



Rahman Rahman Huq
Chartered Accountants

Taxation Handbook

(Updated to Finance Act 2018)

September 2018



Rahman Rahman Huq
Chartered Accountants
9 & 5 Mohakhali C/A
Dhaka 1212, Bangladesh

Telephone +880 (2) 988 6450-2
Fax +880 (2) 988 6449
Email dhaka@kpmg.com
Internet www.kpmg.com/bd

About Rahman Rahman Huq (KPMG in Bangladesh)

In 1962, when Price Waterhouse Peat & Co. left Pakistan, one of its former partners Mr. Rezaur Rahman joined forces with two other Chartered Accountants Mr. M. Saifur Rahman and Mr. Tashfin I. Huq to form Rahman Rahman Huq.

Rahman Rahman Huq is a Member Firm of KPMG International. Rahman Rahman Huq (hereinafter referred to as RRH or the Firm) takes pride in being the first Member Firm in Bangladesh of any of the Big 4 global accounting firms. Member Firm status is the highest level of affiliation offered by such global firms. This formally establishes RRH as a top tier accounting firm in Bangladesh. This status is positioned on top of our reputation built over the last half a century by providing services to our clients with sound technical knowledge, combined with uncompromising integrity, objectivity and independence.

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Currently RRH has seven active partners/directors. Operating from offices in Dhaka and Chittagong, we employ more than 450 professionals. The Firm, the partners and personnel who work for it and the processes under which we operate are governed not just by a strict code of ethics, but also by an elaborate risk management structure. We have an IT wing manned by professionals with the qualification and experience necessary to meet the diverse needs of clients.

Our ambition is to continue to recruit some of the best talent entering this profession, train them in an environment of technical and ethical excellence to meet the highest expectations of clients in this age of continually evolving multi-dimensional challenges.

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1. Preface

We have prepared this booklet mainly for the guidance of our existing clients. This booklet incorporates many of the important provisions of the Income Tax Ordinance 1984 as amended up to the Finance Act 2018 and major changes brought in by the Finance Act 2018 in respect of the VAT Act 1991 and the VAT Rules 1991.

The information contained in this booklet is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate information at the time of preparation, there can of course be no assurance that such information would continue to be accurate in the future. No one should act on such information without appropriate professional advice, given after an examination of the particular circumstances. This booklet contains selected aspects of Bangladesh tax provisions; it is not intended to be comprehensive.

We would welcome your comments on the booklet.

Adeeb H. Khan
Senior Partner

2. Tax rates

2.1 Tax rates for individual, etc.

No tax is payable by tax residents on income not exceeding Tk 250,000. The following rates are applicable to resident individual, Hindu undivided family, partnership firm, non-resident Bangladeshi, and association of persons:

Residents including non-resident Bangladeshi

Total income	Tax rate
First Tk 250,000*	Nil
Next Tk 400,000	10%
Next Tk 500,000	15%
Next Tk 600,000	20%
Next Tk 3,000,000	25%
On the balance	30%

*Initial exemption limit for women and senior citizens aged 65 years or over is Tk 300,000, for physically challenged persons, it is Tk 400,000 and for gazetted war-wounded freedom fighters, it is Tk 425,000.

In case of parent/legal guardian of a physically challenged person, he/she will get a further initial exemption of Tk 50,000 in addition to above limit.

Please see section 3.2 for the definition of resident.

Non-residents

Non-residents other than Bangladeshi non-residents shall pay tax on the total income at the rate of 30%.

Minimum tax payable

Minimum tax payable is as follows depending on location of the assessee:

Location	Minimum tax
Within Dhaka and Chittagong City Corporation	Tk 5,000
Any other City Corporation	Tk 4,000
Other than City Corporation	Tk 3,000

Dividend income

Dividend income received for individual assessee from company listed with an exchange in Bangladesh is tax exempted up to Tk 25,000.

Charge of surcharge

Surcharge is payable by an individual assessee on total tax payable if the total net worth exceeds Tk 22.5 million as stated below:

Total net worth	Rate
a) Over Tk 22.5 million to Tk 50 million or owner of more than 1 motor car or owner of a flat of 8,000 sft size within City Corporation area	10%
b) Over Tk 50 million to Tk 100 million	15%
c) Over Tk 100 million to Tk 150 million	20%
d) Over Tk 150 million to Tk 200 million	25%
e) Over Tk 200 million	30%

However, minimum surcharge will not be less than Tk 3,000 for option (a) above and not less than Tk 5,000 if net worth exceeds Tk 100 million.

Rate for owner of small or cottage industry

If an individual is the owner of a small or cottage industry situated in a less or least developed area and is engaged in manufacturing of products and derives income from such industries then he will be entitled to rebate on income derived from such industries at the following rates:

Particulars	Rate of rebate
If production during the year is more than 15% but less than 25% compared to previous year	Rebate of 5% on tax payable on income derived from such industries.
If production during the year exceeds 25 % as compared to previous year.	Rebate of 10% on tax payable on income derived from such industries.

Tax rates applicable for owners of motor car and jeep

Tax payable at the time of registration or renewal of fitness certificate for motor vehicles is:

Type of Vehicle	Tax payable (Tk)
Up to 1500 CC for each motor car or jeep	15,000
Up to 2000 CC for each motor car or jeep	30,000
Up to 2500 CC for each motor car or jeep	50,000
Up to 3000 CC for each motor car or jeep	75,000
Up to 3500 CC for each motor car or jeep	100,000
More than 3500 CC for each motor car or jeep	125,000
Micro-bus each	20,000

Such advance tax shall not be collected from government, local government, any project under government, foreign diplomat, development partner, an educational institute under MPO, public university, gazetted war-wounded freedom fighter and any letter issued by NBR to any institute.

However, if any assessee owns more than one motor vehicle self or jointly, then registration cost will be 50% higher for every subsequent registration. This shall be treated

as advance payment of tax of the assessee. Moreover, such advance tax shall not be refundable.

2.2 Corporate tax rates

The rates of tax applicable to companies, banks, insurance and other financial institutions:

Companies	Rate
Publicly traded companies i.e. companies listed with any stock exchange in Bangladesh other than banks, insurance companies, merchant banks and other financial institutions and jute, textile, garment industries, mobile phone operator companies and cigarette zarda, bidi, gul or any other tobacco product manufacturing companies.	25%
Non-listed companies including branch companies other than banks, insurance companies, merchant banks and other financial institutions, jute, textile, garment industries, mobile phone operator companies and cigarette, zarda, bidi, gul or any other tobacco product manufacturing companies. <i>[If non-listed companies other than banks, insurance companies, merchant banks and other financial institutions, jute, textile, garment industries, mobile phone operator companies and cigarette, zarda, bidi, gul or any other tobacco product manufacturing companies list at least 20% of their paid up capital through IPO, they shall receive a rebate of 10% in the year of listing.</i> <i>50% of export income is exempt from tax.</i> <i>However, rebate on income from export business shall not apply to companies who are enjoying tax exemption or paying tax at the reduced rates as mentioned in 2.3.]</i>	35%
Banks, insurance and other financial institutions (except merchant banks) if not publicly listed	40%
Banks, insurance and other financial institutions (except merchant banks) if publicly listed and those which got approval from the Government in 2013	37.5%
Merchant banks	37.5%
Cigarette, zarda, bidi, gul or any other tobacco product manufacturing companies (companies, firms and individuals) irrespective of listing status	45%
Surcharge in addition to above tax is applicable on business income.	2.5%
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 <i>[If mobile phone operator companies list at least 20% of their paid up capital through IPO, they shall receive a rebate of 10% in the year of listing.</i>	40%

2.3 Reduced rates of Corporate Tax applicable to certain industrial companies

Companies	Rate
Textile industries (time extended up to 30 June 2019)	15%
Jute industries (time extended up to assessment year 2019-2020)	10%
Knit wear and woven garments manufacturer and exporter	15%
Knit wear and woven garments manufacturer and exporter (publicly traded)	12.5%
Knit wear and woven garments manufacturer and exporter with internationally recognised factory with 'green building certification'	12%
Research Institutes at national level, registered under the Trust Act, 1882 or Societies Registration Act, 1860	15%
Private Universities, Private medical college, Private dental college, Private engineering college or Private college engaged in imparting education on information technology	15%
Co-operative society registered under Co-operative Society Act 2001 other than income from agricultural or cottage sector	15%
Production of pelleted poultry feed, Production of pelleted feed for fish, shrimp and cattle, Production of seeds marketing of locally produced seeds, cattle farming, dairy farming, horticulture, frog farming, sericulture, mushroom farming and floriculture:	
▪ Income up to Tk 1,000,000	3%
▪ Next Tk 2,000,000	10%
▪ On the balance amount	15%

2.4 Reduced tax rates applicable to local authority

25% reduced tax rate will be applicable for following local bodies:

1. WASA (Dhaka, Chittagong, Khulna and Rajshahi)
2. Bangladesh Civil Aviation Authority
3. RAJUK
4. RDA
5. KDA
6. CDA
7. National Housing Authority
8. Chittagong Port Authority
9. Mongla Port Authority
10. Pyra Port Authority
11. Bangladesh Television
12. Bangladesh Betar
13. BIWTA
14. BTRC
15. BPDF
16. BREB
17. BWAPDA
18. BEPZA
19. Bangladesh Bridge Authority
20. Borendra Multipurpose Development Authority (Rajshahi)
21. Bangladesh Hi-Tech Park Authority
22. IDRA
23. Sustainable and Renewable Energy Development Authority

2.5 Capital gains tax

2.5.1 Capital gains tax on sale of shares of listed companies

Capital gain from transfer of stocks and shares of public limited companies listed with stock exchange except listed Govt. securities:

	Rate
a) For resident companies and firms	10%
b) Capital gain tax of non-resident shareholders (refer to section 5.9)	15%
c) For sponsor shareholders and shareholder directors	5%
d) For resident individual holding at least 10% of the total share capital of the company	5%

Capital gains tax on sale of stocks and shares of public limited companies listed with stock exchange in respect of resident individual assessee shall be exempt from tax unless such residents fall in categories (c) and (d) above.

2.5.2 Capital gains tax other than sale of shares of listed companies

In the case of a company, income from capital gains will be separated from total income and tax at 15% is payable on such capital gains regardless of the period of holding of the asset from the date of its acquisition.

In the case of an assessee other than a company, if the asset is transferred before the expiry of five years from the date of acquisition, the capital gains will be taxed at the usual rate applicable to the assessee's total income including the capital gains. If the asset is transferred at any time after expiry of five years from the date of its acquisition, the capital gains will be taxed at the usual rate applicable to the assessee's total income including the capital gains or at the rate of 15% on the amount of capital gains whichever of the two is lower.

2.6 Tax on dividend/remittance of profit

A company paying dividend shall withhold tax at the rate of 20% on dividend payable to a company and at 10% (subject to furnishing 12 digit Tax Payer's Identification Number) or 15% on dividend payable to a resident individual.

A company paying dividend shall withhold tax at the rate of 30% on dividend payable to any non-resident individual (other than a company).

A branch company shall withhold tax at the rate of 20% while remitting profit to Head Office.

However in cases where dividend is payable to a shareholder resident in a country with which Bangladesh has signed a tax treaty, the rate mentioned in the tax treaty will apply subject to confirmation/certification from NBR.

Further, any distribution from mutual fund or alternative investment fund would be subject to tax like dividend declared by a company.

2.7 Applicability of tax rates

All rates quoted from 2.1 to 2.6 will apply for the assessment year 2018-2019, unless stated otherwise.

2.8 Charge of additional tax

Additional tax will be charged to the employer who employs or allows an individual not being a Bangladeshi citizen to work at his business or profession without prior approval of BIDA or any other competent Government authority. This additional tax is higher of 50% of the tax payable on his income or Tk 500,000.

2.9 Filing of tax return

Filing of tax return is compulsory for every person who:

- in a fiscal year earns total income from all sources exceeding the minimum threshold;
- was assessed for tax for any one of the three years immediately preceding that income year;
- is a company; or a non-government organization registered with NGO affairs bureau or co-operative society or a firm or an association or persons or a shareholder director or shareholder employee of a company, partner of a firm, an employee of the government or an authority corporation, body or units of the government who draws basic salary of Tk 16,000 or more at any time during the income year, an employee holding an executive or a management position in a business or profession; or
- is subject to tax exemption or lower tax rate except not being an institution established solely for charitable purpose or a fund;
- at any time during the relevant income year fulfils any of the following conditions:
 - owns a motor car, owns membership of a club registered under any law governing value added tax.
 - runs any business or profession having obtained a trade licence from any City Corporation, pourashava or /and operates a bank account;
 - has registered with a recognised professional body as a doctor, lawyer, income tax practitioner, chartered accountant, cost and management accountant, engineer, architect or surveyor or any other similar profession;
 - is a member of a chamber of commerce and industry or trade association;
 - Runs for an office of any pourashava, city corporation or a Member of Parliament;
 - participates in a tender floated by the government, semi-government, autonomous body or local authority;
 - Serves in the board of directors of a company or group of companies

However, a return of income shall not be mandatory for-

- i. an educational institution receiving government benefits under Monthly Payment Oder (MPO); or
- ii. a public university; or
- iii. a fund; or
- iv. a non-resident, not being a non-resident individual, having no permanent establishment in Bangladesh; or
- v. a non-resident individual having no fixed base in Bangladesh; or
- vi. any class of persons which the Board, by order in official gazette, exempt from filling the return.

3. Personal income tax

3.1 Introduction

In general, Bangladesh residents are taxed on their worldwide income. Non-residents are taxed on income earned in Bangladesh irrespective of where the payment is made.

There is no provision for married couples to file joint returns. Returns are to be filed by 30 November for the income year ending 30 June.

Individuals may file returns under universal self-assessment scheme but the assessing officers have discretion to scrutinise the returns.

Where total income exceeds Tk 400,000 during the income year for any individual, he is required to pay advance tax as either 100% of last assessed tax or 75% of current estimated income tax and pay the outstanding tax (if any) at the time of filing the return. Tax on an employee's salary is required to be withheld on a monthly basis by the employer.

3.2 Resident

An individual is treated as a resident of Bangladesh if that person stays in Bangladesh for 182 days or more in any income year; or 90 days or more in an income year if that person has previously resided in Bangladesh for a period of more than 365 days during the four preceding years. Residence is determined in Bangladesh purely on the period of presence in Bangladesh irrespective of residency in other countries. Short-term visitors and dependents of foreign nationals not earning any income in Bangladesh are not taxed in Bangladesh and are not required to file tax return.

3.3 Taxable income

Taxable income is the total income earned from all sources, excluding exempt income. Foreign source income of a resident is included in his/her taxable income with the exception of the foreign source income of foreign nationals who are resident in Bangladesh.

