

Most of the past

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of consumer products and services, which will ultimately affect middle and upper income group people.

The proposed budget envisages a big total expenditure of about 20 percent. The Annual Development Programme (ADP) is projected to increase by a huge 35 percent from this fiscal year's revised budget. This would need a much improved implementation capacity of the government. However, Muhith did not mention much about that capacity enhancement.

Any mismatch in these arenas would certainly take a toll on his growth figure.

This big budget would also pose the challenge of balancing budgetary policy with monetary policy, in order to tackle inflation that is already on a rising curve. The high expenditure is likely to fuel inflation further.

The government's thrust for infrastructure and power would bring in more money than one can imagine on the market, and private sector credit would increase too. All that may pose a tricky situation for the finance minister.

In the proposed budget, Muhith wisely kept Tk 2,000 crore stimulus package for industry, to overcome the aftermath of the recession. This looks like a sound policy stance in the face of the global trend of phasing out stimulus now, as big competitors like China and Vietnam, which received even higher stimulus, are now much strongly posed in the global market. China is even entering Bangladesh's low-end product market.

One place from where a part of Muhith's growth will come is the private-public partnership (PPP) initiative which could not take off this fiscal year. But he mentioned in the budget speech that the guideline for PPP has been readied, and he proposed Tk 3,000 crore for the initiative. This along with the Bangladesh Infrastructure Finance Fund of Tk 1,600 crore would "hopefully" meet the infrastructure needs.

The finance minister earmarked power as the top priority sector with a 60 percent higher allocation, and outlined the path to scale up generation. He then prioritised some other sectors too, such as shipbuilding, light engineering, and pharmaceuticals. However, it was not clear how these sectors are going to be benefited from being identified as thrust sectors. This has happened because the industrial policy could not be finalised, and a guideline could not be formulated before the budget.

Agriculture has always been the saving grace for the country when other sectors failed. This year also proved to be the same. The proposed budget recognised this contribution of agriculture, but perhaps one would feel that the sector deserved better attention.

The proposed subsidy for the next fiscal year is lower than what has been distributed this year, irrigation received poor attention, and farm credit for the next fiscal year is just minimally higher. If surface water utilisation is high in priority, dredging of rivers received little attention.

A shake-up in VAT

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(import stage), private universities and social and sports clubs will have to pay VAT, according to the budget proposal made yesterday.

The budget for the next fiscal year also proposed increasing the supplementary duties and re-fixing the price-slab for cigarettes, and increasing the supplementary duties on zarda and gul.

Ceramics, stones, tiles and mosaic, bathtubs and Jacuzzi's made of ceramics, sinks and basins may also witness a rise in duty.

Supplementary duties have also been proposed on aluminum profile, juice and fruit drinks, particleboards and laminated boards, filament bulbs, mineral water (up to three litres) and paints.

In addition, duties on coconut oil and skimmed milk powder are expected to be cut.

The budget also recommended exclusion of chanachur, juice, energy drinks, cigarette, bidi, gul and zarda from the cottage industries facilities, and so these sectors may witness a price hike.

The government proposed withdrawal of VAT (value added tax) for four years from manufacturing of refrigerators, freezers and motorcycles.

The government may withdraw VAT for the manufacturers of energy saving lamps and the raw materials of the sector for five years.

The VAT regulations may witness a change, while a structural change is likely through skills development in VAT collection.

The budget also could have given a better employment plan. Merely saying new roads and hat-bazars would be built to generate jobs, leaves much to be desired. Also the employment generation estimate for this year (526 lakh man months), and the next year (621 lakh man months) could be more elaborate.

One area that the finance minister explicitly mentioned, was his plan for privatisation. His commitment that industries which have been sick for 15 years, without any likelihood of being "effective", must exit -- would rightly serve the purpose of saving crucial public fund.

But two crucial areas remain badly neglected in the budget speech -- financial reforms and corruption. One gets no idea of what reforms are on cards for banks. The anti-corruption chapter was probably inserted just for the sake of recognising its existence.

In the tax chapter, the finance minister proposed a lot of reforms and changes in revenue administration and processes. All of those are needed to net in more funds to fuel his big budget.

He proposed to retain regulatory duty on highest slab products, to save the local industry. He also tried to help small and medium enterprises by increasing the ceiling for 4 percent turnover tax -- from Tk 40 lakh to Tk 60 lakh.

