

# NBR sets auditing criteria for self-assessment returns

## Purchase of land, house, car to be subject to auditing

REJAUL KARIM BYRON

The National Board of Revenue (NBR) has fixed a set of criteria to select self-assessment returns for auditing with a view to checking harassment of taxpayers and reducing alleged malpractice in the auditing process.

Among others, people who will purchase lands, houses or flats or invest in expansion of their houses or purchase car in the tax year will fall in the auditing criteria, according to circular issued by the NBR yesterday.

From now on, the self-assessment returns of all those falling in the criteria will be selected for auditing that will replace the NBR's existing provision of

auditing 20 percent of the returns selected on the basis of suspicion.

In this year's budget, the government had introduced the system for auditing 20 percent returns instead of selection through random sampling.

To check harassment of the taxpayers, the NBR will now engage tax commissioners instead of inspectors in the auditing process. The absolute authority of approving any case for auditing will however remain under the jurisdiction of the Board.

A three-member committee headed by tax commissioners of different tax zones will prepare a list of returns for auditing on the basis of the criteria and

submit it to the Board, within a certain period of time, for its final approval.

In the circular the NBR said the taxpayers will have to be informed about the taxmen's observations from the audit so that they can defend them.

According to the NBR release, the objectives of this revised audit programme are to check tax evasion and also to facilitate payment of accurate taxes through self-assessment system without any flaw in the selection process.

The returns of the taxpayers who will receive more than Tk 1 lakh in loan or lend the same amount to anybody will be selected for auditing. If the taxpayer

earns any amount from a new source, he or she will also fall in the criteria.

The returns of the taxpayers who will not declare income from any existing source from which he or she had earned in the previous year, will be audited.

The NBR will also audit the returns if any inconsistency is found between the amounts of the capital, the declared turnover and gross profit of the taxpayer's business.

If the declared information on lifestyle expenditure or various other external indicators are not found consistent with the declared income, the taxpayers' returns will be brought under auditing, said the NBR circular.

