



Bangladesh

# Taxation Handbook

(Updated to Income Tax Act 2023 &  
Finance Act 2023)

September 2023



## KPMG in Bangladesh

9 & 5 Mohakhali C/A  
Dhaka 1212, Bangladesh

Telephone +880 2 2222 86450-2

Fax +880 2 2222 86449

Email [dhaka@kpmg.com](mailto:dhaka@kpmg.com)

Internet [www.kpmg.com/bd](http://www.kpmg.com/bd)

### About KPMG in Bangladesh

KPMG in Bangladesh is represented by Rahman Rahman Huq, Chartered Accountants (RRH) and KPMG Advisory Services Limited (KASL).

RRH was established in 1962 by Messrs Rezaur Rahman, M. Saifur Rahman and Tashfin I Huq, all being members of the Institute of Chartered Accountants in England & Wales (ICAEW). Over the years, this firm has built a formidable reputation for providing Audit, Tax and Advisory/Consulting services to national and multinational businesses, public sector corporations and development organisations. On 1 January 2006, we became a Member Firm of KPMG International, making us the first "Big 4" Member Firm in Bangladesh. For about a decade prior to that, we were a Representative Firm of KPMG International.

KPMG Advisory Services Limited was formed in 2019. Wholly owned and managed by partners of RRH, KASL focuses on selected Advisory and non-regulated services. KASL is a Member Firm of KPMG International.

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| - Huawei                  | - Gulf Oil                        | - MetLife               | - Tesco                   |
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| - Microsoft               | - Foster Wheeler                  | - Imperial Hospital     | - Sainsbury's             |
| - Siemens                 | - GE Bangladesh                   | - Unilever              | - Mustafa Mart            |
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| - Motorola                | - Vinarco                         | - Bata Shoe             | - Aramex                  |
| - Samsung                 | - Esprat                          | - Marico                | - CMA-CGM                 |
| - Oracle                  | - AusGroup                        | - Nestle                | - Bangladesh Shipping     |
| - Robert Bosch            | - Eni SpA                         | - Syngenta              | - Trident Shipping        |
| - Mitsubishi              | - Cameron                         | - Bangladesh Edible Oil | - Damco                   |
| - AK Khan                 | - Qualitech                       | - Asian Paints          | - DSV Air & Sea           |
| - Bangladesh Bank         | - Summit Power                    | - Godrej                | - WASA                    |
| - Standard Chartered Bank | - Khulna Power                    | - KAFCO                 | - Uber                    |
| - HSBC                    | - United Power                    | - Linde                 | - Cathay Pacific          |
| - Citibank N.A.           | - Wartsila                        | - CEAT                  | - Pan Pacific             |
| - Eastern Bank Ltd.       | - Energypac Power Generation Ltd. | - Honda                 | - Sonargaon Hotel         |
| - The City Bank Ltd.      | - Haripur Power                   | - G4S                   | - UNDP                    |
| - Dhaka Bank Ltd.         | - Meghnaghat Power                | - SGS                   | - icddr,b                 |
| - Mutual Trust Bank Ltd.  | - NEPC                            | - Intertek              | - SMC                     |
| - Habib Bank Ltd.         | - KN Power                        | - TUV SUD               | - OXFAM                   |
| - Bank Alfalah Ltd.       | - ABB Limited                     | - Avery Dennison        | - Save the Children, etc. |
| - IFIC Bank               | - British American Tobacco        | - Youngone              |                           |
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Currently KPMG in Bangladesh has 7 active partners/directors. Operating from offices in Dhaka and Chattogram, we employ around 440 professionals. KPMG in Bangladesh, 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.

## Table of Contents

<b>1.</b>	<b>Introduction</b>	<b>1</b>
<b>2.</b>	<b>Tax rates</b>	<b>2</b>
2.1.	Tax rates for individual, etc.	2
2.2.	Corporate tax rates	4
2.3.	Reduced rates of Corporate Tax applicable to certain industrial companies	5
2.4.	Capital gains tax	5
2.6.	The Offshore Indirect Transfer Rules 2022	7
2.7.	Tax on dividend/remittance of profit	7
2.8.	Tax on retained earnings	8
2.9.	Applicability of tax rates	8
2.10.	Charge of additional tax	8
2.11.	Charge of tax on the difference of investment, import and export	8
2.12.	Filing of tax return	8
<b>3.</b>	<b>Personal income tax</b>	<b>10</b>
3.1.	Introduction	10
3.2.	Resident	10
3.3.	Taxable income	10
3.4.	Requirement of proof of submission of return	11
3.5.	Taxpayer's registration	13
3.6.	Cancellation of taxpayer's registration	13
3.7.	Issuance of Withholding Identification Number (WIN)	13
3.8.	Self-assessment	13
3.9.	Return process	14
3.10.	Audit of income tax return	14
3.11.	Spot assessment	15
3.12.	Submission of the statement of assets and liabilities and the statement of lifestyle	15
3.13.	Tax Clearance Certificate	16
3.14.	Tax rebate on investment	16
3.15.	Determination of perquisites other than financial benefits	17
3.16.	Unexplained investments in building and apartment	17
3.17.	Imposition of tax on income of chamber of commerce and industry, trade federation or any such business organisation	18
<b>4.</b>	<b>Corporate tax</b>	<b>19</b>
4.1.	Introduction	19
4.2.	Resident	19
4.3.	Permanent establishment	20
4.4.	Taxable income	20
4.5.	Income deemed to accrue or arise in Bangladesh	21
4.6.	Income year	21
4.7.	Tax depreciation	21
4.8.	Accelerated depreciation	22
4.9.	Allowable perquisites	22
4.10.	Income from business	23

4.11.	Special sectors of income from business	23
4.12.	Allowable tax deductions	24
4.13.	Deductions not admissible in certain circumstances	25
4.14.	Special business income	26
4.15.	Donations	26
4.16.	Minimum tax	26
4.17.	Advance tax payment	30
4.18.	Advance tax payment by cigarette manufacturer	31
4.19.	Annual tax return filing and tax payment	31
4.20.	Return of withholding tax	31
4.21.	Assessment	31
4.22.	Bar to question assessment	32
4.23.	Self-assessment scheme	32
4.24.	Appeals	32
4.25.	Power of search and seizure	33
4.26.	Power to verify and enforce withholding tax	33
4.27.	Other mode of recovery	33
4.28.	Power to take evidence on oath	33
<b>5.</b>	<b>Tax incentives</b>	<b>34</b>
5.1.	Start-up Sandbox	34
5.2.	Special Economic Zones and Developing Unit	34
5.3.	Hi-Tech Park Zone	35
5.4.	Partial tax exemption for newly established industrial undertaking	36
5.5.	Partial tax exemption for newly established physical infrastructure facility	38
5.6.	Tax exemption for Public Private Partnership (PPP) Project	39
5.7.	Export Processing Zones	40
5.8.	Income from the business of software development or NTTN and ITES	40
5.9.	Exemption of income from production of automobile	41
5.10.	Exemption of income from production of specified ICT products	42
5.11.	Exemption of income from production of specified agriculture-based products	42
5.12.	Exemption of income from production of light engineering machine	43
5.13.	Exemption of income from production of home appliances	43
5.14.	Exemption of income for providing training on human resource development	43
5.15.	Exemption of income of certain type of hospital	44
5.16.	Exemption from income of export of handicrafts	44
5.17.	Income derived from any SME	45
5.18.	Donation to any fund established by "Trust of Prime Minister Education Assistance Act 2012"	45
5.19.	Incentives for private sector power generation companies (other than coal based)	45
5.20.	Incentives for private sector power generation companies (coal based)	45
5.21.	Exemption/reduced tax rate is not allowed in case of failure to file the return within stipulated time	46
5.22.	Agricultural income	46
5.23.	Interest on pensioners' savings certificate	46
5.24.	Foreign income by individuals	46
5.25.	Gratuity income	46
5.26.	Certain bond income	47
5.27.	Donation to girls' school/college	47

5.28.	Donation to technical and vocation institution	47
5.29.	Donation to research and development	47
5.30.	Employing of disabled person or third gender	47
5.31.	Income received other than bank interest/dividend by any educational institution	47
5.32.	Income received other than bank interest/dividend by any public university, ICAB, ICMAB and ICSB	47
5.33.	Income received in foreign currency by an ocean-going ship	47
5.34.	Salary income	47
5.35.	Corporate Social Responsibility (CSR) activity to get tax rebate	48
<b>6.</b>	<b>Penalty and prosecution for non-compliance</b>	<b>50</b>
<b>7.</b>	<b>Voluntary disclosure</b>	<b>52</b>
<b>8.</b>	<b>Transfer pricing</b>	<b>53</b>
<b>9.</b>	<b>Others</b>	<b>54</b>
9.1.	Stay of proceeding in case of pending appeal or reference at Appellate Tribunal or High Court Division	54
9.2.	Decision of ADR	54
9.3.	Notice, assessment order and tax form delivered	54
9.4.	Amortisation in Third Schedule	54
9.5.	Computation of income of contractor, etc., of an oil company residing out of Bangladesh	55
9.6.	Tax calendar for company	55
9.7.	Displaying proof of submission of return	55
9.8.	Export income	55
9.9.	Supply of goods	55
9.10.	Written down value	56
9.11.	Fair market value	56
9.12.	Company	56
9.13.	Person	56
9.14.	Capital assets	56
9.15.	Trust	56
<b>10.</b>	<b>Income subject to tax withholding/deduction/collection at source</b>	<b>57</b>
<b>11.</b>	<b>International Tax</b>	<b>74</b>
11.1.	Double Taxation Avoidance Agreement	74
11.2.	Double tax relief	74
<b>12.</b>	<b>Value Added Tax</b>	<b>75</b>
12.1.	Registration or enlistment requirements	75
12.2.	Coverage of VAT	77
12.3.	Type of VAT rates	78
12.4.	VAT mechanism	80
12.5.	Value of taxable supply	87
12.6.	Few important matters	89
12.7.	VAT documentations	93

## 1. Introduction

We are pleased to present to you our annual publication on Bangladesh tax regulations as amended up to Income Tax Act 2023 and the Finance Act 2023.

This was an unusual year as we saw replacement of Income Tax Ordinance 1984, in addition to the usual annual Finance Act. Income Tax Act 2023 not only brought about structural changes in the overarching legislation, but introduced widely used international fiscal principles on Thin Capitalisation, employee share options, etc.

This Handbook incorporates the important provisions of Income Tax Act 2023 and Value Added Tax and Supplementary Duty Act 2012 and Rules 2016, as amended by above legislative instruments. The information contained in this Handbook 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. This Handbook contains selected aspects of Bangladesh tax provisions and is not intended to be comprehensive. Competent professional advice should be sought for specific circumstances.

We hope you will find this Handbook useful.

Adeeb H. Khan  
*Senior Partner*

## 2. Tax rates

### 2.1. Tax rates for individual, etc.

Tax is not payable by tax residents on income below Taka 350,000 (for men). The following tax rates are applicable to resident individual, Hindu undivided family, partnership firm and non-resident Bangladeshi:

#### Residents including non-resident Bangladeshi

Total income	Tax rate
First Taka 350,000*	Nil
Next Taka 100,000	5%
Next Taka 300,000	10%
Next Taka 400,000	15%
Next Taka 500,000	20%
On the balance	25%

\*Initial exemption limit for:

- women and senior citizens aged 65 years or above it is Taka 400,000,
- physically challenged persons and third gender, it is Taka 475,000, and
- gazetted war-wounded freedom fighters it is Taka 500,000.

In case of parent/legal guardian of a physically challenged person, he/she (only one assessee if father and mother both are taxpayer) will get a further initial exemption of Taka 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 by an assessee is as follows:

Location	Minimum tax (Taka)
Dhaka and Chattogram City Corporation	5,000
Any other City Corporation	4,000
Other than City Corporation	3,000

#### Charge of surcharge

Surcharge is payable by an individual assessee at following manner:

Total net worth	Rate
Over Taka 40 million to Taka 100 million or owner of more than 1 motor car or owner of house property of more than 8,000 square feet size within city corporation area	10%
Over Taka 100 million to Taka 200 million	20%
Over Taka 200 million to Taka 500 million	30%
Over Taka 500 million	35%

### Environmental surcharge

Engine capacity of motor car	Rate (Taka)
Up to 1500cc or 75kw	25,000
Exceeding 1500cc or 75kw but not 2000cc or 100 kw	50,000
Exceeding 2000cc or 100 kw but not 2500cc or 125 kw	75,000
Exceeding 2500cc or 125 kw but not 3000cc or 150 kw	150,000
Exceeding 3000cc or 150 kw but not 3500cc or 175 kw	200,000
Exceeding 3500cc or 175 kw	350,000

Environment surcharge is payable to all types of taxpayers having more than one motor car and surcharge will be exempted on the motor car with the lowest applicable surcharge. This surcharge will be collected during registration or fitness renewal.

### 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, is engaged in manufacturing of products and derives income from such industries then he will be entitled to a 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

Tax payable at the time of registration or renewal of fitness certificate in the form of advance income tax for motor vehicles is:

Type and engine capacity of motor car	Tax payable (Taka)
A motor car, not exceeding 1500cc or 75kw	25,000
A motor car, exceeding 1500cc or 75kw but not exceeding 2000cc or 100kw	50,000
A motor car, exceeding 2000cc or 100kw but not exceeding 2500cc or 125kw	75,000
A motor car, exceeding 2500cc or 125kw but not exceeding 3000cc or 150kw	125,000
A motor car, exceeding 3000cc or 150kw but not exceeding 3500cc or 175 kw	150,000
A motor car, exceeding 3500cc or 175kw	200,000
A microbus	30,000

“Motor car” includes a jeep or a microbus but does not include a motorcycle or a motor vehicle plying commercially as per section 138.

Such advance income 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 institute which has received a relevant letter from National Board of Revenue (NBR).

If any assessee owns more than one motor vehicle self or jointly, then advance income tax will be 50% higher for every additional vehicle's registration. This shall be treated as advance payment of tax of the assessee. Moreover, such advance tax shall not be refundable.

In case of registration or fitness renewal of motor car for more than one-year, advance income tax shall be collected on or before 30 June in every subsequent year.

If any person fails to pay advance tax, aggregate amount i.e. amount of advance income tax not paid in previous year or years plus amount of advance income tax payable for current year will need to be paid.

## 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, mobile phone operator companies and cigarette, zarda, bidi, gul or any other tobacco product manufacturing companies) listed more than 10% of their paid-up capital through IPO.	20%*
<i>However, publicly traded companies listed 10% or less of their paid-up capital through IPO.</i>	22.5%*
One-person company	22.5%*
Non-listed companies including branch companies other than banks, insurance companies, merchant banks and other financial institutions, jute, textile, mobile phone operator companies and cigarette, zarda, bidi, gul or any other tobacco product manufacturing companies.	27.5%*
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	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	40%
<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>	
Trust, fund, association of persons and other taxable entities	27.5%*

\* All income and receipts, and all expenses and investments over Taka 0.5 million for a single transaction and total Taka 3.6 million in a year shall be made through banking channel; otherwise, tax rate will be increased by 2.5%.

However, 5% additional tax will be charged if disabled persons are not provided with proper arrangement for movement at the place of service by school, college, university and NGO.

On the other hand, rebate of 5% tax or waiver of 75% of salary to physically challenged or third gender employees, whichever is lower, will be allowed for employing 10% of total employees or more than 25 persons from physically challenged or third gender persons.

### 2.3. Reduced rates of Corporate Tax applicable to certain industrial companies

Companies	Rate
Cooperative societies registered under Cooperative Society Act, 2001	15%
Private universities, private medical college, private dental college, private engineering college or private college engaged in imparting education on information technology	15%
Textile industries engaged in yarn/fabric production, dyeing, finishing, conning, and printing	15%*
Income from exports other than individual, firm and Hindu undivided family	12%*
Income from exports other than individual, firm and Hindu undivided family having Leadership in Energy and Environmental Design (LEED) certificate for production of goods	10%
Individual, firm and Hindu undivided family are eligible to get 50% exemption on export income.  <i>Transportation, mobile telecommunication, internet services are not eligible for above benefits.</i>	
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: <ul style="list-style-type: none"> <li>▪ Income up to Taka 1,000,000</li> <li>▪ Next Taka 2,000,000</li> <li>▪ On the balance amount</li> </ul>	3% 10% 15%
Income from fisheries, poultry farming, hatchery of poultry, shrimp and fish: <ul style="list-style-type: none"> <li>▪ Income up to Taka 1,000,000</li> <li>▪ Next Taka 1,000,000</li> <li>▪ Next Taka 1,000,000</li> <li>▪ On the balance amount</li> </ul>	nil 5% 10% 15%

\* Tax at regular rate shall be applied if any financial penalty is imposed by any Government authority for breaching environmental rules.

### 2.4. Capital gains tax

Transfer of any capital asset will create income from capital gain. However, if any asset is revalued at fair market value as per the requirement of International Accounting Standard (IAS) and International Financial Reporting Standard (IFRS), it will not be considered as transfer and the deemed income (i.e. unrealised gain) shall not be considered as capital gain.

#### 2.4.1. 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:

Sl.	Particulars	Rate
a.	Resident companies and firms	10%
b.	Non-resident individuals	15%
c.	Sponsor shareholders and shareholder directors	5%
d.	Resident individuals 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 unless such resident individual falls in categories (c) and (d) of above.

#### 2.4.2. 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 rate of 15% on the amount of capital gains.

#### 2.5. Capital gains tax on transfer of share through amalgamation

Amalgamation means the merger of one or more companies with another company, or the merger of two or more companies to form one company. All the property of the amalgamating company becomes the property of the amalgamated company, and all the liabilities of the amalgamating company become the liabilities of the amalgamated company. Shareholders holding 75% or more value of shares of amalgamating company, would need to be shareholders of the amalgamated company. Foreign amalgamating company directly or indirectly holding shares in Bangladesh entity are also included. Transfer of capital assets in a scheme of amalgamation is exempted from tax. However, consideration other than exchange of shares is subject to capital gains tax.

##### 2.5.1. Capital gains tax on transfer of share through demerger

Demerger means an arrangement where a company (i.e. demerged company) demerges its one or more undertakings to another company (i.e. resulting company) where all assets and liabilities of the undertakings will be transferred to the resulting company. The assets & liabilities will be transferred at the book value of demerged company to the resulting company. Unabsorbed depreciation and accumulated loss of demerged company can be transferred to resulting company. Shareholders holding 75% or more value of shares of demerged company, would need to be shareholders of the resulting company. Foreign demerged company directly or indirectly holding shares in Bangladesh entity are also included in this demerger arrangement. Transfer of capital assets in demerger scheme is exempted from tax if prescribed conditions are met. However, if shareholders of demerged company receive any consideration in shares of resulting company or if value of shares received of the resulting company is more than value of the proportionate shares of

demerged company, higher amount shall be treated as taxable income and taxed at applicable rate.

## 2.6. The Offshore Indirect Transfer Rules 2022

NBR prescribed a detailed guidance on income deemed to accrue or arise in Bangladesh due to transfer of any assets situated in Bangladesh and related tax computations, tax payments and tax compliances. As per section 27 of ITA 2023, the transfer of any share in a company that is not a resident of Bangladesh shall be deemed to be the transfer of an asset situated in Bangladesh to the extent that the value of the share transferred is directly or indirectly attributable to the value of any assets in Bangladesh. NBR prescribes formula and methodology vide SRO 156 for income attributable to assets in Bangladesh. However, the DCT has the authority to compute income attributable to assets in Bangladesh as he may deem fit if the transferor of the share of the company fails to provide the information required for the application of the prescribed formula.

As per the guidance, the transferor is required to file the return of income and furnish a report in 'Form No. OIT-1' duly signed and verified by an accountant providing the basis of the apportionment in accordance with the formula and certifying that the income attributable to assets situated in Bangladesh has been correctly computed.

The Bangladeshi company or entity is required to file a return of income applicable for the income year in which the transfer took place, furnish a report in 'Form No. OIT-2' within 90 days of such transfer and maintain certain specified documents.

SRO 156 provides a minimum threshold for taxation on transfers of shares in a foreign company that derives, directly or indirectly, its value from the assets in Bangladesh.

