

Tax waiver on aircraft parts would help save airlines : AOAB

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Dhaka : Aircraft import in FY2022-23 will be cheaper. All credit goes to the proposed advance tax exemption in the budget announced recently. However, the Aviation Operators Association of Bangladesh said exemption on a broader range of airplane parts would be more useful for the sector.

The government proposed to reduce customs duty on two aircraft-exclusive parts - pneumatic tires and sparking plug, while aviation operators demanded waived duty on many other aircraft parts.

"We welcome the advance tax exemption for aircraft. But the thing is we do not import aircraft regularly but we need the parts frequently and they are extremely costly," said Mofizur Rahman, Secretary General of Aviation Operators Association, Bangladesh (AOAB), who is also the Managing Director of NOVOAIR.

"Very little of our demands were reflected in the proposed budget," he said, adding, "There are hundreds and thousands of parts in an aircraft and naturally these are not listed in the tax guide, which mentions only a handful of parts that have duty exemption."

He further said that they were looking forward to a tax waiver on aircraft parts in line with the duty structure of neighbouring countries and other countries in the world.

Finance Minister AHM Mustafa Kamal, in his budget speech, proposed a customs duty reduction from 5 per cent to 1 per cent on pneumatic tires, while duty on sparking plugs used for aircraft and helicopter engines was proposed to be reduced from 10 per cent to 1 per cent.

"In the last two years, 5 per cent advance import tax was added for aircraft. To understand in plain terms, say we pay USD 22 million for a particular aircraft, for which India pays USD 20 million," said Md Abdullah Al Mamun, Managing Director, US- Bangla Airlines, at a recent seminar titled "Prospect of Bangladesh as Regional Aviation Hub" in Dhaka.

On the other hand, in a pre-budget meeting with the NBR, the AOAB proposed, the withdrawal of 15 per cent VAT currently levied on aeronautical and non-aeronautical charges and VAT on security and development fees; reducing the existing corporate tax in the aviation sector from 30 per cent to 20 per cent, and withdrawal of 10 per cent advance income tax and 15 per cent VAT on domestic and foreign training expenses.

However, these demands were not met.