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CHARTERED ACCOUNTANTS

# Overview of Income Tax

Updated by Finance Act-2016



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**Hussain Farhad & Co. (HFC)** started its operation in 1997 (19 years of age) as a sole proprietorship firm. Since then HFC has been maintaining a fast growth excelling in the professional fields. Our firm is growing rapidly having 128 working members in total. Today with 6 Partners, 1 Director, 1 Consultant, 1 Qualified Manager, 21 managerial staff and 2 I.T. managers working at the senior level supported by 103 trainee accountants and other ancillary staff. The firm serves a wide variety of clients providing services in the areas covering Accounting, Auditing, Taxation, Secretarial Matters, Compliance Issues, Business Advisory, Management Consultancy and Financial Planning, Financial Performance Analysis, Forensic Audit, Fiduciary Review, Investment Feasibility Analysis etc.

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CLIENTS PROFILE

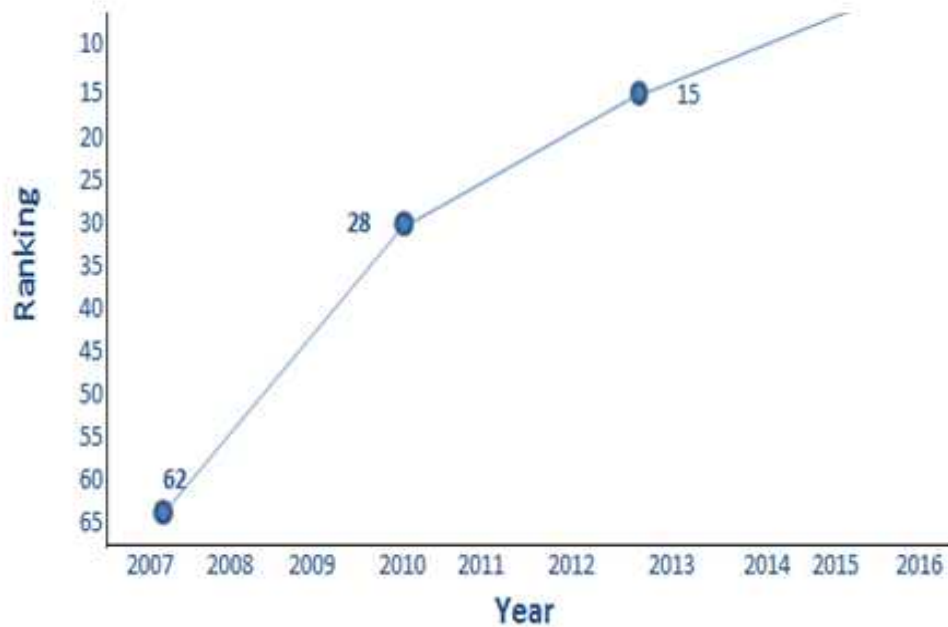
3+ Clients whose Group Auditors are One of the BIG 4 firms

|   |   |
|---|---|
| Banks/ Financial Institutions/ Investment Company                     |       |
| NGOs, Donor Agencies/ International Organizations' aided project etc. |        |
| Manufacturing Companies   |        |
| Liaison/ Branch Office, etc.  |      |
| Garment/ Textile Industries etc.                                      |      |
| Telecommunication/ IT Companies                                       |     |
| Hotel & Tourism   |      |
| Others  |        |

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**M Farhad Hussain FCA**  
Past President & Council Member  
ICAB

We have prepared this booklet mainly for the guidance of our existing clients. No one should take steps on such information without appropriate professional advice. This booklet incorporates many of the important provisions of the Income Tax Ordinance 1984 as amended up to the Finance Act 2016. This booklet contains selected aspects of Bangladesh tax provisions. It is not intended to be comprehensive. We will work together with our clients in this regards.

### **Managing Partner**

Hussain Farhad & Co.  
Chartered Accountants

## Preface to the 3<sup>rd</sup> edition Overview of Income Tax

I am expressing my profound sense of thankfulness to the almighty Allah for giving me the effort to complete the 3<sup>rd</sup> edition of the Overview of Income Tax. I am very much thankful to all of our partners.



**M Farhad Hussain FCA**  
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Hussain Farhad & Co.



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**Esha Nabila Hussain ACA**  
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It has been prepared by taking aid from Income Tax Ordinance-1984, NBR Website and Publications, Various SROs, Taxation-II (ICAB) Manual and open tax resources of Big 4 firms. It is up to dated by Finance Act-2016. I think it will serve its purpose to the reader ably of this Overview of Income Tax. Although we attempt to provide accurate information at the time of preparation, there is no assurance that all the information would continue to be accurate in the future.

Any errors, omissions and mistakes in this summary book remain my responsibility to correct the errors, omissions and mistakes. If you have any query regarding this summary book, please feel free to communicate with me. You can find me by mail: [masum.hossain@hfc-bd.com](mailto:masum.hossain@hfc-bd.com) or Skype: [hmmasum.bd](https://www.skype.com/user/hmmasum.bd). I always welcome your recommendation for its further improvement.



**Thanking You**  
**Masum Hossain**  
*Deputy Manager*  
*Audit & Management Consultancy*  
*Hussain Farhad & Co.*  
*Chartered Accountants*

## Table of Contents

| Sl. No | Headings   | Page Number |
|--------|--|-------------|
| 1      | The Income Tax Ordinance, 1984 - Chapters and Sections   | 4           |
| 2      | Different Tax Rates  | 6           |
| 3      | Tax Exempted Ceiling of Income for Person  | 6           |
| 4      | Charge of Minimum Tax (Section 16CCC)  | 7           |
| 5      | Small and Cottage Industries   | 7           |
| 6      | Tax Rates for Companies  | 7           |
| 7      | Inter-Corporate Tax Rate (Tax Rate on Dividend) for Assessment Years 2016-17   | 8           |
| 8      | Reduced Rates of Corporate Tax for Special Cases   | 8           |
| 9      | Reduced Tax Rates Applicable to Local Authority  | 8           |
| 10     | Capital Gain Tax Rate (Paragraph 2 of the Second Schedule)   | 9           |
| 11     | Tax on Dividend/Remittance of Profit of Companies  | 9           |
| 12     | Charge of Surcharge (Sec-16A)  | 9           |
| 13     | Tax Rate on Winning Referred to in Section 19(13)  | 10          |
| 14     | Person Liable to Submit Income Tax Return  | 10          |
| 15     | Time to Submit Income Tax Return (Tax Day)   | 10          |
| 16     | Assessment Procedures  | 11          |
| 17     | Income Subject to Deduction at Source (TDS)  | 11-21       |
| 18     | The Time Limit for Payment of Tax Deducted at Source (Rule 13)   | 21          |
| 19     | Submission of Withholding Tax Return   | 21          |
| 20     | Consequences of Non-Submission of Return and Return of Withholding Tax   | 22          |
| 21     | Minimum Tax (82 C)   | 22          |
| 22     | Advance Payment of Tax   | 24          |
| 23     | Fiscal Incentives  | 24          |
| 24     | Income from Salary Related Rules   | 28          |
| 25     | Unexplained Investments - special tax treatment in respect of investment in residential building and apartment (Section 19BBBBB) | 29          |
| 26     | Tax Credit on Investment   | 30          |
| 27     | 6th Schedule (Part B) Investment Allowance   | 31          |
| 28     | Corporate Social Responsibilities (CSR) [SRO 229-AIN/IT/2011 dated 04-07-2011]   | 33          |
| 29     | Deductions not Admissible in Certain Circumstances (u/s 30)  | 34          |
| 30     | Capital Expenses as per Generally Accepted Accounting Principles but Allowable as Revenue Expenses as per Income Tax Provision   | 35          |
| 31     | Capital Gain   | 36          |
| 32     | Set off of Losses (Sec 37)   | 36          |
| 33     | Transfer Pricing   | 36          |
| 34     | Return Related Issues  | 37          |
| 35     | Form of Return   | 37          |
| 36     | Summary of Penalty   | 38          |
| 37     | Appeal against the Order of DCT  | 40          |
| 38     | Avoidance of Double Taxation Agreement (Sec-144, 145)  | 40          |
| 39     | Value Added Tax (VAT) Related  | 41          |
| 40     | Exemption of Input VAT at Manufacturing Stage  | 43          |

## The Income Tax Ordinance, 1984 - Chapters and Sections:

| <i>Chapter</i> | <i>Title</i>                                    | <i>Sections</i>     |
|----------------|---|---------------------|
| 1              | Preliminary                                     | 1-2                 |
| 2              | Administration                                  | 3-10                |
| 3              | Taxes Appellate Tribunal                        | 11-15               |
| 4              | Charge of Income Tax                            | 16-19E              |
| 5              | Computation of Income                           | 20-43               |
| 6              | Exemption and Allowances                        | 44-47               |
| 7              | Payment of Tax before Assessment                | 48-74               |
| 8              | Return and Statement                            | 75-80               |
| 9              | Assessment                                      | 81-94A              |
| 10             | Liability in Special Cases                      | 95-103A             |
| 11             | Special Provisions relating to avoidance of tax | 104-107             |
| 11A            | Transfer Pricing(New Addition by FA 2012)       | 107A-107J           |
| 12             | Requirement of furnishing certain information   | 108-110             |
| 13             | Registration of firms                           | 111 (omitted)       |
| 14             | Powers of Income Tax Authorities                | 112-122             |
| 15             | Imposition of Penalty                           | 123-133             |
| 16             | Recovery of Tax                                 | 134-143             |
| 17             | Double Taxation Relief                          | 144-145             |
| 18             | Refunds   | 146-152             |
| 18A            | Settlement of Cases                             | 152A-152E (omitted) |
| 18B            | Alternate Dispute Resolution                    | 152F-152S           |
| 19             | Appeal and Reference                            | 153-162             |
| 20             | Protection and Information                      | 163                 |
| 21             | Offences and Prosecution                        | 164-171             |
| 22             | Miscellaneous                                   | 172-184,184A-184F   |
| 23             | Rules and Repeal                                | 185-187             |