## 2.7. Tax on dividend/remittance of profit

A company paying dividend shall withhold tax at the rate of

- 20% on dividend payable to a non-resident company/fund/trust and resident company,
- 30% on dividend payable to any non-resident other than a company/fund/trust, and
- 10% (subject to furnishing Taxpayer's Identification Number (TIN)) or 15% on dividend payable to a resident person other than a company.

If stock dividend declared or distributed by a listed company exceeds the cash dividend in any income year, 10% tax on the whole amount of stock dividend will be applicable. Such tax cannot be adjusted with any other tax liability of the 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 obtaining certification from NBR.

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

## 2.8. Tax on retained earnings

If listed company transfers more than 70% of its net profit/income after tax to retained earnings or any fund, reserve or surplus in an income year, it shall have to pay tax at the rate of 10% on the total amount transferred. Such tax cannot be adjusted with any other tax liability of the company.

## 2.9. Applicability of tax rates

All rates quoted from 2.1 to 2.9 will apply for the assessment year 2023-2024, unless stated otherwise.

## 2.10. 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 their business or profession without prior approval of Bangladesh Investment Development Authority (BIDA) or any other competent Government authority. This additional tax is higher of 50% of the tax payable on his income or Taka 500,000.

## 2.11. Charge of tax on the difference of investment, import and export

- a) Additional tax will be charged to the assessee on the difference between the amount of import or export as declared in submitted statements and the actual amount paid for import or received from export, respectively. The additional tax will be 50% of the difference amount from the actual transaction value irrespective of higher or lower amount.
- b) Additional tax will be charged to the assessee on the difference between the amount of investment as declared in the submitted statements and the actual amount of investment made. The additional tax will be 50% of the difference amount if the actual amount of investment is found to be lower than the amount of investment disclosed in the statement.

## 2.12. Filing of tax return

Filing of tax return is compulsory for every person who:

- i. in a fiscal year earns total income from all sources exceeding the minimum income exemption threshold (refer to section 2.1);
- ii. was assessed for tax for any one of the three years immediately preceding that income year;
- iii. is a company, a shareholder director or shareholder employee of a company, a firm, a partner of a firm, an association of persons, an employee holding an executive or management position in a business or profession, any public servant is a non-resident having permanent establishment in Bangladesh;
- iv. is subject to tax exemption or lower tax rate not being an institution established solely for charitable purpose or a fund;
- v. is a person required to be registered as income taxpayer; and
- vi. is a person required to furnish proof of submission of return under section 264.

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

- a primary or pre-primary school providing education in Bangla version curriculum or a Government secondary or higher secondary school or an educational institute receiving Government benefits under Monthly Payment Order (MPO) which does not have English version curriculum;
- a public university;
- Bangladesh Bank;
- Local authority;
- Statutory Government authority, autonomous body, a body corporate established or constituted by or under any law if they have no income except fund or interest from the Government;
- Government Provident Fund and Pension Fund;
- a non-resident individual having no fixed base in Bangladesh; and
- any class of persons which the Board, by order in official gazette, exempt from filing the return.

Based on the above, it seems that Funds (including a recognised Provident Fund, an approved Gratuity Fund, a Superannuation Funds, a Pension Fund) are now required to submit annual income tax return along with audited financial statements if the prescribed threshold of turnover will exceed.

If a person submits a return where the conditions of return submission or any guidance of the Board is not complied, then the submitted return would be considered as incomplete return with following consequences:

- A notice will be issued by the DCT mentioning the time limit to submit required documents;
- If notice is not complied, the submitted return will be considered as invalid or ineffective; and
- Receipts of acknowledgment cannot make the return complete.

The tax return accompanied with audited statement of accounts should be prepared and reported in accordance with IAS and IFRS. Submission of audited financial statement is mandatory for companies defined in section 2(31); firms, association of persons, funds having turnover more than Taka 30 million and any person having income from long term contracts.

Any person may apply for changes in accounting methodology and the DCT shall approve the application. The Board may prescribe accounting method and standard for any business, or any class of business, or any other source of income. The return of income should be enclosed with this evidence of compliance with the standard prescribed by the Board. Submission of tax computation sheet along with audited statement of accounts is mandatory showing how the income has been arrived in the tax return. A statement of International Transaction, in applicable cases, needs to be submitted as an integral part of income tax 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. However, in case of assessee being individual who did not previously file return of income, returns are to be filed by 30 June following the end of income year. Individuals who stay outside Bangladesh for higher education, or on deputation, lien for employment, or with valid visa and work permit, the Tax Day would be the 90<sup>th</sup> day from the date of her or his return to Bangladesh. The Tax Day for funds, being other than companies, is 30 November.

Individuals other than person leaving Bangladesh are required to file returns under self-assessment scheme, but the assessing officers have discretion to scrutinise the returns.

Where total income exceeds Taka 600,000 during the income year for any individual, he is required to pay advance tax as either based on the last assessed tax or current estimated income tax. Tax on an employee's salary is required to be withheld at an average rate by the employer at the time of making payment.

#### 3.2. Resident

An individual is treated as a resident of Bangladesh if that person stays in Bangladesh for

- 183 days or more in any income year; or
- 90 days or more in an income year and that person has also previously resided in Bangladesh for a period of 365 or more 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 sourced income of a resident is included in his/her taxable income. Non-residents is required to include only Bangladesh sourced income in his/her taxable income.

Where an individual taxpayer borrows money, gift from a person other than bank transfer, the amount so received shall be considered as 'Income from Other Sources'. However, it shall not be applicable if the money is received from family members and any money so received by bank, financial institute, NGO, micro-credit organisation.

### 3.4. Requirement of proof of submission of return

It has been made compulsory to submit acknowledgement receipt of income tax return or system generated certificate, or tax certificate issued by the Deputy Commissioner of Taxes (DCT) containing name and TIN and the year for which the return has been submitted, at the time of:

- sanction of loan exceeding Taka 2,000,000 to a person;
- all directors and sponsor shareholders directors at the time of registration of a company;
- obtaining or continuing an import registration certificate or export registration certificate;
- obtaining or renewal of trade licence from any City Corporation or paurasava;
- obtaining registration of co-operative society;
- obtaining or renewal of license or enlistment of a surveyor of general insurance;
- registration of land, building or apartment situated within any City Corporation deed value of which exceeds Taka 1,000,000;
- obtaining or maintaining a credit card;
- obtaining or continuing of practicing license of a doctor, a dentist, a lawyer, a chartered accountant, a cost and management accountant, an engineer, an architect, a surveyor or an income tax practitioner;
- obtaining and retaining a license as an Nikah Registrar;
- obtaining or continuing of membership of any trade or professional body;
- obtaining or renewal of a drug license, a fire license, an environment clearance certificate, a BSTI license and clearance;
- obtaining or continuing commercial and industrial connection of gas in any area and obtaining or continuing residential connection of gas in city corporation area;
- obtaining or continuing a survey certificate of a water vessel including launch, steamer, fishing trawler, cargo, coaster, dump-barge etc., plying for hire;
- obtaining the permission or the renewal of permission for the manufacture of bricks from Deputy Commissioner's office in a district or Directorate of Environment, as the case may be;
- parents of students of English medium school following international curriculum within City Corporation, paurasava or in any municipality of a district headquarter;
- obtaining or continuing the connection of electricity within a city corporation, or cantonment board;
- obtaining or maintaining an agency or a distributorship of a company;
- obtaining or maintaining a license for arms;
- opening a letter of credit for the purpose of import;
- opening of postal savings account exceeding Taka 500,000;
- opening and continuing bank account of any sort with credit balance exceeding Taka 1,000,000;



- purchasing savings instruments (Sanchayapatra) exceeding Taka 500,000;
- participating in any election in upazila, paurasava, zilla parishad, city corporation or Jatiya Sangsad;
- participating in shared economic activities by providing motor vehicle, space, accommodation or any other assets;
- 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;
- receiving salaries by public servants;
- 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;
- receiving any amount from the Government under Monthly Payment Order (MPO) if the amount of payment exceeds Taka 16,000 per month;
- registration or renewal of certificate as agent of an insurance company;
- registration, change of ownership or renewal of fitness of a motor vehicle excluding two or three wheeler;
- releasing overseas grants to a registered NGO or a Micro Credit Organisation having licence with Micro Credit Regulatory Authority;
- selling of any goods or services by any digital platform to consumers in Bangladesh;
- submitting an application for membership of a club registered under the Companies Act 1994 and Societies Registration Act 1860;
- submitting any tender documents for supply of goods, execution of a contract or rendering a service;
- Receipts of any good or service by any company or firm;
- submitting a bill of entry for import into or export from Bangladesh;
- submitting a plan for construction of building for the purpose of obtaining approval from RAJUK, CDA, KDA, RDA and in any city corporation or paurasava;
- Obtaining or continuing the registration, license, or enlistment of the vendor of the stamp, court fee, cartridge paper, or deed-writer;
- Opening or continuing bank accounts of trust, fund, foundation, NGO, microcredit organisation, society and cooperative society;
- Taking any rental place in a city corporation area; and
- Supplier or service provider during receipt of the goods supplied or service rendered.

However, a person, not being an individual, shall submit TIN certificate instead of proof of submission of return in the year of incorporation, formation or registration and in the following year.

A person responsible to collect proof of submission of return and fails to collect and verify the authenticity, shall be deemed to be an assessee in default and be liable to pay a penalty up to Taka 1,000,000 upon being heard. In case of failure to display the proof of submission of return in the business premises, assessee shall be liable to a penalty of minimum of Taka 5,000 and maximum of Taka 20,000.

### 3.5. Taxpayer's registration

- a person who is a taxpayer or is required to submit return or furnish proof of submission of return or is willing to pay tax or submit return;
- a person who is eligible to be a registered taxpayer but failed to obtain TIN, tax authorities have the right to issue TIN; and
- TIN may be issued where the income tax authority has found a person having taxable income during the year and has failed to obtain a TIN.

### 3.6. Cancellation of taxpayer's registration

A person can apply for cancellation of tax registration, if he is not a taxpayer or is not required to submit return or furnish proof of submission of return or has no taxable income for last 3 consecutive years and there is no possibility to earn taxable income in future due to physical incapacity or any other reasons, ceased to exist due to death, dissolution or any such reason, or is leaving Bangladesh permanently and will not operate any earning activities in Bangladesh, has obtained duplicate or wrong registration, is changing legal status or is showing any other legal reason.

Before cancellation of the registration, tax authority will ensure that there is no pending case at any stage and there is no tax due. They will also ensure the authenticity of the submitted application. However, NBR may also cancel the tax registration at their own motion.

### 3.7. Issuance of Withholding Identification Number (WIN)

Any person who is required to deduct or collect tax as per ITA 2023, is required to obtain Withholding Identification Number (WIN) in the prescribed manner by the board.

Temporary WIN may be given to a person who has been found eligible for WIN but fails to obtain the same, then Temporary WIN (TWIN) may be issued in the prescribed manner by the Board.

### 3.8. Self-assessment

Self-assessment return submission is mandatory for individuals, OPC, banks, insurance, financial institutions. Companies other than stated above (i.e. OPC, banks, insurance, financial institutions) and individuals leaving Bangladesh can submit the 'normal return'.

'Normal returns' refers returns assessments after hearing and best judgment assessments. If the return is submitted without following the procedures laid down in the section 169, such tax return shall be considered as 'normal return'.

There is no scope for applying for a time extension for the submission of return beyond the Tax Day. If self-assessment return is submitted after the Tax Day, required tax shall be calculated as per section 174.

Where an assessee files a return of income in compliance with the conditions mentioned in section 169, 173 and 174 under self-assessment, then the assessment of such taxable income, tax and other liability will be considered as self completed.

After submission of tax return under self-assessment scheme, if an assessee discovers that due to shown income, claimed tax exemption or tax credit or for other reasons, the tax liability is not calculated or paid accurately then he can submit revised return along with a written explanation. Before submission of revised tax return, the assessee is required to pay the shortfall amount along with 5% monthly interest.

A revised tax return cannot be filed:

- after the expiry of 180 days from the date of the filing of the initial return or
- after submission of first revised tax return or
- after the initial return has been selected for audit under section 182

If the income tax return of an individual assessee is filed under self-assessment, the source of initial capital of his business shall not be questioned, if:

- disclosed income is not tax exempted and that exceeds the tax-free limit;
- disclosed income is at least 20% of the initial capital;
- tax is paid at regular rate on or before submission of income tax return;
- evidence related to the existence of the disclosed business is submitted;
- return is submitted within the Tax Day; and
- a declaration is submitted to the effect that the submitted return is not an arrear return\*.

\* For the purpose of this self-assessment return, 'arrear return' refers to the return which is submitted within the relevant assessment year.

However, the initial capital investment or any fraction thereof shall not be transferred four subsequent income years. If there lies any shortfall of the capital in any income year shall be deemed as income from other sources.

### 3.9. Return process

Upon receipt of an income tax return, the DCT shall compute the total income after making necessary adjustments of any arithmetical accuracy and incorrect claim. He shall determine tax liability taking into account of refundable tax 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 a revised return specifying time limit in the notice. If the assessee files a revised 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 along with a computation specifying total income and tax payable or refundable.

### 3.10. Audit of income tax return

- The return submitted under self-assessment shall not be selected for audit before expiry of 60 days from date of submission.
- A return of income (except the return of income of a bank and financial institution) filed under 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 immediately preceding assessment year and such return:

- is accompanied by corroborative evidence in support of any income exempted from tax;
  - does not show receipt of gift during the year;
  - does not show any income exempted or chargeable to tax at a reduced rate under Section 76; or
  - does not claim in any refund and the taxpayer is compliant with provisions of withholding tax and submits return of withholding tax as per section 177 of ITA 2023.
- A detailed audit methodology along with the timeline is defined and the income tax return processed by the DCT may not be selected for tax audit under section 182 of ITA 2023.
  - After receiving the order of the audit list from NBR, the DCT may issue notice to the taxpayer within 14 working days.
  - Audit team responsible for the tax audit of income tax return shall be separated from the respective circle of the taxpayer.
  - Time limitation for completion of audit process in case of self-assessment cases is 2 years from the month of issuance of the audit notice.

### 3.11. Spot assessment

Where a person is found to have taxable income or is required to submit tax return or is required to comply with any provision of ITA 2023, and the person has failed to perform or comply with requirements of the Act, the DCT may assess the tax liability of such person on the spot.

### 3.12. Submission of the statement of assets and liabilities and the statement of lifestyle

- It is mandatory for an individual assessee, to submit the statement of assets and liabilities, if he
  - a) has a gross wealth over Taka 4 million at the end of income year; or
  - b) owns a motor car; or
  - c) has made an investment in a house property or an apartment in the city corporation area; or
  - d) become owner of asset in abroad; or
  - e) is a shareholder director of company.
- Every resident Bangladeshi individual assessee shall submit assets and liabilities statements in respect of assets located in and outside Bangladesh.
- Non-resident Bangladeshi and non-Bangladeshi shall submit the assets and liabilities statements only in respect of assets located in Bangladesh.
- Every individual assessee can voluntarily submit assets and liabilities statements.

- In the assets and liabilities statements of individual taxpayer, the assets and liabilities of husband or wife or minor child, who do not have TIN, are required to be added in said statements.
- It is mandatory for an individual assessee, to submit the statement of expenses relating to lifestyle, if he
  - a) has income exceeding Taka 0.5 million;
  - b) owns a motor car;
  - c) has earnings from business;
  - d) is a shareholder director of company; or
  - e) made an investment in a house property or an apartment in the city corporation area.

### 3.13. Tax Clearance Certificate

Every expatriate employed in Bangladesh is required to obtain a Tax Clearance Certificate (TCC) from the concerned DCT. This certificate is required to be produced as an evidence of tax payment/exemption at the port of departure from Bangladesh.

### 3.14. 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, namely:

- 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 Taka 120,000 sponsored by a scheduled bank or a financial institution
- 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 government approved public welfare or educational institution
- g) Donation to Zakat Fund/charitable fund established by or under Zakat Fund
- h) Any sum invested up to Taka 500,000 in Government securities, unit certificates and mutual funds, ETF or Joint Investment Scheme unit certificate issued by financial institution, ICB, fund manager etc.
- i) Any sum invested in shares of listed companies listed with any stock exchange in Bangladesh.

An individual taxpayer is eligible to avail investment tax rebate lowest of the following:

- a) 3% of total taxable income (other than income on which reduced and minimum tax rate applicable) or
- b) 15% of total investment as per Part 3 of 6<sup>th</sup> Schedule or
- c) Taka 1 million

### 3.15. Determination of perquisites other than financial benefits

- **House rent**

If rent free accommodation is provided to the employee, the annual rental value is included in income. If accommodation is provided at a concessional rate, the difference between the rental value and the actual payment is included in income.

- **Conveyance allowance**

If the employer provides conveyance facilities, the following is added with the total income –

- Up to 2500cc – Taka 10,000 per month; and
- Exceeding 2500cc – Taka 25,000 per month.

- **Employees share option scheme (ESOP)**

When an employee receives shares of the company under ESOP, the difference between fair market value and cost of share acquisition is added as income under income from salary. In case of sale of such shares the difference between the transfer value of right or entitlement of exercise and the payment against such right or entitlement is added as income of employee.

- **Other benefits:**

Any other benefits provided to employee are added with the income. It should be valued at monetary value or fair market value.

Allowable deduction against the income from employment is lower of 1/3<sup>rd</sup> of total income or Taka 450,000. There is no any further scope of deductible allowance e.g. leave fare assistance etc.

### 3.16. Unexplained investments in building and apartment

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

Sl.	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	Taka 4,000	Taka 6,000
B.	Dhanmondi Residential Area, Defence Officers Housing Society (DOHS), Mohakhali, Lalmatia Housing Society, Uttara Model Town, Bashundhara Residential Area, Dhaka Cantonment, Kawran Bazar, Banasree Bijoy Nagar, Wari, Segunbagicha and Nikunja of Dhaka and Panchlaish, Khulshi, Agrabad and Nasirabad of Chattogram	Taka 3,000	Taka 3,500

	Area	Tax per square meter		
		Up to 120 square meter	within 120 to 200 square meter	More than 200 square meter
C.	Any City Corporation other than area mentioned in A and B above	Taka 800	Taka 1,000	Taka 1,500
D.	Pourashava or any district headquarters	Taka 300	Taka 500	Taka 800
E.	Other area	Taka 200	Taka 300	Taka 500

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.

Furthermore, the rate of tax will be 100% higher if for the income:

- (a) notice has been issued before submission of return for concealment or escaped assessment;
- (b) notice has been issued before submission of return to furnish information; and
- (c) proceeding has been initiated before submission of return for any noncompliance or providing false statement or false information.

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.

### **3.17. 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 to receive distinctive numbers. Companies have to file their tax returns within Tax Day\*. 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. The return should be enclosed with the evidence of compliance with the standard prescribed by NBR. An assessing officer will verify the filed return and may ask for information, explanation and evidence of claims made by an assessee where required. Based on this, the officer may re-compute the total income and tax payable by the assessee 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:

- Liaison office, representative office or branch office of foreign entity
- Any fixed base of a foreign entity or person
- An association or body incorporated by or under any laws of a country outside Bangladesh
- Any bank, insurance, and financial institution
- Any industrial or commercial organisation, foundation, society, cooperative society, and any educational institution
- A body corporate established or constituted by or under any law in force
- Any firm, association, combination of persons or joint venture if any of such persons are registered as a company
- NGOs, local authority, autonomous body, statutory Govt. authority Any foreign association or body which NBR declares to be a company.

*\*Tax Day means in case of company the 15<sup>th</sup> day of the seventh month following the end of the income year or 15<sup>th</sup> September following the end of the income year where said 15<sup>th</sup> day falls before the 15<sup>th</sup> September.*

Example:

Income year end	Tax Day
31 December	15 September
31 March	15 October
30 June	15 January
30 September	15 September

### 4.2. Resident

In general, a company which is incorporated in Bangladesh will be treated as a resident for tax purposes. Any company, trust, fund or an entity whose control and management are situated wholly in Bangladesh will also be treated as a resident for tax purposes. A local authority and every other artificial juridical person will also be treated as resident.



