

Budget text

Full Text of Finance Minister's Budget Speech

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separate provision for penal measures for chartered accountants.

d) It is proposed to extend the time limit for repayment of interest and loan under the purview of the income tax law from two to three years.

e) By abolishing the discretionary power of the Deputy Commissioner of Taxes to impose penalty for non submission of return in time, it is proposed to impose a mandatory penalty of Tk. 500. For every subsequent month or a fraction thereof during which the default continues, the penalty will be at the rate of Tk. 250.

f) It is proposed to extend the facility of suspense account under section 28(3) of the Income Tax Ordinance to the Investment Corporation of Bangladesh.

g) In order to remove harassment in getting credit for tax deducted at source, it is proposed that the deducting authority will issue an account payee cheque in favour of the concerned tax authority for the amount of income tax and prepare another cheque for the balance of the bill. The tax payer will deposit the income tax cheque to the treasury by challan. On production of the treasury challan, the other cheque will be given to him so that he can retain his challan for reconciling his tax liabilities at the time of filing of tax return.

h) It is proposed to introduce a system for submission of tax returns by non-resident Bangladeshis to Bangladesh Mission abroad and to pay the amount of tax through account payee bank drafts in favour of the concerned Deputy Commissioner of Taxes. The concerned Mission will accept the returns by giving receipt to the taxpayers and will send the returns along with bank drafts directly to the National Board of Revenue.

i) It is proposed to introduce the system of compulsory display of TIN certificate by taxpayers having income from business or profession at a conspicuous place of his office or shop.

j) For various reasons the Taxes department has been bearing the burden of apparently uncollectable arrear demands. It is proposed to write off all arrear demands created before 1988 except such tax demands which are subjudice in appeal process and/or in higher courts.

k) The existing exemption for income from properties and business held under trusts is sometimes being misused. To prevent this, it is proposed to bring the business income of trusts within the purview of income tax.

l) To streamline tax administration, raise the efficiency and to augment collection of taxes, I propose to establish a separate Taxes zone for the large taxpayers (LTU) and three new Taxes zones at Sylhet, Barisal and Rangpur.

Honourable Speaker,

17. The objectives of my proposals placed before this august Parliament are to establish mutual trust between the tax administration and the tax payers, create a conducive environment for investment, widen the tax base and accelerate mobilization of domestic resources. I hope that in the new environment tax payers will spontaneously come forward to pay their taxes.

WEALTH TAX**Honourable Speaker,**

18. The Wealth Tax Act, 1963 provides for payment of wealth tax by an assessee on his net wealth. But in the existing system, Tax officers spend more time and energy on income tax cases for which they can not give adequate time or importance to the assessment of wealth tax. As a result, disposal of wealth tax cases is slow and collection of such tax is also not satisfactory. It is also not justified to impose wealth tax every year on the market value of the wealth of an assessee. Moreover the assesses are facing harassment due to the discretionary power exercised by the Deputy Commissioner of Taxes in determining the market price of the assessee's wealth. In view of the facts mentioned above, it is proposed to bring the activities of collection of tax on the basis of wealth under the income tax law by repealing the Wealth Tax Act, 1963. It is also proposed to impose, as an alternative to wealth tax, surcharge at the rate of ten per cent on the amount of income tax payable by an assessee whose net wealth at acquisition cost exceeds ten lac taka. For this purpose, assesses having income exceeding three lac taka shall have to submit statement of assets and liabilities with this tax return every year. Cost of any house where the assessee actually resides will be included in the wealth statement, but deductible from the net wealth for the purposes of the surcharge. This system will also apply to self assessment cases. Collection of additional tax from the wealthy people on the basis of wealth will thus be ensured.

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FOREIGN TRAVEL TAX**Honourable Speaker,**

19. People travelling abroad face lot of problems in the matter of payment of travel tax through the banks. Reportedly substantial leakage of tax revenue on this account takes place. To improve the situation on both account it is proposed that henceforth all on-line and off-line airlines will collect foreign travel tax through air tickets in respect of foreign travel by air. This tax will be collected from the air travelers holding Bangladeshi passports only.

