

INFRASTRUCTURE

PROPOSED BUDGET FY2019-20

Realtors happy, cement, steel-makers not

STAFF CORRESPONDENT

The proposed budget for the next fiscal year has drawn mixed reactions from the construction sector with realtors set to see a cut in registration cost and no VAT rise whereas cement and steel manufacturers have expressed disappointment.

"The government has given attention to the real estate sector and it was reflected in the budget," said Alamgir Shamsul Alamin, president of the Real Estate & Housing Association of Bangladesh (REHAB).

"This is a good sign as it will provide a fillip to the sector to make a comeback."

The real estate sector has remained almost stagnant for a long time, largely because of the existence of an exorbitant level of stamp duty and registration fee, Finance Minister AHM Mustafa Kamal said in his budget speech on June 13.

"As a result, the government is losing revenue, and the volume of undisclosed income is also rising. We will take steps to bring down these fees at a reasonable level. This will facilitate the expansion of the real estate sector on the one hand, and augment our revenue collection on the other," he said.

The opportunities to invest in real estate under special tax treatment have been made more relaxed by reducing tax rates, according to a budget analysis of the Centre for Policy Dialogue (CPD).

Depending on location and the size of property, the income tax on buildings and apartments in Dhaka and Chattogram city corporations was cut by somewhere between 20 percent and 40 percent.

At other city corporations, the rate was cut by 50 percent, while it went down by 12.5 percent to 16.7 percent at municipalities' level.

At present, the income tax department does not raise any questions about the sources of fund invested in the purchase or construction of any apartment or building if tax is paid at certain rates on such investments.

But taxpayers are not availing this opportunity due to the higher tax rates, the finance minister said.

"I propose to decrease existing tax rates to encourage taxpayers to voluntarily disclose purchase or construction of any apartment or flat, and building in their tax returns," the finance minister said.

The registration cost now hovers between 14 to 16 percent and the government has assured that it will come down to single digits, according to Alamin.

The price of mild-steel rod will go up by Tk 10,350 per tonne if the proposed VAT and other fiscal measures come into effect, the

Bangladesh Steel Manufacturers Association (BSMA) said.

Manwar Hossain, chairman of the BSMA, said the budget has proposed to increase the VAT on the sales of scrap, billet and rod as well as retailers' sales.

In total, the VAT will go up by Tk 7,650 per tonne, to Tk 9,050 from Tk 1,400 now, an outright increase of 546 percent.

The advance income tax (AIT) on scrap, billet and rod sales has increased by 138 percent from Tk 1,950 to Tk 4,650 per tonne, an increase of Tk 2,700.

"If the price of rod shoots up, it would be a blow to the implementation of the annual development programme (ADP) because the expenditure will go up steeply," Hossain said.

raw materials and the tax has been adjustable.

The AIT to be paid by the cement makers to import raw materials will be treated as the minimum tax from the next fiscal year starting July 1.

Cement manufacturers said the bid to consider five percent AIT as the minimum tax will put increased burden on them. They already pay source tax against the supply of cement locally.

In addition, manufacturers will have to pay five percent advance tax (AT) while importing raw materials and other required ingredients. This will increase the operational cost and thus the price of cement, according to the BCMA.

"Under these circumstances, the production cost of cement will increase by 10 percent



"The proposed increase in VAT and taxes will not only affect the infrastructure and housing sectors. It will also hold back the steady growth of the steel sector, disrupt the development of the country and hurt the consumers."

The BSMA called for revising down the VAT on scrap, billet and rod sales as well as retail sales. It demanded withdrawal of advanced tax (AT) on import stage.

The price of cement will go up by Tk 42 per 50kg bag owing to some tax and VAT measures, said the Bangladesh Cement Manufacturers Association (BCMA).

Until the current fiscal year, cement manufacturers have paid five percent AIT to import

which will have to be borne by consumers," said BCMA President Mohammed Alamgir Kabir.

"The impact of the price hike of cement will affect the housing sector and the government's infrastructure projects."

SM Khorshed Alam, president of the Bangladesh Association of Construction Industry, said the duty on imported raw materials used in the construction industry should be brought down significantly.

"We need to keep the market of construction materials stable because the expenditure on them accounts for 60 percent to 70 percent of a project, depending on the kind of project."



Permeable concrete for sustainable construction

MAISHA ZAMAN

Permeable concrete, also known as pervious concrete, is a special type of concrete which is high in porosity, thus making the infiltration of water into the ground easier. While regular concrete contains an admixture of coarse aggregate, sand and water, permeable concrete contains little or no sand in order to make it porous.

According to a research report titled "Groundwater management in Bangladesh: An analysis of problems and opportunities" by USAID, published in February 2015, the increasing usage of groundwater is leading to the depletion of groundwater level at an alarming rate. Moreover, the lack of a proper drainage system in the country is leading to clogged drains, thus, preventing water from passing through and restoring the levels of groundwater.

"Currently, the groundwater level is 60 metres. On average, the level of groundwater is going down by three metres per year. It is estimated that by 2050, the groundwater level may reach 120 metres, making its extraction extremely difficult. Moreover, the sinking risk of the city is also increasing as water is unable to pass through the drainage system," informs Dr Md Tarek Uddin, PEng., Professor, Department of Civil and Environmental Engineering, Islamic University of Technology (IUT). He adds, "To cater to the 18 million people living in Dhaka city, approximately 2,300 million litres of water are required per day, 75 percent of which comes from groundwater. Therefore, enhancing the use of permeable concrete is one of the most suitable ways to overcome the challenges of depleting levels of groundwater."

The significance of permeable concrete lies in the fact that it allows water from precipitation and other sources to pass through porous surfaces, thus helping to resolve the problem of clogged drainage system and restoring groundwater.

