

Bangladesh Taxation Insights

2017-2018

Firm Profile

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Our 3 core services support clients of various sizes with Business Process Outsourcing, Setting up in Bangladesh, & Advisory & Consulting. Whether a client wants to setup in Bangladesh or outsource its payroll function, we provide the support by combining deep sector expertise, local insight and technology.

We provide a single point of contact to coordinate continuous management of outsourced operations across our 3 business services.

Our range of services includes:

1. Business Process Outsourcing:

a. Bangladesh BPO:

- Finance & Accounting
- HR & Payroll
- Secretarial & Compliance
- Tax

b. Global BPO:

- Finance & Accounting
- HR & Payroll
- Business Process Management/Data Process Management

2. Setting up in Bangladesh:

- Pre-setup advisory and corporate structuring
- Local entity formation
- Other local registrations and licenses

3. Advisory & Consulting:

- Accounting Advisory
- Management Consulting
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Foreword

These insights are meant to provide guidance to individuals/entities who operate and for those looking to expand to 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 the Finance Act 2017 and the respective major changes in the VAT Act 1991 and VAT Rules 1991.

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 **31 October 2017**.

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Income Tax

1. Personal Income Tax

1.1. Scope of Income

In Bangladesh, taxation depends on residency. Bangladesh residents are taxed on their worldwide income while other residents are taxed on income earned in Bangladesh irrespective of where the payment is made.¹

Total income under tax laws is as follows:

- 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 June.²

1.3. Residency

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

- 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 4 years preceding that tax year.

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.³

1.4. Tax Return

Any individual falling under the following category must file a tax return at the end of the tax year:⁴

#	Category	Total Income Floor in an Income Year (Tk.)
1.	Female Taxpayers & Senior Taxpayers (65 & above)	300,000
2.	Disabled Taxpayers	400,000
3.	Gazetted War-Founded Freedom Fighter Taxpayer	425,000
4.	Any one parent/legal guardian of Disabled Individuals	25,000 above their applicable total income floor.
5.	Any individual other than above (1-3)	250,000

¹ Sec 17 of ITO 1984

² Section 2(9) of ITO 1984

³ Section 2(55) (a) of ITO 1984

⁴ Section 75 of ITO 1984

6.	If an individual has been assessed for tax during ANY of the 3 years preceding the income year
7.	A shareholder director or a shareholder employee of a company
8.	A partner of a Firm
9.	A government employee if he/she, at any time in the income year, draws a basic salary of Tk. 16,000 or more.
10.	If an individual: – Owns a motor car – Owns a membership of a club
11.	Individuals running a business and has a trade licence.
12.	Registered with a recognized professional body (doctors, lawyers etc.)
13.	Registered Income Tax Practitioner
14.	Member of a chamber of commerce
15.	Candidate for an office of any paurashava, city corporation or a MP.
16.	Anyone participating in government tenders.
17.	Is a director of a company
18.	Any employee holding an executive or management position in a business or profession.

Failure to file income tax return may result in a penalty of⁵:

- 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 for every day for which the default continues

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 filing⁶. Failure to do so may result in a penalty of 25% of total tax payable or on deficit tax payable⁷. The assessee will also be required to pay a delay interest of 2% per month on the outstanding amount⁸.

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

All individual taxpayers are required to obtain an e-TIN in order to file a tax return⁹. This is relatively easy and can be obtained from <http://secure.incometax.gov.bd/TINHome>.

The Finance Act 2017 has set out the requirement of having a 12-digit e-TIN number for the following cases¹⁰:

- 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.
- 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.

⁵ Section 124 of ITO 1984

⁶ Section 74 of ITO 1984

⁷ Section 127 of ITO 1984

⁸ Section 73A of ITO 1984

⁹ Section 184(b) of ITO 1984

¹⁰ Section 184A of the ITO 1984

- Obtaining registration of the deed of transfer, baynanama or power of attorney of a land, building or an apartment situated within a city corporation or a paurashava (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.
- Obtaining a drug license.
- Obtaining the commercial connection of gas.
- Obtaining the connection of electricity for commercial use 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, city corporation or Jatiya Sangsad;
- Parents of the students of 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.

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

Under this scheme, individuals 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 year¹¹.

¹¹ Section 82BB of ITO 1984

Returns filed under this section may be selected for audit within two years of the end of the assessment year¹². 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 under Section 82BB is 30 November following the end of the income year which is now termed Tax Day.¹³

1.8. Taxability of Income from Salary & Deemed Income

Income from salary includes the following¹⁴:

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

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) ¹⁵	Tk. 25,000 per month or 50% of basic salary, whichever is lower is exempt from tax.
Rent free accommodation ¹⁶	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) ¹⁷	Tk. 30,000 per annum is exempt from tax where no conveyance facility is provided by employer.

