

DHAKA WEDNESDAY JUNE 9, 2010



Stocks	2.05%
DGEN	6,067.43
CSCX	2.13% 11,446.61

Asian Markets	0.18% 9,537.94
SINGAPORE	0.19% 2,746.61

Currencies	Buy Tk	Sell Tk
USD	68.65	69.65
EUR	80.77	84.76
GBP	98.14	102.39
JPY	0.73	0.78

SOURCE: STANDARD CHARTERED BANK

Commodities	Gold	\$1,244 (per ounce) (Midday Trade)
SOURCE: AFP		

## AirAsia X plans IPO

AFP, Kuala Lumpur

Malaysian long-haul budget airline AirAsia X Tuesday said it is planning an initial public offering next year to fund the acquisition of 27 new Airbus aircraft as it expands its routes.

Chief executive officer Azran Osman-Rani said the airline would become independent of AirAsia, Southeast Asia's biggest budget carrier.

# Budget: Spirits buoyant

Govt is expected to focus more on VAT, income tax

REJAUL KARIM BYRON

The government will take an expansionary policy in the next fiscal year's budget to increase investment and boost economic growth.

Big development funds apart, steps are being taken to log higher growth in the private sector. As the power crunch is the main hurdle to development, the sector will be given the top priority, and a big block allocation from the revenue budget will subsidise the sector.

The size of the next budget, to be placed in parliament tomorrow, will be Tk 132,180 crore, finance ministry officials said.

The development budget has already been increased by 35 percent to Tk 38,500 crore, compared to this fiscal year, while the size of the revenue budget is likely to go up by 12-13 percent to reach Tk 93,680 crore, they said.

The National Board of Revenue has set a growth target at 19 percent, focusing more on VAT and income tax to meet the government expenditure.

Unlike the years before, the government will set an ambitious investment target. The officials said the investment target will be fixed at 26.5 percent of GDP. The rate had been 24-25 percent for the last decade.

The growth target for private sector credit may be set at 18.2 percent to boost private investment.

Since fiscal 2007-08, GDP (gross domestic product) growth has been falling every year. In the current fiscal year, the growth is 5.54 percent, according to a provisional estimate by Bangladesh Bureau of

Tk 132,180cr

Total outlay for next fiscal year

Tk 38,500cr

Development budget: 35pc higher than this fiscal year

Tk 93,680cr

Revenue budget: 12-13pc higher than this fiscal year

Tk 39,400cr

Budget deficit: To be kept within 5pc of GDP

Statistics.

The GDP growth target has been set at 6.7 percent for the next year.

The finance ministry officials said inflation may rise next year because of the expansionary policy. Inflation will soar to 6.5-7 percent in the current year, the officials said. The targeted inflation for the next fiscal year is 6.5 percent.

About 19,000 teachers will be appointed at primary, secondary

Agriculture subsidy in the current fiscal year was Tk 4,200 crore, which will be Tk 4,000 crore next year.

The number of beneficiaries under the social safety net programmes may increase by 10 percent. The vacant government posts including those for teachers, doctors and nurses would be filled up in the next fiscal year.

About 19,000 teachers will be appointed at primary, secondary

and provisions, which will also ensure tough punishment, they said.

The officials said an increased rate of VAT at 15 percent has been imposed on about 34 types of businesses such as land development and building construction firms, theme parks, courier services providers, consulting firms, audit firms, contractors, English-medium schools and coaching centres.

Currently these businesses pay around 1.5 percent to 4.5 percent VAT.

The tax on bidi (paper-wrapped, hand-made cigarettes) will not increase, but cigarettes will see a price rise by 8-12 percent, said the officials.

In case of small and medium enterprises, the amount of turnover for tax relief may be increased from Tk 40 lakh to Tk 65 lakh.

Some untapped sectors like institutional profit in the stockmarket, and property will be brought under the tax net.

In a bid to discourage the sales of savings instruments, their interest rate may be lowered by 1 percentage point, the officials said. Earlier, the government had formed a committee headed by a deputy governor of Bangladesh Bank to set such interest rate. The committee has already submitted a report.

The finance ministry officials said, on the basis of the committee's recommendations the government will lower the interest rate of the savings instruments in the next fiscal year's budget.