## The Income Tax Ordinance, 1984-Schedules

| <i>Sl. No.</i> | <i>Schedule</i>         | <i>Title</i>   |
|----------------|-------------------------|--|
| 1              | <i>First Schedule:</i>  |  |
|                | <i>Part-A</i>           | Approved Superannuation Fund or Pension Fund   |
|                | <i>Part - B</i>         | Recognized Provident Fund  |
|                | <i>Part - C</i>         | Approved Gratuity Fund   |
| 2              | <i>Second Schedule:</i> | Rates of income tax in certain special cases   |
| 3              | <i>Third Schedule:</i>  | Computation of Depreciation Allowance  |
| 4              | <i>Fourth Schedule:</i> | Computation of the Profits and Gains of Insurance Business   |
| 5              | <i>Fifth Schedule:</i>  |  |
|                | <i>Part-A</i>           | Computation of Profits and Gains from Exploration and production of petroleum and the determination of tax thereon.      |
|                | <i>Part- B</i>          | Computation of Profits and Gains from Exploration and Extraction of Mineral deposits in Bangladesh (except oil and gas). |

|   |                         |   |
|---|-------------------------|---|
| 6 | <b>Sixth Schedule:</b>  |   |
|   | <b>Part-A</b>           | Exclusions from total Income  |
|   | <b>Part - B</b>         | Exemptions and allowances for assessee being resident and nonresident Bangladeshi |
| 7 | <b>Seventh Schedule</b> | Computation of relief from income tax by way of credit in respect of foreign tax  |

### Different Tax Rates:

**Person:** Tax Rates for Individual, Firms, Association of Persons (AOP), Hindu Undivided Family (HUF) and Artificial Juridical Person:

### Tax Exempted Ceiling of Income for Person:

|   |         |
|---|---------|
| Any Person other than under mentioned category: | 250,000 |
| Female & senior citizens at age 65 or above:    | 300,000 |
| Handicapped / disabled persons:                 | 375,000 |
| For gazetted war wounded freedom fighters:      | 425,000 |

However, tax exempted ceiling of income for the parents and legal guardian of person with disability will be taka 25,000 higher than the above mentioned amount. Only one can avail such benefit.

| <u>Income</u>  | <u>Rate of Income Tax</u> |
|----------------|---------------------------|
| First 250,000  | @ 0%                      |
| Next 400,000   | @ 10%                     |
| Next 500,000   | @ 15%                     |
| Next 600,000   | @ 20%                     |
| Next 3,000,000 | @ 25%                     |
| Rest of amount | @ 30%                     |

The minimum amount of income tax for any individual will be Tk. 5,000 under city corporation areas of Dhaka & Chittagong; Tk. 4,000 under others city corporation areas & Tk. 3,000 for other areas.

**Non-resident Individual** @ 30%  
(Other than non-resident Bangladeshi)

**Manufacturer of cigarette, bidi, chewing tobacco, smokeless tobacco or any other tobacco products** @ 45%  
(Individual other than company)

**Income from Cooperative society** @ 15%  
(Cooperative society registered under Cooperative Society Act, 2001)

#### **Dividend income**

A company paying dividend shall withhold tax at 10% (subject to furnish 12 digit Tax Payer's Identification Number) or 15% on dividend payable to an individual resident other than a company exceeding Tk 25,000.

(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.)

## Charge of Minimum Tax (Section 16CCC):

Current minimum tax section has been deleted. 82C final discharge of tax liability has been replaced with new 82C minimum tax.

## Small and Cottage Industries:

If the assessee is an owner of any small and cottage industry or engaged in such kind of activities in a NBR specified less developed / least developed area, he/she will be eligible to have a tax rebate on such income at following rates:

- i) If **production / turnover increases by more than 15% but less than 25% comparing to previous year, 5% rebate** on tax applicable on such income will be allowed;
- ii) If production / turnover increase by **more than 25%** comparing to previous year, such rate of **rebate will be 10%**.  
*(In order to avail the above opportunities, the industries be located in the "Less Developed Areas" and "Least Developed Areas" as specified by NBR in accordance of I.T.O. 1984.)*

## Tax Rates for Companies:

Applicable tax rates for companies for the Assessment year 2016-2017 are as follows:

|   |                |
|---|----------------|
| <b>Publicly Traded Company:</b>   | <b>@ 25%</b>   |
| <i>(However, Non listed company is eligible to claim 10% rebate on such payable of tax if they list at least 20% of their paid up capital through IPO)</i>  |                |
| <b>Non-Publicly Traded Companies</b>  | <b>@ 35%</b>   |
| <i>(Non listed company will receive rebate of 10% in the year of listing if they list at least 20% of their paid up capital through initial public offering)</i>  |                |
| <b>Bank, Insurance and Financial Institutions</b>   | <b>@ 40%</b>   |
| <i>(Other than Merchant Bank and publicly traded or approved by the government in the year 2013)</i>  |                |
| <b>Not publicly traded Bank, Insurance and Financial Institutions</b>   | <b>@ 42.5%</b> |
| <i>(Other than Merchant Bank)</i>   |                |
| <b>Merchant Banking</b>   | <b>@ 37.5%</b> |
| <b>Cigarette manufacturing companies</b>  | <b>@ 45%</b>   |
| <b>Manufacturer of cigarette, bidi, chewing tobacco, smokeless tobacco or any other tobacco products</b>  | <b>@ 45%</b>   |
| <b>Mobile Phone Operator Company</b>  | <b>@ 45%</b>   |
| <b>Publicly traded Mobile Phone Operator Company</b>  | <b>@ 40%</b>   |
| <i>(Provided that if the mobile phone operator company turned into a publicly traded company by offering at least 10% (it must not include Pre Initial Public Offering Placement at a rate higher than 5%) of its paid up capital through stock exchanges, it would get 10% rebate on total tax in the year of transfer.)</i> |                |



## Inter-Corporate Tax Rate (Tax Rate on Dividend) for Assessment Years 2016-17:

### Company

(i) If dividend declared by a company registered under Company Act 1994 or any profit remitted outside Bangladesh by a company not incorporated in Bangladesh under Company Act 1994, the rate on such dividend or profit is 20%.

(ii) 10% to 15% in relation to a non-resident company resident of a country with whom there is Double Taxation Agreement with Bangladesh.

## Reduced Rates of Corporate Tax for Special Cases:

| <i>Particulars</i>   | <i>Rates</i>   |
|--|--|
| Textile industries (time extended up to 30 June 2019)  | 15%  |
| Jute industries (time extended up to 30 June 2020)   | 10%  |
| Research Institutes recognized under the Trust Act, 1882 & Societies registration Act, 1860  | 15%  |
| Knit wear & Woven Garments   | 20%  |
| Private Universities, Private medical college, Private dental college, Private engineering college or Private college engaged in imparting education on information technology                         | 15%  |
| Fisheries, poultry, plated poultry feed, seed production, marketing of locally produced seeds, cattle farming, dairy farming, horticulture, frog farming, sericulture, mushroom farming, floriculture. | For 1 <sup>st</sup> 10 Lac =Rate 3%<br>For next 20 Lac =Rate 10%<br>For rest of = Rate 15% |

## Reduced Tax Rates Applicable to Local Authority:

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

1. WASA (Dhaka, Chittagong, Khulna and Rajshahi)
2. Bangladesh Civil Aviation Authority
3. RAJUK
4. RDA
5. KDA
6. CDA
7. National Housing Authority
8. Chittagong Port Authority
9. Mongla Port Authority
10. Pyra Port Authority
11. Bangladesh Inland Port Authority
12. Bangladesh Television
13. Bangladesh Betar
14. BIWTA
15. BRTA
16. BTRC
17. BSEC
18. BPDP
19. BREB
20. BWAPDA
21. BEPZA
22. Jamuna Multipurpose Bridge Authority

23. Borendra Multipurpose Development Authority (Rajshahi)
24. Bangladesh Hi-Tech Park Authority
25. IDRA
26. Sustainable and Renewable Energy Development Authority

### Capital Gain Tax Rate (Paragraph 2 of the Second Schedule):

#### **(a) Capital gain on Capital assets other than Shares referred to in clause (b) below:**

- (1) Companies: @ 15%.
- (2) Other Assesseees:
  - (i) Disposal within 5 years: at regular rates applicable to assessee's total income including capital gains.
  - (ii) Disposal after 5 years: at regular rates applicable to total income (including capital gains) or at 15%, whichever is lower.

#### **(b) Capital gain on Sale of Shares of Public Listed Companies for company & other than company:**

- (i) The transfer of a capital asset being Government securities: No capital gain tax  
(Ref. section 32(7))
- (ii) For companies and firms: 10%
- (iii) Capital gain tax of non-resident shareholders: 10%

*(But Any profits and gains of a non-resident assessee arising from the transfer of stocks or shares of a public company listed in any stock exchange of Bangladesh shall be exempt from income tax in Bangladesh when gain received by Non-resident on Sale of Shares of Public Companies if the assessee is entitled to similar exemption in the country in which he is a resident)*

### Tax on Dividend/Remittance of Profit of Companies:

A company paying dividend shall withhold tax at the rate of 20% on dividend payable to a company

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

### Charge of Surcharge (Sec-16A):

Surcharge is payable by an individual assessee on total tax payable if the total net worth exceeds Tk 22.5 million and minimum surcharge will not be less than Tk 3,000 as stated below:

#### **Total net worth Rate**

|                                       |     |
|---------------------------------------|-----|
| Over Tk 22.5 million to Tk 50 million | 10% |
| Over Tk 50 million to Tk 100 million  | 15% |
| Over Tk 100 million to Tk 150 million | 20% |
| Over Tk 150 million to Tk 200 million | 25% |
| Over Tk 200 million                   | 30% |

## Tax Rate on Winning Referred to in Section 19(13):

As per Paragraph 3 of the Second Schedule the tax rate on winnings is the rate applicable to total assessee's income (including "Winnings") or 20%, whichever is lower?

