Revenue target very ambitious

FROM PAGE 1 notes Ahsan H Mansur, executive director of the Policy Research Institute (PRI) of Bangladesh, a think-tank.

"In the past, we have seen good initiatives, but they were not successful," he said, referring to the public-private partnership which he thinks has not produced any positive result yet.

AB Mirza Azizul Islam, a former finance adviser to caretaker government, said the targets set in terms of some critical indicators were unlikely to be achieved.

The proposed budget projects that the tax revenue collection by the National Board of Revenue (NBR) would grow by 35 percent. "This is something which, I think, will be impossible to accomplish," observes Mirza Azizul.

elaborates, was maximum 22 percent in the history, and it ranged between 8 and 12 percent in the recent years. The same is also true in case of non-

The year-on-year revenue growth, he

tax revenue, the growth target of which has been set at over 35 percent from that in the revised budget of the outgoing fiscal year, said the former adviser.

Mirza Azizul says the target on the

annual development programme (ADP) would not be reached. He called on the government to boost its implementation capacity. Ahsan H Mansur of the PRI said the

budget was prepared in line with the 7th Five-Year Plan and was consistent with the government's medium-term objectives.

However, the government is already trailing in a number of areas of the fiveyear plan, he says.

The first budget of the five-year plan, which is the outgoing year, was not able to reach its target at least in two areas: the revenue generation and the public sector service delivery, the PRI executive director elaborates.

"The same challenge is going to appear, and this time in a bigger way."

"This will affect my savings. This is not

Islam, who earns less than Tk 10 lakh

a year, is one of the 12 lakh taxpayers who

submit their tax returns regularly in a

country where less than one percent of

Like him, many others will find the

tax measures proposed by Finance

Minister AMA Muhith yesterday less

gratifying, although the rate of taxes and

slabs remains the same, and there is a

proposal for introduction of Tax Day on

But there is a relief from mandatory

submission for marginal taxpayers.

Submission of wealth statement has been

proposed to be optional for those with

But the wealthy will be the most

aggrieved, as they will have to pay more to

the coffer due to a revision in the wealth

Corporate tax also remains

Taxmen say the previous reduction to

Only readymade garment makers, who

35 percent did not bring expected

have been demanding for tax cut, will get a

The reduction, however, could not

But honest taxpayers may feel happy

to see various measures taken to ensure

slash to 20 percent from present 35 percent.

unchanged despite demands from

gross wealth not above Tk 20 lakh a year.

good for me and my family."

the population pays tax.

October 30 every year.

surcharge rates.

businesses for a reduction.

benefits in terms of compliance.

make the apparel makers happy.



Mirza Azizul Islam

He thinks "it would be extremely challenging to reach the (revenue collection) target."

Historically, the revenue generated by the NBR did not grow by more than Tk 20,000 crore a year. But the proposed budget sets the goal at more than Tk 53,000 crore from the existing revised budget.

"Then you can imagine how big the extent of ambitiousness is," Ahsan H Mansur commented.

He praised some measures like increasing tax on tobacco products and reducing supplementary duties on nation.' some goods.

the International Monetary Fund said levying further taxes on telecommunication may not be productive, as the government is already realising value added tax, and the tax incidence is one of the highest in the region.

Mansur, whose organisation PRI supports the new VAT Act, said it was okay to delay the law's implementation, but it should not have been for more than six months.

The VAT Act was supposed to take effect from July 1 this year but it has been deferred to the first day of FY 2017-The proposed budget plans to raise

the tax-to-GDP ratio to over 12 percent from the 10.3 percent now.

compliance and curb tax avoidance and

evasion -- a tendency believed to be

Any person working in public entities,

including semi-government and autono-

mous bodies, and draw a monthly salary

of Tk 16,000 and above will have to

Those working at supervisory

In addition, withholding tax returns

About 250,000 public and private

entities are responsible for deducting

withholding or source tax, which

accounts for 57 percent of the total direct

or reduced tax rate fails to submit return in

If any taxpayer enjoying tax exemption

submitted by companies and cooperative

positions in non-government entities

must have Taxpayers Identification

Middle-class hit by tax burden

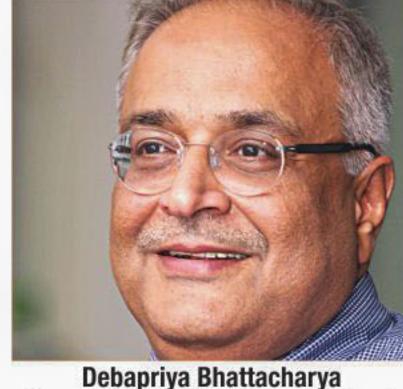
rampant in Bangladesh.

submit income tax returns.

societies will face audits.

