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system through reforms. As I have mentioned before, no reform program was earlier initiated for modernisation of income tax administration. Recently, a reform program (RIRA) with the financial assistance from the Government of the United Kingdom has been undertaken in order to build a modern, efficient and time-befitting tax administration. The main objectives of this program are to introduce a common TIN for income tax and VAT for ensuring much needed coordination between these two departments, prevent revenue leakage by consolidating internal audit and inspection, achieve human resource development by increasing professional skills and adopt a coordinated tax education program for creating public awareness. I hope that it will be possible to build a transparent, efficient and effective tax administration through this program.

Mr. Speaker, Sir,

46. Among the changes and reforms that I have presented so long in the area of income tax, reduction of discretionary power of tax officials is one of the most important. I firmly believe that this step will create in future a favourable environment for enhanced revenue performance. It is, however, necessary to take care that a check and balance is maintained in the overall revenue administration. In the existing law, tax recovery measures are very weak and these are nearly ineffective in dealing with a recalcitrant tax defaulter. Though there is a legal provision of tax recovery through Special Magistrates, the measure could not be put in place due to administrative complication in the deployment of Special Magistrate. It is necessary to mention that in many countries of the world 'Fiscal Police' is used for tax recovery and in our context it is time to think loud about it. However, in view of our present situation, I am proposing for taking necessary steps for placement of Special Magistrate within NBR administrative set-up. We will, however, take a final decision about deployment of 'Fiscal Police' in future on assessing the effectiveness of the above measure.

Travel Tax:

Mr. Speaker, Sir,

47. Income tax department is responsible for travel tax collection. At present, Bangladeshis travelling abroad are required to pay travel tax at a fixed rate. There was no change in this rate since 1994. Besides, travel tax rate in our country is low in comparison with many countries. I propose to rationalise travel tax rate as shown in **Annexure "D"**.

**INDIRECT TAX
CUSTOMS**

Mr. Speaker, Sir,

48. At the moment, customs duty, supplementary duty, value added tax, infrastructure development surcharge, advance income tax and license fee are applicable at the import stage. 31 rates of supplementary duty varying from 2.5% to 270% were imposed disregarding the established principles of supplementary duty imposition and indiscriminate imposition of supplementary duty on basic raw material of industry and essential commodities during 1996-2001 created a big distortion. Due to the existence of such a situation the importers, foreign investors, and the business community at large were confused as to the actual incidence of tax on imported goods, which was prevailing than what was apparently found. Due to this complexity in the tariff structure the business community had suffered, foreign investment was discouraged leading to an increase in smuggling and hundi business. Against this backdrop I would now like to present my proposals on import duties for the year 2002-2003 before the august Parliament.

Mr. Speaker, Sir,

49. As an attempt to bring transparency and gradual withdrawal of supplementary duty I propose to withdraw the same on 120 category of goods out of 170 category. The withdrawal list includes industrial raw material as well, which are detailed in **Annexure "F"**. These proposals for withdrawal of supplementary duty on a large number of goods, Mr. Speaker can certainly be considered as a very important measure towards the simplification of tariff structure.

50. I further propose to reduce supplementary duty rates only into five (10, 20, 30, 50 and 60 percent) from the existing 31 rates varying from 2.5 percent to 270 percent. Keeping in mind the revenue impact, it was indeed a difficult exercise of slashing 31 rates to five rates and to reduce the previous highest rate to such a low level (60 percent). I would like to mention here that the existing supplementary duty rates on cigarette, liquor and the two stroke three wheeler will remain as before, considering cigarette and liquor being injurious to health and the two stroke three wheeler an environmental hazard.

