

sector. Small producers will be encouraged and special support will be provided to weavers, fishermen, potters and ironsmiths so that they can pursue their traditional professions without any hindrance. An experimental scheme on a limited scale will be undertaken jointly by the Government and the commercial banks for rehabilitation of sick specialised textile and power looms. Future course of action will be determined on the basis of evaluation of this experiment.

Mr. Speaker,

32. The share market plays an important role in mobilizing resources for domestic industry. In the early years of this decade, there was a marked eagerness of domestic and foreign investors to invest in Bangladesh share market. Taking into account the crisis in Mexico in the wake of withdrawal of foreign investment, the condition for one year's lock-in was imposed in Bangladesh on portfolio investment in 1995. Because of this restriction, foreign portfolio investment has turned out to be negative. The volatility of foreign portfolio investment has been exaggerated. I am happy to announce that after the assumption of office by this government, the Securities and Exchange Commission has decided to abolish the restrictions of lock-in on foreign investors. However the existing ceiling of sale of one-third of initial primary offering to foreign investors will continue in the interest of domestic investors. At the moment there is no quota for non-resident citizens of Bangladesh in the primary shares. The expatriate citizens through remittances of foreign exchange make an important contribution to economic development of Bangladesh. It has been decided to fix a quota of five percent for non-resident citizens of Bangladesh with a view to encouraging their participation in primary public shares.

33. An essential precondition for industrial investment is uninterrupted and regular supply of energy. According to projections of National Energy Policy, demand for power is increasing at the rate of 7.2 percent to 8.7 percent annually. Because of inadequate investment in power sector, deficit of electricity, according to one estimate, is growing at the rate of 14 percent annually. During the last decade, system loss in the power sector was not significantly reduced because of administrative failure. Annual loss on account of system loss in power sector is estimated at Tk. 800 crore. The reduction of system loss can provide adequate resources for generation, transmission and distribution in the power sector. New investments are also needed in exploration and extraction of natural gas to ensure uninterrupted supply of energy. Unfortunately, in the past many ad hoc decisions were made in the power sector. Measures were not taken in a planned manner on the basis of clear and comprehensive policies. The present government will pursue a three-fold policy in this sector. First, allocation for this sector will be gradually increased. Secondly, system losses will be reduced by establishing effective control in this sector. Finally, private investment will be encouraged in view of the investment needs of this sector. Necessary administrative and financial reforms will be made to attract foreign investment. With a view to providing electricity throughout the country in next ten years, the government will take all possible measures to harness natural gas, solar energy, atomic energy and hydroelectric resources.

Mr. Speaker,

34. The development of transportation system not only accelerates economic growth but also contributes to poverty alleviation. It has been proposed to allocate Tk. 2440 crore for transport sector in the ADP for 1996-97. This sector received the highest share (19.5 percent) in the current year's ADP. 43.4 percent of this allocation is earmarked for the construction of Jamuna bridge - the national dream. In this connection, I would like to recall the seminal contribution of the Father of the Nation. The need for this bridge was identified under his personal initiative immediately in the wake of independence and preliminary steps were also taken. After two long decades, the work on the construction of the bridge is now progressing with the assistance of development partners. This Government will take all possible measures for the quickest implementation of the project. Furthermore, phased programme will be undertaken for expansion and modernization of transportation system including railways and roads. All unions will be linked to Thana headquarters which in turn will be linked to district headquarters. Measures have also been taken for the expansion of telephone system. The T&T Board is being encouraged to mobilize additional resources through sale of bonds in addition to allocations made by the Government.

35. Significant allocations are also made for the construction of physical infrastructure in rural areas from the rural development sector. An allocation of Tk. 974.63 crore has been proposed for this sector in the ADP whereas the corresponding allocation in last year's ADP was Tk. 742.5 crore. The allocation for supply of drinking water and sanitation facilities in rural areas is proposed to be raised to Tk. 280 crore. Proposals for allocating Tk. 200 crore for Thana and union parishads, Tk. 120 crore for four city corporations, Tk. 150 crore for other municipalities and Tk. 31 crore for development of Chittagong Hill Tracts have been included in the ADP.

