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Getting into New VAT Regime

VAT ACT 2012 and Rules 2016

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Contents

The New VAT Legislation

The existing VAT legislation Value Added Tax (VAT) Act, 1991 is going to be replaced with the VAT and Supplementary Duty Act, 2012 (new VAT Act) from 1 July 2017. The new VAT Act was enacted by the Parliament in 2012 but due to administrative reasons, concerns raised by the business communities and wide familiarity of the existing VAT law, its enforcement has so far been delayed.

The new VAT legislation has been developed with a view to modernise the existing VAT legislation which has some major difficulties, limitations and deviations from the basic VAT principles. It introduces new concepts such as residency status and fair market price, provides clearer definitions, devises a streamlined and efficient VAT payment and rebate mechanism, reduces the scope of withholding VAT significantly and eliminates concepts of trade VAT, package VAT, truncated VAT, price declaration, etc.

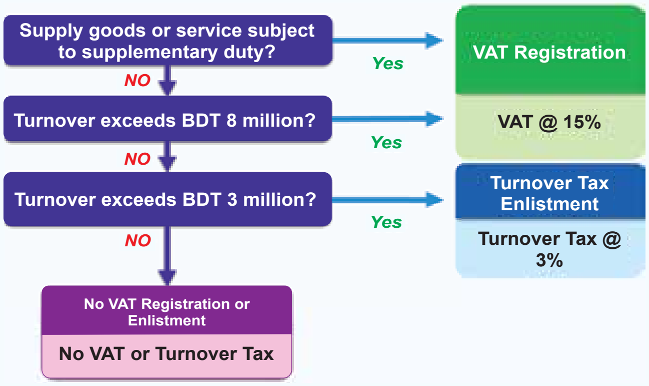
New VAT Act in the context of difficulties and challenges in existing VAT Act

The new VAT Act comes in the face of several limitations of the existing VAT Act such as:

- the cumbersome price declaration system,
- limited extent of rebate or refunds,
- full deduction of VAT at source,
- multiple VAT rates (Truncated VAT, Tariff Value VAT, Package VAT) which ignores the real sales price of the goods and services,
- lack of clarity in many areas, and
- cherry picking of exemptions for certain goods, and services at different stages of value chain in addition to complete list of exempted goods and services.

The new VAT Act addresses these complexities and provides a modern streamlined VAT system. It provides a greater scope for obtaining input VAT credit which will result in minimizing costs, removing advance VAT payment requirements and providing an effective refund system.

Registration or Enlistment



- ***Registration under the new VAT Act is already in process***
- ***Old registration will need to be updated under the new VAT Act***

New Registration or Enlistment Requirements

The new VAT Act introduces a new guideline of Registration and Enlistment for the purposes of VAT and Turnover Tax respectively. Under the new requirements, every entity whose goods or services are subject to supplementary duty will automatically be required to be Registered for VAT. Otherwise, depending on the annual turnover a person will be required to be Registered for VAT or Enlisted for Turnover Tax.

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

What constitutes "Turnover"?

The new VAT Act defines turnover as all money received or receivable against the supply of taxable goods or the rendering of taxable services by means of their economic activities.

For the purposes 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,*
- *The value of a sale of an organization of economic activities or portion thereof.*

Central registration is mandatory under the new VAT Act. Unit registration is optional

Unit Registration vs Central Registration

As per the existing VAT Act every operating unit (e.g. factory, distribution center, branch or head office) is required to have separate VAT registrations. Entities who maintain their books and records in a centralised manner, may opt for central registration, however, this process is often quite cumbersome.

The new VAT Act will primarily require entities to obtain central registration. Provided that the units can maintain their own books and records separately and independently, unit registration may be obtained.

Online registration and submission of returns

Online VAT Services for Companies

The new VAT Rules 2016 makes it easy for entities to use internet-based portals of National Board of Revenue (NBR) to conduct the following activities:

1) Register for VAT or turnover tax,
2) Submission of VAT or turnover tax returns, and
3) Deposit VAT or turnover tax amount through digital platforms of NBR and Sonali Bank.

Economic Activity

The existing VAT Act imposes VAT on the basis of goods and services. The new VAT Act provides a broader basis by imposing VAT on "*economic activity*". The new VAT Act 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 any business, profession, vocation, means of earning livelihood, manufacture or undertaking of any kind, supply of any goods, services or property made under any lease, license or similar arrangement within the scope of VAT imposition.

