



**Bangladesh**  
**Budget Analysis FY'25**

# Executive Summary

- The proposed budget has been set emphasizing key areas such as inflation control, adequate allocation for education and health services for all, food security, building smart Bangladesh, graduation from LDC status, facilitation of business process, climate change, expansion of investment and industry by encouraging private enterprises. Apart from this, special priority has been given to important issues like ensuring youth employment by promoting vocational education and protecting the population lacking social security. While allocating resources emphasis has been given on the resource allocations for the Annual Development Program for investment and development of physical infrastructure. In addition, special importance has been given on the compulsory education, health, science, and technology for the development of human resource and knowledge-based society.
- The proposed budget size is BDT 7,970.00 billion, which is 11.56% higher than that of the FY'24 revised budget, with a GDP growth target of 6.75%. For FY25, non-development expenditure is BDT 4,680.83 billion, which is 58.84% of the budget and the development expenditure is BDT 2,814.53 billion, which contributes to 35.31% of the budget. Other expenditures comprise 6.02% of the budget. In the FY'25 budget. The government aims to keep the average annual inflation rate within 6.50%, anticipating that policy strategies to combat inflation will be effective.
- The budget has revenue target of BDT 5,410.00 billion which is 13.18% higher than that of the FY'24 revised budget. Projected deficit is BDT 2,560.00 billion which is expected to be 4.57% of GDP and 32.12% of the total budget. 62.85% of this deficit is expected to be financed through domestic sources, while the remainder will be funded by external sources. BDT 1,375.00 bn bank borrowing is expected to finance 53.71% of this deficit, BDT 951 Bn is expected to be borrowed from external sources.
- Reducing tax burden by investing in the economy and increasing the tax-GDP ratio and motivating taxpayers to better tax compliance has been one of the focused areas in this budget. Currently income tax contributes about 35% to total revenue which has been targeted to increase to 42% by 2023 and 50% by 2050. The budget proposes to increase the existing maximum tax rate from 25 percent to 30 percent for natural individual taxpayers and firms with tax slab adjustments.
- The budget proposed tax rate for 2024-25 for the assessment year 2025-26 to facilitate the expansion of trade, improve investor confidence in the country's tax system and encourage local and foreign investment, thereby introducing a prospective tax system in Bangladesh. In prospective tax system, taxpayers can do proper tax planning and help increase tax compliance.
- 15% tax will be applied to any capital gain exceeding BDT 50 Lacs from transferring shares or units of a listed company or fund. Additionally the budget propose to reduce corporate tax by 2.5% to 25% for non-listed companies, subject to compliance with cash transaction limit, which would narrow the gap to 5% from 7.5% between non-listed companies and the companies that have floated shares worth more than 10% of its paid-up capital. A narrower gap, 2.5%, is suggested between non-listed companies and listed firms that have free float equivalent to 10% or less of the paid-up capital, given that the condition of cash transaction is met.
- To assist Bangladesh's transition from a least developed country (LDC) to a developing nation by 2026, the budget aims to boost revenue by adjusting import duties, supplementary duties, and VAT on various industries as recommended by the IMF. Nonetheless, some existing exemptions from supplementary duties and VAT for the production of a variety of consumer electronics and IT products will be extended for different durations.

# Budget Highlights (FY'25)

**Table: Budget Overview FY25**

	FY'25 (BDT bn)	Revised FY'24 (BDT bn)	Growth over FY'24 (Revised)
Budget Size	7,970.00	7,144.18	11.56%
Target Revenue	5,410.00	4,780.01	13.18%
Budget Deficit	2,560.00	2,364.17	8.28%
Domestic Borrowing	1,609.00	1,566.25	2.73%
External Borrowing	951.00	797.93	19.18%

Source: Ministry of Finance & LBSL Research

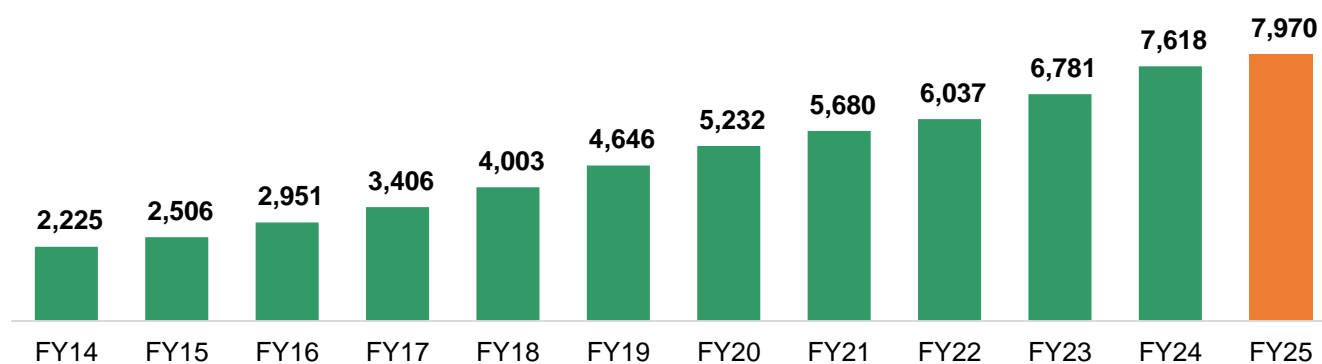
**Table: Summary of the Budget (BDT bn)**

	FY'25	FY'24	Revised FY'24	Actual FY'23
<b>Revenue Earnings</b>	<b>5,410.00</b>	<b>5,000.00</b>	<b>4,780.01</b>	<b>3666.58</b>
NBR tax revenue	4,800.00	4,300.00	4,100.01	3197.31
Non-NBR tax revenue	150.00	200.00	190.00	79.94
Non-tax revenue	460.00	500.00	490.00	389.33
<b>Public Expenditure</b>	<b>7,970.00</b>	<b>7,617.85</b>	<b>7,144.18</b>	<b>5738.57</b>
Non-development expenditure	4,689.83	4,362.47	4,340.57	3570.98
Development Expenditure	2,814.53	2,775.82	2,600.07	2051.58
In which ADP	2,650.00	2,630.00	2,450.00	1919.27
Other Expenditure	479.56	479.56	203.54	116.01
<b>Budget Deficit Financing</b>	<b>2,560.00</b>	<b>2,617.85</b>	<b>2,364.17</b>	<b>2071.99</b>
Domestic Sources	1,609.00	1,553.95	1,566.25	1243.61
Bank Borrowing	1,375.00	1,323.95	1,559.35	1180.25
Non-Bank Borrowing	234.00	230.00	6.90	63.36
External Sources & grants	951.00	1063.9	797.93	819.08

Source: Ministry of Finance & LBSL Research

- The FY'25 budget has been formulated with a focus on controlling inflation. Alongside controlling inflation, the budget for this fiscal year has been formulated with an emphasis on ensuring necessary funding for government priority sectors such as poverty alleviation, job creation, social safety net programs, education, health, agriculture, and climate change impact mitigation, thereby prioritizing future development trajectories.
- The government has set GDP growth target at 6.75% and will try to contain inflation within 6.50% in upcoming FY'25. Provisional growth has been 5.82% in the ongoing fiscal period FY'24 against a target of 6.50%. With average inflation for Jul-May FY24 of 9.73%, it is likely that the government has been modestly ambitious in projecting GDP growth and inflation target.
- The budget size is BDT 7,970 billion, which is 11.56% higher than the FY'24 revised budget. The proposed budget is 14.24% of the GDP. The revenue target is BDT 5,410 billion which is 13.18% higher than the FY'24 revised budget. The projected deficit is BDT 2,560 billion which is 8.28% higher than the budget for the ongoing year. The govt. will be running another year of deficit at 4.57% of projected GDP (the projected deficit for FY'24 is 5.23% of current GDP) likely with aim to maintain the trajectory of economic growth.
- Non-development expenditure is BDT 4,689.83 billion which is 57.8% of the budget and development expenditure is BDT 2,814.53 billion, 35.31% of the budget. Sector-wise, notable allocations have gone to Human resource (23.70%), General Services (21.17%), Interest Payment (14.24%), Agriculture and Rural Development (11.96%), Communication Infrastructure (10.10%), and PPP Subsidy and Liability (10.48%).