A building is usually built comprising 60-70 percent of an area. The remaining 30 percent is supposed to be free and therefore permeable concrete can be used in that area for better drainage of water, adds Dr Tarek.

Though using permeable concrete is a step towards ensuring sustainable infrastructure, its usage should be limited to certain types of construction. Pavements and walkways, parking lots, open spaces around buildings and streets which don't have to carry heavy loads are usually ideal for using permeable concrete. Highways and streets, where the load of vehicles and traffic congestion are high, should be avoided when using this porous concrete as their strength is lower than the usual concrete used in most roads.

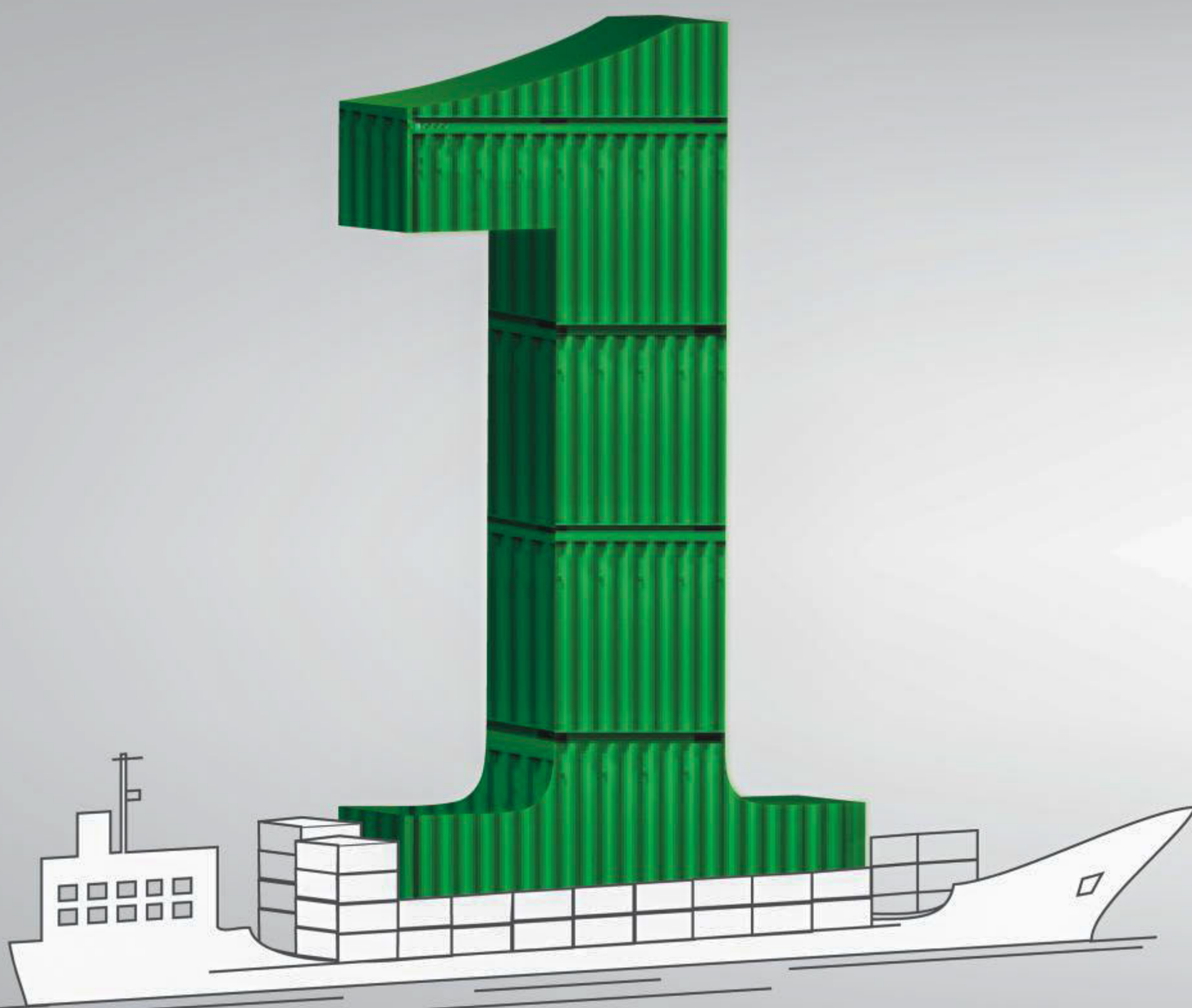
Dr Ishtiaque Ahmed, Professor, Department of Civil Engineering, BUET, explains, "Since sand is not included in the admixture for creating permeable concrete, the resultant pores after constructing roads are not capable of carrying heavy load; cracks may occur due to such heavy loads." While the strength of regular concrete should be a minimum of 2000 psi (which may increase according to the load they should carry and also due to the variation of the admixture), the strength of permeable concrete typically ranges from 1200-1700 psi, he adds.

Permeable concrete should also be avoided in reinforced concrete where rods and steel bars are used as water infiltration will lead to the corrosion of these elements.

While talking about the cost using permeable concrete, Abu Sadeque, former director, Housing and Building Research Institute (HBRI), shares that the cost of permeable concrete is approximately 20-25 percent higher than the regular concrete. However, the long-term benefits of using permeable concrete will outweigh the high costs in terms of ensuring better ecological balance, he opines.

To lessen the cost of using permeable concrete, Dr Ishtiaque Ahmed suggests that stone grains can be used to prepare the concrete mixture.

Citing the example of widespread usage of permeable concrete in countries like Canada and China, Dr Ishtiaque urges the concerned authorities to learn from their examples to enhance use of permeable concrete in Bangladesh. Our engineers also need to be made aware of the benefits of using permeable concrete, he adds.



THE EXPORT LEADER

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