However, the logic of taking away the opportunity given to small businesses to pay VAT at a low fixed rate, is hard to understand. And so is not factoring in the effect of inflation on income tax slabs.

Budget banks

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which is almost equal to the amount in this year's revised budget.

Subsidy for the next fiscal year has not increased much. It is Tk 7,661 crore, compared to Tk 7,643 crore in the revised budget of FY 2009-10.

In the proposed outlay, block allocation has come down significantly. It is Tk 1,473 crore compared to Tk 4,288 crore in the outgoing year's.

For FY 2010-11, the government has set its target of revenue earnings at Tk 92,847 crore, increased by 17 percent.

For taxes collected by National Board of Revenue, the estimate has been raised by 19 percent, and for non-NBR taxes, it has been upped by only 8 percent.

OFNBR taxes, emphasis has been laid on income tax, VAT and supplementary duty. The proposed budget seeks to see a 27 percent growth in income tax collection, 23 percent in supplementary duty and 19 percent in value added tax.

The growth target for tariffs has been set at only 4 percent.

To cut the deficits, the government will borrow Tk 15,680 crore from the banks. It will count on foreign finances for Tk 20,777 crore, upped 14 percent on this year's.

Its borrowing target however has been slashed by 11 percent and fixed at Tk 7,477 crore in savings instrument sector.

The overall budget deficit is expected to be within 5 percent of Tk 39,323 crore GDP.

In his budget speech yesterday, Finance Minister AMA Muhith proposed amendments to different sections and articles of the VAT Act 1991, as he emphasised simplifying regulations, such as declaring price in the VAT system and rationalising deduction of VAT at source.

The government may introduce measures to empower the VAT officials to collect information and protect the taxpayers' information.

The minister said the government has recently taken a decision to withdraw the pre-shipment inspection (PSI) system in December.

He said capacity building in the customs department is now going on in full swing. Recruitment of new officers is also underway and the department is currently undergoing expansion, he added.

"As part of the capacity building efforts of the customs officials, I propose narrowing down the scope of the PSI system for a few categories of products that carry little revenue risk."

In order to support development of the local industries, the government proposed imposing 15 percent VAT on import of completely built-up diesel, petrol and CNG buses having 40 seats or more.

"To encourage growth of the local motorcycle industry, I propose enhancing the supplementary duty rate on both completely built-up and completely knocked down motorcycle from 20 percent to 30 percent," said Muhith.

Hard to implement

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Khan and other leaders were present there.

President of Workers' Party Rashed Khan Menon termed the budget comprehensive which would accelerate the country's progress. "But its implementation will be the main challenge," he said.

Jatiya Party Chairman HM Ershad said it was an ambitious budget and its implementation is possible if the government and administration remain active and sincere.

He proposed withdrawal of tax on sugar.

Bangladesh Jamaat-e-Islami General Secretary Ali Ahsan Mohammad Mojahid termed the budget large-scale and impractical.

"It is not a good budget because it might face difficulties in implementation. This year we have noticed 52 percent of ADB achieved. It is not satisfying. Implementation of a budget is more important than proposing it," he said.

Mojahid observed that the sectors from which resources would be gained are not specified in the budget.

Jatiya Party (JP-Manju) Chairman Anwar Hossain Manju said it is an excellent budget. But the government would not be able to implement it due to weakness in administration and tardy implementation of the proposed projects.

The finance minister did not say anything about how the lifestyle of people would be upgraded and poverty would be reduced through this budget, Manju said.

He also hunched that due to global economic meltdown financial assistance from foreign countries would not be achieved as expected and it would hinder the implementation of the budget.

Jatiya Samajtantrik Dal President Hasanul Haque Inu termed the budget development-oriented and farmer-friendly. He said it would help flourish small industries.

But the major loophole in the budget is that the government has not reduced tax on information related equipment that will act as a barrier in establishing Digital Bangladesh.

He also demanded withdrawal of tax on SIM card and cell phone sets by 12 percent and to decrease tax below 5 percent on telephone equipment.

Gonoforum president Dr Kamal Hossain said this budget would help in rural development and improve the country's economy. But the weaknesses must be removed for its proper implementation.

Zaker Party Chairman Mostafa Ameer Faisal in a statement termed the budget ambitious.

