

Feast for many, real test for taxmen

Saifur's budget of election poses huge challenge to coalition, caretaker, next governments

INAM AHMED

Satisfying the industrialists, farmers, small entrepreneurs, housewives and donors -- that is what Finance Minister M Saifur Rahman tried to do in his proposed budget for fiscal 2006-07 placed in parliament yesterday.

But in doing so, he has thrown a big challenge to the taxation machinery to be efficient and corruption-free. At the same time, the political challenge to execute such an ambitious budget is enormous. Whether the coveted outcome of the budget will be achieved will now all depend on the ability to reform the tax department and the rules.

Saifur tried to deftly play to the constituencies in an election time and wanted to be caring about the disadvantaged sections. But that budget of election may get a bad blow because of the expected sloth as three governments -- the coalition, the caretaker and the next elected government -- will be tasked to implement it.

In a double-action tool to make

local industries competent by reducing their input costs and meet the donor pressure, Saifur has offered to reduce duty on raw materials, capital machinery and intermediate goods by one percentage point. By the same stroke he has brought down supplementary duty by 5 percentage points.

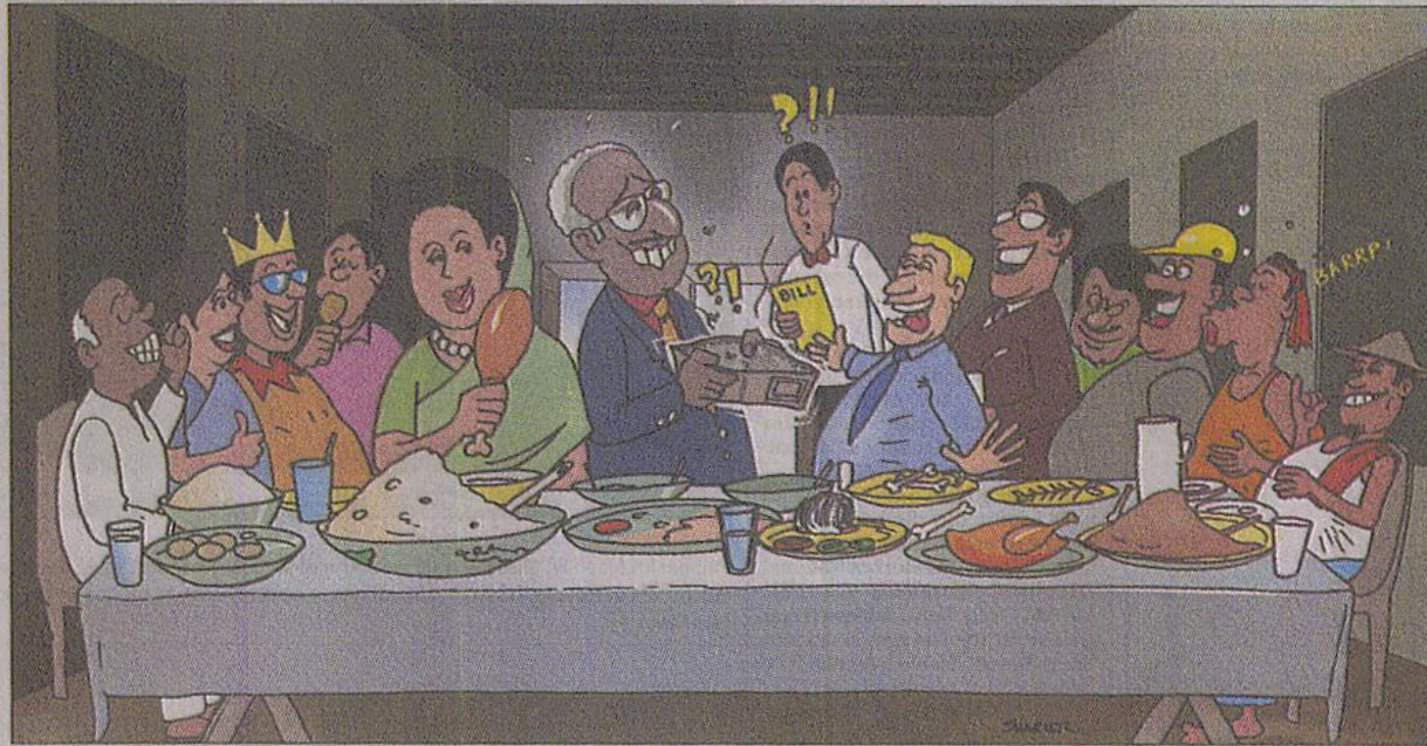
In his own words "this reform will help the growth of domestic industries and have salutary impact on economic progress."

Text of budget speech on pages 12-15

A key component to making the corporate sector competent is to induce them into introducing performance based compensation package and Saifur has proposed it through excluding bonus, employers' contribution to provident fund, pension fund, gratuity fund and super-annuation fund from the definition of prerequisite.