**As the government is going for an expansionary policy, the economy is braced for higher inflation next year. Inflation will soar to 6.5-7 percent this year, while the targeted inflation for the next year is 6.5 percent**

crore.

The government plans 1,000-1,200 megawatts of electricity from rental power plants, along with its own.

A huge subsidy -- around Tk 2,000 crore to Tk 2,200 crore -- will go to the rental power plants, which will require at least nine months to join the national grid, and the budget will count the subsidy for about three months. The power subsidy was Tk 350 crore this year.

In the next fiscal year the size of the block allocation for the power sector may be Tk 3,900 crore, while the amount was Tk 4,288 crore this year.

and college levels, the officials said.

The budget deficit will be kept within 5 percent of the GDP. The amount would be around Tk 39,400 crore. About Tk 3,000 crore may be allocated for the public-private partnership projects.

The government earlier had a plan to overhaul the VAT (value added tax) regulations in the next fiscal year. But the officials said, instead of such an overhaul, the government will reform some areas of the two laws in a bid to increase revenue collection.

To stop VAT evasion, some major changes may be brought in the laws

## Regent Airways: Newcomer to skies

SOHEL PARVEZ

Regent Airways is set to buy two aircraft for nearly \$15 million in a bid to open flights by August.

The upcoming carrier said it signed a letter of intent with German operator Augsburg Airways to obtain two 50-seater Dash-8-Q300 aircraft, manufactured in 1999 and 2000 respectively in Canada by Bombardier Aerospace, according to the airline.

"We are likely to begin commercial flights in the first week of August," said Mashruf Habib, managing director of Regent Airways of HG Aviation Ltd.

The company is a concern of Chittagong-based conglomerate Habib Group that is into apparels, power, steel, paper and fertiliser. The Group records turnover worth over Tk 2,000 crore a year.

Regent, which already received permission to set up infrastructure for the airline, also said it aims to induct two Boeing 757-200 aircraft on dry lease for four years.

"The aircraft will be gradually deployed to operate on Regent's domestic and mid-haul routes," said Imran Asif, chief executive of Regent Airways.

Regent is the fourth entrant to the aviation market. But two of them -- Best Air and Aviana Airways -- are now grounded, mainly because of the financial crunch.

Habib said his carrier would be able to stay on in the air travel business because of its parent organisation's financial strength.

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## Tax ombudsman may go

JASIM UDDIN KHAN

The tenure of the country's first tax ombudsman may not be extended in the next fiscal year, said government officials.

An announcement may come in the finance minister's budget speech tomorrow, they said.

The elimination of the post is to be blamed on the poor turnout of complaints from taxpayers, slow implementation of the ombudsman's recommendations and tax officials' apathy.

Tax Ombudsman Khairuzzaman Chowdhury took office on July 9, 2006 for a four-year term that will expire in July.

"I don't know anything officially, but I saw the news in a daily that the government is going to close down the tax ombudsman's office," said Chowdhury.

An ombudsman is an independent official who is appointed to investigate the complaints that people make against public organisations.

The tax ombudsman's office receives mainly income tax-related complaints, and took 10 complaints in 2006. The number increased to 119 in 2007, 241 in 2008 and 357 in 2009.

A proposal to scrap the post is also under scrutiny of a parliamentary standing committee and expected to be tabled in parliament soon.

The government established the tax ombudsman's office in July 2005 under the Tax Ombudsman Act, 2005, and has spent around Tk 10 crore for it in the last four years.

The tax ombudsman is appointed by the president and serves as an alternative to the adversarial system for resolving the disputes between the citizens and government.

The tax ombudsman deals with the dispute arising between the citizen or taxpayers and the tax authorities. It provides redress to the taxpayers against harassment from maladministration, abuse of power, negligence and corruption of the tax officials.

An official of the National Board of Revenue said the income tax ordinance has no provision for considering the recommendations on the basis of the tax ombudsman's proposals.

Habibur Rahman, a reconditioned car importer, expressed his concern over the issue, saying the ombudsman could be a safeguard for the taxpayers. The government could have incorporated necessary laws to strengthen it, instead of abolishing.

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