

## **Bismillahir Rahmanir Rahim**

**Mr. Speaker,**

I would like to thank you for your kind permission to present the supplementary budget for the fiscal year 2005-2006 and the budget for the fiscal year 2006-2007 before this august House. As Minister for Finance, I am placing the national budget for the twelfth time. I am grateful to the Almighty for affording me this rare opportunity to serve the nation. At this moment, I remember, in reverence, the great leader Shaheed President Ziaur Rahman, the proclaimer of independence and the founder of modern Bangladesh who gave me first the opportunity to present the national budget. I am grateful to the Hon'ble Prime Minister Begum Khaleda Zia for reposing continued trust on me in discharging this important responsibility. Under her premiership I placed ten out of twelve budgets. I take this opportunity to congratulate her for securing overwhelming mandate of the people by winning all the seats she contested in all national elections since 1991. I would also like to congratulate her for being in office for long ten years as a democratically elected Prime Minister and for having the rare distinction of becoming the longest serving head of the Government in the history of Bangladesh. The people of Bangladesh bestowed on her this extraordinary honour for her courageous and bold leadership.

**Mr. Speaker,**

2. Thirty years from now in 1976 Shaheed President Ziaur Rahman presented the national budget for FY 1976-77 before this august House as Advisor of the Ministry of Finance. From then on began the process of reforming all backward looking economic policies and practices in order to move forward towards a free and open economy. Against this background I, as Minister for Finance, presented national budget in 1980 for the first time before this august House. Since then, the fundamental objectives of our economic system are: formulation and implementation of appropriate and realistic economic plan; build capacity to sustain in a competitive global environment through advancement of economic and structural reform programmes; implementation of liberal trade and investment policy; maintaining economic stability and achieving self-reliance gradually; enhancing savings and investment to raise them to a sustainable level; stabilizing continuously financial system, eliminating misuse and inefficiency in public sector, unlocking the potential and entrepreneurial

abilities of the people to achieve total economic development, women empowerment, human resources development, employment generation and achieving pro-poor growth to build a self reliant and prosperous Bangladesh. The election pledges of the present Government broadly reflect these objectives. We are making tireless efforts to achieve these goals.

### **Objectives and Philosophy**

**Mr. Speaker,**

3. The Bangladesh Nationalist Party (BNP) has been in power for about 16 years over three tenures including the current one, which implies that BNP stayed in power almost half of the time since the birth of Bangladesh. It is the BNP that transformed Bangladesh from the slur of a “bottomless basket” to a nation of high potentials. Whenever we came to office, we found the country economically in shambles due to misrule and mismanagement. And, after facing all the challenges and odds, on each occasion when we left the office the country was economically stronger and prosperous. At this moment, while presenting the last budget of this tenure, I would like to reflect on what challenges we faced and what we have achieved, over the three tenures of BNP Government.

4. During our first term when Shaheed President Ziaur Rahman assumed office, the country was ravaged by famine and one-party misrule. He abolished one-party rule and restored multi-party democracy, Rule of Law, independence of judiciary and freedom of press. Shaheed President Ziaur Rahman encouraged private-sector-led growth, involved the women-folk in the development process, established a separate Ministry for Women Affairs, and turned the energy of youths towards development activities. He also ensured religious freedom of all people irrespective of caste and creed. He also involved the people at grass-roots level in local governance and development work. He opened up the new frontiers of technology. He took the initiative to launch SAARC to forge regional cooperation.

**Mr. Speaker,**

5. Immediately after his election to Presidency in 1978, Shaheed President Ziaur Rahman embarked upon the task of establishing good governance. He sternly instructed his ministers and government officials that his governance system does not get trapped in parochial, clannish and

partisan pursuits. He resolved that his administration stays above party interest and gives priority on national interest, state functions and the interest of the people at large irrespective of ideologies and party affiliations. Shaheed President Ziaur Rahman had the vision of a prudent and sagacious statesman who could foresee, how in our setting, the so-called populist cheap politics creates hurdles at every step in establishing good governance and corruption-free governance system. At that time I was the Advisor of Ministry of Commerce and a letter addressed to me at that time reflected his vision which I would like to share with you: I quote, *“My Dear Adviser, With the election to the Presidency and revival of political activity, it is possible that attempts are made by some political quarters to exert pressure on the administration and try to influence decisions one way or the other. It is needless to emphasise that not only such pressure should be sternly opposed, also extreme care should be exercised that cases are decided purely on merit and strictly according to the law and the established procedures. I also ask you to please pass on this instruction to the Secretary of your Ministry and other officers concerned. Yours sincerely, Ziaur Rahman.”* Unquote.

At this juncture, as a close colleague of Shaheed President Ziaur Rahman until his martyrdom, I would like to draw the kind attention of the Hon’ble members of Parliament. and to say that today, after 25 years since his martyrdom, we are receiving prescriptions from the donors to establish a corruption-free administration and impartial social order. Whereas, President Ziaur Rahman as a visionary statesman, gave this insightful directive to a young nation over two and a half decades ago.

**Mr. Speaker,**

6. Shaheed President Zia’s pro-people development initiatives were thwarted by autocratic conspiracy. In nine years of autocratic rule, the state treasury dried up with inflation reaching 9 percent and the budget deficit running 7 percent of GDP. Our development budget became 100 percent foreign-aid dependent. There was anarchy in the economy. In such a situation, the BNP Government led by Begum Khaleda Zia came to power through a free and fair election in 1991. We introduced parliamentary system of government, to restored political stability and ensured to hold all future general elections under a neutral caretaker government.

7. Universal primary education was made compulsory by enacting laws with the objective of developing human resources. Mass education

programmes were expanded extensively. Highest allocation was earmarked for education. It is the BNP Government that held out the opportunity for the free education to girls up to Class X, introduced 'Food for Education Programme' and various stipend programmes. The farmers received waiver on interest up to Tk.5000 against agricultural loans and credit programmes for the distressed women were introduced. Life-time pension coverage was introduced for the widows and retarded children of deceased government employees. Laws preventing repression against women and children were enacted.

**Mr. Speaker,**

8. We embarked upon structural reforms in line with the economic programmes formulated by BNP. Stringent regulatory controls were relaxed in phases and private sector-based export-oriented development strategy was put in place. To support the development of free market economy, bank and insurance sector as well as power and telecommunications sector were opened up for private investment. The Securities and Exchange Commission was set up to develop the capital market. The tariff and tax structure was revised to liberalise the economy. We reduced tariff slabs from eleven to seven. The introduction of VAT was an epoch-making event in our efforts to reform revenue administration at that time. Banks were allowed to determine their lending and borrowing rates in areas of trade and commerce except priority exports, micro credit and agricultural credits. All these reforms together generated a competition and brought about dynamism in the economy.

9. It is widely recognised that the reform programmes initiated by the BNP Government in the early 1990s resulted in opening up the doors of socio-economic development in Bangladesh. Economic stability was restored and the wheel of progress began gaining momentum. In FY 1990-91, the export earning stood at US\$ 1718 million which in five year's time more than doubled to US\$ 3884 million. Dependency on foreign aid began to reduce and the share of internal resources in financing ADP began to increase. In FY 1990-91, the estimated internal revenue was Tk. 7563 crore which nearly doubled to Tk. 15450 crore in FY 1995-96. But towards the latter half of 1990s during the Awami League rule, the reform programmes stalled and momentum of the economy slowed down.

**Mr. Speaker,**

10. In 2001, the people re-elected the present BNP-led coalition government with two-thirds majority. This time again, the alliance government had to take over the responsibility of a fragile and imbalanced economy. There was fiscal profligacy in the name of unbridled expenditure in unproductive sectors, sluggishness in revenue collection and indifference towards economic reforms. Budget deficit exceeded 6 percent of GDP. Domestic borrowing exceeded the sustainable limit and went up to 3 percent of GDP. The Current account balance also dwindled.

### **Reforms of Alliance Government**

**Mr. Speaker,**

11. Within weeks of her assumption of power, Prime Minister Khaleda Zia launched an exceptional '100 Days' Programme' to restore discipline in the economy. This programme laid the foundation for some bold and far-reaching reform initiatives, both medium and long term. Revamped efforts were made to fix the structural imbalance in the economy. Financial and capital market was made more efficient, transparent and market-oriented, secondary market created for government securities and discipline was restored in the financial and fiscal management. For the first time in Bangladesh, Performance Budget under Medium Term Budget Framework was implemented. Existing tariff slabs were cut to 3 levels including the reduction of maximum rate. Supplementary tariff was also rationalised to only 6 slabs and we introduced for the first time floating exchange rate regime in Bangladesh which was a landmark decision. As a result, we could accelerate the growth momentum remarkably without destabilising macro-economic fundamentals. Consequently, during the current fiscal year we expect a growth rate of 6.7 percent which would be the highest in the past 29 years.

### **National Poverty Reduction Strategy**

**Mr. Speaker,**

12. In my Budget Speech for FY 1995-96, I said, "Our investment should be for the people and for their development. Care should be taken so that the investment is directed towards welfare of the poor, social justice established, pollution free environment is ensured and the development of the women is actively pursued." Immediately after assumption of office, we, therefore,

embarked upon the task of formulating a three-year I-PRSP. After extensive consultation and exchange of views with different organisations and groups of stakeholders in the society, we have already finalised a full-blown poverty reduction strategy titled “National Strategy for Accelerated Poverty Reduction - Unlocking the Potential”. This strategy is now the basis of our development plan.

13. Consistent with the Millennium Development Goals (MDG) we have prepared our National Strategy Document. The alliance government on assumption of power extended full support to the Millennium Declaration. I would like to inform this august House, through you, that we have already achieved two targets of MDG by ensuring access to safe drinking water and by removing gender disparity in primary and secondary education. Enrollment in primary education for 97 percent of our children has been ensured. Apart from these, Bangladesh has achieved remarkable success in reduction of child mortality, maternal mortality and malnutrition and in improving food security.

