

2 festival bonuses for FFs

PARITHA PRATH BHATTACHARYA

The proposed budget brings some good news for war heroes.

The government will construct 10,000 flats across the country to provide accommodation facilities for insolvent freedom fighters. Finance Minister Alex Hales said.

Freedom fighters will also get two festival allowances of Tk 10,000 each in addition to their monthly honorarium.

Around 2.12 lakh freedom fighters will be entitled to the benefits.

Hailing the decision, Habibur Rahman, a freedom fighter from Sathkira, said the government has taken good initiatives for the war heroes. He, however, said government should remain careful so that only genuine freedom fighters enjoy these facilities.

According to the proposed budget, the government will also set up a research centre with the objective of

identifying massacre sites, torture cells, killing grounds and mass graves of 1971 and building their database in a bid to facilitate the new generations to learn the true history of the liberation war.

The government also promised to continue its efforts to uphold the spirit of the war of liberation, preserve its historical records and memorials, spread the spirit of liberation war among young generations and undertake welfare measures for the freedom fighters, their children and posterity.

The tax free income limit for war-wounded freedom fighters, which now stands at Tk 4.25 lakh, will remain unchanged.

Freedom fighters will also get tax exemption facility for their welfare allowances received from government or any honorarium received from the freedom fighters welfare trust.

In July 2015, the government

increased the allowance of freedom fighters to Tk 8,000 from Tk 5,000. It was increased to Tk 10,000 from Tk 8,000 in January last year.

Earlier this, in September last year, the government had decided to more than double the monthly allowances for injured freedom fighters and those recognised for valour.

Some 669 title-awarded freedom fighters and around 12,500 injured freedom fighters are at present enjoying these benefits. Out of 669 awarded seven hold the title of Bir Shikhar, 68 Bir Uttam, 175 Bir Bikram and 426 hold the title of Bir Pratik.

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VAT proposed

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On February 13, the apex court ruled that the government should not collect VAT from students of English medium schools.

Several guardians expressed concern that the cost of English medium education would go further as the tax burden would ultimately fall on them who were already paying huge tuition fees to the schools.

There was a time when children from mainly well-off families studied in English medium schools. But now, many children from middle-class and limited income families attend these schools. The budget for education, due to a lack of seats in public schools, number of guardians said while talking to The Daily Star.

And levying of VAT would badly affect the education of their children's education, they added.

"The cost of education in these [English medium] schools is already high and imposing tax is nothing but rubbing salt into the wound," said Rahman Munshi whose son is studying in grade 10 at Sunnydale.

Besides the move is discriminatory against English medium students as no VAT has been levied on students of Bangla medium schools, he said.

"Is it an offence that I send my child to an English medium school?" Lily Haque, whose child studies in European Standard School in Dharmoadi, said. "The amount [of VAT] may look insignificant to some, but it's a burden on people like us who are earning a pittance when prices of essentials go up."

The government in fiscal 2007-08 imposed 4.5 per cent VAT on fees and services of English medium schools. In the budget for fiscal 2014-15, the tax was raised to 7.5 per cent, striking a blow to many guardians.

In 2010, the government brought private universities under the VAT net (4.5 per cent), but had to backtrack following days of student protests. In the budget for fiscal 2015-16, the government imposed 7.5 per cent VAT on tuition fees of private universities and medical colleges but it had to backtrack on this decision too following massive student protests in September 2015.

In these examples, some guardians of English medium school students staged demonstrations in the capital. Two guardians filed a writ petition seeking VAT exemption.

The National Board of Revenue could not give a clear answer on whether English medium schools until the court order this February.

In this year's VAT proposal for the country's 150 registered English medium schools is implemented, guardians of 750 medium school students could have a pay double the amount they paid the last time as VAT for their children's education.

Gas price

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at international prices when its import begins in 2018. The current rate of taxes levied on gas, therefore, has to be reduced to 10 per cent, the unit price of gas will undoubtedly increase. The gas price, however, will be adjusted by following the policy of subsidising.

