Needle for MIDDLE CLASS

Families would require to readjust monthly budget due to new spikes

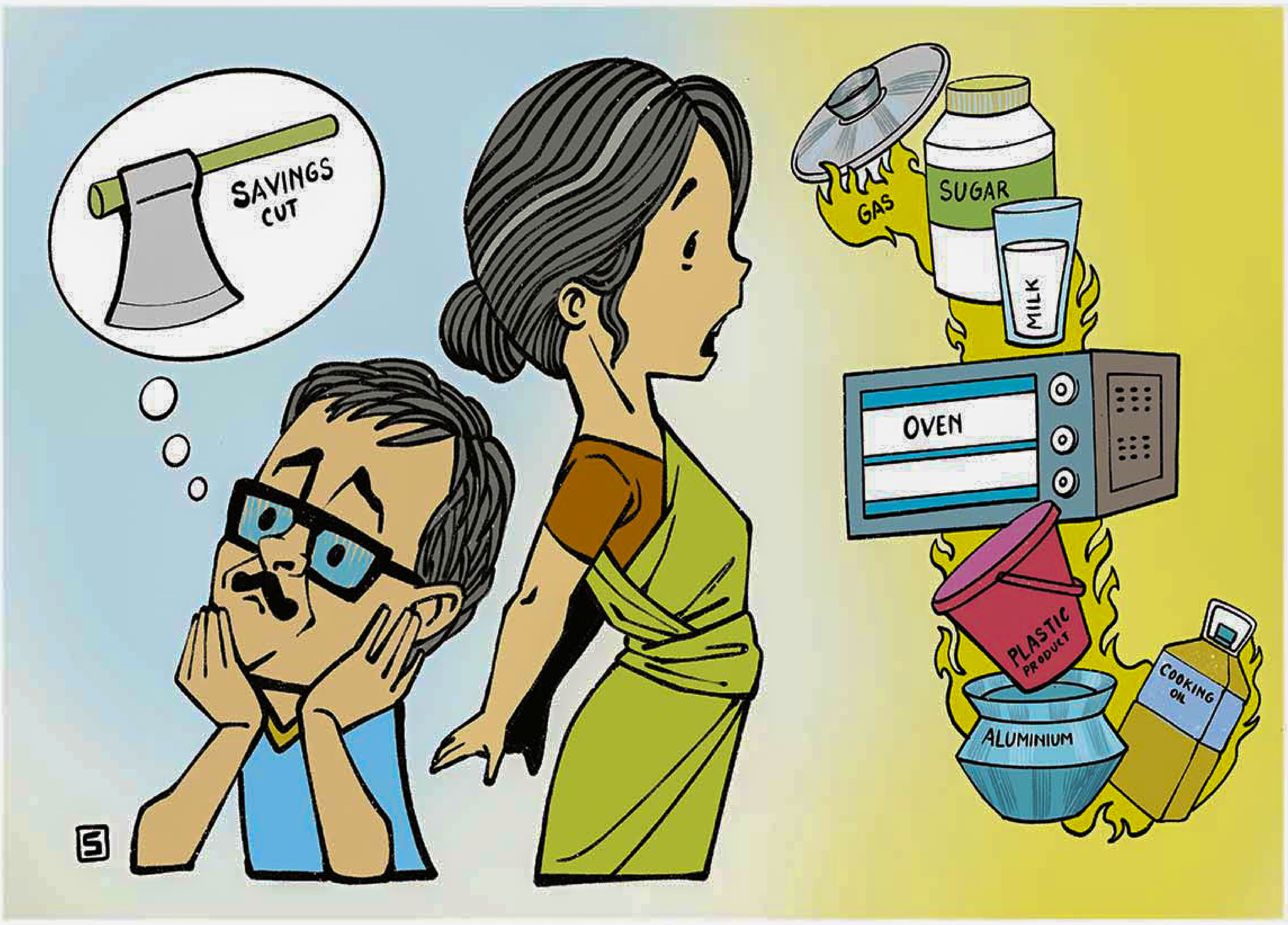
BISHAKHA DEVNATH

Afsana Rahman's maternity leave is about to end, and so baby formula milk will soon have to substitute breast milk for her second child. As she and her husband are both job holders with fixed income, she now has to adjust her monthly expenditures to make ends meet, since the government plans to increase customs duty on imports of powdered milk from 5 percent to 10 percent. Adding to that comes an increase in prices of sugar, soybean oil, mustard oil, spices, mobile phone services and a rising expenditure for the ownership of a private car.

At a first glance, it may seem to be a good initiative in the proposed budget to impose import duties on foreign products to protect local dairy and sugar industries. But when the local products are not enough to meet market demand, people would have to buy these everyday items even if they get costlier.

Import duty of unrefined sugar, as per the new budget, will be increased from 2,000 per tonne to Tk 3,000, while for refined sugar the duty will be increased from Tk 4,500 to Tk 6,000.

