

Kibria places Tk 36178 crore budget

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had placed Tk 30,096 crore budget that envisaged Tk 20,776 crore in revenue income and plans to spend Tk 13,600 crore for development projects. The deficit in that budget was Tk 9320 crore.

However, education became the highest recipient of both tax payers' money and development funds in the proposed budget of 1999-2000. The sector will receive Tk 5149.28 crore. Of the money, Tk 3220.16 crore will come from revenue, while Tk 1929.12 crore will be from the development budget. However, two thirds of the increased allocation is required for higher salary and appointment of new teachers.

As usual, the defence sector got second highest allocation of Tk 2996.72 crore. The proposed allocation is 8 per cent higher than the preceding year.

Kibria recognised agriculture as a major sector and proposed an allocation of Tk 1122.77 crore. Tk 835 crore from ADP and Tk 287.77 crore from revenue.

To support agriculture, he proposed a Tk 100 crore subsidy for fertiliser. "If the international price of fertiliser goes up, and if needed, we will provide more resources in the revised budget for this purpose."

The total allocation in revenue and development budget for health and family welfare sector has been proposed at Tk 2519.53 crore, a 56 per cent increase from 1995-96. A five-year tax holiday has been proposed for private sector hospitals on certain conditions.

Power sector, a vulnerable area for the government of Sheikh Hasina, is to receive Tk 1770 crore. In the revised development budget of 1998-1999, the amount for this sector was Tk 1363.42 crore.

Poverty alleviation, involving a number of ministries received a total allocation of Tk 8752.59 crore. Tk 5313.42 will be from the ADP, while Tk 3439.17 will come from revenue. The minister proposed a new Tk 25 crore programme for distressed widows and deserted wives.

Kibria viewed good governance as the key factor for economic development, but did not elaborate.

While presenting the proposed budget yesterday, Kibria dwelt at length on the impact of the devastating floods, last year, and the crises-ridden global economy on the country's economy. But he did not mention the government's vision on the incomplete reforms, specially regarding the privatisation programme.

The effect of unprecedented natural disaster and unfavourable economic climate was reflected in the economy," said Kibria. "Nevertheless, with the blessings of Almighty Allah and efficient economic management, economic growth rate in the current year is much more robust than that of other developing countries."

Claiming a 5.2 per cent GDP

growth rate, the minister boasted that the country never experienced such high advancement after such a devastation.

He disclosed a 8.79 per cent annual inflation rate in April, up from 6.63 per cent for the same period last year, and said that it was expected to come down after the bumper boro harvest.

However, the finance minister claimed success in absorbing the shock of the flood without destabilising the macro-economy. His figures on exports, foreign exchange reserves and revenue collection, however, showed a dismal performance.

He said, the foreign exchange reserve on May 31 stood at 1,514 billion dollar which can support only 2.3 months import. On the other hand, export growth decelerated and during the first ten months of the current fiscal year, it increased by only 2.99 per cent.

"Now we have to look forward the future and face courageously the challenges of the twenty first century," proclaimed a Mujib-coat clad finance minister. "Rapid technological change and globalisation of economic system have triggered complex transformation in political and economic life. But all changes are not conducive to developing countries. We will, therefore, have to establish our control and direction over the scope and speed of the process of change and reform."

New tax measures

Despite Kibria's claim that he has proposed no fresh taxes, he proposed a number of major changes in the revenue regime to ensure increased collection. As new measures to rope in more income, he proposed introduction of a 'spot assessment' system for instant tax collection. Besides, he proposed to bring retail sales of 31 items and 14 service sectors under the Value Added Tax (VAT) net. On the other hand, areas for collecting tax at source, have been further expanded.

He proposed a new income tax exemption limit of Tk 75,000 per annum, from Tk 60,000, earlier.

To widen the tax base, Kibria proposed a ten per cent advance income tax to be deducted at source, on a number of heads.

