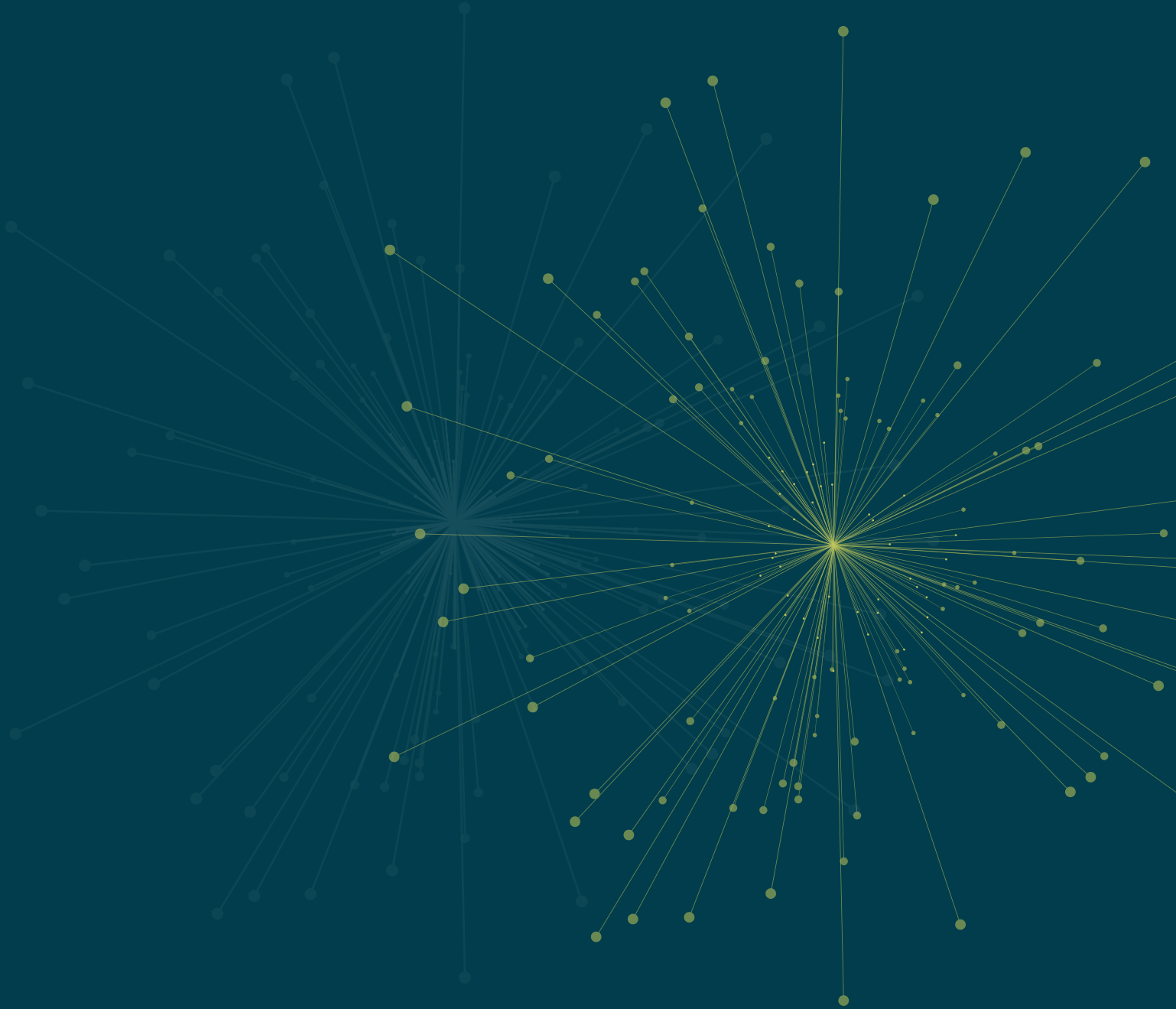


# Bangladesh

# Payroll Handbook

# 2022-2023



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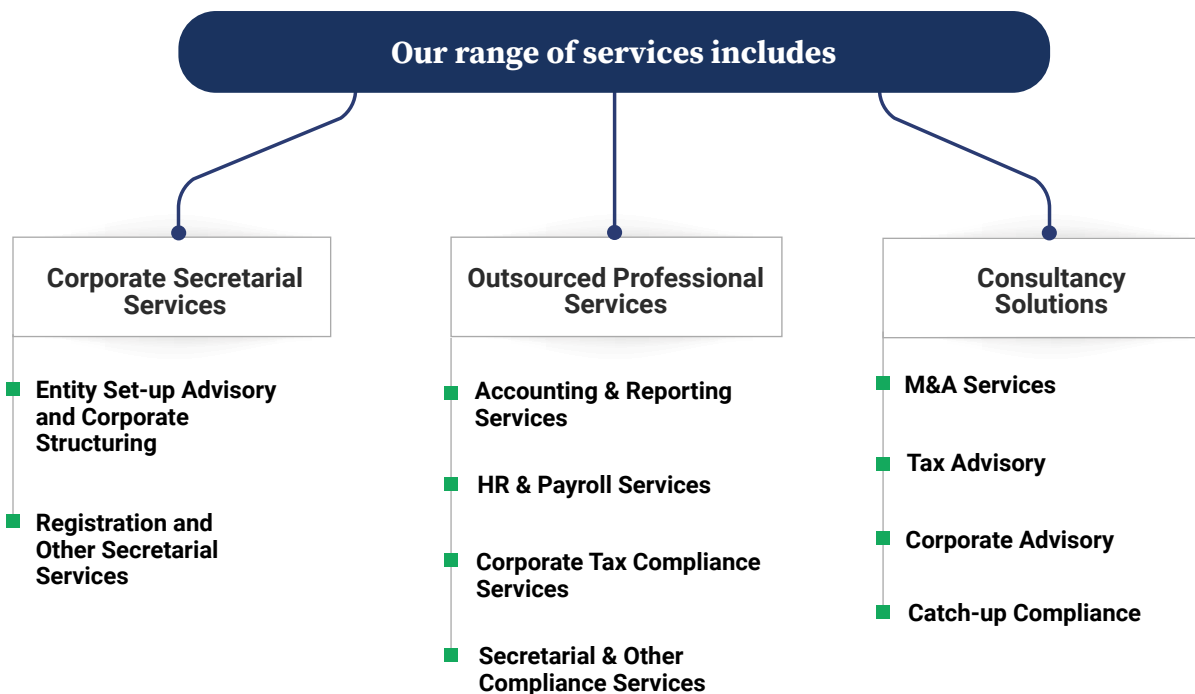
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ACE Advisory is a leading provider of professional services in Bangladesh split into three core