INDIRECT TAXES**Import Duties****Honourable Speaker,**

20. Now I want to declare the salient features of my proposal in respect of rate of import duty for the financial year 1999-2000. In the past three years' budget I have pursued a tariff policy consistent with the trends in international and regional trade and commerce. Our aim was to increase export, help flourish local industries, ease assessment of duties, rationalize duty structure, encourage agro-based industries, discourage and prevent smuggling and make consumer goods available to the consumers at reasonable prices. In this process we have consulted the Tariff Commission, concerned Ministries and leaders and representatives of trade and industry sector and considered their valued suggestions. In continuation of our avowed policy, I propose four slabs of duty rate 5, 15, 25 and 37.5 percent instead of the existing five duty slabs of 7.5, 15, 25, 30 and 40 percent. The government may suffer revenue loss for this but people will benefit from the reduced import cost of commodities under 2320 different H.S. Codes.

21. In the interest of the local industries, I propose to reduce the duty rate of all commodities presently attracting 30 percent duty to 25 percent. Consequently, duty rate of intermediate raw materials under as many as 1257 H.S. Codes will come down. This may lead to governmental revenue loss but the local industries will



Advance income tax at the rate of ten per cent will be deducted at source from interest on savings certificates and will be treated as the final settlement of tax liability. For the benefit of small investors such interest income up to Tk 25000 will be exempted from payment of tax and from deduction at source. This new measure will be applicable in respect of savings instruments purchased after June 10, 1999.

benefit and become more competitive.

22. Reduction of duty rates on finished and intermediate goods, automatically calls for reduction of duty rates on raw materials. So, I propose to reduce customs duty of all primary raw materials from 7.5 percent to 5 percent. As a result import cost of commodities under a total of 544 H.S. Codes will fall.

Honourable Speaker,

23. In the last budget, I announced our objective of bringing transparency in assessment, reducing the scope of mis-declaration or wrong classification and reducing discretion of the customs officials through reduction of dispersion of duty rates. Our ultimate target is to fix a single duty rate for all commodities under one classification heading. But it is not possible in many cases due to internal conflict of interest of various sectors of trade and industries. So, I propose to eliminate the dispersion of duty rates of commodities under the same H.S. Code as far as possible. I propose to reduce the duty rate of pencil lacquer and other lacquers, boulder salt and other salt, PVC reed frame, tube and pipe, various types of polyester foil, unfinished rubber tube, bush for cathode ray tube, different types of narrow fabrics, nylon cord and hand saw blade from 30 and 40 percent to the unified rate of 37.5 percent. Similarly, I propose to unify 15, 25, 30 and 40 percent duty rate chargeable on stone boulder, broken or crushed stone, other stone, sulphate and other surface active agent; wood tar-pine tar and other tar and creosote oil derived from wood; duplex outer shell for match box and other folding carton, paper cup imprinted with the name of the beverage and similar other packing container, tray, dish and plate of paper; coated flat rolled product of iron; steel cargo container and other iron container of bigger volume; refined copper strip and paper insulated copper strip; spicer shaft and gear box; scrap of zinc, lead and container of primary batteries etc; marble lump and slab other than crude marble, and television and video camera to 25 percent. Most of the machineries under the heading 85.15 including microwave oven is chargeable to duty at the rate of 25 percent, rest of the machineries under the same heading are chargeable to 40, 30 and 15 percent rate of duty. I propose to unify the rates at 25 percent to facilitate assessment. Commodity like ordinary phone, teleprinter etc falling under the heading 85.17 excluding video phone and fax is chargeable to duty at the rate of 15 percent. To equate the duty structure under this heading it is proposed to reduce the duty on fax and videophone from 30 and 40 percent to 15 percent which will reduce present dispersion. Duty rate of different type of electrical power cord is proposed to be unified at 37.5 percent from 40 and 30 percent. I propose 25 percent duty on other optical articles and other lenses from 15 percent. It is proposed to reduce duty rate on different equipments of photographic laboratory from 40 percent to 25 percent. Duty rate on different sizing materials like manioc, arrowroot etc. is proposed to be unified at 25 percent from 40 and 30 percent. Depending on weather it is fresh or frozen, existing duty rate of locust bean, sugarbeat etc are 15 and 40 percent. I propose to reduce 40 percent duty rate to 15. I propose to rationalise the duty rate of vanilla extract under heading 13.02 with similar other commodity under the same heading from 15 percent to 25 percent. Duty rates of squid oil and other oils are proposed to be unified at 25 percent from 7.5 and 40 percent. I propose to reduce the duty rates of ultrasonogram paper and similar other recording paper from 7.5 and 40 percent to 5 percent. I propose to reduce the duty rate of special type fabric falling under heading 59.11 used as accessories of various machineries from 40 and 30 percent to 15 percent. I propose to reduce the duty rate on glass mould and other glass from 15 and 30 percent to 15 percent, parts of burner from 7.5 and 40 percent to 15 percent, tin foil and powder and flakes of tin from 15 and 25 percent to 15 percent. I propose to unify the duty rates of waste of precious metal from nil, 15 and 25 percent to 5 percent, different types of thermostat from 7.5 and 30 percent to 15 percent. It is proposed to fix 15 percent duty rates on different types of alloy steel wire instead of existing 25 and 15 percent. Different types of gaseous hydrocarbon including LP Gas and natural gas are presently charged at 7.5 and 40 percent duty. I propose to reduce the duty rate of all types of gas to 5 percent. Different types of antibiotics are now charged nil and 7.5 percent duty rate. This creates conflict and confusion in assessment. So, I propose to unify these two rates at 5 percent for all antibiotics. As a consequence of all these proposed steps, the government will lose some revenue, but assessment will be easier and clearance of import cargo will be speedier.

