

Star BUSINESS

E-mail: business@thedailystar.net

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.

"Brining political parties under tax network will help increase the revenue of the government," Md Zakir Hossain, president of Jatitya Kar Ainijibi Samity (association of income tax lawyers), said at the conference.

Zakir 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 licenses 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 proposed 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



PHOTO: STAR

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 have earmarked 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 requirement 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 give 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, withdrawal 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 praiseworthy proposals.

The development budget of defence is set to grow by 61.3% in FY08.

Countrywide DSE activities soon

UNB, Rajshahi

President of Dhaka Stock Exchange (DSE) Md Abdullah Bokhari yesterday said DSE is committed to expanding its activities across the country to infuse dynamism into the capital market.

"To expand the market, DSE would widen its automated system across the country," he told a workshop at Nanking Darbar Hall in the city.

DSE vice-president Ahmed Rashid Lali said the DSE would transact more than Tk 500 crore in three years' time through enlisting of telecommunications and power companies in the market.

Entrepreneurship training for women

Women in Small Enterprises (WISE) and Bangladesh Mahila Samity (BMS), a women's association, yesterday organised a daylong training programme on 'How to Start Business' for the members of Baishakhi Mothers' Club, which comprises of the mothers from lower middle-class families.

A total of 30 members of the club participated in the training course, says a press release.

Rokia Afzal Rahman, president of WISE, inaugurated the programme while Begum Selina Khaleque, president of BMS, and Samia Ahmed, representative of ActionAid Bangladesh, among others, were present.

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 development agency that helps fight poverty, have funded the training programme.

G8 calls for rapid resumption of Doha trade talks

AFP, Heiligendamm

The Group of Eight nations called Friday for a rapid resumption of the Doha round of world trade talks, which have been stalled for a year on the issue of agricultural subsidies.

It was a "subject of the greatest possible importance," in particular with a view to "safeguarding fair trading conditions for developing countries," G8 host, German Chancellor Angela Merkel said, wrapping up three days of talks here.

"We're now entering into a truly decisive phase," Merkel said,

adding that she felt "a high degree of willingness" within the G8 to reach a solution to relaunch the talks.

In a joint declaration issued at the end of the summit, the world's richest nations -- Britain, Canada, France, Germany, Italy, Japan, Russia and the United States -- said they "expect negotiators to make all necessary efforts ... to achieve a breakthrough in time."

The six-year-old negotiations over the Doha round of World Trade Organization (WTO) talks were resuscitated in early 2007 after stalling a year ago.



PHOTO: WISE

Rokia Afzal Rahman, president of Women in Small Enterprises (WISE), speaks at a training programme on 'How to Start Business' organised yesterday for the mothers from lower middle-class families.

AN ANALYSIS OF THE NATIONAL BUDGET FOR FY2007-08

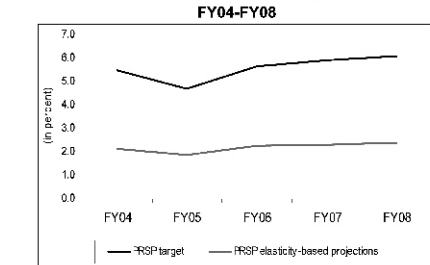
The analysis is prepared under the CPD (Centre for Policy Dialogue) programme: Independent Review of Bangladesh's Development (IRBD)

CONTINUED FROM JUNE 9

II. GROWTH, SAVINGS, INVESTMENT AND EMPLOYMENT

Assessing the Performance of PRSP

Growth Rate of Total Employment: FY04-FY08



- 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)

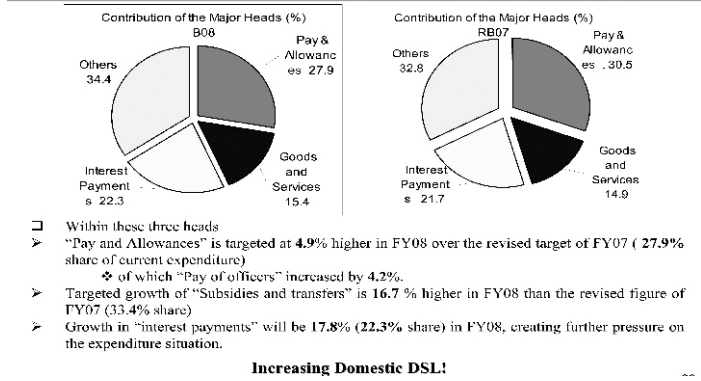
III. PUBLIC FINANCE

Public Expenditure

Sector-wise Distribution of Total Expenditure (Non Development and Development)				
Sector	FY07 (Revised)	FY08 (Budget)	Change in FY2008 B over FY2007 R	%
Public Service	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	2916.0	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
LGSD	7342.0	7472.0	130.0	1.8
Defence Services	5397.0	5469.0	72.0	1.3
Total Expenditure	67365.0	80834.0	13469.0	20.0

III. PUBLIC FINANCE

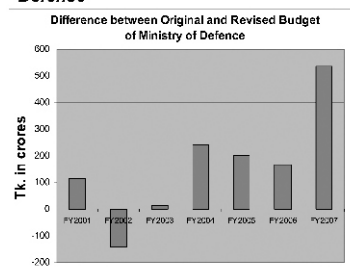
Public Expenditure: Revenue Expenditure



III. PUBLIC FINANCE

Public Expenditure

Defence



Similar to past years, the revised allocation for FY07 exceeded the budgeted figure for Defence in FY07: the difference being Tk.536 crore - a five-year high.