¹² Section 94(1)(a) of ITO 1984

¹³ Section 2(62A) of ITO 1984

¹⁴ Section 2(58) & Sec 21 of ITO 1984

¹⁵ Rule 33A of ITR 1984

¹⁶ Rule 33B of ITR 1984

¹⁷ Rule 33C of ITR 1984

Income Head	Taxability
Conveyance provided for personal/private use ¹⁸	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 ¹⁹	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 (other than a shareholder director) 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 (local & foreign) ²⁰	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.

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

Cash credits to the books of an individual, unexplained investments etc. can be treated as deemed income in the following circumstances²¹:

#	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.	Unexplained expenditure
4.	Unrecorded investment
5.	Dividend received
6.	Fair market value – Purchase price of asset
7.	Salami
8.	Goodwill money, compensation or damages for cancellation of contracts and licenses
9.	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.
10.	Managing Agency Commission

¹⁸ Rule 33D of ITR 1984

¹⁹ Rule 33I of ITR 1984

²⁰ Rule 33G of ITR 1984

²¹ Sec 19 of ITO 1984

#	Details
11.	Winnings from lotteries, crossword puzzles, card games and other games
12.	Unpaid loan of maximum Tk. 500,000 not paid within 3 years
13.	Loan or gift received which is transfer of initial capital of a business or profession
14.	Initial capital partly or fully transferred from business or profession
15.	Amount received from tenant which is not adjustable with rent
16.	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.
17.	[Income shown in revised return – income shown in original return], subject to certain condition

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:

Income Head	Exempt Amount
Dividend of listed company ²²	Tk. 25,000 per year
Payment from recognized Provident Fund as per Provident Funds Act 1925 or approved superannuation fund ²³	Fully exempt
Gratuity income ²⁴	Tk. 25,000,000
Payment from Workers Profit Participation Fund (WPPF) ²⁵	Tk. 50,000 per year
Income from equity mutual fund or unit fund ²⁶	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 ²⁷	Fully exempt
Pensioner's savings certificate ²⁸	Tk. 500,000 per year
Pension ²⁹	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 items³⁰:

#	Details	Limit
1.	Life insurance premium	No limit
2.	Contribution to approved Provident Fund (both by the employee and employer)	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

²² 6th Schedule, Para 11A of ITO 1984

²³ 6th Schedule, Para 21 of ITO 1984

²⁴ 6th Schedule, Para 20 of ITO 1984

²⁵ 6th Schedule, Para 21D of ITO 1984

²⁶ 6th Schedule, Para 22A of ITO 1984

²⁷ 6th Schedule, Para 24A of ITO 1984

²⁸ 6th Schedule, Para 32A of ITO 1984

²⁹ 6th Schedule, Para 8 of ITO 1984

³⁰ Part B of 6th Schedule of ITO 1984

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
8.	Purchase of computer or laptop by an individual assessee	

The eligible investment amount will be the lesser of³¹:

- a) Actual investment as per above table
- b) 25% of total income
- c) Tk. 15,000,000

The amount of credit will be as follows³²:

Total Income	Amount of Credit
Up to Tk. 1,000,000	i. 15% of eligible amount
Tk. 1,000,001 to Tk. 3,000,000	ii. 15% up to Tk. 250,000 of eligible amount iii. 12% on balance
Above Tk. 3,000,001	i. 15% up to Tk. 250,000 of eligible amount ii. 12% on next Tk. 500,000 of eligible amount iii. 10% on balance 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 below:

Amount of Taxable Income	Rate
First Tk. 250,000 <i>(or as applicable in 1.4 above)</i>	Nil
On the next Tk. 400,000	10%
On the next Tk. 500,000	15%
On the next Tk. 600,000	20%
On the next Tk. 3,000,000	25%
On the balance	30%

The tax rate for non-residents is a flat 30%.

1.13. Minimum Tax

Minimum tax applicable on individuals is as follows:

Location	Amount
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

³¹ Sec 44(2)(c) of ITO 1984

³² Sec 44(2)(b) of ITO 1984

individual crosses Tk. 300,000 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.

1.14. Personal Balance Sheet & Lifestyle Statement

Every individual has to submit a statement of assets, liabilities and expenses of them and their household (dependents) if³³:

- Has at the last date of the income year, a gross wealth exceeding Tk. 2,500,000
- 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. 300,000 in the income year can opt not to submit such a statement.