#### 4.3. Permanent establishment

“Permanent Establishment” (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.

#### 4.4. Taxable income

Tax is imposed on total income from all sources after taking deduction for allowable expenses. 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 such income are allowable as deductions.

Foreign sourced 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 bank transfer, shall be deemed to be the income of the company from ‘Income from Other Sources’ for that income year. However, capital contribution through transfer of any kind of capital assets except cash (non-cash contribution) is acceptable.

Where a company borrows money from a person other than bank transfer, the amount so received shall be considered as ‘Income from Other Sources’. However, in the year of repayment, it shall be tax deductible.

#### 4.5. Income deemed to accrue or arise in Bangladesh

Any income from the below sources will be considered within the scope of total income of an assessee:

- (a) income from any permanent establishment in Bangladesh;
- (b) income from any property, asset, right or other source of income, including intangible property, in Bangladesh;
- (c) income from any transfer of any assets situated in Bangladesh;
- (d) income from any sale of any goods or services by any electronic means to purchasers in Bangladesh; and
- (e) income from 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
  - registered in Bangladesh; or
  - 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;
- (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;
- (d) dividend paid outside Bangladesh by any Bangladeshi company; and
- (e) insurance or reinsurance premium paid for any risk coverage within 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.

Banks, insurance companies or financial institution (and subsidiaries thereof) are required to have their accounting year, for tax filing purposes, as January to December.

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. Tax depreciation

Tax depreciation on fixed assets of the company (except on cost of land) is allowed at prescribed rates as per Third Schedule of ITA 2023. To claim tax depreciation, the assets need to be used for business purpose and reflected in the tax return, otherwise deduction is not allowed. In case of leasing any asset, the lessor is allowed to deduct tax depreciation against the lease rental income. It is clarified that lessor is not eligible to get tax depreciation benefits in case of finance lease. Leasing company includes any kind of leasing company, bank or financial institution engaged in leasing business.

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 license fee is allowed as an admissible expense for any resident company who obtains license from Government for two or more years for the business operation of the company. The amortisation shall be calculated on straight line basis. The amortisation is also application for the following items at specified rate:

- Research and development expenditure: 10%
- Bangladeshi software: 20%
- Foreign software: 10%

Amortisation on pre-commencement expenditures including feasibility study, construction of model and prototypes, experimental production etc. are allowed at 20% as an admissible expense.

If any expenditure is disallowed at any assessment claiming capital nature, taxpayer is allowed to amortise such disallowed expense at 10% at straight line basis.

#### 4.8. Accelerated depreciation

Any kind of machinery and plant, which is being used in any industrial undertaking situated in Bangladesh, can be eligible for accelerated depreciation allowance subject to fulfilment of certain conditions. Such allowance is applicable for 3 years at the following rates from date of commercial production with the condition that the assets should be not in use earlier in Bangladesh:

Commencement of commercial production's year	Year
First year	50%
Second year	30%
Third year	20%

- The ownership and management as well as head office of industrial undertaking shall be situated in Bangladesh
- The company shall be registered in Bangladesh under Companies Act 1994 with authorised and paid-up capital of minimum Taka 2 million
- The industrial undertaking shall obtain tax registration, maintain books of accounts as per ITA 2023, maintain separate records, submit income tax return
- The company is required to apply NBR for availing accelerated depreciation within 6 months from the last date of the month of commercial production started and a declaration that neither any tax exemption has been availed nor it will apply NBR for tax exemption
- If any asset enjoys accelerated depreciation in any income year, it shall not be eligible for further normal or initial depreciation.

#### 4.9. Allowable perquisites

Perquisite has been defined as follows:

Perquisite means any payment or benefit including incentive bonus made by an employer to employee excluding –

- (i) basic salary, arrear salary, advance salary, festival bonus, leave encashment and overtime, and
- (ii) 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 Taka 1,000,000 per employee. The value of perquisites paid/provided to an employee in excess of Taka 1,000,000 in an assessment year shall be disallowed in company's assessment.

#### **4.10. Income from business**

All income through operation of business activities shall be 'Income from business' including the following:

- Income earned by rendering specific services by a business entity or a professional body to its members;
- Fair market value of any benefits from relationship of any person's past, present or prospective future business;
- Any management fee by the management company;
- Any amount received by the lessor bank, insurance or financial institution;
- Realised gain from currency exchange (subject to 3<sup>rd</sup> Schedule); and
- Any income received from a discontinued business.

#### **4.11. Special sectors of income from business**

Following items shall be considered as special at the time of calculating income from business –

- Any income received from disposal of assets having been used in the business as per prescribed calculation;
- Any insurance, salvage or compensation moneys are received in respect of any assets having been used is discarded, demolished or destroyed as per prescribed calculation;
- Where an exporter transfers the export quota or any part thereof allotted to him by the Government to any person, the export value so transferred shall be deemed to be the income;
- Interest expense which was allowed as a deduction and remains unpaid for 3 years after the income year in which they were allowed are added with the total income. However, the interest expense to such extent deemed to be income would be allowed as a deduction in the year when the interest is paid;
- Benefit derived in respect of any trading liability, the value of such benefit shall be deemed to be income during that income year;
- Trading liabilities for expenses which remain unpaid for 3 years after the income year in which they were accrued are added with the total income. However, the liability amount would be allowed as a deduction in the year when the payments are made;
- Where, any deduction has been made for any year in respect of any loss, bad debt, expenditure incurred by the assessee, and subsequently, during any income year, the assessee has received any benefit in respect of such loss, bad debt, expenditure, the amount of benefit so received shall be deemed to be income during that income year;

- If the income tax return is filed under self-assessment, however, the shortfall of the initial capital within 5 subsequent income years shall be deemed as income; and
- Interest income is credited to the profit and loss account against bad or doubtful loans or in the year it is actually received, whichever is earlier.

#### **4.12. Allowable tax deductions**

All reasonable revenue expenditures relating to the business operations of a company and incurred during the relevant income year are allowed as deductions including the following:

- Purchase of raw materials, inventory and its write off;
- Duties, taxes, municipal taxes, local taxes, land development taxes excluding income tax and gift tax;
- Rent, renovation expenses of business premises;
- Any expense is made for employees in respect of salaries, welfare which forms 'income from employment';
- Expenses related to repair and maintenance, insurance premium, electricity, fuel, transportation, clearing and forwarding, advertisement, promotion, training of employees, conference of sales representatives, hotel and accommodation expenses, travelling and communication, internet, telephone, legal fee, audit fee, entertainment etc.;
- Realised loss from currency exchange (subject to 3<sup>rd</sup> Schedule);
- Membership and subscription fee to any club or chamber;
- Expenses related to visits abroad as a member of a trade delegation sponsored by the Government;
- Royalty, technical fee, head office expenses;
- Payment to WPPF not exceeding 5% of disclosed net profit;
- Depreciation, amortisation as per 3<sup>rd</sup> schedule;
- Bad debt expense if it has become established as irrecoverable, reasonable measure has been taken to recover the bad debts and such bad debt has actually been written off in the books of accounts, then the tax suffered provision of bad debt shall be allowed as deductible. In the case of bank and financial institutions, bad debt needs to be established as irrecoverable as per International Accounting Standards and respective primary regulatory authorities;
- Interest payment on capital borrowed. However, if any part of such capital used outside business, or assets acquired with borrowed capital but transferred outside business, when lending of money is not the business of transferor, the amount shall be allowed proportionate basis; and
- Interest payment by a resident company other than bank and financial institution against borrowings from its associate enterprise will be allowed to the extent and in the manner specified by NBR. However, this provision is not applicable if interest expense does not exceed Taka 1.5 million;

#### 4.13. Deductions not admissible in certain circumstances

Certain payments are not allowable for tax purposes as detailed below:

- Interest expenses exceeding Tk. 1.5 million by a resident company other than bank and financial institutions with respect to loan from its associated enterprise;
- Expense or payment on which withholding tax guidelines has not been followed;
- Interest, salary, commission or bonus paid by a firm or AOP to its partners or members;
- Any kind of discount or commission paid to shareholder directors by any company;
- Perquisites exceeding Taka 1,000,000 per employee;
- Payments of royalty, technical know-how fee and technical assistance fee in excess of 10% of disclosed business net profit;
- Head office expenses or intra-group expense debited in excess of the 10% of disclosed business net profit;
- Expenditure by way of overseas travelling exceeding 0.50% of the disclosed business turnover. However, this limit is not applicable if such expense incurred in relation to rendering services to the Government and if such expense is commercially viable subject to production of evidence and justification;
- The cost of free samples and entertainment expenses in excess of prescribed rates based on turnover and profit; respectively;
- Any expenditure excluding advertisement by way of promotional expenses exceeding 0.50% of the disclosed turnover. Promotional expense is defined as “any expenditure incurred for giving any object, cash or benefits to any person both in cash and non-cash for the purpose of business promotion;
- Any payment by way of salary or remuneration made otherwise than by bank transfer by a person to an employee;
- Any payment by way of any rent of any property, whether used for commercial or residential purposes, otherwise than by a bank transfer;
- Any payment exceeding Taka 500,000 on account of purchase of raw materials otherwise than by bank transfer;
- Any payment exceeding Taka 50,000 or more, otherwise than by bank transfer excluding salary, rent and purchase of raw materials as discussed above;
- Payments made without obtaining proof of submission of return against any goods or services – “any advisory or consultancy service, catering service, event management service, supply of manpower, security service, any rental place in a city corporation area; salaries to the employees of managerial or administrative or any supervisory position in the production function; shared economic service for motor vehicle, space, accommodation or any other assets; any commission, fee or other sum through mobile banking or in relation to the recharge of mobile phone account; receiving any tender documents for supply of goods, execution of a contract or rendering a service;
- Any capital nature or personal expenditure;
- Any liability not clearly determined / computed;
- Any expenditure not related with business activities;

- Depreciation and finance expenses in related to Right to Use (RoU) asset prescribed in IFRS – 16. However, any expense related with rental payment, development and maintenance of RoU assets is considered as allowable expense;
- Any provision of impairment loss of assets;
- Any contribution to unapproved funds; and
- All unsubstantiated expenditure in case of non-compliance with prescribed accounting method.

Net profit from business means any profit arises directly to an entity and does not include any income or profit of subsidiary, associate or joint venture.

Provisions of section 55 shall apply for insurance business as well in allowing management expenses or any other expenses under Fourth Schedule of ITA 2023.

#### 4.14. Special business income

Any expenses disallowed under section 55 (other than depreciation and finance expense of RoU assets) shall be treated as 'special business income'. Tax on 'special business income' and 'special sectors of income from business' shall be payable at the regular rate and no deduction, loss set-off or carry forward and tax depreciation are allowed against such computed income.

#### 4.15. 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 such purposes and national level institution engaged in the Research and Development (R&D) of agriculture, science, technology and industrial development are exempted from tax. Such institutions shall have to apply to NBR for obtaining approval.

#### 4.16. Minimum tax

Minimum tax would be higher of:

- withholding tax on certain sources of income (refer to section 4.16.1 below); and
- minimum tax calculated on the basis of overall gross receipts regardless of sources of income (refer to section 4.16.2 below).

##### 4.16.1. Minimum tax based on withholding tax of certain sources

The 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 at source would be minimum tax for 40 sources of income as follows:

Sl.	Section	Details	Withholding tax rate
1	88	Payment to a beneficiary of workers' participation fund*	10%
2	89	Supply of goods/execution of contract	Up to 7%

Sl.	Section	Details	Withholding tax rate
3	90	Payment for services	Up to 20% or As per withholding tax rules 2023
4	91	Payment for intangible property/assets	10% or 12%
5	92	Advertising bill of media (newspaper or magazine private television [or private radio station)*	5%
6	94	Commission, discount, fees etc.	10%, 1.5%, 3% and 5%. 5% and 3% rates are applicable on the difference between selling price to distributor and retail price
7	95	Travel Agent	0.30%
8	100	Insurance commission	5%
9	101	Fees, etc. of surveyors of general insurance company	15%
10	102	Interest on savings deposit and fixed deposit, etc.	5%-20% depending on nature of receiver
11	105	Interest earned on savings certificates	10%
12	106	Interest earned from securities*	5%
13	108	IGW and ICX for international call	1.5% and 7.5%
14	110	Services from convention hall, conference centre, etc*	5%
15	111	Compensation against acquisition of property	6% for property reside in city corporation, pourashava, cantonment board or 3% for other area
16	112	Export cash subsidy	10%
17	113	Freight forward agency commission*	15%
18	114	Purchase of power/electricity	6%
19	115	Sum paid by real estate developer to landowner	15
20	116	Commission or remuneration paid to agent of foreign buyer	10%
21	117	Dividends*	refer to section <i>Tax on dividend/remittance of profit above</i>
22	118	Income from lottery, etc	20%
23	120	Imported goods (excluding industrial undertaking except an industrial undertaking engaged in producing cement, iron, or iron product, ferro alloy product, perfume and toilet waters, beverage concentrate as raw material for own consumption)	0% to 20% or Taka 500 per ton based on H.S. Codes
24	121	Manpower export/ recruiting agents	10%
25	122	Commission from C&F	10%
26	123	Export	1%



Sl.	Section	Details	Withholding tax rate
27	124	Remittance of service charge, fees, commission, revenue sharing, contracts on manufacturing, process or conversion, civil work etc	7.5% and 10%
28	125	Transfer, etc. of property	Land – 20 lakh per katha (1.65 decimal) Flat, apartment, floor space – Taka 1,000 per sq. meter Or 10% of deed value whichever is higher
29	126	Real estate or land development business	Land 5% of Deed value - Residential building Taka 1,600 per square meter - Commercial building Taka 6,500 per square meter
30	127	Commission on govt. stamp, court fee, cartridge paper etc.	10%
31	128	Lease of property.	4%
32	129	Cigarette manufacturers	10%
33	132	Shipping business of a resident	5%
34	133	Sale of goods or property by public auction	10% Sale of tea 1%
35	134	Transfer of share	15%
36	135	Transfer of securities	5%
37	136	Transfer of shares of shareholders of stock exchange	15%
38	137	Member of Stock Exchanges	0.05%
39	138	Commercially operated motor vehicles	Depend on type of vehicles
40	139	Shipping business	Depend on type of vessels

\* Withholding tax on these sources of income have been newly included.

Income from above sources will firstly be computed on regular basis as per provision of ITA 2023 and the assessee's regular income tax rate would be applied on such taxable income. 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 89 from the following persons:
  - a contractor of an oil company or a subcontractor to the contractor of an oil company as may be prescribed;

- an oil marketing company and its dealer or agent excluding petrol pump station;
  - any company engaged in oil refinery; and
  - any company engaged in gas transmission or gas distribution.
- ii) tax deducted under section 120 from import of goods by an industrial undertaking except an industrial undertaking engaged in producing cement, iron, or iron product, ferro alloy product, perfume and toilet waters, beverage concentrate as raw materials for its own consumption.
- b) Withholding tax deducted from the following sources of income will be considered as final tax liability considering the rate of withholding tax would be their applicable tax rate:

Sl.	Section	Source of income	Eligibility
1	102	Interest on savings deposits and fixed deposits	As per section 166(2), taxpayers for whom submission of income tax return is not mandatory
2	105	Interest on savings instrument	Individual taxpayers
3	112	Export cash subsidy	All taxpayers

- c) For any other sources of income except those mentioned in (a) above, income would be determined following the provisions of ITA 2023.

#### 4.16.2. Minimum tax based on overall gross receipts

Every company, firm (having gross receipts of more than Taka 5 million) and individuals (having gross receipts of more than Taka 30 million) shall be liable to pay minimum tax based on gross receipts as mentioned below:

Sl.	Classes of assessee	Rate of minimum tax
1	Manufacturer of cigarette, bidi, chewing tobacco, smokeless tobacco or any other tobacco products	3% of the gross receipts
2	Carbonated beverage	3% of gross receipts
3	Mobile phone operator	2% of the gross receipts
4	Regular taxpayers other than manufacturer of cigarette, bidi, chewing tobacco, smokeless tobacco or any other tobacco products	0.25% of the gross receipts
5	Any other cases	0.60% of the gross receipts

However, in case of industrial undertakings engaged in manufacturing of goods, minimum tax on gross receipts will be 0.1% for the first 3 income years of commencement of commercial production.

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.
- iii) Minimum tax shall be the aggregate of the amounts calculated above.

#### 4.16.3. Other major provisions of Minimum Tax

- Books of accounts shall be maintained in the regular manner in accordance with the provisions of section 72 of ITA 2023 for the sources of income for which minimum tax is applicable.
- Minimum tax under section 163 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 ITA 2023, 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 163, regular tax shall be payable.
- Where tax has been deducted and collected in excess of the due amount, minimum tax under this section shall be computed based on the due amount of deduction or collection and provisions of this section shall apply accordingly.

#### 4.16.4. Losses

Losses can be carried forward for a maximum period of 6 successive years if it cannot be fully offset with any source of income.

Any loss in respect of any speculation business or any loss under the head capital gains shall be set off only against any income in respect of speculation business or any income under the head capital gains.

Any loss in respect of any business related to tobacco related products shall be set off only against any income in respect of the tobacco business.

Any loss in respect of any business shall be set off only against any income in respect of the business. However, any loss in respect of any business under minimum tax, any loss from any source, income of which is exempted from tax or taxed at a reduced rate can neither be set off nor be carried forward.

Losses of firms or association of person (AoP) can only be set-off against income of firms or AoP. Members of firms or AoP cannot carry forward and set-off losses of firm or AoP against their income.

In amalgamation and demerger scheme, accumulated business loss and unabsorbed depreciation of amalgamating and demerged company can be used by amalgamated company and resulting company.

#### 4.17. Advance tax payment

Advance tax payment is required by an assessee on the basis of their last assessed income if their total income exceeds Taka 600,000. New assessee will also be required to pay advance tax if their estimated income is likely to exceed Taka 600,000. Here, total income excludes agricultural income of Taka 800,000, one of income and capital gain.

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 failure to pay required amount of advance tax on the basis of estimated income, simple interest at the rate of 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.

#### 4.18. Advance tax payment by cigarette manufacturer

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

For such advance tax purpose, net sales shall be A-B. Where, A = Gross sales and B = VAT and SD (if any) on such gross sales.

#### 4.19. 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 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 2.12.

#### 4.20. Return of withholding tax

Every person shall file return of withholding tax collected or deducted on a monthly basis accompanied by copy of treasury challans or payment orders. Return of withholding tax also includes information regarding the payment of salary, interest, dividend etc. and needs to be submitted in respective month as prescribed in withholding tax rule 2023. Such return of a month shall be filed within 15<sup>th</sup> of the following month.

The time for submission of such return may be extended by the DCT for maximum 15 days. For failure of filing such return, penalty as per section 266 will be imposed. The DCT, with the approval of the Commissioner, may select withholding tax returns within four years from the submission of the return.

DCT after examining the withholding tax return may impose penalty under sections 143, 144 and 266 for any non-compliance regarding deduction of withholding tax appropriately.

*[A company excluding local authority, autonomous body, any government authority, Bangla medium primary or pre-primary schools, secondary or higher secondary government school, any MPO based educational institution and a firm, AoP, a private hospital, a clinic, a diagnostic centre are responsible to submit monthly withholding tax return]*

#### 4.21. Assessment

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

Period of limitation for completion of assessment would be as follows:

- **Self-assessment returns:** within 24 months from the month of the issuance of audit notice under section 182;

- **Returns submitted beyond the Tax Day:** 1 year from the end of the assessment year in which the income was first assessable;
- **In case of computation of Arm's Length Price as per section 235:** 3 year from the end of the assessment year in which the income was first assessable; and
- **In cases other than above:** 6 months from the end of the assessment year in which the income was first assessable.

In the case of income escaping assessment, the DCT may issue notice for 6 preceding years. However, if an assessee conceals any assets acquired before 6 years, the DCT will deem the assets to be acquired in the past 6<sup>th</sup> year and will deem income accordingly. If no return was submitted or no assessment was made, the DCT may issue notice any time.

If the Inspecting Joint Commissioner may re-examine any erroneous order of the DCT within the expiry of 4 years from the date of DCT's order.

