



Bangladesh

# Taxation Handbook

(Updated to Finance Act 2020)

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## KPMG in Bangladesh

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### About KPMG in Bangladesh

KPMG in Bangladesh is represented by Rahman Rahman Huq, Chartered Accountants (RRH) and KPMG Advisory Services Limited (KASL).

RRH was established in 1962 by Messrs Rezaur Rahman, M. Saifur Rahman and Tashfin I Huq, all being members of the Institute of Chartered Accountants in England & Wales (ICAEW). Over the years, this firm has built a formidable reputation for providing Audit, Tax and Advisory/Consulting services to national and multinational businesses, public sector corporations and development organisations. On 1 January 2006, we became a Member Firm of KPMG International, making us the first "Big 4" Member Firm in Bangladesh. For about a decade prior to that, we were a Representative Firm of KPMG International.

KPMG Advisory Services Limited was formed in 2019. Wholly owned and managed by partners of RRH, KASL focuses on selected Advisory and non-regulated services. KASL is a Member Firm of KPMG International.

Current and recent clients of KPMG in Bangladesh include:

- |                           |                             |                         |                           |
|---------------------------|-----------------------------|-------------------------|---------------------------|
| - Grameenphone            | - Eriell Oil Field Services | - Reckitt Benckiser     | - Cemex                   |
| - Banglalink              | - Weatherford               | - Unilever              | - Emirates Cement         |
| - Robi/Axiata             | - Foster Wheeler            | - Singer                | - Tesco                   |
| - Alcatel Lucent          | - WorleyParsons             | - Bata Shoe             | - Walmart                 |
| - Huawei                  | - Vinarco                   | - Marico                | - Sainsbury's             |
| - IBM                     | - Esprat                    | - Nestle                | - Mustafa Mart            |
| - Microsoft               | - AusGroup                  | - Syngenta              | - Maersk                  |
| - HP                      | - Eni SpA                   | - Bangladesh Edible Oil | - Aramex                  |
| - Dell                    | - Cameron                   | - Asian Paints          | - CMA-CGM Bangladesh      |
| - Siemens                 | - Qualitech                 | - Godrej                | Shipping                  |
| - Ericsson                | - Summit Power              | - KAFCO                 | - Trident Shipping        |
| - Samsung                 | - Khulna Power              | - Linde                 | - Damco                   |
| - Standard Chartered Bank | - United Power              | - CEAT                  | - DSV Air & Sea           |
| - HSBC                    | - Wartsila                  | - Honda                 | - Cathay Pacific          |
| - Citibank N.A.           | - Energypac Power           | - G4S                   | - Pan Pacific Sonargaon   |
| - Eastern Bank Ltd.       | - Generation Ltd.           | - SGS                   | Hotel                     |
| - Southeast Bank Ltd.     | - Haripur Power             | - Intertek              | - UNDP                    |
| - The City Bank Ltd.      | - Meghnaghat Power          | - TUV SUD               | - icddr,b                 |
| - Bank Asia Ltd.          | - NEPC                      | - Avery Dennison        | - SMC                     |
| - Chevron                 | - Rolls-Royce Power         | - Youngone              | - OXFAM                   |
| - Gazprom                 | - British American          | - A-Text                | - Save the Children, etc. |
| - Halliburton             | - Tobacco                   | - SML                   |                           |
| - Niko                    | - Philip Morris             | - BRLDix                |                           |
|                           | - GSK                       | - Holcim                |                           |

Currently KPMG in Bangladesh has 5 active partners/directors. Operating from offices in Dhaka and Chattogram, we employ over 400 professionals. KPMG in Bangladesh, the partners and personnel who work for it and the processes under which we operate are governed not just by a strict code of ethics, but also by an elaborate risk management structure. We have an IT wing manned by professionals with the qualification and experience necessary to meet the diverse needs of clients.

Our ambition is to continue to recruit some of the best talent entering this profession, train them in an environment of technical and ethical excellence to meet the highest expectations of clients in this age of continually evolving multi-dimensional challenges.

## Table of Contents

|           |  |           |
|-----------|--|-----------|
| <b>1.</b> | <b>Preface</b>   | <b>1</b>  |
| <b>2.</b> | <b>Tax rates</b>   | <b>2</b>  |
| 2.1       | Tax rates for individual, etc.   | 2         |
| 2.2       | Corporate tax rates  | 4         |
| 2.3       | Reduced rates of Corporate Tax applicable to certain industrial companies  | 5         |
| 2.4       | Reduced tax rates applicable to local authority  | 5         |
| 2.5       | Capital gains tax  | 6         |
| 2.6       | Tax on dividend/remittance of profit   | 7         |
| 2.7       | Tax on retained earnings (Section 16G)   | 7         |
| 2.8       | Applicability of tax rates   | 7         |
| 2.9       | Charge of additional tax (Section 16B)   | 7         |
| 2.10      | Charge of tax on the difference of investment, import and export (Section 16H)                                       | 7         |
| 2.11      | Filing of tax return (Section 75)  | 8         |
| <b>3.</b> | <b>Personal income tax</b>   | <b>10</b> |
| 3.1       | Introduction   | 10        |
| 3.2       | Resident   | 10        |
| 3.3       | Taxable income   | 10        |
| 3.4       | Requirement of twelve-digit Taxpayer's Identification Number (e-TIN) (Section 184A)                                  | 10        |
| 3.5       | Issuance of e-TIN without application and re-registration  | 12        |
| 3.6       | Issuance of Temporary Registration Number (TRN)  | 12        |
| 3.7       | Universal self-assessment (Section 82BB)   | 12        |
| 3.8       | Submission of Statement of Assets and Liability and Lifestyle (Section 80)   | 13        |
| 3.9       | Tax Clearance Certificate  | 13        |
| 3.10      | Tax rebate on investment   | 13        |
| 3.11      | Deemed income  | 14        |
| 3.12      | Unexplained and undisclosed investments, properties and cash   | 15        |
| 3.12.1    | Unexplained investments—Special tax treatment in respect of investment in securities (Section 19AAAA)                | 15        |
| 3.12.2    | Undisclosed properties – special tax treatment in respect of undisclosed property, cash, etc. (Section 19AAAAA)      | 15        |
| 3.12.3    | Unexplained investments – special tax treatment in respect of investment in building and apartment (Section 19BBBBB) | 16        |
| 3.13      | Imposition of tax on income of chamber of commerce and industry, trade federation or any such business organisation  | 17        |
| <b>4.</b> | <b>Corporate tax</b>   | <b>18</b> |
| 4.1       | Introduction   | 18        |
| 4.2       | Resident   | 18        |
| 4.3       | Permanent establishment  | 19        |
| 4.4       | Taxable income   | 19        |
| 4.5       | Income deemed to accrue or arise in Bangladesh   | 19        |
| 4.6       | Income year  | 20        |
| 4.7       | Allowable expense deductions as per the Income Tax Ordinance 1984  | 20        |
| 4.8       | Tax depreciation   | 20        |
| 4.9       | Allowable perquisites  | 21        |
| 4.10      | Deductions not admissible in certain circumstances (Section 30)  | 21        |

|           |   |           |
|-----------|---|-----------|
| 4.11      | Disallowance under section 30 is taxable even if the company is loss making or under minimum tax (Section 30B)  | 22        |
| 4.12      | Donations   | 22        |
| 4.13      | Minimum tax (Section 82C)   | 23        |
| 4.14      | Losses  | 26        |
| 4.15      | Advance tax payment   | 26        |
| 4.16      | Advance tax payment on certain income (Section 68A)   | 26        |
| 4.17      | Annual tax return filing and tax payment  | 27        |
| 4.18      | Return of withholding tax   | 27        |
| 4.19      | Annual Information Return   | 27        |
| 4.20      | Concurrent jurisdiction   | 27        |
| 4.21      | Assessment  | 27        |
| 4.22      | Universal self-assessment scheme  | 28        |
| 4.23      | Appeals   | 28        |
| 4.24      | Submission of certain returns   | 29        |
| 4.25      | Power of search and seizure   | 29        |
| 4.26      | Freezing of property  | 29        |
| <b>5.</b> | <b>Tax incentives</b>   | <b>30</b> |
| 5.1       | Special Economic Zones and Developing Unit  | 30        |
| 5.2       | Hi-Tech Park Zone   | 31        |
| 5.3       | Partial tax exemption for newly established undertaking   | 32        |
| 5.4       | Partial tax exemption for newly established physical Infrastructure facility (Section 46CC)   | 34        |
| 5.5       | Tax exemption for Public Private Partnership (PPP) Project  | 35        |
| 5.6       | Income from exports   | 36        |
| 5.7       | Export Processing Zones   | 36        |
| 5.8       | Income from the business of software development or Nationwide Telecommunication Transmission Network (NTTN) and information technology enabled services (ITES) | 36        |
| 5.9       | Exemption of capital gains tax from sale of shares of listed companies for non-resident (Sixth Schedule, Part-A, Para-43)                                       | 37        |
| 5.10      | Exemption of income from Cinema Hall or Cineplex  | 37        |
| 5.11      | Exemption of income from production of rice bran oil  | 38        |
| 5.12      | Income from production of corn, maize or sugar beet   | 38        |
| 5.13      | Exemption from income of export of handicrafts  | 38        |
| 5.14      | Income derived from any SME   | 38        |
| 5.15      | Donation to any fund established by "Trust of Prime Minister Education Assistance Act 2012"   | 38        |
| 5.16      | Incentives for private sector power generation companies (other than coal based)  | 38        |
| 5.17      | Incentives for private sector power generation companies (other than coal based)  | 39        |
| 5.18      | Incentives for private sector power generation companies (coal based)   | 39        |
| 5.19      | Exemption/reduced tax rate is not allowed in case of failure to file the return within stipulated time  | 39        |
| 5.20      | Agricultural income   | 40        |
| 5.21      | Interest on pensioners' savings certificate   | 40        |
| 5.22      | Foreign income by individuals   | 40        |
| 5.23      | Dividend income   | 40        |
| 5.24      | Gratuity income   | 40        |
| 5.25      | Workers Profit Participation Fund income  | 40        |
| 5.26      | Certain bond income   | 40        |
| 5.27      | Donation to girls' school/college   | 40        |

|            |  |           |
|------------|--|-----------|
| 5.28       | Donation to technical and vocation institution   | 40        |
| 5.29       | Donation to research and development   | 41        |
| 5.30       | Employing disabled person  | 41        |
| 5.31       | Income received other than bank interest/dividend by any educational institution                       | 41        |
| 5.32       | Income received other than bank interest/dividend by any public university, ICAB, ICMA and ICSB        | 41        |
| 5.33       | Corporate Social Responsibility (CSR) activity to get tax rebate                                       | 41        |
| <b>6.</b>  | <b>Penalty and prosecution for non-compliance</b>  | <b>43</b> |
| <b>7.</b>  | <b>Voluntary disclosure</b>  | <b>45</b> |
| <b>8.</b>  | <b>Transfer pricing</b>  | <b>46</b> |
| <b>9.</b>  | <b>Others</b>  | <b>47</b> |
| 9.1        | Stay of proceeding in case of pending appeal or reference at Appellate Tribunal or High Court Division | 47        |
| 9.2        | Decision of ADR  | 47        |
| 9.3        | Notice, assessment order and tax form delivered as per section 174                                     | 47        |
| 9.4        | Inclusion of amortisation in Third Schedule  | 47        |
| 9.5        | Computation of income of contractor, etc., of an oil company residing out of Bangladesh (Rule 39)      | 47        |
| 9.6        | Tax calendar for company   | 48        |
| <b>10.</b> | <b>Income subject to tax withholding/deduction/collection at source</b>                                | <b>49</b> |
| <b>11.</b> | <b>International Tax</b>   | <b>66</b> |
| 11.1       | Double Taxation Avoidance Agreement  | 66        |
| 11.2       | Double Tax Relief  | 66        |
| <b>12.</b> | <b>Value Added Tax</b>   | <b>67</b> |
| 12.1       | Registration or Enlistment Requirements  | 67        |
| 12.2       | Coverage of VAT  | 69        |
| 12.3       | Type of VAT Rates  | 70        |
| 12.4       | VAT Mechanism  | 72        |
| 12.5       | Value of taxable supply  | 78        |
| 12.6       | Few important matters  | 79        |
| 12.7       | VAT Documentations   | 82        |

## 1. Preface

We have prepared this booklet for the guidance of our clients and contacts. This booklet incorporates many of the important provisions of the Income Tax Ordinance 1984 as amended up to the Finance Act 2020 and major changes brought in by the Finance Act 2020 in respect of the Value Added Tax and Supplementary Duty Act 2012 and Rules 2016.

The information contained in this booklet is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate information at the time of preparation, there can of course be no assurance that such information would continue to be accurate in the future. No one should act on such information without appropriate professional advice given after an examination of the particular circumstances. This booklet contains selected aspects of Bangladesh tax provisions and is not intended to be comprehensive.

We hope you will find this booklet useful.

Adeeb H. Khan  
*Senior Partner*

## 2. Tax rates

### 2.1 Tax rates for individual, etc.

Tax is not payable by tax residents on income below Tk. 300,000 (for men). The following tax rates are applicable to resident individual, Hindu undivided family, partnership firm, non-resident Bangladeshi, association of persons and any other taxpayer including artificial judicial person created by the Act:

#### Residents including non-resident Bangladeshi

| Total income       | Tax rate |
|--------------------|----------|
| First Tk. 300,000* | Nil      |
| Next Tk. 100,000   | 5%       |
| Next Tk. 300,000   | 10%      |
| Next Tk. 400,000   | 15%      |
| Next Tk. 500,000   | 20%      |
| On the balance     | 25%      |

\*Initial exemption limit for:

- women and senior citizens aged 65 years or above it is Tk. 350,000,
- physically challenged persons it is Tk. 450,000, and
- gazetted war-wounded freedom fighters it is Tk. 475,000.

In case of parent/legal guardian of a physically challenged person, he/she (only one assessee if father and mother both are taxpayer) will get a further initial exemption of Tk. 50,000 in addition to above limit.

All taxpayers who will file their tax return first time through online will enjoy tax rebate of Tk. 2,000.

Please see section 3.2 for the definition of resident.

#### Non-residents

Non-residents other than Bangladeshi non-residents shall pay tax on the total income at the rate of 30%.

#### Minimum tax payable

Minimum tax payable by an assessee is as follows:

| Location                                     | Minimum tax |
|--|-------------|
| Within Dhaka and Chattogram City Corporation | Tk. 5,000   |
| Any other City Corporation                   | Tk. 4,000   |
| Other than City Corporation                  | Tk. 3,000   |

## Dividend income

Dividend income received by an individual assessee from companies listed with either/both exchange(s) in Bangladesh is exempted from tax up to Tk. 50,000.

## Charge of surcharge

Surcharge is payable by an individual assessee on total tax payable if the total net worth of the assessee exceeds Tk. 30 million in the following manner:

| Total net worth   | Rate |
|---|------|
| Over Tk. 30 million to Tk. 50 million or owner of more than 1 motor car or owner of a flat of 8,000 square feet size within City Corporation area | 10%  |
| Over Tk. 50 million to Tk. 100 million  | 15%  |
| Over Tk. 100 million to Tk. 150 million   | 20%  |
| Over Tk. 150 million to Tk. 200 million   | 25%  |
| Over Tk. 200 million  | 30%  |

However, the minimum surcharge will be Tk. 3,000 for net worth up to Tk. 100 million, and Tk. 5,000 if net worth exceeds Tk. 100 million.

Furthermore, if the total net wealth is Tk. 500 million or more, surcharge will be higher of the following:

- 0.1% of net wealth; and
- 30% of surcharge on total tax.

## Rate for owner of small or cottage industry

If an individual is the owner of a small or cottage industry situated in a less or least developed area, is engaged in manufacturing of products and derives income from such industries then he will be entitled to a rebate on income derived from such industries at the following rates:

| Particulars  | Rate of rebate   |
|--|--|
| If production during the year is more than 15% but less than 25% compared to previous year | Rebate of 5% on tax payable on income derived from such industries.  |
| If production during the year exceeds 25 % as compared to previous year.                   | Rebate of 10% on tax payable on income derived from such industries. |

## Tax rates applicable for owners of motor car and jeep (Section 68B)

Tax payable at the time of registration or renewal of fitness certificate in the form of advance income tax for motor vehicles is:

| Type of Vehicle                              | Tax payable (Tk) |
|--|------------------|
| Up to 1500 CC for each motor car or jeep     | 25,000           |
| Up to 2000 CC for each motor car or jeep     | 50,000           |
| Up to 2500 CC for each motor car or jeep     | 75,000           |
| Up to 3000 CC for each motor car or jeep     | 125,000          |
| Up to 3500 CC for each motor car or jeep     | 150,000          |
| More than 3500 CC for each motor car or jeep | 200,000          |
| Micro-bus each                               | 30,000           |



Such advance income tax shall not be collected from government, local government, any project under government, foreign diplomat, development partner, an educational institute under MPO, public university, gazetted war-wounded freedom fighter and any institute which has received a relevant letter from NBR.

If any assessee owns more than one motor vehicle self or jointly, then advance income tax will be 50% higher for every additional vehicle's registration. This shall be treated as advance payment of tax of the assessee. Moreover, such advance tax shall not be refundable.

## 2.2 Corporate tax rates

The rates of tax applicable to companies, banks, insurance and other financial institutions:

| Companies  | Rate  |
|--|-------|
| Publicly traded companies i.e. companies listed with any stock exchange in Bangladesh other than banks, insurance companies, merchant banks and other financial institutions and jute, textile, garment industries, mobile phone operator companies and cigarette, zarda, bidi, gul or any other tobacco product manufacturing companies.<br><br><i>[If non-listed companies other than banks, insurance companies, merchant banks and other financial institutions, jute, textile, garment industries, mobile phone operator companies and cigarette, zarda, bidi, gul or any other tobacco product manufacturing companies list at least 20% of their paid up capital through IPO, they shall receive a rebate of 10% in the year of listing.]</i> | 25%   |
| Non-listed companies including branch companies other than banks, insurance companies, merchant banks and other financial institutions, jute, textile, garment industries, mobile phone operator companies and cigarette, zarda, bidi, gul or any other tobacco product manufacturing companies.<br><br><i>50% of export income is exempt from tax.</i><br><br><i>However, rebate on income from export business shall not apply to companies who are enjoying tax exemption or paying tax at the reduced rates as mentioned in 2.3.]</i>  | 32.5% |
| Banks, insurance and other financial institutions (except merchant banks) if not publicly listed   | 40%   |
| Banks, insurance and other financial institutions (except merchant banks) if publicly listed   | 37.5% |
| Merchant banks   | 37.5% |
| Cigarette, zarda, bidi, gul or any other tobacco product manufacturing companies (companies, firms and individuals) irrespective of listing status   | 45%   |
| Surcharge in addition to above tax is applicable on business income.   | 2.5%  |
| Mobile phone operator companies if not publicly listed as below  | 45%   |
| Mobile phone operator companies that convert themselves into a publicly traded company by transfer of at least 10% shares through stock exchanges, of which maximum 5% may be through Pre-Initial Public Offering Placement<br><br><i>[If mobile phone operator companies list at least 20% of their paid up capital through IPO, they shall receive a rebate of 10% in the year of listing.]</i>  | 40%   |

| Companies  | Rate  |
|--|-------|
| Association of persons   | 32.5% |
| Cooperative societies registered under Cooperative Society Act, 2001 | 15%   |

However, 5% additional tax will be charged from 1 July 2020 if disabled persons are not provided with proper arrangement for movement at the place of service by school, college, university and NGO. On the other hand, 5% tax rebate will be allowed if at least 10% of total employees constitute disabled person.

### 2.3 Reduced rates of Corporate Tax applicable to certain industrial companies

| Companies   | Rate |
|---|------|
| Textile industries (time extended up to 30 June 2022)   | 15%  |
| Knit wear and woven garments manufacturer and exporter (time extended up to assessment year 2021-2022)  | 12%  |
| Knit wear and woven garments manufacturer and exporter with internationally recognised factory with 'green building certification' (time extended up to assessment year 2021-2022)  | 10%  |
| Research institutes at national level, registered under the Trust Act, 1882 or Societies Registration Act, 1860   | 15%  |
| Private universities, Private medical college, Private dental college, Private engineering college or Private college engaged in imparting education on information technology  | 15%  |
| Co-operative society registered under Co-operative Society Act 2001 other than income from agricultural or cottage sector   | 15%  |
| Production of pelleted poultry feed, Production of pelleted feed for fish, shrimp and cattle, Production of seeds marketing of locally produced seeds, cattle farming, dairy farming, horticulture, frog farming, sericulture, mushroom farming and floriculture: |      |
| ▪ Income up to Tk. 1,000,000  | 3%   |
| ▪ Next Tk. 2,000,000  | 10%  |
| ▪ On the balance amount   | 15%  |

### 2.4 Reduced tax rates applicable to local authority

25% reduced tax rate will be applicable for following local bodies:

1. WASA (Dhaka, Chattogram, Khulna and Rajshahi)
2. Bangladesh Civil Aviation Authority
3. RAJUK
4. RDA
5. KDA
6. CDA
7. National Housing Authority
8. Chattogram Port Authority
9. Mongla Port Authority
10. Pyra Port Authority
11. Bangladesh Television
12. Bangladesh Betar
13. BIWTA
14. BTRC
15. BPDB

16. BREB
17. BWAPDA
18. BEPZA
19. Bangladesh Bridge Authority
20. Borendra Multipurpose Development Authority (Rajshahi)
21. Bangladesh Hi-Tech Park Authority
22. IDRA
23. Sustainable and Renewable Energy Development Authority

## 2.5 Capital gains tax

### 2.5.1 Capital gains tax on sale of shares of listed companies

Capital gain from transfer of stocks and shares of public limited companies listed with stock exchange except listed Govt. securities:

| Sl. | Particulars  | Rate |
|-----|--|------|
| a.  | For resident companies and firms   | 10%  |
| b.  | Capital gain tax of non-resident shareholders (refer to section 5.9)                   | 15%  |
| c.  | For sponsor shareholders and shareholder directors                                     | 5%   |
| d.  | For resident individual holding at least 10% of the total share capital of the company | 5%   |

Capital gains tax on sale of stocks and shares of public limited companies listed with stock exchange in respect of resident individual assessee shall be exempt from tax unless such residents fall in categories (c) and (d) of above.

### 2.5.2 Capital gains tax other than sale of shares of listed companies

In the case of a company, income from capital gains will be separated from total income and tax at 15% is payable on such capital gains regardless of the period of holding of the asset from the date of its acquisition.