Mr. Speaker, Sir,

51. At present all imported goods other than a few exception, attract 2.5 percent licence fee, 3 percent AIT and 2.5% IDSC. The tax incidence in this instance comes up to 8 percent. In order to lower the tax incidence I propose to completely withdraw the license fee chargeable at 2.5 percent from all imported goods. I also propose to increase the existing rate of IDSC from 2.5 percent to 3.5 percent to meet the contingency cost of construction and maintenance of infrastructure in the country. The above measures will certainly mean lowering of the existing incidence of tax from 8 percent to 6.5% which is a 1.5 percent decrease in tax incidence on imports (other than customs duty, VAT & supplementary duty).

Mr. Speaker, Sir,

52. The highest rate of customs duty since 1999 has been maintained at 37.5 percent. This rate was not reduced in the following three years. The highest rate of customs duty in many countries of the world, including many of the SAARC countries, was reduced to a great extent. In the wake of liberalization of trade and taking into cognizance the various tariff structure of the countries in the region, I propose to lower the highest customs duty rate to 32.5 percent from the existing 37.5 percent. In other SAARC countries the lowest rate of customs duty has been kept at 10 percent even though a three-tier tariff structure was made effective. In the light of the practical necessity I propose to fix the lowest rate of customs duty at 7.5 percent. Honorable Member of Parliament, in this budget the lowering of the highest customs duty, withdrawal of supplementary duty on 120 category of items and withdrawal of license fee on all import are being proposed, which when given effect to, will drastically reduce the total tax incidence.

Mr. Speaker, Sir,

53. I propose to fix the customs duty rate of basic raw material at 7.5 percent, the intermediate raw material which are not produced in the country at 15 percent, the customs duty rate of semi finished goods and locally manufactured intermediate goods at 22.5 percent and of manufactured goods at 32.5 percent. In the next budget, effort will be made to lower the present four tier tariff structure to a three-tier one (10, 20%, 30%) keeping in conformity with the rates prevailing in the neighboring countries. In the present budget I am also proposing to reduce duty rates of quite a few industrial raw materials and of intermediate goods. I also propose at the same time to lower the supplementary duty on other intermediate and essential goods. On the other hand, in order to give protection to local industry I propose to increase customs duty slightly on a few items. Details of my proposals are furnished below.

Mr. Speaker, Sir,

54. The present Government is eager to protect the legitimate interest of the farmers and the development of the agro-based industry. I propose to impose 30 percent supplementary duty on mango, orange, grapes, apples, dates and other citrus fruits in order to promote maximum use of home grown fruits and to encourage their cultivation. At the same time in the interest of protecting the agro-based industry in the country I propose to impose 20 percent supplementary duty on orange, apple and other fruit juices. The details are shown in **Annexure "G"**. In the light of foregoing principles I propose to reduce customs duty on mango pulp from 37.5 percent to 22.5 percent, withdraw 5 percent supplementary duty on zenthon gum, lower customs duty on spice premix, a raw materials for noodles from 37.5 percent to 15 percent. The import of wheat and cereal pellets should be discouraged as these are manufactured in the country. As such I propose to raise 5 percent customs duty on cereal pellet to 15 percent. The sugar mills in the country are facing uneven competition to market their sugar because of lower customs duty. I, therefore, propose to increase customs duty on sugar from 25 percent to 32.5 percent and also impose 20 percent supplementary duty.

55. It is a matter of great pleasure that a lot of pisciculture farms have been established in the country. On the other hand, due to importation of fish the development of local fish farms have been jeopardized. We would like to encourage the unemployed youth to establish pisciculture farms, so that they can emancipate themselves from the curse of unemployment. Therefore, I propose to impose a 20 percent supplementary duty on the importation of 'Ruhil', 'Katla', 'Mrigel', 'Pangas' and 'Carp'. Details of these proposals have been furnished in **Annexure "G"**. I also propose to withdraw the existing 5 percent customs duty on aerator used in pisciculture and 15 percent customs duty on full fatted soyabean used as fish and poultry feed.

