# Bad news for cigarette smokers

STAR BUSINESS REPORT

The government plans to increase the prices of cigarettes and chewing tobacco.

Speculating the budgetary move, the price of each cigarette has already gone up by Tk 0.50 to Tk 1 in the retail market, days before the budget was proposed.

Finance Minister AMA Muhith, who announced the budget yesterday, proposed a rise in the supplementary duty on chewing tobacco by 10 percent and setting it at 30 percent, to bring about a drop in consumption.

The tax rate for cigarette manufacturers will be increased to 42.5 percent to discourage smoking, according to the proposed budget.

In addition to raising the prices of cigarettes, the finance minister also proposed setting the supplementary duty on cigarettes at 36 percent, 55 percent, 58 percent and 60 percent for different segments, instead of the existing 33, 53, 56 and 58 percent.

Ahead of every year's budget, there is always a campaign against tobacco use because of its hazardous consequences, as the use of tobacco in Bangladesh is much higher than in other countries.

According to the Global Adult Tobacco Survey (GATS), more than 41 million adults are tobacco users that represent over 43 percent of the adult people. Around 12 million workers, 63 percent, are exposed to tobacco smoke at the workplace, while about 45 percent of adults are exposed to tobacco smoke in public places.


STAR

**People watch a budget speech on television, delivered by Finance Minister AMA Muhith in parliament yesterday for the next fiscal year.**

The finance minister explained that over the years, the consumption of low-cost cigarettes has increased, whereas the consumption of premium cigarettes has marked a fall. "This has been taken into consideration in bringing changes in the price level and supplementary duties on cigarettes," he said.

However, the local 'bidi' industry will not be affected by the budgetary measure, as no new tax burdens have been imposed, said the budget proposal. Rather, other comparative advantages have been increased, Muhith said.

The duty on tobacco export, which was imposed for the first time in fiscal 2010-11, has been proposed to be cut from 10 percent to 5 percent.

The finance minister also said the 'Tobacco Tax Policy Cell' has been formed at National Board of Revenue to formulate a balanced tobacco policy, taking into consideration health and environmental hazards, employment generation and revenue earnings.

## SOME MISSES

**AF Nesaruddin, partner of Hoda Vasi Chowdhury & Co, shares his views on the budget with The Daily Star. Following is what he thought the budget missed.**

No steps appear to have been taken to reduce the discretionary powers of assessing officers and as a result, corruption by assessing officers and hassle for tax payers will remain as usual.

Appointment of 'judicial member' in each bench of the tribunal has not been considered. It was a long standing demand of taxpayers and consultants for more judicious and transparent practices.

No major steps have been taken for widening the tax net by bringing in more income earners in the tax net.

No consideration has been made for encouraging or providing incentives for 'corporate social responsibilities -- CSR'. The existing process of taking NBR approval and other conditions are discouraging for expansion of CSR.

Corporate tax rate has not been reduced. It is a demand from the genuine taxpayers since long.

No proposal appears with respect to investment by 'provident fund', 'gratuity fund' and 'pension fund'. In Bangladesh, no pension benefits are sponsored by the state and in such a situation, an incentive for investments by such funds was absolutely essential apart from avenues of investments

# Tax breaks for two more years

SAYEDA AKTER

The government plans to continue tax break facility for two more years until 2013 and will develop a structure to bring the beneficiaries under tax net in phases.

The existing breaks end this month.

Also the government plans to withdraw tax holiday incentives for industries set up in Dhaka, Narayangonj, Gazipur and Chittagong districts to avoid human and traffic congestion , ensure balanced industrialisation and encourage setting up of new industries in backward areas.

Also, tax holiday for physical infrastructure facility will be available for 10 years throughout the country, which includes rapid transit, toll road, elevated expressway, deep sea port, IT and Hi-tech parks, and renewable energy.

However, industry leaders said they are not happy with the two-year extension, as they could not utilise the previous benefit due to acute power and gas crises in the last two years.

The sectors eligible to get the tax exemption facility are textile machinery, active pharmaceuticals ingredient industry and radio pharmaceuticals industry, dyes and chemicals, biotechnology, energy efficient appliances, and bio-fertiliser.