#### 4.22. Bar to question assessment

Except tax authority, appellate tribunal, and the Supreme Court, no person or authority can question any assessment made under this act. If so, it will be null and void.

#### 4.23. Self-assessment scheme

Refer to section 3.8 above.

#### 4.24. Appeals

An assessee who feels aggrieved against the order of DCT, 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 a reference application 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 the High Court Division allows for such appeal.

The first appeal before the Commissioner of Taxes (Appeal) shall have to be filed within 45 days from the date of receiving 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 on 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 286(5) unless the assessee has paid 10% of the tax as determined by the DCT and where the return of income was filed but tax was not paid under section 173 of ITA 2023.

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).

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 173 of ITA 2023

*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 appear reasonable to him and shall pass such order in this regard as he thinks fit within 30 days from date of the receipt of such application.*

No reference application shall be made 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 based on the Appellate Tribunal order and the tax payable as per section 173 where tax demanded does not exceed Taka 1 million.
- b) 25% of the difference between the tax determined based on the Appellate Tribunal order and the tax payable as per section 173 where tax demanded exceeds Taka 1 million.

#### **4.25. Power of search and seizure**

Under section 206 of ITA 2023, an authorised 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. Where it is not practicable to seize, an authorised officer, by order in writing, may require a person not to remove assets, part with or otherwise deal with it, upon receiving definite information on concealment of person's income/investment. The retention period of seized records and systems has been reduced to 60 working days from 180 days.

#### **4.26. Power to verify and enforce withholding tax**

Tax authorities have full and free access to the places or devices, or any means of books of accounts and records of economic activities maintained in any form and get copies of information for verifying deductions or collection of tax at source. Any person creating obstacle to enter into the place shall be liable to pay a penalty of maximum BDT 5 million. Any person who is found to be in default of withholding tax, the DCT shall proceed to recover the tax from him with penalties.

#### **4.27. Other mode of recovery**

Tax authority may instruct responsible person by serving 21 days' notice for disconnecting utility services for the purpose of recovering tax.

#### **4.28. Power to take evidence on oath**

DCT will not seize any documents without recording of the same and shall not retain more than 15 days without permission from the Commissioner of Taxes. The order under ITA 2023 would be considered as civil proceeding.

## 5. Tax incentives

### 5.1. Start-up Sandbox

This year, NBR registered start-ups companies involved with deployment or commercialisation of new products, process or service driven by innovation, development and technology or intellectual property, will get facilities stated below.

Benefits of sandbox in the growth years –

- Other than submission of income tax return, there will be no reporting requirement if the company gives permanent access to its system or books of accounts;
- No disallowances under section 55 and 56;
- 0.1% minimum tax; and
- Loss can be carried forward to set-off for 9 years;

Conditions to qualify as a start-up –

- Should be a company incorporated in Bangladesh under Companies Act 1994 after 30 June 2017;
- Annual turnover shall be up to Taka 1,000 million;
- Not be an amalgamated or resulting company; and
- Registered with NBR by 30 June each year following the year of its incorporation.

“Growth year” means – 3 years for the entity incorporated between 1 July 2017 to 30 June 2023 and 5 years for the entity incorporated on or after 1 July 2023.

### 5.2. Special Economic Zones and Developing Unit

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

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

The business income except income from edible oil, sugar, flour, cement, iron and iron made product are exempted from Income tax for next 10 years from the date of commercial operation in the following manner:

Year	Exemption (% of income)
1 <sup>st</sup> , 2 <sup>nd</sup> and 3 <sup>rd</sup> year	100%
4 <sup>th</sup> year	80%
5 <sup>th</sup> year	70%
6 <sup>th</sup> year	60%
7 <sup>th</sup> year	50%
8 <sup>th</sup> year	40%
9 <sup>th</sup> year	30%
10 <sup>th</sup> 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.

Above exemptions are subject to the following condition being met by the Project Company:

- (i) Existing industrial unit of any company situated outside the economic zone shall not be relocated in the zone;
- (ii) No used plant and machinery can be set up in investment unit which has already been used in production of goods or services in Bangladesh;
- (iii) Separate trading account and bank account shall be maintained for investment units of same company situated inside and outside of economic zone;
- (iv) All the inter-unit transaction between investment units situated inside and outside of economic zone shall be reported in income tax return; and
- (v) Accounts shall be maintained as per section 72 and income tax return shall be submitted as per section 166 of ITA 2023.

**b) Tax benefits for Developing unit in SEZ**

The business income of economic zone developer is exempted from income tax for 12 years from the date of commercial operation in the following manner:

Year	Exemption (% of income)
1 <sup>st</sup> to 10 <sup>th</sup> year	100%
11 <sup>th</sup> year	70%
12 <sup>th</sup> 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:

- a. Obtain TIN; and
- b. Submit income tax return as per section 166.

**5.3. Hi-Tech Park Zone**

The government has introduced “Bangladesh Hi-Tech Park Authority Act, 2010” (BHTPA) for the development of the country. It is not limited for exporters only. The legislation 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 <sup>st</sup> to 7 <sup>th</sup> year	100%
Remaining 3 years	70%



Moreover, capital gains arising from transfer of share capital and declared dividend paid by such company are 100% exempted and royalty, technical Know-how and technical assistance fee 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 TIN; and
- (ii) Submit income tax return as per section 166.

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

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

Year	Exemption (% of income)
1 <sup>st</sup> to 10 <sup>th</sup> year	100%
11 <sup>th</sup> year	70%
12 <sup>th</sup> 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 TIN; and
- (ii) Maintain accounts as per section 72 (Method of Accounting) and submit income tax return as per section 166.

However, no question shall be raised to the source of any sum invested within the period between 1 July 2019 and 30 June 2024 (both days inclusive) by a company in any economic zone or any hi-tech park, if 10% of invested amount is paid as tax before filing of the tax return.

#### **5.4. Partial tax exemption for newly established industrial undertaking**

Qualifying industrial undertaking set up between 1 July 2020 and 30 June 2025 and going into commercial production/operation within those dates will be entitled to apply for granting tax exemption. Industrial undertaking set up in any city corporation, pourashova, and Rangamati, Bandarban or Khagrachari districts will not get the tax exemption. The exemption structure is as follows:

### Industrial undertaking

Area	Year	Exemption (% of income)
Established in Dhaka and Chattogram Divisions	1 <sup>st</sup> year	90%
	2 <sup>nd</sup> year	80%
	3 <sup>rd</sup> year	60%
	4 <sup>th</sup> year	40%
	5 <sup>th</sup> year	20%
Established other than in Dhaka and Chattogram Divisions	1 <sup>st</sup> and 2 <sup>nd</sup> year	90%
	3 <sup>rd</sup> and 4 <sup>th</sup> year	75%
	5 <sup>th</sup> , 6 <sup>th</sup> & 7 <sup>th</sup> year	50%
	8 <sup>th</sup> , 9 <sup>th</sup> & 10 <sup>th</sup>	25%

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 or in the production of, active pharmaceuticals ingredient and radio pharmaceuticals; agriculture machineries; automatic bricks; automobile; barrier contraceptive and rubber latex; basic components of electronics (e.g. resistor, capacitor, transistor, integrated circuit, multilayer PCB etc.); bi-cycle including parts thereof; bio-fertiliser; biotechnology based agro products; boiler including parts and equipment thereof; compressor including parts thereof; computer hardware; furniture; home appliances (blender, rice cooker, microwave oven, electric oven, washing machine, induction cooker, water filter etc.); insecticides or pesticides; leather and leather goods; LED TV; locally produced fruits and vegetables processing and preserving; mobile phone; petrochemicals; pharmaceuticals; plastic recycling; textile machinery; tissue grafting; toy manufacturing; tyre manufacturing, electrical transformer, artificial fibre or man-made fibre manufacturing, automobile parts and components manufacturing; automation and Robotics design, manufacturing including parts and components thereof; artificial Intelligence based system design and/or manufacturing; nanotechnology based products manufacturing; aircraft heavy maintenance services including parts manufacturing, enhancing the standardisation of the polymer or radioactive diffusion application industry or 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 mentioned industry shall qualify for tax exemption which is within the purview of section 45.
- c) The newly established undertaking is required to ensure that their paid-up capital is not less than Taka 2 million.
- d) The undertaking has to apply in prescribed form for approval in the month of commencement of commercial production and be approved by the Board for this purpose within 60 days thereof.

- e) The undertaking shall not be exempt from income tax or subject to reduced tax rate if it fails to submit income tax return of any income year within the stipulated time and fails to comply with withholding regulations and receive income, which is subject to tax exempt or reduced rate of tax, through bank transfer. However, provision of bank transfer is not applicable for agriculture or farming income or having gross receipts less than Taka 10 million in an income year.

### 5.5. Partial tax exemption for newly established physical infrastructure facility

Qualifying physical Infrastructure set up within 30 June 2024 and going into commercial production/operation within those dates will be entitled to apply for granting tax exemption. Tax exemption will be granted for 10 years if the said physical undertakings are set up in any area of Bangladesh.

Year	Exemption (% of income)
1 <sup>st</sup> and 2 <sup>nd</sup> year	90%
3 <sup>rd</sup> year and 4 <sup>th</sup> year	75%
5 <sup>th</sup> year to 7 <sup>th</sup> year	50%
8 <sup>th</sup> year to 10 <sup>th</sup> year	25%

- a) **“Physical Infrastructure facility”** means

An industry engaged in the production of deep sea port, sea port or river port; elevated expressway; export processing zone; flyover; toll road and bridge gas pipe line; Hi-Tech park; Information and Communication Technology (ICT) park, zone or village; Authorised water treatment plant, water supply or water drainage system; Liquefied Natural Gas (LNG) terminal and transmission line; mono-rail and railway including subway; renewable energy or any other category of physical infrastructure facility as the Government may, by notification in the official Gazette, specify. IT park, mobile phone tower or tower sharing infrastructure, waste treatment plants are not entitled to apply for granting tax exemption.

- b) Only those profits and gains of the said industry shall qualify for tax exemption which is within the purview of income from business under section 45.
- c) The newly established physical infrastructure facility is required to ensure that their subscribed and paid-up capital is not less than Taka 2 million.
- d) The physical infrastructure facility has to apply in prescribed form for approval within the month of the month of commencement of commercial production and be approved by the Board for this purpose within 60 days thereof.
- e) The physical infrastructure shall not be exempt from income tax or subject to reduced tax rate if it fails to submit income tax return of any income year within the stipulated time and fails to comply with withholding regulations and receive income, which is subject to tax exempt or reduced rate of tax, through bank transfer. However, provision of bank transfer is not applicable for agriculture or farming income or having gross receipts less than Taka 10 million in an income year.

## 5.6. 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. Airport
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:

1. Obtain TIN; and
2. Maintain accounts as per section 72 (Method of Accounting) and submit income tax return as per section 166.

### 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 Chattogram 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 Chattogram divisions excluding Rangamati, Bandarban and Khagrachari districts	1 <sup>st</sup> and 2 <sup>nd</sup> year	100%
	3 <sup>rd</sup> and 4 <sup>th</sup> year	50%
	5 <sup>th</sup> year	25%

Area	Year	Exemption (% of income)
Rajshahi, Khulna, Sylhet and Barisal divisions and Rangamati, Bandarban and Khagrachari districts	1 <sup>st</sup> , 2 <sup>nd</sup> and 3 <sup>rd</sup> year	100%
	4 <sup>th</sup> , 5 <sup>th</sup> and 6 <sup>th</sup> year	50%
	7 <sup>th</sup> 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 166 of ITA 2023.

### 5.8. Income from the business of software development or NTTN and 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 within July 2020 to 30 June 2024.

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

- Software development;
- Software or application customisation;
- 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;
- Graphic Information Services (GIS);
- IT support and software maintenance service;
- Software test lab services;
- Call centre service;
- Overseas medical transcription;

- Search engine optimisation services;
- Document conversion, imaging and digital archiving;
- Robotics process outsourcing;
- Cyber security services;
- Cloud service;
- System integration;
- e-learning platform;
- e-book publications;
- Mobile application development service; and
- IT freelancing.

### 5.9. Exemption of income from production of automobile

Any income derived from production of automobile (3-wheeler and 4-wheeler) in Bangladesh is exempted from income tax for 10 years and additionally for the next 10 years, the company will enjoy reduced tax rate of 10% subject to fulfilment of below listed conditions:

1. The company shall be registered under the Companies Act 1994;
2. The company shall be registered with Bangladesh Investment Development Authority (BIDA) and need to invest at least Taka 1,000 million;
3. The company must take maker's code and type approval from Bangladesh Road Transport Authority (BRTA);
4. To enjoy 100% exemption for initial 10 years, the manufacturing company needs to add minimum 30% value addition in the production process. After 10 years exemption period, the minimum value addition shall be 40% to enjoy the reduce tax rate of 10% for the next 10 years. If the company fails to maintain the 40% value addition, then general tax rate shall be applicable;
5. Within 5 years of getting approval the automobile engine, transmission system, steering system shall be capable of being assembled in its own factory;
6. The automobile company should produce the parts using basic raw materials through its own machinery. Example of related parts are – reinforcement pipe, reinforcement bracket, fuel tank cover, battery seal, engine hook, waring clamp, condense fixing bracket etc.;
7. The manufacturing company shall have paint shop authorised by the brand manufacturer. If the brand manufacturer is registered in Bangladesh, then it shall have its own paint shop and the final painting shall be done from its own paint shop;
8. In order to assemble an engine from completely knocked down stage to a complete one, there shall be separate assembling line for three-wheeler manufacturing company; and to produce the chassis and body parts, the company shall procure the small parts either locally or through importation of the same;
9. To produce environment friendly car, the company shall follow Euro 3 Emission Standard or any other standard equivalent to it and also certification is required from brand manufacturer;
10. The manufacturing company shall comply with the regulations mentioned in ITA 2023. The benefits mentioned above are not applicable for any kind of income generated under any other heads other than income from production of automobile; and

11. Subject to fulfilment of the above conditions and approval granted by NBR, the company, which shall start commercial production by 30 June 2030, will get the benefits.

#### **5.10. Exemption of income from production of specified ICT products**

Any income generated by a company producing motherboard, cashing, UPS, speaker, sound system, power supply, USB cable, CCTV and pen-drive is exempted from income tax for 10 years subject to fulfilment of certain condition:

1. The company shall be registered under the Companies Act 1994;
2. The manufacturing company shall add minimum 30% value addition in its factory;
3. The company shall comply with the regulations mentioned in ITA 2023;
4. The benefits mentioned above are not applicable for any kind of income generated under any other heads other than income from production of ICT products; and
5. Subject to fulfilment of the above conditions and approval granted by NBR, the company, which shall start commercial production by 30 June 2030, will get the benefits.

#### **5.11. Exemption of income from production of specified agriculture-based products**

Any income generated by a company engaged in processing of fruits, vegetables, production of dairy and dairy products, child foods and agricultural machineries is exempted from income tax for 10 years subject to fulfilment of certain condition:

1. The company shall be registered under the Companies Act 1994;
2. The company shall be registered with BIDA and need to invest at least Taka 10 million;
3. All the raw materials used in processing of fruits, vegetables, production of dairy and dairy products, child foods shall be produced locally;
4. Agricultural equipment means any kind of equipment used in the crops production or any kind firming and operated through fuel or electricity;
5. The company engaged in production of agricultural machineries shall make minimum 30% value addition in its factory;
6. If the factory is penalized for unhealthy factory environment or production of poor-quality food by government, then the benefits enjoyed for that particular year will be cancelled;
7. The company shall comply with the regulations of ITA 2023;
8. The benefits mentioned above are not applicable for any kind of income generated under any other heads other than income from production of specified agriculture-based products;
9. The production business cannot be a part or separated entity from any existing business, or it cannot be restructured or reassembled to create a new entity for producing products; and
10. Subject to fulfilment of the above conditions and approval granted by NBR, the company, which shall start commercial production within 1 July 2021 to 30 June 2030, will get the benefits.

#### 5.12. Exemption of income from production of light engineering machine

Any income generated by a company engaged in production of light engineering items shall be exempted from income tax for 10 years, subject to fulfilment of following conditions:

1. The company shall be registered under the Companies Act 1994;
2. The company shall comply with the regulations of ITA 2023;
3. The benefits mentioned above are not applicable for any kind of income generated under any other heads other than income from production of light engineering machine; and
4. Subject to fulfilment of the above conditions and approval granted by NBR, the company, which shall start commercial production within 1 July 2021 to 30 June 2030, will get the benefits.

#### 5.13. Exemption of income from production of home appliances

Any income generated by a company engaged in production of home appliances including washing machine, blender, microwave oven, electric oven, rice cooker, electric sewing machine, induction cooker, kitchen hood and kitchen knives shall be exempted from income tax for 10 years, subject to fulfilment of following conditions:

1. The company shall be registered under the Companies Act 1994 and BIDA;
2. The company engaged in production of agricultural machineries shall make minimum 30% value addition in its factory;
3. The company shall comply with the regulations of ITA 2023;
4. The benefits mentioned above are not applicable for any kind of income generated under any other heads other than income from production of home appliances; and
5. Subject to fulfilment of the above conditions and approval granted by NBR, the company, which shall start commercial production within 1 July 2021 to 30 June 2030, will get the benefits.

#### 5.14. Exemption of income for providing training on human resource development

Any company engaged in providing career orientated education and training on automobile, aircraft storage, food, footwear, glass, mining, mechanical, ship building, leather, refrigeration, ceramics, mechanist, garment design and pattern making, pharmacist, nursing, integrated medical, radiology and imaging, ultrasound, dental, animal health, clothing and garment finishing, poultry farming in agriculture, fisheries, science and IT sector, then the business income of that company is exempted from tax for 10 years, subject to fulfilment of following conditions:

1. The education and training institute shall be registered under the Companies Act 1994;
2. The company shall be registered with BIDA and need to invest at least Taka 50 million;
3. The training institute shall need to take authorisation from Bangladesh Technical Education Board, Directorate General of Health Services or Bangladesh Nursing and



Midwifery Council and follow the curriculum prescribed as per National Skill Development Rules;

4. As per government rules, the institute shall have permanent teacher, structure and running laboratory or workshop;
5. The company shall comply with the regulations of ITA 2023;
6. The benefits mentioned above are not applicable for any kind of income generated under any other heads other than income from providing training on human resource development; and
7. Subject to fulfilment of the above conditions and approval granted by NBR, the institute gets exemption for 10 years from the date of approval.

#### **5.15. Exemption of income of certain type of hospital**

Any income generated by hospital from providing health care services shall be exempted from income tax for 10 years upon fulfilling certain conditions:

1. The hospital shall be registered under the Companies Act 1994 and BIDA;
2. The institute shall take approval as hospital from Directorate General of Health Services of Health Ministry and other respective authorities;
3. The hospital shall be situated outside Dhaka, Narayanganj, Gazipur and Chattogram district;
4. The company shall comply with the regulations of ITA 2023;
5. The benefits mentioned above are not applicable for any kind of income generated under any other heads other than income from providing health care service; and
6. Subject to fulfilment of the above conditions and approval granted by NBR, the company, which shall start commercial production within 1 July 2021 to 30 June 2030, will get the benefits.

Hospital which are eligible for the exemptions are:

##### **Type A:**

- the hospital shall be minimum 250 bed hospital with paediatric and neonatal, women's and maternal health, oncology, and well-being preventive medicine unit.
- Directed by closed staffs including doctors.
- Minimum 5% ICU shall be there.

##### **Type B:**

- The hospital shall be minimum 200 bed specialised hospital
- Directed by closed staffs including doctors

#### **5.16. Exemption from income of export of handicrafts**

Income derived from the export of handicrafts shall tax exempt up to 30 June 2024.

**5.17. Income derived from any SME**

Income derived from any Small and Medium Enterprise (SME) engaged in production of any goods is exempted if

- annual turnover is not more than Taka 5 million
- annual turnover is not more than Taka 7 million where SME is owned by women.

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

**Exemption limit:**

- Companies – lower of 10% of income or Taka 80 million.
- Other than companies – lower of 10% of income or Taka 10 million.

