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# The Daily Star BUSINESS

DHAKA, TUESDAY, SEPTEMBER 7, 1999

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## SIA launches freighter service to Scotland

Singapore Airlines (SIA) will launch a new freighter service to Prestwick, Scotland, from October 2, says a news release of the airline.

The once-weekly flight will be operated with a 747-400 freighter, which had airline dubs 'the Mega Ark'. The service will depart Singapore every Saturday, arriving in Prestwick via Sharjah, the same day. It will proceed to Copenhagen that evening and return to Singapore the following day, also via Sharjah.

Prestwick is near Glasgow and its cargo traffic development stems primarily from Scotland's 'Silicon Glen'. Transportable cargo will include aerospace, electronics and computer products, as well as oil and gas equipment.

SIA will launch its second weekly freighter service between Singapore and Amsterdam on September 29, and from October 1, upgrade it to twice-a-week freighter services between Singapore and Bangalore, using a Mega Ark in place of the current leased B727 freighter aircraft. Freight frequency between Singapore and Chennai (Madras) will also be increased to twice a week.

## Banks to help set up condom plant at Savar EPZ

A consortium of three banks would assist the setting-up of a condom manufacturing plant at Savar export processing zone (EPZ), a press release of Bangladesh Shilpa Rin, Sangstha (BSRS) said in city yesterday.

The consortium comprising Janata Bank, South East Bank Ltd and BSRS would finance the project with an estimated cost of Tk 165 million.

The project aims to establish an EEC/WHO-standard condom manufacturing plant with technical and marketing collaboration of CPR GmbH, Germany, the press release said.

The project will sell its products to the government at an internationally competitive price and also to other donor agencies like the EEC and UNFPA for distribution in Bangladesh, it said.

After implementation, the project would export condoms to other countries and is expected to earn US\$1.5 million annually.

The course was repeated for the second time to meet the growing demand from ready-made garments sector.

DCCI Director Mohammad Nurul Alam inaugurated the course, Md Emdadul Haque, Project Manager, BAS Project of DCCI, also spoke on the occasion.

The course was aimed at familiarising the participants with the concept, importance and role of merchandising; basic ideas on yarn, fabrics used in garments sector; banking for merchandising; fabric dyeing, fabric printing and finishing; communication and negotiation of orders; design, pattern and styles in knit and garments washing and dyeing, garments accessories, garments costing and consumption analysis, garments inspection system and shipping and transportation.

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## Standoff scares off foreign investors

# Row with Hubco puts Pak woes under harsh spotlight

KARACHI, Sept 6: A 30-month row between Pakistan and Hub Power Co Ltd (HPWR) KA, its biggest investment project, has put Pakistan's deep-rooted economic ills and inability to solve them under a harsh spotlight, reports Reuters.

The standoff, which has scared off foreign investors and dragged in donor governments and multilateral agencies, now appears to be reaching a conclusion, but its lessons will not be lost on potential investors, analysts said.

The fight between the government and World Bank-backed Hubco, which has a \$1.5 billion power plant near Karachi, is over how much it charges the state power utility WAPDA, and crystallises the problems that keep major foreign investment away.

The dispute has become synonymous with criticisms levelled at successive Pakistani governments — mismanagement, political interference, legal fights, corruption charges, indecision and a plain lack of money.

Analysts said those problems were likely to plague any settlement to the dispute, which has drawn international attention not only because of the World Bank involvement, but

also because Britain's National Power and Saudi Arabia's Xcel Industries have major stakes in the project.

"Any intelligent person can tell you WAPDA does not have the money ultimately to pay. So if your customer is not able to pay, what kind of an agreement are you going to end up with?" said Nadeem Naqvi, head of research at International Asset Management Co Ltd.

WAPDA, the Water and Power Development Authority, is Hubco's sole customer. The state utility was so poorly managed and was losing so much money through widespread theft of electricity and corruption that the government sent the army in to manage it earlier this year.

It has been estimated that the utility's annual deficit would jump to 74 billion rupees (\$1.45 billion) for the year which ended in June, from 54 billion in 1997/98.

