

# Small flats to be cheaper

TAWFIQUE ALI

The middle class will find it a little less difficult to buy flats of up to 1,100 square feet, as the government in the new budget has proposed to halve the VAT.

Currently, there is a 3 percent VAT on all apartment purchases. As per the proposed budget, the VAT would depend on the size of flats.

The VAT would now be 1.5 percent for flats of up to 1,100 square feet and 2.5 percent for 1,100-1,600 square feet. If any flat is more than 1,600 square feet, the buyer will have to pay the government 4.5 percent of the purchase amount as VAT.

Depending on the size and location of flats, the government imposes tax on the undisclosed money invested in the sector for purchasing flats. In the proposed outlay, such tax on flats in rural areas has been reduced.

Meanwhile, noted economists have said ensuring sustainable political stability in the country and proper investment in the real estate sector is the key to making the sector vibrant.

To give the sector fresh hope, they believe the government should establish more control over exorbitant land price and ensure sufficient electricity and gas connections to domestic and commercial customers.

The economists have also urged the government to take quick steps for ensuring an atmosphere of trust, low interest on housing loans and bringing apartment price within the reach of common men.

Eminent economist Hossain Zillur Rahman said nowadays many from the wealthy class were opting for purchasing apartments abroad due to frequent political uncertainty and excessive price of flats inside the country.

"Such instability also frustrates the foreign and local investments and this dwarfs the economic growth. In the end, it affects the growth of the real estate sector as well," he added.

For a country like Bangladesh which has such a fast urbanisation rate, the real estate sector is extremely vital, he added.

Making attempts to bring vibrancy in the sector keeping an opportunity for legalising undisclosed money is a "flawed idea" as the sector's growth does not primarily depend on "giving the chance" but on the overall growth of the economy and peoples' affordability, according to Zillur.

Like previous years, the provision for legalising undisclosed money remains in the new proposed budget as well.

The government is preoccupied with establishing its political control over opposition instead of bringing some much-needed reforms to the energy sector, banking and capital market policies and building physical facilities conducive to investment, the economist said.

Due to lack of investment, the GDP has not been able to get out of the six-percent growth trap over the past decade, he said.

Dr Zaid Bakht, research director of Bangladesh Institute of Development Studies, said that political uncertainty in the country over the past several years had encouraged many to purchase real estate products abroad.

Moreover, such products -- apartments, land and buildings -- have gone far beyond the reach of commoners following many issues, including the one relating to higher bank interests on housing loans, he added.

Mubassar Hussain, a leading real estate developer, said Jatiya government ensured a planned real estate development there and fixed the rate of per square foot of building space in important locations at Rs 3500.

The amount could be Tk 20, 000 or even more in Bangladesh due to the absence of proper government monitoring, he claimed.

Prof Mustafizur Rahman, executive director of private think tank Centre for Policy Dialogue, said the political uncertainty held back for the past decade the required investment for an eight to 10 percent GDP growth rate.

The growth rate in the real estate sector has been ranging between around 4 to 5 percent over the last half a decade, he said.



The VAT on small flat purchases is going to go down and increase for bigger ones, making it less hard for the middle class to buy a home.

PHOTO: FILE

## Riyad blow for Tigers

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barely escaped a fatal accident while taking a rickshaw-ride to the home Bangladesh cricket in Mirpur at around 8.30am.

Mashrafe sustained deep cuts to both hands and different parts of his body due to the impact from a fall he took after the rickshaw he was on was hit by a speeding bus at Kalshi road in Mirpur.

While Mashrafe avoided a disaster, Mahmudullah could hardly console himself after the freak injury he picked up while he was involved in catching practice.

An X-ray report later confirmed a fracture

on his left index finger and Mahmudullah has been advised to nurse the injury, which takes at least three to four weeks to heal.

The BCB announced Nasir Hossain as a replacement for injured Mahmudullah in the 14-man Test squad. Bangladesh's one-off Test against India starts on June 10 at Fatullah.