**5.19. Incentives for private sector power generation companies (other than coal based)**

Non-coal based private power generation companies starting commercial operations from 1 January 2023 to 30 June 2024 and complying with the requirements of private sector power generation policy of Bangladesh will get the following tax incentive:

- Private power companies’ income from power generation is exempted from corporate tax up to 30 June 2036 from the date of commencement of commercial operations.
- Salaries of expatriate employees of such power generating companies shall also be tax exempted 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 exempted.
- Royalties, Technical Know-how 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.

Non-coal based private power generation companies starting commercial operations from 1 July 2024 to 30 June 2025 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. In order to get the exemptions, companies will have to comply with provision under ITA 2023.

**5.20. 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 exempted for a period of 3 years, starting with the date of the expatriate's arrival in Bangladesh.
- Interest payments to foreign lenders will be tax exempted. Royalties, Technical Know-how and Technical Assistance Fees paid by such companies will also be tax exempted.
- Capital gains from the sale or transfer of shares by the investing company shall be exempted from tax.
- All such companies shall maintain accounts and submit return in due date of filing under section 166.

However, in absence of any SRO being issued extending the time limit of 30 June 2023, incentives for coal based private sector power generation companies may not exist.

#### **5.21. Exemption/reduced tax rate is 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 income tax return of any income year within the stipulated time and fails to comply with withholding regulations and receive income, which is subject to tax exempt or reduced rate of tax, through bank transfer. However, provision of bank transfer is not applicable for agriculture or farming income or having gross receipts less than Taka 10 million in an income year. Tax shall be charged at the regular rate on the disallowance as per section 55 even if it is a tax exempted or reduced tax rate availed assessee or any loss or profit computed.

#### **5.22. Agricultural income**

Agricultural income (whose agriculture is the only source of income and does not have any income other than farming and interest or profit more than Taka 20,000 up to Taka 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 is tax exempted where the investment on such certificate does not exceed Taka 500,000 at the end of the relevant income year.

#### **5.24. Foreign income by individuals**

Income earned in abroad by a regular assessee being a Bangladeshi citizen is exempted from tax subjected to the compliance with the applicable laws in respect of foreign remittance.

#### **5.25. Gratuity income**

Gratuity income from the Government or NBR approved gratuity fund up to Taka 25 million is tax exempted.

**5.26. Certain bond income**

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

**5.27. Donation to girls' school/college**

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

**5.28. Donation to technical and vocation institution**

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

**5.29. Donation to research and development**

Income of an assessee donated in an income year by 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.

**5.30. Employing of disabled person or third gender**

Any institution employing persons of disabled person or third gender, the number of which is at least 10% of their total number of employees or 25 employees of disabled person or third gender, will enjoy a tax exemption which will be the lower of:

- 5% of total tax liability
- 75% of total salary paid to the employees of disabled person or third gender.

**5.31. 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.

**5.32. 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.

**5.33. Income received in foreign currency by an ocean-going ship**

Income received in foreign currency by an ocean-going ship being Bangladeshi flag carrier is exempted up to 30 June 2030 and is not subject to withholding tax under section 124.

**5.34. Salary income**

Income received from employment is exempted from tax up to 1/3<sup>rd</sup> of total salary income or Taka 450,000; whichever is lower.

### 5.35. Corporate Social Responsibility (CSR) activity to get tax rebate

A company is 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 Taka 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 DCT 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.
- f) the company is required to obtain tax rebate certificate from NBR.

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

- a) donations 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 made to organisations engaged in educating street children
- e) donations made to organisations engaged in projects on accommodation for the slum dwellers
- f) donations made 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 Chattogram Hill Districts, char areas and areas surrounding breaking up of banks of river
- j) donations made to institution engaged in medicating cleft lip, cataract, cancer and leprosy
- k) donations made to person or institution engaged in treatment of acid affected people

- l) donations made to specialised hospital [like cancer hospital, lever hospital, kidney hospital, thalassemia hospital, eye hospital and cardiology hospital] for free treatment to poor patient
- m) donations made to public universities
- n) donations made 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 paid to Prime Minister's higher education fund
- u) 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
- v) any donation to any social welfare organisation, NGO or not for profit organisation engaged with rehabilitation for children or women rescued from overseas trafficking
- w) any donation to any government approved fund for national disaster or tournament or national carnival.

## 6. Penalty and prosecution for non-compliance

- **Penalties are applicable for non-filing of tax return (under sections 166, 172, 191, 193 or 212) as shown below:**

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

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

- **Penalties are applicable for non-submission of withholding tax return**

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

- **Penalties are applicable for non-furnishing of withholding income tax certificate under section 145 as shown below:**

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

- **Penalties are applicable for non-furnishing of information under section 200 as shown below:**

Taka 50,000; a further penalty of Taka 500 for every day during which the default continues.

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

A person, who fails to pay tax under section 173 may face a penalty at the rate of 25% on the total tax payable or on the short amount of tax payment.

- **Penalty for not filling return on or before the Tax Day**

A person who is required to file income tax return under section 166 but fails to file on or before the Tax Day, shall need to pay additional tax at the rate of 4% per month (not exceeding 24 months) on the gross tax payable calculated on the total income (including the income sources of which enjoys exemption or reduced tax rate) by applying the standard rate.

- **Penalty for using fake TIN**

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 Act, the DCT may impose a penalty not exceeding Taka 20,000 on that person.

- **Punishment for improper use of TIN**

A person is guilty of an offence punishable with imprisonment for a term which up to 1 year or with fine up to Taka 100,000 or both, if he deliberately uses or used a fake TIN or a TIN of another person.

- **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 Taka 50,000 to Taka 200,000 shall be imposed on such Chartered Accountant when the 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 up to 5 years but not less than 6 months if a person submits fake audit report or a fine up to Taka 100,000 or both shall be imposed on a person furnishing fake audit report.

- **Punishment for instigation tax evasion**

Imprisonment up to 2 years if a person instigates other person to evade tax or assistance to conduct any criminal activity.

- **Penalty for unauthorised employment**

A fine of 50% of the tax payable under ITA 2023 or up to Taka 500,000 whichever is higher shall be imposed on the person employing or allowing to work any foreign individual without prior approval from appropriate authority of the Government.

- **Penalty for concealment of income**

If an assessee conceals or understates any income, he shall be fined with 15% on the tax that would have been avoided. If the concealment is detected after more than one-year, additional penalty of 10% will be charged for each of the following year. Furthermore, if the assessee deliberately conceals the information, he shall be punishable with an imprisonment of 6 months to 5 years, or fine, or both.

- **General Anti-avoidance Rule (GAAR)**

If it is anticipated by the DCT during any assessment that taxpayer obtains tax benefits by misusing tax arrangement, he can take actions like income estimation, revision of tax demand, adjustment of tax refund, rebate or benefits etc. However, the DCT will take such steps upon issuance of hearing notice.



## 7. 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 rates on his total income;
- b) Penalty has to be paid at the rate of 10% of tax proportionate to such income; and
- c) Submits return within the time limit prescribed within the Tax Day.

A declaration needs to be submitted along with the tax return stating the name of assessee, heads 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 212, 200(2), 311 to 313.

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 Part 6 of ITA 2023 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.

## 8. Transfer pricing

Key points in brief are as follows:

- (i) Transactions considered under transfer pricing regulation, are those transactions 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 provisions 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 price, DCT with prior approval of Board, may determine via the Transfer Pricing Officer the arms-length price of the transaction.
- (iv) In absence of any provision regarding arm’s length price determination, international best practice of using interquartile range (25<sup>th</sup> - 75<sup>th</sup>) was being commonly followed for computing arm’s length price. A guideline for applying range concept in computing Arm’s Length Price has been introduced through Finance Act 2019. The new Act introduced a narrow range of 30<sup>th</sup> percentile to 70<sup>th</sup> percentile of the comparable data set. If the price at which the international transaction has actually been undertaken is within the range referred as above, then the price at which such international transaction has actually been undertaken shall be deemed to be the arm’s length price. If the price at which the international transaction has actually been undertaken is outside the arm’s length range referred as mentioned above, the arm’s length price shall be taken to be the median of the data set. In case the dataset has less than six comparable, the arm’s length price shall be the arithmetical mean of all the values included in the dataset. Any adjustment made in determining arms-length price shall be treated as income taxable at the regular rate irrespective of income exempted from tax or subject to reduced rate of tax.
- (v) 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. Failure 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.
- (vi) Every person who has entered into an international transaction shall keep and maintain such information, documents and record, and the tax authority shall prescribe the period for which the information, documents and records shall be kept and maintained. The tax authority may require any person by notice in writing, to furnish any information, documents and records within the period as may be specified in the notice. Failure to keep, maintain or furnish information, documents or records may result in a penalty of maximum 1% on the value of international transactions.
- (vii) The tax authority may require any person by notice in writing, to furnish any information, documents and records within the period as may be specified in the notice. Failure to comply with the notice issued by the DCT may result in a penalty of maximum 1% on the value of international transactions.
- (viii) A report from Chartered Accountants/Cost Management Accountant shall be submitted upon request via a notice issued by the tax authority, if the aggregate value of international transactions exceeds Taka 30 million during an income year. The report from Chartered Accountants/Cost Management Accountant provides reasonable assurance as to whether all information, documents, and records provided by the company are complete and authentic. Further, Failure to furnish such report may lead to a penalty up to Taka 300,000.

## 9. Others

### 9.1. 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), an appeal filed by the 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.

However, any dispute which has already been filed in the form of Writ petition shall not be subject of ADR.

An assessee shall not be eligible for application to ADR if he fails to pay tax payable as per section 173 where the return of income for relevant year or years has been submitted.

### 9.2. Decision of ADR

In case of ADR, time limit for the facilitator to make an agreement is 3 months from the end of the month in which the application was made, unless no agreement shall be deemed to have been reached.

### 9.3. Notice, assessment order and tax form delivered

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

### 9.4. 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:

- the assessee is a resident company for tax purpose;
- licence fee is paid for the purpose of obtaining a permission from the Government authority;
- licence/permission is granted for 2 or more years to run a business;
- 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; and
- In case of other companies, such license should be integral part of the operation of the business.

Amortisation at 20% on pre-commencement expenditures, including feasibility study, construction of model and prototypes, experimental production etc. are allowed as an admissible expense. Pre-commencement expenditure should be wholly and exclusively for setting up of the business prior to the year of commercial operation. Amortisation of pre-commencement expenditures should follow straight line method.

Amortisation at 10% is allowed for research & development expense as defined in section 2(33) of ITA 2023 and it should follow straight line method.

Amortisation rate for computer software and applications are stated below, and it should follow straight line method:

- Bangladeshi made 20%
- Imported 10%

#### 9.5. Computation of income of contractor, etc., of an oil company residing out of Bangladesh

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.

#### 9.6. Tax calendar for company

Filing/Payment	Month
Corporate tax return filing	15 <sup>th</sup> day of seventh month or 15 September from end of income year; whichever is later
Other than corporate tax return filing e.g. individuals, funds etc.	30 <sup>th</sup> November from the end of income year  However, 30 <sup>th</sup> June following the end of the income year for who submits first return.  In case of taxpayers residing abroad for higher education or employment with valid visa or permission, it is 90 days from his return in Bangladesh.
Advance tax instalment	15 <sup>th</sup> day of September, December, March and June.
Withholding tax return	15 <sup>th</sup> of the following month with 15 days approved extension.

#### 9.7. Displaying proof of submission of return

An assessee having income from business or profession is required to display proof of submission of return at a conspicuous place of premises. Otherwise, penalty of Taka 5,000 to Taka 20,000 would be applicable.

#### 9.8. Export income

Supply of goods and services from inside to outside the geographical limits of Bangladesh and supply of locally manufactured raw materials and other inputs to export oriented industry under internal back-to-back letter of credit, would be considered as export income.

#### 9.9. Supply of goods

Supply of goods means transfer of the right of goods by way of sale, exchange or otherwise, including sale under hire purchase agreement or finance lease.

**9.10. Written down value**

In the year of acquisition, the cost of acquisition as reduced by allowed initial depreciation. In other cases, the difference of the cost of acquisition and the aggregate of the depreciation allowed in the earlier assessments.

**9.11. Fair market value**

Fair market value means the value determined by the Board.

**9.12. Company**

Company includes –

- Company defined in Companies Act 1994
- Liaison office, representative office, branch office of any foreign entity
- Any fixed based of a foreign entity or person
- Any association or body incorporated by or under the laws of a country outside Bangladesh
- Any bank, insurance, financial institutions
- Any industrial and business organisation, foundation, society, cooperative society, and any educational institution
- Any institution registered with NGO Affairs Bureau or MCRA
- Any statutory government authority, local authority, autonomous body
- A body corporate established or constituted by or under any law for the time being in force
- Any entity other than natural person, firm, AoP, trust, HUDF, fund
- Any foreign association or body, not incorporated by or under any law.

**9.13. Person**

Person means any individual, firm, fund, trust, AoP, Hindu undivided family, and a company.

**9.14. Capital assets**

Capital assets means any kind or type of assets which is owned by taxpayer. Any business or undertaking as a whole or unit and shares and stocks are also included. However, any inventory/stock, consumable goods or raw material used for the purpose of business and belongings for personal use are excluded as capital assets.

**9.15. Trust**

Trust means any trust defined in Trust Act, 1882 (Act No. II of 1882) and Specific Relief Act, 1877 (Act No. II of 1877). However, if the Trust is a prerequisite to establish or operate a company or fund, such Trust is not considered as taxable entity whereas the said company or fund would be considered as taxable entity.

## 10. Income subject to tax withholding/deduction/collection at source

NBR has a direction to use the tax jurisdiction for depositing withholding tax and specified persons responsible for deduction of tax are advised to deposit all the withholding tax to these jurisdictions as stated in the instruction.

All withholding agents are required to collect/withhold tax at the time of payment as shown hereunder:

### A. Deduction of tax from residents

- **Salaries**

Tax withholding should be made monthly on the basis of computation of estimated annual total income.

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

However, there is a provision of lesser or no withholding of tax from salary on the basis of a certificate issued by the DCT and specifying the same upon application by the assessee.

- **Remuneration of Member of Parliament**

Taxes are to be deducted at source from the remuneration paid to Members of Parliament at average rate.

- **Payment to beneficiaries of Worker Profit Participation Fund**

Tax is required to be deducted at the rate 10% for making any payment to a beneficiary of WPPF notwithstanding anything contained in this act regarding tax exemption on payment on WPPF.

- **Payments for supply of goods, execution of contracts**

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 Taka 5 million	3.0%
Where the payment exceeds Taka 5 million but does not exceed Taka 20 million	5.0%
Where the payment exceeds Taka 20 million	7.0%
Supply of all Tabaco products	10%

The rate of deduction from the following classes of persons shall be at the rate specified in the below:

Sl. No.	Amount	Rates
1.	In case of oil supplied by oil marketing companies engaged in marketing of petroleum oil and lubricant	0.6%

Sl. No.	Amount	Rates
2.	In case of oil supplied by dealer or agent (excluding petrol pump station) of oil marketing companies, on any amount	1%
3.	In case of supply of oil by any company engaged in oil refinery, on any amount	3%
4.	In case of company engaged in gas transmission, on any amount	3%
5.	In case of company engaged in gas distribution, on any amount	3%
6.	Supply of Extra High Voltage Power Cable made by the companies which owns Vertical Continuous Vulcanisation line at local level	3%
7.	In case of an industrial undertaking engaged in producing cement, iron or iron products, ferroalloy except MS Billets	2%
8.	In case of an industrial undertaking engaged in the production of MS Billets	0.5%
9.	In case of locally purchased MS Scrap	0.5%
10.	In case of supply of rice, wheat, potato, onion, garlic, peas, chickpeas, lentils, ginger, turmeric, dried chillies, pulses, maize, coarse flour, flour, salt, edible oil, sugar, black pepper, cinnamon, cardamom, clove, date, cassia leaf, jute, cotton, yam and all kinds of fruits	2%
11.	In case of supply of books to a person other than the Govt., including all of its attached and sub-ordinate offices	3%
12.	In case of supply of trading goods to a trader	5%
13.	In case of supply of industrial raw materials to a manufacturer	4%

No tax shall be deducted or tax shall be deducted at proportionate reduce rate, upon present of exemption certificate or reduce rate certificate issued by NBR.

Provided that where any imported goods on which tax has been paid at source under section 120 or any goods on which tax has been paid at source under section 94, tax at source on the said supply shall be B-A, where –

A= the amount of tax paid under section 120 or 94,  
B= the amount of tax applicable under this section if no tax were paid under section 120 or 94.”

Provided that in case of the goods supplied by any distributor or any other person under a contract as referred in section 94, the term “B” as mentioned in paragraph (d) shall be computed as follows:

A = the amount of tax collected under section 94  
B = {the selling price of the company to the distributor or the other person as referred in section 94} x 7% x 5%

▪ **Deduction from payments of certain services**

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

Description of service	Rate of deduction of tax
Advisory or consultancy	10%
Professional service, technical services and technical assistance fee	10%

Description of service	Rate of deduction of tax
For below and any other service of similar nature- a) On commission or fee b) On gross bill amount - Catering service - Cleaning service - Collection and recovery service - Private security service - Supply of manpower - Creative media service - Public relations service - Event management service - Training, workshops, etc. organisation and management service - Courier service - Packing and Shifting service - Other services in similar nature	10% 2%  However, where both gross bill and commission are shown; minimum withholding tax will be based on 10% commission on gross bill amount.
Media buying agency service a) On commission or fee b) On gross bill amount	10% 0.65%  However, where both gross bill and commission are shown; minimum withholding tax will be based on 2.5% commission on gross bill amount.
Indenting commission	8%
Meeting fees, training fees or honorarium	10%
Mobile network operator, technical support service provider	12%
Credit rating agency	10%
Motor garage or workshop	8%
Private container port or dockyard service	8%
Shipping agency commission	8%
Stevedoring/berth operation - on commission or fee - on gross bill	10% 5%
(i) Transport service, carrying service, vehicle rental service, repair and maintenance service  (ii) Any other service under any sharing economy platform including ride sharing service, coworking space providing service and accommodation providing service	5%
Wheeling charge for electricity transmission	3%
Internet service	10%
Service delivery agents engaged in mobile financial services or channel partners of mobile financial services	10%
Any other service unless provided by bank, insurance or financial institution	10%



No deduction needs to be made in cases where NBR has issued a certificate waiving such deduction or exemption.

▪ **Payments for intangible assets**

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, trademark, patent, copyright, art-design, plant patent, GI product or any assets related to intellectual property or any other intangibles:

Payments	Tax rate
Up to Taka 2.5 million	10%
Over Taka 2.5 million	12%

▪ **Advertisement of newspaper or magazine or private television channel**

Taxes are to be withheld at 5% from the advertising bill of newspaper or magazine or private television channel, or private radio station, or any web site or any person (other than media buying agents) etc.

▪ **Actors or actresses**

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.

▪ **Commission, discount or fees payable to distributors for distribution or marketing of manufactured goods**

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 at the rate of 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.*

- **Collection of tax from travel agent**

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 of 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)XC where:

A = Incentive bonus/performance bonus or any other benefit

B = is the amount of commission or discount

C = 0.3% (source tax)

- **Commission on opening of letter of credit**

Tax is to be deducted at the rate of 5% by banks at the time of collection of L/C commission.

- **Deduction from payment on account of letter of credit**

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%.

The tax at the rate of 2% 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.

- **Deduction from payment by cellular mobile phone operator**

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.

- **Deduction of tax from any payment in excess of premium paid on life insurance policy**

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.

- **Insurance commission**

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

- **Surveyors of general insurance company**

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.

- **Interest on savings, fixed deposits or term deposits and share of profit on term deposits**

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 or share of profit to a resident at the following rate:

- (i) 20% where the payee is a company
- (ii) 10% where the payee is a person other than a company
- (iii) 10% where the payee is a public university, or an educational institution whose teachers are enlisted for Monthly Pay Order (MPO), or ICAB or ICMAB or ICSB
- (iv) 5% where the payee is recognised provident fund, approved gratuity fund, approved superannuation fund or pension fund

Proof of submission of return of parent shall be considered as proof of submission of return of a minor.

No tax needs to be deducted on interest or share of profit of any deposit pension scheme sponsored by the Government or by bank with prior approval of the Government or any payee or class of payees if the Board issues a general or a special order specifying that income of such payee is tax exempted.