**Chart: Proposed Budget Size (BDT bn)**



Source: Ministry of Finance & LBSL Research

# Budget Highlights (FY'25)

- The total ADP size in the Budget FY'25 is BDT 2,650 billion which is 8.16% higher than that of FY'24 revised budget. This ADP is 94.15% of the total development expenditure. In the ADP for FY'25, 30.19% is allocated to Human Resource sector (Education, health and others), 22.72% to overall agricultural sector, 11.39% to energy sector, 26.07% to communication sector and the rest 9.73% is allocated to other sectors.
- The government scaled up its revenue generation target to BDT 5,410 billion, a rise of 13.18% from BDT 4,780 billion of the FY'24 revised budget. The targeted revenue is 9.67% of the projected GDP, lower than that in the previous fiscal year (9.99%). NBR tax revenue target increased by 17.07% from FY'24's revised budget while non-tax revenue target has been decreased by 6.12% compared to FY'24's revised amount.
- This year's targeted budget deficit is kept at 4.57% of the projected GDP, slightly lower than that of the previous year's budget deficit target (revised) of 4.68% of the GDP. The total Budget deficit is estimated to be BDT 2,560 billion. Out of which, domestic source will finance 62.85% and external source will finance 37.15%. Out of domestic sources, govt. will borrow BDT 1,375 billion from banking system (11.82% lower than the FY'24's revised target) and BDT 234 bn from non-banking sources (3291.3% higher than the FY'234s revised target). Borrowing from external sources will be BDT 951 bn which is 19.18% higher than the FY'24's revised target

Chart: ADP Composition of BDT 2,650 bn

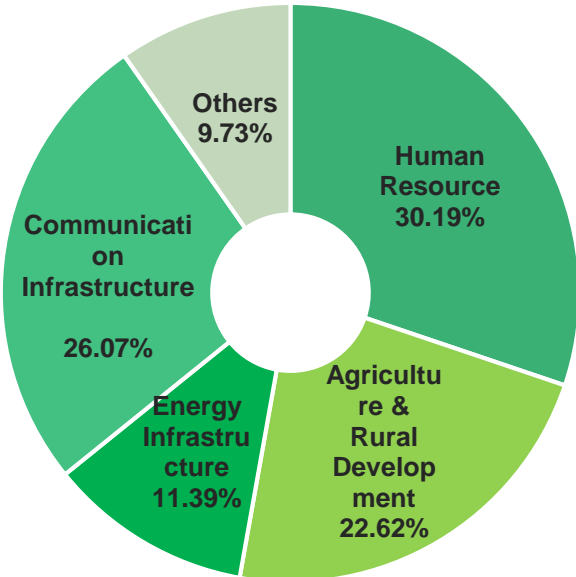


Chart: Revenue and Financing Sources

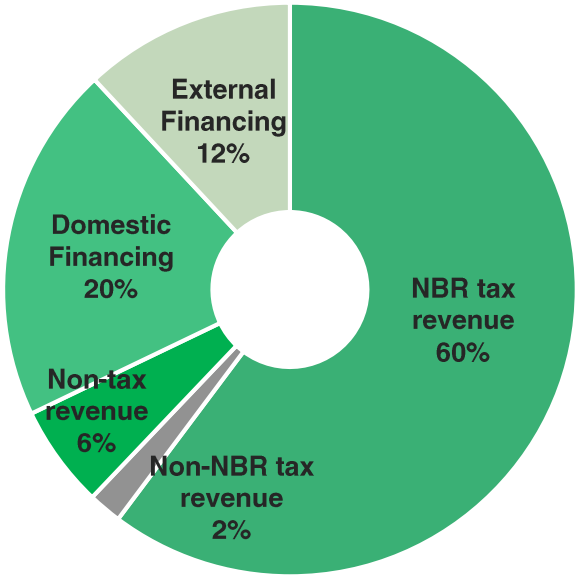
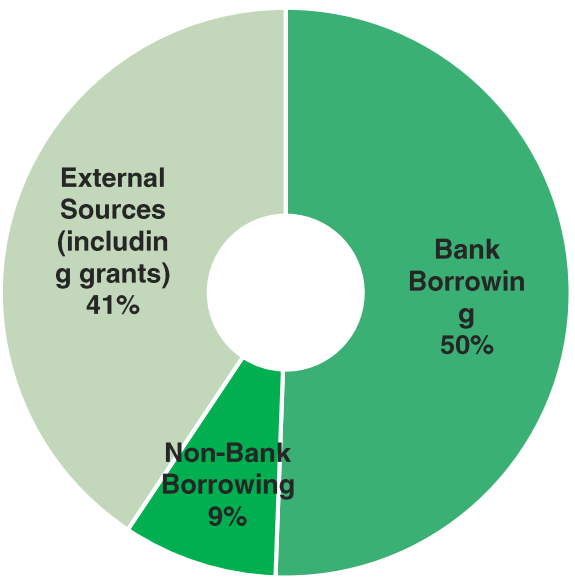
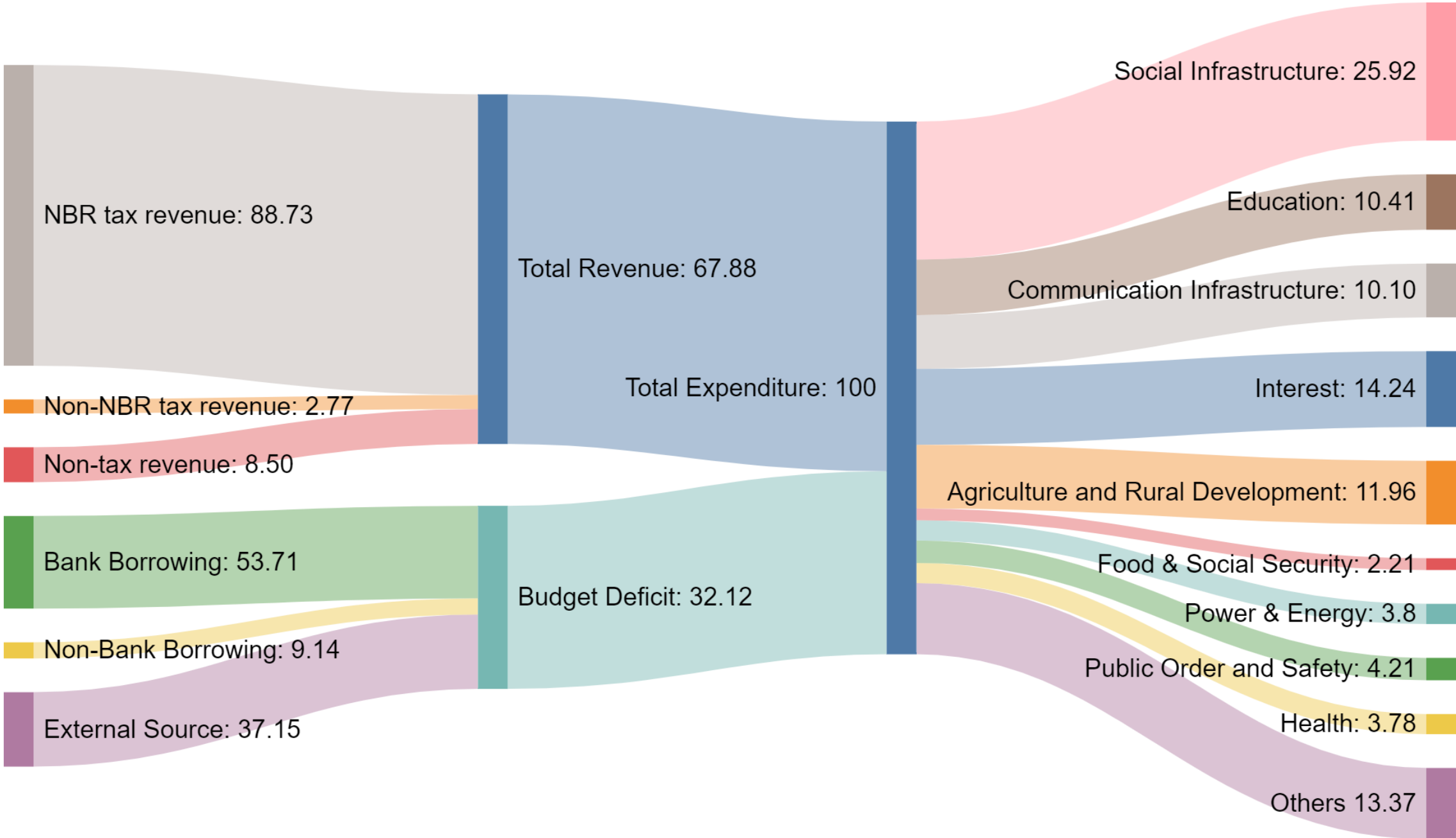


