

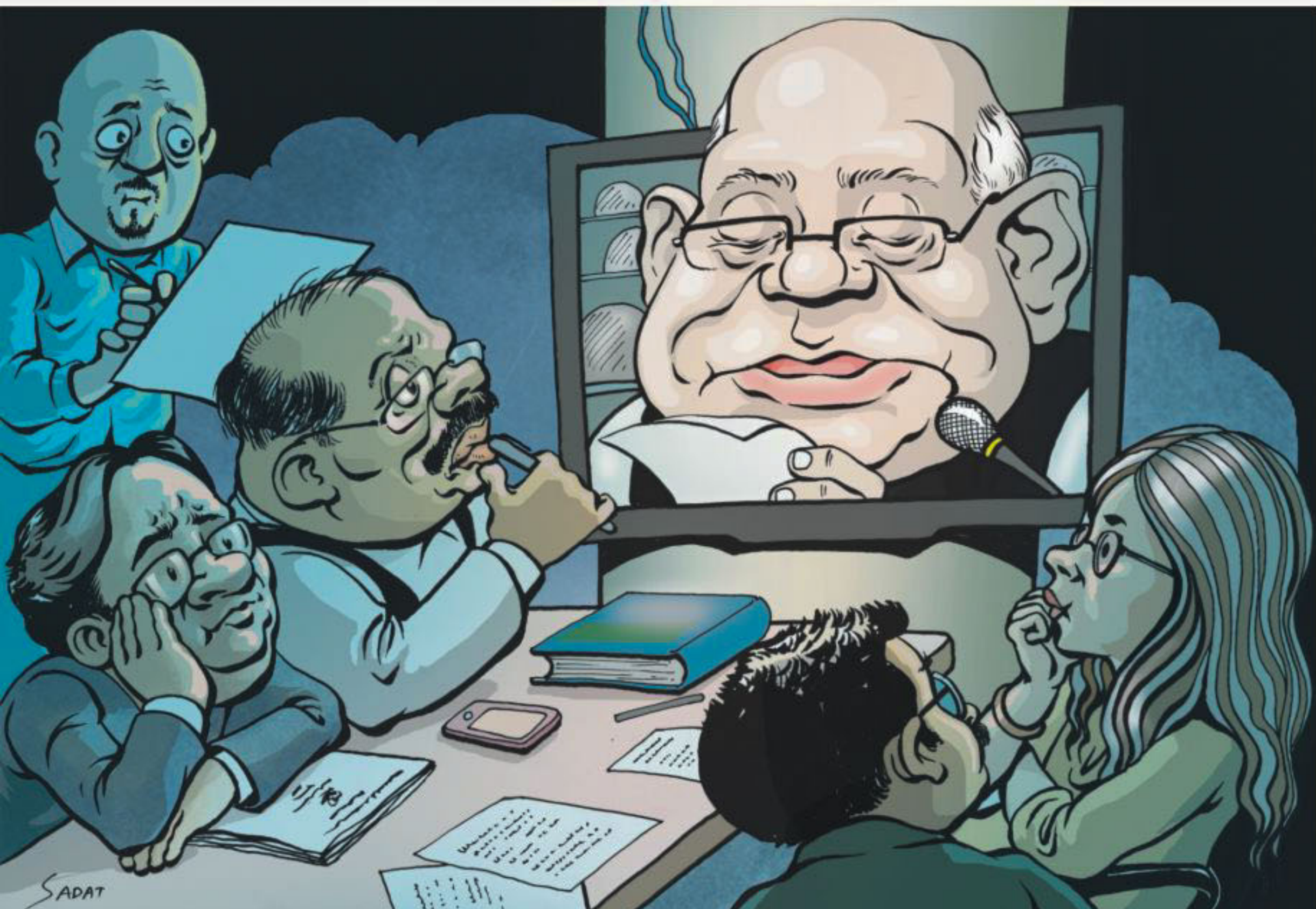


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BUDGET 2012-2013 SPECIAL  
**BUSINESS**

DHAKA FRIDAY JUNE 8, 2012, e-mail:business@thedailystar.net



# Export tax spike draws ire from business leaders

REFAYET ULLAH MIRDHA

Businesses yesterday opposed the government's plans to increase bank borrowing and hike tax at source on exports for the next fiscal year.

Finance Minister AMA Muhith in his budget speech proposed raising tax at source on exports of all kinds of products to 1.2 percent from the current 0.60 percent.

The minister also suggested an increase in bank borrowings by the government to Tk 23,000 crore from Tk 18,957 crore for fiscal 2012-13.

The businesspeople unanimously expressed their opposition to both the proposals and urged the government to reconsider them for the good of the economy.