SEE PAGE 8 COL 1



Vehicle ownership a bigger burden

SHAER REAZ

In a stark contrast to the past few years, Finance Minister AHM Mustafa Kamal proposed 10 percent supplementary duty on issuance or renewal of all kinds of vehicle registration, route permit, fitness certificates and ownership certificate—with exemptions for passenger buses, trucks, lorries, three wheelers, ambulances and school buses.

While past budget proposals saw sustained hikes in the import duty of both brand new and reconditioned vehicles—with a few concessions towards hybrid vehicles and local assembly of cars and motorcycles—this year's proposed budget is largely devoid of any major changes to the duty structure.

SEE PAGE 8 COL 6

TAX SLABS FY2019-20

PERSONAL INCOME TAX

Up to Tk 250,000 — **No tax**

MINIMUM TAX

Dhaka and Ctg city **Tk 5,000**

Other city corps **Tk 4,000**

Other areas **Tk 3,000**

Tk 250,001 to Tk 650,000	10%
Tk 650,001- Tk 1,150,000	15%
Tk 1,150,001- Tk 1,750,000	20%
Tk 1,750,001- Tk 4,750,000	25%
above Tk 4,750,001	30%

CORPORATE TAX

Non-listed companies	35%
Listed companies	25%
Listed banks, Insurance and NBFIs	37.5%
Non-listed banks, Insurance and NBFIs	40%
Merchant banks	37.5%
Tobacco companies	45%
Mobile phone operators	40% (Listed), 45% (Non-listed)

TAX-FREE INCOME LIMIT FOR

women and 65 years plus citizens	Tk 300,000
Challenged persons	Tk 400,000
Wounded freedom fighters	425,000

Smartphone import to be costlier

STAFF CORRESPONDENT

Imported smartphones are scheduled to turn much costlier as the government has proposed increasing supplementary duty from 10 percent to 25 percent.

Local assemblers termed it a prudent decision that would help their industry to grow.

In 2017-18, the government first offered some tax benefits to local assemblers and increased the import tax. The next year the tax structure was revised with the supplementary duty raised to 10 percent from 5 percent.

Currently the total tax on imported handsets is 32 percent, which will go up to over 50 percent. In contrast, locally assembled ones have to bear about 17 percent in taxes. For handsets manufactured in Bangladesh, the tax is just 5 percent.

Quick to avail the tax benefit, five local and international brands have already started assembling mobile devices, catering to about 30 percent of the country's annual demand for 3.5 crore handsets.

Of the demand, smartphones account for about one core pieces while the total sales amount to around Tk 10,000 crore.

SEE PAGE 8 COL 3

Black money lives on

MOHIUDDIN ALAMGIR

Walking back on its election pledge to eradicate black money, the government in its first budget of the current tenure has once again kept the scope for whitening money.

Black money holders will not face any question about the sources of their income if they invest in economic zones and high-tech parks by paying a tax of only 10 percent on the amount invested, which for regular taxpayers is between 10 and 30 percent, depending on the income. The scheme will be open till June 2024.

"With a view to drive up investment and create employment, I propose a new provision in the income tax law to accept investment in economic zones and high-tech parks, without any question on the sources of the invested fund by the income tax department," Finance Minister AHM Mustafa Kamal said during his budget speech.

The government hopes the initiative will boost private investment, although such a practice failed to yield any fruitful benefit in the past.

Before the December 2018 elections, however, the Awami League's election manifesto promised strong measures against those having undisclosed money.

Economists and corruption watchdogs said that successive governments had been allowing whitening of black money due to "pressure from influential quarters" and it was proof of how the state was being "captured by corrupt and influential people".

SEE PAGE 8 COL 4

Extra tax on stock dividend

Hailed by DSE, shocking to some

AHSAN HABIB

The budget 2019-20 recommended imposing 15 percent tax on stock dividend to promote cash dividend as part of efforts to increase money flow into the stock market.

The annual plan presented by Finance Minister AHM Mustafa Kamal yesterday also wanted to enforce another 15 percent tax, if any company's retained earn-ings and reserve exceeds 50 percent of its paid-up capital.

The proposals received mix reactions, where some industry experts termed it as the "best stockmarket-friendly budget ever" while others think it will be a bane for some good-performing companies.

The most important thing of the budget is to impose tax on stock dividend to encourage giving of cash dividends by the listed companies, said Rakibur Rahman, a director of the Dhaka Stock Exchange (DSE).

The DSE has over 300 listed companies and there were 93 companies that logged profits last year -- with 18 registering more than Tk 50 crore -- but declared only stock dividend.

Apart from these, nine companies did not pay any dividend despite making profits.

It is necessary to reduce stock dividend and encourage cash dividend, said Minhaz Mannan Emon, another director of the DSE.

"So, this is the best stockmarket-friendly budget," said Rahman.