Total non-dev. and dev. budget of defence services is 6.3% of the total budget of FY08 (1.0% in FY07), which amounts to Tk 5397 crore. In FY08 defence services received 9.8% of the total non development budget (11.6% in FY07) and 0.7% of the development budget (0.5% in FY07).

Defence Services received a non-development allocation of Tk 5282 crore for FY08 which is 11.3% more than the original allocation and 0.02% more than the revised allocation for FY07.

The development budget of defence is set to grow by 61.3% in FY08.

III. PUBLIC FINANCE

Budget Deficit and Financing

	RB07	B08
Revenue Earnings	Cr. 48472	Cr. 57301
% of GDP	10.8	10.8
Total Expenditure	68836	87331
Non-ADP Expenditure	45236	60637
Liabilities of Government (from BPC)	21600	7523
Annual Development Programme	5183	6305
Overall Deficit (excluding grants)	17364	29836
Financing		
Domestic	10031	19276
Bank	6531	7253
Non-Bank	3500	4500
Non-Cash Bond (Liabilities of BPC)	0.0	7523
Foreign	7333	10560
Foreign Grants	2150	4255
Aid Requirement	5183	6305
Aid Requirement (min US\$)	740	801

- Budget deficit (excl. grants) has been estimated at Tk 29,836 crore (5.6% of the GDP) for FY08 (Tk17,364 crore in revised budget of FY07, 3.7% of GDP).
- PRSP target of budget deficit for FY08 has been set much lower at 3.7% of GDP. Even without BPC, the fiscal deficit is set to increase to 4.2% of GDP.

III. PUBLIC FINANCE

Budget Deficit and Financing

- Share of domestic financing will be 64.6%:
 - Tk 7253 crore (37.6%) of domestic financing will be from the banking system (Tk 6531 crore or 70% in revised budget of FY07).
 - Tk4500 crore (23.3%) will be from non-bank instrument (Tk3500 or 30.0% in revised budget of FY07).
 - Share of foreign financing will be 35.4% in FY08 (40% in the revised budget of FY07).
 - Net foreign aid requirement will be around \$900 mn which is 21.6% more than that of FY07 (\$740 mn).
 - Gross foreign aid requirement (after repayment) will be around \$1.5 bn.
- Mobilising foreign resources will be a major challenge for the upcoming fiscal

IV. FISCAL MEASURES

Trends in fiscal measures for FY08

- Integration of tariffs and quasi-tariffs
- Re-fixation of tariff slabs
- Harmonisation of Supplementary Duties
- Upward revision of taxable income
- Significant reduction of zero-duty tariffs (except for ones on essential items)
- Widening of VAT net
- Discrete institutional streamlining

IV. FISCAL MEASURES

Tax and Duty Measures

Income Tax

- Voluntary disclosure of untaxed legal income within 60 days upon payment of regulatory tax plus 5% penalty.
- Enhanced tax-exempted income limit for individual tax payers from existing Taka 1 lakh 20 thousand to Taka 1 Lakh 50 thousand.
 - Increases disposable income of the consumers and moderate the impacts of inflation.
 - No information on the slabs.
- Discontinuation of special tax treatment specified for land, apartment and motor vehicles purchase.
- Abolition of the provision for deduction of tax at source on credit card bill.
 - Likely to increase consumer spending.
- The Mobile Phone Operator Companies' to be charged tax rate of 45 percent unless converted into publicly traded companies.
 - Persuade the firms to enter the stock exchange and boost the equity market.
- 15 percent tax rebates for private universities and research institutions registered under Trust Law. *Taxing knowledge!*

IV. FISCAL MEASURES

Tax and Duty Measures

- Imposition of tax deductible at source at the rate of 0.25 percent on all export earnings which will be considered as tax finally paid.
 - Simplified tax payment for exporters. May come at the cost of loss of potential revenue loss from the larger exporters.

