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Industrial fair begins in Ctg Oct 14

A 9-day exhibition of local industrial products will begin at the Chittagong Outer Stadium on Oct 14. It is being organised by National Association of Small and Cottage Industries of Bangladesh (NASCI) Chittagong district branch with cooperation of central NASCI, Dhaka.

All interested entrepreneurs are requested to contact either NASCI Head Office, 63/1, Purana Paltan Line, Dhaka-1000, Tel: 842709 or NASCI Chittagong District Branch, 957/75, Pathantooly Blyane, Kalabagan, Chittagong, Tel: 505081, 711660.

Dhaka Bank declares 25pc dividend

Star Business Report
Dhaka Bank Limited has declared a 25 per cent dividend for its shareholders for the year 1998, says a press release issued in city yesterday.

The announcement came at the fourth Annual General Meeting of the bank held Thursday at its Head Office with Abdul Hai Sarker, Chairman of the Board of Directors of the bank, presiding, says a press release.

Besides the shareholders of the bank, Mirza Abbas Uddin Ahmed, Advisor, ATM Hayatuzzaman Khan, Vice Chairman, AIM Ifitkar Rahman, Managing Director, and Md Mokhlesur Rahman, Deputy Managing Director, also attended the meeting.

Abdul Hai Sarker and ATM Hayatuzzaman Khan were re-elected Chairman and Vice Chairman of the bank respectively.

Welcoming the shareholders, the chairman expressed his satisfaction over the overall performance of the bank during last year despite the unprecedented flood.

The bank earned an operating profit of Tk 78 million during 1998 after 1 per cent general provision on non-classified loans amounting to Tk 10.95 million. The net profit of the bank stood at Tk 47.28 million (after income-tax provision amounting to Tk 31.52 million) compared to Tk 33.52 million in 1997. The growth rate was 41 per cent.

Deposit and advance during 1998 stood at Tk 5299.09 million and Tk 2692.30 million respectively, increasing by 30.98 per cent and 75.93 per cent over the previous year. The return on equity (ROE) of the bank for last year reached at 46.69 per cent.

Iran strikes deal with S Arabia on OPEC secy general post

TEHRAN, Sept 19: Iran and Saudi Arabia have reached a deal on their conflicting candidacies for the secretary generalship of the OPEC oil cartel, Oil Minister Bijan Namdar-Zangeneh said today, cited by state radio, reports AFP.

Absolute Leather showroom opens in city Awareness dearth seen making locals opt for foreign products

Star Business Report

Chairman of Bangladesh Finished Leather and Leather Goods Exporters' Association MA Sattar yesterday said that there was huge demand for the locally-made leather goods in the domestic market but less awareness was the main hurdle towards building up a favourable image.

People hardly know about the local industries that are producing quality leather products, he said, while speaking at the inaugural ceremony of an outlet of Absolute Leather

Products at the City Heart shopping mall yesterday.

While opening the showroom, the president said that such an outlet would help introduce local leather products in the domestic market in a bigger way.

"The shop-owners use foreign brand names to market local products in the domestic market," the Association president said.

Bhuiyan also called for technological advancement to enter foreign markets. He said

that the Italian products were selling as the best-quality goods in the market mainly due to technological advancement, which the local producers lacked.

Speaking on the occasion, Absolute Leather Products owner SM Lokman said that the Bangladesh leather industry had a long way to go. "We are still at the primary stage, but well ahead of many."

He hoped the outlet would contribute to creating awareness about local products.

Tk 15cr credit scheme for govt officials to buy computers

The government has introduced a Tk 15 crore credit scheme for the interested officials to purchase computers, reports BSS.

Finance Ministry sources said the scheme has been launched since the current fiscal aiming at developing skills of the government officials.

Sources said that considering the total amount as 'capital investment', the government would provide a highest loan of Tk 60,000 each for the first class gazetted officers.

The interested officials have a scope to draw the amount as 'advance' against their respec-

tive 12-months basic salary and should repay the same in 60 instalments with 10 per cent interest per year.