"Increasing tax at source would be damaging to overseas trade, so we want the government to go back over the proposal. If it could not be lowered, we would like it to stay at the current rate," said AK Azad, president of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI).

On higher bank borrowings by the government, he said it would create a liquidity crunch in the private sector investment.

Moreover, the proposed rise in the "advanced and loan fund" for the government employees to Tk 19,568 crore from its current

amount at Tk 9,413 crore will also have a negative impact on liquidity in banks, he said. "Such move is also painful for the taxpayers," he said.

Asif Ibrahim, president of Dhaka Chamber of Commerce and Industry (DCCI), said the biggest concern for the businesspeople is the proposal of the tax at source at 1.2 percent for all kinds of exports.

"Such a move will have a negative impact on exports. I hope the government will reconsider the move," he said.

He also expressed fear that the prices of energy will go up in the next fiscal year due to higher subsidy on petroleum products.

If the proposed amount of borrowing from banks remains at Tk 23,000 crore, there might not be any major liquidity crisis, but if the limit crosses, the private sector will fall in troubles.

Murshed Murad Ibrahim, president of Chittagong Chamber of Commerce and Industry, welcomed the proposal for discontinuing pre-shipment inspection (PSI) system from December this year.

"In fact, it was our budgetary recommendation," he said. He also hailed the proposal of setting up a deep-sea port at Sonadia.

"But, the government will have to supply adequate gas and power to the industrial units to meet its target of revenue collection from the busi-

nesses," he said.

Shafiqul Islam Mohiuddin, president of Bangladesh Garment Manufacturers and Exporters Association, also opposed the tax at source at 1.2 percent, saying it would be excessive.

"We don't want any tax on garment export for the next two years because many small and medium factories will not be able to afford such tax due to the already high costs of production," he said.

AKM Salim Osman, president of Bangladesh Knitwear Manufacturers and Exporters Association, said the knitters were happy with all but the 1.2 percent tax at source proposition from the government.

Jahangir Alamin, president of Bangladesh Textile Mills Association, said setting tax at 1.2 percent at source on all kinds of exports was just unbearable and unsuitable for current times.

Abdus Salam Murshedy, president of Exporters Association of Bangladesh, said the tax raise would erode the competitive edge of exports.

"It should be kept at its present rate," he said, adding that the government should reduce bank borrowing and increase exports to achieve the targeted 7.2 percent GDP growth.

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## Muhith taxes mobile usage

ABDULLAH MAMUN

Finance Minister AMA Muhith yesterday announced plans to impose a 2 percent tax at source on mobile phone bills.

The burden of proposed tax is to be borne by the subscribers, hitting the low-income users the most.

"Mobile usage will fall, particularly from the low-income segment," said Zakiul Islam, a director of Banglalink.

Kazi Monirul Kabir, chief communication officer of Grameenphone said that the tax, which is on a utility service and not a luxury, would significantly affect people's everyday lives.

Operators have been stretched to the hilt already in this hypercompetitive market to keep the tariffs low, said Abu Saeed Khan, secretary general of the Association of Mobile Telecom Operators of Bangladesh, suggesting that mobile operators would be unable to offset the sales tax by further slashing the tariffs.

"The mobile tariff in Bangladesh has been lowest in the world despite subsidising Tk 605 (\$8) SIM tax for every new connection being sold."

## Some applause

MUHAMMAD ABDUL MAZID

The government has pronounced a number of fundamental steps in the fiscal management in the upcoming budget, which might create business and taxpayer-friendly environment. These include the removal of income inequality to establish social equity, limiting the discretionary power of the tax and VAT officials, and finding easy and alternative solutions to tax disputes and litigations.

The budget has outlined steps for increasing both tax base and tax net to achieve the revenue income target of 22 percent growth in NBR-related tax income. But it will depend on the efficiency of broadening tax net and relentless efforts to nab tax-dodgers rather than burdening the honest and regular taxpayers.

The finance minister has spelled out several steps for promoting the country's small and medium enterprises, which are considered the bedrock of the economy.

One of the significant changes has been brought in the new budget is giving effect to new tax, VAT and customs duty proposals only after the budget is passed, instead of existing practices of effecting the proposals right after the budget pronouncement. As a result, all tax proposals and all changes in relevant customs and income tax laws will take effect from July 1.

It might help rein in the trend when prices of items go up just after the announcement of the budget, and people will get mental comfort.

The finance minister has said that the income tax act -- Direct Tax Bill -- will be tabled in parliament in the current calendar year.



Muhammad Abdul Mazid

## Tk 100cr boost for women entrepreneurs

STAR BUSINESS REPORT

The government yesterday proposed to allocate an amount of Tk 100 crore in the upcoming fiscal year for women entrepreneurs.