Number.

tax collected.



allocate funds for the state banks, saying the country is spending "good money for a bad purpose". The relevance of the state banks did not exist in today's Bangladesh, as it did in 1980s, he says.

The economist stressed the need for bringing forth a major structural change in the taxation system, "but the budget has not been able to deliver that".

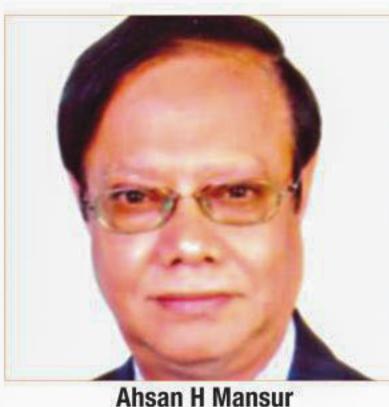
"Without that, the government will not be able to realise its dream of turning Bangladesh into a middle income and high-middle income

Reforms efforts in the revenue However, the former economist at collection system could have been strengthened further, Mansur commented.

> guished fellow at the Centre for Policy Dialogue (CPD), said the CPD "more or less agreed" with the challenges and the ways-out delineated by the finance minister.

The strategy to overcome the challenges remains to be seen as the minister did not give a full and clear outline on his thoughts about capacity building, particularly institutional capacity building that will be needed, said the economist in his initial reaction. He said private investment in terms

of the GDP fell over the last two years. Mansur thinks it is unfortunate to So, there has to be a comprehensive



plan regarding how the investmen could be boosted.

Debapriya backed reorganisation of the surcharge on the rich, saying now the wealthy would pay more taxes to the state coffers.

The economist thanked the government for increasing budgetary allocation for three sectors -- education, railway and social safety net.

He, however, said it's unfortunate that a major portion of the nondevelopment expenditure will be used in debt servicing "which is a bad signal". In the past, Bangladesh used to pay more interest for foreign borrowing whereas now it pays more for domestic borrowing.

Debapriya expressed disappoint-Debapriya Bhattacharya, distin- ment at no increase in the allocation for the agriculture sector.

Mustafizur Rahman, executive director at the CPD, said there should be no question about the budget size. "Given the growth momentum the country is going through, Bangladesh will have to increase the public expendi-

The government would have to pay heed to the implementation of the budget, he noted. "Without strengthening the implementation capacity, it would be tough for the government to reach its big revenue generation target."

Down under VAT glut

FROM PAGE 20 middle class like him.

Sipping his afternoon cup of tea, Mahbub watched as the finance minis-

ter opened his chocolate colour briefcase, got documents out and started delivering his speech.

To Mahbub's relief, he learnt that imports of consumer goods, including edible oil, lentil, sugar, onion and garlic would continue to enjoy zero duty, which means prices should not

However, he knew people may have to pay higher prices as most of those have already increased just ahead of Ramadan.

Mahbub is looking forward to his eldest of two sons graduating next year and getting a job and supporting the family. He was keen to know if there would be more jobs since finding work in the private sector was becoming difficult.

He did not hear anything from the finance minister that would give him hope. Rather, he heard the prices of imported books would go up as increased import duty on books had been proposed.

That's bad news for him. His youngest son is going to sit for the A-levels and that would increase his expenditure a lot.

And there was more bad news. The finance minister proposed doubling the Value Added Tax (VAT) on small businesses in city corporations and municipalities areas.

Mahbub knows very well that at the end of the day the consumers would be paying those.

He realised that he has to cut down talking on his phone and using mobile data since prices of those were going up.

With another cup of tea, his wife Ahesha Begum sat beside him and asked prices of what else were going up.

