

**FOLLOWING IS THE REST OF THE SPEECH:**

also propose to withdraw 3 percent advance income tax applicable on computers. As a result, duty on computers will be increased by only 4.5 percent, which will have only a nominal tax incidence. It is worth mentioning that 7.5 percent customs duty, 15 percent value added tax and 2.5 percent infrastructure development surcharge were leviable on computers during the 1996-97, 1997-98 fiscal years.

**Mr. Speaker, Sir,**

65. With a view to encouraging the growth of hospitals and diagnostic centers equipped with modern health care and treatment facilities and to providing cheap but modern medicare services to people, I propose to reduce customs duty on diagnostic reagent and syringe, needle, catheter etc. from 15 percent to the lowest rate of 7.5 percent.

66. Our country has, in the recent years, seen a notable growth of clinker-based cement manufacturing industries. Excepting Chhatak Cement, there has not been any cement industry that uses limestone, the basic raw material of cement, to produce clinker and cement, even though limestone is cheap and easily available. As a result, value addition has remained minimum in this sector. In order to encourage the use of locally available limestone in the production of cement, I propose to enhance customs duty applicable on cement clinker imported only by cement manufacturing industry from 15 percent to 22.5 percent. However, I also propose to withdraw 2.5 percent supplementary duty and 2.5 percent license fee on cement clinker. The actual increase of duty on clinker will therefore be very negligible. Since finished cement attracts highest rate of customs duty, I propose to increase supplementary duty rates on bagged cement to 30 percent and on bulk cement to 20 percent. This will ensure protection of the local industry.

**Mr. Speaker, Sir,**

67. The government is very keen to encourage the import of environment-friendly vehicles. I, therefore, propose to reduce customs duty on electric battery-operated motor car from 37.5 percent to 15 percent and supplementary duty on CNG-operated four stroke three wheeler from 25 percent to 10 percent. The government will continue to allow import of CNG-operated double decker at zero percent and CNG-operated single decker at 7.5 percent customs duty as they are considered environment-friendly. However, I propose to impose 30 percent supplementary duty on two-stroke motorcycle in CBU condition, which is being treated as environment polluting.

**Mr. Speaker, Sir,**

68. The erstwhile government had imposed an unusually high rate of supplementary duty on the import of motorcar. As for example, the tax incidence on import of a 1300 cc motorcar was about 106 percent, in the case of 1650 cc motorcar 169 percent and in the case of 2700 cc motorcar 256 percent. Justification could be given in favor of imposition of such a high rate of supplementary duty on the ground of protecting the interest of the local car manufacturing industry, if there could be any. As a matter of fact, it was done to encourage the import of motorcar in a massive scale from a specific neighboring country and it appears that the import of motorcar from that country has shown significant increase over the past few years. Moreover, as a result of high duty structure on motorcars it was impossible for the buyers in general to buy a new motorcar excepting a rich few in the high income group. As a result, there has been a manifold increase in the import of old motorcars in comparison to that of new ones. This has led Bangladesh to become the market for the old and discarded motorcars in this region, not to speak of the environmental damage it has caused. Although motor cars up to 5 years of age were permissible for import, many motor cars which were actually more than 5 years old and scrap in nature, were imported by fraudulently altering the chassis and engine number plates evading detection by Customs officials. Since the fuel consumption of such old cars, and their maintenance and repair cost are very high, and these cars being susceptible to quick wear and tear, their maintenance through huge import of spare parts, adds pressure on hard earned foreign currency. In our neighboring countries, even in Sri Lanka, import of old motorcar has already been banned. For this reason I propose to impose ban on the importation of old motorcars from the date of the announcement of this budget speech. The Ministry of Commerce and the Ministry of Environment and Forest have extended their support to our proposal for banning old cars. In the same light, I also propose to completely rescind the existing standing order,

which allows depreciation in the assessment of old and used motor cars.

**Mr. Speaker, Sir,**

69. With a view to enabling the general people to purchase new car, I am proposing the following measures to completely withdraw supplementary duty on import of motor cars up to 1649 cc, impose 20 percent supplementary duty on motor cars between 1650 cc and 2699 cc and 60 percent supplementary duty on motor car of 2700 cc and above. The result of such proposals on tax incidence would be as under:

Description of the motorcar	Existing tax incidence	Proposed tax incidence
Upto 1649 cc	125%	59% (Less than half of existing incidence)
1650 to 2699 cc	232%	89% (Less than half of existing incidence)
2700 cc and above	256%	150%

It is hoped that acceptance of the above proposal will help one to purchase a new car at a price close to the price of an old or reconditioned car. This will result in protecting the environment, save on misuse of hard-earned foreign currency spent on purchase of fuel, helping the buyers in general to reap the benefit of using a new car.