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 <h3>INTEGRATED SOLUTIONS</h3> <p>Our teams are trained to advise clients on multi-dimensional areas to ensure compliance to all areas of regulations such as tax, accounting, audit and secretarial.</p>	 <h3>TECHNOLOGY AS PART OF SERVICE</h3> <p>Each part of our service delivery model incorporates the use of cutting-edge technology to ensure efficiency, accuracy and data security.</p>	 <h3>ADAPTIVE SOLUTIONS</h3> <p>Our services are designed so that they can be tailored for clients of any size.</p>
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—  
Local Expertise



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### Our Mission

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





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# Employment of staff

## **Bangladesh National Parliament**

Location: Dhaka, Bangladesh

Architects: Louis Kahn, Muzharul Islam

Opened: 1982



## 1. Employment of staff

### 1.1. Determination of residency

In Bangladesh, an individual is treated as a resident if they have been in Bangladesh for<sup>1</sup>:

- 1 An aggregate period of 182 days or more in that tax year, or
- 2 90 days or more in that tax year provided he/she has previously been in Bangladesh for an aggregate period of 365 days or more during the 4 years preceding that tax year.
- 3 Any company which is managed or controlled wholly in Bangladesh during that tax year.
- 4 Any trusts, funds or entity controlled or managed from Bangladesh.

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

### 1.2. Employing residents

- Locally incorporated entities are free to employ Bangladesh Nationals above **18 years** of age.
- There is **no registration process** with the government for hiring employees.
- Employment contracts are generally used locally to govern the relationship between employer and employee.

### 1.3. Employing non-residents

#### 1.3.1. Conditions for employment

Locally incorporated entities can employ expatriates subject to certain conditions and the pre-requisites are as follows:

- Nationals of countries recognized by Bangladesh are only considered for employment.
- Employment of expatriate personnel will be considered only in industrial/commercial establishments which are registered with the Bangladesh Investment Development Authority (BIDA).
- Employment of foreign nationals is normally considered for roles for which local experts/technicians are not available.
- Persons below 18 years of age are not eligible for employment.
- A decision of the board of directors of the concerned company for new employment/employment extension must be furnished in each case.
- The number of foreign employees should not exceed 5% in the industrial sector and 20% in commercial sector of the total employees, including top management personnel.

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1. Section 2(55) of ITO 1984



- Encashment certificate of inward remittance available of minimum US \$50,000.00 as initial establishment cost for branch/ liaison/ representative office and locally incorporated/ joint venture and 100% foreign ownership companies.
- Initially employment of any foreign national is approved for a term of two years, which may be extended based on merit of the case.
- Ministry of Home Affairs will conduct a security check and issue necessary clearance certificates.

### 1.3.2. Process of employment

The process of hiring expatriates is as follows<sup>2</sup>:

- a** E-Visa recommendation letter – the first step is to obtain an industry specific E-Visa recommendation letter from Bangladesh Investment Development Authority (BIDA), based on which, the expat will have to apply for a specific visa at the Bangladesh embassy situated in their country of residence.
- b** Work permit application - after arriving in Bangladesh, the expatriate is required to apply for work permit within 15 days from the date of arrival.
- c** Security clearance – once a work permit is issued by BIDA, a copy of it will be sent to the Security Services Division (SSD) at the Ministry of Home Affairs and after due verification, the Ministry issues a security clearance.

### 1.3.3. Renewal, extension, and cancellation

Initially, employment of any foreign national is considered for a term of 2 years, which may be extended up to 5 years based on merit of the case. The requirements for the renewal, extension and cancellation of work permits are listed in BIDA's online One Stop Service portal.

### 1.3.4. Other issues to consider

Employer needs to ensure that the expatriate opens a bank account in Bangladesh to receive salary for his/ her employment. An expatriate employed in Bangladesh is permitted to make monthly remittance in abroad maximum upto 75% of his/ her income<sup>3</sup>.

## 1.4. e-TIN - application criteria<sup>4</sup>

All individual taxpayers who are required to file tax return need to obtain a certificate containing twelve-digit e-TIN. In terms of payroll following employees are required to have e-TIN and furnish the proof of submission of return of income:

- Employees receiving salary of taka 16,000 (sixteen thousand) or more;
- Employees working in management or administration function or in any supervisory position in the production function

Foreign expatriates need to apply for e-TIN immediately after receiving work permit.

Application process is relatively easy and can be applied manually or electronically from <http://secure.incometax.gov.bd/TINHome>.

2. Bangladesh Investment Handbook by BIDA

3. FE Circular No. 06

4. Section 184A of ITO 1984

## 1.5. e-TIN - responsibility of employer

Employers must ensure that employees who are eligible to file tax return or expatriates having work permit have collected and shared their e-TIN with their employer for documentation purpose. In case employer makes salary payment to any employee who is required to obtain e-TIN but failed, such expenses of employer will be disallowed by tax authority<sup>5</sup>.

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5. Section 30 (aaa) of ITO 1984

