



Technical Highlights of Finance Bill 2022

KPMG Bangladesh

June 2022





1

Income tax

2

Value Added Tax



Income tax changes

Personal income: Individual/Firm tax rates (1/3)

Tax Payer	Income Slabs	Tax Rate
For Bangladeshi individuals, resident foreigners, and firms	Up to BDT 300,000	-
	Next BDT 100,000	5%
	Next BDT 300,000	10%
	Next BDT 400,000	15%
	Next BDT 500,000	20%
	On balance	25%



For non-resident foreigner, flat tax rate of 30%

No change



Personal income: Individual/Firm tax rates (2/3)

Tax Payer	Exempted Limit
General – Individuals & Firms	BDT 300,000
Women, persons of third gender and senior citizens (65+)	BDT 350,000
Physically challenged persons	BDT 450,000
War-wounded gazetted freedom fighters	BDT 475,000

For parents or legal guardians of physically challenged persons, the Tax Exempted Limit would be increased by BDT 50,000.

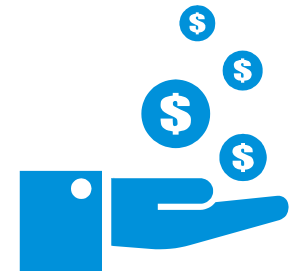
No change



Personal income: Individual/Firm tax rates (3/3)

Description of Area of Taxpayer's Residence	Minimum Tax (BDT)
Dhaka North City Corporation, Dhaka South City Corporation and Chattogram City Corporation	5,000
Any other City Corporation	4,000
Any area other than City Corporation	3,000

No change



Personal income: Individual's investment rebate

Total Investment

as per Sixth Schedule Part B
excluding para 15 and 16



20% of total income

excluding tax exempted or reduced tax rate
income or income under 82C(2)(a)

BDT 10,000,000

Lower is considered

Eligible Amount

Personal income: Individual's investment rebate

Existing

15% If total income less than BDT 1.5m

10% If total income exceed BDT 1.5m

Proposed

15% In general case

7.5% If assessee fails to comply to submit return u/s 75



Wealth surcharge (1/2)

Net Worth	Tax Rate
Up to BDT 30m	-
More than BDT 30m but less than BDT 100m	10%
More than BDT 100m but less than BDT 200m	20%
More than BDT 200m but less than BDT 500m	30%
More than BDT 500m	35%

No change



Wealth surcharge (2/2)



10% surcharge on tax payable

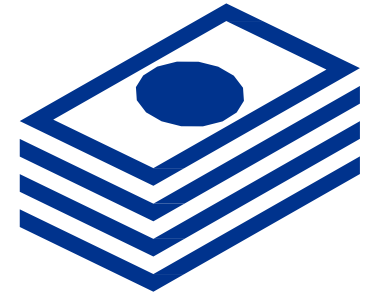
Minimum surcharge, irrespective of Net Worth, for owning more than one motor vehicle or a housing property in any of the City Corporation Areas of more than 8000 Sq ft. in dimension



2.5% surcharge on income

for cigarette and tobacco manufacturers

No change



Lower corporate tax rates for listed entities (1/3)

Existing

22.5% All listed entities





20.25% All listed entities who transferred 20% or more of its equity capital through IPO (10% rebate) **in the year of IPO**



Lower corporate tax rates for listed entities (2/3)

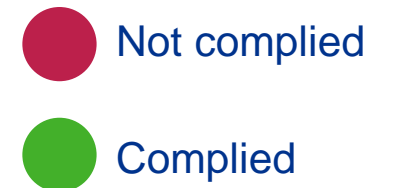
Proposed

Listed entities who transferred more than 10% of its shares through IPO

	20%	22.5%
All income and receipts through bank transfer		
Expenses and investment over BDT 12 lac through bank transfer		







The reduced tax rate benefit is applicable for upcoming and all subsequent assessment years



Lower corporate tax rates for listed entities (3/3)

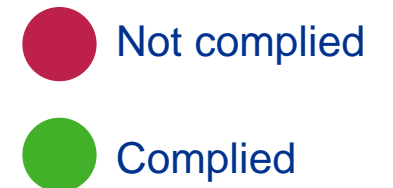
Proposed

Listed entities who transferred less than 10% of its shares through IPO

	22.5%	25%
All income and receipts through bank transfer		
Expenses and investment over BDT 12 lac through bank transfer		



The reduced tax rate benefit is applicable for upcoming and all subsequent assessment years



Lower corporate tax rates for general companies

Existing

30%

Proposed

27.5%



Following transactions must be through banking transaction:

- All income and receipts
- Expenses and investment if it exceeds BDT 12 lac

30%

If banking transaction conditions are not followed.



Lower corporate tax rates for one person company

Existing

25%

Proposed

22.5%



Following transactions must be through banking transaction:

- All income and receipts
- Expenses and investment if it exceeds BDT 12 lac

25%

If banking transaction conditions are not followed.