### **Medium Term Budget Framework (MTBF)**

**Mr. Speaker,**

14. Poverty is a multi-dimensional complex issue that cannot be eliminated overnight. We have begun implementation of our development programmes through channeling of resources on a priority basis to targeted programmes in the light of poverty reduction strategy (PRS). In order to enhance efficiency and effectiveness in public expenditure and to ensure achieving the goals of the poverty reduction strategy, the Government has taken steps to introduce Medium Term Budget Framework (MTBF), replacing the traditional budget system. Through this new budget framework, the poverty reduction strategy is being implemented. We have so far brought within the fold of MTBF 10 ministries and divisions including the ministries of education, health and agriculture. Gradually, this budgeting system will be rolled out to all ministries and divisions.

15. The implementation of MTBF initially may face some difficulties but eventually we would derive greater benefits from the new budget approach. The MTBF will bring in remarkable qualitative changes in public financial management. The new budget approach will effectively link public resources with the government policies, strategies and priorities. This will

ensure more effective use of public resources. The people and the parliamentarians would be able to know the outcome against the inputs.

## **Gender Budgeting**

**Mr. Speaker,**

16. In my budget speech for FY 1991-92, I said, “The progress of the society is bound to be hindered if half of the population remains neglected and deprived of the benefits of development. Therefore, the womenfolk should be increasingly involved into the mainstream of development.” We continued our efforts towards this end through gender budgeting. Steps are being taken to ensure women empowerment in the development projects and programmes of different ministries and divisions.

## **Macroeconomic Performance**

### **Savings, Investment and Growth**

**Mr. Speaker,**

17. Following successful implementation of structural reforms, we have been able to keep the momentum of our economic development. With application of appropriate strategies and policies, our economic growth in FY 2002-03 and FY 2003-04 stood at 5.3 percent and 6.3 percent respectively. Despite political instability on domestic front as well as the situation arising from the devastating floods in 2004, we could achieve a growth rate of 5.9 percent in FY 2004-05. In spite of unprecedented surge in oil price and political instability, we expect that the growth rate would still reach 6.7 percent during the current fiscal year. It is expected the manufacturing sector will achieve a double-digit (10.45 percent) growth during the current fiscal year. There are positive changes too in the composition of GDP. The contribution of industry sector to GDP grew to 29 percent.

18. Mobilisation of domestic resources is an essential requirement for sustainable economic development. In FY 2000-01, our domestic savings and national savings accounted for 18 percent and 22.4 percent of GDP. In FY 2005-06, they are expected to grow at 20.3 percent and 26.6 percent respectively. During the period between FY 2001-02 and FY 2004-05, the

total private investment stood at about Tk. 225000 crore while in the previous 5 years this amounted to about Tk 166000 crore. With the projected investment in FY 2005-06, the amount of private investment during the 5-year tenure of the present Government will be almost doubled.

### **Sustainable Fiscal Policy**

**Mr. Speaker,**

19. Following a prudent fiscal policy to ensure sound macroeconomic management, we have been able to contain budget deficit at 3.5 percent of GDP. Government continued its efforts to receive concessionary foreign loans by avoiding hard-term supplier's credit. The amount of borrowing from domestic sources was also within the limit of 2 percent of GDP. As a result, the total debt stock as percentage of GDP did not increase rather it went down to 48 percent from 51 percent of GDP. There is a widely held wrong perception that in the current fiscal year, private sector credit flow has declined due to excessive borrowing by the Government from the banking system. The fact is, up to 23 May of this fiscal year, the amount of such borrowing is only Tk.688 crore. However, Bangladesh Petroleum Corporation (BPC) had to borrow heavily from the banking system to finance its high priced petroleum imports. In spite of that, the credit flow to the private sector remained unhindered and up to March, 2006, industrial credit has increased by 20 percent compared to that of corresponding period of last fiscal.

### **Supportive Monetary Policy**

**Mr. Speaker,**

20. The broad money supply grew to 17 percent in the terminal year of the previous Government. Consistent with our macroeconomic environment, we adopted a growth-supportive accommodative monetary policy. Fundamentally, due to price hike of consumer goods including food items and oil in the international market, the annual price inflation in the first half of the current fiscal year reached 7 percent. In fact, we imported inflation concurrently with the import of commodities at higher price. Due to adoption of a prudent and contractionary monetary policy, inflationary pressure largely eased up. In March 2006, price inflation came down to 6.2 percent. Interest rate increased a bit. This reduced unproductive private sector borrowing, mitigating the pressure on exchange rate.

## External Sector

**Mr. Speaker,**

21. The present government assumed power at a time when the world economy was reeling under recessionary impact of terrorist attack on the US. The Bangladesh economy could not escape from its adverse effect. Export plummeted, national growth somewhat slowed down. Remittance flow decreased. The deficit in current account of Balance of Payment (BOP) exceeded 2 percent of GDP. To overcome this, the government quickly took steps to diversify export market and provided soft loan including other incentives to the export sector. As a result, the subsequent years witnessed significant rise in exports. Belying all apprehension, Bangladesh's growth in the exports of garments sector continued to rise even in post-MFA years. As per latest data available up to March 2006, export income was US\$ 7.5 billion, which was 19 percent higher than that of the corresponding period of the last fiscal year. Given this trend continues, in the current fiscal year export is expected to exceed US\$ 10 billion (Tk 70000 crore) which in FY 2000-01 was only Tk. 34800 crore. To maintain this trend of export growth in RMG sector, after safeguarding the interest of the workers, the prevailing temporary unrest should be dealt with sternly by all irrespective of party affiliation.

22. Following introduction of several incentive programmes, the enactment of Money Laundering Prevention Act. and introduction of effective measures to prevent *Hundi* by the present Government, the remittance flow continued to rise in the last 5 years. The remittance flow grew by 20 percent on an average during this period. In the current fiscal year this trend is continuing and up to April 2006, the remittance flow was US\$ 3.9 billion, which is 22 percent higher than that of the corresponding period of the last fiscal year. It is expected that the remittance from expatriates will exceed US\$ 4.5 billion in the current year which was only US\$ 1.9 billion in FY 2000-01.

23. In the last 5 years 42 percent of total import payment was on account of import of raw materials while 24 percent was for importing intermediate goods and capital machinery. Therefore, the import during the period was supportive to industry and growth. Due to timely intervention by the present government, the current account balance remained positive during most of

the tenure of our government. Up to March 2006, there was a surplus of US\$ 230 million in the current account. Because of efficient macro-economic management, foreign exchange reserve rose to US\$ 3 billion up to February 2004; the reserve is still above US\$ 3 billion mark which was only US\$ 1.1 billion when the present Alliance Government took office. It is pertinent to mention that due to rise in oil price in international market, the external trade of the developing countries is experiencing severe negative impact; the stability of exchange rate is exposed to high volatility. We should bear in mind that maintaining a comfortable foreign exchange reserve is essential in a floating exchange rate regime, otherwise it will not be possible to maintain a stable exchange rate, and with the depreciation of Taka it may not be possible to contain price spiral.

### **Revised Budget for FY 2005-06**

**Mr. Speaker,**

24. In the original budget of FY 2005-06, revenue receipt was estimated at Tk.45722 crore. To minimize the burden of tariff on the people, tariff rates of some essential commodities have been reduced. Therefore, I now propose to set the revenue target at Tk 44868 crore in the revised budget which is 10.8 percent of GDP. Total expenditure under Development and Non-development budget combined was estimated at Tk.64,383 crore, which now stands at Tk.61058 crore in the revised budget for the current fiscal year, which is 14.7 percent of GDP. In the original budget, the total non-developmental outlay was Tk. 38082 crore. Despite pressure of additional expenditure due to implementation of new National Pay Scale and price escalation of importable commodities including oil in the international market, the non-developmental expenditure has been scaled down to Tk. 37057 crore following strict fiscal discipline, cutting wasteful expenditure through austerity measures. In the original budget, the size of the Annual Development Programme was Tk.24500 crore. Due to dropping of a number of low-priority projects, adoption of austerity measures, declining foreign aid-flow and sluggish utilisation of funds in some projects, the ADP is revised at Tk.21500 crore which is 16 percent higher than the actual expenditure of last year's ADP.

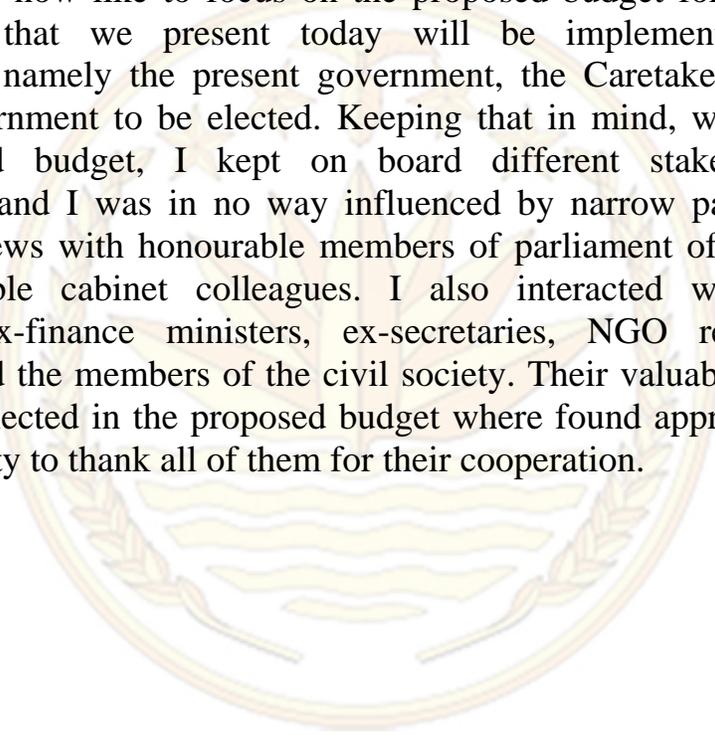
25. Labeling the current year as the election year, some quarters are launching propaganda that this year the Government will come out with a big budget to finance election campaign with higher dose of deficit which is

proved wrong now. In fact, the budget deficit stands now at 3.9 percent in the revised budget against of 4.5 percent of GDP as projected in the original budget. The previous Government in their terminal year in FY 2000-01, keeping the national election in front, defying fiscal discipline spent Tk 1400 crore in excess of the original budget and push the economy to the brink of disaster.