3.4 Requirement of twelve digit Taxpayer's Identification Number (e-TIN)

It has been made compulsory to submit e-TIN certificate or acknowledgement receipt of income tax return or the tax certificate issued by Deputy Commissioner of Taxes at the time of:

- opening a letter of credit for the purpose of import;
- submitting an application for the purpose of obtaining an import registration certificate;
- renewal of trade licence;
- submitting any tender documents;
- submitting an application for membership of a club registered under the Companies Act 1994;
- issuance or renewal of license or enlistment of a surveyor of general insurance;
- registration for purchase of land, building or apartment situated within any city corporation deed value of which exceeds Tk 100,000. This provision will not apply in cases of non-resident Bangladeshis;

- registration, change of ownership or renewal of fitness of a car, jeep or a microbus;
- registration, renewal of fitness or change of ownership of a bus, truck, prime mover, lorry etc. plying for hire;
- sanction of loan exceeding Tk 500,000 to a person by a commercial bank or a leasing company;
- issue of credit card;
- issue of practicing license to a doctor, a lawyer, a chartered accountant, a cost and management accountant or an income tax practitioner;
- all sponsor directors at the time of registration of a company (other than non-resident foreign directors/sponsors);
- applying for or renewal of membership of any trade body;
- submitting a plan for construction of building for the purpose of obtaining approval from RAJUK, CDA, KDA and RDA;
- Issuance of drug license;
- applying for connection of gas for commercial use within a city corporation, pourashava or cantonment board;
- applying for connection of electricity for commercial use within a city corporation, pourashava or cantonment board;
- issuance or renewal of survey certificate of a water vessel including launch, steamer, fishing trawler, cargo, coaster and dump-barge etc., plying for hire; or
- registration or renewal of certificate as agent of an insurance company;
- parents of the students of English medium school following international curriculum within City Corporation or in any pourashava of a district headquarter.
- receiving the salaries by an employee of the government or an authority corporation, body or units of the government who draws a salary at a scale of grade 10 or above;
- receiving any amount from the government under 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 of salaries by any person employed in the management or administrative function or any supervisory position in the production function;
- obtaining or maintaining 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 or in relation to the recharge of mobile phone account;
- 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; and
- participates in a ride sharing arrangement by providing motor vehicle.

3.5 Issuance of e-TIN without application and re-registration

- Twelve digit Taxpayer's Identification Number (e-TIN) may be issued without any application where any income tax authority has found a person having taxable income during the year and has failed to apply for TIN.

- Board may direct any person having a TIN to furnish such information or documents for the purpose of re-registration and thereafter issue a new twelve digit Taxpayer's Identification Number.

3.6 Issuance of Temporary Registration Number (TRN)

Temporary Registration Number (TRN) may be given to a person who has been found having taxable income in any year and has failed to apply for Taxpayer's Identification Number (TIN) under section 184B.

3.7 Penalty and prosecution for non-compliance

- **Penalties are applicable for non-filing of tax return (under section 75 only) within due dates as shown below:**

10% of last assessed tax or Tk 1,000; whichever is higher and a further penalty of Tk 50 for every day during which the default continues. However in case of individual, penalty shall not exceed:

- Tk 5,000 for assessee whose income was not assessed previously; or
- Tk 1,000 or 50% of tax liability on last assessed income; whichever is higher.

- **Penalties are applicable for non-filing or non-furnishing of certificate, statement, accounts or information (under section 75A, 108, and 108A) within due dates as shown below:**

10% of last assessed tax or Tk 5,000; whichever is higher and a further penalty of Tk 1,000 for every month during which the default continues.

- **Penalties are applicable for non-filing or non-furnishing of certificate, statement etc (under section 58, 109, 110 and 184C) within due dates as shown below:**

Tk 5,000; a further penalty of Tk 1,000 for every month during which the default continues.

- **Penalties are applicable for non-filing or non-furnishing of information (under section 113) within due dates as shown below:**

Tk 25,000; a further penalty of Tk 500 for every day during which the default continues

- **Penalty for failure to verify Taxpayer's Identification Number**

Failure to verify the authenticity of an e-TIN certificate may result in a penalty up to Tk 50,000 to the person responsible for verification of e-TIN.

- **Penalty for failure to pay tax on the basis of return**

A person, who fails to pay balance tax under section 74 may face a penalty at the rate of 25% on the total tax payable or on the short amount of tax payment.

▪ **Punishment for furnishing fake audit report**

Imprisonment between 3 months and 3 years or a fine up to Tk 100,000 or both shall be imposed on an assessee furnishing fake audit report.

▪ **Punishment for unauthorised employment**

Imprisonment between 3 months and 3 years or a fine up to Tk 500,000 or both shall be imposed on the person employing or allowing to work any foreign individual without prior approval from BIDA or competent authority of the Government.

3.8 Universal self-assessment (Section 82BB)

The Universal self-assessment has been re-structured. The responsibilities of the tax authority has been specified. Where an assessee files a return of income mentioning twelve-digit Taxpayer's Identification Number (TIN) in compliance with the conditions and within the time specified and pays tax on the basis of the tax return, tax authority will issue an acknowledgment of receipts of the return and such acknowledgment shall be deemed to be an order of assessment of the Deputy Commissioner of Taxes.

Upon receipt of an income tax return, the DCT shall compute the total income after necessary adjustments of any arithmetical accuracy and incorrect claim. He shall determine tax liability taking into account of tax refundable claimed including any tax deducted at source, any tax collected at source and any advance tax paid.

After processing the submitted tax return, the DCT shall send a notice to the assessee communicating the difference of computation of income, tax, refund or other related particulars with opportunity to justify his position in writing and to file an amended return specifying time limit in the notice. If the assessee files an amended return properly, the DCT shall send a letter of acceptance within 90 days. In case the assessee does not respond to the notice, the DCT shall send a demand notice within 9 months specifying total income and tax payable or refundable.

After filing the return, if the assessee finds any unintentional mistake resulting less tax liability has been paid or computed, he may file an amended return with a written statement mentioning the reason and paying tax in accordance with the amended return. An interest at the rate of 2% will be applicable for the tax that was paid or computed less. However, amended tax return cannot be filed after the expiry of 180 days from the date of the filing the original return or after the original return has been selected for audit.

A return of income filed under universal self-assessment shall not be selected for audit where such return shows at least 15% higher income than the income assessed or shown in the return of immediate preceding assessment year and such return:

- is accompanied by corroborative evidence in support of any income exempted from tax;
- is accompanied by a copy of bank statement or account statement, as the case may be, in support of any sum or aggregate of sums of loan exceeding Tk 500,000;
- does not show receipt of gift during the year;
- does not show any income chargeable to tax at a rate reduced under Section 44; or
- does not show or result in any refund.

No question regarding the source of investment shall be raised, if a new assessee shows income at least 20% of the capital invested in a business or profession. However, the initial capital investment or any fraction thereof shall not be transferred within five years from the end of the income year.

Time limitation for disposal of universal self-assessment cases is two years from the end of assessment year in which the income was first assessable.

3.9 Submission of Statement of Assets and Liability and Life Style

It is mandatory for an individual assessee to submit the statement of assets, liabilities and lifestyle, if he

- a) has a gross wealth over Tk 2.5 million; or
- b) owns a motor car; or
- c) has made an investment in a house property or an apartment in the city corporation area.

If any individual, not being a shareholder director, has his income from salary or his income from business or profession does not exceed Tk 0.3 million, he may opt not to submit the statement of lifestyle.

3.10 Tax Clearance Certificate

Every expatriate employed in Bangladesh is required to obtain a Tax Clearance Certificate from the concerned Deputy Commissioner of Taxes. This certificate is required to be produced as an evidence of tax payment/exemption at the port of departure from Bangladesh – be it temporary or permanent departure.

3.11 Tax rebate on investment

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

- a) life insurance premium
- b) contribution to approved Provident Fund (both by the employee and employer)
- c) contribution to deposit pension scheme amounting to not exceeding Tk 60,000 sponsored by a scheduled bank or a financial institutions
- d) donation to a national level institution set up in memory of the liberation war
- e) donation to a national level institution set up in memory of father of the nation
- f) donation to Prime Minister's Higher Education Fund
- g) donation to Aga Khan Development network/Asiatic Society/CRP/Dhaka Ahsania Mission Cancer Hospital/icddr,b
- h) donation to Zakat Fund/charitable fund established by or under Zakat Fund
- i) any sum invested in Bangladesh Government Treasury Bond and Sanchayapatra
- j) stocks and shares of listed companies, mutual funds and debentures listed with any stock exchange in Bangladesh
- k) purchase of laptop up to Tk 100,000 and desktop computer up to Tk 50,000.

Allowable limit of investment tax rebate is as follows:

Total income	Investment tax rebate on eligible amount*
Up to Tk 1 million	15%
Over Tk 1 million to Tk 3 million	15% on first Tk 250,000; and 12% on rest amount
Over Tk 3 million	15% on first Tk 250,000; 12% on the next Tk 500,000; and 10% on the rest amount

*Eligible amount is the lowest of the following:

- a) Actual investment; or
- b) 25% of total income; or
- c) Tk 15 million

3.12 Deemed income

▪ House rent

If rent free accommodation is provided to the employee, the rental value or 25% of the basic salary, whichever is less, is included in income. If accommodation is provided at a concessional rate, the actual payment by employee is excluded from the above. Tax exempted house rent receivable in cash is Tk 25,000 per month or 50% of basic salary, whichever is lower.

▪ Conveyance allowance

Tax exempt conveyance allowance receivable in cash is a maximum of Tk 30,000 per annum. If the employer provides conveyance for personal or private use, an amount equal to 5% of the employee's basic salary or Tk 60,000, whichever is higher, is added with total income.

▪ Loan

Any amount of loan not exceeding Tk 500,000 received by any assessee not being a company from any person, not being a banking company or financial institution, without crossed cheque or bank transfer shall be treated as income under the head 'income from other sources' if not paid back within three years.

▪ Gift

Loan or gift received from any source by an individual exceeding Tk 500,000 without crossed cheque or bank transfer shall be treated as income under the head 'income from other sources'

▪ Medical expenses:

Where any amount is received or receivable by the employee by way of hospitalisation, medical expenses or medical allowance, the amount, if any, so receivable or received exceeds 10% of basic salary or Tk 120,000 annually, whichever is less, shall be included in his income.

In case of an employee being a person with disability, the medical expenses exceeds Tk 1,000,000 shall be include in his total income.

Other items of such deemed incomes are contained in section 19 of the Income Tax Ordinance 1984.

3.13 Unexplained investments – special tax treatment in respect of investment in residential building and apartment (Section 19BBBBB)

Any sum invested by any person in the construction/purchase of any residential building/apartment shall be deemed to have been explained if tax is paid at following rates:

	Area	Tax per square meter	
		Up to 200 square meter	More than 200 square meter
A.	Gulshan Model Town, Banani, Baridhara, Motijheel Commercial Area and Dilkusha Commercial Area	Tk 5,000	Tk 7,000
B.	Dhanmondi Residential Area, Defence Officers Housing Society (DOHS), Mohakhali, Lalmatia Housing Society, Uttara Model Town, Bashundhara Residential Area, Dhaka Cantonment, Kawran Bazar, Bijoy Nagar, Segunbagicha and Nikunja of Dhaka and Panchlaish, Khulshi, Agrabad and Nasirabad of Chittagong	Tk 4,000	Tk 5,000
C.	Any City Corporation other than area mentioned in A and B above	Tk 2,000	Tk 3,000
D.	Pourashava or any district headquarters	Tk 600	Tk 800
E.	Other area	Tk 400	Tk 600

The rates will be 20% higher if the assessee makes investment in two or more buildings/apartments or already has any building or apartment in any City Corporation.

However, the above will not be applicable if the source of income is:

- (a) derived from any criminal activities; or
- (b) not derived from any legitimate source.

3.14 Imposition of tax on income of chamber of commerce and industry, trade federation or any such business organisation

Any income derived from any source other than income from business, and interest income of government approved chambers of commerce and industry, trade federation, industry and trade cooperative etc. shall not fall under scope of tax liability.

4. Corporate tax

4.1 Introduction

Every company is required to obtain an e-TIN and register with the VAT authorities to receive distinctive numbers. Companies have to file their tax returns within Tax day*. **The filing date may be extended up to two months and further extension up to another two months by the tax authorities upon application.** The return has to be accompanied with audited statement of accounts, computation of total income along with supporting schedules, for example depreciation schedule as per tax law, statement of profit/loss on sale of fixed assets, excess perquisite calculation statements, etc. An assessing officer verifies the filed return and may ask for information, explanation and evidences of claims made where required. Based on this, the officer may re-compute the total income and tax payable, and pass an order of assessment and communicate the order to assessee.

Company means a company incorporated under the Companies Act in Bangladesh and includes:

- A body corporate established or constituted by or under any law in force
- Any nationalised bank or industrial or commercial organisation
- Any association or combination of persons, if any of such persons are registered as a company
- An association or body incorporated by or under any laws of a country outside Bangladesh
- Any foreign association or body which the NBR declares to be a company.

*Tax day means in case of company the 15th day of the seven month following the end of the income year or 15th September following the end of the income year where said 15th day falls before the 15th September.

4.2 Resident

In general, a company which is incorporated in Bangladesh will be treated as a resident for tax purposes. Any company whose control and management is situated wholly in Bangladesh will also be treated as a resident for tax purposes.

4.3 Permanent establishment

Detailed definition of “Permanent Establishment” (PE) has been inserted in the definition section of tax law.

PE in relation to income from business or profession, means a place or activity through which the business or profession of a person is wholly or partly carried on, and includes:

(i) a place of management; (ii) a branch; (iii) an agency; (iv) an office; (v) a warehouse; (vi) a factory; (vii) a workshop; (viii) a mine, oil or gas well, quarry or any other place of exploration, exploitation or extraction of natural resources (ix) a farm or plantation; (x) a building site, a construction, assembly or installation project or supervisory activities in connection therewith; (xi) the furnishing of services, including consultancy services, by a person through employees or other personnel engaged by the person for such purpose, if activities of that nature continue (for the same or a connected project) in Bangladesh; and

(xii) any associated entity or person (hereinafter referred to as “Person A”) that is commercially dependent on a non-resident person where the associated entity or Person A carries out any activity in Bangladesh in connection with any sale made in Bangladesh by the non-resident person”.

However, earlier definition of PE in Transfer Pricing section of tax law has been deleted.

4.4 Taxable income

Tax is imposed on total income from all sources after all allowable deductions. Sales revenue, fees, commissions, realised exchange gains, rents, dividends and interest received, provisions and trading liabilities not paid within three years as well as inadmissible expenses are included in taxable income. All expenses, including realised exchange losses and tax depreciation incurred in earning this income are allowable as deductions.

Foreign source income of companies resident in Bangladesh is included in taxable income but credit is given for tax paid outside Bangladesh. Foreign source income of a non-resident company is not taxed in Bangladesh unless such income is brought into Bangladesh.

Where a company not listed with a stock exchange, receives its paid up capital by issuing shares in an income year, the amount so received in any mode other than by crossed cheque or bank transfer, shall be deemed to be the income of the company from ‘other sources’ for that income year. However, capital contribution through land transfer (non-cash contribution) is acceptable.

4.5 Income deemed to accrue or arise in Bangladesh

The scope of income has been widened in our tax law. As per the new law, any income from the below sources will be captured:

- (a) any permanent establishment in Bangladesh;
- (b) any property, asset, right or other source of income, including intangible property, in Bangladesh;
- (c) the transfer of any assets situated in Bangladesh;
- (d) the sale of any goods or services by any electronic means to purchasers in Bangladesh; and
- (e) any intangible property used in Bangladesh.

Below is the explanation for this section:

- (a) the shares of any company which is a resident in Bangladesh shall be deemed to be property in Bangladesh;
- (b) intangible property shall be deemed to be property in Bangladesh if it is (i) registered in Bangladesh; or (ii) owned by a person that is not a resident of Bangladesh but has a permanent establishment in Bangladesh to which the intangible property is attributed; and
- (c) Transfer of shares of non-resident company will be treated as transfer of asset in Bangladesh to the extent it is attributable to the value of any assets in Bangladesh.

