



Bangladesh Tax Insights 2020-2021

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Who We Are

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ACE Advisory grew from a vision to create a world-class outsourcing and professional services firm that could service clients across the world and in Bangladesh. Started by two dynamic individuals, the firm has in almost a decade of operations, established a branch which is associated with high quality professional services and in-depth insight into regulatory matters. Led by some of the best minds in accounting, payroll, tax and consulting, ACE Advisory employs people with a diverse range of skills working collaboratively to put the client first. Our people are encouraged to think beyond the obvious and combines strategic thinking, innovative technology and rigorous research methods to provide advice that doesn't just solve problems but takes developments to the next level.

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Our Vision

To be the most preferred business process outsourcing (BPO) and advisory firm for global and local clients in Bangladesh.



Our Mission

To enable our clients to maximize value by focusing on core business activities while we take care of the rest.

Foreword

These insights are meant to provide guidance to individuals/entities who operate and for those looking to expand in Bangladesh. The information is general in nature and is not intended to address any specific circumstances. These insights incorporate many important aspects of the Income Tax Ordinance 1984 as amended up to and including the changes in the Finance Act 2020 and the respective major changes in the VAT Act 2012 and Rules 2016 as updated by Finance Act 2020.

These insights are not comprehensive and specific professional advice/opinion should be sought before relying on information contained herein. Although the information stands correct at the time of issue, there is no guarantee it will continue to be so in future. Information provided has been referenced in footnotes to the extent possible.

This document has been updated for changes till **30 June 2020**.

ACE Advisory



Personal Income Tax

1.1. Scope of Income

In Bangladesh, taxation depends on residency. Bangladesh residents are taxed on their worldwide income while non-residents are taxed on income earned in Bangladesh irrespective of where the payment is made.

Total income under tax laws are as follows¹:

a) Residents:

- Received or deemed to be received in Bangladesh during that year
- Accrues/arises or deemed to accrue/arise in Bangladesh during that year
- Accrues/arises outside Bangladesh during that year

b) Non- Residents:

- Received or deemed to be received in Bangladesh during that year
- Accrues/arises or deemed to accrue/arise in Bangladesh during that year

1.2. Tax Year

The tax year in Bangladesh stretches from 1 July to 30 June².

1.3. Residency

In Bangladesh an individual is treated as a resident if they have been in Bangladesh for³:

- An aggregate period of 182 days or more in that tax year, or
- 90 days or more in that tax year provided he/she has previously been in Bangladesh for an aggregate period of 365 days or more during the 4 years preceding that tax year
- Any company which is managed or controlled wholly in Bangladesh during that tax year
- Any trusts, funds or entity controlled or managed from Bangladesh

Short term visitors and dependents of expatriates not earning any income in Bangladesh are not taxable locally and do not have to file a tax return.

1.4. Tax Return

Any individual falling under the following category must file tax return at the end of the tax year⁴:

#	Category	Total Income Floor in an Income Year (Tk.)
1	Individual required to have 12-digit e-TIN even if that person does not have taxable income.	
2	Female Taxpayers & Senior Taxpayers (Age 65 & above)	350,000
3	Disabled Taxpayers	450,000

1. Section 17(1) of ITO 1984

2. Section 2(9) of ITO 1984

3. Section 2(55) of ITO 1984

4. **Section 75 of ITO 1984 as amended by FA 2020**

4	Gazetted War-Founded Freedom Fighter Taxpayer	475,000
5	Any one parent/legal guardian of Disabled Individuals	50,000 above their applicable total income floor.
6	Any individual other than above (1-3)	300,000
7	If an individual has been assessed for tax during ANY of the 3 years preceding the income year	
8	A shareholder director or a shareholder employee of a company	
9	A partner of a firm	
10	A government employee if he/she, at any time in the income year, draws a basic salary of Tk. 16,000 or more	
11	If an individual: ■ Owns a motor car ■ Owns a membership of a club	
12	Individuals running a business and has a trade license	
13	Registered with a recognized professional body (<i>doctors, lawyers etc.</i>)	
14	Registered Income Tax Practitioner	
15	Member of a chamber of commerce	
16	Candidate for an office of any paurashava, city corporation or an M.P.	
17	Anyone participating in government tenders	
18	A director of a company	
19	Any employee holding an executive or management position in a business or profession	
20	Participates in a shared economic activities by providing motor vehicle, space, accommodation or any other assets	
21	Individuals owning any licensed arms	

Return of income shall not be mandatory for an individual if the person⁵:

- is a non-resident individual having no fixed base in Bangladesh
- has no taxable income but is required to have 12-digit e-TIN for selling a land
- has no taxable income but who is required to have 12-digit e-TIN for obtaining a credit card

Failure to file income tax return may result in a penalty of⁶:

- Tk. 5,000 for those whose income was not assessed earlier (*never filed a return*)
- Tk. 1,000 or 50% of tax payable on the last assessed income, whichever is higher
- Tk. 50 each day in case the default continues

5. Section 75 of ITO 1984 as amended by FA 2020

6. Section 124 of ITO 1984

Individuals required to file a tax return must pay the balance between the total tax payable on his income less any deductions made at source before or on the date of return filing⁷. Failure to do so may result in a penalty of 25% of total tax payable or on deficit tax payable⁸. The assessee will also be required to pay a delay interest of 2% per month on the outstanding amount⁹.

An individual assessee who has income and gross wealth not exceeding Tk. 400,000 and Tk. 4,000,000 respectively may submit the return of income in a different simplified version (*IT-GHA 2020*) provided the individual does not own motor vehicle and have investment in house property or apartments in city corporation area¹⁰.

1.5. Taxpayer's Identification Number (e-TIN)

All individual taxpayers are required to obtain an e-TIN in order to file a tax return¹¹. This is relatively easy and can be obtained from <http://secure.incometax.gov.bd/TINHome>.

12-digit e-TIN number is required for the following cases¹²:

- Opening a letter of credit (LC)

- Applying for an import registration certificate (IRC) or export registration certificate (ERC)

- Obtaining or renewal of a trade license in the area of a city corporation or paurashava

- Participation in a tender by a resident for the purpose of supply of goods, execution of a contract or rendering a service

- Submission of application for the membership of a club registered under the Companies Act 1994

- Obtaining or renewal of license of or enlistment as a surveyor of general insurance

- Obtaining registration of the deed of transfer, baynanama or power of attorney or selling of a land, building or an apartment situated within a city corporation or a paurashava of a district head quarter or cantonment board. (*if deed value exceeds Tk. 100,000*)

- Obtaining registration, change of ownership or renewal of fitness of a bus, truck, prime mover, lorry etc

- Applying for a loan exceeding Tk. 500,000 from a bank or a financial institution

- Obtaining a credit card

- Obtaining the membership of the professional body as a doctor, dentist, lawyer, chartered accountant, cost and management accountant, engineer, architect or surveyor or any other similar profession

- Being a director or a sponsor shareholder of a company

- Obtaining and retaining a license as a Nikah Registrar

- Obtaining or maintaining the membership of any trade or professional body

- Submitting a plan for construction of building for the purpose of obtaining approval from RAJUK, CDA, KDA and RDA

7. Section 74 of ITO 1984

8. Section 127 of ITO 1984

9. Section 73A of ITO 1984

10. **SRO/165/Law/IncomeTax/2020**

11. Section 184(b) of ITO 1984

12. **Section 184A of the ITO 1984 as amended by FA 2020**

- Obtaining a drug license

- Obtaining the commercial connection of gas

- Obtaining the connection of electricity within a city corporation, paurashava or cantonment board

- Registration, change of ownership or renewal of fitness of a motor vehicle

- Obtaining a survey certificate of any water vessel

- Registration or renewal of agency certificate of an insurance company

- Obtaining the permission or the renewal of permission for the manufacture of bricks

- Participating in any election in upazilla, paurashava, zilla parishad, city corporation or Jatiya Sangsad

- Parents of the students applied for admission in english medium school following international curriculum

- Receiving any payment which is an income of the payee classifiable under the head "Salaries" by an employee of the government or an authority, corporation, body or units of the government or formed by any law, order or instrument being in force, if the employee, at any time in the income year, draws a basic salary of Tk. 16,000 or more

- Receiving any amount from the Government under the 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 "Salaries" by any person employed in the management or administrative function or in any supervisory position in the production function

- Obtaining 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

- 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 a shared economic activities by providing motor vehicle, space, accommodation or any other assets

- Obtaining or maintaining a license for arms

- Releasing overseas grants to NGOs or to Micro Credit Organizations

- Any document relating to the transfer of land, building or apartment situated within a city corporation, or cantonment board, or a paurashava of a district headquarters, deed value of which exceeds Tk. 100,000 and required to be registered under the Registration Act, 1908 (XVI of 1908), such document shall contain e-TIN number of both the seller and the purchaser

1.6. Universal Self-Assessment (u/s 82BB)

Under this scheme, individuals can electronically or manually submit filing of return within the specified deadline and pay tax on the basis of such return. The Deputy Commissioner of Taxes (DCT) will then proceed to issue an acknowledgement of such return and this shall be deemed to be an order of assessment for that assessment year¹³.

Returns filed under this section may be selected for audit within two years of the end of the assessment year¹⁴. However, such returns are not selected for audit if they show a 15% increase in income over the last assessed year and are accompanied by:

- Evidence in support of income exempted from tax

- A copy of bank statement

- Account statement of any loan exceeding Tk. 500,000

- Does not include receipt of gift during the year

- Does not show any income chargeable to tax at a rate reduced under Section 44

- Does not show or result in any refund

1.7. Deadline for Tax Return Filing

The last date for filing tax returns for an individual under Section 82BB is 30 November following the end of the income year which is now termed Tax Day¹⁵.

1.8. Taxability of Income from Salary & Deemed Income

Income from salary includes the following¹⁶:

- | | |
|------------------------------|-------------------------|
| ■ Basic Salary | ■ Pension Fund |
| ■ Festival Bonus | ■ Gratuity Fund |
| ■ Incentive Bonus | ■ Superannuation Fund |
| ■ Arrear Salary | ■ Project Pay |
| ■ Advance Salary | ■ Leave Encashment |
| ■ Wages or any other payment | ■ Compensation Pay |
| ■ Overtime | ■ Leave Fare Assistance |
| ■ Contribution to PF | |

13. Section 82BB of ITO 1984

14. Section 94(1)(a) of ITO 1984

15. Section 2 (62A) of ITO 1984

16. Section 2(58) & Sec 21 of ITO 1984

Individuals enjoying salary income are subject to tax on salary and all other benefits. A summary of taxability and allowances are as below:

Income Head	Taxability
Basic Salary	Fully taxed
House Rent Allowance (in cash/with salary) ¹⁷	Tk. 25,000 per month or 50% of basic salary, whichever is lower is exempt from tax
Rent free accommodation ¹⁸	Actual rent paid by employer or 25% of basic salary, whichever is lower shall be added to total income and taxed
Conveyance Allowance (in cash/with salary) ¹⁹	Tk. 30,000 per annum is exempt from tax where no conveyance facility is provided by employer
Conveyance provided for personal/private use ²⁰	If employer provides conveyance for personal or private use, 5% of the employee's basic salary or Tk. 60,000 whichever is higher, is added to total income and taxed
Medical Expenses ²¹	Tk. 120,000 per annum or 10% of basic salary, whichever is lower is exempt from tax
	Medical expenses up to Tk. 1,000,000 paid to a disabled employee shall not be included in his total income
	Medical expenses paid to an employee (<i>other than a shareholder director</i>) for a surgery relating to heart, kidney, eye, liver and cancer of the employee, shall not be included in the total income of such employee
Travel (<i>local & foreign</i>) ²²	Amounts paid at actual against bills/receipts are tax free. Any benefit paid in addition in cash is taxable
Festival Bonus	Fully taxable
Performance Bonus	Fully taxable
Utility expenses	Fully taxable
Telephone/Mobile allowance	Tax free as long as it is for official use
Entertainment allowance	Fully taxable
Other allowances	Fully taxable
Any reimbursements	Tax free as long as it was incurred for official purposes

17. Rule 33A of ITR 1984

18. Rule 33B of ITR 1984

19. Rule 33C of ITR 1984

20. Rule 33D of ITR 1984

21. Rule 33I of ITR 1984

22. Rule 33G of ITR 1984

Employers usually deduct taxes at source after providing for allowances from monthly salary. However, all employees are responsible for filing of their own returns at the end of the tax year. If, however, an individual has other sources of income such as house rent, interest income etc., he/she is responsible for filing accordingly and paying taxes at the time of filing.

