

Business leaders welcome 'investment-friendly' budget



Kazi Akram Uddin Ahmed



Rokia Afzal Rahman



Abdul Matlub Ahmad



Atiqul Islam

REFAYET ULLAH MIRDHA
Businesses yesterday praised the proposed budget, saying it will attract more investment and create more jobs.

Kazi Akram Uddin Ahmed, president of the Federation of Bangladesh Chambers of Commerce and Industry, the apex trade body, said there are very few things that go against the interests of businessmen.

"So this budget is both investment- and business-friendly," he told The Daily Star, adding that only the packaged VAT goes against the businesses.

He said the government's plan to borrow Tk 31,221 crore from the banking sector will not have any negative impact on the fund flow to the private sector, as there is too much idle money in the banking system.

"Overall, the budget is productive," said Rokia Afzal Rahman, president of the Metropolitan

Chamber of Commerce and Industry, adding that the pharmaceuticals sector will particularly benefit from the proposed budget.

"The good side of the budget is that the government proposed higher allocation for education, which we wanted."

Atiqul Islam, president of Bangladesh Garment Manufacturers and Exporters Association, too termed fiscal 2014-15's budget to be an investment-friendly one.

He touched upon the offer of 20 percent tax rebate for factory relocation from Dhaka and its surrounding areas, saying it would increase investment and employment.

The reduction of corporate tax too will help encourage further investment in different sectors, the BGMEA president added.

Jahangir Alamin, president of the Bangladesh Textile Mills Association, said the proposed budget will help in diversification of textile products and

generate more revenue for the government. The budget will also create more jobs for the unemployed people, he said.

Mohammad Hatem, acting president of the Bangladesh Knitwear Manufacturers and Exporters Association, also commended the budget for its investment-friendly nature.

He particularly lauded the proposal of 20 percent rebate on tax for factory relocation from Dhaka, as it will ease traffic congestion in the capital.

A leading businessman yesterday hailed the government to reduce import duties of some industrial raw materials for local industries.

Abdul Matlub Ahmad, founder president of the India-Bangladesh Chamber of Commerce and Industry, welcomed the government move to reduce import duties for a selection of industrial raw materials, as it will help local entrepreneurs remain competitive in the global market.

Also the chairman of Nitol- Niloy Group, Ahmad urged the government to provide incentives for the light engineering sector.

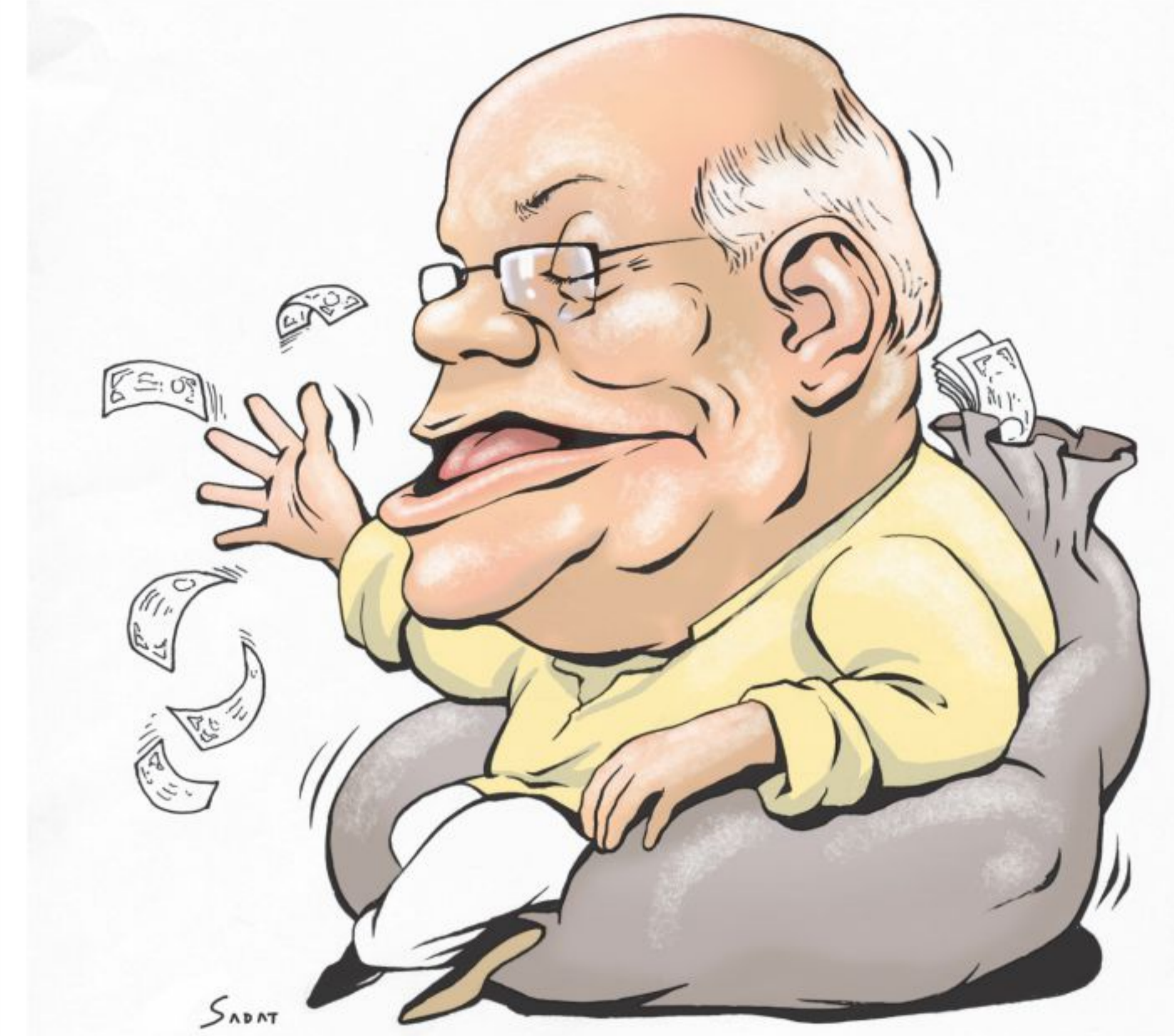
"We believe Bangladesh will soon become a middle-income country if the government puts emphasis on light engineering."