**Mr. Speaker, Sir,**

70. In order to rationalize the duty structure of all other types of motor vehicles, I propose to restructure the existing rates of import duty on the double decker bus (non CNG), single decker bus having a seating capacity of 40 or more (non CNG), motor vehicles having a seating capacity not more than 40 (like minibus) and motor vehicles having a seating capacity not more than 15 (like human hauler), completely build up (CBU) trucks, pick-ups and delivery vans, completely knocked down (CKD) trucks and pick-ups and the chassis fitted with engine of the above motor vehicles. Particulars of the above restructuring is given in Annexure "G". On the other hand, considering the important contribution of the agricultural sector I propose to withdraw existing 5 percent import duty on the CBU tractors. It is hoped that the farming community engaged in the agriculture sector will be immensely benefited by this measure.

**Mr. Speaker, Sir,**

71. I propose to increase the import duty of tyres used in motor cars and bus-trucks from 25 percent to 32.5 percent and to withdraw 5 percent supplementary duty. On the other hand, I propose to withdraw 10 percent and 5 percent supplementary duty applicable on the motor cycle tyres and bicycle tyres respectively. In order to protect the interest of the local bicycle industry I propose to increase the existing import duty on the bicycle tyres from 25 percent to 32.5 percent. In order to give more protection to this industry, I propose to reduce the existing import duty on raw materials of tyre-tubes, like bicycle tube valve and plated or coated non-alloy steel wire from 15 percent to 7.5 percent.

72. I propose to withdraw supplementary duty, where applicable, or recast the import duty of crude coconut oil, potato starch, manioc starch, white petroleum jelly, other centrifugal pumps excepting pumps made of cast iron, red lead and orange lead oxide, magnesium sulphate, xylene, polypropylene, POY and parts of trailers and semi trailers, which are treated as industrial raw materials. I also propose to recast existing rates of import duty or supplementary duty, where applicable, of plywood, alum, sulfuric acid, fly ash, vinyl chloride, vinyl acetate, lubricating oil, glass bangles, co-axial cable as well as other cables, electric bulb and chromated copper arsenate in order to protect the interest of the local industry. Details of these proposals is given in Annexure "G".

**Mr. Speaker, Sir,**

73. Keeping in conformity with the existing tariff rate of the neighboring countries, I propose to increase customs duty on raw silk and silk yarn from 15 percent to 22.5 percent and customs duty on scrap vessel from 5 percent to 15 percent. It is worthwhile to mention that withdrawal of 2.5 percent license fee on all these items have already been proposed.

74. The existing rates of customs duty and supplementary duty on refrigerator is 25 percent and 30 percent respectively which in the case of air conditioner is 37.5 percent and 42.5 percent. I propose to completely withdraw applicable supplementary duty on refrigerator and to reduce supplementary duty on air conditioners to 30 percent. At the same time the measures which

have been taken to protect the refrigerator & air conditioner assembly industry in the country have been shown in Annexure "G".

**Mr. Speaker, Sir,**

75. To help and promote industrialisation in the country I propose to include industrial blower, electrical burglar and fire alarm in the SRO meant for capital goods/equipment. At the same time I propose to exclude trailer and semi trailer from the same SRO on capital goods. I propose also to issue an SRO by bringing amendment in the existing exemption SRO on pharmaceutical raw materials as well as to bring few amendments in the existing baggage rules.

**Mr. Speaker, Sir,**

76. Extensive bond facilities were given to the export-oriented garments industries, which, later, were gradually extended to other sectors. As a result, import of industrial raw materials and accessories used by the export oriented garments, leather, frozen foods and other export-oriented industries had increased tremendously. But this bond facility had widely been misused for the last few years. As a result PVC, polypropylene, polyethylene, paper and paperboard, dye and chemicals, various industrial accessories and raw materials which are imported free of duty and taxes were being sold to the local market. Hence, the government has been loosing a huge amount of revenue. On the other hand, the local manufacturing units are on the verge of closure due to uneven competition. The duty draw back system has long been introduced to protect the interest of the export-oriented industry and many of such export-oriented industries are enjoying the duty drawback facilities. However by circumventing the bond facility, many items imported irregularly in excess are being clandestinely sold in the local market evading duty and taxes. In order to redress the situation the list of raw materials and their quantity used in such bonded factories needs to be recast. The bond facilities given to goods will be required to be reduced which may easily enjoy the duty drawback facility. On the other hand, to arrest the leakage of the evasion of huge amount of revenue and for the interest of protecting the local accessories industry effort will be given to continue the existing bond facilities to a limited extent only to those goods, raw materials, accessories and intermediate goods which are not produced indigenously.