Mr. Speaker,

36. The greatest asset of Bangladesh is its diligent and painstaking people. Investment in human resources in Bangladesh is economically profitable and socially beneficial. A sum of Tk. 3952 crore is proposed to be allocated for education sector in the revenue and development budgets for FY 1996-97 as against the revised allocation of Tk. 3522 crore for FY 1995-96. This represents an additional allocation of Tk. 430 crore. The Government is determined to rid the nation of the curse of illiteracy within a decade. However, increased allocation is not a sufficient guarantee for development of education. A national movement involving people of all spheres of life will have to be launched to eradicate illiteracy. The entire education system will be reformed in the light of the recommendations of Dr. Qudrat-e-Khuda Commission. Measures have already been taken for the correction of textbooks. Steps will be taken to improve not only physical infrastructure but also the quality of education. The NGOs will work hand in hand with the government in eradication of illiteracy. The present government will encourage and support NGO initiatives in this sector. Measures will also be taken for using radio and TV for expansion of education and mass education. Food for Education programme to encourage enrolment of children, to increase attendance rate and to reduce dropout rate will continue. However, suitable changes in the programme will be made in future on the basis of the evaluation of the programme. Unfortunately, terrorism has polluted the sacred environment of educational institutions. Terrorism will have to be eliminated from educational institutions in national interest. We want cooperation of the opposition in this respect and we want to initiate definite programme on the basis of national consensus.

37. Health for all is one of the basic objectives of this government. Bangabandhu's government took an initiative for setting up health complex in each union and modern hospital in each Thana. This programme could not be completed in last two decades. Allocations for health and family welfare sectors have been increased. Total allocation for these sectors in the revenue and development budgets for the year 1995-96 was Tk. 1611 crore. This allocation is proposed to be raised to Tk. 1740 crore (8 percent) in 1996-97. Family Planning and Primary Health Care will receive special attention. Immediately after liberation Bangabandhu appreciated the urgency of family planning. We would, therefore, like to intensify family planning programmes.

Mr. Speaker,

38. This democratic government is indissolubly linked to the soil and people of this country. The protection of the environment is therefore, a sacred duty of the government. Effective measures will be taken for the implementation of the long term plan for national environment management. Poverty and environmental pollution has created a vicious cycle.

Environment is polluted by poverty and environmental degradation in turn compounds poverty. In some cases externalities of projects of neighbouring countries have harmful effects on our country. We would take measures for the protection of environment both at national and international levels.

39. At the centre of all activities of this government are people. Poverty alleviation is our main goal. Allocations totalling Tk.4763 crore in agriculture, rural development, flood control, primary education, rural electrification and health and family welfare will contribute directly to alleviation of poverty in rural areas. However, economic development is not by itself sufficient for eradication of poverty. Measures will have to be taken for the transfer of resources to the ultra-poor. I propose to allocate Tk.1070 crore outside the ADP for food assistance to the needy. This allocation will be used to provide



Leader of the Opposition in Parliament Begum Khaleida Zia looking at the budget papers during presentation of the national budget at the Jatiya Sangsad yesterday.

— Star photo
9.15 lakh metric tons of foodgrains to the poor through Food for Works, Vulnerable Group Development, gratuitous relief, and test relief programmes. Furthermore, projects have been undertaken with the assistance of UNICEF and IDA to provide nutrition to malnourished. The provision of food, change in food habit, reduction of malnutrition of mothers and children are the main objectives of these projects. In the initial stage of these projects, a sum of Tk. 13.17 crore has been allocated for the FY 1996-97. In addition to these projects, a block allocation of Tk. 100 crore has been made for new poverty alleviation projects in FY 1996-97.