24. It is proposed to reduce the duty chargeable on raw materials of chemical and plastic industries from 30 and 25 percent to 15 percent. Chemicals of same heading presently attracting different duty rate of 40 and 30 percent will be charged at a single rate of 25 percent. Considering the question of protection of local industries, I propose to unify the 40 and 25 percent duty rate chargeable on all sorts of plasticisers to 37.5 percent. For the same reason, 15 percent duty chargeable to maleic anhydride is proposed to be reduced to 5 percent. Due to reduction of customs duty on polymer, the raw materials of plastic industry, the existing small industries producing plastic and polymer from monomer will face difficulties. Considering this, 15 percent duty rate chargeable on vinyl acetate, ethyl hexyl acrylate, butyl acrylate, methacrylic acid and methyl methacrylate monomer will be reduced to 5 percent. 30 percent duty is chargeable on acetic acid. This rate has been proposed to be abolished from the customs tariff. For the protection of local industries manufacturing acetic acid using 100 % local raw material, it is proposed to fix the

duty rate of acetic acid at 37.5 percent.

Honourable Speaker,

25. In the last budget a number of steps were taken for the development of agriculture and agro-based industries of the country. Due to exemption of duty on power tiller and some of its spares given, in the month of September, 1998, import of power tiller has dramatically increased. During the six month period from 18th September, 1997 to March, 98, only 6299 units of power tillers had been imported, but the number of imports was short up to 17500 units in six months from 15th September '98 to March, 99. On 24th February, 99 the government has withdrawn infrastructure development surcharge from TSP fertilizer and made it completely duty-free. This timely decision of the government has made increased agricultural production possible. With a view to further encouraging agricultural production, infrastructure development surcharge is proposed to be withdrawn from MOP, NPK and DAP fertilizer. The industrial possibilities and prospects of Bangladesh lies in the development of agro-processing industries. A good number of light metallurgical industries is included in the agro-processing sector. To help the growth of industries of these sectors, I propose to reduce the duty of pig iron from 15 to 5 percent, MS billet from 30 percent to 15 percent, stainless steel ingot and alloy ingot from 40 and 25 percent to 15 percent, stainless steel bar and rod from 40 percent to 25 percent and alloy and carbon steel sheet, bar and rod from 40, 30 and 25 percent to 15 percent, bottle and jar from 15 to 5 percent, synthetic and rubber gloves from 30 and 40 percent to 15 percent, rope, twine and nylon chord from 30 and 40 percent to 15 percent, vitamin and vegetable products used for manufacturing animal feed from 7.5 percent to nil, non-refined animal fat and vegetable oil from 30 percent to 15 percent and tray etc. for carriage of eggs and chicks from 15 percent to 5 percent. I propose to reduce the duty rate on mango pulp used for manufacturing juice, tetra pack for its packing and flexo print (gravure) ink for printing tetra pack from 40 percent to 25 percent. For the protection of local industries, I propose to impose 15 percent duty on rice huller. Existing duty on the parts of rice huller is 25 percent. To rationalize the duty rate of rice huller spares with other spares I propose to reduce this duty to 15 percent. Machineries under the heading 84.32 and 84.33 useable in agriculture is proposed to be included in the industrial machinery list and to them exempt from all duties and taxes in excess of 5 percent customs duty.

