

Jalalabad Gas yet
to realise Tk 57 cr
from subscribers

SYLHET, Aug 17: Jalalabad Gas Transmission and Distribution System is yet to realise Tk 57 crore from its subscribers since its commissioning. The company is facing serious financial reports UNB.

The company started supplying gas in 1978 and has since then been earning 12 crore per month by distributing 70 mm-cd square feet gas to different mills, tea gardens, industries and 53,000 commercial and residential subscribers.

As per the official estimate it earns Tk 144 crore per year.

The company's outstanding amount of Tk 28.56 crore is lying with the Fenchuganj Fertiliser Factory, Tk 13.38 crore with Kumargao and Shahbazar Electricity generation stations, Tk 5.23 crore with Chhatak Pulp and Paper Mills, Tk 4.16 crore with Chhatak Cement Factory, Tk 1.18 crore with 98 tea gardens, Tk 70 lakh with 350 commercial and Tk 3.28 crore with residential subscribers.

Meanwhile, gas supply to Chhatak pulp and paper mills has remained suspended since April last as it ceased the production.

Cases against different industries at Chhatak for realising the outstanding money are yet to be settled.

DCCI course on
effective selling
skill ends

Star Business Report

Md Habiburrahman, Director of the Dhaka Chamber of Commerce and Industry (DCCI), underscored the need for training to run business professionally. Habiburrahman, who was speaking at a certificate distributing ceremony among the participants of a 5-day training course on "Effective Selling Skill" organised by the Human Resources Development Programme (HRDP) of DCCI, says a press release issued yesterday.

The selling skill is a precondition for an enterprise to survive in the present free market economy," he said.

In all, 30 participants from different organisations attended the course.

The course incorporated topics like: An introduction of salesmanship, Video role play, Competitive analysis and competitive advantage, sales call preparation and sales call opening, How to make and effective customer relation, Need discovery and need satisfaction, and Sales closing and customer follow up.

Convenor of Human Resources and Training Standing Committee of DCCI, Mamunur Rahman and BAS Project Manager Md Emdadul Haque also spoke on the occasion. Deputy Secretary (Training) Hasanur Rahman Chowdhury and Shahzada Basunia were also present.

The training course was conducted by the faculty members and practitioners from renowned institutes and multinational organisations.

Hasanur Rahman Chowdhury, Deputy Secretary (Training) of DCCI, acted as the course coordinator.

Saga of state-owned textile mills
Corruption, mismanagement, wrong
policies and dirty politics ate them up

By Rafiq Hasan

Hundreds of looms, spindles and knitting machines at 11 public sector textile mills are getting damaged because of non-use for months together.

The machines have not been put to use or maintained since December last as the government is indecisive whether to sell them to private entrepreneurs or hand over to the workers.

The mills were closed down eight months ago after staggering losses to the tune of Tk 259.77 crore.

It appears that only the workers have been the main victims of closure.

In Tongi alone, where six 8,000 workers have lost jobs. But managers and CBA leaders are still there.

The correspondent spoke to a number of former CBA leaders, general workers and officials of the mills, who all blamed corruption as one of the main causes of losses.

The six Tongi enterprises are: Meghna Textile Mills, Olympia Textile Mills, Monno Textile Mills, Fine Cotton Mills and Sat Rang Textile Mills and Zenat Textiles Mills.

The workers of these six mills were offered voluntary retirement option and all of them accepted. However, nothing has been done about the machines.

There are 426 looms at Meghna, 272 at Olympia and 372 looms at Zenat textile mills. The number of spindles at these six mills is around one lakh.

Former operators said most of those machines were not worthless if the mills were not

opened immediately. "The machines are very old and will be rusty for not being used for long," said a former machine operator of Zenat textile.

A manager of a mill said that the doors of the factories had been sealed off and were never opened even for cleaning and maintenance purpose.

"Once we tried to open the factory door for cleaning the machines but the CBA leaders resisted us," the manager said. He along with some guards and staff is still there for maintenance purposes.

Government policies

Bangladesh Textile Mills Corporation (BTMC) sources said most of the mills were es-

financial activities, including procurement of raw materials and marketing of finished goods, had been controlled by the Bangladesh Textile Mills Corporation (BTMC). "Officials sitting at BTMC headquarters are responsible for the losses in the public sector mills," said one manager.

The mill officials alleged that corruption occurred at every stage including purchase of raw materials, sale of finished goods and procurement of spare parts.

