



266. To preserve and promote our cultural heritage, I propose to allow tax holiday facilities for construction of cinema halls and Cineplex for 5 and 7 years considering the location of establishments. I also propose to provide them with other tax incentives.

267. I have already mentioned about our Hon'ble Prime Minister's noble initiative to provide assistance to poor students to have access to education. To this end, I propose to allow tax exemption for donations to the fund created under the Prime Minister's Education Assistance Trust Fund Act, 2011. The details of the proposal are given below:

Prime Minister's Education Assistance Trust Fund

To consider donations to the fund created under the Prime Minister's Education Assistance Trust Fund Act, 2011 as taxpayer's expenses subject to a ceiling. No tax shall be payable on such donation. Company assessee may donate a maximum amount of Tk. 08 (eight) crore or 20% of its income, whichever is less. Individual assessee may donate a maximum amount of Tk. 01(one) crore or 20% of his/her income, whichever is less.

268. It is important to encourage export trade to reduce trade deficit and increase domestic production. It is to be noted that I have already proposed diversification of exports and continuation of export trade incentives. It is also essential to collect taxes from exports for the interest of the country. Side by side, we need to prepare a level-playing field for promoting exports by imposing taxes on all kinds of export trade equally. To this end, I propose to make a provision for deducting tax at source at a uniform rate i.e. 1.2 percent from all kinds of exports. At the same time, I also propose to update and rationalize the rate of deduction of taxes at source in all other sectors. It has been made clear in Table-3 below:

Expansion of Source Tax and Rationalization of Tax-Rate Deducted at Source in Export and others

Table-3

- To impose a uniform rate of tax of 1.20 percent deducted at source on all kinds of exports in place of existing rates of 0.60 percent and 0.70 percent.
- To increase the rate of tax on privately owned car, jeep and microbus to be deducted at source at the time of renewal of its registration and fitness. To rationalize the rate of presumptive tax on public transport including bus, truck and prime mover etc.
- To deduct tax at source at the rate of 1 percent on the total amount received by International Gateway (IGW) Services and 5 percent on the amount paid by IGW to other operators in regard to international telephone calls.
- To deduct tax at source at the rate of 5 percent and 3 percent considering the location of property at the time of selling land by any land developer company.
- To deduct tax at source at the rate of 2 percent on the post-paid mobile phone bill and on the amount to be recharged or on prepaid card amount.

269. Submission of tax returns under Universal Self-Assessment scheme is one of the initiatives of the present Government to modernize the tax system. This scheme allows a taxpayer to assess his own income and tax thereon and submit his return which is treated as final. However, steps are underway to strengthen the audit system and prepare a 'Risk-based Revenue Audit Manual' to prevent taxpayers from abusing the scheme. This initiative will help maintain check and balance in taxation, inspire the responsible taxpayers and accelerate the tax collection process.

Strengthening Audit

Mr. Speaker

270. There is hardly any instance of taxpayer being refunded the money which he paid in excess of the amount due to him. The present Government is taking steps to resolve this issue. Effective measures have been taken so that the taxpayer can receive the refund of excess tax paid sitting home. Taxpayers would soon be able to reap the benefit of this initiative.

Strengthening Tax Refund System

271. The present Government has taken a number of steps including the expansion of tax administration and its modernization to put in place a time-befitting and service-oriented tax system. To keep pace with the technological progress, electronic payment of taxes has been introduced recently. In the meantime, online submission of tax return has been introduced in 02(two) tax zones and by the next fiscal year, most of the tax zones of the country are expected to be brought under this scheme. Among other initiatives by the present Government to add momentum to the tax management, Management Information System for Taxation (MIST) and Central Processing Unit has been made functional in order to get connected to the Central Web Portal by the next fiscal year. Besides generating other benefits, this measure would facilitate the taxpayers to submit TIN applications online. In addition, efforts are underway to decentralize tax administration up to Upazilla level to provide services to the taxpayers. It is undeniable that the implementation of any noble venture requires the efforts of honest, skilled and diligent manpower as well as ensuring proper incentives for them. Appropriate steps are being taken in this regard.

Reforms in Tax Administration and Modernization

Indirect Taxes

Value Added Tax (VAT)

Mr. Speaker

272. We collect four types of indirect taxes namely, (1) Value Added Tax (VAT), (2) Supplementary Duty, (3) Import Duty, and (4) Export Duty. Import and Export Duties are solely imposed on foreign trade merchandise. Supplementary Duty is imposed on both imports and domestic production. Previously, most of the revenues were used to be collected from import duty. At present, the contribution of import duty has gone down to one-third of the total revenue.

273. Currently, domestic Value Added Tax is the single highest source of government revenue. Revenue collection keeps growing as expected as an outcome of the multifaceted reform interventions made by our Government in the last three and half years, positive change in the mindset of the taxpayers and consumers in respect of tax payment and the sincerity of the revenue department officials. This domestic source of revenue has high growth potential in the context of our growing economy. Our proposals have been prepared on the basis of the growth potential of local value added tax, the prospect of economic growth and interests of business and consumer communities. In order to make the existing Value Added Tax Act, 1991 time-befitting and compliance-friendly for taxpayers and consumers, the present government in consultation with the business community and other concerned stakeholders, have substantially reformed the Act over the last three years since assumption of office. In continuation of the reform process, this year in the same manner, we have taken initiatives to bring necessary changes in the scope, rates, bases, rules and procedures of existing taxes to protect the interests of the small taxpayers under the Value Added Tax Act, 1991. Now, I would like to place before this august House the following proposals.