1.15. Surcharge

Any individual taxpayer whose total net worth as per the Personal Balance Sheet and Lifestyle Statement as per 1.14 above, exceeds Tk. 22,500,000, surcharge on tax will be payable as follows:

Net Worth	Surcharge
Up to Tk. 22,500,000	-
Tk. 22,500,001 to Tk. 50,000,000	10%
Tk. 50,000,001 to Tk. 100,000,000	15%
Tk. 100,000,001 to Tk. 150,000,000	20%
Tk. 150,000,001 to Tk. 200,000,000	25%
Above Tk. 200,000,000	30%

However, if net worth exceeds Tk. 22,500,000, minimum surcharge payable is Tk. 3,000.

1.16. Advance Income Tax on Motor Vehicle

Every individual owning a private motor vehicle will have to pay advance income tax as follows³⁴:

#	Details	Amount (Tk.)
1.	Up to 1500 cc car or jeep	15,000
2.	From 1500cc up to 2000 cc car or jeep	30,000
3.	From 2000cc up to 2500 cc car or jeep	50,000
4.	From 2500cc up to 3000 cc car or jeep	75,000
5.	From 3000cc up to 3500 cc car or jeep	100,000
6.	Above 3500cc car or jeep	125,000
7.	Microbus	20,000

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.

³³ Sec 80 of ITO 1984

³⁴ Sec 68B (2) of ITO 1984

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 paid³⁵.

1.17. Capital Gains Tax

Capital gains tax for individuals can be divided into two major categories^{36 37}:

- 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	10%
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

- 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:

- a) **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.
- b) **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%.

1.18. 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 value³⁸.

The following deductions are applicable on house property:

- 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

³⁵ Sec 68B(4) of ITO 1984

³⁶ SRO 196 Dated 30 June 2015

³⁷ 2nd Schedule Para 2

³⁸ Sec 25 of ITO 1984

- a) House property used for residential purpose: 25% of annual value
- b) 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 same³⁹.

1.19. 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 temporarily⁴⁰.

1.20. 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, teaching, 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 (except coal based electricity generation companies) starting commercial production within 31 December 2014	Income from working in private power generation companies (except coal based electricity generation companies)	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		
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	Salaries and remuneration ICRC	Full	-

³⁹ Rule 8A of ITR 1984

⁴⁰ Sec 107 of ITO 1984

#	Applicability	Source of Income	Exemption	Period
	Red Cross (ICRC) in Bangladesh			
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
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.	All shareholders except for – 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	Income arising from trading / transaction of securities listed in any SEC approved Stock Exchange (excluding Government securities)	Full	-

#	Applicability	Source of Income	Exemption	Period
	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			

2. Corporate Tax

2.1. Introduction

A company is defined as a company incorporated under the Companies Act in force in Bangladesh and includes⁴¹:

- 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 Bangladesh⁴².

2.3. Income Year

Income year is as follows:

- a) Newly set up business – date of incorporation to the following 30 June.
- b) Banks, insurance or financial institutions – from 1 January to 31 December.
- c) 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 parent.

2.4. Allowable Deductions

General expenses incurred by a company in a year are allowable as deductions under tax law as follows⁴³ (*not exhaustive*):

⁴¹ Sec 2(20) of the ITO 1984

⁴² Sec 2(55) of ITO 1984

⁴³ Sec 29 of ITO 1984

#	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
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

2.5. 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 Allowance⁴⁴

#	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 (new)	12%
		Ocean going ships (second hand) if less than 10 years of age	12%

⁴⁴ Third Schedule Para 3 of ITO 1984

#	Major Class of Assets	Sub Class of Assets	Rate/Percentage of Written Down Value (WDV)
		Ocean going ships (second hand) if more than 10 years of age	24%
		Inland ships including steamers, motor vessels, tug boats etc.	24%
		Batteries, X-Ray and electrotherapeutic apparatus and accessories	20%
		Machinery used in the production of cinema	20%
		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 Allowed⁴⁵

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.

⁴⁵ Third Schedule Para 5 of ITO 1984

Initial Depreciation Allowance⁴⁶

Class of Asset	Year	Depn on WDV
Building constructed in Bangladesh after 30 June 2002	Later of – 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 – Year of installation – First year of use – Year of commencement of commercial production	25% of cost

Accelerated Depreciation Allowance⁴⁷

Class of Asset	Year	Depn 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

⁴⁶ Third Schedule Para 5A of ITO 1984

⁴⁷ Third Schedule Para 7, 7A & 7B of ITO 1984

Limitation of Allowance of Depreciation⁴⁸

- 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 Losses⁴⁹

- 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 Fees⁵⁰

Applicable for	Period Allowed	Rate
<ul style="list-style-type: none"> – Resident cellular mobile phone operator 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