## Person Liable to Submit Income Tax Return:

- i) If total income of any individual exceeds the maximum amount that is not chargeable to tax under this Ordinance.
- ii) If the person was assessed for tax during any of the 3 years immediately preceding that income year.
- iii) If the person is a company, NGO, Co-Operative Society, Firm, Association of person, shareholder director or share holder employee, Partner of a firm, an employee who draws basic salary of taka 16,000 or more.
- iv) If the person, not being an institution established solely for charitable purpose or a fund, has an income during the income year which is subject to tax exemption or lower tax rate under section 44
- v) If the person, at any time during the income the year fulfills any of the following conditions, namely: owns a motor car/owns membership of a club registered under VAT Law/ runs a business or profession having trade license/ Any professional registered as a doctor, lawyer, income tax practitioner, Chartered Accountant, Cost & Management Accountant, Engineer, Architect and Surveyor or any other similar profession/ Member of a Chamber of Commerce and Industries or a trade Association/ Runs for an office of any paurashava, city corporation/ participates in a tender/Serves in a board of a company or group of company.

## Return of income shall not be mandatory for:

- i) A MPO based educational institution
- ii) A public university
- iii) Fund
- iv) Any class of persons which the board, by order in official gazette, exempts from filling the return.

## Time to Submit Income Tax Return (Tax Day):

### For company

15th day of the 7th month following the end of the income year

### For other than company

30<sup>th</sup> November following the end of the income year;

The next working day following the tax day if the day mentioned above is a public holiday.

## Assessment Procedures:

- For a return submitted under normal scheme, assessment is made after giving an opportunity of hearing.
- For returns submitted under Universal Self Assessment Scheme, the acknowledgement slip is determined to be an assessment order. Universal Self Assessment is of course subject to audit.

Provided that a return of income filed under universal self assessment scheme, shall not be selected for audit where such return shows at least twenty per cent higher income than the income assessed or shown in the return of the immediately preceding assessment year and such return-

- (a) Is accompanied by corroborative evidence in support of income exempted from tax;
- (b) Does not show receipt of gift during the year;
- (c) Does not show any income chargeable to tax at a rate reduced under section 44;
- Or (d) does not show or result any refund.

## Income Subject to Deduction at Source (TDS):

| Sl. No | Heads  | Reference     | Particulars & Rates  |        |             |          |
|--------|--|---------------|--|--------|-------------|----------|
| 01     | Salary   | [S-50]        | Average rate   |        |             |          |
| 02     | Discount on the real value of Bangladesh Bank Bills          | [S-50A]       | Maximum Rate   |        |             |          |
| 03     | Interest on Securities                                       | [S-51]        | 5% Upfront on interest but for Islamic Principles, 5% on profit or discount at the time of payment or credit.  |        |             |          |
| 04     | Supply of goods and execution of contracts and sub-contracts | [S-52 & R-16] | <p><b>Tax is required to be deducted at a rate not exceeding 10% (50% higher rate if no TIN) from the payment to a resident on account of execution of contract, supply of goods, manufacture, process/conversion, printing and packaging / binding. The deduction is made on the basis of base amount*.</b></p> <p>*The base amount means the higher of the following and inclusive of VAT:</p> <ul style="list-style-type: none"> <li>- Contract value, or</li> <li>- Bill or invoice amount, or</li> <li>- Payment</li> </ul> <p><b>Rule 16</b></p> <p>a)</p> |        |             |          |
|        |  |               | <table border="1"> <thead> <tr> <th>Sl. No</th> <th>Base Amount</th> <th>TDS Rate</th> </tr> </thead> <tbody> <tr> <td>.</td> <td></td> <td></td> </tr> </tbody> </table>  | Sl. No | Base Amount | TDS Rate |
| Sl. No | Base Amount  | TDS Rate      |  |        |             |          |
| .      |  |               |  |        |             |          |

|   |                                  |    |
|---|----------------------------------|----|
| 1 | Up to 2 Lakh                     | 0% |
| 2 | More than 2 Lakh up to 5 Lakh    | 1% |
| 3 | More than 5 Lakh up to 10 Lakh   | 2% |
| 4 | More than 10 Lakh up to 25 Lakh  | 3% |
| 5 | More than 25 Lakh up to 1 crore  | 4% |
| 6 | More than 1 crore up to 5 crore  | 5% |
| 7 | More than 5 crore up to 10 crore | 6% |
| 8 | More than 10 crore               | 7% |

**(b)** Subject to clause (c), in case of a payment for  
(i) supply of goods; or  
(ii) manufacture, process or conversion; or  
(iii) printing, packaging or binding;  
the deduction on payment shall be at the following rate-

| Sl. No | Base Amount                    | TDS Rate |
|--------|--------------------------------|----------|
| 1      | Up to 20 lac                   | 3%       |
| 2      | More than 20 lac up to 1 crore | 4%       |
| 3      | More than 1 crore              | 5%       |

**1. (c)** the rate of deduction from the following classes of persons shall be:

| Sl. No | Base Amount  | TDS Rate |
|--------|--|----------|
| 1      | In case of oil supplied by oil marketing companies-<br>(a) Where the payment does not exceed taka 2 lakh             | Nil      |
| 2      | (b) Where the payment exceeds taka 2 lakh  | 0.60%    |
| 3      | In case of oil supplied by dealer or agent (excluding petrol pump station) of oil marketing companies, on any amount | 1%       |
| 4      | In case of supply of oil by any company engaged in oil refinery, on any amount                                       | 3%       |
| 5      | In case of company engaged in gas transmission, on any amount  | 3%       |
| 6      | In case of company engaged in gas distribution, on any amount  | 3%       |

| Sl. No  | Base Amount   | TDS Rate |   |   |                                       |
|---|---|----------|---|---|---------------------------------------|
|   |   |          |   |   |                                       |
| 05  | Deduction from payment of royalties, franchise fee etc. | [S-52A]. |   |   |                                       |
| 1   | Upto 25 lakh  | 10%      |   |   |                                       |
| 2   | More than 25 lakh                                       | 12%      |   |   |                                       |
| 06  | Deduction from the payment of certain services.         | [S-52AA] |   |   |                                       |
|   |   |          | Description of service and payment  | Rate of Deduction                             |                                       |
|   |   |          |   | Where base amount does not exceed Tk. 25 lakh | Where base amount exceeds Tk. 25 lakh |
|   |   |          | Advisory or consultancy service   | 10%   | 12%                                   |
|   |   |          | Professional service, technical services fee, or technical assistance fee | 10%   | 12%                                   |
|   |   |          | <b>Catering service</b>   |   |                                       |
|   |   |          | (a) on commission   | 10%   | 12%                                   |
|   |   |          | (b) on gross amount   | 1.50%   | 2%                                    |
|   |   |          | <b>Cleaning service</b>   |   |                                       |
|   |   |          | (a) on commission   | 10%   | 12%                                   |
|   |   |          | (b) on gross amount   | 1.50%   | 2%                                    |
|   |   |          | <b>Collection and recovery agency-</b>                                    |   |                                       |
|   |   |          | (a) on commission   | 10%   | 12%                                   |
|   |   |          | (b) on gross amount   | 1.50%   | 2%                                    |
|   |   |          | <b>Management of events, training, workshops etc.</b>                     |   |                                       |
|   |   |          | (a) on commission   | 10%   | 12%                                   |
|   |   |          | (b) on gross amount   | 1.50%   | 2%                                    |
| <b>Private security service</b>   |   |          |   |   |                                       |
| (a) on commission   | 10%   | 12%      |   |   |                                       |
| (b) on gross amount   | 1.50%   | 2%       |   |   |                                       |
| <b>Supply of manpower</b>   |   |          |   |   |                                       |
| (a) on commission   | 10%   | 12%      |   |   |                                       |
| (b) on gross amount   | 1.50%   | 2%       |   |   |                                       |
| Indenting commission  | 6%  | 8%       |   |   |                                       |
| Meeting fees, training fees or honorarium   | 10%   | 12%      |   |   |                                       |
| Mobile network operator, technical support service provider or service delivery agents engaged in mobile banking operations | 10%   | 12%      |   |   |                                       |
| Credit rating agency  | 10%   | 12%      |   |   |                                       |
| Motor garage or workshop  | 6%  | 8%       |   |   |                                       |