Mr. Speaker, Sir,

56. During the past tenure of BNP Government, a lot of encouraging programs had been undertaken for the development of dairy farms and dairy products. As a result, a lot of development took place in the field of milk and dairy production. Due to lack of patronization from the previous government, the dairy farms and dairy production in the country faced immense problems, which had pushed the country to become import dependent. The present government is trying to revive this vibrant sector, offering extensive incentive packages, such as soft term loans and subsidy, if necessary, so that the unemployed youth and people of lower income group are attracted to dairy farming enabling the country to attain self sufficiency in milk and dairy production. With a view to discouraging the importation of milk and dairy products into the country I propose to impose a customs duty of 32.5 percent and a supplementary duty of 10 percent on full cream milk powder imported in bulk packing, instead of existing 25 percent customs duty, 10 percent regulatory duty and 5 percent supplementary duty. In the same manner, I also propose to increase the supplementary duty to 20 percent on full cream milk powder imported in retail packing, instead of existing 5 percent supplementary duty and 10 percent regulatory duty. I also propose to impose a 20 percent supplementary duty on dairy products, such as butter, cheese etc. for the protection of local dairy industries. However, due to the withdrawal of 2.5 percent supplementary duty, there will be no substantial increase in tax incidence.

Mr. Speaker, Sir,

57. High quality galvanized iron pipes are being manufactured in our country. It has been found that the imported pipes are of low quality having lesser thickness than the standard ones. As a result the local buyers are being deceived while purchasing these imported GI pipes. In order to mitigate this problem, I propose to increase the existing supplementary duty on GI pipes from 7.5 percent to 30 percent. I also propose to withdraw the existing supplementary duty or recast the customs duty and supplementary duty, as appropriate, on anchor, marine engine and hot rolled products other than coil (necessary for ship building industry), brass casting and forging (raw materials for spray machine), plastic lens and cupronickel or nickel silver wire (raw materials of spectacles frame industry), gas cylinder having a capacity not exceeding 5000 litre (apparatus used in LPG gas industry) and pre-fabricated buildings. Details of these proposals have been furnished in **Annexure "G"**.

Mr. Speaker, Sir,

58. An attempt has been made to identify and rationalize the tariff structure of goods which, due to their tariff anomalies, are susceptible to tariff switching and consequent revenue evasion. I, therefore, propose to harmonize the customs duty and supplementary duty rates on these goods, namely, bars and rods, flat rolled products exceeding 600mm of thickness (electrolytically plated or coated with zinc, plated or coated with aluminium zinc alloy) and similar products not exceeding 600mm of thickness, refined paraffin wax, dolomite not calcined, precipitated calcium carbonate, parts and accessories of electric meter, vat dyes and reactive dyes, sewing thread of synthetic filament and single yarn made of synthetic fibre of 85 percent or more, parts of electric fan and basic chromium sulphate. Details of these proposals have been furnished in **Annexure "G"**.

59. The government is eager to expedite the development and expansion of the textile industries. With that end in view I propose to recast, as appropriate, the existing customs duty rates or withdraw the existing supplementary duty from the following textile spares such as rubber cot, rubber apron, sliver can and spinning can and chemicals for textile processing such as, acetic acid, caustic soda, sodium bi-carbonate, hydrogen peroxide, tapioca sago and bleaching powder. I also propose to recast, as appropriate, the existing customs duty rates and withdraw supplementary duty on the raw materials necessary for the manufacture of soap, such as tallow, RBD palm stearin, PFAD, soap noodles and also on accessories of shoe, luggage/fashion bag industries. Details of these proposals may be seen in **Annexure "G"**.

Mr. Speaker, Sir,

60. Development of paper manufacturing industries in the country has been remarkable. To patronize this expanding sector I propose to reduce the existing customs duty on defoaming agent and rosin size from 15 percent to 7.5 percent. I also propose to increase the existing customs duty rate on finished writing and printing paper not exceeding 150 GSM from 25 percent to 32.5 percent to protect the interest of local industry. Further, I propose to extend the existing facilities of customs duty-free import of waste paper and VAT-free import of de-

inking chemicals for another year, in the case of import by newsprint industry. As a result the local newspaper sector and the newsprint industries will be benefited.