4.6 Income year

Entities other than banks, insurance companies or financial institution (and subsidiaries thereof) are required to have their accounting year, for tax filing purposes, as July to June.

Deputy Commissioner of Taxes (DCT) may allow a different financial year for an entity which is a subsidiary or holding company or a branch or liaison office of a parent company incorporated outside Bangladesh if such entity is required to follow a different accounting year for the purpose of consolidation.

4.7 Deductions of the Income Tax Ordinance 1984

All expenses relating to the business operations of a company and incurred during the relevant income year are allowed as deductions. Tax depreciation on fixed assets of the company (except on cost of land) is allowed at prescribed rates as per third schedule. The cost of free samples and entertainment expenses are allowed as deductions at prescribed rates based on turnover and profit respectively or on the actual amounts, whichever are lower. Provision for bad debts is not allowed.

Specific provisions for accrued expenses in the relevant income year are allowed as deductions. Prepaid expenses can be carried forward and allowed as a deduction in the relevant accounting year.

Liabilities for expenses which remain unpaid are added to income in the fourth year but allowed as a deduction in the year when the payments are made.

4.8 Tax depreciation

There will be no limit for allowing tax depreciation of a bus or minibus transporting the students and teachers in case of educational institute or employees of the business or profession.

Amortisation of licence fee is now allowed as an admissible expenses for any company engaged in providing specialised services, if such licence is integral to the operation of the company. Previously it was only allowed for cellular mobile phone operator.

4.9 Allowable perquisites

Perquisite has been defined as follows:

Perquisite means -

- (i) Any payment made to an employee by an employer in the form of cash or in any other form excluding basic salary, festival bonus, incentive bonus not exceeding 10% of the disclosed profit of the relevant income year, arrear salary, advance salary, leave encashment or leave fare assistance and overtime, and
- (ii) Any benefit, called by whatever name, provided to an employee by an employer, whether convertible into money or not; other than contribution to a recognised

provident fund, approved pension fund, approved gratuity fund and approved superannuation fund.

Provided that the provision of this clause shall not be applicable to an employer where perquisites were paid to an employee in pursuance of any Government decision published in the official Gazette to implement the recommendation of a Wage Board Constituted by the Government.

Limit of allowable perquisites has been fixed at Tk 550,000 per employee. The value of perquisites paid/provided to an employee in excess of Tk 550,000 in an assessment year shall be disallowed in company's assessment.

4.10 Deductions not admissible in certain circumstances (u/s 30)

Certain payments will not be allowable for tax purposes as detailed below:

- (i) Payment of salaries if tax is not deducted;
- (ii) Salary payment made to any employee who does not have TIN number (if it is required by law);
- (iii) Salary payment after Tax Day to an employee if the employee is required to file the return of income but fails to file the same on or before the Tax Day or obtain time extension.
- (iv) Salary payment to an employee for whom the statement under section 108A was not provided;
- (v) Head office expenses or intra-group expense debited in excess of the 10% of net profit disclosed in the statement of accounts;
- (vi) Payments of royalty, technical know-how fee and technical assistance fee in excess of 10% for first three years and 8% for subsequent years of net profit disclosed in the statement of accounts;
- (vii) Any payment by way of salary or remuneration made otherwise than by crossed cheque or bank transfer by a person to an employee having monthly gross salary of Tk 15,000 or more;
- (viii) Any expenditure by way of incentive bonus exceeding 10% in aggregate of the net profit disclosed in the statement of accounts;
- (ix) Any expenditure by way of overseas travelling exceeding 1.25% of the disclosed turnover;
- (x) Provisions for deduction not admissible in certain circumstances have been introduced as follows:
 - (a) any payment by way of commission paid or discount made to its shareholder director by a company.
 - (b) any payment by way of any rent of any property, whether used for commercial or residential purposes, otherwise than by a crossed cheque or bank transfer.

(c) any payment by a person exceeding Tk 50,000 or more, otherwise than by a cheque or bank transfer excluding:

- payment for the purchase of raw materials;
- salary or remuneration made to any employee, without prejudice to an obligation referred to in clause (i); and
- any payment for government obligation i.e. municipal tax, payment for electricity, WASA and gas.

Provisions of section 30 shall apply for insurance business as well in allowing management expenses or any other expenses under Fourth Schedule of tax ordinance.

4.11 Donations

Any sums paid by an assessee as donation to philanthropic or educational institutions (especially girls' school/college, technical and vocational training institutes) which are approved by the Government for this purpose and national level institution engaged in the Research & Development (R&D) of agriculture, science, technology and industrial development are exempt from tax. Such institutions have to apply to National Board of Revenue for obtaining approval.

4.12 Minimum tax- Section 82C

Section 82C *final discharge of tax liability* of ITO 1984 has been - replaced with new 82C *minimum tax*. As per new 82C minimum tax, minimum tax would be higher of:

- Withholding tax on certain sources of income (refer to section 4.10.1 below); and
- Minimum tax calculated on the basis of overall gross receipts regardless of sources of income (refer to section 4.10.2 below).

4.12.1 Minimum tax based on withholding tax of certain sources

As per new 82C minimum tax, sources of income have been divided into three broad categories for tax computation purpose considering the concept of minimum tax.

a) Tax deducted or collected as source would be minimum tax for 24 (twenty four) sources of income as follows:

Sl. no.	Section	Details	Withholding tax rate
1	52	Supply of goods/execution of contract	Up to 5% or 7%
2	52A	Royalty fee, franchise, technical know-how, etc.	10% or 12%
3	52AAA	Commission from C&F Agent	10%
4	52B	Cigarette manufacturer	10%
5	52JJ	Tax collection from travel agent	0.30%
6	52N	Sale of rental power	6%
7	52O	Foreign technician salary of diamond cutting industry	5%
8	52R	IGW and ICX for international call	1.5% and 7.5%

Sl. no.	Section	Details	Withholding tax rate
9	53	Imported goods (excluding raw material for own consumption)	5% or 2% or Tk 800 per ton
10	53AA	Shipping business of a resident	5% or 3%
11	53B	Manpower export	10%
12	53BB	Export of certain items	- 0.60% for jute goods - 0.70% for other than jute goods
13	53BBB	Collection of tax from member of stock exchange	0.05%
14	53BBBB	Export of any other goods	0.70%
15	53C	Auction purchase	5%
16	53CCC	Income from courier business of non-resident	15%
17	53E	Commission, discount, fees etc.	10%, 1.5% & 0.25%
18	53EE	Commission/ remuneration of agent of foreign buyer	10%
19	53FF	Real estate /land development business	- Land 3% or 5% - Residential building Tk. 300 to Tk. 1,600 per square meter - Commercial building Tk. 1,200 to Tk. 6,500 per square meter
20	53G	Insurance agent	5%
21	53GG	Payment to surveyor of insurance company	15%
22	53M	Transfer of securities or mutual fund units by Sponsor shareholders	5%
23	53N	Transfer of share of shareholder of stock exchange	15%
24	55	Winning lottery	20%

Income from above sources will firstly be computed on regular basis as per provision of ITO 1984 and the assessee's regular income tax rate would be applied on such taxable income determined on regular basis as per ITO provisions. If such regular tax liability is higher than the withholding tax deducted from these sources of income, the regular tax liability would be payable after adjusting withholding tax deducted at source.

However, if regular tax liability of those sources is lower or nil compared to withholding tax on those sources, such withholding tax on those sources would be considered as final and minimum tax for those sources of income. In such case, if those sources of income have taxable loss, such loss cannot be set off against the income of other sources of income and vice-versa.

Also note that tax deducted/collected from the following sources shall not be the minimum tax for the purpose of above calculation:

- i) tax collected under section 52 from the following persons:
 - a. a contractor of an oil company or a subcontractor to the contractor of an oil company as may be prescribed;
 - b. an oil marketing company and its dealer or agent excluding petrol pump station;
 - c. any company engaged in oil refinery; and
 - d. any company engaged in gas transmission or gas distribution.
- ii) tax deducted under section 53 from import of goods by an industrial undertakings as raw materials for its own consumption.
- iii) tax deducted under sections 53F(1)(a) and (b)
 - a. Withholding tax deducted from the following 5 (five) sources of income will be considered as final tax liability considering the rate of withholding tax would be their applicable tax rate:

Sl. no.	Section	Source of income	Rate of tax
1	52C	Compensation against acquisition of property	2% and 1%
2	52D	Interest on savings instrument	5%
3	53DDD	Export cash subsidy	3%
4	53F(1)(c) and 2	Interest on savings deposits and fixed deposits	10% and 5%
5	53H	Transfer of property	Depending on location and square meter

- b. For any other sources of income except those mentioned in (a) and (b) above, income would be determined following the provisions of ITO 1984.

4.12.2 Minimum tax based on overall gross receipts

Every companies and every firms (having gross receipts of more than Tk. 5 million) shall be liable to pay minimum tax based on gross receipts as mentioned below:

Sl. no.	Classes of assessee	Rate of minimum tax
1	Manufacturer of cigarette, bidi, chewing tobacco, smokeless tobacco or any other tobacco products	1% of the gross receipts
2	Mobile phone operator	0.75% of the gross receipts
3	Industrial undertaking engaged in manufacturing of goods for first 3 years of commercial operations	0.10% of the gross receipts
4	Any other cases	0.60% of the gross receipts

If an assessee has income from any source that is exempt of tax or is subject to reduced tax rate, the minimum tax rate on gross receipts shall be computed as a summation of:

- i) Minimum tax based on gross receipts from regular sources by applying the rate as mentioned in the above table.
- ii) Minimum tax based on gross receipts from sources which enjoys exemption or reduced tax rate by applying the rate in the above table as reduced in proportion to the exemption of tax or the reduction of rate of tax.

4.12.3 Other major provisions of section 82C

- Books of accounts shall be maintained in the regular manner in accordance with the provisions of section 35 of ITO 1984 for the sources of income for which minimum tax is applicable.
- Minimum tax under section 82C shall not be refunded, nor shall be adjusted against refund due for earlier year or years or refund due for the assessment year from any source.
- Where any surcharge, additional interest, additional amount etc. is payable under provisions of ITO 1984, it shall be payable in addition to the minimum tax.
- Where the regular tax calculated for any assessment year is higher than the minimum tax under section 82C, regular tax shall be payable.
- Where tax has been mistakenly deducted and collected in excess or deficit of the proper due amount, minimum tax under this section shall be computed based on the proper due amount of deduction or collection and provisions of this section shall apply accordingly.

4.13 Losses

Losses can be carried forward for a maximum period of six years, but cannot be carried back. Unabsorbed tax depreciation can be carried forward indefinitely.

Foreign sourced losses of a Bangladesh entity cannot be offset against the Bangladesh profits of that entity. Moreover, any losses of any head of income cannot be set off against any income from manufacturing of cigarette, bidi, zarda, chewing tobacco, gul, or any other smokeless tobacco products

Capital losses can only be offset against capital gains. As with trading losses, unabsorbed capital losses can only be carried forward for up to six years.

4.14 Advance tax payment

Advance tax payment is required by an assessee on the basis of the last assessed income or provisionally assessed income if his total income exceeds Tk. 400,000. New assesseees will also be required to pay advance tax if their estimated income is likely to exceed Tk 400,000. Here total income excludes agricultural income and capital gain except gain from transfer of share of a company listed with a stock exchange.

Advance tax is to be paid in four equal instalments on 15 September, 15 December, 15 March and 15 June of the financial year for which the tax is payable.

In case of failing to pay advance tax, simple interest @ 10% per annum shall be charged on the amount by which the tax as so paid falls short of 75% of the assessed tax. However such interest rate will be 50% higher if the return is not filed on or before the Tax Day.

4.15 Advance tax payment on certain income

Manufacturer of cigarette shall pay advance tax at the rate 3% on net sales price every month in addition with quarterly advance tax payment. Although, such tax shall be adjustable against the quarterly advance tax.

However, net sales shall be A-B,

Where, A = Gross sales and B = VAT and SD (if any) on such gross sales.

4.16 Annual tax return filing and tax payment

Filing of tax return within due date and payment of due taxes have been made compulsory for any organisation who has obtained a Taxpayers Identification Number (TIN). It is also compulsory for all companies, businesses and professional firms, joint ventures, all registered NGOs, universities and educational institutions run commercially to file tax returns and pay taxes within due dates. For the list of tax return filing, please see section 2.9.

Submission of computation sheet along with audited statement of accounts has been made mandatory showing how the income has been arrived in the tax return.

4.17 Return of withholding tax

Every person shall file return of withholding tax collected or deducted half-yearly accompanied by withholding statement along with copy of treasury challans or payment orders.

Such return shall be filed by the following dates:

- i. First return: by 31 January of the year for the periods from July to December and
- ii. Second return: by 31 July of the year for the periods from January to June

The time for submission of such return may be extended by DCT upon application for maximum 15 days. For failure of filing such return, penalty u/s 124 will be imposed. The Deputy Commissioner of Taxes, with the approval of the Board, shall select the number of returns of withholding tax within four years from the end of the year in which the return is filed.

DCT after examining the withholding tax return may impose penalty under sections 57, 57A and 124 for any non-compliance regarding deduction of withholding tax appropriately.

4.18 Annual Information Return

Government may require any person or group of persons responsible for registering or maintaining books of accounts or other documents containing a record of any specified financial transaction to furnish an Annual Information return in a prescribed form.

4.19 Concurrent jurisdiction

Board may direct any other authority to exercise concurrently the power and functions of Deputy Commissioner of Taxes in respect of all or any proceeding relating to receiving of return of income and issuance of acknowledgement.

4.20 Penalty for non-compliance

- Penalties are applicable for non-filing of tax returns within due dates as shown below:

The Deputy Commissioner of Taxes may impose penalty for the failure to file tax return by an assessee within the due date as shown below:

Higher of 10% of tax imposed on last assessed income or Tk 1,000 and a further penalty of Tk 50 for every day during which the default continues.

- Delay interest for not filling return on or before the Tax Day

An assessee is liable to pay a delay interest at the rate 2% per month but not exceeding one year if the assessee fails to file the income tax return on or before the tax day. However, such delay interest will be applicable on the difference between the tax assessed on total income for the assessment year and the tax paid in advance (including tax deduction) for that assessment year.

- Where any person has without any reasonable cause failed to furnish particulars or information as required by the concerned tax official, the Deputy Director General, Central Intelligence Cell or the Deputy Commissioner of Taxes may impose a penalty of Tk 25,000 and in case of a continuing default a further penalty of Tk 500 for each day of default.

However discretionary power has been given to Deputy Commissioner of Taxes not to impose penalty in appropriate cases.

- Tk 500 and a further penalty of Tk 250 for every month during which default continues in issuing certificate of deduction of tax in prescribed form to persons from whom tax has been collected/deducted as required under section 58 of the Income Tax Ordinance or in filing of particulars of salary payments as provided in section 108 or information regarding payment of interest as provided in section 109 or information regarding payment of dividend as provided in section 110 in Income Tax Ordinance 1984.

- **Penalty for using fake Taxpayer's Identification Number**

Where a person has, without reasonable cause, used Taxpayer's Identification Number (TIN) of another person or used fake TIN on a return of income or any other

documents where TIN is required under this Ordinance, the Deputy Commissioner of Taxes may impose a penalty not exceeding Tk 20,000 on that person.

- **Punishment for improper use of Taxpayer's Identification Number**

A person is guilty of an offence punishable with imprisonment for a term which may extend to three years or with fine up to Tk 50,000 or both, if he deliberately uses or used a fake Taxpayer's Identification Number (TIN) or a Taxpayer's Identification Number (TIN) of another person.