Chart: Budget Deficit (BDT 2,560 bn) Financing



Source: Ministry of Finance & LBSL Research

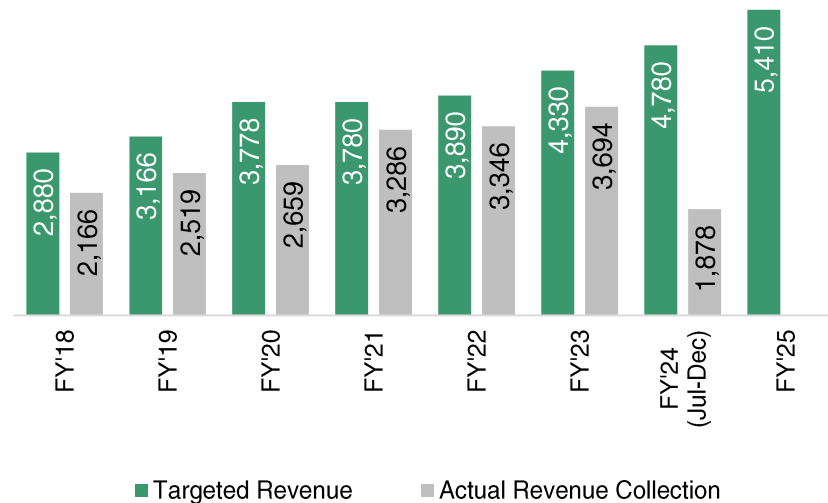
# Budget Flow (FY25)



All figures are in percentage

# Revenue Estimates & Financing Sources

**Chart: Collection of Actual Revenue over Targeted Revenue (BDT bn)**



\*FY24 Actual Revenue Collection Up to Dec'23  
Source: Ministry of Finance & LBSL Research

## Revenue Estimates and Financing Sources

The budget for FY25 sets a revenue target of BDT 5,410 billion, representing a 13.18% growth target compared to the revised budget of FY24. The government has aimed for a higher budget deficit this year compared to the revised budget of the previous year. Tax revenue collection stood at BDT 1,878 billion up until Dec'24 for the current fiscal year. The remaining parts of revenue collection appear to be reasonably plausible for the government to reach close to the revised target. Despite the adverse effects of the Ukraine-Russia conflict, compounded by the middle-east crisis on the global economy, appropriate measures for revenue collection has ensured our uninterrupted economic progress.

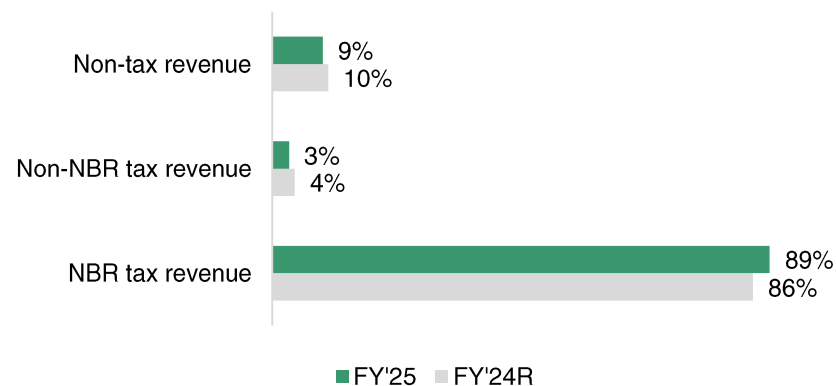
## NBR Tax Revenue

The budget for FY25 has targeted BDT 4,800 billion in revenue from NBR tax, which accounts for 89% of the total targeted revenue. The target for NBR revenue in the current year is 17.07% higher than the revised budget of FY24.

## Non NBR Tax Revenue & Non Tax Revenue

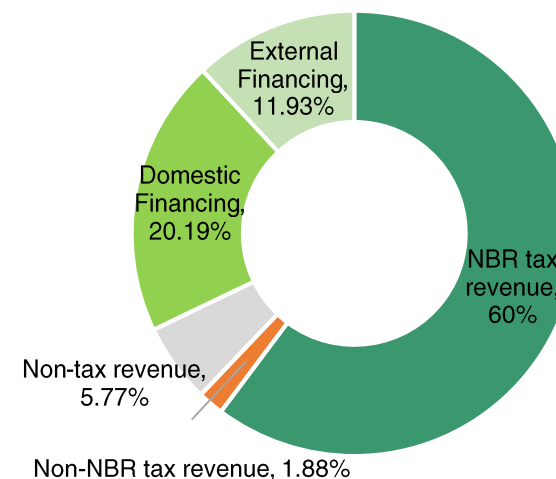
Non-NBR tax revenue target has been set BDT 150 billion, accounting for 3% of total revenue target and reflecting a 21.05% decrease compared to FY24's revised budget. Revenue target from non-tax sources also witnessed a decline of 6.12%, compared to revised budget of FY24 and has been set at BDT 460 billion.