Lower corporate tax rates for artificial juridical person

Existing

30%

Proposed

27.5%

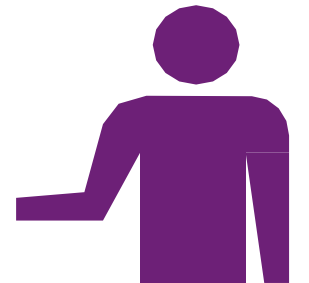


Following transactions must be through banking transaction:

- All income and receipts
- Expenses and investment if it exceeds BDT 12 lac

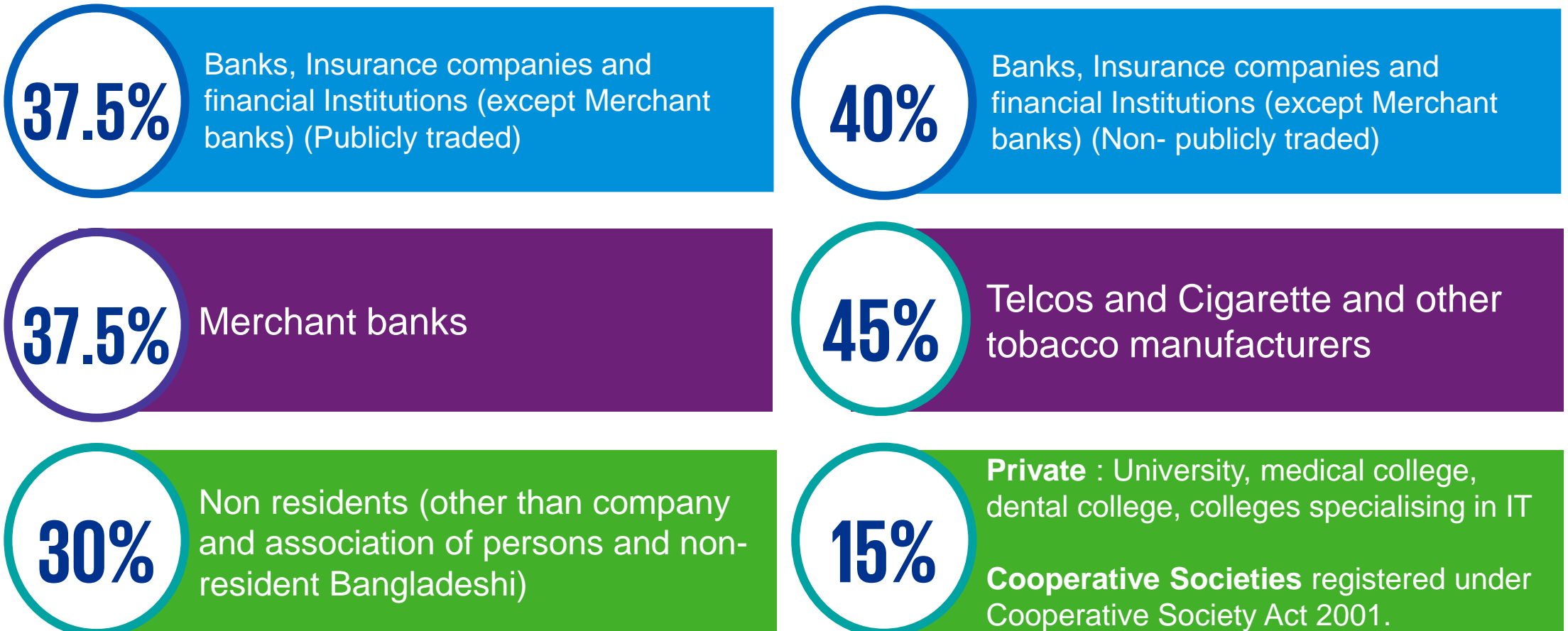
30%

If banking transaction conditions are not followed.



Corporate tax rates for other entities

Corporate tax rates for other entities are proposed to remain same as before



Proposed tax on undisclosed foreign assets (1/2)



- No questions on the sources of fund for foreign assets
- Tax should be paid before submitting return for the AY2022-23 by 30 June 2023

If an assessee repatriates any sum under this scheme, banks will deduct tax as per the scheme

7% to 15%

Tax on the foreign assets will need to be paid

This opportunity will not apply if any proceeding has been initiated under any law before 30 June 2022

Note that other authorities can raise question on foreign assets in the future.

Proposed tax on undisclosed foreign assets (2/2)

Tax
charge

15%

**On fair market value
of immovable
property outside
Bangladesh without
repatriation**

10%

**Any movable assets
include cash or cash
equivalents
without repatriation**

7%

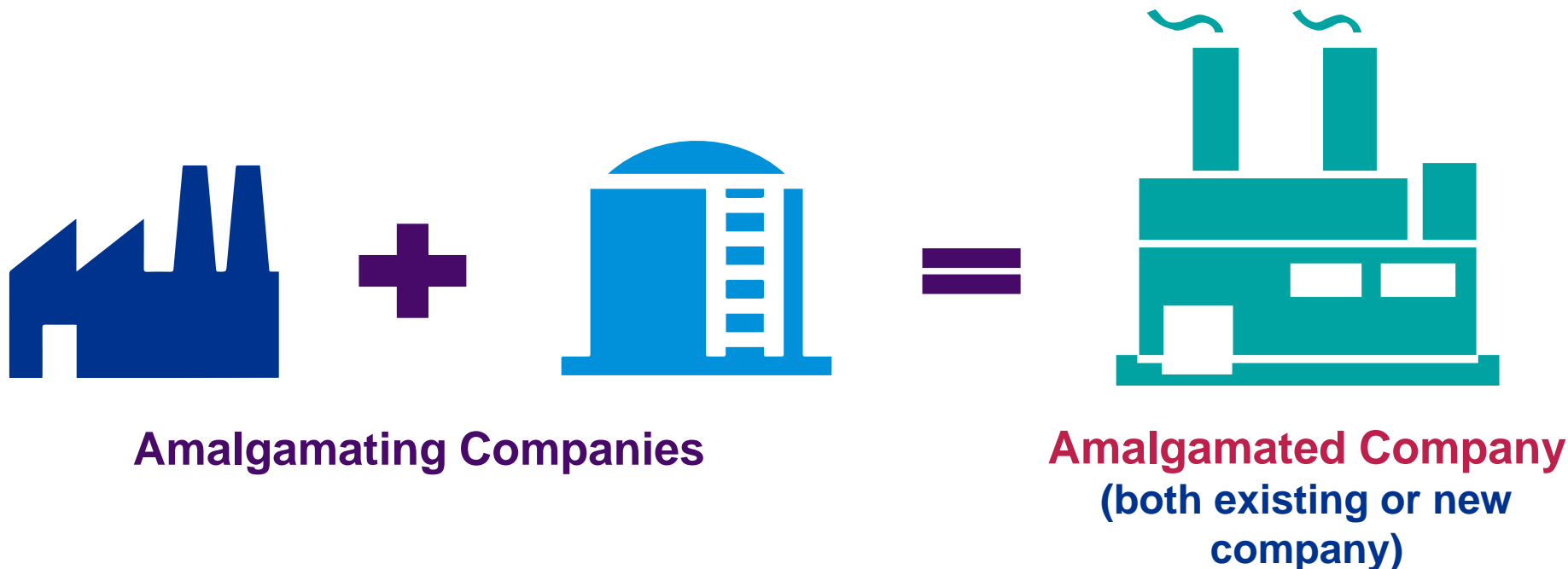
**Repatriation of any
movable assets
include cash or
cash equivalents
Into Bangladesh**