To streamline tax administration, raise efficiency and augment tax collection, he proposed a separate tax zone for the large tax payers' unit and three new tax zones in Sylhet, Barisal and Rangpur.

Besides, the discretionary power of the deputy commissioner of taxes to impose penalty for non-submission of return, in time, has been abolished to introduce a mandatory penalty of Tk 500.

He also proposed repeal of the Wealth Tax Act and proposed imposing a ten per cent surcharge on the amount of income tax payable by an assessee.

He also announced, manda-

tory Pre-shipment Inspection (PSI) System as a 'temporary measure' to check false declarations of price. This he hoped would rope in an additional Tk 550 cr in revenue.

To achieve the goal of organising an efficient and effective valuation department, he proposed, restructuring the customs' valuation department under a director-general with the rank of a commissioner.

He also extended VAT on 14 services including those of specialist doctors, lawyers, engineering firms, and architects.

All types of hotels and restaurants, excluding those without walls, electric fans or not using more than two electric lights will have to pay VAT.

He proposed rewards for those who would provide information on VAT evasion.

Revenue arithmetic

Because of the adjustment in personal income tax rates and slabs and various measures to support health service, industry, export and capital market, there will be a revenue loss of Tk 48 cr. On the other hand, due to expansion of tax base there will be a revenue gain of Tk 253 cr, the finance minister hoped.

Consequently, there will be a net increase of Tk 205 cr under this head. Implementation of proposals for reduction of customs' duty is expected to result in a revenue loss of Tk 166 cr, at the present economic activity rate, and there would be a gain of Tk 650 cr with the introduction of PSI.

Expansion of VAT and other proposed procedural reforms would raise an additional revenue of Tk 361 cr. Net increase in revenue due to these measures will be Tk 1050 cr while the remaining Tk 1600 cr will come from the autonomous growth of revenue. Kibria said.

Industrial incentives

However, highlighting the importance of outward-oriented trade policies, he proposed ten per cent ad valorem assistance to selected finished leather products including shoes and handbags.

He also proposed a Tk 561 crore fund for subsidy and financial assistance to exports. The minister proposed reduction of import duty on 544 in-dustrial raw materials.

Textile sector is expected to get a boost by withdrawing 2.5 per cent duty on import of synthetic fibres and reducing duty on dye from 15 per cent to 7.5 per cent. All textile machinery and spares, barring those produced domestically, will enjoy reduced duty rates of 15 per cent from the existing rate of 25 per cent. Plastic and chemical industries will also enjoy massive cuts in duties on raw materials.

Kibria proposed withdrawal of 0.25 per cent advance income tax on all export sectors including ready-made garments. Different services related to exports have also been proposed to be kept out of VAT.

Fifty per cent taxes on the income of the ocean going ves-

sels has been exempted.

"We hope that the export sector will experience new dynamism in view of the facilities offered by the government," an optimistic fiscal boss uttered. He proposed, Tk 230 cr for special assistance for exports.

Addressing the problem of nationalised commercial banks' (NCB) credit to the losing state-owned enterprises (SOEs), Kibria said, "The overdue loans of banks are mounting, owing to losses incurred by SOEs." He proposed to earmark Tk 150 cr for repayment of overdue bank loans.

Talking about the mounting default loan status, Kibria said this is discouraging new investment.

"The real story behind the origin of the default culture is not unknown. This started during the martial law period. The military dictators sanctioned loans, indiscriminately, with a view to luring new supporters."

He said the Bangladesh Bank will be reorganised as an effective and strong institution to restore fiscal order.

Kibria proposed increased allowances for government servants. An additional allocation of Tk 680 cr will be needed for this purpose. To stop smuggling and protect local industries, Kibria proposed to reduce customs' duty on a number of items and extend the coverage of the machinery notification having an uniform 5 per cent duty.

Revised figures

The original revenue receipt target of Tk 20,776 cr for this fiscal has been revised to Tk 19,700 cr because of the failure of the tax department to collect taxes. This shows a 5.18 per cent shortfall.

