Budgetary Proposals for 2012-2013

by

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Introduction: The impact of the economic downturn in Europe and USA has impacted the Bangladesh Economy. Bank borrowings by the Bangladesh government has increased substantially. The growth in revenue collection was less than the growth in public expenditure. Bangladesh Bank continued with its credit squeeze for the unproductive sector. Foreign direct investment (FDI) has shrunk for the current fiscal that has caused a setback for rapid economic growth.

Financial Pressure: The massive import of fuel oil to run the rental power stations has caused the fuel import bill to rise from US$ 3 billion to US$ 7 billion. Budget deficit may remain at present 5% of GDP, though the financing of this deficit has become a major issue.

Fiscal Issues: (1) Income Tax: The tax exemption limit currently stands at Tk. 1,80,000. This slab may be enhanced to Tk. 2,50,000 for all male assesses. This slab may, however, be increased to Tk. 300,000 for women and disabled persons.

Loss of Government Revenues: The creation of a position in the Ministry of Finance for monitoring Transfer Pricing and Money Laundering issues that accounts for loss of government revenues of around US$ 2 billion annually has been a step in the right direction.

Black Money to be Whitened/Legalized: In the current context where FDI and general investment has slowed down, it is worthwhile to allow undisclosed wealth to be legalized through a payment of 10% to 15% tax.

Farming Sector: This includes agriculture, horticulture, fish farming, poultry and allied activities which as a whole should be treated as a major thrust sector. Government subsidies for the agricultural sector should continue for the next 5 years till such time as the agricultural sector becomes resilient.

Tax holiday for at least 10 years may be considered for all agro-based units.

Information and Communication Technology: Entrepreneurs should be given the incentive for zero tax for all ICT companies involved in software developments, research, marketing, development and exports.

Small and Medium Enterprises (SME): Substantially increased allocation is needed for the Equity Entrepreneurship Fund (EEF) to cover all labor intensive sectors.

Energy and Power Sector: Government should prioritize on medium (100-200MW) and large (500 MW) base load power plants instead of smaller oil based rental and quick rental ones to shed off subsidy burden and to resolve power crisis.

Poverty Alleviation: The government needs to identify the poorer segment of the society in different geographical locations and allocate funds for the safety net programs that should be in excess of TK. 20,000 crore for the budget year 2013.

Railway: A review of the railway train fare structure fixed in 1992 needs to be reviewed. This sector needs major budgetary allocation for improvement of the BR system.

Sea/River System:

i) Budgetary allocation for the dredging of the heavily silted river system is essential to ensure efficient riverine communication.

ii) The Chittagong and Mongla ports require further development to handle larger volumes import-export business.

Civil Aviation Authority of Bangladesh (CAAB): Bangladesh airlines cannot operate flights to the USA on account of CAAB being downgraded to category 2 from category 1 by US Federal Authority. The capacity building of CAAB shall require additional budgetary allocation.

Industry:

i) The import-export policy that expires in 2012 is likely to be replaced by a more dynamic 3 years trade policy which should take into consideration the projected GDP growth.
ii) Additionally, the trade policy may be in general to focus on the future of the Chittagong port as a regional hub for trade and commerce and to facilitate its activities as an Entrepot like Singapore and Dubai.

Tourism Sector: Cox's Bazar and Kuakata sea beaches need to be upgraded to attract larger number of tourists both from home and abroad.

RMG, Textiles and Leather:

i) Budgetary allocation is needed to expedite the completion of garment palli that will help relocate factories from Dhaka city.
ii) The backward linkage textile industries shall require support so that they can be competitive in this sector.
iii) Adequate allocation for realizing "Leather Industry City" is needed to expedite the project.

Jute: Jute mills should be brought under the purview of agro-based industries as recommended by the Jute Commission. For R & D activities for the jute sector budgetary allocation should be made for conducting research for high quality jute seeds and jute fibers.

Ship Building: Bangladesh Bank may take initiative to introduce alternate way for endorsement of Payment Guarantee with a view to reducing cost imposed on the manufacturers by the ship buyers that provide payment guarantee duly reconfirmed by international banks.

Light Engineering: Under the public private partnership (PPP), a separate park to be established for the Light Engineering Industrial units.

Pharmaceuticals:

i) Fund allocation is required to complete balance 50% work of the Active Pharmaceutical Ingredient (API) Park.
ii) Funds should also be allocated for arranging world class storage facilities for life saving drugs and vaccines at the international airports.

Stock Exchange: To support large infrastructural activities the government may introduce "Special Bond" to attract foreign and non-resident Bangladeshis.

Income Tax Net: To increase the number of tax payers in the country, the deputy commissioners of all districts in collaboration with NBR officials must act as a catalyst to encourage businessmen and professionals including medium and large traders to enroll themselves and obtain TIN certificates.

Use of Solar Power: Import duties and VAT may be reduced to zero to encourage use of solar/renewable energy.

Real Estate: To cater to the need of low and middle income groups VAT, income tax and registration fee for apartments constructed outside the Dhaka city limits may be reduced by 50%.

Transportation: Duty structure for the transportation sector particularly on buses for mass transit may be reduced by 50% to allow people of low and middle income group safe and comfortable journey. Duty on cars up to 1600 cc should be reduced by 50% to assess middle income group affordable vehicles.