### Allegations of corruption

The government blames Hubco for WAPDA's troubles, saying it overcharges WAPDA and used corrupt means to obtain its contracts with the former government of Benazir Bhutto.

The company and Bhutto

deny the charges, but analysts say the allegations disclose a common concern for investors — that contracts will not be honoured by subsequent governments.

"Our sense is that here are certain quarters in the government who seriously, actually, believe that Pakistan has been taken on a ride as far as Hubco is concerned," Naqvi said.

The chief minister of Punjab province, Shahbaz Sharif, who is also the brother of Prime Minister Nawaz Sharif, was quoted recently as saying the contracts awarded to independent power producers such as Hubco were "broad daylight robbery".

WAPDA and Hubco held their latest round of talks last month to try to resolve the dispute, with negotiations looking not only at the tariff but also Hubco's rate of return.

"The issue is to sit down and arrive at an agreement which allows WAPDA to pay in the long term. Any sort of agreement... makes sense only if WAPDA has the capability (to pay)," said Mohammad Sohail, head of research at IP Securities.

The dispute has intensified since April 1998 with the corruption allegations, but court cases challenging Hubco's tariff

were not filed by the government or WAPDA, but by a private citizen.

### Court decisions

Court decisions later in 1998, which Hubco is contesting, resulted in WAPDA lowering what it pays Hubco, which says those accrued receivables total 9.3 billion rupees (\$182 million).

The government has also threatened Hubco with prosecution for corruption, harassed its managers and stopped them from leaving the country, usually when talks had broken down.

Agents from an anti-white collar crime unit are stationed at Hubco's 1,292 megawatt plant just west of Karachi, which has nine per cent of the installed electricity capacity in Pakistan.

When the row first started during an election campaign in early 1997, it cast doubt on the government's ability to honour its word, as the government had guaranteed the contracts.

Now 30 months, 11 committees, countless contradictory statements and dozens of court hearings later it puts into question the government's ability to resolve the dispute.

## Taiwan hopes for US-China WTO deal at APEC

TAIPEI, Sept 6: Taiwan hopes its biggest ally and main antagonist will reach an agreement on China's bid to join the World Trade Organisation, a top Taiwanese economic planner said Monday, reports AP.

China's admission to the WTO was likely to be discussed this weekend when US President Bill Clinton and Chinese President Jiang Zemin meet at the Asian Pacific Economic Cooperation forum in New Zealand.

Getting China into the WTO would be a "very positive step," Schive Chi, vice chairman of the cabinet's Council for Economic Planning and Development, told reporters.

Taiwan wants China to join the WTO because its own bid for entry depends on China receiving approval first, a demand made by Beijing to assert its claim that Taiwan is a part of China.

China and Taiwan split amid civil war in 1949, and though Washington has diplomatic relations only with China, it is compelled by law to help provide for Taiwan's defense.

# Dwindling output a bane for cane industry

SYLHET, Sept 6: When the market of cane-made furniture and decoration pieces continues to expand, indigenous production of cane furniture at an alarming rate, threatening the cane industry, reports UNE.

"Once Sylhet used to produce cane furniture and cane industry developed on plentiful supply of local cane. Now local cane has become almost non-existent," said a businessman.

A large number of wickermen involved in this industry now see their future bleak.

Some of the wickermen said that shortage of cane has seriously affected the industry, pushing up prices of cane furniture and decoration pieces.

Though cane furniture are gaining popularity at a faster pace than ever before, a good number of wickermen have given up the age-old profession due to cane scarcity.

Forest Department officials attributed the crisis to lack of initiatives for proper maintenance of clumps and creating more clumps on courtyards or abandoned lands.

They said the villagers, who used to plant cane on their courtyards, are now more interested in construction of houses than cane production due to the ever-growing residential problem.

They said that a section of traders were indiscriminately felling cane and bamboo

plants to sell them to various industries as firewood, affecting the cane industry.