1.9. Deemed Income

Certain transactions may also be considered as income for assesses even though it may not directly be an income. Some such instances are as follows²³:

#	Details
1	Unexplained cash credit in the books of accounts
2	Under recorded or unrecorded value of investment in or possession of bullion, jewellery and other valuable article
3	Unrecorded investment
4	Dividend received
5	Fair market value – Purchase price of assets, including stock and shares
6	Salami
7	Goodwill money, compensation or damages for cancellation of contracts and licenses
8	Monetary value of benefit for cancellation of indebtedness except waiver of margin loan or interest under Tk. 1,000,000 by a holder of TREC
9	Managing Agency Commission
10	Winnings from lotteries, crossword puzzles, card games and other games
11	Amount received from tenant which is not adjustable with rent
12	Loan or gift exceeding Tk. 500,000 received by an individual otherwise than by crossed cheque or bank transfer. However, loan or gift from spouse or parents received through banking channels will be excluded from income
13	[Income shown in revised return – income in original return], subject to certain condition
14	Money received as loan, gift, advance or deposit and equity, exceeding Taka five lacs, in any form other than banking channels

1.10. Exclusions from Total Income

Individuals having income other than salary are also entitled to certain exemptions under The Sixth Schedule of the Income Tax Ordinance 1984:

23. Section 19 of ITO 1984

Income Head	Income Head
Dividend from company or listed company ²⁴	Tk. 50,000 per year
Payment from recognized Provident Fund as per Provident Funds Act 1925 or approved superannuation fund ²⁵	Fully exempt
Gratuity income received from Government or approved pension fund ²⁶	Tk. 25,000,000
Payment from Workers Profit Participation Fund (WPPF) ²⁷	Tk. 50,000 per year
Income from equity mutual fund or unit fund ²⁸	Tk. 25,000 per year
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 ²⁹	Fully exempt
Pensioner's savings certificate ³⁰	Tk. 500,000 per year
Pension received from Government or approved pension fund ³¹	Fully exempt

1.11. Tax Credit from Investment

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

#	Details	Limit
1	Life insurance premium	No limit
2	Contribution to approved Provident Fund (<i>both by the employee and employer</i>)	No limit
3	Contribution to Deposit Pension Scheme (DPS) sponsored by a scheduled bank or a financial institution	Tk. 60,000
4	Donation to a national level institution set up in memory of the liberation war	No limit
5	Donation to a national level institution set up in memory of Father of the Nation	No limit
6	Investment in Bangladesh Government Treasury Bond	No limit
7	Investment in stocks and shares of listed companies, mutual fund and debentures listed with any stock exchange	No limit

24. 6th Schedule, Para 11A of ITO 1984

25. 6th Schedule, Para 21 of ITO 1984

26. **6th Schedule, Para 20 of ITO 1984 as amended by FA 2020**

27. 6th Schedule, Para 21D of ITO 1984

28. 6th Schedule, Para 22A of ITO 1984

29. 6th Schedule, Para 24A of ITO 1984

30. 6th Schedule, Para 32A of ITO 1984

31. **6th Schedule, Para 8 of ITO 1984 as amended by FA 2020**

The eligible investment amount will be the lesser of³²: The amount of credit will be as follows³³:

a Actual Investment as Per Section 44 (c) (i)		Total income ≤ Tk. 1,500,000 Amount of Credit = 15% of eligible amount
b 25% of total Income	c 15,000,000 Tk.	
		Total income > Tk. 1,500,000 Amount of Credit = 10% of eligible amount

1.12. Income Tax Rates

Income tax is charged to individuals on fixed slabs. The slabs of total income and corresponding tax rates are given below³⁴:

Amount of Taxable Income	Rate
First Tk. 300,000 (or as applicable in 1.4 above)	Nil
On the next Tk. 100,000	5%
On the next Tk. 300,000	10%
On the next Tk. 400,000	15%
On the next Tk. 500,000	20%
On the balance	25%
The tax rate for non-residents is a flat 30%	

1.13. Minimum Tax

Minimum tax applicable on individuals is as follows:

Location	Amount (Tk)
Within Dhaka or Chittagong City Corporation	5,000
Any other City Corporation	4,000
Other than City Corporation	3,000

This minimum tax is levied on anyone whose total taxable income (after applicable allowances) does not cross the tax-free threshold. For simplicity, let us assume the total taxable income of a female individual crosses Tk. 350,000 and the tax liability comes to Tk. 2,000 for that tax year. In this case the individual must pay the minimum tax of Tk. 5,000.

32. Section 44(2)(c) of ITO 1984

33. Section 44(2)(b) of ITO 1984

34. **2nd Schedule, Part 1 of ITO 1984 as amended by FA 2020**

1.14. Additional Tax

In any income year if the investment declared in the statements submitted by an assessee (as listed in 1.11 above) is higher than the actual investment made by them, tax shall be charged at the rate of 50% on the balance.

Similarly, if the payment/receipt related to import/export declared in the statements submitted by an assessee is higher/lower than the actual payment/receipt made by them, tax shall be charged at the rate of 50% on the balance³⁵.

1.15. Personal Balance Sheet & Lifestyle Statement

Every individual has to submit a statement of assets, liabilities and expenses of them and their household (dependents) if that person³⁶:

- has at the last date of the income year, a gross wealth exceeding Tk. 4,000,000
- owns a motor car
- has made an investment in a house property or an apartment in the city corporation area

An individual (other than a shareholder director of a company) having an income of less than Tk. 400,000 in the income year can opt not to submit such a statement.

1.16. Surcharge

Any individual taxpayer whose total net worth as per the Personal Balance Sheet and Lifestyle Statement as per 1.15 above, exceeds Tk. 22,500,000, surcharge on tax will be payable as follows³⁷:

Net Worth	Rate of Surcharge	Minimum Surcharge Tk.
Up to Tk. 30,000,000	-	-
Tk. 30,000,001 to Tk. 50,000,000 or Owns more than one motor car in his/her name, or Owns property of more than 8,000 square feet in any city corporation area	10%	3,000
Tk. 50,000,001 to Tk. 100,000,000	15%	3,000
Tk. 100,000,001 to Tk. 150,000,000	20%	5,000
Tk. 150,000,001 to Tk. 200,000,000	25%	5,000
Above Tk. 200,000,000	30%	5,000

If an individual's net worth is higher than Tk. 500,000,000, in that case surcharge will be higher of:

- a) 0.1% surcharge of taxpayer's net worth
- b) 30% surcharge on tax liability of the taxpayer

35. Section 16H of ITO 1984 as introduced by FA 2020

36. Section 80 of ITO 1984 as amended by FA 2020

37. Rule 52 of Finance Act 2020

1.17. Advance Income Tax

A new assessee is required to pay advance tax if estimated total taxable income is likely to exceed BDT 600,000³⁸. The amount of advance tax payable shall be determined as per the calculation prescribed in Section 65-67 of ITO 1984.

1.18. Advance Income Tax on Motor Vehicle

Every individual owning a private motor vehicle will have to pay advance income tax as follows³⁹:

#	Details	Amount (Tk.)
1	Up to 1500 cc car or jeep	25,000
2	From 1500cc up to 2000 cc car or jeep	50,000
3	From 2000cc up to 2500 cc car or jeep	75,000
4	From 2500cc up to 3000 cc car or jeep	125,000
5	From 3000cc up to 3500 cc car or jeep	150,000
6	Above 3500cc car or jeep	200,000
7	Microbus	30,000

If an individual owns two or more motor vehicles (*individually or jointly*), the rate of tax shall be 50% higher for each additional motor car.

However, the advance tax paid above shall not be refundable, even if tax liability from income on regular sources is lower than total advance tax paid⁴⁰.

1.19. Capital Gains Tax

Capital gains tax for individuals can be divided into two major categories^{41 42}:

a) Sale of shares of listed companies – Capital gains tax on transfer of stocks and shares of public limited companies listed with the stock exchange except listed government securities are as follows:

#	Details	CGT
1	Non-resident shareholders (see 2.26 (f))	15%
2	Sponsor shareholder and shareholder director	5%
3	Resident individual holding at least 10% of total share capital of a company	5%
4	Individuals other than described in 1, 2 & 3 above	Exempt

38. Section 68 of ITO 1984 as amended by FA 2020

39. Section 68B (2) of ITO 1984 as amended by FA 2020

40. Section 68B (4) of ITO 1984

41. SRO 196-LAW/Income Tax/2015

42. 2nd Schedule Para 2 of ITO 1984

b) Other than sale of shares of listed companies - Individuals selling assets other than in (a) above will be taxed for capital gains in the following way:

i) Before expiry of 5 years:

if the asset is transferred before the expiry of 5 years from date of acquisition, the CGT will be the usual tax rate of the individual applicable on their total income including the capital gain.

ii) After expiry of 5 years:

if the asset is transferred after expiry of 5 years from date of acquisition, the tax will be lower of the individual's applicable tax rate and 15%.

Any profits and gains arising from the transfer of a business or undertaking in any income year shall be considered under capital gains tax. Gain arising from such transfer will be computed in a specified manner and will be taxed as per above⁴³.

1.20. Income from House Property

House property consists of building, apartment, land, furniture, fixture, fittings etc. Income from house property whether used for commercial or residential purposes is taxable on the basis of its annual value⁴⁴.

The following deductions are applicable on house property⁴⁵:

- Land development tax or rent payable to Government

- Insurance premium paid

- Interest payable on mortgage or capital charge

- Annual charge except capital charge

- Ground rent

- Interest payable to bank or financial institution on borrowed capital for acquisition, construction, reconstruction, repair or renovation of the house property

- Interest payable to bank or financial institution on borrowed capital for construction of the house property, charged in 3 equal instalments in the first 3 years of earning income from such property

- Maintenance allowance
 - House property used for residential purpose: 25% of annual value
 - House property used for commercial purpose: 30% of annual value
 (However, any unspent portion of an amount of deduction allowed to an assessee for repair and maintenance of house property would be treated as deemed income under income from house property)

- Proportionate vacancy allowance

Individuals receiving above Tk. 25,000 as rent from house property per month are needed to maintain a bank account in any scheduled bank for deposit of the same⁴⁶.

43. **Section 31A & 32A of ITO 1984 as introduced by FA 2020**

44. Section 24 (1) of ITO 1984

45. Section 25 of ITO 1984

46. Rule 8A of ITR 1984

1.21. Tax Clearance for Expatriates

Expatriate employees in Bangladesh are required to obtain a Tax Clearance Certificate from the authorities which may be required to be produced as evidence of tax payment/exemption while departing from Bangladesh, permanently or temporarily⁴⁷.

1.22. Tax Incentives

The various tax incentives (*apart from mentioned above*) available to an individual are listed below:

#	Applicability	Source of Income	Exemption	Period
1	Partner of a firm	Share of capital gain on which tax has already been paid	Full	-
2	Individual whose only source of income is agriculture	Agricultural income	Tk. 200,000	-
3	Foreign faculty members, teachers, research or library staff members, administrators, officers, experts, technicians, visiting personnel of Asian University for Women	Salaries and allowances	Full	-
4	Expatriates working in private power generation companies (<i>except coal-based electricity generation companies</i>) starting commercial production within 31 December 2014	Income from working in private power generation companies (<i>except coal-based electricity generation companies</i>)	Full	3 years from the date of arrival in Bangladesh
5	Expatriates working in private coal-based electricity generation companies signing contract within 30 June 2020	Income from working in private coal-based electricity generation company	Full	3 years from the date of arrival in Bangladesh
6	Expatriates working in Dhaka Elevated Expressway PPP project	Salary and allowances from the project	Full	3 years from 13 August 2012
7	Expatriates working in International Committee of Red Cross (ICRC) in Bangladesh	Salaries and remuneration ICRC	Full	-
8	Expatriate technician working in industrial undertakings having approval from BEPZA within 22 March 2009 and starting commercial production within 2012	Salaries and remunerations	Full	Earlier of: – 3 years from the date of arrival in Bangladesh – 5 years from company's commercial production

47. Section 107 of ITO 1984

#	Applicability	Source of Income	Exemption	Period
9	Expatriates working as technician, professionals, scientists, senior administration staff, advisor and consultant in Local Development Network Institutions under Aga Khan Development Network	Income from salary	Full	-
10	Expatriates working in foreign funded development projects having bi-lateral treaty between Bangladesh Government and the foreign Government or foreign funding organization	Salaries and allowances received from the foreign Government or the foreign funded development project	Full	-
11	Non-resident assessee	Capital gain from transfer of stock or shares of listed company subject to enjoying similar exemption in resident country	Full	-
12	<p>All shareholders except for</p> <ul style="list-style-type: none"> ■ Companies defined in Section-2(20) ■ Firms defined in Section – 2(32) ■ Sponsor shareholder or shareholder director of bank, financial institution, merchant bank, insurance company, leasing company, portfolio management company, stock dealer or stock brokerage company ■ Shareholder (except sponsor shareholder or shareholder director) having 10% or more of shares of total paid up capital of a company / companies listed in any stock exchange ■ Sponsor shareholder, director, placement holder of a company ■ Sponsor or placement holder of a mutual fund 	Income arising from trading / transaction of securities listed in any SEC approved Stock Exchange (excluding Government securities)	Full	-

#	Applicability	Source of Income	Exemption	Period
13	Investment in Economic Zones or Hi-Tech Parks ⁴⁸	No question shall be raised on the source of any sum invested if tax is paid at the rate of 10% on the invested amount before filing of the return for the concerned year.	Full	From 01 July 2019 to 30 June 2024
14	Investment in Securities ⁴⁹	No question shall be raised on the source of any sum invested if tax is paid at the rate of 10% on the invested amount before filing of the return for the concerned year	Full	From 01 July 2020 to 30 June 2021
15	Investment in building or apartment ⁵⁰	No question shall be raised on the source of any sum invested if tax is paid at a specified rate on the invested amount before filing of the return for the concerned year	Full	-
16	Undisclosed Property, Cash ⁵¹	No question shall be raised on the source of any sum acquired/owned if tax is paid at a specified rate before filing of the return or along with the revised return for the concerned year	Full	From 01 July 2020 to 30 June 2021
17	Owner of small or cottage industry established in less/ least developed areas ⁵²	Income increased by 15-25% from previous year Income increased by more than 25% from previous year	5% of the tax due 10% of the tax due	-
18	Online return filing of income tax for the first time ⁵³	-	Tk. 2,000 from the tax due	-

48. Section 19DD of ITO 1984

49. Section 19AAAA of ITO 1984 as introduced by FA 2020

50. Section 19BBBBB of ITO 1984 as amended by FA 2020

51. Section 19AAAAA of ITO 1984 as introduced by FA 2020

52. 2nd Schedule of FA 2020

53. 2nd Schedule of FA 2020

Bangladesh Tax Insights 2020-2021



Corporate Tax



2.1. Introduction

A company is defined as a company incorporated under the Companies Act in force in Bangladesh and includes⁵⁴:

- a body corporate established by any law in force
- any nationalised bank or industrial or commercial organization
- any association of combined persons, if such persons are registered as a company
- any association or body incorporated under laws of a country outside Bangladesh
- any foreign association or body (*not incorporated under any law*) which NBR declares to be a company

2.2. Residency

A company is considered resident if it is incorporated in Bangladesh or if its control of management is situated wholly in Bangladesh⁵⁵.

2.3. Permanent Establishment

The definition of a “Permanent Establishment” in relation to income from business or profession includes⁵⁶:

- a place of management
- a branch
- an agency
- an office
- a warehouse
- a factory
- a workshop
- a mine, oil or gas well, quarry or any other place of exploration, exploitation or extraction of natural resources
- a farm or plantation
- a building site, a construction, assembly or installation project or supervisory activities in connection therewith
- 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
- 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

54. Section 2(20) of the ITO 1984

55. Section 2(55) of ITO 1984

56. Section 2(44A) of ITO 1984

2.4. Income Year

Income year means financial year immediately preceding the assessment year and is defined for different entities as follows⁵⁷:

- a) Newly set up business – date of incorporation to the following 30 June
- b) Business going into liquidation – 1 July to date of dissolution
- c) Banks, insurance or financial institutions – from 1 January to 31 December
- d) Other companies – 1 July to 30 June

Provided that the authorities may allow a different financial year for a company which is a subsidiary /Branch Office /Liaison Office of a company incorporated outside Bangladesh if such company is required to follow a different financial year for the purpose of consolidation of its accounts with its parent⁵⁸.

