

**UP**

- Mobile phone sets to get pricier, blunting your craving for a new one
- Quit smoking or cough up more money
- Households have to shell out for LPG cylinder

**DOWN**

- Cheers for the rich as luxury cars to cost less
- Good news for patients, as prices of some medicines to come down
- Time to pamper yourself with soap and perfumes going cheap

# Goal higher, route unclear

### Muhith unwraps lofty budget, hopes for robust growth, gives no precise plan

INAM AHMED

Finance Minister AMA Muhith has set a good target and strategy to reach over 7 percent growth next year and 10 percent by 2021. His ambitions are bold – to hike industry's share in national growth to 40 percent from 25 percent, to move big projects in public-private partnership, and to squeeze out more revenue.

But he must also face present-day realities. There has not been any magic change in his implementation mechanism for him to have a big development plan roll successfully. He does not know if political stability -- he has in many places of his speech put emphasis on it -- will be sustained. Or whether global recovery, till now very weak and well below target, will be strong enough to generate exports and remittances.

He has not mentioned any specific institutional reforms to make his manpower work better for a realization of the plan. And the bureaucracy, as known to all, snails in this country.

However, the finance minister has tried to do his best in many areas, industry being one. He has encouraged a decentralization of industries with special benefits. He has helped a number of key sectors, including pharmaceuticals, shipbuilding, tyres, poultry, textiles and above all readymade garments.

But his growth target of 7.3 percent for next year will certainly fall flat. According to the Bangladesh Bureau of Statistics, one needs Tk 4.7 investment for every Tk 1 output. At this configuration, a 7.3 percent growth will need a 34 percent GDP-investment ratio. With the current 29 percent, it means a 5 percentage point improvement. Such sudden increase is unprecedented worldwide.

Although lofty in targets, the proposed budget is lacking in specificity. The minister has laid out a vision, but we do not know what the specific tasks and targets for the next year are.

The proposed budget for the next fiscal year (FY15) has also tried tweaking some tax provisions. For example, the truncated base value for VAT has been withdrawn, discretionary powers of VAT officials reduced and tax deduction rates at source reduced.

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## Contain violence, grow economy

SHAKHAWAT LITON

The government plans to go tough on violent politics in order to jack up the economy and achieve higher growth.

The finance minister yesterday hinted taking action against such disruptive activities and called on the political parties to shun street violence, which hurts the economy bad.

The country lost Tk 11,000 crore to the political turmoil in the run up to the January 5 parliamentary elections, he said in his budget speech, adding that the BNP-led alliance enforced 45 days of blockades and hartals between July last year and January this year.

"A vigilant and inspired nation, as we are, can hardly afford to stand the menace of deaths and wanton violence," he said.

His warning comes as the BNP-led opposition alliance is preparing for intensifying street agitation to realise its demand for restoration of an election-time government and holding an early polls under such administration.

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BUDGET IN-DEPTH: PAGE 2-7, 16, 20

**BUDGET SIZE**  
Tk 2,50,506 cr

- Development Budget Tk 80,315 cr
- Non-development Budget Tk 1,70,191 cr

**DEFICIT**  
5% of GDP or Tk 67,552 cr

- Bank Borrowing Tk 31,221 cr
- Foreign Source Tk 24,275 cr
- Non-bank Borrowing Tk 12,056 cr

**GDP FORECAST**  
7.3%

**INFLATION TARGET**  
6%

*I hope the proposed budget will represent a significant milestone in our journey towards establishing a prosperous Bangladesh.*

Finance Minister AMA Muhith

**TOTAL REVENUE**  
Tk 1,82,954 cr

**NBR EARNINGS**  
Tk 1,49,720 cr

Import Duty and Others 25.8%

Income Tax 37.5%

VAT 36.7%

**NON-NBR EARNINGS**  
Tk 33,234 cr

## Delay trap

### Tardy implementation of mega infrastructure projects to eat up most of allocation

M ABUL KALAM AZAD

Many of the projects Finance Minister AMA Muhith mentioned in his budget speech yesterday for the country's infrastructure development were years-old and should have been completed by now.