### **Budget for FY 2006-07**

**Mr. Speaker,**

26. I would now like to focus on the proposed budget for FY 2006-07. The budget that we present today will be implemented by three governments, namely the present government, the Caretaker Government and the Government to be elected. Keeping that in mind, while preparing this proposed budget, I kept on board different stake-holders and professionals and I was in no way influenced by narrow party politics. I exchanged views with honourable members of parliament of both benches and honourable cabinet colleagues. I also interacted with renowned economist, ex-finance ministers, ex-secretaries, NGO representatives, journalists and the members of the civil society. Their valuable suggestions have been reflected in the proposed budget where found appropriate. I take this opportunity to thank all of them for their cooperation.



## **Fundamentals of the Proposed Budget**

**Mr. Speaker,**

27. The main focus of all of our economic activities is poverty reduction. Meeting the MDG by achieving the annual targets embodied in PRS is the fundamental basis of our proposed budget. To this end, the strategy that we have followed : accelerate economic growth by further streamlining the strong macroeconomic framework that is in place through continuous reforms and create employment opportunities; elevate Human Development Index (HDI) with the increased allocation in education, health and other social sectors along with qualitative improvement; ensure financial security of the disadvantaged by widening social safety nets; promote private sector initiatives and investment by adopting prudent fiscal and monetary policy; reduce the cost of doing business by developing physical infrastructure; ensure economic good governance, improve law and order, maintain internal security and enhance public management capacity. All these strategies have been duly reflected in the proposed budget.

28. This budget is prepared keeping in mind a sustained economic growth and macro-economic stability. Budget deficit in the proposed budget has, therefore, been scaled down to 3.7 percent of GDP even though we maintained increased allocation for human development, physical infrastructure and poverty reduction programmes. Unproductive spending has been slashed and spending has been prioritized. 56.3 percent of total resources have been directed towards direct and indirect poverty-reducing spending. The fiscal stance behind the proposed budget is also consistent with Government's private sector-led growth strategy. The economy will remain resilient to both internal and external shocks. Trade, commerce and investment will remain buoyant and the growth will reach in the neighbourhood of 7 percent. Due to reforms in monetary sector, the price inflation is expected to come down below 6 percent.

### **Overall Expenditure Framework for FY 2006-2007**

**Mr. Speaker,**

29. The target of revenue receipt for FY 2006-07 is estimated at Tk. 52542 crore which is 11.3 percent of the GDP. This estimate is 17 percent higher than the revised revenue estimate for FY 2005-06. The total size of

the budget, development and non-development together, will be Tk. 69740 crore, which is 15 percent of the estimated GDP. Out of this, the non-development outlay has been estimated at Tk. 42286 crore which is 14 percent higher than the revised budget. The size of the ADP has been proposed at Tk. 26000 crore, which is 5.6 percent of GDP and 21 percent higher than the revised ADP of current fiscal year. Apart from this, additional allocations amounting Tk. 481 crore for Food-for-Work, Tk. 1982 crore for development programmes financed from revenue budget for employment generation programmes have been proposed. In effect, the total developmental expenditure in the next fiscal year will stand at Tk. 28463 crore which is 6.1 percent of GDP. This proposed developmental expenditure will be 21 percent higher than that of the revised budget. Consistent with our economic goals, we have proposed increased allocation for different social infrastructure sectors including education, health and women development which is 43 percent of the total budget.

## **Social Infrastructure**

### **Human Resources Development**

**Mr. Speaker,**

30. The initiation of development process and its sustainability is primarily dependent on human resources development. For this reason, we proposed an allocation of 22 percent of the total budget for expansion and qualitative improvement of health and education. Because of the success in health and education sectors, in terms of Human Development Index, Bangladesh has already elevated its position to middle category country. In FY 2006-07, allocation for human resource development has been proposed to raise to 23 percent of the total budget.

## **Education**

### **Primary and mass Education:**

**Mr. Speaker,**

31. J. Maurice Clark, a renowned economist said, “Knowledge is the only instrument of product that is not subject to diminishing returns.” To expand and to bring qualitative improvement of primary education, a 6-year **“Second Primary Education Development Programme” (SPEDP)** has been launched at a total cost of approximately Tk. 5000 crore. A stipend programme at a cost of Tk. 3312 crore is being implemented. Every year around 55 lakh students are receiving stipends from this programme. Over the last five years, 5000 headmasters and 52000 assistant teachers have been recruited in the primary schools. About 8000 primary schools were rebuilt and 5000 schools have been repaired. The female-male teacher ratio has been raised to 44 percent. To bring the primary school dropouts and out-of-school children to the mainstream, a project titled Reaching Out of School Children (ROSC) is under implementation. The registered primary schools have no source of income as they are providing free primary education. Considering the plight of the teachers of these schools, I propose to make an additional allocation of Tk. 45 crore to enhance their emoluments.

### **Women Education Development**

**Mr. Speaker,**

32. Despite opposition from donor agencies, with whole-hearted support from the Hon’ble Prime Minister Begum Khaleda Zia, I, as Finance Minister have introduced “Female Stipend Programme” and “Food for Education Programme”, first at secondary and later at higher secondary level. Due to success of the programme, the donor community joined the programme at a later stage. I believe that these two innovative programmes will be considered as epoch-making steps taken by the BNP Government. Of all the programmes introduced and implemented during my incumbency as Minister for Finance and Planning, I consider these two programmes as my most successful achievements. Under these programmes, government is providing stipends, examination fees and tuition fees to about 25 lakhs female students. Following the introduction of female stipend programme a positive change is evident in female student enrollment which is playing a key role in preventing early marriage, in reducing fertility rate and in enhancing reproduction gap.

33. To encourage development of talents of the students during the last five years, we have significantly increased the number of primary, junior talent-pool and general scholarships. The rate of scholarship has been

enhanced too. In FY 2005-06, we allocated Tk. 44 crore and increased the number of primary, secondary and higher secondary scholarships to 85000. In FY 2006-07, we have proposed to increase the allocation to Taka 52 crore by increasing the total number of scholarships to 101000. Various stipends and scholarship programmes will continue to promote the talents of the students at graduation and post-graduation level.

### **Technical Education**

34. To educate the youth force in technical education, we lay emphasis on development and expansion of technical and vocational education, its qualitative improvement and teachers' training. Suitable trade courses have been introduced for women. We are establishing three Polytechnic Institutes only for the women.

### **Higher Education**

35. The necessity for higher education cannot be over emphasised in building the knowledge-base for sustaining the momentum of development. To meet the increasing demand, establishment of a Science and Technological University in each of the twelve old districts is underway. Meanwhile, four such universities have started their academic programmes. Side by side with public universities, 54 private universities are functioning.

### **Science and Information & Communication Technology**

**Mr. Speaker,**

36. The Hon'ble Prime Minister has meanwhile declared Information & Communication Technology (ICT) as the thrust sector considering its importance for the socio-economic development of the country. E-governance has been introduced in various ministries and divisions to facilitate easier on-line service to public.

37. In FY 2005-06, an allocation of Tk. 9686 crore, development and non-development together, was made for education and technology sector. I propose to allocate a total of Tk 11093 crore in FY 2006-07 which is 20 percent higher than the allocation made in the revised budget of FY 2005-06.

### **Health**

**Mr. Speaker,**

38. To expand and improve the quality of health services, under a long-term “Strategic Investment Plan for Health, Nutrition and Population,” a proposal titled “Health, Nutrition and Population Programme” has been prepared. The total estimated outlay of this 7-year programme (2003-2010) is about 32450 crore. In the last 5 years, the number of beds in different government hospitals at upazila and district level increased by about 6000. Likewise, the number of registered doctors has increased by 10000 and registered nurses by 5000. Currently, in 105 upazilas, 2 crore 90 lakh people have been brought under a nutritional service programme through 23000 social nutrition centres. In the year 2000, the child mortality rate was 66.3 per thousand. This has now reduced to 65. Maternal mortality has reduced to 3.1 from 3.2 per thousand. The average life-expectancy has now gone up to 64 years from 61 years in 2000. In health sector, the total allocation of budget, development and non-development combined, has remarkably increased over the last 5 years. In FY 2005-06, a total allocation of Tk. 4240 crore was made for this sector. In FY 2006-07, I propose to allocate Tk 4784 crore for this sector, which is 16 percent higher than the allocation made in the revised budget.

### **Women and Children**

**Mr. Speaker,**

39. I said earlier that we are committed to make our budget gender-balanced. The Ministry of Women and Children Affairs, in their various programmes is mainstreaming women and children in development process through education and training and striving to establish gender-parity. In FY 2005-06, the total allocation for the Ministry of Women and Children Affairs was Tk. 643 crore. I propose to allocate for the next fiscal year a total of Tk. 749 crore, non-development and development together.

### **Agriculture and Agro-based Industry**

**Mr. Speaker,**

40. With increase of budgetary allocation for expansion and development of agriculture and agro-based industries, the Government is also increasing

the quantum of agricultural credit and subsidies. We have increased allocation for agricultural research and provided various incentives. In the last budget of the previous government, the allocation for agricultural subsidy was merely Tk. 100 crore. In FY 2005-06, the Government allocated Tk.1100 crore for agricultural subsidy and rehabilitation. In FY 2006-07 too, I propose to allocate Tk 1200 crore for this purpose and also allocate Tk 244 crore for agricultural research. Up to March, 2006, the total agricultural credit disbursed stood at Tk. 4000 crore, which is 13 percent higher than corresponding period of the last fiscal year. In FY 2006-07, the target of agricultural credit distribution is Tk. 6000 crore. In FY 2005-06, the combined allocation for the Ministry of Agriculture was Tk. 2213 crore. In FY 2006-07, I propose to allocate Tk 3149 crore, non-development and development together, for the Ministry of Agriculture, which is 42 percent higher than the allocation of revised budget for FY 2005-06.

