Bangladesh Macro
Budget Overview:

- To achieve the higher GDP growth, the government has declared on a large budget size of BDT 5.23 trillion (USD 61.92 billion).
- 18.1% of GDP and 18.2% more than the revised budget of FY2018-19.
- The budget has been proposed with 18.2% YoY growth in total expenditure, 19.3% YoY growth in tax revenue and budget deficit target of 5.0% of nominal GDP.
- Out of BDT 5.23 trillion budget size, total allocation for operating and other expenditures is BDT 3.20 trillion, and allocation for the annual development program is BDT 2.03 trillion.
- Total deficit budget estimated to BDT 1,453.8 billion. Such deficit amount will be financing from foreign sources of BDT 680.2 billion and domestic sources of BDT 773.6 billion (BDT 473.6 billion from bank borrowing, BDT 270.0 billion from national savings certificate and BDT 30.0 billion from other non bank non-bank borrowing).
- The proposed budget is focusing large allocation for public administration (18.5% of budget), education & technology (15.2%), transport & communication (12.4%), interest (10.9%), local govt. & rural development (7.2%), and defense (6.1%).
- National Board of Revenue (NBR) is being handed a daunting task of mobilizing BDT 3.26 trillion (19.3% up from revised number in FY2018-19), which will cover 62.2% of total budget and 72.2% of total targeted revenue.
- 8.20% real GDP growth projected in FY2019-20 against 8.13% provisional growth in FY2018-19. Besides 5.5% inflation (12M average) target for FY2018-19.
- Proposed to raise the minimum tax for mobile companies to 2% of their turnover from 0.75%.
- No change in personal income tax rate and corporate tax are observed.
- Proposed to provide an export incentive of 1.0% in the next fiscal year to the rest of the sectors of ready-made garments. Currently, four sectors of ready-made garments are receiving export incentives at 4.0%.
- Considering the sensitivity of the product, the rate of VAT at the trading stage of pharmaceutical and petroleum products shall be 2.4% and 2.0% respectively.

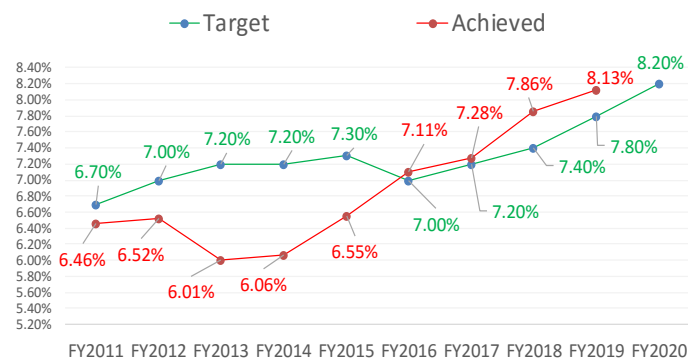
Capital Market Implications:

- Dividend income from the listed companies shall be tax-free up to BDT 50,000 from existing BDT 25,000. Double taxation on dividend from listed companies will also be removed.
- Proposed imposition of 15.0% tax on stock dividend distributed to the shareholders by any listed company in order to encourage declaration of cash dividend.
- Proposed to impose of 15.0% additional tax on so much of retained earnings and reserves as it exceeds 50.0% of the paid up capital of the company.
- Multilayer taxation on dividend income for the non-resident companies proposed to relax to promote the more foreign investment. Before this provision was applicable for only local companies.

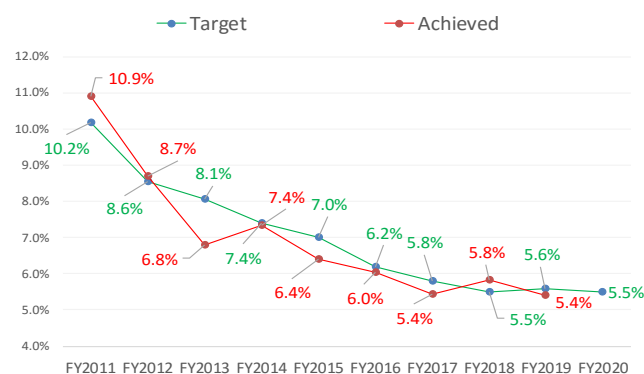
Table: Budget Insight (BDT in billion unless mentioned)