Mr. Speaker,

40. Article 20 of the Constitution of the People's Republic of Bangladesh lays down that work is a right, a duty and a matter of honour for each citizen who is capable of working. The generation of employment is, therefore, a sacred responsibility of the Government. It is not possible, however, to create new jobs in the government sector. It is, therefore, essential to increase rapidly the opportunities for self-employment. Bangladesh has played a leading role in generating self-employment through micro credit. Experience suggests that micro credit contributes to flowering of the creativity of the poor and to alleviation of poverty. Palli Karma Sahayak Foundation (PKSF) has already been set up to provide finance for micro credit. The Government has already provided Tk.135 crore to the Foundation as capital. In 1996, the World Bank has signed an agreement to provide Tk. 441 crore to the PKSF. It is, therefore, expected that the activities of this foundation will be significantly expanded in the current year. It is also expected that the NGOs, with external assistance received with the approval of the government, will invest about Tk. 1000 crore in poverty alleviation projects.

41. A number of government departments and agencies such as youth department, social welfare department, department of women's affairs, Bangladesh Rural Development Board and Bangladesh Small and Cottage Industries Corporation has launched micro credit projects. Funds provided by the government are being used as revolving fund. We have received proposals for expansion of these programmes. There is as yet no central agency to enforce financial discipline in these programmes. As these departments and agencies do not follow the set procedures of PKSF, it is not possible to bring these programmes under the umbrella of PKSF immediately. Measures will be taken to supervise the government loans provided for micro credit. With a view to expanding micro credit in the government sector, it is proposed to allocate Tk. 100 crore from revenue and development budget as the capital for the proposed supervising organization.

42. The comprehensive development of women and children is one of the priorities of the government. We are pledge-bound to take effective measures to prevent oppression of the women and to remove social disparity. The revenue and development budget allocation for programmes of the women and children are proposed to be increased by 15 percent and raised to Tk. 52 crore. In conjunction with government activities, we will support the initiatives of the NGOs. Taking into account the tremendous potentialities of the youth, total allocation for youth development in revenue and development budget is proposed to be raised from Tk. 83 crore to Tk. 150 crore.

43. As the embodiment of the spirit of liberation war and the forerunner of the democratic movement, Bangladesh Awami League had always been intimately associated with all progressive cultural movements. One of the main objectives of this government is the spread and development of our own culture. Total allocation for sports and culture in the revised ADP of 1995-96 was Tk. 12.44 crore. I propose to raise this allocation to Tk. 31.28 crore for the FY 1996-97.

Mr. Speaker,

44. The inadequacy of resources is obviously a major economic problem in Bangladesh. However, the economists consider wastage of resources as a serious obstacle to development. The culture of wastage was nourished in the backdrop of bad governance. Many development efforts turned into exercises in futility in the quicksands of corruption and rent-seeking. In the past, terrorism paralysed law and order administration. Authority was gradually centralized. Upazila parishads were abolished. Elections to district councils were deferred. The authority of lower levels of the Government was usurped by the higher level. In this administration, people had no effective participation in development activities. Programmes undertaken by the Government did not, therefore, yield desired results. We are confident that the same amount of resources will yield higher growth rate in the environment of democratic good governance.

45. Thomas Jefferson, one of the leaders of American War of Independence, used to say that governments degenerate when power is concentrated in the hands of one, few or the elites. The antidote to this degeneration is ensuring the participation of each citizen in the activities of the state. Bangabandhu, the Father of the Nation, used to dream of this type of decentralization. The present government will take effective measures for decentralization of authority in the

quickest possible time. In the near future, more authority will be delegated to local government. The necessary power and authority at union, upazila and zila levels will be handed over to elected representatives. We will ensure accountability, responsibility and efficiency of the central government. We are pledge-bound to accelerate economic development through good governance. We hope that public servants will come forward voluntarily to discharge their responsibilities. Taking into account the problems of the employees and officers covered by national pay scale, the Government has already decided in principle to set up a Pay Commission. Necessary steps will be taken shortly.

