

Budget stresses producing skilled manpower

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Finance Minister AMA Muhith yesterday in his budget speech gave targets for producing skilled manpower for both local and overseas labour markets, but did not deliver any clear guideline for job creation.

The government will produce a total of 2.6 lakh skilled people for the local market in the next three years with the assistance from development partners, and 10 lakh skilled people for the overseas market in the next 15 years.

For the local market, the government has identified five growing sectors -- garments, construction, information technology, light engineering and ship building, the minister said.

Muhith said his government's diplomatic successes have helped regularise the status of eight lakh Bangladeshi migrants in Saudi Arabia last year, but he mentioned nothing on the government's

efforts on reopening the United Arab Emirates job market.

"This budget sheds no light on the mechanism to be highlighted in terms of job creation. Training will be imparted to produce a skilled labour force. The effectiveness of these measures are not sure yet," said Zaid Bakht, research director of Bangladesh Institute of Development Studies.

The UAE and Malaysia, the two major labour markets for Bangladeshi migrant workers, have almost shifted to other neighbouring countries due to the government's slow recruitment system.

Increasing investment in the private sector, establishing political stability and reversing the falling trend in overseas employment are major challenges to job creation in the next fiscal year, analysts said.

"Sluggish private investment and a sudden fall in overseas employment seriously hampered job creation in both local and foreign labour markets last year," Bakht said.

Private investment dipped as political crisis halted business activities last year.

"Employment generation will depend on an increase in private investment, expansion of industries and the availability of bank loans for private entrepreneurs," Bakht told The Daily Star.

Around 20 lakh jobseekers enter the job market a year. Of them, only four lakh find overseas jobs while a part of the rest is absorbed by the local market; others remain unemployed.

The number of those absorbed in the local job market depends on economic activities driven by credit growth in the private sector, and investment. Of the government's projected 16.5 percent private credit growth in the current fiscal year, only 11 percent was achieved through March.

"Economic growth depends on adequate investments in the private sector and employment hinges on the private sector oriented job market."

The prospect of the overseas job market is also not encouraging as the government could not revive the flow of manpower to regular markets like the UAE and Saudi Arabia, the two key labour markets.

Muhith in his budget speech said the country's remittance declined 4.8 percent year-on-year during July-April of the current fiscal year. He said remittance declined not only in Bangladesh but also globally.

However, analysts said the continuous fall in manpower exports is a major reason behind the decline in remittance.

"Regaining the traditional foreign labour markets that Bangladesh lost in the last few years should be the prime focus to increase overseas employment and remittance in the next fiscal year," said Prof Tasneem Siddique, founder chair of Refugee and Migratory Movement Unit, a manpower research organisation.

Tax-free income ceiling raised for women

TAMMANA KHAN and ZYMA ISLAM

Women will get yet another exemption of Tk 25,000 in the income tax bracket for fiscal 2014-15, making their total tax-free allowance Tk 2.75 lakh.

The same exemption applies to senior citizens over 65.

In the last budget (2013-14), the income tax threshold for women was Tk 2.50 lakh, up from Tk 2.25 lakh in the previous year.

Donations to girls' schools and colleges, and vocational and technical education institutions through banking channels will receive a full tax exemption under the new tax provisions.

The allocation for women in the national budget has gone down by one percentage point to 26.6 percent. However, the total allocation is around Tk 5,000 crore more than last year's.

A National Work Plan has been developed for the implementation of Women Development Policy 2011, which outlines the activities of ministries, government

agencies, NGOs and private and international organisations.

This year's budget sees special allocations of Tk 100 crore for women development and Tk 50 crore for children welfare.

Forty percent of female undergraduate students will continue to get stipends same as last year.

Preparations will be made to implement a draft child budget on pilot basis in the 2015-16 fiscal year, bringing hope for having a full fledged children sensitivity resource allocation in future.

To encourage women to go to hospitals for healthcare, the budget continues an ongoing commitment from last year of turning 30 hospitals into women friendly hospitals by 2016. By changing the managements, 10 district hospitals and three upazila health complexes have already been turned into such facilities.

However, this initiative still falls short of ensuring that there are enough female healthcare givers for women patients. Women make up only around 25 percent of medical officers, and 35 percent of staff in healthcare facilities.



Bangladeshi migrant workers arrive at the airport to clear procedures before boarding flights to foreign destinations.

STAR/FILE

Garment makers get duty waiver for building materials

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"The process of factory relocation will be quickened by the government's moves," said Atiqul Islam, president of Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

"The budget proposals for duty-exemption on raw material and safety equipment are friendly, and echo our long time demands. If we have continued political stability, our garment exports will reach \$50 billion from \$22 billion by the end of 2021," Islam said.

