

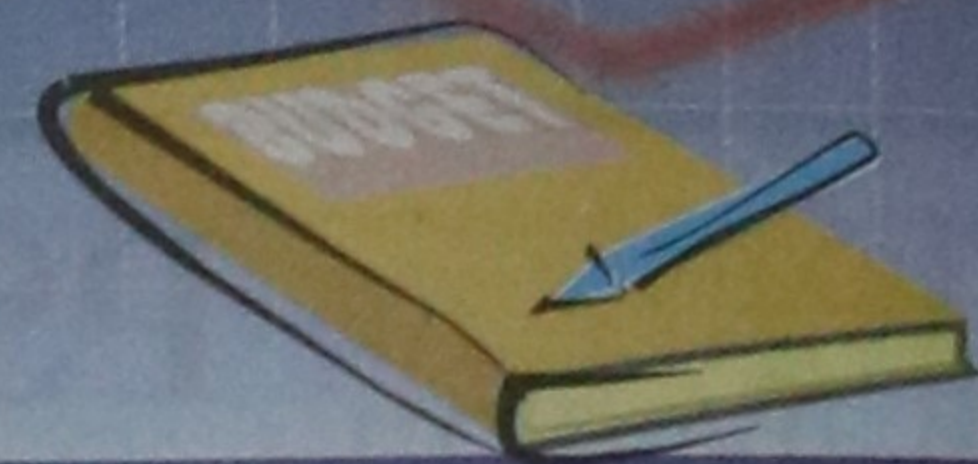


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BUDGET SPECIAL

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4-tier customs duty structure proposed

STAFF CORRESPONDENT

The caretaker government yesterday proposed transforming the current three-tier customs duty structure into a four-tier one.

Finance Adviser Mirza Azizul Islam in his budget speech proposed keeping the rate of duty at 25 percent as the highest slab for finished products and zero percent on food items, fertiliser, medicines and raw cotton like the previous fiscal year.

He also proposed further reduction in concessionary rate of duty on capital machinery and spares from five percent to three percent and reduction in duty on basic raw materials from 10 percent to seven percent and on intermediate raw materials from 15 percent to 12 percent.

The adviser proposed repealing the indemnity bond system and replacing it with a concessionary rate of one percent customs duty.

"In the interest of quick clearance and simplification of customs procedure of imported machinery and spares by the export-oriented enterprises for importation of machinery for textile industries, similar benefit of one percent concessionary rate and for importation of some other spares and inputs, special rate of three percent in lieu of five percent is proposed," the adviser added.

Besides, he suggested amendment to the First Schedule of Customs Act 1969 for the simplification of customs appraisal and cut in discretionary powers of tax officials.

"Some descriptions of goods have been made more specific, while a number of HS codes has been merged or split and some such codes have been created. I propose to amend some of the sections of the customs act," the adviser said.

Meanwhile, the government will take up a massive reform, expansion and reorganisation programme for the administrative structure of income tax and value added tax (VAT) and Customs Department in order to modernise the revenue administration.

"Process is underway for issuance of online registration for VAT. We expect that these measures should simplify the procedures of payment and collection of revenue and increase the efficiency, dynamism and transparency of revenue administration," Mirza Aziz said.

In FY 2007-08, special importance was attached to encourage voluntary compliance of VAT regulations among the taxpayers by way of expansion of self-assessment system and revision of VAT Act and Rules for further simplification and accountability.

The finance adviser said the policy shall continue in FY 2008-09 as well.

3-year tax exemption for software, call centres

STAFF CORRESPONDENT

Software development, data processing and entry and call centre business will get a three-year tax exemption with effect from July 2008.

However, the ICT (information communication technology) stakeholders demanded such an exemption for a period of 10 years.

"To keep the income emanating from computer software development, data processing and entry and call centre, I propose these sectors tax-free from July 1, 2008 to 30 June 2011," said Finance Adviser Dr Mirza Azizul Islam in his budget speech yesterday.

In order to enhance investment in this sector the adviser proposed allocation of Tk100 crore to the IT Equity and Entrepreneurship Fund.

He said to ensure an easy access, relevant agencies including the Bangladesh Computer Council will be involved in the process of channeling this fund.

Mirza Aziz also proposed to reduce the duty on computers and its peripherals to 3 percent from the existing rate of 5 percent.

He, however, proposed a 30 percent increase in the rate of normal depreciation on com-

puters from 20 percent.

"We are happy with the overall proposal. But it should be revised in some cases to develop the IT sector of the country," said Habibullah N Karim, president of Bangladesh Association of Software & Information Services (BASIS).

He sought a 5-year tax exemption from software and call centres.

The BASIS chief said the proposed 30 percent depreciation on computers should be fixed at 50 percent so that software businessmen can get rid of tax burden two years after the purchase of any computer.

Karim also suggested some allocation for the development of the hi-tech park at Kaliakoir and a massive marketing for exploring the country's new software export destinations.