Mr. Speaker,

46. Bangladesh will enter the 21st century under the stewardship of the present government. The twenty first century will not be a mere new page in the calendar. The beginning of the new century will witness revolutionary economic, scientific and technological changes. A new global economic order is gradually unfolding. By overcoming geographical distance, information highway is linking all nations in an indissoluble bond. Globalization has opened a window of opportunity for resource-poor countries like Bangladesh. We must avail of this opportunity. But this cannot be accomplished by government alone. The creative entrepreneurs will have to be linked to the process. NGOs and people's organizations will have to come forward. Together we will have to build Bangabandhu's Sonar Bangla. We will have to move in unison with the rest of the world. We must not be a prisoner of old ideas. We will remain steadfast in our goal for alleviation of poverty in the shortest possible time. However, we will change our strategy with the transformation of the global economic system. We will always remember the warning of the great statesman John F. Kennedy, "Change is the law of life. And those who look only to the past are certain to miss the future".

47. In today's world, we are witnessing a transition from the capitalist society to a knowledge society. In this new society capital, natural resource or labour is not the main determinant of economic growth. In the competitive world, only those will survive who can come forward with new ideas and initiatives. History suggests that the Bengalis reached the pinnacle of wealth in the past. We are confident that there will be a rebirth of the creativity of the people of Bangladesh under the leadership of this government which was elected by the people through a democratic process. We are, therefore, optimistic about the future of Bangladesh.

SECOND PART

FISCAL MEASURES

Honourable Speaker,

In the first part of my budget speech, I have highlighted the political philosophy and socio-economic priorities and strategies of the present government before this august Parliament. At the beginning of the second part of my speech, I wish to reiterate that alleviation of poverty, establishment of social justice and overall improvement in the standard of living of the common people are the topmost priorities of the present government. In this context, our main objectives are to infuse dynamism in the stagnant agricultural sector, enhance the growth of export industries and increase exports, develop domestic industries and achieve high economic growth through increasing productivity and creating opportunities for employment. There is no alternative to mobilization of adequate domestic resources for achieving high growth rate and maintaining macro economic stability. Having relied so heavily on external resources, it turned out that the growth rate achieved by us is not at all sufficient for over all economic development and poverty alleviation. In the mean time, the prospects for mobilizing external assistance are declining while the conditionalities of assistance are becoming increasingly difficult owing to changing global scenario. Side by side, the burden of external debt is also increasing rapidly. Above all, no self-respecting nation can afford to rely solely on external assistance for economic development. We, therefore, have to make every effort in order to establish a self-reliant economy by reducing our dependence on external assistance. We have to assume the full responsibility of building up our future by mobilizing the required amount of domestic resources.

Honourable Speaker,

2. The resources mobilized domestically in our country is inadequate compared with the requirement. A major part of this comes from the taxes. At present, the tax-GDP ratio in Bangladesh is 9.5 percent which is even lower than that of the other countries at similar stage of development. Like many developing countries of the world, a big portion of domestic investment comes from the public sector. Although the importance of the private sector in economic activities has increased significantly in recent time, the government still has a pivotal role to play in providing an enabling environment for investment through the building up required natural, social and physical infra-structures. Mobilization of huge domestic resources is essential for human resources development, productivity increase, creation of employment opportunities and alleviation of poverty. Resources are also needed for boosting the agricultural sector. The necessity for mobilizing a larger amount of resources is being more keenly felt in view of the urgency to give our shattered economy a strong foundation for bringing welfare to our common people. Keeping these considerations in view, the revenue target for 1996-97 of the National Board of Revenue has been fixed at Taka 13040 crore which is Taka 1740 crore higher than the target of the last year. The increase in this target is more than double the increase in the target of the previous year. Development programmes will suffer, economy will not gain momentum and our programmes for the alleviation of poverty will not materialize if the enhanced resources are not mobilized.