# Taxability of income from employment

## **Martyred Intellectuals Memorial**

Location: Dhaka, Bangladesh

Architect: Farid Uddin Ahmed; Md Jami-al-Shafi

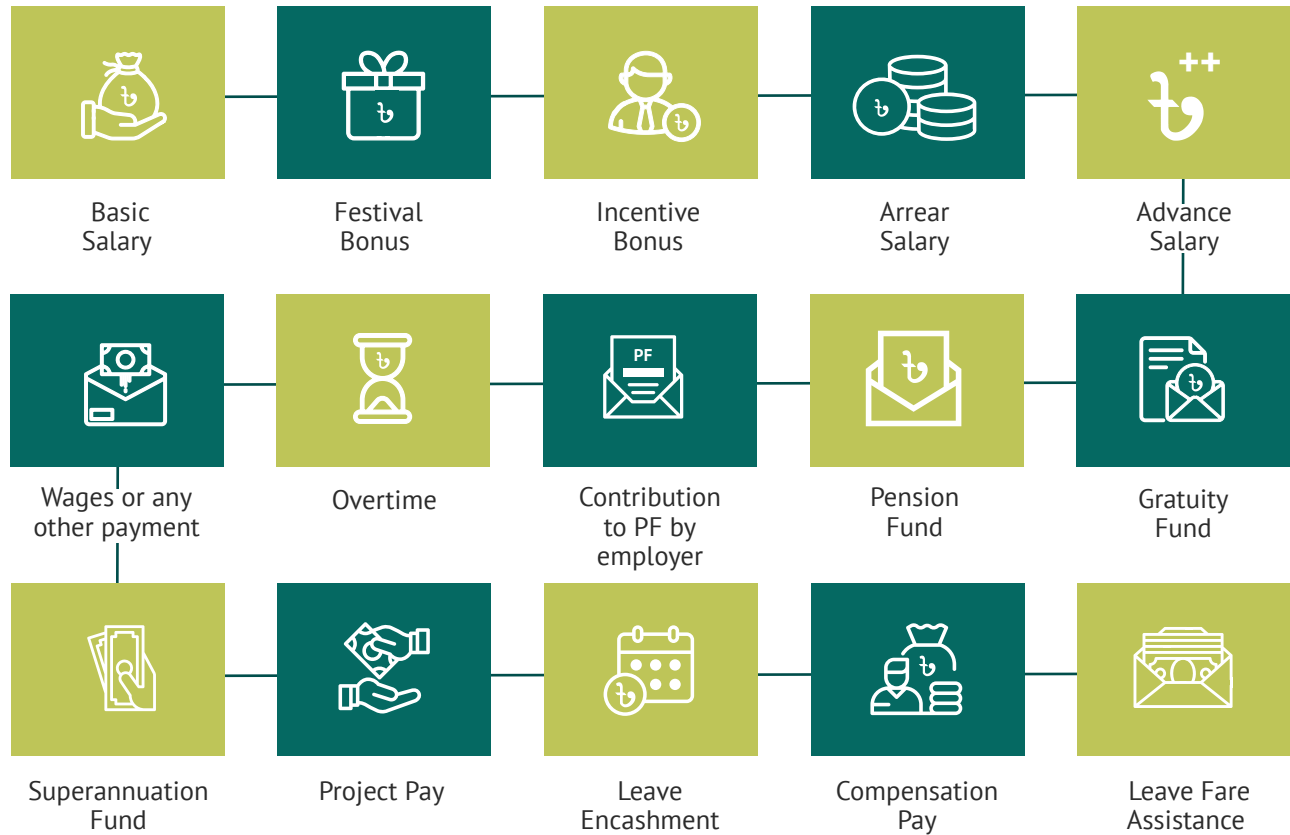
Opened: 1999



## 2. Taxability of income from employment

### 2.1. Income from salary

Income from salary includes the following<sup>6</sup>:



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) <sup>7</sup>	Tk. 25,000 per month or 50% of basic salary, whichever is lower is exempt from tax
Rent free accommodation <sup>8</sup>	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) <sup>9</sup>	Tk. 30,000 per annum is exempt from tax where no conveyance facility is provided by employer

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

7. Rule 33A of ITR 1984

8. Rule 33B of ITR 1984

9. Rule 33C of ITR 1984



Income Head	Taxability
Conveyance provided for personal/private use <sup>10</sup>	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 <sup>11</sup>	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) <sup>12</sup>	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
Dearness allowance	Fully taxable
Employer's contribution to registered PF	Fully taxable
Interest income from registered PF	Tax exempted upto lower of: <ul style="list-style-type: none"> <li>■ 1/3 of (basic salary + dearness allowance)</li> <li>■ 14.5% of interest income</li> </ul>
Gratuity fund <sup>13</sup>	Exempt up to Tk. 25,000,000
Leave encashment	Fully taxable
Pension fund	Fully exempted
Workers Profit Participation Fund (WPPF) <sup>14</sup>	Exempt up to Tk. 50,000
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

## 2.2. Tax credit from investment

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

#	Details	Limit
1	Life insurance premium paid by an individual	No limit
2	Contribution to benevolent Fund and group Insurance Scheme	No limit

10. Rule 33D of ITR 1984

11. Rule 33I of ITR 1984

12. Rule 33G of ITR 1984

13. 6th Schedule, Para 20 of ITO 1984

14. 6th Schedule, Para 21D of ITO 1984

#	Details	Limit
3	Contribution to Govt. recognized provident fund of both employer and employee	No limit
4	Contribution in superannuation fund	No limit
5	Investment in stocks and Shares of listed companies	No limit
6	Investment in Debentures or Debenture -Stocks	No limit
7	Investment in Govt. securities (Shanchay Patra)	No limit
8	Investment in Govt. approved treasury bond	No limit
9	Investment in Govt. approved Deposit Pension Scheme (DPS)	Upto BDT 60,000
10	Donation to an NBR approved charitable Hospital	No limit
11	Donation to organization for the welfare of the retarded people	No limit
12	Donation to Zakat Fund	No limit
13	Donation to Ahsania Mission Cancer Hospital	No limit
14	Donation to Govt. approved educational institution	No limit
15	Donation to ICDDRB	No limit
16	Donation to CRP, Savar	No limit
17	Donation to Liberation War Museum	No limit
18	Donation to Aga Khan Development Network	No limit
19	Donation to Asiatic Society of Bangladesh	No limit

The eligible investment amount will be the lesser of<sup>15</sup>:

- a** Actual Investment as Per Section 44 (c) (i)

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- b** **20% of total Income**