He also called upon the government to provide at least 5 percent cash incentive for inward remittance sent by non-resident Bangladeshis to tempt them to send money back through formal channels.

Mahbubul Alam, president of the Chittagong Chamber of Commerce and Industry, welcomed the move to reduce tax on local LC openings for importing goods.

Mousumi Islam, president of the Association of Grassroots Women Entrepreneurs, Bangladesh, however, expressed her disappointment that women entrepreneurs' interests were once again neglected in the budget.

"We are demanding a separate bank for women entrepreneurs and



Tax rebate for factory relocation from Dhaka

GAZI TOWHID AHMED

The government has offered tax rebate of 20 percent from the next fiscal year for relocation of industrial units from Dhaka and major cities to economically-lagging regions in a bid to reduce congestion.

The move comes in the face of growing migration of people from rural areas to find income opportunities in the capital and its surroundings, which affected the city's livability.

Dhaka has become the second least livable city in the world, according to the Global Liveability Survey of the Economist Intelligence Unit in 2013.

Industrialisation in areas other than the city corporations of Dhaka, Chittagong, Narayanganj and Gazipur would create

massive employment berths in the least developed areas, Finance Minister AMA Muhith said during his budget speech yesterday.

The offer will be available for entrepreneurs who will set up industries in the least developed areas between July 2014 and June 30, 2019. They will enjoy the tax rebate facilities for the next 10 years from the date of commencing commercial production.

The finance minister said the facility would be extended to sectors which do not enjoy tax benefits at present.

Atiqul Islam, president of Bangladesh Garment Manufacturers and Exporters Association, said the incentive will tempt many garment factories to shift to the economically disadvantaged areas.

Focus shifts to direct tax

SOHEL PARVEZ

The government has cranked up its collection ambitions from direct tax in the upcoming fiscal year in a bid to lessen dependence on indirect taxes such as sales tax and VAT.

Direct tax comprises income tax, corporate tax and travel tax, and the National Board of Revenue has been tasked to collect Tk 57,500 crore via this channel in fiscal 2014-15, which is 38.4 percent of the total revenue target and an increase of 29.6 percent over current year's target.

While some economists welcomed the move on grounds that it would help establish a more equitable society, others expressed reservations about the feasibility of the target.

"It is the right approach as it is more equitable. It presents the opportunity to impose higher taxes on the wealthy and re-distribute the amount to the low-income group through expenditure," said Ahsan H Mansur, executive director of Policy Research Institute.

Meeting the collection target though would depend on a boost in economic activities and investment, he added.

"I do not see any major leap in economic activities and investment in the next fiscal year, essential to help revenue receipts grow fast," AB Mirza Azizul Islam, a former adviser to a caretaker government, said.

