

Let it be Waived

Given India's whopping annual trade surplus with Bangladesh, the countervailing duty imposed by her on certain Bangladeshi exportables does not quite stand to reason. It is basically out of touch with the current bilateral ambience for getting things on an even keel between the two countries with one of the mutually accepted focal points of attention being the trade imbalance itself: India has three billion dollar worth of share of the cake annually while Bangladesh accounted for exports to India in the order of 70m dollar — as in last year. The fact that two-thirds of the business operates through illegal channels reinforces the argument for a much more organised approach to be taken at the inter-state level to bilateral trade than what is being demonstrated now.

Against the backdrop of expectancy and anticipation for bridging the trade gap and Bangladesh's self-inspired lowering of her own tariff structure for an easy access of goods from the region to her markets, India's protectionist duty comes as something of a damper to Bangladesh.

The levy of 20 per cent on our jute carpet, automotive battery and melamine wares, all in high demand in the Indian market, could have been justified if (a) we had offered a price lower than what was obtaining in the home market or in a third country implying that we were dumping the goods in the Indian market; (b) if industries in the importing country, manufacturing similar items were being put at a disadvantage by the imports; and (c) if there were specific complaints about the same from the local industries before the Indian government. On all these counts, argue our businessmen, the countervailing duty does not seem tenable.

Thank God, the existing forums between India and Bangladesh are well-poised now to take up the issue and solve it for the good of both countries. The Joint Economic Committee formed by the Confederation of Indian Industries and the MCCI, Dhaka is there to be nudged and already the matter is before them. We are hoping that in the light of an earlier discussion on the subject with the Indian Foreign Secretary Salman Haider when he was in Dhaka, the JEC meeting will deal with the question at a greater length and get it over with at the earliest.

Pulling up the Socks

This year China has been experiencing one of the worst floods in its history. Floods in India may not have been that severe yet; even so, they are very much there. Scientists are becoming more and more convinced that an unusual global warming is taking place to put the seas in a spate and make the rivers across a vast territory of the globe swell, too. So it is only natural that the exiguous Bangladesh delta will encounter an interplay of cascading and swelling waters, which is likely to prove far too challenging for it to cope with.

The build-up of floods has been gradual and it is clearly on a worsening course. Commensurately, our preparedness for floods and their attendant ills will have to be extensive and exhaustive. Our national resources are not enough to tackle such a calamitous situation. The flood information centre should by now have made a realistic assessment of the nature of the deluge and the various needs for lessening the sufferings of the victims. This will help us strengthen the equipment base for our preparedness.

The challenges ought to be met on two fronts: a) providing emergency relief, treatment and shelter; and b) allowing no scope for any section of people to make the most of a helpless situation facing the majority of people. Already relief and medical teams have been deployed to reach succour to the victims but we are about to face the twin challenge of scarcity of the essentials and their galloping prices. Dislocation of communication has to be tided over by making alternative arrangements. Mechanised country-boats can be of immense help. The important thing for the government is not to leave any room for dishonest merchants to trade in human misery and manipulate the market to line their pockets. The IRRI and Boro crops were not affected by this year's floods, so the rice price should not soar beyond the commonman's purchasing power.

How Unbecoming!

When a high government official commits an offence of the type that an ordinary private citizen does, he deserves a punishment severer than that which ought to befall the latter. This is because he has gone against his years of training and his given role as the custodian and enforcer of rules and regulations the corpus of which constitutes the law of the land. His breach of conduct is no ordinary crime for another very cogent reason which is that it can have the most adverse demonstrative effect not only upon his subordinates but also on the potential crooks in our society itching to live by odd examples.

On Saturday, a prominent Bangla daily published a front-page news item about a joint secretary of the ministry of science and technology who had withheld information about himself and managed to get three passports in his name. While applying for one passport he had the wiles to state 'business' as his purpose. Given the nature of his offence, which was duly proved, he seemed lucky to have been rather mildly penalised: his salary increment put off by two years. The harsher punishment of six months' imprisonment and fine of Tk 2000 as prescribed under the Passport Order, 1973 was not applied in his case.

