

<b>MOBILE PHONES</b> Pay more to say more	<b>CIGARETTE</b> Puff, puff, check bank account	<b>COOKING OILS</b> Boil over oils	<b>MILK</b> Milking pockets dry	<b>SUGAR</b> Not so sweet anymore	<b>MINERAL WATER</b> Tap water or bust?
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# Long on promises, short on specifics

**Kamal apparently takes his first step in right direction as he unveils fatty budget**

ZINA TASREEN

All eyes were on fever-stricken Finance Minister AHM Mustafa Kamal as he stepped into parliament to unveil his maiden national budget yesterday.

He had to retire mid-way and Prime Minister Sheikh Hasina took over from him, lending an additional element to the budget speech that was not short of suspense, given it comes at a time when the Bangladesh economy is taxing for take-off.

The finance minister has prepared a fiscal plan, long on promises but short on specifics, to make Bangladesh a higher middle-income country by 2030.

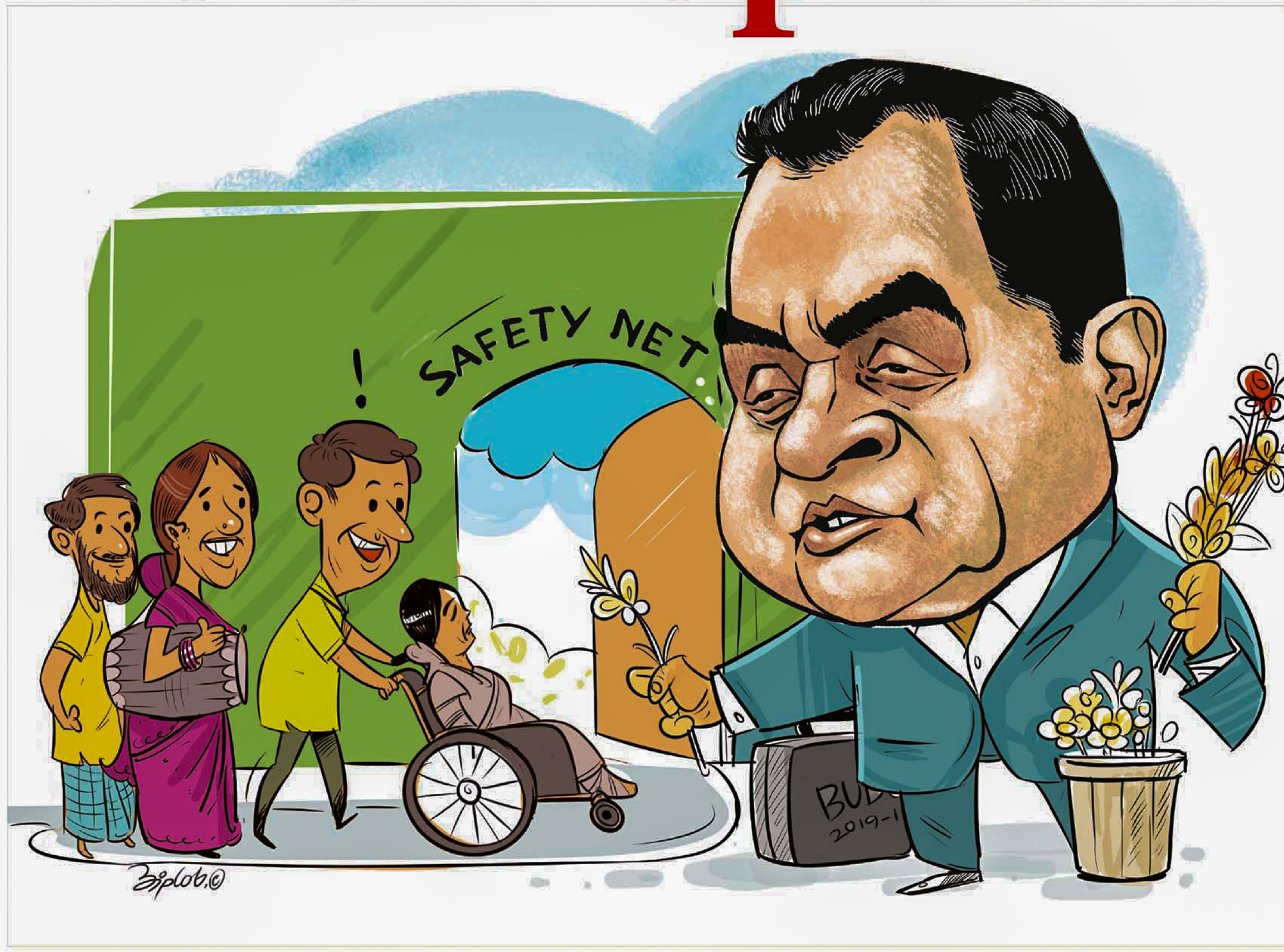
It speaks of bold, essential reforms like overhaul of the tax machinery, cleaning up the banking sector and upgrading the education system to tap the country's potential, but without any concrete action plan or timeline.

