

Finance Bill 2022 Highlights

Personal Income Tax

- Personal income tax rates are unchanged as follows:

| Amount of Taxable Income | Rate |
|-------------------------------------|------|
| First Taka 300,000 or as applicable | Nil. |
| Next Taka 100,000 | 5% |
| Next Taka 300,000 | 10% |
| Next Taka 400,000 | 15% |
| Next Taka 500,000 | 20% |
| On the balance | 25% |

- Tax Day for individual assessee who has never filed income tax return before will now be 30 June following the end of an income year (2 (62A[iia])).
- The scope to whiten undisclosed investments in securities (19AAAA), movable and immovable property in the country (19AAAAA) has been removed from the ordinance. However, newly proposed section 19F allows scope to disclose immovable and movable assets including cash or cash equivalents, bank accounts, securities and financial instruments outside Bangladesh with no questions as to the source of these undisclosed assets under Tax Ordinance or any other law for the time being in force. Applicable taxes will be as follows:

| # | Description of the Asset | Rate of tax |
|---|--|------------------------------------|
| 1 | Any immovable asset located outside Bangladesh without repatriation to Bangladesh | 15% of fair market value of assets |
| 2 | Any movable asset including cash or cash equivalents, bank accounts, securities and financial instruments without repatriation to Bangladesh | 10% |
| 3 | Any cash or cash equivalents, bank deposits, bank notes, bank accounts, convertible securities and financial instruments repatriated to Bangladesh | 7% |

- Allowable limit of investment for individual taxpayers shall now be capped at 20% of their total taxable income in place of existing 25% (44 [2c (ii)]). And they shall be entitled to income tax rebate of 15% of the eligible amount instead of two separate rates under previous Finance Act (44 [2c]):

However, individuals failing to submit their income tax return shall be entitled to a reduced rebate at 7.5% of the eligible amount of investment.

- The income of a person for the relevant income year shall not be exempted or subject to reduced rate of tax if the person fails to (44 [5a]):

| Existing | Proposed |
|---|--|
| Submit the return of income, as required under section 75 | Submit the return of income as required under section 75 |
| | Comply with any provision of Chapter VII of this Ordinance |
| | Receive all the receipts from the sources, income from which is subject to tax exemption or reduced rate of tax, through bank transfer subject to conditions |

- Proof of submission of return needs to be presented in certain cases including but not limited to the following:

| | |
|--|---|
| Applying for a loan exceeding Taka five lakh from a bank or a financial institution | Becoming a director or a sponsor shareholder of a company |
| Obtaining or continuing an import registration certificate or export registration certificate | Obtaining or renewal of a trade license in the area of a city corporation or paurashava |
| Obtaining or maintaining a credit card | Receiving salary by any person employed in the management or administrative function or in any supervisory position in the production function, or by an employee of the government or an authority, corporation, body or units of the government formed by any law, order or instrument being in force, or if an employee, at any time in the income year, draws more than taka sixteen thousand as basic salary |
| Obtaining or continuing the membership of any trade or professional body | Selling of any goods or services by any digital platforms to consumers in Bangladesh |
| Obtaining the admission of a child or a dependent in an English medium school providing education under international curriculum or English version of national curriculum, situated in any city corporation, district headquarter or paurashava | Opening postal savings accounts or purchasing savings instruments (Sanchayapatra) exceeding Taka five lakhs and opening and continuing bank accounts of any sorts with credit balance exceeding Taka ten lakhs |
| Opening a letter of credit for the purpose of import | Obtaining or continuing the agency or the distributorship of a company |
| Participating in a shared economic activity by providing motor vehicle, space, accommodation or any other assets | Registration, change of ownership or renewal of fitness of a motor vehicle of any types excluding two and three-wheeler |
| Receiving any payment by a resident from a company on account of any advisory or consultancy service, catering service, event management service, supply of manpower or providing security service | Obtaining or continuing commercial and industrial connection of gas and electricity in any area and obtaining or continuing residential connection of gas in city corporation area |

- Excise duty on services rendered by bank or financial institute has been revised as follows:

| Service Code | Excise duty on the balance - whether credit or debit, falls within the following limits at any time during a year. | Rate (Existing) per account per year (Taka) | Rate (Proposed) per account per year (Taka) |
|--------------|--|---|---|
| E032.00 | Less than Taka 100,000 | Nil. | Nil. |
| | 100,001 – 500,000 | 150 | 150 |
| | 500,001 – 1,000,000 | 500 | 500 |
| | 1,000,001 – 10,000,000 | 3,000 | 3,000 |
| | 10,000,001 – 50,000,000 | 15,000 | 15,000 |
| | Exceeds 50,000,000 | 40,000 | 50,000 |