	Unit	FY2019-20	% of Budget	% of GDP	Δ in FY2018-19	FY2018-19 (revised)
Size of the Nominal GDP	BDT billion	28,858.7	-	100.0%	13.8%	25,361.8
Size of the Budget	BDT billion	5,231.9	100.0%	18.1%	18.2%	4,425.4
Expenditure	BDT billion	5,231.9	100.0%	18.1%	18.2%	4,425.4
Non development expenditure	BDT billion	2,779.3	53.1%	9.6%	12.2%	2,477.5
Development expenditure	BDT billion	2,116.8	40.5%	7.3%	22.0%	1,734.5
In which annual development program	BDT billion	2,027.2	38.7%	7.0%	21.4%	1,670.0
Other expenditure	BDT billion	335.7	6.4%	1.2%	57.3%	213.5
Revenue	BDT billion	3,778.1	72.2%	13.1%	19.3%	3,166.1
NBR Tax	BDT billion	3,256.0	62.2%	11.3%	16.3%	2,800.0
Non-NBR Tax	BDT billion	145.0	2.8%	0.5%	51.0%	96.0
Non Tax Receipts	BDT billion	377.1	7.2%	1.3%	39.6%	270.1
Budget Deficit	BDT billion	1,453.8	27.8%	5.0%	15.4%	1,259.3
External (Foreign) Sources	BDT billion	680.2	13.0%	2.4%	44.2%	471.8
Domestic Sources	BDT billion	773.6	14.8%	2.7%	-1.8%	787.5
of which from Bank Borrowing	BDT billion	473.6	9.1%	1.6%	53.3%	309.0
of which from Non-bank Borrowing	BDT billion	300.0	5.7%	1.0%	-37.3%	478.5
Real GDP Growth Target	%	8.20%	-	-	-	8.13%
Inflation Target (12M average)	%	5.50%	-	-	-	5.40%

Source : Ministry of Finance

Chart: Real GDP Growth target and achieved


Source : Ministry of Finance , Bangladesh Bank

Chart: Inflation (12M average) target and achieved


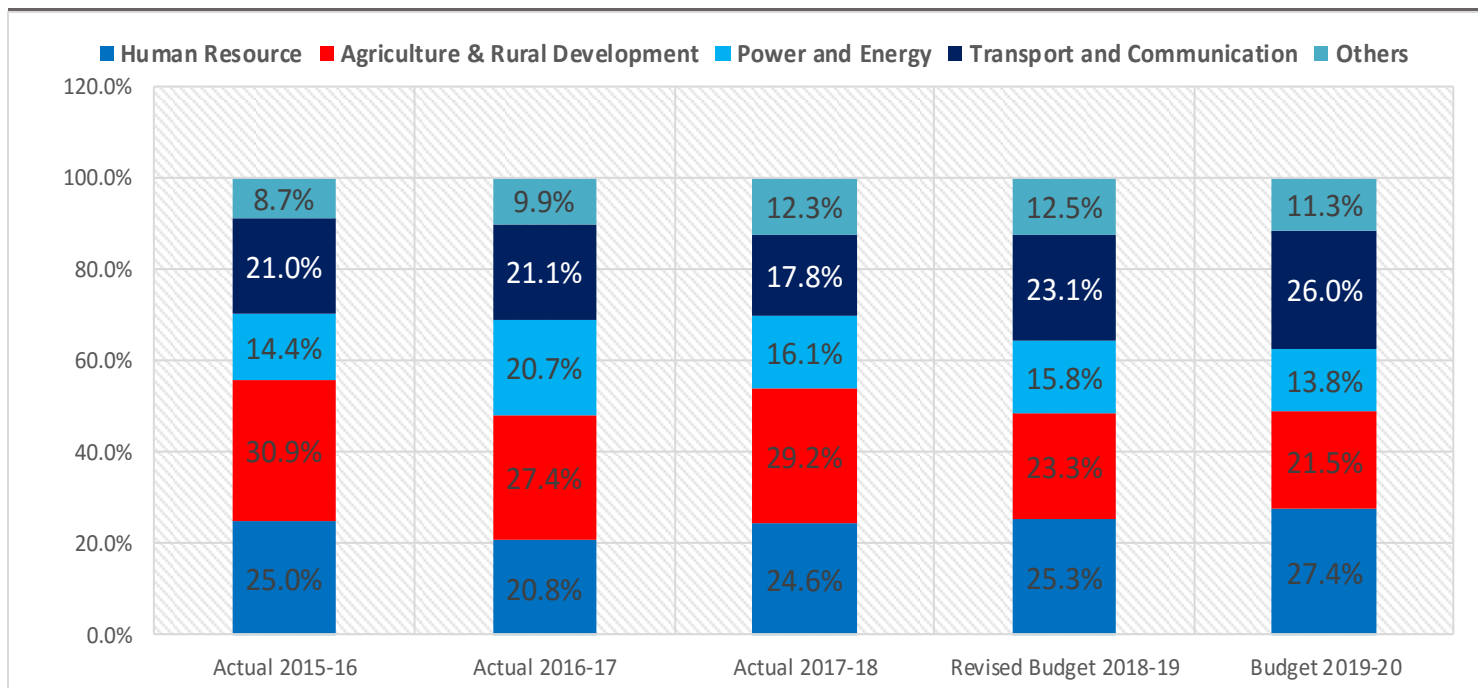
Source : Ministry of Finance , Bangladesh Bank

