

Some ideas for the next budget

M Mushtaque Ahmed, a renowned chartered accountant and tax consultant, seeks to draw attention of policy planners to his suggestions

Increasing revenue collection

Stopping system's loss and monitoring the assessment outputs

A very simple way of increasing revenue collection could be institution of a proper, but randomly conducted, checking and then creating a management information and reporting system for higher levels of authorities stating (i) time taken in and date of creating the assessment order, (ii) tax demand raised, (iii) tax finally collected, and (iv) time taken in collection. This should surely weed out the time and efforts now put by the assessing officers in wasting their time in creating useless demands as well as in unnecessarily pursuing and dragging on simple and straight forward cases with ill motives.

Spreading the VAT net

It is high time that the present experimental VAT system be replaced by the classic system as is prevailing in other successfully-adopting countries by its imposition on all but a few specified goods both at the wholesale and retail levels at a reduced rate of, say, 3 to 5 per cent. This should remove the prevalent anomalies and contradictions and the irritant and cumbersome system of book-keeping and return-filing. The present first schedule enumerating the long list of goods exempt from VAT should thus be replaced by a schedule showing, only a few specified goods exempt from VAT including therein, of course, items of daily necessities like food, clothes, medicine and health services, housing, etc. at the lower value levels to keep the common man from being hit. As a sequence, the Turnover Tax should be merged with VAT.

Judiciously increasing imposition of supplementary duty

The rates of supplementary duty should be further increased in appropriate cases. It should serve the dual purpose of discouraging consumption of luxury and harmful goods and augmenting government revenue.

Ensuring transparency in tax administration and justice to honest taxpayers

As it is the ardent social responsibility of everyone to pay due taxes to the government on time, so it is the constitutional responsibility of the government and all its administrative machinery, including the tax department, to see that justice is not denied to citizens under any circumstances. It is being increasingly observed that taxpayers are derided commonly due justice (tax refunds and waivers from compulsory payment of taxes before filing appeals against unjust, unfair and illegal assessments, to cite two of repeated instances) on the strength of unwritten laws and unrecorded orders from higher authorities on the plea of revenue collection and/or of reducing revenue deficits. This is undeniably unjust and must be totally and immediately stopped.

Stopping the revenue drainage by foreign oil contractors/subcontractors

The provisions of Income Tax Rule 38A, setting a maximum final corporate income tax incidence of 2.5 per cent of contract receipts, are often misinterpreted and treated at par by some quarters to include contract works related to exploration and production of petroleum products as envisaged in Income Tax Rule 39 which sets a maximum final corporate income tax incidence of 4 per cent of receipts from all oil-related contracts. As a result, many oil-related foreign and local contractors are getting away by paying 2.5 per cent final tax in place of the legal requirement of paying 4 per cent tax on receipts and are causing an unnecessary system loss in the revenue collection of the government.

Proposal: To dispel such misunderstanding the workings of Rule 38A require a very simple change. After the words "execution of a contract" appearing in the said Rule, the words "except contracts as envisaged in Rule 39" should be inserted to put an immediate stoppage to any drainage of the government revenue collection.

Tariff rationalisation

Tariff rate structuralisation; doing it realistically, without cutting across the board

The nation ought to be prepared to meet the upcoming challenges of the WTO agreement under which Bangladesh remains committed to overall reduction of all import taxes. It is now in the fitness of things to categorise our imports into, say, 4 or 5 transparent categories with applicable tariff rates, illustratively, as follows:

Import category	Tariff rate
Primary raw materials	5-10 per cent
Secondary raw materials	10-15 per cent
Intermediate goods	15-20 per cent
Finished goods	40 per cent
Capital machinery for industries, in general	15-20 per cent
For agro-based industries	5 per cent

CHITTAGONG STOCK PRICES

Gainers outnumber losers

CHITTAGONG, Apr 25: Week's trading on the Chittagong Stock Exchange began today with a slight rise in its price index as the gainers outnumbered the losers, reports UNB.

The All Securities Price Index at the country's second bourse rose by 0.25 per cent or 0.74 points to 289.49 points from Thursday's 288.75 points. Shares of 31 listed securities were transacted, of which 19 gained, 10 incurred loss and two remained unchanged.

Some 146,055 shares and debentures valued at Tk 90.49 lakh were traded today against

173,275 shares and debentures worth of Tk 90.94 lakh on the previous trading day.

Beximco Pharma (59,300), Chic Tex (19,000), Quasem Drycells (17,800) and RH Ball Pen (11,500) were among the volume leaders.