In the case of an assessee other than a company, if the asset is transferred before the expiry of five years from the date of acquisition, the capital gains will be taxed at the usual rate applicable to the assessee's total income including the capital gains. If the asset is transferred at any time after expiry of five years from the date of its acquisition, the capital gains will be taxed at the usual rate applicable to the assessee's total income including the capital gains or at the rate of 15% on the amount of capital gains whichever of the two is lower.

### 2.5.3 Capital gains tax on transfer of entirety of business or undertaking

Capital gain from transfer of business or undertaking shall be taxable at the rate of 15% during the year when transfer takes place.

Capital gains is computed by reducing consideration or fair value (whichever is higher) by any expenditure in connection with the transfer and book value of assets less liabilities taken as on the date of transfer.

## 2.6 Tax on dividend/remittance of profit

A company paying dividend shall withhold tax at the rate of

- 20% on dividend payable to a non-resident company/fund/trust and resident company,
- 30% on dividend payable to any non-resident other than a company/fund/trust, and
- 10% (subject to furnishing Twelve-Digit Taxpayer's Identification Number) or 15% on dividend payable to a resident person other than a company.

If stock dividend declared or distributed by a listed company exceeds the cash dividend in any income year, 10% tax on the whole amount of stock dividend will be applicable. Such tax cannot be adjusted with any other tax liability of the company. The provision is also applicable if any cash dividend is not declared or distributed in the income year.

A branch company shall withhold tax at the rate of 20% while remitting profit to Head Office.

However, in cases where dividend is payable to a shareholder resident in a country with which Bangladesh has signed a tax treaty, the rate mentioned in the tax treaty will apply subject to confirmation/certification from NBR.

Further, any distribution from mutual fund or alternative investment fund would be subject to tax like dividend declared by a company.

## 2.7 Tax on retained earnings (Section 16G)

If listed company transfers more than 70% of its net profit/income after tax to retained earnings or any fund, reserve or surplus in an income year, it shall have to pay tax at the rate of 10% on the total amount transferred. Such tax cannot be adjusted with any other tax liability of the company.

## 2.8 Applicability of tax rates

All rates quoted from 2.1 to 2.7 will apply for the assessment year 2020-2021, unless stated otherwise.

## 2.9 Charge of additional tax (Section 16B)

Additional tax will be charged to the employer who employs or allows an individual not being a Bangladeshi citizen to work at their business or profession without prior approval of Bangladesh Investment Development Authority (BIDA) or any other competent Government authority. This additional tax is higher of 50% of the tax payable on his income or Tk. 500,000.

## 2.10 Charge of tax on the difference of investment, import and export (Section 16H)

- a) Additional tax will be charged to the assessee on the difference between the amount of import or export as declared in submitted statements and the actual amount paid for import or received from export, respectively. The additional tax will be 50% of the difference amount from the actual transaction value irrespective of higher or lower amount.
- b) Additional tax will be charged to the assessee on the difference between the amount of investment as declared in the submitted statements and the actual amount of investment made. The additional tax will be 50% of the difference amount if the actual

amount of investment is found to be lower than the amount of investment disclosed in the statement.

## 2.11 Filing of tax return (Section 75)

Filing of tax return is compulsory for every person who:

- in a fiscal year earns total income from all sources exceeding the minimum income exemption threshold (refer to section 2.1);
- was assessed for tax for any one of the three years immediately preceding that income year;
- is a company, a non-government organisation registered with NGO affairs bureau, a co-operative society, a firm, an association of persons, a shareholder director or shareholder employee of a company, a partner of a firm, an employee of the Government or an authority corporation, body or units of the Government who draws basic salary of Tk. 16,000 or more at any time during the income year, an employee holding an executive or a management position in a business or profession or a Micro Credit Organisation having licence with Micro Credit Regulatory Authority;
- is a non-resident having permanent establishment in Bangladesh;
- is subject to tax exemption or lower tax rate except not being an institution established solely for charitable purpose or a fund;
- at any time during the relevant income year fulfils any of the following conditions:
  - owns a motor car, owns membership of a club registered under any law governing value added tax (VAT).
  - runs any business or profession having obtained a trade licence from any City Corporation, municipality or/and operates a bank account;
  - has registered with a recognised professional body as a doctor, lawyer, income tax practitioner, chartered accountant, cost and management accountant, engineer, architect or surveyor or any other similar profession;
  - is a member of a chamber of commerce and industry or trade association;
  - runs for an office of any municipality, city corporation or a Member of Parliament;
  - participates in a tender floated by the government, semi-government, autonomous body or local authority;
  - serves in the board of directors of a company or group of companies; and
  - participates in a shared economic activity by providing motor vehicle, space, accommodation or any other assets;
  - owns any licensed arms; and
  - if a person is required to have Twelve-Digit Taxpayer's Identification Number under section 184A.

However, a return of income shall not be mandatory for -

- an educational institution receiving government benefits under Monthly Payment Order (MPO); or
- a public university; or
- a fund; or
- a non-resident, not being a non-resident individual, having no permanent establishment in Bangladesh; or
- a non-resident individual having no fixed base in Bangladesh; or
- any class of persons which the Board, by order in official gazette, exempt from filing the return; or
- any individual assessee who has no taxable income but who is required to have Twelve-Digit Taxpayer's Identification Number under section 184A for selling a land or obtaining a credit card.

### 3. Personal income tax

#### 3.1 Introduction

In general, Bangladesh residents are taxed on their worldwide income. Non-residents are taxed on income earned in Bangladesh irrespective of where the payment is made.

There is no provision for married couples to file joint returns. Returns are to be filed by 30 November for the income year ending 30 June.

Individuals may file returns under universal self-assessment scheme, but the assessing officers have discretion to scrutinise the returns.

Where total income exceeds Tk. 600,000 during the income year for any individual, he is required to pay advance tax as either 100% of last assessed tax or 75% of current estimated income tax and pay the outstanding tax (if any) at the time of filing the return. Tax on an employee's salary is required to be withheld on a monthly basis by the employer.

#### 3.2 Resident

An individual is treated as a resident of Bangladesh if that person stays in Bangladesh for

- 182 days or more in any income year; or
- 90 days or more in an income year and that person has also previously resided in Bangladesh for a period of more than 365 days during the four preceding years.

Residence is determined in Bangladesh purely on the period of presence in Bangladesh irrespective of residency in other countries. Short-term visitors and dependents of foreign nationals not earning any income in Bangladesh are not taxed in Bangladesh and are not required to file tax return.

#### 3.3 Taxable income

Taxable income is the total income earned from all sources, excluding exempt income. Foreign sourced income of a resident is included in his/her taxable income. For non-residents, only Bangladesh sourced income is included in his/her taxable income.

#### 3.4 Requirement of twelve-digit Taxpayer's Identification Number (e-TIN) (Section 184A)

It has been made compulsory to submit e-TIN certificate, acknowledgement receipt of income tax return or the tax certificate issued by Deputy Commissioner of Taxes (DCT) at the time of:

- opening a letter of credit for the purpose of import;
- submitting an application for the purpose of obtaining an import registration certificate;
- renewal of trade licence;
- submitting any tender documents;
- submitting an application for membership of a club registered under the Companies Act 1994;
- issuance or renewal of license or enlistment of a surveyor of general insurance;



- registration of land, building or apartment situated within any city corporation deed value of which exceeds Tk. 100,000. Such document shall contain TIN of both the seller and the purchaser. This provision will not apply in cases of non-resident Bangladeshis;
- registration, change of ownership or renewal of fitness of a car, jeep or a microbus;
- registration, renewal of fitness or change of ownership of a bus, truck, prime mover, lorry etc. plying for hire;
- sanction of loan exceeding Tk. 500,000 to a person by a commercial bank or a leasing company;
- issue of credit card;
- issue of practicing license to a doctor, a lawyer, a chartered accountant, a cost and management accountant or an income tax practitioner;
- all sponsor directors at the time of registration of a company (other than non-resident foreign directors/sponsors);
- applying for or renewal of membership of any trade body;
- submitting a plan for construction of building for the purpose of obtaining approval from RAJUK, CDA, KDA and RDA;
- issuance of drug license;
- applying for connection of gas for commercial use within a city corporation, municipality or cantonment board;
- applying for connection of electricity within a city corporation, municipality or cantonment board;
- issuance or renewal of survey certificate of a water vessel including launch, steamer, fishing trawler, cargo, coaster and dump-barge etc., plying for hire; or
- registration or renewal of certificate as agent of an insurance company;
- parents of the students of English medium school following international curriculum within City Corporation or in any municipality of a district headquarter.
- receiving the salaries by an employee of the government or an authority corporation, body or units of the government who draws a salary at a scale of grade 10 or above;
- receiving any amount from the government under Monthly Payment Order (MPO) if the amount of payment exceeds Tk. 16,000 per month;
- receiving any payment which is an income of the payee classifiable under the head of salaries by any person employed in the management or administrative function or any supervisory position in the production function;
- obtaining or maintaining the agency or the distributorship of a company;
- receiving any commission, fee or other sum in relation to money transfer through mobile banking or other electronic means or in relation to the recharge of mobile phone account;
- receiving any payment by a resident from a company against any advisory or consultancy service, catering, service, event management service, supply of manpower or providing security service;
- submitting a bill of entry for import into or export from Bangladesh;
- participates in shared economic activities by providing motor vehicle, space, accommodation or any other assets;
- releasing overseas grants to a registered NGO or a Micro Credit Organisation having licence with Micro Credit Regulatory Authority;
- participating in any election in upazila, paurasava, zilla parishad, city corporation or Jatiya Sangsad;
- obtaining or maintaining a license for arms.



### 3.5 Issuance of e-TIN without application and re-registration

- Twelve-digit Taxpayer's Identification Number (e-TIN) may be issued without any application where any income tax authority has found a person having taxable income during the year and has failed to apply for TIN.
- Board may direct any person having a TIN to furnish such information or documents for the purpose of re-registration and thereafter issue a new twelve-digit Taxpayer's Identification Number.

### 3.6 Issuance of Temporary Registration Number (TRN)

Temporary Registration Number (TRN) may be given to a person who has been found having taxable income in any year and has failed to apply for Taxpayer's Identification Number (TIN) under section 184B.

### 3.7 Universal self-assessment (Section 82BB)

Where an assessee files a return of income mentioning twelve-digit Taxpayer's Identification Number (TIN) in compliance with the conditions and within the time specified and pays tax on the basis of the tax return, tax authority will issue an acknowledgment of receipt of the return and such acknowledgment shall be deemed as an order of assessment by the DCT.

Upon receipt of an income tax return, the DCT shall compute the total income after making necessary adjustments of any arithmetical accuracy and incorrect claim. He shall determine tax liability taking into account of refundable tax claimed including any tax deducted at source, any tax collected at source and any advance tax paid.

After processing the submitted tax return, the DCT shall send a notice to the assessee communicating the difference of computation of income, tax, refund or other related particulars with opportunity to justify his position in writing and to file an amended return specifying time limit in the notice. If the assessee files an amended return properly, the DCT shall send a letter of acceptance within 90 days. In case the assessee does not respond to the notice, the DCT shall send a demand notice within 9 months specifying total income and tax payable or refundable.

After filing the return, if the assessee finds any unintentional mistake resulting in less tax liability has been paid or computed, he may file an amended return with a written statement mentioning the reason and paying tax in accordance with the amended return. An interest at the rate of 2% will be applicable for the tax that was paid or computed less. However, amended tax return cannot be filed after the expiry of 180 days from the date of the filing the original return or after the original return has been selected for audit.

A return of income filed under universal self-assessment shall not be selected for audit where such return except the return of income of a financial institution shows at least 15% higher income than the income assessed or shown in the return of immediately preceding assessment year and such return:

- is accompanied by corroborative evidence in support of any income exempted from tax;
- is accompanied by a copy of bank statement or account statement, as the case may be, in support of any sum or aggregate of sums of loan exceeding Tk. 500,000;
- does not show receipt of gift during the year;

- does not show any income chargeable to tax at a rate reduced under Section 44; or
- does not show or result in any refund.

No question regarding the source of investment shall be raised, if a new assessee shows income at least 20% of the capital invested in a business or profession and shows income which exceeds the tax exemption threshold. However, the initial capital investment or any fraction thereof shall not be transferred within five years from the end of the income year.

Time limitation for disposal of universal self-assessment cases is two years from the end of assessment year in which the income was first assessable.

### 3.8 Submission of Statement of Assets and Liability and Lifestyle (Section 80)

It is mandatory for an individual assessee to submit the statement of assets, liabilities and lifestyle, if he

- a) has a gross wealth over Tk. 4 million; or
- b) owns a motor car; or
- c) has made an investment in a house property or an apartment in the city corporation area.

If any individual, not being a shareholder director, having only income from salary or business or profession, he may opt not to submit the statement of lifestyle if his total income is less than Tk. 0.4 million.

### 3.9 Tax Clearance Certificate

Every expatriate employed in Bangladesh is required to obtain a Tax Clearance Certificate from the concerned DCT. This certificate is required to be produced as an evidence of tax payment/exemption at the port of departure from Bangladesh.

### 3.10 Tax rebate on investment

An assessee shall be entitled to a rebate from the amount of tax payable if he/she invests during the income year in the following items, namely:

- a) life insurance premium
- b) contribution to approved Provident Fund (both by the employee and employer)
- c) contribution to deposit pension scheme amounting to not exceeding Tk. 60,000 sponsored by a scheduled bank or a financial institution
- d) donation to a national level institution set up in memory of the "Liberation War"
- e) donation to a national level institution set up in memory of "Father of the Nation"
- f) donation to Prime Minister's Higher Education Fund
- g) donation to Aga Khan Development network/Asiatic Society/CRP/Dhaka Ahsania Mission Cancer Hospital/icddr,b
- h) donation to Zakat Fund/charitable fund established by or under Zakat Fund
- i) any sum invested in Bangladesh Government Treasury Bond and Sanchayapatra, stocks and shares of listed companies, mutual funds and debentures listed with any stock exchange in Bangladesh

Allowable limit of investment tax rebate is as follows:

| Total income          | Investment tax rebate on eligible amount* |
|-----------------------|---|
| Up to Tk. 1.5 million | 15%                                       |
| Over Tk. 1.5 million  | 10%                                       |

\*Eligible amount is the lowest of the following:

- Actual investment; or
- 25% of total income; or
- Tk. 15 million

### 3.11 Deemed income

Items of deemed incomes are contained in section 19 of the Income Tax Ordinance 1984. Major instances of deemed income are discussed below:

#### ▪ House rent

If rent free accommodation is provided to the employee, the rental value or 25% of the basic salary, whichever is less, is included in income. If accommodation is provided at a concessional rate, the actual payment by employee is excluded from the above. Tax exempted house rent receivable in cash is Tk. 25,000 per month or 50% of basic salary, whichever is lower.

#### ▪ Conveyance allowance

Tax exempt conveyance allowance receivable in cash is a maximum of Tk. 30,000 per annum. If the employer provides conveyance for personal or private use, an amount equal to 5% of the employee's basic salary or Tk. 60,000, whichever is higher, is added with total income.

#### ▪ Loan

Any amount of loan or gift exceeding Tk. 500,000 received other than through bank transfer by an assessee, being an individual, shall be treated as income under the head 'Income from Other Sources' in the year it was received.

When abovementioned loan or gift shown as income is subsequently repaid or settled, such repaid or settled amount will be deducted from the total income of that income year.

Bank transfer refers to transfer from the account of the giver to the account of the receiver and such accounts are maintained in a bank or a financial institution legally authorised to operate accounts.

#### ▪ Medical expenses:

Where any amount is received or receivable by the employee by way of hospitalisation, medical expenses or medical allowance, the amount so receivable or received exceeds 10% of basic salary or Tk. 120,000 annually, whichever is less, shall be included in his income.

In case of an employee being a person with disability, the medical expense exceeding Tk. 1,000,000 shall be include in his total income.

### 3.12 Unexplained and undisclosed investments, properties and cash

#### 3.12.1 Unexplained investments—Special tax treatment in respect of investment in securities (Section 19AAAA)

No question shall be raised by authorities as to the source of amounts invested by individual assessee in shares, mutual fund units, bonds, debentures and other securities issued by listed companies and approved by Bangladesh Securities and Exchange Commission and tradable government securities and bonds, if the individual assessee pays 10% tax on such investments subject to the following conditions:

- the investment is to be made between 1 July 2020 and 30 June 2021;
- 10% tax is paid within 30 days of making the investment;
- investment to be maintained for at least one year, otherwise the amount shall be taxable as 'Income from Other Sources' and
- this opportunity will not apply if any proceeding has been initiated under any other law on or before the day of making such investment.

#### 3.12.2 Undisclosed properties – special tax treatment in respect of undisclosed property, cash, etc. (Section 19AAAAA)

No question will be raised over the source of fund of certain previously undisclosed investments in land, building, cash and savings instrument if an individual assessee pays before the submission of return or revised return of income during the period between the 1 July 2020 and 30 June 2021 (both days inclusive), tax at the rates specified in the following tables:

| Sl. | Description of the property (land)  | Rate of tax per square meter |
|-----|---|------------------------------|
| A.  | Gulshan Model Town, Banani, Baridhara, Motijheel Commercial Area and Dilkusha Commercial Area of Dhaka  | Tk. 20,000                   |
| B.  | Dhanmandi Residential Area, Defence Officers Housing Society (DOHS), Mahakhali, Lalmatia Housing Society, Uttara Model Town, Bashundhara Residential Area, Dhaka Cantonment, Sidheshwary, Kawran Bazar, Bijaynagar, Wari, Segunbagicha, Nikunja of Dhaka, and Panchlaish, Khulshi, Agrabad and Nasirabad Area of Chattogram | Tk. 15,500                   |
| C.  | Any City Corporation other than area mentioned in A and B above   | Tk. 5,000                    |
| D.  | Land situated in the area of a Paurasabha or any district headquarters  | Tk. 1,500                    |
| E.  | Other area  | Tk. 500                      |

| Sl. | Description of the property (building)  | Rate of tax per square meter |                            |
|-----|---|------------------------------|----------------------------|
|     |   | Up to 200 square meter       | More than 200 square meter |
| A.  | Gulshan Model Town, Banani, Baridhara, Motijheel Commercial Area and Dilkusha Commercial Area of Dhaka  | Tk. 4,000                    | Tk. 6,000                  |
| B.  | Dhanmandi Residential Area, Defence Officers Housing Society (DOHS), Mahakhali, Lalmatia Housing Society, Uttara Model Town, Bashundhara Residential Area, Dhaka Cantonment, Sidheshwary, Kawran Bazar, Banasree, Bijaynagar, Wari, Segunbagicha, Nikunja of Dhaka, and Panchlaish, Khulshi, Agrabad and Nasirabad Area of Chattogram | Tk. 3,000                    | Tk. 3,500                  |

| Sl. | Description of the property (building)                          | Rate of tax per square meter |                        |                            |
|-----|---|------------------------------|------------------------|----------------------------|
|     |   | Up to 120 square meter       | Up to 200 square meter | More than 200 square meter |
| A.  | Any City Corporation other than area mentioned in A and B above | Tk. 700                      | Tk. 850                | Tk. 1,300                  |
| B.  | Pourashava or any district headquarters                         | Tk. 300                      | Tk. 450                | Tk. 600                    |
| C.  | Other area  | Tk. 200                      | Tk. 300                | Tk. 500                    |

| Sl. | Description of the property   | Rate of tax             |
|-----|---|-------------------------|
| A.  | Cash, bank deposits, financial schemes and instruments, all kinds of deposits or saving deposits, savings instruments or certificates | 10% of the total amount |

This opportunity will not apply if any proceeding has been initiated under any other law on or before the day of submission of return or revised return.

### 3.12.3 Unexplained investments – special tax treatment in respect of investment in building and apartment (Section 19BBBBB)

Any sum invested by any person in the construction/purchase of any building/apartment shall be deemed to have been explained if tax is paid at following rates:

| Sl. | Area  | Tax per square meter   |                            |
|-----|---|------------------------|----------------------------|
|     |   | Up to 200 square meter | More than 200 square meter |
| A.  | Gulshan Model Town, Banani, Baridhara, Motijheel Commercial Area and Dilkusha Commercial Area | Tk. 4,000              | Tk. 5,000                  |
| B.  | Dhanmondi Residential Area, Defence Officers Housing Society (DOHS), Mohakhali, Lalmatia      | Tk. 3,000              | Tk. 3,500                  |

| Sl. | Area  | Tax per square meter   |                            |
|-----|---|------------------------|----------------------------|
|     |   | Up to 200 square meter | More than 200 square meter |
|     | Housing Society, Uttara Model Town, Bashundhara Residential Area, Dhaka Cantonment, Kawran Bazar, Bijoy Nagar, Segunbagicha and Nikunja of Dhaka and Panchlaish, Khulshi, Agrabad and Nasirabad of Chattogram |                        |                            |

|    | Area  | Tax per square meter   |                        |                            |
|----|---|------------------------|------------------------|----------------------------|
|    |   | Up to 120 square meter | Up to 200 square meter | More than 200 square meter |
| C. | Any City Corporation other than area mentioned in A and B above | Tk. 800                | Tk. 1,000              | Tk. 1,500                  |
| D. | Pourashava or any district headquarters                         | Tk. 300                | Tk. 500                | Tk. 700                    |
| E. | Other area  | Tk. 200                | Tk. 300                | Tk. 500                    |

The rates will be 20% higher if the assessee makes investment in two or more buildings/apartments or already has any building or apartment in any City Corporation.

Furthermore, the rate of tax will be 100% higher if for the income:

- notice has been issued before submission of return for concealment or escaped assessment;
- notice has been issued before submission of return to furnish information;
- proceeding has been initiated before submission of return for any noncompliance or providing false statement or false information.

However, the above will not be applicable rather under section 164, 165 and 166 if the source of income is:

- derived from any criminal activities; or
- not derived from any legitimate source.

### 3.13 Imposition of tax on income of chamber of commerce and industry, trade federation or any such business organisation

Any income derived from any source other than income from business, and interest income of government approved chambers of commerce and industry, trade federation, industry and trade cooperative etc. shall not fall under scope of tax liability.

## 4. Corporate tax

### 4.1 Introduction

Every company is required to obtain an e-TIN to receive distinctive numbers. Companies have to file their tax returns within Tax Day. ***The filing date may be extended up to two months upon application and further extension up to another two months can be obtained from the tax authorities upon further application.*** The return has to be accompanied with audited statement of accounts, computation of total income along with supporting schedules, for example depreciation schedule as per tax law, statement of profit/loss on sale of fixed assets, excess perquisite calculation statements, etc. An assessing officer will verify the filed return and may ask for information, explanation and evidences of claims made by an assessee where required. Based on this, the officer may re-compute the total income and tax payable by the assessee and pass an order of assessment and communicate the order to assessee.