Tax so deducted shall be treated as final tax liability for the persons who are not mandatorily required to submit income tax return under section 166(2) of ITA 2023.

- **Interest on deposits of Post Office Saving Bank Account**

Tax is to be withheld at 10% from interest of Post Office Savings Bank Account. However, no tax needs to be deducted on interest to any payee or salaried employees if the Board issues a general or a special order specifying that income of such payee is tax exempted.

- **Interest on loans received**

Tax is required to be deducted by the person responsible for paying interest on loan which is not received from bank and financial institutions. Exemption or reduced tax deduction is applicable based on tax certificate from NBR.

- **Interest on savings instruments**

Tax is required to be deducted at the rate of 10% 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.

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 Taka 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.

Tax so deducted shall be treated as final tax liability for individual taxpayers under section 163 of ITA 2023.

- **Interest/discount on Govt. securities and securities approved by the Government**

Tax is to be deducted at the rate of 5% while making payment or crediting, whichever is earlier, on interest or discount or profit on securities of the Government or approved by the Government or BSEC.

- **Discount on the real value of Bangladesh Bank bills**

Tax is to be deducted at the maximum rate while making discount on the real value of Bangladesh Bank bills.

- **Deduction of tax from receipts in respect of international phone call**

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), Bangladesh Telecommunication Regulatory Commission (BTRC) shall deduct tax at the rate of 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.

Exemption or reduced tax deduction is applicable based on tax certificate from NBR.

- **Deduction of tax on rent**

This is subject to a flat rate of 5% for making payment rent for house property, hotel or guest house accommodation, vacant space, plant, machinery, water body not being Government property. "Rent" means any payment, by whatever name called, under any lease, tenancy or any other agreement or arrangement for the use of any house property or hotel accommodation including any furniture, fittings and the land appurtenant thereto.

The DCT may grant exemption from tax deduction upon application where the assessee's income is not taxable or exempted.

- **Collection of tax from rent of convention hall, conference centre**

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

- **Compensation against acquisition of property**

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) 6% of the amount of compensation where the immovable property is situated in any city corporation, municipality or cantonment board; and
- (b) 3% of the amount of compensation where the immovable property is situated outside any city corporation, municipality or cantonment board.

- **Deduction of tax at source from export cash subsidy**

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 10% on the amount so payable.

Tax so deducted shall be treated as final tax liability under section 163 of ITA 2023.

- **Collection of tax from freight forwarding agency commission**

Tax is to be withheld at 15% from commission payable to freight forwarding agency.

- **Collection of tax on account of rental power**

Tax is to be withheld at 6% by Bangladesh Power Development Board (BPDB) or any other person engaged in power distribution from the payment to any power company on account of purchase of power. Exemption or reduced tax deduction is applicable based on tax certificate from NBR.

- **Deduction of tax from any sum paid by real estate developer to landowner**

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.

- **Commission, fees, charges, remuneration payable to foreign buyers' agent**

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

▪ **Deduction from dividend payments**

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 or a non-resident Bangladeshi -

- (i) if the shareholder is a company at the applicable rate for companies i.e. 20%.
- (ii) if the shareholder is a person other than a company at the rate of 10% if 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 (resident and non-resident) if such taxed dividend enjoys tax exemption under the provisions of the paragraph 32 of part 1 of the 6<sup>th</sup> Schedule of ITA 2023

“Taxed dividend” means the dividend income on which tax has been paid by the recipient under this Act.

▪ **Lottery and crossword puzzles**

Taxes are to be deducted from the amount of winnings payable at the rate of 20% which will be adjusted with tax payable at 25% as per 7<sup>th</sup> Schedule of ITA 2023.

**B. Deduction of tax from non-residents**

▪ **Income paid or payable to non-resident**

Where any payment is to be made by a specified person or any other responsible person to a non-resident on account of certain services, tax is required to be deducted as stated below:

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. Time limit has been specified for issuing exemption or reduced rate certificate by NBR to 30 days after submission of all required documents.

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.

Relevant government regulatory authority will ask for applicable tax on capital gain arising from the transfer any share of a company. If any withholding tax is deposited in the name of any resident person, such withholding tax will not be treated tax deduction under this section.

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%

Sl.	Description of service	Tax rate
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	7.5%
15	Contractor or sub-contractor	7.5%
16	Supply	7.5%
17	Capital gain	15%
18	Insurance premium	10%
19	Rental of machinery, equipment etc.	15%
20	Dividend-	
	(a) company, fund and trust	20%
	(b) any other person not being a company, fund and trust	30%
21	Artist, singer or player	30%
22	Salary or remuneration	30%
23	Exploration or drilling in petroleum operations	5.25%
24	Survey for coal, oil or gas exploration	20%
25	Fees, etc. of surveyors of general insurance company	5.25%
26	Any service for making connectivity between oil or gas field and its export point	5.25%
27	Bandwidth payment	10%
28	Courier service	15%
29	Any other payments	20%

Tax deduction is not applicable at the time of making outward remittance for following purposes:

- Arbitration fees
- Payment for pilgrimage (Hajj)
- Payment for priority pass

### C. Collection of tax at sources

#### ▪ Import of goods

The Commissioner of Customs or any other appropriate officer shall collect tax on imported items up to 20% of the value of imported goods. NBR may grant exemption from tax collection or reduce tax rate upon application where the assessee's income is not taxable or reduce tax rate in any year.

#### ▪ Export of manpower

Bureau of Manpower Employment & Training shall not grant for export of manpower by recruiting agencies unless 10% of service charges or fees are paid as advance tax and no new/renew license shall be issued unless a challan of advance tax of Taka 50,000 received from recruiting agencies.

- **Clearing and forwarding agents**

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.

- **Export proceeds of goods**

Taxes are to be withheld by banks at 1% from total export proceeds at the time of crediting the proceeds to exporters' account. A company enjoying tax exemption either wholly or partially may apply to tax authority and on the basis of its application the tax authority may exempt from deduction at source or give order to withhold at a reduced rate.

- **Service rendered in favour of foreign person**

Tax shall be deducted at the rate of 10% on any sum remitted or credited from abroad by way of a fee, service charges, commission or remuneration, called by whatever name, or by way of revenue sharing of any name and nature for;

- providing any service rendered in Bangladesh; or
- rendering any service or performing any task by a resident person in favour of foreign person; or
- allowing the use of online platform for advertisement or any other purpose.

Deduction of tax at source shall be 7.5% if the remittance has been received as consideration for contracts on manufacturing, process or conversion, civil work, construction, engineering or works of similar nature.

No deduction shall be made against the remittance received from abroad for proceeds from sales of software or services provided by a resident is exempted from tax under paragraph 21 of Part 1 of the 6<sup>th</sup> Schedule or the income is excluded from total income by paragraph 17 and 33 of Part 1 of the 6<sup>th</sup> Schedule.

- **Transfer, etc. of property**

The registering authority while registering a document shall collect income tax from the transferor on the value of the land, building at prescribed rate in withholding tax rule 2023.

The rate of tax will depend on the location of the land and building. The applicable rate will be the higher one among the followings –

- Land: per katha (1.65 decimal) Tk. 2 million;
- Any structure, building, flat, apartment or floor space: Tk. 1,000 per square meter
- Deed value: 10%

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 a bank or any financial institution against loan; and



- iii) transfer of property to a trust or special purpose vehicle established only for the purpose of issuing *sukuk* approved by government or Securities Exchange Commission and vice versa.

- **Real estate or land development business**

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	For commercial purpose
Gulshan Model Town, Banani, Baridhara, Motijheel Commercial Area, Dilkusha Commercial Area	Taka 1,600 per square metre	Taka 6,500 per square metre
Dhanmondi Residential Area, Defence Officers Housing Society (DOHS), 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 Chattogram	Taka 1,500 per square metre	Taka 5,000 per square metre
Other areas of Dhaka South City Corporation, Dhaka North City Corporation and Chattogram City Corporation	Taka 1,000 per square meter	Taka 3,500 per square meter
Any other city corporation	Taka 700 per square meter	Taka 2,500 per square meter
Other areas	Taka 300 per square metre	Taka 1,200 per square metre

In case of land of the following locations, stamp duty on deed value is applicable-

Area	Rate
Dhaka, Gazipur, Narayanganj, Munshiganj, Narsingdi and Chattogram districts	5%
Any other district other than above districts	3%

Tax shall not exceed the following:

Property	For residential purpose	For commercial purpose
Building or apartment	Taka 1,600 per square metre	Taka 6,500 per square metre
Land	5% of the deed value	

- **Commission on Government stamp, court fee, cartridge paper**

Sellers of government stamp, court fee, cartridge paper are liable to collection of tax at 10% on payment of any commission, discount or fee.

- **Lease of property**

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 10 years shall not register such document unless tax is paid at 4% by the lessor on the lease amount of such property.

- **Cigarette manufacturers**

Sellers of banderols are liable to collection of tax at 10% of the value of banderols. The seller will collect the tax from the manufacturer of cigarettes.

- **Brick manufacturers**

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

However, such permission is accompanied by a tax clearance certificate of the preceding assessment year along with the receipt of the tax verified by the DCT.

- **Issue or renewal of trade licence**

City Corporation shall collect tax at Taka 3,000 in Dhaka South City Corporation, Dhaka North City Corporation or Chattogram City Corporation, at Taka 2,000 in any City corporation other than above, at Taka 1,000 in any municipality at any district headquarter, at Taka 500 in any other municipality, while issuing or renewing trade licence. The tax so collected shall be adjusted against tax payable by the recipient of licence.

- **Shipping business of a resident**

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.

- **Public auction through sealed tender**

Taxes are to be collected from the sale price at the rate of 10% before delivering the possession of the goods or the property or allowing to exercise the rights. In case of tea auction the rate is 1%. However, the sale of a plot of land is not subject to collection of tax under this section.

▪ **Transfer of non-listed share**

Relevant government regulatory authority shall collect 15% tax on difference between fair value and face value of the shares(s) arising from the transfer any share of a non-listed company.

▪ **Transfer of share by sponsor shareholders of a company listed with stock exchange**

BSEC or Stock Exchanges 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; and
- '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 BSEC or the Stock Exchanges, 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.

▪ **Transfer of share of shareholder of Stock Exchange**

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 accord 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 Exchanges Demutualisation Act, 2013 (Act No. 15 of 2013) came in force.

▪ **Trade of shares by the members of Stock Exchanges**

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. However, any listed sukuk or bond will not be applicable under this section.

▪ **Motor vehicles plying commercially**

Tax payable at the time of registration or renewal of fitness certificate in the form of advance income tax for motor vehicles plying commercially is:

Description of the vehicle	Rate (in Taka)
Bus having seats exceeding 52	16,000
Bus having seats not exceeding 52	11,500
Air-conditioned Bus	37,500
Double decker Bus	16,000
Air conditioned (AC) minibus/Coaster	16,000
Non-AC minibus/Coaster	6,500
Prime mover	24,000
Truck, lorry or tank lorry having payload capacity exceeding five tons	16,000

Description of the vehicle	Rate (in Taka)
Truck, lorry or tank lorry having payload capacity exceeding one and half tons but not exceeding five tons	9,500
Truck, lorry or tank lorry having payload capacity not exceeding one and half tons	4,000
Pickup van, human hauler, maxi or auto rickshaw	4,000
Air-conditioned taxicab	11,500
Non-AC taxicab	4,000

In case of registration or fitness renewal of motor car for more than one-year, advance income tax shall be collected on or before 30 June in every subsequent year.

Where any person fails to pay advance tax in accordance with the above paragraph, the amount of advance tax payable shall be calculated in accordance with A+B formula, where-

- A = the amount of advance tax not paid in the previous year or years; and  
 B = the amount of advance tax payable under above paragraph for the year in which an assessee is making the payment.

Such advance income tax shall not be collected from the Government, local Government, any project under Government, foreign diplomat, development partner, an educational institute under MPO, public university, gazetted ward-wounded freedom fighter and any institute which has received a relevant letter from NBR.

▪ **Collection of tax from inland ships**

Tax payable at the time of granting a certificate of survey or renewing a certificate of survey under the Inland Shipping Ordinance, 1976 (Ordinance No. LXXII of 1976) in the form of advance income tax is:

Description of the vehicle	Rate
Inland ships engaged in carrying passengers in inland water	Taka 125 per passenger (based on daytime passenger carrying capacity)
Cargo, Container (multipurpose) and Coaster engaged in carrying goods in inland water	Taka 170 per gross tonnage (based on goods carrying capacity)
Dump barge engaged in carrying goods in inland water	Taka 125 per gross tonnage (based on goods carrying capacity)

In case of granting a certificate of survey or renewing a certificate of survey for more than one-year, advance income tax shall be collected on or before 30 June in every subsequent year.

Where any person fails to pay advance tax in accordance with the above paragraph, the amount of advance tax payable shall be calculated in accordance with A+ B formula, where-

- A = the amount of advance tax not paid in the previous year or years; and  
 B = the amount of advance tax payable under above paragraph for the year in which an assessee is making the payment.

#### D. General guideline on withholding tax

Provided that in absence of proof of submission of return, the withholding rate will be 50% higher than from the above-mentioned rates.

Deduction shall be 50% higher if the payee does not receive payment by bank transfer;

The base amount means the higher of the following:

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

Payment includes a transfer, a credit or an adjustment of payment or an order or instruction of making payment.

If the payment is made without deduction of tax based on any contract or arrangement, tax is required to be deducted by applying gross-up method.

##### ▪ Consequence of failure to deduct, collect etc.

- a) Person/company responsible for making deduction shall be treated as assessee in default if –
  - i. Fails to deduct or collect tax at source;
  - ii. Collects tax less than the applicable rate or applicable amount;
  - iii. Fails to deposit to government exchequer or fails to deposit the amount; deducted or collected at source to government exchequer or deposits; less; than the tax deducted or collected at source; and
  - iv. Or any other non-compliance.
- 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 deficiency of deduction or collection of tax;
  - iii) the amount of tax which has not been deposited to government exchequer after deduction; and
  - iv) Maximum Taka 1,000,000 penalty for other non-compliance;
  - v) 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 from the due date of the deduction or collection to the date of the payment of the amount; and
    - 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.

- c) Where the Government has any financial or operational involvement, the following persons shall be jointly and severally liable to pay taxes, penalty or additional amount:

*In case of the Government or its unit:*

- the individual responsible for approving or allowing the payment; and
- the individuals who is responsible for allowing, approving or granting any clearance, registration, license, permits, etc.

*In case of other than Government or its unit:*

- the individual responsible for approving or allowing the payment; and
- the organisation itself.

▪ **Punishment for failure to deduct, collect and deposit of withholding tax to Government exchequer**

A person is guilty of an offense punishable with imprisonment for a term which may extend up to 1 year or with fine or both if he fails to deduct or collect or deposit tax. However, the punishment is not applicable if the said amount of tax does not exceed Taka 25,000. Additionally, before identification/recognition by tax authorities, if the person deducts, collects and deposits the tax, then no case shall be filled. The person shall be penalised every day for continuing default by not less than Taka 100 or not more than Taka 500.

▪ **Consequence of issuance of certificate of tax deduction/collection without actual deduction/collection/payment**

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, the DCT shall take necessary actions for the collection of the amount from 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

## 11. International Tax

### 11.1. Double Taxation Avoidance Agreement

There are agreements on avoidance of double taxation between Bangladesh and 42 countries which are:

1 UK	22 Vietnam
2 Singapore	23 Turkey
3 Sweden	24 Norway
4 Republic of Korea	25 USA
5 Canada	26 Indonesia
6 Pakistan	27 Switzerland
7 Romania	28 Oman (air traffic only)
8 Sri Lanka	29 Mauritius
9 France	30 United Arab Emirates
10 Malaysia	31 Myanmar
11 Japan	32 Kingdom of Saudi Arabia
12 India	33 Kingdom of Bahrain
13 Germany	34 Republic of Belarus
14 The Netherlands	35 Nepal
15 Italy	36 Bhutan
16 Denmark	37 Morocco
17 China	38 Kuwait
18 Belgium	39 Czech Republic
19 Thailand	40 Maldives
20 Poland	41 Iran
21 Philippines	42 Hong Kong

### 11.2. 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.

## 12. Value Added Tax

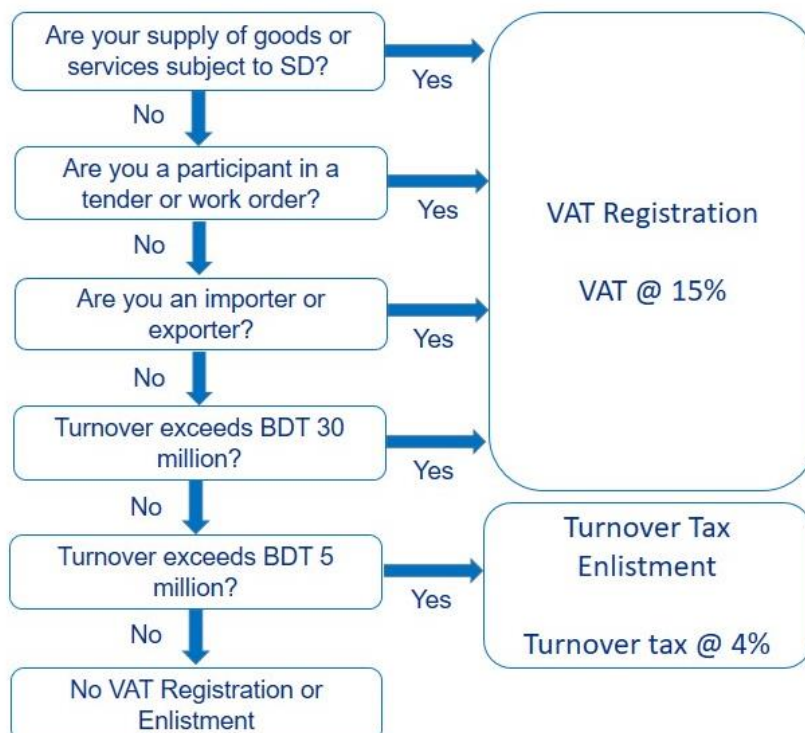
### 12.1. Registration or enlistment requirements

Business entities having turnover within a 12-month period exceeding Taka 5,000,000 will be required to enlist for Turnover Tax and entities having turnover within a 12-month period exceeding Taka 30,000,000 will be required to register for VAT.

The following entities will be required to register for VAT regardless of the turnover threshold:

- i) Supplier, manufacturer or importer of goods or services which are subject to supplementary duty;
- ii) Supplier of goods or services through tender, contract or work order;
- iii) Importer and exporter; and
- iv) Any other person recommended by NBR. NBR has issued a general order prescribing that manufacturers or traders and service providers of 175 certain goods and services would have to be registered mandatorily.

Any person who will not be eligible for either Registration or Enlistment will be effectively exempted from VAT. However, such persons can voluntarily register for VAT.



*Note: Provided that in pursuance of section 4 (2d) of VAT & SD Act 2012 NBR can give VAT registration requirement to any person regardless of the registration threshold.*



▪ **What constitutes “Turnover”?**

VAT & SD Act 2012 defines turnover as all money received or receivable by a business entity against supply of taxable goods or rendering of taxable services by means of their economic activities.

For the purpose of assessing the eligibility for Registration and Enlistment, Turnover shall not include:

- *The value of an exempted supply,*
- *The value of sale of a capital asset,*
- *The value of supply made as a consequence of permanently closing down an economic activity, and*
- *The value of sale of an organisation of economic activities or portion thereof.*

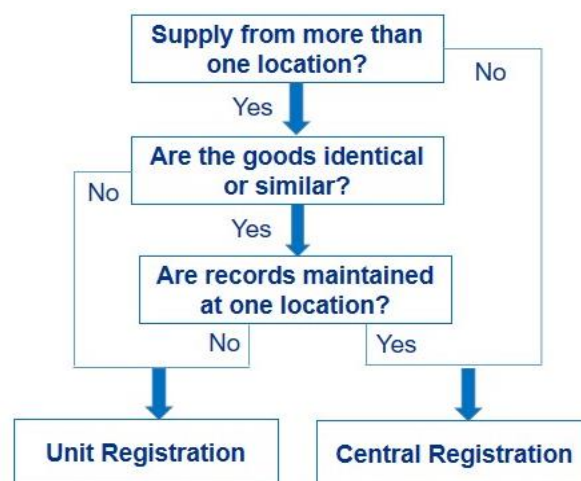
▪ **Unit registration vs central registration**

Unit Registration is mandatorily required when different goods or services are supplied from different locations. Furthermore, if identical or similar goods or services are supplied from different locations and the related books and records are kept at separate locations, Unit Registration is also mandatory.

