

Brief Commentary and Reflections on Finance Bill '96

by Mushtaq Ahmed, FCA

THERE is no denying the fact that without reforms the condition of the masses can not be improved. All reforms are hard and need sacrifices from the people and courage for sustenance from the administration. The new administration has come to power through people's mandate. People will generally support the reforms and even undergo hardships now. In another year's time, the initial euphoria may be over and then it will usually be late to introduce reforms. However, a close look at the parameters of the budget will surprisingly reveal that the new administration's vision is rather missing in respect of (i) disposal/down sizing of state-owned enterprises (SOEs), (ii) privatisation, (iii) infrastructure development, (iv) attracting foreign and private investment in energy, telecom, etc. (v) harnessing national savings, (vi) handling the continuing operational losses and erosion of capital bases of nationalised commercial banks (NCBs), presently borne by the country's tax payers, and cornering the loan defaulters, (vii) putting the parallel economy of undeclared income into country's use and well-being, (viii) starting taxing large agricultural income realistically, etc. People had, on the other hand, expected some future directional sense in the budget to overcome these chronic problems causing constant fissures in the basket of our scarce resources.

other chance by strengthening the planning system and by toning up the management in the nationalised sector. It is not clear why and with what favourable signals the SOEs have been given another chance of wasting scarce national resources considering their past record of having an unsatiable appetite for gobbling public money and creating insurmountable mountains of losses.

Allocation of agricultural subsidy fund of Taka 100 crore for poverty alleviation and another Taka 100 crore for micro-credit: Manifest uses of the agricultural subsidy fund of Taka 100 crore have been planned as subsidisation/rehabilitation of (a) 80% cost of farm irrigation and other agricultural machinery through the channels of participating banks, (b) farmers affected by natural calamities, (c) agricultural output and input prices, (d) cost of fuel and infrastructure for use of irrigation equipment through command area development, (e) cost of urea fertilizer, and (f) development of fishery and livestock subsectors.

It is also proposed to allocate another fund of Taka 100 crore budget to overcome these chronic problems causing constant fissures in the basket of our scarce resources.

of initial public offering to encourage participation of non-resident Bangladeshis in primary public shares. This is a very welcome move and should yield positive results.

Direct Taxes — Income Tax

Corporate tax rates: Keeping intact the existing tax rates of 35% and 40% respectively for publicly traded companies and non-publicly traded companies, the rate of 47.5% for banks, insurance companies, financial institutions and non-resident companies has been slashed down by 2.5% to 45%.

The tax rates are still high and their multiplicity is confusing. It was expected that these rates would be uniformly brought down in the vicinity of, say, 30% or so generally at par with other fast developing countries in the region. Further, why should the banks, insurance companies and other financial institutions and, specially, the non-resident companies be discriminated against and asked to pay an additional 5% tax compared to other local

companies? This will shy away the foreign investors.

Enhancement of individual annual tax exemption limit by Taka 5,000 to Taka 60,000: This is inadequate. Existing trend of market prices of essentials for bare survival demands its fixation at least at Taka 100,000. This would have been at par with the total annual exemption of Taka 100,000 already allowed now in case of agricultural income.

Acceptance of individual returns with declaration of 10% higher income compared to previous year: Under the existing law, such an acceptance, without raising any question, was conditional to equation of this 10% increase in total income with increase in total wealth which frustrated the very purpose of this incentive. That condition has now been withdrawn and intent of the initial incentive restored in full.

Reduction in rate of withholding on export earnings: This has been reduced from existing 0.50% to 0.25%. This

should be welcomed by our exporters. However, why not get rid of this withholding and make all export earnings free of tax? We need foreign exchange.

Full exemption of capital gains on sale of bonus shares: Capital gains on sale of bonus shares, so long taxed, has now been made fully exempt at par with such gains on other shares listed with company's stock exchanges. This ought to further activate the stock market and attract both local and foreign investors.