*Fair market value of asset shall be declared by the assessee and it cannot be less than the cost of the asset;
Return includes amended return u/s 82BB, revised return u/s 78.*

Proposed clarification for amalgamation transactions (1/5)

What is 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.



Proposed clarification for amalgamation transactions (2/5)



The tax law did not provide any specific guidance for amalgamation except for provident funds



Finance Bill 2022 revised the definition of amalgamation and introduced new tax provisions

Proposed clarification for amalgamation transactions (3/5)

Definition for Amalgamation



- (a) all the property of the amalgamating company/ies becomes the property of the amalgamated company;
- (b) all the liabilities of the amalgamating company/ies become the liabilities of the amalgamated company; and

(c) the shareholders holding not less than nine-tenths in value of the shares in the amalgamating company or companies (other than shares already held therein immediately before the merger by, or by a nominee for, the amalgamated company or its subsidiary) become shareholders of the amalgamated company;



Changed

Proposed clarification for amalgamation transactions (4/5)

Change in the definition

Shareholders holding **90%**
or more value of shares in the
amalgamating companies become
shareholders in amalgamated company.



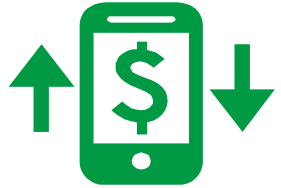
Shareholders holding **75%** or more
value of shares amalgamating company, would
be shareholder of amalgamated company.



**Foreign amalgamating company/ies
directly or indirectly holding shares in
Bangladesh entity also included**

Proposed clarification for amalgamation transactions (5/5)

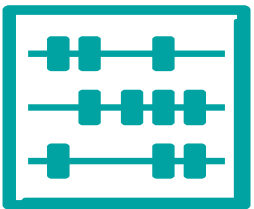
Tax Implications



Transfer of capital assets in the amalgamation scheme consideration other than exchange of shares is subject to capital gains tax.



We understand that share for share transfer under amalgamation scheme will be tax exempted.



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

Imposition of tax on indirect transfer of assets (Sec. 18)

“

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**

”



Although this provision was in our tax law since 2018, there was no clear guidance/rule. Now, NBR issued a detailed Rule in this regard.

Offshore Indirect Transfer Rules, 2022 (1/2)

Major areas of clarity



Clear guidance on computation of income attributable to Bangladesh for indirect transfers are given by SRO 156/2022



Exclusions and minimum threshold for indirect transfers are provided in the SRO 156/2022

Offshore Indirect Transfer Rules, 2022 (2/2)

Need for more guidance



No tax payment guidance is given (e.g. obtaining TIN)



No clarity whether the indirect transfer would be limited to immediate parent or not



No clarity over who should apply for treaty benefits

Proposed provisions of Startup Sandbox (sec 111A)

Startup means the company who works towards deployment or commercialisation of new products, process or service driven by innovation, development and technology or intellectual property.

Annual turnover not exceeding
BDT 1 billion

Needs to be
registered
with the RJSC
and NBR

Not a resulting
company of
**amalgamation
scheme or
demerger**

Is not a subsidiary
of another company
holding more than 50%
of its shares

Ineligibility for startup registration



Companies incorporated prior to 2017-2018



Incorporated after fiscal year 2017-2018 and fails to get registration by the last day of June 2023



Fails to get registration within 30 June of every year following the year of its incorporation

Proposed benefits for startups in their growth years

This section will **override** all other provisions in ITO 1984

Sections **30** and **30B** will not apply for startups registered under this section.

No compliance obligations other than submission of return if permanent access to books is provided.



Minimum tax on gross receipts is reduced to **0.1%**

Loss incurred in growth years can be carried forward to **9 successive years.**

Proposed duration of startup benefits

Benefits apply during
Growth Year



five years starting with the year of incorporation or registration under this section whichever comes earlier



three years from the date of registration if company is incorporated between 2017-18 to 2021-22



Clarity in the provisions is required for growth years for companies incorporated between 2017-18 to 2021-22

Proposed changes in definitions (1/5)

“

Export means

Supply of goods and services from inside to outside the geographical limits of Bangladesh and shall include supply of locally manufactured raw materials and other inputs to export oriented industry under internal back to back letter of credit.