By then, he knew washing machines, bidis, low cost cigarettes and gul and jorda, air coolers, uninterrupted power supplies, instant power supplies, fingerprint scanners, medical equipment, electric mosquito zapping bats, modern machines used in hotels, bread and buns, homemade biscuits, cakes, imported rice, cornflower, plastic and rubber slippers, talcum powders, tissue paper, paper and goods made of it were all on the rise.

The price of furniture and readymade flats will also increase as the locally made hardboards and steel prices would go up. Muhbub's distant dream of owning a flat one day seems to have gone further away.

However, ambulance services, among others, have been exempted from VAT. Cooking oil, palm and soybeans, is also going to enjoy VAT waiver along with local textile, rubber, and refrigerators for the next fiscal year.

Was there everything else bad in this budget? Not actually, at least the government has thought about the employees of non-government sectors. The government is considering to

implement an integrated government-run pension framework for self-employed and employees of private organisations which Mahbub thought the government should have done years ago.

October 30 Tax Day FROM PAGE 20

quarters.

Taxpayers will have to pay a penalty if they fail to submit returns on or before the expiry date.

"We hope that introduction of the Tax Day will bring a breakthrough in the tax compliance culture of Bangladesh," he said, while placing the budget proposal for fiscal 2016-17.

Muhith said the fixed deadline will apply to all taxpayers, other than companies; if October 30 is a public holiday, Tax Day will be the next working day.

The minister also recommended keeping the tax-free income limit for individuals unchanged at Tk 250,000 for the coming fiscal year. The existing slabs for income and related rates will

continue, he added. The current September 30 deadline to submit individuals' income tax returns is extended almost every year in the face of demands from various trade bodies and professional groups, which some taxmen believe causes delays in scrutiny and audit of the submitted returns.

Since deadline extensions have become the norm, taxpayers are not compelled to file their returns within the original timeframe. Subsequently, the volume of submitted returns tends to be low until September 30, said taxmen.

Last year, the NBR extended the deadline for income tax returns by two months to November 30. In 2014, the deadline was extended twice, and the year before, thrice to December 31. Muhith said the last date to submit

returns is maintained strictly across the world

".. And they are lax in submitting the

returns on time. It is not only deferring the tax collection and assessment process, but also gradually making the rule of law ineffective," he said. Taxmen said the government will get

the revenue in time, which will also bring fiscal discipline. Currently, there are nearly 20 lakh

taxpayers identification number (TIN) holders, including companies and firms. The number of return submissions, although gradually increasing, continues to remain low in view of the size and growth of the economy.

The NBR recorded about 11.5 lakh returns in fiscal 2014-15, up 14 percent year-on-year and the highest growth since fiscal 2008-09.

Still, the total number of people who file taxes continues to remain less than 1 percent of the total population of 16 crore -- a figure that creates doubts over the efficacy of the tax authority's continuous awareness and

motivation campaigns. Analysts however said the tax potential remains untapped as taxmen can

collect only half of it. Bangladesh should have 40-50 lakh people who regularly file their tax returns, given the level of per capita income, Ahsan H Mansur, executive director of Policy Research Institute of Bangladesh

told The Daily Star earlier. About half of the potential tax does not come to the state coffers due to a lack of compliance by taxpayers and poor efforts by taxmen, according to a study by the Centre for Policy Dialogue.

Some Tk 9,893.24 crore was collected as income tax in 2010, against a potential of Tk 19,700 crore, said the independent

interest of the ruling party's looters,"

secretary of Workers Party, a component

in the AL-led alliance government, said

there is no specific guideline to remove

social disparities in the proposed

Samajtantrik Dal, another AL ally, said

the proposed budget would play a good

role to make Bangladesh a developed

She, however, said imposing tax in

Rejecting the proposed budget,

every sector will increase people's

Shirin Akter, general secretary of Jatiya

Fazley Hossain Badsha, general

he said.

budget.

nation.

suffering.

think-tank.

FROM PAGE 20 budget. It was placed only to ensure

would help them implement their Vision-2021 and 2041.

has proposed the budged keeping the election manifesto in mind and it will help Bangladesh achieve middle-income status by 2021. It will also create employment opportunity and eradicate poverty," he said.

target, Lenin said to meet the goal, it is essential to increase domestic investment, improve the infrastructure and Main opposition Jatiya party termed

the proposed budged highly ambitious.