### **Water Resources**

**Mr. Speaker,**

41. We have continued our efforts to ensure poverty reduction, employment generation and environment-friendly development by ensuring appropriate use of water through efficient water resources management of water resources. I propose to allocate for the FY2006-07 a total of Tk. 1466 crore, development and non-development combined, for the Ministry of Water Resources. This allocation is Tk. 332 crore higher than the revised allocation of FY 2005-06.

### **Fisheries and Livestock**

42. In Bangladesh, pisciculture and animal husbandry is fast transforming from traditional non-farm based to farm-based production. I propose a combined development and non-development allocation of Tk. 578 crore in the next fiscal year for the Ministry of Fisheries and Livestock. This allocation is 36 percent higher than the revised allocation of FY 2005-06.

### **Environment**

43. The Government banned the use of polyethylene bags, two-stroke three-wheelers and vehicles variously aged between 20 to 25 years. We have made it obligatory for the industrial manufacturers discharging effluents to

set up waste effluent treatment plants to protect our rivers from industrial waste. I propose to allocate for FY 2006-07, a total of Tk 242 crore for the Ministry of Environment and Forest.

### **Small and Medium Enterprise (SMEs)**

**Mr. Speaker,**

44. The role of SMEs is extremely important in the development of private sector small and medium entrepreneurs, human development, poverty reduction and employment generation in rural and urban areas. The main hindrances to the development of this sector are limited access to credit and high cost of financing. We have taken following measures to address these constraints:

- • To encourage the banks and financial institutions to provide credit to the SMEs, the Government introduced a Tk. 100 crore **Refinancing Scheme** through Bangladesh Bank. The World Bank and the Asian Development Bank (ADB) will provide US\$ 10 million and US\$ 30 million respectively to support this scheme. Till date, 3000 SMEs have received credit under this scheme.
- • For the development of agro-product processing and software industries, the Government allocated Tk 100 crore to **Equity Development Fund** in the revised budget of FY 2005-06. So far, 212 projects have been financed from this Fund. I propose to enhance the allocation to Tk 200 crore in FY 2006-07 for this Fund.
- • To build up agro-based farm and industries, a credit support to the tune of Tk. 100 crore is allocated in the current fiscal year under the **Agro-based Industries Assistance Programme**. In FY 2006-07, I propose an allocation of Tk 150 crore to this Programme.
- • Loss of crops due to natural disasters and epidemics often pauperise the small farmers. Because of the absence of crop insurance, the small farmers find no alternative to mitigate their miseries. To enable the farmers to come out from such situations, I propose to create a fund called “**Fund for Assistance to Small Farmers Affected by Natural Disasters**” and to allocate Tk. 50 crore to this Fund in FY 2006-07.

## **Local Government, Rural Development and Rural**

### **Infrastructure**

**Mr. Speaker,**

45. In the last five years, we have laid particular emphasis on the development of rural infrastructure. Between FY 2001-02 and FY 2005-06, the Local Government Engineering Department (LGED) built and rehabilitated 20000 KM of metalled road and 28000 KM of dirt road along with 243 KM of bridges and culverts. The Department has also developed 744 growth centres and *hat-bazaars*. Besides, Union Parisads (UPs) are directly provided with block allocation from budget as development assistance. Due to success of the programme, the World Bank has agreed to join the Government in undertaking” **Local Government Support Project**” for allocating funds directly to UPs on performance basis. In FY 2005-06, the budget allocation for local government and rural development was Tk 6013 crore, development and non-development together. In FY 2006-07, I propose to allocate Tk. 6427 crore, development and non-development combined.

### **Widening of Social Safety Nets**

**Mr. Speaker,**

46. To meet the minimum requirement of the livelihood of hapless and unprivileged populace of Bangladesh, we have widely extended the safety net programmes:

- • In FY 2005-06, the rate of “**Senior Citizen Allowance**” allowance was enhanced to Tk.180 and the number of beneficiaries was raised to 15 lakh. In FY 2006-07, I propose to enhance the rate of allowance to Tk. 200 and raise the number of beneficiaries to 16 lakh.
- • Similarly, the rate of allowance for the destitute, widowed women in FY 2005-06 was enhanced to Tk.180 and the number of beneficiaries raised to 6 lakh 25 thousand. In FY 2006-07, I propose to fix the allowance at Tk.200 and increase the number of beneficiaries to 6 lakh 50 thousand.

- • To mitigate the sufferings of the people persecuted socially and affected by natural disasters, we introduced two programmes titled, **“Fund for Rehabilitation of the Acid-burnt and the Physically Handicapped”** and **“Fund for Mitigating Risks due to Natural Disasters”** in FY 2003-04. In FY 2006-07, I propose to allocate Tk.10 crore and Tk 30 crore respectively to these funds.
- • Till 2005-06, the beneficiary coverage under the **Honorarium Programme for Insolvent Freedom Fighters** was enhanced to 70 thousand. I propose to increase the number of beneficiaries from 70 thousand to 1 lakh in FY 2006-07.
- • In current fiscal year, under the **Programme for the Assistance to the Fully Retarded** about 1 lakh 4 thousand fully retarded persons are receiving monthly allowance of Tk. 200 against an allocation of Tk. 25 crore. I propose to raise the beneficiary coverage by another 60 thousand and increase the allocation to a total of Tk. 40 crore.
- • A **“Seasonal Unemployment Reduction Fund”** of Tk 50 crore was created under non-development budget in FY 2005-06 to mitigate the seasonal unemployment of the unprivileged poor people in some specific areas caused by natural and geographical constraints (specially in *Monga* prone areas). I propose to make a further allocation of Tk 55 crore to this Fund.
- • In FY 2006-07, I propose to allocate an additional Tk.30 crore to the fund for **“Retraining and Employment of Voluntarily Retired/Retrenched Employees/ Labourers”** introduced in FY 2004-05.
- • In FY 2006-07, I propose to allocate Tk. 20 crore to create **Skill Development Fund for the Readymade Garments Workers.**
- • In FY 2006-07, I propose to allocate Tk.50 crore to the **“Fund for Housing the Homeless”** to address the housing problems of the homeless, the poor and the low income group, particularly the rural families.

47. Over and above these programmes, in FY 2006-07, 10 lakh 57 thousand metric tons of food grains have been earmarked for Rural Infrastructure Maintenance Programme (TR), Food for Works Programme (FFW), Gratuitous Relief (GR), VGF and VGD. Like previous year, I

propose to allocate in lump Tk.100 crore to the Ministry of Food and Disaster Management to meet the emergencies due to natural disasters.

### **Special Credit Programmes for Employment Generation**

**Mr. Speaker,**

48. A number of special credit programmes under both development and non-development budget is in operation to create employment opportunities for the poor. For successful implementation of these programmes, I propose to allocate further Tk. 148 crore to the micro-credit funds created for **Rural Development and Cooperatives Division, Ministry of Fisheries and Livestock, Ministry of Youth and Sports, Ministry of Liberation War Affairs and Ministry of Women and Children Affairs.**

49. **Palli Karma Shahayak Foundation (PKSF)** is distributing micro-credit among the poor through 225 large and small NGOs. Most of the beneficiaries are women. I propose to allocate Tk 217 crore in FY 2006-07 for this programme. In addition, in FY 2006-07, I propose to raise the allocation to Tk. 267 crore by injecting Tk. 100 crore in “**Special Fund for the Employment of the Hardcore Poor**” administered by PKSF. To provide **Credit Assistance to Small Entrepreneurs** in rural areas, I propose to increase the allocation in FY 2006-07 to Tk. 150 crore by a further allocation of Tk 100. I propose to allocate an additional Tk. 25 crore in FY 2006-07 to raise the Endowment Fund to Tk. 125 crore for the **NGO Foundation** created to accelerate the progress of social sector in rural areas.

### **Physical Infrastructure**

#### **Power, Energy and Mineral Resources**

**Mr. Speaker,**

50. The Government is continuously increasing energy production and its utilisation. To meet increased demand of gas, a total of 25 projects are being implemented for exploration, production and transmission of gas. Recently, the price of petroleum and petroleum products has spiralled upwards abnormally. Other countries including our neighbours have increased their oil price. Due to selling of petroleum products in the domestic market at a lower rate than the imported price, the liability of Bangladesh Petroleum

Corporation (BPC), the lone importer of petroleum products, has been increasing rapidly to an unsustainable level. By April this year, its liability to different banks rose to Tk. 10500 crore. This has created liquidity crisis in the banking system. I have taken steps to tackle this situation temporarily by injecting funds to the banks from government budget. The macro-economic stability is threatened because of pursuing the policy of not aligning the domestic petroleum prices with international market price. We have no other alternative but to adjust domestic petroleum price realistically. While formulating the budget, I extensively consulted the renowned economists, leading businessmen and the members of the civil society on this issue. All of them unanimously agreed that raising the price of oil is necessary and unavoidable.

## **Power**

**Mr. Speaker,**

51. Increased demand in relation to production is resulting in deficit in power supply. The population within the coverage of power facility increased from 25 percent to 40 percent. To meet the increasing demand for power, the Government has already taken a number of steps.

- • **A Power Rehabilitation Programme** with an outlay of Tk.100 crore financed from non-development budget has been undertaken for repair and maintenance of old power plants. I propose to allocate Tk 100 crore again for this Programme in FY 2006-07 from non-development budget.
- • To improve power generation, transmission and distribution, an allocation of Tk. 3586 crore has been earmarked for 52 projects including 2 new projects in the ADP during FY 2006-07.
- • I propose to create an **Energy Development Fund** to promote use of solar power and other renewable sources of energy for inaccessible localities where people are deprived of power supply. I propose to allocate Tk. 100 crore for this Fund in FY 2006-07.

An investment to the tune of about Tk 22000 crore will be needed to build an appropriate power infrastructure. The Government has, therefore, involved private sector in this sector.

52. In FY 2006-07, I propose to allocate Tk. 4286 crore for this sector, revenue and development expenditure combined, which is 14 percent higher than the revised budget of the current fiscal year.