Imposition of VAT

Under the new VAT Act, VAT is imposed on:

1. **taxable supply,**
2. **taxable import, and**
3. **imported service.**

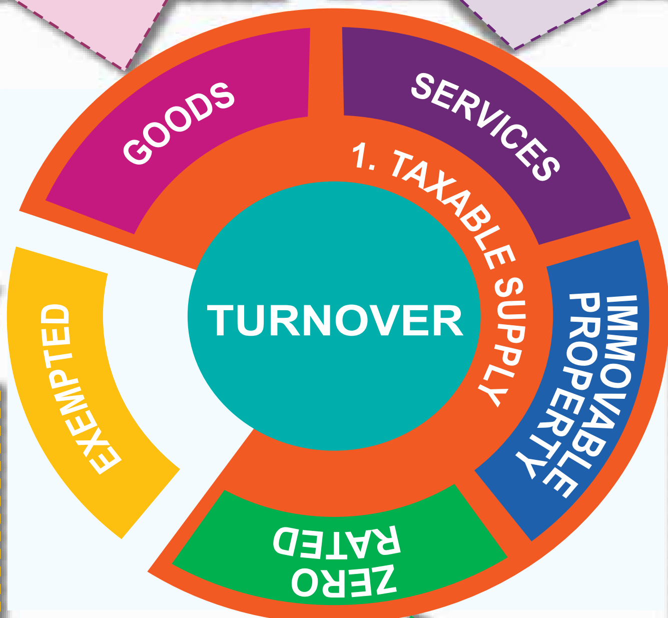
Taxable Supply means any supply made in Bangladesh which are not exempted supply. It includes supply of goods, services and immovable property.

According to new VAT Act supply of goods includes sale, exchange or disposal of goods which is similar to the existing legislation.

The new VAT Act expands the scope of supply of goods to include sale under hire purchase and also provision of rights to use goods on lease or rental contracts.

The new VAT Act defines supply of service to mean any supply other than supply of goods, money or immovable property.

It includes, namely, performance of an act, a grant, license permit, assignment or right, making available a facility or opportunity.



The new VAT Act replaces the existing VAT exemption list (First Schedule and Second Schedule of the existing VAT Act) where specific goods and services are exempted.

The new VAT Act provides a simplified descriptive list.

The new VAT Act introduces supply of immovable property which includes any supply of interest or right over land, issuance of license to occupy land or any contractual right over land. The definition of immovable property also includes any structure constructed over land.

Zero rated supplies includes supply of goods for export, deemed export, supply of zero-rated services and supply of immovable property situated outside Bangladesh.

2. TAXABLE IMPORT

The new VAT Act implies taxable import to include imported goods from outside Bangladesh other than those goods which are exempted.

3. IMPORTED SERVICE

Imported service means supply of any service made from outside Bangladesh to a person registered or required to be registered.

Exempted Supplies

The existing VAT Act provides VAT exemption on certain goods and services either at a certain value stage or the entire value chain.

The new VAT Act replaces the existing exemption list and provides a broad list of exempted goods and services. Brief description of certain items in this list are as follows:

Basic Necessities

Supply or import of prescribed basic food items for human consumption or life saving drugs.

A supply of the transportation services by taxis, buses, mini-buses or ferries.

Services provided by a government entity or an approved charitable institutions such as: *public health and medical services; education and training; child care activities and residential care facilities for the aged indigent, infirm, or disabled persons who need permanent care.*

Agriculture, horticulture, pisciculture and veterinaries

A supply of unprocessed agricultural, horticultural, or piscicultural products by the producer and supply of goods, services or land to be used as inputs to agriculture, horticulture, or pisciculture.

Non-commercial activities of approved charitable institutions

Any prescribed supply or supply relating to any specified religious, charitable, or other non-profit activities made by an approved charitable institution.

Immoveable Property

Sale of vacant land and where an immoveable property relates to a residential premise, the first sale of such a new premise or its sale, other than a sale within two years, of such property after its first use as a residential premise. A lease, licence, hire or other forms of supply of the right to occupy and reside in residential premises.

Intermediation

A supply of financial services, except for the amount to the extent that a specific fee is claimed, or a charge made, for the service.