- **Penalty for failure to verify Taxpayer's Identification Number**

Failure to verify the authenticity of an e-TIN certificate may result in a penalty up to Tk 200,000 to the person responsible for verification of e-TIN.

- **Penalty for failure to pay tax on the basis of return**

A person, who fails to pay balance tax under section 74 may result in a penalty at the rate of 25% on the total tax payable or on the shortage amount of tax payment.

- **Punishment for obstructing an income tax authority**

A person, who obstructs an income tax authority in discharge of function, shall commit an offence punishable with imprisonment of maximum one year or with a fine, or with both.

- **Punishment for incorrect or false audit report by chartered accountant**

A penalty of Tk 50,000 to Tk 200,000 shall be imposed on such chartered accountant when DCT, CT (Appeals) or Appellate Tribunal is satisfied beyond reasonable doubt that the audit report is not certified by a chartered accountant and is false or incorrect.

- **Punishment for furnishing fake audit report**

Imprisonment between 3 months and 3 years or a fine up to Tk 100,000 or both shall be imposed on a person furnishing fake audit report.

- **Punishment for unauthorised employment**

Imprisonment between 3 months and 3 years or a fine up to Tk 500,000 or both shall be imposed on the person employing or allowing to work any foreign individual without prior approval from BIDA or competent authority of the Government.

- **Penalty for concealment of income**

A penalty of 15% of tax of which would have been avoided shall be imposed for concealment of income by any means.

4.21 Assessment

Assessment of companies may be completed under provisional assessment, assessment on correct return or universal self-assessment. The most common mode of assessment is universal self-assessment scheme.

Any tax assessment should not be opened after the below mentioned years:

- 2 years from the end of the assessment year where the income was first assessment been done audit under section 82BB;
- 3 years from the end of the relevant assessment year where first assessment been done as per transfer pricing u/s 107C;
- 6 months from the end of the assessment year in cases other than above.

4.22 Universal self-assessment scheme

Refer to section 3.8 above.

4.23 Appeals

An assessee who feels aggrieved may file an appeal against the order to the Commissioner of Taxes (Appeal) and against the order of the Commissioner of Taxes (Appeal) to the Taxes Appellate Tribunal. An assessee can file appeal against the order of the Taxes Appellate Tribunal only on the point of law to the Supreme Court – High Court Division. An appeal can further be filed to the Appellate division if High Court Division allows for such appeal.

The first appeal before the Commissioner of Taxes (Appeal) shall have to file within 45 days of the date of received of assessment order. The time limit for second appeal is 60 days from the date of receiving of first appeal order. The first and second appeal shall be disposed of by the appellate authority within 150 days and 180 days respectively from the end of the month at which the appeal was filed.

Where the return of income was not filed, no appeal shall lie against any order of assessment under the section 153(4), unless the assessee has paid 10% of the tax as determined by the Deputy Commissioner of Taxes.

An assessee can file appeal against the order of the Taxes Appellate Tribunal only in the area of law to the High Court Division of Supreme Court within 90 days from the date of receiving tribunal order. If the assessee is aggrieved with the decision of High Court Division, he may appeal to the Appellate Division of Supreme Court. There is no time limit for disposal of appeal to Supreme Court.

No appeal shall be filed to the Appellate Tribunal unless the assessee has paid 10% of the amount representing the difference between the tax as determined on the basis of the order of the Appellate Joint Commissioner or Commissioner of Taxes (Appeals) and the tax payable under section 74.

However, Appellate Joint Commissioner/Commissioner of Taxes (Appeals) may allow the appeal for hearing if assessee pay the tax on the basis of return before filing of appeal to Joint Commissioner or Commissioner of Taxes (Appeals).

Provided that the Commissioner of Taxes (Appeals) may reduce the requirement of such payment upon application by the assessee if the grounds of such application appears reasonable to him.

No reference shall lie to the High Court Division against an order of the Taxes Appellate Tribunal unless the assessee has paid the following tax at the rate of-

- a) 15% of the difference between the tax determined by the Appellate Tribunal and the tax payable u/s 74 where tax demanded does not exceed Tk 1 million.
- b) 25% of the difference between the tax determined by the Appellate Tribunal and the tax payable u/s 74 where tax demanded exceeds Tk 1 million.

4.24 Submission of certain returns

Companies are required to submit the following returns to the Deputy Commissioner of Taxes before the first day of September each year:

- Information regarding the payment of salary
- Information regarding the payment of interest
- Information regarding the payment of dividend

With the publication in official gazette of SRO 161 of 2014, transfer pricing chapter has become effective from 1 July 2014 (Please refer to Section 7) which also require following particulars of international transactions to be furnished along with income tax return

- Tangible property of revenue and capital nature transaction
- Rent, royalties and intangible property related transaction
- Services related transaction
- Financial transaction on interest, sale of financial assets, lease payment etc.
- Interest bearing/free loans, advances and investments

4.25 Power of search and seizure

Under section 117 of the Ordinance, an officer may extract data or any inputs stored in the electronic system or enter system by breaking through password protection or analyse data, books of accounts, etc.

4.26 Freezing of property

Director General, Central Intelligence Cell or the Commissioner or the Deputy Commissioner of Taxes, by order in writing, may require a person not to remove assets upon receiving definite information on concealment of person's income/investment.

5. Tax incentives

5.1 Special Economic Zones and Developing Unit

In the year 2015, Government has introduced tax exemption for investment in setting up industries in Special Economic Zones (SEZ) and in Developing Economic Zones. These are illustrated in below sections:

a) Tax benefits for investment in Special Economic Zones (SEZ):

The business income is exempted from Income tax for next 10 years from the date of commercial operation in the following manner:

Year	Exemption % of income
1 st , 2 nd and 3 rd	100%
4 th year	80%
5 th year	70%
6 th year	60%
7 th year	50%
8 th year	40%
9 th year	30%
10 th year	20%

Furthermore, “capital gains” arising from transfer of share capital, royalty, technical know-how and technical assistance fee paid by such company and declared dividend are exempted from income tax for next 10 years from the date of commercial operation.

b) Tax benefits for Developing unit in SEZ:

The business income is exempted from Income tax for next 12 years from the date of commercial operation in the following manner:

Year	Exemption % of income
1 st , to 10 th year	100%
11 th year	70%
12 th year	30%

The foreign technicians appointed in investing unit will get 50% tax exemption for next 3 years from the date of appointment subject to such company does not cross 5 years from the date of commercial operation i.e. the company who has crossed 5 years from the date of commercial production, their foreign technicians can not avail this benefit.

Both the above exemptions are subject to the following condition being met by the Project Company/foreign technicians:

- (i) Obtain 12 Digit Taxpayer’s Identification Number; and
- (ii) Submit income tax return as per section 75.

5.2 Hi-Tech Park Zone

The government has introduced “Bangladesh Hi-Tech Park Authority Act, 2010” (BHTPA) for the development of the country. There is no minimum limit for export to avail the benefits. The high-tech park act has specified the meaning of high tech industry. As per section 2(12) of Bangladesh Hi-Tech Park Authority Act, 2010-

“Hi-tech Industry means knowledge and capital based eco-friendly and information technology (IT), software technology, bio-technology renewable energy, green technology, hardware, information Technology Enabled Services (ITES) and Research and Development (R&D) related industry.”

a) Tax benefits for Investing unit of Hi-Tech Park Zone

The business income is exempted from Income tax for next 10 years from the date of commercial operation in the following manner:

Year	Exemption % of income
1 st , 2 nd and 3 rd	100%
4 th year	80%
5 th year	70%
6 th year	60%
7 th year	50%
8 th year	40%
9 th year	30%
10 th year	20%

Moreover, capital gains arising from transfer of share capital, royalty, technical Know-how and Technical assistance fee and declared dividend paid by such company are 50% exempted from Income tax for next 10 years from the date of commercial operation.

The foreign technicians appointed in investing unit will get 50% tax exemption for next 3 years from the date of appointment subject to such company does not cross 5 years from the date of commercial operation i.e. the company who has crossed 5 years from the date of commercial production, their foreign technicians can not avail this benefit.

Both the above exemptions are subject to the following condition being met by the Project Company / foreign technicians:

- (i) Obtain 12 Digit Taxpayer’s Identification Number; and
- (ii) Submit income tax return as per section 75.

b) Tax benefits for Developing unit in Hi-Tech Park Zone:

The business income is exempted from Income tax for next 12 years from the date of commercial operation in the following manner:

Year	Exemption % of income
1 st , to 10 th year	100%
11 th year	70%
12 th year	30%

Moreover, declared dividend is exempted from income tax for next 10 years from the date of commercial operation.

Please note that, the above exemptions are subject to the following condition being met by the project company:

- (i) Obtain 12 Digit Taxpayer's Identification Number; and
- (ii) Maintain accounts as per section 35 (Method of Accounting) and submit income tax return as per section 75.

5.3 Partial tax exemption for newly established undertaking

Qualifying industrial undertaking set up between 1 July 2011 and 30 June 2019 and going into commercial production/operation within those dates will be entitled to apply for granting tax exemption. However, the exemption structure has been revised as follows:

Industrial undertaking

Area	Year	Exemption % of income
Dhaka, Mymensingh and Chittagong Divisions excluding Dhaka, Narayanganj, Gazipur, Chittagong, Rangamati, Bandarban and Khagrachari Districts	1 st and 2 nd year	100%
	3 rd year	60%
	4 th year	40%
	5 th year	20%
Rajshahi, Khulna, Sylhet, Barisal and Rangpur divisions (excluding City Corporation area) and Rangamati, Bandarban and Khagrachari Districts	1 st and 2 nd year	100%
	3 rd year	70%
	4 th year	55%
	5 th year	40%
	6 th year	25%
	7 th to 10 th year	20%

“Bio-fertilizer” and “petro-chemical” production industry shall be entitled to partial tax exemption for 10 years even if it is set up in the districts of Dhaka, Gazipur, Narayanganj or Chittagong.

Brick made of automatic hybrid kiln technology will be treated as industrial undertakings for the purpose of this incentive.

Industrial undertaking does not include expansion of an existing undertaking for the purpose of this section. In other words, expansion units will not qualify for tax exemption. The following undertakings and facilities only will qualify for tax exemption:

a) "industrial undertaking" means:

An industry engaged in the production of active pharmaceuticals ingredient industry and radio pharmaceuticals industry, automobile manufacturing industry, barrier contraceptive and rubber latex, basic chemicals or dyes and chemicals, basic ingredients of electronic industry, bi-cycle manufacturing industry, bio-fertilizer, biotechnology, boilers, brick made of automatic Hybrid Hoffmann kiln technology or tunnel kiln, compressors, computer hardware, energy efficient appliances, insecticide or pesticide, petrochemical, pharmaceuticals, processing of locally produced fruits and vegetables, radioactive application industry, textile machinery, tissue grafting, tyre manufacturing industry and any other category of industrial undertaking as the Government may by notification in the official Gazette specify;

b) Only those profits and gains of the said industry shall qualify for tax exemption which is within the purview of section 28, *Income from business or profession*, of the Income Tax Ordinance, 1984.

c) The newly established undertaking is required to ensure that their paid up capital is not less than two million and thirty per cent of the income exempted is invested in the said undertaking or in any new industrial undertakings during the period of exemption or within one year from the end of the period to which the exemption under that sub-section relates and in addition another 10% of the income exempted is invested in each year before the expiry of three months from the end of the income year in the purchase of shares of a company listed with any stock exchanges in Bangladesh, failing which the income so exempted shall, notwithstanding the provisions of this Ordinance, be subject to tax in the assessment year in which the undertaking failed to comply with the provision and an individual not being a Bangladeshi citizen is employed or allowed to work without prior approval of BIDA or any competent Government authority.

Provided that the quantum of investment referred to in this clause shall be reduced by the amount of dividend, if any, declared by the company enjoying tax exemption under this section.

d) The undertaking has to apply in prescribed form for approval within six months from the end of the month of commencement of commercial production and be approved by the Board for this purpose.

e) The undertaking need to obtain a clearance certificate from the Directorate of Environment and the undertaking has to maintain books of account on a regular basis and submits income tax return under section 75 of the ordinance.

Tax exemption will be allowed for biotechnology and petrochemical industries even if situated in Dhaka, Gazipur, Narayanganj and Chittagong districts.

5.4 Partial tax exemption for newly established physical Infrastructure facility

Qualifying physical Infrastructure set up between 1 July 2011 and 30 June 2019 and going into commercial production/operation within those dates will be entitled to apply for granting tax exemption. Tax exemption of different proportions will now be granted for 10 years if the said physical undertakings are set up in any area of Bangladesh.

Year	Exemption % of income
1 st and 2 nd	100%
3 rd year	80%
4 th year	70%
5 th year	60%
6 th year	50%
7 th year	40%
8 th year	30%
9 th year	20%
10 th year	10%

“Physical Infrastructure facility” means

an industry engaged in the production of deep sea port, elevated expressway, export processing zone, flyover, gas pipe line, hi-tech park, information technology village or software technology zone, information technology park, large water treatment plant and supply through pipeline, LNG terminal and transmission line, mono-rail, rapid transit, renewable energy, sea or river port, toll road or bridge, underground rail, waste treatment plant or any other category as the Government may by notification in the official Gazette specify;

- a) Only those profits and gains of the said industry shall qualify for tax exemption which is within the purview of Income from business or profession under section 28 of the Income Tax Ordinance, 1984.
- b) The newly established undertaking is required to ensure that their subscribed and paid up capital is not less than Tk 2 million and 30% of the income exempted is invested in the said undertaking or in any new industrial undertakings during the period of exemption or within one year from the end of the period to which the exemption under that sub-section relates and in addition another 10% of the income exempted) is invested in each year before the expiry of three months from the end of the income year in the purchase of shares of a company listed with any stock exchanges in Bangladesh, failing which the income so exempted shall, notwithstanding the provisions of this Ordinance, be subject to tax in the assessment year in which the undertaking failed to comply with the provision or an individual not being a Bangladeshi citizen is employed or allowed to work without prior approval of BIDA or any competent Government authority.

Readymade garments are allowed to invest 40% in the said undertaking or in any new industrial undertakings.

- c) Provided that the quantum of investment referred to in this clause shall be reduced by the amount of dividend, if any, declared by the company enjoying tax exemption under this section.

- d) The undertaking has to apply in prescribed form for approval within six months from the end of the month of commencement of commercial production and be approved by the Board for this purpose.
- e) The undertaking need to obtain a clearance certificate from the Directorate of Environment and the undertaking has to maintain books of account on a regular basis and submits income tax return under section 75 of the ordinance.

5.5 Tax exemption for Public Private Partnership (PPP) Project

In the year 2017, Government has introduced tax exemption as mentioned below (a, b and c) for Public Private Partnership (PPP) work by Project Companies involved in the following PPP projects:

1. National Highways or Expressways and related Service Roads
2. Flyovers
3. Elevated and At-Grade Expressways
4. River Bridges
5. Tunnels
6. River port
7. Sea port
8. Air Port
9. Subway
10. Monorail
11. Railway
12. Bus terminals
13. Bus depots
14. Elderly care home

a) Income Tax exemption of the business income of PPP Project Company:

The business income is 100% exempted from Income tax for next 10 years from the date of commercial operation.

b) Income Tax exemption of capital gains arising from the transfer of share capital of PPP Project Company, Royalty, Technical Know-how and Technical assistance fee paid by such company:

The capital gains arising from transfer of share capital, Royalty, Technical Know-how and Technical assistance fee paid by such company are 100% exempted from Income tax for next 10 years from the date of commercial operation.

c) Income Tax exemption for foreign technicians employed in PPP Project Company:

The foreign technicians appointed in PPE Project Company will get 50% tax exemption for next 3 years from the date of appointment subject to such company does not cross 5 years from the date of commercial operation i.e. the company who has crossed 5 years from the date of commercial production, their foreign technicians can not avail this benefit.

