

# Subsidies cut by 20pc

REJAUUL KARIM BYRON

Subsidy allocation is set to be slashed by 19.5 percent in the upcoming budget, with the bulk of the cuts falling on fuel subsidy in keeping with the commitments made to the International Monetary Fund.

The total allocation for subsidy is likely to be around Tk 26,053 crore in fiscal 2014-15, in contrast to Tk 32,354 crore set aside this year.

Of the total allocation, subsidies for all sectors except for fuel and electricity would be Tk 16,653 crore, which was Tk 15,465 crore in the outgoing fiscal year.

In the budget documents, fuel and electricity subsidies, however, were shown as cash hand-outs to the Bangladesh Petroleum Corporation (BPC) and Bangladesh Power Development Board (PDB). The amount came to Tk 9,400 crore.

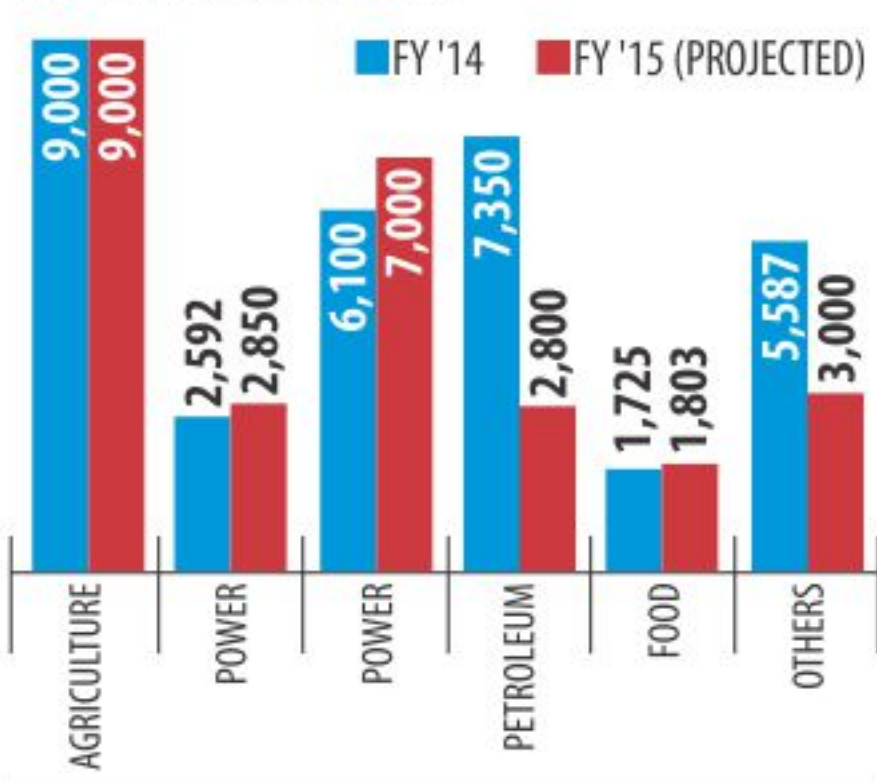
Power subsidy has been increased by around 15 percent to Tk 7,000 crore, while fuel subsidy has been slashed by 67.35 percent to Tk 2,400 crore, in keeping with the government's pledges to the IMF.

The government also committed to keep domestic average fuel prices within Tk 10 per litre of international prices, with the price to be adjusted as needed to keep to that target.

To enhance financial management at BPC, the sole agent for importing fuel, the government will hire professional staff by June, appoint a global firm to audit its financial statements and adopt automated financial reporting software by December.

To strengthen the transparency of

## SUBSIDY IN CRORES OF TAKA



subsidy policies, the required subsidy expenditure of BPC, PDB and Bangladesh Chemical Industries Corporation (BCIC) will be met through regular budgetary transfers, at least on a quarterly basis.

Agricultural subsidy will remain the same as this year, which is around Tk 9,000 crore.

