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(b) In order to make the scheme more attractive for the new assesseees, it is proposed to keep them in the first year outside the purview of audit. It is further proposed to make provision for audit immunity for assesseees declaring income 20% higher than that of the preceding year.

(c) It is proposed to make submission of statement of assets and liabilities compulsory for all assesseees under this scheme. It is also proposed to keep outside the purview of this scheme cases showing loss, refund, income less than last assessed income and income below taxable limit.

**Mr. Speaker, Sir,**

29. At present, a private limited company under self-assessment facility is required to pay at least 25,000/- taka to qualify under the scheme. Revenue contribution of private limited companies is quite insignificant despite the fact that their number is manifold higher than the public limited companies. There is rational justification for increasing the amount of minimum tax for a private limited company availing of this facility. I propose to raise the minimum tax ceiling for a private limited company under this scheme to 50,000/- taka from 25,000/- taka. I also propose to extend the facility of 'assessment on correct return' on the basis of audit certificate to 'branch company' as well as to companies whose foreign shareholding exceeds 30%.

**Mr. Speaker, Sir,**

30. The discretionary power vested with the assessing officers under the existing law is an impediment for creating a tax-friendly environment. In order to restore taxpayers' confidence through accountable administration, it is necessary to downsize discretionary power of the tax authorities. The present democratic government elected with a massive popular mandate is committed to fulfil the expectation of the people. To meet this expectation, we are to establish good governance by ensuring accountability at all levels of administration. With this end in view, I make the following proposals in the above context:

(a) In the case of misuse of authority by the Deputy Commissioner of Taxes under his 'best judgment' assessment or in the case of his failure to give appeal affect within time or in the case of his failure to give due refund to an assessee in time, I propose to make provision for treating the said action of the Deputy Commissioner of Taxes as a punishable 'misconduct'.

(b) In order to prevent misuse of discretionary authority by tax administration and also to save the taxpayer from harassment, I propose to make provision for approval by NBR in a case where the Deputy Commissioner of Taxes proposes to enhance income 30% higher than that disclosed by the assessee. I also propose to make provision requiring tax officer not to disallow the expenses claimed by an assessee without definite reason and documentary support.

(c) Under the income tax law, the Deputy Commissioner of Taxes alone is vested with the power of assessment. His assessment power is at present controlled under an internal approval system devised for enforcing monitoring by the supervising officials. This kind of control creates procrastination in assessment, with the assesseees becoming victim of an indirect harassment. In order to obviate these difficulties, I propose to rollback the system of administrative approval. However, the present system of administrative control with regard to refund related cases will continue.

(d) The Deputy Commissioner of Taxes while asking the assessee to produce books of accounts and documents does not in many cases give specific requisition for relevant books of accounts and documents. This not only creates confusion for the assesseees, it also prolongs the assessment finalization process and creates mistrust and distance between the tax payers and the tax administration. In order to remove this difficulty, I propose to make provision for specific requisition for such documents mandatory for the Deputy Commissioner of Taxes.

**Mr. Speaker, Sir,**

31. Under the existing law, time frame available for various income tax authorities for disposing of cases including appeal

cases is more than actually necessary. This creates procrastination and seriously affects revenue collection. On the other hand, due to existence of a traditional law empowering the Taxes department to file appeal to the Taxes Appellate Tribunal against the order of their own officers, the Taxes Department is filing redundant appeals, as a result of which the Appellate Tribunal being overburdened with appeal cases is gradually losing its efficiency. In order to obviate these difficulties, I make the following proposals:

(a) I propose to rescind the departmental right to appeal to the Appellate Tribunal. I also propose to withdraw all departmental appeals pending before the Appellate Tribunal on first July, 2002.

(b) I propose to reduce time limit for appeal disposal by the Appellate Tribunal to 6 months from 2 years and also propose to roll back the condition of payment of 10% income tax by an assessee in respect of appeal to the Appellate Tribunal.

(c) I propose to make provision requiring the Deputy Commissioner of Taxes to complete assessment within nine months of filing of income tax return. I further propose to reduce time limit for appeal effect to 30 days from 60 days.

(d) I propose to bring down time limit for appeal disposal by the departmental appeal authorities to 90 days from 1 year. I also propose to reduce time limit for disposal of revisional cases by Commissioner of Taxes to 30 days from 1 year. The Commissioner of Taxes' power to review at his own motion is also proposed to be withdrawn.