2.6. 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	
Agricultural ⁵¹	Against income from any other head except capital gains	Can be carried forward for 6 successive years

⁴⁸ Third Schedule Para 9 of ITO 1984

⁴⁹ Third Schedule Para 10 of ITO 1984

⁵⁰ Third Schedule Para 10A of ITO 1984

⁵¹ Sec 41 of ITO 1984

Income Head	Current Year Set-Off	Carry Forward
		and set off against agricultural income.
Income from business ⁵²	Against income from any other head except income from: – 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 ⁵³	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 ⁵⁴	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 products.⁵⁵

2.7. Allowable Perquisites

The limit of perquisites payable to an employee is Tk. 475,000 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 assessment⁵⁶.

Perquisites are defined as any payment made to an employee by an employer in any form excluding the following⁵⁷:

- Basic salary
- Festival bonus
- Incentive bonus not exceeding 10% of disclosed profit
- Arrear salary
- Advance salary
- Leave encashment
- LFA
- Overtime
- Contribution to a recognised provident fund
- Contribution to an approved pension, gratuity and superannuation fund

⁵² Sec 38 of ITO 1984

⁵³ Sec 39 of ITO 1984

⁵⁴ Sec 40 of ITO 1984

⁵⁵ Sec 37 of ITO 1984

⁵⁶ Sec 30(e) of ITO 1984

⁵⁷ Sec 2(45) of ITO 1984

2.8. Deductions not Allowable

The following expenditures are not allowable subject to certain circumstances⁵⁸:

#	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.	Payments without deduction at source of tax			
4.	Payment of interest, salary, commission or remuneration by a firm or an association of persons to any partner			
5.	Brokerage or commission paid to a non-resident without deduction of tax at source			
6.	Payment to a provident or other fund without deduction of tax at source			
7.	Expenditure up to Tk. 475,000 on the provision of perquisites for any employee to Tk. 2,500,000 to a disabled employee			
8.	Entertainment expense allowance ⁵⁹ :			
	- On first Tk. 1,000,000 of income, profits and gains			4%
	- On the balance			2%
9.	LFA - Foreign travel expenditure of employees and their dependents for holidaying and recreation equivalent to lower of: - 3 months' basic salary or - ¾ of actual expenditure, subject to certain conditions ⁶⁰			
10.	Allowable expenditure on distribution of free samples⁶¹:	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%
11.	Head office expenses of a company not incorporated under the Companies Act 1994 of up to 10% of net profit disclosed in the financial statements			
12.	Royalty, technical services fee, technical know-how fee, technical assistance fee up to 8% of net profit disclosed in the financial statements			
13.	Payment of salary or remuneration exceeding Tk. 15,000 other than by crossed cheque or bank transfer			
14.	Incentive bonus exceeding 10% of net profit disclosed in the financial statements			
15.	Overseas travelling expenditure exceeding 1.25% of disclosed turnover.			
16.	Payment of commission or discount to shareholder director			
17.	Payment exceeding Tk. 50,000 other than by crossed cheque or bank transfer			
18.	Payment of rent other than by crossed cheque or bank transfer			
19.	Payment of salary to employee after Tax Day (30 November), if the employee is required to file a tax return but has failed to do so or obtained time extension.			

⁵⁸ Sec 30 of ITO 1984

⁵⁹ Rule 65 of ITR 1984

⁶⁰ Rule 65A of ITR 1984

⁶¹ Rule 65C of ITR 1984

2.9. 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 head⁶².

Sl.	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 or Profession
5.	Dividend received	Income from Other Source
6.	Fair market value – Purchase price of asset (except stock-in-trade, stock, shares)	
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 or 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 or 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 or Profession
17.	Unpaid loan of maximum Tk. 500,000 not paid within 3 years, subject to certain conditions	Income from Other Source
18.	Loan or gift received which is transfer of initial capital of a business or profession, subject to certain conditions	
19.	Initial capital partly or fully transferred from business or profession, subject to certain conditions	
20.	Amount received from tenant which is not adjustable with rent	Income from House Property
21.	Export value of exportable garments against transferred export quota	Income from Business or Profession
22.	Paid-up capital received by a non-listed company otherwise than by crossed cheque or bank transfer	Income from Other Source

⁶² Sec 19 of ITO 1984

Sl.	Deemed income	Head of Income
23.	Loan received by a company otherwise than by crossed cheque or bank transfer	
24.	50% of [Value of motor car / jeep purchased or hired – 10% of (paid-up capital + reserve + accumulated profit)] of a company	
25.	Unpaid liability in respect of credit purchase of building construction material, subject to certain condition	
26.	Unspent amount of deduction allowed for repair and maintenance of house property	Income from House Property
27.	[Income shown in revised return – income shown in original return], subject to certain condition	Income from Other Source