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- c** **10,000,000 Tk.**

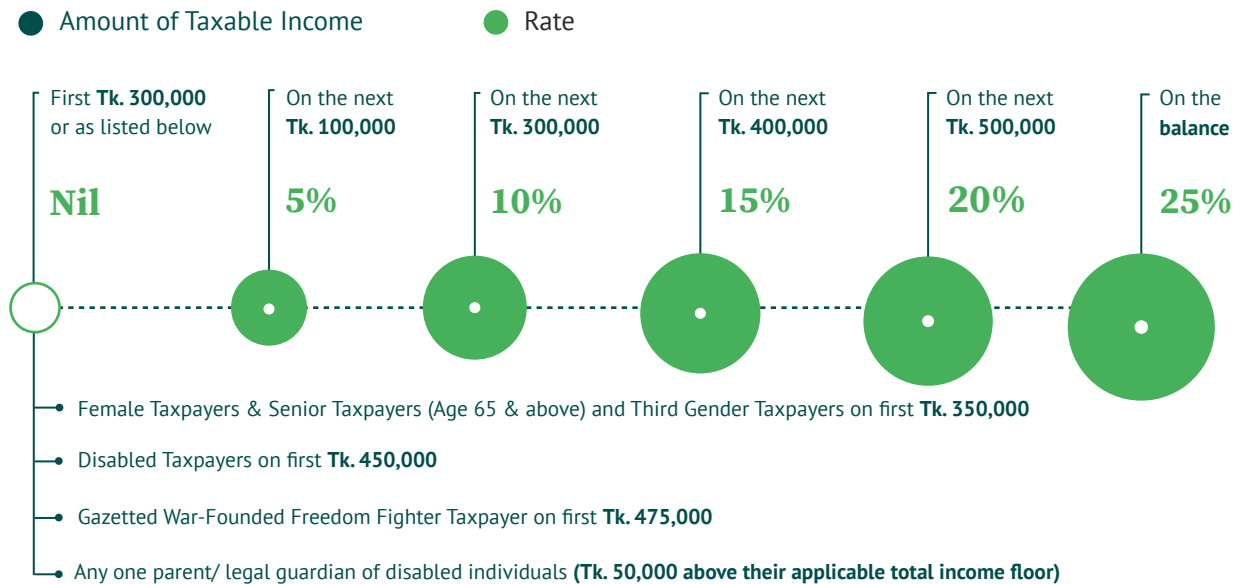
The amount of credit will be as follows<sup>16</sup>:

**Amount of Credit = 15%** of eligible amount

However, if an individual fails to submit the return of income within due time as per section 75, tax credit applicable for him/her will be 7.5% .

### 2.3. Income tax rates

Income tax is charged to individuals on fixed slabs. The slabs of total income and corresponding tax rates are given below<sup>17</sup>:



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

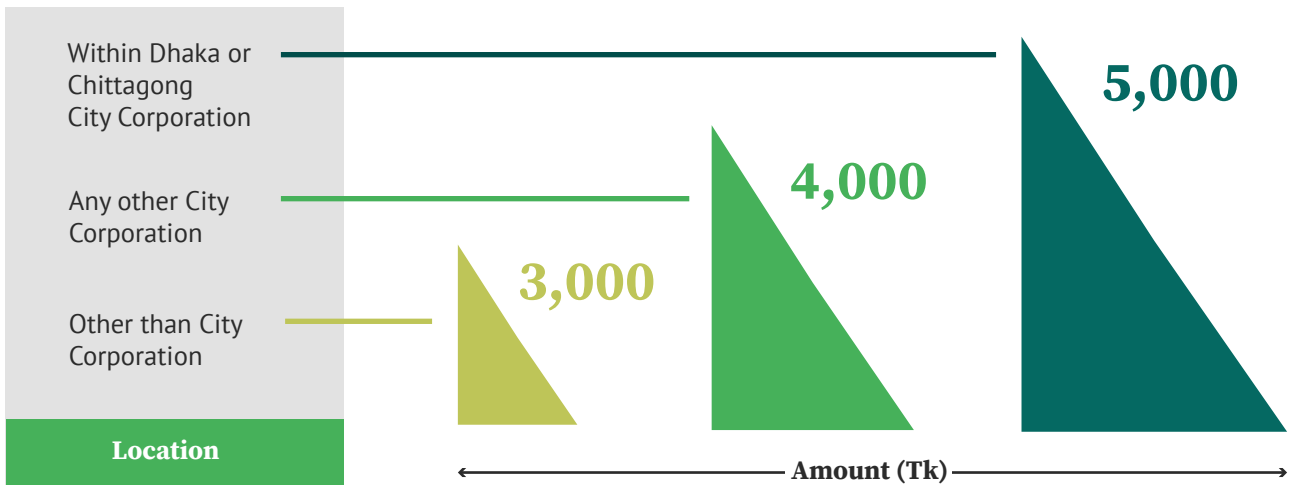
15. Section 44(2)(c) of ITO 1984 as amended by FA 2022

16. Section 44(2)(b) of ITO 1984 as amended by FA 2022

17. 2nd Schedule, Part 1 of ITO 1984

## 2.4. Minimum tax

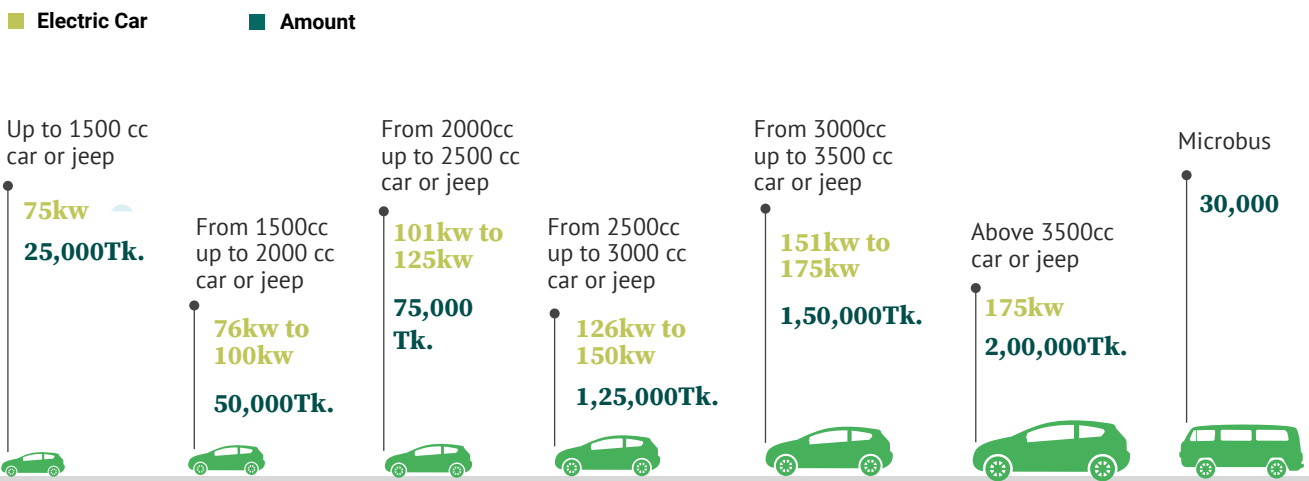
Minimum tax applicable on individuals is as follows:



This minimum tax is levied on anyone whose total taxable income (after applicable allowances) exceeds the tax-free threshold. For simplicity, let us assume the total taxable income of a female individual residing in Dhaka City Corporation exceeds Tk. 350,000 and the tax liability comes to Tk. 2,000 for that tax year. In this case the individual must pay the minimum tax of Tk. 5,000.