**Mr. Speaker, Sir,**

32. The Taxes Appellate Tribunal consists of judicial member and accountant member. Adequate knowledge in income tax law and accountancy coupled with professional skill and experience are indispensable for deciding Tribunal cases. In the backdrop of globalization and ever unfolding complexities in the application of tax law and analysis of accounting procedures, Chartered Accountant, Cost and Management Accountant, Income Tax Practitioner and experienced officers of the Income Tax Department are found to be more capable of discharging their function in the Tribunal. The Tribunal is the highest court in respect of analysis of fact. The revenue success and overall administrative dynamism depend largely on the efficient functioning of the Tribunal. In the background of an interactive global scenario, absence of a quick and modern dispute settlement system in the tax management not only affects revenue collection but also impedes both local and foreign investment. Therefore, the role of tax dispute settlement system in revenue management can not be isolated from the overall economic activities. In order to make the Tribunal more modern and dynamic, I make the following proposals:

(a) I propose to withdraw the provision of appointment of judicial members in the Tribunal. Excepting them, retired members of NBR and retired Commissioners of Taxes will qualify to become members of the Tribunal in addition to those who are at present eligible.

(b) At present, there are more than 5 thousand appeal cases pending before the Tribunal. It is quite impossible for the Tribunal to dispose such staggering number of cases through its six Benches. In order to safeguard the interest of taxpayers and to accelerate revenue collection, I propose to create four new Tribunal Benches for quick disposal of appeal cases.

**Mr. Speaker, Sir,**

33. During recent years, appeals before the Taxes Settlement Commission have drastically fallen. I have earlier proposed comprehensive reforms and changes in the departmental appeal system including the Taxes Appellate Tribunal. In view of this, there being no justification for keeping Taxes Settlement Commission as an independent organization for the same purpose, I propose to abolish it.

**Mr. Speaker, Sir,**

34. Tax withholding system is a unique feature of our tax regime. A lion's share of income tax revenue is collected through this mechanism. Continuous reform and rationalization of the system is necessary for sustained revenue growth. With this end in view, I propose few important changes below:

(a) At present, there is 10% withholding tax in respect of transfer of immovable property. Due to such high withholding rate, there is a tendency among sellers

to understate sale price of the property and in some cases registration is put off even after actual transfer of the property. Due to this reason, government is not getting expected revenue from this source. In view of the above, I propose to reduce withholding tax rate from this source to 5% from 10%. I also propose to make provision not to withhold any tax in respect of a property acquired within five years before transfer.

(b) In view of the reduction of interest on saving certificates, I propose to reduce withholding tax on interest of saving certificates to 5% from 10%. I also propose to withdraw the existing withholding exemption limit of taka 25,000/-.

(c) In order to encourage proper declaration and remittance of indenting commission, I propose to reduce withholding tax on indenting commission to 3.5% from 5%.

(d) In order to harmonize with the withholding tax rate applicable for other professionals, I propose to reduce withholding tax in respect of service of doctors to 5% from 10%.

(e) I propose to bring royalties and technical know how fees within the scope of tax withholding with a view to withholding tax thereon at the rate of 10%. Withholding tax in this case is proposed to be the final discharge of tax liability.

(f) I propose to make provision for withholding tax at 5% on service of clearing and forwarding agency, private security service and stevedoring service.

**Mr. Speaker, Sir,**

35. It is indispensable to expand tax base for augmenting revenue collection. Mandatory requirement for submission of TIN certificate in certain areas is an effective method for widening the tax base. But in some cases, this creates inconvenience. Hence, I propose the following rationalisation;

(a) I propose to withdraw the requirement of compulsory submission of TIN certificate by buyers of immovable property in case of a non-resident Bangladeshi and also in the case of a property situated in a city corporation where deed value of the property does not exceed one lac taka.

(b) In order to expedite issue of TIN certificate by the tax authority, I propose to make provision for issue of the said certificate within one working day.

(c) I propose to make provision for mandatory requirement of submission of TIN certificate in respect of sanction of bank loan exceeding 5 lac taka.

**Mr. Speaker, Sir,**

36. Respected tax payers very often complain that, in many cases, they are not given their due refund or imaginary tax demand is created without due tax credit or refund is adjusted against arrear demand without notifying the assessee. Most of these complaints have been found justified. Besides, according to existing law, an assessee's claim for refund gets barred by limitation if he fails to apply for such refund within two years. There is no logic to apply limitation for refund due to an assessee. In order to obviate these difficulties, I propose as follows:

(a) I propose to withdraw the provision of limitation for refund application.