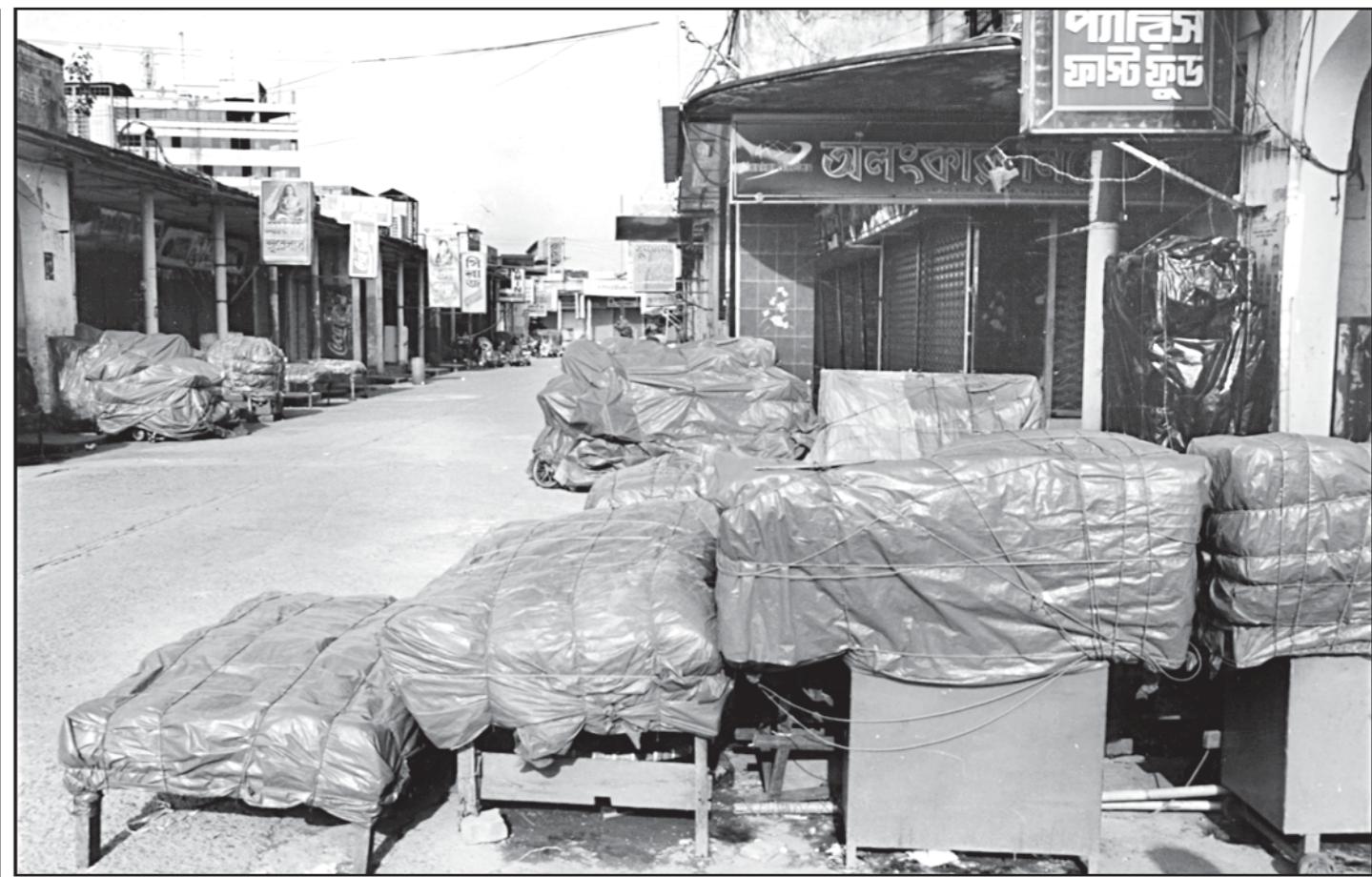


PHOTO: STAR

Dhaka New Market, one of the busy shopping malls in the capital, wears a deserted look yesterday during the nationwide strike jointly called by main opposition Awami League and other opposition parties demanding resignation of the government following the August 21 grisly grenade attacks on a rally that killed 19 people.

# Bring down interest rate or face 100pc tax

## Saifur warns private banks

STAR BUSINESS REPORT

Finance and Planning Minister M Saifur Rahman yesterday threatened to slap 100 percent tax on banks unless they bring down the high lending rates.

Saifur issued the warning during a meeting with Bangladesh Terry Towel and Linen Manufacturers and Exporters' Association (BTTLMEA) when the association leaders raised the issue of high rates and sought loans at 7 percent interest.

As the terry towel exporters sought disbursement of their stuck up export subsidy the minister asked finance secretary to disburse Tk 20 crore as cash incentives for them so that they can use the fund in their flood recovery process.

The association leaders said the lending rates on bank loans remain as high as 13 percent despite the govern-

ment efforts to bring down the rates.

Commenting on the observation, the minister said there was no reason to maintain such high rates especially for the export-oriented industries.

Saifur said the government has rationalised the interest rate on savings instruments and also made provision for keeping government funds with the private banks in order to help them earn profit and cut their lending rates.

"But I fail to understand why the banks are still charging such high rates," the minister said. "If the interest rate is not brought down to a reasonable level, then the government will think of raising the tax on these institutions," he cautioned.

As the exporters informed Saifur about the high price of locally produced yarn, he asked the local textile

mill owners to sell yarn at prices similar to neighbouring countries. "If they fail to do so, I will withdraw all the facilities they are enjoying now."

The prices of local yarn are 15 to 20 percent higher than the international prices, the BTTLMEA leaders told the minister.

Saifur however rejected a proposal made by the BTTLMEA leaders to allow yarn import through land ports, which has been banned for last few years in order to stop pilferage and malpractice in yarn imports.

"Smuggling will increase once the government permits yarn import through the land ports," Saifur told reporters after the meeting held at his secretariat office in Dhaka.

He said the government is now working on infrastructure development in the land port areas. "We will

consider allowing yarn imports through land ports once the two countries finish their development work," he said.

The finance minister requested India to develop infrastructures at their land ports.

During the meeting, the BTTLMEA leaders said they are suffering from financial crisis due to irregular and meager disbursement of cash incentives.

They said this year's devastating floods have also damaged their production worth about Tk 36.43 crore, including an audited amount of Tk 20.86 crore. Saifur assured them of releasing the audited amount immediately.