2.5. Allowable Deductions

General expenses incurred by a company in a year are allowable as deductions under tax law as follows⁵⁹ (*not exhaustive*):

#	Details
1	Rent for premises of business
2	Repair of rented premises of business
3	Interest paid to banks
4	Profit paid from any bank run on Islamic principles
5	5% of total income carried to Special Reserve by financial institutions approved by government, provided the aggregate amount does not exceed share capital
6	Repair expenses of buildings, machinery, plant or furniture
7	Insurance premium
8	Depreciation of Fixed Assets as per Third Schedule of ITO 1984 (<i>see below</i>)
9	Amortization of license fee as per Third Schedule of ITO 1984 (<i>see below</i>)
10	Obsolescence allowance for Fixed Assets except imported software as per Third Schedule of ITO 1984
11	Land development tax or rent, local rates or municipal taxes for premises
12	Employee bonus or commission subject to conditions
13	A written off irrecoverable debt
14	A prior written off irrecoverable debt previously not allowed as deduction if established to have become irrecoverable

57. Section 2(35) of ITO 1984

58. Section 2(35) of ITO 1984

59. Section 29 of ITO 1984

#	Details
15	Expenditure for scientific research including capital expenditure subject to certain conditions
16	Expenditure for educational institution or hospital established for benefit of employees including capital expenditure subject to certain conditions
17	Training costs for local employees for Board Approved schemes
18	Expenditure except for capital or personal expenditure, incurred as a member of Government sponsored trade delegation for visits abroad
19	Annual membership subscription fee paid to a registered trade organization or professional institution
20	Expenditure except for capital or personal expenditure, incurred wholly and exclusively for the purpose of business and profession

2.6. Depreciation Allowances

Under tax laws, there are a number of depreciation allowances available on fixed assets at the time of computing profits or gains from business or profession.

Normal Depreciation Allowance ⁶⁰

#	Major Class of Assets	Sub Class of Assets	Rate/Percentage of Written Down Value (WDV)
1	Buildings	General	10%
		Factory	20%
2	Furniture & fittings	Furniture & fittings	10%
		Office equipment	10%
3	Machinery and plant	General rate	20%
		Ocean going ships (<i>new</i>)	12%
		Ocean going ships (<i>second hand</i>) if less than 10 years of age	12%
		Ocean going ships (<i>second hand</i>) if more than 10 years of age	24%
		Inland ships including steamers, motor vessels, tugboats etc.	24%
		Batteries, X-Ray and electrotherapeutic apparatus and accessories	20%
		Machinery used in the production of cinema	20%

60. 3rd Schedule Para 3 of ITO 1984

#	Major Class of Assets	Sub Class of Assets	Rate/Percentage of Written Down Value (WDV)
3	Machinery and plant	Motor vehicles (all sorts but not plying for hire)	20% (the cost on which allowable depreciation can be claimed is capped at Tk. 2.5 million)
		Motor vehicles (all sorts plying for hire)	24%
		Computer & computer equipment	30%
		Bangladeshi made computer software	50%
		Imported computer software	10%
		Professional and reference books	30%
		Aircraft, aero engines and aerial photographic apparatus	30%
		Moulds used in the manufacture of glass or plastic goods or concrete pipe	30%
		Mineral oil concerns – below ground installations	100%
		Mineral oil concerns – above ground installations such as portable boilers, drilling tools, tanks and rigs	30%
		Physical infrastructure - Bridge	2%
		Physical infrastructure – Road	2%
		Physical infrastructure – Flyover	2%
		Physical infrastructure – Pavement runway or taxiway	2.5%
Physical infrastructure – Apron or tarmac	2.5%		
Physical infrastructure – Boarding bridge	10%		
Physical infrastructure – Communication navigation equipment	5%		

Depreciation Allowance Not Allowed⁶¹

If the useful life of any asset falling under “Machinery & Plant” above, is less than one year, no depreciation allowance is applicable. Instead the cost of renewal or replacement is allowed as revenue expenditure.

61. 3rd Schedule Para 5 of ITO 1984

Initial Depreciation Allowance⁶²

Class of Asset	Year	Dep'n on WDV
Building constructed in Bangladesh after 30 June 2002	Later of <ul style="list-style-type: none"> ■ Year of construction ■ First year of use ■ Year of commencement of commercial production 	10% of cost
Machinery or plant installed in Bangladesh after 30 June 2002	Later of <ul style="list-style-type: none"> ■ Year of installation ■ First year of use ■ Year of commencement of commercial production 	25% of cost

Accelerated Depreciation Allowance⁶³

Class of Asset	Year	Dep'n on WDV
<ul style="list-style-type: none"> ■ Machinery or plant used in industrial undertaking set up in Bangladesh between 1 July 1977 and 30 June 2012 ■ Not previously used in Bangladesh ■ Not applicable for office appliances and road transport vehicle 	First year of commercial production	50% of actual cost
	Second year of commercial production	30% of actual cost
	Third year of commercial production	20% of actual cost
<ul style="list-style-type: none"> ■ Machinery or plant used in the expansion of an industrial undertaking set up in Bangladesh between 1 July 1995 and 30 June 2005 enjoying exemption u/s 46A of the ITO 1984 ■ Not previously used in Bangladesh Not applicable for office appliances and road transport vehicle 	First year of commercial production	80% of actual cost
	Following year of commercial production	20% of actual cost
<ul style="list-style-type: none"> ■ Machinery or plant used in industrial undertaking referred to in Sec 46B set up in Bangladesh between 1 July 2014 and 30 June 2019 ■ Not previously used in Bangladesh ■ Not applicable for office appliances and road transport vehicle 	First year of commercial production	50% of actual cost
	Second year of commercial production	30% of actual cost
	Third year of commercial production	20% of actual cost

62. 3rd Schedule Para 5A of ITO 1984

63. 3rd Schedule Para 7, 7A & 7B of ITO 1984

Limitation of Allowance of Depreciation⁶⁴

- The aggregate of the allowance shall not exceed the original cost
- If an entity does not have enough income against which the depreciation allowance is to be set off in a year, any remaining allowance can be carried forward to succeeding years till such time as the entire allowance on this account is adjusted against profits

Disposal of Assets & Treatments of Gains or Losses⁶⁵

- No depreciation allowance can be allowed in that year
- Where the sales proceed exceeds the WDV, but the gain does not exceed the difference between original cost and WDV, the gain shall be deemed to be income for the year
- If the sales proceed is less than WDV, the loss can be deducted from business profits for the year

Amortization of Licence Fees⁶⁶

Applicable for	Period Allowed	Rate
<ul style="list-style-type: none"> ■ Resident cellular mobile phone operating company or any other company engaged in providing specialized services, if such license is integral to the operation of the company ■ Paying Spectrum Assignment fees, GSM license fees, license acquisition fees or license renewal fees as license fees before or after 1 July 2012 or any other license fee paid if such license is integral to the operation of the company ■ For obtaining permission from authority for 2 or more years 	For the period of the permission	Proportionate amount in each year of permission

2.7. Losses

The rules for carry forward and set-off of losses for businesses are set out below:

Income Head	Current Year Set-Off	Carry Forward
Interest	Against income from any other head	Cannot be carried forward
House Property	Against income from any other head	Cannot be carried forward
Agricultural ⁶⁷	Against income from any other head except capital gains	Can be carried forward for 6 successive years and set off against agricultural income

64. 3rd Schedule Para 9 of ITO 1984

65. 3rd Schedule Para 10 of ITO 1984

66. 3rd Schedule Para 10A of ITO 1984

67. Section 41 of ITO 1984

Income Head	Current Year Set-Off	Carry Forward
Income from business ⁶⁸	Against income from any other head except income from: <ul style="list-style-type: none"> ■ House property ■ Capital Gains 	Can be carried forward for 6 successive years and set off against income from business or same profession
Income from speculation business ⁶⁹	Only against other income from speculation business and cannot be set off against any other head of income	Can be carried forward for 6 successive years and set off against income from speculation business
Capital Gains ⁷⁰	Only against other income from capital gains and cannot be set off against any other head of income.	Can be carried forward for 6 successive years and set off against income from capital gains
Income from other sources	Against income from any other head	Cannot be carried forward
Income from tax exempt source	Cannot be set off against any other head of income	Cannot be carried forward

However, any loss in respect of any income from any head cannot be set off against income from manufacturing of cigarette, bidi, zarda, chewing tobacco, gul or any other smokeless tobacco or tobacco products⁷¹.

2.8. Allowable Perquisites

The limit of perquisites payable to an employee is Tk. 550,000 during a year and Tk. 2,500,000 to any employee with a disability. Any amount exceeding this is disallowed in the company's tax assessment⁷².

Perquisites are defined as any payment made to an employee by an employer in any form excluding the following⁷³:

- Basic salary
- Festival bonus
- Incentive bonus
- Arrear salary
- Advance salary
- Leave encashment
- Overtime
- Contribution to a recognised provident fund
- Contribution to an approved pension, gratuity and superannuation fund

68. Section 38 of ITO 1984

69. Section 39 of ITO 1984

70. Section 40 of ITO 1984

71. Section 37 of ITO 1984

72. Section 30(e) of ITO 1984

73. Section 2(45) of ITO 1984

2.9. Deductions Not Allowable

The following expenditures are not allowable subject to certain circumstances⁷⁴:

#	Details			
1	Payment of salaries without deduction of tax at source			
2	Payment of salary to an employee without a 12-digit e-TIN			
3	Payment of salaries to employees for whom a return under Section 108A was not filed			
4	Payments without deduction at source of tax			
5	Payment of interest, salary, commission or remuneration by a firm or an association of persons to any partner			
6	Brokerage or commission paid to a non-resident without deduction of tax at source			
7	Payment to a provident or other fund without deduction of tax at source			
8	Expenditure up to Tk. 550,000 on the provision of perquisites for any employee and up to Tk. 2,500,000 for a disabled employee			
9	Entertainment expense allowance ⁷⁵ :			
	■ On first Tk. 1,000,000 of income, profits and gains		4%	
	■ On the balance		2%	
10	LFA - Foreign travel expenditure of employees and their dependents for holidaying and recreation equivalent to lower of ⁷⁶ :			
	■ 3 months basic salary or			
	■ ¾ of actual expenditure, subject to certain conditions			
11	Allowable expenditure on distribution of free samples⁷⁷:	Pharmaceutical	Food, Cosmetics & Toiletry	Others
	Turnover up to Tk. 50 million	2%	1%	0.50%
	Turnover between Tk. 50 – 100 million	1%	0.50%	0.25%
	Turnover in excess of Tk. 100 million	0.50%	0.25%	0.10%
12	Head office or intra-group expenses of a company not incorporated under the Companies Act 1994 of up to 10% of net profit disclosed in the financial statements			
13	Royalty, technical services fee, technical know-how fee, technical assistance fee as a percentage of net profit (excluding any profit or income of subsidiary, associate, joint venture) ⁷⁸ disclosed in the financial statements	First 3 years		Subsequent years
		10%		8%
14	Payment of salary or remuneration exceeding Tk. 15,000 other than by crossed cheque or bank transfer			

74. Section 30 of ITO 1984

75. Rule 65 of ITR 1984

76. Rule 65A of ITR 1984

77. Rule 65C of ITR 1984

78. Section 30(h) of ITO 1984 as amended by FA 2020

#	Details
15	Incentive bonus exceeding 10% of net profit disclosed in the financial statements
16	Overseas travelling expenditure exceeding 0.5% ⁷⁹ of disclosed turnover
17	Payment of any promotional expense exceeding 0.50% of the disclosed business turnover ⁸⁰
18	Payment of commission or discount to shareholder director
19	Payment exceeding Tk. 50,000 other than by crossed cheque or bank transfer
20	Payment of rent other than by crossed cheque or bank transfer

Minimum tax under Section 82C shall not be applicable for disallowed expenses under Section 30. The amount of disallowances shall be treated separately as "Income from business or profession" and tax shall be payable thereon at regular rate⁸¹.

2.10. Income Arising in Bangladesh

The following income are deemed to accrue or arise in Bangladesh⁸²:

- a) Salaries – if earned in Bangladesh or paid by the Government or a local authority to a Bangladeshi citizen.
- b) Any income accruing or arising through or from:
 - any permanent establishment in Bangladesh
 - any property, asset, right or other source of income, including intangible property, in Bangladesh
 - the transfer of any assets situated in Bangladesh which includes shares of any company which is a resident in Bangladesh and shares of non-resident companies limited to the value of assets in Bangladesh
 - the sale of any goods or services by any electronic means to purchasers in Bangladesh; or
 - any intangible property used in Bangladesh if it is registered in Bangladesh or owned by a person who through a Permanent Establishment in Bangladesh
- c) Dividend – any dividend paid outside Bangladesh by a Bangladeshi company.
- d) Interest, Technical Fees & Royalty – any income related to interest, technical fees or royalty paid by:
 - the Government
 - a tax-resident except in certain circumstances relating to foreign source of income
 - a tax non-resident where such income relates to activities carried out in Bangladesh

79. Section 30(k) of ITO 1984 as amended by FA 2020

80. Section 30(p) of ITO 1984 as introduced by FA 2020

81. Section 30B of ITO 1984

82. Section 18 of ITO 1984

2.11. Deemed Income

Certain incidents such as unexplained investment, cash credits, possession of assets, non-payment of liabilities are treated as deemed income of an assessee which is assessable under specific income head⁸³.