Inefficiency of the ministries concerned delayed implementation of those projects and escalated their costs. However, some projects would be completed in several years, benefiting the transportation and business.

The budget proposed increasing

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## Amnesty to breed more black money

### Govt to gain little yet welcomes taka-legalising in real estate

REJAUL KARIM BYRON and TAWFIQUE ALI

The proposed budget extends the opportunity for individuals to legalise undisclosed money by investing in the real estate sector in the upcoming fiscal year. This raises concerns among economists, who feel the move will breed more black money.

Despite repeated assertions from Finance Minister AMA Muhith against extending the opportunity on different occasions before the budget was placed in parliament yesterday, the provision was kept in place presumably in the face of heightened pressure from the real estate sector.

Black money invested in real estate sector goes blacker as the price of the purchased flats or lands is declared much lower in the papers than the

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## Target: rare or unreal? High tax on super rich

### Govt banks on bank borrowing, more taxes

REJAUL KARIM BYRON

The Tk 2,50,506 crore budget proposed by Finance Minister AMA Muhith hinges on ambitious revenue target, putting a question mark on its feasibility.

The revenue generation target has been set at Tk 1,82,954 crore, an increase of 16.77 percent from the outgoing year's revised target.

"This is not beyond the realm of possibility, but it has been rather rare. Besides, Bangladesh will enter fiscal 2014-15 on the heels of a disappointing revenue performance in fiscal 2013-14," Zahid Hussain, lead economist of World Bank's Dhaka office, said.

In the fiscal 2013-14 budget too, the government had set an ambitious revenue target, which was 25.2 percent higher than the fiscal 2012-13's actual collections.

As the year progressed, it had to be revised down, and domestic borrowing, which comes with an average cost of 8.75 percent as opposed to 0.97 percent for

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SOHEL PARVEZ

The super rich will face higher taxes in the next fiscal year as the government has proposed introducing two more slabs to impose higher surcharge aimed at generating more revenue.

Under the scheme, people with net wealth of more than Tk 20 crore but lower

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## Tax net widens, toughens

### Bottled water will come under source tax

SOHEL PARVEZ

The government has expanded its source tax coverage in the upcoming fiscal year as part of its efforts to meet the ambitious revenue target, a move that will hit the consumers hard.

For instance, bottled water will come under source tax from fiscal 2014-15, meaning its price will go up for end users. Advanced income tax of 5 percent would be slapped on mobile

phone sets, gold and silver at the import stage, which would also raise their prices at the consumer level.

Some 5 percent tax will be deducted on interest earnings on treasury bond, treasury bills and debentures. Travel costs, too, will increase.

"Increasing collection at source is a good step," said Ahsan H Mansur, executive director of Policy Research Institute, adding that the National Board of Revenue had to create scopes

for tax refund, a facility which only the defence officials now enjoy.

Under the new scheme, life insurance companies will have to deduct 5 percent tax on profits in excess of premium.

Land registration will be expensive for increasing tax at source on sales price of land or apartments. Some 4 percent tax will be deductible on deed value.

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## VAT, DUTIES Bane, boon for consumers

MD FAZLUR RAHMAN

This year's budget brings some good news for people struggling to cope with their healthcare expenditures.

Finance Minister AMA Muhith has proposed a reduction of customs duties on 40 basic raw materials, used to manufacture medicines, to a 5 percent concessionary rate from the existing 10 percent and 25 percent.

The proposal, if adopted, will lead to a substantial decrease in the prices of locally manufactured medicines.