Saifur has tried to improve the rural economy by supporting agro-based industries and continuing the incentives to agriculture. This year's Tk 1,200 crore subsidy to

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Fuel prices take a big leap

Octane now Tk 58, petrol Tk 56, diesel Tk 33

STAFF CORRESPONDENT

Minutes into the finance minister's advocacy for raising fuel prices during his budget speech in parliament, the government brought it into effect yesterday afternoon.

The prices of octane now leapt to Tk 58 from Tk 45 per litre, petrol to Tk 56 from Tk 42, and diesel and kerosene to Tk 33 from Tk 30.

It is the ninth time that the four-party alliance government has raised the fuel prices since taking office in October 2001 under pressure from multilateral donors in the wake of a global increase in the prices of petroleum and petroleum products.

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High bank borrowing to fund Tk 69,740cr budget

REJAUUL KARIM BYRON

The government yesterday proposed a budget of Tk 69,740 crore for the next fiscal year which will see reliance on borrowing from banks, instead of foreign assistance, rising heavily to meet the financing gap.

Even after downsizing the current revised budget by more than Tk 3,000 crore, the bank borrowing marks a 35 per cent rise due to drastic declines both in foreign loans and grants.

While a 12 per cent revenue growth on an average could be achieved over the last four years, a 17 per cent growth for the coming fiscal seems quite ambitious and especially so with more emphasis

given to collection from income tax and VAT.

The government's overall expenditure has been raised by 14 per cent in the new budget from the current revised one, of which revenue expenditure has risen by 14.11 per cent and development expenditure by 21 per cent.

In the current revised budget, the overall expenditure has been cut by more than 5 per cent while revenue expenditure has been cut by around 3 per cent and development expenditure by more than 11 per cent.

FY07 BUDGET

Total expenditure for the coming fiscal year has been fixed at Tk 69,740 crore, which is Tk 8,642 crore more than that of the current

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Salary in cheque, thru' bank for tax benefits

STAFF CORRESPONDENT

Employers now have to pay salary or allowance through bank cheques or bank transfers to get tax benefits.

The finance minister has proposed to treat the expenditure by way of salary or allowance as inadmissible for tax exemption if it is not paid by a bank cheque or a bank transfer to an employee whose monthly salary or allowance is Tk 15,000 or more.

Investment made by the directors of private and non-listed companies will be treated as income of the company when such investments are not made by bank cheques or bank transfers.

The minister however proposed 10 per cent tax rebate on the additional tax paid by those individual

taxpayers who pay taxes at the highest rate of 25 per cent.

The minister also proposed to bring some additions and amendments to the income tax ordinance 1984 for making it modern.

The amendments include raising the level of companies' perquisite expenditure, admissible for tax exemptions, to Tk 2 lakh from Tk 1.92 lakh, excluding incentive bonus, pension fund, gratuity, super-annuation fund, and the employer's contribution to provident fund from the definition of perquisite.

The budget proposed to allow tax exemption on accelerated depreciation at the rate of 50 per cent, 30 per cent and 20 per cent respectively in the first three years of installation of machinery in

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Saifur speech skips defence fund again

Increase of Tk 501cr proposed

STAFF CORRESPONDENT

Finance and Planning Minister M Saifur Rahman again skipped the proposed defence allocation in the budget speech yesterday while official budget documents show the government has proposed a defence budget of Tk 4,746 crore for FY 2006-07.

The allocation for next financial year shows an increase of Tk 501 crore over Tk 4,245 crore defence allocation in FY 2005-6.

In the last year's budget speech too, the finance minister did not say anything about the proposed defence allocation.

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No relief in view from exorbitant essentials

Poor governance, graft to eat away measures in budget

SHAKHAWAT LITON

With the general elections round the corner, the BNP-led government in its last budget proposed a set of measures aiming at arresting skyrocketing prices of essentials, but the finance minister himself apparently expressed scepticism about the result.

"Reduction of taxes and duties will have no significant impact on the prices of essentials unless we shun rent-seeking, corruption and toll collection at every point in the transport sector and bring in improvement in management of stock and government's regulatory

supervision," Saifur said proposing some measures for lowering the prices of essentials.

These issues repeatedly came up during discussions on the price hike over the last four years, but no effective measures were taken to remove these obstacles.

The skyrocketing prices of essentials have put the people's life in a miserable state. Even a number of the ruling alliance leaders warned the government high-ups on several occasions that the party would face debacles in the polls for the price spiral and acute shortage of electricity.

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Tariff-cuts hailed by businesses, economists

STAR REPORT

The proposed budget for 2006-07 financial year drew mixed reaction as leading trade bodies see in it some measures that may help to control prices of essential commodities but economists are frustrated to find no political will to contain corruption and improve governance in the economic front.

The business leaders said reducing tax on industrial raw materials and capital machinery will help to improve competitiveness but businesses will suffer due to lack of allocation for infrastructure including power.