While talking to the UNB correspondent, some traders of cane products at Salutikor Bazar in Golanghat thana said that once they had plentiful supply of cane products from remote areas, but now the supply had come down drastically.

When asked, Divisional Forest officials said the government is trying to replenish the forest losses by undertaking various afforestation programmes, but it has no plan for massive cultivation of cane or bamboo in the country.

Like other hill districts of the country, bamboo production in the hilly countryside has also declined alarmingly, making handicraft items like kula, pati, tukri, polo, kuka and chhai almost non-existent.

In Sylhet, 95 per cent houses are made of bamboo. There was a time when bamboo used to be supplied to Sunamganj, Habiganj and Mymensingh and many other districts of the country from Sylhet and Moulvibazar.

Besides, there is a high demand for soft bamboo shoots in the region as a section of people take it as delicious food.

Once different species of bamboo like Bokua, Betua, Jai, Mitringa, Hil Boroa and Muli were found in abundance in the district. Even a few years back,

bamboo used to be sold at Tk 15-20 per piece. Now it's selling at Tk 100 or more.

According to an unofficial estimate, 20 lakh tons of bamboo are needed in the country for making handicraft items, houses, gates and stages every year. Of the total supply, some eight lakh tons come from remote villages while two lakh tons from forests.

Another estimate suggests that nearly 100 crore bamboo are needed for making dwelling houses, while 125 tons are used in Chandraghona and Chhatak paper mills every day.

Experts said that the traditional method is still followed in bamboo cultivation in the country.

They alleged that the Agriculture Ministry and its various departments and directorates were lagging far behind in this sector compared to those in of our neighbouring country.

In Bangladesh, bamboo and cane productions could be doubled by planned plantation as the environment-friendly bamboo and cane plants grow easily on any land, the experts added.

A few years back, scientists of Bangladesh Forest Research Institute innovated a new method, "Pracmul Konchi", for easy cultivation of bamboo and cane. But the method has not gained popularity for lack of campaign.

# British economy smiles on Blair govt

LONDON, Sept 6: With maybe two years to go before the next election, Britain's economy looks set to hand the Labour government a glowing picture of healthy growth and brimming public coffers, reports Reuters.

Prime Minister Tony Blair and his trusty lieutenant, Chancellor of the Exchequer Gordon Brown, have returned from their August breaks planning to trumpet their success with the economy in the next few months.

Inflation is low, unemployment is low, growth is picking up fast from a slowdown at the end of last year, and the public coffers are overflowing over with cash.

The Bank of England, empowered by Brown shortly after Labour's 1997 election victory with setting British interest rates, has steered them to a current 22-year low of 5.0 per cent.

While the Bank is likely to put rates up next year to prevent the recovery becoming an unsustainable boom, few economists expect rate of rise above 6.0 per cent — still historically low.

Brown is also riding high because his growth forecast for this year of 1.0-1.5 per cent, made last November, looks to be spot on, perhaps even conservative. At the time it was widely derided by pundits for being hopelessly optimistic.

A Sunday newspaper said Brown would up his growth forecast to around 1.5 per cent in next November's pre-Budget report.

Cole said any upward revision to the 1999 forecast would merely reflect what had already happened, and would not be a surprise. Also, "the Treasury may well revise its forecasts for next year and 2001, something most private sector economists are busy doing at the moment," Cole said.

A year ago the Treasury predicted growth of 2.5 per cent next year and 3.0 per cent for 2001 — seen as the most likely year for an election. Brown will probably add 0.25-0.50 point to those forecasts in November.

Apart from being a very powerful election asset, a growing economy also means healthy public finances because

it boosts tax receipts and keeps unemployment, and thus spending on jobless benefits, low.

Britain is not alone. Accelerating growth in many European countries is swelling public coffers while in the United States, the government faces a real embarrassment of riches.

Healthy public finances provide an almost irresistible temptation to any government, especially as an election approaches.

Having slammed on the spending brakes, and raised taxes in his first two years in office to eradicate a 28 billion pounds deficit, Brown has pencilled in 40 billion pounds of extra spending on health and education over the next three years.

