



Finance Bill 2020 Highlights

Personal Income Tax

Personal income tax rates have undergone significant changes after remaining unchanged for 5 years. The comparison between existing and proposed rates are as follows:

Existing		Proposed	
Amount of Taxable Income	Rate	Amount of Taxable Income	Rate
First Tk. 250,000 or as applicable	Nil	First Tk. 300,000 or as applicable	Nil
Next BDT 400,000	10%	Next BDT 100,000	5%
Next BDT 500,000	15%	Next BDT 300,000	10%
Next BDT 600,000	20%	Next BDT 400,000	15%
Next BDT 3,000,000	25%	Next BDT 500,000	20%
On the balance	30%	On the balance	25%

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|---|--|
| 1. Tax of non-resident remains unchanged at 30%. | 3. Disabled taxpayers are exempt up to Tk. 450,000. |
| 2. Female taxpayers and taxpayers above 65 years old, will enjoy tax exemption up to Tk. 350,000. | 4. Gazetted freedom fighter taxpayers are exempt up to Tk. 475,000 |

Pension fund payments previously exempt from tax is now conditional on fund being government fund or funds approved by NBR.

Gratuity payments is still tax exempt up to Tk. Two crore Fifty lac provided the fund is approved by NBR or received from any government fund.

Any person required to have 12-digit e-TIN will have to **file tax returns** even if the person does not have taxable income.

Individuals submitting income **tax return online** for the first time will get tax credit of Tk. 2,000.

Requirement for obtaining e-TIN has been extended to include the following:

1. Person obtaining for credit card*	3. Extended to include person participating in zilla parishad election as well.
2. Person selling land*	4. Person obtaining or maintaining licensed firearms

*exempted from filing annual tax return

Individuals having gross annual receipts above Tk 3 crore will be subject to **minimum tax** of 0.50% of gross receipts. Higher rate if receipt from mobile phone operations or tobacco products.

Advance income tax payable on owning motor vehicles has been increased as follows:

Type and engine capacity of motor car	Existing (BDT)	Proposed (BDT)
Car/jeep – Up to 1,500 cc	15,000	25,000
Car/jeep – 1,501 to 2,000 cc	30,000	50,000
Car/jeep – 2,001 to 2,500 cc	50,000	75,000
Car/jeep – 2,501 to 3,000 cc	75,000	125,000
Car/jeep – 3,001 to 3,500 cc	100,000	150,000
Car/jeep – More than 3,500 cc	125,000	200,000
Microbus	20,000	30,000

Capital Gains was limited to gains in relation to transfer of capital assets. This is now extended to cover the transfer of a business/undertaking.

Any individual with gross wealth in excess of Tk. 40 lac is required to furnish a **Statement of Asset, Liability and Lifestyle** along with their annual returns. The limit was previously Tk. 25 lac. Individual (except shareholder directors) may opt not to file if total income is less than Tk. 4 lac instead of the previous limit of Tk. 3 lac.

Special tax treatments fund:

1. Addition of Section 19AAAA reintroduces the provision to invest in securities without investigation of the source of fund, provided that 10% tax on the investment is paid and not withdrawn within three years from the day of the investment.

2. Addition of Section 19AAAAA allows individuals to disclose land, building, apartment, cash and cash equivalents. The rate of tax on property varies from Tk. 20,000 to Tk 200 per sqm depending on location and type of property. For cash and cash equivalent, the tax rate is 10%.

Corporate Income Tax

Corporate tax rates remain unchanged for all categories except non-listed companies, which will enjoy a reduction of rate from 35% to 32.5%:

Type of Entity	Listed company	Non-listed company	Listed bank/ insurance/ NBF	Non-listed bank/ insurance/ NBF	Merchant bank	Cigarette/ Bidi company	Listed mobile phone	Non-Listed mobile phone company	Dividend income
Rate	25%	32.5%	37.5%	40%	37.5%	45%	40%	45%	20%

Allowable limit for expenditure on **Overseas Travel** has been decreased from 1.25% to 0.5% of total disclosed turnover.

Tax allowance for **Promotional Expenses** is now capped to 0.5% of disclosed turnover. Promotional expense has been defined as “any expense incurred by way of giving any benefit in kind or cash or in any other form to any person for the promotion of business or profession”.

Calculation of **Net Profit** for allowance of royalty, technical assistance fees or similar fees has been redefined to exclude net profit as per consolidated financial statements.

Shared economic activities such as **ride sharing, coworking space providing and accommodation providing service** are now included under the following tax requirements:

Category	E-Tin Annual Returns	TDS
Details	Owner of vehicle, accommodation or any other asset used in such sharing services are required to obtain e-TIN and file annual returns.	Such services will be subject to TDS at rate of 3% and 4% if amount over Tk. 25 lac.