Honourable Speaker,

26. To encourage leather industries, a number of steps were taken during last two years. Considering the enormous possibilities of leather sector in Bangladesh I have already declared in the first part of my speech a 10 percent cash incentive on the export of manufactured leather goods. In continuation, I propose to reduce the duty on all sorts of pigments from 15 percent to 5 percent. I also propose to reduce the duty on tanning material from 7.5 percent to 5 percent. I further propose to withdraw 2.5 percent infrastructure development surcharge from all types of skins, hides and leather, the principal raw material of the leather industry. It is expected that production and export of leather goods will increase due to these important enabling measures.

27. Ready made garment industry (RMG) is playing a vital role in earning foreign exchange. To sustain the RMG sector in the future, development of backward linkage industry like textile industry is unavoidable. The role of textile industry in fulfilling the basic needs of the people is also of important. In that consideration and considering the suggestions of Parliamentary Standing

A tax payer is required to pay 30 per cent of the tax at the time of appeal to the Appellate Tribunal. For the benefit of the taxpayers, I propose to reduce this payment requirement to 20 per cent.

Committee relating to the Textile Ministry, the Ministry of Textile and the Tariff Commission, the duty chargeable on machineries and raw materials of textile industry is proposed to be reduced or in some cases exempted. I propose total exemption of duty and taxes chargeable on all sorts of machineries and spare parts essential for textile industry excluding a few spares manufactured locally. Existing 2.5 percent infra-structure development surcharge and 3 percent advance income-tax on cotton is proposed to be withdrawn completely. Existing 15 percent value added tax and 2.5 percent infra-structure development surcharge on synthetic staple fiber, a raw material for synthetic yarn and fabrics is also proposed for withdrawal. I propose to reduce the duty rate of polyester yarn from 30 percent to 15 percent, POY (Partially oriented yarn) from 30 percent to 5 percent. Zari (lumi lurex yarn) from 7.5 percent to nil, all sorts of dyes used in the textile industries from 7.5 and 15 percent to nil and pigment titanium dioxide from 15 percent to 5 percent. Sizing material sago, maize starch, fixing material and gum used in textile industry from 40 and 30 percent to 5 percent, soda ash and hydrogen peroxide from 25 and 30 percent to 15 percent. I propose to reduce the duty rate of rags of woolen blanket and fabrics used as raw material for woolen blanket industry from 40 percent to 15 percent. For the protection of local silk industry, duty on raw silk and silk yarn will be increased from 7.5 percent to 15 percent. Overall the government will suffer revenue losses because of the proposed measures but we have to make this sacrifice with a view to giving the required impetus and support to the textile industries and thus to the RMG sector.

Honourable Speaker,

28. Huge illegal importation or smuggling is one of the major problems of our economy. The government is deprived of large amount of revenue and foreign exchange due to this. High tariff rates and high prices of local commodities can be identified as the principal causes of smuggling. To resolve this, it is necessary to reduce duty rates of raw materials of local industries and of goods not produced locally. As a preventive measure I propose to reduce 40, 30 and 25 percent customs duty on watch, stop watch, camera, photographic film, paper and chemicals and bicycle parts to 15 percent. For the same reason, customs duty on tyre cord fabrics, rubber accelerator and carbon black which are raw materials for rubber and tyre industry will be reduced to 5 percent from 15 percent. Duty on carbon steel strips-raw material for cycle chain is proposed to be reduced from 25 to 15 percent. In harmony with this I propose to reduce 25 percent duty of reed frame steel to 15 percent. Specific size steel strips used in blade manufacturing now attracts 7.5 percent duty which will be completely withdrawn. Present 25 percent duty on half inch width stainless steel blade will be reduced to 15 percent since this is used in disposable razors.