**Chart: Revenue Target of NBR Among Sources**

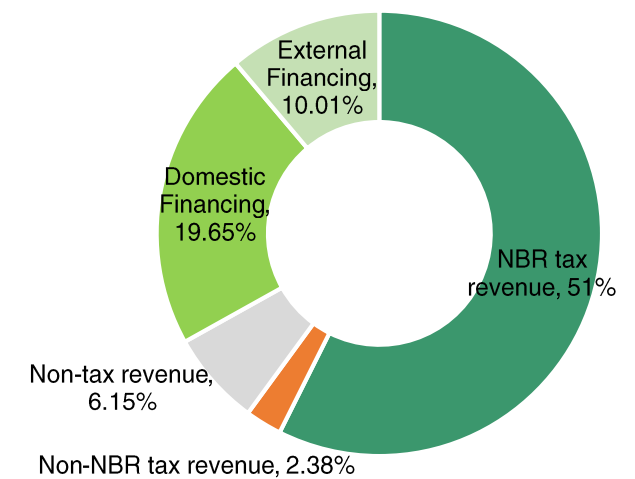


Source: Ministry of Finance & LBSL Research

**Chart: FY25 revenue and financing sources**

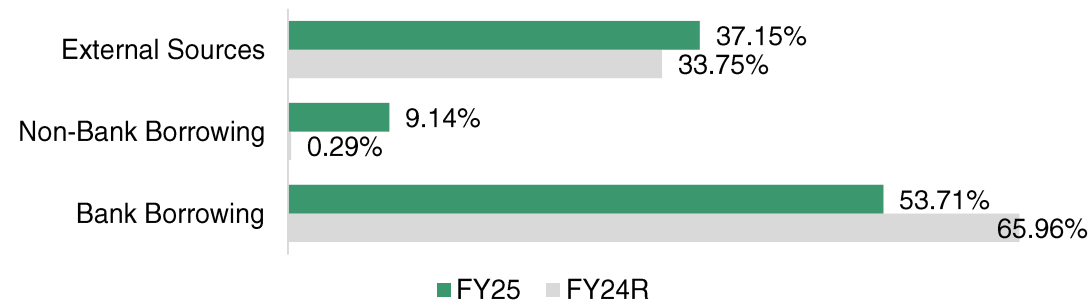


**Chart: FY24 revenue and financing sources (Revised)**



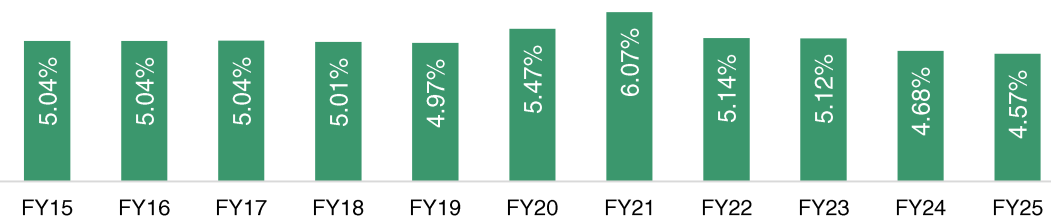
# Revenue Estimates & Financing Sources

**Chart: Deficit Financing Sources as % of Total Deficit**



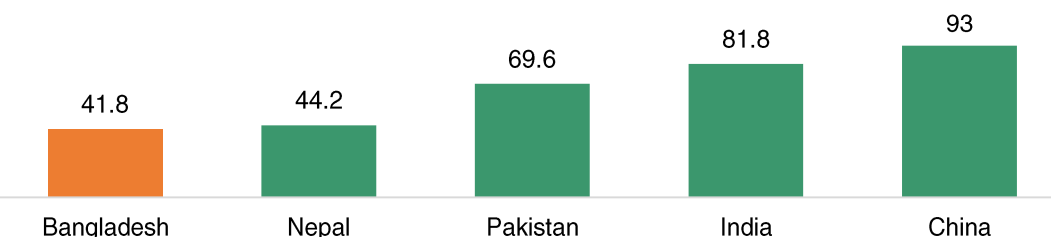
Source: Ministry of Finance & LBSL Research

**Chart: Deficit to GDP %**



\*Revised Budget except FY25  
Source: Ministry of Finance & LBSL Research

**Chart: IMF Projection (Gross public debt as % of GDP in FY25)**



Source: IMF

## Deficit Financing

The proposed budget for FY25 projects deficit of BDT 2,560 billion, which is 32.12% of the total proposed expenditure and is 8.28% higher than revised budget deficit of FY24. Revised Deficit has decreased by 9.69% from the initial budget of FY24.

## Foreign Financing

External financing target in FY25 has increased to 37.15%. BDT 951.00 billion of the total deficit which will be financed through external sources. The amount is BDT 797.93 billion or 33.75% in the FY24 revised budget. However, compared to original target of FY 24, foreign financing target has been lowered by 25%..

## Bank & Non-Bank Borrowing

Bank borrowing target has been set at BDT 1,375 billion and the target has slightly decreased as a percentage of budget deficit compared to the revised budget target of FY24. Government expects to finance 62.85% of budget deficit from domestic banking sources in FY25. The government is reducing bank borrowing compared to the previous revised budget FY24. Bank borrowing target has been increased by 17.78% for the revised budget of FY24 and has been set at BDT 1,559.35 billion.

Financing through non-bank borrowing has been set at BDT 234 billion which is 9.14% of total deficit.

According to IMF projections, Bangladesh's debt to GDP ratio will be 41.8%, slightly higher than the past few year but debt to GDP ratio of Bangladesh is fairly in comfortable zone compared to other global economies. Our revenue collection has shown a decent growth up to April 2024 in the current fiscal year despite Ukraine-Russia war, geopolitical tension in the Middle-East and many others global economic turmoil.