Meanwhile, a policy has been formulated in this regard and sent to different ministries and departments with their respective allocations.

According to the rule, concerned official has to submit purchasing documents to the respective authorities within 30 days of purchase of computers.

However, it was clearly mentioned in the policy that the officials seeking advance payment not use the money for anything other than computers. If so, departmental action could

be taken against the concerned officials, sources said.

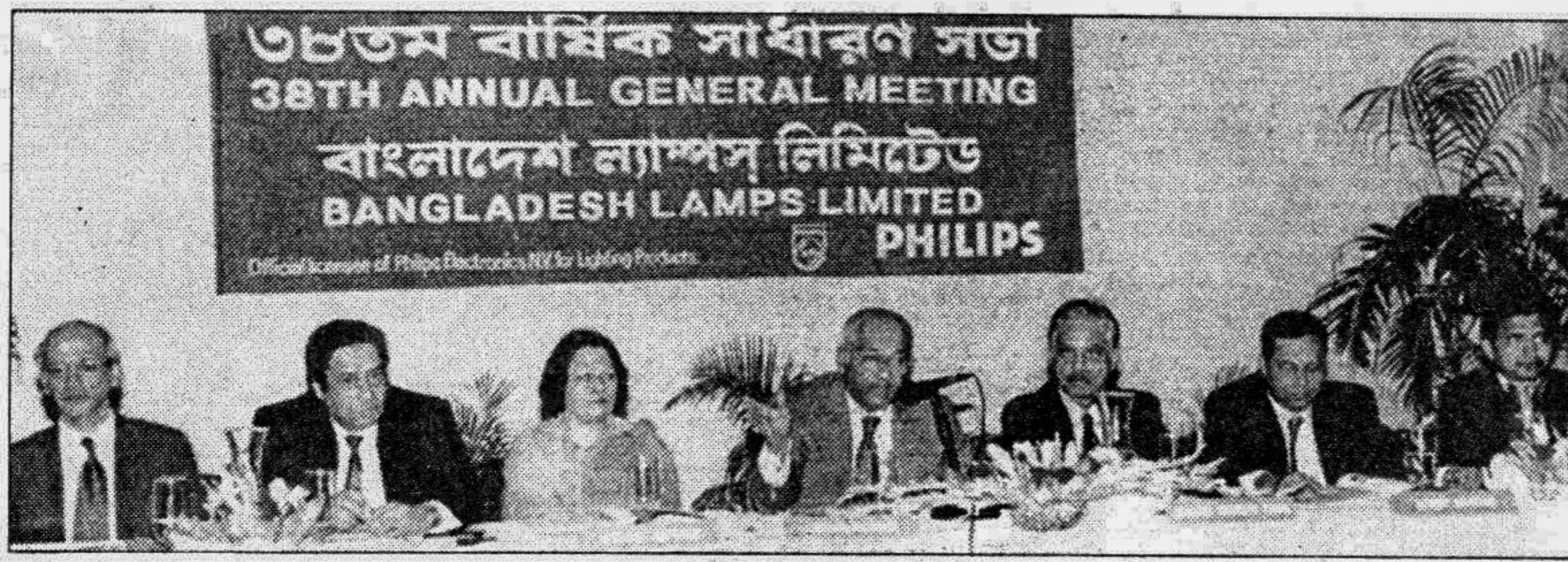
Meanwhile, Bangladesh Computer Society (BCS) has praised the government saying the initiative would certainly help expand computer market in the country and grow new skills in information technologies.

BCS opined that the government effort would also help create a new generation imbued with the latest IT knowledge as the kids of the officials would have a chance to become familiar with computers.

The Ministry of Establishment will provide a 15-day training course to the creditors.