#	Deemed income	Head of Income
1	Unexplained cash credit in the books of accounts	Income from Other Source
2	Unexplained expenditure	
3	Unrecorded investment	
4	Income from discontinued business	Income from Business/ Profession
5	Dividend received	Income from Other Source
6	Fair market value – Purchase price of asset (<i>except stock-in-trade</i>)	
7	Goodwill money, compensation or damages for cancellation or termination of contracts and licenses	
8	Monetary value of benefit for cancellation of indebtedness	
9	Managing Agency Commission	
10	Profits and gains from insurance Business	Income from Business/ Profession
11	Amount received in respect of any loss, bad debt, expenditure or trading liability previously allowed as deduction	
12	[Sale proceed – (original cost – written down value)] of building, machinery, plant used for business or profession	
13	[Sale proceed – (original cost – written down value)] of machinery and plant used for agriculture	Agricultural income
14	[Insurance / salvage / compensation received – ((original cost – written down value) – scrap value) of building, machinery, plant used for business or profession	Income from Business/ Profession
15	[Insurance / salvage / compensation received – ((original cost – written down value) – scrap value) of machinery and plant used for agriculture	Agricultural income
16	[Sale proceed – allowed capital expenditure] of asset used for scientific research	Income from Business/ Profession
17	Loan or gift unless: <ul style="list-style-type: none"> ■ Through bank transfer ■ A part of the loan is repaid within the tax year in which case the amount repaid will be deductible. ■ From a bank or financial institution ■ Amount is below Tk. 500,000 	Income from Other Source
18	Loan or gift received which is transfer of initial capital of a business or profession, subject to certain conditions	

83. Section 19 of ITO 1984

#	Deemed income	Head of Income
19	Initial capital partly or fully transferred from business or profession, subject to certain conditions	Income from Other Source
20	Any sum received in the form of loan or trading liability not repaid within 3 years	
21	Amount received from tenant which is not adjustable with rent	Income from House Property
22	Export value of exportable garments against transferred export quota	Income from Business/ Profession
23	Paid-up capital received by a non-listed company otherwise than by crossed cheque or bank transfer	Income from Other Source
24	Loan received by a company otherwise than by crossed cheque or bank transfer	
25	50% of [Value of motor car / jeep purchased or hired – 10% of (paid-up capital + reserve + accumulated profit)] of a company	
26	Unpaid liability in respect of credit purchase of building construction material, subject to certain condition	
27	Unspent amount of deduction allowed for repair and maintenance of house property	Income from House Property
28	[Income shown in revised return – income shown in original return], subject to certain condition	Income from Other Source
29	Entire value of assets acquired, and payment made without taxes deducted at source	

2.12. Additional Scope of Tax for Listed Companies

Tax on stock dividend ⁸⁴	Tax on equity reserves ⁸⁵
Tax at the rate of 10% is applicable on stock dividend if this exceeds the cash dividend declared/distributed in that income year.	Tax at the rate of 10% will be applicable on any transfer to equity reserves in excess of 70% on the net profit after tax for the income year.

84. Section 16F of ITO 1984

85. Section 16G of ITO 1984

2.13. Rates of Corporate Tax

The applicable rates of tax for companies are as follows⁸⁶:

Type	Rate
Publicly traded companies i.e. companies listed with any stock exchanges in Bangladesh other than banks, insurance and other financial institutions, merchant banks, mobile phone operating companies and cigarette manufacturing companies. If such a company transfers at least 20% shares through IPO it will enjoy a 10% rebate on tax in that year.	25%
Non-listed companies	32.5%
Banks, insurance and other financial institutions (<i>except merchant banks</i>) if not publicly listed.	40%
Banks, insurance and other financial institutions (<i>except merchant banks</i>) if publicly listed.	37.5%
Merchant banks	37.5%
Cigarette, bidi, zarda, gul and all tobacco manufacturers (<i>companies, firms and individuals</i>) irrespective of listing	45%
Mobile phone operating companies if not publicly listed as below.	45%
Listed Mobile phone operating companies (<i>subject to certain conditions</i>) If such a company transfers at least 20% shares through IPO it will enjoy a 10% rebate on tax in that year.	40%
Textile industries (<i>up to 30 June 2022</i>) ⁸⁷	15%
Jute Industries (<i>up to 30 June 2020</i>) ⁸⁸	10%
Knit wear and woven garments manufacturers and exporters	12%
Knit wear and woven garments manufacturers and exporters with "green building certification"	10%
Private university/medical college/dental college/engineering college/college involved in IT education	15%
Co-operative societies registered under Co-operative Societies Act, 2001	15%
Dividend Income	20%
Association of persons	32.5%

Any institution having person with disability of at least 10% among the total workforce will receive 5% tax rebate on their tax liability. However, this benefit will not be applicable if tax is calculated based on section 82C (*minimum tax payment*).

Failure to provide facilities to handicapped customers at the premises of schools, colleges, universities or NGOs will lead to a charge of 5% addition on the tax to be paid⁸⁹.

86. 2nd Schedule of FA 2020

87. SRO 218-LAW/Income Tax/2019

88. SRO 205-LAW/Income Tax/2016

89. As introduced by FA 2020

2.14. Tax Incentives

a) For Newly Established Industrial Undertaking⁹⁰

Tax exemption at specified rates can be availed if industrial undertaking is set up in certain areas of Bangladesh between 01 July 2019 and 30 June 2024 (*both days inclusive*). For the purpose of this section, "industrial undertaking" means any 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.*)
- bicycle including parts thereof
- bio-fertilizer
- biotechnology based agro products
- boiler including parts and equipment thereof
- compressor including parts thereof
- computer hardware
- furniture
- home appliances
- insecticides or pesticides
- leather and leather goods
- LED TV
- locally produced fruits and vegetables processing
- mobile phone
- petro-chemicals
- pharmaceuticals
- plastic recycling
- textile machinery
- tissue grafting
- toy manufacturing
- tire manufacturing
- electrical transformer
- artificial fibre or manmade fibre manufacturing
- automobile parts and components manufacturing;
- automation and Robotics design manufacturing
- artificial Intelligence based system design and/or manufacturing
- nanotechnology based products manufacturing
- aircraft heavy maintenance services including parts manufacturing
- any other category upon specific approval from Government

b) For Newly Established Physical Infrastructure Facility⁹¹

Tax exemption at specified rates can be availed if physical infrastructure facility is set up in certain areas of Bangladesh between 01 July 2019 and 30 June 2024 (*both days inclusive*). For the purpose of this section, "physical infrastructure facility" means:

90. Section 46BB of ITO 1984 as amended by FA 2020

91. Section 46CC of ITO 1984

- deep seaport
- elevated expressway
- export processing zone
- flyover
- gas pipeline
- Hi-tech park
- Information and Communication Technology (ICT) village or software technology zone
- Information Technology (IT) park
- large water treatment plant and supply through pipeline
- Liquefied Natural Gas (LNG) terminal and transmission line
- mobile phone tower or tower sharing infrastructure
- monorail
- rapid transit
- renewable energy (e.g. solar energy plant, windmill)
- sea or river port
- toll road or bridge
- underground rail
- waste treatment plant
- any other category upon specific approval from Government

c) For Private Power Generation Companies⁹²

Private power generation companies (except for coal-based power generation companies) starting power generation for commercial purpose within 1 January 2020 to 31 December 2022 will receive tax exemption on items as listed below:

- Income from the business of power generation from the commencement of commercial generation to 31 December 2034
- Expatriate employees' salary; for 3 years from the date of their arrival in Bangladesh
- Interest on any foreign loan taken by the company
- Royalties, technical know-how and technical assistance fees
- Capital gain arising from transfer of shares

2.15. Capital Gains Tax

Capital gains tax for corporations can be divided into two major categories:

a) Sale of shares of listed companies

Capital gains tax on transfer of stocks and shares of public limited companies listed with the stock exchange except listed government securities is 10%⁹³.

b) Other than sale of shares of listed companies

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 acquisition⁹⁴.

Any profits and gains arising from the transfer of a business or undertaking in any income year shall be considered under capital gains tax. Gain arising from such transfer will be computed in a specified manner and will be taxed at 15%⁹⁵.

92. SRO 05-LAW/Income Tax/2020

93. SRO 196-LAW/Income Tax/2015

94. 2nd Schedule Para 2 of ITO 1984

95. Section 31A & 32A of ITO 1984 as introduced by FA 2020

2.16. Tax Return

Filing

All companies incorporated in Bangladesh are required to obtain an e-TIN from the authorities. Companies are required to file their tax returns on the later date of the following⁹⁶:

- 15th day of the seventh month following the end of the income year
- Following 15 September

Such tax returns must be accompanied by:

- Audited financial statements
- Computation of total income with supporting schedules
- Other supporting documents

Exempt from Filing Tax Return⁹⁷

- A non-resident company having no permanent establishment in Bangladesh
- An educational institution receiving government benefits under MPO
- A public university
- A fund

Extension

This filing date may be extended by up to two months and further extension of up to two months upon application⁹⁸.

2.17. Minimum Tax (82C)

Minimum Tax in case of deduction at source

This section has been renamed Minimum Tax in the Finance Act 2016. Tax deducted at source from the following income is considered minimum tax⁹⁹:

Section	Details
52	Payments for supply of goods or execution of contracts except: <ul style="list-style-type: none"> ■ Contractor or sub-contractor of oil company ■ Oil marketing companies and their agents excluding petrol pumps ■ Oil refinery ■ Gas transportation or gas distribution companies

96. Section 2(62A) of ITO 1984

97. Section 75(2) of ITO 1984

98. Section 75(6) of ITO 1984

99. Section 82C of ITO 1984

Section	Details
52A	Payment of royalties, etc.
52AA	Advisory or consultancy service, professional service, technical services fee or technical assistance fee, wheeling charge for electricity transmission
52AAA	Commission from clearing and forwarding agency business
52B	Sale of banderols to any manufacturers of cigarettes
52C	Compensation from acquisition of property
52D	Interest on savings instruments
52JJ	Collection of tax from travel agent
52N	Revenue of rental power company
52O	Salaries of foreign technician in diamond cutting industry
52R	Income of international gateway service operator or interconnection exchange
53	Tax collected from import of goods (<i>not import of goods by industrial undertakings as raw materials, except for industrial undertakings engaged in producing cement, iron or iron products, ferro alloy products</i>)
53AA	Income from shipping business
53B	Income from export of manpower
53BB & 53BBBB	Receipt on export of knitwear and woven garments, terry towels, cartons and accessories of garments industry, jute, frozen food and vegetables, leather goods and packed food
53BBB	Amount received on account of transaction by a member of a stock exchange
53C	Receipt in an auction purchase
53CCC	Income of a courier business of a non-resident
53DDD	Payment of export cash subsidy
53EE	Amount received as commissions and charges by an agent of a foreign buyer
53F	Interest on savings deposits and fixed deposits with certain exceptions
53FF	Income from real estate of land development business
53G	Remuneration or award or commission paid to insurance agent
53GG	Payment for survey by surveyor of a general insurance company
53H	Amount paid for transfer of property
53M	Income by sponsor shareholder from transfer of securities or mutual fund units
53N	Income from transfer of shares of Stock Exchange
55	Winnings from lottery

If tax on above income sources calculated by using regular rates on such income is higher than the minimum tax under this section, the higher amount shall be payable on such income.

Where an assessee has income from regular sources in addition to income on sources qualifying under Section 82C:

- Regular tax shall be calculated on income from regular sources
- Tax liability of the assessee shall be the aggregate of regular tax and tax deducted as per above sections

Minimum tax in other cases¹⁰⁰

Every firm with gross receipts in excess of Tk. 5,000,000, or every company, irrespective of profit or loss (for any reason) in any year, or an individual having gross receipts of Tk. 30,000,000 or more is liable to pay minimum tax as follows:

#	Details	% of Gross Receipts
1	Manufacturer of cigarette, bidi, chewing tobacco, smokeless tobacco or any other tobacco products	1%
2	Mobile phone operator	2%
3	Individual other than individual engaged in mobile phone operation or in the manufacturing of cigarette, bidi, chewing tobacco, smokeless tobacco or any other tobacco products, having gross receipts taka 3 crore or more	0.50%
4	Any other cases	0.60%
5	Industrial undertaking for first 3 income years engaged in manufacturing of goods	0.10%

2.18. Assessments

Provisional Assessment

The DCT can make a provisional assessment of tax in a summary manner at any time after 1 July of the concerned income year, based on the following¹⁰¹:

- Return, accounts and documents, if filed
- The last assessment including provisional assessment, if return is not filed

Assessment on Correct Return

Where a return or revised return is filed fulfilling certain conditions and the DCT is satisfied that the return is correct and complete without requiring the presence of the assessee or production of any evidence, he will assess the total income and determine the tax payable on the basis of such return and communicate the assessment order to the assessee within 30 days¹⁰².

¹⁰⁰. Section 82C of ITO 1984 as amended by FA 2020

¹⁰¹. Section 81 of ITO 1984

¹⁰². Section 82 of ITO 1984

Universal Self-Assessment¹⁰³

Under this scheme, companies can electronically or manually submit a filing of return within the specified deadline and pay tax on the basis of such return. The Deputy Commissioner of Taxes (DCT) will then proceed to issue an acknowledgement of such return and this shall be deemed to be an order of assessment for that assessment year. In the case of submission of income tax return under universal self-assessment scheme, a scrutiny assessment procedure has been introduced maintaining normal selection of audit procedures. An acknowledgement receipt provided by the DCT shall be treated as an assessment order as previous year. However, the DCT shall issue a demand notice upon correction of arithmetical error or incorrect claim stated in the submitted tax return after adjusting tax deducted at source, advance income tax paid and income tax paid under section 74. This process shall be done by the DCT within 12 months from the end of the financial year of the return submitted.

Returns filed under this section may be selected for audit within two years of the end of the assessment year. However, such returns are not selected for audit if they show a 20% increase in income over the last assessed year and are accompanied by:

- Evidence in support of income exempted from tax
- A copy of bank statement
- Does not include receipt of gift during the year
- Does not show any income chargeable to tax at a rate reduced under Section 44
- Does not show or result in any refund
- Proof of compliance to Section 75A, 108 & 108A of the ITO 1984.

If a new assessee deriving income from business or profession shows income not less than 25% of the capital invested in such business or profession and pays tax accordingly, no question regarding the source of income would be raised.

The initial capital investment or any fraction of it cannot be transferred within the income year when the investment was made or within 5 years from the end of such income year.

Assessment after Hearing

When a DCT is not satisfied with the correctness and completeness of a return or revised return, he shall serve a notice requiring the presence of the person filing the return for hearing or production of evidence supporting the return¹⁰⁴.

Within 30 days of the hearing and consideration of evidence, the DCT shall assess the income and determine the amount of tax and communicate the order within 30 days of such assessment.