The government is aiming to collect 54 percent of the Tk 57,500 crore target from corporate taxpayers.

And to ensure collection, it has kept the tax rate for financial institutions, listed companies, mobile phone operators and cigarette manufacturers unchanged, as companies from these sectors provide more than Tk 10,000 crore or nearly one-third of the revenue.

Corporate tax structure to drive away firms from stockmarket

Analysts say

SAJJADUR RAHMAN

The proposed corporate tax structure will discourage companies from joining the stockmarket, analysts said.

Their comments came after Finance Minister AMA Muhith announced a cut in corporate tax for non-publicly traded companies by 2.5 percentage points to 35 percent for fiscal 2014-15. The minister believes the move will attract foreign direct investment and create much-needed jobs.

However, a company has to follow Bangladesh Accounting Standards and Bangladesh Financial Reporting Standards to get the benefit. In case of false reporting, the company concerned will be fined.

Tax rates for other types of companies remain unchanged -- at 42.5 percent for banks, insurers and non-bank financial institutions, 37.5 percent for merchant banks, 40 percent for publicly traded cigarette manufacturers, which is 45 percent for non-listed cigarette manufacturers. The tax rate of 27.5 percent for publicly traded companies, subject to certain conditions, also remains unchanged.

Prof Osman Imam of Dhaka University said listed companies were more compliant than the non-listed ones and they disclosed lot of information.

He said usually the non-listed companies do not disclose information and evade their taxes. But these companies have been given incentives in the proposed budget.

There are more than 100,000 companies registered with the Office of the Registrar of Joint Stock Companies and Firms, but less than 2 percent of the firms pay taxes, according to revenue officials.

"Local companies will no longer be interested to go to the capital market," said Osman, adding that very few non-listed companies paid taxes

fastest



Telecom firms frustrated

ABDULLAH MAMUN

The telecom operators have expressed frustration as the proposed budget has not taken any positive steps for them.

They had urged the government to reduce the Tk 300 SIM tax and 15 percent value added tax on internet use, but the government has continued with the existing tax regime.

In addition, it has slapped a new Tk 100 tax on every SIM card replacement.

"The new tax on SIM replacement will complicate matters for mobile users," said TIM Nurul Kabir, secretary general of Association of Mobile Telecom Operators of Bangladesh.

"We hoped for something positive from the current government as mobile is a significant enabler of the government's vision for a Digital Bangladesh. But we are frustrated."

It would have been helpful for the government if it had exempted the SIM tax as the number of mobile users would increase and it could earn greater revenues, Kabir added.

At the same time, the proposed 15 percent VAT on mobile handset imports, rising from 10 percent at present, will increase the prices of the imported devices.

Faisal Alim, vice president of Bangladesh Mobile Phone Importer's Association, said, "It will encourage the import of handsets through illegal channels."

Government revenues will fall as fewer handsets will be imported through formal channels and foreign currency reserves will be affected, he added.

The moves contradict the government's vision for 2021, said Alim.

READ MORE ON PAGE 4

Gold to get pricier

STAR BUSINESS REPORT

Gold prices may go up as the finance minister has proposed a hike on its import duty from Tk 150 to Tk 3,000 for each tola (11.664 grams) carried in the baggage of air travellers.

Finance Minister AMA Muhith has suggested the measure in an attempt to curb rampant smuggling, referring to two large caches of smuggled gold confiscated this March and April.



He also proposed to halve the duty-free gold import ceiling from 200 grams to 100 grams.

"In the absence of a proper gold import policy, the baggage allowance is the precious metal's main source for the country's jewellery industry," said Anwar Hossain, president of Bangladesh Jewellery Manufacturers and Exporters Association.

"The move to jack up taxes will only exacerbate the smuggling problem, seeing that it is already a matter of concern even with much lower taxes."

Under the existing Passenger (non-tourists) Baggage Rule, a passenger can bring up to 200 grams (around 17 tolas) of gold ornaments duty-free.

Passengers can also bring a further 200 grams of gold bars on payment of a Tk 150 specific duty for each tola.

The minister proposed allowing passengers to bring 100 grams of gold ornaments free of taxes and an additional 200 grams on payment of Tk 3,000 specific duty for each tola.

Referring to two big attempts of gold smuggling in March and April at Hazrat Shahjalal International Airport, the minister proposed to increase the import duty of gold.

to activate dial
***5000#**



start something new

• for details please see inner page