What would have been a watershed moment for the economy ultimately ended up being mostly empty rhetoric.

Even with the best of intents, a government with limited resources cannot do much; it needs to boost its means to execute its plan or else it remains just an idea.

The National Board of Revenue, the main breadwinner for the government, has been tasked with bringing home Tk 325,600 crore in fiscal 2019-20, up 16.29 percent from

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## Safety for 16 LAKH MORE

Care net to include challenged people, entire third gender, patients with critical diseases

MOUJUD AHMED SUJAN

In a push to widen the social safety net, the government decided to include all registered differently abled people, and more marginalised and vulnerable ones under its protection.

Some 15.45 lakh people would be added to the government's core social safety net programmes in fiscal year 2019-20 taking the total to 1.13 crore.

Now, 97.13 lakh people receive allowances under 17 social protection and several other social safety net programmes of the government.

Last year, seven lakh new beneficiaries were included.

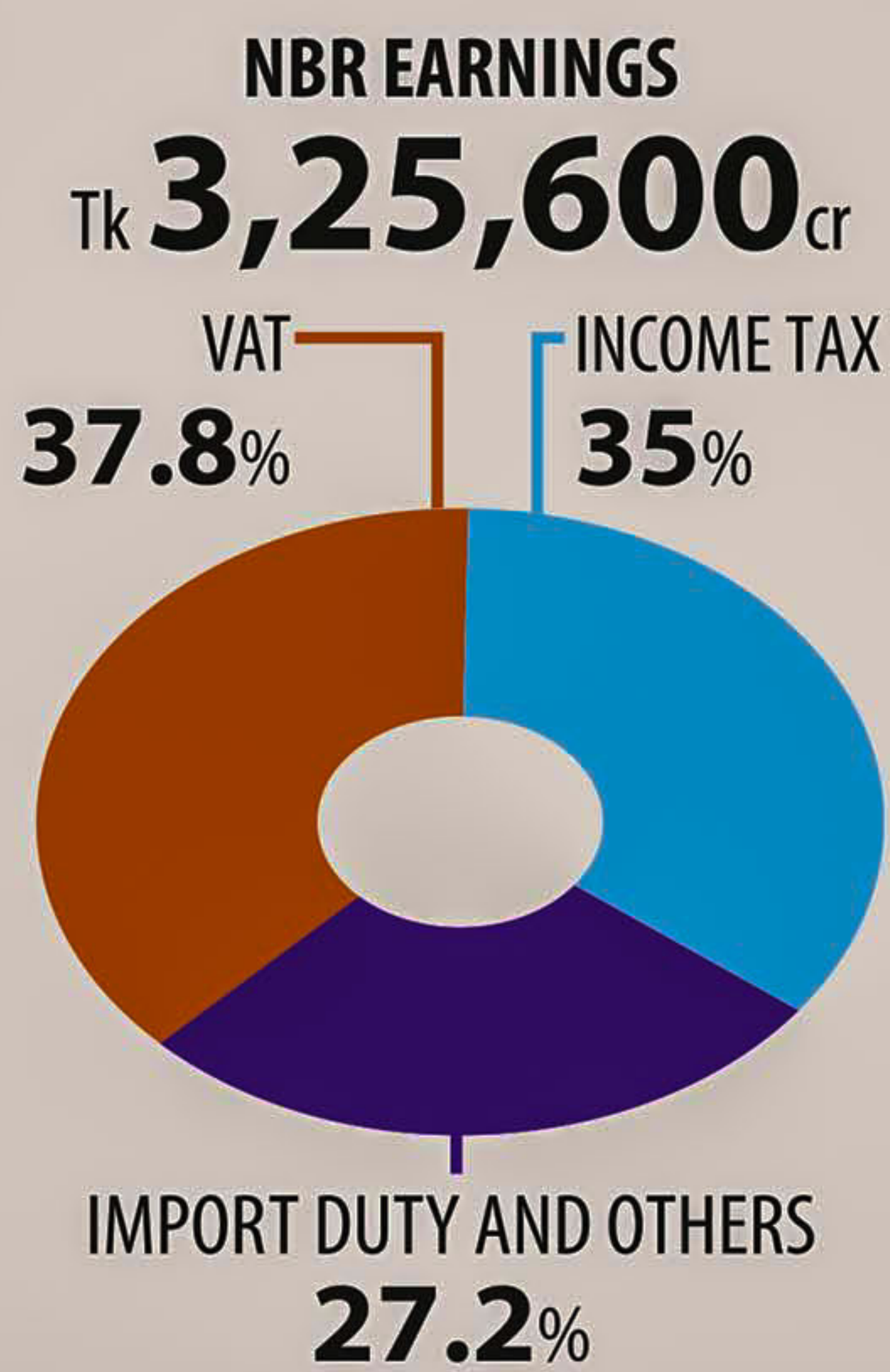
Even though Bangladesh made SEE PAGE 7 COL 3

