



PROPOSED BUDGET FY2017-18

GDP GROWTH

7.4%

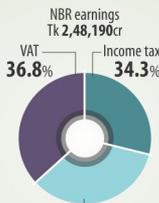
INFLATION

5.5%



TOTAL REVENUE

Tk 287,990 Cr



Import duty and others 28.9%

Non-NBR earnings Tk 39,800 Cr

BUDGET SIZE

Tk 400,266 Cr

Development budget Tk 153,331 Cr

Non-development budget Tk 246,935 Cr

DEFICIT

5% of GDP or Tk 11,276 Cr

Bank borrowing Tk 28,203 Cr

Foreign source Tk 51,924 Cr

Non-bank borrowing Tk 32,149 Cr

BIG target, TRICKY route

Muhith unwraps fat budget; plagued by dip in remittance inflow, export growth, he counts on aggressive revenue scheme

INAM AHMED

Mega dreams require mega shake-ups, sometimes crushing ones, especially if you have little control over costs and transparency. Finance Minister AMA Muhith's proposed budget has come with the same impact – putting the people through the VAT machine to take out every mite possible to be spent on a budget that is bigger by a quarter than the present one.

No doubt that a middle income country will need to use VAT to collect revenue, but what has made the case questionable here is the rate and coverage of the tax in a country which has just crossed the threshold of achieving that middle income status.

Moreover, Muhith's budgetary measures will cause price increases at various levels from production to cost of living, as supplementary duty will be applicable to producers and VAT to the consumers.

The middle class will feel the pinch of VAT in every way to reduce their quality of life. However, the finance minister has somehow tried to compensate it with wider social safety net programmes.

His two nagging new challenges – fall in remittance and poor growth in exports – remain unanswered in the budget. A forecast of economic recovery next year is probably his best hope as he has mentioned frequently throughout the budget speech.

But much of the ready-made garment export is now our own structural problem including the lack of malleability of exchange rate. The finance minister has dwelled less on the issue before offering a reduced corporate tax to the sector.

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"The time has arrived for all to march ahead by coming together burying all differences and shunning the path of envy and violence. Let us now prepare for a prosperous, happy and peaceful Bangladesh of 2041."

FINANCE MINISTER AMA MUHITH



Income tax rates, tax-free limit to stay unchanged

SOHEL PARVEZ

The government's move to keep tax-free income threshold and the tax rates on individuals and firms unchanged in the next fiscal year is likely to affect many low and middle income people who would be new to income taxes.

For example, if income tax-exempt earning limit remains at Tk 2.50 lakh a year for individuals, it may reduce many people's disposable income.

"Many low income people will come into the tax net just because of spike in their annual income. This will reduce their disposable income," said Masud Hasan, who works at the finance and control.

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Powered by VAT

Little effort to widen net; budget aims to squeeze existing taxpayers more

SOHEL PARVEZ

Bangladesh is finally going to implement a single and uniform VAT rate, ending the two-and-a-half-decade system of multiple VAT rates for different goods and services.

From July 1, people from all walks of life will have to pay 15 percent VAT (Value Added Tax) on most goods and services.

Over the last several years, the government dithered over the introduction of a uniform VAT rate amid fears that such move would cause a spike in living costs.

However, Finance Minister AMA Muhith yesterday offered VAT waiver on a host of essentials and services, including edible oil, sugar, basic education, healthcare and medical services as well as life-saving drugs.

He also tried to make the business community happy by fulfilling most of its demands.

Despite the waiver and the revenue authorities' repeated assurance of price stability, concerns of a price spiral remain in the country where allegations of low ethical standards and price manipulations are rife.

Many consumers fear that unscrupulous businesses may charge them higher prices than usual on the excuse of imposition of a flat VAT rate.

Electricity, branded garments, paper, biscuits, rod, jewellery, furniture, tissue paper and apartments will see their VAT rates go up to 15 percent from varied rates that have been applicable to them under the existing VAT Act 1991.

The National Board of Revenue recently suggested that

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LITTLE CARE for quality spending

Governance, corruption, transparency get hardly any attention

SAHAJADUR RAHMAN

When resources are limited, only quality, efficient spending can bring higher and sustainable growth. And this is where Bangladesh needs to concentrate on.

Doing otherwise will lead to bad governance and breed corruption, which will in turn impede development. Two government projects are a case in point.

The Dhaka-Chittagong four-lane highway project, taken up in 2005, was to complete in 2012 at an estimated cost of Tk 1,600 crore. But it didn't. By the time the construction completed in the middle of last year, the cost shot up to Tk 3,900 crore – a rise of nearly 150 percent.

Dubbed the bloodline of the country's business, this highway is used mainly to carry the goods Bangladesh exports and imports, which were worth \$75 billion in 2015-16. And the purpose of expanding this road was to ease the traffic bottleneck at various points and help

smooth transport of goods to and from the port city.

But the taxpayers, whose money paid for the highway, are yet to reap the full benefit due to poor planning, faulty design and a lack of vision.

Chittagong is some 265km from Dhaka and a half hour to 80km per hour. In reality though, it still takes about 15 to 16 hours on some days because of traffic congestion, mainly at two points – Kancharpur and Meghna bridges.

The second example of such poor-quality spending is the 8.25km Moghbazar-Mouchak flyover project taken up in January 2011. It was to complete in 2015. Later, the deadline was extended by 18 months and the cost shot up to Tk 1,327 crore, nearly double the primary estimate.

Considering Bangladesh's low revenue earnings, the value of money is higher than in many other countries, including the neighbouring

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Finance Minister AMA Muhith, left, delivers the budget speech while Prime Minister Sheikh Hasina, right, looks on in the Jatiya Sangsad yesterday.

Minting money thru' banks

Small savers trapped in tax-VAT-duty web

JERIN NESA ALO

The government has been championing the cause of financial inclusion in recent years but, paradoxically, it is progressively penalising those entering the formal banking channel.

In this proposed budget for fiscal 2017-18, Finance Minister AMA Muhith prescribed a 60 percent hike of excise duty on account balance between Tk 1 lakh and Tk 10 lakh – a move that will leave savers with even negative returns from their deposits.

For instance, if one keeps Tk 100,001 with a bank for an optimistic rate of 5 percent interest – which, incidentally, is below the rate of inflation – he/she should get Tk 1,250 at the end of three months in theory. But in reality, the return would be negative.

Thanks to the 60 percent hike on excise duty, Tk 800 would be deducted from Tk 1,250, leaving him/her with Tk 450. Now from Tk 450, Tk 187 will be held back as income tax and another Tk 300 for account maintenance fee.

So, the saver would have to foot an additional Tk 37 out of his/her pocket – instead of an income from the savings.

"We have no heard of such taxes or levies on deposits in any other country of the world," said Anis A Khan, chairman of the Association of Bankers, Bangladesh.

The additional levy on bank deposits will erode the real savings of the country's citizens, he said, while urging the government to withdraw excise duty on debit or credit balances.

"We feel this is a discouraging tool to increase the government's revenue and will dampen the people's savings habit," said Khan, also the managing director of Mutual Trust Bank.

In practice, hardly any bank gives 5 percent interest on deposits; it is mostly 3-4 percent, with some offering as low as 2 percent.

Mohammed Nurul Amin, managing director of Meghna Bank, said banks lowered deposit rate amid a lack of demand for credit.

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