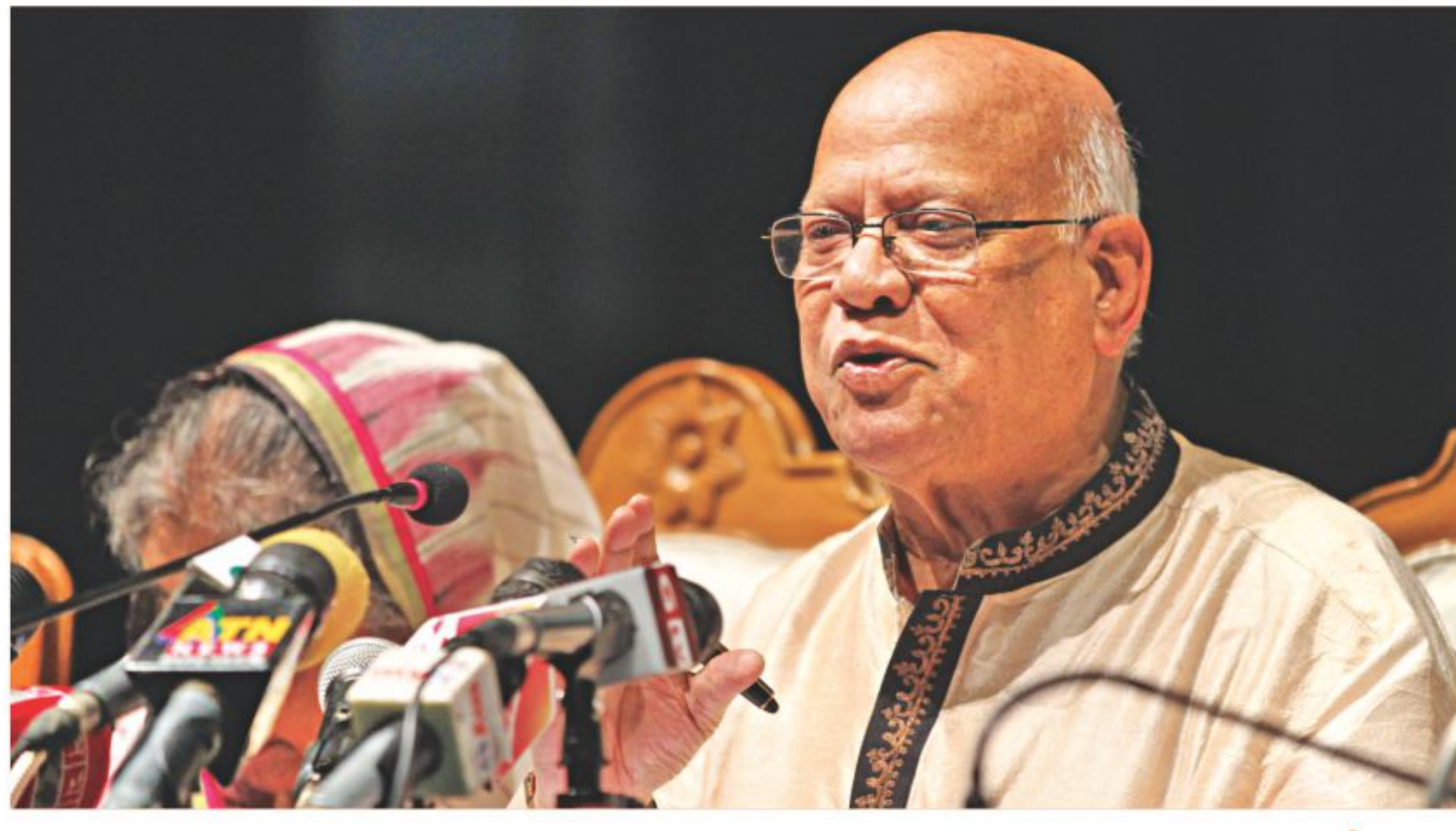


## MCCI praises

FROM PAGE 16  
programmes were fully justified. "MCCI is particularly happy to see that special attention has been given to transport and vocational education." In utilising the allocation, higher priority should be given to primary and secondary education and skills development, the trade body said. "MCCI is pleased to note that GDP growth target has been raised to 7.3 percent," it said, adding that as the time progresses, the rate should be raised to 8 percent as the economy has started showing encouraging signs. The chamber also described financing and implementation as two major challenges in the budget. The government had not achieved the target revenue set for the current fiscal year. The government's projected bank borrowing, which was the main source of financing the development plans, would be significantly higher compared to the last year's budget, the MCCI maintained.