Enhancement of annual exemption limit for agricultural income: This has been raised from Taka 55,000 to Taka 100,000 per year providing a significant boost to economic activities centring on agriculture.

Reduction of mandatory payment prior to filing an appeal to the Appellate Tribunal: There is a requirement to pay 50% of the difference determined on the basis of the order of the first appeal and the tax payable on the basis of the return prior to filing an appeal

with the Appellate Tribunal. The percentage has now been brought down to 40% as a relief to the assessee's cash flow.

Stopping the taxing of banks' doubtful interest income falling due on overdue and stuck-up loans, but making it conditional to non-allowance of the bad debts: There was a time (prior to passage of June 1990 budget) when, albeit followed since long, all provisions made in the books of account of banks were summarily disallowed for tax assessment purposes. One can see how big a damper it was for the banks in accounting as an expense their known debt losses thereby inflating both their profits and the loan portfolios with all their inherent ramifications. In the June 1990 budget this disincentive was removed from our tax laws and a tax deduction for bad debt provisions, based upon the classification and approval of Bangladesh Bank, was allowed to the banks up to a maximum of 4.50% (increased to 5% in 1994) under section 29 (xviii) of the Income Tax Ordinance 1984 on the condition that such a provision is actu-

ally made in the books of account. Almost concurrently, Bangladesh Bank mandated that all doubtful interest income be no more accounted for as income in the banks' profit and loss accounts but be kept hanging in balance in Interest Suspense Account until actually realised in cash from borrowers making it then qualified to be treated as income and thus accounted for in the banks' books of account as well as profit and loss accounts. But the tax department started, and to date continues, the practice of adding such doubtful, national and unreal income to the actual and realised income of the banks and equally taxing the sum of the two types of income — one unreal, the other real.

Considering this tax treatment as highly unfair it has now been decided under section 28 (3) not to tax such Interest Suspense any more. Up to this, the decision was fully justified and very fair — although long overdue. But, surprisingly, the justice done with one hand has been, at the same time, taken away by the other. Now the decision not to tax Interest Suspense has been made conditional to not allowing the legitimate deduction of 5% provision for bad debt by adding a fresh provision to the said clause (xviii) of section 29.

What has therefore happened is that insertion of the said proviso has negated the whole thing by equating Interest Suspense with provision for bad debts made in the books of account of the banks thereby taking the matter back to the proverbial square one. It must be realised that a bank's claim for provision incorporated in its profit and loss account has absolutely nothing to do with its Interest Suspense not incorporated in its profit and loss account does not include Interest Suspense. The two elements are two different things and attempting to counter or balance one with the other is not only illogical and unfair but wrong.

Extension of tax holidays to expansion units: In fulfillment of a long-overdue and oft-repeated demand of industries, the incentive of tax holiday, upon compliance of prescribed conditions, has been extended to expansion of existing industrial undertakings. This is sure to attract and encourage both foreign and local investment.

Scope of appointment of Accountant Member of the Appellate Tribunal extended for retired members of National Board of Revenue: The scope of filling in the post of Accountant Member of the Appellate Tribunal by serving Commissioners of Taxes, chartered accountants and cost and management accountants has now been extended to include retired members of the National Board of Revenue and retired Commissioners of Taxes. In the same vein, the position of President of the Tribunal, so long filled in only by the judicial members of the Tribunal, has now been permitted to be also filled in by any member of the Tribunal. These steps, specially the first one, are likely to create some controversies as the strict requirements of candidature are going to be somewhat diluted to accommodate certain categories of retired government of-

Indirect Taxes — Import or Customs Duty

Appeals against certificates issued by the Fresh Import Inspection Agencies: The forum for filing such PSI-related appeals has now been shifted from the NBR to the Appellate Tribunal for the sake of uniformity as all other appeals are handled by the AT. Along with this, mandatory PSI requirement for imports through land routes in case of Hill (Dinajpur) and Sona Masjid (Rajshahi) is being withdrawn at par with this kind of exemption already allowed to Benapool and Tamabil.

