

# 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 9,320 crore taka.

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 5,149.28 crore. Of the money, Tk 3,220.16 crore will come from revenue, while Tk 1,929.12 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 2,996.72 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 1,122.77 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 1,770 crore. In the revised development budget of 1998-1999, the amount for this sector was Tk 1,363.42 crore.

Poverty alleviation, involving a number of ministries received a total allocation of Tk 8,752.59 crore. Tk 5,313.42 will be from the ADP, while Tk 3,439.17 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-riddled 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 to the future and face courageously the challenges of the twenty first century," proclaimed a Mujib-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 1,050 cr while the remaining Tk 1,600 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 industrial 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 vessels 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 non-listed commercial banks (NCB) credit to the 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. And 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 a 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 10,795.

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 1,465 cr had been borrowed from the banks.

Talking about the revenue position, Kibria said despite the increase in foreign aid, total available resources declined as a result of Tk 1,076 crore shortfall 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 1,465 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 2,221 crore from the estimate of Tk 1,839 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.

## 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 reserve.

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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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 the past.

VAT officials previously could impose fine not exceeding 10 per cent of 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 lead 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 penalty for 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.

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 Commission for revenue will 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 of export 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.

# Unified duty rates

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of paper, coated flat rolled product of iron, steel cargo container and other iron container of bigger volume, refined copper strip and paper insulated copper strip, spicer shaft and gear box, marble lump and slab other than crushed marble, and television and video camera.

Most of the machinery under the same heading which are chargeable at 40, 30 and 15 per cent rate of duty has been proposed to an unified rate of 25 per cent to facilitate assessment.

To equate the duty structure, it is proposed to reduce the duty on fax and videophone from 30 and 40 per cent to 15 per cent.

Duty rate of different type of electrical power cord was proposed unified rate of 37.5 per cent from 40 and 30 per cent.

Duty on optical articles and other lenses has been proposed at 25 per cent from 15 per cent.

Duty on equipment of photographic laboratory reduced to 25 per cent from 40 per cent.

Duty on different sizing materials like manioc, arrowroot, etc, proposed to be unified at 5 per cent from 40 and 30 per cent.

Depending on whether it is fresh or frozen, existing duty on locust bean, sugarbeet etc, were 15 and 40 per cent. It is proposed to be unified at lowest 15 per cent.

Duty on squid oil and other oils proposed to be unified at 25 per cent from 7.5 and 40 per cent. Duty on ultrasonogram paper and similar other record-

ing papers proposed to be unified at 5 per cent reducing from 7.5 and 40 per cent.

Duty on glass mould and other glass proposed to be unified at the lowest rate of 15 per cent from 15 and 30 per cent.

Duty on parts of burner unified at 15 per cent from 7.5 and 40 per cent, on tin foil and powder and flakes of tin at the lowest 15 per cent from 15 and 25 per cent.

Duty on waste of precious metal proposed to be unified at 5 per cent from 0, 15 and 25 per cent on different types of thermostat at 15 per cent from 7.5 and 30 per cent.

Duty proposed to be fixed at 15 per cent on different types of alloy steel wire instead of existing 25 and 15 per cent.

Duty on different types of gaseous hydrocarbon, including LP gas and natural gas, proposed to be reduced to 5 per cent from 7.5 and 40 per cent.

Duty of different types of antibiotics proposed to be unified at 5 per cent for all antibiotics from 0 and 7.5 per cent.

Duty chargeable on raw materials of chemical and plastic industries proposed to be reduced to 15 per cent from 30 and 25 per cent. Chemicals of same heading presently attracting different duty rate of 40 and 30 per cent will be charged at a single rate of 25 per cent.

Considering the question of protection of local industries, the Finance Minister proposed to unify the 40 and 25 per cent duty rate chargeable on all sorts of plasticisers at 37.5 per cent.

Duty on maleic anhydride, vinyl acetate, ethyl hexyl acrylate, butyl acrylate,

methacrylic acid and methyl methacrylate monomer proposed to be reduced to 5 per cent from 15 per cent while 30 per cent duty on acetic acid has been proposed to be abolished from the customs tariff.

Duty on acetic acid manufactured using 100 per cent local raw material proposed to be fixed at 37.5 per cent.