The benefit is also meant for barrier contraceptive and rubber latex, and basic ingredients of electronic industry, such as resistance, capacitor, transistor, integrator circuit, boilers, compressors, and computer hardware.

Insecticide or pesticide, petrochemicals, pharmaceuticals, processing of locally produced fruits and vegetables, radio-active (diffusion) application and tissue grafting will also come within the same purview.

The government also proposed tax holiday for certain areas and sectors keeping conformity with the industrial policy. The tax break period for physical infrastructure such as roads and bridges was recommended at 10 years, instead of existing five or seven years.

The government also plans to extend the tax exemption period for the development of software up to June 2013.

Apart from that, beneficiaries in Dhaka and Chittagong divisions that excluds districts of Dhaka, Narayangonj, Gazipur, Chittagong and three hill districts, will get 50 percent tax holiday after two years from 2013, and 25 percent exemption for next two years.

While beneficiaries in other divisions and three hill districts will enjoy the half benefit till three years after 2013, and 25 percent for next one year.

However, industry leaders have expressed disappointment over the plan of extending the facility until 2013, as they have demanded the exemption until 2015.

"We had urged the government to extend the period until 2015, as most investors could not utilise the tax break facility due to weak infrastructure," said Asif Ibrahim, president of Dhaka Chamber of Commerce and Industry.

"In the last two years, acute gas and electricity crises hampered our production a lot, while we also failed to attract investments in line with our expectations for the same reason. So, at this point, we feel the government does not listen to the industrial sector," he said.

"We are disappointed."

Besides, keeping conformity with other areas, the government also proposed the same tax holiday facility for industries to be set up from January next year in export processing zones (EPZ).

However, industries set up in EPZ before that time will continue to enjoy the existing benefits.

## May car sales growth slowest in 2yrs in India

REUTERS, *New Delhi*

Car sales in India rose 7 percent in May from a year earlier, their slowest pace of growth in two years, as higher fuel prices, interest rates and vehicle costs crimped demand in the world's second-fastest growing auto market.

Indian automakers sold 158,817 cars in May, compared with 148,425 vehicles a year earlier, data from the Society of Indian Automobile Manufacturers (SIAM) released on Thursday showed.

The growth is the slowest since May 2009, when car sales rose 2.77 percent. They had jumped 30 percent last May.

"If you look at the numbers now, looks like (reaching fiscal 2012 targets) will be difficult," Sugato Sen, senior director at the Society of Indian Automobile Manufacturers, told reporters.

SIAM expects local auto sales growth to halve to 12-15 percent this fiscal year ending March , after it grew a record 30 percent in 2010 to 1.98 million units, driven by demand from a growing middle class in Asia's third-largest economy, easier access to loans and a wider choice of models.

Sales of trucks and buses, a key pointer to economic activity, rose 16.16 percent from a year earlier to 56,314 units in May, SIAM said.

Petrol prices in India were raised by a record 8.6 percent in May, fuelling concerns about a slowdown in demand for passenger vehicles, with another likely increase in interest rates also expected to curb buying.

The RBI, which has raised interest rates nine times since mid-March 2010, is expected to raise them again on June 16 when it reviews policy.

Earlier this month, India's largest automaker, Maruti Suzuki, posted its slowest growth rate in more than two years, with a 1.9 percent rise in total sales to 104,073 units.

"Interest rate is going up, availability of financing is down, prices are rising and sentiment is not very positive among customers. All this put together is impacting final sales," Sen said.