Finance Minister AMA Muhith speaking at the post-budget press conference held at the Osmani Memorial Auditorium yesterday.

PHOTO: STAR



## Capital gains

FROM PAGE 1  
beneficiary owner's accounts who get away without paying any tax despite earning millions. "Our goal is not to tax small investors. We seek to impose the tax on those investors who earn high capital gains from stock investment," said Syed Md Aminul Karim, member of tax policy wing of the National Board of Revenue.

Market analysts though were not welcoming of the move, as it is likely to have a negative impact on the short-term. The market has been downbeat in recent weeks amid growing worries about the central bank's possible move to reduce stock exposure of banks. DSEX, the benchmark index of Dhaka bourse, lost 166.42 points or 3.54 percent from 4,562.96 in the month to June 5. The DSEX closed 4,396.54 on Thursday, losing 4.45 points or 0.10 percent a day before. The latest move is likely to propagate the descent, they said.

"This will surprise the market as it was not consulted with the relevant stakeholders beforehand," said Ali Imam, head of research of BRAC-EPL Ltd. But Ahsan H Mansur, executive director of Policy Research Institute, commended the move, saying some investors gain from the market even if it is sluggish. "So, they should pay tax. It's a positive initiative. Capital gain is part of the normal tax system in any reasonably developed economy." The rate will remain unchanged for companies: a flat 10 percent tax on their realised gains from stock investments.

The revenue authority also plans to impose a 15 percent tax if the shareholders fail to provide electronic taxpayer identification numbers to the respective company at the time of dividend payment. Shareholders who provide the e-TINs will see a 10 percent tax deduction on their dividend earnings. Until now, directors of banks, insurance, leasing companies, merchant banks, brokerage firms and companies were subjected to 5-10 percent taxes for their realised gains during the submission of tax returns.

The NBR expects to get nearly Tk 200 crore through this channel, a form of direct tax. The tax deduction will be treated as final settlement and no additional tax will be imposed on the capital gain incomes, said taxmen.

# No more money whitening scope

FROM PAGE 1  
though the issue was not mentioned in Thursday's budget speech, said the minister. "We will incorporate it [in the budget]." The minister mistakenly mentioned stockmarket as one of the sectors enjoying the scope for whitening black money. When reporters pointed out the mistake, he referred the issue to Chulam Hussain, chairman of the National Board of Revenue.

is less than 1 percent of the revenue collection target for fiscal 2014-15. Muhith yesterday admitted that the budget was ambitious. "From the very beginning, the government has been rolling out ambitious budgets. We have also implemented those. High ambition is good for the country," he said. "The achievement has been excellent from the very first year. That is why our ability to spend has doubled over the last five years -- a thing that could not be seen in 10 years [before 2009]."

YEAR	MONEY WHITENED In crores of taka	TAX COLLECTED In crores of taka
1971-1975	2.25	0.19
1976-1980	50.76	0.81
1981-1990	45.89	4.59
1991-1996	150.79	15.08
1997-2000	950.41	141.24
2001-2006	827.74	102.77
2007-2009	9,682.99	911.32
2009-2013	2,098.01	279.29
<b>TOTAL</b>	<b>13,808.84</b>	<b>1,455.29</b>

SOURCE: NBR

Hussain said the provision is now applicable to real estate, investments in treasury bills and individuals paying normal tax on undisclosed income and a penalty of 10 percent. "There is no such scope for stockmarket," said the NBR chairman. "As mentioned by the minister, the provision for the existing sectors will go. But we will have to introduce a bill in parliament on the issue by June 30." Muhith referred to land as the biggest source for investment of black money. There is a huge difference between the registered price of land and its real price.