**PROPOSED BUDGET FY 2019-20**

GDP GROWTH **8.2%**

INFLATION **5.5%**

**TOTAL REVENUE**  
Tk **3,77,810** cr



**NON-NBR EARNINGS**  
Tk **52,210** cr

**BUDGET SIZE**  
Tk **5,23,190** cr

**DEVELOPMENT BUDGET**  
Tk **2,02,721** cr

**NON-DEVELOPMENT BUDGET**  
Tk **3,10,262** cr

**DEFICIT**  
5% OF GDP OR  
Tk **1,45,380** cr

**BANK BORROWING**  
Tk **47,364** cr

**FOREIGN SOURCE**  
Tk **63,848** cr

**NON-BANK BORROWING**  
Tk **30,000** cr

## BUDGET SPEECH PM HELPS OUT AILING KAMAL



STAFF CORRESPONDENT

Prime Minister Sheikh Hasina yesterday presented parts of the national budget as Finance Minister AHM Mustafa Kamal fell sick halfway through his speech. This was the first instance in the country's parliamentary history where a prime minister, though partially, unveiled the budget.

Hasina will also appear at today's press conference on

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## BANKING SECTOR REFORM

# PLEDGES there, 'HOW' missing

AKM ZAMIR UDDIN

Rejaul Karim, a college teacher by profession, took a personal loan of Tk 6 lakh at 9.50 percent interest from a private commercial bank in 2015 to tackle some family emergencies.

The interest rate of the five-year loan all of a sudden shot up by three percentage points in September last year, leaving him dumbfounded. The lender did not give him any prior notice before hiking the rate.

Thus, his monthly instalment went up by nearly Tk 1,000, for which the bank blamed the rising cost of funds.

The cost of funds usually means the interest rates banks and other financial institutions must pay to investors for the use of their money to make loans to borrowers.

But Rejaul's case is not an isolated one. Like individuals, businesses are also facing 3 to 4 percent higher interest rates on their loans, which put them in a tight situation. Small and medium enterprises

have become the biggest victims of the lending rate hike.

Against this backdrop, Finance Minister AHM Mustafa Kamal yesterday said he would bring the lending rate to single digit.

But he didn't mention how cost of deposits of the banks will be brought down proportionately. Banks have to collect deposits at even double-digit interest rate.

So, analysts are quite doubtful about the minister's plan. They said reducing lending rates is quite tough without adjusting the interest rate on government savings tools with the market rates.

"Lenders could not mobilise deposit at single digit because of higher return on savings tools. So, there is no scope to decrease the lending rate to single digit," said Ahsan H Mansur, executive director of the Policy Research Institute.

According to him, the rising trend of defaulted loans stemming from a lack of corporate governance in the banking system is also responsible for the high lending rate.

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## Challenge lies in IMPLEMENTATION



PROF WAHIDUDDIN MAHMUD

A look at the revised budget for the outgoing financial year and its state of implementation up to the month of March reconfirm the main weakness of our financial management, namely, the persistently low revenue mobilisation that routinely misses its target. It appears from the budget speech that the strategy for the upcoming budget will be to substantially improve revenue collection by initiating a campaign against tax evasion and not by hurting the common people through increases in the tax rates. That is indeed a noble goal and, even if partially successful, such a campaign can begin to make a real difference in our fiscal management.

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## NEW VAT REGIME

# New concern for consumers

SOHEL PARVEZ

Shifting from its initial plan to slap a uniform rate, the government has finally proposed four rates of Value Added Tax to please businesspeople and take them on board to implement the new VAT law from the next fiscal year.

But the consumers, who bear the burden of indirect tax, have things to worry about.

The relief from VAT, which they used to enjoy in buying essentials and services under the 1991 VAT law, is going to be over in the new VAT system.

They are going to feel pressure on their wallets in purchasing many commodities --from spices to edible oil, plastic wares to aluminium products, according to measures proposed in the budget yesterday.

The government proposes slapping 5 percent, 7.5 percent and 10 percent VAT on specific goods and services, apart from the standard VAT rate of 15 percent that has been in force for nearly three decades.

In addition, it wants to impose specific tax on some services and products such as key construction material rod and newsprint.

It has also suggested continuing the existing 2

percent and 2.4 percent VAT at the trading stage of petroleum and pharmaceuticals.

Businesspeople will not be able to avail themselves of input tax credit if they pay less than 15 percent VAT.

"Wherever 15 percent VAT is applicable, the input tax credit can be obtained through the VAT return," Finance Minister AHM Mustafa Kamal said in his written speech.

This means total tax or VAT incidence will increase and consumers will have to bear the brunt.

Ahsan H Mansur, executive director of Policy Research Institute of Bangladesh, had earlier said the tax incidence may go up to 37.5 percent if businesses do not get rebate or input tax credit.

Talking to this newspaper, Snehasish Barua, partner of chartered accounting firm Snehasish Mahmud & Co, said, "This will not only increase the company's costs but also act as a barrier to the uniform VAT rate."

He noted that the finance bill for fiscal 2019-20 proposed significant changes in the VAT and Supplementary Duty Act 2012.

Firms with annual turnover of up to Tk 50 lakh each has been exempted from turnover tax to boost small businesses. But those having SEE PAGE 9 COL 1