Reduction in highest rate: The highest rate of customs duty has been brought down from 50% to 45% to accelerate the pace of imports for trade and industry. It needs further lowering the maximum rate in concert with other fast developing countries in the region. Bangladesh has to appear competitive. Local industries will have to become competitive and producers of good quality products. Visionless defence of local consumer industries is economically folly. Conditions must be created where those desirous of survival should be competent.

Computers (specially PCs, etc.) need to be made tax-free.

Value-added Tax (VAT)

Expansion of the VAT collection net: VAT is collected at present only at the import and production stages. It is now being, step by step, expanded up to supplies at wholesale and retail levels.

At present VAT is levied on 29 types of economic services. It is now being extended to include services rendered by shipping agents, audit and accountancy firms of chartered accountants, consultancy and supervisory firms, leasing companies as well as traders in motor cars, air conditioners, dish antennas, etc.

Among the professionals only chartered accountants and consultants have been brought under VAT. It is highly unfair that other professionals like doctors, engineers, lawyers, etc. have been left out. They should be likewise included.

Administration: It's good that steps are being taken to streamline administration, such as — extension of facility for the use of locally made capital machinery in the export oriented industries; depositing on time with the government exchequer VAT collected by authorised persons and agencies; displaying important government orders; making inspections systematic, result oriented and transparent; allowing submission of returns by the registered units on quarterly basis in case of construction firms, export-oriented industries and brick manufacturers, and those engaged in seasonal activities, in order to reduce their paper work; mandatory mention of Tax Identification Number (TIN) in the application form for VAT registration and in the VAT registration certificates for strengthening cross-checking and verification.

Court Fee Act

Advance payment of court fees for collecting succession certificates: This system of payment is being abolished to provide relief to successors in distress in collecting their succession certificates.

The writer is a tax consultant.

Enclaves: Islands of Miseries

by Shahiduzzaman and MM Islam

THEY are Bangladeshis, but they hardly belong to Bangladesh. Because they live in enclaves encircled by Indian territories. "We are not allowed to travel to our mainland. Thus we are condemned to live in isolation," said a resident at a Bangladeshi enclave along the Kurigram frontier.

India has also a number of enclaves within Bangladesh territory. But there the plight of residents is not as widespread as that of Bangladeshis. The Indians are almost free to move both into India and Bangladesh because Bangladesh does not have enough guards to control them. But India has a tighter control over Bangladeshis with forces four times higher than Bangladeshis.

An enclave means the territory of a state surrounded by another state. Though international rules provide for free movement of enclave people to their mainland, these are hardly maintained. In this case by Indians.

Consider the case of Dahagram-Angorpota, which were isolated from the mainland for long 45 years until recently when India allowed the enclave residents to use the Tin Bigha corridor.

The people of these enclaves have been lucky. But Bangladeshis in other enclaves continue to live a miserable life with access to no civic facilities, health care, education, shopping and socialising. Bangladesh has about 90 enclaves within the Indian territory, while India has about 130. This is the legacy of the British rule in the subcontinent. In demarcating the border little attention was paid to the plight of the people who were condemned to live in enclaves.

Since its independence Bangladesh has tried to resolve the problem. But always had a lukewarm response from India. Thus the enclave people, isolated from the mainland, continue to suffer. They can't travel to the mainland because

of restrictions imposed by the Indian guards. Bangladeshis officials are also not always allowed to visit their own territories.

There have also been instances when Indians prevented emergency Bangladeshis patients from going to the mainland hospitals. "The Indian BSF go by their own rules. They don't care if we are seriously ill or dying from accidents," said Abdul Hakim, another enclave dweller.

Most of the enclaves are located along Rangpur-Kurigram-Lalmonirhat frontier. Of the total enclaves here, about 50 Bangladeshis enclaves fall in Indian territory while some 68 Indian enclaves fall in Bangladesh.

Bangladesh has only two battalions of BDR guards along the 597 km border in Kurigram and Lalmonirhat districts. On the contrary India has eight battalions of BSF along the same area. In addition, India has fenced about 40 km of the border with barbedwires.