|    |   |           |  |            |     |
|----|---|-----------|--|------------|-----|
|    |   |           | Private container port or dockyard service   | 6%         | 8%  |
|    |   |           | Shipping agency commission   | 6%         | 8%  |
|    |   |           | Stevedoring/berth operation commission   | 10%        | 12% |
|    |   |           | Transport service, car rental  | 3%         | 4%  |
|    |   |           | Any other service which is not mentioned in Chapter VII of this Ordinance and is not a service provided by any bank, insurance or financial institutions                     | 10%        | 12% |
| 07 | <b>C&amp;F Agency Commission</b>                                  | [S-52AAA] | 10%  |            |     |
| 08 | <b>Collection of Tax from cigarette manufacturers</b>             | [S-52B]   | 10%  |            |     |
| 9  | <b>Compensation against acquisition of property</b>               | [S-52C]   | City Corporation, Paurashova or Cantonment Board   | 2%         |     |
|    |   |           | Other areas  | 1%         |     |
| 10 | <b>Interest on Saving Instruments</b>                             | [S-52D]   | 5%<br>Up to Taka 5 Lakh of pensioner saving certificate  |            |     |
| 11 | <b>Payment to beneficiary of workers participations fund</b>      | [S-52DD]  | 5%   |            |     |
| 12 | <b>Brick manufacturers</b>  | [S-52F]   | One section brick field  | Tk 45,000  |     |
|    |   |           | One and half section brick field   | Tk 70,000  |     |
|    |   |           | Two section brick field  | Tk 90,000  |     |
|    |   |           | Automatic brick field  | Tk 150,000 |     |
| 13 | <b>Commission of letter of credit</b>                             | [S-52I]   | 5%   |            |     |
| 14 | <b>Collection of tax from travel agent</b>                        | [S-52JJ]  | 0.3% and in addition for incentive bonus, performance bonus or any other benefits, deduction equal to $(A/B)*C$ . Where A= Incentive Bonus, B= amount as per 52JJ(1), C=0.3% |            |     |
| 15 | <b>Renewal of trade license by city corporation or paurashova</b> | [S-52K]   | (North & South) Dhaka City Corporation   | Tk 500     |     |
|    |   |           | Any other city corporation and any paurashova or district headquarters   | Tk 300     |     |
|    |   |           | Any other paurashova   | Tk 100     |     |
| 16 | <b>Freight forward agency commission</b>                          | [S-52M]   | 15%  |            |     |
| 17 | <b>Rental power company</b>                                       | [S-52N]   | 6%   |            |     |
| 18 | <b>Foreign technician serving in diamond cutting industries</b>   | [S-52O]   | 5%   |            |     |
| 19 | <b>For services from convention hall, conference centre etc.</b>  | [S-52P]   | 5%   |            |     |

|    |   |                 |  |
|----|---|-----------------|--|
| 20 | Deduction of tax from resident for any income in connection with any service provided to any foreign person                           | [S-52Q]         | 10%  |
| 21 | Deduction of tax from international gateway service in respect of phone call.   | [S-52R]         | 1) 1.5% of total revenue received by IGW operator. 2) 7.5% of revenue paid or credited to ICX, ANS and others.   |
| 22 | Collection of tax from manufacturer of soft drink or mineral water bottled water  | [S-52S]         | 4%   |
| 23 | Deduction of tax from excess of premium paid on life insurance policy   | [S-52T]         | 5%   |
| 24 | Deduction of payment on account of local letter of credit   | [S-52U]         | 3%   |
| 25 | Deduction from payment by cellular mobile phone operator  | [S-52V]         | 10%  |
| 26 | Importer  | [S-53 & R-17A]  | 5% as per rule 17A   |
| 27 | House property  | [S-53A]         | 5% of the gross rent   |
| 28 | Shipping Business of a resident   | [S-53AA]        | 5% of total freight received or receivable in or out of Bangladesh. 3% of total freight received or receivable from service rendered between two or more foreign countries |
| 29 | Export of manpower  | [S-53B & R-17C] | 10% along with rule 17C  |
| 30 | Export of Knit-wear and woven garments, terry towel, Jute goods, frozen food, vegetables, leather goods, packed food                  | [S-53BB]        | 0.70% of the total export proceeds of all goods (other than jute goods).<br>0.60% of the total export proceeds of jute goods.  |
| 31 | Member of Stock Exchange  | [S-53BBB]       | 0.05%  |
| 32 | Export of any goods except Knit-wear and woven garments, terry towel, Jute goods, frozen food, vegetables, leather goods, packed food | S-53BBBB        | 0.70%  |
| 33 | Goods or property sold by public auction  | S-53C and R 17D | 5% of Sale price but 1% of sale price for tea auction provider.  |
| 34 | Courier business of a non resident  | S-53CCC         | 15% on the amount of service charge accrued from the shipment of goods, documents, parcels or any other things outside Bangladesh.   |



|                |   |          |  |  |
|----------------|---|----------|--|--|
| 35             | <b>Deduction from payment to actors, actresses producers etc.</b>                         | S-53D    | a) 10% on the payment in case of purchase of film, drama any kind of TV or Radio program b) 10% on the payment to actor/actress ( if payment exceeds tk 10,000)  |  |
| 36             | <b>Deduction of tax at source from export cash subsidy</b>                                | S-53DDD  | 3%   |  |
| 37             | <b>Commission, discount, fees</b>   | S-53E(1) | 10%  |  |
|                |   | S-53E(2) | 5% of (AxB) *Whether A=the selling price of the company to the distributor or the other person and B= 6%   |  |
| 38             | <b>Commission or remuneration paid to agent of foreign buyer</b>                          | S-53EE   | 10%  |  |
| 39             | <b>Interest on saving deposits and fixed deposit</b>                                      | S-53F    | 1. a) if ETIN available then 10% b) if ETIN does not available then 15 % ( But up to taka 1 lakh at any time in the year, applicable rates will be 10%) c) 10% for educational institution under MPO 2) in case of fund, 5% on interest or share of profit.  |  |
| 40             | <b>Collection of tax from persons engaged in real estate or land development business</b> | S-53FF   | <b>(A) Building or residential purposes</b>  |  |
|                |   |          | i) Gulshan Model Town, Banani, Baridhara, Motijee Commercial Area and Dilkusha Commercial Area of Dhaka  | Tk 1,600 per sqm.  |
|                |   |          | ii) Dhanmondi Residential Area, Defense Officers Housing Society (DOHS), Mahakhali, Lalmatia Housing Society, Uttara Model Town, Bashundhara Residential Area, Dhaka Cantonment Area, Karwan Bazar Commercial Area of Dhaka and Panchlaish Residential Area, Khulshi Residential Area, Agrabad and Nasirabad of Chittagong | TK 1,500 per Sqm   |
|                |   |          | iii) in areas other than the areas mentioned in sub clause (i) & (ii) of a)  | A) Dhaka south city corporation, North city corporation and Chtg. City corporation tk. 1,000 B) Other city corporation tk. 700 C) Any other area tk. 300 |
|                |   |          | <b>B) Commercial building</b>  |  |
|                |   |          | In case of a (i)   | Tk 6,500 per sqm.  |
| In case a (ii) | Tk 5,000 per sqm.   |          |  |  |

|    |   |                |  |  |
|----|---|----------------|--|--|
|    |   |                | In case a (iii)  | A) Dhaka south city corporation, North city corporation and Chtg. City corporation tk. 3,500 B) Other city corporation tk. 2,500 C) Any other area tk. 1,200 |
|    |   |                | <b>C. In case of Land</b>  |  |
|    |   |                | i) Dhaka, Gazipur, Narayangonj, Monshigonj, Manikgonj, Narshindi and chittagong Districts.   | 5% of deed Value.  |
|    |   |                | ii) Any other district   | 3% on deed value.  |
| 41 | <b>Insurance commission</b>                           | S-53G          | 5%   |  |
| 42 | <b>Fees of surveyors of general insurance company</b> | S-53GG         | 15%  |  |
| 43 | <b>Transfer of property</b>                           | S-53H & R 17II | <b>a) Rate of tax for land &amp; building located in the following commercial areas</b>  |  |
|    |   |                | 1) Gulshan, Banani, Motijheel, Dilkhusa, North South Road, Motijheel Expansion areas and Mohakhali of Dhaka.   | 4% of the deed value or tk. 1,080,000 whichever is higher  |
|    |   |                | 2) Karwan Bazar of Dhaka.  | 4% of the deed value or taka 600,000- whichever is higher  |
|    |   |                | 3) Agrabad and CDA Avenue of Chittagong  | 4% of the deed value or taka 360,000- whichever is higher  |
|    |   |                | 4) Narayanganj, Banga Bandhu Avenue, Badda, Sayedabad, Postogola and Gandaria of Dhaka.  | 4% of the deed value or taka 360,000- whichever is higher  |
|    |   |                | 5) Uttara Sonargaon Janapath, Shahbag, Panthapath, Banglamotor, Kakrail of Dhaka.  | 4% of the deed value or taka 600,000/- whichever is higher   |
|    |   |                | 6) Nababpur and Fulbaria of Dhaka.   | 4% of the deed value or taka 300,000/- whichever is higher   |
|    |   |                | Provided that where any structure, building, flat, apartment or floor space is situated on the land , an additional tax shall be paid at the rate of tk. 600 per Sqm. or 4% of the deed value of such structure, building, flat, apartment or floor space whichever is higher. |  |
|    |   |                | <b>b) Rate of tax for land or land and building located in the following areas</b>   |  |