103. Section 82BB of ITO 1984

104. Section 83 of ITO 1984

Other Assessments

Other assessments include:

Special case	Reference
Assessment on basis of report of Chartered Accountant	Section – 83AAA
Best judgment assessment	Section – 84
Special provisions regarding assessment of firms	Section – 85
Assessment in case of change in the constitution of a firm	Section – 86
Assessment in case of constitution of new successor firm	Section – 87
Assessment in case of succession to business otherwise than on death	Section – 88
Assessment in case of discontinued business	Section – 89
Assessment in case of partition of a Hindu undivided family	Section – 90
Assessment in case of persons leaving Bangladesh	Section – 91
Assessment in case of income of a deceased person	Section – 92
Assessment in case of income escaping assessment	Section – 93

2.19. Advance Payment of Tax

Any assessee needs to pay advance income tax if he/she has a total income exceeding Tk. 600,000¹⁰⁵ in any financial year based on regular assessment or estimation. The amount of tax will be:

(Total income of the latest income year as assessed x the applicable rates in force) – amount of TDS¹⁰⁶.

Advance tax is payable in 4 equal instalments on 15 September, 15 December, 15 March and 15 June.

If advance tax paid or collected at source is less than 75% of total tax payable, in addition to the balance of tax payable, interest at the rate of 10% will be charged on the amount short of the 75%¹⁰⁷. This rate of interest will be 50% higher if the return is not filed before the Tax Day.

A manufacturer of cigarette shall pay advance tax at the rate of 3% on net sale price in every month which shall be adjustable against the quarterly instalment of advance tax¹⁰⁸.

2.20. Payment of Tax on the basis of Return

Any assessee who is required to file a return under Section – 75, 77, 78, 89(2), 91(3) & 93(1) has to pay the amount of tax payable by him on the basis of such return, or as per Section 82C, whichever is higher before the date of submission of return, reduced by the amount of TDS.

105. Section 64 of ITO 1984

106. Section 64-67 of ITO 1984

107. Section 73 of ITO 1984

108. Section 68A of ITO 1984

2.21. Penalties

The various penalties for non-compliances are furnished below:

#	Offence	Penalties & Punishment	Reference
1	<ul style="list-style-type: none"> ■ Failure to deduct/collect tax at source at accurate rate and amount ■ Failure to deposit deducted/collected tax into national exchequer 	2% additional of the amount of tax to be deducted, collected or deposited per month	Section – 57
2	Issuing certificate of deduction/ collection of tax at source without actual deduction/collection/payment	Issuer shall be personally liable to pay the amount	Section – 57A
3	Failure to give notice to the DCT regarding the discontinuance of business	Maximum the amount of tax subsequently assessed	Section – 89(3)
4	Failure to keep, maintain or furnish information, documents or records to the Deputy Commissioner of Taxes as per Section – 107E	Maximum 1% of the value of each international transaction	Section – 107G
5	Failure to comply with the notice or requisition under Section – 107C regarding computation of arm's length price	Maximum 1% of the value of each international transaction	Section – 107H
6	Failure to comply with the provision of Section - 107EE regarding submission of statement of international transactions	Maximum 2% of the value of each international transaction	Section – 107HH
7	Failure to furnish report under Section –107F	Maximum TK. 300,000	Section – 107I
8	Failure to maintain accounts in the prescribed manner as per Section – 35(2) (<i>assessed does not have income from house property</i>)	Maximum 1.5 times of tax liability. Maximum TK. 100, where the total income does not exceed the maximum amount on which tax is not chargeable	Section – 123
9	Failure to maintain accounts in the prescribed manner as per Section – 35(2) (<i>assessee has income from house property</i>)	Higher of a) 50% of taxes payable on house property income b) TK. 50,000	Section – 123

#	Offence	Penalties & Punishment	Reference
10	Failure to file return under Section – 75,77, 89, 91, 93	Higher of a) 10% of last assessed tax b) Tk. 1,000 For continuing default: a) An individual assessee not previously assessed - TK. 50 for every day provided that maximum penalty of Tk. 5,000 b) Maximum penalty for an individual assessee previously assessed - Higher of ■ 50% of last assessed tax ■ Tk. 1,000	Section – 124
11	Failure to furnish certificate, statement, accounts, information or TIN certificate required under Section – 58, 75A, 103A ¹⁰⁹ , 108, 108A, 109, 110 and 184C	■ 10% of tax on last assessed income or Tk. 5,000 whichever is higher ■ In case of continuing default, Tk. 1,000 per month	Section – 124
12	Failure to furnish information required under Section – 113	TK. 25,000 For continuing default: TK. 500 per day	Section – 124
13	Use of fake TIN or TIN of another person	Maximum TK. 20,000	Section – 124A
14	Failure to verify the authenticity of TIN	Maximum TK. 200,000 (<i>subject to compliance of Section 184A(5) & 184A(6) of ITO 1984</i>)	Section – 124AA
15	Failure to pay advance tax	Maximum amount of shortfall	Section – 125
16	Non-compliance with any notice under Section – 79,80, 83(1) and 83(2)	Maximum amount of tax liability	Section – 126
17	Failure to pay tax on the basis of return under Section – 74	Maximum 25% of unpaid tax	Section – 127
18	Delay interest on filing after Tax Day	2% per month on outstanding amount	Section – 73A
19	Concealment of income	15% of the tax evasion If concealment detected after 1 year: Additional 15% for each preceding year	Section – 128

#	Offence	Penalties & Punishment	Reference
20	Incorrect or false audit report by Chartered Accountant	Minimum: TK. 50,000 Maximum: TK. 200,000	Section – 129A
21	Furnishing fake audit report	TK. 100,000	Section – 129B
22	Default in payment of tax	Maximum amount of arrear tax	Section – 137
23	Non-compliance of certain obligations under Section - 164	Imprisonment up to 1 year or fine or both	Section – 164
24	False statement in verification	Imprisonment of 3 months to 3 years or fine or both	Section – 165
25	Use of fake TIN or TIN of another person	Imprisonment up to 3 years or fine up to TK. 50,000 or both	Section – 165A
26	Furnishing fake audit report	Imprisonment of 3 months to 3 years or fine up to TK. 100,000 or both	Section – 165AA
27	Obstruction of income tax authority	Imprisonment up to 1 year or fine or both	Section – 165B
28	Unauthorized employment of a non-Bangladeshi citizen	Imprisonment of 3 months to 3 years or fine up to TK. 500,000 or both	Section – 165C
29	Concealment of income	Imprisonment of 3 months to 5 years or fine or both	Section – 166
30	Disposal of property to prevent attachment	Imprisonment up to 5 years or fine or both	Section – 167
31	Disclosure of protected information	Imprisonment up to 6 months or fine or both	Section – 168

2.22. Additional Tax

If a company employs a foreign national without prior approval of authorities, the company shall be charged additional tax of 50% of the tax payable on its income or Tk. 500,000 whichever is higher¹¹⁰.

110. Section 16B of ITO 1984

2.23. Other Filings

The below filings are required to be done by a Company as prescribed:

Return of Withholding Tax¹¹¹

Following entities are required to submit a return of tax deducted or collected at source using prescribed formats half yearly to the tax authorities by the 31 January and 31 July each year:

- Company

- Co-operative society

- Micro Credit Organisation registered with NGO Affairs Bureau

- University

- Private hospital, clinic and diagnostic centre

- English medium school providing education following international curriculum

- Artificial juridical person

- Local authority

An extension of 15 days can be sought. Such returns may be subject to audit within four years of submission to check for appropriateness in deduction, collection and payment¹¹².

Salary Return

Every assessee responsible for making payment of salaries are required to submit to the authorities a statement in prescribed format by 31 August each year¹¹³.

Every assessee responsible for making payment of salaries are required to submit to the authorities a statement in prescribed format by 30 April each year including the following information :

- Name, designation and e-TIN number of employees

- Date of filing of return of income of employees

- The serial number provided by the income tax authority upon filing of return

Interest Payment Return

Every assessee responsible for making payment of interest (*not interest on securities*) are required to submit to the authorities a statement in prescribed format by 31 August each year¹¹⁵.

Dividend Return

Every assessee responsible for making payment of dividend are required to submit to the authorities a statement in prescribed format by 31 August each year¹¹⁶.

111. Section 75A of ITO 1984 as amended by FA 2020

112. Section 75AA of ITO 1984

113. Section 108 of ITO 1984

114. Section 108A of ITO 1984

115. Section 109 of ITO 1984

116. Section 110 of ITO 1984

2.24. Tax Deduction at Source

Section	Deduction/Collection from/on	Rate	
50	Salaries	Average rate	
51	Interest or profit on securities (<i>including Government T-Bill & T-Bond</i>) irrespective of maturity ¹¹⁷	5%	
52 Rule 16	Payment to contractors or suppliers:	<ul style="list-style-type: none"> ■ Maximum 10% ■ The said below rates shall be 50% higher if payee does not have an e-TIN number. ■ In the case of imported goods, the deduction of tax will be reduced by the amount of tax paid u/s 53 by the importer. 	
	a) Execution of contract b) Supply of goods – As per new rule, tax shall also be deducted in respect of the purchase of direct materials that constitute cost of sales or cost of goods sold of a trading/manufacturing company ¹¹⁸ c) Manufacture, process or conversion d) Printing, packaging or binding e) Where any goods imported or purchased locally or supplied by any distributor or any other person under a contract ¹¹⁹	Where base amount ¹²⁰ :	
		does not exceed Tk. 1.5 million	2%
		is between Tk. 1.5 – 5 million	3%
		is between Tk. 5 – 10 million	4%
		exceeds 10 million	5%
	Supply of oil by oil marketing companies	Below Tk. 200,000	Nil
		Above Tk. 200,000	0.60%
Supply of oil by dealer or agent of oil marketing company (<i>excluding petrol pump</i>)	1%		
Supply of oil by oil refinery/gas transmission company/gas distribution company	3%		

117. Section 51 of ITO 1984 as amended by FA 2020

118. Section 52 of ITO 1984

119. Specific calculation method applicable

120. SRO 213-LAW/Income Tax/2019

Section	Deduction/Collection from/on	Rate	
52 Rule 16	Industry engaged in production of cement, iron or iron products (except for MS Billets) ¹²¹	3%	
	Industry engaged in production of MS Billets	0.5%	
	Local procurement of MS Scrap ¹²²	0.5%	
	Supply of rice, wheat, potato, onion, garlic, peas, chickpeas, lentils, ginger, turmeric, dried chillies, pulses, maize, coarse flour, flour, salt, edible oil, sugar, black pepper, cinnamon, cardamom, clove, date, cassia leaf, jute, cotton, yarn and all kinds of fruits ¹²³	2%	
52A	Royalty etc. (the said rates shall be 50% higher if payee does not have a e-TIN number)	Below Tk. 2.5 million	10%
		Above Tk. 2.5 million	12%
52AA	Certain services: (the said rates shall be 50% higher if payee does not have a e-TIN number)	Below Tk. 2.5 million	Above Tk. 2.5 million
	Advisory or consultancy	10%	12%
	Professional service/technical service/technical assistance fee	10%	12%
	Catering service/cleaning service/collection & recovery service/private security service/supply of manpower/creative media service/public relations service/events management service/ training & workshop etc. organisation and management service/ courier service/ packing & shifting service/ any other service of similar nature - <ul style="list-style-type: none"> ■ On commission ■ On gross amount¹²⁴ 	10% 1.5%	12% 2%

121. SRO 213-LAW/Income Tax/2019

122. SRO 165-LAW/Income Tax/2020

123. SRO 165-LAW/Income Tax/2020

124. Specific calculation method applicable

Section	Deduction/Collection from/on	Rate	
52AA	Media buying agency service ■ On commission ■ On gross amount ¹²⁵	10% 0.5%	12% 0.65%
	Indenting commission	6%	8%
	Meeting fees/training fees/honorarium	10%	12%
	Mobile network operator/technical support service provider/mobile banking agents	10%	12%
	Credit rating service	10%	12%
	Motor garage or workshop/private container port or dockyard/shipping agency commission	6%	8%
	Stevedoring/ berth operation commission	10%	12%
	Transport services/vehicle rental service/carrying service/ride sharing services/coworking space providing service/accommodation providing service ¹²⁶	3%	4%
	Wheeling charge for electricity transmission ¹²⁷	2%	3%
	Any other service (excluding service provided by a bank, insurance, or financial institution)	10%	12%
52AAA	C&F agency commission	10%	
52B	Seller of banderols to any manufacturer of cigarettes	10%	

125. Specific calculation method applicable

126. Section 52AA of ITO 1984 as amended by FA 2020

127. Section 52AA of ITO 1984 as amended by FA 2020

Section	Deduction/Collection from/on	Rate	
52C	Acquisition of immovable property ¹²⁸ : <ul style="list-style-type: none"> ■ Situated in City Corporation/Paurashava/Cantonment Board Area ■ Situated outside City Corporation/Paurashava/Cantonment Board Area 	6%	
		3%	
52D	Interest on savings instruments ¹²⁹	Up to Tk. 5 lac	5%
		Above Tk 5 lac	10%
52DD	Workers Profit Participation Fund	5%	
52F	Brick manufacturer: <ul style="list-style-type: none"> ■ One section brick field ■ One and half section brick field ■ Two section brick field ■ Automatic brick field <i>Tax clearance certificate required of preceding assessment year</i>	Tk. 45,000	
		Tk. 70,000	
		Tk. 90,000	
		Tk. 150,000	
52I	Commission on LC	5%	
52JJ	Payment to travel agent <ul style="list-style-type: none"> ■ Commission ■ Incentive bonus 	0.30%	
		(Incentive Bonus/Commission) x TDS on Commission	
52K	Renewal of trade license: <ul style="list-style-type: none"> ■ Dhaka (North & South) & Chittagong City Corporations ■ Other City Corporations ■ Paurashava at any district headquarters ■ Any other paurashava 	Tk. 3,000	
		Tk. 2,000	
		Tk. 1,000	
		Tk. 500	
52M	Freight forwarding agency commission	15%	

128. Section 52C of ITO 1984 as amended by FA 2020

129. SRO 264-LAW/Income Tax/2019

Section	Deduction/Collection from/on	Rate
52N	Rental power company	6%
52P	Convention hall/conference centre etc.	5%
52Q	Payments received/revenue shared for services provided to foreign person by a resident or allowing the use of any online platform for advertisement or any other purposes. This excludes ¹³⁰ : <ul style="list-style-type: none"> ■ ITES Services ■ Any other service enjoying tax exemption ■ Remittance from Bangladeshi nationals working abroad 	10%
52R	International Gateway (IGW) Service operator	1.5%
	Interconnection Exchange (ICX)/ Access Network Services (ANS)/ Bangladesh Telecommunication Regulatory Commission (BTRC) ¹³¹ or any person in agreement with BTRC	7.5%
	Any payment in respect to outgoing international calls	7.5%
52T	Payment in excess of premium paid on life insurance	5%
52U	Local LC – for the purpose of trading or reselling after process or conversion	3%
	Local LC – under financing agreement against invoice or sale of goods to distributor	1%
	Local LC – for procurement of rice, wheat, potato, onion, garlic, peas, chickpeas, lentils, ginger, turmeric, dried chillies, pulses, maize, coarse flour, flour, salt, edible oil, sugar, black pepper, cinnamon, cardamom, clove, date, cassia leaf, computer or computer accessories, jute, cotton, yarn and all kinds of fruits ¹³²	2%