Please note that, the above exemptions are subject to the following condition being met by the project company:

- (i) Obtain 12 Digit Taxpayer's Identification Number; and
- (ii) Maintain accounts as per section 35 (Method of Accounting) and submit income tax return as per section 75.

5.6 Income from exports

50% of income derived by any taxpayer from export shall be exempt from tax, except for a company not incorporated in Bangladesh and company paying tax at a reduced rate.

5.7 Export Processing Zones

At present the following exemptions are available on tax payable:

- For a period of 5 years if the industry is set up in Export Processing Zones (EPZ) Dhaka and Chittagong divisions excluding Rangamati, Bandarban and Khagrachari districts; and
- For a period of 7 years if the said EPZ are set up in Rajshahi, Khulna, Sylhet and Barisal divisions and Rangamati, Bandarban and Khagrachari districts.

Area	Year	Exemption % of income
Dhaka, Mymensingh and Chittagong divisions excluding Rangamati, Bandarban and Khagrachari districts	1 st and 2 nd year	100%
	3 rd and 4 th year	50%
	5 th year	25%
Rajshahi, Khulna, Sylhet and Barisal divisions and Rangamati, Bandarban and Khagrachari districts	1 st , 2 nd and 3 rd year	100%
	4 th , 5 th and 6 th year	50%
	7 th year	25%

To attain above exemption of EPZ industries, proper books of accounts have to be maintained and must submit income tax return as per section 75 of ITO 1984.

5.8 Income from the business of software development or Nationwide Telecommunication Transmission Network (NTTN) and information technology enabled services (ITES)

Income derived from the business of software development or Nationwide Telecommunication Transmission Network (NTTN) and information technology enabled services (ITES) is to be tax exempt up to 30 June 2024. However those enjoying the exemption must file tax return annually disclosing the income along with income from other sources, if any.

Information Technology Enabled Services (ITES) definition has been widened as below:

- Software development;
- Software or application customization;
- Nationwide Telecommunication Transmission Network (NTTN);
- 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; and
- Cyber security services.

5.9 Exemption of capital gains tax from sale of shares of listed companies for non-resident (Sixth Schedule, Part-A, Para-43)

Any profits and gains of a non-resident assessee arising from the transfer of stocks or shares of a public company listed in any stock exchange of Bangladesh shall be exempt from income tax in Bangladesh subject to the condition that such assessee is entitled to similar exemption in the country in which he is a resident.

5.10 Exemption of income from Cinema Hall or Cineplex

Any income derived from Cinema Hall or Cineplex has been given tax exemption facility starting commercial exhibition from 1 July 2012 to 30 June 2019 as stated below:

Area	Year	Exemption % of income
Dhaka, Mymensingh and Chittagong divisions excluding Rangamati, Bandarban and Khagrachari districts	1 st and 2 nd year	100%
	3 rd and 4 th year	50%
	5 th year	25%
Rajshahi, Khulna, Sylhet, Rangpur and Barisal divisions and Rangamati, Bandarban and Khagrachari districts	1 st , 2 nd and 3 rd year	100%
	4 th , 5 th and 6 th year	50%
	7 th to 10 th year	25%

5.11 Exemption of income from production of rice bran oil

Any income derived by an industrial undertaking commencing commercial production by 30 June 2019 has been given tax exemption as stated below:

Area	Year	Exemption % of income
Dhaka and Chittagong divisions (excluding City Corporation area and Rangamati, Bandarban and Khagrachari districts)	1 st and 2 nd year	100%
	3 rd and 4 th year	50%
	5 th year	25%
Rajshahi, Khulna, Sylhet, Rangpur and Barisal divisions(excluding City Corporation area) and Rangamati, Bandarban and Khagrachari districts	1 st , 2 nd and 3 rd year	100%
	4 th , 5 th and 6 th year	50%
	7 th to 10 th year	25%

5.12 Income from production of corn, maize or sugar beet

Income from production of corn, maize or sugar beet is tax exempted up to 50%.

5.13 Exemption of income of BSEC

Any income of Bangladesh Securities and Exchange Commission (BSEC) has been given tax exemption as stated below:

Tax exempted period	Rate of tax exemption
First year	100%
Second year	80%
Third year	60%
Fourth year	40%
Fifth year	20%

5.14 Exemption from income of export of handicrafts

Income derived from the export of handicrafts shall tax exempt up to 30 June 2019.

5.15 Income derived from any SME

Income derived from any SME engaged in production of any goods having an annual turnover of not more than Tk 3.6 million is tax exempted.

5.16 Donation to any fund established by “Trust of Prime Minister Education Assistance Act 2012”

Exemption limit:

- Companies – lower of 25% of income or Tk 80 million
- Other than companies – lower of 20% of income or Tk 10 million

5.17 Incentives for private sector power generation companies (other than coal based)

Private power generation companies starting commercial operations within 31 December 2019 based on other than coal and complying with the requirements of private sector power generation policy of Bangladesh will get the following tax incentive:

- Private power companies' power generation income is exempt from corporate tax for a period of 15 years from the date of commencement of commercial operations.
- Salaries of expatriate employees of such power generating companies shall also be tax exempt for a period of three years, starting with the date of the expatriate's arrival in Bangladesh.
- Interest payments to foreign lenders will be tax exempt. Royalties and technical assistance fees paid by such companies will also be tax exempt.
- Capital gains from the sale or transfer of shares by the investing company shall be exempt from tax.
- All such companies shall maintain accounts and submit return in due date of filing under section 75.

5.18 Incentives for private sector power generation companies (other than coal based)

Private power generation companies starting commercial operations after 1 July 2016 based on other than coal and complying with the requirements of private sector power generation policy of Bangladesh will get the following tax incentive:

Tax exempted period	Rate of tax exemption
First 5 years from the commencement of commercial production	100%
Up to next 3 years	50%
Up to next 2 years	25%

Above applies to income from power generation only.

All such companies shall maintain accounts and submit return in due date of filing under section 75.

5.19 Incentives for private sector power generation companies (coal based)

Coal based Private power generation companies entering into agreement within 30 June 2020 and starting commercial production within 30 June 2023 and complying with the requirements of private sector power generation policy of Bangladesh will get the following tax incentive:

- Private power companies' power generation income is exempt from corporate tax for a period of 15 years from the date of commencement of commercial operations.
- Salaries of expatriate employees of such power generating companies shall also be tax exempt for a period of three years, starting with the date of the expatriate's arrival in Bangladesh.

- Interest payments to foreign lenders will be tax exempt. Royalties and technical assistance fees paid by such companies will also be tax exempt.
- Capital gains from the sale or transfer of shares by the investing company shall be exempt from tax.
- All such companies shall maintain accounts and submit return in due date of filing under section 75.

5.20 Incentives for production oriented industry (S.R.O. 185/Law/Income tax/2014)

Manufacturing industries will get following tax rebate:

Sl.	Conditions	Rate of tax rebate
1.	Commences commercial operation between 1 July 2014 and 30 June 2019 outside the area of any City Corporation	20% for 10 years from such commercial operation
2.	Established company shifts operation and commences commercial operation outside the area of any City Corporation between 1 July 2014 and 30 June 2019	20% for 10 years after the transfer and commercial operation
3.	Established company outside the area of any City Corporation	10% up to 30 June 2019

Additional conditions are stated below:

- a) Companies will not get above rebate before expiry of tax holiday/exemption period/ and the period for which reduced tax rate has been allowed by tax authority , if any
- b) Publicly traded companies will not get above rebate
- c) Companies without updated clearance certificate from the Directorate of Environment will not get above rebate.

5.21 Exemption/reduced tax rate not allowed in case of failure to file the return within stipulated time

An assessee shall not be exempt from income tax or subject to reduced tax rate if the assessee fails to submit the income tax return of any income year within the stipulated time.

Tax shall be charged on the disallowance u/s 30 even if it is a tax exempted or reduced tax rate availed assessee.

5.22 Agricultural income

Agricultural income (whose agriculture is the only source of income) up to Tk 200,000 for an individual is tax exempted.

5.23 Interest on pensioners' savings certificate

Income received by an individual from interest from pensioners' savings certificate up to Tk 500,000 is tax exempted.

5.24 Foreign income by individuals

Income earned in abroad by an individual assessee being a Bangladeshi citizen and brought any such income into Bangladesh as per existing laws applicable in respect of foreign remittance shall be tax exempted.

5.25 Dividend income

Dividend income up to Tk 25,000 derived from a company listed in any stock exchange is tax exempted.

5.26 Gratuity income

Gratuity income up to Tk 2.5 crores is tax exempted.

5.27 WPPF income

Any payment from WPPF received by a worker up to Tk 50,000 is tax exempted.

5.28 Certain bond income

Income received by an assessee from wage earners development bond, US Dollar premium bond, US Dollar investment bond, Euro investment bond, Pound Sterling premium bond is tax exempted.

5.29 Donation to girls school/college

Income of an assessee donated in an income year by a crossed cheque or bank transfer to any girls' school or girls' college approved by the Ministry of Education of the government is exempt from tax.

5.30 Donation to technical and vocation institution

Income of an assessee donated in an income year by a crossed cheque or bank transfer to any Technical and Vocational Training Institute approved by the Ministry of Education of the Government is exempt from tax.

5.31 Donation to research and development

Income of an assessee donated in an income year by a crossed cheque or bank transfer to any national level institution engaged in the Research and Development (R&D) of agriculture, science, technology and industrial development is tax exempted.

5.32 Income received other than bank interest/dividend by any educational institution

Income received other than bank interest/dividend by any educational institution is tax exempted if it

- is enlisted for Monthly Pay Order (MPO) of the Government;
- follows the curriculum approved by the Government; and
- is governed by a body formed as per Government rules.

5.33 Income received other than bank interest/dividend by any public university, ICAB, ICMAB and ICSB

Income received other than bank interest/dividend by any public university, ICAB, ICMAB and ICSB is exempted.

5.34 Corporate Social Responsibility (CSR) activity to get tax rebate

National Board of Revenue has issued S.R.O. 186-law/Income tax/2014 amending previously issued S.R.O. 229-Law/2011 dated 4 July 2011. Accordingly a company will be eligible to a tax rebate at 10% of allowable limit incurred in connection with corporate social responsibility subject to the following terms and conditions:

- a) any company will be allowed to get rebate on investment in CSR amounting to 20% of income of the company or Tk 120 million, whichever is lower.
- b) any company who intends to get rebate through CSR shall make regular payment of salaries and wages to its employees, have waste treatment plant, make regular payment of tax, VAT and institutional loan, donate to Organisations approved by the Government and comply with all existing provisions of Labour Code.
- c) any company shall not show amount expended in CSR as inadmissible expenditure in its trading account or profit and loss account.
- d) any company shall submit necessary information and documents to the Deputy Commissioner of Taxes regarding the amount expended in CSR as demanded allowable is actually expended or not.
- e) The donation under CSR shall be done through proper banking channel.

The following are the areas of CSR for which company may avail tax rebate facilities:

- a) donation made to natural disaster affected people through government organisation
- b) donations made to institution engaged in establishment and maintenance of old home
- c) donations made to social institution engaged in the welfare of mentally or physically disabled people
- d) donations to organisations engaged in educating street children
- e) donations to organisations engaged in projects on accommodation for the slum dwellers
- f) donations to social institutions engaged in campaign for women rights and against dowry system
- g) donations made to institution engaged in maintenance and rehabilitation of orphan/rootless children
- h) donations made to institutions engaged in research on liberation war, expansion of the consciousness of independence war and the act of honourable living of the freedom fighters
- i) donations made to institutions engaged in sanitation and sewerage work at Chittagong Hill Districts, char areas and areas surrounding breaking up of banks of river

- j) donation made to institution engaged in medicating cleft lip, cataract, cancer and leprosy
- k) donation made to person or institution engaged in treatment of acid affected people
- l) donation to specialised hospital [like cancer hospital, liver hospital, kidney hospital, thalasemia hospital, eye hospital and cardiology hospital] for free treatment to poor patient
- m) donation to public universities
- n) donation to government approved educational institution for giving stipend to insolvent meritorious freedom fighters' children with a view to providing technical or vocational education to them
- o) any assistance made to schools and colleges under MPO for improving computer and English education
- p) donations to organisations engaged in providing technical and vocational training to unskilled or semi-skilled labour for export of human resources
- q) donations made to national sports institutions engaged in the development of infrastructure and training at national level
- r) any contribution to museum made for freedom fighter at national level
- s) any contribution to organisation engaged in the preservation of the memories of the Father of the Nation
- t) any donation to any social welfare organisation, NGO or not for profit organisation engaged with awareness, treatment or rehabilitation for HIV, AIDS and the drug addicted
- u) any donation to any social welfare organisation, NGO or not for profit organisation engaged with rehabilitation for children or women rescued from overseas trafficking
- v) any donation to any government approved fund for national disaster or tournament or national carnival.

6. Voluntary disclosure

An assessee who had not filed any income tax return or filed return showing lower income than actual or was not assessed for any previous years, may disclose the income in the return under any head. However, the following conditions need to be complied before filing such return:

- a) Tax has to be paid at applicable rate on his total income; and
- b) Penalty has to be paid @ 10% of tax proportionate to such income.

A declaration needs to be submitted along with the tax return stating the name of assessee, head of declared income and amount of tax and penalty.

The assessee will not be able to avail this opportunity if any proceedings have commenced against him by the Tax Authority under sections 93, 113(f), 164, 165 or 166.

Also income derived from any illegitimate source, or any criminal activity, or income exempted from tax, or income chargeable to tax at reduced rate in accordance with section 44 will not be able to avail this opportunity.

The income shown as stated above may be invested in the following sectors:

- Industrial undertaking including its expansion
- Balancing, modernisation, renovation and extension of any existing industry
- Building or apartment or land
- Securities listed with a Stock Exchange in Bangladesh, or
- Any trade, commercial, or industrial venture engaged in production of goods or services.

7. Transfer pricing

Key points in brief are as follows:

- (i) Transactions included are 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, provisions of services, lending or borrowing money, or any other transactions having a bearing on the profits, income, losses, assets, financial position or economic value of such enterprises etc.
- (ii) There are extensive proposals in the Act regarding responsibility and determination of “arms-length price” of such transactions.
- (iii) If such a transaction is not found to be at arms-length, DCT may determine via the Transfer Pricing Officer the arms-length price of the transaction.
- (iv) Every person who has entered into an international transaction shall furnish, along with the return of income, a statement of international transactions in the form and manner as may be prescribed.
- (v) The tax payer has to furnish a transfer pricing report, on such transaction if those exceed Tk 30 million in aggregate in a given year, by a Chartered Accountant/Cost and Management Accountant, is only required to be submitted to the DCT if instructed in the notice.
- (vi) Every person fails to submit transfer pricing return along with corporate income tax return may result in a penalty of maximum 2% on the value of international transactions.

Failure to furnish such report may lead to a penalty up to Tk 300,000.

Report/certificate from Chartered Accountants authenticating certain documents related to transfer pricing as per notice by the tax authority once transfer pricing assessment/audit has been initiated by tax authority.