"As he approaches a general election, Gordon Brown is in the happy position to be able to contemplate serious increases in public spending and some tax cuts, while still presenting extremely healthy numbers for the public finances," leading economist Roger Battle wrote in the Times newspaper.

# Self-assessment of tax and the lurking stumbling-blocks

By M Tafazzal Hossain

Income Tax Ordinance, 1984, has repealed the over 60 years old Income Tax Act, 1922. The new ordinance was meant to put the income-tax law on a stable basis. But this has not happened. The provisions of the present ordinance have undergone innumerable insertions, substitutions and amendments. Amendments and re-amendments made often have drastically changed the original fabric and texture of the statute in about 15 years of its existence.

The term 'assessment' has been variously defined. The word is used in the Income Tax Ordinance, 1984 to mean sometimes the computation of income, sometimes the determination of the amount of taxable liability on the taxpayer. The term must be understood in each section of this ordinance with reference to the context in which it is used. In some sections it has a comprehensive meaning and includes re-assessment while in other sections it has a restricted meaning. 'Assessment' primarily refers to the computation of the amount of income and 'assessee' primarily stands for a 'person' whose income is being computed.

'Self-assessment' clearly dictates assessment by the person whose income is being computed. Described in brief, under the self-assessment system, each taxpayer calculates his own tax-base and tax liability. He submits a return in accordance with the provisions of law and pays the tax liability stated in the return. For the determination and payment of due tax, income is levied under the self-assessment scheme through which tax liability is determined by the taxpayer's declaration based on the proper records of the tax-base and tax amount due, and payment is made on such basis.

Under the self-assessment system, taxpayers themselves assume the primary role of calculating the tax-base and amount of tax, filing a return to establish tax liability based on their calculations and paying the tax due at the same time. Tax authorities, however, reserve the right to correct tax

payers' returns with a correction notice.

Like individual income tax, the corporation tax is also paid under the self-assessment system. A corporation is required to keep simple books of accounts and maintain records and documents, produced or received, concerning its business. The corporation's income and return must be filed by the statutory due date. A return should ordinarily be accompanied with the corporation's balance-sheet, profit and loss statement and other documents describing items necessary for calculating its income and the corporation tax due thereon.

Unlike the age-old official assessment system under which amounts of taxes to be levied are determined by administrative and legal proceedings by the tax authorities, taxation based on the self-assessment system requires taxpayers to calculate their taxable income, file returns and pay taxes due. It is, therefore, necessary that the taxpayers properly understand the significance of tax and have a fair idea of tax laws and accounting for appropriate income calculations with consciousness of their liability to pay taxes. In fact, to secure a sound development of the self-assessment system, improvement of the assessee's accounting practices is of vital importance.

The 'self-assessment' scheme has a long history in the sub-continent. Since 1964, the system had been in existence in the then Pakistan. By inserting Section 59 in the Income Tax Act, 1922, the self-assessment procedure was introduced in Pakistan in 1964. According to this scheme, all salaried persons irrespective of their income from other sources unless such income was more than 25 per cent of the total income and other classes of tax payers whose income did not exceed Rs 25,000 in any year, would determine their own liability at the time of filing their income tax returns and tender the amount of tax due, along with the returns.

In case of concealment or

fraud in such assessment, provision was made for penalty up to five times of the tax sought to be evaded.

The former Central Board of Revenue by its C No 3 (2)-TL/64, dated July 27, 1965, detailed the modalities of the self-assessment procedure. It said "A new system of self-assessment of income tax was introduced last year to enable the tax payers in the fixed and lower income groups to have their assessments completed without going through the normal formalities of producing their books of accounts and appearing, either personally or through an authorised representative, before the income tax officer. The system is not only being continued but its scope is also being extended." By a press note it was reiterated that the self-assessment procedure would apply to all assessments for 1964-65 and 1965-66 and it would be extended to earlier years right up to the assessment year 1962-63.

