



Seminar & Discussion on
NATIONAL BUDGET 2003-04

from a corporate perspective

Jointly arranged by:
Bangladesh MBA Association
IBA Alumni Association, DU
MBA Club Limited



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Assalamualaikum & Welcome



BUDGET FY 2003-04

LOOKING THROUGH CORPORATE SPECTACLES

Presentation by:

AIMS of Bangladesh

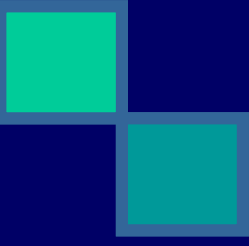

SNAPSHOT

Revenue	Budget		Budget 2002-03		
	2003-04	Change	Revised	Change	Original
Tax	290.71	16.52%↑	249.50	2.16%↓	255.00
Non-tax	71.00	15.07%↑	61.70	18.64%↓	75.84
Total revenue	361.71	16.23%↑	311.20	5.94%↓	330.84
Expenditure					
Non-Development Rev. Exp.	289.69	14.47%↑	253.07	5.57%↑	239.72
ADP	203.00	18.71%↑	171.00	10.94%↓	192.00
Other	27.11	81.10%↑	14.97	11.00↓	16.82
Total expenditure	519.80	18.39%↑	439.04	2.12%↓	448.54
Overall deficit	158.09	23.66%↑	127.84	8.62%↑	117.70
Budget deficit financed by:					
External Sources	93.09	33.18%↑	69.90	13.24%↑	61.73
Domestic Sources	38.97	9.22%↓	42.93	1.27%↑	42.39
Borrowing from banks	26.03	73.42%↑	15.01	10.53%↑	13.58
Total Financing	158.09	23.66%↑	127.84	8.62%↑	117.70




THE SUPPLEMENTARY SAGA

WITH NO COMPLEMENTARY ACCOUNTABILITY

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- **Fruitless annual ritual**
 - **ADP slashes**
 - **Non–dev. revenue expenditure nudges up**
 - **Borrowing increases**
 - **Hemorrhage of SOEs, wastage, corruption continues repetitively.**
 - **No deliberation in Parliamentary Party**
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THE GOOD

- **Emphasis on expanding tax net, improving collection and efficiency of NBR**
 - **Increased allocation for transport, communication and education**
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THE GOOD

- Helping hand to agriculture
 - No tax on pension of Non Resident Bangladeshis
 - Increased allowance for old age pension
 - Allocation for Micro-Credit.
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THE GOOD

- Tax on RMG and Textiles slashed to 10% and 20% – *acknowledging corporate threshold of remaining profitable ?*
- SD restructured to 5 slabs from 31 with range of 15% to 75%.
- CD restructured to 3 slabs within 7.5% to 30%. – *proclaimed rationalization*



THE BAD

- Allocation for policing increased but no firm commitment for ensuring conducive business and investment climate.
- Increase in non-development revenue expenditure – *unchecked spending spree*
- Block allocation for unapproved projects in ADP.



THE BAD



- **Bloated ADP – *who'd care for accountability and quality ?***
- **High aid dependence with 51% external financing of ADP – *self reliance gone with the wind ?***

THE BAD

- Increased borrowing at high rates - *distorting market ?*
- Income tax on non-listed companies raised to 37.5% while those of listed companies kept unchanged at 30% - *incentive or coercion ?*



THE BAD

- **Listed companies failing to declare at least 10% dividend are to pay tax at 37.5% - *obstacle to corporate growth and expansion. Infringement on shareholders' right ?***
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THE BAD

- Dividend distribution tax on top of excess profit tax – *horns of dilemma for the banking and capital market.*
- Tax on banks, insurance companies and financial institutions raised to 45%.

-penalty for efficiency ?

THE BAD



- Argument has been put up that the high taxation on banks and FIs are to force lower interest rate, government continues to borrow at high rates.

Effective rate on one year T-Bills is 10%.

MONEY MARKET DISTORTIONS





THE BAD

- **Incidence of prohibitive stamp duty on conveyance of receivables and possible income tax on SPV at entity level retarding resource mobilization by FIs and development of a vibrant debt securities market.**
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THE UGLY

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- **Chains Broken**
 - **Now here, not there**
 - **Lost loves**
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THE UGLY

- Tax exemption for individuals raised to Tk. 90,000 from Tk. 75,000.

acknowledgement of wrong done
partial rectification



- Raising tax on essentials such as salt, sugar, spices, fruits. – *more pangs for the precarious middle class*

THE UGLY

- No tax at source on dividend income but corporations to pay dividend distribution tax at 10%

– more minting by government, less in investors' pocket

---THE GRAND DECEPTION !



THE UGLY

- **No question asked if undisclosed income is invested in the capital market and locked in for two years.**


--acknowledgement that capital market is not attractive to hard earned honest savings.

Bad money to drive good money out?

Inviting bull in a China Shop?



THE UGLY

- **No definitive road map for privatization and no reflection of the proceed from proposed divestment of SOEs in the budget. – *Silence and ambiguity prevails. Shut down is no panacea***
 - **Protecting the inefficient sugar industry.- *contrary to the privatization promise***
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THE UGLY

- Limit of remittable technical fee drastically cut
- No reduction in POL price at consumer level despite reduction in SD from 30% & 20% to 25% & 15%, - *inefficient and unfair government monopoly hibernating spiral inflation effect.*

THE UGLY



- **Capital Gains Tax vs Investment of Undeclared Income – *how to turn white money black***
- **Self – employed businessmen and professional to pay minimum tax of Tk. 12,000 while company directors to pay Tk. 30,000 minimum under self assessment scheme – *Anti corporatization bias.***

THE UGLY

- Only Tk. 10 million increased allocation for judiciary. Revenue budget of Supreme Court reduced by 11.76% and of law ministry increased by only 0.79%.
- Does not augur well with good governance and separation of judiciary



POINTS TO PONDER

- **Is the budget pro-corporate Bangladesh?**
 - **Where is the 'Engine of Growth'?**
 - **Quantum shift from quality to quantity?**
 - **Document of self-reliance?**
 - **Silence on governance?**
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**THANK YOU
for bearing with us**

**for more information please visit:
www.aims-bangladesh.com**