Company means a company incorporated under the Companies Act in Bangladesh and includes:

- A body corporate established or constituted by or under any law in force
- Any nationalised bank or industrial or commercial organisation
- Any association or combination of persons, if any of such persons are registered as a company
- An association or body incorporated by or under any laws of a country outside Bangladesh
- Any foreign association or body which the NBR declares to be a company.

\*Tax Day means in case of company the 15th day of the seventh month following the end of the income year or 15th September following the end of the income year where said 15th day falls before the 15th September.

Example:

| Income year end | Tax day      |
|-----------------|--------------|
| 31 December     | 15 September |
| 31 March        | 15 October   |
| 30 June         | 15 January   |
| 30 September    | 15 September |

### 4.2 Resident

In general, a company which is incorporated in Bangladesh will be treated as a resident for tax purposes. Any company, trust, fund or an entity whose control and management are situated wholly in Bangladesh will also be treated as a resident for tax purposes. A local authority and every other artificial juridical person will also be treated as resident.



### 4.3 Permanent establishment

“Permanent Establishment” (PE) in relation to income from business or profession, means a place or activity through which the business or profession of a person is wholly or partly carried on, and includes:

- (i) a place of management;
- (ii) a branch;
- (iii) an agency;
- (iv) an office;
- (v) a warehouse;
- (vi) a factory;
- (vii) a workshop;
- (viii) a mine, oil or gas well, quarry or any other place of exploration, exploitation or extraction of natural resources
- (ix) a farm or plantation;
- (x) a building site, a construction, assembly or installation project or supervisory activities in connection therewith;
- (xi) the furnishing of services, including consultancy services, by a person through employees or other personnel engaged by the person for such purpose, if activities of that nature continue (for the same or a connected project) in Bangladesh; and
- (xii) any associated entity or person (hereinafter referred to as “Person A”) that is commercially dependent on a non-resident person where the associated entity or Person A carries out any activity in Bangladesh in connection with any sale made in Bangladesh by the non-resident person.

### 4.4 Taxable income

Tax is imposed on total income from all sources after taking deduction for allowable expenses. Sales revenue, fees, commissions, realised exchange gains, rents, dividends and interest received, provisions and trading liabilities not paid within three years as well as inadmissible expenses are included in taxable income. All expenses, including realised exchange losses and tax depreciation incurred in earning such income are allowable as deductions.

Foreign sourced income of companies resident in Bangladesh is included in taxable income but credit is given for tax paid outside Bangladesh. Foreign source income of a non-resident company is not taxed in Bangladesh unless such income is brought into Bangladesh.

Where a company not listed with a stock exchange, receives its paid up capital by issuing shares in an income year, the amount so received in any mode other than by crossed cheque or bank transfer, shall be deemed to be the income of the company from ‘Income from Other Sources’ for that income year. However, capital contribution through land transfer (non-cash contribution) is acceptable.

### 4.5 Income deemed to accrue or arise in Bangladesh

Any income from the below sources will be considered within the scope of total income of an assessee:

- (a) income from any permanent establishment in Bangladesh;
- (b) income from any property, asset, right or other source of income, including intangible property, in Bangladesh;
- (c) income from any transfer of any assets situated in Bangladesh;



- (d) income from any sale of any goods or services by any electronic means to purchasers in Bangladesh; and
- (e) income from any intangible property used in Bangladesh.

Below is the explanation for this section:

- (a) the shares of any company which is a resident in Bangladesh shall be deemed to be property in Bangladesh;
- (b) intangible property shall be deemed to be property in Bangladesh if it is
  - registered in Bangladesh; or
  - owned by a person that is not a resident of Bangladesh but has a permanent establishment in Bangladesh to which the intangible property is attributed;
- (c) transfer of shares of non-resident company will be treated as transfer of asset in Bangladesh to the extent it is attributable to the value of any assets in Bangladesh.

#### 4.6 Income year

Entities other than banks, insurance companies or financial institution (and subsidiaries thereof) are required to have their accounting year, for tax filing purposes, as July to June.

Banks, insurance companies or financial institution (and subsidiaries thereof) are required to have their accounting year, for tax filing purposes, as January to December.

DCT may allow a different financial year for an entity which is a subsidiary or holding company or a branch or liaison office of a parent company incorporated outside Bangladesh if such entity is required to follow a different accounting year for the purpose of consolidation.

#### 4.7 Allowable expense deductions as per the Income Tax Ordinance 1984

All expenses relating to the business operations of a company and incurred during the relevant income year are allowed as deductions. The cost of free samples and entertainment expenses are allowed as deductions at prescribed rates based on turnover and profit respectively or on the actual amounts, whichever are lower. Provision for bad debts is not allowed.

Specific provisions for accrued expenses in the relevant income year are allowed as deductions. Prepaid expenses can be carried forward and allowed as a deduction in the relevant accounting year.

Liabilities for expenses which remain unpaid for three years after the income year in which they were accrued are added with the total income in the fourth year. However, the liability amount would be allowed as a deduction in the year when the payments are made.

#### 4.8 Tax depreciation

Tax depreciation on fixed assets of the company (except on cost of land) is allowed at prescribed rates as per Third Schedule of the Income Tax Ordinance 1984.

There will be no limit for allowing tax depreciation of a bus or minibus transporting the students and teachers in case of educational institute or employees of the business or profession.

Amortisation of license fee is now allowed as an admissible expense for any company engaged in providing specialised services, if such licence is integral to the operation of the company.

#### 4.9 Allowable perquisites

Perquisite has been defined as follows:

Perquisite means -

- (i) Any payment made to an employee by an employer in the form of cash or in any other form excluding basic salary, festival bonus, incentive bonus, arrear salary, advance salary, leave encashment and overtime, and
- (ii) Any benefit, called by whatever name, provided to an employee by an employer, whether convertible into money or not; other than contribution to a recognised provident fund, approved pension fund, approved gratuity fund and approved superannuation fund.

Provided that the provision of this clause shall not be applicable to an employer where perquisites were paid to an employee in pursuance of any Government decision published in the official Gazette to implement the recommendation of a Wage Board Constituted by the Government.

Limit of allowable perquisites has been fixed at Tk. 550,000 per employee. The value of perquisites paid/provided to an employee in excess of Tk. 550,000 in an assessment year shall be disallowed in company's assessment.

#### 4.10 Deductions not admissible in certain circumstances (Section 30)

Certain payments are not allowable for tax purposes as detailed below:

- (i) Payment of salaries if tax is not deducted;
- (ii) Salary payment made to any employee who does not have TIN number (if it is required by law);
- (iii) Salary payment after Tax Day to an employee if the employee is required to file the return of income but fails to file the same on or before the Tax Day or the approved extended date;
- (iv) Salary payment to an employee for whom the statement under section 108A was not provided;
- (v) Head office expenses or intra-group expense debited in excess of the 10% of net profit disclosed in the statement of accounts;
- (vi) Payments of royalty, technical know-how fee and technical assistance fee in excess of 10% for first three years and 8% for subsequent years of net profit from business or profession, excluding any profit or income of subsidiary or associate or joint venture disclosed in the statement of accounts;
- (vii) Any payment by way of salary or remuneration made otherwise than by crossed cheque or bank transfer by a person to an employee having monthly gross salary of Tk. 15,000 or more;

- (viii) Any expenditure by way of incentive bonus exceeding 10% in aggregate of the net profit disclosed in the statement of accounts;
- (ix) Any expenditure by way of overseas travelling exceeding 0.50% of the disclosed turnover;
- (x) Provisions for deduction not admissible in certain circumstances have been introduced as follows:
  - (a) any payment by way of commission paid or discount made to its shareholder director by a company.
  - (b) any payment by way of any rent of any property, whether used for commercial or residential purposes, otherwise than by a crossed cheque or bank transfer.
  - (c) any payment by a person exceeding Tk. 50,000 or more, otherwise than by a cheque or bank transfer excluding:
    - payment for the purchase of raw materials;
    - salary or remuneration made to any employee, without prejudice to an obligation referred to in clause (i); and
    - any payment for government obligation i.e. municipal tax, payment for electricity, WASA and gas.
- (xi) Any expenditure by way of promotional expenses exceeding 0.50% of the disclosed turnover. Promotional expense is defined as “any expenditure incurred for giving any benefits to any person both in cash and non-cash for the purpose of business promotion”.

Provisions of section 30 shall apply for insurance business as well in allowing management expenses or any other expenses under Fourth Schedule of tax ordinance.

#### **4.11 Disallowance under section 30 is taxable even if the company is loss making or under minimum tax (Section 30B)**

Any expenses disallowed under section 30 shall be treated separately as “Income from Business or Profession” and the tax shall be payable thereon at the regular rate. It is applicable irrespective of 82C business and any loss or profit computed under regular “Income from Business or Profession”.

#### **4.12 Donations**

Any sums paid by an assessee as donation to philanthropic or educational institutions (especially girls’ school/college, technical and vocational training institutes) which are approved by the Government for such purposes and national level institution engaged in the Research and Development (R&D) of agriculture, science, technology and industrial development are exempted from tax. Such institutions shall have to apply to National Board of Revenue for obtaining approval.

#### 4.13 Minimum tax (Section 82C)

As per section 82C, minimum tax would be higher of:

- withholding tax on certain sources of income (refer to section 4.13.1 below); and
- minimum tax calculated on the basis of overall gross receipts regardless of sources of income (refer to section 4.13.2 below).

##### 4.13.1 Minimum tax based on withholding tax of certain sources

As per new 82C minimum tax, sources of income have been divided into three broad categories for tax computation purpose considering the concept of minimum tax.

- a) Tax deducted or collected at source would be minimum tax for 25 sources of income as follows:

| Sl. | Section             | Details  | Withholding tax rate        |
|-----|---------------------|--|-----------------------------|
| 1   | 52                  | Supply of goods/execution of contract                                    | Up to 5%                    |
| 2   | 52A                 | Royalty fee, franchise, technical know-how, etc.                         | 10% or 12%                  |
| 3   | Sl. no. 1 of 52AA   | Advisory or consultancy service  | 10% or 12%                  |
|     | Sl. no. 2 of 52AA   | Professional service, technical services fee or technical assistance fee | 10% or 12%                  |
|     | Sl. no. 13A of 52AA | Wheeling charge for electricity transmission                             | 2% or 3%                    |
| 4   | 52AAA               | Commission from C&F Agent  | 10%                         |
| 5   | 52B                 | Cigarette manufacturer   | 10%                         |
| 6   | 52JJ                | Tax collection from travel agent   | 0.30%                       |
| 7   | 52N                 | Sale of rental power   | 6%                          |
| 8   | 52O                 | Foreign technician salary of diamond cutting industry                    | 5%                          |
| 9   | 52R                 | IGW and ICX for international call                                       | 1.5% and 7.5%               |
| 10  | 53                  | Imported goods (excluding raw material for own consumption)              | 5% or 2% or Tk. 800 per ton |
| 11  | 53AA                | Shipping business of a resident  | 5% or 3%                    |
| 12  | 53B                 | Manpower export  | 10%                         |
| 13  | 53BB                | Export of certain items  | 0.5%                        |
| 14  | 53BBB               | Collection of tax from member of stock exchange                          | 0.05% or 10%                |
| 15  | 53BBBB              | Export of any other goods  | 0.5%                        |
| 16  | 53C                 | Auction purchase   | 5%                          |
| 17  | 53CCC               | Income from courier business of non-resident                             | 15%                         |
| 18  | 53E                 | Commission, discount, fees etc.  | 10%, 1.5% and 0.25%         |
| 19  | 53EE                | Commission/remuneration of agent of foreign buyer                        | 10%                         |
| 20  | 53FF                | Real estate/land development business                                    | - Land 3% or 5%             |

| Sl. | Section | Details   | Withholding tax rate  |
|-----|---------|---|---|
|     |         |   | - Residential building<br>Tk. 300 to Tk. 1,600<br>per square meter<br>- Commercial building<br>Tk. 1,200 to Tk. 6,500<br>per square meter |
| 21  | 53G     | Insurance agent   | 5%  |
| 22  | 53GG    | Payment to surveyor of insurance company                            | 10%   |
| 23  | 53M     | Transfer of securities or mutual fund units by Sponsor shareholders | 5%  |
| 24  | 53N     | Transfer of share of shareholder of stock exchange                  | 15%   |
| 25  | 55      | Winning lottery   | 20%   |

Income from above sources will firstly be computed on regular basis as per provision of ITO 1984 and the assessee's regular income tax rate would be applied on such taxable income. If such regular tax liability is higher than the withholding tax deducted from these sources of income, the regular tax liability would be payable after adjusting withholding tax deducted at source.

However, if regular tax liability of those sources is lower or nil compared to withholding tax on those sources, such withholding tax on those sources would be considered as final and minimum tax for those sources of income. In such case, if those sources of income have taxable loss, such loss cannot be set off against the income of other sources of income and vice-versa.

Also note that tax deducted/collected from the following sources shall not be the minimum tax for the purpose of above calculation:

- i) tax collected under section 52 from the following persons:
  - a contractor of an oil company or a subcontractor to the contractor of an oil company as may be prescribed;
  - an oil marketing company and its dealer or agent excluding petrol pump station;
  - any company engaged in oil refinery; and
  - any company engaged in gas transmission or gas distribution.
- ii) tax deducted under section 53 from import of goods by an industrial undertaking except an industrial undertaking engaged in cement, iron or iron products as raw materials for its own consumption.
- iii) tax deducted under sections 53F(1)(a) and (b)

- b) Withholding tax deducted from the following 6 (six) sources of income will be considered as final tax liability considering the rate of withholding tax would be their applicable tax rate:

| Sl. | Section         | Source of income                                   | Rate of tax                            |
|-----|-----------------|--|--|
| 1   | 52C             | Compensation against acquisition of property       | 6% and 3%                              |
| 2   | 52D             | Interest on savings instrument                     | 10%                                    |
| 3   | 53DDD           | Export cash subsidy                                | 10%                                    |
| 4   | 53F(1)(c) and 2 | Interest on savings deposits and fixed deposits    | 10% and 5%                             |
| 5   | 53H             | Transfer of property less cost of acquisition      | Depending on location and square meter |
| 6   | 53P             | Any sum paid by real estate developer to landowner | 15%                                    |

- c) For any other sources of income except those mentioned in (a) and (b) above, income would be determined following the provisions of ITO 1984.

#### 4.13.2 Minimum tax based on overall gross receipts

Every companies and firms (having gross receipts of more than Tk. 5 million) and individuals (having gross receipts of more than Tk. 30 million) shall be liable to pay minimum tax based on gross receipts as mentioned below:

| Sl. | Classes of assessee   | Rate of minimum tax         |
|-----|---|-----------------------------|
| 1   | Manufacturer of cigarette, bidi, chewing tobacco, smokeless tobacco or any other tobacco products   | 1% of the gross receipts    |
| 2   | Mobile phone operator   | 2% of the gross receipts    |
| 3   | Industrial undertaking engaged in manufacturing of goods for first 3 years of commercial operations | 0.10% of the gross receipts |
| 4   | Individuals other than mobile operator and tobacco manufacturer                                     | 0.50% of the gross receipts |
| 5   | Any other cases   | 0.60% of the gross receipts |

If an assessee has income from any source that is exempt of tax or is subject to reduced tax rate, the minimum tax rate on gross receipts shall be computed as a summation of:

- Minimum tax based on gross receipts from regular sources by applying the rate as mentioned in the above table.
- Minimum tax based on gross receipts from sources which enjoys exemption or reduced tax rate by applying the rate in the above table as reduced in proportion to the exemption of tax or the reduction of rate of tax.
- Minimum tax shall be the aggregate of the amounts calculated above.

#### 4.13.3 Other major provisions of section 82C

- Books of accounts shall be maintained in the regular manner in accordance with the provisions of section 35 of ITO 1984 for the sources of income for which minimum tax is applicable.

- Minimum tax under section 82C shall not be refunded, nor shall be adjusted against refund due for earlier year or years or refund due for the assessment year from any source.
- Where any surcharge, additional interest, additional amount etc. is payable under provisions of ITO 1984, it shall be payable in addition to the minimum tax.
- Where the regular tax calculated for any assessment year is higher than the minimum tax under section 82C, regular tax shall be payable.
- Where tax has been mistakenly deducted and collected in excess or deficit of the proper due amount, minimum tax under this section shall be computed based on the proper due amount of deduction or collection and provisions of this section shall apply accordingly.

#### 4.14 Losses

Losses can be carried forward for a maximum period of six years but cannot be carried back. Unabsorbed tax depreciation can be carried forward indefinitely.

Foreign sourced losses of a Bangladesh entity cannot be offset against the Bangladesh profits of that entity. Moreover, any losses of any head of income cannot be set off against any income from manufacturing of cigarette, bidi, zarda, chewing tobacco, gul, or any other smokeless tobacco products.

Capital losses can only be offset against capital gains. As with trading losses, unabsorbed capital losses can only be carried forward for up to six years.

Losses of association of person (AoP) will only be set-off against income of AoP. Members of AoP cannot carry forward and set-off losses of AoP against their income.

#### 4.15 Advance tax payment

Advance tax payment is required by an assessee on the basis of their last assessed income or provisionally assessed income if their total income exceeds Tk. 600,000. New assesseees will also be required to pay advance tax if their estimated income is likely to exceed Tk. 600,000. Here, total income excludes agricultural income and capital gain except gain from transfer of share of a company listed with a stock exchange.

Advance tax is to be paid in four equal instalments on 15 September, 15 December, 15 March and 15 June of the financial year for which the tax is payable.

In case of failing to pay advance tax, simple interest at the rate of 10% per annum shall be charged on the amount by which the tax as so paid falls short of 75% of the assessed tax. However, such interest rate will be 50% higher if the return is not filed on or before the Tax Day.

#### 4.16 Advance tax payment on certain income (Section 68A)

Manufacturer of cigarettes shall pay advance tax at the rate 3% on net sales price every month in addition with quarterly advance tax payment. However, such tax shall be adjustable against the quarterly advance tax.

For such advance tax purpose, net sales shall be A-B. Where, A = Gross sales and B = VAT and SD (if any) on such gross sales.



#### 4.17 Annual tax return filing and tax payment

Filing of tax return within due date and payment of due taxes have been made compulsory for any organisation who has obtained a Taxpayers Identification Number (TIN). It is also compulsory for all companies, businesses and professional firms, joint ventures, all registered NGOs, universities and educational institutions run commercially to file tax returns and pay taxes within due dates. For the list of tax return filing, please see section 2.11.

Submission of computation sheet along with audited statement of accounts has been made mandatory showing how the income has been arrived in the tax return.

#### 4.18 Return of withholding tax

Every person shall file return of withholding tax collected or deducted on a semi-annual basis accompanied by withholding statement along with copy of treasury challans or payment orders.

Such return shall be filed by the following dates:

- i) First return: by 31 January of the year for the periods from July to December; and
- ii) Second return: by 31 July of the year for the periods from January to June

The time for submission of such return may be extended by DCT upon application for maximum 15 days. For failure of filing such return, penalty as per section 124 will be imposed. The DCT, with the approval of the Commissioner, shall select the number of returns of withholding tax within four years from the end of the year in which the return is filed.

DCT after examining the withholding tax return may impose penalty under sections 57, 57A and 124 for any non-compliance regarding deduction of withholding tax appropriately.

#### 4.19 Annual Information Return

Government may require any person or group of persons responsible for registering or maintaining books of accounts or other documents containing a record of any specified financial transaction to furnish an Annual Information Return in a prescribed form.

#### 4.20 Concurrent jurisdiction

Board may direct any other authority to exercise concurrently the power and functions of DCT in respect of all or any proceeding relating to receiving of return of income and issuance of acknowledgement.

#### 4.21 Assessment

Assessment of companies may be completed under provisional assessment, assessment on correct return or universal self-assessment. The most common mode of assessment is universal self-assessment scheme.



Any tax assessment should not be opened after the below mentioned years:

- 2 years from the end of the assessment year where the income was first assessment been done through audit as per section 82BB;
- 3 years from the end of the relevant assessment year where first assessment been done in case of transfer pricing as per section 107C; and
- 6 months from the end of the assessment year in cases other than above.

#### 4.22 Universal self-assessment scheme

Refer to section 3.7 above.

#### 4.23 Appeals

An assessee who feels aggrieved may file an appeal against the order to the Commissioner of Taxes (Appeal) and against the order of the Commissioner of Taxes (Appeal) to the Taxes Appellate Tribunal. An assessee can file appeal against the order of the Taxes Appellate Tribunal only on the point of law to the Supreme Court – High Court Division. An appeal can further be filed to the Appellate Division, if High Court Division allows for such appeal.

The first appeal before the Commissioner of Taxes (Appeal) shall have to filed within 45 days from the date of receiving of assessment order. The time limit for second appeal is 60 days from the date of receiving of first appeal order. The first and second appeal shall be disposed of by the appellate authority within 150 days and 180 days respectively from the end of the month at which the appeal was filed.

Where the return of income was not filed, no appeal shall lie against any order of assessment under the section 153(4), unless the assessee has paid 10% of the tax as determined by the DCT.

An assessee can file appeal against the order of the Taxes Appellate Tribunal only in the area of law to the High Court Division of Supreme Court within 90 days from the date of receiving tribunal order. If the assessee is aggrieved with the decision of High Court Division, he may appeal to the Appellate Division of Supreme Court. There is no time limit for disposal of appeal to Supreme Court.

No appeal shall be filed to the Appellate Tribunal unless the assessee has paid 10% of the amount representing the difference between the tax as determined on the basis of the order of the Appellate Joint Commissioner or Commissioner of Taxes (Appeals) and the tax payable under section 74.

However, Appellate Joint Commissioner/Commissioner of Taxes (Appeals) may allow the appeal for hearing if assessee pay the tax on the basis of return before filing of appeal to Joint Commissioner or Commissioner of Taxes (Appeals).

*Provided that the Commissioner of Taxes (Appeals) may reduce the requirement of such payment upon application by the assessee if the grounds of such application appear reasonable to him and shall pass such order in this regard as he thinks fit within thirty days from date of the receipt of such application.*

No reference shall lie to the High Court Division against an order of the Taxes Appellate Tribunal unless the assessee has paid the following tax at the rate of -

- a) 15% of the difference between the tax determined by the Appellate Tribunal and the tax payable as per section 74 where tax demanded does not exceed Tk. 1 million.
- b) 25% of the difference between the tax determined by the Appellate Tribunal and the tax payable as per section 74 where tax demanded exceeds Tk. 1 million.