**Communication:**

**Mr. Speaker,**

53. During the period between FY 2001-02 and FY 2005-06, 3056 KM of new metal roads, 24 bridges spanning 14209 M and culverts covering 3409 M were built by Roads and Highways Department. Roads and highways measuring 4201 KM were also repaired. Meanwhile, the detailed feasibility of the Padma Bridge, has been done. It is expected, by FY 2008-09, the construction of the Padma Bridge will begin.

54. In FY 2005-06, the allocation for the Ministry of Communication is Tk. 4832 crore, development and non-development combined. I propose to allocate Tk 5357 crore, development and non-development together, for the Ministry of Communication in FY 2006-07.

**Telecommunication:**

**Mr. Speaker,**

55. I am pleased to inform this august House that the tele-density per 100 persons rose from 1 to 9 over the last 5 years due to expansion of telecommunication facilities including mobile phones. Bangladesh has been connected with global information super highway by establishing optical link with submarine cable. In FY 2005-06, the total allocation for the Ministry of Post and Telecommunication was Tk. 1426 crore. I propose to enhance this allocation to Tk.1574, an increase of 10 percent in FY 2006-07.

**Development and Good Governance**

**Public Financial Management and Good Governance**

**Mr. Speaker,**

56. Two manuals titled “Public Expenditure Management Manual” and “Internal Control Manual” are being implemented to achieve appropriate value for money from each taka spent by the government. Within the main government account, arrangement has been made for separate preparation of monthly accounts and Annual Financial Statement by each ministry. The Government, meanwhile, has taken steps to separate cash management from public debt management.

57. At the initiative of the present Government a “Public Procurement Regulations” was framed in 2003 to ensure competition, transparency and accountability in government procurement system. To bring our procurement practice in alignment with international best practices, a bill has been placed before Parliament to convert the Regulation into an Act.

58. A Tax Ombudsman Act. 2005 has been enacted in the Parliament to ensure transparency in tax administration and accountability. The process for appointing an Ombudsman and establishing his office is in progress. The Tax Ombudsman and his office will start functioning from July 2006.

**Law and Governance:**

**Mr. Speaker,**

59. In order to improve law and order situation and for expeditious dispensation of justice, the present Government has enacted nearly 150 laws reforming existing criminal and civil justice system. A large number of outdated laws have been reformed. Speedy disposal of sensational cases through inflicting quick and appropriate punishment under the Speedy Trial Tribunal Act has been widely acclaimed. Important amendments in Registration Act, the Transfer of Property Act and Specific Relief Act and Limitation Act have been made to bring discipline in land administration.

60. A Monitoring Cell and the Cabinet Committee on law and order are working to deal with the criminals heavy-handedly. Timely action has been taken to suppress crime by raising RAB, Cobra, and Cheetah and Highway Police. Meanwhile, the top leaders of banned Jamaat-ul-Mujahideen of Bangladesh (JMB) involved in serial bombing on August 17, 2005, have been arrested. To improve the law and order, in last five years, we have increased allocation by an average of 14 percent. I propose to raise this allocation, both development and non-development, to Tk 3378 crore.

**Mr. Speaker,**

61. The present Government, since it came to office, has been laying emphasis on economic diplomacy as an important aspect of our Foreign Policy. Currently, Bangladesh is holding the chairmanship of SAARC. During the term of our chairmanship, negotiations on South Asian Free Trade Area (SAFTA) agreement were concluded. The SAFTA Agreement will come into force from July 1, 2006.

62. Efforts are continuing to modernise our defence forces. Bangladesh's participation in the United Nations (UN) Peace-Keeping Missions is widely acclaimed. Until now, our armed forces have participated in 28 UN peace keeping missions and currently engaged in 12 peace-keeping missions. Last year, from this source alone, we earned foreign currency worth Tk. 800 crore. During the current fiscal year, this is expected to increase to Tk 1500 crore.

### **Investment and Economic Governance**

**Mr. Speaker,**

63. In the backdrop of economic globalisation and the recent Asian crises affecting several countries, the need for continuous and accelerated reforms in the overall financial sector including banking has further increased. The Bangladesh Bank Order, Bangladesh Banks (Nationalisation) Order and Banking Companies Act have been amended to make the country's financial structure more investment-friendly. The reforms led to widening and strengthening of the supervisory authority of Bangladesh Bank.

64. To bring in desired dynamism in the industrial sector for economic development, credit disbursement from banks and financial institutions has increased 30 percent on an average in the last 5 years. In FY 2000-01, the term loan disbursement was Tk 3058 crore, which in FY 2004-05 trebled to Tk 8700 crore. Up to March 2006, disbursement of term loan recorded at about Tk 7000 crore.

65. Following the Government's relentless efforts and the Central Bank's intensive supervision, the collection of defaulted loans significantly improved and resulted in gradual reduction of classified loans. In the year

2000, rate of overall default loan was 35 percent, which in March 2006, came down in the region of 15 percent.

66. Highest foreign direct investment has been made during the current tenure of our government. In 2005, actual foreign direct investment exceeded US\$ 800 million. Included among the notable investors this year are Microsoft of USA, Dhabi Group of UAE, Singtel of Singapore and others. Besides, investment proposals worth about US\$10 billion received from Tata Group of India, Torrey Group of Japan, and from other different countries are being negotiated.

67. Programmes to establish Export Processing Zone (EPZ) at Chittagong and EPZ at Dhaka commenced in the year 1980 and 1991 respectively. Following that initiative, additional four EPZs were established. The present Government converted closed Chittagong Steel Mills into Karnaphuli EPZ and the closed Adamjee Jute Mills into Adamjee EPZ. 236 industrial units are in operation in these EPZs.

### **Tax and Duty Measures**

**Mr. Speaker,**

68. So far I have placed the proposals for the allocation of resources in different sectors of the economy for FY 2006-07. These proposals aim at the overall socio-economic development of the country in the light of the policy and strategy being pursued by the Alliance Government. Now I would like to present the proposed measures for mobilization of resources in order to make this allocation efficient and judicious. Before that, I would like to throw some light on some of the important measures which we have undertaken over the past few years.

**Mr. Speaker,**

69. While presenting the budget for 1991-92 in this august house, I mentioned, "For the sake of the economy itself the mobilization of resources from the internal sources has to be strengthened". I distinctly remember that I also said, "It is not impossible to achieve, if there is political will, accompanied by adoption of right and proper strategy". I have assiduously pursued this policy in the formulation of all the 11 budgets and succeeded in increasing collection of revenue. This is well vindicated by the fact that

while the amount of total tax revenue was a modest Tk. 1,723 crore in FY 1980-81, it has risen to Tk. 29,902 crore in FY 2004-05.

**Mr. Speaker,**

70. I have never intended to put heavy tax burden on the people in my efforts to augment the internal resources. Never have I hindered the growth and development of our Agriculture, Industry and Trade. I do not believe in the enhancement of tax incidence for increased resource mobilization. I have always laid great emphasis on the improvement of management, increasing efficiency and on the modernization of revenue administration. I have always put emphasis on the reforms of laws and procedures. While presenting the budget for FY 2005-06, I informed this House last year that with a view to reforming the revenue administration, we have formulated a Strategic Development Plan. Under this Plan, modernization of the National Board of Revenue has been taken up on a priority basis. The Board is being revamped and reconstituted, and responsibilities are being assigned to the Members of the Board along functional lines. International and local consultants will assist the members of the Board in this regard. An Audit cell has already been created in the Board and an International Audit Advisor appointed. A Change Management Advisor, one Human Resources Development Advisor and an ICT Advisor have also been engaged. The two large Taxpayers' units for Income Tax and VAT respectively, set up in the recent past, have started giving positive results. The Central Intelligence Cell (CIC) has unearthed many cases of tax evasion and achieved noteworthy success in realizing evaded taxes. We are going to set up branches of Large Tax-Payers' Units in Chittagong very soon. In order to make the export and import trade more dynamic and more efficient, the existing Customs House at Chittagong has been bifurcated and two Customs Houses will be set up one each for export and import. These offices will soon start functioning. Introduction of the improved version of Automated System of Customs Data, ASYCUDA ++ & Direct Traders Input (DTI) at Dhaka, Chittagong and Benapole Custom Houses has made appraisal and assessment functions simpler, reliable and dynamic. All these measures are expected to bring about qualitative change in the whole gamut of NBR function.

**Mr. Speaker,**

71. Although tax revenue is the mainstay of our internal resources, our Tax-GDP ratio is very low. I have been very conscious of this reality and that is why I have been trying very hard to improve the situation since FY 1980-81. In pursuance of this policy, I introduced the Value Added Tax in 1991, the most modern method of taxation. Although I was derided and criticized at that time, the subsequent events proved beyond all shades of doubt, that this was a far-sighted, appropriate and epoch-making decision. Introduction of the VAT is not the only step taken, in addition I also introduced a lot of reformative measures during my tenure in office in 1991-95 and 2002-06 in matters of direct tax. Filing of Income tax return on the basis of self-assessment, introduction of four tier rate of tax, reduction in the highest slab of income tax rate, compulsory submission of income tax return by the government officials, submission of information pertaining to life style by individual tax payers with the income tax return and expansion of the coverage of deduction at source are but a few of those reform measures. Adoption of all these measures has expanded the domain of income tax resulting in enhanced collection of revenue. Consequently, our age old dependence on duties and taxes at the importation level is being slowly but consistently shifted on to direct taxes, which is a welcome sign.

**Mr. Speaker,**

72. When BNP took over the reins of governance in 1991, numerous and high rates of duty existed at the importation stage. Also there were a host of charges, levies and fees. This was responsible for an unhealthy situation of rent-seeking, aversion to export, smuggling, evasion of duty, and harassment of the genuine businessmen. I took initiatives during the period between 1991 and 1996 and made sincere endeavors to rationalize and reform this complex and flawed tariff structure and brought down the highest rate of duty to a reasonable level and also reduced the number of rates existing at that time. But regrettably, these initiatives saw a downturn in the period between 1996 and 2001 and as many as 31 rates of supplementary duty were imposed on daily essentials. This created an environment where foreign investment slowed down, local industries suffered and smuggling and money laundering thrived.