61. Local edible oils such as mustard oil, rape seed oil and 'til' oil were in extensive use in the near past. Due to lack of proper encouragement, their use have fallen drastically over the years and the country has become dependent, mostly on imported edible oils. If some sort of assistance can be extended to these industries, consumption of this locally produced edible oil would have been increased. Against this backdrop, some steps are to be taken to increase the production of local edible oils, which would slowly reduce our dependence on import. With that end in view I propose to increase the import duty on crude edible oil, such as crude soyabean oil and crude palm oil/olein to 22.5 percent from existing 15 percent. Since there is a proposal for withdrawal of 2.5 percent licence fee, the consequent tax incidence would be minimum.

Mr. Speaker, Sir,

62. With a view to encouraging the expansion of local electrical goods manufacturing industry, I propose to recast the existing rates of customs duty and supplementary duty on the import of accumulator battery, dry cell battery, auto bulb, parts of energy saving lamps, PVC rigid film and PVC resin. In view of the encouraging growth of the local biscuit, chocolate and soft drinks industries, I propose to recast the supplementary duty rates on the import of biscuit, chewing gum, chocolate, candy and soft drinks in order to protect these fledging industries and to save hard-earned foreign exchange by discouraging their import. In order to prevent the outflow of precious foreign exchange by discouraging the import of luxury and less essential goods, I propose to recast the existing supplementary duty rates on cosmetics, toiletries (e.g., perfumes, dentifrice and other dental hygiene products, shaving cream and deodorant), soap products, wired and non-wired glass and table/kitchen glassware. Details of these proposals may be seen in **Annexure "G"**.

Mr. Speaker, Sir,

63. As television is now regarded as an important mass communication medium, I propose to reduce customs duty rate on the import of colour and black & white television in CKD condition from 25 percent to 15 percent and in CBU condition from 37.5 percent to 25 percent. I also propose to withdraw 15 percent supplementary duty on colour television and its parts & components. Local black and white television manufacturing industry is now facing uneven competition from the smuggled television. The main component of television, Loaded Printed Circuit Board (PCB), which is easily portable, is smuggled in by the unscrupulous traders who clandestinely assemble it with picture tube (CRT), body cabinet and other spare parts, and thereby evade VAT applicable at the local stage while marketing these illegally. As a result, the local television manufacturing industry, which import parts and components through official channel, are threatened with extinction. Therefore, I propose to enhance customs duty rate on the import of black and white picture tube (CRT) from 15 percent to 22.5 percent. In order to bring telephone within the reach of the general mass, I propose to withdraw 25 percent supplementary duty on telephone sets and increase customs duty rate from 15 percent to 22.5 percent. This measure will reduce tax incidence on the import of telephone sets to a great extent.

Mr. Speaker, Sir,

64. Duty rates on computer products have been kept at zero for the last few years, which led to the import of a huge quantity of computers. Meanwhile, it is learnt that some dishonest traders are actually importing computers with the ulterior motive of smuggling these out to other countries, where duty rates on computers are higher, thereby causing the country to lose precious foreign exchange. Moreover, there have been complaints that, taking advantage of the duty free regime on computer products, foreign exchange is being smuggled out of the country through over-invoicing and some traders are taking recourse to importing parts of electronic goods in the name of computer accessories. It is a known fact that continual extension of any duty free facility ultimately gives rise to its misuse. I have already mentioned earlier in my speech that as a result of globalization, reduction of tariff rates has become a sin qua non task for all the countries and, therefore, it would not be possible for Bangladesh to continue to maintain duty free regime on many of items of import. Hence, I propose to impose 7.5 percent customs duty on the import of computer hardware, software, parts and accessories of computer, modem, inkjet refill, toner cartridge, ribbon and blank CD for computer. At the same time I