#### **4.24 Submission of certain returns**

Companies are required to submit the following returns to the DCT before the first day of September each year:

- Information regarding the payment of salary
- Information regarding the payment of interest
- Information regarding the payment of dividend

With the publication in official gazette of SRO 161 of 2014, transfer pricing chapter has become effective from 1 July 2014 (Please refer to Section 8) which also require following particulars of international transactions to be furnished along with income tax return:

- Tangible property of revenue and capital nature transaction
- Rent, royalties and intangible property related transaction
- Services related transaction
- Financial transaction on interest, sale of financial assets, lease payment etc.
- Interest bearing/free loans, advances and investments

#### **4.25 Power of search and seizure**

Under section 117 of the Income Tax Ordinance 1984, an officer may extract data, or any inputs stored in the electronic system or enter system by breaking through password protection or analyse data, books of accounts, etc.

#### **4.26 Freezing of property**

Director General, Central Intelligence Cell or the Commissioner or the DCT, by order in writing, may require a person not to remove assets upon receiving definite information on concealment of person's income/investment.

## 5. Tax incentives

### 5.1 Special Economic Zones and Developing Unit

In the year 2015, Government has introduced tax exemption for investment in setting up industries in Special Economic Zones (SEZ) and Developing Unit in SEZ. These are illustrated in below sections:

#### a) Tax benefits for investment in Special Economic Zones (SEZ):

The business income except income from edible oil, sugar, flower, cement, iron and iron made product are exempted from Income tax for next 10 years from the date of commercial operation in the following manner:

| Year   | Exemption (% of income) |
|--|-------------------------|
| 1 <sup>st</sup> , 2 <sup>nd</sup> and 3 <sup>rd</sup> year | 100%                    |
| 4 <sup>th</sup> year                                       | 80%                     |
| 5 <sup>th</sup> year                                       | 70%                     |
| 6 <sup>th</sup> year                                       | 60%                     |
| 7 <sup>th</sup> year                                       | 50%                     |
| 8 <sup>th</sup> year                                       | 40%                     |
| 9 <sup>th</sup> year                                       | 30%                     |
| 10 <sup>th</sup> year                                      | 20%                     |

Furthermore, “capital gains” arising from transfer of share capital, royalty, technical know-how and technical assistance fee paid by such company and declared dividend are exempted from income tax for next 10 years from the date of commercial operation.

Above exemptions are subject to the following condition being met by the Project Company/foreign technicians:

- (i) Existing industrial unit of any company situated outside the economic zone shall not be relocated in the zone;
- (ii) No used plant and machinery can be set up in investment unit which has already been used in production of goods or services in Bangladesh;
- (iii) Separate trading account and bank account shall be maintained for investment units of same company situated inside and outside of economic zone;
- (iv) All the inter-unit transaction between investment units situated inside and outside of economic zone shall be reported in income tax return; and
- (v) Accounts shall be maintained as per section 35 and income tax return shall be submitted as per section 75, 75A, 108 and 108A of ITO 1984.

#### b) Tax benefits for Developing unit in SEZ:

The business income of economic zone developer is exempted from income tax for 12 years from the date of commercial operation in the following manner:

| Year                                     | Exemption (% of income) |
|--|-------------------------|
| 1 <sup>st</sup> to 10 <sup>th</sup> year | 100%                    |
| 11 <sup>th</sup> year                    | 70%                     |
| 12 <sup>th</sup> year                    | 30%                     |

The foreign technicians appointed in investing unit will get 50% tax exemption for next 3 years from the date of appointment subject to such company does not cross 5 years from the date of commercial operation i.e. the company who has crossed 5 years from the date of commercial production, their foreign technicians can not avail this benefit.

Both the above exemptions are subject to the following condition being met by the Project Company/foreign technicians:

- a. Obtain 12 Digit Taxpayer's Identification Number; and
- b. Submit income tax return as per section 75.

## 5.2 Hi-Tech Park Zone

The government has introduced "Bangladesh Hi-Tech Park Authority Act, 2010" (BHTPA) for the development of the country. It is not limited for exporters only. The legislation has specified the meaning of high-tech industry. As per section 2(12) of Bangladesh Hi-Tech Park Authority Act, 2010-

*"Hi-tech Industry means knowledge and capital based eco-friendly and information technology (IT), software technology, bio-technology renewable energy, green technology, hardware, information Technology Enabled Services (ITES) and Research and Development (R&D) related industry."*

### a) Tax benefits for Investing unit of Hi-Tech Park Zone

The business income is exempted from Income tax for next 10 years from the date of commercial operation in the following manner:

| Year   | Exemption (% of income) |
|--|-------------------------|
| 1 <sup>st</sup> , 2 <sup>nd</sup> and 3 <sup>rd</sup> year | 100%                    |
| 4 <sup>th</sup> year                                       | 80%                     |
| 5 <sup>th</sup> year                                       | 70%                     |
| 6 <sup>th</sup> year                                       | 60%                     |
| 7 <sup>th</sup> year                                       | 50%                     |
| 8 <sup>th</sup> year                                       | 40%                     |
| 9 <sup>th</sup> year                                       | 30%                     |
| 10 <sup>th</sup> year                                      | 20%                     |

Moreover, capital gains arising from transfer of share capital and declared dividend paid by such company are 100% exempted and royalty, technical Know-how and technical assistance fee paid by such company are 50% exempted from Income tax for next 10 years from the date of commercial operation.

The foreign technicians appointed in investing unit will get 50% tax exemption for next 3 years from the date of appointment subject to such company does not cross 5 years from the date of commercial operation i.e. the company who has crossed 5 years from the date of commercial production, their foreign technicians can not avail this benefit.

Both the above exemptions are subject to the following condition being met by the Project Company / foreign technicians:

- (i) Obtain Twelve-Digit Taxpayer's Identification Number; and
- (ii) Submit income tax return as per section 75.

However, no question shall be raised to the source of any sum invested in any economic zone or any hi-tech park, if 10% of invested amount is paid as tax before filing of the tax return.

#### b) Tax benefits for Developing unit in Hi-Tech Park Zone:

The business income of Hi-Tech park developer is exempted from Income tax for next 12 years from the date of commercial operation in the following manner:

| Year                                       | Exemption (% of income) |
|--|-------------------------|
| 1 <sup>st</sup> , to 10 <sup>th</sup> year | 100%                    |
| 11 <sup>th</sup> year                      | 70%                     |
| 12 <sup>th</sup> year                      | 30%                     |

Moreover, declared dividend is exempted from income tax for next 10 years from the date of commercial operation.

Please note that, the above exemptions are subject to the following condition being met by the project company:

- Obtain Twelve-Digit Taxpayer's Identification Number; and
- Maintain accounts as per section 35 (Method of Accounting) and submit income tax return as per section 75.

### 5.3 Partial tax exemption for newly established undertaking

Qualifying industrial undertaking set up between 1 July 2019 and 30 June 2024 and going into commercial production/operation within those dates will be entitled to apply for granting tax exemption. The exemption structure is as follows:

#### Industrial undertaking

| Area   | Year                                     | Exemption (% of income) |
|--|--|-------------------------|
| Dhaka, Mymensingh and Chattogram Divisions excluding Dhaka, Narayanganj, Gazipur, Chattogram, Rangamati, Bandarban and Khagrachari Districts | 1 <sup>st</sup> year                     | 90%                     |
|  | 2 <sup>nd</sup> year                     | 80%                     |
|  | 3 <sup>rd</sup> year                     | 60%                     |
|  | 4 <sup>th</sup> year                     | 40%                     |
|  | 5 <sup>th</sup> year                     | 20%                     |
| Rajshahi, Khulna, Sylhet, Barisal and Rangpur divisions (excluding City Corporation area) and Rangamati, Bandarban and Khagrachari Districts | 1 <sup>st</sup> and 2 <sup>nd</sup> year | 90%                     |
|  | 3 <sup>rd</sup> year                     | 80%                     |
|  | 4 <sup>th</sup> year                     | 70%                     |
|  | 5 <sup>th</sup> year                     | 60%                     |
|  | 6 <sup>th</sup> year                     | 50%                     |
|  | 7 <sup>th</sup> year                     | 40%                     |
|  | 8 <sup>th</sup> year                     | 30%                     |
|  | 9 <sup>th</sup> year                     | 20%                     |
|  | 10 <sup>th</sup> year                    | 10%                     |

“Bio-fertilizer” and “computer hardware” production industry shall be entitled to partial tax exemption for 10 years even if it is set up in the districts of Dhaka, Gazipur, Narayanganj or Chattogram.

Industrial undertaking does not include expansion of an existing undertaking for the purpose of this section. In other words, expansion units will not qualify for tax exemption. The following undertakings and facilities only will qualify for tax exemption:

a) **"Industrial Undertaking"** means:

- i) An industry engaged in or in the production of, active pharmaceuticals ingredient and radio pharmaceuticals; agriculture machineries; automatic bricks; automobile; barrier contraceptive and rubber latex; basic components of electronics (e.g. resistor, capacitor, transistor, integrated circuit, multilayer PCB etc.); bi-cycle including parts thereof; bio-fertilizer; biotechnology based agro products; boiler including parts and equipment thereof; compressor including parts thereof; computer hardware; furniture; home appliances (blender, rice cooker, microwave oven, electric oven, washing machine, induction cooker, water filter etc.); insecticides or pesticides; leather and leather goods; LED TV; locally produced fruits and vegetables processing; mobile phone; petrochemicals; pharmaceuticals; plastic recycling; textile machinery; tissue grafting; toy manufacturing; tyre manufacturing, electrical transformer, artificial fibre or man-made fibre manufacturing, automobile parts and components manufacturing; automation and Robotics design, manufacturing including parts and components thereof; artificial Intelligence based system design and/or manufacturing; nanotechnology based products manufacturing; aircraft heavy maintenance services including parts manufacturing.
  - ii) Any other category of industrial undertaking as the Government may, by notification in the official Gazette, specify.
- b) Only those profits and gains of the mentioned industry shall qualify for tax exemption which is within the purview of section 28.
- c) The newly established undertaking is required to ensure that their paid up capital is not less than Tk. 2 million and 30% of the income exempted is invested in the said undertaking or in any new industrial undertakings during the period of exemption or within one year from the end of the period to which the exemption under that sub-section relates. In addition another 10% of the income exempted is invested in each year before the expiry of three months from the end of the income year in the purchase of shares of a company listed with any stock exchanges in Bangladesh, failing which the income so exempted shall, notwithstanding the provisions of Income Tax Ordinance 1984, be subject to tax in the assessment year in which the undertaking failed to comply with the provision and an individual not being a Bangladeshi citizen is employed or allowed to work without prior approval of BIDA or any competent Government authority.

Provided that the quantum of investment referred to in this clause shall be reduced by the amount of dividend, if any, declared by the company enjoying tax exemption under this section.

- d) The undertaking has to apply in prescribed form for approval within six months from the end of the month of commencement of commercial production and be approved by the Board for this purpose.

- e) The undertaking needs to obtain a clearance certificate from the Directorate of Environment and the undertaking has to maintain books of account on a regular basis and submits income tax return under section 75 of the ordinance.

#### 5.4 Partial tax exemption for newly established physical Infrastructure facility (Section 46CC)

Qualifying physical Infrastructure set up between 1 July 2019 and 30 June 2024 and going into commercial production/operation within those dates will be entitled to apply for granting tax exemption. Tax exemption of different proportions will now be granted for 10 years if the said physical undertakings are set up in any area of Bangladesh.

| Year                                     | Exemption (% of income) |
|--|-------------------------|
| 1 <sup>st</sup> and 2 <sup>nd</sup> year | 90%                     |
| 3 <sup>rd</sup> year                     | 80%                     |
| 4 <sup>th</sup> year                     | 70%                     |
| 5 <sup>th</sup> year                     | 60%                     |
| 6 <sup>th</sup> year                     | 50%                     |
| 7 <sup>th</sup> year                     | 40%                     |
| 8 <sup>th</sup> year                     | 30%                     |
| 9 <sup>th</sup> year                     | 20%                     |
| 10 <sup>th</sup> year                    | 10%                     |

▪ **“Physical Infrastructure facility” means**

an industry engaged in the production of deep sea port; elevated expressway; export processing zone; flyover; gas pipe line; Hi-tech park; Information and Communication Technology (ICT) village or software technology zone; Information Technology (IT) park; large water treatment plant and supply through pipe line; Liquefied Natural Gas (LNG) terminal and transmission line; mobile phone tower or tower sharing infrastructure; mono-rail; rapid transit; renewable energy (e.g. solar energy plant, windmill); sea or river port; toll road or bridge; underground rail; waste treatment plant; or any other category of physical infrastructure facility as the Government may, by notification in the official Gazette, specify.

- Only those profits and gains of the said industry shall qualify for tax exemption which is within the purview of Income from business or profession under section 28 of the Income Tax Ordinance, 1984.
- The newly established undertaking is required to ensure that their subscribed and paid up capital is not less than Tk. 2 million and 30% of the income exempted is invested in the said undertaking or in any new industrial undertakings during the period of exemption or within one year from the end of the period to which the exemption under that sub-section relates to. In addition another 10% of the income exempted ) is required to be invested in each year before the expiry of three months from the end of the income year in the purchase of shares of a company listed with any stock exchanges in Bangladesh, failing which the income so exempted shall, notwithstanding the provisions of this Income Tax Ordinance 1984, be subject to tax in the assessment year in which the undertaking failed to comply with the provision or an individual not being a Bangladeshi citizen is employed or allowed to work without prior approval of BIDA or any competent Government authority.



Readymade garments are allowed to invest 40% in the said undertaking or in any new industrial undertakings.

- Provided that the quantum of investment referred to in this clause shall be reduced by the amount of dividend, if any, declared by the company enjoying tax exemption under this section.
- The undertaking has to apply in prescribed form for approval within six months from the end of the month of commencement of commercial production and be approved by the Board for this purpose.
- The undertaking needs to obtain a clearance certificate from the Directorate of Environment and the undertaking has to maintain books of account on a regular basis and submits income tax return under section 75 of the ordinance.

### 5.5 Tax exemption for Public Private Partnership (PPP) Project

In the year 2017, Government has introduced tax exemption as mentioned below (a, b and c) for Public Private Partnership (PPP) work by Project Companies involved in the following PPP projects:

1. National Highways or Expressways and related Service Roads
2. Flyovers
3. Elevated and At-Grade Expressways
4. River Bridges
5. Tunnels
6. River port
7. Sea port
8. Air-port
9. Subway
10. Monorail
11. Railway
12. Bus terminals
13. Bus depots
14. Elderly care home

#### a) **Income tax exemption of the business income of PPP Project Company:**

The business income is 100% exempted from Income tax for next 10 years from the date of commercial operation.

#### b) **Income tax exemption of capital gains arising from the transfer of share capital of PPP Project Company, Royalty, Technical Know-how and Technical assistance fee paid by such company:**

The capital gains arising from transfer of share capital, Royalty, Technical Know-how and Technical assistance fee paid by such company are 100% exempted from Income tax for next 10 years from the date of commercial operation.



### c) Income tax exemption for foreign technicians employed in PPP Project Company:

The foreign technicians appointed in PPE Project Company will get 50% tax exemption for next 3 years from the date of appointment subject to such company does not cross 5 years from the date of commercial operation i.e. the company who has crossed 5 years from the date of commercial production, their foreign technicians can not avail this benefit.

Please note that, the above exemptions are subject to the following condition being met by the project company:

- (i) Obtain 12 Digit Taxpayer's Identification Number; and
- (ii) Maintain accounts as per section 35 (Method of Accounting) and submit income tax return as per section 75.

## 5.6 Income from exports

50% of income derived by any taxpayer from export shall be exempt from tax, except for a company not incorporated in Bangladesh and company paying tax at a reduced rate.

## 5.7 Export Processing Zones

At present the following exemptions are available on tax payable:

- For a period of 5 years if the industry is set up in Export Processing Zones (EPZ) Dhaka and Chattogram divisions excluding Rangamati, Bandarban and Khagrachari districts; and
- For a period of 7 years if the said EPZ are set up in Rajshahi, Khulna, Sylhet and Barisal divisions and Rangamati, Bandarban and Khagrachari districts.

| Area  | Year                                     | Exemption (% of income) |
|---|--|-------------------------|
| Dhaka, Mymensingh and Chattogram divisions excluding Rangamati, Bandarban and Khagrachari districts | 1 <sup>st</sup> and 2 <sup>nd</sup> year | 100%                    |
|   | 3 <sup>rd</sup> and 4 <sup>th</sup> year | 50%                     |
|   | 5 <sup>th</sup> year                     | 25%                     |

| Area  | Year   | Exemption (% of income) |
|---|--|-------------------------|
| Rajshahi, Khulna, Sylhet and Barisal divisions and Rangamati, Bandarban and Khagrachari districts | 1 <sup>st</sup> , 2 <sup>nd</sup> and 3 <sup>rd</sup> year | 100%                    |
|   | 4 <sup>th</sup> , 5 <sup>th</sup> and 6 <sup>th</sup> year | 50%                     |
|   | 7 <sup>th</sup> year                                       | 25%                     |

To attain above exemption of EPZ industries, proper books of accounts have to be maintained and must submit income tax return as per section 75 of Income Tax Ordinance 1984.

## 5.8 Income from the business of software development or Nationwide Telecommunication Transmission Network (NTTN) and information technology enabled services (ITES)

Income derived from the business of software development or Nationwide Telecommunication Transmission Network (NTTN) and information technology enabled services (ITES) is to be tax exempt up to 30 June 2024. However, those enjoying the

exemption must file tax return annually disclosing the income along with income from other sources, if any.

Information Technology Enabled Services (ITES) definition has been widened as below:

- Software development;
- Software or application customisation;
- Nationwide Telecommunication Transmission Network (NTTN);
- Digital animation development;
- Website development;
- Web site services;
- Web listing;
- IT process outsourcing;
- Website hosting;
- Digital graphics design;
- Digital data entry and processing;
- Digital data analytics;
- Geographic Information Services (GIS);
- IT support and software maintenance service;
- Software test lab services;
- Call centre service;
- Overseas medical transcription;
- Search engine optimisation services;
- Document conversion, imaging and digital archiving;
- Robotics process outsourcing; and
- Cyber security services.

## 5.9 Exemption of capital gains tax from sale of shares of listed companies for non-resident (Sixth Schedule, Part-A, Para-43)

Any profits and gains of a non-resident assessee arising from the transfer of stocks or shares of a public company listed in any stock exchange of Bangladesh shall be exempt from income tax in Bangladesh subject to the condition that such assessee is entitled to similar exemption in the country in which he is a resident.

## 5.10 Exemption of income from Cinema Hall or Cineplex

Any income derived from Cinema Hall or Cineplex has been given tax exemption facility starting commercial exhibition from 1 July 2012 to 30 June 2024 as stated below:

| Area  | Year                                     | Exemption (% of income) |
|---|--|-------------------------|
| Dhaka, Mymensingh and Chattogram divisions excluding Rangamati, Bandarban and Khagrachari districts | 1 <sup>st</sup> and 2 <sup>nd</sup> year | 100%                    |
|   | 3 <sup>rd</sup> and 4 <sup>th</sup> year | 50%                     |
|   | 5 <sup>th</sup> year                     | 25%                     |

| Area   | Year   | Exemption (% of income) |
|--|--|-------------------------|
| Rajshahi, Khulna, Sylhet, Rangpur and Barisal divisions and Rangamati, Bandarban and Khagrachari districts | 1 <sup>st</sup> , 2 <sup>nd</sup> and 3 <sup>rd</sup> year | 100%                    |
|  | 4 <sup>th</sup> , 5 <sup>th</sup> and 6 <sup>th</sup> year | 50%                     |
|  | 7 <sup>th</sup> to 10 <sup>th</sup> year                   | 25%                     |

### 5.11 Exemption of income from production of rice bran oil

Any income derived by an industrial undertaking commencing commercial production by 30 June 2024 has been given tax exemption as stated below:

| Area   | Year   | Exemption (% of income) |
|--|--|-------------------------|
| Dhaka and Chattogram divisions (excluding City Corporation area and Rangamati, Bandarban and Khagrachari districts)                          | 1 <sup>st</sup> and 2 <sup>nd</sup> year                   | 100%                    |
|  | 3 <sup>rd</sup> and 4 <sup>th</sup> year                   | 50%                     |
|  | 5 <sup>th</sup> year                                       | 25%                     |
| Area   | Year   | Exemption (% of income) |
| Rajshahi, Khulna, Sylhet, Rangpur and Barisal divisions (excluding City Corporation area) and Rangamati, Bandarban and Khagrachari districts | 1 <sup>st</sup> , 2 <sup>nd</sup> and 3 <sup>rd</sup> year | 100%                    |
|  | 4 <sup>th</sup> , 5 <sup>th</sup> and 6 <sup>th</sup> year | 50%                     |
|  | 7 <sup>th</sup> to 10 <sup>th</sup> year                   | 25%                     |

### 5.12 Income from production of corn, maize or sugar beet

Income from production of corn, maize or sugar beet is tax exempted up to 50%.

### 5.13 Exemption from income of export of handicrafts

Income derived from the export of handicrafts shall tax exempt up to 30 June 2024.

### 5.14 Income derived from any SME

Income derived from any Small and Medium Enterprise (SME) engaged in production of any goods and having an annual turnover of not more than taka 5 million is exempted.

### 5.15 Donation to any fund established by “Trust of Prime Minister Education Assistance Act 2012”

**Exemption limit:**

- Companies – lower of 25% of income or Tk. 80 million
- Other than companies – lower of 20% of income or Tk. 10 million

### 5.16 Incentives for private sector power generation companies (other than coal based)

Non-coal based private power generation companies starting commercial operations from 1 January 2020 to 31 December 2022 and complying with the requirements of private sector power generation policy of Bangladesh will get the following tax incentive:

- Private power companies’ power generation income is exempt from corporate tax up to 31 December 2034 from the date of commencement of commercial operations.
- Salaries of expatriate employees of such power generating companies shall also be tax exempt for a period of three years, starting with the date of the expatriate’s arrival in Bangladesh.
- Interest payments to foreign lenders will be tax exempt. Royalties and technical assistance fees paid by such companies will also be tax exempt.

Capital gains from the sale or transfer of shares by the investing company shall be exempt from tax.

However, all such companies shall maintain accounts and submit return in due date of filing under section 75.

