

Bangladesh Finance Bill 2019 Highlights

Corporate Income Tax

* **Definitions:**

- Definition of **Perquisites** under *Section 2(45)(i)* changed:
 - **Leave Fare Assistance** has been excluded
 - Full amount of **Incentive Bonus** is now to be considered as Perquisites.
- **Resident** is now defined to also include any trusts, funds or entity controlled or managed from Bangladesh.

* Introduction of **Section 16E & 16F** (*applicable only for listed companies*):

- **Tax on Stock Dividend** – If the amount of stock dividend declared/distributed exceeds cash dividend with/without declared/distributed, tax of 10% shall be applicable on the whole declared/distributed amount.
- **Tax on Retained Earnings** – If any reserve transferred from retained earnings in that income year exceeds 70% of net income after tax, tax of 10% shall be applicable on the transferred amount.

* Changes in *Section 19 - Deemed Income:*

- If DCT assesses any **transfer of shares or stock** at below fair market value, such difference shall be classified as "Income from other sources".
- If an asset is acquired and payment made without **Taxes Deducted at Source**, the entire value of the asset shall be deemed as "Income from Other Sources".

* Minimum tax under 82C shall not applicable for **Disallowed Expenses** under the newly added section 30B.

* Section 46BB and 46CC has been added to introduce **Tax Exemption** of various rates for industrial undertakings and physical infrastructure facilities set up between July 2019 and June 2024.

* Change in **Chapter VII** – Payment of tax before assessment:

- Para (b) of proviso to Section 52(1) has been deleted making cost of sales and cost of goods sold fall under the purview of tax deduction at source.
- Introduction of Para (d) of proviso to Section 52(1) which requires incremental tax deduction under this section in addition to tax deducted under 53E.
- Other selective changes to **TDS rates**:

Details	Existing	Proposed
Interest of savings instruments (52D)	5%	10%
Export cash subsidy (53DDD)	3%	10%
Fees of surveyor of general insurance company (53GG)	15%	10%

* Change in *Section 52K Trade License Renewal*

Area	Existing BDT	Proposed BDT
DNCC, DSCC or Chittagong City Corporation	500	3,000
Any city corporation, other than Dhaka and Chittagong	300	2,000
Any paurashava at any district headquarter	300	1,000
Any other paurashava	100	500

* Change to *Section 64 – Advance Payment of Tax*, requires advance tax to be paid by assesses if income for the year exceeds BDT 6 lacs from the previous limit of BDT 4 lacs.

* Change in *Section 75* requires non-resident having **Permanent Establishment** in Bangladesh to file annual tax returns.

* **Minimum Tax** (Section 82(4)(a)(2)) for Mobile Phone Operators increased from 0.75% of gross receipts to 2%.

* **Corporate tax rates** remain unchanged:

Type of Entity	Existing
Listed company	25%
Non-listed company	35%
Listed bank/insurance/NBFI	37.5%

Non-listed bank/insurance/NBFI	40%
Merchant bank	37.5%
Cigarette/Bidi company	45%
Listed mobile phone company	40%
Non-Listed mobile phone company	45%
Dividend income	20%

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

Details	Para	Existing	Proposed
Income from dividend	11A	Up to BDT 25,000	Up to BDT 50,000
Income from export from handicrafts	35	Up to 30 th June 2019.	Up to 30 th June 2024.
Income from SME	39	Turnover less than BDT 36 lacs.	Turnover less than BDT 50 lacs.
Income from Cineplex and cinema hall	44	Up to 30 th June 2019.	Up to 30 th June 2024.
Income from production of rice bran oil	45	Commencing by 30 th June 2019 will be tax exempt at specified rate.	Commencing by 30 th June 2024 will be tax exempt at specified rate.
Distribution of taxed dividend to a company	60	Required to be resident in Bangladesh.	Can be resident of any country.

* If any taxable individual provides employment to **Disabled Person** and if the ratio is 10% of total employees, then the individual will receive 5% rebate on taxable income.

Personal Income Tax

* Changes to *Section 19(21)* introduces tax on **advance or deposit of any kind called by whatever name** if it is not made via bank transfer *and* shall be deemed as income if certain conditions for repayment or conversion into consideration for any goods or services are not met.