|  |  |  |   |
|--|--|--|---|
|  |  | 1) Uttara sector 1 to 9, Khilgaon rehabilitation area (beside 100 feet road), Azimpur, Razarbag rehabilitation area (beside Bishawa road), Baridhara DOHS, Basundhara (block A-G), Niketon of Dhaka, Agrabad, Halisohar Panchlish, Nasirabad, Mahedibag of Chittagong.   | 4% of the deed value or tk. 90,000 whichever is higher.     |
|  |  | 2) Gulshan, Banani and Baridhara of Dhaka.   | 4% of the deed value or taka 300,000/- whichever is higher. |
|  |  | 3) Dhanmondi of Dhaka.   | 4% of the deed value or taka 240,000/- whichever is higher. |
|  |  | 4) Kakrail, Segunbagicha, Bijoy Nagar, Eskaton, Green Road, Elephant Road, Fakirapool, Arambagh, Maghbazar (within one hundred feet of main road), Tejgaon Industrial Area, Sher-e-Banglanagar Administrative Area, Agargaon Administrative Area, Lalmatia, Mohakhali DOHS, Cantonment of Dhaka and Khulshi of Chittagong. | 4% of the deed value or taka 180,000/- whichever is higher. |
|  |  | 5) Kakrail, Segunbagicha, Bijoy Nagar, Eskaton, Green Road, Elephant Road area (outside one hundred feet of main road) of Dhaka.   | 4% of the deed value or taka 120,000/- whichever is higher  |
|  |  | 6) Green Road (from Road 3 to 8 of Dhanmondi Residential Area of Dhaka.  | 4% of the deed value or taka 240,000/- whichever is higher. |
|  |  | 7) Uttara (Sector 10 to 14), Nikunj (south), Nikunj (North), Badda Rehabilitation Area, Ganderia Rehabilitation Area, Syampur Rehabilitation Area, IG Bagan Rehabilitation Area, Tongi Industrial Area of Dhaka.   | 4% of the deed value or taka 60,000/- whichever is higher   |
|  |  | 8) Syampur Industrial Area, Postagola Industrial Area and Jurain Industrial Area of Dhaka.   | 4% of the deed value or taka 48,000/- whichever is higher   |

|    |  |        |   |  |
|----|--|--------|---|--|
|    |  |        | 9) Khilgaon Rehabilitation Area (beside less than 100 feet road), ajarbagh Rehabilitation Area (beside 40 feet and other internal road) of Dhaka.   | 4% of the deed value or tk.72,000 whichever is higher      |
|    |  |        | 10) Goran (beside 40 feet road) and Hajaribagh Tannery Area of Dhaka.   | 4% of the deed value or taka 30,000/- whichever is higher. |
|    |  |        | Provided that where any structure, building, flat, apartment or floor space is situated on the land , an additional tax shall be paid at the rate of tk. 600per Sqm. or 4% of the deed value of such structure, building, flat, apartment or floor space whichever is higher.   |  |
|    |  |        | <b>(c) Rate of tax for land or land &amp; building located in the following areas:</b>  |  |
|    |  |        | 1) Within the jurisdiction of Rajdhani Unnayan Kartripakya (RAJUK) and Chittagong Development Authority (CDA) except areas specified in schedule (a) and (b).   | 4% of deed value   |
|    |  |        | 2) Within the jurisdiction of Gazipur, Narayanganj, Munshiganj, Manikganj, Narsingdi, Dhaka and Chittagong districts [excluding Rajdhani Unnayan Kartripakya (RAJUK) and Chittagong Development Authority (CDA)], and within any City Corporation (excluding Dhaka South City Corporation and Dhaka North City Corporation) and Cantonment Board. | 3% of deed value.  |
|    |  |        | 3) Areas within the jurisdiction of a paurasabha of any district headquarter.   | 3% of deed value   |
|    |  |        | iv) Areas of any other Pauroshova   | 2% of the deed value.                                      |
|    |  |        | v) Any other area not specified in schedule (a), (b) and (c).   | 1% of the deed value.                                      |
| 44 | Collection of tax from lease of property | S-53HH | 4% o lease amount   |  |

|    |  |        |   |     |
|----|--|--------|---|-----|
| 45 | Deduction at source from interest on deposit of Post Office Savings Bank Account.                            | S-53-I | 10%   |     |
| 46 | Deduction at source from rental value of vacant land or plant or machinery.                                  | S-53J  | 5% of the rent  |     |
| 47 | Deduction of tax from advertising bill of newspaper or magazine private television [or private radio station | S-53K  | 4%  |     |
| 48 | Collection of tax from transfer of shares by the sponsor shareholders of a company listed on stock exchange. | S-53M  | 5%  |     |
| 49 | Collection of tax from transfer of shares of shareholders of stock exchanges.                                | S-53N  | 15% (on going)  |     |
| 50 | Deduction of tax from any sum paid by real estate developer to land owner                                    | S-53P  | 15%   |     |
| 51 | Deduction of tax from dividends  | S-54   | i) Resident/ non-resident Bangladeshi company 20%<br>ii) Resident or nonresident Bangladeshi person other than company a) 10% (having ETIN) b) 15% (not having ETIN). |     |
| 52 | Income from Lottery  | S-55   | 20%   |     |
| 53 | Income from non-resident   | S-56   | 1. Advisory or consultancy service  | 20% |
|    |  |        | 2. Pre-shipment inspection service  | 20% |
|    |  |        | 3. Professional service, technical services, technical know-how or technical assistance   | 20% |
|    |  |        | 4. Architecture, Interior Design or landscape design, Fashion design or process design.   | 20% |
|    |  |        | 5. Certification, rating etc.   | 20% |
|    |  |        | 6. Charge or rent for satellite, Air time or frequency, rent for Channel broadcast  | 20% |
|    |  |        | 7. Legal Service  | 20% |
|    |  |        | 8. Management service including event management  | 20% |
|    |  |        | 9. Commission   | 20% |
|    |  |        | 10. Royalty, License fee or payments related to intangibles   | 20% |
|    |  |        | 11. Interest  | 20% |
|    |  |        | 12. Advertisement broadcasting  | 20% |
|    |  |        | 13. Advertisement making  | 15% |

|  |  |   |       |
|--|--|---|-------|
|  |  | 14. Air transport or water transport  | 7.50% |
|  |  | 15. Contractor or sub- contractor of manufacturing, process or conversion, civil work, construction, engineering or works of similar nature | 7.50% |
|  |  | 16. Supplier  | 7.50% |
|  |  | 17. Capital Gain  | 15%   |
|  |  | 18. Insurance premium   | 10%   |
|  |  | 19. Rental of machinery, Equipment Etc.   | 15%   |
|  |  | 20. Dividend  |       |
|  |  | a) Company  | 20%   |
|  |  | b) Any other person not being a company   | 30%   |
|  |  | 21. Artist, singer or player  | 30%   |
|  |  | 22. Salary or remuneration  | 30%   |
|  |  | 23. Exploration or drilling in petroleum operations   | 5.25% |
|  |  | 24. Survey for oil or gas exploration   | 5.25% |
|  |  | 25. Any service for making connectivity between oil or gas field and its export point   | 5.25% |
|  |  | 26. Any payments against any services not mentioned above   | 20%   |
|  |  | 27. Any other payments  | 30%   |

### The Time Limit for Payment of Tax Deducted at Source (Rule 13):

All sums of withholding tax shall be paid to the credit of the government in the following manner.

| Time of deduction or collection                                      | Date of payment to the credit of the Government  |
|--|--|
| (a) in any month from July to May of a year                          | Within two weeks from the end of the month in which the deduction or collection was made |
| (b) in any day from the first to the twentieth day of June of a year | Within seven days from the date in which the deduction or collection was made            |
| (c) in any other dates of the month of June of a year                | The next following day in which the deduction or collection was made:                    |
| (d) in the last two working days of the month of June of a year,     | on the same day on which the deduction or collection was made.                           |

### Submission of Withholding Tax Return (75 A):

Person who makes any TDS (Tax Deducted at Source) on payment, must file a separate return of withholding tax.

| Sl. No. | Period of Deduction of Tax                        | TDS-Return             | Due date                                      |
|---------|---|------------------------|---|
| 1       | 1 <sup>st</sup> July to 31 <sup>st</sup> December | 1 <sup>st</sup> Return | 31 <sup>st</sup> January of this income year  |
| 2       | 1 <sup>st</sup> January to 30 <sup>th</sup> June  | 2 <sup>nd</sup> Return | 31 <sup>st</sup> July of the next income year |

- Following document should be annexed with return:
  - Statement of TDS
  - Copy of Treasury Challans /Pay-Orders

#### **Audit of the return of withholding tax (75AA)**

The DCT, with the approval of the board, shall select number of returns of withholding tax filed under section 75 A for audit. No return shall be selected for audit after the expiry of 4 years from the end of the year in which the return was filed.

#### **Consequences of Non-Submission of Return and Return of Withholding Tax:**

- Imposition of penalty amounting to 10% of tax on last assessed income subject to a minimum of Tk. 1,000/-
- In case of a continuing default a further penalty of Tk. 50/- for every day of delay.

#### **Statements of assets, liabilities and life style (S-80):**

Every person, being an individual assessee, shall furnish statements in the forms and manners as prescribed in respect of the total assets, liabilities and expenses of the person or the spouse, minor children and dependents of the person as on the last date of the income year if the person-

- (a) has, in the last date of the income year, a gross wealth exceeding taka 20 lakh; or
- (b) owns a motor car; or
- (c) has made an investment in a house property or an apartment in the city corporation area:

#### **Minimum tax (82 C):**

As per new 82C minimum tax, sources of income have been proposed to be divided into 3 board categories for tax computation purpose considering the concept of minimum tax.