#### 5.17 Incentives for private sector power generation companies (other than coal based)

Non-coal based private power generation companies starting commercial operations on or after 1 January 2023 and complying with the requirements of private sector power generation policy of Bangladesh will get the following tax incentive:

| Tax exempted period  | Rate of tax exemption |
|--|-----------------------|
| First 5 years from the commencement of commercial production | 100%                  |
| Up to next 3 years   | 50%                   |
| Up to next 2 years   | 25%                   |

Above applies to income from power generation only.

All such companies shall maintain accounts and submit return in due date of filing under section 75.

#### 5.18 Incentives for private sector power generation companies (coal based)

Coal based private power generation companies entering into agreement within 30 June 2020 and starting commercial production within 30 June 2023 and complying with the requirements of private sector power generation policy of Bangladesh will get the following tax incentive:

- Private power companies' power generation income is exempt from corporate tax for a period of 15 years from the date of commencement of commercial operations.
- Salaries of expatriate employees of such power generating companies shall also be tax exempt for a period of three years, starting with the date of the expatriate's arrival in Bangladesh.
- Interest payments to foreign lenders will be tax exempt. Royalties and technical assistance fees paid by such companies will also be tax exempt.
- Capital gains from the sale or transfer of shares by the investing company shall be exempt from tax.
- All such companies shall maintain accounts and submit return in due date of filing under section 75.

#### 5.19 Exemption/reduced tax rate is not allowed in case of failure to file the return within stipulated time

An assessee shall not be exempt from income tax or subject to reduced tax rate if the assessee fails to submit the income tax return of any income year within the stipulated time.

Tax shall be charged at the regular rate on the disallowance as per section 30 even if it is a tax exempted or reduced tax rate availed assessee or any loss or profit computed.

**5.20 Agricultural income**

Agricultural income (whose agriculture is the only source of income) up to Tk. 200,000 for an individual is tax exempted.

**5.21 Interest on pensioners' savings certificate**

Income received by an individual from interest from pensioners' savings certificate up to Tk. 500,000 is tax exempted.

**5.22 Foreign income by individuals**

Income earned in abroad by an individual assessee being a Bangladeshi citizen and brought any such income into Bangladesh as per existing laws applicable in respect of foreign remittance shall be tax exempted.

**5.23 Dividend income**

Dividend income up to Tk. 50,000 derived from a company listed in any stock exchange is tax exempted.

**5.24 Gratuity income**

Gratuity income from-Government or approved gratuity fund up to Tk. 2.5 crores is tax exempted.

**5.25 Workers Profit Participation Fund income**

Any payment from WPPF received by a worker up to Tk. 50,000 is tax exempted.

**5.26 Certain bond income**

Income received by an assessee from wage earners development bond, US Dollar premium bond, US Dollar investment bond, Euro investment bond, Pound Sterling premium bond is tax exempted.

**5.27 Donation to girls' school/college**

Income of an assessee donated in an income year by a crossed cheque or bank transfer to any girls' school or girls' college approved by the Ministry of Education of the Government is exempt from tax.

**5.28 Donation to technical and vocation institution**

Income of an assessee donated in an income year by a crossed cheque or bank transfer to any Technical and Vocational Training Institute approved by the Ministry of Education of the Government is exempt from tax.

**5.29 Donation to research and development**

Income of an assessee donated in an income year by a crossed cheque or bank transfer to any national level institution engaged in the Research and Development (R&D) of agriculture, science, technology and industrial development is tax exempted.

**5.30 Employing disabled person**

5% tax rebate will be allowed if at least 10% of total employees constitute disabled person.

**5.31 Income received other than bank interest/dividend by any educational institution**

Income received other than bank interest/dividend by any educational institution is tax exempted if it

- is enlisted for Monthly Pay Order (MPO) of the Government;
- follows the curriculum approved by the Government; and
- is governed by a body formed as per Government rules.

**5.32 Income received other than bank interest/dividend by any public university, ICAB, ICMAB and ICSB**

Income received other than bank interest/dividend by any public university, ICAB, ICMAB and ICSB is exempted.

**5.33 Corporate Social Responsibility (CSR) activity to get tax rebate**

National Board of Revenue has issued S.R.O. 186-law/Income tax/2014 amending previously issued S.R.O. 229-Law/2011 dated 4 July 2011. Accordingly, a company will be eligible to a tax rebate at 10% of allowable limit incurred in connection with corporate social responsibility subject to the following terms and conditions:

- a) any company will be allowed to get rebate on investment in CSR amounting to 20% of income of the company or Tk. 120 million, whichever is lower.
- b) any company who intends to get rebate through CSR shall make regular payment of salaries and wages to its employees, have waste treatment plant, make regular payment of tax, VAT and institutional loan, donate to Organisations approved by the Government and comply with all existing provisions of Labour Code.
- c) any company shall not show amount expended in CSR as inadmissible expenditure in its trading account or profit and loss account.
- d) any company shall submit necessary information and documents to the DCT regarding the amount expended in CSR as demanded allowable is actually expended or not.
- e) the donation under CSR shall be done through proper banking channel.

The following are the areas of CSR for which company may avail tax rebate facilities:

- a) donation made to natural disaster affected people through government organisation
- b) donations made to institution engaged in establishment and maintenance of old home
- c) donations made to social institution engaged in the welfare of mentally or physically disabled people

- d) donations made to organisations engaged in educating street children
- e) donations made to organisations engaged in projects on accommodation for the slum dwellers
- f) donations made to social institutions engaged in campaign for women rights and against dowry system
- g) donations made to institution engaged in maintenance and rehabilitation of orphan/rootless children
- h) donations made to institutions engaged in research on liberation war, expansion of the consciousness of independence war and the act of honourable living of the freedom fighters
- i) donations made to institutions engaged in sanitation and sewerage work at Chattogram Hill Districts, char areas and areas surrounding breaking up of banks of river
- j) donation made to institution engaged in medicating cleft lip, cataract, cancer and leprosy
- k) donation made to person or institution engaged in treatment of acid affected people
- l) donation made to specialised hospital [like cancer hospital, liver hospital, kidney hospital, thalassemia hospital, eye hospital and cardiology hospital] for free treatment to poor patient
- m) donation made to public universities
- n) donation made to government approved educational institution for giving stipend to insolvent meritorious freedom fighters' children with a view to providing technical or vocational education to them
- o) any assistance made to schools and colleges under MPO for improving computer and English education
- p) donations to organisations engaged in providing technical and vocational training to unskilled or semi-skilled labour for export of human resources
- q) donations made to national sports institutions engaged in the development of infrastructure and training at national level
- r) any contribution to museum made for freedom fighter at national level
- s) any contribution to organisation engaged in the preservation of the memories of the Father of the Nation
- t) any donation to any social welfare organisation, NGO or not for profit organisation engaged with awareness, treatment or rehabilitation for HIV, AIDS and the drug addicted
- u) any donation to any social welfare organisation, NGO or not for profit organisation engaged with rehabilitation for children or women rescued from overseas trafficking
- v) any donation to any government approved fund for national disaster or tournament or national carnival.



## 6. Penalty and prosecution for non-compliance

- **Penalties are applicable for non-filing of tax return (under section 75, 77, 89, 91 or 93) as shown below:**

10% of last assessed tax or Tk. 1,000; whichever is higher and a further penalty of Tk. 50 for every day during which the default continues. However, in case of individual, penalty shall not exceed:

- Tk. 5,000 for an assessee whose income was not assessed previously; or
- Tk. 1,000 or 50% of tax liability on last assessed income; whichever is higher.

- **Penalties are applicable for non-filing or non-furnishing of any return, certificate, statement, accounts or information (under section 75A, 103A, 108 and 108A) as shown below:**

10% of last assessed tax or Tk. 5,000; whichever is higher and a further penalty of Tk. 1,000 for every month during which the default continues.

- **Penalties are applicable for non-filing or non-furnishing of certificate, statement etc. (under section 58, 109, 110 and 184C) as shown below:**

Tk. 5,000; a further penalty of Tk. 1,000 for every month during which the default continues.

- **Penalties are applicable for non-filing or non-furnishing of information (under section 113) as shown below:**

Tk. 25,000; a further penalty of Tk. 500 for every day during which the default continues.

- **Penalty for failure to verify Taxpayer's Identification Number**

Failure to verify the authenticity of an e-TIN certificate may result in a penalty up to Tk. 50,000 to the person responsible for verification of e-TIN.

- **Penalty for failure to pay tax on the basis of return**

A person, who fails to pay balance tax under section 74 may face a penalty at the rate of 25% on the total tax payable or on the short amount of tax payment.

- **Delay interest for not filling return on or before the Tax Day**

An assessee is liable to pay a delay interest at the rate 2% per month but not exceeding one year if the assessee fails to file the income tax return on or before the tax day. However, such delay interest will be applicable on the difference between the tax assessed on total income for the assessment year and the tax paid in advance (including tax deduction) for that assessment year.

- **Failure to issue certificate of deduction of tax**

Tk. 500 and a further penalty of Tk. 250 for every month during which default continues in issuing certificate of deduction of tax in prescribed form to persons from whom tax has been collected/deducted as required under section 58 of the Income Tax Ordinance

or in filing of particulars of salary payments as provided in section 108 or information regarding payment of interest as provided in section 109 or information regarding payment of dividend as provided in section 110 in Income Tax Ordinance 1984.

- **Penalty for using fake Taxpayer's Identification Number**

Where a person has, without reasonable cause, used Taxpayer's Identification Number (TIN) of another person or used fake TIN on a return of income or any other documents where TIN is required under this Ordinance, the DCT may impose a penalty not exceeding Tk. 20,000 on that person.

- **Punishment for improper use of Taxpayer's Identification Number**

A person is guilty of an offence punishable with imprisonment for a term which may extend to three years or with fine up to Tk. 50,000 or both, if he deliberately uses or used a fake Taxpayer's Identification Number (TIN) or a Taxpayer's Identification Number (TIN) of another person.

- **Punishment for obstructing an income tax authority**

A person, who obstructs an income tax authority in discharge of function, shall commit an offence punishable with imprisonment of maximum one year, or with a fine, or with both.

- **Punishment for incorrect or false audit report by chartered accountant**

A penalty of Tk. 50,000 to Tk. 200,000 shall be imposed on such chartered accountant when DCT, CT (Appeals) or Appellate Tribunal is satisfied beyond reasonable doubt that the audit report is not certified by a chartered accountant and is false or incorrect.

- **Punishment for furnishing fake audit report**

Imprisonment between 3 months and 3 years or a fine up to Tk. 100,000 or both shall be imposed on a person furnishing fake audit report.

- **Punishment for unauthorised employment**

Imprisonment between 3 months and 3 years or a fine up to Tk. 500,000 or both shall be imposed on the person employing or allowing to work any foreign individual without prior approval from appropriate authority of the Government.

- **Penalty for concealment of income**

A penalty of 15% of tax of which would have been avoided shall be imposed for concealment of income by any means.

If an assessee conceals or understates any income, he shall be fined with 15% on the tax that would have been avoided. If the concealment is detected after more than one-year, additional penalty of 15% will be charged for each of the following year. Furthermore, if the assessee deliberately conceals the income, he shall be punishable with an imprisonment of 3 months to 5 years, or fine, or both.

## 7. Voluntary disclosure

An assessee who had not filed any income tax return or filed return showing lower income than actual or was not assessed for any previous years, may disclose the income in the return under any head. However, the following conditions need to be complied before filing such return:

- a) Tax has to be paid at applicable rates on his total income; and
- b) Penalty has to be paid at the rate of 10% of tax proportionate to such income.

A declaration needs to be submitted along with the tax return stating the name of assessee, heads of declared income and amount of tax and penalty.

The assessee will not be able to avail this opportunity if any proceedings have commenced against him by the Tax Authority under sections 93, 113(f), 164, 165 or 166.

Also, income derived from any illegitimate source, or any criminal activity, or income exempted from tax, or income chargeable to tax at reduced rate in accordance with section 44 will not be able to avail this opportunity.

The income shown as stated above may be invested in the following sectors:

- Industrial undertaking including its expansion
- Balancing, modernisation, renovation and extension of any existing industry
- Building or apartment or land
- Securities listed with a Stock Exchange in Bangladesh, or
- Any trade, commercial, or industrial venture engaged in production of goods or services.

## 8. Transfer pricing

Key points in brief are as follows:

- (i) Transactions considered under transfer pricing regulation, are those transactions between associated enterprises, either or both of whom are non-residents, in the nature of purchase, sale or lease of tangible or intangible property, provisions of services, lending or borrowing money, or any other transactions having a bearing on the profits, income, losses, assets, financial position or economic value of such enterprises, etc.
- (ii) There are extensive provisions in the Act regarding responsibility and determination of “arms-length price” of such transactions.
- (iii) If such a transaction is not found to be at arms-length price, DCT with prior approval of Board, may determine via the Transfer Pricing Officer the arms-length price of the transaction.
- (iv) In absence of any provision regarding arm’s length price determination, international best practice of using interquartile range (25th -75th) was being commonly followed for computing arm’s length price. A guideline for applying range concept in computing Arm’s Length Price has been introduced through Finance Act 2019. The new Act introduced a narrow range of 30th percentile to 70th percentile of the comparable data set. If the price at which the international transaction has actually been undertaken is within the range referred as above, then the price at which such international transaction has actually been undertaken shall be deemed to be the arm’s length price. If the price at which the international transaction has actually been undertaken is outside the arm’s length range referred as mentioned above, the arm’s length price shall be taken to be the median of the data set. In case the dataset has less than six comparable, the arm’s length price shall be the arithmetical mean of all the values included in the dataset. Any adjustment made in determining arms-length price shall be treated as income taxable at the regular rate irrespective of income exempted from tax or subject to reduced rate of tax.
- (v) Every person who has entered into an international transaction shall furnish, along with the return of income, a statement of international transactions in the form and manner as may be prescribed.
- (vi) Every person who has entered into an international transaction shall keep and maintain such information, documents and record, and the tax authority shall prescribe the period for which the information, documents and records shall be kept and maintained. The tax authority may require any person by notice in writing, to furnish any information, documents and records within the period as may be specified in the notice.
- (vii) A report from Chartered Accountants/Cost Management Accountant shall be submitted upon request via a notice issued by the tax authority, if the aggregate value of international transactions exceeds Tk. 30 million during an income year. The report from Chartered Accountants/Cost Management Accountant provides reasonable assurance as to whether all information, documents, and records provided by the company are complete and authentic. Further, Failure to furnish such report may lead to a penalty up to TK. 300,000.
- (viii) Every person fails to submit transfer pricing return along with corporate income tax return may result in a penalty of maximum 2% on the value of international transactions.

## 9. Others

### 9.1 Stay of proceeding in case of pending appeal or reference at Appellate Tribunal or High Court Division

In the process of Alternate Dispute Resolution (ADR), an appeal filed by the DCT at Tribunal or reference application made by the Commissioner of Taxes (Appeal) at High Court level, will be stayed until disposal of the ADR application.

An assessee shall not be eligible for application to ADR if he fails to pay tax payable as per section 74 where the return of income for relevant year or years has been submitted.

### 9.2 Decision of ADR

In case of Alternate Dispute Resolution (ADR), time limit for the facilitator to make an agreement is 2 months from the end of the month in which the application was made, unless no agreement shall be deemed to have been reached.

### 9.3 Notice, assessment order and tax form delivered as per section 174

If any notice, assessment order and tax form has been delivered to authorised representative as per section 174, it will be treated as delivered to the assessee.

### 9.4 Inclusion of amortisation in Third Schedule

Amortisation of licence fee including Spectrum Assignment fees, GSM license fees, license acquisition fees or license renewal fees paid by cellular mobile phone operator or any other company engaged in providing specialised service allowed if:

- the assessee is a resident company for tax purpose;
- licence fee is paid before or after 1 July 2012 wholly and exclusively for the purpose of obtaining a permission from the government authority;
- licence/permission is granted for 2 or more years to run a business; and
- amortisation charge/deduction will be calculated as proportionate to such years, and such amortisation/deduction shall continue till the last year of the period for which the licence was granted.
- In case of other companies, such license should be integral part of the operation of the business.

### 9.5 Computation of income of contractor, etc., of an oil company residing out of Bangladesh (Rule 39)

Income of contractors to an oil company or as a sub-contractor to the contractor to an oil company residing out of Bangladesh shall be deemed to be an amount equivalent to 15% of the gross earnings from operations.

## 9.6 Tax calendar for company

| Filing/Payment   | Month  |
|--|--|
| Corporate tax return filing under section 75                   | 15 <sup>th</sup> day of seventh month or 15 September from end of account period; whichever is later |
| Advance tax instalment under section 64                        | 15 <sup>th</sup> day of September, December, March and June  |
| Withholding tax return under section 75A                       | 31 January and 31 July   |
| Statement filing regarding salary under section 108            | Before the 1st day of September  |
| Statement filing regarding employee tax return 108A            | On or before 30 April  |
| Statement of deduction of tax from salary under rule 21        | Within 20 <sup>th</sup> day of following Month   |
| Statement of deduction of tax from other sources under rule 18 | Within 20 <sup>th</sup> day of following Month   |

## 10. Income subject to tax withholding/deduction/collection at source

National Board of Revenue (NBR) has issued an order about use of tax jurisdiction for depositing withholding tax.

As per the new order, companies, non-governmental organisations and co-operatives (other than bank and financial institutions) are advised to deposit all of the withholding tax to the respective company's tax zone where its tax file will be assessed. Earlier, withholding tax would be deposited to different tax zone based on withholding tax section applied for tax deduction. The companies which are assessed under the Large Tax-payer Unit (LTU) are advised to continue its existing system in depositing the withholding tax. Also, there are different requirements for Banks, Financial Institutions, any person other than companies and Government and its entity.

A statement is required to be submitted to income tax authority for all deduction or collection made on a monthly basis.

All companies including private companies, branch companies, liaison offices, banks and other financial institutions etc. are required to collect/withhold tax at the time of payment as shown hereunder:

- **Salaries (Section 50)**

Tax withholding should be made monthly on the basis of computation of estimated annual total income. Refer to section 2 above for tax rates.

This rule is also applicable to the total income from salary of Government official, where Government's accounts office shall issue a tax deduction certificate.

However, there is a provision of lesser or no withholding of tax from salary on the basis of a certificate issued by DCT and specifying the same upon application by the assessee.

- **Discount on the real value of Bangladesh Bank bills (Section 50A)**

Taxes are to be deducted at the maximum rate or at the rate applicable to such amount, whichever is greater. No tax shall be deducted from the discount received from these bills purchased by a superannuation fund, a pension fund, a gratuity fund, a recognised provident fund or a workers' profit participation fund.

- **Remuneration of Member of Parliament (Section 50B)**

Taxes are to be deducted at source from remuneration paid to Members of Parliament at average rate, but other allowances paid like bonus, house rent will remain tax-free.

- **Interest/discount on govt. securities and securities approved by the government (Section 51)**

Taxes are to be deducted at the rate of 5% while making payment or crediting, whichever is earlier on interest or discount, receivable on maturity, from the purchaser of the securities excluding Treasury bill and Treasury bond issued by the Government.



For security, which is based on Islamic principles, the tax of 5% shall be deducted at the time of payment or credit.

▪ **Payments for supply of goods, execution of contracts (Section 52, Rule 16)**

Where any payment is to be made by a specified person to a resident on account of execution of contract other than a contract for providing or rendering services, the deduction of payment shall be at the following rates:

| Base amount*   | Rates |
|--|-------|
| Where the payment does not exceed Tk. 1,500,000                            | 2.0%  |
| Where the payment exceeds Tk. 1,500,000 but does not exceed Tk. 5,000,000  | 3.0%  |
| Where the payment exceeds Tk. 5,000,000 but does not exceed Tk. 10,000,000 | 4.0%  |
| Where the payment exceeds Tk. 10,000,000                                   | 5.0%  |

In case of oil supplied by oil marketing companies:

| Base amount*   | Rates |
|--|-------|
| Where the payment does not exceed Tk. 200,000            | Nil   |
| Where the payment exceeds Tk. 200,000 (up to any amount) | 0.6%  |

| Base amount*  | Rates |
|---|-------|
| In case of oil supplied by dealer or agent (excluding petrol pump station) of oil marketing companies     | 1%    |
| In case of supply of oil by any company engaged in oil refinery   | 3%    |
| In case of company engaged in gas transmission and distribution   | 3%    |
| In case of an industrial undertaking engaged in producing cement, iron or iron products except MS Billets | 3%    |
| In case of an industrial undertaking engaged in the production of MS Billets                              | 0.5%  |

Provided that in absence of 12-digit TIN, the withholding rate will be 50% higher than from the above mentioned rates.

Provided that where any imported goods on which tax has been paid at source under section 53, tax at source on the said supply shall be B-A, where –

A= the amount of tax paid under section 53,

B= the amount of tax applicable under this section if no tax were paid under section 53 or 53E.”

Provided that in case of the goods supplied by any distributor or any other person under a contract as referred in sub-section (3) of section 53E, the term “B” as mentioned in paragraph (d) shall be computed as follows:

A = the amount of tax collected under section 53E

B = B={the selling price of the company to the distributor or the other person as referred in section 53E (3)} x 7% x 5%.

Under this section firm, project, programme, joint venture, consortium, trust, cooperative society and public-private partnership are also treated as deducting authority along with any person.

\*The base amount means the higher of the following:

- Contract value, or
- Bill or invoice amount, or
- Payment

Payment includes a transfer, a credit or an adjustment of payment or an order or instruction of making payment.

#### ▪ **Payments for royalty (Section 52A)**

Tax is required to be deducted at the following rates from the payment to a resident on account of royalties, franchise, or the fee for using licence, brand name, patent, invention, formula, process, method, design, pattern, know-how, copyright, trademark, trade name, literary or musical or artistic composition, survey, study, forecast, estimate, customer list or any other intangibles:

| Base amount*          | Tax rate if the payee has TIN | Tax rate if the payee has no TIN |
|-----------------------|-------------------------------|----------------------------------|
| Up to Tk. 2.5 million | 10%                           | 15%                              |
| Over Tk. 2.5 million  | 12%                           | 18%                              |

Under this section firm, project, programme, joint venture, trust, cooperative society, public-private partnership are also treated as deducting authority along with any person.

*Provided that in absence of 12-digit TIN, the withholding rate will be 50% higher than from the above mentioned rates.*

\*The base amount means the higher of the following:

- Contract value, or
- Bill or invoice amount, or
- Payment

Payment includes a transfer, a credit or an adjustment of payment or an order or instruction of making payment.

No deduction needs to be made in cases where National Board of Revenue has issued a certificate waiving such deduction or exemption.