”



Supply of services



Proposed changes in definitions (2/5)



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



Sale of goods



Exchange of goods






Hire-purchase or finance lease



Proposed changes in definitions (3/5)

Treatment of advancement of any other object of general public utility as “Charitable Purpose”

	Existing	Proposed
Approval from NBR		



Proposed changes in definitions (4/5)

Existing

Scientific Research

“means any activities in the field of natural or applied science for the extension of knowledge”

Proposed

Research and development

“any systematic, investigative and experimental study that involves **novelty or technical risk** carried out in the field of science or technology with the object of **acquiring new knowledge** or using the results of the study for the production or **improvement of materials, devices, products, produce, or processes**”



Proposed changes in definitions (5/5)

Proposed

Research and development

“any systematic, investigative and experimental study that involves **novelty or technical risk** carried out in the field of science or technology with the object of **acquiring new knowledge** or using the results of the study for the production or **improvement of materials, devices, products, produce, or processes**”



Exclusions



Quality control or routine testing of materials, devices or products;



Research in the field of social science



Creation or development of financial instruments or financial products;



Market research or sales promotion, routine data collection, efficiency surveys or management studies;



Routine modifications or changes to materials, devices, products, processes or production methods;



Cosmetic modifications or stylistic changes to materials, devices, products, processes or production methods; or



Creation or enhancement of trademarks or goodwill;”

Proposed Tax Day for new individual assesseees

Tax day is set for new individual assesseees who did not previously file return of income



Proposed deemed income for canceling debt

Money value of cancellation of debt from commercial banks is not treated as Income under Other Sources for certain persons

Existing exception

All assessee (both individuals and company)

Proposed exception

Only individuals



For other tax payers, such cancellation would be Income from Other Sources



Proposed inclusion in scope of Minimum Tax Regulations



Income earned by residents from foreign sources u/s 52Q



AIT paid on import of raw materials by manufacturers of beverage concentrate



AIT on motor vehicles for commercial plying and inland ships



Proposed expansion of withholding agents



Hotel, resort, community center and transport agency having annual turnover exceeding BDT 10 million



Proposed changes in mandatory filing of tax returns



Persons required to furnish proof of submission of tax return u/s 184A

Existing

E-TIN Certificate

Proposed

**Proof of Submission
Of Tax Return**



Additional burden as people will need to provide proof of submission of tax returns where previously furnishing E-TIN was sufficient.

What is Proof of Submission of Tax Return?



Proof of Submission of Tax Return can be any one of the following:



Acknowledgement receipt of tax return prescribed by NBR



A system generated certificate containing name, TIN, and year of submission of tax return



Certificate issued by Deputy Commissioner of Taxes containing name, TIN and year of submitted return



Requirement of Proof of Submission of Return



Similar to current requirement for furnishing E-TIN with the below additions

Proposed



Sale of land in certain locations exceeding BDT 1 million



Licenses & Certificates



Opening of Bank Account with a balance exceeding BDT 1 million



Obtaining residential gas connection



Registration or change of ownership of motor vehicles



Selling goods and services of digital platform

Penalty for failure to obtain proof of submission of return

BDT 1 million

Penalty can be imposed on the person responsible to obtain Proof of Submission of Tax Return



50% 

Additional withholding tax in cases, such as:

- **Payment to contractors (Sec 52)**
- **Payment for certain services (Sec 52AA)**
- **Interest of savings deposit (Sec 53F)**

BDT 5K to 20K

Failure to display Proof of Submission of Tax Return on business premises

Proposed changes in mandatory filing of tax returns (1/2)



Filing tax returns is exempted for



**Educational institution under MPO
with no English version curriculum**



**Non-resident individual with no fixed
base in Bangladesh**



Public University



Any person as per NBR order



**Recognised provident fund, pension
fund or approved gratuity fund or
superannuation fund**

Proposed changes in mandatory filing of tax returns (2/2)



Other funds (e.g. investment funds) will need to file tax returns



Exemption for non-residents without any PE in Bangladesh is removed



Exemption for sellers of land and persons obtaining credit card is removed

Proposed clarification on use of IFRS based accounting

Existing

Companies registered under
**Company Act 1913 and
Company Act 1994**

Proposed

Any company as defined in
**section 2(20) of ITO
1984**



Scope is broader and includes all companies, branches, liaison offices, etc.



Proposed change in transfer to special reserves (sec. 29)

Section 29 allowed 5% of total income transferred to special reserve maintained by financial institutions as tax expenditure

Existing

Allowed

Proposed

Not allowed



Transfer amount will be disallowed



This change is similar to draft Income Tax Act 2022

Proposed change in allowable perquisite (sec. 30)

Allowable perquisite per employee as per section 30 has been increased

Existing

BDT 550,000

Proposed

BDT 1,000,000



*This change is similar to draft
Income Tax Act 2022*



Proposed disallowance for contribution to WPPF (sec. 30)

Confusion over treatment of contribution to WPPF is now clarified

Existing

Tax legislation is silent

Proposed

Contribution to WPPF is disallowed



This change is similar to draft Income Tax Act 2022



Proposed change in depreciation allowance



Clarification on the scope of depreciation allowance for lessors



No allowance under paragraph 3 “Normal Depreciation Allowance” shall be made for ~~leasing company~~ **lessor** on such machinery, plant, vehicle or furniture given to any lease on financial lease



Leasing company



Lessor

Proposed change in depreciation allowance



20% **straight line amortisation on pre-commencement expenses**



Pre-commencement expenditure means

expenditures not covered in paragraphs 1 to 10A of Third Schedule and incurred wholly and exclusively for setting up of the business prior to the year of commercial operation and includes expenditure for feasibility study, construction of model and prototypes, and experimental production



Proposed rate of tax deduction on payments to contractors

Changes in rate of tax deduction for supply of books, trading of goods to trader or industrial raw materials to manufacturer

Existing

3-7%

Proposed

3%

Supply of books

4%

Supply of industrial raw materials to manufacturer

5%

Supply of trading goods to trader

Proposed rate of tax deduction on interest on deposits

Changes in rate of tax deduction on interest from profits on deposits maintained with banks