- a) Minimum tax for certain sources of income as follows:

| Sl. no. | Section | Details                               | Withholding tax rate as per chapter VI of ITO 1984 |
|---------|---------|---------------------------------------|--|
| 1       | 52      | Supply of goods/execution of contract | Max 10%  |
| 2       | 52A     | Royalty fee                           | 10%  |

|    |        |   |                                |
|----|--------|---|--------------------------------|
| 3  | 52AAA  | Commission from C&F agent   | 10%                            |
| 4  | 52B    | Tax collection from manufacture of cigarettes                       | 10%                            |
| 5  | 52C    | Acquisition of property   | 1% and 2%                      |
| 6  | 52D    | Interest form saving instrument                                     | 5%                             |
| 7  | 52JJ   | Tax collection from travel agent                                    | 0.30%                          |
| 8  | 52N    | Sale of rental power (Rental power company)                         | 6%                             |
| 9  | 52O    | Diamond cutting industry foreign technical salary                   | 5%                             |
| 10 | 52R    | IGW and ICX for international call                                  | 1.5% and 7.5%                  |
| 11 | 53     | Imported goods (excluding raw material for own consumption)         | As per Rule                    |
| 12 | 53AA   | Shipping business of a resident                                     | 5%                             |
| 13 | 53B    | Export Manpower   | 10%                            |
| 14 | 53BB   | Export of certain items   | 1.50%                          |
| 15 | 53BBB  | Transaction of member of stock exchange                             | 0.10%                          |
| 16 | 53BBBB | Export of any goods   | 1.50%                          |
| 17 | 53C    | Auction purchase Max  | 7.50%                          |
| 18 | 53CCC  | Income from courier business of non-resident                        | 15%                            |
| 19 | 53DDD  | Export cash subsidy   | 3%                             |
| 20 | 53EE   | Commission discount or fees   | 10%                            |
| 21 | 53F    | Interest on saving deposit  | 5%, 10% and 15%                |
| 22 | 53FF   | Real estate/land development business                               | Depending on size and location |
| 23 | 53G    | Commission/otherwise payable to an insurance agent                  | 5%                             |
| 24 | 53GG   | Payment on account of survey by surveyor                            | 15%                            |
| 25 | 53H    | Transfer of property  | Depending on size and location |
| 26 | 53M    | Transfer of securities or mutual fund units by sponsor shareholders | 5%                             |
| 27 | 53N    | Transfer of share of stock exchange                                 | 15%                            |
| 28 | 55     | Winning lottery   | 20%                            |

Income from above sources will firstly be computed on regular basis as per provision of ITO 1984 and the assessee's regular income tax rate would be applied on such taxable income determined on regular basis as per ITO provisions. If such regular tax liability is higher than the withholding tax deducted from these sources of income, the regular tax liability would be payable after adjusting withholding tax deducted at source. However, if regular tax liability of those sources is lower or nil compared to withholding tax on those sources, such withholding tax on those sources would be considered as final and minimum tax for those sources of income.

- 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. no. | Sources of income as mentioned in | Amount that will be taken as income                      | Rate of amount of tax                                     |
|---------|-----------------------------------|--|---|
| 1       | 52C                               | Amount of compensation as mentioned in section 52C       | As mentioned in section 52C                               |
| 2       | 52D                               | Amount of interest as mentioned in section 52D           | As mentioned in section 52D                               |
| 3       | 53DDD                             | Amount of export cash subsidy mentioned in section 52DDD | As mentioned in section 53DDD                             |
| 4       | 53F(1) (c) and (2)                | Amount of interest as mentioned in section 53F           | As mentioned in section 53F                               |
| 5       | 53H                               | Deed value as mentioned in section 53H                   | As mentioned in section 53H and the rule made there under |

- c) For any other sources of income except those mentioned in (a) and (b) above, income would be determined following the provisions of ITO 1984. However, tax liability so determined should not less than the amount of minimum tax as mentioned below:

| Sl. no. | Classes of assessee   | Rate of minimum tax         |
|---------|---|-----------------------------|
| 1       | Manufacturer of cigarette, bidi, chewing tobacco, smokeless tobacco or any other tobacco products | 1% of the gross receipts    |
| 2       | Mobile phone operator   | 0.75% of the gross receipts |
| 3       | Any other cases   | 0.60% of the gross receipts |

Please note that if any loss arises from the sources of income except those mentioned (a) and (b), such loss can be carried forward as per provisions of ITO 1984.

### Advance Payment of Tax:

Every taxpayer is required to pay advance tax in four equal installments falling on **15<sup>th</sup> September; 15<sup>th</sup> December; 15<sup>th</sup> March** and **15<sup>th</sup> June** of each year if the latest assessed income exceeds Taka four lakh. Penalty is imposed for default in payment of any installment of advance tax.

### Fiscal Incentives:

**Following are fiscal incentives available to a taxpayer:-**

- 1) **Tax holiday:** Tax holiday is allowed for industrial undertaking and physical infrastructure facility established between 1st July 2011 to 30th June 2019 in fulfillment of certain conditions.

## Industrial Undertaking Eligible for Tax holiday:

- (a) Active pharmaceutical ingredient industry and radio pharmaceuticals industry;
- (aa) Automobile manufacturing industry
- (b) Barrier contraceptive and rubber latex;
- (c) Basic chemicals or dyes and chemicals;
- (d) Basic ingredients of electronic industry (e.g. resistance, capacitor, transistor, integrator circuit);
- (dd) Bi-Cycle manufacturing industry
- (e) bio-fertilizer; (will get tax holiday even it is set up in district of Dhaka, Narayanganj, Gazipur, Chittagong, introduced in FA 2012)
- (f) Biotechnology;
- (g) Boilers;
- (h) Brick manufacturing by using HHK or Tunnel Kiln technology;
- (h 1) Compressors;
- (i) Computer hardware;
- (j) Energy efficient appliances;
- (k) Insecticide or pesticide;
- (l) Petro-chemicals;
- (m) Pharmaceuticals;
- (n) Processing of locally produced fruits and vegetables;
- (o) radio-active (diffusion) application industry (e.g. developing quality or decaying polymer or preservation of food or disinfecting medicinal equipment);
- (p) Textile machinery;
- (q) Tissue grafting; or
- (qq) Tyre manufacturing industry
- (q) Any other category of industrial undertaking as the Government may, by notification in the official Gazette, specify.

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

## Physical infrastructure eligible for tax holiday:

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

- (a) Deep sea/ river port;
- (b) Elevated expressway;
- (c) Export processing zone;
- (d) Flyover;
- (e) Gas pipe line,
- (f) Hi-tech park;
- (g) Information and Communication Technology (ICT) village or software technology zone;
- (h) Information Technology (IT) park;
- (i) Large water treatment plant and supply through pipe line;
- (j) Liquefied Natural Gas (LNG) terminal and transmission line;
- (k) Mono-rail;
- (l) Rapid transit;
- (m) Renewable energy (e.g. energy saving bulb, solar energy plant, windmill);
- (n) Sea or river port;
- (o) Toll road or bridge;
- (p) Underground rail;
- (q) Waste treatment plant; or
- (r) Any other category of physical infrastructure facility as the Government may, by notification in the official Gazette, specify.

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

2) Income derived from any Small and Medium Enterprise (SME) engaged in production of any goods and having an annual turnover of not more than taka **thirty six lakh** is exempt from tax.

3) Income from poultry is exempted from tax up to 30th June, 2015, subject to investing at least 10% of the exempted income in the purchase of bond or securities if such income exceeds Tk. 1,50,000/-.

4) Income derived from export of handicrafts is exempted from tax up to 30th June, 2019.

- 5) An amount equal to 50% of the income derived from export business other than company not registered in Bangladesh is exempted from tax.
- 6) Listed companies are entitled to 10% tax rebate if they declare dividend of more than 20%.
- 7) Income from Information Technology Enabled Services (ITES) business is exempted up to 30th June, 2024
- 8) Income of any private Agricultural College or private Agricultural University derived from agricultural educational activities.
- 9) Income received as pension and gratuity.
- 10) Income from dividend of a mutual fund or a unit fund up to taka 25000.
- 11) Income from dividend amounting to Tk. 20,000. (6<sup>th</sup> Schedule-Part A, Para 11A)
- 12) Donation to any fund established by "Trust of Prime Minister Education Assistance Act 2012"

**Exemption limit:**

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

- 13) Agricultural income (whose agriculture is the only source of income) up to Tk 200,000 for an individual is tax exempted.
- 14) Income received by an individual from interest on pension savings instruments Tk 500,000 is tax exempted.
- 15) Income earned in abroad by an individual assessee being a Bangladeshi citizen and brought any such income into Bangladesh as per existing laws applicable in respect of foreign remittance shall be tax exempted.
- 16) Income of an assessee donated in an income year by a crossed cheque to any girls school or girls college approved by the Ministry of Education of the government is exempt from tax.
- 17) Income of an assessee donated in an income year by a crossed cheque to any technical and Vocational Training Institute approved by the Ministry of Education of the Government is exempt from tax.
- 18) Income of an assessee donated in an income year by a crossed cheque to any national level institution engaged in the Research and Development (R&D) of agriculture, science, technology and industrial development is tax exempted.

## Income from Salary Related Rules:

| Description |   | Amount/Percentage that will be added to salary   |
|-------------|---|--|
| 1           | Basic Salary  | Full   |
| 2           | Dearness Allowance                                      | Full   |
| 3           | Bonus   | Full   |
| 4           | Commission and fees                                     | Full   |
| 5           | Advance salary  | Full   |
| 6           | Accrued Salary  | Full, provided that it was not taxed in earlier period   |
| 7           | Leave encashment  | Full   |
| 8           | Pension   | Nothing, since fully exempted  |
| 9           | Gratuity  | Up to Taka 25 Million  |
| 10          | Annuity   | Full   |
| 11          | Profit in lieu of Salary                                | Full   |
| 12          | Profit in addition to Salary                            | Full   |
| 13          | Education Allowance for children                        | Full   |
| 14          | Employer's contribution to RPF                          | Full   |
| 15          | Employer's contribution to Approved Superannuation Fund | Full   |
| 16          | Employer's contribution to Approved Gratuity Fund       | Full   |
| 17          | Employer's contribution to life insurance policy        | Full   |
| 18          | Entertainment Allowance                                 | Full   |
| 19          | Medical Allowance                                       | Excess over 10% of basic or Tk. 120,000; whichever is lower. When employee is a disable person then excess over 10 lakh. |
| 20          | Traveling Allowance                                     | Excess over actual.  |
| 21          | Special Allowance                                       | Nothing, if given for official purpose.  |
| 22          | House Rent Allowance                                    | Actual allowance less exemptions of Tk. 25,000 p. m. (annually Tk. 300,000) or 50% of basic salary whichever is less.    |
| 23          | Rent Free Accommodation                                 | Rental value or 25% of basic whichever is less   |
| 24          | Accommodation at concessional rate                      | Rental value or 25% of basic whichever is less, minus deducted rent  |
| 25          | Conveyance Allowance                                    | Actual amount less exemption of Tk. 30,000 on an annual basis.   |