The major gainers included Monno Fabrics (+Tk 12.55), Bengal Biscuit (+Tk 5.54) and Cig Cement (+Tk 5.45). Padma Oil (-Tk 22.00), Square Pharma (-Tk 10.47) and Niloy Cement (-Tk 6.75) were among the major losers.

Market capitalisation stood at Tk 48.85 billion equivalent to US dollar 1.05 billion.

Saturday's trading performance

Company	Avg Rate	Prv Rate	Change	Shares Traded
Quasem Drycells	20.55	20.17	0.38	17800
Olympic Industries	196.68	196.17	1.51	285
Bengal Biscuit	62.14	56.60	5.54	4120
Cig Vegetable	76.00	74.50	1.50	100
Tripti Industries	129.00	128.20	0.80	20
Padma Oil	153.00	175.00	-22.00	50
BOC (Bd) Ltd	104.43	104.00	0.43	300
Apex Weaving	55.00	54.50	0.50	200
Beximco Synthetics	160.00	160.00	0.00	40
Chic Tex Ltd	7.50	7.60	-0.10	19000
Monno Fabrics	115.76	103.21	12.55	9700
Eagle Star	8.20	8.22	-0.02	6150
Alltex Ind	63.00	63.00	0.00	50
Dynamic Textile	28.80	25.00	3.80	1000
Ashraf Tex	15.66	15.64	0.02	2700
Square Pharma	746.70	757.17	-10.47	400
Beximco Pharma	58.61	56.83	1.78	59300
Amber Pharma	32.20	36.00	-3.80	250
Imam Button	85.00	84.75	0.25	50
Shine Pukur	79.54	79.66	-0.12	4250
Eastern Housing	134.50	133.50	1.00	2160
Confidence Cement	258.29	267.67	0.72	1260
Cig Cement	689.80	684.35	5.45	1700
Meghna Cement	216.55	215.48	1.07	1550
Niloy Cement Ind	170.00	176.75	-6.75	600
Apex Tannery	263.97	262.43	1.54	970
Excelsior Shoes	53.50	52.00	1.50	50
Aramit	42.60	44.00	-1.40	200
Beximco	64.00	62.85	1.15	100
RH Ball Pen Ltd	23.22	23.33	-0.11	11500
Janata Insurance	117.55	118.50	-0.95	200

CSE at a glance

CSE All Securities Price Index	289.49
Day's Change in Points	0.74
Day's Change in Percent(%)	0.2563
Turnover in Value (Taka)	9,019,706.00
Turnover in Volume	146,055
Total Issued Capital (Taka)	23,018,263,900.00
Total Market Capital (Taka)	48,851,913,179.22
Total Market Capital (US\$)	1,050,578,778.05
Total number of contracts	496
Total issues traded	31
Issues Gained	19
Issues Declined	10
Issues Unchanged	2
Total Listed Securities	140
Listed Companies	130
Listed Mutual Funds	0
Listed Debentures	4

Stopping misuse of "tariff value" in imposition of Customs Duty

The concept of "tariff value" should be done away with. Tariff value of goods is determined by the Tariff Commission in its meetings held every three months. In these three months cost of a particular import may have wide fluctuations due to vagaries of international market. If the cost is higher than the tariff value, valuation is made by the customs authorities on the basis of cost. If, however, the cost is lower than the tariff value, valuation is made on the basis of tariff value. This is a great injustice to importers.

Proposal: "Tariff value" should be replaced by the cost certified by PSI authorities. Alternatively, in the interim and as a temporary measure, once the budget is passed by the parliament, there should not be introduced any changes in the tariff values until the next budget, indiscriminate changes in tariff value around the year upsets all business target projections including pricing and marketing of products.

Exit of the infamous infrastructure development surcharge

This infamous 2.5 per cent surcharge introduced through Finance Act 1997 on almost all imports and a range of domestically produced goods has virtually signalled the death knell of many domestic industries. It has, as if, sold growth for a mess of pottage.

Proposal: The surcharge should be withdrawn.

Removal of impediments in foreign exchange earnings

Supporting and not scaring away our garment buying houses

Garment manufacturing sector is now the most important segment of the economy. It not only earns the top-level foreign exchange but provides employment to many, specially the women folk. So, nurturing this sector is of paramount importance. Keeping this in mind, foreign garment buying houses working only as liaison offices of foreign buyers, with meeting all their local operational expenses fully from funds sent therefor by their respective head offices, and actually doing no business by themselves and thereby earning no income in Bangladesh should not be taxed in Bangladesh under the mischief of section 18 (2) (a) of Income Tax Ordinance 1984 (ITO 84).