At the same time, the overall deficit has also increased by about 25 per cent to Tk 13,506 cr from an original estimation of Tk 10795.

Although it was estimated in the budget that there would be no need for financing from the banking system, the revised budget shows that Tk 1485 cr had been borrowed from banks.

Talking about the revenue position, Kibria said despite the increase in foreign aid, total available resources declined as a result of Tk 1076 crore shortage in revenue receipt.

On the other hand, the revised revenue expenditure increased by Tk 828 cr and ADP by Tk 400 cr. On the whole, there may be a deficit of Tk 1465 cr to be financed from bank borrowing.

The government's interest payments on both domestic and foreign loans also crossed the estimated amount by a big margin.

Domestic interest payment increased by 20.77 per cent to Tk 2221 crore from an estimate of Tk 1839 crore. At the same time, interest payment on foreign loans rose by 3.45 per cent to Tk 750 crore from an estimated Tk 725 crore.

VAT net

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The service sectors proposed to be brought under the VAT net include health clubs and fitness centres, engineering firms, interior designers, decorators, rent-a-car service (excluding taxi cab), air conditioned railway service, establishments renting sound and lighting equipment, sale of land, satellite channel distributor, sale of tickets for international sporting events and advertisement in satellite channels.

VAT will be imposed on electrical accessories like storage battery (except dry cell battery), aluminum rod, profile, plate and aluminum fitting, glass sheet, electric motor, ballast, capacitor, circuit breaker, fuse, switch, plug and socket, lamp holder and electrical wire.

The FICCI chief also supported the VAT expansion plans saying "it's better to be VAT-dependent than to be custom duty imposed by high duties increase the cost of inputs."

Shamsuddin however criticised the substantial increase in wealth tax "that should not have been done" and said individual income tax waiver limit should have been Tk 120,000. The finance minister proposed to raise the limit from the current Tk 60,000 to Tk 75,000.

Meanwhile, a senior government official involved in budget preparation explained the underlying objectives of the proposed measures.

"It's not the doctors or lawyers who will have to pay... it's the clients who will pay," he said, referring to proposed imposition of VAT on professionals fees.

Instead, the finance minister should have brought their income under tax net, he argued. "That's what we suggested at (parliamentary) committee meetings."

The BNP MP, president of Chittagong Stock Exchange and a former president of Chittagong Chamber of Commerce, however welcomed plans to help exports such as withdrawal or waiver of duties on various imports for textile, garments, leather and

"The budget basically aims to activate the economy, puts emphasis on infrastructure and social sector, tries to give some tax relief to people," the official said, speaking to The Daily Star on condition of anonymity.

Tax simplifications are some of the salient features of this year's budget through self-assessment, withdrawal of discretionary powers, administrative strengthening.

"One of the key targets of the fiscal measures is tax base expansion, especially through VAT. Regional offices have been planned as part of the expansion agenda."

It happened just before the placing of the national budget at Jatiya Sangsad. They gathered at 3:25 pm while the session resumed at 3:43 pm.

Speaker Humayur Rasheed Chowdhury came out from his office room and talked to Prof Chowdhury, who demanded that BNP MP KM Obaidur Rahman and Alamgir Kabir and Awami League MP Mohibur Rahman Manik be allowed to attend the session.

The Speaker gave them assurance to look into the matter.

Allow 3 arrested MPs in budget session, demand BNP lawmakers

By Staff Correspondent

About 25 BNP lawmakers led by Deputy Leader of the Opposition Prof AQM Badruddoza Chowdhury yesterday gathered for 10 minutes in front of the Speaker's office. They called for allowing the three arrested MPs, including one from the ruling party, to attend the budget session.

Arrear tax demands due before 1988, except those which are subjudice or in appeal process, will be written off to free the taxes department from "bearing the burden of apparently uncollectible demands."