"The budget implementation will face hurdles if the government fails to achieve the revenue target," said JP Co-Chairman GM Quader, adding that to maintain a balance, the government might want to use a portion from its development budget or borrow from banks. Though the budget of the last fiscal

year was smaller, the government failed to implement it, he said. "Revenue generation target in the

proposed budget is also higher than the previous one. The target was lowered in FROMM PAGE 20 the revised budget of the last fiscal year achieve it."

"It is totally an anti-people budget. It will not ensure people's welfare," Rizvi came up with his instant reaction at party's Nayapaltan central office. The

Communist Party of Bangladesh said budget was placed to protect the interests of looters and imperialists. In a statement, CPB President Mujahidul Islam Selim and General Secretary Syed Zafar Sazzad said the

proposed budget was full of false assurances.

will increase if the government calcu-

lates the value of land and flats on the basis of present market prices, they At 10.3 percent of gross domestic

product, Bangladesh has one of the lowest tax-to-GDP ratios globally. There are 12 lakh income taxpayers in the country among the population of 160 million.

In a study in 2012, Economic Research Group, a local research Rizvi told the reporters that there is no organisation, said the number of people with wealth Tk 2 crore or more would be 1.05 percent or

Complete

FROM PAGE 20

along the border.

This will involve networking of equipment like highresolution cameras, radars, unattended ground sensors, optical fibres, infrared sensors, aerostats, and hand-held thermal imagers, among other things, and integration of these with

Assam shares a 284km long border with Bangladesh, out of the 4,096km long international border between the two countries.

In order to achieve the objective

command and control architec-

of sealing the India-Bangladesh border in Assam, it was decided that 100 locations covering 11.9km will have physical barrier, that is, fencing, and 22 locations covering 48.8km of riverine areas will have non-physical barriers, which will be achieved by June 2017, the official

Home Kiren Rijiju reviewed various aspects of the border management in the country. Susheel Kumar, secretary (Border

Indian Minister of State for

Management) of the home ministry, along with senior officials briefed the ministers about the progress of border security infrastructure, programmes of border management and the way for-

ward.

any year, he will lose the privilege.

withholding tax from 58 sectors by charging various rates, and the rates will

For example, exporters, including apparel makers, are likely to pay 1.5 percent tax at source, up from 0.6 percent this fiscal year -- a move which a senior tax official said might bring the state Tk 3,000

In reaction, Bangladesh Frozen Foods Exporters' Association urged the government to bring down the tax on frozen

In fiscal 2014-15, the tax authority

food to 0.3 percent.

collected Tk 1,100 crore in source tax from the export-oriented sectors. Similarly, the rate of minimum tax for

companies, mainly those having yearly gross receipts of more than Tk 50 lakh, has been proposed to increase to 0.6 percent from present 0.3 percent. However, the rate will be 0.75 percent

for mobile phone operators and 1 percent for cigarette, bidi, zarda, chewing tobacco, gul and other smokeless tobacco producers.

Taxmen said the minimum tax has been imposed as many corporate taxpayers take advantage of loopholes in tax laws,

rebates and exemptions to avoid tax. However, the concessional rate of 0.1 percent will continue for newly established manufacturing entities in the first three

years to facilitate industrialisation. The new tax measure, however, provides

The tax authority collects the somefacilities for marginal tax payers. Small and Medium Enterprises (SME) will also get a little relief. Their taxexempted turnover limit has been increased to Tk 36 lakh from Tk 30 lakh.

> A senior NBR official said tax measures had been proposed with a view to improve compliance.

> The measures such as increase in source tax for exporters and various other sectors, reduction of allowable investment limit for taxpayers, increase in number of slabs for wealth surcharge and

government quite a handsome amount of revenue. The government aims to increase direct tax by 38 percent to Tk 71,490 crore

imposition of 30 percent surcharge on

payable tax of super rich will bring the

for the next fiscal from the outgoing fiscal The goal, analysts earlier said, is ambitious given the collection growth in

recent years. Ariful Islam, the banker, has little to say regarding the target. Being a regular taxpayer, he will be happy to see that the tax authority's measures help ensure better compliance, prevent evaders to

dodge tax, and finally ensure equity and

fairness as mentioned by Muhith. Sushmita Basu, director of tax and regulatory affairs at PwC, said, "In order to augment revenue, the tax proposals aim at widening of tax base and moving towards a more compliance based robust tax

administration with stricter parameters. "In addition, several reform measures, including change in the rate of duty, have been proposed. Besides simplifying and removing ambiguity in few existing provisions, measures like, proposing the 'automated tax information unit' connecting various online systems nationwide for collecting information automatically, to identify potential taxpayers and to address tax evasion, indicate the thrust towards overall infrastructure and modernisation in line with global best practices."