Proposal: Assuming, but not admitting, that these buying houses could be taken to have taxable income u/s 18(2) (a), exemption should be given to such so-called and forcibly taxed income u/s 44(4) (b) of that Ordinance so that these buying houses and, consequently, our exports flourish.

Allowance of proportionate expenses of foreign head offices charged to their branch offices in Bangladesh

For nurturing branches the world over, the head offices are required to incur certain expenses. Allocation of head office expenses between branches the world over is then made on certain established principles and certified by the respective head office auditors. This basis is then accepted by the tax authorities without giving rise to the exercise of any discretionary powers and putting the branches under fiscal hardship. Our tax laws do not have any such provision. As a result, these branches operating in Bangladesh are unnecessarily undergoing hardship and becoming victims of the whims of the tax authorities.

Proposal: For encouraging foreign companies to establish branches in Bangladesh, a specific provision should be made in our tax laws allowing the deductibility of such proportionate head office expenses related to branches in Bangladesh.

Exemption of income from exports

At present 50 per cent of income from exports is exempt from tax (ITO '84, Sixth Schedule, Part A, Para 28).

Proposal: For boosting exports, entire income from exports should be made tax-free.

Avoiding brakes to ongoing financial sector reforms

Banking sector

(i) Allowance of provision for bad debts for banks

Rate of allowable bad debts has been reduced to 3 per cent of total advances, including interest thereon, only for a limited period up to assessment year 1999-2000 [by ITO '84, Section 29 (b)(ii)] that is, up to 31 December 1998, in general terms. There being no comprehensible reasons for limiting the period considering the general state of affairs prevailing in the country's banking sector, this reduced rate (3 per cent) should be allowed to continue indefinitely until all the banks fully meet their provisioning requirements and actually accommodate them in their books of account and attain the required financial health. If this is not done immediately, the banks will be pushed into going back to the pre-1990 era when all accounting provisions for bad and doubtful loans and advances were summarily disallowed to banks by the income tax authorities resulting in accumulations of colossal amounts of bad loans not provided for and recognised as such in the books of the bank. The effects of this disincentive and the drainage of public money in recapitalising these ailing banks are not far to be seen and observed.

Stopping unjust and illegal taxation of suspended interest income of banks

The provision of treating suspended interest (interest on bad loans fallen due, but not actually realised from the customers or borrowers) as income has been removed without attaching any condition with effect from assessment year 1997-98, that is, from 01 January 1996, in general terms.

Proposal: This amendment should be given retrospective effect to provide relief to already problem-laden banks from the burden of contesting and litigating for quashing off illogically imposed huge taxes (in crores) in earlier years-going back to early 1980s. When the tax authorities have ultimately realised the wisdom in removal of the condition, why leave a small lacuna in the tax laws which can be very easily remedied by them but which will take a big burden of the taxpayers (banks), litigation lawyers and, above all, the income tax department itself.

Giving a level operating field to the leasing sector

While allowing tax holidays to the leasing sector in 1985, the term leasing "company" was used in the relevant SROs to indicate entitlement unlike the existing provisions for granting similar tax holidays to industrial units or undertakings. Accordingly, while various industrial "units" under one limited company are being allowed the tax holiday a "leasing unit" under another similar limited company is denied the same tax holiday.

Proposal: Considering the increasing importance of the sector in augmenting capital financing in our resource-starved economy this unjustified application of the law needs immediate clarification by the issuance of a small SRO/notification.

Capital market

(i) Putting the providence fund and pension fund into infrastructure development works

At least 25 per cent of such funds, public as well as private, ought to be made free for investment into fixed income and tax-free securities and bonds proceeds of which will only go into infrastructure development works.

(ii) Increasing investment allowance (for individuals)

Investment allowance for tax relief is now limited to lower of 20 per cent of total income or Taka 1,00,000 with 15 per cent tax relief on such investment (ITO '84, Section 44(3)).

Proposal: To increase the ceiling to lower of 30% or Taka 2,00,000 with 20% tax relief for attracting public savings, a sine qua non for economic development.

(iii) Increasing interest exemption on debentures

Asia-Pacific food security in jeopardy, says FAO DG

Star Business Report

Dr Jacques Diouf, the Director-General of the UN Food and Agriculture Organisation, warned in his statement to the 24th FAO Regional Conference for Asia and the Pacific that the "contagion of monetary and financial instability puts in jeopardy the region's progress towards sustainable food security and poverty alleviation."

Considerable local and regional damage caused by the "El Nino" phenomenon, forest fires, floods and droughts has accentuated the threat, he said.