Green budget

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and rehabilitate the population dislodged due to the change, especially the Aila victims.

He said the government has created a fund of Tk 300 crore to set up effluent treatment plants in industries.

The government is conducting different activities including dredging rivers and canals, strengthening embankments, establishing adequate number of cyclone shelters in coastal areas and cutting carbon emission from burnt fossil fuel in vehicles, said the minister.

He said the government has a plan to bring 20 percent of the country's land under afforestation programme through 16 development programmes. He, however, did not mention any allocation regarding this.

Muhith said a 15-year Capital Dredging and River Management Strategy of Bangladesh costing about Tk 50,000 crore is under consideration. The programmes would be implemented in different phases -- short, medium and long terms.

He said the government has taken initiative to open field offices in every district and develop a climate change central database in district headquarters.

"We are working to ensure integrated management of the Ganges river water. We have approved a feasibility study for erecting a barrage on the river," said the minister hoping that the study would be completed next year.

People from greater Rajshahi, Khulna, Jessore, Faridpur and Barisal will be benefited from this project.

He also said the government has enacted Medical Waste Management and Administration Act 2010 and framed Medical Waste Management Rules 2010 to improve waste disposal management of the public and private clinics in Dhaka.

Besides, formulation of Solid Waste Management Rules 2010 is at its final stage, said the minister, adding, "We will soon take necessary action to forecast the impacts of salinity and improve basin management in coastal areas through Climate Change Adaptation and Disaster Risk Reduction programmes."

The finance minister said the government has widened the food security programme.

"We know the first victim of inflation is the poor people. We have, therefore, widened the ambit of food security programme," he said.

POWER DEMAND SUPPLY FORECAST

YEAR	NEW POWER	TOTAL SUPPLY	DEMAND
2010	792 MW	5109 MW	5808 MW
2011	920 MW	6363 MW	6298 MW
2012	2269 MW	8683 MW	6832 MW
2013	1675 MW	9764 MW	7709 MW
2014	1170 MW	10527 MW	8699 MW
2015	2600 MW	12601 MW	9812 MW

2 years, no outage

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LNG terminals to handle import of 500 million cubic feet per day (mmcf) capacity. The country's on-going gas crisis is around 300 to 500 mmcf.

Almost repeating the same promises he made last year, Muhith told the parliament that the government has so far taken steps to produce 9,426-megawatt power by 2015--which would leave surplus power, instead of shortage.

By 2012, enough power projects would be implemented to end the perennial load shedding that was impeding the investment environment in the country.

The finance minister however forewarned about possibilities in delay of implementation, "even after conclusion of contract, production of power is delayed due to a variety of reasons."

To quickly make up the demand-supply gap, the government opted for reducing dependency on natural gas to generate power and go for costly diesel and furnace oil based rental power projects for short term. For this, the government would have to subsidise the sector on one hand, increase the power tariff on the other.

However, the finance minister said that the price of power should come down again within 2014-15, when large coal-based cheaper power projects are expected to begin power generation--and thus reduce the overall cost of power.

He also demanded withdrawal of tax on SIM card and cell phone sets by 12 percent and to decrease tax below 5 percent on telephone equipment.

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Crop insurance

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country so that farmers can get fair prices.

To facilitate marketing of farmers, the government has also taken steps to develop 128 agro-markets at the upazila level and 30 bazaars at the district level, said the finance minister.

The minister has proposed for allocating a total of Tk 7,492 crore for both development and non-development expenditures under the agriculture ministry for the fiscal year 2010-11.

He however proposed a reduction of subsidy for fertilisers and agricultural inputs to Tk 4,000 crore for the new fiscal from Tk 4,950 crore in the revised budget of the outgoing fiscal.

He said a program has been taken to distribute organic, green and bio-fertilisers to 97 lakh families to popularise such natural fertiliser.

In his budget speech, he pledged to protect 20,000 hectares of land from salinity every year.

The minister also said schemes have been taken to grow hybrid paddy on 12 lakh hectares of land. Efforts to grow salinity resistant BR-47 rice on half of the salinity affected 10 lakh hectares of land in the coastal regions, he added.

He said the government has allocated Tk 427 crore to expand irrigation facilities in the southern part of the country by utilizing surface water as well as mitigate water logging.