7.1 Effective period of transfer pricing

Transfer pricing regulation is effective from 1 July 2014 (S.R.O. 161/Law/Income tax/2014 dated 26 June 2014).

8. Others

8.1 Stay of proceeding in case of pending appeal or reference at Appellate Tribunal or High Court Division

In the process of Alternate Dispute Resolution (ADR), appeal filed by the Deputy Commissioner of Taxes (DCT) at Tribunal or reference application made by the Commissioner of Taxes (Appeal) at High Court level, will be stayed until disposal of the ADR application.

An assessee shall not be eligible for application to ADR if he fails to pay tax payable u/s 74 where the return of income for relevant year or years has been submitted.

8.2 Decision of ADR

In case of Alternate Dispute Resolution (ADR), time limit for the facilitator to make an agreement is 2 months from the end of the month in which the application was made, unless no agreement shall be deemed to have been reached.

8.3 Notice, assessment order and tax form delivered u/s 174

If any notice, assessment order and tax form has been delivered to authorised representative u/s 174, it will be treated as delivered to the assessee.

8.4 Inclusion of amortisation in Third Schedule

Amortisation of licence fee including Spectrum Assignment fees, GSM license fees, license acquisition fees or license renewal fees paid by cellular mobile phone operator or any other company engaged in providing specialised service allowed if:

- assessee is a resident company for tax purpose;
- licence fee is paid before or after 1 July 2012 wholly and exclusively for the purpose of obtaining a permission from the government authority;
- licence/permission is granted for 2 or more years to run a business; and
- amortisation charge/deduction will be calculated as proportionate to such years, and such amortisation/deduction shall continue till the last year of the period for which the licence was granted.
- In case of other companies, such license should be integral part of the operation of the business.

8.5 Accelerated depreciation in Third Schedule

Alternative to the tax holiday facility mentioned for the industrial undertakings under Section 46B above, accelerated depreciation allowance is reinstated on machinery and plant for new industrial entrepreneurs between 1 July 2014 and 30 June 2019 as stated below:

Year	Rate
1 st year	50%
2 nd year	30%
3 rd year	20%

Accelerated depreciation is not allowed for physical infrastructure facility under section 46C.

8.6 Computation of income of contractor, etc., of an oil company residing out of Bangladesh (Rule 39)

Income of contractors to an oil company or as a sub-contractor to the contractor to an oil company residing out of Bangladesh shall be deemed to be an amount equivalent to 15% of the gross earnings from operations. The rate of 15% will be effective from the assessment year 2014-2015.

9. Income subject to tax withholding/deduction/collection at source

National Board of Revenue (NBR) has issued an order about use of tax jurisdiction for depositing withholding tax.

As per the new order, companies, non-governmental organizations and co-operatives (other than bank and financial institutions) are advised to deposit all of withholding tax to the respective company's tax zone where its tax file will be assessed. Earlier, withholding tax would be deposited to different tax zone based on withholding tax section applied for tax deduction. The companies which are assessed under the Large Tax-payer Unit (LTU) are advised to continue its existing system in depositing the withholding tax. Also, there are different requirements for Banks, Financial Institutions, any person other than companies and Government and its entity.

A statement is required to be submitted to income tax authority for all deduction or collection made on a monthly basis.

All companies including private companies, branch companies, liaison offices, banks and other financial institutions etc. are required to collect/withhold tax at the time of payment as shown hereunder:

- **Salaries (u/s 50)**

Tax withholding should be made monthly on the basis of computation of estimated annual total income. Refer to section 2 above for tax rates.

This rule is also applicable to the total income from salary of Government official, where government accounts office shall issue a tax deduction certificate.

However, there is a provision of lesser or no withholding of tax from salary in accordance with a certificate issued by DCT and specifying the same upon application by the assessee. Discount on the real value of Bangladesh Bank bills (50A)

- **Discount on the real value of Bangladesh Bank bills (50A)**

Taxes are to be deducted at the maximum rate or at the rate applicable to such amount, whichever is greater. No tax shall be deducted from the discount received from these bills purchased by a superannuation fund, a pension fund, a gratuity fund, a recognised provident fund or a workers profit participation fund.

- **Remuneration of Member of Parliament (u/s 50B)**

Taxes are to be deducted at source from remuneration paid to Members of Parliament at average rate but other allowances paid like bonus, house rent will remain tax-free.

- **Interest/discount on govt. securities and securities approved by the government (u/s 51)**

Taxes are to be collected at 5% upfront on interest or discount, receivable on maturity, from the purchaser of the securities excluding Treasury bill and Treasury bond issued by the Government.

For security which is based on Islamic principles, the tax of 5% shall be deducted at the time of payment or credit.

▪ **Payments for supply of goods, execution of contracts (u/s 52, rule 16)**

Where any payment is to be made by a specified person to a resident on account of execution of contract other than a contract for providing or rendering services, the deduction of payment shall be at the following rates:

Base amount*	Rates
Where the payment does not exceed Tk 1,500,000	2.0%
Where the payment exceeds Tk 1,500,000 but does not exceed Tk 2,500,000	3.0%
Where the payment exceeds Tk 2,500,000 but does not exceed Tk 10,000,000	4.0%
Where the payment exceeds Tk 10,000,000 but does not exceed Tk 50,000,000	5.0%
Where the payment exceeds Tk 50,000,000 but does not exceed Tk 100,000,000	6.0%
Where the payment exceeds Tk 100,000,000	7.0%

In case of oil supplied by oil marketing companies:

Base amount*	Rates
Where the payment does not exceed Tk 200,000	Nil
Where the payment exceeds Tk 200,000 (up to any amount)	0.6%

Base amount*	Rates
In case of oil supplied by dealer or agent (excluding petrol pump station) of oil marketing companies	1%
In case of supply of oil by any company engaged in oil refinery	3%
In case of company engaged in gas transmission and distribution	3%

Provided that in absence of 12 digit TIN, the withholding rate will be 50% higher than from the above mentioned rates.

Provided that 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 company or a manufacturing company, however, this would not be applicable for construction industry.

Provided that where any imported goods on which tax has been paid at source under section 53 is supplied, tax at source on the said supply shall be B-A, where -
A= the amount of tax paid under section 53,
B= the amount of tax applicable under this section if no tax were paid under section 53.”

Under this section firm, project, programme, joint venture, consortium, trust, cooperative society, public-private partnership are also treated as deducting authority along with any person.

*The base amount means the higher of the following:

- Contract value, or
- Bill or invoice amount, or
- Payment

▪ **Payments for royalty (u/s 52A)**

Tax is required to be deducted at the following rates from the payment to a resident on account of royalties, franchise, or the fee for using licence, brand name, patent, invention, formula, process, method, design, pattern, know-how, copyright, trademark, trade name, literary or musical or artistic composition, survey, study, forecast, estimate, customer list or any other intangibles:

Base amount*	Tax rate if the payee has TIN	Tax rate if the payee has no TIN
Up to Tk 2.5 million	10%	15%
Over Tk 2.5 million	12%	18%

Under this section firm, project, programme, joint venture, trust, cooperative society, public-private partnership are also treated as deducting authority along with any person.

Provided that in absence of 12 digit TIN, the withholding rate will be 50% higher than from the above mentioned rates.

*The base amount means the higher of the following:

- Contract value, or
- Bill or invoice amount, or
- Payment

No deduction need to be made in cases where National Board of Revenue has issued a certificate waiving such deduction or exemption.

▪ **Deduction from of payments certain services (u/s 52AA)**

Where any payment is to be made by a specified person to a resident on account of certain services as stated below:

Description of service	Rate of deduction of tax (% of base amount*)	
	Base amount up to Tk 2.5 million	Base amount exceeds Tk 2.5 million
Advisory or consultancy	10%	12%
Professional service, technical services and technical assistance fee	10%	12%
For below and any other service of similar nature-		
a) On commission or fee	10%	12%
b) On gross bill amount	1.5%	2%
- Catering service		
- Cleaning service		
- Collection and recovery service		
- Private security service		
- Supply of manpower		
- Creative media service		
- Public relations service		
	However, where both gross bill and commission are shown; minimum withholding tax	However, where both gross bill and commission are shown; minimum withholding tax will be based on

Description of service	Rate of deduction of tax (% of base amount*)	
	Base amount up to Tk 2.5 million	Base amount exceeds Tk 2.5 million
- Event management service - Training, workshops, etc. organization and management service	will be based on 10% commission on gross bill amount.	10% commission on gross bill amount.
Media buying agency service a) On commission or fee b) On gross bill amount	10% 0.5%	12% 0.65%
	However, where both gross bill and commission are shown; minimum withholding tax will be based on 3.5% commission on gross bill amount.	However, where both gross bill and commission are shown; minimum withholding tax will be based on 3.5% commission on gross bill amount.
Indenting commission	6%	8%
Meeting fees, training fees or honorarium	10%	12%
Mobile network operator, technical support service provider or service delivery agents engaged in mobile banking operations	10%	12%
Credit rating agency	10%	12%
Motor garage or workshop	6%	8%
Private container port or dockyard service	6%	8%
Shipping agency commission	6%	8%
Stevedoring/berth operation commission	10%	12%
Transport service, carrying service, vehicle rental service or ride sharing services	3%	4%
Any other service unless provided by bank, insurance or financial institution	10%	12%

Provided that in absence of 12 digit TIN, the withholding rate will be 50% higher than from the above mentioned rates.

*The base amount means the higher of the following:

- Contract value, or
- Bill or invoice amount, or
- Payment

No deduction need to be made in cases where National Board of Revenue has issued a certificate waiving such deduction or exemption.

▪ **Collection of tax from clearing and forwarding agents (u/s 52AAA)**

This section provides for deduction on account of commission receivable by clearing and forwarding agents licensed under Customs Act 1969 at 10%. The collection will be made by the Commissioner of Customs at the time of clearance of goods imported or exported.

▪ **Cigarette manufacturers (u/s 52B)**

Seller of banderols is liable to collection of tax at 10% of the value of banderols. The seller will collect the tax from the manufacturer of cigarettes. The tax so collected shall be treated as final discharge of tax liability under section 82C.

▪ **Compensation against acquisition of property (u/s 52C)**

Payment on account of compensation against acquisition by the Government of any immovable property is liable to deduction of tax at the rate of -

- (a) 2% of the amount of compensation where the immovable property is situated in any city corporation, pourashava or cantonment board;
- (b) 1% of the amount of compensation where the immovable property is situated outside any city corporation, pourashava or cantonment board.

▪ **Interest on savings instruments (u/s 52D)**

Tax is required to be deducted at the rate 5% from interest of savings instrument purchased by an approved superannuation fund or pension fund or gratuity fund or a recognised provident fund or a workers' profit participation fund. Earlier the interest income of such funds were exempted from tax deduction.

No deduction shall be made where the cumulative investment at the end of the income year in the pensioner's savings certificate does not exceed Tk 500,000.

Tax is not required to be deducted on interest 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.

▪ **Payment to beneficiaries of Worker Profit Participation Fund (u/s 52DD)**

Tax is required to be deducted at the rate 5% for making any payment to a beneficiary of WPPF.

▪ **Brick manufacturers (u/s 52F)**

Any person responsible for issuing any permission or renewal of permission for the manufacture of bricks shall collect tax from the manufacturer at the following rates:

- (a) Tk 45,000 for one section brick field;
- (b) Tk 70,000 for one and half section brick field;
- (c) Tk 90,000 for two section brick field; and
- (d) Tk 150,000 for brick field producing bricks through automatic machine.

▪ **Commission on opening of letter of credit (u/s 52I)**

Taxes are to be deducted at 5% by banks at the time of collection of L/C commission.

Banks are required to deposit all taxes deducted by the 15th of the following month to Bangladesh Bank under appropriate head of accounts. The amounts so deposited will be treated as advance tax payment by the banks.

▪ **Collection of tax from travel agent (u/s 52JJ)**

Tax is required to be deducted or collected by the person responsible for paying commission, discount or any other benefits on behalf of airlines at the rate of 0.3% of the total value of air ticket or charge for carrying cargo at the time of such payments. Value of air ticket or charge for carrying cargo shall not be included embarkation fees, travel tax, flight safety insurance, security tax and airport tax.

In addition to the above, tax is required to be deducted at the rate 0.3% on payment of incentive bonus, performance bonus or any other benefits from sale of ticket bill of carrying cargo by air. Calculation will be as follows:

(A/B)*C where:

A = Incentive bonus/performance bonus or any other benefit

B = is the amount of commission or discount

C = 0.3% (source tax)

▪ **Issue or renewal of trade licence (section 52K)**

City Corporation shall collect tax at Tk 500 in Dhaka South City Corporation, Dhaka North City Corporation or Chittagong City Corporation, at Tk 300 in any City corporation other than above, at Tk 300 in any pourashava at any district headquarter, at Tk 100 in any other pourashava, while issuing or renewing trade licence. The tax so collected shall be adjusted against tax payable by the recipient of licence.

▪ **Collection of tax from freight forwarding agency commission (section 52M)**

Tax is to be withheld at 15% from commission payable to freight forwarding agency. Tax so withheld shall be adjusted against tax payable by the assessee.

▪ **Collection of tax on account of rental power [section 52N]**

Tax is to be withheld at 6% by Bangladesh Power Development Board from the payment to any rental power company on account of purchase of rental power from the date of its operation in Bangladesh.

▪ **Collection of tax from rent of convention hall, conference centre (u/s 52P)**

Tax is to be withheld at 5% from rental payment to institutions like convention hall, conference centre, hall room, hotel, community centre or restaurant.

Provided that no deduction shall be made when such amount is paid directly to the Government.

▪ **Collection of tax from service charge and consultancy fee (u/s 52Q)**

If any Bangladeshi resident provides service to any foreigner, tax should be deducted at source from the payment received *against* this service. Bank should withhold tax at 10% before the money is credited in the bank account. Conditions apply-

- Person rendering the service has to reside at Bangladesh at the time of rendering the service.
- Service should be rendered to any foreigner.
- Payment should be received against the service rendered.
- The payment is received in any of the following name – service charge, consultancy fees, commission, honorarium or any other name.

However, payment received for service rendered while staying outside the country is excluded from this section.

The remittance received from abroad for proceeds from sales of software or services provided by a resident is exempted from tax if the income is exempted under paragraph 33 of Part A of the 6th Schedule.

▪ **Deduction of tax from receipts in respect of international phone call (u/s 52R)**

The bank, through which the receipt on account of International Gateway Service in respect of international phone calls is received, shall deduct tax at the rate of 1.5% of the total amount representing the said receipt at the time of crediting it to the account of the international gateway service provider.

The international gateway service provider, through which the revenue related to international phone call is shared under an agreement with the Bangladesh Telecommunication Regulatory Commission (BTRC), shall deduct tax at the rate of 7.5% on the whole amount so paid or credited to any other persons under the said agreement.

The provider of Interconnection Exchange (ICX) services or Access Network Services (ANS) shall deduct tax at the rate of seven point five percent (7.5%) on the whole amount so paid or credited at the time of payment or credit where any amount is paid or credited in respect of outgoing international calls.

Notwithstanding anything contained in above paragraph, where the Board gives a certificate in writing on an application made by a person that income of the person getting such payment is exempted from tax or will be liable to tax at a rate of tax less than the rate specified in this section, the person responsible for giving any payment shall, make the payment:

- (a) Without deduction of tax; or
- (b) Deduct tax at a rate lower as specified in the certificate.