CBA leaders

Trade unions only added to the corruption at BTMC. "Unhealthy trade union ac-

tion stories to tell as well.

"If any corruption occurred that was done by the management because they were responsible for every financial transaction," said Nurul Islam, general secretary of the now-dissolved CBA of Meghna Textile Mills.

"We were never involved in any financial dealing. So why should we be blamed for mismanagement and corruption?" Islam asked.

"The former CBA leader acknowledged that the workers were always used by the ruling parties for their own political purposes. "We were forced to join the government-backed

used and remained stockpiled for several years.

"That was a serious set back for the public sector textiles mills because since then the government had become reluctant in providing raw materials and working capital to those mills," one senior BTMC official said. "As a result most of the mills remained idle for months."

"Consequently, the BTMC lost its domestic market which created the scope for the smuggled goods or products from the private mills," he said.

The former CBA leaders are now waiting to take over the mills as the government committed to hand over nine mills to the workers and employees.

The CBA leaders of Meghna, Olympia, and Zenat textile mills told the Daily Star that they had completed all necessary preparations for it. "We have formed a company and applied to the Registrar of Joint Stock (Companies and Firms) for registration, which has been sought by the government as a requirement," said Shahidullah, former CBA general secretary of Zenat Textile Mills.

The Privatisation Board had been assigned to deal with the process but later the task went to the ministry of textiles due to some "legal complexities".

The PB had also issued tender for selling out some of those loss-making enterprises. Now, a high-powered government committee headed by State Minister for textile A K M Jahangir Hossain is working on how the mills could be handed over to the workers.

party as soon as it came to power. Because that would have secured our jobs," he claimed.

Meanwhile, the BTMC men have their versions too. They say an "uneven competition" with the private mills and huge supply of foreign goods in the market were the reasons.

They also admitted that corruption in purchasing department and inefficiency in marketing of the products were also responsible for incurring the losses.

While there are plenty of stories of irregularities, the Bureau of Anti-Corruption (BAC) is still investigating one major corruption case involving purchase of Pakistani raw cotton worth about Tk 30 crore in 1993.

The quality of the imported cotton was too inferior to be

An on-the-spot investigation into Tongi factories

established before the independence and were making profit till early 90s. But due to sudden withdrawal of all restrictions on import of yarn and fabric, and lack of efforts for proper marketing, these mills started suffering losses, they said.

They said prices of BTMC yarn and fabric were increased 13 times since 1990 without taking into account the market price, which led to a huge stockpile. Later, the stock was cleared through auction at a much lower price adding to the loss of the corporation, the sources said.

The CBA leaders blamed the management for the losses, while the managers attributed it to wrong government policies and unhealthy trade unionism.

Corruption at BTMC

The mill officials said all fi-

ties in the mills over the years often hindered normal production in the factory," said a mill manager, requesting anonymity.

"The trade union leaders were so powerful that the management hardly could take any punitive action against them," he said.

"The workers joined every major political rally organised by the ruling party in a large scale leaving thousands of spindle machines idle but the mill had to pay their daily wages," the official recalled.

He said that the CBA leaders had always interfered in the decision-making process.

"If a decision went in their favour, then we were good. Otherwise, we would be forced to leave the campus," he said. The CBA leaders had their



Mahbubur Rahman (2nd-R), President of ICC Bangladesh, addresses the ICC business dialogue on "Reforms in Public Administration in the Context of Economic Globalisation" organised by the International Chamber of Commerce, Bangladesh at a local hotel yesterday. A T M Shamsul Haq, Chairman, Public Administration Reforms Commission, Latifur Rahman and A Rob Chowdhury, Vice Presidents, ICC Bangladesh, are seen on his right and Syed Manzur Elahi, Chairman, Apex Tannery Group and former Adviser to the caretaker government, is on his left. ICCB photo

Revenue earnings
up by 8.5 pc
in Sherpur

SHERPUR, Aug 17: An amount of Tk 50 lakh was earned as revenue in the district during the last fiscal year, reports UNB.

The earnings, which placed the district third in Dhaka division, is 8.5 per cent higher than that of the previous year, said a source in the district revenue department.

The amount was received from different sources including land development tax, Jal-mohal, Balumohal, quarry, shrimp culture, rural hats and bazaars during the period.

The target of the revenue earning during the period was fixed at Tk 60.97 lakh. The sources said the realisation of land development tax is cent per cent.

The revenue income from various government, semi-government and autonomous bodies has marked a slight rise through it is not satisfactory, said the sources.