## 2.5. Advance income tax on motor vehicle ownership

Every individual owning a private motor vehicle will have to pay advance income tax as follows<sup>18</sup>:



Note: The AIT mentioned above is not applicable for motor cars used for commercial purpose as mentioned on section 53Q<sup>19</sup>

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.

In case of registration or fitness renewal of motor car for more than one year, advance tax under (as listed above) shall be collected on or before 30th June in every subsequent year or years following the year in which registration or fitness renewal of motor car has been done.

18. Section 68B (2) of ITO 1984

19. Section 68B (6) of ITO 1984 as amended by FA 2022



Where any person fails to pay advance tax, the amount of advance tax payable shall be the sum of the amount of advance tax not paid in the previous year or years and the amount of advance tax payable for the year in which an assessee is making the payment<sup>20</sup>.

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 paid<sup>21</sup>.

## 2.6. Responsibility of employer

### 2.6.1. Computation and deduction of tax at source

Employer has the responsibility to compute and deduct taxes at source after providing for allowances from monthly salary.

If employer, in any case, fails compute tax as per law or deduct tax from salary, related expenses for salary will be disallowed by tax authority<sup>22</sup>. Disallowed expenses are treated separately as income and therefore directly taxed at regular rate<sup>23</sup>.

### 2.6.2. Payment of salary

Any payment by way of salary or remuneration needs to be made by bank transfer for employees having monthly gross salary of Tk. 20,000 or more<sup>24</sup>.

Bank transfer (as a tax allowable mean of payment method) includes cross-cheque facility, mobile financial services and any other digital means as approved by Bangladesh Bank<sup>25</sup>.

If employer in any case fails to make payment as per prescribed manner, related expenses for salary will be disallowed by tax authority. Disallowed expenses are treated separately as income and therefore directly taxed at regular rate<sup>26</sup>.

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20. Section 68B (2A) & (2B) of ITO 1984

21. Section 68B (4) of ITO 1984

22. Section 30 (a) & 30 (aa) of ITO 1984

23. Section 30B of ITO 1984

24. Section 30 (i) of ITO 1984

**25. Section 12A of ITO 1984 as introduced by FA 2022**

26. Section 30B of ITO 1984

### 2.6.3. Submission of tax deducted at source

After deduction, tax amount needs to be submitted to the Government treasury within the following timeline to stay compliant<sup>27</sup>:



#### Time of Deduction

- Deduction in July to May



#### Date of payment

**2 weeks from the end of the month of deduction**

- Deduction in the first 20 days of June

**7 days from the date of deduction**



#### Time of Deduction

- Deduction on any other days of June except the last 2 working days



#### Date of payment

**On the next following day**

- Deduction made on the last 2 working days of June

**On the same day**

Failure to submit the tax amount to the Government treasury within the stipulated deadline will result a penalty of 2% per month on the tax amount due to be submitted<sup>28</sup>.

27. Rule 13 of ITR 1984

28. Section 57 (2) of ITO 1984

# Long term payroll incentives

## Sixty Dome Masjid (UNESCO World Heritage Site)

Location: Bagerhat - Khulna Rd, Bangladesh

Architect: Khan Jahan Ali

Built: 15th Century



## 3. Long term payroll incentives

### 3.1. Provident fund (PF)

Provident fund setup is optional in Bangladesh. A provident fund is a voluntary investment fund that is jointly established by the employer and employee to serve as a long-term savings to support an employee after retirement. Benefit from the fund is mainly received by employee after termination of the employment contract. Employer can setup two types of provident funds:

a

**Registered Provident Fund** – The fund needs to be created with a trustee board and registered with the tax authorities. Provident funds registered with the tax authorities under the provisions of ITO 1984 enjoy certain tax benefits from both employee and employer's perspective:



**Employee**

- Contribution made by the employee under registered PF is considered as eligible investment for tax credit.
- Accumulated balance payable to the employee at the end of contract period shall be considered exempt from tax if the employee has rendered continuous service with his employer for more than 5 years<sup>29</sup>.



**Employer**

- Contribution made by employer under registered PF is an allowable deduction from employer's income.

b

**Un-registered Provident Fund** – this is an internal fund managed by the employer. There is no tax incentive for un-registered PF.

#### 3.1.1. Application procedure

An application for Approved Provident Fund needs to be submitted to NBR in writing by the trustees accompanied by, but not limited to the followings<sup>30</sup>:

a copy of trust Deed under which the fund is established

a copy of the fund rules

#### 3.1.2. Date of recognition

By default, recognition shall take effect from the last day of the month in which the application for recognition is received by the Commissioner concerned unless any other date is requested by the employer<sup>31</sup>.

29. 1st Schedule Part B, Paragraph 6 of ITO 1984

30. Rule 43 of ITR 1984

31. Rule 44 of ITR 1984



### 3.1.3. Contribution and management

The fund shall be established under an irrevocable trust and will be treated as a complete separate legal entity with its own management. The Board of trustees must be comprised of an equal number of representatives from both employer and employee's side<sup>32</sup>. Only permanent employees are eligible to invest in the fund<sup>33</sup>. Contributions must be made to the fund by both employer and employee in according to the trust deed<sup>34</sup>.

Maintenance of the fund is guided by Labour Act and ITO, which includes periodic accounts preparation, audit and submission of audited FS to the tax office as a control measure<sup>35</sup>.

## 3.2. Gratuity fund (GF)

Gratuity is a voluntary benefit provided by the employer to the employees for the services rendered during the period of employment. It is paid to the employees after termination of the employment contract. Employees need to meet certain eligibility criteria to avail this benefit, which mainly depends on the number of year of services with the employer defined under Labour Act.

### 3.2.1. Approved gratuity fund

Gratuity fund which is approved by NBR under the provisions of ITO 1984 have certain tax benefit from both employee and employer's perspective:



#### Employee

- Any income up to taka **two crore fifty lakh** received by an assessee as gratuity is tax free.



