Corporate tax for apparel cut to 20pc

REFAYET ULLAH MIRDHA

The corporate tax rate for the garment sector has been slashed 15 percentage points to 20 percent in the forthcoming fiscal year, in what is a middle ground between the demand of apparel manufacturers and the government.

At present, the corporate tax rate for the sector is 35 percent, which the garment exporters demanded be brought down to 10 percent -- a rate they enjoyed until 2014 -- to reduce their costs of production and attract investment.

"We are not happy with the reduction proposal," said Siddiqur Rahman, president of Bangladesh Garment Manufacturers and Exporters Association, in his reaction to Finance Minister AMA Muhith's budget speech.

He said the 20 percent corporate tax rate is still too high for the sector, which is in the midst of massive and expensive reforms as a result of 2013's Rana Plaza collapse, one of the worst industrial disasters in the world.

"For attracting higher investment and further expansion of factory capacity we need policy support from the government."

The garment makers also want the government to cut the source tax to 0.3 percent from 0.6 percent, but in the proposed budget for fiscal 2016-17 there is no clear indication on the matter, Rahman said.

But, the minister proposed to increase the source tax to 1.5 percent. Any increase in source tax would only hurt the garment sector as the profitability from the apparel export has been declining, he said.

However, the BGMEA chief welcomed the government's proposal to allow duty-free import of fire equipment and inputs for pre-fabricated buildings in the upcoming fiscal year as well.

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Cost of export-oriented factories to go down

Muhith says misdeclaration or underinvoicing of imported goods hurts local industries

SAJJADUR RAHMAN

Setting up export-oriented factories will be cheaper as the government has offered import duty benefits for inputs of pre-fabricated buildings and fire equipment.

Earlier, only export-oriented garment factories received the benefits. The budget announced in parliament yesterday also proposed to allow capital goods benefit to imported cutting tables to be used by export-oriented garment factories.

But the cost will be higher if an entrepreneur sets up industries with imported boulder, crushed stone, ferroalloy, billet, bars, rods and angles because duties and taxes have been enhanced on these products.

Supplementary duty or SD for boulder stones has been increased to 10 percent from zero duty now and the duty for crushed stones was raised to 30 percent from 20 percent.

For the textile sector, the government reduced duty to 15 percent from the existing 25 percent for stripping chemical and to 5 percent for flax fiber and spandex/elastraometrics from 10 percent.

The government has also proposed a number of duty measures, both SD and customs duty or CD, to protect and expand local industries.

Prices of toiletries, paper, ceramics, milk products, tyre, tube, fly ash, fibre-glass, LED lamp, laboratory refrigerator, coffee mate, parts of compressor, assembled motorcycle, LPG cylinder, locally-made SIM and smart cards, biogas digester, grease and lubricants will be cheaper thanks to duty cuts.

> Govt offers import duty benefits for inputs of pre-fabricated buildings and fire equipment for export-oriented industries
>
> Toiletries, milk products, tyre, tube, fibre glass, LED lamp, assembled motor cycle, LPG cylinder will be cheaper for reduction of duties.
>
> Prices will be up for imported rice, talc power, ECG and ultra sonogram paper, imported cigarettes, textbook for primary and secondary education.

On the contrary, prices will go up for products: imported rice, talc power, ECG and ultra-sonogram paper, imported billet, imported cigarettes, maize flour, potato starch, textbook for primary and secondary education, machinery for making tobacco, transformer, UPS/IPS and air cooler.

The existing duty exemptions or concessions accorded to the essential commodities including edible oil, sugar, pulse, onion and garlic will continue in the next fiscal year.

For the protection of the chemical sector, reduction of duties and taxes on some inputs used by the toiletries, paper, ceramics and rubber industries has been proposed in the budget. So, the final products will be cheaper.

The CD on petroleum jelly, glossy starch, gum rosin and paraffin wax has been increased to 15 percent from 25 percent now.

Duty for washing machines not exceeding 12kg has been proposed at 25 percent, up from mere 1 percent.

Supplementary duty at the rate of 20 percent on stabilizer for milk, used for the preparation of milk products, is proposed to be reduced to 10 percent. So, milk products will cost less in the upcoming fiscal year.

Customs duty on imported rice has been increased to 25 percent from 10 percent. To protect and promote local production, duties on imported rapeseed cake/soya cake applicable at 5 percent is proposed to be increased to 10 percent.

Prices of locally-assembled motorcycles will go down as SD has been reduced to 20 percent from 45 percent.

For the same reasons, duty at concessionary rates on human haulers depending on different production stages has been proposed. Moreover, CC-based concessions of hybrid cars are proposed because of its importance as a fuel efficient and environment friendly vehicle.

The proposed budget incorporated a new slab of 15 percent CD and now, the slabs would be 0, 1, 5, 10, 15 and 25.

In his budget speech, Finance Minister AMA Muhith admitted that the biggest challenge with the customs administration and management lies with misdeclaration of value or underinvoicing of imported goods, which he said hurts local industries.

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5 lakh workers to go to Malaysia

SARWAR A CHOWDHURY *and* BELAL HOSSAIN BIPLOB

The finance minister yesterday announced a plan to send 5 lakh workers to Malaysia through government and private arrangements in the next five years, at a time when labour recruitment by the Southeast Asian country has remained suspended for months.

Migrant experts and private sector leaders termed the budgetary plan impractical and the target very difficult to achieve.

"Stating such figures, like in the past, is completely impractical. I don't think this target can bring any result when Malaysia has suspended recruitment of foreign workers, including Bangladeshis," said CR Abrar, executive director of Refugee and Migratory Movements Research Unit.

Syed Saiful Haque, chairman of Warbe Development Foundation, said nothing was mentioned on whether the government has gotten any commitment from Malaysia on this issue.