Mr. Speaker,

3. There may be apprehensions that the government will impose new taxes for generating this excess amount of revenue. But I would like to gladly inform this august Parliament that, in reality, although the revenue target has been increased, we neither propose to impose any new taxes nor do we intend to increase the rates thereof. On the contrary, in many cases we have proposed reductions in duties and taxes. Although, the duty rates for a few items have been proposed to be increased for the sake of protecting appropriate domestic industries, the revenue implication of this measure is insignificant. We have made efforts to increase revenue through rationalizing tax laws and structures, improving tax management and bringing dynamism in tax administration. In short, increase in efficiency of collection, simplification of payment procedure, reduction of discretionary power and closing the routes for evasion of taxes will constitute the main instruments for generating more revenue. Procedural improvement including the identification of new taxpayers will lead to increase in the collection of income taxes. At the same time, the collection of Value Added Tax will also increase as a result of some expansion in the tax base. The creation of a favourable environment through procedural simplification will vitalize trade and industry. In general, national income will increase due to the acceleration and expansion of economic activities. Thus, we hope that it will be possible to achieve the revenue target through increase in tax buoyancy.

4. Besides making the tax system truly effective for increasing resource mobilization, it is essential to make it conducive for employment generation, investment and productivity growth. With these ends in view, efforts have been made in this budget to incorporate appropriate tax and tariff incentives for the development of agriculture, export and domestic industries as well as other priority sectors of the economy. At the same time, care has been taken to ensure that resources are not diverted to unproductive sectors unnecessarily as a result of undesirable fiscal incentives. While preparing the budget, care has also been taken to ensure that no additional burden is imposed on low income people as a result of price increases.

Mr. Speaker,

5. Transparency and accountability in tax administration will be brought about to enlist cooperation of the taxpayers in collecting taxes, gain their confidence and remove confusions in matters of tax payment. At the same time, tax education and publicity programmes will be strengthened. To this end, a "Tax Advisory Center" has already been set up. It bears reminding that payment of taxes is an extremely noble task. An honest man is also an honest tax payer. It is necessary to extend proper respect to the tax payer in the society. It is also necessary to give recognition of his contributions to the development of the country. Above all, the tax payer has to be made conscious of his legitimate rights and responsibilities. He has to be encouraged to pay taxes spontaneously. At the same time, public opinion has to be mobilized to enable the tax collecting agencies to duly perform their lawful responsibilities.

Mr. Speaker,

6. Our government is committed to a free market economy and is determined to follow policies favourable for the promotion of exports. To

this end, we plan to accelerate the pace of the on-going trade liberalization. It has been observed from the experience of different countries that high tariffs and quantitative restrictions on imports are impediments to overall economic development. This only leads to setting up industries which are inefficient and incapable of competing in the international market. The interests of the general consumers are compromised because of the production of lower quality goods. Exports are also discouraged as a result of the high tariffs.

7. A global consensus has emerged on the merits of a liberalized trading system. The Uruguay Round Agreement concluded in the beginning of the last year bears testimony to this. In pursuance of this agreement, all the contracting parties will have to bring down their import tariffs steadily. As such, instead of shielding the domestic industries under the cover of high tariff walls, they will have to enhance their efficiency by increasing productivity and by adopting new technologies. I would also like to state emphatically that the present government will ensure the legitimate protection of industries promising potentials based on rigorous economic considerations. Our overall duty rates will have to be gradually lowered to keep pace with the tide of international trade, while safeguarding the legitimate interests of our domestic industry. Some people might legitimately think that we moved too fast in the past towards this goal. Many people also think that if we had adopted a more carefully planned three to five year customs duty reduction programme, it would have been possible for many of our domestic industries to successfully face competition. In view of the prevailing reality, we have to take all our preparations right from this moment to face a competitive international trading environment in the near future. The gradual reduction of duty rates will therefore continue having regard to our socio-economic realities, so that we are not caught unprepared at the time of the full implementation of the Uruguay Round Agreement.