Separate salary structure suggested
NCBs in dire need of
skilled bankers

In the face of an uneven competition with the growing local and foreign private banks, Nationalised Commercial Banks (NCBs) are poised for a crisis of "efficient management" due to the dearth of skilled officials, reports UNB.

According to the latest report of the Bank Reform Committee, deficiency of skilled bankers at all levels of the NCBs is increasing alarmingly. The trend of joining the private banks has been upward in recent times because of the low salary in the nationalised banks. The difference between salaries of high executive officials of nationalised and private banks is around ten times.

The report revealed that falling victims of the circumstances, the NCBs are being deprived of capable, talented and experienced bankers.

Recommending a separate salary structure to be fixed for the NCBs taking into consideration that of the private banks, the committee said that banking is a profession with special responsibility and risk. That is why, higher salary for bankers is recognised historically.

The committee said bank officials and employees used to get higher salary in the pre-liberation period. After independence, the banks were nationalised and brought under the same national wage structure.

Referring to the special pay scale for the state owned commercial organisations in different countries, the committee said that the NCBs are now in an uneven competition with the expanding local and foreign private banks because of the salary discrimination.

On the other hand, because of government restrictions on employing officers in different times, the nationalised banks are facing a severe imbalance in the number of promotee officials and directly appointed of-

ficers. Some 70 per cent of the officers in the nationalised banks are promotee officers, the report said.

Suggesting removal of the present imbalance at the earliest possible time, the committee said if the current imbalance continues it will be difficult to maintain "skilled management" in the nationalised banks in near future.

Bankers' team off
to visit S'pore
StanChart

Star Business Report

A team of local bankers, comprising senior and mid-level executives from various commercial banks of the country, left Dhaka on a three-day visit to the Operations Division of Standard Chartered Bank, Singapore, says a press release issued in city yesterday. During the tour, the team will visit the ISO 9002-awarded Trade Operations and Payment Centre as well as observe treasury and institutional banking operations of the bank.

The visit has been sponsored by the Institutional Banking Group (IBG) of Standard Chartered Bank in Bangladesh.

Mamun Rashid, Head of Treasury and Institutional Banking of Standard Chartered Bank, Bangladesh, said that his bank was happy to be involved in the development process of the banking sector in Bangladesh.

He further said that such overseas visits would continue to bring in the best experiences from the developed world to enrich the local banking industry.

BKB targets Tk 2.5 cr loan
disbursement in SW dists

KHULNA, Aug 17: Bangladesh Krishi Bank has set a target to disburse Tk 2.50 crore agri-loan in 10 south-western districts during the current fiscal year, reports UNB.

BKB source said, loan disbursement under its Poverty Alleviation Programme, has started and would continue till June next year.

Of the total amount, Tk 40 lakh would be disbursed each in Jhenidah and Magura districts, Tk 22 lakh in Jessore, Tk 9 lakh in Narail, Tk 25 lakh in Khulna, Tk 21 lakh in Bagerhat, Tk 13.50 lakh in Satkhira, Tk 24 lakh in Kushtia, Tk 23 lakh in Chuadanga and Tk 32 lakh in Meherpur district.

Another report from Magura adds: BKB disbursed Tk 4.54 crore loan among the farmers of the district during the last financial year.

The loan was disbursed among 2,500 farmers in four

thanas through its 16 branches for poultry and dairy farming, pisciculture, crop cultivation, purchasing agricultural inputs and small business.

Meanwhile, the bank has realised Tk 4.50 crore outstanding loan from the borrowers.

Another report says that Bangladesh Rural Development Board (BRDB) disbursed Tk 10.64 crore among 13,700 cooperative members in the last fiscal year for poultry farming, pisciculture, small business and cottage industries.

The board, during the period, already realised Tk 10 crore outstanding loan from the members.

The Social Welfare Department also disbursed Tk 1.40 crore interest free loan among 2,000 people in the district during last fiscal year.

The loan was disbursed to make them self-reliant, officials said.

Why Refund? A sequel to withholding tax system for income tax and refunds

By M Tafazzal Hossain

A write-up by the present scribe under the heading "Withholding tax system for Income Tax and Refunds: Law and Realities" appeared in this newspaper on July 16, 1998. Following publication of the article a discussion reportedly is on the rounds as to why there should occur refund? It has come to our knowledge that a good number of readers of the piece raising their eyebrows, are holding the view that refund should not be the concern of the Taxes Department. The Department of Taxes is naturally eager to collect taxes. Why should then the Department involve itself in refund proceedings?