▪ **Deduction from payments of certain services (Section 52AA)**

Where any payment is to be made by a specified person to a resident on account of certain services as stated below:

| Description of service  | Rate of deduction of tax (% of base amount*)  |   |
|---|---|---|
|   | Base amount up to Tk. 2.5 million   | Base amount exceeds Tk. 2.5 million   |
| Advisory or consultancy   | 10%   | 12%   |
| Professional service, technical services and technical assistance fee   | 10%   | 12%   |
| For below and any other service of similar nature-  |   |   |
| a) On commission or fee   | 10%   | 12%   |
| b) On gross bill amount   | 1.5%  | 2%  |
| - Catering service  | However, where both gross bill and commission are shown; minimum withholding tax will be based on 10% commission on gross bill amount.  | However, where both gross bill and commission are shown; minimum withholding tax will be based on 10% commission on gross bill amount.  |
| - Cleaning service  |   |   |
| - Collection and recovery service   |   |   |
| - Private security service  |   |   |
| - Supply of manpower  |   |   |
| - Creative media service  |   |   |
| - Public relations service  |   |   |
| - Event management service  |   |   |
| - Training, workshops, etc. organisation and management service   |   |   |
| - Courier service   |   |   |
| - Packing and Shifting service  |   |   |
| Media buying agency service   |   |   |
| a) On commission or fee   | 10%   | 12%   |
| b) On gross bill amount   | 0.5%  | 0.65%   |
|   | However, where both gross bill and commission are shown; minimum withholding tax will be based on 2.5% commission on gross bill amount. | However, where both gross bill and commission are shown; minimum withholding tax will be based on 2.5% commission on gross bill amount. |
| Indenting commission  | 6%  | 8%  |
| Meeting fees, training fees or honorarium   | 10%   | 12%   |
| Mobile network operator, technical support service provider or service delivery agents engaged in mobile banking operations | 10%   | 12%   |
| Credit rating agency  | 10%   | 12%   |
| Motor garage or workshop  | 6%  | 8%  |
| Private container port or dockyard service  | 6%  | 8%  |
| Shipping agency commission  | 6%  | 8%  |

| Description of service  | Rate of deduction of tax (% of base amount*) |                                     |
|---|--|-------------------------------------|
|   | Base amount up to Tk. 2.5 million            | Base amount exceeds Tk. 2.5 million |
| Stevedoring/berth operation commission  | 10%  | 12%                                 |
| (i) Transport service, carrying service, vehicle rental service   | 3%   | 4%                                  |
| (ii) Any other service under any sharing economy platform including ride sharing service, coworking space providing service and accommodation providing service |  |                                     |
| Wheeling charge for electricity transmission  | 2%   | 3%                                  |
| Any other service unless provided by bank, insurance or financial institution   | 10%  | 12%                                 |

Provided that in absence of 12-digit TIN, the withholding rate will be 50% higher than from the above mentioned rates.

\*The base amount means the higher of the following:

- Contract value, or
- Bill or invoice amount, or
- Payment

Payment includes a transfer, a credit or an adjustment of payment or an order or instruction of making payment.

No deduction needs to be made in cases where National Board of Revenue has issued a certificate waiving such deduction or exemption.

#### ▪ Collection of tax from clearing and forwarding agents (Section 52AAA)

This section provides for deduction on account of commission receivable by clearing and forwarding agents licensed under Customs Act 1969 at 10%. The collection will be made by the Commissioner of Customs at the time of clearance of goods imported or exported.

#### ▪ Cigarette manufacturers (Section 52B)

Sellers of banderols are liable to collection of tax at 10% of the value of banderols. The seller will collect the tax from the manufacturer of cigarettes. The tax so collected shall be treated as minimum tax under section 82C.

#### ▪ Compensation against acquisition of property (Section 52C)

Payment on account of compensation against acquisition by the Government of any immovable property is liable to deduction of tax at the rate of -

- (a) 6% of the amount of compensation where the immovable property is situated in any city corporation, municipality or cantonment board; and
- (b) 3% of the amount of compensation where the immovable property is situated outside any city corporation, municipality or cantonment board.

▪ **Interest on savings instruments (Section 52D)**

Tax is required to be deducted at the rate of 10% from interest of savings instrument purchased by an approved superannuation fund or pension fund or gratuity fund or a recognised provident fund or a workers' profit participation fund. However, if the accumulated investments do not exceed Tk. 500,000, then tax at 5% will be withheld on the interest income from that saving certificate. Earlier the interest income of such funds was exempted from tax deduction.

No deduction shall be made where the cumulative investment at the end of the income year in the pensioner's savings certificate does not exceed Tk. 500,000.

Tax is not required to be deducted on interest income from wage earners development bond, US Dollar premium bond, US Dollar investment bond, Euro premium bond, Euro investment bond, Pound Sterling premium bond, Pound Sterling investment bond.

▪ **Payment to beneficiaries of Worker Profit Participation Fund (Section 52DD)**

Tax is required to be deducted at the rate 5% for making any payment to a beneficiary of WPPF.

▪ **Brick manufacturers (Section 52F)**

Any person responsible for issuing any permission or renewal of permission for the manufacture of bricks shall collect tax from the manufacturer at the following rates:

- (a) Tk. 45,000 for one section brick field;
- (b) Tk. 70,000 for one and half section brick field;
- (c) Tk. 90,000 for two section brick field; and
- (d) Tk. 150,000 for brick field producing bricks through automatic machine.

However, such permission is accompanied by a tax clearance certificate of the preceding assessment year along with the receipt of the tax verified by the DCT.

▪ **Commission on opening of letter of credit (Section 52I)**

Tax is to be deducted at the rate of 5% by banks at the time of collection of L/C commission.

Banks are required to deposit all taxes deducted by the 15th of the following month to Bangladesh Bank under appropriate head of accounts. The amounts so deposited will be treated as advance tax payment by the banks.

▪ **Collection of tax from travel agent (Section 52JJ)**

Tax is required to be deducted or collected by the person responsible for paying commission, discount or any other benefits on behalf of airlines at the rate of 0.3% of the total value of air ticket or charge for carrying cargo at the time of such payments. Value of air ticket or charge for carrying cargo shall not be included embarkation fees, travel tax, flight safety insurance, security tax and airport tax.

In addition to the above, tax is required to be deducted at the rate of 0.3% on payment of incentive bonus, performance bonus or any other benefits from sale of ticket bill of carrying cargo by air. Calculation will be as follows:

(A/B)\*C where:

A = Incentive bonus/performance bonus or any other benefit

B = is the amount of commission or discount

C = 0.3% (source tax)

▪ **Issue or renewal of trade licence (Section 52K)**

City Corporation shall collect tax at Tk. 3,000 in Dhaka South City Corporation, Dhaka North City Corporation or Chattogram City Corporation, at Tk. 2,000 in any City corporation other than above, at Tk. 1,000 in any municipality at any district headquarter, at Tk. 500 in any other municipality, while issuing or renewing trade licence. The tax so collected shall be adjusted against tax payable by the recipient of licence.

▪ **Collection of tax from freight forwarding agency commission (Section 52M)**

Tax is to be withheld at 15% from commission payable to freight forwarding agency. Tax so withheld shall be adjusted against tax payable by the assessee.

▪ **Collection of tax on account of rental power (Section 52N)**

Tax is to be withheld at 6% by Bangladesh Power Development Board from the payment to any rental power company on account of purchase of rental power from the date of its operation in Bangladesh.

▪ **Collection of tax from rent of convention hall, conference centre (Section 52P)**

Tax is to be withheld at 5% from rental payment to institutions like convention hall, conference centre, hall room, hotel, community centre or restaurant.

*Provided that no deduction shall be made when such amount is paid directly to the Government.*

▪ **Collection of tax from resident for providing service abroad (Section 52Q)**

Tax shall be deducted at the rate of 10% on any sum remitted or credited from abroad by way of a fee, service charges, commission or remuneration, called by whatever name, or by way of revenue sharing of any name and nature for;

- providing any service rendered in Bangladesh; or
- rendering any service or performing any task by a resident person in favour of foreign person; or
- allowing the use of online platform for advertisement or any other purpose.

However, payment received for service rendered while staying outside the country is excluded from this section.

The remittance received from abroad for proceeds from sales of software or services provided by a resident is exempted from tax if the income is exempted under paragraph 33 of Part A of the 6th Schedule.

- **Deduction of tax from receipts in respect of international phone call (Section 52R)**

The bank, through which the receipt on account of International Gateway Service in respect of international phone calls is received, shall deduct tax at the rate of 1.5% of the total amount representing the said receipt at the time of crediting it to the account of the international gateway service provider.

The international gateway service provider, through which the revenue related to international phone call is shared under an agreement with the Bangladesh Telecommunication Regulatory Commission (BTRC), shall deduct tax at the rate of 7.5% on the whole amount so paid or credited to any other persons under the said agreement.

The provider of Interconnection Exchange (ICX) services or Access Network Services (ANS), Bangladesh Telecommunication Regulatory Commission (BTRC) shall deduct tax at the rate of seven point five percent (7.5%) on the whole amount so paid or credited at the time of payment or credit where any amount is paid or credited in respect of outgoing international calls.

Notwithstanding anything contained in above paragraph, where the Board gives a certificate in writing on an application made by a person that income of the person getting such payment is exempted from tax or will be liable to tax at a rate of tax less than the rate specified in this section, the person responsible for giving any payment shall, make the payment:

- (a) Without deduction of tax; or
- (b) Deduct tax at a rate lower as specified in the certificate.

- **Deduction of tax from any payment in excess of premium paid on life insurance policy (Section 52T)**

Tax is to be deducted at 5% for paying any sum in excess of premium paid for any life insurance policy maintained with any life insurance company. No deduction shall be made in case of death of such policy holder.

- **Deduction from payment on account of letter of credit (Section 52U)**

The bank or financial institution, through which any local letter of credit or any financing agreement, called by whatever name, is made between two or more persons within Bangladesh for purchasing any goods for trading or processing will be captured under this section. While the proceeds of such goods are paid, Bank shall deduct tax at 3% on the total proceeds at the time of paying or crediting such proceeds to the account of the person or persons providing such goods. In case of extending such credit facility to any distributor, tax shall be deducted at 1%.

The tax at the rate of 2% shall be deducted with such arrangement in respect of purchase or procurement of rice, wheat, potato, onion, garlic, peas, chickpeas, lentils, ginger, turmeric, dried chillies, pulses, maize, coarse flour, salt, edible oil, sugar, black paper, cinnamon, cardamom, clove, date, cassia leaf, computer or computer accessories, jute, cotton, yarn and all kinds of fruits.

Nothing in this section shall limit the applicability of section 52.



- **Deduction from payment by cellular mobile phone operator (Section 52V)**

The Principal Officer of cellular mobile phone operator company responsible for making any payment, on account of revenue or any license fees or any other fees or charges, called by whatever name, to the regulatory authority, shall deduct tax at 10% of such payment at the time of credit to payee or at the time of payment thereof, whichever is earlier.

- **Collection from importers (Section 53, Rule 17A)**

The Commissioner of Customs or any other appropriate officer shall collect tax on imported items up to 5% of the value of imported goods.

National Board of Revenue may grant exemption from tax collection upon application where the assessee's income is not taxable in any year.

- **Rent from house property (Section 53A, Rule 17B)**

This is subject to a flat rate of 5% for all rent. "Rent" means any payment, by whatever name called, under any lease, tenancy or any other agreement or arrangement for the use of any house property or hotel accommodation including any furniture, fittings and the land appurtenant thereto.

Hotel, hospital, clinic or diagnostic centre is also responsible for deduction.

- **Shipping business of a resident (Section 53AA, 102)**

This section provides for deduction of tax at 5% from total freight received or receivable by a ship owned or chartered by a resident assessee. The rate will be 3% if service is rendered between two or more foreign countries. The deduction will be made by the Commissioner of Customs at the time of granting port clearance. The deduction so made shall be treated as final tax liability under section 82C of the Income Tax Ordinance. In addition to 5% tax on total freight, a certificate from the concerned DCT shall be required for port clearance.

The amount paid or payable by way of demurrage charge or handling charge or any other amount of similar nature will also be considered at the time of furnishing tax return to DCT.

- **Export of manpower (Section 53B, Rule 17C)**

Taxes are to be withheld at 10% from the payment of service charges or fees.

- **Export of certain items (Section 53BB)**

Garments sector has been a priority segment for the Government. Every year, the applicable withholding tax rate on such exports are reduced by separate regulatory order (SRO). In last year, applicable rate was 0.25%. This year, taxes are to be withheld by banks at 0.5% from the export proceeds received on account of export of jute goods and from the exports of knitwear and woven garments, terry towel, carton and accessories of garments industry, jute goods, frozen food, vegetables, leather goods and packed food.

A company enjoying tax exemption either wholly or partially may apply to tax authority and on the basis of his application the tax authority may exempt from deduction at source or give order to withhold at a reduced rate.

- **Member of Stock Exchanges (Section 53BBB)**

Taxes are to be withheld at 0.05% on the value of shares, debentures, mutual funds, or securities transacted by a member of a stock exchange and at the rate of ten percent (10%) on the commission received or receivable by a member of a stock exchange for the transaction of securities other than shares and mutual funds at the time of making payment for such transactions. The deduction will be made by the Chief Executive Officer of a stock exchange at the time of such payment.

- **Export of any goods other than certain items (Section 53BBBB)**

Every year, the applicable withholding tax rate on such exports are reduced by separate special order. In last year, applicable rate was 0.25%. This year, any export proceeds received from export of any products other than garments was subject to tax withholding at 0.50%. The tax so withheld shall be treated as advance payment of tax liability.

A company enjoying tax exemption either wholly or partially may apply to tax authority and on the basis of his application the tax authority may exempt from deduction at source or give order to withhold at a reduced rate.

- **Public auction (Section 53C, Rule 17D)**

Taxes are to be collected from sale price at the rate of 1% in case of tea auction. In all other cases, withholding tax rate will not exceed 7.5%. Currently, as per rule 17D, such withholding tax rate is 5% for all other cases.

- **Courier business of a non-resident (Section 53CCC)**

Tax is required to be deducted/collected at the rate of 15% by the local agent of a non-resident courier company on the amount of service charge accrued from the shipment of goods, documents, parcels, or any other things outside Bangladesh.

- **Actors or actresses (Section 53D, Rule 17E)**

Taxes are to be withheld at 10% in case of any payment made for the purchase of any Cinema, Drama or Radio and TV programme by any authority.

In case of any payment made to an actor/actress, tax is to be withheld at the rate of 10% from such payment.

Provided that, no tax shall be deducted under this section if the total payment does not exceed Tk. 10,000.

▪ **Deduction of tax at source from export cash subsidy (Section 53DDD)**

Any person responsible for paying any amount on account of export cash subsidy to an exporter for promotion of export shall, at the time of payment or credit of such amount, shall deduct or collect tax in advance at the rate of 10% on the amount so payable.

▪ **Commission, discount or fees payable to distributors for distribution or marketing of manufactured goods (Section 53E)**

Tax is to be withheld at 10% of the amount of payment or the amount allowed or the value of benefits allowed by the way of commission, fees, discount, incentive or performance bonus or any other performance related incentive or any other payment or benefit of the similar nature for distribution or marketing of goods at the time of payment or allowing the amount.

Any company making a payment in relation to the promotion of the company or its goods to any person engaged in the distribution or marketing of the goods of the company shall, at the time of payment, deduct tax at 1.5% of the payment.

Tax is to be collected by a company on sale of goods to any distributor or any other person under a contract other than oil marketing company at following manner:

5% on the amount equal to  $B \times C$  where,

B = Selling price of the company to a distributor or any other person

C = 5%

*Provided that a cigarette manufacturing company shall collect tax at the rate of 3% at the time sale of goods to its distributor or to such other person of the difference between the sales price to distributor and the retail price fixed by such company.*

▪ **Commission, fees, charges, remuneration payable to foreign buyers' agent (Section 53EE)**

If any payment is made to a foreign buyer's agent as per terms of L/C as fees, commission etc. then tax is to be withheld at 10% from such payment.

Tax so deducted shall be treated as final tax liability of the exporter with certain exceptions under section 82C.

▪ **Interest on savings, fixed deposits or term deposits and share of profit on term deposits (Section 53F, Rule 17H)**

Taxes are to be withheld by banks, non-banking financial institutions, leasing companies, housing finance companies etc. at the time of credit or payments of interest to a resident at the following rate:

- (i) 10% where the person receiving such interest or share of profit furnishes his twelve-digit Taxpayer's Identification Number (e-TIN) to the payer; or
- (ii) 15% where the person receiving such interest or share of profit fails to furnish his twelve-digit Taxpayer's Identification Number (e-TIN) to the payer.

Rate of tax deduction at source shall be at 10% on interest on saving deposits where balance does not exceed Tk. 100,000 at any time in the year.

Tax at the rate of 10% shall also be applicable on the receipts of interest or share of profit by public university, or an educational institution whose teachers are enlisted for Monthly Pay Order (MPO), following the curriculum approved by the Government and whose governing body is also formed as per Government rules or regulations, or any professional institute established under any law and run by professional body of Chartered Accountants, Cost and Management Accountants or Chartered Secretaries.

Tax at the rate of 5% is to be withheld from the interest arising out of any deposit maintained by any fund irrespective of their tax exemption facility.

#### ▪ Real estate or land development business (Section 53FF)

Taxes are to be collected at the following rates at the time of registering any document for transfer of any land or building or apartment by the transferor who is engaged in real estate or land development business:

In case of building or apartment situated:

| Area   | For residential purpose    | Not for residential purpose |
|--|----------------------------|-----------------------------|
| Gulshan Model Town, Banani, Baridhara, Motijheel Commercial Area, Dilkusha Commercial Area   | Tk. 1,600 per square metre | Tk. 6,500 per square metre  |
| Dhanmondi Residential Area, Defence Officers Housing Society (DOHS), Mohakhali, Lalmatia Housing Society, Uttara Model Town, Bashundhara Residential Area, Dhaka Cantonment, Kawran Bazar of Dhaka, Panchlaish Residential area, Khulshi Residential area, Agrabad and Nasirabad of Chattogram | Tk. 1,500 per square metre | Tk. 5,000 per square metre  |
| Other areas of Dhaka South City Corporation, Dhaka North City Corporation and Chattogram City Corporation  | Tk. 1,000 per square meter | Tk. 3,500 per square meter  |
| Any other city corporation   | Tk. 700 per square meter   | Tk. 2,500 per square meter  |
| Other areas  | Tk. 300 per square metre   | Tk. 1,200 per square metre  |

However, tax in respect of a residential apartment shall be 20% and 40% lower if the size of the apartment including common space is not more than 70 and 60 square metre respectively.

- 5% of deed value in case of property situated in Dhaka, Gazipur, Narayanganj, Munshiganj, Narsingdi and Chattogram districts.
- 3% of deed value in case of property situated in places in districts other than above districts.

- **Insurance commission (Section 53G)**

Tax has to be withheld at 5% on commission paid to an agent.

- **Surveyors of general insurance company (Section 53GG)**

Taxes at 10% is to be deducted from remuneration or fees paid to a resident surveyor engaged for conducting survey in connection with settlement of insurance claim.

- **Collection of tax on transfer, etc. of property (Section 53H, Rule 17II)**

The registering authority while registering a document shall collect income tax from the transferor on the value of the land, building which the document of transfer relates to and on which stamp duty is chargeable under Stamp Act 1899. The tax so collected shall be treated as final tax liability as per section 82C.

The rate of tax will depend on the location of the land and building. The applicable rate may vary from 1% to 4% based on the location. It will not exceed Tk. 1,080,000 per katha (1.65 decimal) for land, additional Tk. 600 per square meter for any structure, building, flat, apartment or floor space on the land, if any, or 4% of the deed value, whichever is higher.

Collection of tax shall not apply to the following:

- i) sale by a bank or any financial institution as a mortgagee empowered to sell;
- ii) mortgage of any property to the Bangladesh House Building Finance Corporation against loan.

“Financial institution” shall mean the Bangladesh House Building Finance Corporation, the Bangladesh Shilpa Bank and the Bangladesh Shilpa Rin Sangstha.

- **Collection of tax from lease of property (Section 53HH)**

Any registering officer responsible for registering under the Registration Act, 1908 (XVI of 1908) any document in relation to any lease of immovable property for not less than ten years from any authority formed or established under any law or from any other person shall not register such document unless tax is paid at 4% by the lessor on the lease amount of such property.

Authority mean Rajdhani Unnayan Kartipakkha (RAJUK), Chattogram Development Authority (CDA), Rajshahi Development Authority (RDA), Khulna Development Authority (KDA) or National Housing Authority.

- **Interest on deposits of Post Office Saving Bank Account (Section 53I)**

Tax is to be withheld at 10% from interest of Post Office Savings Bank Account.

- **Rental value of vacant land or plant or machinery (Section 53J, Rule 17BB)**

5% tax to be withheld from all such rent.

▪ **Advertisement of newspaper or magazine or private television channel (Section 53K)**

Taxes are to be withheld at 4% from the advertising bill of newspaper or magazine or private television channel, or private radio station, or any web site etc.

▪ **Transfer of share by sponsor shareholders of a company listed with stock exchange (Section 53M)**

The Securities & Exchange Commission (SEC) is to collect tax at 5% on the difference between transfer value and face value of the share(s) at the time of transfer shares of a sponsor shareholder or director of a company listed with a stock exchange.

- 'transfer' includes transfer under a gift, bequest, will or an irrevocable trust;
- 'transfer value' shall be deemed to be the value of shares based on the closing price of shares prevailing on the day of consent accorded by the Securities & Exchange Commission or the Stock Exchange, as the case may be, or where such shares were not traded on the date of such consent, the closing price of the last day when such shares were traded.

▪ **Collection of tax from transfer of share of shareholder of Stock Exchange (Section 53N)**

The Principal Officer of a stock exchange shall deduct tax at 15% on any profits and gains arising from the transfer of share of shareholder of stock exchange at the time of transfer or declaration of transfer or according consent to transfer of such share, whichever earlier.

For the purpose of the computation of profits and gains of share, the cost of acquisition of such share shall be the cost of acquisition incurred before Exchanges Demutualisation Act, 2013 (Act No. 15 of 2013) came in force.

▪ **Deduction of tax from any sum paid by real estate developer to landowner (Section 53P)**

Any person engaged in real estate or land development business pays any sum to the land owner on account of signing money, subsistence money, house rent or in any other form called by whatever name for the purpose of development of the land of such owner in accordance with any power of attorney or any agreement or any written contract, such person shall deduct tax at the rate of 15% on the sum so paid at the time of such payment.