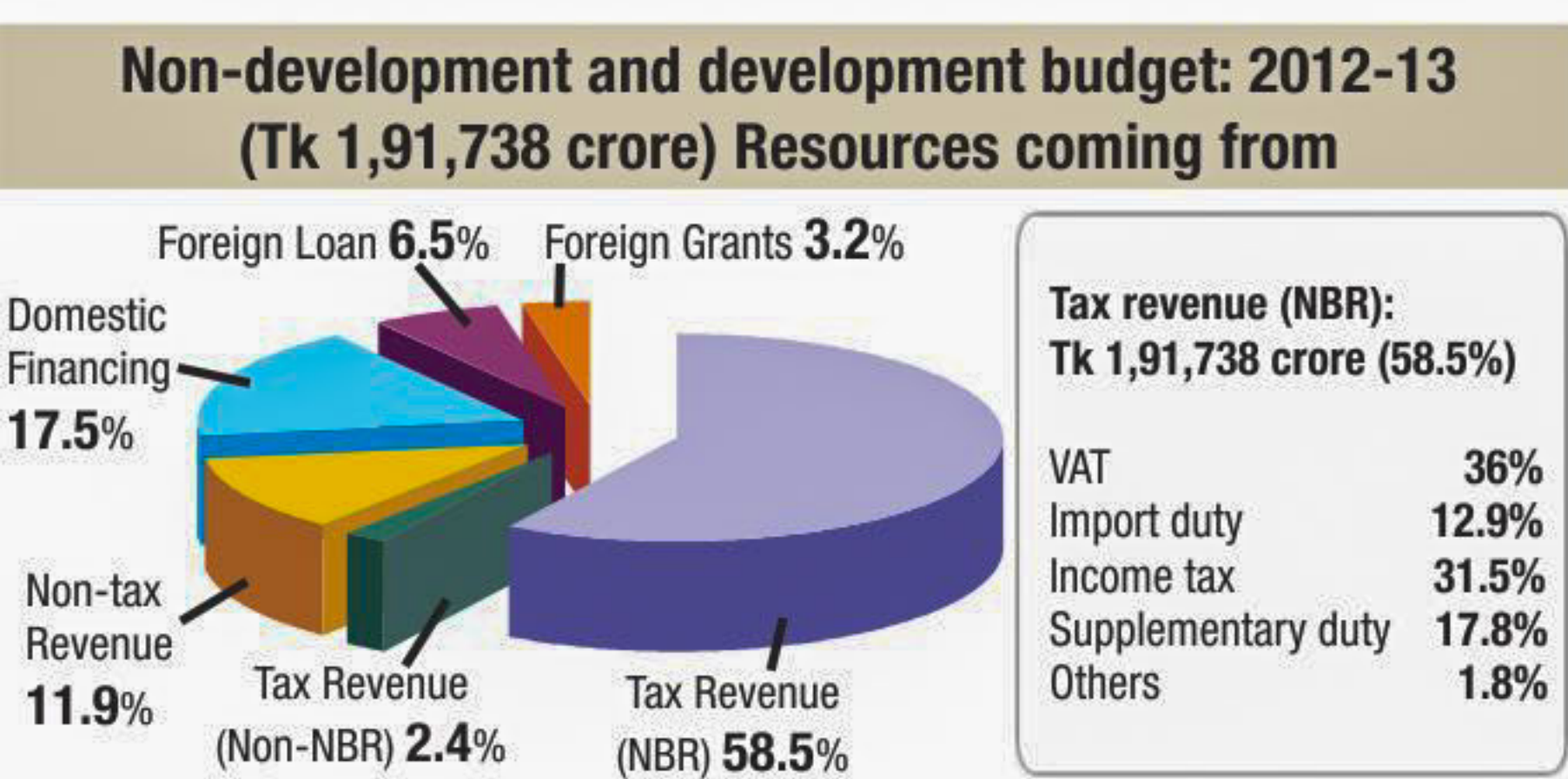
Finance Minister AMA Muhith said development of the small and medium enterprises (SMEs) is one of the priorities of the government.

He said, in order to develop the sector, the government had set a target of Tk 23,995 crore in the previous budget to be disbursed by banks and financial institutions as SME loans.

In line with this, the banks and financial institutions have strengthened the process of disbursing SME loans. Up to April 2012, Tk 2,330.14 crore has been refinanced under the SME refinancing scheme of the Bangladesh Bank, the finance minister told parliament.