	Existing	Proposed
Companies	10%	20%
Recognised provident fund or approved gratuity fund, superannuation fund or pension fund	5%	No change
Public university, educational institution under MPO, professional institution	10%	No change
All other cases	10%	No change
Saving deposit less than BDT 100,000 during a year	10%	As per above

Proposed modification of section 52AA (1/2)



Removal of base amount basis withholding tax rates

Description of service and payment	Existing rate	Proposed rate
Advisory or consultancy service, professional service, technical service or technical assistance fees	10/12%	10%
Catering service; Cleaning service; Collection and recovery service; Private security service; Manpower supply service; Creative media service; Public relations service; Event management service; Training, workshop, etc. organization and management service; Courier service; Packing and Shifting service; any other service of similar nature		
(a) on commission or free	10%/12%	10%
(b) on gross bill amount	1.5%/2%	2%
Media buying agency service		
(a) on commission or free	10%/12%	10%
(b) on gross bill amount	0.5%/0.6%	0.65%

Proposed modification of section 52AA (1/2)

Description of service and payment	Existing rate	Proposed rate
Indenting commission	6%/8%	8%
Meetings fees, trainings fees or honorarium, credit rating service	10%/12%	10%
Mobile network operator, technical support service provider or service delivery agents engaged in mobile banking operations	10%/12%	12%
Motor garage or workshop	6%/8%	8%
Private container port or dockyard service	6%/8%	8%
Shipping agency commission	6%/8%	8%
Stevedoring / berth operation / Terminal operator and Ship handling operator- (a) on commission or free (b) on gross bill amount	10%/12% 1.5%/2	10% 5%
Transport service, carrying service, vehicle rental service, repair and maintenance service; Any other service under any sharing economy platform including ride sharing service, coworking space providing service and accommodation providing service.;	3%/4%	5%
Wheeling charge for electricity transmission	2%/3%	3%
Internet service	-	10%
Any other service	10%/12%	10%

Inclusion of withholding tax regulations into ITO 1984 (1/2)



Withholding tax on motor vehicles for plying commercially (sec. 53Q)

Description of vehicle	Advance Tax (BDT)
Air conditioned Bus	37,500
Prime mover	24,000
Bus of seats exceeding 52, Double decker bus, AC Minibus/Coaster or Truck, lorry or tank lorry having payload capacity exceeding five tons	16,000
Bus having seats not exceeding 52, Air conditioned taxicab	11,500
Truck, lorry having payload capacity exceeding 1.5 tons but not exceeding 5 tons	9,500
Non-AC Minibus/Coaster	6,500
Truck, Lorry having payload capacity not 1.5 tons, pickup van, human hauler, maxi or auto rickshaw and Non-AC Taxicab	4,000

Inclusion of withholding tax regulations into ITO 1984 (2/2)



Withholding tax on inland ships (sec. 53R)

Description of vessel	Advance Tax (BDT)
Inland ships engaged in carrying passengers in inland water	BDT 125 per passenger
Cargo, Container (multipurpose) and Coaster engaged in carrying goods in inland water	BDT 170 per gross tonnage
Dump barge engaged in carrying goods in inland water	BDT 125 per gross tonnage

Other changes in withholding tax (1/2)



Withholding tax on payments to non-resident (sec. 56)

Description of service and payment	Existing rate	Proposed rate
Bandwidth payment	20%	10%
Any other payment	30%	20%

Other changes in withholding tax (2/2)



5%

withholding tax on rental value of non-government water body



4%

withholding tax on lease amount of immovable property leased for more than 10 years (simplification of the withholding provision)

Proposed consequence for failure to deduct tax (1/2)

Existing penalty

Amount of tax not deducted or collected

Amount of deficiency of deduction or collection of tax

Amount of deducted or collected tax not deposited to the Govt. Exch.

Proposed penalty



BDT 1 million penalty for any other non-compliance



Proposed consequence for failure to deduct tax (2/2)



Organisation and individuals responsible for approving and allowing payment will be jointly and severally liable to pay taxes, penalty or other amounts.



Government organisations and employees are also included



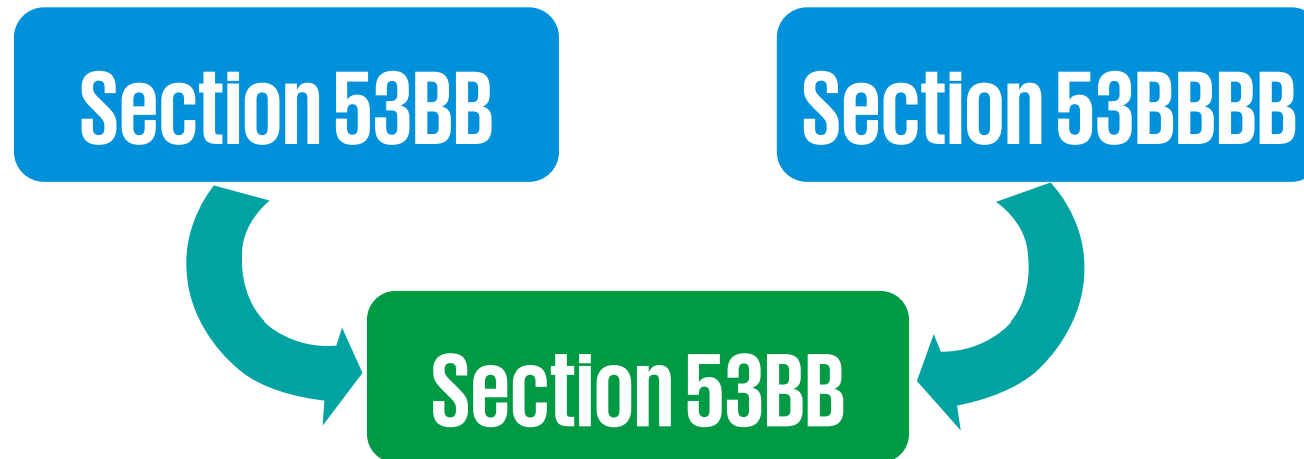
Proposed withholding tax changes for export of goods (1/2)