President of Bangladesh Textile Mills Association (BTMA) Jahangir Alamin also welcomed the proposal of the government, echoing Islam.

"A reduction in import duty of textile materials and staple fibre will help in product diversification. So more value added items can be produced in the factories, which will in turn help generate more employment," Alamin said.

"But we had demanded the duty be cut to zero for such raw materials and fibre," he said.

"The proposed industry-supporting moves will help increase our global competitiveness," said Abdus Salam Murshedy, president of Exporters Association of Bangladesh.

"Now garment factory owners will be able to relocate their units more easily,

benefiting from zero-duty on imported prefabricated building materials and other fire safety equipment," Murshedy said.

"We also want soft loans from the government for factory relocation. The international retailers are not increasing the prices for the items. So even small support initiatives by the government will help the sector grow more," said Annisul Huq, former BGMEA president Huq said.

"A single fire door costs Tk 70,000," he said adding that just buying 10 such doors could be potentially back-breaking for any small factory, so zero import duty on such equipment will immensely benefit the sector," he said.

Governments of different countries and international retailers are pressurising the garment makers to install fire safety equipment, and as such, the proposals will help further the industry's growth," said Mohammad Hatem, acting president of Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA).

"These have been our long time demands from the government."

Welcoming the government's suggestions for the garment sector, Fazlul Hoque, former BKMEA president, urged the government to give special loans to small and medium factories as they are in a bad shape now.

Tax rebate for factory relocation from Dhaka

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The move will transmit a positive message to the world that the government is serious in relocating factories from the capital, he added. "Plus, the city's environment will improve."

Dhaka and its adjacent areas house nearly 80 percent of the 4,500 export oriented garment factories in the country.

Meanwhile, the government has extended tax holiday facilities by another three years to the 17 industrial sectors that are already enjoying the privilege.

The sectors are: active pharmaceutical ingredients industry and radio pharmaceuticals industry, barrier contraceptive and rubber latex, chemicals or dyes, basic ingredients of electronic industry, biotechnology, boilers, compressors, computer hardware, energy efficient appliances, insecticide or pesticide, pharmaceuticals, locally produced fruits and vegetables processing and textile machinery.

Meanwhile, to encourage exports

BY THE NUMBERS

Tax rebate of **20%** from next fiscal year for factory relocation

The benefit will remain effective for **10** years

Dhaka and adjacent areas house **80%** of **4,500** garment units

Tax at source for exporters to go down to **3%** on cash incentive

Tax on income of some autonomous bodies to decline to **25%**

Muhith has called for a reduction of tax at source from 5 percent to 3 percent on cash incentive.

He has also proposed tax exemption on interest income from investment on pensioner savings certificates and wage earners' bonds of up to Tk 5 lakh.

There will also not be any deduction at source on local LC of daily necessary consumer items: rice, onion, lentil, turmeric, chilli, wheat, maize, flour, salt, edible oil and sugar.

"The main objective of the autonomous bodies is not to make mere profit but to provide essential services to the citizens," the finance minister said.

Considering the issue, he proposed reducing tax rate from 37.5 percent to 25 percent on income of all autonomous bodies including: Dhaka Wasa, Chittagong Wasa, Khulna Wasa, Rajshahi Wasa, Rajuk, Bangladesh Telecommunication Regulatory Commission, and Civil

Corporate tax structure to drive away firms from stockmarket

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However, Zaid Bakht, research director of Bangladesh Institute of Development Studies (BIDS), said the proposed slash in corporate tax was just a beginning as the rate was higher than that in many countries, including the regional ones.

He hoped the rate would be rationalised in future.

There have been discussions over the past several weeks that the government was going to cut the existing 42.5 percent corporate tax rates for banks, insurers and financial institutions, which are seen as the cash cow for the government. Though these companies are listed in the capital market, they have to pay a high rate of tax.

Prof Osman said once banks used to earn abnormal profits, but the situation is different now. The tax rates should be rationalised for these companies.

"Profit should not be the criterion for imposing taxes," Zaid said on the tax rates for banks, insurers and financial institutions. "It should be considered that these companies are contributing to the country's economic development."

A chief executive of a private bank said, "The government gets lot of taxes from us and it continues to affect us, no matter how our business is going."

Zahid Hussain, lead economist at the World Bank's Dhaka office, said corporate tax in Bangladesh was one of the highest in the world and it should be rationalised.

Analysts, however, welcome a cut in turnover tax for all companies to 0.3 percent from present 0.5 percent.