*As per SRO 162-LAW/2022/175-Excise

Corporate Income Tax

- The rates of corporate income tax have been updated as follows:

| Description | Existing 2021-2022 | Proposed 2022-2023 | Applicable tax rate if fails to meet the condition |
|--|------------------------|-------------------------------|--|
| Publicly traded company that issues shares worth more than 10 percent of its paid-up capital through Initial Public Offering (IPO) | 22.5% | 20% | 22.5% |
| Publicly traded company that issues shares worth ten percent or less than ten percent of its paid-up capital through IPO | 22.5% | 22.5% | 25% |
| Non-publicly traded company | 30% | 27.5% | 30% |
| One Person Company (OPC) | 25% | 22.5% | 25% |
| Publicly traded bank, insurance and financial institution (except merchant bank) | 37.5% | 37.5% | Condition not applicable |
| Non-publicly traded bank, insurance and financial institution | 40% | 40% | |
| Merchant bank | 37.5% | 37.5% | |
| Company producing all sorts of tobacco items including cigarette, bidi, chewing tobacco and gul | 45% + 2.5% (surcharge) | 45% + 2.5% (surcharge) | |
| Publicly traded mobile operator company | 40% | 40% | |
| Non-publicly traded mobile operator company | 45 % | 45% | |
| Association of persons | 30% | 27.5% | 30% |
| Artificial juridical person and other taxable entity | 30% | 27.5% | 30% |
| Co-operative societies registered under Co-operative Societies Act, 2001 | 15% | 15% | Condition not applicable |
| Private university, private medical college, private dental college, private engineering college or private college solely dedicated to imparting education on ICT | 15% | 15% | |
| *Condition: All receipts and income must be transacted through bank transfer and all expense and investment over Taka 12 lakhs must be made through bank transfer. | | | |

- The limit of allowable perquisite for companies has now been increased from Taka 5.5 lakhs to Taka 10 lakhs (30 [e]).
- Any expense incurred for the purpose of Workers Profit Participation Fund (WPPF) shall now be disallowed (30 [q]).
- Rate of withholding tax shall be 50% higher at the time of making payment under 52, 52AA, 53F if the vendor fails to submit the proof of submission of return and receive the payment via bank transfer.

- Section 52 Rule 16 has been revised to include the following items subject to relevant withholding taxes:

| Description of Service and payment | Rate |
|---|------|
| In case of supply of books to a person other than the Government, or any authority, corporation or body of the Government, including all of its attached and sub-ordinate offices | 3% |
| In case of supply of trading goods to a trader | 5% |
| In case of supply of industrial raw materials to a manufacturer | 4% |

- Applicable rate of tax deduction at source for different types of service under section 52AA shall be as follows:

| Description of Service and payment | Rate |
|--|--------------|
| Advisory or consultancy service | 10% |
| (i) Professional service; (ii) technical services fee; or (iii) technical assistance fee. | 10% |
| Catering service, cleaning service, collection and recovery service, private security service, manpower supply service, creative media service, public relations service; event management service, training, workshop, etc., organization and management service, courier service, packing and shifting service, any other service of similar nature: (a) on commission or fee (b) on gross bill amount | 10% 2% |
| Media buying agency service (a) on commission or fee (b) on gross bill amount | 10% 0.65% |
| Indenting commission | 8% |
| Meeting fees, training fees or honorarium | 10% |
| Mobile network operator, technical support service provider or service delivery agents engaged in mobile banking operations | 12% |
| Credit rating service | 10% |
| Motor garage or workshop | 8% |
| Private container port or dockyard service | 8% |
| Shipping agency commission | 8% |
| Stevedoring/berth operator /terminal operator/Ship handling operator – (a) on commission or fee (b) on gross bill amount | 10% 5% |
| (i) Transport service, carrying service, vehicle rental service, Repair and maintenance service; (ii) Any other service under any sharing economy platform including ride sharing service, coworking space providing service and accommodation providing service; | 5% |
| Wheeling charge for electricity transmission | 3% |
| Internet Service | 10% |
| Any other service which is not mentioned in Chapter VII of this Ordinance and is not a service provided by any bank, insurance, mobile financial services or financial institutions. | 10% |

In addition, the different tax rate for payments above Taka 25 lakhs has now been removed.