2.10. Rates of Corporate Tax

The applicable rates of tax for companies are as follows:

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 operator 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	35%
Banks, insurance and other financial institutions (except merchant banks) if not publicly listed.	42.5%
Banks, insurance and other financial institutions (except merchant banks) if publicly listed.	40%
Merchant banks	37.5%
Cigarette, bidi, zarda, gul and all tobacco manufacturers (companies, firms and individuals) irrespective of listing	45%
Mobile phone operator companies if not publicly listed as below.	45%
Mobile phone operator companies that convert themselves into a publicly traded company by transfer of at least 10% shares through stock exchanges, of which maximum 5% may be through Pre-Initial Public Offering Placement. If such a company transfers at least 20% of shares through IPO, it will enjoy a 10% tax rebate in the year of listing	40%
Textile industries (up to 30 June 2019)	15%
Jute Industries (up to 30 June 2019)	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%
Capital gain arising from transfer of stocks and shares of any company registered under Companies Act, 1994	10%
Capital gain arising from transfer of capital assets other than stocks and shares of any company registered under Companies Act, 1994	15%

2.11. 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 following⁶³:

- 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

Extension

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

2.12. 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 tax⁶⁴:

Section	Details
52	Payments for supply of goods or execution of contracts <i>except</i> : <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
52A	Payment of royalties, etc.
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 (not import of goods by industrial undertakings for consumption as raw materials)
53AA	Income from shipping business
53B	Income from export of manpower

⁶³ Sec 75 of ITO 1984

⁶⁴ Sec 82C of ITO 1984

Section	Details
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 cases

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 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	0.75%
3.	Any other cases	0.60%
4.	Industrial undertaking for first 3 income years engaged in manufacturing of goods	0.10%

2.13. 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 following⁶⁵:

⁶⁵ Sec 81 of ITO 1984

- 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 days⁶⁶.

Universal Self-Assessment

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 year⁶⁷. 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

If a new assessee deriving income from business or profession shows income at least 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 return⁶⁸.

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.

⁶⁶ Sec 82 of ITO 1984

⁶⁷ Section 82BB of ITO 1984

⁶⁸ Sec 83 of ITO 1984

Other Assessments

Other assessments include:

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

2.14. Advance Payment of Tax

Any assessee needs to pay advance income tax if he/she has a total income exceeding Tk. 400,000 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 TDS⁶⁹.

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%.⁷⁰ 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 tax.⁷¹

2.15. 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.

2.16. Penalties

The various penalties for non-compliances are furnished below:

Sl.	Offence	Penalties & Punishment	Reference
1.	– Failure to deduct/collect tax at source at accurate rate and amount	2% additional of the amount of tax to be deducted,	Sec - 57

⁶⁹ Sec 64-67 of ITO 1984

⁷⁰ Sec 73 of ITO 1984

⁷¹ Sec 68A of ITO 1984

Sl.	Offence	Penalties & Punishment	Reference
	- Failure to deposit deducted/collected tax into national exchequer	collected or deposited per month	
2.	Issuing certificate of deduction/collection of tax at source without actual deduction/collection/payment	Issuer shall be personally liable to pay the amount.	Sec - 57A
3.	Failure to give notice to the DCT regarding the discontinuance of business	Maximum the amount of tax subsequently assessed	Sec – 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	Sec - 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	Sec - 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	Sec- 107HH
7.	Failure to furnish report under Section – 107F	Maximum TK. 300,000	Sec - 107I
8.	Failure to maintain accounts in the prescribed manner as per Section – 35(2) (assessee does not have income from house property)	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	Sec – 123
9.	Failure to maintain accounts in the prescribed manner as per Section – 35(2) (assessee has income from house property)	Higher of a) 50% of taxes payable on house property income b) TK. 50,000	Sec – 123
10.	Failure to file return under Section - 75,77, 89(2), 91(3), 93(1), 75A	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	Sec – 124
11.	Failure to furnish certificate, statement, accounts, information or TIN certificate required under Section - 58, 108, 109, 110 and 184C	TK. 500 For continuing default: TK. 250 per month	Sec – 124