For the development of agriculture and agro-based industries of the country, a good number of light metallurgical industries have been included in the agro-processing sector.

To help the growth of industries of these sectors, the Finance Minister proposed to reduce duty on pig iron from 15 per cent to 5 per cent, 75 billet from 30 per cent to 15 per cent, stainless steel ingot and alloy ingot from 40 and 25 per cent to 15 per cent, stainless steel bar and rod from 40, 30 and 25 per cent to 15 per cent, bottle and jar from 15 per cent to 5 per cent, synthetic and rubber gloves from 30 and 40 per cent to 15 per cent, rope, twine and nylon chord from 30 and 40 per cent to 15 per cent, vitamin and vegetable products used for manufacturing animal feed from 7.5 per cent to 0 per cent, non-refined animal fat and vegetable oil from 7.5 per cent to 15 per cent and tray etc for carriage of eggs and chicks from 15 per cent to 5 per cent.

To reduce the duty rate on mango pulp used for manufacturing juice, tetra pack for its packing and flexo print (gravure), ink for printing, pack from 40 per cent to 25 per cent.

## Demonstrations in city

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leader Abdus Salam. This is an "anti-people" budget by the "subservient" Awami League government, Bhuiyan said and warned of launching a massive movement to pull it down.

There is no item on which VAT has not been imposed. The Finance Minister said there is no new tax in the budget, but in fact it is full of taxes and VAT. The government has failed both politically and financially, he alleged.

Khoka in his speech urged the party activists to get prepared for tougher agitation programmes.

JCD, BNP's student wing, also brought out a procession

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Bangladesh Steel and Engineering Corporation (BSEC) Tk 549 crore, Bangladesh Chemical Engineering Corporation (BCIC) Tk 44 crore and Bangladesh Agriculture Development Corporation (BADC) Tk 216 crore.

Nine corporations having the highest amounts of loans are: BJMC Tk 1,731 crore, BSEC Tk 896 crore, BTMC Tk 697 crore, BSFC Tk 226 crore, BCIC Tk 194 crore, BADC Tk 233 crore, BPDP Tk 27 crore, BPC Tk 187 crore and BOC Tk 89 crore.

Most of the defaulted loans of BJMC has been adjusted by the World Bank-supported Jute Sector Adjustment Credit (JSAC). The defaulted loans of BTMC, BADC and BSC were being adjusted by issuing different bonds, the survey said.

Besides, the owners of luxury cars above 2000 CC and jeep above 3000 CC will have to pay tax at the rate of five per cent of the cost of purchase of such a vehicle, or Tk 50,000, whichever is higher at the time of registration of the vehicle.

Fifteen per cent duty has been imposed on imported books except certain reference books, encyclopedias and religious books. Previously there was no duty on books and only 7.5 per cent duty was levied on novels. Besides, 5 per cent customs duty has been proposed on imported paper pulp.

He alleged that the local police influenced by the political forces of Manik lodged a case to take revenge and he was arrested.

## Beyond the boundary

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In the company of the young Herschelle Gibbs, who too has been searching for runs, Kirsten put on the biggest opening partnership in this competition.

The New Zealand attack, with the exception of Geoff Allott, is pretty thin at the best of times, and the South Africans exposed every single limitation of the Kiwi bowling. Stephen Fleming has not acquitted himself as a thinking captain thus far. Against the South Africans his poverty of imagination cost the team hugely. Fleming is what is euphemistically termed in the trade as 'laid back'. This form of captaincy is essentially the specialism of the individual who prefers matters to drift, rather than exert the grey cells to make things happen. The South Africans, quite naturally, made him pay for such an approach.

Senseless bowling changes, non-existent game plan in the field and wayward bowling ensured that South Africa would have enough on the boards to stifle any challenges that the Kiwis might mount later in the day. Other than the fact that Geoff Allott got the wicket that made him the highest wicket taker in the World Cup, the only other distinction he brought, was 93 runs being given away in the last ten overs. Much against the run of pro-

## REHAB urges Rajuk to strictly follow zoning provision

By Staff Correspondent

The Real Estate and Housing Association of Bangladesh (REHAB) has called upon Rajuk to strictly follow the zoning provision while approving a building plan to stop haphazard growth of the city.