It raises some questions about refunds in the minds of people. There is no tax education policy in the country. No scheme in the revenue sector has so far been adopted for enlightening the citizenry. In consequence, the tax payers continue to remain ignorant about responsibilities and liabilities to the state. The tax administration has become more complicated and new problems are always emerging. Vast majority of our population is not aware of the complexity of international business system of tax exemption.

In developed countries it is different. As for example, Japan relies on a self assessment system for almost all national taxes, including individual income tax and corporation tax. The transition from an official assessment system to a self assessment system in the Japanese tax structure was a major innovation. Considerable difficulty and confusion was encountered in introducing the system. This system, however, has gradually been ac-

cepted by the people as a result of increased understanding on the part of tax payers on the one hand, and several educative measures taken by the authorities on the other. Self assessment system has now been established as the core of Japanese tax administration.

Since the introduction of self-assessment scheme in Japan a wide range of legislative measures were taken to support the scheme and in order to foster voluntary compliance. Public relation measures like Radio and Television programmes on tax matters closely related to daily lives of citizens are produced and displayed. The National Tax Administration (NTA) endeavours through public relations, a guidance programme and tax consultations to assist tax payers in understanding the details of taxation and to familiarise tax payers with tax laws and book-keeping practices. NTA prepares and distributes posters as well as pamphlets to provide tax information of interest to tax payers. It releases information on tax matters to the press, including newspapers, Television and Radio network to enhance public understanding of the state of tax administration.

If we compare Japanese system with ours, then we would find ourselves hopelessness. So, it is no fault of ignorant and illiterate populace to raise questions of vital interests like refund of income tax. Even the literate sections of our community give a damn to the state policy and make sarcastic remarks centring revenue policies.

Former Finance Minister Mr Saifur Rahman has recently commented that turning Ad-

vice Income Tax (AIT) at source into final tax settlement was a "violation" and a "disruption" of normal tax collection practices. "This (AIT) is a penalty, on the people" according to Mr Rahman. And in his view, the Government could not take away peoples' income before knowing it was taxable. "This is ridiculous. It is a confiscation of people's property", (The Daily Star, Dhaka Friday, June 26, 1998).

Yes we agree entirely with Mr Rahman. But we would like to point out that this 'process' was initiated while he was in charge. Certainly this 'process' is illegal and unjustified. It is confiscation of peoples property. By the Finance Act, 1992 the then Government did away with the Transfer of Property Certificates (TPC) by amending section 53H of Income Tax Ordinance, 1984 and effecting necessary changes in Rule 171 of Income Tax Rules. Instead, provision was made to deduct 6 per cent (now revised to 7 per cent) income tax at source from sale value of properties.

There were perhaps, some difficulties with the transfer of property certificates. Instead of removing the difficulties and the obstacles, the then Government by a stroke of pen, threw away the baby with the basket. Like the present measure, the steps taken in 1992 caused the "disruption" of normal tax collection practices and committed the "violation". For the first time in the history of income tax, 1992 measure introduced the procedure of taking away peoples' income "before knowing whether it was taxable or not".

It is well-known to all that in our country land properties

are primarily sold by poorer sections of the community for grave emergencies. Majority of these poor people are unlikely to have taxable income.

Federation of Bangladesh Chamber of Commerce and Industries (FBCCI) President while attending a Post-Budget discussion told the Finance Minister, "we are not ready to part with taka three as bribe while paying tax of Taka Ten". We would very humbly like to know from Mr President who are tax-defaulters and loan-defaulters in this country? Why they need to pay bribe? Certainly to make white their ill-gotten black money. I am sure Mr president of FBCCI know it well why extra-judicial provision in the form of Section 19AA (Blanket provision for making black money 'white') has been inserted in the Income Tax Ordinance this year. Such wrong-signaling by very important persons does good to none but causes immense damage to fragile trust existing between the tax payer and the tax collector.

But before that we would, however, make a passing reference to this history of refunds. This would give a better perspective of our subject of study.

There was no statutory arrangement for refunds under 1986 Act. The first provision for such refunds was made in 1916 when higher rates were introduced and gradations made steep. In the first instance, the procedure was regulated by rules made by the local Governments. In 1918, the Act itself provided the machinery for refunds. The section was amplified in 1922, 1930 and 1933 and was completely recast in

1939.