"The Malaysian government gave such commitments to us many times before, but none were implemented."

On February 18, Malaysian Human Resources Minister Richard Riot and Bangladesh's Expatriates Welfare Minister Nurul Islam signed a deal on the recruitment of 15 lakh Bangladeshi workers through government-to-government and private initiatives in the next three years.

But Malaysia suspended recruitment of workers from abroad the following day.

However, Monsur Ahmed Kalam, secretary general of Bangladesh Association of International Recruiting Agencies (Baira), said sending 15 lakh workers in three years was impossible, but the government's target to send 5 lakh workers is achievable.

The Malaysian government has already announced a plan to hire workers in at least four sectors -- manufacturing, construction, plantation and furniture -- which were facing a major shortage of workers, he added.

Industry insiders are happy with the finance minister's consideration to re-evaluate the initiatives to send women workers abroad, and continue sending workers abroad at low costs.

They said the initiatives would help the country accelerate the inflow of remittance, which is now lower than expectations.

Inward remittance fell 7.75 percent year-on-year to $1.19 billion in April, as low oil prices continue to erode the incomes of the countries that host the most Bangladeshi migrant workers.

In the first 10 months of this fiscal year, $12.23 billion was received as remittance, down 2.39 percent year-on-year.

Commenting on a reduction in migration costs, Abrar said it is an encouraging move. "But there is still no practical mechanism to implement such an initiative."

In view of the government's reconsideration to send female migrants, the Dhaka University Professor said the government should improve the mechanism to ensure women's rights rather than thinking about stopping women from going abroad for work.

Inflation target set at 5.8pc

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The inflation goal is in line with what suggested by economists and development partners.

In the latest report on Bangladesh, the World Bank said Bangladesh Bank could be a bit more ambitious in lowering the inflation target below 6 percent.

The non-food inflation that has perpetually remained above 8 percent is high, said the Washington-based lender.

The persisting high inflation in an environment characterised by declining commodity prices reflects the influence of supply-side bottlenecks and a lack of pass-through of international prices to the domestic market, according to the WB report.

Though the government has recently reduced the prices of various petroleum products, the price of diesel, a big contributor to inflation, saw a token cut. If the diesel price is not lowered substantially, it will not have much impact on non-food inflation, according to observers.

However, both the WB and the International Monetary Fund recently said inflation is expected to edge up from fiscal 2016 to fiscal 2018 on account of higher public sector wages and a one-off effect of the introduction of the new VAT law.

High inflation hits the poorest the hardest, particularly those having fixed incomes.

Earlier this week, AB Mirza Azizul Islam, a former finance adviser, told The Daily Star that the government is forcing people to buy goods and services at higher prices through imposing regulatory and supplementary duties, adding that the structured import duties should be reexamined.

No relief for car owners

STAFF CORRESPONDENT

The government has proposed different slabs of supplementary duty for brand new hybrid cars that are significantly lower than those for regular fuel cars -- a benefit that will skip the average car owner.

Since hybrid cars are still a niche, the move will not be of benefit to the average car user, said the Bangladesh Reconditioned Vehicles Importers and Dealers Association.

"It will not benefit the middle-class motor vehicle users as there is no scope to get the benefit on reconditioned hybrid cars," said Abdul Hamid Sharif, president of Barvida.

The regular fuel cars below 1,500cc will be subjected to 45 percent supplementary duty, whereas for hybrid cars it will be only 30 percent.

The SD on regular fuel cars between 1,501cc and 2,000cc is 100 percent; for hybrid cars with similar engine capacity it is 60 percent.

For 2,001-2,700cc cars the SD is 200 percent, while their hybrid counterparts will enjoy 150 percent SD.

Barvida has suggested the National Board of Revenue fix the depreciation facilities at 25 percent for year-old reconditioned cars, 35 percent for two-year-old ones, 45 percent for three-year olds, 50 percent for five-year olds and 55 percent for more than five-year-old cars.

The government also promised to reduce the SD on 12-15 seater micro buses but they missed it. For micro bus, the SD is 80 percent.

Black money? Keep whitening

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TIB Executive Director Dr Iftekharuzzaman said the opportunity for whitening black money in an indirect way in the national budget was "unfortunate" and counter to the prime minister's repeatedly declared anti-corruption stance.

Such leniency would only establish an embarrassing precedence of institutionalising corruption contrary to the government's pledges to bring back the siphoned off undisclosed money.

Finance Minister AMA Muhith in his budget speech this time did not mention anything about whitening black money. He said only the money earned through legal ways could be whitened.

In a pre-budget meeting the business leaders demanded a scope for unconditional whitening of black money.

Former research director of Bangladesh Institute of Development Studies (BIDS) Zaid Bakht said there is no logic behind allowing whitening of black money.

He said it does not seem that many people are encouraged to take the existing provision. So there is no logic behind its continuation.

Bakht said those who would launder money would do so even if they are given a scope to whiten black money.

Many are in favour of the provision with the hope that it will bring the black money into the main stream of economy.

Bakht said this type of thinking is useless. Black money exists in the banking system, may be in another name, and is being invested anyhow, he added.

Former NBR member Syed Md Aminul Karim, however, supports continuation of the provision, saying it did not encourage much, but some people are still availing the scope. Karim said those people have been enjoying the benefit by paying higher tax.

The money-whitening opportunity is given almost every year but never brought the government any substantial revenue.

Good news for safety net beneficiaries

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The programmes can be implemented in a better way if the government engages the local government bodies with the process, he added.

He also said the allocation for 140 safety net programmes under the development and non-development budgets should have been bigger.

The total allocation shows it is 2.2 percent of the GDP, but if the outlay for pension schemes is deducted, it would stand at only around 1.7 percent of the GDP.