Abdul Hai Sarker, Chairman of the Board of Directors of Dhaka Bank Limited, addresses the 4th Annual General Meeting of the bank held in city Thursday. Mirza Abbas Uddin Ahmed, Advisor, and A T M Hyatuzzaman Khan, Vice-Chairman of the bank, were also present among the directors. — Dhaka Bank photo



Latifur Rahman (Middle), Chairman and Managing Director of Bangladesh Lamps, speaks at the company's 38th AGM held at Dhaka Sheraton Hotel on Thursday. Also seen in the picture are (from left): Directors Saifur Rahman, Shamsur Rahman, Shahnaz Rahman, Obaidur Rahman Khan, Atiqur Rahman and company secretary AKA Muqtadir. — Bangladesh Lamps photo

Bangladesh Lamps declares 20pc dividend

Bangladesh Lamps Limited, the official licensee of Philips Electronics NV Holland for lighting products and manufacturer of Philips electric bulbs, has declared a cash dividend of Tk 20 per share at the 38th annual general meeting of the company, says a press release.

Latifur Rahman, Chairman and Managing Director of the company, presided over the meeting which was attended by a large number of shareholders.

The meeting held at Dhaka Sheraton Hotel on Thursday approved the annual report and accounts of the company for the year ended December, 31, 1998.

During the year, the company made a pre-tax profit of Taka 31.7 million and the net assets of the company rose by 15 per cent over the previous year.

The Board of Directors of the company comprises Latifur Rahman, Shahnaz Rahman, Saifur Rahman, Shamsur Rahman, Obaidur Rahman Khan and Atiqur Rahman.

ANZ Grindlays opens 7th ATM at Uttara

ANZ Grindlays Bank inaugurated its seventh automated teller machine (ATM) recently at SR Plaza at Uttara, Dhaka.

This is the first ATM of ANZ Grindlays in Bangladesh that is not located in a branch premises. The ATM has become operational from Thursday, says a press release.

The teller machine was formally inaugurated by Arun Nangia, Regional General Manager, Middle East and South Asia of the bank, Muhammad A Ali, General Manager and Country Head, ANZ Grindlays Bangladesh, and other senior officials of the bank were also present on the occasion.

For the convenience of its customers and to provide superior customer service, ANZ intends to install a few more ATMs very soon. Six other ATMs of the bank are located at Dhanmondi, Gulshan, Kakrail, Sheraton Hotel and Dilkusha in Dhaka and at Nasrabad in Chittagong.

IMF to offer Y2K loans to emerging markets

TOKYO, Sept 19: The International Monetary Fund is to set up a special loan facility to help emerging markets deal with potential financing problems due to the millennium computer bug, a daily said today, reports AFP.

Japan, the United States and European countries have agreed on the programme ahead of meetings of the Fund and the Group of Seven industrialised nations in Washington this weekend, the Nihon Keizai Shimbun said.

The loan facility in particular is aimed at discouraging investors from abruptly withdrawing their money from emerging markets to take refuge in developed nations over the year-end, it said.

The facility will be approved at a G7 meeting Saturday and the conference of the IMF Interim Committee the following day, the daily said. G7 groups

Britain, Canada, France, Germany, Italy, Japan and the United States.

The proposed IMF loans will

Ctg Urea Ltd suspends its production

Chittagong Urea Fertiliser Ltd suspended its production temporarily due to sudden mechanical fault, says a press release.

It is expected the normal production will be restored from September 24 after completion of necessary repairing works.

There would be no crises in the distribution of Urea fertilizer to the dealers under its command area, the press release added.

be provided for emerging market nations that request help under conditions set by the IMF, the daily said. It will be introduced in October or November.

There are fears that a massive fund exodus from emerging markets might cause turmoil in international financial markets as developing countries are said to be behind in their preparations for the Y2K problem.

A major global financial crisis may occur if Asia, Russia and Latin America, which have yet to fully recover from the financial turmoil, suffer another money exodus, the daily warned.

The Y2K problem refers to the inability of many older computer systems to differentiate between 2000 and 1900.

It is feared that the bug, unless addressed in time, could crash systems in a host of sectors including banking.