Before we step into the enigmatic world of refunds in Bangladesh we should perhaps, give a small resume of the theoretical aspects of the issue. The scope of section 146 of the Income Tax Ordinance, 1984 is quite simple. All that one has to see is (i) the amount of tax properly chargeable on the claimant with reference to his total income and the relevant provision of exemption etc. and (ii) the amount of tax already paid by him or on his behalf. But when the income of one person is treated as that of another, refund will be given only to the latter person. The provision of law now provides simply that when the tax paid exceeds the amount chargeable, the owner of the income is entitled to a refund of the excess. Under the umbrella of law, any category of assessee can claim a refund if the amount of tax paid by him or on his behalf is in excess of what is properly chargeable.

There are occasions when tax is paid in excess. Some typical cases in which repayment may be made are cited below:

- Omission to claim for certain admissible expenses e.g. depreciation not claimed in accounts or net annual value of business premises owned by the trader not deducted;
- Item returned as income which was clearly of a capital nature;
- A trader including extraneous receipts (e.g. betting receipts) in his takings;
- Errors in stock-sheet;
- Purchases having been understated by reason of the omission of invoices;
- Duplication of accounts in lists of sundry debts or inclusion therein of bad debts previ-

ously written off;

(vii) The return of an item of income which was legally incorrect or an exempt person;

In our discussion the phrase "properly chargeable" has been appearing again and again. We should look at it closely and see what the term really stands for. This term obviously mean chargeable with reference to an assessee's total income as computed in accordance with the provisions of law.

The main reason why claims of refund arise is the system of deduction at source or taxation at source, when the deduction is made at the maximum rate or some other rate higher than the payee's appropriate rate of which the payer has no knowledge. In fact, Refunds are necessitated generally by the system of "taxation at source" as in the case of dividends and "deduction at source" as in the case of salaries and many other payments. In both these groups of cases the average rate of tax if any, appropriate to "total income" of the recipient of the income is not known at the time the tax is assessed or deducted.

Proverb says, assets belonging to public funds could be used anyway one likes. Money deposited in Government account is too difficult to be recovered. To get back refund is a complicated process. The message of legal provisions and Government instructions on the subject is loud precise and clear. But the Taxes Department is very miserly in refunding money properly belonging to contributors to national exchequer.

Reasons resulting in income tax refunds are too many to be discussed in details. However, an outline would be portrayed

in the discussion below which should reveal the raison d'être of income tax refunds. Over ninety per cent of direct tax revenue arises in Bangladesh from deduction of taxes at source. As a matter of fact, revenue receipts from income tax is primarily derived from withholding system of taxes.

Tax payable under the Income Tax Ordinance, 1984 is deducted or withheld at source from as many as over twenty heads of income. Salary, income derived from supply of goods, execution of contracts or services rendered are within the preview of withholding tax system. Income earned from export-import, indenting commission, shipping agency commission, or income earned from house property are within the jurisdiction of withholding tax system. Many other heads of income suffer deduction of tax at source.

There has emerged a new phenomenon in recent times. Executives in taxation have issued a directive to obtain prior approval from higher authorities including the National Board of Revenue if the assessments result in refunds of certain amounts. In order to avoid probable refunds above the ceiling set and to escape the ignominy of submitting ill-prepared drafts before the controlling authorities, a large number of assessing officers in majority of such cases make unusual, irregular and abnormal additions with total income.

All these additions have no legal legs to stand the test of scrutiny. Every such assessment is invariably agitated before the appellate authorities.

Illegal and unjustified additions obviously, cannot stand the scrutiny of appeal. These orders are therefore, in no time knocked down by appeal bodies. The appeal effects result in further acceleration of refunds.

The dimension of tax refunds are so wide, if the correct figure is revealed to the public then, things could go helter-skelter for many big bosses. Anybody and everybody, who is entitled to tax refunds if confronted, would tell mind-boggling stories of skull-dugger of the people manning the taxes administration. But one has to remember that one cannot bluff all the people all the time. Steps shall have to be taken to stall the accumulated figures of refunds getting further accentuated. The situation should be faced courageously rather than avoiding it timidly. People of a People's Republic must not be made to suffer whims of unreasonable and illogical fat bureaucracy and their political cohorts.

Refunds have to be created as per the provision of law. Credit must be accorded to taxes withheld under the withholding tax system. Law entitles the assessee to the payment of refund ordered by appellate authorities. This should be honoured without fail. Enough harassment has already been meted out to the law abiding citizens on this count. The democratic Government of the day unlike their past counterparts, should see reason beyond their noses and act in accordance with the provisions of law.

The writer is a former Member (Taxes) of National Board of Revenue.