Addressing a prime minister, ministers of agriculture and senior officials from the region's 26 member countries gathered here since the 20th of this month, Dr Diouf said, "The Organisation in consultation with the World Bank is preparing programmes to develop pre-urban agriculture in those countries which are most affected by the current crisis as it is felt that these programmes could greatly contribute to lessen the problem of unemployment and urban poverty which have been exacerbated by the financial situation and adjustment programmes."

Further more, FAO has worked closely with a number of regional member countries to develop National Food Protection Policies and will continue to provide information and technical assistance to its members on forest fire prevention and control, said FAO press statement issued from Yangon on Friday.

Against this backdrop of recent developments, Dr Diouf said that agriculture remains a driving economic force. More than 65 per cent of the region's inhabitants live in rural areas and the sector employs more than half the economically-active population.

He added that FAO's activities in the previous biennium were marked by the World Food Summit held in November 1996. Since then several initiatives have been undertaken to implement the resulting Plan of Action. These included 150 national strategies for agriculture and food security; the Special Programme on Food Security in 30 countries; the activities of the Emergency Prevention System for Transboundary Animal and Plant Pests and Diseases; and the Establishment of the Food Insecurity and Vulnerability Information Mapping System.

Dutch-Bangla Bank branch managers' confce held

A conference of the Dutch-Bangla Bank branch managers was held in the city yesterday, says a press release.

The conference was presided over by M Sahabuddin Ahmed, Chairman, Board of Directors. Director, Managing Director, Advisor, Deputy Managing Director, other senior executives and branch managers of the bank were present in the conference.

Overall economic situation of the country, various aspects of the bank's branch banking including budgets, quarterly performances, etc. were reviewed. The Chairman expressed his satisfaction over prompt and efficient banking service of the branch managers. He also urged the officials to make all-out effort towards the socio-economic development of the country.



Dutch-Bangla Bank Limited held its branch managers' conference in the city yesterday.

Notification on Land Survey in Dhaka Metropolis

The tasdik work in Dhaka Metropolis survey has started at the undermentioned tasdik camps for the moujas mentioned against them. Detailed programme in this regard can be known from the respective camps. Owners of lands are advised to attend the tasdik camps with their documents and get the tasdik of land khatian/parcha done. In case of any problem in this regard, Settlement Officer, Dhaka (Phone No. 9131573) may be contacted.

Serial No.	Name & address of Tasdik Camp	Name of Mouja
1	2	3
01.	Mirpur Tasdik Camp, Lalkuthi Tehsil Office, Mirpur, Dhaka.	Rajabazar
02	Harirampur Tasdik Camp Harirampur Union Council Office, Uttara, Sector No. 10, Dhaka.	Purakoir, Dhaur, Nalbhog, Diabari
03.	Ujanpur Tasdik Camp, Ujanpur Primary School Campus, Uttarkhan Area, Uttara, Dhaka.	Bauthar, Nayakhola, Palasia, Chhoto Palasia, Mousaid, Nirnichak, Snanghata.

Director General
Directorate of Land Record & Survey
Tejgaon, Dhaka-1208

BCIC Employment Notice

Applications are invited from the suitable candidates for appointment in the colleges under Bangladesh Chemical Industries Corporation in the following posts:

Name of the post	Scale of pay	Age	Educational qualification
Lecturer (Bengali)	Tk 4300-7740/- (New) Tk 2850-5155/- (Old)	Maximum 32 years (relaxable up to 37 yrs for the experienced candidates if found otherwise suitable)	Minimum 2nd class Master Degree with 2nd class Hons in the relevant subject. Experience candidates will be given preference.

Allowances & other financial benefits as per Govt/Corporation rules shall be payable in addition to basic pay of the post mentioned above.

Applications mentioning — 1) Name, 2) Father's name, 3) Date of birth, 4) Age as on 31-3-98, 5) Present & permanent address, 6) Home district, 7) Nationality, 8) Educational qualification, 9) Experience (if any) to be submitted to the Chief of Personnel, BCIC, BCIC Bhaban (5th floor), 30-31, Dilkusha C/A, Dhaka-1000 on or before 6-5-98.

The following documents are to be enclosed along with the applications:
— Attested photocopy of all educational certificates.
— Attested photocopy of experience certificate(s), if any.
— Attested photocopy of nationality certificate from the Chairman, Union Parishad or Ward Commissioner.

— Two copies of recent passport size photograph duly attested.
— Candidates already in service must apply through proper channel.
— Name of the post including subject for which the application is submitted to be mentioned clearly in the application and on the envelope.
— Candidates will be better academic background & experience will preferably be considered.

Abul Kalam Azad
Dy Chief of Personnel (R&T)
BCIC
G-862