Special Situations

A supply of goods used only in cases of supplies of exempted supplies by a registered person or if the goods is a passenger vehicle, where such person pays input tax, but is not entitled to tax credits, the supply of such goods.

Culture

Supply of newspapers or prescribed supply of cultural services made on a non-profit basis.

Imports

Import of any exempted or zero-rated goods.

Narcotic Drugs

In relation to manufacture or production of any goods mentioned in the second schedule of the Narcotic Drugs Control Act, 1990 (Act XX of 1990).

Zero-rated Supplies

Supply of exported goods

⇒ Supply of any goods from inside to outside Bangladesh,
⇒ Temporarily imported goods under the Customs Act,
⇒ Deemed export,
⇒ 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 ingredient of goods or service for consumption outside Bangladesh and supply of any goods or service within the territory of Bangladesh against foreign currency or local letter of credit.

Supply of zero-rated services

⇒ Service given on goods situated outside Bangladesh at the time of supply;
⇒ Services given relating to temporarily imported goods under the Customs Act;
⇒ Services given to a recipient situated outside Bangladesh at the time of supply;
⇒ Supply of telecommunication services by a telco supplier to a non-resident telco supplier.

A supply which is both exempted and zero-rated will be treated as zero-rated.

Coverage of New VAT Act

The new VAT Act contains provision for three types of indirect tax: *Standard VAT at 15%, Turnover tax at 3% and Supplementary Duty up to 500%.*

Type of indirect tax	VAT Act 1991	VAT Act 2012
Standard VAT	✓	✓
Turnover Tax	✓	✓
Truncated VAT	✓	✗
Tariff Value VAT	✓	✗
Package VAT	✓	✗
Trade VAT	✓	✗
Supplementary Duty	✓	✓

Determination of Value of Taxable Supply

General Supply

The value of a taxable supply is the amount derived by reducing the tax fraction [VAT Rate/(100+Vat Rate)] from the consideration or fair value of the supply. Understandably, value of any supply other than the taxable ones shall be the consideration of such supplies.

Taxable Imports

Similar to the existing VAT legislation imports will be valued at the assessable value determined by the Customs Authority plus the amount of customs duty, regulatory duty or supplementary duty.

VAT Payment Mechanism

The existing VAT payment mechanism requires registered persons to maintain positive balance in their current accounts with the VAT authority before conducting any sales. Hence, VAT is paid in advance to the VAT authority either through treasury deposits or excess input VAT payments to Government Exchequer.

The new VAT Act does not require to make any advance payment of VAT or maintenance of positive VAT current account balance before conducting sales. Thus, the registered persons under new VAT Act will pay the net VAT payable, if any, (i.e. output VAT less input VAT and other adjustments) within 15 days following the month end at the time of submission of VAT return.

Current Account System

Price Declaration System

Illustration

Case 1

In the month of July 20Y1, a manufacturer sold TV for consideration of BDT 50,000. The manufacturer incurred cost of BDT 20,000 during July 20Y1 for which input VAT of BDT 2,500 was paid. The VAT return for the month of July 20Y1 would be due on 15 August 20Y1 and the net VAT payable would be computed as follows:

	Details	Amount (BDT)	Calculation
	Sales	50,000	
(A)	**Output VAT**	**6,522**	**(50,000 x 15/115)**
	Purchase	20,000	
	Input Tax	**2,500**	
(B)	**Input Tax Credit**	**2,500**	
	Net VAT payable (A-B)	**4,022**	

Case 2

In the month of August 20Y1, a manufacturer exported TV for consideration of BDT 50,000. The manufacturer incurred cost of BDT 20,000 during August 20Y1 for which input VAT of BDT 2,500 was paid. The VAT return for the month of August 20Y1 would be due on 15 September 20Y1 and the net VAT payable would be computed as follows:

	Details	Amount (BDT)	Calculation
	Sales	50,000	
(A)	**Output VAT**	**0**	**(50,000 x 0/100)**
	Purchase	20,000	
(B)	**Input Tax**	**2,500**	
	Net VAT receivable (A-B)	**2,500**	

Net VAT receivable will be adjusted with the net VAT payable of the next period.