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Ministry/Division	Actual	Actual	Actual	Revised	Budget	% YoY Growth					% Total ADP				
	2015-16	2016-17	2017-18	2018-19	2019-20	2015-16	2016-17	2017-18	2018-19	2019-20	2015-16	2016-17	2017-18	2018-19	2019-20
a) Human Resource															
1. Ministry of Primary and Mass Education	49.2	54.5	65.5	64.3	92.7	23.3	10.7	20.1	(1.8)	44.2	6.2	6.0	6.0	3.8	4.6
2. Ministry of Health and Family Welfare	33.6	35.4	53.4	82.6	99.4	2.3	5.3	50.8	54.7	20.3	5.1	4.1	3.9	4.9	4.9
3. Directorate of Secondary and Higher Education	36.6	50.0	33.8	61.5	89.3	(3.3)	36.7	(32.5)	82.2	45.2	5.8	4.5	5.5	3.7	4.4
4. Others	50.6	81.9	81.9	213.4	274.8	(1.7)	61.8	(0.1)	160.6	28.8	7.9	6.2	9.1	12.8	13.6
Sub Total	170.1	221.9	234.5	421.7	556.2	4.9	30.4	5.7	79.9	31.9	25.0	20.8	24.6	25.3	27.4
b) Agriculture & Rural Development															
5. Local Government Division	152.9	180.0	150.3	266.2	297.8	9.3	17.7	(16.5)	77.1	11.9	21.5	18.7	19.9	15.9	14.7
6. Ministry of Water Resource	27.2	36.7	46.6	60.2	62.6	31.9	35.1	26.9	29.1	4.0	3.2	3.3	4.1	3.6	3.1
7. Ministry of Agriculture	17.3	16.4	14.0	18.1	18.2	23.3	(5.6)	(14.6)	29.3	0.9	2.2	2.1	1.8	1.1	0.9
8. Others	26.5	31.0	39.0	44.8	56.3	0.9	16.8	26.1	14.9	25.6	4.0	3.2	3.4	2.7	2.8
Sub Total	223.9	263.98	249.9	389.3	434.9	11.5	17.9	(5.3)	55.8	11.7	30.9	27.4	29.2	23.3	21.5
c) Power and Energy															
9. Power Division	158.6	134.5	265.5	241.8	260.1	91.0	(15.2)	97.5	(8.9)	7.6	12.8	19.4	14.9	14.5	12.8
10. Energy and Mineral Resource	10.6	11.0	8.6	22.1	19.2	4.1	4.1	(21.6)	156.3	(13.3)	1.6	1.3	1.2	1.3	0.9
Sub Total	169.2	145.5	274.1	263.9	279.3	81.6	(14.0)	88.5	(3.8)	5.9	14.4	20.7	16.1	15.8	13.8
Transport and Communication															
11. Ministry of Railways	40.9	20.5	97.0	78.5	126.0	24.7	(49.8)	372.5	(19.1)	60.6	5.1	5.0	2.3	4.7	6.2
12. Road Transport and Highways Division	65.1	79.5	158.8	198.0	251.6	51.4	22.2	99.7	24.7	27.1	6.6	8.0	8.8	11.9	12.4
13. Bridge Division	52.7	37.4	32.2	63.4	85.6	(0.6)	(29.0)	(13.9)	97.0	34.9	8.2	6.5	4.1	3.8	4.2
14 Others	13.6	23.0	27.6	46.1	64.8	79.9	68.8	19.9	67.1	40.7	1.2	1.7	2.5	2.8	3.2
Sub Total	172.3	160.4	315.6	386.0	528.1	26.4	(6.9)	96.7	22.3	36.8	21.0	21.1	17.8	23.1	26.0
Total	735.4	791.7	1,074.1	1,460.9	1,798.4	24.1	7.7	35.7	36.0	23.1	91.3	90.1	87.7	87.5	88.7
15. Others	80.7	111.3	121.3	209.1	228.8	42.3	38.0	8.9	72.4	9.4	8.7	9.9	12.3	12.5	11.3
Total ADP	816.1	903.1	1,195.4	1,670.0	2,027.2	25.7	10.7	32.4	39.7	21.4	100.0	100.0	100.0	100.0	100.0