- **Deduction of tax from any payment in excess of premium paid on life insurance policy (u/s 52T)**

Tax is to be deducted at 5% for paying any sum in excess of premium paid for any life insurance policy maintained with any life insurance company. No deduction shall be made in case of death of such policy holder.

- **Deduction from payment on account of letter of credit (u/s 52U)**

The bank or financial institution, through which any local letter of credit or any financing agreement, called by whatever name, is made between two or more persons within Bangladesh for purchasing any goods for trading or processing will be captured under this section. While the proceeds of such goods are paid, Bank shall deduct tax at 3% on the total proceeds at the time of paying or crediting such proceeds to the account of the person or persons providing such goods. In case of extending such credit facility to any distributor, tax shall be deducted at 1%.

No tax shall be deducted with such arrangement in respect of purchase or procurement of rice, wheat, potato, onion, garlic, peas, chickpeas, lentils, ginger, turmeric, dried chillies, pulses, maize, coarse flour, salt, edible oil, sugar, black paper, cinnamon, cardamom, clove, date, cassia leaf, computer or computer accessories, jute, cotton, yarn and all kinds of fruits.

Nothing in this section shall limit the applicability of section 52.

- **Deduction from payment by cellular mobile phone operator (u/s 52V)**

The Principal Officer of cellular mobile phone operator company responsible for making any payment, on account of revenue or any license fees or any other fees or charges, called by whatever name, to the regulatory authority, shall deduct tax at 10% of such payment at the time of credit to payee or at the time of payment thereof, whichever is earlier.

- **Collection from importers (u/s 53, rule 17A)**

The Collector of Customs or any other appropriate officer shall collect tax on imported items at 5% of the value of imported goods, not being goods imported by an industrial undertaking as raw materials for its own consumption.

National Board of Revenue may grant exemption from tax collection upon application where the assessee's income is not taxable in any year.

- **Rent from house property (u/s 53A, rule 17B)**

This is subject to a flat rate of 5% for all rent. Hospital or clinic or diagnostic centre is also responsible for deduction.

- **Shipping business of a resident (u/s 53AA, 102)**

This section provides for deduction of tax at 5% from total freight received or receivable by a ship owned or chartered by a resident assessee. The rate will be 3% if service is rendered between two or more foreign countries. The deduction will be made by the

Commissioner of Customs at the time of granting port clearance. The deduction so made shall be treated as final tax liability under section 82C of the Income Tax Ordinance. In addition to 5% tax on total freight, a certificate from the concerned Deputy Commissioner of Taxes (DCT) shall be required for port clearance.

The amount paid or payable by way of demurrage charge or handling charge or any other amount of similar nature will also be considered at the time of furnishing tax return to Deputy Commissioner of Taxes.

- **Export of manpower (u/s 53B, rule 17C)**

Taxes are to be withheld at 10% from the payment of service charges or fees.

- **Export of certain items (u/s 53BB)**

Garments sector has been a priority segment for the Government. Every year, the applicable withholding tax rate on such exports are reduced by separate special order. This year, taxes are to be withheld by banks at 0.6% from the export proceeds received on account of export of jute goods and at 0.6% from the exports of knitwear and woven garments, terry towel, carton and accessories of garments industry, jute goods, frozen food, vegetables, leather goods and packed food.

A company enjoying tax exemption either wholly or partially may apply to tax authority and on the basis of his application the tax authority may exempt from deduction at source or give order to withhold at a reduced rate.

- **Member of Stock Exchanges (u/s 53BBB)**

Taxes are to be withheld at 0.05% on the value of shares, debentures, mutual funds, or securities transacted by a member of a stock exchange. The deduction will be made by the Chief Executive Officer of a stock exchange at the time of such payment.

- **Export of any goods other than certain items (Section 53BBBB)**

Every year, the applicable withholding tax rate on such exports are reduced by separate special order. In last year, any export proceeds received from export of any products other than garments was subject to tax withholding at 0.6%. The tax so withheld shall be treated as advance payment of tax liability.

A company enjoying tax exemption either wholly or partially may apply to tax authority and on the basis of his application the tax authority may exempt from deduction at source or give order to withhold at a reduced rate.

- **Public auction (u/s 53C, rule 17D)**

Taxes are to be collected from sale price at the rate of 1% in case of tea auction. In all other cases, withholding tax rate will not exceed 7.5%. Currently, as per rule 17D, such withholding tax rate is 5% for all other cases.

▪ **Courier business of a non-resident (u/s 53CCC)**

Tax is required to be deducted/collected at the rate 15% by the local agent of a non-resident courier company on the amount of service charge accrued from the shipment of goods, documents, parcels, or any other things outside Bangladesh.

▪ **Actors or actresses (u/s 53D, rule 17E)**

Taxes are to be withheld at 10% in case of any payment made for the purchase of any Cinema, Drama or Radio and TV programme by any authority.

In case of any payment made to an actor/actress, tax is to be withheld at the rate of 10% from such payment.

Provided that, no tax shall be deducted under this section if the total payment does not exceed Tk 10,000.

▪ **Deduction of tax at source from export cash subsidy (u/s 53DDD)**

Any person responsible for paying any amount on account of export cash subsidy to an exporter for promotion of export shall, at the time of payment or credit of such amount, shall deduct or collect tax in advance at the rate of 3% on the amount so payable.

▪ **Commission, discount or fees payable to distributors for distribution or marketing of manufactured goods (u/s 53E)**

Tax is to be withheld at 10% of the amount of payment or the amount allowed or the value of benefits allowed by the way of commission, fees, discount, incentive or performance bonus or any other performance related incentive or any other payment or benefit of the similar nature for distribution or marketing of goods at the time of payment or allowing the amount.

Any company making a payment in relation to the promotion of the company or its goods to any person engaged in the distribution or marketing of the goods of the company shall, at the time of payment, deduct tax at 1.5% of the payment.

Tax is to be collected by a company on sale of goods to any distributor or any other person under a contract other than oil marketing company at following manner:

5% on the amount equal to $B \times C$ where,
B = Selling price of the company to a distributor or any other person
C = 5%

Provided that a cigarette manufacturing company shall collect tax @3% at the time sale of goods to its distributor or to such other person of the difference between the sales price to distributor and the retail price fixed by such company.

▪ **Commission, fees, charges, remuneration payable to foreign buyers' agent (u/s 53EE)**

If any payment is made to a foreign buyer's agent as per terms of L/C as fees, commission etc. then tax is to be withheld at 10% from such payment.

Tax so deducted shall be treated as final tax liability of the exporter with certain exceptions under section 82C.

▪ **Interest on savings, fixed deposits or term deposits and share of profit on term deposits (u/s 53F, rule 17H)**

Taxes are to be withheld by banks, non-banking financial institutions, leasing companies, housing finance companies etc. at the time of credit or payments of interest to a resident at the following rate:

- (i) 10% where the person receiving such interest or share of profit furnishes his twelve-digit Taxpayer's Identification Number (e-TIN) to the payer; or
- (ii) 15% where the person receiving such interest or share of profit fails to furnish his twelve-digit Taxpayer's Identification Number (e-TIN) to the payer

Rate of tax deduction at source shall be at 10% on interest on saving deposits where balance does not exceed Tk 100,000 at any time in the year.

Tax at the rate of 10% shall also be applicable on the receipts of interest or share of profit by public university, or an educational institution whose teachers are enlisted for Monthly Pay Order (MPO), following the curriculum approved by the Government and whose governing body is also formed as per Government rules or regulations, or any professional institute established under any law and run by professional body of Chartered Accountants, Cost and Management Accountants or Chartered Secretaries. Tax so deducted shall be treated as final tax liability of the exporter with certain exceptions under section 82C of the Income Tax Ordinance 1984.

Tax at the rate of 5% is to be withheld from the interest arising out of any deposit maintained by any fund irrespective of their tax exemption facility.

▪ **Real estate or land development business (u/s 53FF)**

Taxes are to be collected at the following rates at the time of registering any document for transfer of any land or building or apartment by the transferor who is engaged in real estate or land development business:

In case of building or apartment situated:

Area	For residential purpose	Not for residential purpose
Gulshan Model Town, Banani, Baridhara, Motijheel Commercial Area, Dilkusha Commercial Area	Tk 1,600 per square metre	Tk 6,500 per square metre
Dhanmondi Residential Area, Defence Officers Housing Society (DOHS),	Tk 1,500 per square metre	Tk 5,000 per square metre

Area	For residential purpose	Not for residential purpose
Mohakhali, Lalmatia Housing Society, Uttara Model Town, Bashundhara Residential Area, Dhaka Cantonment, Kawran Bazar of Dhaka, Panchlaish Residential area, Khulshi Residential area, Agrabad and Nasirabad of Chittagong		
Other areas of Dhaka South City Corporation, Dhaka North City Corporation and Chittagong City Corporation	Tk 1,000 per square meter	Tk 3,500 per square meter
Any other city corporation	Tk 700 per square meter	Tk 2,500 per square meter
Other areas	Tk 300 per square metre	Tk 1,200 per square metre

However, tax in respect of a residential apartment shall be 20% and 40% lower if the size of the apartment including common space is not more than 70 and 60 square metre respectively.

- (i) 5% of deed value in case of property situated in Dhaka, Gazipur, Narayanganj, Munshiganj, Narsingdi and Chittagong district.
- (ii) 3% of deed value in case of property situated in places in districts other than above districts.

▪ **Insurance commission (u/s 53G)**

Tax has to be withheld at 5% on commission paid to an agent.

▪ **Surveyors of general insurance company (u/s 53GG)**

Taxes at 15% is to be deducted from remuneration or fees paid to a resident surveyor engaged for conducting survey in connection with settlement of insurance claim.

▪ **Collection of tax on transfer, etc. of property (u/s 53H and rule 17II)**

The registering authority while registering a document shall collect income tax from the transferor on the value of the land, building which the document of transfer relates to and on which stamp duty is chargeable under Stamp Act 1899. The tax so collected shall be treated as final tax liability u/s 82C.

The rate of tax will depend on the location of the land and building. The applicable rate may vary from 1% to 4% based on the location. It will not exceed Tk. 1,080,000 per katha (1.65 decimal) for land, additional Tk 600 per square meter for any structure, building, flat, apartment or floor space on the land, if any, or 4% of the deed value, whichever is higher.

Collection of tax shall not apply to the following:

- i) sale by a bank or any financial institution as a mortgagee empowered to sell;
- ii) mortgage of any property to the Bangladesh House Building Finance Corporation against loan.

“Financial institution” shall mean the Bangladesh House Building Finance Corporation, the Bangladesh Shilpa Bank and the Bangladesh Shilpa Rin Sangstha.

▪ **Collection of tax from lease of property (u/s 53HH)**

Any registering officer responsible for registering under the Registration Act, 1908 (XVI of 1908) any document in relation to any lease of immovable property for not less than ten years from any authority formed or established under any law or from any other person shall not register such document unless tax is paid at 4% by the lessor on the lease amount of such property.

Authority mean Rajdhani Unnayan Kartipakkha (RAJUK), Chittagong Development Authority (CDA), Rajshahi Development Authority (RDA), Khulna Development Authority (KDA) or National Housing Authority.

▪ **Interest on deposits of Post Office Saving Bank Account (u/s 53I)**

Tax is to be withheld at 10% from interest of Post Office Savings Bank Account.

▪ **Rental value of vacant land or plant or machinery (u/s 53J, rule 17BB)**

5% tax to be withheld from all such rent.

▪ **Advertisement of newspaper or magazine or private television channel (u/s 53K)**

Taxes are to be withheld at 4% from the advertising bill of newspaper or magazine or private television channel, or private radio station, or any web site etc.

▪ **Transfer of share by sponsor shareholders of a company listed with stock exchange (u/s 53M)**

The Securities & Exchange Commission (SEC) is to collect tax at 5% on the difference between transfer value and face value of the share(s) at the time of transfer shares of a sponsor shareholder or director of a company listed with a stock exchange.

- 'transfer' includes transfer under a gift, bequest, will or an irrevocable trust;
- 'transfer value' shall be deemed to be the value of shares based on the closing price of shares prevailing on the day of consent accorded by the Securities & Exchange Commission or the Stock Exchange, as the case may be, or where such shares were not traded on the date of such consent, the closing price of the last day when such shares were traded.

▪ **Collection of tax from transfer of share of shareholder of Stock Exchange (u/s 53N)**

The Principal Officer of a stock exchange shall deduct tax at 15% on any profits and gains arising from the transfer of share of shareholder of stock exchange at the time of transfer or declaration of transfer or according consent to transfer of such share, whichever earlier.

For the purpose of the computation of profits and gains of share, the cost of acquisition of such share shall be the cost of acquisition incurred before came in force.

- **Deduction of tax from any sum paid by real estate developer to land owner (Section 53P)**

Any person engaged in real estate or land development business pays any sum to the land owner on account of signing money, subsistence money, house rent or in any other form called by whatever name for the purpose of development of the land of such owner in accordance with any power of attorney or any agreement or any written contract, such person shall deduct tax at the rate of 15% on the sum so paid at the time of such payment.

- **Deduction from dividend payments (u/s 54)**

The principal officer of a company shall deduct tax at the time of payment of dividend to a shareholder at the following rates if the shareholder is a resident assessee -

- (i) if the shareholder is a company at the rate of 20%.
- (ii) if the shareholder is a person other than a company at the rate of 10% if twelve-digit Taxpayer's Identification Number (e-TIN) is furnished and 15% if not.

Provided that the provision of this section shall not be applicable to any distribution of taxed dividend to a company being resident in Bangladesh if such taxed dividend enjoys tax exemption under the provisions of the paragraph 60 of Part A of the Sixth Schedule.

"Taxed dividend" means the dividend income on which tax has been paid by the recipient under this Ordinance".

- **Lottery and crossword puzzles (u/s 55)**

Taxes are to be deducted from the amount of winnings payable at the rate of 20%.

- **Income paid or payable to non-resident (u/s 56)**

Under this section firm, project, program, joint venture, trust, cooperative society, public-private partnership are also treated as deducting authority along with any person.

In case of applicability of reduced or nil withholding tax as per double tax treaty or any other reason, a certificate needs to be collected from NBR.

Tax deducted under this section shall be deemed to be the minimum tax liability of the payee and it shall neither be refunded nor be set off or adjusted against any demand.

Applicable withholding tax rates of certain services are stated below:

Sl.	Description of Service	Tax rate
1	Advisory or consultancy service	20%
2	Pre-shipment inspection service	20%
3	Professional service, technical services, technical know-how or technical assistance	20%
4	Architecture, interior design or landscape design, fashion design or process design	20%
5	Certification, rating etc.	20%
6	Charge or rent for satellite, airtime or frequency, rent for channel broadcast	20%
7	Legal service	20%
8	Management service including event management	20%
9	Commission	20%
10	Royalty, licence fee or payments related to intangibles	20%
11	Interest	20%
12	Advertisement broadcasting	20%
13	Advertisement making or Digital Marketing	15%
14	Air transport or water transport (other than the carrying services mentioned in sections 102 or 103A)	7.5%
15	Contractor or sub-contractor of manufacturing, process or conversion	7.5%
16	Supplier	7.5%
17	Capital gain	15%
18	Insurance premium	10%
19	Rental of machinery, equipment etc.	15%
20	Dividend-	
	(a) company	20%
	(b) any other person, not being a company	30%
21	Artist, singer or player	30%
22	Salary or remuneration	30%
23	Exploration or drilling in petroleum operations	5.25%
24	Survey for oil or gas exploration	5.25%
25	Any service for making connectivity between oil or gas field and its export point	5.25%
26	Any payments against any services not mentioned above	20%
27	Any other payments	30%

- **Consequence of failure to deduct, collect etc. (u/s 57)**
 - a) Person/company responsible for making deduction shall be treated as assessee in default in respect of tax not deducted.
 - b) In addition to above, the required person shall be liable to pay:
 - i) the amount of tax that has not been collected or deducted;
 - ii) the amount of tax which was required to be collected or deducted;
 - iii) the amount of tax which has not been paid after deduction;

iv) an additional amount 2% per month on the above amount as mentioned in (i), (ii) and (iii) at below manner:

- In case of failure to deduct, collect or deduction at lower rate, an additional amount 2% per month form the due date of the deduction or collection to the date of the payment of the amount;
- In case of failure to deposit after deduction, an additional amount 2% per month for the date of deduction to the date of payment.