8. Although imports will grow as a result of the gradual reduction of duty rates, overall, importance of import duties as a source of revenue will decline in future. Therefore, collection of income tax and Value Added Tax will have to be increased significantly in order to generate the required revenue.

Mr. Speaker,

9. At the preparatory stage of the budget recommendations received from different ministries, Bangladesh Tariff Commission and other agencies were duly considered. In order to make the budget people-oriented and to bring transparency in it, we have exchanged views with different chambers of commerce and industries and professional bodies. Their suggestions have received due consideration. Suggestions which had positive developmental implications have been accepted in spite of potential revenue losses. Steps have been taken to incorporate suggestions on which there was consensus. Suggestions on which there was serious disagreement could not, however, be incorporated. In some cases, there was demand for drastic reduction of duties and taxes. Some of these could not be implemented because of the compulsion to raise a target amount of revenue and the absence of any alternative source. In this connection we need to remember that, if there is a deficit in resources, macro economic instability may appear, much to our chagrin. At the time of budget preparation, I had discussions with my colleagues, professionals, economists, journalists, leaders of NGOs and representatives of donor agencies on the economic imperatives and development priorities of the country. I have tried my best to incorporate their valuable suggestions into the budget. In a way, the tax proposals of this budget and the efforts at procedural simplification could well be considered as the outcome of our collective thinking.

Mr. Speaker,

10. I would now place before this august Parliament the important tax proposals for the fiscal year 1996-97.

DIRECT TAX

Income Tax

Mr. Speaker,

11. Of all the direct taxes, income tax ranks foremost. Income tax is not only an important source of revenue, it also plays a crucial role in ensuring social and economic justice. To make the system more realistic and rational, we have proposed some changes in the existing income tax system. I will now discuss the salient features of the income tax related proposals.

Mr. Speaker,

12. At present, publicly traded companies and non-publicly traded companies are taxed at the rate of 35 and 40 percent, respectively, while the banks, insurance companies, financial institutions and non-resident companies are taxed at the rate of 47.50 percent. The taxation rates for the last category of companies is unduly high, this is discouraging both domestic and foreign investment. However, it cannot be denied that a substantial portion of income tax revenue comes from the corporate bodies. To rationalize the tax structure of different categories of companies and to encourage foreign investment in our development activities, we propose to reduce the tax rate of banks, insurance companies, financial institutions and non-resident companies from 47.50 percent to 45 percent. This will result in a revenue loss of Taka 17 crore approximately.

13. The present tax exemption limit for individual income is Taka 55,000/- in a year. We propose to raise this limit to Taka 60,000/- a year. This will give complete tax exemption to the lower income group people who currently pay a nominal amount of tax. At present, persons with income over Taka one lakh a year are required by the law to file statement of assets and liabilities with their returns. This limit of Taka one lakh was fixed in 1991. Considering the rate of inflation and to simplify the tax payment system, we propose to increase this limit to Taka two lakh. In other words, individual tax payers will not be required to file statement of



Deputy Leader of the Opposition in JS Prof Badruddoza Chowdhury talking with former Finance Minister M Saifur Rahman during yesterday's budget speech.

— Star photo
assets and liabilities along with their returns in 1996-97 assessment year, if their total annual income does not exceed Taka two lakh. In order to eliminate taxophobia and harassment, tax return form for the small income group has been drastically simplified. The size of the new form will be of one page only. The tax return forms for other tax payers have also been made systematic and simple. We believe that these measures will encourage tax payers to file their returns autonomously in time.