Source : Ministry of Finance

Chart: ADP Allocation (BDT 2.02 trillion ADP in FY2019-20)

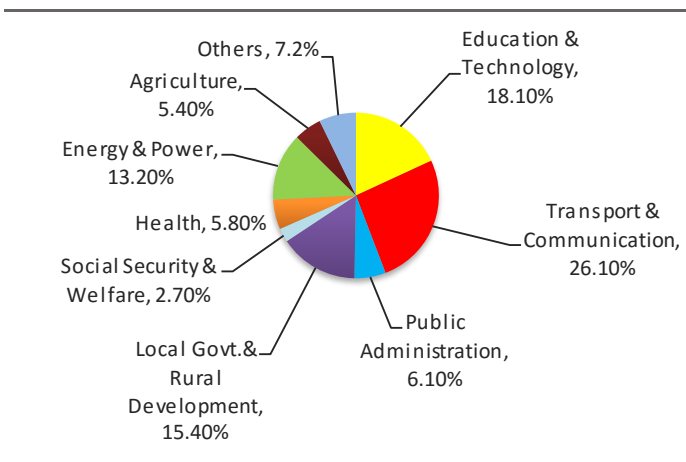


Source : Ministry of Finance

Chart: Budget Allocation (BDT 5.23 Trillion), FY2019-20

Sector of Allocation	% of Budget	BDT in Billion
Public Administration	18.50%	967.9
Education & Technology	15.20%	795.2
Transport & Communication	12.40%	648.8
Interest	10.9%	570.3
Local Govt.& Rural Development	7.20%	376.7
Defense	6.10%	319.1
Social Security & Welfare	5.60%	293.0
Energy & Power	5.40%	282.5
Agriculture	5.40%	282.5
Public Order & Safety	5.30%	277.3
Health	4.90%	256.4
Housing	1.30%	68.0
Recreation, Culture & Religious Affairs	0.90%	47.1
Industrial & Economic Services	0.70%	36.6
Miscellaneous Expenditure	0.20%	10.5

Chart: Development Budget Allocation (BDT 2.11 Trillion), FY2019-20

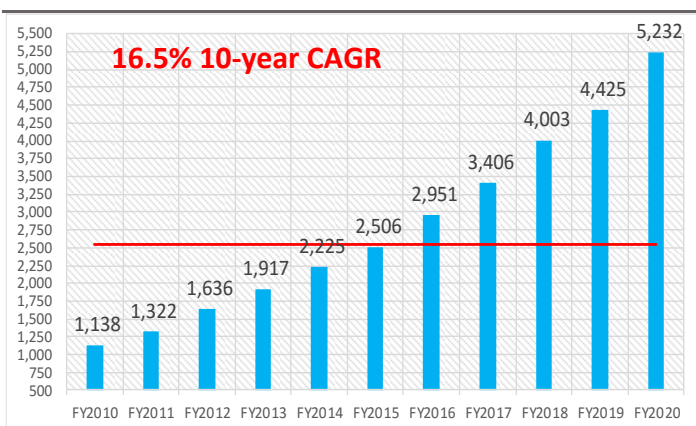


Source : Ministry of Finance

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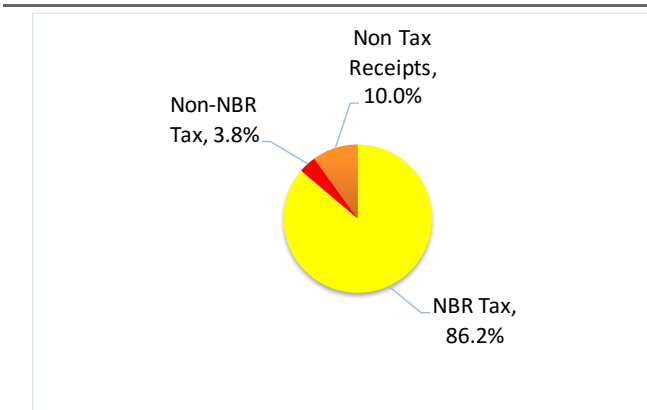
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Chart: Proposed Budget Size, BDT in Billion