130. Section 52Q of ITO 1984 as amended by FA 2020

131. Section 52R of ITO 1984 as amended by FA 2020

132. Section 52U of ITO 1984 as amended by FA 2020

Section	Deduction/Collection from/on	Rate
52V	Payment by mobile phone operator of fees to regulatory authority	10%
53 Rule 17A	From importers on value of the imported goods (<i>may vary under certain conditions</i>)	5%
53A	Rent payment for house property or hotel accommodation	5%
53AA	Shipping business of a resident	5% or 3% (<i>if service is rendered between two or more foreign countries</i>)
53B Rule 17C	Income from export of manpower	10%
53BB	Export of knit wear and woven garments, terry towel, carton, garments accessories, jute goods, frozen foods, vegetables, leather goods, and packed food ¹³³	0.5%
53BBB	Commission received by member of Stock Exchanges on ¹³⁴ : <ul style="list-style-type: none"> ■ Transaction value of shares and mutual funds ■ Sale of securities other than shares and mutual funds 	0.05% 10%
53BBBB	Export of goods except for goods mentioned in section 53BB ¹³⁵	0.5%
53CCC	Courier business of non-resident	15%
53D	Payment to actors, actresses, producers, etc.	10%
53DDD	Export cash subsidy	10%
53E	Payments/allowance to a distributor (<i>commission, discounts, fees, bonus etc.</i>)	10%

133. Section 53BB of ITO 1984 as amended by FA 2020

134. Section 53BBB of ITO 1984 as amended by FA 2020

135. Section 53BBBB of ITO 1984 as amended by FA 2020

Section	Deduction/Collection from/on	Rate
53E	Payments to any person engaged in distribution or marketing of a company or its goods and services	1.5%
	Any company (<i>other than oil company</i>) selling to distributor or person under contract	5% of (5% of selling price)
53EE	Commission or remuneration paid to agent of foreign buyer	10%
53F	Interest on savings deposit, fixed deposit, term deposit:	
	If TIN is furnished	10%
	If TIN is not furnished but deposit amount is up to Tk. 100,000	10%
	If TIN is not furnished but deposit amount exceeds Tk. 100,000	15%
	Public university, educational institutions, ICAB, ICMA and ICSB	10%
	Paid to a fund (<i>except deposit pension scheme sponsored by government or by a scheduled bank with approval from government</i>)	5%
53FF	Real estate or land development business	Rates vary depending on location
53G	Insurance Commission	5%
53GG	Fees etc. of surveyor of general insurance company	10%
53H	Transfer of property	Rates vary depending on location
53HH	Lease of property	4%
53I	Interest on deposit of Post Office Savings Bank Account	10%
53J	Rental value of vacant land, plant or machinery	5%

Section	Deduction/Collection from/on	Rate
53K	Advertisement or airtime bill of newspaper, magazine, private TV channel, private radio station, website	4%
53M	Transfer of securities or mutual fund units by sponsor shareholder, director, placement holder of listed companies	5%
53N	Transfer of share of shareholder of Stock Exchange	15%
53P	Signing money, subsistence money, house rent etc. paid to landowner by real estate developer	15%
54	Dividend:	
	Company	20%
	Assessee other than company, if TIN is furnished	10%
	Assessee other than company, if TIN is not furnished	15%
55	Lottery	20%
56	Deductions from income of non-residents:	
	Advisory or consultancy service	20%
	Pre-shipment inspection service	
	Professional service, technical services, technical know-how or technical assistance	
	Architecture, interior design or landscape design, fashion design or process design	
	Certification, rating etc.	

Section	Deduction/Collection from/on	Rate
56	Charge or rent for satellite, airtime or frequency, rent for channel broadcast	20%
	Legal service	
	Management service including event management	
	Commission	
	Royalty, license fee or payments related to intangibles	
	Interest	
	Advertisement broadcasting	
	Advertisement making or digital marketing	15%
	Air transport or water transport except in certain circumstances	7.5%
	Contractor or sub-contractor of manufacturing, process or conversion, civil work, construction, engineering or works of similar nature	
	Supplier	
	Capital gain	15%
	Insurance premium	10%
	Rental of machinery, equipment etc.	15%
	Dividend:	
	■ Company, fund and trust	20%
■ Any other person not being a company, fund and trust	30%	
Artist, singer or player	30%	

Section	Deduction/Collection from/on	Rate
56	Salary or remuneration	30%
	Exploration or drilling in petroleum operations	5.25%
	Survey for coal, oil or gas exploration	
	Any service for making connectivity between oil or gas field and its export point	
	Any payments against any services not mentioned above	20%
	Fees, etc. of surveyors of general insurance company	20%
	Any other payments	30%

2.25. Timeline for Payment of TDS

The timeline for deposit/payment of taxes deducted at source (as above) is as follows¹³⁶:

Time of Deduction	Payment Date
In case of deduction/collection made between July to May	By 2 weeks from end of month
In case of deduction/collection made between 1st to 20th of June	Within 7 days from date of deduction/collection
In case of deduction/collection made between 21st to 30th of June (except last two working days)	The following day
In case of deduction/collection made on last two working days of June	Same day as deduction

Any deduction or collection of tax made and paid to the account of the government in accordance with the above sections, shall be treated as a payment of tax on behalf of the person from whose income the deduction or collection was made or of the owner of the security or of the shareholder as the case maybe, and credit shall be given on production of the relevant documents¹³⁷.

2.26. Transfer Pricing

Transfer pricing refers to the prices charged between related parties in different tax jurisdictions for goods, services, assets, and the right to use intangibles, interest, guarantee fees and factoring fees. For example, if a subsidiary company sells goods to a parent company, the cost of those goods paid by the parent to the subsidiary is the transfer price. Transfer pricing can be used as a profit allocation method to attribute a multinational corporation's net profit (or loss) before tax to countries where it does business. Transfer pricing results in the setting of prices among divisions within an enterprise¹³⁸.

- Every person who has entered into an international transaction shall furnish, along with the return of income, a statement of international transactions as per prescribed format¹³⁹.
- International transactions include a transaction between associated enterprises, either or both of whom are non-residents in the nature of purchase, sale, or lease of tangible or intangible property, or provision of services, or lending or borrowing money, or any other transaction having a bearing on the profits, income, losses, assets, financial position or economic value of such enterprises. This includes, a transaction entered into by an enterprise with a person irrespective of whether such other person is a non-resident or not, other than an associated enterprise, if there exists a prior agreement in relation to the relevant transaction between such other person and the associated enterprise, or the terms of the relevant transaction are determined in substance between such other person and the associated enterprise.
- If the transfer prices are set in a manner that is inconsistent with the arm's length principle, tax authorities raise the concerns of the possibility of profit shifting. Arm's length price means a price in a transaction, the conditions of which do not differ from the conditions that would have prevailed in a comparable uncontrolled transaction between entities carried out under comparable circumstances.

136. Rule 13 of ITR 1984

137. Section 62 of ITO 1984

138. Section 107A of ITO 1984

139. Section 107EE of ITO 1984

Computation

Computation of arm's length price in relation to international transaction shall be determined by applying any of the following method¹⁴⁰.

- a) Comparable uncontrolled price method
- b) Resale price method
- c) Cost plus method
- d) Profit split method
- e) Transactional net margin method
- f) Other appropriate method

Every person having international transaction shall keep and maintain information, documents and records as prescribed under Rule 73 of Income Tax Rules, provided that the aggregate value of international transactions exceeds Tk. 30 million in the particular income year¹⁴¹. The person is also required to furnish a report from a Chartered Accountant or a Cost & Management Accountant¹⁴².

2.27. Exclusions from Total Income

Below is a selective list of income which is not taxable in Bangladesh:

- a) **Income from Micro-Credit** – any service charge earned by an NGO registered with the NGO Affairs Bureau¹⁴³.
- b) **Income of a Registered Fund**¹⁴⁴ – any income derived by a registered Provident Fund or a Workers Profit Participation Fund subject to certain conditions.
- c) **Income from ITES business** - any income earned during 1 July 2008 to 30 June 2024 shall be exempt from income tax for the following services¹⁴⁵:
 - Software development
 - Software or application customization
 - Nationwide Telecommunication Transmission Network (NTTN)
 - Digital content development and management
 - 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 optimization services
 - Document conversion, imaging and digital archiving
 - Robotics process outsourcing
 - Cyber security services

140. Section 107C of ITO 1984

141. Section 107E of ITO 1984

142. Section 107F of ITO 1984

143. 6th Schedule, Part A, Para 1A of ITO 1984

144. 6th Schedule, Part A, Para 4 of ITO 1984

145. 6th Schedule, Part A, Para 33 of ITO 1984

- d) **Income from Export of Handicrafts**¹⁴⁶ – income from export of handicrafts from 1 July 2008 to 30 June 2024.
- e) **Income of SME**¹⁴⁷ – income derived from production of goods with annual sales of less than Tk. 5 million.
- f) **Capital Gains**¹⁴⁸ – capital gains arising from the sale of listed securities with any stock exchange in Bangladesh by a non-resident provided the assessee is entitled to similar exemption in their country of residence.
- g) **Income Earned by Alternative Investment Fund**¹⁴⁹ – any income earned by an alternative investment fund recognised by Bangladesh Securities & Exchange Commission (BSEC).
- h) **Distribution of Taxed Dividend**¹⁵⁰ – any distribution of taxed dividend to a company provided the company distributing the taxed dividend, maintains separate accounts.

However, the above are exempt subject to filing of annual income tax returns.

2.28. Power to Condone or Extend¹⁵¹

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.

2.29. Double Taxation Avoidance¹⁵²

The Government of Bangladesh has entered into agreements (DTAA) with the Governments of another country for avoiding double taxation. This treaty includes provision for relief from tax on income such as dividend, royalty, technical fees, business profits, etc. Bangladesh currently holds agreements on avoidance of double taxation with 34 countries:

- | | | | |
|-------------|---------------------------|-----------------------|----------------------------|
| ■ Belgium | ■ Japan | ■ Pakistan | ■ Sweden |
| ■ Canada | ■ Kingdom of Bahrain | ■ The Philippines | ■ Switzerland |
| ■ China | ■ Kingdom of Saudi Arabia | ■ Poland | ■ Thailand |
| ■ Denmark | ■ Malaysia | ■ Republic of Belarus | ■ The Netherlands |
| ■ France | ■ Mauritius | ■ Republic of Korea | ■ Turkey |
| ■ Germany | ■ Myanmar | ■ Romania | ■ United Kingdom |
| ■ India | ■ Norway | ■ Vietnam | ■ United Arab Emirates |
| ■ Indonesia | ■ Oman (air traffic only) | ■ Singapore | ■ United States of America |
| ■ Italy | | ■ Sri Lanka | |

Tax credit from deductions/payments in foreign jurisdictions is available to a Bangladesh resident in respect of any taxes on the same income being taxed in Bangladesh. The allowable credit is the lower of the foreign tax or the Bangladesh tax otherwise payable.

146. 6th Schedule, Part A, Para 35 of ITO 1984

147. 6th Schedule, Part A, Para 39 of ITO 1984

148. 6th Schedule, Part A, Para 43 of ITO 1984

149. 6th Schedule, Part A, Para 54 of ITO 1984 as amended by FA 2020

150. 6th Schedule, Part A, Para 60 of ITO 1984

151. Section 184G of ITO 1984 as introduced by FA 2020

152. Section 144 of ITO 1984

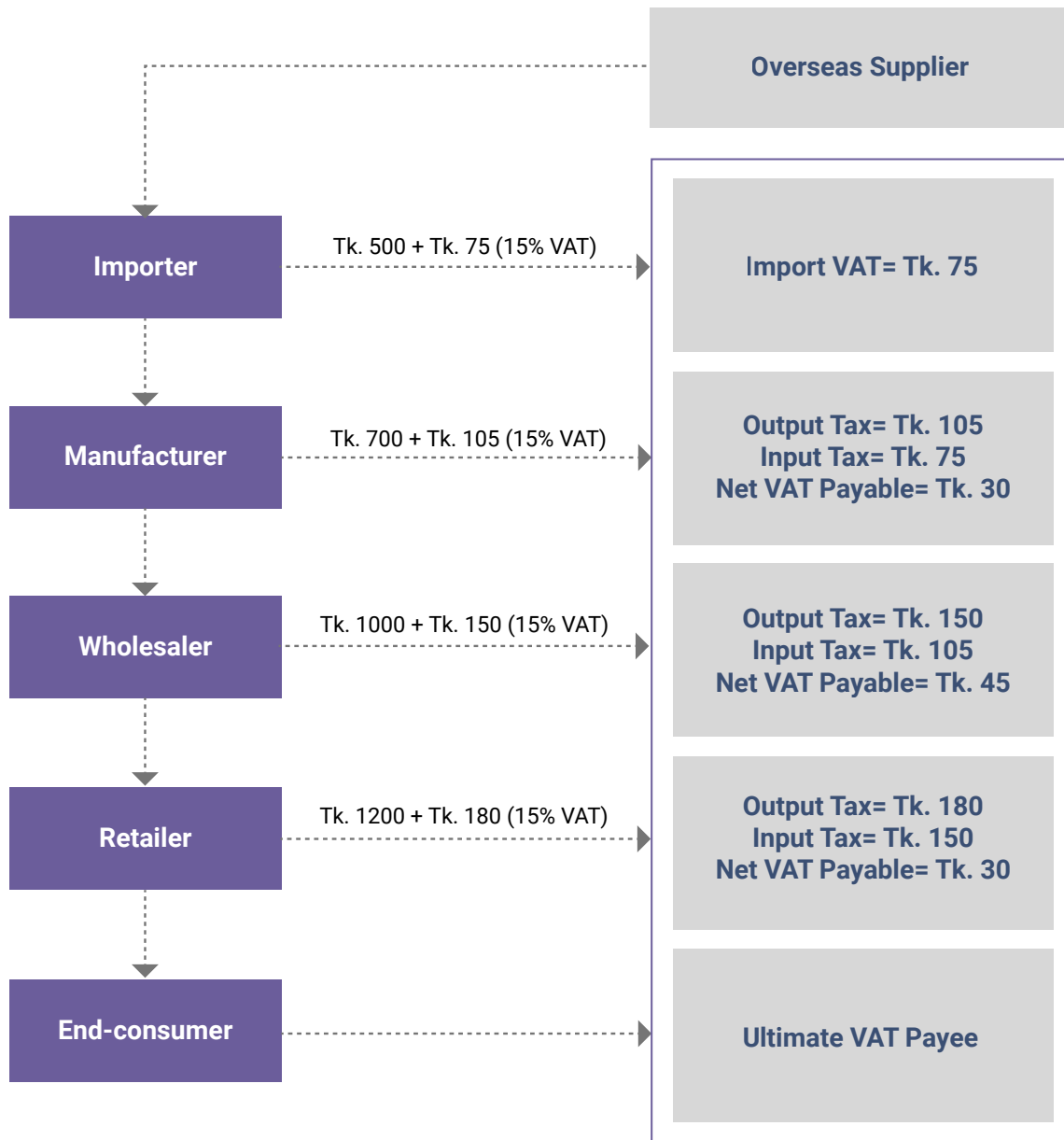
Value Added Tax



3. Value Added Tax (VAT)

Value Added Tax (VAT) is an indirect tax which is paid by the consumer through a registered person.