▪ **Deduction from dividend payments (Section 54)**

The principal officer of a company shall deduct tax at the time of payment of dividend to a shareholder at the following rates if the shareholder is a resident assessee -

- (i) if the shareholder is a company at the rate of 20%.
- (ii) if the shareholder is a person other than a company at the rate of 10% if twelve-digit Taxpayer's Identification Number (e-TIN) is furnished and 15% if not.



Provided that the provision of this section shall not be applicable to any distribution of taxed dividend to a company (resident and non-resident) if such taxed dividend enjoys tax exemption under the provisions of the paragraph 60 of Part A of the Sixth Schedule.

“Taxed dividend” means the dividend income on which tax has been paid by the recipient under this Ordinance”.

▪ **Lottery and crossword puzzles (Section 55)**

Taxes are to be deducted from the amount of winnings payable at the rate of 20%.

▪ **Income paid or payable to non-resident (Section 56)**

Under this section firm, project, program, joint venture, trust, cooperative society and public-private partnership are also treated as deducting authority along with any person.

In case of applicability of reduced or nil withholding tax as per double tax treaty or any other reason, a certificate needs to be collected from NBR. Time limit has been specified for issuing exemption or reduced rate certificate by NBR to 30 days after submission of all required documents.

Tax deducted under this section shall be deemed to be the minimum tax liability of the payee and it shall neither be refunded nor be set off or adjusted against any demand.

Relevant government regulatory authority will ask for applicable tax on capital gain arising from the transfer any share of a company.

Applicable withholding tax rates of certain services are stated below:

| Sl. | Description of service   | Tax rate |
|-----|--|----------|
| 1   | Advisory or consultancy service  | 20%      |
| 2   | Pre-shipment inspection service  | 20%      |
| 3   | Professional service, technical services, technical know-how or technical assistance   | 20%      |
| 4   | Architecture, interior design or landscape design, fashion design or process design  | 20%      |
| 5   | Certification, rating etc.   | 20%      |
| 6   | Charge or rent for satellite, airtime or frequency, rent for channel broadcast   | 20%      |
| 7   | Legal service  | 20%      |
| 8   | Management service including event management  | 20%      |
| 9   | Commission   | 20%      |
| 10  | Royalty, licence fee or payments related to intangibles  | 20%      |
| 11  | Interest   | 20%      |
| 12  | Advertisement broadcasting   | 20%      |
| 13  | Advertisement making or Digital Marketing  | 15%      |
| 14  | Air transport or water transport (other than the carrying services mentioned in sections 102 or 103A)                                  | 7.5%     |
| 15  | Contractor or sub-contractor of manufacturing, process or conversion, civil work, construction, engineering or works of similar nature | 7.5%     |
| 16  | Supplier   | 7.5%     |



| Sl. | Description of service   | Tax rate   |
|-----|--|------------|
| 17  | Capital gain   | 15%        |
| 18  | Insurance premium  | 10%        |
| 19  | Rental of machinery, equipment etc.  | 15%        |
| 20  | Dividend-<br>(a) company, fund and trust<br>(b) any other person not being a company, fund and trust | 20%<br>30% |
| 21  | Artist, singer or player   | 30%        |
| 22  | Salary or remuneration   | 30%        |
| 23  | Exploration or drilling in petroleum operations  | 5.25%      |
| 24  | Survey for coal, oil or gas exploration  | 5.25%      |
| 24A | Fees, etc. of surveyors of general insurance Company   | 20%        |
| 25  | Any service for making connectivity between oil or gas field and its export point                    | 5.25%      |
| 26  | Any payments against any services not mentioned above  | 20%        |
| 27  | Any other payments   | 30%        |

▪ **Consequence of failure to deduct, collect etc. (Section 57)**

- a) Person/company responsible for making deduction shall be treated as assessee in default in respect of tax not deducted.
- b) In addition to above, the required person shall be liable to pay:
  - i) the amount of tax that has not been collected or deducted;
  - ii) the amount of tax which was required to be collected or deducted;
  - iii) the amount of tax which has not been paid after deduction;
  - iv) an additional amount 2% per month on the above amount as mentioned in (i), (ii) and (iii) at below manner:
    - In case of failure to deduct, collect or deduction at lower rate, an additional amount 2% per month from the due date of the deduction or collection to the date of the payment of the amount;
    - In case of failure to deposit after deduction, an additional amount 2% per month for the date of deduction to the date of payment.

However, periods for which additional amount is calculated shall not exceed 24 months.

▪ **Consequence of issuance of certificate of tax deduction/collection without actual deduction/collection/payment (Section 57A)**

The person who is responsible for deduction shall be personally liable to pay the amount which not being deducted/collected or paid to the Government. In such case, DCT shall take necessary actions for the collection of the amount from the responsible person after giving him a reasonable opportunity of being heard.

*Note that deduction/collection made under above sections shall have to be deposited to Govt. Exchequer as follows:*

| Time of deduction/collection                      | Due date of payment   |
|---|---|
| Deduction made during July to May of a year       | Within 2 weeks from the end of the month of such deduction/collection |
| Deduction made during 1 June to 20 June of a year | Within 7 days from the date of such deduction/collection              |
| *Deduction made during 21 June to 30 June         | Following day from the date of such deduction/collection              |

\*However, if the deduction/collection was made in the last two working days of the month of June of a year, the payment shall be made on the same day of such deduction/collection.

## 11. International Tax

### 11.1 Double Taxation Avoidance Agreement

There are agreements on avoidance of double taxation between Bangladesh and 36 countries which are:

|                     |                            |
|---------------------|----------------------------|
| 1 UK                | 19 Thailand                |
| 2 Singapore         | 20 Poland                  |
| 3 Sweden            | 21 Philippines             |
| 4 Republic of Korea | 22 Vietnam                 |
| 5 Canada            | 23 Turkey                  |
| 6 Pakistan          | 24 Norway                  |
| 7 Romania           | 25 USA                     |
| 8 Sri Lanka         | 26 Indonesia               |
| 9 France            | 27 Switzerland             |
| 10 Malaysia         | 28 Oman (air traffic only) |
| 11 Japan            | 29 Mauritius               |
| 12 India            | 30 United Arab Emirates    |
| 13 Germany          | 31 Myanmar                 |
| 14 The Netherlands  | 32 Kingdom of Saudi Arabia |
| 15 Italy            | 33 Kingdom of Bahrain      |
| 16 Denmark          | 34 Republic of Belarus     |
| 17 China            | 35 Nepal                   |
| 18 Belgium          | 36 Bhutan                  |

### 11.2 Double Tax Relief

A foreign tax credit is available to a Bangladesh resident in respect of any taxes paid in a foreign jurisdiction on the same income being taxed in Bangladesh. The allowable credit is the lower of the foreign tax paid or the Bangladesh tax otherwise payable.

No provision exists for carry forward or carry-back of excess tax credits.

## 12. Value Added Tax

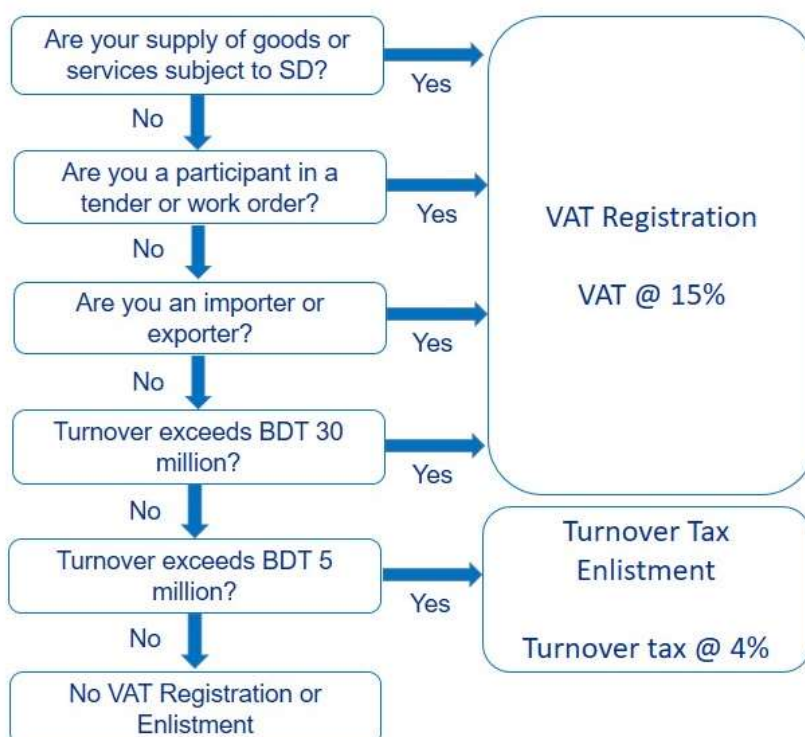
### 12.1 Registration or Enlistment Requirements

Business entities having turnover within a 12-month period exceeding Tk. 5,000,000 will be required to enlist for Turnover Tax and entities having turnover within a 12-month period exceeding Tk. 30,000,000 will be required to register for VAT.

The following entities will be required to register for VAT regardless of the turnover threshold:

- i) Supplier, manufacturer or importer of goods or services which are subject to supplementary duty;
- ii) Supplier of goods or services through tender, contract or work order;
- iii) Importer and exporter; and
- iv) Any other person recommended by the National Board of Revenue (NBR). **NBR has issued a general order prescribing that manufacturers or traders and service providers of 175 certain goods and services would have to be registered mandatorily.**

Any person who will not be eligible for either Registration or Enlistment will be effectively exempted from VAT. However, such persons can voluntarily register for VAT.



*\*Provided that in pursuance of section 4 (2d) of VAT & SD Act 2012 NBR can give VAT registration requirement to any person regardless of the registration threshold.*

## ▪ What constitutes “Turnover”?

VAT & SD Act 2012 defines turnover as all money received or receivable by a business entity against supply of taxable goods or rendering of taxable services by means of their economic activities.

For the purpose of assessing the eligibility for Registration and Enlistment, Turnover shall not include:

- The value of an exempted supply,
- The value of sale of a capital asset,
- The value of supply made as a consequence of permanently closing down an economic activity, and
- The value of sale of an organisation of economic activities or portion thereof.

## ▪ Unit Registration vs Central Registration

Unit Registration is mandatorily required when different goods or services are supplied from different locations. Furthermore, if identical or similar goods or services are supplied from different locations and the related books and records are kept at separate locations, Unit Registration is also mandatory.

Option of Central Registration is available when identical or similar goods or services are supplied from different locations and the books and records are maintained centrally.

It is implied that different goods or services supplied from a single location would consequently be under one registration.

Furthermore, transfer of goods or services between one unit to another unit by a centrally registered person will not be considered as supplies. As a result, this internal transaction will not result in output VAT liability and input VAT credit.



## ▪ Economic Activity

VAT & SD Act 2012 imposes VAT based on “*economic activity*”. The VAT & SD Act 2012 defines economic activity as any activity carried on regularly or continuously for making supply of any goods, services or immovable property. The definition of economic activity also includes:

- i) any business, profession, vocation, means of earning livelihood, manufacturing or undertaking of any kind;
- ii) supply of any goods, services or properties made under any lease, license or similar arrangement; and
- iii) one-off initiative in the nature of a commercial activity or enterprise.

However, any service rendered by an employee to his employer or any service rendered by any director of a company in general or any recreational pursuit or hobby performed on a non-commercial basis or any activity carried on by the Government without any commercial motive are excluded from the definition of economic activities.

### Exempted Supplies

VAT & SD Act 2012 provides VAT exemption on certain goods and services in the First Schedule of the Act

### Taxable Import

Any import other than exempted imports.

Import is defined as bringing any goods from outside Bangladesh into the geographical territory of Bangladesh.

### Taxable Supplies

Taxable Supply means any supply, excluding exempted supplies, made in an economic activity. Supply includes supply of goods, services and immovable property.

### Imported Services

Imported service means supply of any service from outside Bangladesh

## 12.2 Coverage of VAT

### ▪ VAT Exempted Goods

VAT & SD Act 2012 provides VAT exemption on certain goods and services through the First Schedule of the legislation as well as specific exemptions through statutory orders.

### ▪ VAT Exempted Services

The VAT & SD Act 2012 provides VAT exemption on certain services as per First Schedule of the legislation which are broadly categorised as follows:

- i) **Basic services for livelihood** - agricultural services e.g. farming, irrigation of farmlands, storage of agricultural goods and animal products excluding warehouses, etc.
- ii) **Social services** - e.g. Government and private healthcare services, Government education services etc.
- iii) **Cultural services** - e.g. radio or television broadcasting, publication and sale of

books, magazine, newspaper and government Gazette.

- iv) **Financial services** - stock or security exchange institution, life insurance policy and deposit or savings at banks or financial institutions, activities related to settlement of purchase and sales of share.
- v) **Transportation services** - e.g. passenger transport, goods transport, airlines, ambulance services except certain cases such as shipping agent, courier services, freight forwarder, charterer of aircraft or helicopter, Air-ambulances related services etc.
- vi) **Personal services** - e.g. journalist, actor, singer, driver, operator, designer, etc.
- vii) **Other services** - e.g. services for any religious activity or programs, land purchase or transfer and its registration, stevedoring activities, etc.

▪ **Zero-rated VAT**

i) Supply of zero-rated goods

- Supply of any goods from inside to outside Bangladesh,
- Temporarily imported goods,
- Deemed export,
- Supply of goods for repair, maintenance or modification and supply of stores or spare parts for ocean-going ship and aircraft engaged in international transport.

*Deemed exports are supplies of ingredients for goods or services for consumption outside Bangladesh and supply of any goods or services within the territory of Bangladesh against foreign currency through an international tender or under local letter of credit.*

ii) Supply of zero-rated services

- Services given physically on goods situated outside Bangladesh at the time of supply of the service,
- Services given relating to temporarily imported goods under the Customs Act,
- Services given to a recipient situated outside Bangladesh at the time of supply,
- Supply of telecommunication services by a telco supplier to a non-resident telco supplier.

### 12.3 Type of VAT Rates

▪ **Standard VAT rate**

The standard VAT rate under VAT & SD Act 2012 is 15%.

Input VAT credit can only be obtained against supplies of goods or services subject to 15% VAT.



## ▪ Trade VAT

Traders are subject to VAT at a rate of 5% on their supplies except traders of **medicine and petroleum products for which reduced trade VAT of 2.4% and 2%, respectively, is applicable.**

Goods and services subject to truncated VAT rate will not be eligible for input VAT credit.

Suppliers of goods and services subject to trade VAT rate can choose to exercise standard VAT rate of 15% and get input VAT credit against their purchase.

## ▪ Advance Tax

Importers are required to pay Advance Tax at 5% on taxable imports on the value determined for taxable imports. Such Advance Tax can be shown as decreasing adjustment within the concerning VAT period or 4 succeeding VAT periods.

Advance Tax (AT) for import of materials to be used in the production/manufacture of goods is 4% subject to fulfilment of the following conditions in accordance with General Order no. 10/Mushak/2020:

- VAT Registration Certificate as manufacturer.
- Input- output Coefficient attested by Divisional Commissioner
- Bill of entry.
- Import Registration Certificate (IRC)
- Last 12 months' VAT returns.

## ▪ Truncated VAT

VAT & SD Act 2012 prescribes VAT rates lower than the standard VAT rate of 15%, commonly known as Truncated VAT system, in the Third Schedule of the legislation. Truncated VAT rates are as follows:

- 5% (e.g. mustard oil, biscuits, plastic products, indenting firm, ride sharing services)
- 7.5% (e.g. non-air-conditioned hotel or restaurant, procurement provider, construction contractor)
- 10% (e.g. printing press, security service, building, floor, compound cleaning or maintenance service provider)
- For building construction firm
  - Up to 1,600 sq. ft. at 2%;
  - Exceeding 1,600 sq. ft. at 4.5%; and
  - Reregistration irrespective of size at 2%

Goods and services subject to Truncated VAT rate will not be eligible for input VAT credit.

Business entities whose supplies are subject to Truncated VAT can choose to exercise the standard VAT rate of 15% and claim input VAT credit against their purchase.

▪ **Specific VAT (Tariff Value VAT)**

Certain goods and services are subject to tariff value-based VAT such as SIM cards, mild steel products, newsprint etc.

## 12.4 VAT Mechanism

▪ **VAT Payment through VAT Return**

Registered persons under VAT & SD Act 2012 is required to pay their net VAT payables, if any, (i.e. output VAT less input VAT and other adjustments) at the time of submission of VAT Return within 15 days following the month end. The following equation will be used for calculation of VAT liability:

|   | Output VAT                           |
|---|--------------------------------------|
| + | Supplementary Duty, where applicable |
| + | Increasing Adjustments               |
| - | Input VAT Credit                     |
| - | Decreasing Adjustments               |
| = | Net Tax Payable                      |

▪ **Input-Output Coefficient Declaration**

Registered and enlisted persons are required to file Input-Output Coefficient Declaration in Mushak Form 4.3. before supply of goods and supply. Subsequently, a copy of Input-Output Coefficient Declaration should be sent to the concerned commissioner office within 15 days by Deputy Commissioner of Tax (DCT) along with his/her recommendation.

The Input-Output Coefficient Declaration will not be applicable for 100% export-oriented organisations for its exportable goods.

▪ **Adjustments**

The following increasing adjustments can be made against output VAT and Supplementary Duty payable in a tax period, subject to fulfilment of specific conditions, time limit and method namely:

- (a) an increasing adjustment in respect of withholding tax;
- (b) an increasing adjustment required for an annual re-calculation;
- (c) an increasing adjustment if a payment is not made through banking channels;
- (d) an increasing adjustment for goods put into private use;
- (e) an increasing adjustment on being registered;
- (f) an increasing adjustment on cancellation of registration;
- (g) an increasing adjustment for a change in the VAT rate;
- (h) an increasing adjustment for the payment of any interest, monetary penalty, fine, fee, etc; or
- (i) any other prescribed increasing adjustment.

The following decreasing adjustments can be made against output VAT and Supplementary Duty payable in a tax period, subject specific conditions, time limit and method namely:

- (a) a decreasing adjustment for the money paid as advance tax;
- (b) a decreasing adjustment in respect of withholding VAT against supply by the Supplier;
- (c) a decreasing adjustment applicable as a result of an annual re-calculation;
- (d) a decreasing adjustment for issuing credit note;
- (e) a decreasing adjustment of paying input VAT for export;
- (f) a decreasing adjustment where there is a decrease in the VAT rate;
- (g) a decreasing adjustment claimed for a negative net amount carried forward from a previous tax period;
- (h) a decreasing adjustment allowed for VAT overpaid in a previous tax period; or
- (i) any other prescribed decreasing adjustment.

#### ▪ Input VAT Credit

A registered person shall be entitled to an input VAT credit for any taxable import or taxable supply made to the person for conducting their economic activities and taxable supplies.

VAT & SD Act 2012 restricts to input VAT credit on the following cases, namely:

- (a) expenses for exempted goods or services,
- (b) expenses which are not mentioned in the Input-Output Coefficient Declaration,
- (c) expenses related to supply of goods and services which are subject to Turnover Tax (VAT), VAT at a specified rate or VAT at a rate less than 15%,
- (d) expenses over Tk. 100,000 for which payment is made without banking channel,
- (e) imported services for which output VAT has not been shown in the VAT Return,
- (f) claim of input VAT credits which have not been made either in the VAT period in which VAT has been paid or within the four succeeding VAT periods,
- (g) expenses for which the VAT invoice (Mushak Form 6.3) does not mention the name, address and BIN of both the purchaser and seller,
- (h) purchase of passenger vehicle or entertainment services, provided that, input VAT credit may be allowed when such purchases are part of normal course of the economic activities of the person (e.g. dealer or charterer of vehicles),
- (i) purchase of transportation services,
- (j) VAT paid on the goods under the custody or possession or occupancy of another person,
- (k) VAT paid on inputs that have not been entered into the Purchase Register or Combined Purchase and Sale Register prescribed by the Rules,
- (l) Additional input tax credit will not be allowed if a revised Input-Output Co-efficient Declaration is not submitted to the concerned VAT authority in case of a change in the price of the input by 7.5%. Earlier, this condition was only mentioned in the form of input-output co-efficient sheet. Now, it is embedded in the law, and
- (m) In case of input tax credit for the input of Gas, Water, Electricity and Telephone bill, the invoice raised by the organisation will be considered as tax invoice.

#### ▪ Partial Input Tax

If a registered person is not entitled to full input VAT credit, their entitlement to input VAT credit against total imports and acquisitions shall be calculated in a proportionate manner as follows:

$$I \times T/A$$

where—

“I” is the total amount of input tax originating from imports or acquisitions;

“T” is the amount paid on all taxable supplies during the tax period; and

“A” is the amount paid by the registered person on all the supplies during a tax period.

Also, when a registered person pays or is liable to pay a part of the consideration for a taxable supply, any input tax credit to which the person is entitled shall be calculated on the basis of the amount of the consideration such person pays or is liable to pay.

Partial input tax calculated on monthly basis is provisional. Annual increasing/decreasing adjustments can be made for the calendar year with the approval of VAT Commissioner considering the above factor on annual basis.

#### ▪ Withholding VAT implication on sub-contract project

For any project, the VAT has to be collected or deducted and deposited to Government Treasury at the time of payment of service value or commission by a person receiving the service. If the service provider appoints any sub-contractors, agents or any other service rendering persons, VAT shall not be collected at source again from such sub-contractors, agents or any other service rendering persons appointed by the main service provider; subject to production or submission of documentary evidence of early stage's collection or deduction of VAT and the deposit of such VAT to the Government Treasury. However, this rule is not applicable for purchasing goods under the project.

The above provision was present in the old VAT Act 1991 under subsection 4AA of the section 6. However, when the new VAT regulation (i.e. the VAT & SD Act, 2012) came into effect from 1 July 2019, this important provision was not incorporated. Consequently, considering the importance of this law for the project contractors, it has now been reintroduced into the new VAT regulation

#### ▪ Withholding VAT

VAT & SD Act 2012 has imposed upon certain business entities the responsibility to withhold VAT.

Sub-section 21 of section 2 of VAT & SD Act 2012 defined withholding entity to mean-

- a) a Government entity (ministry, board, authority, semi-government, autonomous body, state owned entity, local authority or similar types of institutes);
- b) a non-government organisation approved by the NGO Affairs Bureau or the Directorate-General of Social Welfare;
- c) a bank, insurance company or a similar financial institution;
- d) a post-secondary educational institution; or
- e) a limited company.