Arun Nangia, Regional General Manager-Middle East and South Asia of ANZ Grindlays Bank, Muhammad A Ali, General Manager and Country Head-Bangladesh, and other senior officials of the bank are seen after the inauguration of the seventh ATM at Uttara, Dhaka. — ANZ photo

Self-assessment of income tax and post-audit

By M Tafazzal Hossain

after paying taxes), his duty is over. There will be no such thing as an assessment order in the ordinary case. Evidence of the submission of Return under the self-assessment scheme would now be treated as the final disposal of such cases. However, twenty per cent of the cases filed under the said scheme would be subjected to post-audit on the basis of computer-generated 'random' sampling. The assessment order will now be passed only in respect of those cases.

What does 'audit' stand for? The term has not been defined in the Income Tax Ordinance, 1984. Nor it has been spelt out by the National Board of Revenue in any of its circulars. So, there appears no comprehensive meaning of the 'term'. In consequence, there is no unified 'audit code' available in the country to be followed uniformly by all the officials involved in the job of detailed scrutiny and investigation. In all likelihood, therefore, the audit job would be performed by different officials in their own separate ways. There would be no synchronisation of the job done throughout the country.

The Oxford Advanced Learner's Dictionary defines 'Audit' as 'official examination of accounts to see that they are in order'. The Chambers 21st Century Dictionary has defined the term as 'an official inspection of an organisation's accounts by an accountant'. In the backdrop of historical perspective of the existence of self-assessment scheme in our country and the element of detailed examination and cross-verification tagged with it during the last three-and-a-half decades, we would incorporate within the fold of 'audit' scrutiny of cases on the basis of personal judgement, information available, trade practices etc. In the absence of audit code, audit manuals etc. for tax audit, our discussion in the paragraphs that

follow would centre around 'post-detective measures for compliance' in general without being specific.

Tax evasion, strictly speaking refers to the acts of non-payment or under-payment of taxes by over-stating expenses or understating income in the book records by falsifying, concealing and destroying book-records and supporting vouchers or by other fraudulent means. Tax evasion connotes recording short-sales and reporting fictitious expenses, where on the other hand, an assessee making a false return or by misleading the income tax authorities evades tax, is tantamount to concealment of income. What constitutes concealment in the ordinary sense is easy to comprehend. If Mr 'X' has made sales of Tk 30,00,000 but has shown sales of Tk 25,00,000 and thereby reduced his income by a sum of Tk 5,00,000 he has concealed the particulars of his income. Then again, if the actual expenses deductible in his assessment are Tk 20,00,000 but he inflates his expenses and claims Tk 23,00,000 he has concealed his income by Tk 3,00,000. If Mr 'Y' has a source of income which he does not disclose at all in his return and the income from that source is Tk 1,00,000 he has furnished inaccurate particulars of his income.

Tax audit targets these areas of lapses. It aims to detect the causes of tax evasion, concealment and non-compliance. The main reasons for tax-evasion and concealment are not easy to identify, but the following factors seem to contribute substantially to the problem:

a) The growing complexity of the tax laws and effort-obstructing, enterprise-deflecting and growth-constricting frequent changes to its provisions; b) Inadequacies in the information reporting and withholding system;

c) In case of non-compliance, in-substantial penalties in amount and uncertain application of such penalties;

d) The tax payers' perception that the risks of being audited and investigated are low indeed; e) The growth in multinational business, coupled with the increased diversification and sophistication of tax-payers have opened new vistas for non-compliance.

The primary function of audit is to verify the accuracy and completeness of accounts to ensure that all receipts are brought to accounts under proper head, that all expenditures and disbursements are authorised, vouched and correctly recorded and that the final account represents a complete and true statement of the financial transactions it purports to exhibit. The primary duty of audit in examining an account is to verify that all financial transactions are properly recorded in the account under examination and that they are allocated to the proper heads of account.

Post-Tax Audit or post-detective measures are necessary as the ultimate deterrents to non-compliance. The Audit Management Division ordinarily looks after the audit job. The total responsibility for planning, directing and controlling of audit and investigation activities at the national level rests with this type of organisations. Normally located at the headquarters, responsibility of such organisations include the development of audit techniques, work manuals and regulations for tax auditors. The Audit Management Division also supervises the conduct of the enforcement programme carried out in different offices.

