

Star BUSINESS

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Introduce
advance income
tax for TIN
opening
Say tax lawyers
STAR BUSINESS REPORT

Income tax lawyers yesterday
demanded introduction of Tk 1,500
advance income tax while opening
TIN (tax identification number).

They also demanded reintroduction
of wealth tax. The lawyers were
speaking at a press conference at
the National Press Club in Dhaka
yesterday.

They also demanded mandatory
disclosure of income sources of
political parties and bring the
income under the tax net.

"Bringing political parties under tax
network will help increase the revenue
of the government," Md Zahir Hossain,
president of Jatiya Kar Anjib Samity
(association of income tax lawyers),
said at the conference.

Zahir said the government can
increase its annual revenue by introducing
mandatory submission of bank
statements in tax returns.

**KSA starts
offering 60-day
tourist visas**
PTI, Dubai

Saudi Arabia has started issuing
group visas, through licensed tour
operators, to foreign nationals
intending to visit the Kingdom.

Tourist visas could be obtained for
a maximum period of 60 days.
Generally visas are issued in accordance
with the tour programme, Ahmed Al-Eissa, director general for
licences and quality at the Supreme
Commission for Tourism (SCT), said.

The SCT has decided to issue
tourist visas, through licensed tour
operators, as part of its efforts to attract
1.5 million tourists a year by 2020,
excluding the millions who come on Haj
and Umrah pilgrimages.

FBCCI wants review of higher duties on raw materials

Seeks measures against traders involved
with unusual price hike

STAR BUSINESS REPORT

Federation of Bangladesh
Chambers of Commerce and
Industry (FBCCI) has hailed most of
the new budget proposals, but it
asked the government for reconsidering
the increased duties on industrial
raw and intermediate materials.

The apex trade body at a post-
budget press conference at the
Federation Bhaban in Dhaka yesterday
also advocated keeping intact the current duty structure in
the next fiscal year's budget.

"Due to the enhancement, the
duties on capital machinery or raw
materials of 1600 items will be
raised to 10 percent, which will
ultimately have an adverse impact
on the local industry," Mir Nasir
Hossain, the FBCCI president, said,
adding that the FY '08 budget would
have been a 'realistic and complete'
one, had the government paid heed
to the trade body's recommendations
on duty structure.

On the sugar prices that soared
as an immediate effect of the pro-
posed specific duty on the item,
Hossain said usually the price
should not be hiked, as the duty
comes into effect next month.

He pleaded for stern measures
against the traders involved with
such an unusual price hike.

The FBCCI chief lauded the
government move to take the liability
of Bangladesh Petroleum
Corporation's (BPC) loss of Tk
7,523 crore.

He, however, remarked that
collection of a huge amount through
bond in a span of one year might
create an extra pressure on the
economy.

"The government should extend
this timeframe for collecting the
money, instead of one year,"
Hossain suggested.

Pointing to the fact that the



Mir Nasir Hossain (R), president of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), gestures as he speaks at a post-budget press conference in Dhaka yesterday.

number of sick industries in the
private sector is also big, the FBCCI
president said the government
should earmark a block
allocation for rehabilitating such
industries.

Hossain praised imposition of 45
percent corporate tax in general,
and in particular 35 percent for the
companies listed with stock
exchanges. He said like cell phone
operators, the non-governmental
organisations should also be
brought under corporate tax structure.

"There is a need to bring the
NGOs under tax net considering
their investment," he pointed out.

He thought that government
announcement of off-loading
shares of a number of companies
from power, telecommunication and
energy sectors will meet the require-
ment of good shares and further
develop the capital market.

Demanding annulment of the
provision of collecting Tk 1,000
from the traders by the city corporations
for issuance of licences, the

FBCCI chief said it is a burden,
especially for the small and margin
level businesses.

He also urged the government to
make a second thought on the budget
proposal that asked for withdrawal
of zero duty on computer and
computer accessories.

Hossain sought the facilities that are
offered to the investors in the
export processing zones (EPZs)
also for other investors.

He said the target of achieving 7
percent GDP growth, increased
allocation in the power sector,
reduction in import duty on essentials
including rice, wheat, edible oil,
lentil, onion, peas and gram, with-
drawal of industrial development
surcharge, widening the tax net,
withdrawal of advance income tax
on credit card and raising duty on
formalin and stearic acid are praise-
worthy proposals.

WISE is working for both rural
and urban underprivileged women,
Rokia said, adding that initiatives
will be taken to provide capital for
the mothers from low-income families
and market their products by
giving them training.

BMS and ActionAid, a develop-
ment agency that helps fight poverty,
have funded the training
programme.

AN ANALYSIS OF THE NATIONAL BUDGET FOR FY2007-08

The analysis is prepared under the CPD (Centre for Policy Dialogue) programme: Independent Review of Bangladesh's Development (IRBD)

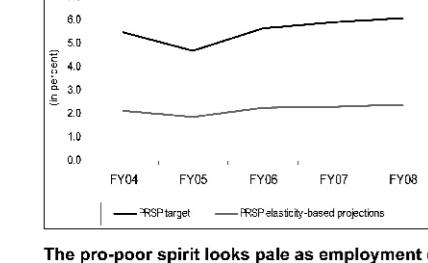
CONTINUED FROM JUNE 9

Centre for Policy Dialogue (CPD)

II. GROWTH, SAVINGS, INVESTMENT AND EMPLOYMENT

Assessing the Performance of PRSP

Growth Rate of Total Employment:



- ❑ According to the PRSP projections, the growth rate of employment is 6.08% in FY08
- ❑ Whereas it is only 2.38% according to the elasticity approach.