Azam Ali, the then member of the erstwhile Central Board of Revenue addressing a press conference at Karachi on 13.08.1965 said that provision of more facilities under the system was considered necessary as the response from the tax payers last year was poor. Ali assured the tax payers that instruction had been issued to all income tax officers (Presently Deputy Commissioners of Taxes) that no assessment which had been completed under the said scheme would be re-opened where there had been reasons to believe that the taxpayer had concealed his income or committed fraud. It was hoped that the assessee whose assessment fell within the purview of the new procedure of self-assessment would take advantage of the opportunity offered.

The scheme of self-assessment was introduced with dual objectives. It was expected that huge back-log of pending assessments would be cleared in no time and locked-up state revenues would be realised. Secondly, it was hoped that

confidence amongst the taxpayers would be created in the matter of appreciation of their responsibilities towards the state.

In Bangladesh, prior to Finance Act 1990 it was mandatory to accept the returns submitted under the self-assessment procedure complying with the conditions stipulated. There was no machinery to make thorough examinations of tax payers suspected of under-reporting of income. Assessors recording short-sales and reporting fictitious expenses but availing of the benefit of self-assessment procedure could go scot free without questioning. Added to law by the Finance Act, 1990 Section 83A of the Income Tax Ordinance, 1984 has incorporated new provision for detailed examinations. New machinery was inserted for scrutiny of returns already accepted under the self-assessment system. Tax officials were given fresh authority to reopen already completed assessments where on examination, it was found that there had occurred concealment or fraud. Limit was put to the effect that maximum of 10% of such cases could be reassessed following the methodology evolved by the National Board of Revenue.

Rule 38 of Income Tax Rules has laid down the eligibility and the detailed conditions for filing returns under the self-assessment scheme. Persons having income up to Tk 1,25,000/- was eligible to submit returns under self-assessment system SRO No 271-Law/90 dated 16.07.1990 raised the ceiling to Tk 1,00,000/- in place of Tk 1,25,000/- in the cases of existing tax payers earning income from business or profession. However, exception was made in the case of professionals. Those professionals who did not maintain books of accounts were kept outside the ambit of self-assessment procedure.

Examination technique was changed once again. Finance Act, 1995 by substituting sub-section (3) of Section 83A has provided for 'audit' of assessments. If so authorised by the Board, any authority subordinate to it shall audit one assessment year out of three of an assessee completed under self-assessment procedure and subject it to normal assessment.

The perennial stream of experiments and amendments are mostly made in the name of simplification. No body seems to know where is the end of it. Finance Act, 1999 claims to have further liberalised the self-assessment scheme. Evidence of submission of Return under the said procedure would now be treated as final disposal of such cases. However, twenty per cent of cases filed under the said scheme would be subjected to post audit on the basis of computer generated 'random' sampling.

The survey of self-assess-

ment system as is made in the paragraphs here-to-fore in historical back-ground should reveal certain unmistakable characteristics. Haphazard and not policy-consistent attempts have been made from time to time. No well-thought out concerted effort seems to have gone in the framing of the laws and rules guiding the self-assessment procedure. No well-coordinated and synchronised system has been evolved for successful implementation of the system. Personal whims of individuals seem to have found preference over clear and constructive thinking for smothering unfavourable circumstances inherent and involved in the system.

The basic pre-conditions to make the system function well are that the taxpayer desires voluntary compliance, carries out continuous and correct book-keeping and computes his income on the basis of objective calculations. In none of the attempts made so far, steps have been taken in a well-planned manner to remove the difficulties in transplanting the self-assessment system in the country. The kaleidoscopic amendments/changes that have been brought in by every attempt over the last three and a half decades have compounded the malaises it appears, beyond redemption.