Peculiarities also exist in structure of some of the enclaves. There are a good number of Bangladeshis enclaves in Indian territories which also contain Indian enclaves within themselves. Excepting Dahagram-Angorpota, the 32 enclaves in Lalmonirhat consists of 32 acres of land with 950 population. There are about 17 enclaves in Kurigram which consists of 2,651.3 acres of land with 12,230 population.

More than 13,000 population, living in these enclaves, are living in wretched conditions. They do not have any police station, not to speak of the civic amenities such as health-care, schools and transport.

Although Bangladeshis people are barred from movement to and from the enclaves, the Indian people have free access to everywhere. Even many of them doing their day to day business in Bangladesh terri-

ries including schooling of their children.

Ramdas, a middle-aged fish seller from the Indian enclave of Dasier Chara has no problem in doing his business at Ganjerhat in Kurigram district. "Our family has all our businesses at Ganjerhat," Ramdas said. "We don't find any problem in coming to Bangladesh."

"I do not know which country I belong to. But I roam around freely," said Dabal Das who also hails from Dasier Chara enclave and lives on begging on Bangladesh land.

Trapped in a vicious circle, many of the inhabitants, living in the enclaves, are not even aware of their nationality. Their world ends with the boundaries of the enclaves. They are like those who live in isolated islands.

If they try to venture out of their enclaves to come to the mainland, they are caught by the BSF guards. A group of young Bangladeshis who recently fled their enclaves told their tales of miseries and persecution.

"We don't feel that we belong to Bangladesh. We had never had our freedom. There are beatings, and other forms of torture by the BSF if we try to leave our enclaves," said one of the young men, who now are afraid of returning to their enclave.

Indian enclave "Dasier Chara," of 1954 acres of land with 10,500 population, is 1200 yards inside Bangladesh territory from Ganjerhat border checkpoint in Kurigram. The Indian enclave contains another enclave "Kuti Chandrakhana" which belongs to Bangladesh. But the enclave dwellers are unable to come out to the mainland, crossing the Indian enclave.

Like Kuti Chandrakhana, another Bangladesh enclave "Batrigach" falls in Indian territory. Resident there are also facing the same situation.

"Chhit Karala" is the nearest

Bangladeshi enclave located in Indian territory. Situated on 427 acres of land with about 1000 population, the enclave is believed used as a strong hold by Indian criminals. Many a convicted offenders and gangsters also take shelter in this enclave when they are wanted by the authorities.

"We cannot take action against them, as Indian permission is needed to go to the enclaves and sometimes flag meetings are required. Meanwhile the culprits manage to go into deep hiding," said a local Bangladesh official, who spoke on condition of anonymity.

Thus the enclaves have also turned into dens of crimes such as smuggling.

Most of the people living in the enclaves are poor and hit hard by frequent flooding. To ek out a living very often they try to go into the mainland, but their hopes remain flimsy due to interference from the Indian authorities. As a result they often resort to smuggling.

People purchase and sell commodities using currencies of both countries. However, most of the commodities being traded are of Indian origin.

"The enclave people are listed as voters in Bangladesh, but most often than not many of the voters can't cast their ballots. However, it appears now that some Indian leaders are finally recognising the plight of the enclave residents. In a recent letter to the federal United Front government in India, West Bengal Chief Minister Jyoti Basu called for exchange of enclaves between his country and Bangladesh.

His statement is significant because Jyoti Basu's CPI (M) party is a partner in the Indian coalition government headed by Prime Minister HD Deve Gowda.

Is India undergoing a change of heart? The sooner it comes the better for Bangladesh.