The pro-poor spirit looks pale as employment creation turning out to be the major challenge for the government.

Budget FY08: There was no mention about the employment situation of the country.

III. PUBLIC FINANCE

Revenue Earnings

❑ The government has targeted to collect Tk 57301 crore as revenue in FY08 i.e. Tk 7829 crore (15.8 %) more than the matching figure for FY07 (revised).

❑ Revenue-GDP ratio and Tax-GDP ratio for FY08 are targeted at 10.8 % and 8.6 % respectively (10.5% and 8.4% in the revised budget of FY07).

PRSP target for FY08

- ❑ Revenue-GDP ratio: 11.6 %
- ❑ Tax-GDP ratio: 9.6 %

The Revenue-GDP and the Tax-GDP ratio targets have to remain modest due to successive non-implementation in FY06 and FY07.

III. PUBLIC FINANCE

Public Expenditure

❑ Total public expenditure budget of FY08 amounts to Tk 87331 crore (25.2 % higher than the original and 28.8 % higher than the revised budget of FY07).

❑ Total public expenditure as a percentage of GDP stands at 16.4% in FY08 (14.3 % in the revised budget of FY07).

❑ PRSP target for FY08 is 15.3 % of GDP (15.0 % for FY07)

❑ Share in total expenditure:

- ❑ Non Development Revenue expenditure – 55.5 % (63.1 % in FY07)
- ❑ ADP 30.4 % (32.3 % in FY07)
- ❑ Other expenditures 12.4 % (3.0 % in FY07)

III. PUBLIC FINANCE

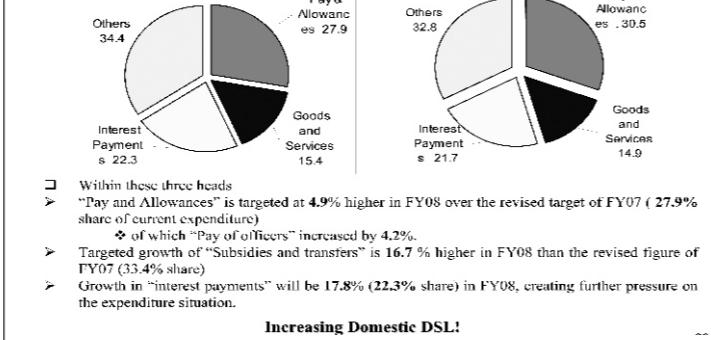
Public Expenditure

Sector-wise Distribution of Total Expenditure (Non Development and Development)

| Sector | FY07 (Revised) | FY08 (Budget) | Change in FY008 B over FY007 |
|---|----------------|---------------|------------------------------|
| | Crone Tk | % | |
| Public Services | 6201.0 | 9782.0 | 3581.0 57.7 |
| Fuel and Energy | 3034.0 | 4586.0 | 1552.0 51.2 |
| Industrial and Economic Services | 503.0 | 694.0 | 191.0 38.0 |
| Social Security and Welfare | 2918.0 | 3893.0 | 975.0 33.4 |
| Agriculture | 5316.0 | 6891.0 | 1575.0 29.6 |
| Housing | 581.0 | 731.0 | 150.0 25.8 |
| Recreation, Culture and Religious Affairs | 757.0 | 938.0 | 181.0 23.9 |
| Interest | 9154.0 | 10785.0 | 1631.0 17.8 |
| Transport and Communication | 5953.0 | 7000.0 | 1047.0 17.6 |
| Education and Technology | 10899.0 | 12369.0 | 1470.0 13.5 |
| Health | 4957.0 | 5470.0 | 513.0 10.3 |
| Public Order and Safety | 4373.0 | 4754.0 | 381.0 8.7 |
| LGRD | 7342.0 | 7472.0 | 130.0 1.8 |
| Defence Services | 5397.0 | 5469.0 | 72.0 1.3 |
| Total Expenditure | 67385.0 | 80834.0 | 13449.0 20.0 |

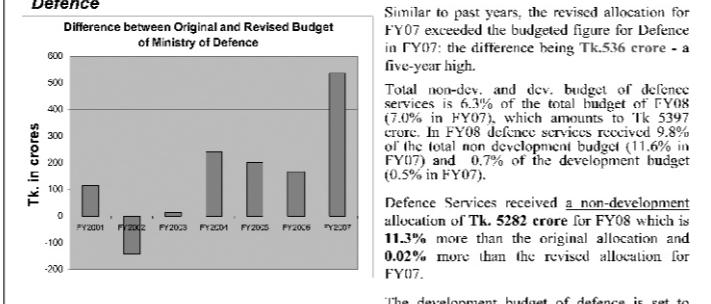
III. PUBLIC FINANCE

Public Expenditure: Revenue Expenditure



- ❑ Within these three heads:
 - Pay & Allowances is targeted at 4.9% higher in FY08 over the revised target of FY07 (2.7% share of current expenditure)
 - of which "Pay of officers" increased by 4.2%
 - Targeted growth of "Subsidies and transfers" is 16.7% higher in FY08 than the revised figure of FY07 (3.4% share)
 - Growth in "Interest payments" will be 17.8% (22.3% share) in FY08, creating further pressure on the expenditure situation.

Increasing Domestic DSL:



Defence expenditure for Bangladesh stood at 1.05% of GDP in FY07, compared to a projected 2.84% for Pakistan and 1.81% for India for the matching period.

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Revenue Earnings

Revenue-GDP Ratio of South Asian Countries

Tax-GDP Ratio of South Asian Countries

PRSP target for FY08

Revenue-GDP ratio: 11.6 %

Tax-GDP ratio: 9.6 %

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III. PUBLIC FINANCE

Budget Deficit and Financing

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