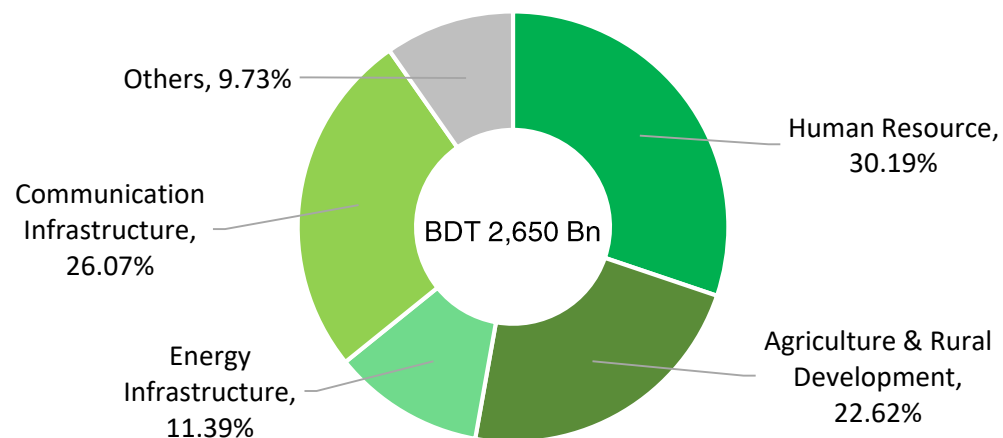
# Expenditure Composition

- The Proposed Budget for FY2024-25 is BDT 7,970 Bn, which is 11.56% higher than the revised outlay for FY2023-24 and 14.2% of the country's GDP.
- Around 63.61% of the budget is allocated for Operating Expenditure, while Development Expenditure and Other Expenditure consist of 35.32% and 1.08% respectively.
- Ministry activities relating to the Human Resource, General Services, Interest Payments are the top three areas receiving the highest allocations. With the interest rate being high to control inflation and significant depreciation of the local currency against the US dollar, the expenditure on interest payments may increase significantly. Agriculture & Rural Development sector sees a -11.16% (YoY) decrease in budget allocation.
- Annual Development Program (ADP) makes up 33.25% of the proposed budget. ADP is expected a modest 8.16% increase from its outlay in the revised budget of FY24. Human Resource receives the highest ADP allocation over the revised allocation in FY24. The allocation for Agriculture and Rural Development and Others are to witness a decrease of 7.27% and 31.31% respectively over FY24 revised budget. With an increase of 11.97%, it is likely that the government will invest in the development of physical infrastructure projects and maintain the infrastructures accordingly.

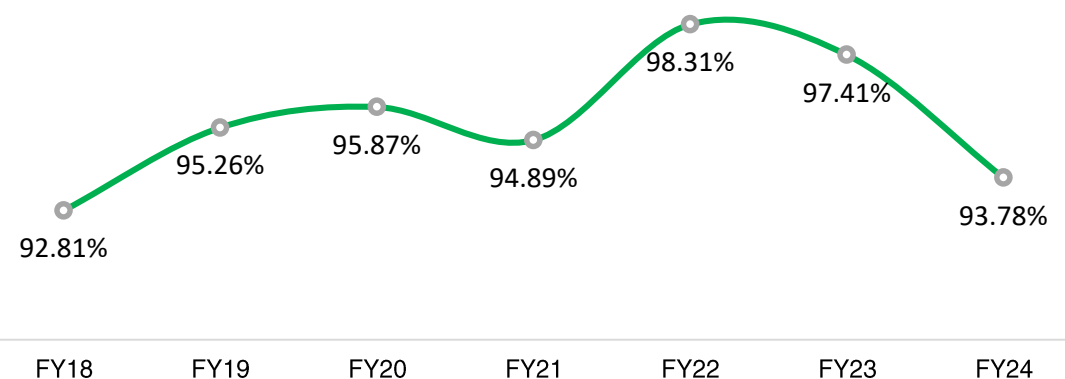
**Table: Division-wise Expenditure Composition (in BDT Crore)**

Sector	FY25 Proposed (BDT Crore)	FY24 Revised (BDT Crore)	% Changes (YoY)	Share in Total Expenditure in FY25	Share in Total Expenditure in FY24
Human Resource	188,928	151,985	24.31%	23.70%	21.27%
Food & Social Safety	17,641	17,059	3.41%	2.21%	2.39%
Agriculture & Rural Development	95,283	107,257	-11.16%	11.96%	15.01%
Power & Energy	30,317	28,318	7.06%	3.80%	3.96%
Communication Infrastructure	80,498	72,556	10.95%	10.10%	10.16%
Other Sector	10,013	10,172	-1.56%	1.26%	1.42%
General Services	168,701	149,876	12.56%	21.17%	20.98%
Interest Payments	113,500	105,300	7.79%	14.24%	14.74%
PPP Subsidy & Liability	83,543	70,712	18.15%	10.48%	9.90%
Net Landing & Other Expenditure	8,576	1,183	624.94%	1.08%	0.17%
<b>Total Expenditure</b>	<b>797,000</b>	<b>714,418</b>	<b>11.56%</b>	<b>100.00%</b>	<b>100.00%</b>

**Chart: ADP-wise Expenditure Composition**



**Chart: Revised/Proposed Expenditure**

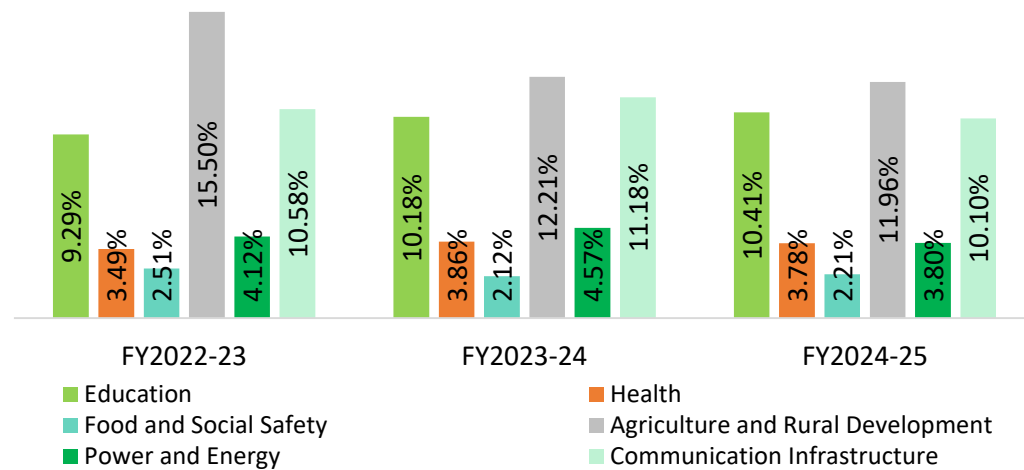


Source: Ministry of Finance & LBSL Research

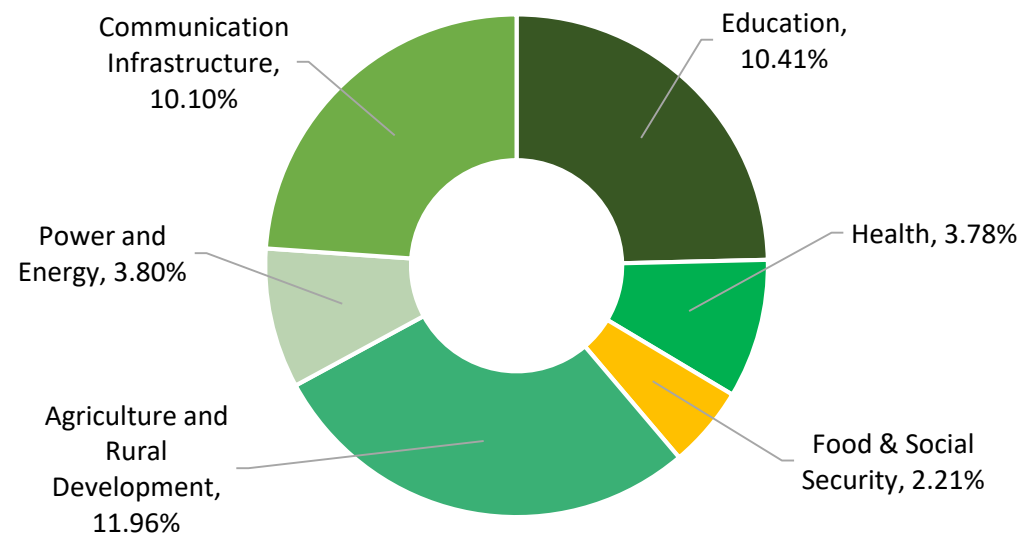


# Sector-wise Allocation

**Chart: Sector-wise Allocation in Recent Budgets (% of Total Budget)**



**Chart: Sector-wise Allocation (National Budget FY 2024-25)**



**Key Takeaways from Budget Allocation in FY 2023-24:**

**• Education**

The proposed budget allocates BDT 38,819 Crore for the Ministry of Primary and Mass Education, BDT 44,108 Crore for the Secondary and Higher Education Division, and BDT 11,783 Crore for the Technical and Madrasa Education Division. The government aims to enhance the education system by integrating more technology-based approaches. Additionally, efforts are underway to provide training for teachers and encourage vocational training opportunities for students.