#### Employer

- Income derived from investments or deposits of an approved gratuity fund and any capital gains arising from the transfer of capital assets of such fund shall be exempt from payment of tax.
- Any sum paid by an employer as contribution towards an approved gratuity fund shall be deducted in computing his income, profits and gains for the purpose of assessment.<sup>36</sup>

32. Section 264(5) of Labour Act 2006

33. Section 264(9) of Labour Act 2006

34. 1st Schedule Part B, Paragraph 3 of ITO 1984

35. 1st Schedule Part B, Paragraph 9 of ITO 1984

36. 1st Schedule Part C, Paragraph 6 of ITO 1984

### 3.2.2. Application procedure

An application for Approved Gratuity Fund needs to be submitted to NBR in writing by the trustees accompanied by, but not limited to the followings<sup>37</sup>:

- 1** a copy of Gratuity Deed under which the fund is established
- 2** two copies of the Gratuity rules and,
- 3** two sets of Accounts for the period in which the fund already exists. If the fund already exist for more than 3 years, then latest 3 years Accounts would suffice.

### 3.2.3. Approval

Upon submission of application, NBR usually provides approval within four months from the date of receipt of the application. In any time, NBR has the right to revoke the approval if conditions set by NBR<sup>38</sup> and the rules that have been approved, are not met.

### 3.2.4. Contribution and maintenance

The fund shall be established under an irrevocable trust and will be treated as a complete separate legal entity with its own management. Employer shall be making contribution to the fund as per trust deed. Maintenance of the fund is guided by Labour Act and Income Tax Ordinance, which includes periodic accounts preparation, audit, and submission of audited accounts to tax office as control measure.

## 3.3. Workers profit participation fund (WPPF)

WPPF is a benefit provided by employer to the employees for the services rendered during the period of employment. It is paid to employees in certain stages where two-third of the fund is disbursed to employees on cash basis every year and the balance is maintained on the fund for final settlement. Employees need to meet certain eligibility criteria to avail this benefit, which mainly depends on the time of service with the employer defined under Labour Act.

WPPF enjoy certain tax benefit from both employee and employer's perspective:



- The sums paid out of the Funds to the workers shall be exempted from income tax<sup>39</sup>

#### Employee

37. 1st Schedule Part C, Paragraph 4(1) of ITO 1984

38. 1st Schedule, Part C, Section 3 of ITO 1984

39. Section 246, Labour Act 2006, Amendment 2013



- Any sum allotted to the Funds by employer shall not be considered in calculating their taxable income<sup>40</sup>

**Employer** ■ The income of the Funds including their capital gains shall be exempted from income tax<sup>41</sup>

### 3.3.1. Eligibility criteria for employer<sup>42</sup>

- Number of workers employed by the company at any time during a year is **one hundred** or more
- Paid-up capital of the company as on the last day of its accounting year is **one crore taka** or more
- Value of the fixed assets of the company at cost as on the last day of the accounting year is not less than **two crore taka** or more

WPPF and a Workers Welfare Fund shall be established within one month of the date on which the Company becomes eligible.

### 3.3.2. Eligibility criteria for employee<sup>43</sup>

- All workers shall be eligible to the benefits and to participate in the funds
- Any worker not completing six months of employment with the company during a year of account shall not participate in the funds in respect of that year

### 3.3.3. Contribution and management

The contribution by employer shall be at the rate of five percent of the net profit of the previous year within nine months of the close of every year. The proportion of contribution is set at 80:10:10 to the Participatory Fund, Welfare Fund and Workers Welfare Foundation Fund respectively<sup>44</sup>.

The fund shall be managed by a board of trustees consisting two members nominated by the employees of the company and two members nominated by the management of the company, and there shall be a person from the accounts section of the company within thirty days of commencement<sup>45</sup>.

40. Section 244, Labour Act 2006, Amendment 2013

41. Section 245, Labour Act 2006, Amendment 2013

42. Section 232 Labour Act 2006

43. Section 241, Labour Act 2006, Amendment 2013

44. Section 234, Labour Act 2006, Amendment 2013

45. Section 235, Labour Act 2006, Amendment 2013

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### 3.3.4. Investment of WPPF

WPPF can be invested in the following areas<sup>46</sup>.

- 
- The amount allocated or deposited in the Participation Fund shall be available to the company for its business operation
  - If the company does not want to utilize any amount of the Fund in its business, the fund can also be invested in any government investment
  - If the company raises any additional capital, the Participation Fund shall have the first option to convert any amount available or any asset of the Participation Fund into ordinary equity capital with a certain limit fixed by Labour law.
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46. Section 240, Labour Act 2006, Amendment 2013