Behind this provenly guileless act one discovers a particular mind-set at work wallowing in the belief that intra-governmentally officials enjoy an invincible immunity. It is good to see that disapproved once in a while.

Control Mechanisms of Income Tax Administration

by Dr Dhiman Chowdhury

Under the present system it however, appears that an assessing officer does not give detailed explanation as to how he has arrived at the estimated income. Instead he just says 'past records' or 'business appearance'

ONLY 550000 assesses paid income tax in the financial year 1993-94 which is less than 0.5 per cent of the population. While there are about 30000 companies in the country and only 15228 companies paid tax in FY 1993-94. While there are 2.5 million employees in private sector (excluding garments industry) and several other (more than 1.5 million employees) in public sector, only 82856 salaried employees paid income tax in FY 1993-94. Furthermore, a huge amount of tax-money remained arrear every year. Arrears of income tax is one of the highest in Bangladesh. Arrears of income tax as a percentage of collection was 60 per cent in Bangladesh in 1986, 36 per cent in India in 1980, and less than 10 per cent in Japan, UK, and USA.

This writer studied 56 small engineering enterprises at Dholalkhal and Zirajra and observed that majority of small business enterprises could manage to remain outside the income-tax bracket and 76.8 per cent of the sample enterprises did not submit income tax return in the FY 1994-95. A profile analysis of these units reveals that owners of 83.7 per cent of these units maintain domestic servants, 39.5 per cent of the units have house property and domestic servants, 23.3 per cent of the units have a car, and 16.2 per cent of the units have all the facilities i.e. house property, car and domestic servants. Most of these units' annual income is higher than taxable limit of Tk 55000. Furthermore, 90 per cent of the owners of these units have direct affiliation with certain political parties. They also influence tax inspectors by money or power so that they are not brought under tax-net. Although they are small they have their strong association and each of them contributed Tk 50 to Tk 100 (depending on size) to the executive committee of their association which in turn gave the amount to the income tax inspectors as bribe for not bringing them under tax-net.

Most of the small business

units do not maintain any formal books of accounts. Only 4 units out of 56 units maintained formal profit and loss account and balance sheet whereas the rest 52 units maintained rough sheets with cash receipts and cash payments. In these cases where proper books of accounts are not available or are inadequate, assessing officers make an estimate of income on the basis of appearance of business house, assessee's house property, car, number of employees, children, telephones, etc. There has been a tendency among the assesses to report an underestimated total income. Cases on income tax reported in Bangladesh Tax Decisions (BTD) reveal this tendency. In the period 1992-94, total of income (losses) reported by ten assesses was Tk 21017 and total income estimated by officers in those cases was Tk 1694957, i.e. an under-estimation of Tk 1715974, or 101.2 per cent of estimated income. Under the present system it however, appears that an assessing officer does not give detailed explanation as to how he has arrived at the estimated income. Instead he just says 'past records' or 'business appearance' as the basis for estimation. What are past records or what is that business appearance are not clearly mentioned in assessment forms. The then Finance Minister rightly mentioned in his budget speech (1993-94) that under the present system there is no specific provision in law for the assessing officer to record in writing his objections regarding the assessee's return and to allow the assessee an opportunity to submit his reply in writing before any hearing is allowed to him. Many assesses have complained that they do not get adequate opportunity to put forward their views.

They also complain that

their statements are not at all

considered in finalising the assessment. Under the proposed system the assessing officer will record in writing his objection or reasons for his dissatisfaction and allow the assessee to file his views in writing. If the assessing officer is not satisfied with the assessee's explanation he will issue notice for hearing on the assessee. In addition, the assessing officer shall have to report the justification for computation of income in the assessment order. The proposed measures will make the process of assessment much more transparent.

Furthermore, under the present system an assessing officer has the sole authority over an assessment. An Inspecting Joint Commissioner of Taxes (IJCT) verifies only 10% of the assessments on random basis. However, it appears that in many cases IJCT does not correct the current year assessment (if there are lapses) instead he advises the assessing officer to be cautious about those lapses while assessing in the future years. Furthermore, group assessment (assessment by more than one assessing officer) can be used in certain complicated and big cases and verification by the IJCT in those cases can be made compulsory. This can help increase monitoring and can reduce irregularities in assessment.