**• Health**

The health service division has received a budget allocation of BDT 41,407 crore. Mobilizing development and expansion programs for the health sector's infrastructure, recruiting more qualified professionals, and implementing cost reduction measures have been given priorities.

**• Food and Social Safety**

The government has allocated BDT 17,641 Crore in the proposed budget in order to ensure food safety, increase the government's food grain storage capacity to 37 lakh metric tons by 2025, quality control of food, and promoting good nutrition practices.

**• Agriculture & Rural Development**

In order to guarantee food security and meet the hundred percent demand for animal protein, the government will promote the mechanization of farming and expand crop coverage. Additionally, the government is expected to actively monitor the prices of essential food items to tame inflation and prioritize innovation and research. In the fiscal year 2024-25, there is a proposed allocation of BDT 95,283 Crore for the agriculture sector & rural development; for encompassing agriculture, food, fisheries, livestock, infrastructure development.

**• Power and Energy**

Plans are underway to increase Bangladesh's power transmission lines to 24,000 circuit kilometers and power generation capacity to 60,000 MW by 2041, including a target of 40% renewable energy. Additionally, a special allocation of BDT 100 crore has been proposed to promote renewable energy development and usage. Efforts are being made to increase the storage capacity of fuel oil to 60 days and expand Eastern Refinery Limited's refining capacity from 15 lakh to 45 lakh metric tons. The allocated budget for this sector amounts to BDT 30,317 Crore.

**• Communication Infrastructure**

Six MRT lines by DMTCL, construction of 20 km Bus Rapid Transit (BRT) lane from Gazipur to HSIA, and Matarbari Deep Sea Port Development Project are being developed. To support these initiatives, a total budget allocation of BDT 80,498 Crore is proposed.

Source: Different Newspapers & Ministry of Finance

# Mega Projects & Other Infrastructure Developments

Completed Mega Projects (Bridge & Culvert)			
Project Name	Open for Public Access	Estimated Cost (USD BN)	
Padma Multipurpose Bridge	Jun-2023	3.87	
Bangabandhu Tunnel	Oct-2023	1.10	
Elevated Expressway (Partial)	Nov-2023	1.63	
Completed Mega Projects (Railways)			
Metro Rail Line-6 (Phase 1&2)	Nov-2023	2.8	
CTG.-COX Rail Link	Nov-2023	2.13	
Completed Mega Projects (Power Plant)			
Payra Thermal Power Plant	Mar-2022	2.42	

## **Local Infrastructure Development Target:**

- Constructing 16,160 km of new rural roads & Building 69,000 meters of rural bridges/culverts.
- Developing 415 rural growth centers/markets and construction and expansion of 184 Upazila complex buildings.
- Constructing 160 cyclone shelters and 497 km of urban roads and sidewalks.
- Building 282 km of urban drains and implementing modern waste management technologies in 12 city corporations and 329 municipalities to produce electricity, fuel, and organic fertilizer.

## **Total Allocation:**

- In the next FY2024-25, I propose to allocate BDT 46,552 crore for the local government and rural development sector. In the FY2023-24, the allocation for this sector was BDT 48,137 crore.