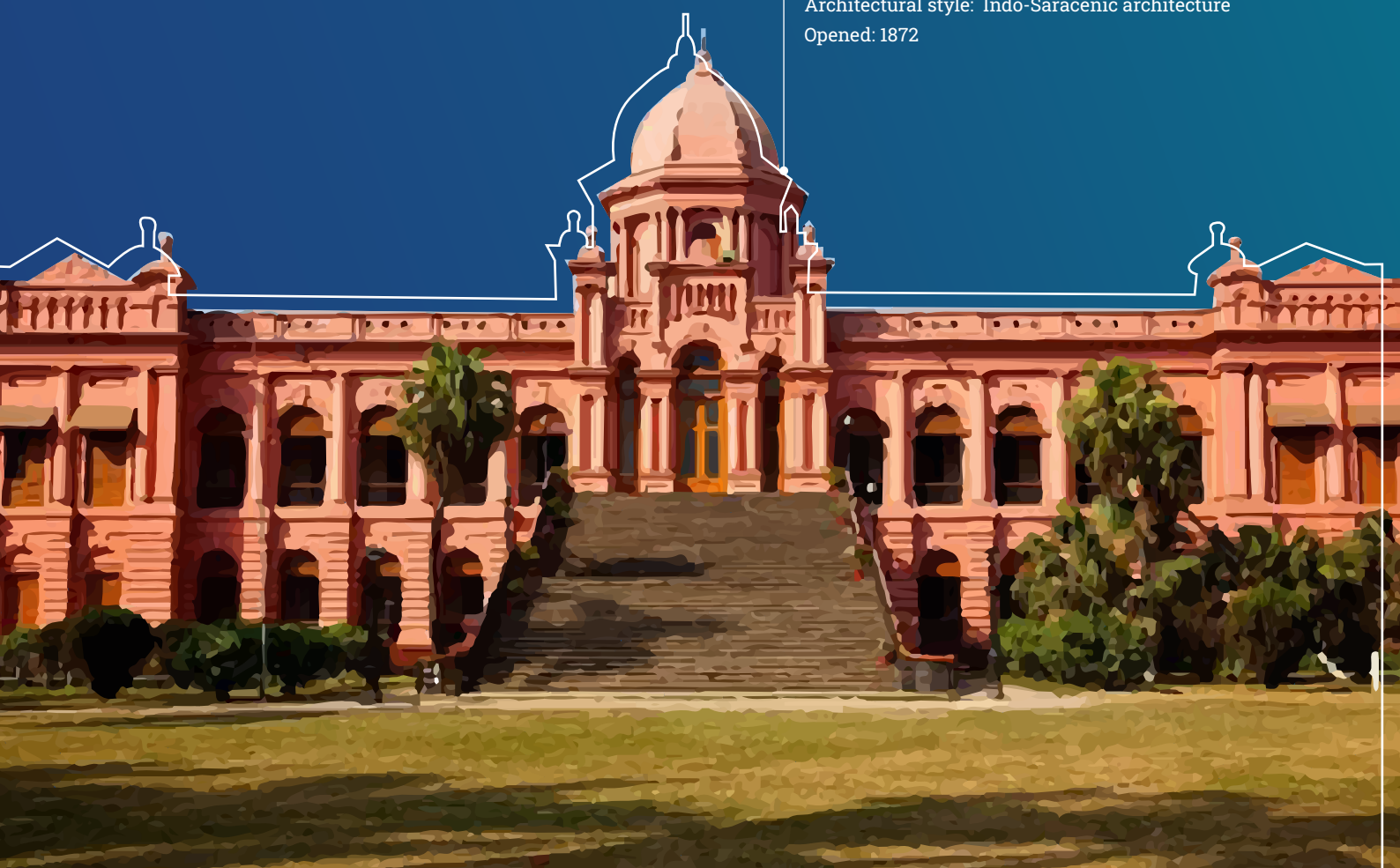
# Payroll compliance - employer

## Ahsan Manzil Museum

Location: Latif Complex, Islampur Rd, Dhaka, Bangladesh

Architectural style: Indo-Saracenic architecture

Opened: 1872



## 4. Payroll compliance - employer

Under payroll management the following compliance reporting are mandatory for employer:

### 4.1. Statement of tax deducted from salaries u/s 50

This is a mandatory filing for the employer **on a monthly basis**. The return needs to be prepared as per prescribed format and need to be submitted within 20 days from the end of relevant month.

### 4.2. Statement regarding payment of salary u/s 108

This is a mandatory filing for the employer on a **yearly basis**. The return needs to be prepared as per prescribed format and need to be submitted within 31 August each year.

### 4.3. Statement regarding filing of return by employees u/s 108A

This is a mandatory filing for the employer on a yearly basis. The return needs to be prepared as per prescribed format and need to be submitted within 30 April each year. Every employee therefore needs to provide the following information to the employer within 15 April each year, based on which employer will prepare the return:

**a** e-TIN

**b** Date of filing return

**c** The serial number provided by authority upon filing of the individual tax return

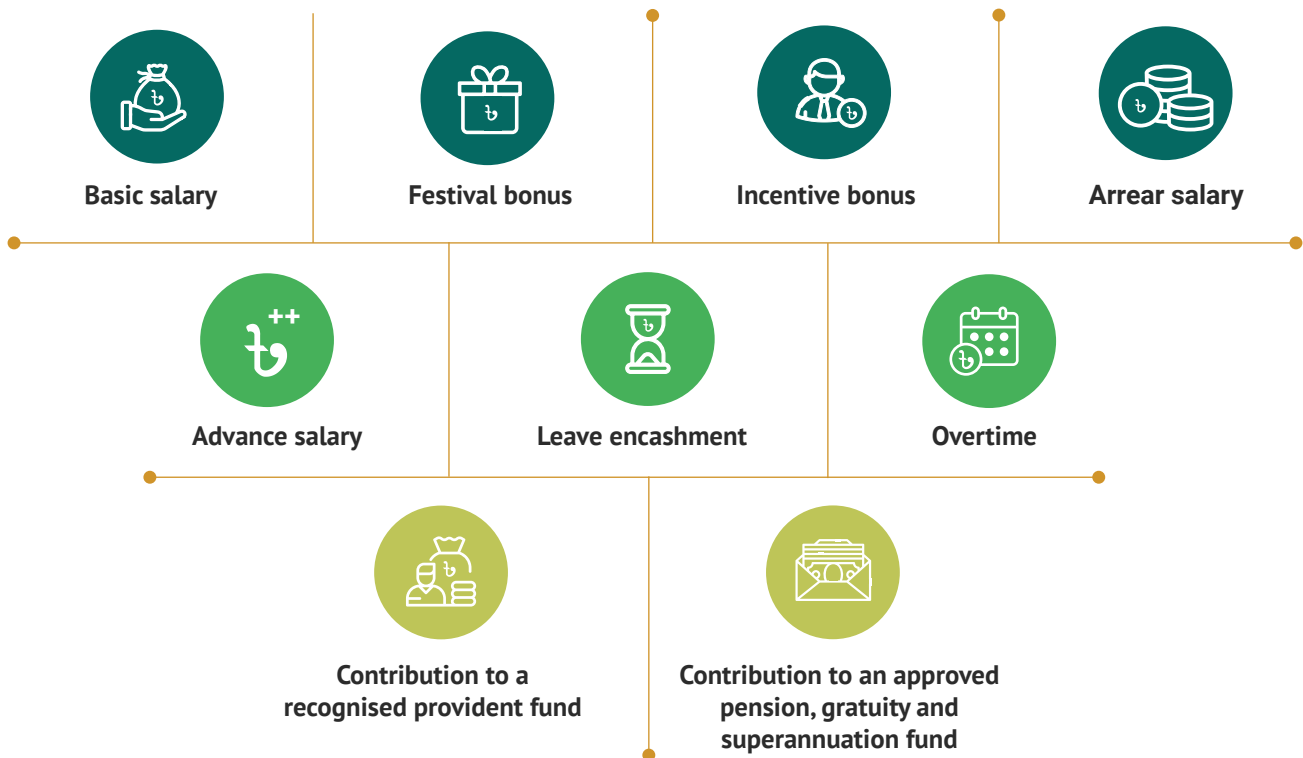
A summary table highlighting the key aspects of mandatory reporting is given below:

Activity	Frequency	Deadline	Penalty	Reference
Salary Return Under Section 50	Monthly	20 days from the end of relevant month	-	Section 50 [Rule 21] of ITO 1984
Salary Return Under Section 108	Annual	31 August of each year	Higher of: <ul style="list-style-type: none"> <li>■ 10% of the tax imposed on last assessed income</li> <li>■ Tk 5,000</li> </ul> In case of continuing default, a further penalty of Tk 1,000 will be added for every month.	Section 108 [Rule 23] and 124(2b) of ITO 1984
Salary Return Under Section 108A	Annual	30 April of each year		Section 108A [Rule 23A] and 124(2) of ITO 1984

## 4.4. Perquisites

Each year at the time of filing the annual return, employer needs to provide a **Statement of Excess Perquisites** via an annexure along with the computation of total income.

Perquisites are defined as any payment made to an employee by an employer in any form excluding the following<sup>47</sup>:



The limit of perquisites payable to an employee is Tk. 1,000,000 during a year and Tk. 2,500,000 to any employee with a disability. Any amount exceeding this is disallowed by tax authority<sup>48</sup>. Disallowed expenses are treated separately as income and therefore directly taxed at regular rate<sup>49</sup>.

47. Section 2(45) of ITO 1984

48. **Section 30(e) of ITO 1984 as amended by FA 2022**

49. Section 30B of ITO 1984

# Payroll compliance - employee

## Sonargaon City

Location: Narayanganj District, Dhaka Division, Bangladesh

Founded: Antiquity

Abandoned: 19th century



## 5. Payroll compliance - employee

### 5.1. Income tax return

Any individual falling under the following category must file tax return at the end of the tax year<sup>50</sup>:

1. Individual required to have 12-digit e-TIN even if that person does not have taxable income
2. If an individual's earning exceeds the maximum tax-free income limit for the year
3. If an individual has been assessed for tax during any of the 3 years preceding the income year
4. A shareholder director or a shareholder employee of a company
5. A partner of a firm
6. A government employee if he/she, at any time in the income year, draws a basic salary of Tk. 16,000 or more
7. If an individual:
  - Owns a motor car
  - Owns a membership of a club
8. Individuals running a business and has a trade license
9. Registered with a recognized professional body (doctors, lawyers etc.)
10. Registered Income Tax Practitioner
11. Member of a chamber of commerce
12. Candidate for an office of any paurashava, city corporation or an M.P.
13. Anyone participating in government tenders
14. A director of a company
15. Any employee holding an executive or management position in a business or profession
16. Participates in a shared economic activity by providing motor vehicle, space, accommodation, or any other assets
17. Individuals owning any licensed arms

Return of income shall not be mandatory for an individual if the person<sup>51</sup>:

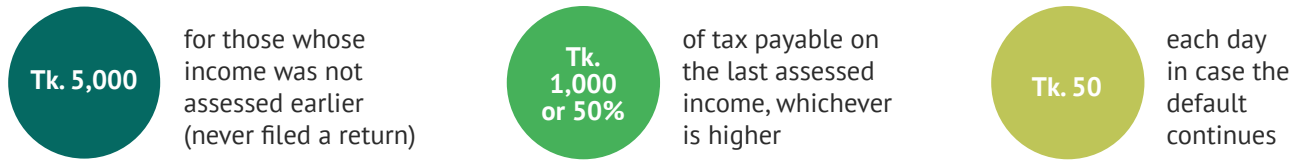
- is a non-resident individual having no fixed base in Bangladesh
- any class of persons which the board may exempt from filing the return.

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50. Section 75 of ITO 1984

51. **Section 75(2) of ITO 1984 as amended by FA 2022**

Failure to file income tax return may result in a penalty of<sup>52</sup>:



Individuals who are required to file the tax return, must pay the balance between the total tax payable on his/her income less any deductions made at source before or on the date of filing the return<sup>53</sup>.

Failure to do so may result in a penalty of 25% of total tax payable or on deficit tax payable<sup>54</sup>. The assessee will also be required to pay a delay interest of 2% per month on the outstanding amount<sup>55</sup>.

In case of foreign individual, tax payable amount is usually determined by tax authorities based on the income actually received during the year or amount due to be received by the individual disclosed in his/ her work permit, whichever is higher.

An individual assessee who has income and gross wealth not exceeding Tk. 400,000 and Tk. 4,000,000 respectively may submit the return of income in a different simplified version (IT-GHA 2020) provided the individual does not own motor vehicle and have investment in house property or apartments in city corporation area<sup>56</sup>.

## 5.2. Universal self-assessment (u/s 82BB)

Under this scheme, individuals can electronically or manually submit filing of return within the specified deadline and pay tax based on such return. The Deputy Commissioner of Taxes (DCT) will then proceed to issue an acknowledgement of such return and this shall be deemed to be an order of assessment for that assessment year<sup>57</sup>.

Returns filed under this section may be selected for audit within two years of the end of the assessment year<sup>58</sup>. 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

52. Section 124 of ITO 1984

53. Section 74 of ITO 1984

54. Section 127 of ITO 1984

55. Section 73A of ITO 1984

56. SRO/165/Law/IncomeTax/2020

57. Section 82BB of ITO 1984

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



- 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
- 

### 5.3. Deadline for tax return filing

The last date for filing tax returns for an individual under Section 82BB is 30 November following the end of the income year which is now termed Tax Day<sup>59</sup>.

### 5.4. Responsibility of employer

Employer needs to ensure that all the employees who are required to file their return have completed the filing and shared required information to employer within stipulated deadline.

With the help of shared information each year employer needs to furnish a return under Section 108A (*highlighted in point 4.3*), declaring the list of employees who have filed their returns. If employer fails to disclose any employee's information under Section 108A, expenses related to that employee will be disallowed by tax authority<sup>60</sup>. Disallowed expenses are treated separately as income and therefore directly taxed at regular rate<sup>61</sup>.

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59. Section 2 (62A) of ITO 1984

60. Section 30 (aaaa) of ITO 1984

61. Section 30B of ITO 1984

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