Compared to India work load of the assessing officers appears to be higher in our country. While average work load per officer in India is 1205 files, it is 1426 in Bangladesh. Furthermore, 37.5% of the sanctioned posts of assessing officers are lying vacant.

The important control mechanisms viz. survey, intelligence and investigation, and inspection are not functioning according to objectives. The objective of survey is to iden-

tify new potential assesses and to bring them under tax-net. Since independence survey has been conducted only twice. Again, they continued for only two months and then discontinued for political influence. The objective of the Directorate of Intelligence and Investigation is to unearth tax evasion. From 1994 the department is not working according to its objective rather functioning as a normal zone for collection and disposal. Even before 1994 performance of the department was not satisfactory in terms of penalties and prosecution. There has been no penalties imposed up to 1976 and there is not a single evidence of prosecution till date. In the FY 1993-94 advice for action was given only in less than 15% of cases against which complaints were lodged. This writer interviewed 31 tax officials including the Commissioners, Inspecting Joint Commissioners, Deputy Commissioners, Assistant Commissioners, and Inspectors. Majority of the respondents interviewed believe that in addition to a central intelligence and investigation there should be a circle in each territorial zone for investigating tax evasion. Each Commissioner will have one investigation circle with two or three Deputy Commissioners and one Inspecting Joint Commissioner under him. They argue that each and every control mechanism has limitations.

For example, if there is only one central intelligence, Commissioner of this department hardly have the means of spotting out the proper cases for investigation without the cooperation of other area commissioners. Again when there is only territorial intelligence and no central intelligence then it may not be possible to unearth evasion when officers in a territory join hands in the evasion process. Therefore, a central intelligence

as well as territorial intelligence are expected to give a better result. There is another income tax department, called the Directorate of Inspection. Its objective is to inspect various categories of files selected from territorial offices on a random basis. The activities of this department also appear to be at very low-level. The Directorate inspected only 320 files in the FY 1994-95 and advised to re-open only 64 files or only 20 per cent of the inspected files. Furthermore, two-thirds of the sanctioned posts are lying vacant in this department. During 25 years of history, the NBR has started publishing its annual reports only from the FY 1992-93. This is a signal of lack of transparency in administration.

Moreover, there is almost no data on the activities of important directorates viz. survey, intelligence and investigation, and inspection. It is surprising to see that only two lines have been contributed in the annual reports about the activities of the DII. Access to these directorates is highly restricted. To the best of my knowledge no empirical research work has been done on their role, although the World Bank has done some studies. No specific data could be found in these studies. The ratio between the highest and lowest grade of pay under the present national pay scale is 11.1 times (Tk 10000/Tk 900). There are 20 grades of pay under the national pay structure. More than 80 per cent of the employees are on the lowest grades of pay and living at par or slightly higher than poverty levels. In the developed countries the ratio usually is not more than 4 to 5 times.

Furthermore, the present incentive scheme is vague and subjective. The present incentive system rewards an employee for extraordinary initiative and meritorious services in detecting evasion of

tax. What is an extraordinary initiative and meritorious services have not been defined because these variables are subjective and difficult to define. Furthermore, the detection of tax evasion is not a single person's job rather it is usually a team work.

Therefore, hardly any instance of rewards earned by the staff was known so far. One alternative is to distribute certain percentage of collection (other than collection at source) in excess of certain budgeted level of collection as incentive payment. As a result, employees at large will have a motivation to increase the amount of collection and thus increase their remuneration. Performance-related pay is very popular now-a-days in the developed countries including UK and USA not only in private enterprises but also in public sector viz., the National Health Service (NHS) in the UK. The payment is however not automatic; there are some discipline issues. For example, an employee shall not have attended late for work more than 12 times in a year. If these discipline issues and other service rules are followed properly, it is a signal that all employees performed efficiently towards the organisational goal.