Source: Different Newspapers & Ministry of Finance

# Targeted Economic Indicators

Chart: GDP Growth Comparison

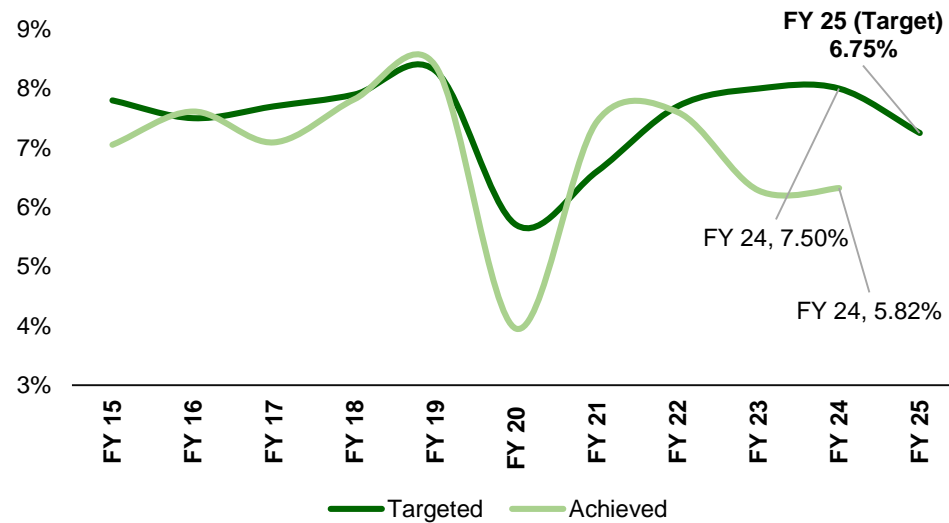


Chart: Inflation Target

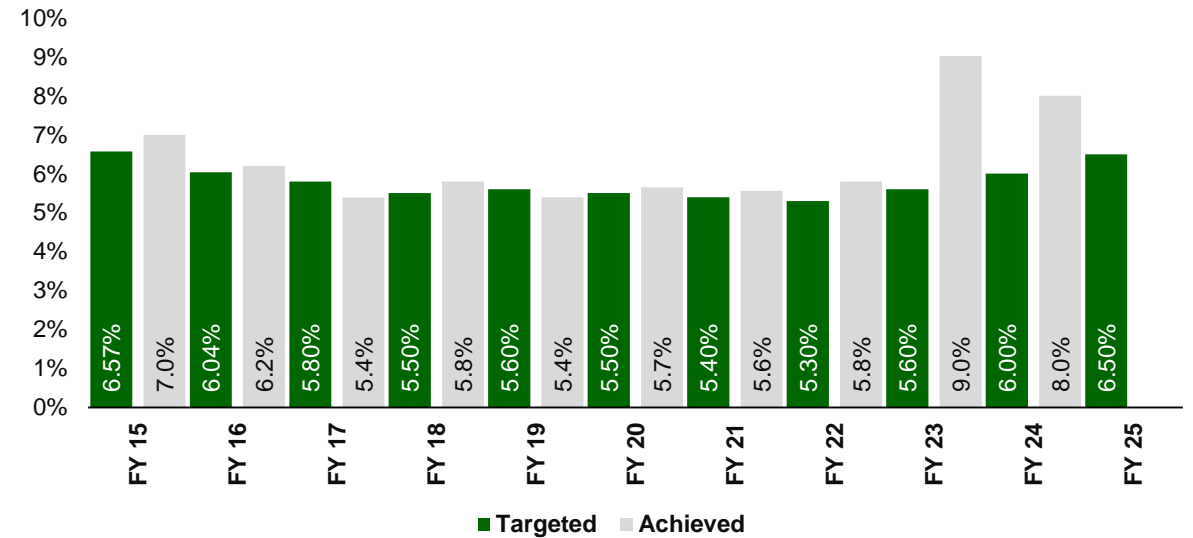


Chart: Export Growth

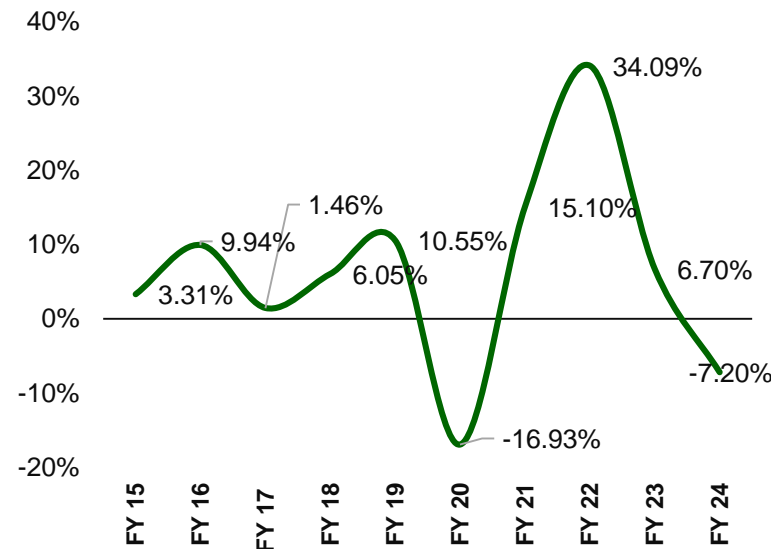


Chart: Import Growth

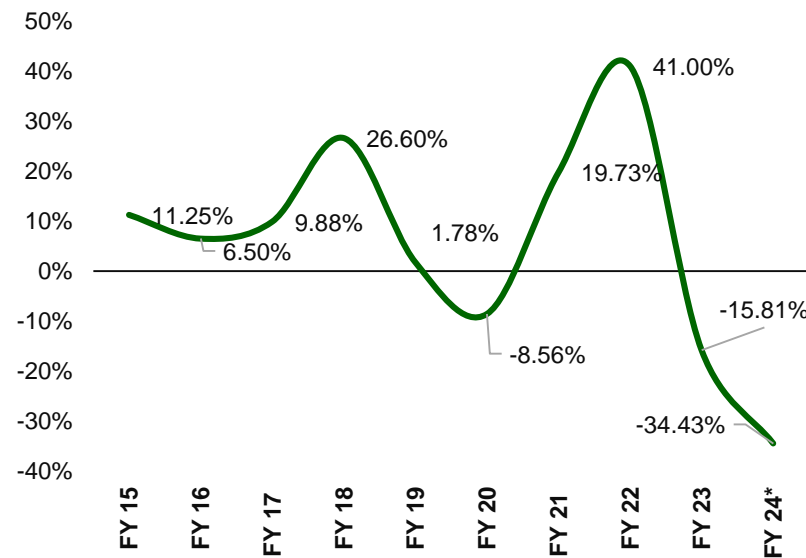
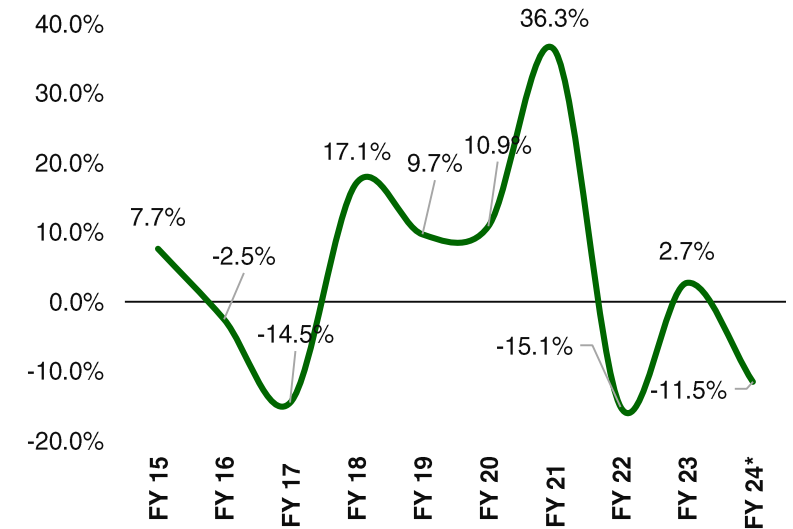


Chart: Remittance



Source: Ministry of Finance, Bangladesh Bank

\* FY 24 = Jul 23-Mar 24 | Source: Ministry of Finance, Bangladesh Bank

\* FY 24 = Jul 23-Apr 24

Source: Ministry of Finance, Bangladesh Bank

# Tax for Individuals and Corporates

Types of Tax Payer	Threshold of Taxable Income
General Tax Payer	BDT 350,000
Women & Senior Citizens +65 years	BDT 400,000
Physically Challenged persons & Third Gender	BDT 475,000
Gazetted war-wounded freedom fighters	BDT 500,000

\*The income tax-free threshold would be increased for parents or legal guardians of physically challenged child/adapted child by Tk. 50,000 for each child.

For individuals	Tax Rate
On first BDT 3,50,000/- of Total Income	Nil
On next BDT 1,00,000/- of Total Income	5.0%
On next BDT 4,00,000/- of Total Income	10.0%
On next BDT 5,00,000/- of Total Income	15.0%
On next BDT 5,00,000/- of Total Income	20.0%
On next BDT 20,00,000/- of Total Income	25.0%
On the balance of Total Income	30.0%

Source: Ministry of Finance & LBSL Research

Amount of net wealth	Rate of Surcharge
Up to BDT 4 crore	Nil
BDT 4 crore to BDT 50 crore	10.0%
Exceeding BDT 50 crore	35.0%

Source: National Board of Revenue (NBR)

Company Category	Tax Rate	Existing FY24	Proposed FY25	
		On failure to comply with condition	Tax Rate	If comply with condition
<b>Publicly Traded Company (10% or more shares offered through IPO)</b>	<b>20.0%</b>	<b>22.5%</b>	<b>22.5%</b>	<b>20.0%</b>
Publicly Traded Company (below 10% shares offered through IPO)	22.5%	25%	25%	22.5%
<b>Non-publicly Traded Company</b>	<b>27.5%</b>	<b>30.0%</b>	<b>27.5%</b>	<b>25.0%</b>
One Person Company (OPC)	22.5%	25%	22.5%	20.0%
Publicly Traded Bank, Insurance and NBF (excluding Merchant Bank)	37.5%	-	37.5%	-
Non-publicly Traded Bank, Insurance and NBF (excluding Merchant Bank)	40.0%	-	40.0%	-
Merchant Bank	37.50%	-	37.5%	-
<b>Tobacco Good Manufacturers (also have 2.5% surcharge)</b>	<b>45.0%</b>	-	<b>45.0%</b>	-
<b>Mobile Phone Operators</b>				
Publicly Traded Mobile Operator (at least 10% of paid-up capital with less than 5% pre-IPO placement)	40.0%	-	40.0%	-
Non-Publicly Traded Mobile Operator	45.0%	-	45.0%	-
Cooperative Society	15.0%	-	20.0%	-

Condition: All types of income and receipts and all types of expenses and investments above 5 lakh Taka in each single transaction and above 36 lakh Taka in total annually must be done through bank transfer.