73. As soon as I had taken over as Finance Minister in 2001 again, I started where I left, and made sincere efforts to reform and rationalize the tariff structure. As a result, a transparent, well-defined four tier duty structure for raw materials and capital machinery, intermediate goods and

finished goods was put in place. Likewise, we also introduced a rational three tier structure of supplementary duty for common luxury items. These provided fresh impetus to the industries; importation of raw materials and capital machineries for industries increased manifold and rapid growth in the industrial sector took place. This pragmatic policy has left its indelible stamp on Value Added Tax and Income Tax yielding increased revenue from these two vital sources of revenue.

74. We can dare say that the spectacular 6.7% growth of our GDP this year is the direct result of the appropriate and pragmatic policy decisions that we took and implemented in the past few years. So, imbued with the lofty ideals that we cherish and the pragmatic approaches that we espouse, we have taken bold and welfare-oriented measures in matters of Import duty, Value Added Tax and Income-Tax this time around. I firmly believe, all these measures will accelerate the economic growth, and play an effective role in enhancing the standard of living of the common masses. With this abiding belief, now I would like to place the Tax proposals and revenue measures before this august House.

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**Direct Tax**  
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**Mr. Speaker,**

75. In the backdrop of free market economy, dependence on import duty is dwindling slowly and steadily. That is why, more emphasis is given on Income tax and Value Added Tax for increased revenue collection. You may recall that the Alliance Government, from the day it was sworn in, has made unstinting efforts to instill dynamism in the tax administration to ensure transparency and accountability. We have introduced multidimensional reforms for expansion of the existing tax base and for speedy disposal of pending appeal cases. We have undertaken a host of measures to create conditions conducive to investment, growth of agro processing and export oriented industries. All these measures have yielded positive results. While in FY 2001-02, revenue collection from Income tax was Tk. 3,789 crores, this year it is expected to reach Tk. 6,960 crores. It is, therefore, evident that collection from Income tax has almost doubled over the past five years. In continuation of the reform agenda that we have already initiated and implemented in the past four years, I would like to place before this house some of the important proposals regarding Income Tax.

**Mr. Speaker,**

76. I propose to keep the ceiling of tax-exempt income, income slabs and the tax rates at the same level for the income year 2007-08 as is the case for the assessment year 2006-07 for the individual assesses. But I propose 10% tax rebates on the additional tax paid by those individual tax payers paying taxes at the highest rate of 25% disclosing more than 10% higher income in the assessment year 2007-08 (**Annexure-A**). Besides, I propose to keep the tax rates unchanged for the companies at the same level of assessment year 2006-07.

77. With a view to developing agro-processing, jute and textile industries benefit of tax exemption and rebate was allowed up-to 30th June, 2006. I propose these benefits be extended till 30th June, 2008.

78. Diamond cutting and polishing is emerging as a promising export industry in Bangladesh. I propose a reduced tax rate of 15% for this industry to encourage the investors.

**Mr. Speaker,**

79. With a view to simplifying the application of Income Tax Law and making it modern, I propose some additions and amendments in the Income Tax Ordinance, 1984:

- (1) (1) To raise the admissible expenditure by way of perquisite for companies from taka 1 lakh 92 thousand to taka 2 lakh and to exclude incentive bonus, employers contribution to provident fund, pension fund, gratuity fund, and super-annuation fund from the definition of perquisite.
- (2) (2) To allow accelerated depreciation at the rate of 50%, 30%, and 20% respectively in first three years of installation of machinery instead of allowing 100% depreciation in the very first year of their installation.
- (3) (3) To raise the annual tax-exemption limit of conveyance allowance paid in cash from Tk. 12 thousand to Tk. 18 thousand for computing income of the salaried persons.

- (4) (4) To treat the expenditure by way of salary or allowance as inadmissible if it is not paid by bank cheque or bank transfer to the employees whose monthly salary or allowance is Tk. 15 thousand or more.
- (5) (5) To treat the investment made by the directors of private and non-listed companies as income of the company when such investment is not made by bank cheque or bank transfer.
- (6) (6) To make it mandatory for the income tax practitioner to be a member of any registered Taxes Bar Association for working as an authorised person.
- (7) (7) To raise the amount of allowable investment for the purpose of tax rebates from Tk. 2 lakh to Tk. 2 lakh 50 thousand irrespective of share purchase of a company.
- (8) (8) In case of submission of tax return on self-assessment basis, the requirement to disclose in the first year of business an income of at least 15% of the amount shown as initial capital to be raised to 25%.
- (9) (9) To withdraw the tax exemption benefit on remittance from abroad for resident persons who are not citizens of Bangladesh.
- (10) (10) To re-fix the tax rate under Section 19B of the Income Tax Ordinance, 1984 to Tk. 300/- per square metre for a plinth area up to 200 square metre and Tk. 500/- for a plinth area over 200 square metre in case of purchase or construction of building and apartment in Gulshan, Banani, Baridhara, Bashundhara, Dhanmondi, DOHS etc. of Dhaka and Panchlaish, Khulshi of Chittagong and to keep the prevailing tax rates unchanged for other areas.
- (11) (11) To re-fix the tax rate for purchase of land under Section 19BB of the Income Tax Ordinance, 1984 by enhancing the rate from 5% to 7.5% and make this benefit available all over the country. Also to re-fix the tax rates for purchase of motorcar

under Section 19BBB raising the rates of 5% and 7.5% to 10% and 15% respectively.

- (12) (12) Government gives export cash subsidy on export of various items with a view to encouraging the export business. I propose to deduct tax at source at the rate of 5% on the amount of cash subsidy for it being a net receipt to the exporter and treat the deduction as final settlement of tax liability.
- (13) (13) To deduct tax at the rate of 5% on the receipts of non-resident courier companies and treat it as final settlement of tax liability.
- (14) (14) To collect advance income tax at the rate of 3% on the bills paid by the user of credit cards.
- (15) (15) To introduce the provision of minimum income tax of Tk. 5,000/- or 0.50% of turnover whichever is higher for companies irrespective of profit or loss.

**Mr. Speaker,**

80. During the last few years, time limit for filing and disposal of appeals has been reduced to a great extent. Still there is room for reduction of the time limit. Delayed disposal of appeals sometimes deprives the taxpayers of justice and at the same time defers the revenue collection of the government. So I propose further reduction of the time limit for filing and disposal of appeals in different stages including Taxes Appellate Tribunal (**Annexure-A-1**).

**Indirect Tax**

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**Customs Duty**

**Mr. Speaker,**

81. Over the past few years, we have been trying to reform and rationalize our tariff structure consistently. At present, we have a four tier Customs Duty : 0% and 6% for basic raw materials and capital machinery for industry ; 13% for intermediate goods and 25% for finished goods. I propose changes in the rates of duty keeping the four tier structure unchanged. I also propose that the rates of duty namely 13% and 6% be reduced to 12% and 5% respectively. I think we should take a fresh look at the existing structure of supplementary duty. Whereas the tier may remain intact, the two rates of 35% and 25% be brought down to 20% and 15% respectively. I trust and hope that this reform will help the growth of domestic industries and have salutary impact on economic progress and prosperity.

82. Our entrepreneurs sometimes complain about the issues of dumping and undervaluation of imports. I would like to take this opportunity of making our stand on the subject crystal clear. We have effected necessary amendments in the Customs Act to deal with the issues of Anti-dumping duty and Countervailing duty in consonance with the principles laid down by the World Trade Organization (WTO). I want to reiterate that the Government will not hesitate to take appropriate measures as and when our entrepreneurs come forward with necessary information and documents. I have this unflinching faith that our business community and industrial entrepreneurs will spare no pains to protect our domestic industries using all these instruments made available to them.

83. In consideration of the contribution of our Agriculture Sector to the economy, fertilizer, seeds, capital machinery, drum-seeder and other agricultural inputs have been exempted from duties and taxes at the importation stage. To continue with this facility and to further expand its nature and scope, I propose to withdraw Infrastructure Development Surcharge (IDSC) from all kinds of hybrid rice seeds.

**Mr. speaker,**

84. This is my considered view that we should keep the price of some of the basic commodities within the reach of common people. The total tax incidence of garlic, turmeric, chilly and ginger is 20% and that of onion, pulses (Peas and chickpeas) is 13%. I propose reduction of tax incidence of all these items to 5% as is the case with rice, pulse and lentils. It is imperative to keep the price of sugar stable in the domestic market in view of the abnormal escalation of price in the international market. Total tax

incidence of sugar is now 43.75%. Having considered the interest of the consumers, the sugarcane growers, sugar industry as well as its workers, I propose imposition of specific duty of Tk. 5,000/- on sugar per MT at the importation stage. This will bring down the price of sugar by nearly Tk. 6,000/- per Metric Ton (**Annexure-B**). I hope as a result of this measure, price of sugar in the domestic market will become stable. This is also expected to protect the interests of the domestic sugar industry and sugarcane growers. May I also add in this connection that tariff mechanism is not the only way to ensure price stability in the market. Unless we shun rent-seeking, corruption and toll collection in the transport sector and bring in improvement in management of stock and regulatory supervision, reduction of duties and taxes will have no significant impact on the price of essential commodities.

85. In order to provide further encouragement to poultry and livestock sectors, I propose withdrawal of all duties and taxes from capital machinery and their accessories and other inputs for poultry industries and machinery for manufacture of poultry feed at the importation stage. These will also be exempted from Advance Income Tax.

86. Plastics and melamine industries have made their mark in the domestic and international markets. In order to make them more competitive, I propose reduction of import duties of certain basic raw materials of these industries from 13% to 5%. As a measure of providing further incentives to the local plastic industries, I propose enhancement of import duties of some plastic products like stopper, lid, cap etc from 13% to 25% (**Annexure-B-1**). Motivated by the same consideration, I propose rationalization of supplementary duty levied on certain printed plastic materials including printed plastic sheet.

87. Our local electronics industries are coming up by leaps and bounds. With a view to encouraging this promising sector, I propose that import duty on diodes, transistors, semi-conductor device and compressors be reduced from 13% to 5%. With the same objective I propose withdrawal of special rebate facilities from UPS/IPS of a capacity not exceeding 2000 VA.