- The rate of withholding tax has been increased from 0.5% to 1% for export proceeds listed under section 53BB. There is no longer a separate rate under 53BBBB which has been repealed and aggregated under 53BB.
- Deduction at source from interest on saving deposits and fixed deposits, etc. will now be done in the following manner (53F):

| Types of the payee | Rate |
|--|------|
| Where the payee is a company | 20% |
| Where the payee is a person other than a company | 10% |
| Where the payee is a public university, or an educational institution (subject to certain conditions), or any professional institute established under any law and run by professional body of Chartered Accountants, Cost and Management Accountants or Chartered Secretaries | 10% |
| Where the payee is recognized provident fund, approved gratuity fund, approved superannuation fund or pension fund | 5% |

- Registration and fitness renewal of motor vehicles for commercial usage shall not be issued unless proof of advance tax at following rates is presented:

| Description of the vehicle | Rate (Taka) |
|--|-------------|
| Bus having seats exceeding 52 | 16,500/- |
| Bus having seats not exceeding 52 | 11,000/- |
| Air-conditioned Bus | 37,500/- |
| Double decker Bus | 16,500/- |
| Air conditioned (AC) Minibus/Coaster | 16,000/- |
| Non-AC Minibus/Coaster | 6,500/- |
| Prime mover | 24,000/- |
| Truck, Lorry or Tank Lorry having payload capacity exceeding five tons | 16,000/- |
| Truck, Lorry or Tank Lorry having payload capacity exceeding one and half tons but not exceeding five tons | 9,500/- |
| Truck, Lorry or Tank Lorry having payload capacity not exceeding one and half tons | 4,000/- |
| Pickup van, human hauler, maxi or auto rickshaw | 4,000/- |
| Air-conditioned Taxicab | 11,500/- |
| Non-AC Taxicab | 4,000/- |

- Deduction of tax from the income of non-residents will now include the following:

| Items | Existing | Proposed |
|--------------------|---------------|----------|
| Bandwidth payment | Not specified | 10% |
| Any other payments | 30% | 20% |

- An additional penalty upto Taka ten lakhs need to be paid for being non-compliant with respect to cases other than deduction, collection and submission of requisite taxes at source.

- Startup companies will now be defined and subject to regulations as follows:
 - ▶ A startup is a company as defined under Chapter XIII A Startup Sandbox, not a subsidiary of another company holding fifty percent or more of its shares and not having turnover exceeding Taka 100 crore. They also have to be registered with the Board to avail the tax benefits under this regulation.
 - ▶ Determining income from business of a startup will not be subject to disallowances listed under section 30 and 30B during the growth stage (5 years from initial registration)
 - ▶ Any loss incurred by a startup in the growth stage which cannot be wholly set off, can be carried forward to the subsequent assessment year upto nine successive years.
 - ▶ The rate of minimum tax u/s 82C for growth years of a startup shall be 0.1%.
 - ▶ Except the submission of return u/s 75, no reporting obligation under the Ordinance will be applicable for startups provided they share permanent access to their system or books to the income tax authority
 - ▶ A startup shall not be eligible for registration, if it
 - ▶ is incorporated prior to fiscal year 2017-2018; or
 - ▶ is incorporated after the fiscal year 2017-2018 or thereafter and fails to get registration by the last day of June 2023; or
 - ▶ fails to get registration by thirtieth June of every year following the year of its incorporation.
- In order to recover tax payable by an assessee, the DCT can now ask utility providing agencies to disconnect supply of gas, electricity and water supply within 21 days from the date of receipt of the notice of supply disconnection.
- Institutional taxpayers are now required to display the proof of submission of return as defined in section 184A at a conspicuous place of the business premises.
- Pre-commencement expenditures of a business can now be amortized at a rate of 20% following straight line method.
- List of exempted income under 6th Schedule has been revised to exclude the following items:
 - ▶ Export income under paragraph 28
 - ▶ Income from Seeds, cattle, dairy and frog farming under paragraph 34
 - ▶ Income from Poultry farming under paragraph 42
- Income derived by an ocean-going ship being Bangladeshi flag carrier will be exempted upto June 2030 provided it is received in foreign currency and brought into Bangladesh as per existing laws applicable in respect of foreign remittance.