20 per cent of the cases filed under self-assessment procedure to post-audit on the basis of computer-generated 'random' sampling both in the cases of individuals and private limited companies. The concerned Deputy Commissioners of Taxes have been authorised to conduct intensive audit and, if required, to frame reassessment orders as per the provision of section 83 or 84 of the Income Tax Ordinance, 1984. However, no systematic audit procedure has been laid down. In consequence, the actions of the different Deputy Commissioners of Taxes cannot be inconsistent, discrete, discriminatory and incoherent, yielding inaccurate and unfair criticisms of kaleidoscopic varieties.

The discussion as made so far should lead us to an inescapable conclusion that there exists no systematic audit procedure in the country. We refuse to believe that our framers of law are not aware of it. But unfortunately, ground realities disclose that though legal provisions have been made for tax audit, no organisation has so far been created for carrying out the task. Nor any attempt has so far been made to develop the audit code, audit manuals, instruction manuals etc. Literature on audit techniques, guidelines, work-manuals and regulations for the tax auditors are singularly absent in the country.

In the following paragraphs we would put up an outline for carrying out post-audit in the world of taxation. The proposal is made with the expectation that the authorities concerned would make due perusal and take necessary steps in the right direction to make the provision of law incorporated in the statute book for auditing meaningful.

1. Information gathering. The collection and management system should centre

around tax returns, registration documents, real estate ownership, stock holder listings, entry and departure records, passengers car ownership, export-import related data, computer data etc. Information on unhealthy economic activities contrary to the general social norm, such as information on taxpayers who live luxuriously on unproved and suspicious income sources, manage voluminous private loan businesses, carry out speculation on real estate, hide large amounts of inheritances and donations, and who are criticised publicly on account of their immoral management of business, be gathered.

Based on the tax returns, business performance, turnover growth rate of the preceding few years, the propriety of each and every person should be evaluated comprehensively.

2. Case selection: Cases of both individual and private limited companies to be selected for investment within a time-frame (say a year) according to the policy and guidelines of the National Board of Revenue on the basis of audit manpower, time, budget, and if possible, the 'propriety scores' (to be determined by computer). Moreover, in order to avoid disproportionate emphasis on a particular type of business or class of turnovers, some special selection criteria like these may be used:

(a) The rate of fictitious or false issuance of invoices etc.

(b) Speculation in real estate;

(c) Problems found during the course of a 'desk audit' on a business house;

(d) The investment involved in related and group businesses;

3. Audit execution: Audits are implemented firstly as a 'desk audit' and then as a 'field audit'. Firstly, the cases are examined and investigated in the Tax Offices on the basis of records available with the offices. Records of income tax,

associated with non-compliance.

Tax administration of the country is now armed with the legal provision for conducting quasi-judicial proceedings in cases covered under the self-assessment scheme. It is essential that a central organisation like the Audit Management Division is created for performing the audit job. The sooner it is done, the better will be the yields. Developed human resources and well-thought-out techniques are very vital for an organisation concerned with the enforcement of tax laws and regulations. We have no reason to believe that the concerned authorities are not aware of these requirements. Since no concrete step has so far been taken for ensuring the machinery needed for implementation of the audit tasks, we are constrained to stress the need once again. We would recommend that a group of bright and brilliant officers with the right attitude and comprised of Deputy Commissioners, Additional Commissioners and Commissioners should be 'drafted' to some developed countries like the United Kingdom and Japan for receiving training in the field. On return, they would form the 'core' of audit officials and should be asked to develop the modalities for conducting audit operations along with imparting training to staff and officers involved in the audit job.

Tax audit is a specialised task and can be performed only by specialised people. It is not every-body's job. Half-baked provision coupled with no machinery or at the most, tainted machinery handled by untrained officials, cannot be expected to unearth the volume of tax-evasion and concealment nor can it detect tax evasion practices and where the secret documents or evidences are preserved. The sooner we realise it, the better it will spell for the nation.

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