# Bangladesh to host World Marketing Forum

STAR BUSINESS DESK

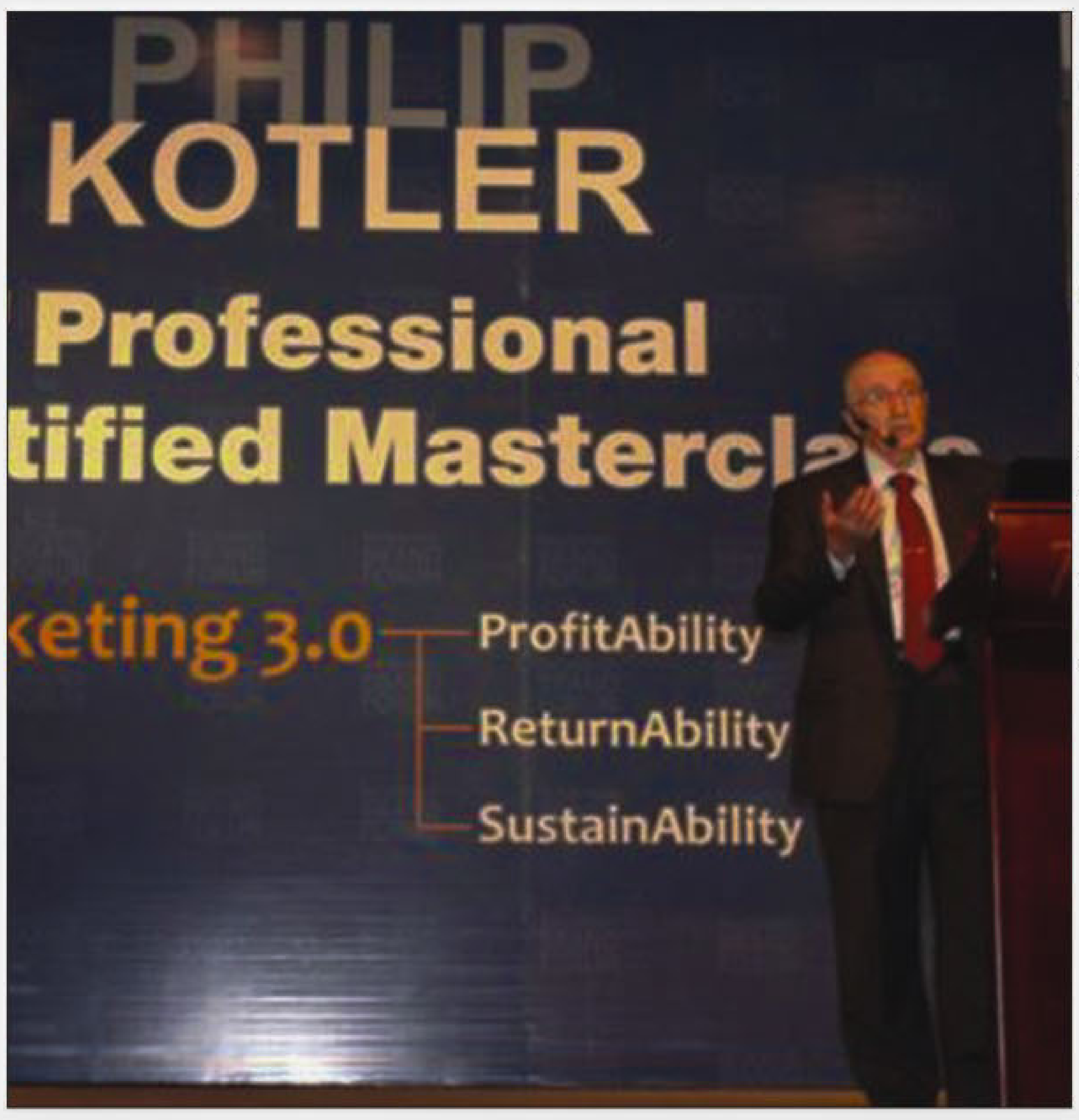
Marketing guru Dr Philip Kotler yesterday declared Bangladesh the host of World Marketing Forum where the country will be propelled in the global arena.

World Marketing Forum is a unique venture where some of the world's most influential marketers, academia, corporate leaders and development experts will gather to find solution to some of the biggest challenges of the world.

The forum aimed at creating better world through marketing. During the first year, education, health, food and environment will be discussed.

Kotler announced the forum at a daylong workshop, "Professional Certified Masterclass 2011" for the marketers of the corporate world at Radisson Water Garden Hotel in Dhaka.

"Bangladesh is a sleeping tiger which will rise and win," Kotler added. He was very impressed by the energy of the country, which helped him to pick Bangladesh as the host nation.




CONCITO

**Marketing guru Philip Kotler speaks at a daylong workshop, "Professional Certified Masterclass 2011", for the marketers of the corporate world at Radisson Water Garden Hotel in Dhaka yesterday.**

# Special allocation for thrust sectors

GAZI TOWHID AHMED

The government has taken some special steps to develop the thrust sectors in the national budget.