VAT & Supplementary Duty

- VAT registration requirements with VAT authority have been extended to include the following entities or individuals irrespective of their turnover [Sec 4 (2)]:
 - ▶ Branch, liaison or project office of foreign companies
 - ▶ VAT agent
- Entities willing to get the Central VAT Registration are required to maintain all records centrally in approved automated Software. [Sec 5 (1)]
- Mobile Financial Services (MFS) platforms are now considered as approved payment channel for availing tax rebate. [Sec 46 (1A)]
- VAT paid on goods which are in possession or under supervision of others, can now avail tax rebate if the goods are manufactured under contractual agreement. [Sec 46 1D]
- If goods or services are supplied less than the purchase price, input tax rebate is allowed maximum up to the selling price. [Sec 46 1O]
- VAT registered entity is liable to pay VAT if goods or services are purchased from suppliers who are not registered with VAT authority. [Sec 49 (2)]
- VAT deducted at source has to be deposited to government treasury within seven (7) days of the following month. [SRO 179]
- Decreasing adjustments can now be claimed within next three tax periods instead of the next tax period. [SRO 179]
- 5% VAT is applicable for both AC and Non-AC restaurants (except restaurants in hotel with 3 or more star and restaurants where alcohol is served). [SRO 179]
- If Mushak 6.3 is provided by manufacturer, VAT is not required to be deducted at source. [SRO 179]
- If VAT is paid by any non-registered entity by mistake, it can be returned by the Commissionerate upon request. [Sec 72 (2)]
- Credit Rating Agencies are now also liable to assist VAT officers when required. [Sec 82 (1)]
- An entity which failed to file it's VAT Returns during its dormant period is relieved from any penalty that arose for not filing the returns for the said period. [Sec 85 (2A)]
- In order to recover tax, VAT authority can ask utility providing agencies to disconnect supply of gas, electricity and water supply. [Sec 95 (5i)]
- Penalties related with non-compliances have been proposed to be reduced as follows:

| SL | Non-Compliance | Existing Penalty | Proposed Penalty |
|----|---|--------------------------------------|---|
| 1 | Non-compliance or irregularity for not filing VAT or turnover tax return within the prescribed time period. | BDT 10,000 | BDT 5,000 |
| 2 | Non-compliance or irregularity for not making inclusion of the output tax in the return | Equal to the output tax not included | Not less than half but not more than the output tax not included |

| SL | Non-Compliance | Existing Penalty | Proposed Penalty |
|----|---|--|--|
| 3 | Irregularities for taking more input tax credit than entitlement in the return | Equal to the input tax irregularly taken | Not less than half but not more than the input tax irregularly |
| 4 | Irregularities relating to making an increase of a decreasing adjustment or making a decrease of an increasing adjustment in the return | Equal to the irregularities in tax adjustments | Not less than half but not more than the amount of decreased increasing adjustment and increased decreasing adjustment |
| 5 | Irregularity for willingly evading or attempting to evade assessment and payment of taxes | Equal to the amount of taxes evaded | Not less than half but not more than the amount of taxes |
| 6 | Non-compliance or irregularity for not keeping proper records according to section 51, 53, 54, 64 and 107 for supplying exempted goods or services. | N/A | BDT 100,000 (One lakh) |

- Major products on which VAT has been imposed at the import stage in ICT sector are as follows:

| SL No. | H.S. Code | Description | Existing Rate | Proposed Rate |
|--------|------------|---|---------------|---------------|
| 1 | 8443.32.10 | Computer printer | 0 | 15 |
| 2 | 8443.99.10 | Toner cartridge/Inkjet cartridge for computer printer | 0 | 15 |
| 3 | 8471.30.00 | Portable automatic data processing machines, weighing not more than 10 kg, consisting of at least a central processing unit, a keyboard and a display | 0 | 15 |

- Supplementary duty is to be imposed on the import of optical fiber cable at 10% in a view to protect domestic industry.
- Supplementary duty increased on automobiles and jeeps at the import stage:

| Description | Existing Supplementary Duty Rate (%) | Proposed Supplementary Duty Rate (%) |
|--|--------------------------------------|--------------------------------------|
| Motor vehicles and other motor vehicles, including station wagons: | | |
| (A) Cylinder capacity from 2001 cc to 3000 cc | 200 | 350 |
| (B) Cylinder capacity from 3001 cc to 4000 cc | 350 | 500 |
| (C) Cylinder capacity is exceeding 4000 cc | 500 | 500 |
| CKD motor vehicles, station wagons Including jeeps: | | |
| (A) Cylinder capacity from 2001 cc to 3000 cc | 100 | 150 |
| (B) Cylinder capacity from 3001 cc to 4000 cc | 300 | 350 |
| (C) Cylinder capacity is exceeding 4000 cc | 350 | 500 |
| Complete hybrid motor vehicles and other motor vehicles, including station wagons: | | |
| (A) Cylinder capacity from 2001 cc to 2500cc | 45 | 60 |
| (B) Cylinder capacity from 2501 cc to 3000 cc | 60 | 100 |
| (C) Cylinder capacity from 3001 cc to 4000 cc | 100 | 150 |
| (D) Cylinder capacity is exceeding 4000 cc | 300 | 350 |
| (E) Cylinder capacity 2001 cc or above microbus | 45 | 60 |

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