3.1. Basic Mechanism of VAT



3.2. Registration or Enlistment

Vat Act 2012 introduces a new guideline of registration and enlistment for the purposes of VAT and Turnover Tax respectively:

Threshold	Criteria
Exempt	If annual turnover is between Tk. 1 to 5,000,000
Enlistment ¹⁵³	If annual turnover is between Tk. 5,000,001 to 30,000,000
Registration ¹⁵⁴	If annual turnover is above Tk. 30,000,000

For some specific supplies and services VAT registration is mandatory regardless of turnover limit¹⁵⁵. Voluntary registration is also available for businesses if required¹⁵⁶.

3.3. Type of VAT Rates

Type	Rate	Nature
Standard rate ¹⁵⁷	15%	<ul style="list-style-type: none"> All goods and services imported or supplied or provided in Bangladesh are subject to Standard Rate, except for those stated in the 1st and 3rd Schedule of VAT Act 2012
Reduced rate	Below 15%	<ul style="list-style-type: none"> Any supplies or services which have VAT below standard rate as stated in the 3rd Schedule of VAT Act 2012 or any other Statutory Regulatory Orders (SROs) Businesses having VAT below 15% cannot claim input tax credit (Ref: 3.5) Such businesses can choose to practice standard rate to claim input tax credit on their purchases¹⁵⁸
Zero rate ¹⁵⁹	0%	<ul style="list-style-type: none"> Any goods or service exported or deemed to be exported from Bangladesh Goods produced in Bangladesh and supplied in accordance with Section – 24 of the Customs Act 1969 for any transport leaving Bangladesh Any goods intended to be re-imported into Bangladesh cannot be considered as zero-rated supply
Exempt ¹⁶⁰	N/A	<ul style="list-style-type: none"> Any supply of goods or services that are listed under 1st Schedule of VAT Act 2012 or for which exemption is provided through SRO are exempt from VAT These are mainly supplies related with the basic necessities

153. Section 2(48) of VAT Act 2012

154. Section 2(57) of VAT Act 2012

155. GO/17/MUSHAK/2019

156. Section 8 of VAT Act 2012

157. Section 15 of VAT Act 2012

158. Section 15(3) of VAT Act 2012

159. Section 21 of VAT Act 2012

160. Section 26 of VAT Act 2012

Type	Rate	Nature
Trade VAT	5%	<ul style="list-style-type: none"> ■ Any supplies received from a trader are subject to trade VAT as stated in the 3rd Schedule of VAT Act 2012 ■ Businesses having VAT below 15% cannot claim input tax credit (Ref: 3.5) ■ Such businesses can choose to practice standard rate to claim input tax credit on their purchases
Specific VAT	N/A	<ul style="list-style-type: none"> ■ Certain goods and services are subject to tariff value based VAT e.g. SIM cards, mild steel products, newsprint etc. as stated in the 3rd Schedule of VAT Act 2012
Advance Tax	4%	<ul style="list-style-type: none"> ■ Importers are required to pay Advance Tax on taxable imports ■ Such tax can be shown as decreasing adjustment within the same tax period and additional four tax periods¹⁶¹ ■ Advance tax is exempted for 100% export or deemed export-oriented industries under bonded warehouse license only on imported goods¹⁶²
Turnover Tax ¹⁶³	4%	<ul style="list-style-type: none"> ■ Businesses enlisted or required to be enlisted need to pay turnover tax at 4% on the economic activities ■ Input tax credit is not allowed for expenses having turnover tax

3.4. VAT Deduction and Collection Guideline 2020¹⁶⁴

The guideline has been issued by NBR with a detail discussion on the mechanism of VAT deduction and submission process in case of a withholding entity.

A withholding entity can be:

- a) a government entity
- b) a non-government organization approved by the NGO Affairs Bureau or the Directorate-General of Social Welfare
- c) a bank, insurance company or a similar financial institution
- d) an educational institution of secondary or above level
- e) a limited company, branch office or liaison office (*as per definition of company*)¹⁶⁵

161. Sec 31 of VAT Act 2012 as amended by FA 2020

162. SRO 239-AIN/2019/75-MUSHAK

163. Section 63 of VAT Act 2012

164. SRO 149/AIN/2020/110-MUSHAK

165. Section 38 of VAT Act 2012 as amended by FA 2020

Issuance of Mushak 6.3

Type of supplies	Rate	Issuance of Mushak 6.3	Deduction Applicability	Remarks
Goods	15%	Issued	✗	N/A in case goods purchased through procurement provider
		Not issued	✓	
	Reduced rate	Both cases	✓	
	Exempted through 1st schedule	Both cases	✗	
	Exempted through SROs	Issued	✗	
		Not issued	✓	
Services	List of 43 services (<i>given below</i>)	Both cases	✓	-
	Other services (<i>15% or reduced rate</i>)	Issued	✗	-
		Not issued	✓	-
	Exempted through 1st schedule	Both cases	✗	-
	Exempted through SRO	Issued	✗	-
		Not issued	✓	-
Procurement Provider	7.50%	Both cases	✓	-
	Supplies or services exempted through SRO	Both cases	✓	-
	Exempted through 1st schedule	Both cases	✗	-
Oil, gas, electricity, water, telephone or mobile services	All rate	Both cases	✗	-
Rent of land and building	15%	N/A	✓	-
Purchase from unregistered entity	All rate	N/A	✓	-
Purchase from entity listed for turnover tax	4%	Mushak 6.9 will be issued	✗	-

Type of supplies	Rate	Issuance of Mushak 6.3	Deduction Applicability	Remarks
Services received from outside Bangladesh	15%	N/A	✓	For an unregistered person, bank have the authority to deduct VAT during payment
			✓	In case of a registered person, bank will not deduct VAT if deposited separately (<i>Challan proof mandatory</i>)
Payments related to licenses, registration & permits	15%	N/A	✓	Service receipt will deposit VAT in separate treasury

List of specific services for which VAT deduction is mandatory irrespective of rate¹⁶⁶:

#	Service Code	Service Provider	Rate of VAT
1	S001.10	A/C Hotel	15%
	S001.10	Non - A/C Hotel	7.5%
	S001.20	A/C Restaurant	15%
	S001.20	Non-A/C Restaurant	7.5%
2	S002.00	Decorators & Caterers	15%
3	S003.10	Motor garage & workshop	10%
4	S003.20	Dockyard	10%
5	S004.00	Construction works/firms (<i>builders</i>)	7.5%
6	S007.00	Advertisement organizations	15%
7	S008.10	Printing press	10%
8	S009.00	Auction house	10%
9	S010.10	Land development agency	2%

166. SRO 149/AIN/2020/110-MUSHAK

#	Service Code	Service Provider	Rate of VAT
10	S010.20	Building construction company (<i>Up to 1-1600 square feet</i>)	2%
		Building construction company (<i>More than 1601 square feet</i>)	4.5%
		Building construction company (<i>In case of re-registration</i>)	2%
11	S014.00	Indenting service	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 (<i>at the production stage</i>)	7.5%
		Furniture (<i>at the marketing stage - showroom</i>)	7.5%
16	S028.00	Courier & express mail service	15%
17	S031.00	Repair & maintenance services	10%
18	S032.00	Consultancy or supervisory firm	15%
19	S033.00	Lessee (<i>leaseholder</i>)	15%
20	S034.00	Audit & accounting firm	15%
21	S037.00	Procurement provider	7.5%
22	S040.00	Security service	10%
23	S043.00	Television & online broadcasting programme provider	15%
24	S045.00	Legal advisors	15%
25	S048.00	Transport contractor (<i>for carrying petrol & related goods</i>)	5%
		Transport contractor (<i>other goods</i>)	10%
26	S049.00	Transport fare or rent a car	15%
27	S050.10	Architect, interior designer or decorator	15%
28	S050.20	Graphics designer	15%
29	S051.00	Engineering firm	15%
30	S052.00	Sound & light equipment rental service	15%
31	S053.00	Board meeting fees	10%
32	S054.00	Advertisement with satellite channel	15%

#	Service Code	Service Provider	Rate of VAT
33	S058.00	Chartered airplane or helicopter rent service	15%
34	S060.00	Auction product buyer	7.5%
35	S065.00	Building, floor & premises cleaning & maintenance	10%
36	S066.00	Lottery ticket seller	10%
37	S067.00	Immigration advisor	15%
38	S071.00	Event management firm	15%
39	S072.00	Human resource service provider	15%
40	S099.10	IT enabled service (ITES)	5%
41	S099.20	Other services	15%
42	S099.30	Sponsorship services	15%
43	S099.60	Credit rating agency	7.5%

After withholding the VAT as per guideline, consumer will ensure the followings:

- Deposit the VAT amount to Government treasury (*within 15 days of deduction*)
- Issue VAT deduction certificate (*Mushak 6.6*) to the supplier and related VAT circle (*within 3 days of deposit*). Certificate can also be issued at the time of making payment to vendor if required¹⁶⁷
- Keep a copy of the certificate and store for 5 years
- Show an increasing adjustment in the VAT return (*Mushak 9.1*) for the VAT withheld

The supplier will collect VAT deduction certificate from the consumer to claim the amount as a reducing adjustment in his VAT return. The supplier can make this adjustment within current tax period or next 6 months of deposition of the VAT amount.

3.5. Input Tax

Meaning of Input Tax

Input tax means payment of VAT by registered person against import of inputs (*except for advance tax*) or purchase of inputs from local source.

Here “input” means all raw materials, laboratory re-agent, laboratory equipment, laboratory accessories, any material used as fuel, packaging materials, services, machines and parts of machines¹⁶⁸.

¹⁶⁷. Section 53 of VAT Act 2012 as amended by FA 2020

¹⁶⁸. Section 18(A) of VAT Act 2012 as introduced by FA 2020

However, below exceptions cannot be considered as input:

- Land, labour, building, office equipment and fixtures, buildings/ infrastructures construction, maintenance, repair, renovation
- All furniture, office supplies, stationaries, 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
- Rent for office premises, showrooms

The above items can only be considered as input if any trader purchased or imported these for business purpose.

Input Tax Rebate

Input tax can be claimed as rebate through VAT return within current tax period and additional four tax periods except for below mentioned conditions¹⁶⁹:

- expenses for exempted goods or services
- expenses which are not mentioned in the Mushak 4.3 (*Input-Output Coefficient Declaration*)
- if updated Mushak 4.3 is not submitted in case of any deviation of more than 7.5% of the input amount
- expenses related to supply of goods and services which are subject to Turnover Tax, VAT at a specified rate or VAT at a rate less than 15%
- expenses over BDT 100,000 for which payment is made without banking channel
- imported services for which output VAT has not been shown in the VAT Return
- expenses for which the VAT invoice (*Mushak 6.3*) does not mention the name, address and BIN of both customer and supplier
- 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
- expenses related of transportation of goods above 80%¹⁷⁰
- VAT paid on the goods under the custody or possession or occupancy of another person
- VAT paid on inputs that have not been entered in the Mushak 6.2.1 (*Purchase-Sale Register*) prescribed by the Rules

Partial input tax credit can be claimed based on the portion of inputs consumed in a tax period for taxable supplies.

Cancellation of Rebate

■ For Unusable Materials¹⁷¹

To clear stocks of unused inputs/ materials, an application to the Divisional Officer through Mushak 18.7 form needs to be submitted. The officer will provide approval within 15 days after investigation and will submit a report to the Commissioner within 7 days. Any rebate already claimed on this input will be cancelled by an increasing adjustment in the next VAT return

¹⁶⁹. Section 46 of VAT Act 2012 as amended by FA 2020

¹⁷⁰. Section 46(2)(d) of VAT Act 2012 as amended by FA 2020

¹⁷¹. SRO 142/AIN/2020/103- MUSHAK

■ For Damaged Products¹⁷²

To dispose any finished goods destroyed by accident, an application to the concerned Divisional Officer needs to be submitted within two days of the incident through Mushak 18.8 form. Within 30 days of the application, the officer will inspect and determine the condition of the damaged goods and submit a report to the Commissioner within 7 days of inspection. Any rebate already claimed on the damaged goods will be cancelled by an increasing adjustment in proportionate as determined by the officer through the VAT return

3.6. VAT Documentation

Tax Invoice¹⁷³

Tax invoice (*Mushak 6.3*) needs to be issued along with the invoice to the respective customers. Every registered supplier is required to issue tax invoice on or before the date when VAT becomes payable on the taxable supply, providing required information as per guideline specified under VAT and SD rules 2016.

Withholding entities are discouraged from obtaining supply of goods or services from persons who do not have VAT registration or do not issue tax invoice.

Input-Output Coefficient¹⁷⁴

To determine the value of the taxable supply, input-output coefficient needs to be submitted to Divisional Officer using Mushak 4.3 form. A copy of Mushak 4.3 then needs to be submitted along with recommendation from the officer to the concerned Commissionerate within 15 working days before production or supply of goods. Revised input-output coefficient declaration needs to be submitted for changes in input price exceeding 7.5%.