Case 3

A manufacturer produces both RMG and rice. He sold rice of BDT 40,000 and RMG of BDT 60,000 in November 20Y1. The manufacturer incurred cost of BDT 60,000 for which VAT of BDT 10,000 was paid.

There is no output VAT on exempted goods such as rice (basic necessities) and input credit cannot be claimed as well.

	Details	Amount (BDT)	Calculation
	Sales	100,000	
(A)	**Output VAT**	**7,826**	**(60,000 x 15/115)**
	Purchase	60,000	
(B)	**Input Tax**	**10,000**	
(C)	**Input Tax Credit**	**6,000**	**(10,000 x 60,000/100,000)**
	Net VAT payable (A-C)	**1,826**	

Fair Market Price concept

The new VAT Act introduces the concept of fair market price. According to the new legislation “fair market price” is the consideration arrived at as a result of normal relationship between a buyer and 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 on the basis of impersonal average of consideration in course of normal business relations among buyers and sellers, who are not associated with one another will be considered.

When Fair Market Price is relevant?

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

- To determine the value of free sample above the allowable limit for BDT 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 if 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 supplementary duty on the supply of any goods or service subject to supplementary duty which is made without any consideration or with inadequate consideration;
- When quantity of goods subject to supplementary duties is identified during an audit to have not been accounted properly; or
- Transfer of immovable property by a property developer to the land-owner.

Fair Market Price is the consideration arrived at as a result of normal relationship between a buyer and seller who are not associated with each other

Defining Resident and Non-resident

The new VAT Act brings a definition of a Resident which is not present in the existing VAT legislation. 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 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 center of control and management in Bangladesh;
b) a Trust, if a Trustee thereof is a resident of Bangladesh or the center 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 center of control and management in Bangladesh;
d) all government entities; or
e) a property development joint venture.

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

Implications of Residency Status

The prime implications of residency status is that if non-resident carrying on an economic activity from or through a fixed place in Bangladesh and provides any supplies from such a fixed place, such supply would be considered as a supply in Bangladesh and will be subject to VAT.

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 for the concerning economic activities.

If non-resident carrying on an economic activity from or through a fixed place in Bangladesh and provides any supplies from such a fixed place, such supply would be considered as a supply in Bangladesh.

Is there VAT on Sale of Business?

The existing VAT legislation contained provision regarding full -fillment of certain VAT obligations prior to the transfer of ownership in a business. The new VAT Act further clarifies these obligations by providing clearer instructions for transfer of ownership of a business.

Furthermore, if the business is purchased with an intention to keep the economic activities associated with it to be continued, such transfer 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 covered by such provisions.

Is there VAT on Disposal of Assets?

The existing VAT legislation did not provide clear definitions or clarifications for applicability of VAT on sale of used goods. The new VAT Act, defines second-hand goods as goods (except precious metal or goods made out of precious metal) which have been used earlier.

VAT paid on second-hand goods purchased for re-sale (without any manufacturing activities) can be adjusted against the output VAT. This implies that under the new legislation, second-hand goods not for re-sale will be subject to VAT.

Reverse Charge of VAT

The new VAT Act provides clear provisions for VAT on imported services under the concept of Reverse Charge. Although the mechanism is present in the existing legislation, the new VAT Act provides a much clearer guideline.

The imported service will be a taxable supply in the hand of the service recipient and consequently, it has to be included at the time of output VAT computation. On the other hand, the service recipient will be required to show the applicable VAT on such imported service as their input VAT in the VAT return.

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 by a registered or required to be registered person of an in-kind benefits in lieu of cash to any of their employees will be subject to VAT under the new VAT Act.

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.

Progressive or Periodic Supplies

The new VAT Act put forward clear guidelines for supplies where consideration is paid in more than one installment, supplies under any lease (including finance lease) or hire purchase and supplies for any construction or engineering activity or for restructuring or extension of any building. Such supplies are defined as *"progressive or periodic supplies"*.

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; or
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.

Input Tax Credit

The new VAT Act provides a broader scope for obtaining Input Tax Credit. A registered person shall be entitled to an input tax credit for any taxable import or taxable supply made to the person for conducting their economic activities and taxable supplies.