Tax avoidance and evasion are common problems in almost everywhere in the world. The above control mechanisms appear to be important to curb these behaviour. Control should not be taken in a negative sense. Control means to guide people to behave according to pre-set standards and policies which are essential for efficiency and good performance. When wants are unlimited but means are limited an individual has a tendency to behave for his or her own interests even at the cost of others' interests. There lies the need for control. Control helps people to enjoy their own rights under socially accepted standards, policies, rules, and regulations.

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By-elections in Sixteen Constituencies : EC Faces Test of Time

by Muhammad Quamrul Islam

In any case, EC remains the focal point to conduct free and fair by elections, even under a party government. It would be easier for EC and voters alike, if ID cards could be issued to the voters of the 16 constituencies in question.

the parties and voters. In such a sensitive situation, the role of Election Commission (EC) as an independent constitutional entity can hardly be overemphasized.

The voters had seen free and fair election on 27th February, 1991, which led to the establishment of Fifth Parliament. It may be recalled that parliament election '91 was widely acclaimed, nationally and internationally. Of course, there was allegation of 'subtle rigging', but that could not make any vent in the minds of the voters. But, after by-election in Dhaka-1 (Mirpur) constituency on 3rd Feb. '93 when disputes arose on election result, the mainstream opposition parties brought to the fore the issue of caretaker government and started movement from end of April, 1994. The political stalemate and agitations continued till 30th March, 1996 when a non-party caretaker government took over power to hold Parliament election as per thirteenth amendment of the Constitution, passed by the disputed Sixth Parliament.

After the Chief Adviser of non-party caretaker government assumed office, the Election Commission was reorganized with Mr Abu Hena as CEC, on his retirement as Member of Planning Commission. Before his joining, the outgoing CEC, Justice AKM Sadek had performed the registration of voters, delimitation of constituencies, updating of the Electoral Law and Code of Conduct, and started issuance of identity cards to voters etc. The re-organized EC could make use of the works, as aforesaid, in the election on 12th June, 1996. But no headway is yet seen in regard to issuance of identity cards to voters, which are so much needed to ensure free and fair election. It is not understood why this important

work of issuing ID cards is not receiving due attention, although requisite personnel and materials are reported to be available with EC. Does it mean that the EC wants to follow the previous practice of suspending the provision of ID cards for voting? An average voter would have been happy to get the ID card, rather than going to the party camp to know his/her voter number, which is asked by the polling staff at the polling stations.

Election Commission also should not ignore the complaints made by the candidates concerned and take a defence-plea under the cover of law, so as to instill confidence in and restrain them from insinuation. A closer look at the statements published in the press would indicate that irregularities were reported by AL candidates also, who lost in the last election. For example, Syeda Zohera Tajuddin, complained that local administration at Meherpur-1 did not respond to her reports on the polling day. In 1991, this seat was won by AL, but in 1996 it went to BNP. To tell the complainants that EC has no jurisdiction or advice them to go to the Election Tribunal, if they want, are not enough. The complaints of terrorism, persecution of minority voters and vote buying etc. may not be all unfounded. There are political

dimensions of such complaints, which EC can only grapple with. We may draw instances from our neighbouring countries. As regards reported biasness of the polling personnel, EC needs to consider precautionary measures for the future to ensure freedom beyond doubt.

What would be the outcome of by elections of coming 5th September? Parties are concerned with it, and not the EC which is now to hold free and fair election, even under a party government. As such, the EC may take note of the role played by former CEC Justice Abdur Rouf under the non-party caretaker government in 1991 and later on under the party government, for doing the needful. We have touched at this point before: how the former CEC became 'controversial' in the process.

There were surely reasons as to why party leaders contested in the range of 2 to 5 seats and won in the last election. The same position may not prevail, when polling will be held in Rangpur-2, 5 and 6, Kurigram-3, Bogra-6 and 7, Sirajganj-1, Bagerhat-1, Khuila-1, Bholia-1, Pirojpur-2, Shariatpur-1, Sylhet-4, Laxmipur-2, Chittagong-1 and 13 on 5th September 1996. JP chief has said, his party will contest in all the 16 vacant seats. One Jatiya Party MP is a

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