To achieve these goals, implementation of 66 programs at an estimated cost of Tk 379 crore is going on speedily, he said, proposing for allocating Tk 300 crore in the next fiscal year.

Muhith however did not pledge any additional allocation for agricultural research

Free import

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this year and proposed Tk 2,000 per tonne duty on raw sugar imports and Tk 4,000 per tonne duty on refined sugar imports.

The finance minister said the government has widened the food security programme.

"We know the first victim of inflation is the poor people. We have, therefore, widened the ambit of food security programme," he said.

Bangladesh Petroleum Exploration Company, use of coal resources, import of LNG, saving power through demand management and power generation from renewable sources.

The private sector would play a vital role in investing in the energy sector. "It is to be noted that in future power supply under private sector initiative will significantly increase," Muhith said.

Steps have been taken to minimise the gas crisis by 2013 when national companies would increase gas production by 265 mmcf, US company Chevron by 300 mmcf and government would add another 500 mmcf as imported LNG. By December this year, the national companies would increase gas production by 158 mmcf.

In his speech, Muhith remarked gas crisis and slow tender process as two major roadblocks in making progress in the power sector. In this light, the government adopted a direct method for procurement of power on rental basis. Under this initiative the government has concluded contracts for installing 1,107 MW power.

He added that to improve the power situation, the government had taken various measures for load-demand management. By changing closing hours of shopping malls, about 350 MW of demand was reduced. By changing the area wise weekly holiday of commercial organisations, about 150 MW demand was reduced.

"By this June, 200 MW power could be saved through the use of energy saving bulbs," the ministers said.

But the government is going to operationalise Agricultural Research Fund from the next fiscal year.

"The size of the fund now stands at Tk 412 crore. Research proposals have been invited in order to utilise allocations made under the Endowment Fund for enhancing agricultural productivity through crop diversification," said Muhith.

The minister has proposed for raising farm loan disbursement target at Tk 12,000 crore for the new fiscal year from Tk 11,512 crore of the outgoing fiscal year.

Car costlier

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buyers could afford cars with an engine displacement from 1501cc to 1650cc at reasonable prices.

The new duty structure is likely to have a positive impact on the sale of 1650cc cars, imported largely by car dealers. But the sale of reconditioned cars up to 1500cc might slide a bit.

Import duty on other types of vehicles remained almost unchanged in the proposed budget.

The rate of depreciation has been cut on import of vehicles of up to four years old.

The finance minister proposed continuing flat rate-based depreciation system and reducing the consolidated rate of depreciation from 40 percent to 35 percent for cars of up to four years old.

A protection mechanism was included in the proposed budget to prevent importers from dodging taxes.

A proposal was made to make mandatory the submission of price certificates by manufacturers or trading agents in order to prevent misdeclaration in the customs valuation of new cars.

A 100 percent duty has been slapped on import of cars from 1651cc to 2000cc.

The tariff on import of cars from 2001cc to 2750cc has been set at 250 percent, from 2751cc to 4000cc at 350 percent and above 4,000cc at 500 percent.

Import duty on microbus up to 1,800cc has been increased by 10 percent. Now importers pay 20 to 30 percent duty on such vehicles.

However, import duty on microbus from 1801cc to 2000cc remains unchanged at 60 percent.

Communications

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Bariad," he headed.

Terminating railway less risky and cost effective for carrying cargo, the finance minister said the government wants to integrate Bangladesh Railway with the Trans-Asian Railway network.

In the budget estimates, no allocation was announced for the second Dhaka-Chittagong Highway and Joydevpur-Mymensingh 4-lane projects.

There is, however, commitment to build a second Padma Bridge at Paturia-Goalondo point. Bangladesh has received confirmation for concessional credit to the tune of \$2.4 billion to meet the cost of the Padma Bridge, construction of which will be completed by 2013.

The budget speech offers no ray of hope for people suffering from the nagging traffic congestion in the capital.

Last year, the finance minister made commitment on tackling the worsening traffic jam and building an environment-friendly transport system in the capital.

"Let me repeat that traffic jam in the city has now become a routine problem which is causing loss of thousands of work hours every day," he admitted.

He said steps have been taken to construct a 32-kilometre elevated expressway from Uttara to Jatrabari, flyovers at Bishwa road, Airport road connecting point and from Mirpur to Airport Road, and an overpass at Banani crossing to ease Dhaka's traffic congestion.