Protecting interest of the Taxpayers

274. Considering the contribution made by the Small and Medium Enterprise (SME) sector and its huge potential for our economy, the present government is committed to support development of the small producers and traders of this sector by providing necessary assistance and protection. Accordingly, the government reduced the turnover tax rate from 4 percent to 3 percent on annual turnover of up to Tk. 60 (Sixty) lakh in the last budget. With a view to further supporting this sector, I place the following proposals:

Expansion of Turnover Tax Benefits

- (i) Full exemption of turnover tax on annual turn over up to Tk. 7 lakh
- (ii) Imposition of 2 percent turnover tax on annual turnover over Tk. 7 lakh up to Tk. 24 lakh, and
- (iii) Continuation of 3 percent turnover tax on annual turnover over Tk. 24 lakh up to Tk. 60 lakh.

275. Presently, producers and traders of products like lozenge, biscuit, chanachur, shoes and sandal, coconut oil, laundry soap, jam, jelly, PVC pipe, beauty parlour have to pay VAT irrespective of their annual turnover. In order to create employment opportunities, we propose to allow small firms of these sectors having maximum turnover up to Tk. 60 (sixty) lakh to enjoy the above turnover tax facility instead of paying the existing 15 percent VAT.

276. Imposition of a single rate of VAT following a single rule at all points of supply namely, import, production, service rendering, wholesale and retail sale can deliver maximum benefits to the VAT system. In the past, however, in the absence of proper accounting method of VAT, tax could not be uniformly imposed and collected at the wholesale and retail points. From the first introduction of VAT till date, trade VAT has been imposed at different rates at different points. To be specific, presently advance VAT is applicable at 3 percent on commercial imports at import stage, 2 percent at local wholesale and retail stage, 4 percent on supplies by procurement providers, 15 percent for traders paying tax on actual value addition, Tk. 100 per MT on M.S. rod and bar, and Tk. 1800 to Tk. 6000 per year for small shopkeepers depending on turnover and locations. This multiple system has created disparity among producers, traders, taxpayers, consumers as well as scope for large scale tax evasion and procedural complexities. In the interest of trade and revenue collection, this multiple VAT rates need to be changed. Considering this reality, a uniform trade VAT rate at 4 percent at all levels of wholesale and retail sales including advance VAT is proposed to abolish the existing multiple rates of VAT. However, for traders willing to pay VAT on actual value addition, a 15 percent VAT would be applicable for them along with providing input tax credit and adjustment facility on easy terms.

Trade VAT

277. In order to rationalize, to some extent, the conflict of interests of traders, consumers and revenue due to wide disparity of existing duties and taxes between imported and domestically produced refrigerators and motor cycles, I place a few proposals. The existing tax structure at import stage of these goods will remain unchanged. However, as the demand of these goods is mostly met through import, an additional 20 percent regulatory duty that has been imposed recently is being withdrawn to keep the market price of these imported goods at a reasonable level.

278. As I mentioned earlier, we have declared a stimulus package for film industry. As part of this package, the rate of VAT is also being reduced. To protect this industry, the prevailing 35 percent supplementary duty is proposed to be withdrawn while 15 percent VAT will continue.

279. Considering the harmful effects of smoking, we are committed to reduce the use of tobacco every year. We do not provide credit for tobacco cultivation. Further, a 10 percent duty is realized on tobacco export. I propose to enhance the existing value slabs of cigarettes by 10 percent and supplementary duty from existing 36, 55, 58, and 60 percent to 39, 56, 59 and 61 percent respectively.

280. Our ceramic industry is already a developed sector and in addition to fulfilling domestic demand, this sector has been participating strongly in the global market. Considering this, the prevailing 15 percent supplementary duty on domestically produced ceramic products such as bathtub, washbasin, and commode is proposed to be fully withdrawn to protect the domestic industry.

Mr. Speaker

281. In order to rationalize the existing tax-bases, it is proposed to (a) increase tariff value of goods such as bricks, biscuits, cake, juice to some extent in keeping with market prices, (b) fix tariff value on tissue paper, domestically produced spectacles frame, commercial supply of newsprint, (c) reduce existing tariff value of C.R coil, G.P sheet, C.I sheet for the interests of the poor people, and (d) withdraw the existing truncated base and the related tax payment system of consultancy firm, supervisory firm, audit and accounting firm, security service, coaching centre, legal consultant, rent-a-car firm, event manager and human resource provider.

Tariff Value and Truncated Base

282. In order to make the Value Added Tax Act, 1991 more comprehensible, compliance-friendly, effective against tax evasion by imposing pecuniary and other penalties according to the degree of offences, reducing the amount of fine in some cases and discretionary power of the officials, and rationalizing the provision of appeal, it is proposed to amend certain sections of this Act such as sections 37 and 55. In addition, Alternate Dispute Resolution (ADR) system has been introduced as a means of speedy disposal of disputes relating to value added tax. I propose to bring necessary amendments in relevant acts and rules to make the system more effective. Further, I place the following proposals on: (a) rules to be followed by wholesalers and retailers, (b) rules for central registration, (c) rules for VAT officials' rewards/incentives based on performance, (d) rules for rebate on tax on imported services, (e) fixing timeline at each quarter instead of every month for submission of returns for certain goods and services including exports, and (f) provision for mandatory price declaration by some of specified service sectors.

Amendment of Laws

283. With a view to protecting interests of agriculture, industry, health, education and export sectors, I propose to allow VAT exemption or reduction at different transaction points of the following goods and services:



A good future is waiting for Bangladesh's garment sector.