Option of Central Registration is mandatory for supply of identical or similar goods or services from different locations. In such case the point / address of central VAT registration would be the location where books and accounts are centrally maintained.

It is implied that different goods or services supplied from a single location would consequently be under one registration.

Furthermore, transfer of goods or services between one unit to another unit by a centrally registered person will not be considered as supplies. As a result, this internal transaction will not result in output VAT liability and input VAT credit.



▪ **Economic activity**

VAT & SD Act 2012 imposes VAT based on “*economic activity*”. The VAT & SD Act 2012 defines economic activity as any activity carried on regularly or continuously for making supply of any goods, services or immovable property. The definition of economic activity also includes:

- i) any business, profession, vocation, means of earning livelihood, manufacturing or undertaking of any kind;
- ii) supply of any goods, services or properties made under any lease, license or similar arrangement; and
- iii) one-off initiative in the nature of a commercial activity or enterprise.

However, any service rendered by an employee to his employer or any service rendered by any director of a company in general or any recreational pursuit or hobby performed on a non-commercial basis or any activity carried on by the Government without any commercial motive are excluded from the definition of economic activities.

**Exempted Supplies**

VAT & SD Act 2012 provides VAT exemption on certain goods and services in the First Schedule of the Act

**Taxable Import**

Any import other than exempted imports.  
Import is defined as bringing any goods from outside Bangladesh into the geographical territory of Bangladesh.

**Taxable Supplies**

Taxable Supply means any supply, excluding exempted supplies, made in an economic activity. Supply includes supply of goods, services and immovable property.

**Imported Services**

Imported service means supply of any service from outside Bangladesh

**12.2. Coverage of VAT**

▪ **VAT exempted goods**

VAT & SD Act 2012 provides VAT exemption on certain goods and services through the First Schedule of the legislation as well as specific exemptions through statutory orders.

▪ **VAT exempted services**

The VAT & SD Act 2012 provides VAT exemption on certain services as per First Schedule of the legislation which are broadly categorised as follows:

- i) **Basic services for livelihood** - agricultural services e.g. farming, irrigation of farmlands, storage of agricultural goods and animal products excluding warehouses, etc.
- ii) **Social services** - e.g. Government and private healthcare services, Government education services etc.
- iii) **Cultural services** - e.g. radio or television broadcasting, publication and sale of books, magazine, newspaper and government Gazette.

- iv) **Financial services** - stock or security exchange institution, life insurance policy and deposit or savings at banks or financial institutions, activities related to settlement of purchase and sales of share.
  - v) **Transportation services** - e.g. passenger transport, goods transport, airlines, ambulance services except certain cases such as shipping agent, courier services, freight forwarder, charterer of aircraft or helicopter, Air-ambulances related services etc.
  - vi) **Personal services** - e.g. journalist, actor, singer, driver, operator, designer, etc.
  - vii) **Other services** - e.g. services for any religious activity or programs, land purchase or transfer and its registration, stevedoring activities, etc.
- **Zero-rated VAT**
    - i) Supply of zero-rated goods
      - Supply of any goods from inside to outside Bangladesh,
      - Temporarily imported goods,
      - Deemed export, and
      - Supply of goods for repair, maintenance or modification and supply of stores or spare parts for ocean-going ship and aircraft engaged in international transport.

*Deemed exports are supplies of ingredients for goods or services for consumption outside Bangladesh and supply of any goods or services within the territory of Bangladesh against foreign currency through an international tender or under local letter of credit.*
    - ii) Supply of zero-rated services
      - Services given physically on goods situated outside Bangladesh at the time of supply of the service,
      - Services given relating to temporarily imported goods under the Customs Act,
      - Service is exported outside of Bangladesh,
      - Services given to a recipient situated outside Bangladesh at the time of supply, and
      - Supply of telecommunication services by a telco supplier to a non-resident telco supplier.

### 12.3. Type of VAT rates

- **Standard VAT rate**

The standard VAT rate under VAT & SD Act 2012 is 15%.

Input VAT credit can only be obtained against supplies of goods or services subject to 15% VAT or zero rated.

▪ **Trade VAT**

Traders are subject to VAT at a rate of 5% on their supplies except traders of medicine and petroleum products for which reduced trade VAT of 2.4% and 2%, respectively, is applicable.

Some specific type of wholesale business i.e. clothing business and paper business, applicable VAT rate will be 1.5% subject to fulfilling certain conditions and procedures.

Goods and services subject to truncated VAT rate will not be eligible for input VAT credit.

Suppliers of goods and services subject to trade VAT rate can choose to exercise standard VAT rate of 15% and get input VAT credit against their purchase.

▪ **Advance tax**

Importers are required to pay Advance Tax at 5% on taxable imports on the value determined for taxable imports. Such Advance Tax can be shown as decreasing adjustment within the concerning VAT period or 4 succeeding VAT periods.

Advance Tax (AT) for import of materials to be used in the production/manufacture of goods is 3% subject to fulfilment of the following conditions in accordance with General Order no. 10/Mushak/2020:

- VAT Registration Certificate as manufacturer.
- Input- output Coefficient attested by Divisional Commissioner
- Bill of entry.
- Import Registration Certificate (IRC)
- Last 12 months' VAT returns.

▪ **Truncated VAT**

VAT & SD Act 2012 prescribes VAT rates lower than the standard VAT rate of 15%, commonly known as Truncated VAT system, in the Third Schedule of the legislation. Truncated VAT rates are as follows:

- 5% (e.g. mustard oil, biscuits, plastic products, indenting firm, ride sharing services, ball point, software and software customisation, online market place)
- 7.5% (e.g. non-air-conditioned hotel or restaurant, procurement provider, construction contractor)
- 10% (e.g. printing press, security service, building, floor, compound cleaning or maintenance service provider)
- For building construction firm
  - Up to 1,600 sq. ft. at 2%;
  - Exceeding 1,600 sq. ft. at 4.5%; and
  - Reregistration irrespective of size at 2%.

Goods and services subject to Truncated VAT rate will not be eligible for input VAT credit.

Business entities whose supplies are subject to Truncated VAT can choose to exercise the standard VAT rate of 15% and claim input VAT credit against their purchase.

- **Specific VAT (Tariff Value VAT)**

Certain goods and services are subject to tariff value-based VAT such as SIM cards, mild steel products, newsprint etc.

#### 12.4. VAT mechanism

- **VAT payment through VAT return**

Registered persons under VAT & SD Act 2012 is required to pay their net VAT payables, if any, (i.e. output VAT less input VAT and other adjustments) at the time of submission of VAT Return within 15 days following the month end. The following equation will be used for calculation of VAT liability:

	Output VAT
+	Supplementary Duty, where applicable
+	Increasing Adjustments
-	Input VAT Credit
-	Decreasing Adjustments
=	Net Tax Payable

- **Input-output coefficient declaration**

In case of supply of goods Input-Output Coefficient Declaration in Form 4.3 needs to be filled. Subsequently, a copy of Input-Output Coefficient Declaration should be sent to the concerned commissioner office within 15 days by Deputy Commissioner of Tax (DCT) along with his/her recommendation.

The Input-Output Coefficient Declaration will not be applicable for 100% export-oriented organisations for its exportable goods.

When contract manufacturer use its own raw materials for production of contracted goods for third party it needs to issue Mushak 4.3 (Input-output co-efficient) where its own raw materials and contract manufacturing charge will be considered as input.

- **Adjustments**

The following increasing adjustments can be made against output VAT and Supplementary Duty payable in a tax period, subject to fulfilment of specific conditions, time limit and method namely:

- a. an increasing adjustment in respect of withholding tax;
- b. interest, penalty, Fine, fee and outstanding VAT will be treated as increasing adjustment;
- c. Less/short deposit of VAT amount of any previous tax period shall be treated as increasing adjustment;

- d. an increasing adjustment required for an annual re-calculation;
- e. an increasing adjustment if a payment is not made through banking channels;
- f. an increasing adjustment for goods put into private use;
- g. an increasing adjustment on being registered;
- h. an increasing adjustment on cancellation of registration;
- i. an increasing adjustment for a change in the VAT rate;
- j. an increasing adjustment for the payment of any interest, monetary penalty, fine, fee, etc; and
- k. any other prescribed increasing adjustment.

The following decreasing adjustments can be made against output VAT and Supplementary Duty payable in a tax period, subject specific conditions, time limit and method namely:

- (a) a decreasing adjustment for the money paid as advance tax;
- (b) a decreasing adjustment in respect of withholding VAT against supply by the Supplier;
- (c) a decreasing adjustment applicable as a result of an annual re-calculation;
- (d) a decreasing adjustment for issuing credit note;
- (e) a decreasing adjustment where there is a decrease in the VAT rate;
- (f) a decreasing adjustment claimed for a negative net amount carried forward from a previous tax period;
- (g) a decreasing adjustment allowed for VAT overpaid in a previous tax period; and
- (h) any other prescribed decreasing adjustment.

▪ **Input VAT credit**

A registered person shall be entitled to an input VAT credit for any taxable import or taxable supply made to the person for conducting their economic activities and taxable supplies.

VAT & SD Act 2012 restricts to input VAT credit on the following cases, namely:

- (a) supply exceeds Taka 100,000 and paid other than banking channel. However, in case of purchase of raw material from intercompany (same ownership), payment is not mandatory to be settled through banking channel for eligibility of input VAT credit;
- (b) in the case of import of service, service recipient doesn't report the output VAT against the imported service in the respective month's VAT return in accordance with section 20 of VAT and SD Act, 2012;
- (c) input tax credit is not taken within 4 succeeding tax period of purchase or invoice date or bill of entry;
- (d) good and services under the custody or possession or supervisor of another person. Inputs held in the custody of other parties will not be a criterion for cancellation of input VAT credit in case of contract manufacturing;

- (e) goods and services have not been entered in Purchase Books;
- (f) name, address and BIN of both purchaser and seller are not mentioned in tax invoice;
- (g) in case of imported goods, if the Bill of Entry Number is not in the importer invoice and description of goods does not match with the commercial description of goods in line with Bill of Entry and invoice;
- (h) raw materials or goods released with furnish Bank Guarantee;
- (i) input tax paid for manufacturing of exempted or rendering of exempted services;
- (j) turnover tax paid under the purview of turnover tax;
- (k) supplementary duty paid for manufacturing of goods and services;
- (l) except Export of goods or service, any input VAT paid on supply of goods or service for which Output VAT rate is less than 15% or Specified VAT;
- (m) input tax paid against such inputs or goods not declared in the Input Output Coefficient;
- (n) if new Input Output Coefficient is not submitted when input price change 7.5%;
- (o) if sales price of the product is less than total input cost (in such case input VAT credit will be disallowed proportionately on the difference of higher input cost); and
- (p) purchase of passenger vehicle or entertainment services, provided that, input VAT credit may be allowed when such purchases are part of normal course of the economic activities of the person (e.g. dealer or charterer of vehicles).

Every registered person should preserve the following documents against claim of input VAT credit at the time of submission VAT return.

- (a) In case of import Bill of entry including the name, address and BIN of importer.
- (b) Treasury challan copy in favour of payment in accordance with section 20(2).
- (c) Invoice issued by Gas, WASA, Electricity, Bank, insurance, port and Telephone will be considered as VAT invoice for taking input VAT credit.
- (d) In case of electricity bill, invoice/document issued by Bank, Mobile financing service and digital payment gateway will be considered as VAT invoice subject to fulfilling certain methods and condition.

#### ▪ **Partial input tax**

If any registered person provides any goods or service at standard rate or reduced rate or fixed based rate or zero rate, in such case input VAT rebate is eligible against only supply of goods or service at standard rate or zero rate. In such case section 46 should be followed in order to obtain the full amount of input VAT credit at the time of purchase. At the end of tax period increasing adjustment should be presented for input VAT against supply of goods or service at reduced rate/exempted rate/fixed based rate.

If a registered person is not entitled to full input VAT credit, their entitlement to input VAT credit against total imports and acquisitions shall be calculated in a proportionate manner as follows:

$$I \times T/A$$

where—

“I” is the total amount of input tax originating from imports or acquisitions;

“T” is the amount paid by a registered person on all rebate-able supplies during the tax period; and

“A” is the amount paid by the registered person on all the supplies during a tax period.

Also, when a registered person pays or is liable to pay a part of the consideration for a taxable supply, any input tax credit to which the person is entitled shall be calculated on the basis of the amount of the consideration such person pays or is liable to pay.

Partial input tax calculated on monthly basis is provisional. Annual increasing/decreasing adjustments can be made for the calendar year with the approval of VAT Commissioner considering the above factor on annual basis.

- **Withholding VAT implication on sub-contract project**

For any project, the VAT has to be collected or deducted and deposited to Government Treasury at the time of payment of service value or commission by a person receiving the service. If the service provider appoints any sub-contractors, agents or any other service rendering persons, VAT shall not be collected at source again from such sub-contractors, agents or any other service rendering persons appointed by the main service provider; subject to production or submission of documentary evidence of early stage's collection or deduction of VAT and the deposit of such VAT to the Government Treasury. However, this rule is not applicable for purchasing goods under the project.

The above provision was present in the old VAT Act 1991 under subsection 4AA of the section 6. However, when the new VAT regulation (i.e. the VAT & SD Act, 2012) came into effect from 1 July 2019, this important provision was not incorporated. Consequently, considering the importance of this law for the project contractors, it has been reintroduced into the new VAT regulation.

- **Withholding VAT**

VAT & SD Act 2012 has imposed upon certain business entities the responsibility to withhold VAT.

Sub-section 21 of section 2 of VAT & SD Act 2012 defined withholding entity to mean-

- a) a Government entity (ministry, board, authority, semi-government, autonomous body, state owned entity, local authority or similar types of institutes);
- b) a non-government organisation approved by the NGO Affairs Bureau or the Directorate-General of Social Welfare;
- c) a bank, insurance company or a similar financial institution;
- d) a post-secondary educational institution; or
- e) a limited company.



▪ **Applicability of withholding VAT**

If case of manufacturer, irrespective of rate of VAT there is no requirement of withholding VAT on that supply of goods.

In case of other than manufacturer entire VAT is required to withhold.

In case of supply of services, withholding VAT will be applicable for all the services which are prescribed for withholding VAT. Currently 43 services as listed below are categorised for withholding VAT. If any service outside these 43 services and issue Mushak 6.3, no VAT is required to deduct.

**List of services for withholding VAT**

A comprehensive list of services for withholding VAT is set by NBR. The list of services which are subject to withholding VAT are stated below:

Sl.	Service Code	Description of services	VAT rate
1	S001.10	Hotel (Air-conditioned)	15%
	S001.20	Restaurant (Air-conditioned)	5%
	S001.10	Hotel (Non-AC)	7.5%
	S001.20	Restaurant (Non-AC)	5%
2	S002.00	Decorators and caterers	15%
3	S003.10	Motor car garage and workshop	10%
4	S003.20	Dockyard	10%
5	S004.00	Construction firm	7.5%
6	S007.00	Advertising firm	15%
7	S008.10	Printing press	10%
8	S009.00	Auction firm	10%
9	S010.10	Land developer	2%
10	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%
11	S014.00	Indenting agency	5%
12	S015.10	Freight Forwarders	15%
13	S020.00	Survey firm	15%
14	S021.00	Plant or capital machinery rental firm	15%
15	S024.00	Furniture distributors a. Manufacturing stage (if manufacturer directly delivers to consumer – VAT 15%)	7.5%
		b. Selling stage (showroom) (subject to 7.5% VAT challan at manufacturing stage, otherwise 15%)	7.5%
16	S028.00	Courier and express mail service	15%
17	S031.00	Repair and maintenance service firm	10%
18	S032.00	Consultancy and supervisory firm	15%
19	S033.00	Lessor	15%
20	S034.00	Audit and accounting firm	15%
21	S037.00	Procurement provider	7.5%

Sl.	Service Code	Description of services	VAT rate
22	S040.00	Security service	10%
23	S043.00	Program aired through television or online platform	15%
24	S045.00	Legal advisor	15%
25	S048.00	Transport contractor:	
		i) Transportation of petroleum products	5%
		ii) Others	10%
26	S049.00	Rent-a-car service provider	15%
27	S050.10	Architect, interior designer or interior decorator	15%
28	S050.20	Graphic designer	15%
29	S051.00	Engineering firm	15%
30	S052.00	Sound and lighting accessories provider	15%
31	S053.00	Board meeting participants	10%
32	S054.00	Advertisement through satellite channel	15%
33	S058.00	Chartered air or helicopter rental firm	15%
34	S060.00	Buyer of auctioned goods	7.5%
35	S065.00	Cleaning and maintenance services of floors, compounds etc.	10%
36	S066.00	Seller of lottery ticket	10%
37	S067.00	Immigration Advisor	15%
38	S071.00	Event management	15%
39	S072.00	Human resource supplier or management	15%
40	S099.10	Information technology enable services	5%
41	S099.20	Miscellaneous services	15%
42	S099.30	Sponsorship services	15%
43	S099.50	Credit rating agency	7.5%

▪ **No requirement of withholding VAT**

Sl.	Cases	Description
1	Supply of goods	Supply of goods by the manufacturers against VAT invoice 6.3 (Mushak 6.3) will not be subject to withholding VAT
2	Supply of services	Supply of services which are not included in the prescribed withholding VAT list will not be subject to withholding if it is supplied against VAT invoice 6.3 (Mushak 6.3)
3	Utilities	Supply of certain utilities such as Fuel, Gas, Water (WASA), Electricity, Telephone, Mobile bill will not be subject to withholding VAT
4	Exempted supplies	Supplies of goods and services which are exempted under the First Schedule of the VAT and SD Act, 2012 will not subject to withholding VAT
5	Zero rated supplies	Any supplies which are considered zero rated as per section 21 of the VAT and SD Act, 2012 will not be subject to withholding VAT
6.	Supply of withholding VAT list services	In case of supply of advertisement service and Program aired through television or online platform included in withholding VAT list, if service provider provides VAT invoice (Mushak - 6.3) attested by the concerned revenue officer, there is no requirement of withholding VAT.

Sl.	Cases	Description
7.	Supply of Furniture	No VAT shall be deducted from the furniture manufacturer if the manufacturer issues Mushak 6.3 attested by the Revenue Officers with 15% VAT rate.
8.	Invoice issued through EFD or SDC	No VAT shall be deducted if the invoice has been issued through Electronic Fiscal Device (EFD)/Sales data controller (SDC) mentioning the name and registration number of the customer.

▪ **Adjustment of withholding VAT**

Suppliers shall make decreasing adjustment on the tax withheld by the customer within the same tax period and the next three (3) tax period of which payment is received.

If VAT claim is not adjusted within such time limit, it will expire due time bar. Withholding VAT adjustment will be made through the withholding VAT Certificate (Mushak 6.6).

▪ **Guidelines of withholding VAT entity at the time of making payment to vendor**

A registered withholding entity being the service recipient will deposit the withheld VAT amount to the Government Treasury through treasury challan within 7 days of the following month. After that, within three 3 working days the withholding entity will issue three copies of withholding VAT Certificate (i.e. Mushak 6.6). The original copy of withholding VAT Certificate with original treasury challan should be submitted to the concerned VAT office at the time of submission of VAT Return. One copy of the withholding VAT Certificate is to be provided to the supplier and other copy is to be preserved by the withholding entity for at least 5 years.

However, an unregistered withholding entity deposit the withholding VAT to the Government treasury within 15 days of the deduction as prescribed in withholding VAT regulation. There is no relationship between VAT return and deposit of withholding VAT.

Provided that if any withholding entity is required to procure any goods or services from an unregistered or non-enlisted person, the withholding entity itself is responsible to make the payment of VAT for that supplies at applicable rate.