* Introduction of *Section 19(22A)* requires payment adjustable against **rent** exceeding BDT 2 lacs other than via bank transfer to be deemed as '**Income from House Property**' unless specific timelines for adjustment are followed.

* Special treatment of non-disclosed fund:

- Addition of *Section 19DD* states that question shall not be raised on the source of fund if a company invests in any economic zone/Hi-Tech Parks, provided that 10% tax on the investment is paid.

– *Section 19BBBBB* has been revised for the rate of tax in respect of investment in residential building and apartment. There is also a new set of rates for the purchase of land in specified areas ranging from Tk. 15,000/sqm in Gulshan area to Tk. 500/sqm in outside any Paurasabha Area.

* Change to *Section 53A* allows property owners to obtain refund if tax deducted at source at the rate of 5% exceeds tax liability for the year. There is an additional provision to obtain certificate from DCT exempting such deduction if the DCT deems the owner is unlikely to be taxable for the year.

* There were no changes to **tax free income limits** and remain as follows:

Taxpayer Type	(BDT)
General	250,000
Female Taxpayers & 65 & above	300,000
Disabled Taxpayers	400,000
Gazetted Freedom Fighter	425,000
Any one parent/legal guardian of disabled individuals	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	Flat 30%

* Changes under Section 44 to the credit on eligible investment are as following:

	Total income	Amount of credit
Existing	(i) Below BDT 10 lacs	15%
	(ii) Between BDT 10 lacs and BDT 30 lacs	15% on first BDT 2.5 lacs of eligible amount and 12% on remaining amount.
	(iii) Above BDT 30 lacs.	15% on first BDT 2.5 lacs of eligible amount. 12% on next BDT 5 lacs. 10% on remaining amount.
Proposed	(i) Below 15,00,000	15%
	(ii) Above 15,00,000	10%

- * Paragraph 23 of Part B of Sixth Schedule is **removed**, where purchase of **one computer or laptop** by an individual was considered as allowable investment for rebate calculation.
- * 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 3 crore 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** is BDT 3,000 and increases to BDT 5,000 for higher net worth individuals (BDT 10 crore+).

Value Added Tax

- * The **VAT Act 2012** is set to come into force from **1 July 2019** which will consolidate the existing numerous VAT rates into 4 major rates, 5%, 7.5%, 10% and full rate of 15%.
- * Major changes to **VAT rates** are as follows:

SC	Service Provider	Existing Rate	Proposed Rate
S014.00	Indenting Service	15%	5%
S024.20	Furniture Sales Centre	N/A	5%
S036.20	Air-Conditioned Launch Service	15%	5%
S001.20	Non-A/C Hotel & Restaurant	7%	7.5%
S004.00	Construction Works/Firms (Builders)	7%	7.5%
S024.10	Furniture Producer	7%	7.5%
S037.00	Procurement Provider	5%	7.5%
S060.00	Buyer of Auction Goods	5%	7.5%
S064.10	Amusement Park & Theme Park	15%	7.5%
S078.00	Sales Centre of RMG (Own Brand)	5%	7.5%
	Sales Centre of RMG (Except Own Brand)	N/A	7.5%
S079.00	Social Media & Virtual Business	5%	7.5%
S008.10	Printing Press	15%	10%
S009.00	Auction (On Commission)	15%	10%
S013.00	Automated Laundry	15%	10%
S018.00	Film Studio	15%	10%
S023.10	Cinema Hall	15%	10%
S023.20	Cinema Distributor	15%	10%
S031.00	Repair & Maintenance Servicing	15%	10%
S040.00	Security Service	15%	10%

S042.00	Automated Saw Machine	15%	10%
S047.00	Sports Organizer	15%	10%
S053.00	Board Meeting Fees	15%	10%
S063.00	Tailoring Shop & Tailors	15%	10%
S065.00	Building, Floor & Premises Cleaning & Maintenance	15%	10%
S066.00	Lottery Ticket Seller	15%	10%
S076.00	Social & Sports Club	15%	10%
S099.50	Sale of goods/service online	0%	Category Removed

**** The new VAT Act 2012 will have other major changes which will be published as part of our annual Tax Insights 2019-2020 which will come out in August 2019.**

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