



President Md Zillur Rahman assents to the supplementary bill for fiscal 2011-2012 at the Sangsad Bhaban yesterday.

- Steps have been taken to process submission, assessment and tax refund of VAT and IT returns centrally and online
- Steps are being taken to preserve VAT related data and returns submitted by the SMEs under an automated system
- Steps have been taken to introduce ASYCUDA World technology for full automation of customs administration; a related training programme is underway.
- 140 Assistant Commissioners and 100 Assistant Revenue Officers have been recruited recently for customs and VAT administration to cope with the increasing volume of work. In addition, recruitment of 800 Assistant Revenue Officers is under process.
- Training is being provided to the officials of all levels of revenue administration both at home and abroad to enhance their efficiency.
- Finally, it will be possible to dispose of the existing PSI system and carry out all custom related functions by the customs department itself.

256. In 1984, an Ordinance was promulgated amending the Income Tax law. By this time, a good deal of changes has taken place in tax regime and the Ordinance of 1984 has been amended in many ways. This year's money bill will also introduce some changes to this Ordinance. As per our commitment, the Direct Tax Bill will be tabled before the House within this calendar year. A draft of this bill has been posted in NBR website for quite some time. A high powered committee is now examining the bill.

257. Likewise, an Act on Value Added Tax (VAT) was promulgated in 1991. Prior to this legislation, there was no VAT system in the country. Instead, there was a system of collecting sales tax and excise duty. While enacting this law, it was stated that this was a new beginning and the law would be updated subsequently. This Government on assumption of office reviewed the existing VAT Act and the related SROs and came to a

conclusion that the rules and regulations governing VAT have become cumbersome. In all my budget speeches, I have repeatedly mentioned about the need for reforms of VAT law. In the last two years, we brought about significant changes in the law. We had in our mind to recast the entire law in the last fiscal year. This time, on the basis of extensive consultation with the business community, a new bill will be placed before parliament very soon. When first introduced, the implementation of the VAT law took several years. This time, we rather propose that the law will be fully implemented by 2015. Meanwhile, in the Finance Bills of 2010 and 2011, a few amendments were incorporated. Some amendments have also been proposed in this year's Finance Bill. I feel fulfilled in being able to propose amendments to this important law. I take this opportunity to put on record my sincere thanks and gratitude to NBR officials, taxpaying stakeholders and the relevant interests groups of the civil society.

258. Generally, the changes made in the VAT law or in the rates of import and export duties take effect right after the budget pronouncement. This convention is of recent origin. This time, we are reverting to the old convention of giving effect to new tax proposals only after the budget is passed. Henceforth, all tax proposals, and all changes in relevant VAT/customs/income tax laws will take effect from 1st of July.

Direct Taxes

Income Tax

Mr. Speaker

259. The role of direct taxes is significant in establishing a society based on equity and justice as well as ensuring socio-economic development. Among various sources of direct taxes, income tax is the major source of our revenue. Due to globalization and increasing trade liberalization, the international trade-based revenue is gradually declining. Therefore, in order to augment revenues, there is no other alternative to raise collection of income tax. With a view to modernizing overall tax management, bringing dynamism in tax administration, ensuring transparency and accountability, introducing multi-faceted reforms in adjudication of tax cases, preventing tax evasion, expanding tax base and creating an investment-friendly tax regime along with introduction of online

submission of TIN applications, IT returns and tax payments, I would like to place some important income tax proposals before this august House.