|    |   |  |
|----|---|--|
| 26 | Transport / conveyance facility                                   | 5% of basic salary 3 or Tk. 60,000; whichever is higher, (if conveyance facility is given for personal or both personal and official purpose.) Nothing will be added as income if it is given only for official purpose. |
| 27 | Interest on RPF   | Actual Interest less exempted to the extent of the interest @ 14.5% rate or 1/3 <sup>rd</sup> of basic salary, whichever is less.  |
| 28 | Free tea, coffee or lunch in office premises                      | Nothing  |
| 29 | Free dress, telephone, power, gas, water in office etc.           | Nothing  |
| 30 | Free caretaker, sweeper etc.                                      | Nothing  |
| 31 | Servant allowance   | Full   |
| 32 | Compensation  | Full   |
| 33 | Allowance received as Head of the department / Charge allowance.  | Full   |
| 34 | Overtime  | Full   |
| 35 | Residence telephone bills / utility bills / club bills reimbursed | Full   |
| 36 | Any payment received from PF, RPF, WPPF                           | Exempted upto TK. 50,000   |

### Unexplained Investments - special tax treatment in respect of investment in residential building and apartment (Section 19BBBBB):

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

| Sl. No. | Area  | Tax per square meter   |                            |
|---------|---|------------------------|----------------------------|
|         |   | Up to 200 Square meter | More than 200 Square meter |
| 1       | Gulshan Model Town, Banani, Baridhara, Motijheel Commercial Area and Dilkusha Commercial Area   | 5,000                  | 7,000                      |
| 2       | Dhanmondi Residential Area, Defence Officers Housing Society (DOHS), Mohakhali, Lalmatia Housing Society, Uttara Model Town, Bashundhara Residential Area, Dhaka Cantonment, Kawran Bazar, Bijaynagar, Segunbagicha, Nikunja of Dhaka, Panchlaish, Khulshi, Agrabad and Nasirabad of Chittagong | 4,000                  | 5,000                      |

|   |   |       |       |
|---|---|-------|-------|
| 3 | Any City Corporation other than area mentioned in 1 and 2 above | 2,000 | 3,000 |
| 4 | Any Paurashava other than area mentioned in 1 and 2 above       | 600   | 800   |
| 5 | Other area  | 400   | 600   |

The rates will be 20% higher if the assessee makes investment in two or more buildings/apartments or already has any building or apartment in any City Corporation. However the above will not be applicable if the source of income is:

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

### Tax Credit on Investment:

The individual can get investment allowance in accordance with the provision of section 44(2) of Income Tax Ordinance -1984(Exemption & Allowances for assessee being resident and non-resident Bangladeshi).

#### Eligible amount Calculation

Eligible amount is the lowest of the following:

- a) Sum of actual investment except Para 15, 16 specified in Part B of the Sixth Schedule; or
- b) 25% of the total income excluding any income for which a tax exemption or a reduced rate is applicable under sub-section(4) of section 44 or any income from any source or sources mentioned in clause(a) of sub-section(2) of section 82C; or
- c) Tk. 15 million

Whichever is lower among a, b, c = Eligible amount

#### Tax Credit Calculation:

| Total income                           | Amount of Credit |                               |
|--|------------------|-------------------------------|
|  | Rates            | Eligible amount               |
| (i) Up to 10 Lakh                      | 15%              | Eligible amount of investment |
| (ii) Greater Than 10 but up to 30 Lakh | (i) 15%          | First 2.5 Lakh                |
|  | (ii) 12%         | Rest of the amount;           |
| (iii) More than 30 Lakh                | (i) 15%          | First 2.50 Lakh               |
|  | (ii) 12%         | Next 5 Lakh                   |
|  | (iii) 10%        | Rest of the amount            |

## Amendment in 6<sup>th</sup> Schedule (Part A): Exclusion from total income:

- a) Any payment from WPPF up to Tk 50,000 received by a person (subject to deduct TDS @ 5% before payment of any amount).
- b) Income up to Tk 500,000 received by an assessee from Pensioners' savings certificate (earlier income from wage earners bond was also tax exempt).
- c) Income derived from SME up to Tk 3.6 million.
- d) E-commerce and on line shopping are now excluded from ITES definition.
- e) Digital archiving and physical records are included in ITES definition.

## 6th Schedule (Part B) Investment Allowance:

### **1. Life Insurance Premium Paid [Para - 1]:**

Any sum paid in Bangladesh by an assessee to effect an insurance or a contract for deferred annuity on the life of himself, spouse or minor child, provided that such payment, in the case of insurance, **shall not exceed 10% of the sum assessed excluding bonus or other benefits.**

### **2. Life Insurance Premium Paid by a Hindu Undivided Family [Para - 2]:**

Any sum paid in Bangladesh by a HUF to affect insurance on the life of any male member of the family or the wife of any such member.

### **3. Deduction from the salary of Government employee for deferred annuity [Para - 3]:**

**Any sum not exceeding one-fifth of the salary deducted from the salary payable by the Government or on its behalf to any individual in accordance with the service conditions to secure a deferred annuity for him or for his wife or children.**

### **4. Contribution to Provident Funds [Para - 4]:**

**Any contribution by an assessee to any provident fund to which the Provident Fund Act, 1925 applies.**

### **5. Employer's and Employee's contribution to a Recognized Provident Fund [Para - 5]:**

**Any sum paid to a recognized provident fund by the assessee and the employer, where the assessee is a participant subject to the limits laid down in Part B of the Sixth Schedule.**

### **6. Contribution to Superannuation Fund [Para - 6]:**

**Any sum paid by the assessee as ordinary annual contribution to approved superannuation fund as a participant to the fund.**

### **7. Investment in Savings Certificate [Para - 10]:**

Any sum invested by a non-company assessee in the following if the investments are held for 5 years from the date of purchase / up to its maturity:

- a) **Savings Certificates or instruments** specified by the NBR;
- b) **Unit certificates and mutual fund certificates issued by ICB** and its subsidiaries;
- c) **Govt. securities** including development loans/Bonds as specified by the NBR;
- d) **Shares of Investment Companies** as specified by the NBR.



**8. Contribution to Deposit Pension Scheme (DPS) [Para - 11]:**

Any amount not exceeding Tk.60,000 by an individual in any Deposit Pension Scheme sponsored by a Scheduled Bank or a financial institution.

**9. Donation to a Charitable Hospital [Para - 11A]:**

Any sum paid as donation to a charitable hospital established outside the city corporation, provided the donation is made after one year of establishment of the hospital.

**10. Donation to Organizations set up for the welfare of retarded people [Para - 11B]:**

Any sum paid as donation to an organization set up for the welfare of retarded people, provided the donation is made after one year of establishment of the organization and is approved by the Social Welfare Department and the NBR.

**11. Donation to Zakat Fund [Para - 13]:**

Any sum paid by an assessee as Zakat to the Zakat Fund or charitable fund established by or under the Zakat Fund Ordinance, 1982.

**12. Income of an association of person [Para - 15]:**

Any sum which the assessee is entitled to receive out of the income of an association of persons (other than a Hindu undivided family, company or a firm) on which tax has already been paid by the association.

**13. the income of a firm [Para - 16]:**

Any sum being the share or portion of the share of the assessee in the income of a firm if tax of such income has already been paid by the firm

**14. Contribution to Benevolent Fund and Group Insurance Scheme [Para - 17]:**

Any sum paid by an assessee to make provision for his spouse, children or other dependent person to a benevolent fund or any premium paid under a group insurance scheme approved by the NBR.

**15. Contribution to Aga Khan Development Network [Para - 21]:**

Any sum paid by an assessee as donation to any socio-economic or cultural development institution established by the Aga Khan Development Network in Bangladesh.

**16. Contribution to Philanthropic or Educational Institution [Para - 22]:**

Any sum paid by an assessee as donation to Philanthropic or Educational Institution approved by the government for this purpose.

**17. Investment in Computer / Laptop [Para - 23]:**

Any sum invested in the purchase of **one computer (Upto Tk. 50,000)** or **one laptop (Upto Tk. 1,00,000)** by an individual assessee.

**18. Donation to national level institution set up in memory of the liberation war [Para-24]:**

Any sum paid by an assessee as donation to a national level institution set up in memory of liberation war.

**19. Donation to national level institution set up in memory of Father of the Nation [Para-25]:**

Any sum paid by an assessee as donation to a national level institution set up in memory of Father of the nation.

**20. Investment in shares by an individual [Para - 27] :**

Any sum invested by an assessee, being an individual, in the acquisition of any stocks of shares of a company, mutual fund or debenture listed with any stock exchange.

**21. Investment in Government Treasury Bond [Para - 28]:**

Any sum invested by an assessee, being an individual, in the purchase of Bangladesh Government Treasury Bond.