Export subsidy has been upped by 10 percent from current year's to Tk 2,850 crore. Food subsidy too got a raise to Tk 1,806 crore from outgoing fiscal's revised budget figure of Tk 1,689 crore.

The government's expenditure on subsidy has gone up significantly in recent years mainly due to quick rental plants. In fiscal 2009-10, the amount of subsidy was Tk 9,534 crore, which rose to Tk 16,285 crore the following year, and to Tk 28,814 crore the year after. In fiscal 2012-13, subsidy allocation was Tk 37,399 crore.

# Bourses to get 5-year tax breaks

SARWAR A CHOWDHURY

The stock exchanges that were turned into profit-oriented companies through demutualisation last year will be exempt from paying taxes for the next five years, in a budgetary move aimed at strengthening the bourses and capital market activities.

The tax-exempt dividend income was also increased to Tk 15,000 from Tk 10,000 at present at the budget proposed yesterday.

Bangladesh's stock exchanges, before demutualisation, were non-profit cooperative organisations owned by the exchange members, and were not subject to corporate taxation.

But demutualisation, a way of separating bourse management from ownership, converted the bourses into profit oriented companies owned by shareholders, and 37.5 percent corporate taxes now apply to them as non-listed companies. The demutualisation process also allows for alternative business models and operational efficiency.

This is a positive message for the stock exchanges, said Swapan Kumar Bala, managing director of Dhaka Stock Exchange.

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# TOP ALLOCATIONS FOR FY15

In crores of taka; percentage change compared to outgoing fiscal year

<b>PUBLIC SERVICES</b> 38,234 42.2%	<b>DEFENCE SERVICES</b> 16,462 8.4%	<b>FUEL &amp; ENERGY</b> 11,540 16.5%	<b>INTEREST</b> 31,043 17%
<b>LOCAL GOVERNMENT &amp; RURAL DEVELOPMENT</b> 17,715 15.1%	<b>HEALTH</b> 11,146 12.0%	<b>AGRICULTURE</b> 19,095 7.9%	<b>INDUSTRIAL &amp; ECONOMIC SERVICES</b> 2,874 -21.0%
<b>EDUCATION &amp; TECHNOLOGY</b> 32,769 15.9%	<b>SOCIAL SECURITY &amp; WELFARE</b> 15,197 23.4%	<b>TRANSPORT &amp; COMMUNICATION</b> 24,437 57.7%	<b>RECREATION, CULTURE &amp; RELIGIOUS AFFAIRS</b> 1,991 2.0%

# Digital Bangladesh: progress slow

ABDULLAH MAMUN

The government continues to be gung-ho about the progress of its Digital Bangladesh vision by 2021, but in reality, no significant development has taken place in the last five and a half years.

"Over the last five years, we have created an enabling environment and infrastructure for ICT. Following this, Bangladesh has already reached the threshold of becoming a technology-driven modern state," Finance Minister AMA Muhith said in his budget speech yesterday.

However, analysts see no clear indication of further development of

the ICT sector.

The concept of the vision was to provide services using digital technologies to turn Bangladesh into a middle-income country having transparency in all sectors.

But due to a lack of coordination between different machineries in the government the target could not be fulfilled, said TIM Nurul Kabir, secretary general of the Association of Mobile Telecom Operators of Bangladesh.

He said different ministries are working in their own ways and there is no collective effort, while calling for formation of a high-level committee to monitor the progress of the differ-

ent wings of the government.

The government has to run the offices including the ministries through digitalised systems to implement the dream, but the public offices are still serving through the traditional filing systems.

Mustafa Jabbar, an ICT expert, said: "We do not see any change in the government offices. If you cannot digitalise them, you will never be able to change the country."

So far, the initiative has yielded 4,500 union information centres, some mobile-based services and websites of the government offices, he said.