The new VAT Act allows to take input VAT rebate on all types of expenses either operational or capital except for the following:

1. Payment by cash over BDT 100,000;
2. Purchase of passenger vehicle or entertainment services, provided that input tax 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);
3. Purchase of membership or right of entry in a club, association, or society, of a sporting, social, or recreational nature;
4. Purchase of transportation services;
5. Purchase of goods subject to supplementary duty under special provisions, i.e. VAT paid on tobacco or alcoholic products as per section 58 of the new VAT Act, enunciated by the Board.

Partial Input Tax

A registered person is entitled to claim input tax credit against an import or acquisition in a tax period.

If a registered person is not entitled to the input VAT credit in full, his entitlement to input VAT credit against his total imports and acquisitions shall be calculated in a proportionate manner as given by this formula:

$$I \times T/A$$

where—

"I" is the total amount of input tax originating from imports or acquisitions to which this sub-section relates and for which a credit is sought in such tax period;

"T" is the value paid by the person mentioned below of all taxable supplies during the tax period; and

"A" is the value paid by the registered person of 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.

Withholding VAT

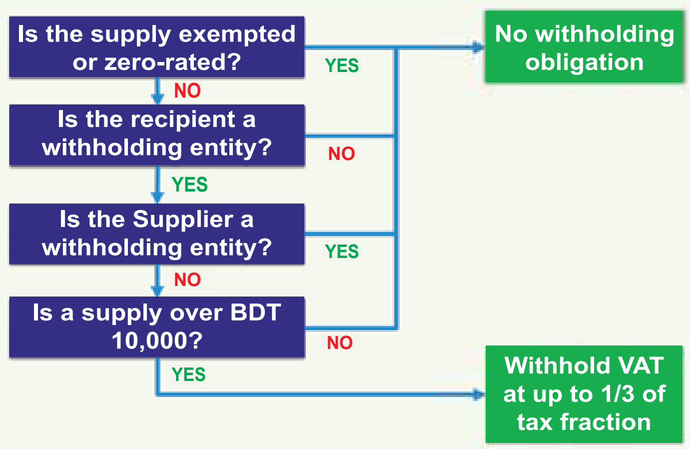
Every entity is not required to withhold VAT at source. Certain organizations have been given the responsibility to withhold VAT according to the existing and the new VAT legislation.

Under new VAT Act, the responsibility of withholding VAT on payments to the supplier/service providers has been removed from certain entities, especially private limited companies and firms. This will broadly eliminate the withholding VAT concept as private limited companies and firms represent the majority of the businesses in Bangladesh.

In addition, contrary to the existing legislation which requires the withholding entities to deduct full amount of VAT, the new legislation has capped such amount of deduction up to one-third of tax fraction.

Furthermore, specific criteria have also been set as per the new VAT Act for the requirement of withholding VAT. Withholding entities should not withhold VAT when they obtain goods and services from other withholding entities and for supplies below BDT 10,000. The new VAT Act also restrict withholding persons from obtaining supplies from unregistered and unlisted persons.

Conditions for Withholding VAT



Withholding Entity	VAT Act 1991	VAT Act 2012
Government Entity	✓	✓
Semi-government entity	✓	✓
Autonomous Entity	✓	✓
Non-government Organization	✓	✓
Financial Institutions	✓	✓
Banks	✓	✓
Public Limited Company	✓	✓
Private Companies (not registered with LTU)	✓	✗
Post-secondary educational institutions	✓	✓
Establishment Registered with LTU	✓	✓
Firms	✓	✗

Tax Invoice

Every registered supplier is required to issue a serially numbered 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 the supplier;
c. the name, address and business identification number of the buyer if the value of the supply is more than BDT 25,000;
d. a description and quantity of the goods supplied, and the actual time and date of such supply;
e. the value of the supply (exclusive of VAT);
f. the VAT- rate applicable to the supply;
g. the amount of payable VAT;
h. the summation of the price of supply and the payable VAT; and
i. any other information prescribed by the Board.

No input tax credit shall be admissible against a tax invoice if the information specified in clause (c) is not included in such invoice.

Integrated Tax Invoice and Wthholding Certificate

A registered person not being a withholding entity, who makes a supply to a withholding entity shall on or before the date of making such supply, issue to the withholding entity an integrated tax invoice and withholding certificate containing the prescribed information.

The form and manner of the integrated tax invoice and withholding certificate shall be prescribed by the Board.