Imposition of a minimum income tax of Tk 5,000 or 0.5 per cent of turnover (whichever is higher) on companies is against the interest of trade and five per cent advance income tax (AIT) on cash incentive is also not business-friendly at all, they said.

Mir Nasir Hossain, president of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) said allocation for the power sector is not significant while industries are facing serious crisis of electricity.

Elaborating, he said Tk 4,270 crore was allocated for the power

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Air polluters get drastic duty cut

STAFF CORRESPONDENT

The government has proposed to drastically cut the supplementary duty on two-stroke three-wheelers, apparently encouraging importers to import such environment-unfriendly vehicles in abundance.

The proposed budget seeks to reduce the supplementary duty on two-stroke auto-rickshaws as well as three-wheelers, their engines and chassis from existing 250 per cent to only 25 per cent.

However, Finance Minister M Saifur Rahman in his budget

speech yesterday said the government banned two-stroke three-wheelers and vehicles variously aged between 20 to 25 years.

Earlier, the government had banned two-stroke three-wheelers and vehicles on Dhaka metropolitan roads as from January 1, 2002. The government also banned two-stroke three-wheelers and vehicles aged between 20 to 25 years across the country.

The government had also imposed higher supplementary duties on two-stroke three-wheelers

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Social safety net strengthens

Tk 20cr RMG workers' skill development fund proposed

STAFF CORRESPONDENT

With the introduction of a new project for developing garment workers' skills, the government has proposed to strengthen the ongoing social safety net programmes by increasing the number of beneficiaries and the amount of money in the budget for the next fiscal year.

It also proposed to continue allocations for some funds introduced under these programmes that include rehabilitation of the acid victims, physically handicapped and mitigating risks due to natural disasters.

The budget proposed yesterday introduced a new project under the social safety net programmes to

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ADP unrealistic Says Syeduzzaman

STAFF CORRESPONDENT

Former finance minister M Syeduzzaman has said the annual development programme (ADP) of Tk 26,000 crore in the proposed budget for fiscal 2006-07 is 'unrealistic' and 'highly ambitious'.

Usually, almost 48 per cent of the funds for implementation of ADP

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Boost to farmers continues

They are hedged against natural disasters, research gets Tk 244

STAFF CORRESPONDENT

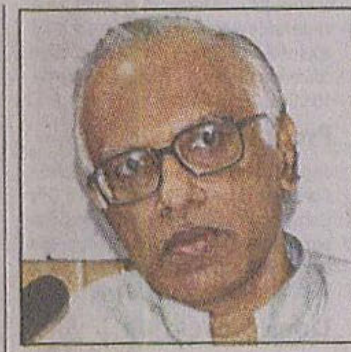
The government has proposed to allocate Tk 244 crore for agricultural research for fiscal year (FY) 2006-07 and to create a Tk 50 crore fund for small farmers who will lose crops due to 'natural disasters and epidemics', but it has not increased farm subsidy.

Finance Minister M Saifur Rahman in his budget speech in parliament yesterday claimed to have enhanced allocation for agricultural subsidy and rehabilitation by Tk 100 crore, raising it to Tk 1,200 for the coming FY.

Saifur's claim contradicts his last year's budget speech in which he proposed Tk 1200 crore for farm subsidy in FY 2005-06 while in his yesterday's speech the figure was shown to be Tk 1,100 crore.

Proposing the "Fund for Assistance to Small Farmers Affected by Natural Disasters," the minister said small farmers find no means to cover the loss of crops due to natural disasters and epidemics because of the absence of crop insurance. The fund would help farmers to come out of such a situation, he hoped.

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Budget doesn't address risks to growth

Says Dr Wahiduddin

STAFF CORRESPONDENT

Eminent economist Wahiduddin Mahmud said the budget proposal does not provide any clear guidelines regarding how to address the

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Budget designed to loot public money

Says AL

STAFF CORRESPONDENT

The main opposition Awami League (AL) yesterday formally rejected the proposed budget for FY 2006-07, and said it is intended



AMA Muhith

to loot public money ahead of the next general election.

"They (coalition government) have made the budget keeping 12 per cent cluster allocations aiming at looting," chairman of the AL Economic Affairs Cell AMA Muhith said at press conference arranged to give the party's reaction to the proposed budget.

Muhith, also former finance minister, apprehended that the 12 per cent cluster allocations would actually reach up to 20 per cent as they have made the budget only to loot.

"We hoped that the budget would be made for the people but that was not done," Muhith said terming the budget 'a pro-election one'.

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WHAT'S UP, DOWN

Some consumer items will become cheaper and some others costlier due to the new duty rates proposed yesterday in the budget for the 2006-07 fiscal year.

The price of television may see a downward trend as supplementary duty on colour television has been reduced to 15 per cent from 20 per cent.

Prices of garlic, dried chillies, ginger and turmeric are likely to go down as customs duty on these items has been reduced to 5 per cent from existing 13 per cent.

The customs duty on cellular (mobile/fixed wireless) telephone set has been reduced to Tk 200 per set from Tk 300.

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