29. To consolidate the competitiveness of local industries I propose significant extension of the coverage of the machinery notification and propose uniform 5 percent duty rate instead of area specific 2.5, 5 and 7.5 different duty rates. In consequence of this, larger number of machineries will enjoy this benefit and assessment will be easier and quicker. I propose to reduce 40, 30, 25 and 15 percent customs duty on different spare parts to 15 percent in most of the cases. To increase the efficiency of local construction industry, I propose to include dumper truck, crane lorry, mixture lorry, fire fighting vehicle, fishing trawler and factory-ship used in fish processing and other purposes, transformer having a capacity 10,000 KVA and above and medical laboratory sterilizer etc. in the machinery notification. I also propose to include most of the quality testing equipment used by industries in the machinery notification. Refrigerator and generator parts, locally manufactured textile parts, safety valves and other parts including parts of crane lorry will enjoy the benefit of 15 percent customs duty.

30. To encourage the local metal based industries, I propose to reduce duty on waste, flake and powders, primary raw materials of copper, nickel, and aluminium etc. from 15 and 7.5 percent to 5 percent and reduce duty on zinc, molybdenum, tantalum and bismuth from 25 to 15 percent. For the development of metal based light industries I propose to include lathe and similar machinery into machinery notification and other tools form 30 and 25 percent to 15 percent. I propose to reduce duty on silica

manganese flat-bar which is a raw material of leaf spring used in buses and truck from 30 percent to 15 percent.

31. I propose to reduce the duty rate on transformer oil and mica sheet used in electric goods manufacturing industries from 30 percent to 15 percent. Duty rate on electric capacitor, fuse, relay, circuit breaker, sealed beam lamp unit, thermo-ionic valves and tubes, transistor, circuits, lead in wire and optical fibre cable will be reduced from 40 and 30 to 15 percent. Duty of coaxial cable will be reduced from 40 to 25 percent. I propose to reduce duty rate of electro magnet and primary cell and electro mechanical tools except accumulator and drycell battery from 30 and 25 percent to 15 percent. I hope, this measure will encourage production of electric bulb and equipment.

32. Ceramic industry is playing a very important role for the country. Ceramic goods are being exported besides fulfilling local demands. But this industry has in recent times come under the threat of illegal imports. I propose to reduce duty on quartz, kaolin clay, other clay, talc and liquid lusters which are raw materials for the ceramic industry from 15 and 7.5 percent to 5 percent to enable the industry to overcome the present problems and to be more competitive.

Currently we are exporting melamine products. To support this prospective industries duty rate on its raw material melamine powder will be reduced from 15 to 5 percent. I propose to reduce duty rate of prepared driers which is one of the raw materials of paint industry and of aluminum wire rod and copper wire rod which are raw material of cables industry from 30 to 15 percent. RBD palm stearin and tallow are both basic raw material for soap industry as such their duty rates will be unified at 25 percent.

Honourable Speaker,

33. Pollution free environment is the precondition of a healthy nation. Smokes from factories and vehicles, indiscriminate use of plastic goods and deforestation are making our environment intolerable. I propose total withdrawal of existing 7.5 percent customs duty on imported wood to protect our forest resources. To protect environment and to save foreign currency in importing fuel and to encourage use of CNG in vehicles I propose to fix zero customs duty on CNG machinery, pump etc. Huge amount of money and substantial time will be necessary for installation of pipe lines for the supply of natural gas upto household level in north-western and southern areas of the country. Against this backdrop it is necessary to create facilities on an urgent basis for importation, preservation, transportation and marketing of LP gas for the people of these areas. I, therefore, propose to fix duty at the rate of 5 percent on LP gas to facilitate its supply to the people of these areas so that they can use gas in their day to day life. The use of plastic shopping bag and Ethyl Vinyl Acetate (EVA) foam has increased manifold in the country even though plastic waste pollutes our environment. I propose to enhance duty of EVA and Low Density Poly Ethylene (LDPE) to highest tariff slab of 37.5 percent to discourage use of plastic shopping bag and EVA and to encourage use of jute bag and rubber foam. Two stroke engine and two stroke engine driven auto rickshaws which also pollute our environment dangerously. As such I propose to enhance supplementary duty on them from 50 to 100 percent. I also propose to withdraw supplementary duty from environment friendly four stroke engine and four stroke engine driven autorickshaws.