Introduction of **Tax on difference of Investment, Import and Export made** at a rate of 50% on the difference of actual versus reported amount of investment, export of import.

Change in **Taxes deducted at source (TDS)**:

1. Interest/profit/discount on securities will be subject to deduction of tax at 5% at the time of making payments. The exemption of such TDS on Treasury bond and Treasury bill is now removed.	6. Foreign remittance subject to 10% TDS is now more clearly defined and includes the following: <ul style="list-style-type: none"> ■ providing any service rendered in Bangladesh; or ■ rendering any service or performing any task by a resident person in favour of a foreign person; or ■ allowing the use of any online platform for advertisement or any other purposes. ■ Exemptions under this includes any ITES services or other services enjoying tax exemption. It also exempts remittance from Bangladeshi nationals working abroad.
2. Definition of payment for purposes related to TDS now includes any 'order or instruction of making payment'.	
3. TDS on compensation received for government acquisition of land has been increased from 2% to 6% within city corporation, paurashava or cantonment board and from 1% to 3% for other areas.	7. Dividend paid to non-residents subject to TDS is now clearly defined to include dividend paid to company, fund and trust (@ 20%) or any other person (@ 30%).
4. Local Letter of Credit (LC) transaction is now subject to TDS at rate of 2%.	
5. Export of goods is now subject to TDS at rate of 0.5% increased from previous rate of 0.25%	

Advance payment of tax is now required for assessee with income above Tk. 6 lac increased from the previous rate of Tk. 4 lac.

Income earned by alternative investment fund under BSEC is now exempted. This was previously limited to income earned from the fund as opposed to exemption for the fund itself.

The NBR may now condone or extend time limits and deadlines in period of any disaster like epidemic, pandemic or war and the order may be issued with retrospective effect.

Tax benefit for industrial undertaking established between July 2019 and June 2024 is now expanded to cover the following industries:

- Electrical transformer;
- Artificial fiber or manmade fiber 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

Value Added Tax & Supplementary Duty

- Bank will collect 15% VAT on the **payment to any Non-Resident**, unless VAT is paid by the recipient of the service and can show treasury challan.
- Inputs on which **Input tax credit** can be claimed is now clearly defined and listed.
- Advance Tax on import** of production materials for manufacturing is to be 4% instead of 5%.
- Timeline to claim rebate on **Advance Tax** increased to four tax period from two.
- Re-introduction of **VAT exemption for sub-contractors** for any project, provided VAT is paid by the main contractor.
- Supplier/ service provider cannot do **reducing adjustment** if does not have VAT deduction certificate from customer.
- Customers need to issue **VAT deduction certificate** to vendor at the time of making payment. This was previously required to be provided within 3 days of submission of VAT.
- VAT return** now can be submitted next working day if 15th is a Government Holiday. Currently VAT return is filed within 15th irrespective of holidays.
- NBR now can **extend time for submission of VAT return** with a provision of not paying penalty and interest during any natural disaster, pandemic, and emergency situation.
- For any economic activity, negative net amount for a tax period can only be **claimed for refund** after adjusting in next 6 tax periods.
- In case of **Appeal at Commissioner level or Tribunal level**, 20% tax in the order in question need to be submitted instead of 10%.
- VAT has been **exempted for the import, production and trade** of COVID-19 test kits, PPE and all sorts of masks, infection preventing medicines.

Major changes to VAT rates are as follows:				Major changes to SD are as follows:			
SC/ HS	Type of Goods/Services	Existing Rate	Proposed Rate	SC/ HS	Type of Goods/Services	Existing Rate	Proposed Rate
Trading Stage (Goods)				Trading Stage (Goods)			
1105.20.00	Potato flakes	0%	5%	2402.20.00	Cigarettes containing tobacco	55% & 65%	65%
1105.20.00	Maize (corn) starch	0%	5%	2402.90.00	Hand/machine made biri with/without filter	35% & 40%	40%
1105.20.00	Router	0%	5%	403.99.00	Jorda/gull	50%	55%
Trading Stage (Services)				Trading Stage (Services)			
S024	Furniture (showroom stage)	5%	7.5%	3304.99.00	Cosmetics local manufacture	5%	10%
S036	Air-conditioned launch	5%	10%	6910.00.00	Ceramic Sink, basin, etc.	0%	10%
S060.00	Buyer of Auction Goods	5%	7.5%	Trading Stage (Services)			
Trading Stage (Fixed rate)				Trading Stage (Services)			
52.05 to 52.07	Cotton	TK 4/KG	TK 3/KG	S012.10	Mobile sim/ rim services	10%	15%
54.02 to 54.10 & 55.12 to 55.16	Synthetic yarn	5%	TK 6/KG	S044.40	BRTA Services (except for passenger bus, truck, lorry, ambulance and school bus)	10%	15%
				S058.00	Chartered aircraft and helicopter services (except air ambulance)	25%	30%

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