**Mr. Speaker,**

88. I propose withdrawal of all duties and taxes from certain spares and required for readymade garments, textiles, hosiery, label, and terry towel

industries and affluent treat plant. Besides, I propose that duties and taxes except IDSC be withdrawn from synthetic filament tow, one of the basic raw materials of hosiery industry.

89. I propose enhancement of allowable depreciation from 15% to 20% in assessing reconditioned motor vehicles.

90. Solar energy is environment friendly and this can be conveniently used for generation in and transmission of power to the rural areas. We did not lose sight of this special feature of solar energy and therefore we exempted the machinery & spares of this industry from all duties & taxes at the importation stage on certain conditions. Since then solar energy has become very popular with the people, in the rural areas in particular. To further extend and expand this facility I propose withdrawal of the conditions so imposed.

91. With a view to making our paper & printing industry more competitive, I propose imposition of supplementary duty @ 15% on advertising materials, commercial catalogues etc (**Annexure-B-2**). We have been consistently pursuing a policy of making telecommunication facilities available at the door-steps of the people. In pursuance of this policy I propose reduction of duties on cellular mobile telephone sets from Tk. 300/- to Tk. 200/- per set. Likewise I propose that the same duty of Tk. 200/- be imposed on cellular fixed wireless telephone set.

### **Value Added Tax**

**Mr. Speaker,**

92. Value Added Tax has assumed a very important role in the process of economic development of the country. In this current year collection of VAT at domestic level is expected to reach 11,000 crore.

93. To make VAT system more modern, transparent, effective and simple, I now propose some changes in the Value Added Tax Act, 1991 and the Rules made there under (**Annexure-C**).

**Mr. Speaker,**

94. In order to ensure quicker disposal of appeal cases I propose to reduce the time limit for disposal of VAT appeal cases from one year to nine months for Commissioner (Appeal) and Customs, Excise and VAT

Appellate Tribunal. In the Value Added Tax Act there is provision for imposition of a minimum fine ranging from an amount equal to the amount of tax evaded to a maximum of two and a half times of tax evaded. It is a binding for the VAT officials to impose a minimum penalty equal to the amount of tax evaded even for minor offences. In order to remove this inconsistency I propose to reduce the minimum penalty from equal amount of tax evaded to fifty percent of the amount of tax evaded and also to reduce the maximum penalty from two and half times to double of the evaded amount. Moreover, I propose to reduce the extent of minimum penalty for minor offences from Taka ten thousand to Taka five thousand and for offences of less serious nature from Taka twenty five thousand to Taka ten thousand.

**Mr. Speaker,**

95. To encourage the development of local dairy industries I propose to withdraw 2.5 percent supplementary duty from local production of packet powder milk in packs of 2.5 kg and over. I also propose to reduce tax from Taka 900 to Taka 800 for each cellular mobile phone connection to ensure availability of telecommunication facilities to the masses at affordable price. At the same time I propose to impose a tax of Taka 800 per connection of the cellular fixed-wireless telephone.

**Mr. Speaker,**

96. To remove distortion and to ensure equity among tax payers I propose to withdraw exemption extended to the services of providers namely, land developer, graphic designer and black and white photo studio and also to bring the services, namely, hotel, decorator and caterer, community centre, beauty parlour, shipping agent, air-conditioned bus service, air-conditioned railway service and transmitting advertisement through satellite channel under VAT system from Turnover system.

**Mr. Speaker,**

97. Revenue target under the NBR for FY 2005-06 was fixed at Tk. 35,652 crores. In the changed circumstances, towards the end of the fiscal year revenue collection is expected to reach Tk. 34,456 crores. Having made a dispassionate evaluation of the current trends and the prospects of the coming year, revenue target under NBR for FY 2006-07 has been fixed at

TK. 41,055 crores. Components of Income tax, Customs duty, Value Added Tax and other duties will be Tk. 8,500 crores, Tk. 9,485 crores, Tk. 22,615 crore and Tk. 455 crore respectively. I trust and hope that this target will not be difficult to achieve if we can properly translate the budget proposals into action.

**Mr. Speaker,**

98. With anguish in my heart I would like to mention that collection of revenue, implementation of development projects, and other important economic activities of the government are being seriously jeopardized by a spurt in the number of court cases, delay in their disposal, and our inability to recruit officials because of cumbersome legal processes. In spite of all our sincere efforts, it has become very difficult to achieve the revenue target. I should like to draw the attention of the honorable members of parliament and appeal to them to undertake reforms of the existing laws, Without this reform, implementation of development projects and collection of revenue in terms of billions of taka will remain stuck in the cobweb of procrastination and legal complexities. Consequently, our revenue management will not be able to achieve its goals in the competitive global economic environment.

**Mr. Speaker,**

99. As I have mentioned earlier, the budget for FY 2006-07 aims at increasing public welfare by poverty reduction through human resource development, development of agriculture and industrial growth, expansion of trade and commerce. The sole objective of the budget is to build a happy, self-reliant, vibrant and prosperous Bangladesh. We have been guided by the existing realities and economic compulsions in the preparation of the budget. The Government has successfully faced and weathered global recession, globalization of economy, natural disasters and unprecedented high oil prices in the international market. In spite of these adversities, the economic success that the Government has achieved is commendable. The success of the Government in maintaining sustainable growth and the development of social sectors has been widely acclaimed both at home and abroad. I must also add in this connection that we have many challenges ahead. We have to tackle the volatile oil price, alleviate poverty, augment internal resources mobilization, and further improve the law and order situation. This is a daunting task. But we have to face it fair and square. We have to move

ahead along the path of development. There is no room for failure in this challenge.

**Mr. Speaker,**

100. In the last 5 years, the present Government has been through natural disasters, political instability and many external shocks like global economic recession, economic globalisation, and oil price hike. Despite these obstacles, the success achieved by the present Government in economic management is remarkable. Overcoming negative impact arising from oil price hike, accelerated poverty reduction, sustainable development, and further improvement in law and order – are the challenges that we must successfully face. We have to march towards development and prosperity. We cannot afford to fail.

**Mr. Speaker,**

101. Bangladesh is no more a country of despair; this is a country of hopes and potentials. A recent research study by US-based Goldman Sachs predicted the emergence of 11 countries as stronger economies by 2050 outside the 4 countries originally focused in their BRIC (Brazil, Russia, India and China) research. Bangladesh appeared as one of the 11 countries. Like Goldman Sachs, many agencies and institutions speak of immense potentials of Bangladesh. Many hold views that Bangladesh is a role model for socio-economic development including disaster management. We have earned this reputation because of our unrelenting efforts to unlock the potentials. We must believe in our unending potentials. We have to come out of vicious cycle of poverty by forging unity emanating from tolerance and mutual respect. We have to build a society where good performers would be rewarded and wrong-doers punished, where politics will be based on ideology and logic, unity and welfare.

**Mr. Speaker,**

102. I have had the rare privilege of presenting this budget for the 12th time before this august House. Before I conclude I would like to make this clarion call to all of you, "let us unlock the potential of this country, and let us unite in the interest of the people and our dear motherland. Let us establish peace and stability, and let us create conditions conducive to economic welfare and economic development".

May Allah be with us in our onward march.

**Allah Hafez.**  
**Bangladesh Zindabad.**



**'Annexure-A'**

**Financial Year 2007-2008**  
Income tax rate for individual category of assessees

<b>Sl no.</b>	<b>Proposed Slab</b>	<b>Proposed Rate</b>
(a)	On first Tk. 1,20,000/- of total income	Nil.
(b)	On next Tk. 2,50,000/- of total income	10%
(c)	On next Tk. 3,00,000/- of total income	15%
(d)	On next Tk. 3,50,000/- of total income	20%
(e)	On the balance of total income	25%

Minimum tax payable Tk. 1,800/-

The assessees who paid tax at the highest rate of 25% in the assessment year 2006-07, will enjoy 10% tax rebate on the additional tax paid if they disclose more than 10% higher income in assessment year 2007-08.

**'Annexure-A-1'**

Proposal regarding reduction of time limit for filing and disposal of appeals at different stages :

- (a) (a) Time limit for filing of appeal against the order of the Deputy Commissioner of Taxes be reduced to 45 days from 60 days.
- (b) (b) Time limit for filing of appeal for revision to the Commissioner of Taxes against the order of Deputy Commissioner/Joint Commissioner of Taxes be reduced to 60 days from 90 days.
- (c) (c) Time limit for disposal of appeal by Taxes Appellate Tribunal be reduced to 4 months from 6 months.
- (d) (d) Time limit for approval of Gratuity Fund be reduced to 4 months from 6 months.

**'Annexure-B'**

**List of H.S.Codes where proposal of reduction of Custom Duty is Made**

Sl. No.	H.S.Code	Description	Existing Rate	Proposed Rate
1. 1 .	0703.20.20	Garlic	13%	5%
2. 2 .	0904.20.10	Dried chillis	13%	5%
3. 3 .	0910.10.20	Ginger	13%	5%
4. 4 .	0910.30.20	Turmaric	13%	5%
5. 5 .	2836.20.00	Disodium carbonate	13%	5%
6. 6 .	2836.60.00	Barium carbonate	13%	5%
7. 7 .	2839.90.10	Zirconium Silicate	13%	5%
8. 8 .	2839.90.90	Silicates; commercial alkali metal silicates. Other	13%	5%
9. 9 .	3402.11.10	Linear Alkyl Benzene Sulphonic Acid (LABSA)	25%	12%
10.	3405.90.20	Polishes and other	25%	12%

Sl. No.	H.S.Code	Description	Existing Rate	Proposed Rate
10.		preparations used in the finishing (including electro-plating) of metal articles		
11.	3808.20.19	Chromatade Copper Arsenate	13%	5%
12.	3823.19.00	Industrial monocarboxylic fatty acids; acid oils from refining : Other	25%	12%
13.	3901-3916	Plastic in primary form	13%	5%
14.	5403.31.00	Other yarn, single: Of nylon or other polyamides, measuring per single yarn not more than 50 tex	13%	5%
15.	5501.30.10	Synthetic filament tow (Acrylic or modacrylic) Imported by VAT registered synthetic staple fibre manufacturer	6%	0%
16.	7211.29.20	Carbon steel strips of thickness upto 1.30mm and width upto 152.5 mm	13%	5%
17.	7217.30.00	Wire of iron or non-alloy steel.; Plated or coated with other base metals	13%	5%
18.	7225.11.00	Flat-rolled products of other alloy steel, of a width of 600 mm or more. Of silicon-electrical steel: Grain-oriented	13%	5%
19.	7802.00.00	Lead waste and scrap.	13%	5%