Sl.	Offence	Penalties & Punishment	Reference
12.	Failure to furnish information required under Section – 113	TK. 25,000 For continuing default: TK. 500 per day	Sec – 124
13.	Use of fake TIN or TIN of another person	Maximum TK. 20,000	Sec – 124A
14.	Failure to verify the authenticity of TIN	Maximum TK. 200,000 (subject to compliance of Section 184A(5) & 184A(6) of ITO 1984.	Sec – 124AA
15.	Failure to pay advance tax	Maximum amount of shortfall	Sec – 125
16.	Non-compliance with any notice under Section – 79,80, 83(1) and 83(2)	Maximum amount of tax liability	Sec – 126
17.	Failure to pay tax on the basis of return under Section – 74	Maximum 25% of unpaid tax	Sec – 127
18.	Delay interest on filing after Tax Day	2% per month on outstanding amount	Sec – 73A
19.	Concealment of income	15% of the tax evasion If concealment detected after 1 year: Additional 15% for each preceding year	Sec – 128
20.	Incorrect or false audit report by Chartered Accountant	Minimum: TK. 50,000 Maximum: TK. 200,000	Sec – 129A
21.	Furnishing fake audit report	TK. 100,000	Sec – 129B
22.	Default in payment of tax	Maximum amount of arrear tax	Sec – 137
23.	Non-compliance of certain obligations under Section - 164	Imprisonment up to 1 year or fine or both	Sec – 164
24.	False statement in verification	Imprisonment of 3 months to 3 years or fine or both	Sec – 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	Sec – 165A
26.	Furnishing fake audit report	Imprisonment of 3 months to 3 years or fine up to TK. 100,000 or both	Sec– 165AA
27.	Obstruction of income tax authority	Imprisonment up to 1 year or fine or both	Sec – 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	Sec – 165C
29.	Concealment of income	Imprisonment of 3 months to 5 years or fine or both	Sec – 166
30.	Disposal of property to prevent attachment	Imprisonment up to 5 years or fine or both	Sec – 167
31.	Disclosure of protected information	Imprisonment up to 6 months or fine or both	Sec – 168

2.17. 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 higher.⁷²

⁷² Sec 16B of ITO 1984

2.18. Other Filings

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

Return of Withholding Tax⁷³

Every company is 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. 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 payment⁷⁴.

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 year⁷⁵.

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 year⁷⁶.

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 year⁷⁷.

⁷³ Sec 75A of ITO 1984

⁷⁴ Sec 75AA of ITO 1984

⁷⁵ Sec 108 of ITO 1984

⁷⁶ Sec 109 of ITO 1984

⁷⁷ Sec 110 of ITO 1984

2.19. Tax Deduction at Source

Sec	Deduction/Collection from/on	Rate		
50	Salaries	Average rate		
51	Interest or profit on securities (excluding govt. T-Bill & T-Bond)	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	Where base amount:		
	b) Supply of Goods – Tax shall not 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	does not exceed Tk. 1.5 million		2%
		is between Tk. 1.5 – 2.5 million		3%
		is between Tk. 2.5 – 10 million		4%
		is between Tk. 10 – 50 million		5%
		is between Tk. 50 – 100 million		6%
	c) Manufacture, process or conversion	exceeds 100 million		7%
	d) Printing, packaging or binding	Below Tk. 200,000		Nil
		Above Tk. 200,000		0.60%
Supply of oil by oil marketing companies		1%		
Supply of oil by dealer or agent of oil marketing company (excluding petrol pump)		3%		
Supply of oil by oil refinery/Gas transmission company/Gas distribution company		3%		
52A	Royalty etc. <i>(the said rates shall be 50% higher if payee does not have a e-TIN number)</i>	Below Tk. 2.5 million	10%	
		Above Tk. 2.5 million	12%	
52AA	Certain Services: <i>(the said rates shall be 50% higher if payee does not have a e-TIN number)</i>	Below Tk. 2.5 million	Above Tk. 2.5 million	
	Advisory or consultancy	10%	12%	

Sec	Deduction/Collection from/on	Rate	
	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/Any other service of similar nature - <ul style="list-style-type: none"> - On commission - On gross amount⁷⁸ 	10% 1.5%	12% 2%
	Media buying agency service <ul style="list-style-type: none"> - On commission - On gross amount⁷⁹ 	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	3%	4%
	Any other service (<i>excluding service provided by a bank, insurance, or financial institution</i>)	10%	12%
52B	Seller of banderols to any manufacturer of cigarettes	10%	
52C	Acquisition of immovable property: <ul style="list-style-type: none"> - Situated in City Corporation/Paurashava/Cantonment Board Area - Situated outside City Corporation/Paurashava/Cantonment Board Area 	2% 1%	

⁷⁸ Specific calculation method applicable.

⁷⁹ Specific calculation method applicable.

