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The Daily Star BUSINESS

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DHAKA THURSDAY, JULY 16, 1998

India announces tax incentives for computer industry

NEW DELHI, July 15: India's finance minister announced tax relief for the computer industry on Wednesday, fine tuning a budget expected to be voted on in two days, reports AP.

The first budget by the Hindu nationalists-led government is likely to be approved by parliament in the vote scheduled on Friday.

On Wednesday, Finance Minister Yashwant Sinha announced abolition of the gift tax on computers and exempted all software being imported by the information technology industry from customs duty.

"I hope the technology will reach the masses in rural areas and small towns and will give the country a significant place in the emerging knowledge-driven global economy," the minister said.

Sinha presented the 1998-99 budget in parliament last month, proposing more spending on infrastructure, defence and nuclear energy.

He also offered reassurance to foreign businesses who are worried about the right-wing government's commitment to 'swadeshi', which the Bharatiya Janata Party, the main party in the governing coalition, defined as "economic nationalism."

Sinha promised a "hassle-free procedure" for foreign investors who have complained that bureaucratic red tape presents a huge obstacle to doing business in India.

'IMF aid package to ease threat of rouble devaluation'

MOSCOW, July 15: The 22.6-billion-dollar IMF-led rescue package for Russia will calm markets and ease the ominous threat of rouble devaluation, analysts said yesterday, reports AFP.

Markets surged following Monday's announcement of the two-year bailout plan, which includes 17.1 billion dollars in new aid pledges. Stocks rose almost 17 per cent and bond yields eased sharply.

"But the government must still railroad its radical anti-crisis package, on which the aid package was contingent, through a hostile parliament, and then implement it, before Moscow can claim to have turned the corner on its worst financial crisis since the chaos of the early 1990s."

"This is not the turning point, but it is still good news and likely to assuage markets for a while," said Thierry Malleret, chief economist with the Alfa Capital Investment Bank in Moscow. "It wards off the threat of the devaluation."

"But the turning point will be the ability of the government to deliver on the fiscal side," Malleret said.

Government officials themselves welcomed the landmark financial stabilisation package. But stressed that hard work still lies ahead.

"The international community has again built a financial shelter over the Russian economy," said President Boris Yeltsin's chief economic advisor Alexander Livshits.

Mark charged with non-payment of Tk 37.5 cr in VAT

By M Shamsur Rahman

The National Board of Revenue (NBR) has detected 'serious discrepancies' in respect of VAT payment by a publicly traded company enlisted with both stock exchanges.

A series of investigations by NBR found that Mark Bangladesh Shilpa and Engineering Limited had evaded payment of Tk 37.5 crore in VAT.

The company paid a total of Tk 10.75 lakh in VAT showing sales valued at Tk 80.25 lakh during the 1994-95 and 1995-96 fiscal years.

But, according to a prospectus received from SEC on October 10, 1996, the NBR officials found that the company had shown sales worth Tk 251.82 crore during the financial years from 1990-91 to 1995-96. VAT is calculated at rate of 15 per cent on sales falling under VAT regulation.

The matter was first brought to the notice of NBR by its VAT department about the alleged irregularities.

Based on the allegations, a preliminary investigation was conducted by the Dhaka Customs, Excise and VAT commissioner.

And the commissioner found that something was hidden wrong. "There are some serious discrepancies in the volume of sales shown in the prospectus and the volume shown to VAT department," the commissioner's report said.

"On the basis of sales shown in the prospectus the value added tax amounts to some Tk 37.88 crore whereas the company paid Tk 10.76 lakh in VAT and Tk 40,000 in turnover tax," it said.

"According to sales shown in the prospectus the company owes more than 37.5 crore in outstanding VAT," the report concluded.

The commissioner also proposed further investigation into the affair.

Mark Bangladesh Shilpa and Engineering Ltd, a private limited company, has been in business for long. The company, registered with the joint stock company January 26, 1987, began commercial production January 1, 1989 and was exempted from taxes for seven years, later extended by another two years.

The company went public in October 1996 when its paid-up capital stood at Tk 19.95 crore. A total of 13.39 lakh ordinary shares were offered at Tk 100 each with a 100 per cent premium.

In February 1997, the NBR

instituted a three-member committee to investigate the alleged evasion of VAT, direct tax, other taxes and duties by the company.

The committee found "self-contradictory" financial statements. It referred to an income tax inspector who was found to have reported: "I have signed the company's purchase register, production register and sales register produced by the company from 1989-90 FY to 1994-95 FY on May 29, 1997."

But the company's chairman Imam Mulkutur Rahman told the investigators on July 23, 1997: "On May 20, 1997 we had to move our registers, bills, vouchers etc to our factory at Konapara for the investigating inspector, and in the course of bringing them back to Dhaka on May 26, 1997 many of our company records were damaged which we are trying to retrieve."

The investigators were however far from being convinced. "How could the registers with the seal and signature of tax inspector on May 29, 1997 be lost on May 26, 1997?" they asked in their report.

The committee also charged that the company failed to produce any documents to prove that its sales were VAT free. It's major conclusions were:

"The company failed to establish that sales of Tk 247.96 crore was VAT free.

"Defying existing VAT laws the company did not submit return of its sales statements and there did not seem to be any initiative from the tax officials to get the statement.

"The chairman told investigators on July 23, 1997 that company's products were *hawal* (*thong* meaning two-lace PVC sandals which were mainly sold to ferrymen and some small general stores. If the above statement made by the company Chairman was true then how could the Securities and Exchange Commission (SEC) allow the company's shares to be sold with a 100 per cent premium."

The chairman of Mark Group of Industries and Companies, however, refuted the allegations against his company calling it "illegal, baseless and without any foundation whatsoever."

"No VAT was under-assessed by the authority nor under-paid by us that attract the mischief of financial section 55(1) of the VAT Act, 1991. The company has always paid VAT payable by

it during the years 1991-92 through 1995-96 as per the Act and no VAT has remained unpaid by us till today," Mulkutur Rahman told NBR officials.

Speaking to The Daily Star, the chairman also alleged that he was not given adequate opportunity to prove his innocence. Even the tax officers did not spare enough time to verify the documents, he claimed.

In 1996, he said, the tax authority engaged a field inspector to check the total field documents, factory and support processing unit. "The inspector checked all the records from 1989 to June 1996. And after feeling satisfied he signed our register with official seal. We have those records with us."

"Soon after we came to know about the investigation committee, we requested them verbally and also in writing to examine our related documents to ascertain real position of VAT and income tax."

"The registers which were duly checked by NBR officers are still with us," Mulkutur alleged.

He also pointed out that any report prepared without checking related production and sales registers cannot reflect the true picture of the company's activities related to VAT, customs,

turnover tax, income tax etc.

Another tax commissioner examined the report of the committee and saw the relevant company papers and registers. The commissioner, Tozammel Ali Chowdhury, however, contradicted with the committee report saying "if tax is imposed on basis of committee's report it would be an injustice to the company."

"Had the committee gone through the production, and sales registers signed by the tax inspector, the committee's report would have been different," the commissioner was learnt to have said in his review.

NBR serves demand note

The board, however, accepted the investigation committee report and served a demand note to the company on June 4 asking for payment of Tk 37.68 crore within a week.

Court to decide

The company on June 14, 1998 filed a case against the NBR decision and obtained a stay order from the High Court.

The court also issued a Rule Nisi asking the NBR "to show cause as to why the notice of demand should not be declared to have been made without lawful authority and to be of no legal effect."

Mark denies charges

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