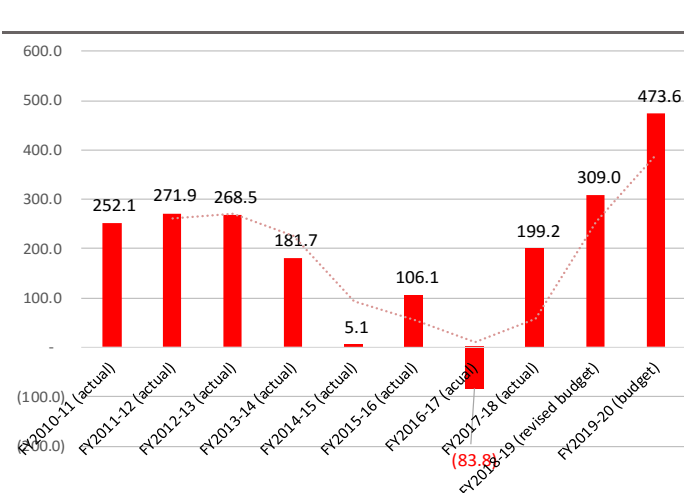
Source : Ministry of Finance

Chart : Sources of Revenue (BDT 3,778.1 Billion), FY2018-19



Source : Ministry of Finance

Chart: Borrowing from Banking System (Net), BDT Billion



Source : Ministry of Finance , Bangladesh Bank

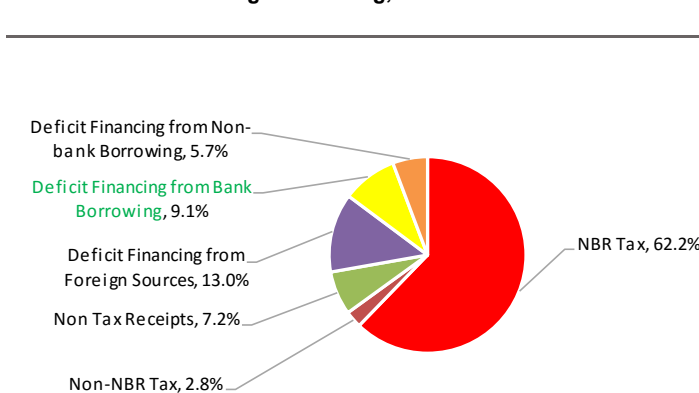
Chart: Budget Financing (BDT 5.23 Trillion) Sources, FY2019-20

Sources of Budget Financing	% of Budget BDT Billion	BDT Billion
NBR Tax	62.2%	3,256.0
Non-NBR Tax	2.8%	145.0
Non Tax Receipts	7.2%	377.1
Deficit Financing from Foreign Sources	13.0%	680.2
Deficit Financing from Bank Borrowing	9.1%	473.6
Deficit Financing from Non-bank Borrowing	5.7%	300.0

Budget Deficit (BDT 1,453.8 b)	% of Deficit	BDT Billion
External (Foreign) Sources	46.8%	680.2
Bank Borrowing	32.6%	473.6
Non-bank Borrowing	20.6%	300.0

