police forces may raise concerns and should be implemented with outmost transparency to stop unwarranted politicisation.

Against the above budgetary measures and aims, there are potential worries about economic devolution. Recently, Bangladesh's decentralisation dilemma has taken a new turn. We have moved from the traditional conflict between administrative and political representatives. Now the conflict is between central and local political representatives, i.e. MPs and upazila chairpersons. The major constitutional duty of an MP is to work on policy issues in the legislature, not handling the development programmes. However, given the socio-political context of the country, if the government wants to provide some spending power to the MPs, this should be done under transparent framework without undermining the duties of the upazila representatives.

Pro-growth, pro-poor taxation

The budget proposes to widen the tax net instead of increasing tax rates, increase tax on luxury consumptions while reducing tax on essential and production related items, and offers tax reduction to specific industries while withdrawing the largely misused tax-holiday scheme.

The tax rate for deductions of income tax at source against capital gain from the sale of land has been slashed down from 5 percent to 2 percent in urban areas, whereas a further reduction to 1 percent has been proposed for other areas. It has also reduced the income tax burden on senior citizens by lowering the age bar from 70 years to 65 years. While major food items and fertilisers will continue to enjoy the zero-rate tax, additional duty exemption has been offered for the import of phosphoric acid used for fertiliser production. Duty rate on books (including fictions, novel) has been reduced from 12 percent to 5 percent. More importantly, the budget has reduced the duty on basic raw materials from 7 percent to 5 percent, which will stimulate the local industries. The budget also increased the threshold level for VAT from Tk 24 lakh to Tk 40 lakh to encourage small and medium enterprises. The threshold level for imposing excise duty on bank deposits also increased from Tk 10,000 to Tk 20,000 to encourage small savers.

On the other hand, the budget imposed tax on personal cars and increased supplementary duty on the imports of luxury vehicles. In addition, 5 percent regulatory duty has been imposed on luxury items falling under 25 percent slab of duty. It increased the supplementary duty on air-conditioners and imposed 25 percent customs duty on mobile phone sets on an 'ad valorem' basis, which will increase the cost of expensive mobile phone sets. On the other hand, a reduction in corporate tax rate for mobile phone operators has been offered with a condition that they will enlist in the stock exchange as a publicly traded company.

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Overall, the changes in duty rates and duty structures seem pro-poor and pro-growth.

The bad

Recycling black money

The budget has renewed the debate surrounding the definition and importance of black money in the economy. The proponents of this black money recycling scheme are now making a distinction between illegally and legally earned un-taxed money by terming them black money and undeclared money. The opponents of the scheme however disagree with such differentiation and demand cancellation of the scheme altogether.

The black money recycling proposal overshadowed the post-budget discussions, not only on moral grounds, but predominantly on an economic standpoint. Earlier such schemes were never successful in attracting investment and only created new avenues for tax-dodgers who regularised more black money by paying less tax showing exaggerated investment programmes. Since the penalty is only 10 percent, compared to the 25 percent regular tax, the proposed scheme will encourage the honest tax payers to 'paint' their white money black to get additional tax-cuts.

The FBCCI reaffirmed their position on black money and demanded that only legally earned 'undeclared money' should be allowed into investment. The 'no question asked' clause of the scheme should then be withdrawn to scrutinise the sources of the money and Central Intelligence Cell (of the National Board of Revenue) and Anti-Money Laundering Department (of the Bangladesh Bank) should be part of this inspection process.

Given the failure of previous schemes and the uncertainty of its prolonged duration, the government should rethink the proposed scheme.