Indirect Tax:

- Abolition of 4% Infrastructure Development Surcharge (IDSC).
- Harmonization of Tariff Structure:
 - Introduction of duty slabs at 10% instead of 5%, 15% instead of 12% and 25%.
 - Increased cost of import for the first two slabs. However, removal of 4% IDSC is expected to outweigh this cost.
- Assimilation of two different slabs of supplementary duty from 15% and 25% to 20%.
 - Will simplify duty structure
- Reduction of existing supplementary duty of 25 percent and 65 percent to 20 percent and 60 percent respectively.
 - Will reduce cost of import

IV. FISCAL MEASURES

Tax and Duty Measures

Indirect Tax

- Protection of Consumers' Interest
 - Customs duty removal from crude edible oil and lentils.
- Zero duty on fertilizers for the farmers.
 - Stabilize the price situation.
- A hike in the specific duty rate on raw sugar from Tk2250 to Tk4000.
 - To protect the local sugarcane growers and avoid mis-declaration.
- Trade Liberalization:
 - Trade liberalization addressed through
 - The withdrawal of 4% IDSC
 - Reduction of existing supplementary duty
 - Removing customs duty on Electronic Cash Registers.

V. PRICE STABILISATION MEASURES

Budget Proposals on Inflation

- Reasons:
 - Various domestic as well as international issues contribute to the recent price hike. CPD study made an attempt to identify the reasons behind the creeping inflation, particularly food inflation.
- Possible Strategy to cope with inflation:
 - Type of measures in terms of intervention level:
 - Market based intervention
 - Non-market measures
 - Institutional reforms
 - Expected outcomes from these initiatives:
 - Increase supply of essential commodities with increased import and high production.
 - Reduction of production and import cost
 - Efficient marketing system to reduce the number of market intermediaries and continue temporary measures like CMS by BDR, TCB, Food Directorate and establishment of Open Market (Ummuka bazar) for various market intermediaries should be included.
 - Price support measures to consumers. Dearness allowance for the public servants and widening the Social Safety Net Programmes (e.g. FFW, VGD, TR, GR)
- Pursue price-stabilisation approach to decrease price volatility in the short-term, production and productivity growth in medium-term. Keep an eye on monetary growth.

V. PRICE STABILISATION MEASURES

Budgetary Measures to Fight Inflation: Intervention Types and Expected Outcomes		
Measures	Intervention Type	Expected Outcome
Establishment of Task Force at national and district level to review prices of essential commodities regularly	Institutional Measures	Effectiveness of market
Inter-ministerial monitoring committee to analyse price situation of essential commodities and making recommendations.	Institutional Measures	Effectiveness of market
A legal framework to protect the consumers' rights.	Institutional Measures	Effectiveness of market
More markets of agricultural products to make it competitive	Market Based Measures	Effectiveness of market
Four wholesale markets in Dhaka city.	Market Based Measures	Effectiveness of market
Strengthen BDR's Dal-Bhat programme.	Market Based Measures	Increased Supply
8 lakh tons of food grains imports by public sector.	Market Based Measures	Increased Supply
Intensify internal procurement of food grains.	Market Based Measures	Increased Supply

V. PRICE STABILISATION MEASURES

Budgetary Measures to Fight Inflation: Intervention Types and Expected Outcomes		
Measures	Intervention Type	Expected Outcome
Intensify internal procurement of food grains.	Market Based Measures	Increased Supply
Withdrawal of customs duty on crude edible oil and lentils and continuation of duty free benefit on rice, wheat, onion, mator dal and cholla dal.	Non Market Based Measures	Cost Reduction
Existing supplementary duty has been reduced from 25% and 65% to 20% and 60% respectively.	Non Market Based Measures	Cost Reduction
Commercial Banks to provide credit facilities on softer terms to new importers.	Non Market Based Measures	Effectiveness of market and cost reduction
Withdrawal of the provision of annual renewal of VAT registration by commercial importers.	Non Market Based Measures	Cost reduction
Increased coverage and the amount of individual grants under the Social Safety Nets Programme	Non Market Based Measures	Increased Supply and price support
Higher research allocation in the agricultural sector.	Non market based Measures	Increased Supply
6 lakh MT tons of foodgrains will be distributed through TR, GR, FWP and VGD	Market based measures	Increased Supply

Other mid-term budgetary measures to fight inflation are discussed under sectoral issues

V. PRICE STABILISATION MEASURES

What else could be done...

- Immediate Measures:
 - Enact the law 'Supply and Regulation of Essential Commodities Ordinance (2007)' with a powerful implementing agency.
 - More OMS initiatives by BDR, TCB, Food Directorate and private entrepreneurs
 - Reduce the production cost: increase the electricity usage to the agricultural sector through load management.
 - Restore business confidence in the market
 - Mandatory display of MRP
 - Reduce financial charges and decrease the buying-selling difference of USD and BDT.
 - Prepare the market for upcoming Ramadan
 - Reduce Transportation Cost
 - Medium Term Measures:
 - Promote Producers' Marketing Association
 - Strengthen TCB as a modern corporate organization.
 - Terminal Markets with 'hub and spoke' format needs to be established for the perishable goods
 - Establishment of an Advanced Agri-Portal.
 - Establishment of a national storage policy
- We found that majority of CPD's recommendations to tackle the price hike of essential commodities have been reflected in the Budget. TO BE CONTINUED