However, such declaration is not required in case of 100% export-oriented organization.

VAT Return

VAT Return have been reintroduced as Mushak 9.1 under VAT Act 2012. Every registered or enlisted person needs to submit the VAT return for each month within 15 days following the end of the month. In case the said 15th day falls under any public holiday; the return can be filed the next working day. In case of any national crisis, NBR can extend the deadline to submit the return without imposing any penalty and interest¹⁷⁵.

Major VAT Forms

#	Mushak	Mushak Form (Subject)	Rules Ref.
1	Mushak 2.1	Application for VAT registration and turnover tax enlistment	Rule 4(1) & Rule 5(1)
2	Mushak 3.1	Registration of VAT agent	Sub-Rule (3) & (5) of Rule 16
3	Mushak 3.2	Registration certificate of VAT agent	Sub-Rule (4) & (5) of Rule 16

172. SRO 142/AIN/2020/103- MUSHAK

173. Section 51 of VAT Act 2012

174. SRO 142/AIN/2020/103-MUSHAK

175. Section 64 of VAT Act 2012 as amended by FA 2020

#	Mushak	Mushak Form (Subject)	Rules Ref.
4	Mushak 3.4	Delegation of power to VAT agent by non-resident person	Sub-Rule (2) of Rule 17
5	Mushak 4.3	Input output co-efficient	Rule 21
6	Mushak 6.1	Purchase book	Clause (a) of Rule 40 & 41
7	Mushak 6.2	Sales book	Clause (b), Sub-Rule (1) of Rule 40 & Clause (a) of Rule 41
8	Mushak 6.2.1	Purchase-sale accounts for registered/enlisted person not engaged in processing goods/ services	SRO-179-Act/2020/119-Mushak
9	Mushak 6.3	VAT challan	SRO-142-Act/2020/103-Mushak
10	Mushak 6.5	Good transfer invoice for centrally registered entity	SRO-142-Act/2020/103-Mushak
11	Mushak 6.6	VAT deduction certificate	Clause (f), Sub-Rule (1) of Rule 40
12	Mushak 6.7	Credit note	SRO-142-Act/2020/103-Mushak
13	Mushak 6.8	Debit note	SRO-142-Act/2020/103-Mushak
14	Mushak 6.10	Information relating to purchase/ sale invoice beyond 2 (two) lacs	Sub-Rule (1) of Rule 42
15	Mushak 9.1	VAT return	Sub-Rule (1) of Rule 47
16	Mushak 9.2	Turnover tax return	SRO-142-Act/2020/103-Mushak
17	Mushak 11.1	Late VAT return	Sub-Rule (1) of Rule 57a
18	Mushak 11.2	Assessment order for VAT	Sub-Rule (2) of Rule 57a
19	Mushak 18.1	Application for VAT consultant license	SRO-142-Act/2020/103-Mushak
20	Mushak 18.1a	VAT consultant license	SRO-142-Act/2020/103-Mushak
21	Mushak 18.7	Application for disposal of unused or unusable materials	SRO-142-Act/2020/103-Mushak
22	Mushak 18.8	Application for settlement of accidental damage or destruction	SRO-142-Act/2020/103-Mushak

3.7. Negative Balance Adjustment¹⁷⁶

If the summation of input tax and decreasing adjustment exceeds the summation of output tax, supplementary duty and increasing adjustment, exceeding amount would be adjusted in the same period and six succeeding periods.

¹⁷⁶ Section 68 of VAT Act 2012 as amended by FA 2020

If there is any negative balance available after six succeeding periods, treatment would be as follows:

- if the amount is less than 50,000, adjustment will continue until balance is zero
- if the amount is above 50,000, refund can be claimed through application

3.8. Penalties

#	Particulars	Penalty	Sec Ref.
1	Fake or wrong VAT registration certificate or Turnover tax certificate and Certificate of tax deduction at source	■ One year imprisonment	Section – 111
2	Submits false or wrong information during online registration and application		
3	Fake tax invoice, credit note, debit note, consolidated tax invoice and Certificate of tax deduction at source	■ One year imprisonment; or	Section – 111
4	Tax evasion	■ Fine of the same amount of tax payable; or	
5	Claims tax rebate even if not eligible	■ Both	
6	Provides false, misleading details or statements to tax officer	■ 6 months imprisonment; or	Section – 112
		■ Face fines of the tax payable amount; or	
		■ Both	
7	Creates or tries to create obstacles for the VAT officer to follow the regulation	■ 6 months imprisonment; or	Section – 113
		■ Fine of BDT 10,000 to BDT 200,000; or	
		■ Both	
8	Any offence committed by a company	■ Fine unless proven otherwise	Section – 116
9	Does not withhold VAT despite being withholding entity	■ Half yearly 2% interest	SRO 149/AIN/2020/110 -MUSHAK
10	Does not deposit to treasury on time after withholding VAT from supplier	■ Not more than BDT 25,000	Sec – 85 SRO 149/AIN/2020/110 -MUSHAK
11	Does not deposit VAT payable within due date	■ Monthly 2% interest	Sec – 127
12	Non-compliance or irregularity for not applying for registration or enlistment within prescribed time period	■ BDT 10,000	Section – 85

#	Particulars	Penalty	Sec Ref.
13	Non-compliance or irregularity for not displaying the registration or turnover tax certificate in visible place	■ BDT 10,000	Section – 85
14	Non-compliance or irregularity for not informing the VAT officer about the change in the information of the economic activity		
15	Non-compliance or irregularity for not applying for cancellation of registration or enlistment within prescribed time period		
16	Non-compliance or irregularity for not abiding by the provision of section 9(5)		
17	Non-compliance or irregularity for not filing the VAT or turnover tax return within prescribed time period		
18	Non-compliance or irregularity for not issuing tax invoice, credit note, debit note, combined tax invoice or withholding certificate		
19	Non-compliance or irregularity for not keeping records in the prescribed manner		
20	Non-compliance or irregularity for not furnishing fixed security		
21	Non-compliance or irregularity to submit input-output coefficient within the time period		
22	Non-compliance or irregularity for not making inclusion of the output tax in the return		
23	Irregularities for taking more input tax credit than entitlement in the return	■ Twice the tax taken more	Section – 85
24	Irregularity relating to making an increase of a decreasing adjustment or making a decrease of an increasing adjustment in the return	<ul style="list-style-type: none"> ■ Twice the amount increased as decreasing adjustment; or ■ Twice the amount decreased as increasing adjustment 	Section – 85
25	Irregularity for willingly evading or attempting to evade assessment and pay tax	■ Twice the tax evaded	Section – 85

3.9. Other Major Highlights

VAT Software¹⁷⁷

It is mandatory for registered entities having turnover exceeding Tk. 50,000,000 in the previous financial year to maintain their VAT related books and records in software approved by the VAT authority. Entities may also use their personal software provided it has the same specifications as prescribed by the NBR and have approval from the NBR.

VAT Certificate Visible at Premises¹⁷⁸

Every registered or enlisted person need to display the VAT registration certificate or turnover tax certificate or a certified copy thereof in such place of his economic activity so that it becomes easily visible.

VAT Related to Sub-Contractor Bill¹⁷⁹

VAT deduction from sub-contractor bill is not required if VAT is deducted and submitted by customer from the main contractor's invoice. Documents (*challan, bill, contract etc.*) need to be submitted as supporting evidence to avail this benefit. This benefit is not applicable for any purchase of products for the project but only applicable for the service rendered as per contract.

Till now the benefit only limited to the first sub-contractor only. If the sub-contractor hires another sub-contractor this benefit cannot be rolled over.

Deposition of Disputed Tax at Appeal¹⁸⁰

In case of any appeal at commissioner or tribunal level, 20% of VAT amount in question need to be submitted at the time of appeal. In case VAT amount is not specified 20% of the penalty imposed need to be submitted.

Discontinuance of Operation¹⁸¹

In case any registered or enlisted entity wants to discontinue its operations for a short period of time, it needs to inform authority before 48 hours of discontinuation. Designated VAT officer will then come and inspect stock balance of inputs and finished goods. The entity will again need to notify authority at least 1 working day before resuming its operation.

Waste Management¹⁸²

To dispose waste or any by product from production of goods, an application to the Divisional Officer need to be submitted through Mushak 4.3 form. Wastes need to be destroyed or disposed in the presence of a VAT officer, complying with Bangladesh Environment Conservation Act, 1995.

Payment of VAT Through IVAS¹⁸³

Treasury challan can now be paid through e-payment gateway of Integrated VAT Administration System (IVAS). This will reduce physical visits to the banks to pay VAT through challan & will help to increase cashflow in Government treasury.

177. GO/08/Mushak/2019

178. Section 13 of VAT Act 2012

179. **Explanatory Note 05/MUSHAK/2020**

180. **Section 121 of VAT Act 2012 as amended by FA 2020**

181. **Rule 118 (B) of VAT & SD Rules 2016 as introduced by SRO 142/AIN/2020/103-MUSHAK**

182. **SRO 142/AIN/2020/103-MUSHAK**

183. **GO-13/MUSHAK/2020**

Contributions

The following individuals contributed to the preparation of this document:



Montakim Ahmed
Partner
montakim.ahmed@aceadvisory.biz



Seezan M. Choudhury
Partner
seezan.choudhury@aceadvisory.biz



Md. Talat Shams Pahlowan
Manager
talat.shams@aceadvisory.biz



Rezwan Hamid Riju
Assistant Manager
rezwan.hamid@aceadvisory.biz



Abdur Rahman Rakib
Assistant Manager
abdur.rahman@aceadvisory.biz



Shahriar Hossain
Senior Supervisor
shahriar.hossain@aceadvisory.biz



Anik Das
Senior Supervisor
anik.das@aceadvisory.biz



Md. Zahid Hasan
Senior Supervisor
zahid.hasan@aceadvisory.biz



Anirudra Kanti Nath
Senior Supervisor
anirudra.nath@aceadvisory.biz



Mashhura Fatema
Senior Associate
mashhura.fatema@aceadvisory.biz



Iztihad Masrur Chowdhury
Senior Associate
iztihad.masrur@aceadvisory.biz



Md. Robel Khan
Senior Associate
robel.khan@aceadvisory.biz



Rafiqul Islam Rafi
Associate
rafi.islam@aceadvisory.biz



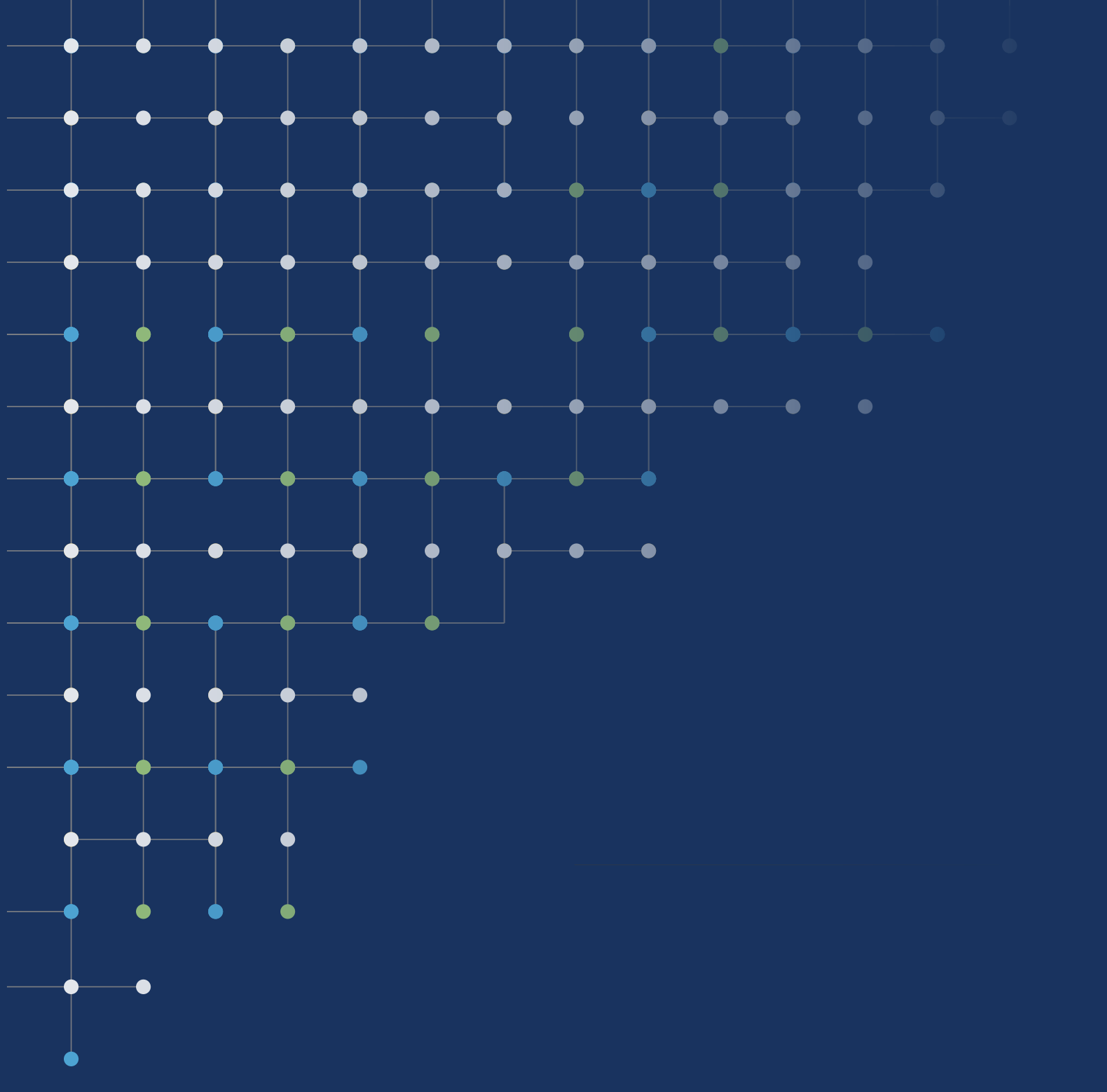
Sheikh Tanjima Mredula
Associate
sheikh.mredula@aceadvisory.biz



Rayhan Ahmed
Associate
rayhan.ahmed@aceadvisory.biz



Fatima Ali
Associate
fatima.ali@aceadvisory.biz



www.aceadvisory.biz

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