- The proposed FY25 budget aims to increase the current maximum tax rate from 25% to 30% for individual taxpayers and companies, along with adjustments to tax slabs. The income tax-free threshold would be increased for parents or legal guardians of physically challenged child/adapted child by Tk. 50,000 for each child.
- The budget also plans to mandate return filing under the universal self-assessment system for all taxpayers, whether individuals or companies, for the relevant tax year. Furthermore, it proposes that the National Board of Revenue may grant an extension of up to one month for filing tax returns.
- The budget proposed tax rate for 2024-25 for the assessment year 2025-26 to facilitate the expansion of trade, improve investor confidence in the country's tax system and encourage local and foreign investment, thereby introducing a prospective tax system in Bangladesh. In prospective tax system, taxpayers can do proper tax planning and help increase tax compliance.

# Other Tax Related Issues and VAT

*Emphasizes Modernizing And Streamlining The VAT System To Increase Revenue, Support Domestic Industries, Attract Foreign Investment, And Simplify VAT Regulations.*

## Enhancing VAT Compliance and Revenue Collection

- Increase VAT from 5% to 15% at the local manufacturing stage for Mango bar, Mango juice, Pineapple juice, Guava juice, and Tamarind juice.
- Increase VAT from 5% to 15% at the local manufacturing stage for energy-saving bulbs capacitated from 1 to 50 watts.
- Increase VAT from 5% to 15% at the local manufacturing stage for tube lights of 18 watts and 36 watts.
- Increase VAT from 7.5% to 15% at the local manufacturing stage for cigarette paper/bidi paper.
- Increase VAT from 7.5% to 15% on the service of 'Purchaser of Auctioned Goods'.
- Increase VAT from 7.5% to 15% on the service of 'Amusement Park and Theme Park'.
- Increase VAT from 10% to 15% on the service of 'Auctioneer'.
- Increase VAT from 10% to 15% on the service of 'Mechanical Laundry'.
- Increase VAT from 10% to 15% on the service of 'Security Service'.
- Increase VAT from 10% to 15% on the service of 'Lottery Ticket Seller'.
- Increase the specific tax for non-machine-made normal bricks (non-refractory building bricks), except bricks used in facing, from 450 BDT to 500 BDT per thousand.
- Increase the specific tax for machine-made or mechanically manufactured normal bricks (non-refractory building bricks), except bricks used in facing, from 500 BDT to 600 BDT per thousand.
- Increase the specific tax for machine-made or mechanically manufactured bricks Grade I (with three holes, ten holes, seventeen holes, and multi-cored bricks) from 700 BDT to 800 BDT per thousand.
- Increase the specific tax for machine-made or mechanically manufactured bricks Grade II (with three holes, ten holes, seventeen holes) from 700 BDT to 800 BDT per thousand.
- Increase the specific tax for bricks chips from 700 BDT to 800 BDT per 100 CFT.
- Increase the specific tax for Micad Bats from 500 BDT to 600 BDT per 100 CFT.
- Withdraw the existing VAT exemption upon Tour Operator service.

# Other Tax Related Issues and VAT

## **Fostering Domestic Industry Growth while Maximizing Revenue Collection**

- Withdrawal of full exemption on air conditioners at local manufacturing stage.
- Imposition of 7.5% value added tax (VAT) on locally manufactured air conditioners.
- Continuation of VAT (including Advance Tax) and supplementary duty exemptions on imports and local purchases of raw materials and spare parts for manufacturing air conditioners until June 30, 2025.
- Extension of existing VAT exemption for production of compressors until June 30, 2025.

## **Attracting Domestic and Foreign Investment, Employment, Domestic Industry Development through Import Substitution**

- Extend VAT exemption until June 30, 2025, for local manufacturing and assembling of mobile telephone sets.
- Extend concessional facilities until June 30, 2025, for local manufacturing of polypropylene staple fiber and import of related raw materials.
- Continue concessional facility for local manufacturing of LPG cylinders at the production stage.
- Amend VAT exemption on raw materials and spare parts for IT and computer industry development, aligned with Smart Bangladesh initiative.
- Extend VAT exemption on optical fiber cable production until June 30, 2027, to support telecommunications infrastructure.
- Extend concessional facility for manufacturing of LABSA and SLES at the production stage until June 30, 2027, to promote local industry growth.

## **Enhancing Public Health Services Nationwide**

- Extend VAT and Supplementary Duty exemption on raw materials for sanitary napkins and diapers production until June 30, 2025, to safeguard public health initiatives.

## **Boosting Revenue while Curbing Tobacco Consumption**

- Increase price of low slab 10-sticks/pack cigarettes to BDT. 50 and higher, with supplementary duty raised to 60%.
- Increase price of medium slab 10-sticks/pack cigarettes to BDT. 70 and higher, high slab to BDT. 120 and higher, and premium slab to BDT. 160 and higher, with supplementary duty set at 65.5% for these slabs.
- Maintain MRP of non-filtered 25-stick/pack bidi at BDT. 18, 12-stick/pack bidi at BDT. 9, and 8-stick/pack bidi at BDT. 6, with 30% supplementary duty.
- Maintain existing prices of filtered 20-stick/pack bidi at BDT. 19, 10-stick/pack bidi at BDT. 10, with 40% supplementary duty.
- Keep supplementary duty at 55%, with Maximum Retail Prices set at BDT. 48 per 10 grams for Jarda and BDT. 25 per 10 grams for Gul to curb tobacco consumption and increase revenue.

# Other Tax Related Issues and VAT

## Miscellaneous Proposals to Consider:

- Withdrawing the VAT on aircraft engine and spare parts of propellers at the import stage.
- Waiving all other taxes except Customs Duty (CD) of 5% and advance income tax for importing chiller having capacity of 50 tons or more.
- Increase the CD from 5% to 10% and recommend waiving the 15% VAT applicable at import stage. This will reduce the total tax incidence from 31% to 20.50%.
- Propose equalizing import duties at 25% for both ordinary and pre-paid smart kilowatt hour meters, and 15% for parts, to align with similar product purpose and total tax incidence (TTI).
- Propose minimum values for synthetic and mineral lubricating oils and base oil, and set furnace oil minimum value at USD 480 per MT to align with international market prices.
- Propose increasing turnover tax on sweetened beverages to 3% (from 0.6%), aligning with carbonated beverages, and extending turnover tax to trusts.

## Custom Acts & Various Duties

- Maintaining current customs duty tiers (0%, 1%, 5%, 10%, 15%, 25%) and a mandatory 3% Regulatory Duty up to a maximum of 25% in the BCT for fiscal year 2024-25. Additionally, continue existing supplementary duty rates (10%, 20%, 30%, 45%, 60%, 100%, 150%, 200%, 250%, 300%, 350%, 500%) and unchanged duty rates for essential food products, fertilizers, seeds, life-saving medicines, and certain industrial raw materials.

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