14. The existing income tax law provides that if a taxpayer files the return showing minimum 10 percent higher income over that of the preceding year and pays the tax due to him, his return will be accepted by the tax authority without any question. There is, however, a condition that increase in wealth will not exceed the increase in income. This condition has created some complications and tax payers do not feel inclined to file their returns under this simplified procedure. To avoid complications and to encourage the tax payers in filing their returns smoothly under the simplified procedure, we propose to withdraw the above condition.

Mr. Speaker,

15. Besides mobilizing more internal resources, two major goals of the present government are attracting more foreign investment and expanding export. Collection of tax at source on export is creating an adverse impact on the working capital of the exporters. To remove this difficulty and to encourage export, we propose to reduce the deduction of tax at source on export from the existing 0.50 percent to 0.25 percent.

16. Under the existing law, capital gain on sale of share listed with Stock Exchange is entirely exempt from tax while such gain on sale of bonus share is not. This is discouraging foreign investors. To encourage more foreign investment, we propose that henceforth capital gain on sale of bonus share will also remain exempt from tax.

Mr. Speaker,

17. There is no exemption limit specifically for agricultural income other than general exemption limit of Taka 55,000 a year. To support the farmers, it is proposed that Taka 40,000 from the income of persons whose only source of income is agriculture, will be tax-exempt. In effect, therefore, farmers depending on agricultural income only, will get an initial exemption of Taka 40,000 and a further exemption limit of Taka 80,000, as we have proposed earlier. For him the total exemption is Taka one lakh a year.

Mr. Speaker,

18. Under the present law, a tax payer at the time of appeal to the



Appellate Tribunal, is required to pay 50 percent of the difference determined on the basis of the order of the first appeal and the tax payable on the basis of the return. Considering that payment of this amount of tax, in many cases, creates hardship for the tax payers, I propose to reduce the amount of tax payable from 50 percent to 40 percent to mitigate their hardship.

19. According to the present law, in determining the income of the banks, a sum equal to 5 percent of the total outstanding loan including interest thereon or the amount of actual provision for bad and doubtful debt and interest thereon, whichever is less, is allowed as business expenditure, provided such loans are classified by the Bangladesh Bank. At the same time, the amount of interest which is not brought in the profit and loss account and kept in the suspense account by the banks considering their remote chance of realization, is added to the disclosed income of the banks. Taxing such interest has resulted in heavy financial burden for many banks. Considering it unfair to tax an income which the banks do not get and which is hardly realizable, we propose that henceforth, only such interest which the banks show in their profit and loss accounts will be taxed. However, interest kept in suspense account and realized in a subsequent year, will be taxed in that year as per law.

20. According to the existing rules, government, semi-government, autonomous bodies and NGOs are required to deduct tax at source from house rent above Taka 7500 per month payable to the land lords. This limit was fixed in 1992. Considering the inflation, we propose to increase this limit to Taka 10,000. In addition, it is proposed that flats, received from the land development and construction companies in return of land, will be considered as investment. Under the existing law, there is a provision to collect tax at source at the rate of 3 percent of the sale value of goods and properties sold in public auction. To broaden the base of withholding tax, we propose that the laws and rules relating to public auction will also be applied to goods and properties sold through sealed tenders.

21. At present, there is provision for tax holiday to manufacturing industries, tourism industries, and organizations providing infrastructure facilities. But there is no provision to allow tax holiday to any expansion units of such organizations which are not enjoying tax holiday. To remove this discrimination and considering the greater interest of industrialization, we propose that tax holiday be extended to the expansion units of all such organizations.

22. According to existing law, only the serving Commissioners of Taxes, chartered accountants and cost and management accountants are eligible for appointment to the post of accountant member of the Taxes Appellate Tribunal. In practice, this creates difficulties in the appointment of members. In order to make the Taxes Appellate Tribunal effective, it is necessary to appoint experienced and skilled officials. With this end in view and to simplify the process of appointment and posting of members, it is proposed that henceforth retired members of the National Board of Revenue or the retired Commissioners of Taxes will also be eligible for appointment to this post. At present, only the judicial members of the Tribunal are eligible for the position of President of the Tribunal. It often happens that, due to this provision of law, persons junior to the accountant members are appointed as the President of the Taxes Appellate Tribunal. To remove this anomaly, we propose to introduce the provision for appointment of any member as the President of the Tribunal.