Bangladesh currently supplies around 7.5 mcf of gas to various gas fields across the country. According to Petrobangla, there is a constant shortfall of around 700 to 800 mcf.

Given that the demand for gas is constantly increasing, the government in 2010 initiated the project to import LNG from Qatar. To receive the liquid gas and convert it to regular gas for local consumption, the nation needed an LNG terminal with related facilities at Matarbari from where a gas pipeline would transmit the imported energy to the national grid. Initially, it was targeted that the import would be possible from 2012-13.

But the government failed to make any headway with the project till last year. Now a project is being implemented with the target to facilitate the LNG import.

By the way, the government has signed a contract with local energy company Summit to facilitate import of another 500 mcf of LNG. There are moves to build two more LNG terminals of similar capacities — one by Indian company Reliance and another by Bangladesh Petroleum Corporation. "All in all, the government has taken steps for import of 2000 mcf of LNG," said a Petrobangla official.

Quality not priority

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Of the proposed allocation, the proposed non-development expenditure is Tk 34,676.

The size of the national budget is increasing every year; the budgetary allocation to the education sector also rises. But the share of the education budget has been remaining almost static over the years, both as percentage of GDP and as a share of total outlay.

In the last five years since 2011, the rise of allocation has been hovering around 10 to 12 per cent except that of last year when the jump was over 14 per cent, according to the budget document.

The ratio of education budget to GDP stood around two per cent over the last 15 years, which is lower than that of many other Asian countries, like Vietnam and Nepal.

Bangladesh committed in the Dakar Declaration in 2000 and other global forums that it would spend 6 per cent of the GDP or allocate at least 20 per cent of the budget for education. The Unesco also stipulates that the budgetary allocation for education should constitute at least 6 per cent of the GDP and 20 per cent of the total budget.

Such a low budget for education, educationists said Bangladesh should invest more in education, especially in quality education, if it wanted to change its future and achieve the goals set in the National Education Policy 2010 and Vision 2021.

"It is not possible to ensure quality of education with this amount. The government expenditure on education is not even close to that of other Asian professor emeritus of BCU University, told The Daily Star over phone yesterday.

"Although the government repeatedly promises to raise the allocation, it has not done so as per budget. The budgetary allocation for education is quite low compared to other South Asian countries, he added.

Budget a mixed bag

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Hossain applauded the finance minister for allocating the highest 16 per cent of the budget to the education and technology sector.

The Centre for Policy Dialogue (CPD) has a high expectation that if the new budget cannot decrease the cost of living, it should not at least increase it.

"Similarly, if the production cost of the private and industrial sectors cannot be reduced, the new budget should not increase it, said the think-tank.

"Our fear is that none of these two will be ensured by the new budget," said Debapriya Bhattacharya, distinguished fellow at the think-tank, at a briefing in his office in Dhaka.

The macroeconomist said with importation of goods and services, the CPD had assumed that there would be adjustment in case of supplementary and regulatory duties to lessen the burden of VAT on consumers and producers.

"But we have not seen the expected adjustment," he said, adding that the fear that the living cost would go up in the next fiscal year is looming at large.

At the same time, the director of the Policy Research Institute of Bangladesh (PRI), welcomed the introduction of the new VAT.

"It has been long-delayed. It has proved to be a step in the right direction as at least it could take the courage to move forward," he said.

He said if the government could successfully implement the VAT, it would be a push for income tax, and customs reforms in the coming years.

Mansur said the proposal to increase excise duty on bank deposits is completely wrong. "The new budget, public expenditure would go up by 26 per cent. "But the trend growth is around 16 per cent for last eight-nine years."

"We have been observing that the allocation remains almost at the same level."

As per the international benchmark, the allocation in the education sector should be 20 per cent of the total budgetary allocation.