Amar Desh

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order following a writ petition filed by acting chairman of the paper Anwar-Nabi.

The government yesterday filed a petition with the Supreme Court to stay the HC order.

Amar Desh was closed on June 1 on the ground that there is no publisher for the daily.

Petitioner's counsel barrister Abdur Razzaq yesterday told The Daily Star that there is no bar to the daily's publication following the HC order.

However, Additional Attorney General MK Rahman said Amar Desh cannot be published following the order since it has no authorised publisher.

The matter regarding its publication is under trial upon the filing of the petition with the SC, he added.

He also said the hearing on the stay petition might be held next week at the Chamber Judge's Court.

Meanwhile, the HC yesterday ordered the government not to torture Mahmudur Rahman mentally or physically after taking him on remand.

An HC bench of Justice Tariq ul Hakim and Justice Soumendra Sarker passed the order following three separate petitions filed by Mahmudur challenging his remand orders.

Mahmudur's lawyer barrister Nasiruddin Asim told The Daily Star that his client was recently on remand for total 11 days in three separate cases against him.

Move to reduce

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age of ongoing survey to net new taxpayers through outsourcing. It aims at bringing 5 lakh more taxpayers in the next fiscal year.

The finance minister has proposed to make Taxpayer Identification Number (TIN) mandatory for those who want gas and electricity connection for commercial use. Bus and truck owners will also need TIN for registration or fitness renewal of the vehicles.

The government also proposed punishment for using a fake TIN.

In the budget speech AMA Muhith proposed to introduce e-linkage between database of National ID project with a view to verifying information and modernising TIN management.

The finance minister proposed automation of income tax offices in Dhaka by next year.

A tax calculator software will be installed on the NBR website to facilitate calculation of taxes.

The government also has proposed to restructure manpower and other facilities of income tax department within first quarter of the next fiscal year.

The government placed emphasis on upgradation of the post of director general of Central Intelligence Cell to intensifying prevention of tax evasion.

Steps will be taken to provide tax cards to a limited number of the highest taxpayers, to invite them in state programmes, allow them preferential treatment in government hospital, and journey by air or any other mode of public transport with VIP status.

The government proposed to establish a Large Taxpayers Unit (LTU) in Chittagong by the next fiscal year.

Middle class

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The minister kept on saying many good initiatives for the disabled, acid survivors, widow and old citizens of the country and Abidur's appreciation followed too.

Shahana, his wife, joined him watching the budget speech. She asked whether he knew prices of which commodities were going up.

"Not yet," Abidur made a brief reply and paid his attention to the TV.

The minister proposed zero tariffs on import of rice, wheat, onion, pulse and edible oil, seeds, fertiliser, medicine and cotton.

That means no indication of increasing price of these items, Shahana said.

"Fifteen percent VAT on import of CBU/diesel/petrol/ CNG buses having 40 seats or more," the speech continued.

"If they increase price of big buses, the road will be full of small buses and the traffic jam is going to be worse," Abidur told his wife as he heard experts' comments on talk shows several times.

Last year the budget did not fulfill his expectations when an elected government rolled out country's annual financial plan after a two-year break. Like previous years Abidur was keen to know what the democratic government would do for the millions of people in mid-income brackets.

"With a view to encouraging investors to build a heavy...." the power snapped at this point.

Abidur bought a small IPS a few months ago. But it does not support the television.

He found two missed calls at his cellphone when he came out from the wash-room after having a shower.

Babar, one of his friends, called him.

"How do you like the first ever digital budget?" he asked Babar calling him back.

"Abid, do you know the price of coconut oil, fruits jam and jelly, juice, medicine, paints, cosmetics, soap, match, mosquito coil, battery, sandal and shoe and electric fan might go up? Babar asked.

"I don't know. The electricity snapped," Abid said.

"Don't worry. The load-shedding is to go within two years, the minister said."

Abid asked his friend, "How much is the tax rate on coconut oil and other goods?" He made this particular question as price hike worried him more than load-

Newsprint

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eliminate tariff on newsprint imports considering its abnormal price hike in the international market.

Referring to the price hike of newsprint by \$150 per tonne, Noab demanded tariff reduction from current 3 percent to zero to save the newspaper industry.

At the meeting Noab also said the caretaker government had a zero tariff policy for newsprint.