Carry Forward and Refund

The new VAT Act makes refund process easier as compared to the existing VAT law. Refund provisions have been segregated for (1) construction, house building, land development or property developments activities and (2) other economic activities.

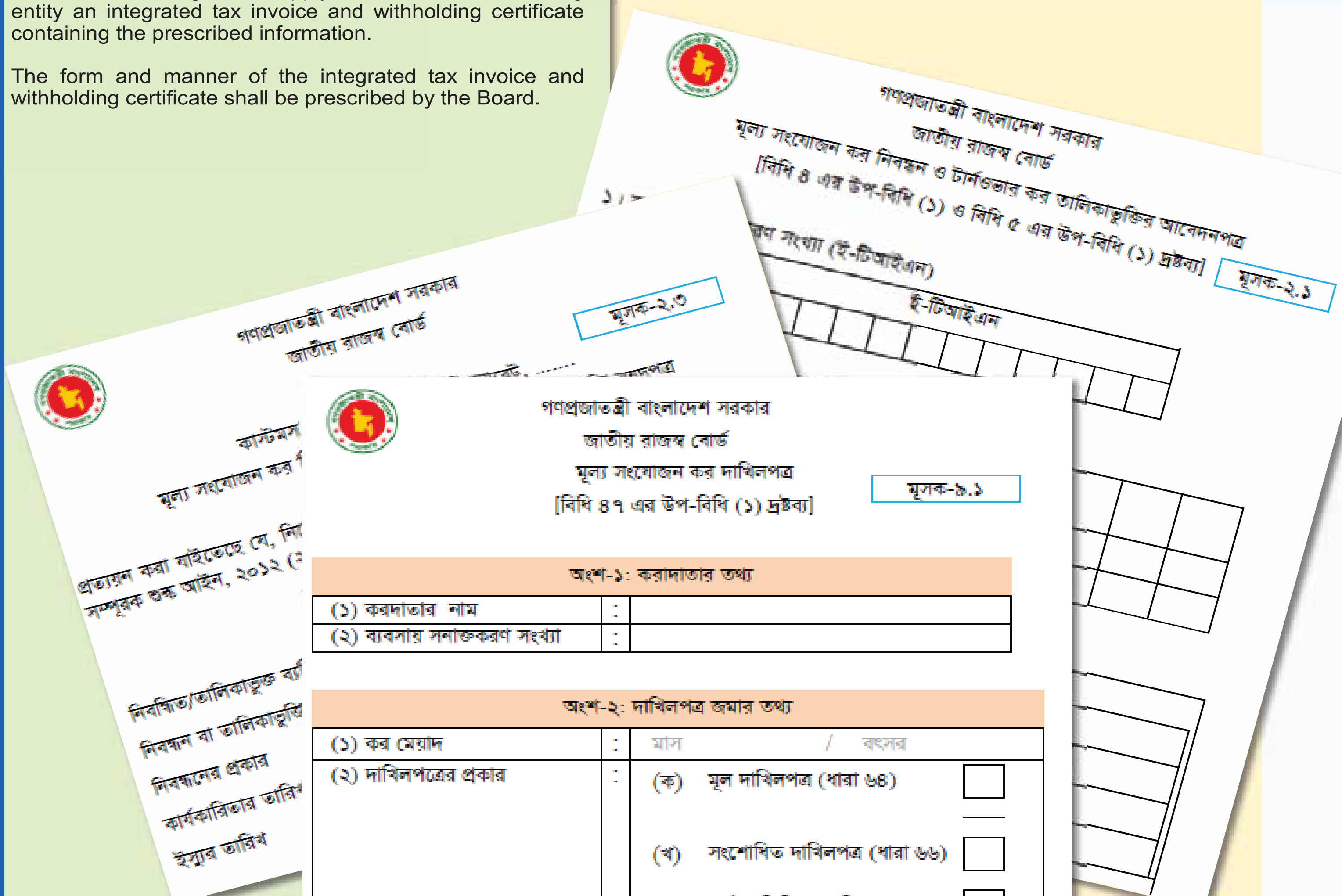
Refund can be claimed only after submission of all VAT returns up to the current tax period.

Building, Construction and Property Development

The sum of (1) input tax and (2) the receivable decreasing adjustments exceeding the sum of (i) output VAT, (ii) supplementary duty and (iii) any increasing adjustments in a tax period can be carried forward indefinitely. Cash refund is not possible for building, construction and property development entities.