— NEWS NETWORK

The Daily Star Entertainment Guide

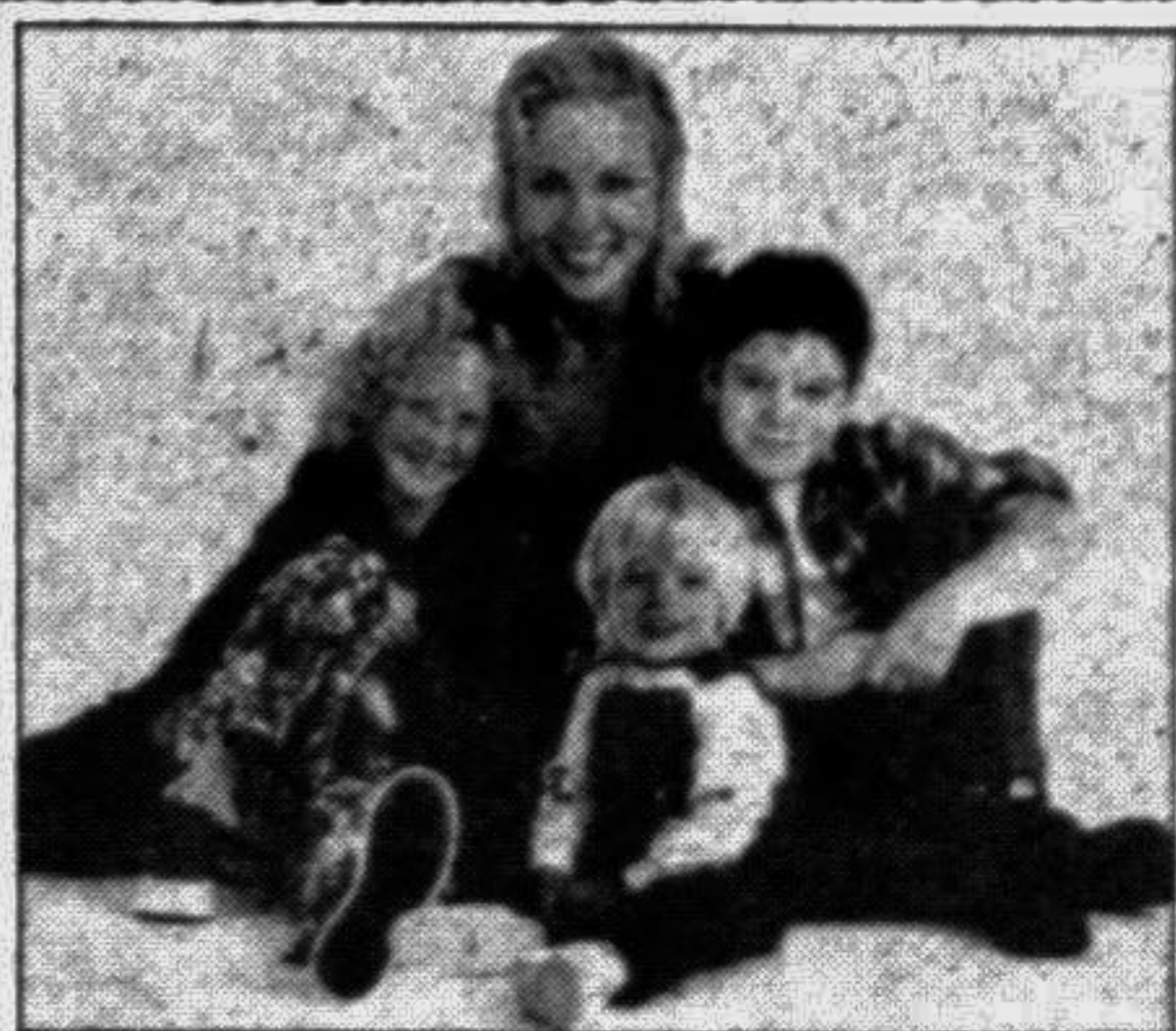
Monday 2nd September
(All programmes are in local time. There may be changes in the programmes).