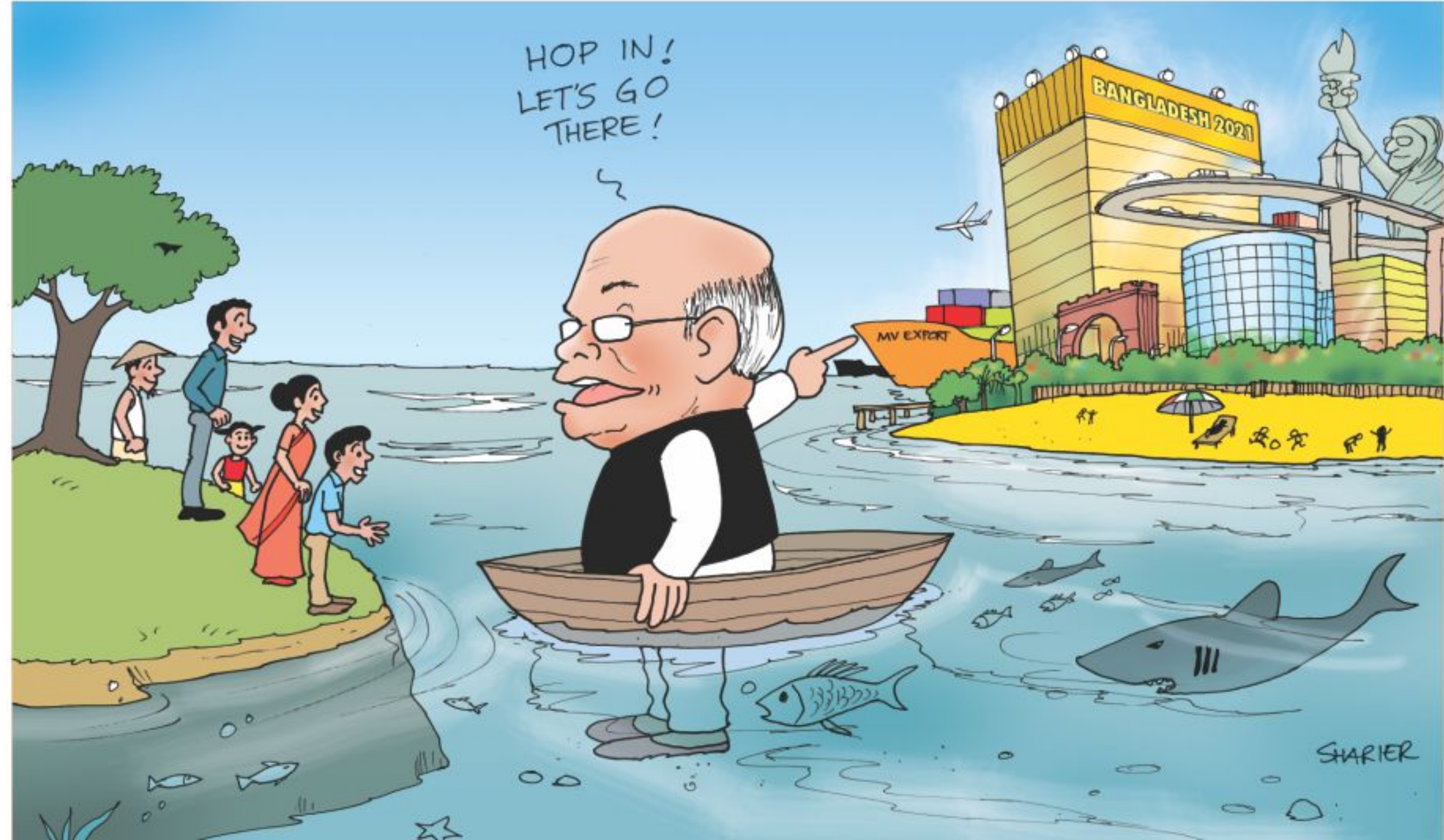
Other existing concessionary rates applied to the sector will remain as they are.

The customs duties on 14 items used to produce anti-cancer drugs and medicines have been fully exempted.

Likewise, import duties on infusion pumps used in the treatment of thalassemia have been withdrawn.

The budget also proposes lifting VAT (value added tax) on dialysis solution

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## Hard to attain growth target

### Say economists

SAJJADUR RAHMAN and MD FAZLUR RAHMAN

The government faces an uphill task of achieving 7.3 percent economic growth in the next fiscal year given the dismal investment scenario, ambitious revenue generation target and lack of reforms to generate higher GDP expansion, economists said yesterday.

"The GDP growth might be a very desirable target, but the budget structure and the associated measures don't generate confidence that this number is achievable," Debapriya Bhattacharya, a noted macroeconomist and public policy analyst, told The Daily Star.

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