Sec	Deduction/Collection from/on	Rate
52D	Interest on savings instruments	5%
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 	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. 500 Tk. 300 Tk. 300 Tk. 100
52M	Freight forwarding agency commission	15%
52N	Rental Power Company	6%
52P	Convention Hall/Conference Centre etc.	5%
52Q	Services provided by foreign person by a resident	10%
52R	IGW Service Operator	1.5%
	ICX/ANS or any person in agreement with BTRC	7.5%
	Any payment in respect to outgoing international calls	7.5%
52S	Soft drink manufacturer	4%
52T	Payment in excess of premium paid on life insurance	5%

Sec	Deduction/Collection from/on	Rate
52U	Local LC	3% on proceeds exceeding Tk. 500,000
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	5%
53AA	Shipping business of a resident:	5% or 3% (if service is rendered between two or more foreign countries)
53B	Income from export of manpower	10%
53BB	Export of knit wear and woven garments, terry towel, carton, garments accessories, frozen foods, vegetables, leather goods, and packed food ⁸⁰ .	0.7%
	Jute goods ⁸¹	0.6%
53BBB	Member of Stock Exchanges	0.10%
53BBBB	Export of goods except for knit wear and woven garments, terry towel, carton, garments accessories, jute goods, frozen foods, vegetables, leather goods, and packed food ⁸²	0.7%
53CCC	Courier business of non-resident	15%
53D	Payment to actors, actresses, producers, etc.	10%
53DDD	Export cash subsidy	3%
53E	Payments/allowance to a distributor (commission, discounts, fees, bonus etc.)	10%
	Payments to any person engaged in distribution and marketing of a company or its goods and services	1.5%
	Any company (other than oil company) selling to distributor or person under contract	5% of (5% of selling price)
53EE	Commission or remuneration paid to agent of foreign buyer	10%

⁸⁰ SRO 256-LAW/Income Tax/2017

⁸¹ SRO 207-LAW/Income Tax/2016

⁸² SRO 256-LAW/Income Tax/2017

Sec	Deduction/Collection from/on	Rate
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	15%
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%
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 land owner 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%

Sec	Deduction/Collection from/on	Rate
55	Lottery	20%
56	<i>Deductions from income of non-residents:</i>	
	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.	
	Charge or rent for satellite, airtime or frequency, rent for channel broadcast	
	Legal service	
	Management service including event management	
	Commission	
	Royalty, license fee or payments related to intangibles	
	Interest	15%
	Advertisement broadcasting	
	Advertisement making or digital marketing	15%
	Air transport or water transport	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:		

Sec	Deduction/Collection from/on	Rate
	- Company	20%
	- Any other person	30%
	Artist, singer or player	30%
	Salary or remuneration	30%
	Exploration or drilling in petroleum operations	5.25%
	Survey for 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%
	Any other payments	30%

2.20. Timeline for Payment of TDS

The timeline for deposit/payment of taxes deducted at source (as above) is as follows⁸³:

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 1 st to 20 th of June	Within 7 days from date of deduction/collection
In case of deduction/collection made between 21 st to 30 th 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 documents⁸⁴.

2.21. 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 enterprise⁸⁵.

- 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 format.
- 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.
- 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.

Computation

Computation of arm's length price in relation to international transaction shall be determined by applying any of the following method⁸⁶.

- a) Comparable uncontrolled price method

⁸³ Rule 13 of ITR 1984
⁸⁴ Sec 62 of ITO 1984
⁸⁵ Sec 107A of ITO 1984
⁸⁶ Sec 107D of ITO 1984

- b) Resell 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 year⁸⁷. The person is also required to furnish a report from a Chartered Accountant or a Cost & Management Accountant⁸⁸.

2.22. Income from ITES Business

Any income earned during 1 July 2008 to 30 June 2024 shall be exempt from income tax for the following services⁸⁹:

- 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.

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

⁸⁷ Sec 107E of ITO 1984

⁸⁸ Sec 107F of ITO 1984

⁸⁹ The Sixth Schedule, Part A, Para 33 of ITO 1984

Value Added Tax (VAT)

3. Value Added Tax (VAT)

3.1. Types of Tax

Three types of taxes are imposed under the VAT Act 1991, namely:

- **Value Added Tax** – at 15% on value addition to be paid by importers, manufacturers and service providers having minimum turnover of Tk. 8 million.
- **Turnover Tax** – at 3% to be paid by persons and organizations with turnover below Tk. 8 million who are not required to be registered for VAT, except as outlined in Section 8 (4) of VAT Act 1991.
- **Supplementary Duty** – at various rates ranging from 10% to 500% on luxury and non-essential goods.

3.2. Charge of VAT

15% VAT is to be imposed on the following:

- All goods and services imported or supplied or provided in Bangladesh, except for those stated in the First and Second Schedule of VAT Act 1991.