"When the NBR told us about the potential source for revenue generation, I told them why haven't you told me about this in the past? Where have you been? ... It will continue. Everybody should support it." On the Centre for Policy Dialogue's doubt about BBS' calculation of 6.12 percent growth in the outgoing fiscal year, Muhith said it was unjust and totally unacceptable. "The BBS independently calculates the GDP. We don't interfere in the matter."

pipeline gets bigger. About \$19 billion of foreign aid has piled up in the pipeline. It was \$9 billion five years ago.

He said one of the reasons behind this was the increase in commitments over the last few years. "We have to take special initiatives to utilise unused funds." Muhith expressed satisfaction at the opposition party's presence while he was unveiling the budget in parliament. The opposition was present in parliament. It didn't matter in what form, he said.

"This is how the major portion of black money is generated," said the minister. "We have to think how we can stop generation of black money. But we have not progressed much on the issue." He said the finance ministry would conduct a study to know the extent of black money in the country and how it is generated. The ministry will also recommend steps for containing generation of black money.

On Thursday, Muhith announced the budget for 2014-15, which is 18.5 percent of the country's gross domestic product.

In reply to a query, he said there would always be crimes in society. "It doesn't mean that you will patronise them. Every individual should protest wrongdoings; otherwise the society will be destroyed." He said the Pay and Services Commission, which is to recommend a new salary structure for civil servants, will submit its report to the government by December this year. "We will act accordingly."

Barring a few exceptions, the scope for legalising black money was given, in one form or the other, in every budget. Between fiscal 1971-72 and fiscal 2012-13, about Tk 13,808 crore was whitened. During the period, the NBR received taxes of Tk 1,455 crore, which

On the risk of relying too much on the banking system to implement the budget, Muhith said the government never borrowed heavily from banks in the last six years. The Awami League-led government set a target of five percent deficit of the GDP every year, and it didn't go beyond 4.5 or 4.6 percent, he said.

### SUPPORTED

- 30 percent tax for over Tk 44.20 lakh income
- Increased wealth surcharge for richer people
- Tax cut for non-listed firms
- Reduced turnover tax for companies
- Increased tax at source on land deed value
- Tax at source on land ownership transfer in city corporations, municipalities
- Health Development Surcharge
- Green tax
- Tax holiday extension
- Tax rebate on setting up industries in lagging regions
- Social Health Insurance Programme

### DOUBTFUL

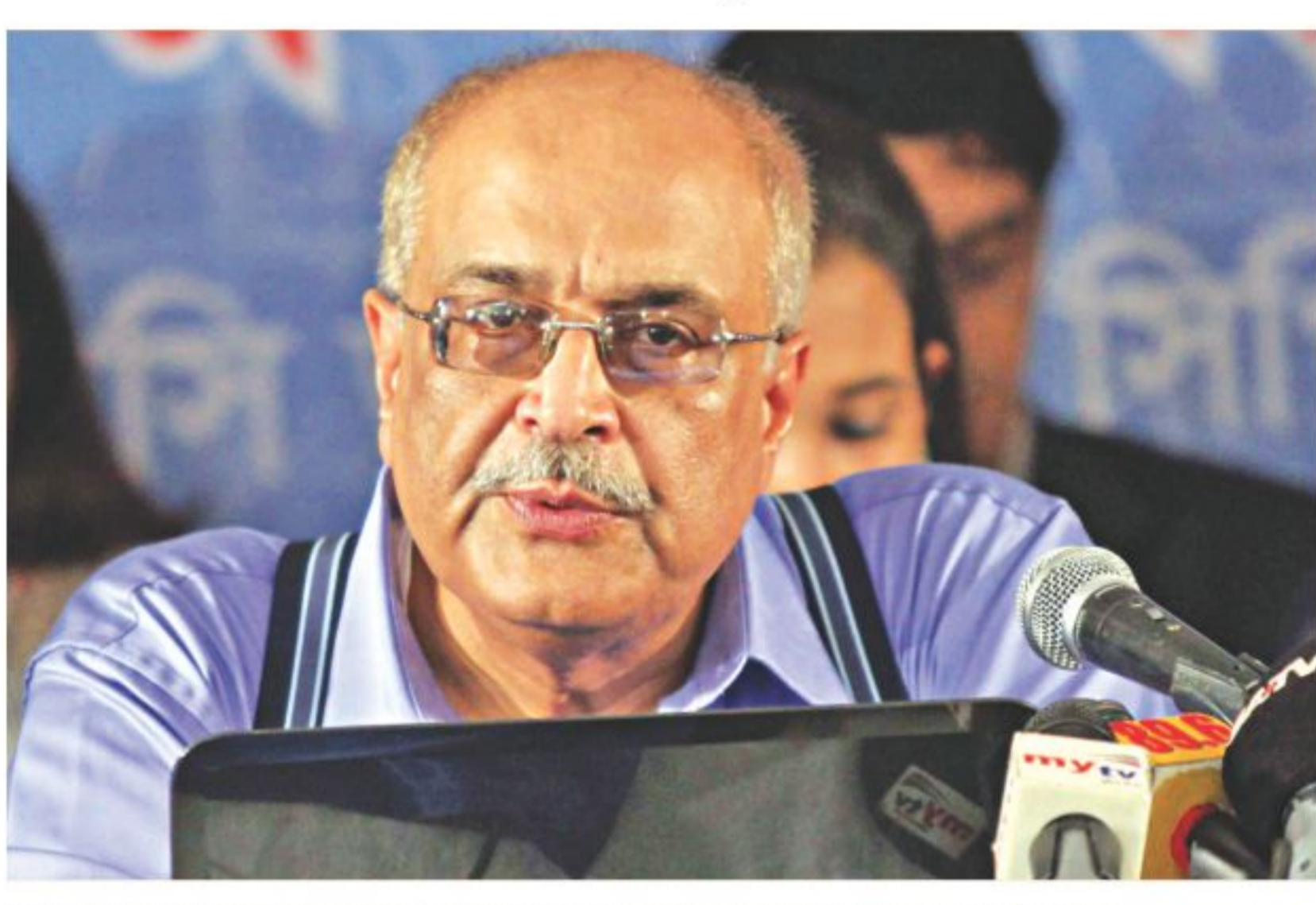
- Achievement of growth target
- Revenue collection goal
- Foreign aid target