The government earlier released Tk 150 crore cash incentives to the knitwear exporters from Tk 502 crore allocated as export subsidy in this year's budget.

## India's inflation inches down to 7.94pc

REUTERS, New Delhi

India's inflation rate fell marginally to 7.94 percent in the year to August 14 on lower mineral and metal prices, reassuring investors who fear a spike in inflation above 8 percent could lead to an interest rate rise.

Government data out Friday showed that wholesale price inflation had inched down from a 3½-year high of 7.96 percent in the previous week, but was higher than the 7.83 percent median estimate in a recent poll of analysts.

Wholesale inflation stood at 4.07 percent in the week ended August 16, 2003.

Government bonds eased slightly after the inflation rate was announced. The yield on the 10-year benchmark bond rose to 6.0856 percent from 6.0660 percent before the release of the inflation data, but was still sharply lower than the previous day's close of 6.2574 percent.

The government also revised the wholesale price inflation figure for the week ended June 19, 2004 to 6.62 percent from the earlier 5.87 percent.

Manufactured products accounting for nearly 60 percent of the inflation index rose 0.24 percent to 165.7 in the week to August 14, led by higher textile and chemicals prices. The primary articles index rose 0.36 percent to 192.5.

The food product index rose 0.86 percent to 188.6 from 187.0 the previous week due to higher prices of meat products and fruits and vegetables.

## US growth in Q2 falls

REUTERS, Washington

US economic growth slowed more sharply in the second quarter than first thought as oil prices rose and the trade gap swelled, the government said Friday in a report that confirmed momentum faltered in the spring.

US gross domestic product -- which measures total output within the nation's borders -- expanded at a 2.8 percent annual rate in the second quarter to \$10.8 trillion, down from the 3.0 percent pace estimated last month by the Commerce Department.

The downward revision marked a sharp slowdown from the first quarter's 4.5 percent expansion, but was widely expected by Wall Street and markets had little reaction.

While there are signs the economy picked up strength in the summer, analysts said growth is unlikely to bounce back quickly enough in the third quarter to spur job creation.

The uneven expansion since the 2001 recession and poor job growth in recent months has sparked criticism from Democratic presidential candidate John Kerry, who said President George W. Bush's economic stewardship has failed.

"These GDP numbers are the latest piece of evidence that George Bush is misleading Americans when he says that the economy has turned the corner," the Kerry campaign said in a statement.

A separate report showed US consumer sentiment picked up more than expected in late August as oil prices eased from record highs and security fears abated.

# Govt scrutinising \$2b Tata investment offer

## Industries minister says

STAR BUSINESS REPORT

The government will take decision on the \$2 billion investment proposal from Indian industrial heavyweight Tata Group only after a feasibility study by a committee of experts from different ministries, industries minister said yesterday in Dhaka.

He said the proposal will only see light if the government finds it to be favourable to the interest of Bangladesh.

The minister announced the government position on the investment plan at a press conference on development and welfare programme under the Ministry of Industries.

Relying to a query, the minister said, "The government will not go for

any special kind of consideration in deciding the issue."

On June 29 Tata Group proposed \$2 billion investment to set up a steel mill, a fertiliser factory and a power plant in Bangladesh.

As per the proposal, the group has sought uninterrupted gas supply for at least 20 years at a reasonable price to set up the three industrial units. The group also sought suitable land either in Ishwardi, Sirajganj, Jessor or Khulna to set up its steel and power plants.

Tata Group wants to set up a 1000-megawatt power plant with initial output of 500-megawatt. The group plans to set up a steel plant with an annual capacity of 2.4 million tonne

basic steel with initial capacity of 1.2 million tonnes of steel.

Tata also wants to set up a fertiliser unit with an annual production capacity of one million tonne in Chittagong.

On receipt of the investment proposal, the government formed a five-member feasibility study committee, which is presently conducting a study on the proposal. The committee is expected to submit a report shortly.

The committee is headed by the Industries Minister Matir Rahman Nizami. Other members include State Minister for Energy and Mineral Resources AKM Mosharraf Hossain, State Minister for Power Iqbal Hasan Mahmud, Prime Minister's Principle Secretary Kamal Uddin Siddiqui and Board of Investment Executive Chairman Mahmudur Rahman.