Section 53BBBB is removed



All export of goods are now included under unified section 53BB



Proposed withholding tax changes for export of goods (2/2)



Increase in withholding tax rate for exporters of goods u/s 53BB

Existing tax rate

0.5% on export proceeds

Proposed tax rate

1% on export proceeds

Proposed corporate tax changes for export of goods (1/2)



Extension of reduced corporate tax of 15% up to 30 June 2025

**Thread manufacturers,
dying, finishing and coning**

**Cloth manufacturer, dying,
finishing and printing**



Conditions

- **Register as company under Company Act 1994**
- **Comply with the provisions of ITO 1984**
- **Not penalised by any Government body for non-compliance with any environmental regulations**

Proposed corporate tax changes for export of goods (2/2)



Removal of reduced corporate tax for RMG exporters



12%

General knit & woven garment manufacturers and exports



10%

Green building certified knit & woven garment manufacturers and exports



Knit and woven manufacturers will be subject to normal corporate tax rate.

Proposed changes in tax exemption for export income (1/2)

Revised tax exemption for income from exports up to 30 June 2028

50%

Export income exemption

For individuals, firms or Hindu undivided family

12%

Reduced tax rate

On export income for persons other than individuals, firms or Hindu undivided family

10%

Reduced tax rate

On export income for persons other than individuals, firms or Hindu undivided family having Leadership in Energy and Environmental Design (LEED) certificate

Proposed changes in tax exemption for export income (2/2)

Specific conditions for tax exemption on export income



Must obtain tax registration number



Comply with the provisions of ITO 1984



Cannot be penalised by any Government body for non-compliance with any environmental regulations



All types Transportation Service, Mobile Telecommunication Service & Internet and Internet Related Service will not be eligible



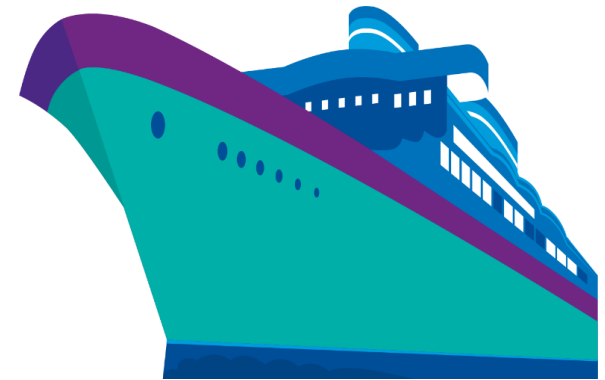
Approval from NBR may be needed as SRO refers to approved organisations

Proposed exemption on tax deduction on foreign income

Generally, 10% tax is deducted on foreign income receipts (section 52Q)

Proposed exemption

Bangladeshi flag bearing ocean going ships



Proposed conditions for enjoying tax exemption/reduced tax

Conditions for cancellation of tax exemption or reduced tax has been strengthened

Existing conditions

Failure to file tax returns

Disallowed expenses are treated as income

Proposed conditions

Failure to file tax returns

Failure to comply with withholding regulations

Failure to receive income through bank transfer

i Bank transfer not applicable for agriculture or farming income or individuals have gross receipts less than BDT 10 million in an income year

Disallowed expenses will still be treated as income



Revised tax exemptions for poultry, fisheries, etc.

New tax exemption for income from poultry, poultry, shrimp and fish hatchery and fisheries

Amount of income	Tax exemption
First BDT 1 million	-
Next BDT 1 million	5%
Next BDT 1 million	10%
Remaining income	15%



Other initiatives in Finance Bill and Budget Speech



Tax Rebate for employing persons of third gender

- Rebate of 5% of tax or 75% of salary to third gender employees, whichever is lower, for employing person of third gender amounting to 25 persons or 10% of total manpower



Physically challenged persons

- 5% tax rebate for employing physically challenged persons amounting to 10% of total manpower
- 5% additional tax on school, college, university and NGO failing to provide adequate facilities to physically challenged person.



Income derived by Bangladeshi flag bearing ocean-going ships

- Income exemption up to June 2030, provided income is received in foreign currency and brought into Bangladesh as per existing foreign exchange regulations



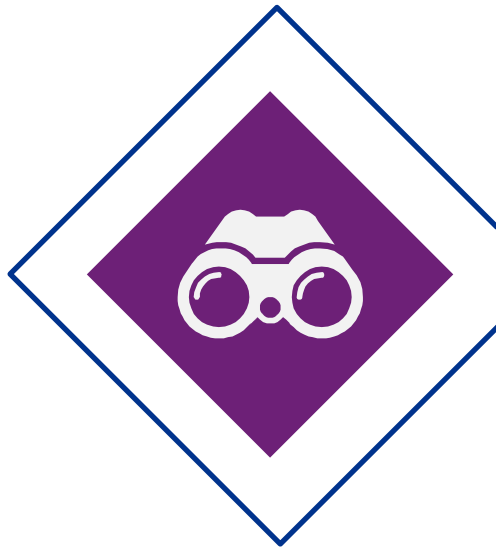
Removal of tax exemption on government securities

- Capital gain tax exemption on government securities have been removed
- T-bonds, T-bills would be subject to capital gain tax.

Proposed changes in the assessment procedures (1/3)

Spot Assessment (section 82D)

- DCT can make assessment of **any person** on the spot
- No question will be made over initial capital up to 5 times of assessed income for an individual if tax is paid at regular rate



Proposed changes in the assessment procedures (2/3)

Bar to question assessment (section 94B)

Except tax authority, appellate authority, quasi court and Court, no authority can question on the DCT's assessment. If so it will be null and void.