34. In the last budget customs duty was withdrawn from double-decker buses for the development of public transport system. In this budget I propose to reduce duty on bus having seating capacity of forty and above from 25 to 5 percent. Short-wheel-based overloaded trucks are a menace to our roads. To remedy this situation I propose to reduce customs duty on long trucks having more than two axles to 5 percent to encourage the use of such trucks. Customs duty of trucks having 2 axles will remain unchanged at 25 percent. For the same purpose I propose to reduce duty on container trailer, all kinds of trailers, semi-trailer, prime mover, trailer tractor with engine cab as machinery to 5 percent. Now a days 12/14 seater light vehicles have started their operation in Dhaka city as substitute of auto-rickshaw. I propose to reduce duty on this type of economic and environment-friendly vehicles from 25 to 15 percent.

35. Local paper-pulp industry can not survive against duty free imported pulp. Considering this, I propose to impose 5 percent customs duty on paper pulp. At present 30 percent customs duty is applicable on paper and printing ink. On the other hand duty on books in most cases is nil and 7.5 percent on novels etc. Dependency on importation of books is increasing and the printing industry is being adversely affected. To resolve this problem keeping medical, agricultural, engineering, university level text and reference books, encyclopedia and business directory, higher level text book written in foreign language, religious books and necessary foreign language text book followed in foreign language schools under duty free list. I propose to enhance duty rate on all other books to 15 percent.

36. 40 percent duty is applicable on Horlicks type bottled dry health drinks. Illegal import of this product in retail packing has been reported. On the other hand, bulk import and facility for re-packing in bottles exist in the country. As such I propose to impose 37.5 percent duty on retail pack and 25 percent on bulk import of this product. Additionally, 5 percent supplementary duty on bulk import will also be applicable

37. Duty on scrap vessel at the rate of 7.5 percent will remain valid upto 31st December, 1999 and after that 15 percent duty will be applicable. But 7.5 percent duty slab has been proposed for abolition. To obviate this problem I propose to impose 5 percent customs duty and 5 percent supplementary duty on scrap vessel for the whole financial year. Importers will enjoy 1.15 percent tax benefit as compared to existing rate because of this measure.

38. Considering the importance of signaling system in riverine and rail communication, I propose to reduce duty on electric signaling equipment from 30 to 15 percent.

39. At present duty on chickpeas is 30 percent and on other peas 7.5 percent. Pulse is a very important source of protein for the poorer sections of people. I propose to reduce duty on all sorts of peas to 5 percent even at the cost of revenue loss to ensure "dal-bhat" of the general people.

It is proposed that owners of luxury cars above 2000 CC and jeep above 3000 CC will be required to pay tax at the rate of five per cent of the cost of purchase of such a car or jeep or 50,000 Taka, whichever is higher, at the time of registration of such vehicles. The investment in such cases will be accepted by the tax department without question.

40. Duty on treated seasoned wood or sized wood used as raw material for manufacturing bobbin is 30 percent. Duty on bobbin is 25 percent. Reduction of duty of bobbin to 15 percent has been proposed. So, I propose to reduce duty on treated seasoned wood or sized wood to 15 percent.

41. Metal, RCC and wooden pole used for electric supply are being manufactured in the country. To encourage these industries, I propose to enhance duty on "treated wooden pole" to 15 percent.

42. There is immense potential of tourism in our country. To materialize that potential and to encourage establishment of more hotels and motels of good standard, I propose to include large washing machine and washing plant used in hotels in the capital machinery list. Other machinery which are usually used in hotel/motel will also be included in the capital machinery list.

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