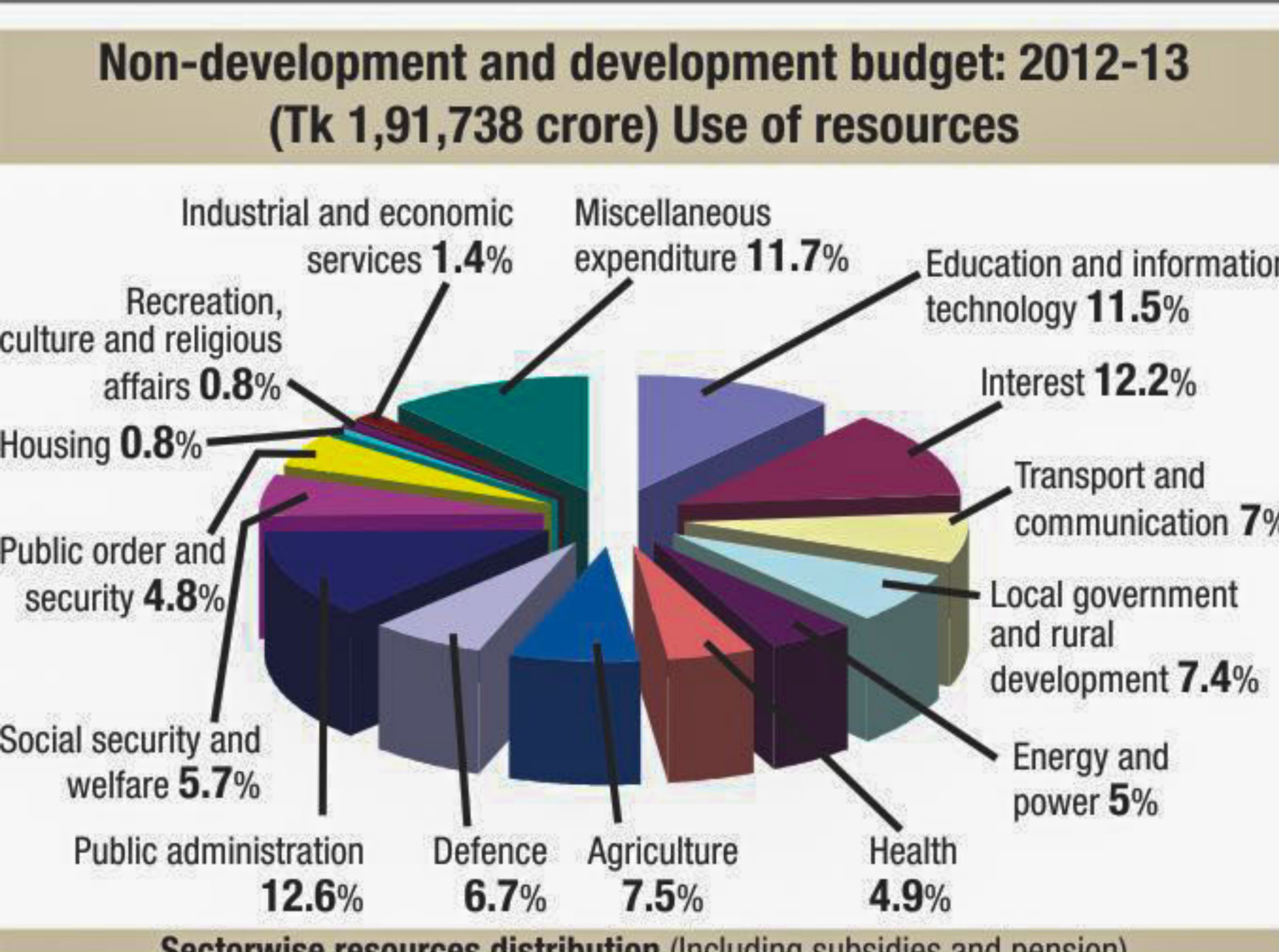
Muhith said, as many as 64 SME helpline centres have been set up at the district level BSCIC Industrial Assistance Centres and another seven in different trade bodies.

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**Tax revenue (NBR): Tk 1,91,738 crore (58.5%)**

VAT	36%
Import duty	12.9%
Income tax	31.5%
Supplementary duty	17.8%
Others	1.8%



## ICT still neglected

ABDULLAH MAMUN

The government's vision of a 'Digital Bangladesh' is not reflected in the proposed budget as there is no specific focus on the information technology sector, said analysts.

The government framed an ICT (information and communication technology) policy in 2009 after coming to power but it never tried to fulfil its pledges through proper budget allocation, they said.

They said the government was supposed to allocate 1 percent of revenue budget and 3 percent of the development budget for the ICT sector, according to the policy, but that never happened.

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