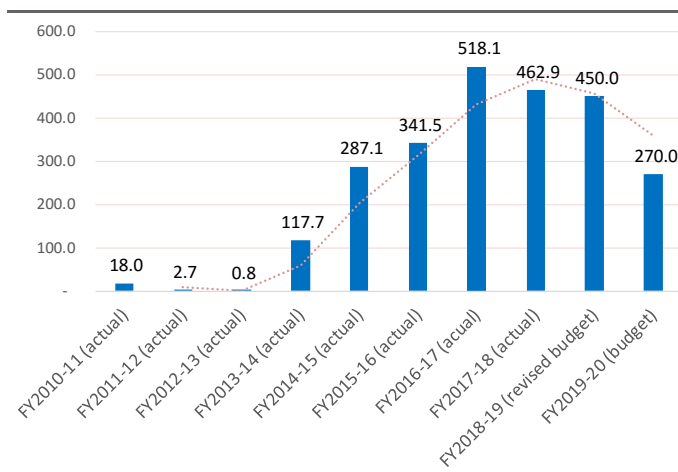
Source : Ministry of Finance

Chart : Sources of Budget Financing, FY2019-20



Source : Ministry of Finance

Chart: Borrowing from National Savings Schemes (Net), BDT Billion

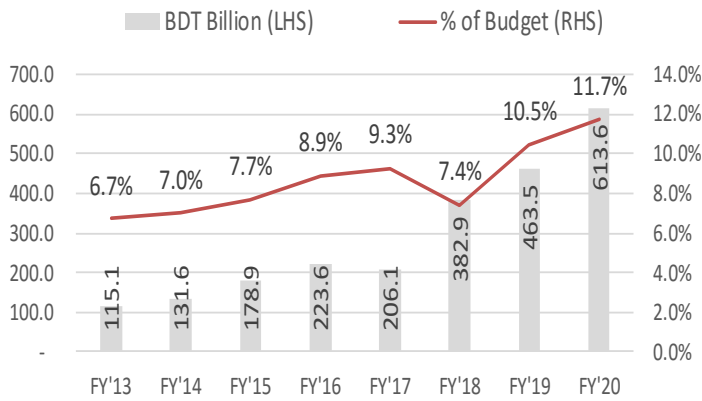


Source : Ministry of Finance , Bangladesh Bank

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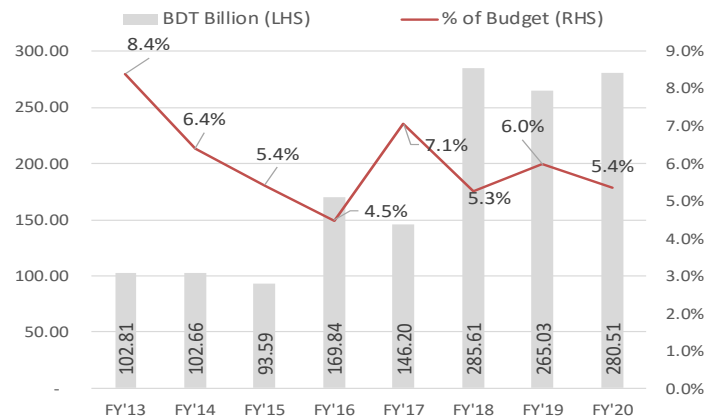
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Chart: Transportation & Communication Allocation