BT

3:00 Opening Announcement
3:10 Quran Programme Summary
3:15 Cartoon Film: Macaron 3:45
Drama series: Ratselact of
Selected Dramas 4:00 News in
Bangla 4:45 Esho Gan Shikhi
5:00 News in Bangla 5:25
Nazrul Songs 5:50 Sports
Programme 6:00 News in Bangla
6:30 Shikharangam 7:00 The
News 7:05 Open University
7:25 Animate-News 8:00 News
in Bangla 8:40 Package Drama
10:00 News in English 10:30
Shasthattha 10:35 Sukher
Thikana: Family Planning
Programme 10:55 Comedy series:
Coach 11:30 News in Bangla
11:35 Tuesday's programme
11:40 Close down

BBC

6:00 BBC Newsroom Inc. World
Business Report/Asia Today/24
Hours 9:00 BBC World Head-
lines 9:05 The Money
Programme 10:00 BBC Newsday
1:00pm BBC World News 1:15
The Money Programme 2:00
BBC World News 2:30 Time
Out: Jeremy Clarkson 3:00
Worldwide 3:00 BBC World News
3:30 Time Out: Raymond's
Blanc Mingo 4:00 BBC News-
desk 6:00 BBC News Headlines
6:05 Correspondent 7:00 BBC
World News 7:15 World Busi-
ness Report 7:30 BBC News-
hour Asia & Pacific 8:30 Time
Out: The Sky At Night 9:00
BBC World News 9:15 The
Money Programme 10:00 BBC
World News 10:30 Time Out:
Tomorrow's World 11:00 The
World Today 1:00 BBC World
Headlines 1:05 The Money
Programme 1:50 Earth Report
2:00 BBC World News 2:30
Time Out: The Travel Show
3:00 BBC World Report Inc.
World Business Report/24



Grace under Fire on Star Plus, Tonight at 1:00

Hours 5:00 BBC World News
5:10 Newsnight

CHANNEL V

6:00 Frame by Frame 7:00
Rewind VJ Sophia 8:00 Jump
Start VJ 8:30 Frame by
Frame 11:30 The Vibe VJ Luis
12:30 By Demand VJ 1:00
Rewind VJ Sophia 2:30 First
Day First Show 3:00 Sansul
Mangta Hai 4:00 Planet Ruby
4:30 By Demand VJ 5:30 Ever-
ready red alert 7:00 Big Bang
VJ Alessandra 7:30 Everready
red alert 8:00 Planet Ruby 8:30
Everready red alert 8:33 The
Vibe 9:00 BPL Oye! 9:30 Ever-
ready red alert 9:33 BPL Oye!
10:00 First Day First Show
Launch Pad VJ Sophia 11:30
Everready red alert 11:33 The
Ride VJ 12:00pm Over
The Edge VJ Sophia 12:30 Big
Bang VJ Alessandra 1:00
Hayash 2:00 By Demand VJ
Trey 3:00 Big Bang VJ Alessan-
dra 4:30 Asian Top 20 VJ Trey

STAR PLUS

6:30 Voltorn 7:00 Teenage Mutant
Ninja Turtles 7:30 G J Joe

STAR Sports

6:00 Live US Open Tennis
1996 From Flushing Meadow,
New York, USA Day 7 Night
Time Session Women's Round
4 Men's & Women's Doubles
Round 3 Mixed Doubles-Quar-
ters 9:00 Tiger Cup 1996
Group B Singapore vs Malaysia
From Nat. Stadium 11:00
Gillette World Sport Special
11:30 Marlboro League '96
Chinese National Football
League Shanghai vs Tianjin
1:30 Sports India 2:30 The
Asian Football Show 3:30 US
Open Tennis 1996 From
Flushing Meadow, New York,
USA Day 7 Night Time Session
7:00 Same Day Delay Tiger
Cup 1996 Group A Cambodia
vs Vietnam From Jurong 9:00
Live US Open Tennis 1996
From Flushing Meadow, New
York, USA Day 8 Men's & Women's
Round 4 4:00 Trans World
Sport 5:00 Futbol Mundial