Telecom firms frustrated

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Mobile handsets will go out of the reach of the lower income groups in rural areas, which are the main target of the operators at present, said Kabir of the operators' association.

However, the finance ministry has proposed to reduce the supplementary duty on SIM cards from 20 percent to 15 percent.

Govt eyes taxes on each katha of land

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Besides, Muhith proposed to impose 3 percent tax at source on registration value in other city corporations and municipalities at district headquarters and 2 percent in other municipalities and 1 percent in all other areas outside municipalities.

Digital Bangladesh: progress slow

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"And the government is thinking that it has been digitalised. The concept should be changed and the government should do some basic work."

The Digital Bangladesh Taskforce, which is the supreme body of the vision spearheaded by the Prime Minister, had only one meeting in the last five years.

The land automation could not be implemented yet.

Ananya Raihan, executive director of D.Net, a development organisation, said most of the programmes under the initiative are suffering from 'perpetual pilot syndrome'. There is no enterprise approach to implement the vision, he said.

However, the use of mobile phones has increased drastically for the last couple of years: more than 11 crore people are taking mobile services and more than 4 crore people are using internet.

Mobile based money transfer or banking has reached a significant stage and has increased the money flow from the urban to the rural areas. Currently, more than 1.5 crore people are using the mobile financial services, with more than Tk 120 crore transactions taking place a day.

On the other hand, electronic payment is still lagging far behind, with only Tk 6 crore transacted a month.

The government's target was to establish a high-tech park and a software park, but it failed to implement those.

The software industry is still in the incubator, though the country is now exporting \$250 million IT and IT enabled services and products to 30 countries.

However, the finance minister has proposed to allocate Tk 3,229 crore for 72 different projects in the ICT, telecom, post, education and land sectors, while the amount was Tk 3,176 crore in the outgoing fiscal year.

Focus shifts to direct tax

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But the government has proposed reduction in tax rate for non-listed companies and gross turnover tax in an attempt to get firms to pay taxes and lure in foreign investors. At present, a large section of non-listed companies report losses or show lower profits to avoid tax, according to taxmen.

It has also offered tax cuts for exporting sectors including the garment industry, which did not go down well with certain sections.

Mansur said: "Garment factory owners are super-wealthy. Why will we tax others by excluding garment owners? Every sector suffered for political instability, so why should the garment makers alone get high

tax benefits?"

Islam said the proposed tax measures indicate that the brunt of the tax burden will be borne by individual taxpayers and not the corporate taxpayers.

Subsequently, it will not be possible for the NBR to ensure the jump in collections, he added.

Mansur went on to recommended increased vigilance to meet the direct tax collection.

However, to inspire people to pay taxes, the government will exclude those from being audited by the tax authority if they can show 20 percent higher income than the previous year.

Bourses to get 5-year tax breaks

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"We can now utilise the otherwise taxable money for capacity building, infrastructure development and introduction of new products to attract strategic investors to the bourse," he said.

"The tax exemption will also not affect the government's revenue collection, as the bourses have not paid any taxes yet, being non-profit cooperative organisations before."

On the hike in tax-free dividend income,

Bala said it will reduce the investors' tax burden. "But the investors will have to get tax identification numbers to enjoy the opportunity."

Referring to the stockmarket crash in 2010-11, Finance Minister AMA Muhith said initiatives were taken in the last two fiscal years, including reshuffling of Bangladesh Securities and Exchange Commission, reforms in legal and regulatory frameworks and demutualisation of the stock exchanges, to stabilise the capital market.

PPP projects too many, but success insignificant

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No bank will be interested to finance such projects if there is interference and uncertainty over implementation, said Hoque.

Some of the proposed PPP projects include constructions of two jetties at Mongla port, the 40-bed Hemodialysis Centre at Chittagong Medical College Hospital, hi-tech parks at Kaliakoir and Sylhet, a multi-mode surveillance system at Hazrat Shahjalal International Airport, medical colleges and nursing institutes, modernisation of railway hospital in Kamalapur, New Inland Container Depot in Dhirasram Railway Station, and a third sea port in Patuakhali.

Biman needs steps to stop losses: Muhith

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Kazi Wahidul Alam, an aviation analyst, said Biman is suffering losses as it does not always operate commercially despite being a commercial institution.

Biman has recently resumed flights on some loss-making routes without considering commercial viability, which is not the manner of a for-profit organisation, said Alam, editor of Bangladesh Monitor.

"Biman will make losses if it operates on the Dhaka-New York route with current fares, but is still trying to do so under political considerations."