VAT to push up cost of living

on actual value addition. For them, have to pay more for many other input tax credit and adjustment facility on easy terms would be available.

Abdul Matlub Ahmad, president of

the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), welcomed the continuation of existing VAT law and package VAT. VAT determined by tariff value on

nearly 30 products will go up, depending on the type of item. The items include corrugated iron sheet, rod, paper and tissue, a move which is likely to disappoint related industrial sectors. Prices of these items may increase. Besides, VAT exemption benefits

have been withdrawn on some items such as generator, hardboard, cake and bread worth above Tk 100, biscuits, clothes made by power looms, and plastic and rubber sandals. "Such withdrawal will increase the abolition of the present value approval prices of necessary commodities,"

PricewaterhouseCoopers or PwC, a tax and consulting service provider, said in a budget analysis yesterday. However, ambulance service, among others, has been exempted from VAT to

facilitate low-cost transport of patients. Cooking oil is also going to enjoy 17. waiver along with local textile, rubber and locally assembled refrigerator and air conditioner for the next fiscal year. Further, services provided by a private university, private medical

college and private engineering college

have also been exempted from VAT,

which the PwC termed a boost to

education.

Despite the relief here, people may ing to the proposed measures. operators of garages and workshops, which enjoyed truncated value-based VAT, will have to pay 10 percent VAT. line with the new VAT law. Immigration advisory services will get costlier as 15 percent VAT has been return submission will begin soon, said imposed on the service providers.

VAT on rents of office space and

installation services will also go up to 15 percent from 9 percent now. Discretionary power of VAT author-

ity related to input-tax credit is likely to decrease. There is no good news for dishonest said traders. Businesses seeking to appeal

against the assessed amount of VAT will have to pay half of the evaded amount or penalty money slapped on them. Muhith seeks to introduce some sections of the new VAT law in the upcoming fiscal year, such as the

system by the VAT authority. At present, businesses have to get to maintain books of accounts approval of the price of any good from properly. the VAT office as per current VAT law.

such provision, and the finance minis- he said. ter wants to run with it from fiscal 2016-"It would reduce the hassles of away with fixed VAT or package, VAT

dealers, as well as litigation on valua- determined on truncated base and VAT tion of goods," said PwC. But if taxpayers do not make a proper

any irregularities are detected, accord-

Also, single registration for different products and services. For example, business units situated on different adjoining plots under single ownership is expected to start from next fiscal in Online registration and online

> the finance minister. "Unfortunately, the necessary preparation for achieving the above objective

is far from satisfactory. Under the above circumstances, the government has decided not to fully implement the new act from the next financial year," he This would be the second year the

government backtracked from its stance to enforce the law that will replace the VAT 1991. The new law was enacted after a lot of deliberations, he said.

Revenue officials engaged in the automation of VAT administration said the new VAT law will require businesses

If they do this, they will be required The new law does not contain any to pay a less amount of tax than before, The new law, once implemented under an automated platform, will do

fixed at administered or tariff value. However, the new law will boost the declaration of the price of their goods, state's revenue collection by as much as the VAT commissioners will have the 20 percent from Tk 32,276 crore in authority to look into the matter and fiscal 2014-15, finance ministry take necessary corrective measures, if officials said.

Budget anti-people boosted in the country due to the

"The Awami League-led government

On fixing 7.2 percent GDP growth develop the skills of workforce.

but still the government failed to BNP Senior Joint Secretary General Rizvi Ahmed rejected the proposed national budget.

party, however, will come up with formal reaction later. indication in the proposed budget how

the government plans to eradicate unemployment. "Investment will not be 10,500 of 10 lakh active taxpayers.