▪ **Reverse charge of VAT for importation of services**

VAT & SD Act 2012 provides clear provisions for VAT on imported services under the concept of Reverse Charge.

Imported service is a taxable supply in the hand of the service recipient and consequently, it has to be shown as output VAT in the VAT Return. Simultaneously, the service recipient will be required to show the applicable VAT on such imported service as their input VAT in the VAT Return. As such, there would be no cash flow impact for imported service.

▪ **Collection of VAT on importation of service**

Banks which are responsible for sending money against importation of services from outside of Bangladesh will check whether applicable VAT on importation of services has been deposited to the Government Treasury or not. Based on the status of importer's VAT registration, the control mechanism is as follows:

Sl.	Types of service importer	Control mechanism
1	Unregistered person	Bank will collect VAT at 15% on the imported price from the unregistered person at the time of sending the fund outside Bangladesh and deposit it to the concerned bank's Commissioner Economy Code
2	Registered person	Bank will not collect VAT at 15% on imported service if the registered person submits a copy of the treasury challan for the payment of corresponding amount of VAT on imported service. If there is no treasury challan or the amount deposited is less, bank will collect required amount of VAT and deposit it to its Commissioner Economy Code.

**12.5. Value of taxable supply**

▪ **Determination of value of taxable supply**

– **Taxable supply**

The value of a taxable supply is the amount derived by reducing the tax fraction ( $\frac{\text{VAT Rate}}{100+\text{VAT Rate}}$ ) from the consideration amount.

Consequently, value of any supply other than the taxable ones shall be the consideration of such supplies.

– **Imported services**

As per an amendment brought by Finance Act 2020, value of imported services shall be the consideration of such supplies.

– **Taxable import of goods**

Import of goods will be valued at the Assessable Value determined by the Customs Authority plus the amount of Customs Duty, Regulatory Duty or Supplementary Duty.

It is also required to file Input-Output Coefficient Declaration to the VAT authority.

– **Special cases**

If any taxable supply is made or imported service is taken from an associated entity, the value of such transaction would be the *fair market value* of that taxable supply or imported service if:

- i) the taxable supply or imported service is made for no consideration or consideration lower than the fair market value, and
- ii) the associated entity cannot claim input VAT credit on the taxable supply or imported service.

Also, taxable supplies with no consideration will be valued at the fair market value of the supply reduced by the tax fraction.

▪ **Fair market price**

VAT & SD Act 2012 introduces the concept of *fair market price*. According to the legislation, *fair market price* is the consideration arrived at as a result of normal relationship between a buyer and a seller who are not associated with each other. If such price is not identifiable, consideration of similar supply made previously under similar circumstance would then be the fair market value. If the price cannot be derived by the above means, it may be determined by NBR based on impersonal average of consideration in course of normal business relations among buyers and sellers, who are not associated with one another.

▪ **Definition of associated entities**

Associated entities mean two persons with such a relation between them that it would make one act or reasonably expect to act in accordance with the intention of the other or make both act or reasonably expect to act in accordance with the intention of a third person. Associated entities also include the following persons, namely–

- i) a partner of a partnership;
- ii) a shareholder of a company;
- iii) a Trust and a beneficiary of such Trust;
- iv) a joint venture for property development and the landowner as a partner of that joint venture, builder, or other related person; and
- v) representative, VAT Agent, distributor, licensee or persons with similar relationship.

Associated entities but do not include persons with employment relations.

▪ **When is fair market price relevant?**

In the context of the VAT & SD Act 2012, fair market price is relevant in the following scenarios:

- to determine the value of free samples above the allowable limit of Taka 20,000 per fiscal year;
- when assessing the consideration of imported services obtained from or supplied by a related person;
- when taxable supply is made to an associate for no consideration or consideration which is less than fair market price and also the associate cannot take full input VAT credit;
- supplies of service or immovable property to any employee without a consideration or at a price less than the fair market price;
- imposition of SD on the supply of any goods or service subject to SD which is made without any consideration or with inadequate consideration;

- when quantity of goods subject to SD is identified during an audit to have not been accounted properly; and
- transfer of immovable property by a property developer to the landowner.

## 12.6. Few important matters

### ▪ Definition of ‘residents’

In case of individuals, “*resident*” will mean an individual who—

- a) normally lives in Bangladesh; or
- b) stays in Bangladesh for more than 182 days in a current calendar year; or
- c) stays in Bangladesh for more than 90 days in a calendar year and has stayed in Bangladesh for more than 365 days during the four immediately preceding calendar years.

In other cases, resident will include the following:

- a) a company incorporated in Bangladesh or having its centre of control and management in Bangladesh;
- b) a Trust, if a Trustee thereof is a resident of Bangladesh or the centre of control and management of the Trust is in Bangladesh;
- c) an association of persons other than a Trust, if it is formed in Bangladesh or its centre of control and management in Bangladesh;
- d) all Government entities; and
- e) a property development joint venture.

Any other person is a **Non-resident**.

### ▪ Definition of ‘fixed place’

VAT & SD Act 2012 defines *fixed place* to include, namely—

- a) a place of management;
- b) a branch, an office, a factory, or a workshop;
- c) a mine, a gas well, a quarry for extraction of stones or any other similar mineral resource; and
- d) a location of any construction or installation project.

### ▪ Implications of residency status

The prime implication of residency status is that if a non-resident is carrying out an economic activity from or through a fixed place in Bangladesh and provides any supply from such a fixed place, such activity or supply would be considered as an economic activity or supply in Bangladesh and will be subject to VAT. A non-resident having no fixed place of business in Bangladesh would not be required to register for VAT for their compliance of VAT obligations, if any, but they have to appoint a VAT Agent in order to discharge their VAT obligations.

- **VAT agent**

A non-resident can appoint a VAT Agent who will bear and carry all VAT related responsibilities arising out of the activities performed by the non-resident. The VAT Agent will obtain a VAT Registration in the name of the principal (or the non-resident) for the concerned economic activities. However, non-resident shall be liable for all payments including taxes, fines, penalties, and interests.

- **Cancelled transaction**

If a transaction is cancelled, the amount of money which may be retained by the supplier will be subject to VAT. Furthermore, such VAT may be adjusted in the VAT Return.

- **In-kind benefits**

The price of supply of an in-kind benefit by a registered person or person required to be registered to any of their employees will be subject to VAT under the VAT & SD Act 2012.

If a service or an immovable property without a consideration or at a price less than the fair market price is given to the employees, the value of such service or such immovable property shall be its fair market price.

Input VAT credit can also be obtained on in-kind benefits.

- **Definition of 'input'**

As per section 2 (18ka) of VAT & SD Act 2012, input means all raw materials, laboratory reagents, laboratory equipment, laboratory accessories, any particular used as fuel, packing materials, services, machines and parts of machines. Following goods and services will not be considered as input:

- Land, labour, building, office equipment and fixtures, buildings/ infrastructures construction, maintenance, repair, renovation
- All furniture, office supplies, stationary materials, refrigerator, air conditioner, fan, lighting materials, generator purchase and repair
- Interior design, architecture planning and design
- Lease and rental payments for transportation, vehicle purchase
- Travelling, entertainment, goods and services related to employee welfare related activities
- Rentals for office premises and showrooms

In case of business by the trader, any goods imported, purchased, acquired or collected by any means for the sale, exchange or transfer will be considered as "input"

- **Definition of 'company'**

As per section 2 (38) of VAT & SD Act 2012, company means any company registered in Bangladesh or registered under prevailing act of another country. According to an amendment brought by Finance Act 2020. foreign companies are also within the definition of company.

- **Definition of ‘procurement provider’**

Procurement providers are all suppliers except manufacturers who supply taxable goods and services to withholding entities

- **Definition of ‘contract manufacturing’**

The manufacturer which manufactures goods for third party contractor with its own raw materials or with the supply of raw materials by the contractor.

- **Definition of ‘similar goods’**

Similar goods mean any goods which fall the same category based on the nature of consume and uses. Example: Medicine, Electronic products, Cosmetics Plastic products, Toiletries product. It also includes packaging or intermediary input”

- **Definition of ‘deemed export’**

Foreign contract in foreign currency will be considered for qualification point of deemed export.

- **Definition of ‘Online Goods sale’**

Online goods sale means purchase or sale of goods and services through the use of this electronic network which have previously been procured from a manufacturer, wholesaler or trader paying applicable VAT and it is supplied online by retailers upon paying of applicable VAT by customers. Retailer should not have a physical sale centre.

- **Definition of ‘Market place’**

Market place means digital market platform where one or more seller enters information regarding their goods or services and supply them through this platform. The operator of the marketplace will not be involved in the purchase or sale and they will not have a sales centre.

- **Definition of ‘Output tax’**

Output tax means the value added tax (VAT) and Supplementary duty (SD) payable by any person for any of the following activity namely –

- a. Supply of any taxable goods or service or property by such person.
- b. Import of any taxable goods or service by such person.

- **Carry forward and refund**

Negative net tax payable for a tax period can be carried forward for 6 tax periods. Afterwards, if the negative net tax payable is not fully adjusted and the remaining amount is greater than Taka 50,000, it can be claimed as cash refund within 3 months from the date of application. If the remaining negative net tax payable is less than Taka 50,000, it can be carried forward indefinitely.

Refund can be claimed only after submission of all VAT returns up to the current tax period.



Exporter can claim cash refund of supplementary duty paid on imports immediately (not applicable for local supplies) without waiting for 6 months as it is required for other cases of cash refund.

- **Imposition of monetary penalty/interest for non-compliances or irregularities**

Person fails to pay VAT on or before the due date of payment shall be liable to pay an interest at a simple interest of 1% per month. However, in the case of withholding VAT, it is 2% on semi-annual basis. In addition to such interest, for non-compliances of laws e.g. submission of monthly return or less payment of output VAT or maintaining books of accounts etc., is subject to penalty up to Taka 100,000 or up to the amount of VAT evaded. In the case of non-compliance of withholding VAT, in addition to interest, VAT evaded amount, the person responsible for withholding VAT shall be personally liable to pay not exceeding Taka 25,000. Penalty matter can also be mentioned in the show cause notice issued for any VAT assessment work.

- **Time-bar for the calculation of interest on unpaid VAT amount**

Instead of unlimited period, interest on unpaid VAT will be calculated from the due date to the date of payment including the time of settlement of appeal but not exceeding 24 months.

- **Extension of scope of VAT registration**

The Branch/Liaison Office of foreign company and Project Office are under the scope of mandatory VAT registration.

- **Progressive or periodic supplies**

VAT & SD Act 2012 defines “*progressive or periodic supplies*” as any supply under contract, lease, hire purchase or license (including finance lease) on the condition of progressive or periodic payment of consideration.

VAT imposed on such supplies becomes payable at the earliest of:

- a) when separate invoices are issued for each such supply;
- b) when consideration against each such supply is received in part or in full;
- c) when the price against the series of supplies becomes payable; and
- d) the first day of the tax period to which the payable consideration relates, if it is possible to ascertain the payable amount at that time.

- **Is there VAT on sale of business?**

The previous VAT legislation contained provisions regarding fulfilment of certain VAT obligations prior to the transfer of ownership of a business. VAT & SD Act 2012 further clarifies these obligations by providing clearer instructions for transfer of ownership of a business.

Furthermore, if a business is purchased with an intention to keep the economic activities associated with it to be continued, such transfer of ownership will not be regarded as a taxable supply. Similarly, if any part of the business is sold on a going concern basis it would be treated in the same manner.

- **Is there VAT on disposal of assets?**

The previous VAT legislation did not provide clear definitions or clarifications for applicability of VAT on sale of used goods. VAT & SD Act 2012 defines second-hand goods as goods (except precious metal or goods made from precious metal) which have been used previously.

VAT is applicable on second-hand goods. However, VAT & SD Act 2012 provides the opportunity to adjust such VAT against the output VAT if the second-hand goods are purchased for re-sale (without any manufacturing activities). This implies that under the new legislation, VAT paid on second-hand goods not for re-sale will be a cost.

## 12.7. VAT documentations

- **Filing of return**

VAT Returns are required to be filed within 15 days following the end of the month or tax period (for Turnover Tax—following the end of quarter).

If the last day (i.e. 15th day) for the submission of VAT return is a “public holiday”, the next working day will be considered as the deadline for the submission of VAT return.

A late VAT Return may be filed by obtaining extension from the VAT Authority which is limited up to 1 month. Nevertheless, interest will be applicable at a rate of 1% per month on the amount of VAT payable, if VAT Return is submitted after the prescribed 15 days.

Government can extend the return submission date without any penalty or interest due to epidemic, natural disaster or war in public interest.

VAT & SD Act 2012 also includes a provision for Amended Return for clerical error or computational errors. Amended Return can be submitted before completion of 4 years from the date of filing of the relevant return or before commencement of audit by VAT Authority.

Any error in taking decreasing adjustment and input VAT credit cannot be rectified through revised return.

The taxpayer will have to pay interest on the difference between the amount of tax payable as per the Amended Return less the amount of tax initially paid.

If any taxpayer fails to submit the monthly VAT return within the prescribed time limit, Commissioner will issue a notice through VAT Form 11.1 (Mushak 11.1) to the taxpayer to submit the late VAT Return.

If the defaulting taxpayer does not submit the late VAT Return within 21 days of the notice, Commissioner will issue a VAT Assessment Order through VAT Form 11.2 (Mushak 11.2).

For failure of submission of late VAT Return within 21 days of the stipulated time period, the Board will temporarily lock the BIN including suspension of import and export activities through automatic VAT online system and transactions of source tax deductible supply. With submission of VAT Return, BIN will automatically be unlocked within two days of the submission.

Submission of audited financial statements:

Audited Financial Statements of limited company shall require to be submitted within 6 months after the end of current financial year. However, in rational case, concerned commissioner may extend for further 6 tax months on application made by the company,

▪ **Mushak forms**

VAT & SD Act 2012 prescribes new templates and forms for VAT compliance and submissions. The following are some of the important forms relevant to business entities:

Form name	Form description
Mushak 2.1	Registration form for VAT and Turnover Tax
Mushak 2.2	Registration form for Branch/Division
Mushak 2.3	Registration Certificate for VAT/Turnover Tax
Mushak 2.4	Cancellation or Amendment of Registration/ Enlistment
Mushak 2.5	Final Return on Cancellation of Registration/ Enlistment
Mushak 3.1	Registration of VAT Agent
Mushak 3.2	Registration Certificate of VAT Agent
Mushak 3.4	Delegation of Power to VAT Agent by Non-resident Person
Mushak 4.3	Input-Output Coefficient Declaration
Mushak 4.4	The settlement of VAT on unused goods
Mushak 4.5	The settlement of VAT on the destruction of goods due to accident
Mushak- 4.6	The settlement & supply of VAT on Wastage and by-product goods
Mushak 6.1	Purchase Register
Mushak 6.2	Sales Register
Mushak 6.2.1	Purchase-Sale Register
Mushak 6.3	Tax Invoice
Mushak 6.5	Goods Transfer Invoice for Centrally Registered Entity
Mushak 6.6	Withholding Tax Certificate
Mushak 9.1	VAT Return
Mushak 9.2	Turnover Tax Return
Mushak 11.1	Late VAT Return
Mushak 11.2	Assessment Order for VAT

▪ **Tax invoice**

Every VAT registered supplier is required to issue two copies of Tax Invoice on or before the date when VAT becomes payable on the taxable supply containing the following information, namely:

- a) the date and time of issue of the invoice;
- b) the name, address and Business Identification Number of both the supplier and the buyer if the supply value is greater than Taka 25,000;
- c) description of the goods or services,
- d) quantity of the goods supplied;
- e) the value of the supply (exclusive of VAT and inclusive of VAT);

- f) the VAT rate applicable to the supply;
- g) the amount of payable VAT;
- h) any other information prescribed by the Board;
- i) the SD rate; and
- j) the name and nature of transport.

Tax invoices should be serialised fiscal year wise. Notably, if supply is made from multiple locations, Tax Invoice should also be serialized for each location. This serial number along with the name and address of the location should be mentioned in the Tax Invoices for the supplies made from those locations. The original Tax Invoice (i.e. Mushak- 6.3) should be present while making transportation of the goods.

The registered person can preserve in his own format Tax Invoice including additional information for the requirement of his business where all information in the prescribed form shall be included and shall be issued in the prescribed number of minimum copies.

Moreover NBR, by a notification in the official Gazette, can declare any Tax Invoice or bill issued by a registered person in his/her own format as a Tax Invoice (i.e. Mushak 6.3).

- **Withholding certificate**

A registered person, who makes a supply to a withholding entity shall on or before the date of making such supply, issue to the withholding entity a Withholding VAT Certificate containing the prescribed information.

The form and manner of the Withholding VAT Certificate shall be prescribed by the Board.

- **Books and records**

VAT & SD Act 2012 allows all prescribed documents to be customized according to the company's formats or templates.

VAT & SD Act 2012 requires the registered and enlisted persons to complete accounting, reporting and auditing under International Financial Reporting Standards, International Accounting Standards and International Standards on Auditing. For tax determination all documents which depict the operation of business should be considered.

VAT & SD Act 2012 requires records and accounts to be maintained for at least 5 years. In case of unsettled VAT disputes, all the relevant documents and records shall be kept until the settlement of the disputes.

- **Appeal and revision**

- (a) Appeal to the Commissioner (Appeal)

*Applicant:* Any person or any VAT officer who is aggrieved by a decision taken or order issued under the VAT regulation by any Additional Commissioner or any VAT officer below the rank of an Additional Commissioner.

*Timeline:* Appeal must be made within 90 days from the date of the service of such decision. It can be extended another 60 days subject to certain condition.

*Deposit of tax at the time of filing:* The applicant other than VAT officer will be required to pay 20% of the tax specified in the impugned order at the time of filing. Fine will be excluded from the tax amount for the calculation of 20% disputed tax for appeal to the commissioner (appeal).

*Disposal of the case:* The Commissioner (Appeal) shall dispose of the appeal within a period not exceeding 1 year.

(b) Appeal to Appellate Tribunal

*Applicant:* Any person or any VAT officer who is aggrieved by a decision taken or order issued under the VAT regulation by any Commissioner or Commissioner (Appeal) or Director-General or by any VAT officer holding the same rank.

*Timeline:* Appeal must be made within 90 days from the date of the service of such decision. It can be further extended another 60 days subject to certain conditions.

*Deposit of tax at the time of filing:* The applicant other than VAT officer will be required to pay 20% of the tax specified in the impugned order at the time of filing. Fine will be excluded from the tax amount for the calculation of 20% disputed tax for appeal to the appellate Tribunal.

Provided that, this 20% tax will not be required to be paid if the appeal is made against the order issued by the Commissioner (Appeal).

*Disposal of the case:* If the Appellate Tribunal fails to dispose of the appeal within a period of 2 years, the appeal shall be deemed to have been granted by the Appellate Tribunal.

▪ **VAT software**

NBR has made it mandatory for registered entities having turnover exceeding Taka 50 million in the preceding financial year to maintain their VAT related books and records in software prescribed by the VAT authority. In order to comply with this provision, only software from NBR approved software developers or suppliers should be used. Entities may also use their own personal software provided it has the same specifications as prescribed by NBR and after obtaining approval from NBR.

NBR through a general order clearly instructed to the central VAT registered persons to maintain VAT software approved by NBR for maintaining its books and records, otherwise central VAT registration will be cancelled, and new registration needs to be obtained.



Bangladesh

## Contact us:

**Adeeb H. Khan**  
*Senior Partner*

T: +880 2 2222 86450 – 2  
E: adeebkhan@kpmg.com

**Ali Ashfaq**  
*Partner*

T: +880 2 2222 86450 – 2  
E: aliahsfaq@kpmg.com

**M Mehedi Hasan**  
*Partner*

T: +880 2 2222 86450 – 2  
E: mehedihasan@kpmg.com

**Ashraf Zaman Ali**  
*Partner*

T: +880 2 2222 86450 – 2  
E: azali@kpmg.com

**Md. Tazul Islam**  
*Partner*

T: +880 2 2222 86450 – 2  
E: tislam@kpmg.com

[kpmg.com/socialmedia](https://kpmg.com/socialmedia)



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