However, periods for which additional amount is calculated shall not exceed 24 months.

▪ **Consequence of issuance of certificate of tax deduction/collection without actual deduction/collection/payment (u/s 57A)**

The person who is responsible for deduction shall be personally liable to pay the amount which not being deducted/collected or paid to the Government. In such case, DCT shall take necessary actions for the collection of the amount form the responsible person after giving him a reasonable opportunity of being heard.

Note that deduction/collection made under above sections shall have to be deposited to Govt. Exchequer as follows:

Time of deduction/collection	Due date of payment
Deduction made during July to May of a year	Within 2 weeks from the end of the month of such deduction/collection
Deduction made during 1 June to 20 June of a year	Within 7 days from the date of such deduction/collection
*Deduction made during 21 June to 30 June	Following day from the date of such deduction/collection

*However, if the deduction/collection was made in the last two working days of the month of June of a year, the payment shall be made on the same day of such deduction/collection.

10. International Tax

10.1 Double Taxation Avoidance Agreement

There are agreements on avoidance of double taxation between Bangladesh and 33 countries which are:

1 UK	18 Belgium
2 Singapore	19 Thailand
3 Sweden	20 Poland
4 Republic of Korea	21 Philippines
5 Canada	22 Vietnam
6 Pakistan	23 Turkey
7 Romania	24 Norway
8 Sri Lanka	25 USA
9 France	26 Indonesia
10 Malaysia	27 Switzerland
11 Japan	28 Oman (air traffic only)
12 India	29 Mauritius
13 Germany	30 United Arab Emirates
14 The Netherlands	31 Myanmar
15 Italy	32 Kingdom of Saudi Arabia
16 Denmark	33 Kingdom of Bahrain
17 China	

10.2 Double Tax Relief

A foreign tax credit is available to a Bangladesh resident in respect of any taxes paid in a foreign jurisdiction on the same income being taxed in Bangladesh. The allowable credit is the lower of the foreign tax paid or the Bangladesh tax otherwise payable.

No provision exists for carry forward or carry-back of excess tax credits.

11. Value Added Tax

11.1 Changes in definition

Clause (ddd) of section 2 of the VAT Act 1991 has been changed as follows:

“Turnover tax” has been included in the definition of “Tax”. Earlier, only Value Added Tax would be meant as “Tax”.

11.2 Inclusion of the explanation of the ‘banking channel’ (Clause (n) of sub-section 2 of section 9 of VAT Act 1991)

Earlier, the bank account which is given to the VAT authority for obtaining VAT registration would be considered as only banking channel. To make it clear, new explanation has added banks and changes of banking channel will also be considered as the banking channel.

11.3 VAT registration (Section 15)

A. Changes of VAT registration for importation of service (Sub-section 1 of section 15 of the VAT Act 1991)

Importer of service is now under the purview of VAT registration.

B. Separate VAT registration for associated organizations even though they are located nearby (Sub-section 2 of section 15 of the VAT Act 1991)

Earlier, if associated organizations under the same ownership situate nearby and maintain uniform accounts, one VAT registration for all the concerned associated organisations was legally allowed. As this provision has been deleted, currently each associated organizations situating nearby are required to take separate VAT registration even if it maintains uniform accounts.

11.4 Scope extended for assistance to the Value Added Tax officers

Clause (d) of sub-section (1) of section 24 of VAT Act 1991 has been changed as follows:

Officials of Non-banking financial institutions, Stock exchange, Securities Exchange Commission (SEC), Registrar of Joint Stock Companies (RJSC), Audit and Accounting firms and Credit rating agencies are new addition to provide necessary co-operation to the Value Added Tax officers.

11.5 Inclusion in the schedule of VAT exempted service (Second Schedule of VAT Act 1991)

Sale or transfer of land and its registration (except land developer firm and real estate business) has been added to the VAT exempted services.

11.6 Return of Turnover Tax has been modified to a completely new format (S.R.O. No. 189-AIN/2018/803 – Mushak)

There is an introduction of new format of turnover tax return which is almost similar to the return of turnover tax prescribed in the New VAT Act (i.e. the VAT Act – 2012)

11.7 VAT return has been modified to a completely new format (S.R.O. No. 189-AIN/2018/803 – Mushak)

There is an introduction of new format of VAT return which is almost similar to the VAT return prescribed in the New VAT Act (i.e. the VAT Act – 2012)

11.8 Amendment and Inclusion of the definitions (S.R.O. No. 205-AIN/2018/808 – Mushak)

A. Inclusion of ‘Social Media and Virtual Business’

Social Media and Virtual Business means giving advertisement, establishing connection for transportation, e-commerce based purchase-sale or transfer of goods or services [e.g. vehicle, furniture, air conditioner, freezer, refrigerator, television, washing machine, camera, home theatre, ornaments (Gold or Diamond), international branded cloths and shoes, etc.] without having own sales or business centre using internet or web or social media or mobile application or similar type of media based platforms by using any kinds of electronic network.

B. Amendment of ‘Information Technology Enabled Services (ITES)’

Previous regulation	New regulation	Specific changes
Information Technology Enabled Services means Digital Content Development and Management, Animation (both 2D and 3D), Geographic Information Services (GIS), IT Support and Software Maintenance Services, Web Site Services, Business Process Outsourcing, Data entry, Data Processing, Call Centre, Graphics Design (digital service), Search Engine Optimization, Web Listing, E-commerce and Online Shopping, document conversion, imaging and archiving, Any automated services rendered by Internet or Electronic network, E-Procurement and E-Auction.	Information Technology Enabled Services Digital Content Development and Management, Animation (Both 2D and 3D), Geographic Information Services (GIS), IT Support and Software Maintenance Services, Website Hosting, Digital Data Analytics, Business Process Outsourcing, Data Entry, Data Processing, Call Centre, Digital Graphics Design and Computer Aided Design, Search Engine Optimization, Web Listing, Document Conversion, Imaging and Archiving, Overseas Medical Transcription, Cyber Security Services, E-Procurement and E-Auction.”	As per new definition, the following services have been included under definition ITES services that are Website Hosting, Digital Data Analytics, Computer Aided Design, Overseas Medical Transcription and Cyber Security Services. The following services have been removed under definition ITES services: -E-commerce -On-line shopping -any automated services rendered by internet

11.9 Changes made in truncated VAT rate (S.R.O. No. 173-AIN/2018/796–Mushak and 204-AIN/2018/807–Mushak)

Service code	Service name	Previous rate	New rate
S001.20	Normal restaurant	7.5%	7%
S004.00	Construction firm	6%	7%
S010.20	Building construction firm	Up to 1,100 sq. ft: 1.5%	Up to 1,600 sq. ft., 2%
		1,101 to 1,600 sq. ft: 2.5%	
		Above 1,600 sq. ft: 4.5%	Above 1,600 sq. ft.: 4.5%
		-	2% VAT in case of re-registration irrespective of size
S012.14	Internet firm	15%	5%
S024.00	Furniture distributors:		
	i) Manufacturing stage	6%	7%
	ii) Distribution stage	4%	5%
S048.00	Transportation of petroleum products	4.5%	5%
S060.00	Buyers of auctioned goods	4%	5%
S069.00	English medium school	7.5%	5%
S078.00	Seller of own branded readymade garments	4%	5%
S079.00	Virtual business	-	5%
S099.10	Information Technology Enabled Services	4.5%	5%
S099.60	Credit Rating Agency	15%	7%

11.10 Amendment of VAT rate under the commercial import stage and trading stage (S.R.O. No. 174/AIN/2018/797/Mushak)

Nature of VAT	Stages	Previous rate	New rate
Advance Trade VAT	Commercial Import stage	4%	5%
Trade VAT	Trading stage	4%	5%

11.11 Addition of VAT exempted goods and service in different stages (S.R.O. No. 167-AIN/2018/790-Mushak)

HS Code	Name of the goods and services	Stages
30.03	Erythropoietin type medicine	Import stage
0909.21.90	Coriander seed	Import stage
1207.70.10	Melon seed	Import stage
1008.21.10	Fodder Crop Seed as Millet seed	Import stage
6402.20.00	Sandal made of plastic or rubber valued not more than Tk. 150	Manufacturing stage
19.05	Bread and biscuit valued not more than Tk. 100 and cake valued not more than Tk. 150	Manufacturing stage
S005.10	Port service for international flight operation	Service stage
S027.00	Insurance agent commission	Service stage

11.12 Supplementary Duty (SD) newly introduced or increased in case of local supply

Some of the commonly used products and services on which SD has been newly introduced or increased at local supply:

Service code	Service name	Previous rate	New rate
2202.90.00	Energy drink	25%	35%
3304.99.00	Beauty/make-up Preparations & Preparations for the care of the skin (other Than Medicaments), Including Sunscreen Or Sun Tan Preparations, Others	0%	10%
Related H.S. Codes	<ul style="list-style-type: none"> • Pre-shave, shaving or after shave preparation • Personal deodorants and antiperspirants • Perfumed bath salts and other bath preparations • Room perfuming preparations 	10%	15%
Related H.S. Codes	Bathtub, Shower, Shower Tray made of ceramics	20%	30%
Related H.S. Codes	Polythene bag, plastic bag and wrapping	0%	5%
S058.00	Chartered plane or Helicopter (except air ambulance)	0%	20%

11.13 Exemption of VAT for the manufacturer of motor cycle and its parts (S.R.O. No. 175/AIN/2018/798 - Mushak)

VAT exemption is given in different stages for the manufacturer of motor cycle and its parts **subject to fulfilment of certain conditions:**

Category	Stage
Materials imported for manufacturing of motor cycle and its parts	Import stage
Sales of manufactured motor cycle and parts through use of VAT exempted imported materials	Manufacturing stage

11.14 Exemption of VAT for the manufacturer of mobile telephone set/cellular phone (S.R.O. No. 168/AIN/2018/791 - Mushak)

VAT will be exempted in different stages for the manufacturer of mobile telephone set/cellular phone **subject to fulfilment of certain conditions:**

Category	Stage
Materials imported for manufacturing of mobile telephone set/cellular phone	Import stage
Sales of manufactured mobile telephone set/ cellular phone	Manufacturing stage

11.15 Interpretation on ride sharing service in the VAT regulation

As per new interpretation of ride sharing service, 5% VAT is applicable only on the service fee which is due to be received by Apps owner (e.g. Uber, Pataho, etc.). It has also been clarified that remaining part of the fare (except service fee of Apps owner) would be VAT exempted as per the existing VAT regulation

11.16 VAT rates

The following service codes will fall under truncated VAT:

Sl.	Service provider	Service code	Rate
1	Restaurant:	S001.20	
	Non-air conditioned		7%
	Air conditioned		15%
2	Motor vehicles garage and workshop	S003.10	10%
3	Dockyard	S003.20	10%
4	Construction firm	S004.00	7%
5	Land developer	S010.10	3%
6	Building construction firm	S010.20	
	Base of VAT		
	Up to 1,6 00 square feet		2%
	Above 1,600 square feet		4.5%
	Reregistration irrespective of size		2%
7	Internet firm	S012.14	5%
8	Furniture distributors:	S024.00	
	i) Manufacturing stage		7%
	ii) Distribution stage		5%
9	Goldsmith and silversmith	S026.00	5%
10	Procurement provider	S037.00	5%
11	Transport contractor:	S048.00	
	i) Transportation of petroleum products		5%
	ii) Others		10%
12	Electricity distributor	S057.00	5%
13	Buyers of auctioned goods	S060.00	5%
14	English medium school	S069.00	5%
15	Seller of own branded readymade garments	S078.00	5%
16	Social media and virtual business	S079.00	5%
17	Information Technology Enabled Services (ITES)	S099.10	5%
18	Credit rating agency	S099.60	7%

In case of services/supply falling under below category, VAT will have to be deducted at source at mentioned rates:

Sl.	Service Code	Service Provider	Rate
1	S002.00	Decorators and caterers	15%
2	S003.10	Motor car garage and workshop	10%
3	S003.20	Dockyard	10%
4	S004.00	Construction firm	7%
5	S004.00	Advertising firm*	15%
6	S008.10	Printing press	15%
7	S009.00	Auction firm	15%

Sl.	Service Code	Service Provider	Rate
8	S010.10	Land developer	3%
9	S010.20	Building construction firm	
		Up to 1,6 00 square feet	2%
		Above 1,600 square feet	4.5%
		Reregistration irrespective of size	2%
10	S014.00	Indenting agency	15%
11	S020.00	Survey firm	15%
12	S021.00	Plant or capital machinery rental firm	15%
13	S024.00	Furniture distributors	
		a. Manufacturing stage	7%
		b. Selling stage (showroom) (subject to 7% VAT challan at manufacturing stage)	5%
14	S028.00	Courier and express mail service	15%
15	S031.00	Repair and maintenance service firm	15%
16	S032.00	Consultancy and supervisory firm	15%
17	S033.00	Lessor	15%
18	S034.00	Audit and accounting firm	15%
19	S037.00	Procurement provider	5%
20	S040.00	Security service	15%
21	S045.00	Legal advisor	15%
22	S048.00	Transport contractor:	
		i) Transportation of petroleum products	5%
		ii) Others	10%
23	S049.00	Rent-a -car service provider	15%
24	S050.10	Architect, interior designer or interior decorator	15%
25	S050.20	Graphic designer	15%
26	S051.00	Engineering firm	15%
27	S052.00	Sound and lighting accessories provider	15%
28	S053.00	Board meeting participants	15%
29	S054.00	Advertisement through satellite channel	15%
29	S058.00	Chartered air or helicopter rental firm	15%
31	S060.00	Buyer of auctioned goods	5%
32	S065.00	Cleaning and maintenance services of floors, compounds etc.	15%
33	S066.00	Seller of lottery ticket	15%
34	S071.00	Event management	15%
35	S072.00	Human resource supplier or management	15%
36	S099.10	Information technology enable services	5%
37	S099.20	Miscellaneous services	15%
38	S099.30	Sponsorship services	15%
39	S099.60	Credit rating agency	7%

*In case of advertising firm VAT deduction at source is not applicable if Mushak-11 is certified by revenue officer from VAT office, otherwise deduction is required.



Rahman Rahman Huq
Chartered Accountants

Contact us:

Adeeb H. Khan
Senior Partner

T: +880 2 988 6450 – 2
E: adeebkhan@kpmg.com

Ali Ashfaq
Partner

T: +880 2 988 6450 – 2
E: aliaashfaq@kpmg.com

Mehedi Hasan
Partner

T: +880 2 988 6450 – 2
E: mehedihasan@kpmg.com

kpmg.com/socialmedia



kpmg.com/app



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