To improve efficiency and accountability of revenue administration, a new Commissionerate would be created with jurisdiction over the whole of Khulna and Barisal divisions.

Two new Customs Houses at Mongla and Benapole will also be set up.

"As there is great possibility of increasing balanced trade with eastern states of India", the finance minister said, it is necessary to increase facilities for assessment and clearance of goods in that region.

A Bond Commissionerate has also been proposed to be set up to oversee and monitor the large number of bonded warehouses.

Agri sector

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According to the Bangladesh Economic Survey, 1999, growth rate in the agriculture sector hit five per cent in the current fiscal due to a bumper Boro harvest, offsetting the impact from loss of Aus and Aman crops.

The issue of food security came more prominently in the finance minister's budget speech. The government had to import 7.79 lakh tonnes of foodgrains in the current fiscal against a target of 3.5 lakh tonnes due to the crop loss. Internal procurement target was also lowered to 5.3 lakh tonnes from 7.55 tonnes, he said.

Following the record harvest of Boro and wheat, the government is now giving price support to farmers and has enhanced the domestic procurement target.

The seasonal bounty came as a great relief to the government's tight reserve position. It had to borrow 338 million dollars from IMF and IDA for emergency food import which strained the foreign exchange reserves.

According to Economic Survey, 63.2 per cent of the total labour force is still employed in agriculture. So growth of agriculture means wellbeing of a large section of the population and growth of the GDP.

Autorickshaws

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per cent.

Two-stroke engine autorickshaws using a lethal cocktail of engine oil and leaded petrol are mainly responsible for the increasing amount of lead in air in urban areas, recent studies said.

Finance Minister SAMS Kibria in his budget speech said the measures have been proposed in view of deterioration of environment due to smoke from industries and vehicles, random use of plastic materials and destruction of trees.

To help preserve forest resources, withdrawal of 7.5 per cent supplementary duty on timber import has been proposed. To encourage use of Compressed Natural Gas (CNG) driven vehicles, lifting of tariff on CNG equipment and pumps etc has been proposed.

Besides, five per cent duty has been proposed on import, conservation and marketing of LP Gas to increase use of LP Gas in the north-western and southern regions of the country.

To discourage use of plastic shopping bags and Ethyl Vinyl Acetate (EVA) foams, which are non-biodegradable, 37.5 per cent duty has been proposed on EVA and Low Density Polyethylene (LDPE), the basic material for making plastic bags. This would encourage use of jute bags and rubber foam, Kibria said.

Reforms in tax

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For filing appeals, tax payers will now be required to pay only five per cent of the tax demand as against 15 per cent in the past. This has been done for what the finance minister said "removing difficulty of the tax payer" and to curtail the discretionary powers of the tax commissioner to waive such payment.

An aggrieved person will now have to make an advance deposit of 10 per cent for filing an appeal before the Commissioner (Appeal) against the decision of a VAT official and 25 per cent for appeal before the Customs and VAT Tribunal, as against advance deposit of 20 and 50 per cent respectively in past.

VAT officials previously could impose fine not exceeding Tk one lakh or double the amount of VAT, whichever was higher in tax evasion cases. In the new budget, it has been proposed that such discretionary powers of VAT officials be removed and a fine of two and half times the VAT due be imposed.

Government, semi-government and autonomous bodies, private organisations, NGOs and limited companies will now have to deposit VAT amounts within two months of deduction, instead of keeping it in their own accounts. To encourage detection of evasion of VAT, a system of rewarding the informer and the VAT official has been proposed.

To prevent 'system loss' in revenue collection, mandatory pre-shipment inspection (PSI) has been proposed. This would yield a revenue of Tk 550 crore. It was stated that earlier revenue loss occurred due to fraudulent declaration about goods.

Discretionary powers of the Deputy Commissioner of Taxes to impose non-submission of return in time have been abolished. Instead, a mandatory payment of Tk 500 has been proposed. For continued default, the penalty will be at the rate of Tk 250 for every subsequent month or part of it.

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