260. To start with, without changing the rates of individual and corporate taxes for FY 2012-2013, I propose to retain the rates announced in FY2011-12. We think an opportunity should be given for evaluating the impact of amendments introduced in the last three years. In this context, I propose to retain the threshold of tax free income for individual taxpayer at Tk. 180,000 (One lakh eighty thousand). Considering economic growth and increase in per capita income, I propose to increase the minimum tax payable by an individual taxpayer to Tk. 3,000 in FY2012-13 from Tk. 2,000 fixed three years ago. It will be clear from Table-given below:

Table-1: Proposals	
(a) Individual Tax Rate:	
On first Tk. 1,80,000 of taxable income.....	Nil
On next Tk. 3,00,000 of taxable income.....	10 percent
On next Tk. 4,00,000 of taxable income.....	15 percent
On next Tk. 3,00,000 of taxable income.....	20 percent
On the balance of taxable income.....	25 percent
<ul style="list-style-type: none"> Income threshold for Women and aged taxpayers (65 years of age and above) Tk. 2,00,000/- Income threshold for physically-challenged taxpayers Tk. 2,50,000/- Increase minimum tax payable from Tk. 2,000/- to Tk. 3,000/- 	
(b) Corporate Tax Rate:	
Mobile Company:	
Publicly traded.....	35 percent.
Other than publicly traded.....	45 percent.
Cigarette Company:	
Publicly traded.....	35 percent.
Other than publicly traded.....	42.5 percent.
Bank, Insurance and Financial Institutions (Other than merchant bank).....	
Merchant Bank.....	42.5 percent.
Private Limited Company.....	37.5 percent.
Company Registered with Stock Exchange.....	
	27.5 percent.

261. The present government is firmly committed to expand and strengthen the capital market along with maintaining its stability. Keeping last year's incentives provided for development of the capital market intact, I propose to provide some new incentives. To this end, I propose to reduce the income tax rate of merchant banks from 42.5 to 37.5 percent. Alongside, if any company transfers 20 percent of its paid up capital through Initial Public Offering (IPO) to capital market, it will enjoy 10 percent tax rebate on its payable tax in the relevant year. Moreover, dividend income amounting to Tk. 5000 will be exempted from tax.

262. One of the prime objectives of the present Government is to bring discipline and enhance transparency in transactions of trade, commerce and financial sector of the country. In this context, it is important to encourage transactions through banking channels and discourage cash transactions. For this, I propose to include necessary provisions in the income tax law to encourage carrying out of business transactions through banking channels. If implemented, it would reduce the risk of carrying cash on one hand and enhance transparency and discipline in the financial sector on the other. Subsequently, this will have positive impact on tax collection. The new system is presented in Table-2 shown below:

Table-2	
(1)	There should be provision requiring payments, other than payment for purchasing raw materials, over Tk. 50,000 to be made through banking channels. Payment over Tk. 50,000 in a single transaction would not be considered to be an expense, if not transacted through banking channel.
(2)	Deduction of tax at source at the rate of 15 percent instead of 10 percent at the time of paying interest in case the taxpayers do not have TIN.
(3)	Any loan received by a company from any other company or individual other than through banking channel will not be approved.
(4)	Individual assessee may receive loan of not more than Tk. 5 lakh in cash from one or more sources. Any loan or gift exceeding Tk. 5 lakh would be treated as taxable income of the recipient if not received through banking channel.

263. Globalization and gradual advancement in Information Technology (IT) offer both prospects and challenges. This has contributed to unprecedented expansion of trade and commerce on one hand and opened up new scope for tax evasion on the other hand. I propose to introduce necessary amendments in the Income Tax law to prevent the scope of tax evasion through transfer pricing in the pretext of trade liberalization and IT advancement. However, to ensure effective enforcement of this system, enhancement of technical capacity of revenue administration and trained manpower is essential. Necessary measures will be taken to impart training to revenue officers on transfer pricing and improve revenue administration's own database.

264. Providing incentives for production of high yielding agricultural products used as industrial raw materials is essential. This also helps diversify agricultural production. To this end, I propose 50 percent exemption of tax on the income derived from production of maize and sugar beet. Besides, considering their location, I propose to allow tax holiday for 5 and 7 years to industries that produce cholesterol free rice bran oil from husk of paddy.

265. In the existing system, industries established in the Government EPZ (Export Processing Zone) may enjoy tax holiday. One of the objectives of the present Government is to ensure balanced development and industrialization by encouraging both public and private initiatives. To this end, I propose to extend uniform tax holiday facilities to all industries established both in public and private EPZs.