Proposed changes in the assessment procedures (3/3)

Applying for ADR (section 152I)

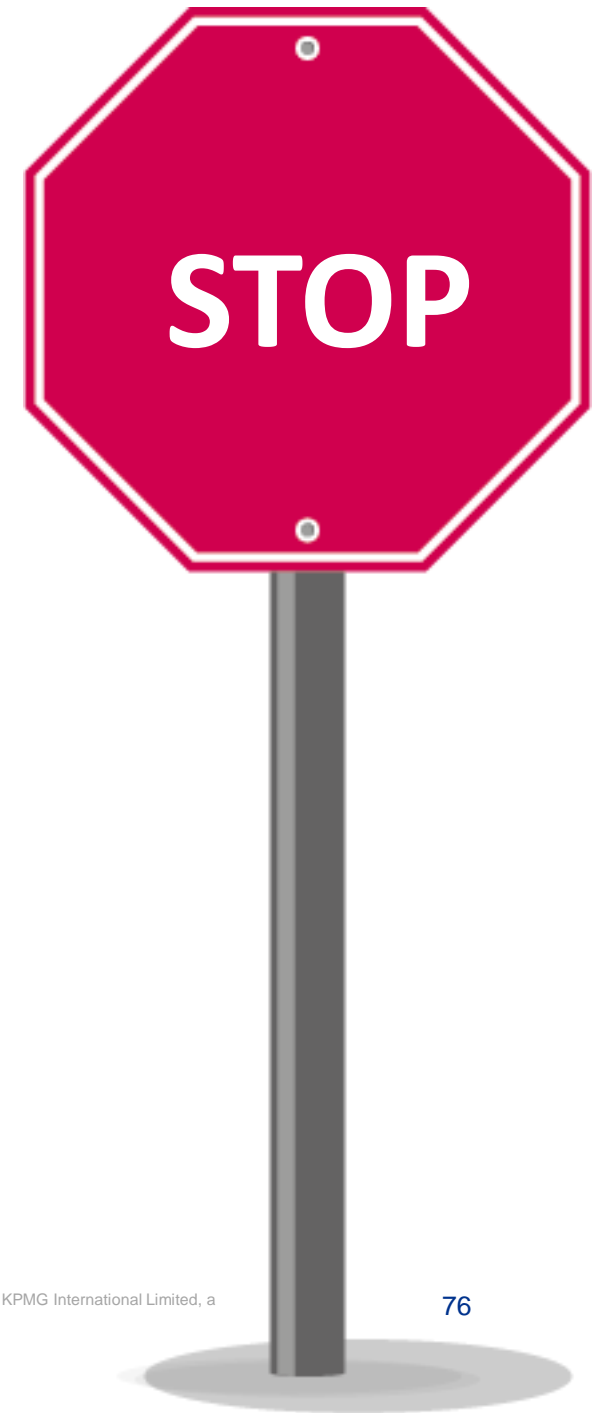
ADR can not be made for writ petition case



Proposed means of recovery of tax

Proposed

DCT can instruct authorities to stop utility services within 21 days from the date receipt of notice of recovery of tax



Revision of excise duty (SRO 162-Act/2022-175/Excise)

Bank balance, whether credit or debit, at any time during a year	Existing (BDT)	Proposed (BDT)
Less than BDT 100,000	-	-
BDT 100,001 – BDT 500,000	150	150
BDT 500,001 – BDT 1,000,000	500	500
BDT 1,000,001 – BDT 10,000,000	3,000	3,000
BDT 1,000,001 – BDT 50,000,000	15,000	15,000
Over BDT 50,000,000	40,000	50,000



VAT changes

Inclusion of new definition

“

Contract manufacturer means

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

”



This definition is revival from the old VAT regulation (i.e. the VAT Rules, 1991)



Contract manufacturing regulations were already in place in VAT and SD Act 2012, however, a definition was missing



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Inclusion of person regarding mandatory VAT registration

“




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

”

Previously, there was no legal clarity which is now resolved by the amendment



Modification of definitions

	IT enabled services	In the scope of definition “software development and customisation” are excluded
	Insurance company	All types of insurance policies (except life insurance policy) have been covered within the definition of insurance. Earlier, only accident related matters were covered within the definition of insurance
	Lease agreement	Property leased for the business of entry fee is excluded from the definition of lease

Amendments in Central VAT registration


“

Central VAT registered persons are mandatorily required to maintain VAT authority approved VAT software for maintaining books and records by 31 December 2022

”

Input VAT credit

Purchase of raw materials from the intercompany (under common ownership)




Payment is not mandatory to be settled through banking channel for eligibility of input VAT credit

Generally, for input VAT credit, payment must be through bank or mobile banking channel if the value exceeds BDT 1 lac.

Input VAT credit

Contract manufacturing



Inputs held in the custody of other parties will not be a criterion for cancellation of input VAT credit in case of contract manufacturing

Generally, inputs must be held in the custody of the company which will take input VAT credit.