Emon echoed the same saying such initiatives will reduce share supply in the market as stock dividend will be declined and liquidity also will be eased.

The proposed budget also addressed double taxation in dividend income and emphasised on bond market development yesterday. The finance minister said a provision was made in the income tax ordinance last year for resident companies to avoid multilayer taxation on dividend income tax.

> Tax-free dividend income raised to Tk 50,000 from Tk 25,000; 15% additional tax imposed on retained earnings over 50% of paid-up capital

This year, Kamal proposed bringing non-resident companies under the purview of the provision.

Anis A Khan, managing director of Mutual Trust Bank (MTB), termed the move to tax stock dividend as a "shocking proposal".

If the proposal gets go-ahead, the MTB would have to pay additional Tk 10 crore tax on dividend for 2018, he said.

No tax benefit for bank and individual taxpayer, so far, has been proposed in the budget, Khan said.

"It is an appreciable effort from the government to encourage cash dividend," said Md Moniruzzaman, managing director of IDLC Investments.

SEE PAGE 8 COL 1

Businesses happy, suggest tweaks

REFAYET ULLAH MIRDHA

Businesses yesterday welcomed the budget as the government proposed some new initiatives which would aid growth, give rise to new entrepreneurs and enable more people to enjoy benefits of social safety net programmes.

Terming the budget business friendly, they also praised the government for increasing alloca-tion in areas of social safety net, education, communication and physical infrastructures, power and energy and health sector and subsidy for capital market investors.

The government's allocation of Tk 100 crore for start-ups will help create new entrepreneurs which will ultimately reduce challenges of unemployment, said Rubana Huq, president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

In a written statement, she expressed satisfaction as the government proposed full waiver of value added tax on garment exporters' use of electricity, natural gas and water.

She said the apparel industry would also be benefited as the government reduced duty on import of workplace safety equipment. The government's initiative for formulation of a bankruptcy and insolvency law will help protect business enterprises, she added.

Huq said increasing cash incentive on export of garment items by 1 percent was too little as the exporters had demanded 5 percent. The government proposed an allocation of Tk 2,825 crore as cash incentive on garment export receipts.

She also said there was a scope for reviewing corporate tax as they earlier had demanded lowering the rate.

"It is a continuity of sixth and seventh five-year plan," said Sheikh Fazle Fahim, president of the Federation of Bangladesh Chambers of Commerce and Industry, in a text message.

"Government will take about Tk 47,364 crore from the banks to mitigate this shortage which is not unfriendly for the business but because of this borrowing private sector credit flow should not be hampered," said Osama Taseer, president of the Dhaka Chamber of Commerce and Industry (DCCI).

Sheikh Fazle Fahim

Rubana Huq

Abul Kasem Khan

AKM Salim Osman

Mohammad Ali

"ADP will be Tk 202,721 crore which is appreciable. It will expedite infrastructure development in the country," he said.

To ensure transparency, quality and effective monitoring, the DCCI requested to strengthen the Implementation, Monitoring and Evaluation Division and proposed formation of a National Infrastructure Development and Monitoring Advisory.

Private sector credit flow last fiscal year was 12.5 percent though, according to the monetary policy, 16.5 percent was targeted.

According to Bangladesh Bank, the amount of non-performing loans (NPL) is currently Tk 110,873 crore. Of it, 48 percent arose from government banks.

But the budget indicates that from now on the NPL figure will not grow at an accelerated rate, which is very much appreciable, said the DCCI.

"Implementation of the new VAT Act 2012 is a timely initiative. The DCCI hopes that this new VAT act would play an important role in doing business. But there should be a provision of input credit tax under VAT Act 2012 otherwise the extra burden might be borne by the consumers," Taseer said.

Salim Osman, president of the Bangladesh Knitwear Manufacturers and Exporters Association, also welcomed the budget.

He said the 1 percent cash incentive would help export growth of garment items.

However, he urged the government for continuation of source tax at 0.25 percent instead of the proposed 1 percent. He also demanded timely release of cash incentives.

Mohammed Hatem, senior vice-president of the Exporters Association of Bangladesh, said the 1 percent cash incentive was too little for garment exporters. This should be at least 3 percent, he said.

Mohammad Ali Khokon, president of Bangladesh Textile Mills Association, said 5 percent VAT on sales of local yarn would hamper the growth of the local handloom industry. As a result, prices of lungi will increase in the domestic markets, he said.

Abul Kasem Khan, immediate past president of the DCCI, said the proposed borrowing of Tk 47,364 crore from the banking sector by the government would put pressure on private sector credit growth.

Anwar-Ul-Alam Chowdhury, president of the Bangladesh Chamber of Industries, opined that corporate tax should be reduced for attracting more investment.

Syed Jamal Ahmed, vice-president of the Chittagong Chamber of Commerce and Industry, welcomed the government proposal to launch construction of Dhaka-Chattogram high speed train services and construction of bay terminals at the port areas.