Mahmudullah, an integral part of the Tigers' ODI team, will miss the chance to prove a point against a team he was dismissed to in controversial fashion during the World Cup quarterfinal at the MCG in March this year. The 29-year-old became the first Bangladeshi to score back-to-back hundreds in this year's World Cup down under.

## Bad news for smokers

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cigarette pack with a supplementary duty of 48 percent, up from existing Tk 15-16.50 with a duty of 43 percent.

It means a 10-stick cigarette pack of this category will now cost around Tk 33 after adding duty and 15 percent VAT against the previous price of Tk 27 a pack.

Similarly, the floor price for two categories of middle-end cigarettes has been increased to Tk 39 and Tk 69 from Tk 35 and Tk 54. Though the supplementary duty remains unchanged at 60 percent and 61 percent in the proposed budget, their prices will increase because of a rise in base prices on which duty and VAT will be imposed.

The prices of high-end cigarettes, such as Benson & Hedges and Marlboro, will increase due to a rise in duty to 63 percent from existing 61 percent.

Earlier, a 10-stick pack with a floor price of Tk 90 or more fell in the top category, but now a 10-stick pack worth Tk 70 will come under

this category. So, cigarettes of brands like Gold Leaf will get costlier due to rearrangement of the floor price.

"Considering the issues of health risk and harmful effects of tobacco products, we are committed to reducing the use of tobacco and maximising revenue collection from this sector and thus want to maintain compliance with global anti-smoking policy," AMA Muhith said in yesterday's budget speech.

For a long time, it has been a tradition on part of the government to fix the price limit of cigarettes for the sake of revenue collection though it does not go with the spirit of the market economy, he said.

"I propose to fix a minimum floor level for cigarette price and hence impose specific amount of supplementary duty and VAT on the fixed price."

Anti-tobacco campaigners have hailed the price hike of cigarettes, but they demanded further price increase.

## Be HAPPY, admin!

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paid-up capital of Tk 400 crore.

This paid-up capital would be collected through sales of primary shares, and only current and retired government employees could buy those.

At present, Bangladesh Army owns Trust Bank, which was launched in July 1999, along with some other business enterprises.

The minister announced that there would be a pension fund for government employees.

The government would set up "Pension Fund Management Authority" to administer pension-related activities, and allocate a fund for it to pay for pensions and make investments to implement welfare programmes for the pensioners.

The government also seeks to extend housing facilities.

"We are constructing 448 apartments for the employees of the Parliament Secretariat at Sher-e-Bangla Nagar, 10-storied residential buildings for government employees in abandoned properties at Segunbagicha and Mohammadpur, and a 20-storied residential building for the honourable judges of the Supreme Court," said Muhith.

Besides, 38,244 plots would be developed and 70,377 apartments would be built under various projects across the country.

"In addition, we have planned to build apartments for officers/judges in government residential colonies in Azimpur and Motijheel," he said.

All these proposals were made in addition to the new pay scale that would be implemented in phases from next month.

"Hopefully, this pay scale will ease the lives of government employees in bearing the cost of living," hoped Muhith.

He, however, didn't come up with any major proposal for reforms in the public administration.

Muhith acknowledged that the Awami League government in its previous tenure couldn't bring necessary reforms in the public administration. "We attached special

importance to public administration reform in our election manifesto of 2009. But, progress in this regard has been insignificant."

The minister didn't make any promise to carry out the reforms that the Awami League had proposed in 2008.

At that time, the AL had pledged to depoliticise the public administration and law enforcement agencies, and frame a public service act in line with constitutional provisions.

Muhith yesterday said the government was finalising a national training policy to increase the capacity of public administration.

Over the years, successive government have kept politicising the public administration, and there has been no visible initiative to free the administration from this culture.

The bureaucrats need not worry about losing control over the administration, as there is little prospect of strengthening the local government system through decentralisation of power.

In the past, the finance minister had made many promises to empower local government bodies. But nothing significant happened.