There will be incentives from the risk fund in the form of exemption from duty and tax and double taxation, imposition of tax at a lower rate, and cash incentives for industries.

The government identified some industries as thrust sectors like agro-processing, shipbuilding, light engineering, pharmaceuticals, jute and leather goods and toys and furniture.

Ten percent, 20 percent and 15 percent cash incentives will be provided by the government from the public exchequer respectively to support export of jute, agro-processed stuff and leather goods.

The government also formulated Compulsory Use of Jute for Packaging Commodities Act, 2010 and decided to take over the liability of Bangladesh Jute Mills Corporation's (BJMC) all past debts and obligations of Tk 2,396 crore.

An amount of Tk 200 crore has been allocated to buy raw jute and Tk 500 crore for refinancing. An amount of Tk 105.30 crore has been allocated to re-commission the previously closed Qaumi Jute Mills and People's Jute Mills under new names.

Up to June 2010, the government has agreed to pay a total of Tk 364.83 crore for all the mills of BJMC to pay the arrear bills for jute purchase, wages, financial benefits of retired employees and liabilities of storage, power and gas.

The government has allocated Tk 2,590 crore in write off loans or interest subsidy or to repay bank liabilities to 1,585 sick industries especially in the frozen foods, RMG and textile sectors.

The export of garments, raw jute and jute goods, leather and leather goods, frozen foods, electronics, petroleum and engineering products have grown by more than 40 percent in July-April period of 2010-11.

The list of essential drugs has been updated according to World Health Organisation's latest model and requirement.

In addition, the process of establishing the Active Pharmaceutical Ingradient Park is in progress to improve the quality of medicines and turn pharmaceuticals into an important export-oriented sector.

The government also decided to reduce 7 percent tax on the raw materials of the pharmaceutical industry such as cisplatin, oxaliplatin, carboplatin, metamizol sodium etc.

The government will install a central effluent treatment plant, central water supply plant and a dumping yard where the country's all tannery factories, including those of at Hajaribagh in the capital, will be shifted.

An initiative was also taken to create special economic zones for both the export- and local market-oriented industries to develop the thrust sector.

# Trial start for crop insurance

STAR BUSINESS REPORT

The government will introduce crop insurance on a pilot basis next fiscal year, amid growing demand from different quarters to protect farmers from losses caused by natural disasters and use of adulterated seeds.

In last year's budget speech, Finance Minister AMA Muhith spoke about an initiative to introduce 'Agricultural Insurance' schemes to provide the small and medium farmers with crop price support in case of crop failure due to natural disasters.

Following the move, the only state-owned insurance agency, Sadharan Bima Corporation, has drawn up a pilot project to introduce 'Crop Insurance' in one upazila. Now, the government will launch the scheme on a pilot basis in some other areas.

Crop insurance exists in many countries, including neighbouring India. There have been talks on the issue in Bangladesh for years, but no visible outcome has yet been seen.

## HP's TouchPad going on sale in US on July 1

AFP, *Washington*

US computer giant Hewlett-Packard announced on Thursday that its rival to Apple's hot-selling iPad, the HP TouchPad, will go on sale in the United States on July 1.

The touchscreen tablet computer, which is powered by the webOS software platform bought from Palm, will be available in Britain, France, Ireland and Germany a few days later and in Canada in mid-July, HP said in a statement.

The device will go on sale in Australia, Hong Kong, Italy, New Zealand, Singapore and Spain later this year, the Palo Alto, California-based HP said.

HP said the version of the TouchPad which goes on sale in the United States next month will be Wi-Fi only.

Apple offers both Wi-Fi and 3G versions of the iPad. HP said that it will be teaming up with AT&T to introduce a 3G version of the TouchPad later this year.

A TouchPad with 16 gigabytes of internal storage will sell for $499.99 in the United States while a 32GB version will sell for $599.99, HP said.

It said pricing for other countries will be revealed later.

"What makes HP TouchPad a compelling alternative to competing products is webOS," said Jon Rubinstein, senior vice president and general manager of HP's Palm Global Business Unit.

Rubinstein was chief executive of Palm when it was bought by HP last year.

HP, the world's top personal computer maker, acquired Palm and its webOS platform for $1.2-billion in a bid to become a player in the fast-growing market