Regarding the first-ever hi-tech park, the finance adviser in his speech said the first phase of infrastructure work on a 231-acre hi-tech park at Kaliakoir near Dhaka will be completed by the year-end.

"Efforts are underway to attract the private and foreign entrepreneurs to make investment in this IT park," he said.



Visitors gather at a stall at a computer fair in Dhaka recently. In order to increase investment in ICT sector, the government yesterday proposed allocation of Tk100 crore to IT Equity and Entrepreneurship Fund.



A mega housing project in Dhaka. The government in the next budget proposed tax exemption on income generated from construction of multi-storied buildings outside urban areas for the next ten years.

Tax exemption on income from housing projects outside urban areas

STAFF CORRESPONDENT

Finance Adviser, in his budget speech yesterday, proposed for tax exemption on income generated from construction of multi-storied buildings located outside urban areas for the next ten years.

The multi-storied buildings outside the areas of city corporations, cantonment board, district municipalities, including municipal areas of Dhaka district, will come under the purview of the facility, the adviser said.

This decision was taken to retain the existing cultivable land and to provide inducements for investment in the development of planned housing in remote areas, the finance adviser said in his budget speech.

"Every year, we are rapidly

loosing cultivable land due to increase in construction of buildings on those lands for housing purposes," the adviser said in his budget speech, as he described the rationale behind the scheme.

Tanveerul Haque Probal, president of Real Estate and Housing Association of Bangladesh (REHAB), welcomed the government decision adding that the decision might require some adjustments.

He said, "The government is providing the facility for investing outside the municipal areas. But many areas outside municipalities are out of water and power supply facilities which the government should take into consideration."

He said the decision would encourage people to invest in housing outside the urban areas.

The adviser also said, the task of rehabilitating 65,000 landless families is well under way under the Abashon Project, being implemented under the supervision of the Chief Adviser's Office.

In the next fiscal year, the project for constructing 6,500 barrack houses along with providing training and micro-credit to 40,000 members of landless families at a cost of Tk 716 crore will be completed, the adviser said.

Besides, in the budget speech, the adviser also announced, same as the previous fiscal, the government would continue to lease khas land among landless families in 2008-09 fiscal.

The government leased out khas land to 10,000 landless families across the country in the 2007-08 fiscal.

Infrastructure projects planned to cut regional wealth disparity

STAFF CORRESPONDENT

Finance Adviser Mirza Azizul Islam yesterday announced that the government will implement a number of infrastructure projects to reduce regional wealth disparity in the country.

Azizul said the government plans on implementing the 'Strategy for Poverty Reduction in the Lagging Regions of Bangladesh' after a closer look at the long-term policy recommendations provided by a finance ministry task force.

But, the government also plans to cut funding for three projects in Chittagong Hill Tracts by Tk 25 crore, reducing the fund from Tk 105 crore to Tk 80 crore.

The proposed infrastructure recommendations include the construction of the Padma Bridge, Mongla Port development and setting up a fertiliser and a coal-fired power plant in the north.

The government's human resource development plans comprise creation of vocational training institutes in munga-prone areas, and extension of tourism facilities in the Sunderbans and Kuakata.

The government also plans to expand social safety net programmes in disadvantaged remote areas, and is prioritising projects in the char and munga-prone areas as part of a 'balanced development' programme.

Azizul noted in his budget speech that economic growth across the country has not been balanced, resulting in wealth- and income-distribution disparity among different regions.

The finance ministry task force was created to find ways to reduce the regional disparity.

Measures to cool down steel market



Steel rods are being taken to a construction site. The budget for fiscal year 2008-09 has proposed withdrawal of 15 percent value added tax on import of MS (mild steel) bar and rod.

STAFF CORRESPONDENT

Fixed duties proposed on the import of meltable and re-rollable scraps, the two raw materials for steel manufacturing, in the wake of abnormal price hike of steel products.

The government also proposed to withdraw 15 percent value added tax (VAT) on the import of MS (mild steel) bar and rod.

Presently, a 10 percent duty is imposed on the import of

meltable and re-rollable scraps.

The sector people appraised the government decision of fixing a specific duty on meltable scrap and re-rollable scrap, who however expressed dismay for not taking any decision to reduce duties on billet, the intermediate product for melting scrap and finished rod, and reducing VAT on MS bar and rod import.

"We welcome government's decision to reduce duty

on meltable and re-rollable scraps, but the budget speech of the finance adviser did not touch on the existing 10 percent import duty on billet which make local products less competitive, said Masadul Alam Masud, general secretary of Bangladesh Re-Rolling Mills Association.

"The government is keeping the duty on raw material of Rod and at the same time reducing the VAT on import of finished product which will

certainly destroy the local industry," he further said.

"If the government keeps duty on billet and withdraws VAT on the import of MS bar and rod, we will certainly become bankrupt, said a major steel manufacturer of the country, preferring anonymity.

Earlier, a government-formed committee proposed to reduce import duty of raw materials of rods to reduce rod prices in local market.