The committee met on August 22 but fell short of giving any decision on the key demand of the group to supply uninterrupted gas for the stipulated period due to absence of AKM Mosharraf Hossain. The committee is scheduled to meet again on Wednesday.

Speaking on the ongoing and projects in the pipeline, the minister said 'Industry Act 2004' is now on the final stage while a task force has almost completed a national policy for small and medium enterprises.

He said two di-ammonium phosphate (DAP-1 and DAP-2) factories involving Tk 957.24 crore are currently under construction which will reduce dependency on TSP fertiliser and achieve self sufficiency on phosphate fertiliser. On completion the factories will have a total production capacity of 5.28 lakh tonne per year.

Briefing on activities of the ministry, the minister said a target of 26 lakh tonnes of urea fertiliser for the current fiscal has been set of which BCIC will produce 19.80 lakh tonne while the rest will be imported.

# Indian truckers call off strike

AFP, New Delhi

An Indian transport union spearheading a truckers' strike Saturday called off its week-long agitation after reaching an agreement with the government to form a panel to study a controversial tax, an official said.

All India Motor Transport Congress (AIMTC) president Babasabhe Dhumal told the United News of India news agency that the "indefinite" strike was called off following the signing of an agreement with India's revenue secretary Vineeta Rai.

Under the agreement, all AIMTC leaders arrested by the government Thursday under the Essential Services Maintenance Act for participating in the strike will be released unconditionally, the report said.

"All the cases slapped against the leaders of the transporters will be withdrawn," the news agency quoted Rai as saying.

She said the panel set up to study

# BIRD FLU FEARS Jakarta bans chicken import from Malaysia

AFP, Jakarta

Indonesia has banned imports of chicken from Malaysia after the neighbouring country announced an outbreak of deadly bird flu, a report said Saturday.

The agriculture ministry has issued a circular urging firms not to import chicken meat, chicks, eggs and chicken feathers from Malaysia, a government official was quoted as saying by the Koran Tempo daily.

Malaysia announced last week that it had detected the deadly H5N1 strain of avian influenza in a village in Kelantan state, and beefed up security on the nearby Thai border.

Malaysian authorities say the

imposition of a 10 percent service tax on freight booking agents -- proposed by the government on its federal budget on July 8 -- would have six members from the AIMTC and three from the government.

The panel is to submit its report within two months.

The strike began on August 21, with the truckers' union arguing it was not feasible for hauliers to personally collect a 10 percent service tax from booking agents, suppliers or customers line with guidelines unveiled in the national budget for the 2004-2005 fiscal year.

It had also argued the flat rate of the tax would fuel inflation -- currently at a 24-month peak of 7.94 percent -- besides hitting the transport sector.

A nine-day transport strike in April 2003 crippled deliveries and slowed quarterly industrial growth to 4.9 percent in the second quarter compared with more than six percent in the first three months of that year.

The agriculture ministry has issued a circular urging firms not to import chicken meat, chicks, eggs and chicken feathers from Malaysia, a government official was quoted as saying by the Koran Tempo daily.

The disease killed eight people in Thailand and 19 in Vietnam earlier this year and the World Health Organisation fears the virus could mutate into a highly contagious form that triggers the next global human flu pandemic.

Malaysian authorities say the

# Create EU industrial champions: Chirac

AFP, Paris

French President Jacques Chirac called on the European Union Friday to help create "industrial champions" within the 25-nation bloc that would be competitive on the global economic stage.

"Let's have a European competition policy that truly takes into account the realities of international competition," Chirac told a meeting of his country's ambassadors and top diplomats.

"Let's strongly support the creation of European industrial champions. We have all the assets and all the talent that we need to succeed."

Neelie Kroes takes over as EU competition commissioner on November 1, replacing Mario Monti, who gave the portfolio a high profile by notably taking on France in a series of bruising battles involving illegal state aid to firms.

France and Germany agreed in June to set up a joint industry forum comprised of business leaders in a bid to boost industrial cooperation.

The decision came amid friction between Paris and Berlin over the French government's bailout plan for struggling engineering group Alstom.

Chirac, delivering a wide-ranging foreign policy speech, also called for better coordination of economic and budgetary policy among euro zone countries.

"Let's draw inspiration from the example set by the United States and build an open and constructive dialogue between governments and the European Central Bank on the issue of European economic strategy" with a view to stimulating growth and creating jobs, he said.