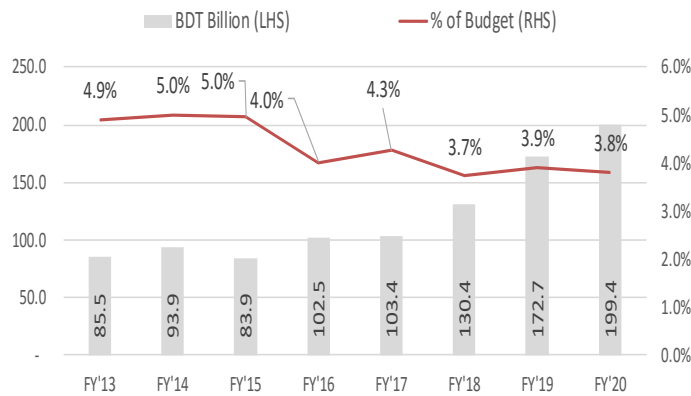
Source : Ministry of Finance

Chart: Energy & Power Allocation



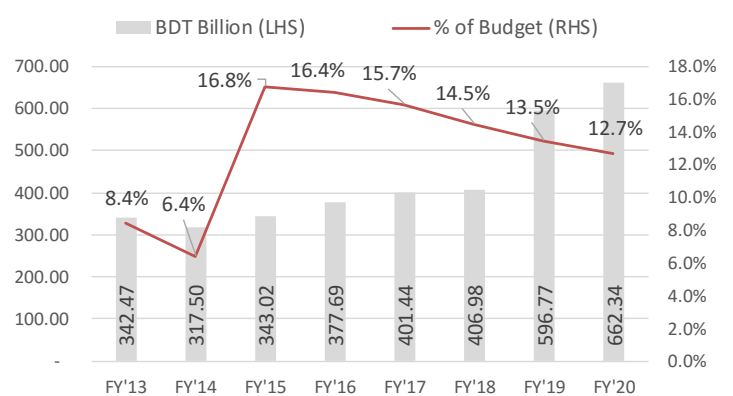
Source : Ministry of Finance

Chart: Health Sector Allocation



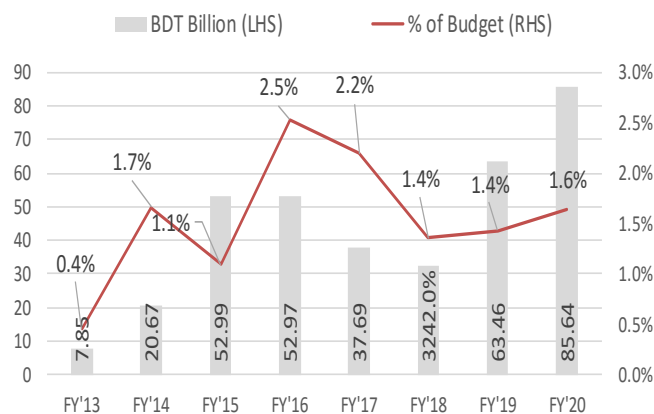
Source : Ministry of Finance

Chart: Agriculture Sector Allocation



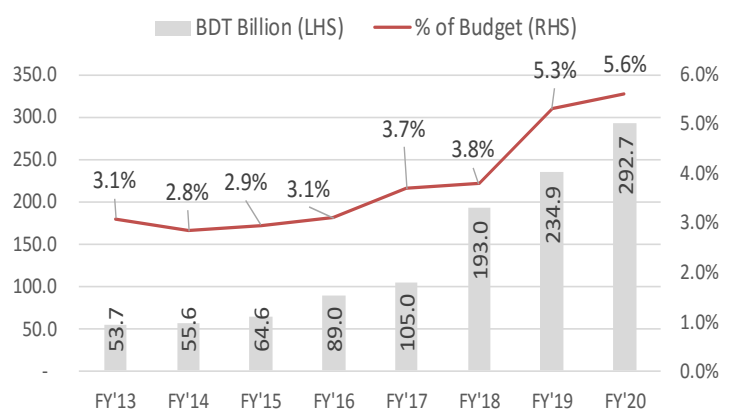
Source : Ministry of Finance

Chart: Allocation for Bridge Division



Source : Ministry of Finance

Chart: Allocation for Road Transport and Highways Division



Source : Ministry of Finance

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Table: Sectoral Allocation in the Budget

Ministry/Division	Sectoral Allocation in the Budget, BDT in Billion				% YoY Growth					% Total Budget				
	Actual 2016-17	Actual 2017-18	Revised Budget 2018-19	Budget 2019-20	Actual 2015-16	Actual 2016-17	Actual 2017-18	Revised Budget 2018-19	Budget 2019-20	Actual 2015-16	Actual 2016-17	Actual 2017-18	Revised Budget 2018-19	Budget 2019-20
(a) Social Infrastructure	830.9	879.1	1,235.2	1,434.3	30.5	14.0	5.8	40.5	16.1	26.7	30.3	30.0	27.9	27.4
Human Development														
1. Ministry of Education	210.8	201.4	258.7	296.2	31.5	21.0	(4.4)	28.4	14.5	6.3	7.2	7.6	5.8	5.7
2. Ministry of Primary and Mass Education	173.3	183.4	205.2	240.4	36.5	6.7	5.9	11.9	17.2	5.7	6.7	6.3	4.6	4.6
3. Ministry of Health and Family Welfare	103.4	130.4	172.7	199.4	22.2	0.9	26.1	32.5	15.5	4.0	4.3	3.7	3.9	3.8
4. Others	272.5	288.9	461.2	554.5	24.3	30.3	6.0	59.6	20.2	8.1	8.7	9.8	10.4	10.6
Sub Total	760.0	804.2	1,097.8	1,290.6	28.7	17.2	5.8	36.5	17.6	24.1	26.9	27.4	24.8	24.7
Food and Social Safety														
5. Ministry of Food	3.5	17.5	40.3	45.0	72.7	(72.3)	396.6	130.6	11.7	0.4	0.5	0.1	0.9	0.9
6. Ministry of Disaster Management	67.4	57.5	97.2	98.7	42.6	(0.7)	(14.6)	69.0	1.6	2.3	2.8	2.4	2.2	1.9
Sub Total	70.9	75.0	137.5	143.7	46.6	(12.0)	5.8	83.3	4.5	2.6	3.3	2.6	3.1	2.7
(b) Physical infrastructure	818.1	1,127.3	1,410.8	1,646.0	25.8	(0.2)	37.8	25.2	16.7	31.2	34.0	29.5	31.9	31.5
Agriculture and Rural Development														
7. Ministry of Agriculture	76.3	92.4	127.9	140.5	3.8	(29.0)	21.1	38.4	9.9	5.0	4.5	2.8	2.9	2.7
8. Ministry of Water Resources	46.4	60.3	76.8	79.3	28.2	27.2	30.0	27.4	3.3	1.4	1.5	1.7	1.7	1.5
9. Local Government Division	207.3	186.2	307.0	342.4	10.2	17.1	(10.2)	64.8	11.5	7.7	7.4	7.5	6.9	6.5
10. Others	71.5	68.1	85.2	100.1	12.4	25.9	(4.7)	25.0	17.6	2.4	2.4	2.6	1.9	1.9
Sub Total	401.4	407.0	596.8	662.3	10.1	6.3	1.4	46.6	11.0	16.4	15.7	14.5	13.5	12.7
Power and Energy	146.2	285.6	265.0	280.5	(8.8)	81.5	(13.9)	81.3	5.8	4.5	7.1	5.3	6.0	5.4
Transport and Communication														
11. Road Transport and Highways Division	105.0	193.0	234.9	292.7	37.8	18.0	83.8	21.7	24.6	3.1	3.7	3.8	5.3	5.6
12. Ministry of Railways	34.9	124.1	112.3	162.6	24.4	(44.9)	255.6	(9.5)	44.8	2.4	2.6	1.3	2.5	3.1
13. Bridges Division	37.7	32.4	63.5	85.6	(0.0)	(28.8)	(14.0)	95.7	35.0	2.5	2.2	1.4	1.4	1.6
14. Other	28.5	33.5	52.9	72.6	76.3	56.0	17.4	57.9	37.4	0.5	0.8	1.0	1.2	1.4
Sub Total	206.1	382.9	463.5	613.6	25.0	(7.8)	85.8	21.0	32.4	8.6	9.3	7.4	10.5	11.7
15. Other sector	64.4	51.8	85.5	89.6	34.7	32.0	(19.6)	65.2	4.7	1.7	2.0	2.3	1.9	1.7
C) General Services	702.3	686.4	1,076.1	1,236.4	17.3	44.4	(2.3)	56.8	14.9	19.9	20.2	25.3	24.3	23.6
Public Order and Safety	206.5	220.5	280.7	276.4	25.2	25.3	6.8	27.3	(1.5)	6.3	6.8	7.4	6.3	5.3
16. Others	495.8	465.9	795.5	960.0	13.6	54.2	(6.0)	70.7	20.7	13.6	13.4	17.9	18.0	18.3
Total	2,351.2	2,692.8	3,722.2	4,316.7	25.2	15.5	14.5	38.2	16.0	77.8	84.5	84.8	84.1	82.5
(d) Interest Payments	353.4	417.7	487.5	570.7	6.9	6.7	18.2	16.7	17.1	14.8	13.8	12.7	11.0	10.9
(e) PPP Subsidy and Liability	13.3	25.8	192.1	332.0	(11.9)	(64.6)	93.3	645.3	72.8	2.0	1.6	0.5	4.3	6.3
(f) Net Lending and Other Expenditure	54.4	82.4	23.6	12.5	(96.1)	1,160.0	51.3	(71.3)	(47.3)	5.3	0.2	2.0	0.5	0.2
Total Budget	2,772.4	3,218.6	4,425.4	5,231.9	15.3	15.1	16.1	37.5	18.2	100.0	100.0	100.0	100.0	100.0