Zero rate is to be imposed on the following:

- Any goods or service exported or deemed to be exported from Bangladesh.
- Food and other things supplied in accordance with Section – 24 of the Customs Act 1969 for any transport leaving Bangladesh.

Zero rate tax shall not be applicable in the following cases:

- Any goods intended to be re-imported into Bangladesh.
- Goods that have been presented for export but have not been exported within 30 days (or any extended time allowed by commissioner) of submission of Bill of Export.

3.3. Persons Responsible to pay VAT

- In the case of imported goods, the importer of the goods imported at import stage
- In the case of goods manufactured or produced in Bangladesh, the supplier at production or manufacture stage
- In the case of services, the provider of services
- In the case of service providing from outside the territory of Bangladesh, service receiver
- In other cases, the supplier and the receiver of service

3.4. VAT Deduction at Source

The following persons are responsible to deduct VAT at Source:

- Government organization
- Semi-Government organization

- Autonomous organization
- NGO
- Bank
- Insurance
- Financial Institutions
- Limited company
- Educational Institutions
- Any enterprise having annual turnover of more than Tk. 10,000,000.

3.5. VAT Rates and Scope of Deduction

The following table indicates rates of VAT (standard and truncated) and applicability of deduction at source:

Service Code	Service Provider	Rate of VAT		Deduction Applicability
S001.10	Hotels including club	15%		N/A
S001.20	Restaurant (including club) with A/C	15%		
	Restaurant (including club) without A/C	7.5%		
S002.00	Decorators and caterers	15%		VDS
S003.10	Motor garage & workshop	10%		VDS
S003.20	Dockyard	10%		VDS
S004.00	Construction works/firms (Builders)	6%		VDS
S005.10	Warehouse	15%		N/A
S005.20	Port for import or export	15%		N/A
S007.00	Advertisement organizations	15%		VDS applicable if Mushak 11 not provided
S008.10	Printing Press	15%		VDS
S009.00	Auction (on commission)	15%		VDS
S010.10	Land development organizations	3%		VDS
S010.20	Building construction organizations	1-1100 sft	1.5%	VDS
		1101-1600 sft	2.5%	VDS
		Over 1600 sft	4.5%	VDS
S012.14	Internet service provider	15%		N/A
S014.00	Indenting Service	15%		N/A
S015.10	Freight Forwarders	15%		N/A
S015.20	C&F Agent	15%		N/A
S020.00	Survey Firm	15%		VDS
S021.00	Plant or capital machinery rental firm	15%		VDS
S024.00	Sale of furniture at time of production	6%		VDS
	Sale of furniture at time of marketing	4%		VDS
S026.00	Goldsmith, silversmith and gold or silver trader	5%		N/A
S027.00	Insurance Company	15%		N/A

Service Code	Service Provider	Rate of VAT	Deduction Applicability
S028.00	Courier & express mail service	15%	VDS
S031.00	Repair and maintenance service firm	15%	VDS
S032.00	Consultancy or supervisory firm	15%	VDS
S033.00	Lessee	15%	VDS
S034.00	Audit & accounting firm	15%	VDS
S035.00	Shipping agent	15%	N/A
S037.00	Procurement Provider	5%	VDS
S038.00	Organizer of cultural program with foreign performers	15%	N/A
S040.00	Security service provider	15%	VDS
S045.00	Legal advisors	15%	VDS
S046.00	Health club and fitness centre	15%	N/A
S048.00	Transport contractor – for carrying petrol and related goods	4.5%	VDS
	Transport contractor – others	10%	
S049.00	Transport fare or rent a car	15%	VDS
S050.10	Architect, interior designer or decorator	15%	VDS
S050.20	Graphics Designers	15%	VDS
S051.00	Engineering Firms	15%	VDS
S053.00	Board Meeting Fees	15%	VDS
S054.00	Advertisement with satellite channel	15%	VDS
S056.00	Banking and non-banking service provider	15%	N/A
S058.00	Chartered airplane or helicopter rent service	15%	VDS
S067.00	Immigration Advisor	15%	N/A
S069.00	English Medium School	7.5%	N/A
S070.10	Private University	7.5%	N/A
S070.20	Medical and engineering college	7.5%	N/A
S071.00	Event management firm	15%	VDS
S072.00	Human resource service provider	15%	VDS
S074.00	Rent of office space or building used for commercial purposes	15%	N/A
S078.00	Sales centre of RMG of own brand	4%	N/A
S099.10	ITES services	4.5%	VDS
S099.20	Other services	15%	VDS
S099.30	Sponsorship services	15%	VDS
S099.60	Credit Rating Agency	15%	VDS

Contributions

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