This year, he spoke up for devolution of state power to make local government institutions effective. But he didn't explain the mode of devolution, which is more effective than decentralisation of state power.

There is a devolution model in the UK. Its parliament enacted separate laws to devolve state powers to Scotland, Northern Ireland and Wales, keeping provisions for a government and a parliament for each of them with some exclusive jurisdictions.

As in the past, Muhith stressed the need for holding elections to zilla parishads.

But there is little possibility of zilla parishad polls anytime soon. Since December 2011, they have been run by administrators, who are also leaders of the ruling AL.

## Nothing new in budget

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Meanwhile, BNP Chairperson Khaleda Zia's adviser Amir Khasru Mahmud Chowdhury said there was no good news for the people in the proposed budget.

He said the government had failed to keep the economic growth, which was almost seven percent when the BNP had left power seven years ago.

The BNP leader blamed misrule and corruption for the "government's failure".

Khasru, also former commerce minister, alleged that the government had failed to allocate sufficient funds to education and agriculture sectors.

Jatiya Party Secretary General Ziauddin Ahmed Bablu said the proposed budget had no specific roadmap for implementing.

In the budget, he said, there was no specific guideline to make the country free from illiteracy.

Bablu also said the proposed growth rate of the budget would not make Bangladesh a "middle income country" by 2021.

Workers Party politburo member Anisur Rahman Mollick, who saw nothing new in

the proposed budget, said agriculture, health and education sectors did not get satisfactory allocations.

Rejecting the proposed budget, Bangladesher Communist Party said the government's budget was aimed at serving the interests of looters and imperial class of the society.

CPB President Mujahidul Islam Selim and General Secretary Syed Zafar Sazzad in a joint statement said the proposed budget was nothing but a flower basket full of mere speeches and false assurances.

"It's clear as daylight that the main target of the budget is to fill-up looter's pocket with the tax paid by the country's people," the statement read.

The CPB also lambasted the provision of whitening black money in the budget.

Termining the budget investment-friendly, Jatiya Party (Monju) suggested that political stability be maintained to attract more investment in the country.

Islami Andolon Bangladesh in a statement said there was little room for the common people to get benefit from this budget.

## Thoughts

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"We cannot actually call it child budget. In fact, Finance Minister AMA Muhith also called it 'budget thoughts for children'," she said.

Among the five ministries, the primary and mass education ministry spent the highest amount for the children in the fiscal 2014-15, while the ministry of women and children's affairs spent the least -- Tk 264 crore.

For child-related activities, Tk 13,912 crore budgetary allocation has been proposed in fiscal 2015-16 for the primary and mass education ministry, Tk 9,646 crore for education ministry, Tk 1,516 crore for the ministry of health and family welfare, Tk 465 crore for social welfare ministry and Tk 312 crore for ministry of women and children's affairs.

# Tourism gets a boost

## Budgetary allocation proposed to be double

SHARIFUL ISLAM

The tourism sector is likely to receive a major boost as the government seeks to more than double the civil aviation and tourism ministry's allocation for the coming fiscal year.

The budget placed in the parliament yesterday will see the ministry get Tk 372 crore for the fiscal 2015-16 compared to just Tk 160 crore in FY15.

The boost comes as the government has already declared 2016 as "Tourism Year" in a move to revitalise the tourism sector. The government wants to increase the annual average of foreign tourists to 10 lakh by 2018.

Currently, an average five lakh foreign tourists visit Bangladesh. However, the sector suffered a serious setback during the last peak season, which is usually between October and April every year, due to political unrest, when just about 2.5 lakh foreign tourists came, industry sources said.

"Although inadequate, we still want planned spending of the fund on tourism infrastructure, connectivity and branding Bangladesh," Vice-President of Tour Operators Association of Bangladesh (TOAB) Rafiuzzaman said in his reaction.

The association had sought budgetary allocations of Tk 500 crore for tourism alone, as the sector lost around the same amount to political unrest which also cut down the number of local tourists, he said.