REHAB General Secretary, MS Alam, said the association always ensured that all its 60 members abide by the laws while constructing a building. "One of the conditions for REHAB membership is that all constructions the developers undertake must be as per the law of the land," said Alam at a discussion meeting, giving his reaction to a report that appeared in The Daily Star under the caption "No space for vehicles: Real estate developers give a fig to law" on June 6.

Brig (ret) AHM Abdul Momen, President of REHAB, pointed out some anomalies regarding the height of buildings in certain areas of the city and said, "Whereas in Dhanmopdi none is allowed to build over six storeys, Rajuk has approved plans for several above ten-storey buildings."

Other developers present at the meeting at REHAB office yesterday said now Rajuk has embarked upon cancelling the very building plans they approved only months ago.

## South Africa

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innings, during which he made a world-record 400 runs. After Thursday, his average for this World Cup stood at 214.

New Zealand, in reply, never challenged.

Kallis, bowling brisk right-arm seam, had both openers caught in the slips to make it 34 for two and, with 25 overs gone, 200 were needed at an asking rate of eight an over.

Cronje then enjoyed a rare outing with the ball, removing Craig McMillan and Stephen Fleming in quick succession with his medium-pacers.

Gibbs provided the perfect image of South Africa's superiority when catching McMillan in the covers off a spiralling top edge. He panned the catch, then, without looking, he dismissively tossed the ball over his right shoulder back to his captain, as if the wicket was not even worth discussing.

Cairns slogged and was bowled by Klusener and Adam Parore run out by a brilliant Kirsten throw from the outfield to make 148 for six.

With 120 needed off the final 10 overs, New Zealand contented themselves with hanging on and scrambling whatever runs they could in an attempt to at least improve their run rate, a factor which could yet decide which teams make the semi-finals.

Cronje capped his all-round day with a regulation catch at deep mid on to remove Roger Twose.

## SCOREBOARD

### Scoreboard

Scoreboard of New Zealand innings in the World Cup Super Six match against South Africa at Edgbaston yesterday:

NEW ZEALAND:			
M Horne c Pollock b Kallis	12		
N Astle c Cullinan b Kallis	19		
C McMillan c Gibbs b Cronje	23		
S Fleming c Pollock b Cronje	42		
R Twose c Cronje b Klusener	35		
C Cairns b Klusener	17		
A Parore run out	3		
C Harris not out	27		
D Nash b Pollock	9		
G Larsen not out	23		
Extras: (lb, w, nb)	23		
Total (for eight wickets, 50 overs)	213		
Fall of wicket: 1-20, 2-34, 3-93, 4-107, 5-144, 6-148, 7-171, 8-194			
Did not bat: G. Allott			
Bowling:			
Pollock	10	29	1
Kallis	6	2	15
Elworthy	8	0	35
Donald	10	0	42
Klusener	9	0	46
Cronje	7	0	37

# Saifur fires salvoes at Kibria

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the finance minister lacked comprehension of definition a new tax or he deliberately tried to mislead people. His statement that there is no new tax is not in conformity with details of the budget speech."

There were taxes and duties introduced on so many items, he said. "If I impose tax or custom duty on something which was previously beyond the tax net means I am introducing a new tax."

There will be value added tax (VAT) on bus fare, small restaurants, doctors' consultation fees and on so many other items. "How can he claim that there is no new taxes?"

Saifur Rahman, who introduced VAT in 1991, said expansion of this form of sales tax was nothing wrong but required reason while selecting the items and areas.

"But the areas proposed to be under VAT net would affect the poorer and lead to harassment in many cases."

The BNP standing committee member was also critical of the revenue projection for the 1999-2000 fiscal. "He failed to increase revenue by 10 per cent this year, fell short by a thousand crore, and he is targeting a 22.5 per cent hike!"

"The (next fiscal's) projection will prove to be false, erroneous. Then, as he did this year, he will go to the credit market and deprive the private sector of its funds."

The former finance minister's statements were echoed by another BNP MP, Amir Khasru Mahmud Chowdhury, who accused the finance minister of "distorting" the financial market with unrealistic projections and then resorting to heavy borrowing from