Measures taken so far for making the self-assessment procedure a success have not been evaluated. Loopholes are prevailing and pervading in the system, therefore, are little known. Corrective steps could not be taken in time. On the other hand, each successive attempt is found to be superimposing new conditions. As for instance, the Finance Act 1999 has subjected 20 per cent of tax returns filed under self-assessment procedure to post audit. Is it a realistic objective? Where is the audit organisation? Who will do the job? What is the rate of success in this field in the past? As far as our information goes, year-wise position of self-assessment returns filed stands as follows:

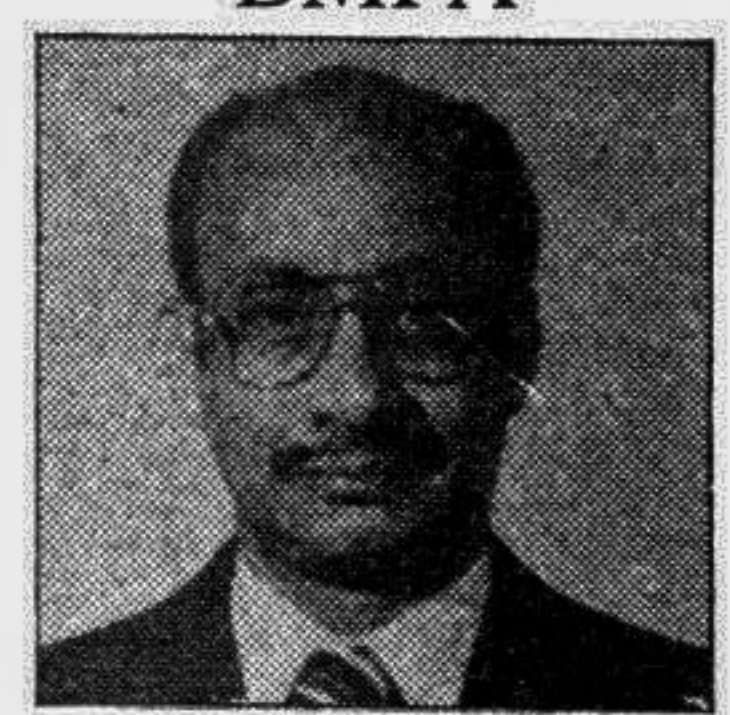
Assessment Year	Number of returns filed
1995-96	37,785
1996-97	93,633
1997-98	1,43,991
1998-99	1,33,457
(Incomplete)	

September is the month of submission of tax returns. Majority of the taxpayers are under legal obligation to file their returns by the 15th of September, 1999. Let us assume that 2,00,000 (quite realistic) taxpayers will avail of the benefit of self-assessment procedure this year and file their tax returns under the said system. Twenty per cent of it would mean 40,000 cases. Can the Tax Department handle this large number of cases for audit purposes? If the past is any guide, we are bound to say that projection has been made without appreciating the ground realities available. So, we are certain to add one more laurel to our list of 'failures'. People cannot have respect for a law which has so little respect for their basic problems and difficulties.

Tax administration under the self-assessment procedure is broadly conducted according to four principles in order to maintain fair and impartial implementation of taxation. These are consultation, guidance, examination and public relations. For taxpayers to file accurate returns and pay taxes voluntarily, it is necessary that they understand the importance of taxation, recognise their responsibilities as citizens and understand tax laws and book-keeping. We seem to be not very objective in developing self-disciplined and efficient offices that promote good human relationship. Attempts should be made to keep the work environment disciplined, cheerful and efficient. To these ends, bids need to be made through public relations, guidance programme and tax consultation to assist taxpayers with the mechanism of the self-assessment scheme.

(The writer is a retired Member (Taxes) of the National Board of Revenue and now Partner of a Law Firm, Adil & Associates.)

## New office bearers of BMFA



Chairman AK Shamsuddin Khan

Star Business Report  
AK Shamsuddin Khan has been elected Chairman and Secretary respectively of Bangladesh Marine Fisheries Association (BMFA) for the year 1999-2001.

The election was held at the BMFA head office recently, said a press release.

The other office bearers of the Executive Committee Shajidul Islam Chowdhury and Commodore AZ Nizam, Vice-Chairman, Faqir Mahub Anam, Joint Secretary General, and Ahammad Faisal Manzoor, Treasurer.