**Mr. Speaker, Sir,**

77. A good number of enterprises, called the diplomatic bonded warehouses, have been supplying foreign made cigarettes, alcoholic beverages and other consumable goods to the diplomats and privileged persons since long. Needless to say that there is almost no control by the concerned authority over the activities of the diplomatic bonded warehouses. As a result they are misusing the present operational procedures. It may be mentioned here that different foreign missions through their commissariats import these goods (cigarettes, alcoholic beverages & consumable goods and food items) and for this purpose they have their own management. Moreover, the hotels (Sonargaon, Sheraton, Purbani, Agrabad etc.), private clubs and Bangladesh Parjatan Corporation also import these goods to fulfill their own requirements. Under the circumstances, the need for the operation of diplomatic bonded warehouse is not felt so essential. Therefore, in order to limit the activities of the diplomatic bonded warehouses, stop the evasion of huge amount of revenue and prevent the misuse of hard earned foreign currency, I propose the following steps:

- Annual entitlement of the diplomatic bonded warehouses to be reduced by 50 percent.
- Existing facilities may be continued only to the foreign citizens who are diplomats and are treated as diplomats under the Vienna Convention; and to the foreign citizens who work in the UN bodies, international organizations (WB, IMF, ADB, IDB etc) and similar organizations (USAID, DANIDA, JICA, DFID, CIDA, SIDA etc.).
- Henceforth this facility would no longer be extended to anyone excepting the persons mentioned above; and in the case of the persons who are already enjoying the existing facilities, the duty-free entitlements shown in their passbook would be reduced by 50 percent.
- In future the ministries or divisions of the government will not enter into any agreements

wherein the foreign consultants, experts or persons may enjoy duty-free facility. If such facilities are at all to be given, the applicable duty-tax will have to be borne by the ministry or division concerned.

**Mr. Speaker, Sir,**

78. ASYCUDA ++ is being introduced to modernize customs administration and simplify customs procedure through the assistance of Customs Administration Modernization Project. This system has already been introduced in ICD, Kamapur and it will be introduced in Dhaka and Chittagong Customs House as well as other customs houses and customs stations gradually. This system will make the assessment procedure transparent and reduce corruption. At the same time importers and the trade community will enjoy the benefit of quick clearance. Again, with an objective to bring dynamism in the customs administration I propose to amend some of the provisions of the customs Act, 1969 (IV of 1969) and to insert some new provisions therein. In order to make the First Schedule of the customs Act compatible with the changes brought in the Harmonized Coding System by the World Customs Organization I propose to replace the existing First Schedule with the amended version.

**VALUE ADDED TAX AND SUPPLEMENTARY DUTY**

**Mr. Speaker, Sir,**

79. I have already mentioned in my speech that in 1991 our BNP government introduced VAT in the country for the first time and this very tax system has made positive contribution to the national exchequer, which is now considered as one of our main source of internal revenue.

**Mr. Speaker, Sir,**

80. Keeping in view our goal to achieve economic prosperity, I am now presenting some proposals regarding VAT and Supplementary duty, before this august parliament for its kind consideration:

**Mr. Speaker, Sir,**

81. Present govt. believes that economic independence can be achieved through agricultural development and its proper expansion. To make raw materials and agricultural machinery easily available, I am proposing to fully withdraw VAT on tractor, power-tiller, aerator and full fat Soya-bean both at import and local production stage. For the same reason, I am also proposing a total withdrawal of VAT on electricity used for irrigation purposes and on home made gur (raw sugar).

82. At present, in case of transfer of land and apartment, the buyer has to pay about 30% taxes comprising of registration fee, stamp duty, income tax, VAT, development fee and municipal tax etc. As a result, many of them, in order to reduce the tax burden, suppress the real value of the purchase. Although there exists the possibility to realize VAT worth about Tk. 40 crore annually from the above-mentioned sector, keeping in mind the benefit of the general public, I hereby propose a total withdrawal of VAT from these sectors. At the same time, I propose to reduce this tax to 13.5% after abolition of VAT and reduction in rates of other taxes. I hope that as a result of the tariff concession long-standing problem of registration of land and building will be minimized.

**Mr. Speaker, Sir,**

83. To remove difficulties regarding input credit in some service sectors of VAT, nine truncated base value were fixed. This sort of different base value is a distortion, but considering the nature and extent of the services, I now propose three truncated rates of 2.25%, 4.5% and 5.00%. As a result of these steps, the govt. will stand to lose Tk. 25 crore (approximately). In addition I am proposing to withdraw truncated base value for goldsmith and silversmith sector in its present form and proposing 15% VAT on making charge only. These proposals are being placed before this august parliament for better transparency and as an incentive for the taxpayers.

**Mr. Speaker, Sir,**

84. Although "travel agency" and "Body building of buses and trucks" were in the gambit of VAT, they are at the moment, enjoying exemption. Since other similar sector is paying VAT, it should be applicable to above mentioned service sector also. In order to remove this anomaly, I am proposing to withdraw the exemption on "Body building of bus and truck" and "travel agency" sector.