(b) I propose to allow the assessee an opportunity of being heard in case of his refund adjustment and issue refund voucher in such case within a period not exceeding 30 days.

**Mr. Speaker, Sir,**

37. The bad debt provision deductibility brought under income tax law by the Finance Act, 1990 under the Financial Sector Reform Program for a maximum rate of 3% of bad and doubtful debt was available for the commercial banks upto the assessment year 2001-2002. On evaluation of the overall banking sector scenario, I deem it necessary to continue this facility. Hence I propose to extend this facility upto the assessment year 2004-2005 at a maximum rate of 3% as allowed earlier.

**Mr. Speaker, Sir,**

38. The present system of tax collection on personal vehicle like car, jeep, etc at the time of renewal of fitness was introduced by Finance Act, 1999. Personal vehicles are not at all a source of income. Hence, this provision of tax collection on personal vehicle is a big distortion in income tax law and is repugnant to basic principles of taxation. In view of this, I propose to withdraw the provision of advance tax collection on personal vehicle.

**Mr. Speaker, Sir,**

39. Presumptive tax for inland water vessels was introduced in 1999. Despite increase in the number of vessels plying in inland water, revenue collection from this sector is not satisfactory. Though presumptive tax for road transport vehicle was rationalised in 2000, presumptive tax for inland water vessel has remained unchanged. In order to harmonise with the presumptive tax of road transport sector, I propose to rationalise the same for the inland water sector as shown in Annexure -"C".

**Mr. Speaker, Sir,**

40. Existing law provides for withholding tax at 10% on dividend of individual shareholder. It also provides a concurrent provision for tax withholding exemption for 40 thousand taka and total tax exemption for 1 lac taka. Mr. Speaker, I am constrained to mention that a visible 'tax anarchy' has been created in this area by making a simultaneous provision of withholding exemption for 40 thousand taka along with full exemption for 1 lac taka. Besides, there is no justification to maintain such high tax exemption for dividend. However, considering the interest of small investors, I propose to reduce dividend exemption from one lac to taka 25,000/-. In case of dividend exceeding taka 25,000/-, the entire dividend will be taxable and withholding tax will apply accordingly.

**Mr. Speaker, Sir,**

41. Dividend income of foreign shareholder of Leasing company and interest income of their foreign lender have been tax exempt for long. It is necessary to mention that we have bilateral tax treaties with 20 countries. According to these treaties, contracting countries have mutual right to tax dividend at 15% and interest at 10%. Despite such treaty provisions, there is no justification to maintain tax exemption for this under our domestic law. Hence, I propose to withdraw these exemptions.

**Mr. Speaker, Sir,**

42. During recent years, many English medium schools, colleges and universities have been setup in private sector. All these institutions are run on commercial basis. They charge very high tuition fees and other charges including transportation charge from their students who are to buy text books and other educational materials from these institutions. The children coming from families of moderate means can not afford this education. I am constrained to mention that this kind of educational institutions creates discrimination which is not conducive for social stability. Due to existing lacuna in the income tax law, most of these commercially run institutions are avoiding tax. I, therefore, propose to make appropriate provision in the law for taxing such institutions. However, with a view to patronizing vocational and IT education (information technology), medical, dental and engineering college and institutions providing education on information technology will remain outside the purview of this provision.

**Mr. Speaker, Sir,**

43. Many people in our country live ostentatious life. They live in luxurious house, ride expensive car and make frequent recreational foreign trips with family. It has been observed that the amount of income they disclose is not always found commensurate with the high quality of life they maintain. Due to non availability of relevant information, assessing officers can not assess them properly. Hence, I propose to make provision for requirement of submission of relevant personal information with their tax return.

**Mr. Speaker, Sir,**

44. There is a huge outstanding unrealisable arrear income tax demand. It is necessary to mention here that in 1999 the Former Honorable Finance Minister of the Awami League government declared before the Parliament in his budget speech that all unrealisable arrear income tax demand prior to 1988 would be written off. It is pertinent to state that no appropriate law was enacted to implement this decision. As such, it remained unimplemented till today. Still, there is an urgent need to write off this kind of arrear demand, for which it is necessary to enact appropriate law. Taking into consideration the overall situation in this behalf, I propose to make necessary law for writing off all arrear outstanding unrealisable demand of the the assessment years prior to and including the assessment year 1985-86. However, arrear demand of those cases pending before the Honourable Supreme Court will remain outside the purview of this provision.

**Mr. Speaker, Sir,**

45. In the light of the changes brought about by trade globalisation and emergence of information technology, it is necessary to radically restructure our revenue management