23. Currently there is a provision to send to the assesses the assessment orders which have been assessed under the section 83 or where assessments have been revised on the basis of orders of the appellate authorities within fixed time limit. There is, however, no fixed time limit for sending assessment orders assessed under other provisions of law. To avoid unnecessary delay in sending assessment orders done under other provisions and to introduce a time limit, it is proposed to make necessary amendments in the relevant rules.

24. Tax payers are required to pay 15 percent of the tax payable or tax payable on the basis of the income shown in the return, whichever is higher, for filing appeal against the orders of the Deputy Tax Commissioner. If they do so, the law provides they will not be treated as assesses in default and no action can be taken against them for collection of taxes. However, there is no provision specifying the time within which such 15 percent of tax is to be paid. This has an adverse effect on the revenue collection. To overcome this, it has been proposed that the tax payers will pay 15 percent of the tax demanded before filing the appeal.

Mr. Speaker,

25. The main objective of the proposed amendments in the income tax law and rules is to ensure mutual trust between the tax payers and tax administration, to create a conducive environment for investment, to widen the tax base and to mobilize more domestic resources at an accelerated pace. I believe that with the liberalization of the income tax law and rules, an environment will be created where the tax payers will themselves come forward to pay their due share to the government without being coerced by the tax administration. Our main thrust, however, will be to increase the ratio of income tax collection to the overall revenue and we will continuously endeavor to improve the existing tax situation.

Gift Tax

Mr. Speaker,

26. To avoid misinterpretation and to define donee organizations in such a manner that it would obviate the need to take the approval of the National Board of Revenue, we propose to amend the relevant clause of the Gift Tax Act of 1990. As a result, payment of tax will be made easier and scope for tax evasion will be minimized.

INDIRECT TAXES

Import Duty

Mr. Speaker,

27. In order to make the customs administration more effective and dynamic, certain changes in the Customs Act are being proposed. For increasing the efficiency of customs officials, I propose an amendment in the Customs Act thereby requiring the officials of Income Tax, Value Added Tax, Scheduled Banks and the Department of Narcotics Control to assist customs officials in their performance of duty. At present, there is a provision for appealing to the National Board of Revenue against the certificates issued by the Presumptive Inspection Agencies (PSI). On the other hand, all other activities relating to appeal cases are dealt with by the Appellate Tribunal. Under the circumstances, for speedy and neutral disposal of the PSI related appeal cases, necessary amendment in the Customs Act has been proposed for transferring these cases to the Appellate Tribunal.

28. At present the PSI system is mandatory in case of imports through all Land Customs Stations other than Benapur and Tamali. To extend this facility to the northern part of the country, I propose to withdraw the requirement of mandatory PSI in case of Hali (Dinapur) and Sona Masjid (Rajshahi).

Mr. Speaker,

29. I will now present the salient features of the proposals relating to customs duty. In keeping with the global trade liberalization, the highest rate of customs duty is proposed to be reduced from 50 percent to 45 percent. This will cause a revenue loss of Taka 22 crore. But, while giving protection to goods produced in large quantities domestically, supplementary duties equal to, and in only a limited number of cases, more than the amount of reduction have been proposed in case of goods on which higher duties were imposed because of religious and social reasons and also because some of these are luxury goods.

30. Because of the neglect and indifference shown in the past few years, stagnation has marked the agricultural sector. Since one-third of the national income is accounted for by agriculture, overall economic development of the country is not possible without progress in the agricultural sector. In our election manifesto, agriculture is one of the top