STAR MOVIES

7:30 Horror The Sitter 15
(Arabic Subtitles) 9:30 Adventure
Remo Williams: Unarmed



Andaz on Zee TV, Tonight at 12:30

ZEE TV

6:00 The News 6:30 Jagran
7:00 A to Z of Computer 8:00
ZEE Education Programme 8:30
Dream Merchants 9:00 Hum
Zameen 9:30 Gaane Anjaane
10:00 Zaka Ka Safar 10:30
Salleh 11:00 Apna Ghar/Dak
Ghar 11:30 Gopaljee 12:00
Janbaaz 12:30 Shuno Shuno
Tring 1:00 A to Z of Com-
puter 1:30 Asian Sky Shop 2:30
Ara 3:00 Film Chakkar 3:30
Mere Ghar Ana Zindagi 4:00
Mare Ya Na Mare 4:30 Vimal
Naye Tarane 5:00 A to Z of
Computer 5:30 Akbar Birbal
6:00 Cartoons 6:30 Positive
Health Show 7:00 ZED 7:30
Gaane Anjaane 8:00 TMKB
8:30 TVS Sa Re Ga Ma 9:15
Akai Jhalak 9:30 Campus 10:00
Daraar 10:30 The News 11:00
No Problem 11:30 Close Up
Antakshari 12:00 Parivartan
12:30 Andaz 1:00 9 Malabar
Hills 1:30 Tumhare Uye 2:00
Ru 2:30 TMKB

PTV

8:00 am Tilawat Aur Tarjuma
Hamd/Naat 8:20 Cartoon 8:30
Khabraan 8:45 Ab Pata Challa
9:05 Khat Farmaish 9:20
Gargam Sargam 9:45 Naaj-Bil-
Ghiza Pakistan 10:05 Shaab
Daagh 10:35 English Film: Good
Troop 10:55 Milli Naghma
11:00 Khabraan 11:10 The

SONY ET

8:30am Yaadon Ki Baar 9:00
The Three Stooges 9:30 Den-
nis The Menace 10:00 Dream
Of Jeannie 10:30 Raja Rani
Aur Joker 11:00 Cover Story
Hostel (Serial) 11:30 Cine Ma-
nee-Hindi Feature Film 2:30
Kismet 3:00 Zamin Asman 3:30
Mere Message Meri Geet 4:00
Surf-Wheel Of Fortune (Game
Show) 4:30 The Razer Show
5:30 The Three Stooges 6:00
Mere Message Meri Geet 6:30
Dennis The Menace 7:00 Pre-
mier 7:30 I Dream of Jeannie
8:00 Surf-Wheel Of Fortune
8:30 Taak Jhaank 9:00 Jevan

DD 7

10:30 Jaymadini 10:35 Educ
Folk Songs 12:30 Ek Sapna
Gaan 1:00 Janani 2:30 Ek
Duniya 3:00 Olan Nye
Darpan 3:30 Iraha 5:05 Nepal
Programme 5:30 News 5:35
Desh Badshah Khela 6:00 Palli
Katha 6:30 Batayan 6:55 Arati
7:30 Bangla Sambad 7:55

EL TV

6:00am Dance Dance 7:00
Best of the Best 8:00 Tarana
Aur Fasane 9:00 Music Time
10:00 Taranam 10:30 Kal Bhi
Aaj Bhi 11:00 Teri Bhi Chup
Meri Bhi Chup 11:30 Amar Prem
12:00 Special 3:00 Shatranj
3:30 V 3:40 Navaras 4:30
The Music Real Count Down
5:00 Teen Do Paanch 5:30
Special 6:30 Special 7:30 Awaz

ZEE CINEMA

6:30 Tarana 7:00 TBA 9:00
Shooting Shooting 9:30 Film
12:15 Na Jane Kyon 12:30 Film
3:15 Shoot Shoot 3:45 Film
6:30 Film (Marathi) 9:15 Songs
10:00 Film 12:45 Film 3:30 An-
bann 4:00 Film

TOM and JERRY



James Bond