Others

For other economic activities the excess amount can be carried forward for 6 tax periods. If, the amount is not fully adjusted, entities should assess whether the remaining amount is less than BDT 50,000 or not. Remaining amount can be taken as adjustments indefinitely if it is less than BDT 50,000. Otherwise, a refund can be claimed from the VAT authority.



Mushak Forms

The new VAT Act 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 6.1	Purchase Register
Mushak 6.2	Sales Register
Mushak 6.3	Tax Invoice
Mushak 6.6	Withholding Tax Certificate
Mushak 9.1	VAT Return
Mushak 9.2	Turnover Tax Return

Filing of Return

VAT returns are required to be filed within 15 days following the month end (for turnover tax—following the end of quarter).

A late VAT returns may be filed by obtaining extension from the VAT Authority which is limited to 1 month. Nevertheless, interest will be applicable at a rate of 2% per month on the amount of VAT payable, if return is submitted after 15 days.

The new VAT Act also includes a provision for Amended Return for clerical error or computational errors. The 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.

The tax payer 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.

Books and Records

The existing VAT legislation required entities to maintain books and records relating to VAT as per the prescribed templates given by the National Board of Revenue. Only certain documents could be customized by maintaining the minimum information requirements.

The new VAT Act allows all such prescribed documents to be customised according to the company's formats or templates.

The new VAT Act requires the registered and the enlisted persons to complete accounting, reporting and auditing under Bangladesh Financial Reporting Standards, Bangladesh Accounting Standards and Bangladesh Standards on Auditing.

For tax determination all documents which depict the operation of business should be considered.

The new VAT Act requires records and accounts to be maintained for at least 5 years compared to 6 years as per the existing VAT legislation.

Transition to the New VAT Regime

As the new VAT Act is going to be enforced from 1 July 2017, business communities are required to adapt to the imminent changes.

There is an understanding that during the transition period companies can submit their hard paper VAT returns to VAT authority who subsequently submit those returns to the online platforms of NBR.

The VAT on taxable supplies will be payable under the provisions of the new VAT Act if:
1) the supply is made after the introduction of new VAT Act and
2) the tax invoice of the supply was issued or the value of the supply was made or both the actions were completed before the day of introduction.

No VAT will be payable under the new VAT Act if the VAT is already paid or included in the VAT return under the existing VAT Act.

Adjustment of Current Account Balance under the existing VAT Act

With the removal of current account system in the new VAT Act, it has been discussed by the business community regarding the advance VAT paid under the existing VAT legislation.

NBR has responded by encouraging the business entities to maintain negligible amount of advance VAT in the VAT current account. Nevertheless, the new VAT Act permits the closing balance or advance VAT under the existing VAT Act to be adjusted on each tax period up to 10% of the net tax payable of that tax period. However, the following conditions are required to be met for taking such adjustments:
1) Registration under new VAT Act 2012;
2) there are no undisposed case pending under the VAT Act 1991;
3) there are no appeal or writ pending under the VAT Act 1991; or
4) there are no arrear tax unrealised under the VAT Act 1991.

The registered person will also be required to obtain a certificate from the VAT Commissioner certifying the eligibility of closing balance of VAT current account under the existing VAT Act for adjustment under the new VAT Act.

Let's assume an entity has VAT unadjusted or advance VAT in the VAT current account on 30 June 2017 of BDT 500,000. In the month of July 2017, sales revenue was BDT 1,000,000 (VAT = BDT 150,000) and expenses incurred was BDT 600,000 of which BDT 90,000 VAT was paid.

The net VAT payable is BDT 60,000 (**150,000 - 90,000**).
Maximum amount of advance VAT BDT 6,000 (**60,000 x 10%**) that can be adjusted.
The remaining amount of unadjusted VAT is BDT 494,000 **(500,000-6,000)** which will be adjusted in the following periods.

Applicability of existing SROs under the new VAT Act

The business community is concerned whether the existing SROs and specific exemptions will still be valid under the new Act.

The new VAT Act, expresses that *all rules made, orders passed, notifications published, and notices issued under the existing VAT Act 1991 shall, so far as they are consistent with the provisions of this new VAT Act, continue to be in force until they are repealed or amended*.

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