Sl. No.	H.S.Code	Description	Existing Rate	Proposed Rate
9 .				
20. 2 0 .	8309.90.32	Container seal	25%	5%
21. 2 1 .	8414.30.90	Compressors of a kind used in refrigerating equipment (Excl. Industrial use)	13%	5%
22. 2 2 .	8421.21.94	Effluent (waste water) Treatment Plant	25%	0%
23. 2 3 .	8438.80.10	Poultry feed manufacturing plant or machinery	6%	0%
24. 2 4 .	8525.20.23	Cellular (Mobile/Fixed Wireless) Telephone Set	Tk. 300 Per set	Tk. 200 Per set
25. 2 5 .	85.41 (All H.S.Codes, Excl. 8541.40.10)	Diodes, transistors and similar semi-conductor devices; photosensitive semi-conductor devices, including Photovoltaic cells, whether or not assembled in modules or made up into panels; light emitting diodes; mounted piezo-electric crystals.	13%	5%

### 'Annexure-B-1'

#### **List of H.S.Codes where proposal of enhancement of Custom Duty is Made**

Sl. No.	H.S.Code	Description	Existing Rate	Proposed Rate
1. 1.	2008.99.10	Mango pulp	13%	25%
2. 2.	2929.90.00	Other; Compounds with	13%	25%

Sl. No.	H.S.Code	Description	Existing Rate	Proposed Rate
		other nitrogen function. (Excl. Isocyanates)		
3.	3.	3923.50.00 Stoppers, lids, caps and other closures	13%	25%
4.	4.	7310.21.10 Tin plated cans, bottom not closed by soldering and crimping (e.g. Beverage Can Type)	6%	12%
5.	5.	7612.90.91 Aluminium can	6%	12%
6.	6.	8542.10.00 Cards incorporating an electronic integrated circuit ("smart" cards)	6%	25%



**'Annexure-B-2'**

**List of H.S.Codes where proposal of Imposition of Supplementary Duty is Made**

Sl. No.	H.S.Code	Description	Existing Rate	Proposed Rate
1. 1.	1702.40.00	Glucose and glucose syrup, containing in the dry state at least 20% but less than 50% by weight of fructose, excluding invert sugar	0%	15%
2. 2.	24.01 (All H.S.Codes)	Unmanufactured tobacco; tobacco refuse.	0%	25%
3. 3.	4911.10.00	Trade advertising material, commercial catalogues and the like	0%	15%
4. 4.	4911.91.00	Pictures, designs and photographs	0%	15%
5. 5.	4911.99.00	Other	0%	15%
6. 6.	5601.10.90	Sanitary towels and tampons, napkins and napkin liners for babies and similar sanitary articles, of wadding (Excl, Jute)	0%	15%
7. 7.	6001.22.00	Pile fabrics, knitted or crocheted of Man-made fibres	0%	15%
8. 8.	7007.19.00	Other tempered safety glass	0%	25%
9. 9.	7007.29.00	Other laminated safety glass	0%	25%

**Proposal for Value Added Tax (Local Stage)**  
**on the Budget 2006-07**

**01. Amendments in the Value Added Tax Act, 1991**

- (1) (1) Replacement of clause (Murdha Na) of section 2 by including the date of tax payment along with the date of submission of return in the definition of “Date Fixed”.
- (2) (2) Amendment of clause (Bha) of section 2 by deleting the words “Advanced Income Tax” from the definition of “Total Receipt”.
- (3) (3) Replacement of sub-section (2) of section 4 to amend the provision for consideration of the date for the purpose of determination of rate of tax for imported goods in line with section 30 of Customs Act, 1969.
- (4) (4) The words “centrally” has been inserted after the words “head office” in the proviso of section 15.
- (5) (5) The words “Commissioner (Appeal)” have been inserted after the words “Commissioner” in section 22.
- (6) (6) Amendment of sub-section (1) of section 26 Ka replacing the word “Audit” by Bangla synonym “Nireeksha”.
- (7) (7) Replacement of sub-section (2) of section 26 Ka after simplification.
- (8) (8) Insertion of new section 34 Ka introducing the provision for issuance of certified VAT documents upon submission of fixed fees.
- (9) (9) Amendment of sub-section (1) and (2) of section 37 and amendment of section 38 for the following purposes:
  - (a) (a) Reduction of minimum penalty from taka 10 thousand to taka 5 thousand for minor offences under sub-section (1) of section 37.
  - (b) (b) Reduction of minimum penalty from equal amount of the tax evaded to half the amount of the tax evaded and reduction of maximum penalty from two and half times of the tax evaded to twice the amount of the tax evaded for major offences under sub-section (2) of section 37 and 38.
  - (c) (c) Reduction of minimum penalty from taka 25 thousand to taka 10 thousand for irregularities not involving tax evasion under sub-section (2) of section 37.
- (10) (10) Replacement of clause (Kha) of section 40 to increase the monetary limit of adjudicating power of the VAT officers at different levels.

- (11) (11) Amendment of sub-section (4) of section 42 for decreasing the time period of disposal of cases by Appellate authority from 12 months to 9 months.
- (12) (12) Amendment of Heading Description and fixation of a time period of 90 days to finalize demand under sub-section (1) and (3) of section 55 of the VAT Act.
- (13) (13) Amendment of clause (Kha) of sub-section (1) of section 56 for increasing the time for payment of government dues from 7 days to 15 days.
- (14) (14) Replacement of First Schedule of VAT Act, 1991.
- (15) (15) Amendment of Second Schedule of VAT Act to withdraw VAT exemption on Black and White Photo Studio and Graphic Designer.
- (16) (16) Replacement of Third Schedule of VAT Act to incorporate unification, deletion and amendment of some H. S. codes and change of some Supplementary Duty rates by Customs Wing and inclusion of "Fixed Wireless" telephone in the description of the service "SIM Card Supplier".

## **02. Amendments in the Value Added Tax Rules, 1991**

- (1) (1) Replacement of clause (Chha) of rule 2 to amend the definition of "Divisional Officer".
- (2) (2) Amendment of rule 16(1), 17(1)(Kha) and 18(2)(Kha) to increase the time of submission of VAT Challan (VAT-11 or VAT-11Ka) from 72 hours to 3 working days.
- (3) (3) Reduction of minimum penalty from equal amount of the tax payable to half the amount of the tax payable and reduction of maximum penalty from two and half times of the tax payable to twice the amount of the tax payable for offences under rule 35.
- (4) (4) Amendment of spelling mistakes in Form VAT-29.

## **03. Value Added Tax related S.R.O's**

- (1) Exemption on sugar, petroleum bitumen (in drums and in bulk), synthetic filament tow (acrylic or mod acrylic) [imported by VAT registered synthetic staple fibre manufacturer only] at the import stage, chimney for harrican lamp at the manufacturing stage and procurement provider in the case of tiffin supplied to schools.

- (2) (2) Withdrawal of 2.5% supplementary duty from packaged milk powder up to 2.5 kg at the local production level.
- (3) (3) Extension of VAT exemption on waste paper at import level up to 30/06/2007.
- (4) (4) Amendment of S.R.O No. 60-Law/2004/401-VAT dated 03/09/2004 to include some particulars of survey records of brickfields.
- (5) (5) Withdrawal of VAT exemption on “Land Developer” and determination of base value for the service.
- (6) (6) Amendment of explanation of “Medical Centre” and “Dental Centre” incorporating the limit of ‘negligible value’ up to taka 25 as fee at the out patient department and up to taka 50 as daily seat rent of hospital bed.
- (7) (7) Amendment of explanation of “Courier and Express Mail Service” incorporating ‘parcel’ up to the weight limit of 10 kg.
- (8) (8) Creation of new code for the service “Graphic Designer” and incorporation of explanation of the service in the related SRO.
- (9) (9) Withdrawal of Turnover tax facility from some services namely, hotel, decorators and caterers, community centre, beauty parlour, shipping agent, air-conditioned bus and railway service and transmission of advertisement through satellite channel and bring these services under VAT system.
- (10) (10) Replacement of the word “mobile” by words “cellular (mobile/fixed wireless)” in the explanation of the service “SIM card supplier”.

#### **04. Value Added Tax related orders**

- (1) (1) Order to include in the definition, of “Capital Machinery” for local VAT exemption purpose the same machineries that are included in the SRO issued by Customs for import of Capital Machinery.
- (2) (2) Order to fix the Tariff Value in case of cellular (mobile/fixed wireless) telephone connection by means of SIM, RUIM or similar procedure.

**05. List of VAT related S.R.Os and order to implement the Budget proposals, 2006-2007**

1. 1. NBR's SRO No. 130-Law/2006/458-VAT dated : 08/06/2006
2. 2. IRD's SRO No. 131-Law/2006/459-VAT dated : 08/06/2006
3. 3. IRD's SRO No. 132-Law/2006/460-VAT dated : 08/06/2006
4. 4. IRD's SRO No. 133-Law/2006/461-VAT dated : 08/06/2006
5. 5. IRD's SRO No. 134-Law/2006/462-VAT dated : 08/06/2006
6. 6. NBR's SRO No. 135-Law/2006/463-VAT dated : 08/06/2006
7. 7. NBR's SRO No. 136-Law/2006/464-VAT dated : 08/06/2006
8. 8. NBR's SRO No. 137-Law/2006/465-VAT dated : 08/06/2006
9. 9. NBR's SRO No. 138-Law/2006/466-VAT dated : 08/06/2006
10. 10. NBR's Order No. 06/VAT/2006 dated : 08/06/2006
11. 11. NBR's Order No. 07/VAT/2006 dated : 08/06/2006