### OPPOSED

- Black money amnesty
- Continuation of rental power plants

# Private investment the key

FROM PAGE 1  
individuals, higher surcharge on wealth of richer people, health surcharge on tobacco products, green tax to curb environmental pollution by industries, imposition of VAT in new areas, increased source tax for land registration, were all welcomed by CPD.



Debapriya Bhattacharya speaking at the press briefing yesterday.

About the revenue growth target of 16.8 percent, the think-tank said it is not attainable considering the dismal growth in the outgoing year: the overall revenue collection may fall short by Tk 12,000 crore from the target. CPD said the budget was not properly designed, as financing it would require \$4.1 billion, which is quite high and seems unachievable in a single year.

prices would increase, which might trigger inflation. The CPD distinguished fellow slammed the government move to extend the highest cut tax at source -- from 0.8 percent to 0.3 percent -- to the garment sector. "It is surprising why other sectors face discrimination. The jute industry is suffering the most now. It should receive no less support than garment." CPD, however, lauded the tax holiday and tax rebate facilities extended to encourage industrialisation in the less-developed regions of the country and the exemption of duty on pre-fabricated building and fire safety equipment. To conclude, it said budget implementation will critically hinge on non-economic dimensions of institutional and policy environment, such as implementation capacity of the state, oversight capacity and capacity for reforms.

Bangladesh remain wanting. The report went on to question the significant increase in block allocation, an aspect of expenditure that lacks transparency. Some Tk 1,428 crore has been set aside for block allocation in the proposed budget. CPD came down heavily on the continued provision to legalise black money via investment in residential buildings. "This provision is an unjust scheme that creates a culture of tax evasion. Bangladesh remain wanting. The report went on to question the significant increase in block allocation, an aspect of expenditure that lacks transparency. Some Tk 1,428 crore has been set aside for block allocation in the proposed budget. CPD came down heavily on the continued provision to legalise black money via investment in residential buildings. "This provision is an unjust scheme that creates a culture of tax evasion.