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Table: Corporate Tax Rate

Status	Existing	Proposed
Publicly Traded Company	25.0%	25.0%
Non-Publicly Traded Company	35.0%	35.0%
Publicly Traded-Bank, Insurance and Financial Institution (other than Merchant Bank)	37.5%	37.5%
Non-Publicly Traded.-Bank, Insurance and Financial Institution	40.0%	40.0%
Merchant Bank	37.5%	37.5%
Cigarette Manufacturer:		
Publicly Traded Company	45.0%	45.0%
Non-Publicly Traded Company	45.0%	45.0%
Mobile Phone:		
Publicly Traded Company	40.0%	40.0%
Non-Publicly Traded Company	45.0%	45.0%
Dividend Income	20.0%	20.0%
Minimum Turnover Tax*	0.30%	0.30%

Table: Tax Rate for Cigarette, Bidi, Chewing Tobacco, Gul or any other Tobacco Manufacturers

	Existing	Proposed
Cigarette, bidi, zarda, chewing tobacco, gul or any other tobacco product manufacturer	45%	45%
Income of Co-operative Society	15%	15%

Table: Threshold of Taxable Income of Individual Tax Payers

Status	Threshold of Taxable Income	
	Existing	Proposed
General Taxpayers	2 lakh 50 thousand	2 lakh 50 thousand
Women and senior citizen aging 65 years and above	3 lakh	3 lakh
Physically challenged	4 lakh	4 lakh
War-wounded gazette freedom fighters	4 lakh 25 thousand	4 lakh 25 thousand

Individual Tax Rate

Total Income	Tax rate	
	Existing	Proposed
On first, Tk. 2 lakh 50 thousand of total income		Nil
On next, Tk. 4 lakh of total income		10.0%
On next, Tk. 5 lakh of total income		15.0%
On next, Tk. 6 lakh of total income	Unchanged	20.0%
On next, Tk. 30 lakh of total income		25.0%
On the balance of total income		30.0%

Tax rate for non-residents (other than non-resident Bangladeshi)

	Existing	Proposed
Income of non-resident	30.0%	30.0%

* Tax exemption threshold and tax rate remain unchanged for the next year except that the threshold for a parent or guardian of a person with disability will be higher by Taka 50 thousand for each of such child or dependent.

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