"We want the government to give true top priority to developing tourism rather than limiting activities to just processions and symposiums," Rafiuzzaman told The Daily Star.

During yesterday's budget speech, the Finance Minister AMA Muhith also spoke of increasing the tourism sector's intake to \$200 million by 2018, specifically by improving services at different places of tourist interest.

An integrated plan has been formulated to develop tourism in Cox's Bazar, Teknaf, Saint Martin's Island and Moheshkhali, Muhith said.

The government has already opened Bangabandhu Sheikh Mujib Safari Park at Gazipur and Sheikh Russel Aviary and Eco Park in Chittagong, he said while speaking on eco-tourism.

A site had also been chosen for an eco-park in Sylhet which will soon be opened, and the Sundarban Tourism Policy had already been approved, he added.



The budget proposes more than doubling the allocation for tourism as the government readies itself for 2016, which it is touting as the year of tourism.

PHOTO: FILE

## Farm subsidy to continue

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Bangladesh is 4th and 5th in inland fisheries production and in culture fisheries respectively, says Bangladesh Economic Survey 2015 published yesterday.

Fisheries and livestock together contribute one fourth of agriculture GDP but receive barely 10 percent of total sector allocation.

The farm sector might not require the Tk 9,000 subsidy anymore, especially as the price of chemical fertilisers in international markets has seen a 40 percent fall, Hossain said. He is currently serving as an advisor at Brac.

"So from the very outset, the government can reallocate a certain amount to growth of fishery and livestock sub-sectors and also for agriculture research and development."

Dr M Asaduzzaman is a professorial fellow of Bangladesh Institute of Development Studies (Bids), the country's premier think-tank. He observed that despite subsidies and policy support, agricultural GDP growth is falling "because, we need to do a little more to arrest the fall."

"We have to provide support to non-crop sub-sectors along with the crop sub-

sector. We have to mend the weaknesses in value chain management and market-linkage. We have to help farmers lower production costs by assisting them in introducing cost-efficient irrigation technologies."

"And, instead of providing blanket subsidy, we need to give more subsidies to farmers who apply urea in granular form instead of powder form."

For farmers to get benefit out of increased production, government's prompt policy actions are necessary, expert added.

Government statistics show that Bangladesh attained self-sufficiency in rice production, so much so that 25,000 tonnes of coarse rice was exported to Sri Lanka for the first time in the outgoing fiscal year.

However, in the same time private traders imported over 2.7 million tonnes of rice from India, thereby dampening the staple's price in local markets in peak production season.

That actually acted as a disincentive to Boro growers, Mahabub said.

"Had the government imposed import tariff on rice earlier than it did, farmers would have gotten better prices."

## Communications lack new vision

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He also expressed his surprise at having seen no specific proposal and allocation for road safety and public transport development in the proposed budget.

Three flyovers were opened to public and construction of a couple others has been underway with a target to open those next year, but this piecemeal solution is not likely to help ease the capital's severe traffic congestion.

Experts have been suggesting a coordinated solution to improve the ever-deteriorating traffic chaos, but the budget has brought nothing to that end meaning the menace would continue eating up valuable work hour, fuel and gas every day.

Circular waterbus and railway services to transport people from one area to the other were a great idea, but the authorities failed to implement it properly.

Waterbus service was launched in 2010 and proved ineffective for inconvenient terminal facilities, irregular schedule, frequent engine fault and lack of publicity. On the other side, introduction of circular rail service is still a distant reality.

There is nothing new in the budget about improving water transport across the country other than mentioning the old initiatives to carry out dredging on 53 water routes and excavate Madaripur-Chormugria-Tekerhat-Gopalganj riverine route to improve navigability.

With the city streets being already crammed with around eight lakh motorised vehicles and about five modes of slow-moving transports like rickshaw and pushcart, and with an average 100 new buses, private cars and minibuses hitting the streets every day, the chaos on the roads is surely on the rise.