Input VAT credit

Cancellation of input VAT when input cost is higher than the selling price

Existing

Entire input VAT would be disallowed

Proposed

Input VAT credit will be disallowed proportionately on the difference of higher input cost

Proposed changes in calculation of partial Input VAT Credit

Change in calculation of partial input VAT credit

Existing

- ✓ At the time of purchase, input VAT credit will be taken against all category of purchase.
- ✓ Partial rebate formula will be applied for determining increasing adjustment.

$$I \times T/A$$

I= Total amount of input VAT

T= Standard rated purchase

A= Value paid for all supplies during tax period

Proposed

Input VAT rebate against all category of purchase should be taken as full at the time of purchase

At the end of tax period increasing adjustment for input VAT against reduced rate/excepted/purchase



Liability for depositing VAT against unregistered suppliers

“

If any withholding entity is required to procure any goods or services from unregistered or non-enlisted person, it will be liable for the payment of VAT for that supplies at applicable rate

”



Changes in timeline for the VAT appeal process

Appeal to Commissioner (appeal)

- **Prescribed time: within 90 days (no change)**
- **Further extension: 60 days (no change)**

Appeal to the Appellate Tribunal

- **Prescribed time: within 90 days (no change)**
- **Further extended: 60 days (New provision)**

Deposit of 20% disputed tax for appeal

“

Fine will be excluded from the tax amount for the calculation of 20% disputed tax for appeal to the commissioner (appeal) and appellate tribunal.

”



New VAT rate for certain wholesale business

Subject to conditions VAT on wholesale business clothing business and paper business is reduced

Existing

5%

Proposed

1.5%

Proposed expansion of deemed export

Foreign contracts

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



Proposed change in VAT rates

Nature of suppliers/services	Existing Rate of VAT	Proposed Rate of VAT
Traders of mobile/smartphones	Exempted	5%
Manufacturers of concrete ready mix	Exempted	15%
First-class Railway service	Exempted	15%
Meditation	Exempted	15%
Re-rollable scrap	BDT 1,200 per MT	BDT 1,400 per MT
Ballot and Ingot produced by collected meltable scarp	BDT 1,000 per MT	BDT 1,200 per MT
Goods produced from ballot	BDT 1,000 per MT	BDT 1,200 per MT
Goods produced from Ballet and Ingot and dirt/mutable scrap	BDT 2,000 per MT	BDT 2,200 per MT
MS products at trading stage	BDT 500 per MT	BDT 200 Per MT

Proposed VAT rate for AC restaurants

VAT on AC restaurants have been revised subject to conditions

Existing

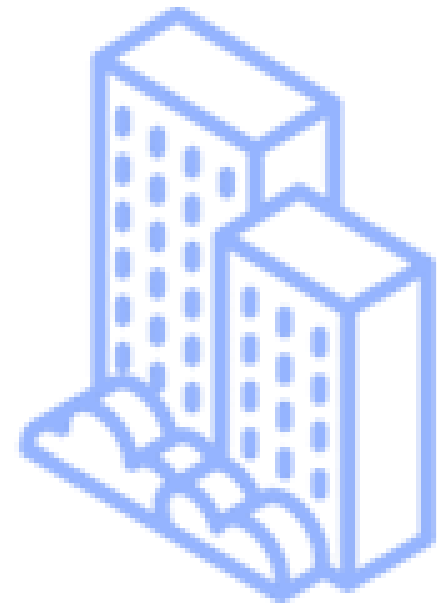
5% Non-AC restaurants
10% AC restaurants

Proposed

No change
5% For certain AC restaurants









Not applicable for

- any three star and above graded restaurant
- restaurants having residential facilities enlisted under Civil Aviation and Tourism ministry



Withholding VAT regulation for supply of goods

VAT withholding requirement on supply of goods is revised

		Existing	Proposed
Manufacturers	Supply @ 15%		
	Supply specified rate		
Other than Manufacturers	Supply @ 15%		
	Supply specified rate		



Persons (other than manufacturer) supplying goods at 15% VAT to a withholding entity will be subject to 15% withholding VAT



No withholding



Withholding required

Changes in withholding VAT regulation for Supply of Goods

No VAT shall be deducted from the furniture manufacturer if the manufacturer issues Mushak 6.3 attested by revenue officers with 15% VAT rate

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

Extension of VAT exemptions for certain manufacturers (1/2)

VAT exemption period for certain manufactures ending at 30 June 2022 has been further extended

Exemption up to

Air-conditioner and compressor

30 June 2024

Refrigerator and freezer

30 June 2023

Automobiles

30 June 2030

Polystyrene fiber production

30 June 2023

Mobile

30 June 2023

Sanitary napkin and diaper

30 June 2023

LPG cylinder

30 June 2023

Extension of VAT exemptions for certain manufacturers (2/2)

VAT exemption has been inserted for the new industries upon subject to fulfilling certain conditions.

Exemption up to

Battery manufacturing

30 June 2025

Three wheeler manufacturing

30 June 2025

Amendment in withholding VAT regulations

Time period for depositing of withholding VAT has been changed

Existing

15 days

From date of payment

Proposed

7 days

Of the following month



Amendment in adjustment of withholding VAT

Withheld VAT (Mushak 6.6) shall be adjusted with VAT liability within specified period

Existing

1

Tax period

Proposed

3

Tax Period



Amendment in penalty for VAT avoidance (1/2)

Amount of VAT penalty for non-submission of VAT return has been reduced

Existing

BDT 10,000

Proposed

BDT 5,000



Amendment in penalty for VAT avoidance (2/2)

Amount of VAT penalty for VAT avoidance in the VAT return has been changed



Under-reporting Output VAT



Incorrect increasing or decreasing adjustment



Taking more than entitled Input VAT Credit



Willingly or attempting to evade assessment and payment of VAT

Existing

Equal

To unpaid VAT

Proposed

50%

Of unpaid VAT



Introduction of new regulation of penalty



Penalty for the supplier of exempted goods or services

BDT 100,000

For any non-compliance



New regulation of non-applicability of penalty

No penalty for



Non-payment of VAT due to any ambiguity in VAT regulation



Non-filing of VAT return for temporary period due to halt of the supplies



Amendment of time bar of interest

Time duration for computing interest on unpaid VAT

Existing

Unlimited period

From the due date to the date of payment including the time of settlement of appeal

Proposed provision

Up to 24 months

From the due date to the date of payment including the time of settlement of appeal but not exceeding 24 months





Thank you

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