## ▪ Applicability of withholding VAT

If the applicable rate for the supply of goods is less than 15%, entire VAT is subject to withholding. In case of supply of services, withholding VAT will be applicable for all the services which are prescribed for withholding VAT. Currently, 43 services as listed below are categorized for withholding VAT. Moreover, if the applicable VAT rate for any service is less than 15%, it would be subject to withholding VAT even if it is not mentioned in prescribed withholding VAT list.

### List of services for withholding VAT

A comprehensive list of services for withholding VAT is set by the National Board of Revenue (NBR). The list of services which are subject to withholding VAT are stated below:

| Sl. | Service Code | Description of services  | VAT rate     |
|-----|--------------|--|--------------|
| 1   | S001.10      | Hotel (Air-conditioned)  | 15%          |
|     | S001.20      | Restaurant (Air-conditioned)   | 15%          |
|     | S001.10      | Hotel (Non-AC)   | 7.5%         |
|     | S001.20      | Restaurant (Non-AC)  | 7.5%         |
| 2   | S002.00      | Decorators and caterers  | 15%          |
| 3   | S003.10      | Motor car garage and workshop  | 10%          |
| 4   | S003.20      | Dockyard   | 10%          |
| 5   | S004.00      | Construction firm  | 7.5%         |
| 6   | S007.00      | Advertising firm   | 15%          |
| 7   | S008.10      | Printing press   | 10%          |
| 8   | S009.00      | Auction firm   | 10%          |
| 9   | S010.10      | Land developer   | 2%           |
| 10  | S010.20      | Building construction firm   |              |
|     |              | Up to 1,6 00 square feet   | 2%           |
|     |              | Above 1,600 square feet  | 4.5%         |
|     |              | Reregistration irrespective of size  | 2%           |
| 11  | S014.00      | Indenting agency   | 5%           |
| 12  | S015.10      | Freight Forwarders   | 15%          |
| 13  | S020.00      | Survey firm  | 15%          |
| 14  | S021.00      | Plant or capital machinery rental firm   | 15%          |
| 15  | S024.00      | Furniture distributors   |              |
|     |              | a. Manufacturing stage<br>b. Selling stage (showroom) (subject to 7.5% VAT challan at manufacturing stage) | 7.5%<br>7.5% |
| 16  | S028.00      | Courier and express mail service   | 15%          |
| 17  | S031.00      | Repair and maintenance service firm  | 10%          |
| 18  | S032.00      | Consultancy and supervisory firm   | 15%          |
| 19  | S033.00      | Lessor   | 15%          |
| 20  | S034.00      | Audit and accounting firm  | 15%          |
| 21  | S037.00      | Procurement provider   | 7.5%         |
| 22  | S040.00      | Security service   | 10%          |
| 23  | S043.00      | Program aired through television or online platform  | 15%          |
| 24  | S045.00      | Legal advisor  | 15%          |
| 25  | S048.00      | Transport contractor:  |              |

| Sl. | Service Code | Description of services                                     | VAT rate |
|-----|--------------|---|----------|
|     |              | i) Transportation of petroleum products                     | 5%       |
|     |              | ii) Others  | 10%      |
| 26  | S049.00      | Rent-a-car service provider                                 | 15%      |
| 27  | S050.10      | Architect, interior designer or interior decorator          | 15%      |
| 28  | S050.20      | Graphic designer  | 15%      |
| 29  | S051.00      | Engineering firm  | 15%      |
| 30  | S052.00      | Sound and lighting accessories provider                     | 15%      |
| 31  | S053.00      | Board meeting participants                                  | 15%      |
| 32  | S054.00      | Advertisement through satellite channel                     | 15%      |
| 33  | S058.00      | Chartered air or helicopter rental firm                     | 15%      |
| 34  | S060.00      | Buyer of auctioned goods                                    | 7.5%     |
| 35  | S065.00      | Cleaning and maintenance services of floors, compounds etc. | 10%      |
| 36  | S066.00      | Seller of lottery ticket                                    | 10%      |
| 37  | S067.00      | Immigration Advisor   | 15%      |
| 38  | S071.00      | Event management  | 15%      |
| 39  | S072.00      | Human resource supplier or management                       | 15%      |
| 40  | S099.10      | Information technology enable services                      | 5%       |
| 41  | S099.20      | Miscellaneous services                                      | 15%      |
| 42  | S099.30      | Sponsorship services  | 15%      |
| 43  | S099.50      | Credit rating agency  | 7.5%     |

▪ **No requirement of withholding VAT**

| SL | Cases               | Description   |
|----|---------------------|---|
| 1  | Supply of goods     | Supply of goods @ 15% with VAT invoice 6.3 (Mushak 6.3) will not be subject to withholding VAT  |
| 2  | Supply of services  | Supply of services which are not included in the prescribed withholding VAT list will not be subject to withholding if it is supplied @ 15% with VAT invoice 6.3 (Mushak 6.3) |
| 3  | Utilities           | Supply of certain utilities such as Fuel, Gas, Water (WASA), Electricity, Telephone, Mobile bill will not be subject to withholding VAT                                       |
| 4  | Exempted supplies   | Supplies of goods and services which are exempted under the First Schedule of the VAT and SD Act, 2012 will not subject to withholding VAT                                    |
| 5  | Zero rated supplies | Any supplies which are considered zero rated as per section 21 of the VAT and SD Act, 2012 will not be subject to withholding VAT   |

▪ **Adjustment of withholding VAT**

Adjustment of withholding VAT must be made in the tax (VAT) period in which VAT payable on a supply is paid or within the next six months after such tax period. If VAT claim is not adjusted within such time limit, it will expire due time bar. Withholding VAT adjustment will be made through the withholding VAT Certificate (Mushak 6.6).



## ▪ Guidelines of withholding VAT entity at the time of making payment to vendor

A withholding entity being the service recipient will deposit the withheld VAT amount to the Government Treasury through treasury challan within 15 days after making payment to the vendor. After that, the withholding entity will issue three copies of withholding VAT Certificate (i.e. Mushak 6.6). The original copy of withholding VAT Certificate with original treasury challan should be submitted to the concerned VAT office at the time of submission of VAT Return. One copy of the withholding VAT Certificate is to be provided to the supplier and other copy is to be preserved by the withholding entity for at least 5 years.

The withholding entity has to show the withholding VAT amount as “increasing adjustment” in the relevant month’s VAT Return. The withholding VAT amount deposited through treasury challan should be adjusted with relevant month’s net VAT liability. If any amount remains after adjustment with net VAT liability, it should be deposited to the Government Treasury.

## ▪ Reverse charge of VAT for importation of services

VAT & SD Act 2012 provides clear provisions for VAT on imported services under the concept of Reverse Charge.

Imported service is a taxable supply in the hand of the service recipient and consequently, it has to be shown as output VAT in the VAT Return. Simultaneously, the service recipient will be required to show the applicable VAT on such imported service as their input VAT in the VAT Return. As such, there would be no cash flow impact for imported service.

## ▪ Collection of VAT on importation of service

Banks which are responsible for sending money against importation of services from outside of Bangladesh will check whether applicable VAT on importation of services has been deposited to the Government Treasury or not. Based on the status of importer’s VAT registration, the control mechanism is as follows:

| SL | Types of service importer | Control mechanism  |
|----|---------------------------|--|
| 1  | Unregistered person       | Bank will collect VAT@ 15% on the imported price from the unregistered person at the time of sending the fund outside Bangladesh and deposit it to the concerned bank’s Commissioner Economy Code  |
| 2  | Registered person         | Bank will not collect VAT @ 15% on imported service if the registered person submits a copy of the treasury challan for the payment of corresponding amount of VAT on imported service. If there is no treasury challan or the amount deposited is less, bank will collect required amount of VAT and deposit it to its Commissioner Economy Code. |



## 12.5 Value of taxable supply

### ▪ Determination of value of taxable supply

#### – Taxable supply

The value of a taxable supply is the amount derived by reducing the tax fraction ( $\frac{\text{VAT Rate}}{100 + \text{VAT Rate}}$ ) from the consideration amount.

Consequently, value of any supply other than the taxable ones shall be the consideration of such supplies.

#### – Imported services

As per an amendment brought by Finance Act 2020, value of imported services shall be the consideration of such supplies.

#### – Taxable import of goods

Import of goods will be valued at the Assessable Value determined by the Customs Authority plus the amount of Customs Duty, Regulatory Duty or Supplementary Duty.

It is also required to file Input-Output Coefficient Declaration to the VAT authority.

#### – Special Cases

If any taxable supply is made or imported service is taken from an associated entity, the value of such transaction would be the *fair market value* of that taxable supply or imported service if:

- i) the taxable supply or imported service is made for no consideration or consideration lower than the fair market value, and
- ii) the associated entity cannot claim input VAT credit on the taxable supply or imported service.

Also, taxable supplies with no consideration will be valued at the fair market value of the supply reduced by the tax fraction.

### ▪ Fair market price

VAT & SD Act 2012 introduces the concept of *fair market price*. According to the legislation, *fair market price* is the consideration arrived at as a result of normal relationship between a buyer and a seller who are not associated with each other. If such price is not identifiable, consideration of similar supply made previously under similar circumstance would then be the fair market value. If the price cannot be derived by the above means, it may be determined by NBR based on impersonal average of consideration in course of normal business relations among buyers and sellers, who are not associated with one another.

### ▪ Definition of associated entities

Associated entities mean two persons with such a relation between them that it would

make one act or reasonably expect to act in accordance with the intention of the other or make both act or reasonably expect to act in accordance with the intention of a third person. Associated entities also include the following persons, namely—

- i) a partner of a partnership;
- ii) a shareholder of a company;
- iii) a Trust and a beneficiary of such Trust;
- iv) a joint venture for property development and the landowner as a partner of that joint venture, builder, or other related person; or
- v) representative, VAT Agent, distributor, licensee or persons with similar relationship

Associated entities but do not include persons with employment relations.

▪ **When is fair market price relevant?**

In the context of the VAT & SD Act 2012, fair market price is relevant in the following scenarios:

- to determine the value of free samples above the allowable limit of Tk. 20,000 per fiscal year;
- when assessing the consideration of imported services obtained from or supplied by a related person;
- when taxable supply is made to an associate for no consideration or consideration which is less than fair market price and also the associate cannot take full input VAT credit;
- supplies of service or immovable property to any employee without a consideration or at a price less than the fair market price;
- imposition of SD on the supply of any goods or service subject to SD which is made without any consideration or with inadequate consideration;
- when quantity of goods subject to SD is identified during an audit to have not been accounted properly; or
- transfer of immovable property by a property developer to the landowner.

## 12.6 Few important matters

▪ **Defining Residents**

In case of individuals, “*resident*” will mean an individual who—

- a) normally lives in Bangladesh; or
- b) stays in Bangladesh for more than 182 days in a current calendar year; or
- c) stays in Bangladesh for more than 90 days in a calendar year and has stayed in Bangladesh for more than 365 days during the four immediately preceding calendar years.

In other cases, resident will include the following:

- a) a company incorporated in Bangladesh or having its centre of control and management in Bangladesh;

- b) a Trust, if a Trustee thereof is a resident of Bangladesh or the centre of control and management of the Trust is in Bangladesh;
- c) an association of persons other than a Trust, if it is formed in Bangladesh or its centre of control and management in Bangladesh;
- d) all Government entities; or
- e) a property development joint venture.

Any other person is a **Non-resident**.

#### ▪ **Defining Fixed Place**

VAT & SD Act 2012 defines *fixed place* to include, namely—

- a) a place of management;
- b) a branch, an office, a factory, or a workshop;
- c) a mine, a gas well, a quarry for extraction of stones or any other similar mineral resource; or
- d) a location of any construction or installation project.

#### ▪ **Implications of Residency Status**

The prime implication of residency status is that if a non-resident is carrying out an economic activity from or through a fixed place in Bangladesh and provides any supply from such a fixed place, such activity or supply would be considered as an economic activity or supply in Bangladesh and will be subject to VAT. A non-resident having no fixed place of business in Bangladesh would not be required to register for VAT for their compliance of VAT obligations, if any, but they have to appoint a VAT Agent in order to discharge their VAT obligations.

#### ▪ **VAT Agent**

A non-resident can appoint a VAT Agent who will bear and carry all VAT related responsibilities arising out of the activities performed by the non-resident. The VAT Agent will obtain a VAT Registration in the name of the principal (or the non-resident) for the concerned economic activities.

#### ▪ **Cancelled Transaction**

If a transaction is cancelled, the amount of money which may be retained by the supplier will be subject to VAT. Furthermore, such VAT may be adjusted in the VAT Return.

#### ▪ **In-kind Benefits**

The price of supply of an in-kind benefit by a registered person or person required to be registered to any of their employees will be subject to VAT under the VAT & SD Act 2012.

If a service or an immovable property without a consideration or at a price less than the fair market price is given to the employees, the value of such service or such immovable property shall be its fair market price.

Input VAT credit can also be obtained on in-kind benefits.

## ▪ Definition of Input

As per section 2 (18ka) of VAT & SD Act 2012, input means all raw materials, laboratory reagents, laboratory equipment, laboratory accessories, any particular used as fuel, packing materials, services, machines and parts of machines. Following goods and services will not be considered as input:

- Land, labour, building, office equipment and fixtures, buildings/ infrastructures construction, maintenance, repair, renovation
- All furniture, office supplies, stationary materials, refrigerator, air conditioner, fan, lighting materials, generator purchase and repair
- Interior design, architecture planning and design
- Lease and rental payments for transportation
- Travelling, entertainment, goods and services related to employee welfare related activities
- Rentals for office premises, showrooms

## ▪ Definition of Company

As per section 2 (38) of VAT & SD Act 2012, company means any company registered in Bangladesh or registered under prevailing act of another country. According to an amendment brought by Finance Act 2020. foreign companies are also now within the definition of company.

## ▪ Carry Forward and Refund

Negative net tax payable for a tax period can be carried forward for 6 tax periods. Afterwards, if the negative net tax payable is not fully adjusted and the remaining amount is greater than Tk. 50,000, it can be claimed as cash refund within 3 months from the date of application. If the remaining negative net tax payable is less than Tk. 50,000, it can be carried forward indefinitely.

Refund can be claimed only after submission of all VAT Returns up to the current tax period.

## ▪ Progressive or Periodic Supplies

VAT & SD Act 2012 defines “*progressive or periodic supplies*” as any supply under contract, lease, hire purchase or license (including finance lease) on the condition of progressive or periodic payment of consideration.

VAT imposed on such supplies becomes payable at the earliest of:

- a) when separate invoices are issued for each such supply;
- b) when consideration against each such supply is received in part or in full;
- c) when the price against the series of supplies becomes payable; or
- d) the first day of the tax period to which the payable consideration relates, if it is possible to ascertain the payable amount at that time.

- **Is there VAT on sale of business?**

The previous VAT legislation contained provisions regarding fulfilment of certain VAT obligations prior to the transfer of ownership of a business. VAT & SD Act 2012 further clarifies these obligations by providing clearer instructions for transfer of ownership of a business.

Furthermore, if a business is purchased with an intention to keep the economic activities associated with it to be continued, such transfer of ownership will not be regarded as a taxable supply. Similarly, if any part of the business is sold on a going concern basis it would be treated in the same manner.

- **Is there VAT on disposal of assets?**

The previous VAT legislation did not provide clear definitions or clarifications for applicability of VAT on sale of used goods. VAT & SD Act 2012 defines second-hand goods as goods (except precious metal or goods made from precious metal) which have been used previously.

VAT is applicable on second-hand goods. However, VAT & SD Act 2012 provides the opportunity to adjust such VAT against the output VAT if the second-hand goods are purchased for re-sale (without any manufacturing activities). This implies that under the new legislation, VAT paid on second-hand goods not for re-sale will be a cost.

## 12.7 VAT Documentations

- **Filing of Return**

VAT Returns are required to be filed within 15 days following the end of the month or tax period (for Turnover Tax—following the end of quarter).

If the last day (i.e. 15th day) for the submission of VAT return is a “public holiday”, the next working day will be considered as the deadline for the submission of VAT return.

A late VAT Return may be filed by obtaining extension from the VAT Authority which is limited up to 1 month. Nevertheless, interest will be applicable at a rate of 2% per month on the amount of VAT payable, if VAT Return is submitted after the prescribed 15 days.

Government can extend the return submission date without any penalty or interest due to epidemic, natural disaster or war in public interest.

VAT & SD Act 2012 also includes a provision for Amended Return for clerical error or computational errors. Amended Return can be submitted before completion of 4 years from the date of filing of the relevant return or before commencement of audit by VAT Authority.

The taxpayer will have to pay interest on the difference between the amount of tax payable as per the Amended Return less the amount of tax initially paid.

If any taxpayer fails to submit the monthly VAT return within the prescribed time limit, Commissioner will issue a notice through VAT Form 11.1 (Mushak 11.1) to the taxpayer to submit the late VAT Return.

If the defaulting taxpayer does not submit the late VAT Return within 21 days of the notice, Commissioner will issue a VAT Assessment Order through VAT Form 11.2 (Mushak 11.2).

For failure of submission of late VAT Return within 21 days of the stipulated time period, the Board will temporarily lock the BIN including suspension of import and export activities through automatic VAT online system and transactions of source tax deductible supply. With submission of VAT Return, BIN will automatically be unlocked within two days of the submission.

#### ▪ **Mushak Forms**

VAT & SD Act 2012 prescribes new templates and forms for VAT compliance and submissions. The following are some of the important forms relevant to business entities:

| Form name    | Form description  |
|--------------|---|
| Mushak 2.1   | Registration form for VAT and Turnover Tax                        |
| Mushak 2.2   | Registration form for Branch/Division                             |
| Mushak 2.3   | Registration Certificate for VAT/Turnover Tax                     |
| Mushak 2.4   | Cancellation or Amendment of Registration/ Enlistment             |
| Mushak 2.5   | Final Return on Cancellation of Registration/ Enlistment          |
| Mushak 3.1   | Registration of VAT Agent   |
| Mushak 3.2   | Registration Certificate of VAT Agent                             |
| Mushak 3.4   | Delegation of Power to VAT Agent by Non-resident Person           |
| Mushak 4.3   | Input-Output Coefficient Declaration                              |
| Mushak 4.4   | The settlement of VAT on unused goods                             |
| Mushak 4.5   | The settlement of VAT on the destruction of goods due to accident |
| Mushak 6.1   | Purchase Register   |
| Mushak 6.2   | Sales Register  |
| Mushak 6.2.1 | Purchase-Sale Register  |
| Mushak 6.3   | Tax Invoice   |
| Mushak 6.5   | Goods Transfer Invoice for Centrally Registered Entity            |
| Mushak 6.6   | Withholding Tax Certificate                                       |
| Mushak 9.1   | VAT Return  |
| Mushak 9.2   | Turnover Tax Return   |
| Mushak 11.1  | Late VAT Return   |
| Mushak 11.2  | Assessment Order for VAT  |

#### ▪ **Tax Invoice**

Every VAT registered supplier is required to issue two copies of Tax Invoice on or before the date when VAT becomes payable on the taxable supply containing the following information, namely:

- the date and time of issue of the invoice;
- the name, address and Business Identification Number of both the supplier and the buyer if the supply value is greater than Tk. 25,000;
- description of the goods or services,
- quantity of the goods supplied;

- e) the value of the supply (exclusive of VAT and inclusive of VAT);
- f) the VAT rate applicable to the supply;
- g) the amount of payable VAT;
- h) any other information prescribed by the Board;
- i) the SD rate; and
- j) the name and nature of transport.

Tax invoices should be serialised fiscal year wise. Notably, if supply is made from multiple locations, Tax Invoice should also be serialized for each location. This serial number along with the name and address of the location should be mentioned in the Tax Invoices for the supplies made from those locations. The original Tax Invoice (i.e. Mushak- 6.3) should be present while making transportation of the goods.

The registered person can preserve in his own format Tax Invoice including additional information for the requirement of his business where all information in the prescribed form shall be included and shall be issued in the prescribed number of minimum copies.

Moreover NBR, by a notification in the official Gazette, can declare any Tax Invoice or bill issued by a registered person in his/her own format as a Tax Invoice (i.e. Mushak 6.3).

#### ▪ **Withholding Certificate**

A registered person, who makes a supply to a withholding entity shall on or before the date of making such supply, issue to the withholding entity a Withholding VAT Certificate containing the prescribed information.

The form and manner of the Withholding VAT Certificate shall be prescribed by the Board.

#### ▪ **Books and Records**

VAT & SD Act 2012 allows all prescribed documents to be customized according to the company's formats or templates.

VAT & SD Act 2012 requires the registered and enlisted persons to complete accounting, reporting and auditing under International Financial Reporting Standards, International Accounting Standards and International Standards on Auditing. For tax determination all documents which depict the operation of business should be considered.

VAT & SD Act 2012 requires records and accounts to be maintained for at least 5 years. In case of unsettled VAT disputes, all the relevant documents and records shall be kept until the settlement of the disputes.

#### ▪ **Appeal and Revision**

- (a) Appeal to the Commissioner (Appeal)

*Applicant:* Any person or any VAT officer who is aggrieved by a decision taken or



order issued under the VAT regulation by any Additional Commissioner or any VAT officer below the rank of an Additional Commissioner.

*Timeline:* Appeal must be made within 90 days from the date of the service of such decision.

*Deposit of tax at the time of filing:* The applicant other than VAT officer will be required to pay 20% of the tax specified in the impugned order at the time of filing.

*Disposal of the case:* The Commissioner (Appeal) shall dispose of the appeal within a period not exceeding 1 year.

(b) Appeal to Appellate Tribunal

*Applicant:* Any person or any VAT officer who is aggrieved by a decision taken or order issued under the VAT regulation by any Commissioner or Commissioner (Appeal) or Director-General or by any VAT officer holding the same rank.

*Timeline:* Appeal must be made within 90 days from the date of the service of such decision.

*Deposit of tax at the time of filing:* The applicant other than VAT officer will be required to pay 20% of the tax specified in the impugned order at the time of filing. Provided that, this 20% tax will not be required to be paid if the appeal is made against the order issued by the Commissioner (Appeal)

*Disposal of the case:* If the Appellate Tribunal fails to dispose of the appeal within a period of 2 years, the appeal shall be deemed to have been granted by the Appellate Tribunal.

▪ **VAT Software**

NBR has made it mandatory for registered entities having turnover exceeding Tk. 50,000,000 in the preceding financial year to maintain their VAT related books and records in software prescribed by the VAT authority. In order to comply with this provision, only software from NBR approved software developers or suppliers should be used. Entities may also use their own personal software provided it has the same specifications as prescribed by the NBR and after obtaining approval from the NBR.



**Bangladesh**

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