

Bangladesh Finance Bill 2018 Highlights

Corporate Income Tax

- * **Permanent establishment** definition included in *Section 2(44A)*:
 - 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.
- * Change in *Section 18 – Income deemed to accrue or arise in Bangladesh*, sub-section (2) - any income accruing or arising, whether directly or indirectly, through or from:
 - any permanent establishment in Bangladesh; or
 - any property, asset, right or other source of income, including intangible property, in Bangladesh; or
 - the transfer of any assets situated in Bangladesh; or
 - the sale of any goods or services by any electronic means to purchasers in Bangladesh; or
 - any intangible property used in Bangladesh.
- * Change in *Section 30 - Disallowed expenses*:
 - Salary paid to employee for whom statement under section 108A was not submitted.
 - Perquisites exceeding BDT 550,000 per year.
 - Expenditure on royalty or technical assistance fees exceeding 10% of net profit in first 3 years of operation and 8% of net profit in subsequent years.
- * **Ride sharing services** such as Uber or Pathao have been brought under the purview of withholding tax in *Section 52AA* at 3% or 4% (if base amount exceeds BDT 2.5 million).
- * **Withholding tax on income on non-residents** under *Section 56* will be deemed as minimum tax liability of payee and no refund or set off or adjustment will be allowed.
- * **New compliance requirement related to employees** under *Section 108A* where employers will be required to collect and submit to tax authorities the following information from employees by 30th April each year:
 - The name, designation and the Taxpayer's Identification Number.
 - Date of filing of the return of income.
 - The serial number provided by the income tax authority upon filing of the return.
- * Proposed **changes to corporate tax rates**:

| Type of Entity | Existing | Proposed |
|---------------------------------------|--------------|--------------|
| Listed company | 25% | 25% |
| Non-listed company | 35% | 35% |
| Listed bank/insurance/NBFI | 40% | 37.5% |
| Non-listed bank/insurance/NBFI | 42.5% | 40% |
| Merchant bank | 37.5% | 37.5% |
| Cigarette/Bidi company | 45% | 45% |
| Listed mobile phone company | 40% | 40% |
| Non-Listed mobile phone company | 45% | 45% |
| Dividend income | 20% | 20% |

* Additions to types of **income exempt from tax** under *Sixth Schedule Part A*:

- Income derived from the operation of an elderly care home or a day care home for children.
- Income derived from the operation of an educational or training institution exclusively for persons with disabilities.
- Distribution of taxed dividend to a company being resident in Bangladesh if the company distributing such taxed dividend has maintained separate account for the taxed dividend.

Personal Income Tax

* Changes to **tax treatment of loan or gift** under *Section 19(21)* under if any loan exceeding BDT 500,000 is received outside the banking channel, it will be deemed as income in the year of receipt and be allowed as a deduction in the year of repayment. This does not apply to loan from bank or financial institution.

* Changes to *Section 75* where persons providing motor vehicle under ride sharing agreement (such as Uber) must **file tax return**.

* Changes to **tax free income limits** are as follows:

| Taxpayer Type | Existing (BDT) | Proposed (BDT) |
|--|---|---|
| General | 250,000 | 250,000 |
| Female Taxpayers & 65 & above | 300,000 | 300,000 |
| Disabled Taxpayers | 400,000 | 400,000 |
| Gazetted Freedom Fighter | 425,000 | 425,000 |
| Any one parent/legal guardian of disabled individuals | BDT 25,000 above their applicable total income floor | BDT 50,000 above their applicable total income floor |

* **Personal income tax rates** are unchanged as follows:

| Amount of Taxable Income | Rate |
|---|------|
| First Tk. 250,000 <i>or as applicable</i> | Nil |
| On the next BDT 400,000 | 10% |
| On the next BDT 500,000 | 15% |
| On the next BDT 600,000 | 20% |
| On the next BDT 3,000,000 | 25% |
| On the balance | 30% |
| Tax for non-residents | 30% |

* Changes to qualification for **surcharge on total tax liabilities** are as follows:

- Taxpayers whose total net worth as per the Personal Balance Sheet and Lifestyle Statement, exceeds BDT 22,500,000, or
- Owns more than one motor vehicle, or
- Owns residential property within City Corporation area exceeding 8,000 square feet.

* The **minimum amount of surcharge** has been raised to BDT 5,000 from BDT 3,000.

Value Added Tax

* Major changes to **VAT rates** are as follows:

| Service Code | Service Provider | Existing Rate | New Rate | |
|--------------|--|------------------|----------|------|
| S001.20 | Restaurant (including club) without A/C | 7.5% | 7% | |
| S004.00 | Construction works/firms (Builders) | 6% | 7% | |
| S010.20 | Building construction organizations | 1-1100 sq.ft | 1.5% | 2% |
| | | 1101-1600 sq.ft. | 2.5% | |
| | | Over 1600 sq.ft. | 4.5% | 4.5% |
| | Resale of old apartment | N/A | 2% | |
| S024.00 | Sale of furniture at time of production | 6% | 7% | |
| | Sale of furniture at time of marketing | 4% | 5% | |
| S048.00 | Transport contractor – for carrying petrol and related goods | 4.5% | 5% | |
| | Transport contractor – others | 10% | 10% | |
| S069.00 | English Medium School | 7.5% | 5% | |
| S078.00 | Sales centre of RMG of own brand | 4% | 5% | |
| S079.00 | Virtual Business | N/A | 5% | |
| S099.10 | ITES services | 4.5% | 5% | |

* Introduction of a new *Service Code S079.00 – Virtual Business* – defined as buying or selling of any products or services by using electronic network through internet, social media or web or any other mobile application based platform or any other similar platform.

* Ride sharing apps such as Uber or Pathao will fall under the new service code S079.00 Virtual Business. **Revenue of ride sharing application providers will be subject to 5% VAT. However, the income of the drivers will not be subject to VAT under this service code.**

* Definition of ITES Services under Service Code S099.10 has been updated to the following:

- Digital Content Development and Management
- Animation (Both 2D and 3D)
- Geographic Information Services (GIS)
- IT Support and Software Maintenance Services
- Software Development and Customization
- Web Site Development and Services
- Website Hosting

- Digital Data Analytics
- Business Process Outsourcing
- Data Entry
- Data Processing
- Call Centre
- Digital Graphics Design and Computer Aided Design
- Search Engine Optimization
- Web Listing, Document Conversion, Imaging and Archiving
- Overseas Medical Transcription
- Cyber Security Services
- E-Procurement
- E-Auction

* Major changes to **Supplementary Duty rates** are as follows:

| Service Code | Service Provider | Existing Rate | New Rate |
|------------------|--------------------------------|---------------|----------|
| 2202.90.00 | Energy Drinks | 25% | 35% |
| 3304.99.00 | Cosmetics Items | 0% | 10% |
| 3307.10.00 | Shaving Items | 10% | 15% |
| 3307.20.00 | Perfume | 10% | 15% |
| 3307.30.00 | Bath salt and other items | 10% | 15% |
| 3307.49.00 | Air freshener | 10% | 15% |
| 3307.90.00 | Others | 10% | 15% |
| Relevant HS Code | Cigarette/Bidi paper | 20% | 25% |
| | Ceramic bathtub etc | 20% | 30% |
| | Filament lamp | 0% | 10% |
| | All goods related to polythene | 0% | 5% |
| S001.10 | Alcoholic Drinks | 10% | 20% |
| S001.20 | Alcoholic Drinks | 10% | 20% |
| S058.00 | Chartered Helicopter | 0% | 20% |

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