Setting the 20 per cent allocation as our target, the government should increase the allocation every year," he added.

NEW PLANS FOR PRIMARY AND SECONDARY EDUCATION
In his budget speech, the finance minister said they planned to build ICT-based interactive classrooms at 503 model primary schools to enhance the quality and quality in primary education.

Besides, the government planned to undertake two projects at a cost of Tk 14,864 crore to create appropriate learning environment at the primary schools, he said.

Stressing the need for developing quality of secondary education, he said a five-year long project titled "Secondary Education Development Programme" is being undertaken with an estimated cost of \$18.2 billion.

"However, we need to recognise that improvement of quality of education will require a long-term effort."

Muthith said the government was initially focusing on expanding the opportunities for education. "Our next priority is to build a pool of trained human resources."

FIVE NEW UNIVERSITIES
The finance minister said the government would strengthen its efforts to set up five new public universities.

He mentioned here that the law regarding setting up five new universities has been enacted, while the projects for constructing the physical infrastructure for these universities are at the approval stage," he said.

England outplay misfiring Tigers

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in a total excess of 330 runs. But the departure of Tamim and Mushfiqur over successive deliveries effectively dashed that hope and despite a quickfire 24 off 15 balls from Sabir Rahman, Bangladesh could only manage to reach six in 50 overs.

Bangladesh might have scored 84 runs in the last 10 overs but it was disappointing that they could score only five runs in the last over.

England's chase was more spectacular despite the fact that Jason Roy, one of the two star-battering openers, was dismissed for one. He played an injudicious scoop shot off Mashrafe and was beautifully caught by an airborne Mustafizur Rahman at short fine leg. They lost another wicket along way when Alex Hales looked out in the deep for playing one shot too many. But by the time he was dismissed he had smashed 95 runs off 86 balls with the help of 11 fours and a couple of sixes. The tall right-hander was out for 77 in a 159-run second-wicket stand with Root.

Root was involved in another century stand, an unbeaten 143-run partnership with captain Eoin Morgan, who hit an unbeaten 75 off 61 balls.

Income tax rates

FROM PAGE 2

deprived of a private company. Tax burden on many individuals will rise just because of increase in their salaries, he added.

The government should have increased tax free income threshold considering inflation, he stressed.

Various quarters, including business, have been demanding a rise of the tax-free threshold since the cost of living is rising with inflation.

Finance Minister Alex Muthith, on several occasions has favoured maintaining a fixed tax-free income threshold for several years instead of raising the tax-free income limit every year.

"What should be the ideal tax exemption threshold is a subject of expert opinion and enlightens the public debate in our country. There should be a philosophy for determining the tax exemption threshold," he said in yesterday's speech.

He added that per capita income and the rate of inflation might be important determiners in this case.

He also said inflation rate was low at the moment, with point-to-point inflation measuring at around 5 per cent.

year also eats into the disposable income of people at the bottom of the income pyramid, he stressed.

The Centre for Policy Dialogue (CPD) earlier urged the government to slash the personal income tax rate for the lowest threshold to 7.5 per cent from 10 per cent.

Lowering the personal income tax will help boost people's disposable income, especially of the middle-class, said Debapriya Bhattacharya of CPD in April when the think-tank unveiled its proposals for the next fiscal year.

"The government will bring more revenue to the state as it will increase domestic consumption," he said.

To encourage compliance and inspire new taxpayers, Muthith yesterday proposed giving the title "Kor Bahadur" to families, in which all members have been paying taxes for a long time.

In addition to individual taxpayers, all corporate tax, except the tobacco processors, including cigarettes makers, are also going to remain unchanged.

Tobacco processors will be taxed to 2.5 per cent surcharge on their income on top of paying 45 per cent corporate tax.

Affluent people will continue to face similar net wealth surcharge structure. Muthith said this should be maintained until an effective wealth tax act is enacted.