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# PPP projects too many, success insignificant

M ABUL KALAM AZAD

The finance minister has proposed a plethora of public-private partnership projects in his budget speech yesterday, although the idea has so far proved futile.

Not a single PPP project could be implemented since the idea was conceived four years ago.

Muhith has put forward a total of 34 PPP projects, most of which are in the transport sector, allocating an estimated \$11.1 billion.

He said the projects were approved in principle and consultants have been engaged in 33 projects. "This is the first step towards project implementation," he said.

To give focus, PPP projects were mentioned in the budget speech for the first time. Once again, Muhith has promised to attract the private sector to implement the projects.

The government initiated the first PPP project, the Dhaka Elevated Expressway, with Ital-Thai Company in 2011, but failed to kick off construction.

Prime Minister Sheikh Hasina inaugurated construction work on the 20-kilometre expressway stretching from Hazrat Shahjalal International Airport to Kutubkhali canal in Jatrabari.

Officials involved in the project said they hoped to begin the first phase of construction work between the airport and Mohakhali this year.

Earlier, the government inked a Tk 8,700 crore deal with Ital-Thai Company in 2011 to build the expressway by 2013.

However, the deal was revised in 2013, when the project cost jumped to Tk 8,900 crore, said officials.

On the poor show in PPP projects, Prof Shamsul Hoque of Buet identified the reasons to be a lack of an investment climate and poor confidence by the business community.

Political determination is needed to implement such projects. If not, no investor will come forward for a partnership with the government, he said.



Workers are busy at a garment factory. Apparel exporters have welcomed the government's proposal to offer full duty waiver on imports of building materials and fire safety equipment for the sector.

# RMG makers get duty waiver for building materials

REFAYET ULLAH MIRDHA

Full duty waiver on imports of prefabricated building materials, fire safety equipment, including sprinkler systems, fire doors and emergency lights, set the tone for policies forwarded for the garment sector's benefit in the budget proposed yesterday.

Finance Minister AMA Muhith also

suggested halving the import duty on textile raw materials like flex fibre to 5 percent from the current 10 percent. The same measure was stipulated for artificial staple fibre as well.

Muhith also recommended a reduction in tax at source on cash incentive to 3 percent from the current 5 percent, effectively increasing the incentive incidence.

Tax deduction rate at source on garments export has been reduced from 0.80 percent to 0.30 percent and, for all other exports, the rate has been reduced from 0.80 percent to 0.60 percent to provide a more competitive edge to the export sector.

The minister's proposals received wide appreciation from garment exporters.

# Govt eyes taxes on each katha of land

GAZI TOWHID AHMED

Finance Minister AMA Muhith yesterday suggested imposing an advance tax system on each katha of land, irrespective of the price of land, to stop undervaluation at the time of registration.

"Undervaluation at the time of registration for a transfer of ownership is causing significant revenue pilferage every year. It is essential to impose an advance tax system on land," he said in his budget speech for the next fiscal year.

He proposed a katha-based advance tax scheme, replacing the existing 3 percent tax incidence at source on land registration value in the posh residential and commercially important areas of Dhaka and Chittagong.

He also imposed specific taxes in the same manner, based on square-footage, in transferring ownership of residential/commercial and other structures in Dhaka, Chittagong and Narayanganj city corporations.

The minister proposed to increase the rate of tax at source from 3 percent to 4 percent on the deed value of land in areas other than the important commercial and posh areas within the jurisdiction of Rajuk and Chittagong Development Authority.

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# Biman needs steps to stop losses: Muhith

STAR BUSINESS REPORT

Biman must give precedence to commercial interest to curb its losses, as the airline continues to bleed despite procuring four new Boeing 777-300ER aircraft in the last couple of years, Finance Minister AMA Muhith said yesterday.

The national carrier incurred a loss of around Tk 162 crore in the nine months to March, inside sources of the airline said. The loss amounted to Tk 148 crore in the first eight months of the year.

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