Its alternative is to borrow from domestic sources, which comes at an average cost of 8.75 percent as opposed to 0.97 percent for foreign funds, meaning increased interest payment burden, which already got the third biggest allocation in the proposed budget. "The fiscal framework may once again be found to be vulnerable in the face of reality," the analysis said, adding that the quality of planning in the area of fiscal framework in

There must also be political stability and a participatory electoral process to create a conducive environment for businesses, who, ultimately, want to take the country to a higher growth path, it said. Fahmida Khatun, research director of CPD, and Khondaker Golam Moazzem, additional research director

## BNP keeps mum on budget

Govt illegal, says Fakhurul  
STAFF CORRESPONDENT

BNP acting secretary general Mirza Fakhurul Islam Alamgir yesterday said the government had placed the budget for the next fiscal year in a bid to stay in power without people's mandate. "I do not want to make any remark on the budget as this government is immoral and illegal and there is no representation of people in the parliament." "I just want to say how much it will appear moral if the immoral people are going to utilise the people's fund," Fakhurul told reporters after a discussion programme at the Jatiya Press Club.

When his attention was drawn to a remark made by Awami League leader Mahbul Alam Hanif about ruination of the BNP, Fakhurul said Hanif, through his comment, had proved that the AL did not believe in democracy. "How a party that believes in democracy can make this kind of remark about ruination of another well established political party. Such comment exposes the fascist character of the Awami League," alleged the BNP leader.

During a political programme in Kushtia yesterday, Hanif termed the BNP an illegal political party and urged the BNP spokesman to disband his party first if he had a minimum of moral standards.

# Challenges aplenty

FROM PAGE 16  
In the proposed budget, the tax deduction rate at source on garment exports has been reduced from 0.8 percent to 0.3 percent, and for all other exports, the rate has been reduced from 0.8 percent to 0.6 percent to give exports a competitive edge. FBCCI also hailed the government's proposal to impose a green tax on polluting industries. Muhith, in his budget speech, proposed imposing 1 percent 'Environment Protection Surcharge' or 'Green Tax' on an ad-valorem basis on all kinds of products manufactured by polluting industries. "It is a good initiative but the

government should take appropriate steps so that taxmen cannot harass the companies on collecting such a surcharge," the chamber said. The association also praised the proposal to exempt duties on the import of billet manufacturing raw materials, such as sponge iron and reduced iron, and increase duties on imported LPG cylinders. "The move will help grow the domestic industries further," it said. Bangladesh Garment Manufacturers and Exporters Association (BGMEA) said the proposed budget would have a positive impact on the readymade garment sector as it was given special priority.

Garment makers commended the government for reducing the tax to 3 percent from 5 percent on the earnings from cash incentives given by the government to the exporters. BGMEA also said a duty exemption on the import of prefabricated building materials and fire safety equipment would help the sector grow and improve safety standards. Foreign Investors' Chamber of Commerce and Industry (FICCI) termed the GDP growth rate of 7.3 percent ambitious, but praised the budgetary allocation to eliminate extreme poverty. The chamber also appreciated the budget proposal to extend the tax

holiday benefit and reduce the rate of tax collection from the dealers and distributors from 5 percent to 3 percent. The chamber, in a statement, also welcomed the proposals to reduce the rate of corporate tax for unlisted companies from 37.5 percent to 35 percent and the rate of customs duties on a number of raw materials consumed by the pharmaceuticals industry. FICCI also praised the surcharge to be imposed on industries that pollute the environment. However, the chamber expressed concern over some proposals, like introducing a SIM replacement tax for

the telecoms operators. A hike in the customs duty rate from 2 percent to 25 percent on some accessories consumed by electrical manufacturers will increase the cost of production. FICCI also expressed concern over enhancement of the truncated VAT rate for transport service providers from 4.5 percent to 7.5 percent, said its statement. In another statement, Chittagong Chamber of Commerce and Industry (CCI) praised the government for withdrawal of the tax at source on opening letters of credit to import basic commodities like potatoes, onions, garlic, gram, lentils, ginger,

turmeric, pepper, rice, wheat, flour, maize, salt, edible oil and sugar. CCCI criticised the proposal for not having clear directions on investment. Bangladesh Women Chamber of Commerce and Industry congratulated the government for continuing the Tk 100 crore in grants for women entrepreneurs in the budget for 2014-15. It said the proposed budget will further help empower women entrepreneurs and accelerate overall development of the country. The association however urged the government to introduce a single digit interest rate for women entrepreneurs against bank loans and tax relief for women's income of up to Tk 350,000,