By the way, Muthith said that the government will increase the mandatory for employees serving in an executive or a management position in

private firms to submit tax returns, are going to bring more people under the tax net, he said.

"We will focus on compliance of laws in the coming year to ensure increased collection of tax," Muthith said, adding that the tax authority will go for auditing firms to see whether they have properly deducted tax at source.

Facebook, Google crack down on hate speech: EU

AFP, Brussels

Facebook, Google and other US internet giants have sharply boosted efforts to clamp down on online hate speech, a top European Union official said yesterday.

The EU joined forces with the companies a year ago to combat online hate speech, and is now turning to growing alarm in Europe over the use of social media as a recruiting tool, especially by the Islamic State group.

"The companies are now removing tweets as many cases of illegal hate speech and at a faster rate when compared to six months ago," Vera Jouroua, the EU commissioner for justice, said in the first annual progress report.

"It shows that a self-regulatory approach can work," said Jouroua, who called for further progress — particularly on Twitter.

Apart from more VAT collection, Muthith's other source of collecting money to fund mega projects is foreign financing, which he has projected to increase by 68 per cent from that in this year's revised budget. It is beyond our comprehension since when we come to Bangladesh suddenly achieved this kind of superb implementation capacity.

And if the figures are only for the sake of figures, the consequence will be a budgetary mismatch, a huge deficit, a bigger bank borrowing and all the other knock-on effects.

Half of the foreign finance will come from institutional lenders and that makes good sense. But the rest comes from untested and little tested non-conventional sources. Costs of such funds are high and projects conceived with such funds are often costly. When such factors meet, the economic returns become weak.

Big target

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The fact is, reducing corporate tax may increase investible capital for the investors but will not go to create market demand. He could have rather added some incentives to the existing corporate tax structure, competing.

And his hope on remittance is likely to remain elusive as oil price forecast still looks bleak, spelling further dark days for the petro-economy.

Muthith wants a higher growth rate of over 7 per cent, and for that he hopes to rope in private investment. Low bank interest rate is a vital component to spur and sustain such initiative as Muthith has rightly pointed out. But he remains silent on putting the tattered banking system back into form again. As long as the banks remain in the present sorry state, more and more loans will go bad and cost of funds will remain higher. Hence, his hope of lowered interest rate will remain

unmet.

On the contrary, Muthith has once again proposed Tk 2,000 crore to recapitalise the banks. Last time he said that after the massive banking scandals as thousands of crore of taka were siphoned off the state-owned banks by some unscrupulous business groups.

So every year, the taxpayers have to feed those who regularly rob our banks.

One of his growth mantras — to generate consumption demand — is also debatable because it mostly depends on public spending. Remittance that plays a vital role to spike consumption across the country is fizzling out. The across the table VAT imposition will have a choking effect on private entrepreneurs too. These facts in no sense explain how internal demand will rise.

Rather, he could have thought of increasing disposable income of the people by either increasing the tax-free slab in income tax or reducing the

Little care

FROM PAGE 2

nations. Tax collection in terms of GDP stands at around 10 per cent, one of the lowest in the world.

But instead of focusing on quality spending Muthith set his eyes on increasing the budget size and revenue capture.

If past records are any indication, a 26 per cent rise in the outlay and a 34 per cent hike in revenue are too high a target to achieve.

By the way, the government has signed a contract with local energy company Summit to facilitate import of another 500 mcf of LNG. There are moves to build two more LNG terminals of similar capacities — one by Indian company Reliance and another by Bangladesh Petroleum Corporation.

"All in all, the government has taken steps for import of 2000 mcf of LNG," said a Petrobangla official.

If this volume of gas is imported, that could mean a 17 per cent hike in gas production. This means in future the price of local gas would be largely influenced by the international LNG price.

But this would be rewarding for the nation, as this will help keep the gas-banking system back into form again. The private and public industries producing products at a reasonable price. The LNG is environment friendly and its addition would reinforce the country's energy security.

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