**By SRO**

**22. Contribution to President's Relief Fund [SRO 254/L85]**

**23. Contribution to Prime Minister's Relief Fund [SRO 125/L91 dated 01.07.1991]**

**24. Contribution to Ahsania Mission Cancer Hospital [SRO 202/IT/2005 dated 06.07.2005]**

**25. Contribution to Sylhet Diabetic Society, Islamia Eye Hospital and M. A. Ispahani Institute of Ophthalmology, Kidney Foundation; and National Heart Foundation of Bangladesh [SRO 109/IT/2006 dated 07.05.2006]**

**26. Contribution to Child Health Foundation Hospital; Child Hospital, Jessore; Hospital for Sick Children, Sathkhira (Run by Child Health Foundation, Bangladesh); Digonto Memorial Cancer Hospital, Dhaka; The ENT & Head-Neck Cancer Foundation of Bangladesh, Dhaka; and National Development Foundation for Disabilities, Dhaka [SRO 316-AIN/2008]**

**27. Contribution to Jatir Janok Bangabondhu Sheikh Mujibur Rahman Memorial Trust, Dhaka; Rafatullah Community Hospital (RCH), Thengamara, Bogra; and Salvation for the Deserving (SFD), Manikgonj [SRO 33-AIN/2009 dated 09.03.2009]**

**28. Contribution to Asiatic Society of Bangladesh, Ramna, Dhaka [SRO 32-AIN/2009 dated 09.03.2009]**

**Corporate Social Responsibilities (CSR) [SRO 229-AIN/IT/2011 dated 04-07-2011]:**

**Allowable limit:** Maximum limit of allowable expenditure under the head CSR is 20% of total income or Tk. 120,000,000, whichever is lower. If actual expenditure exceeds this limit, such amount exceeding the limit cannot be used to compute tax rebate.

**Tax Rebate:** Tax rebate will be computed @ 10% on such expenditure for CSR within the maximum limit.

**Conditions:** The corporate entity must fulfill the following conditions:

1. Must pay salaries and allowances to its worker regularly and must have waste treatment plant if it involves with the production of industrial goods;
2. Must pay income tax, VAT and duty timely and must repay institutional loans;
3. Can only donate money to the institutions recognized by the government for the purpose of CSR;
4. Must fulfill all rules as per Bangladesh Labor Act, 2006.
5. Contribution to the CSR must be incurred through banking channel.

However, no company can charge such expenditure expensed as a result of CSR in manufacturing or profit and loss account. Up to finance Act 2014 there are 22 areas of expenditure in which the companies can claim 10% rebate due to its CSR activities.

## Deductions Not Admissible in Certain Circumstances (u/s 30):

The following expenditures are not admissible deductions in the determination of income from business or profession under the circumstances as stated against each item:

- (1) Payment of salaries if tax is not deducted at the time of payment and paid thereon in accordance with section 50 of Chapter VII [Section 30(a)].
- (2) Any payment made by an assessee to any person if tax thereon has not been deducted and credited in accordance with the Chapter-VII [Section 30(aa)].
- (3) Any payment by way of salary to an employee if the employee is required to obtain a 12 digit TIN under the provisions of this ordinance but fails to obtain the same at the time of making such payment. [Section 30(aaa)]
- (4) Payment of interest, salary, commission or remuneration by a firm or an association of persons to any partner of the firm or any member of the association, as the case may be [Section 30(b)].
- (5) Brokerage or commission paid to a non-resident if tax has not been deducted there from under section 56 [Section 30(c)].
- (6) Payment to a provident or other fund unless effective arrangement has been made for deduction of tax at source while making the payments from the fund which are taxable under the head "Salaries" [Section 30(d)].
- (7) Amount of perquisites or other benefits paid to any employee in excess of Tk. 475,000 and to any employee who is a person with disability, as exceeds taka 2,500,000. [Section 30(e)].

In this regard, 'perquisite' means -

- i. Any payment made to an employee by an employer in the form of cash or in any other form excluding basic salary, festival bonus, arrear salary, advance salary, leave encashment or leave fare assistance and over time, and
  - ii. Any benefit, called by whatever name, provided to an employee by an employer, whether convertible into money or not but other than contribution to-
    - (a) recognized provident fund;
    - (b) approved pension fund;
    - (c) approved gratuity fund;
    - (d) approved superannuation fund.
- (8) Any expenditure in respect of the following as is in excess of the amount or rate prescribed in this behalf and as is not, in the cases of sales and services liable to excise duty, supported by excise stamp or seal, namely: [S-30f]
    - (a) entertainment;
    - (b) foreign travels of employees and their dependents for holidaying and recreation;
    - (c) publicity and advertisement; and
    - (d) Distribution of free samples.
  - (9) Any expenditure exceeding **10%** of the net profit disclosed in the financial statements under the head of Head Office expenses by a company not incorporated in Bangladesh under Company Act, 1994; [S-30g]

- (10) Any payment by way of royalty, technical services fee, technical know-how fee or technical assistance fee exceeding 8% of the net profit disclosed in the financial statements; [S-30h]
- (11) Any payment by way of salary or remuneration made otherwise than by crossed check or bank transfer by a person to any employee having gross monthly salary of **taka 15,000** or more; [S-30i]
- (12) Any expenditure by way of incentive bonus exceeding 10% of the disclosed net profit; [S-30j]
- (13) Any expenditure by way of overseas traveling exceeding 1.25% of the disclosed turnover. [S-30k]
- (14) Any payment by way of commission paid or discount made to its shareholder director by a company. [S-30l]
- (15) Any payment by a person exceeding **Tk 50,000** or more, otherwise than by cheque or bank transfer excluding:
  - Payment for the purchase of raw materials;
  - Salary or remuneration made to any employee, without prejudice to an obligation
- (16) Any payment by way of any rent of any property, whether used for commercial or residential purposes, otherwise than by a crossed cheque or bank transfer.

**Capital Expenses as per Generally Accepted Accounting Principles but Allowable as Revenue Expenses as per Income Tax Provision:**

|     | Particulars   | Accounting Principle | Income Tax Provision               |
|-----|---|----------------------|------------------------------------|
| (a) | Extension expenditure for bringing new areas under cultivation for tea and rubber companies   | Capital              | Revenue under Rule 31 and 32       |
| (b) | Building constructed for educational Institution or hospital or Institute for the benefit of employees and their dependents free of cost and giving training to industrial workers (Sec 29(1)(xxiii)) | Capital              | Revenue u/s 29(1) (xxii) & (xxiii) |
| (c) | Expenditure of capital nature expended on scientific research in Bangladesh (Sec 29(1)(xx))   | Capital              | Revenue u/s 29(1) (xx)             |

## Capital Gain:

As per SRO 196-LAW/IT/2015 circulated on June 30, 2015,

| Sl. | Nature of Taxpayer's income  | Tax rate |
|-----|--|----------|
| (a) | Any income earned from trading of shares/securities by a <b>company</b> defined as per section 2(20) and by a <b>firm</b> defined as per Section 2(32)   | 10%      |
| (b) | Any income earned from trading of shares/securities by any <b>Sponsor Shareholder / Director of a Bank, Financial Institution, Merchant Bank, Insurance Company, Leasing Company, Portfolio Management Company, Stock Dealer or Stock Broker Company</b>                   | 5%       |
| (c) | Any income earned from trading of shares/securities by any Shareholder [excluding the Sponsor Shareholders/Directors mentioned in above Sl. (b)] having 10% or more shares of the total paid up capital of a company / companies listed at any time during the income year | 5%       |

## Set off of Losses (Sec 37):

The table produced below may be used as a short-cut guideline for set-off losses:

| Income heads generating losses        | Set off against  |
|---------------------------------------|--|
| 1. Salaries                           | any head [Generally loss is uncommon]                        |
| 2. Interest on securities             | any head   |
| 3. Income from house property         | any head   |
| 4. Agricultural income                | any head except "Capital Gain"                               |
| 5. Income from business or profession | any head except income from house property and capital gain; |
| 6. Capital gain                       | income from "Capital gain" only                              |
| 7. Income from other sources          | any head [Generally loss is uncommon]                        |
| 8. Speculation business               | income from speculation business only                        |
| 9. Income exempted from tax           | Set off is not allowed                                       |

*[Provided further that any loss in respect of any income from any head shall not be so set off against any income from manufacturing of cigarette (bidi, zarda, chewing tobacco, gul or any other smokeless tobacco or tobacco products)]*

## Transfer Pricing:

Key points in brief are as follows:

(i) Transactions included are transaction between associated enterprises, either or both of whom are non-residents, in the nature of purchase, sale or lease of tangible or intangible property, provisions of services, lending or borrowing money, or any other transactions having a bearing on the profits, income, losses, assets, financial position or economic value of such enterprises etc.

(ii) There are extensive proposals in the Act regarding responsibility and determination of "arms length price" of such transactions.

(iii) If such a transaction is not found to be at arm's length, DCT may determine via the Transfer Pricing officer the arms length price of the transaction.

(iv) Every person who has entered into an international transaction shall furnish, along with the return of income, a statement of international transactions in the form and manner as may be prescribed.

(v) The taxpayer has to furnish a special report on such transactions, if those exceed Tk 30 million in aggregate in a given year, duly certified by a Chartered Accountant or a Cost and Management Accountant. Failure to furnish such report may lead to a penalty up to 1% of the value of each international transaction.

### Effective period of transfer pricing

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

### Return Related Issues:

Production of other information as per different sections and rules at the time of submission of return or in other circumstances

| References                | Particular   |
|---------------------------|--|
| U/s - 108 & Rule - 23     | Information regarding payment of salary  |
| U/s - 109 & Rule - 20     | Information regarding payment of interest  |
| U/s - 110 & Rule - 19     | Information regarding payment of dividend  |
| Rule - 10                 | Particulars to be furnished on interest on securities by a person other than the Government                                |
| Rule - 12                 | Particulars to be furnished by persons making deductions at source   |
| Rule - 21                 | Statement of deduction of tax under the head "Salaries" where such deduction is not made by or on behalf of the Government |
| Rule - 24 , Rule 25 & 25A | Form of Return   |
| Rule - 41                 | Particulars for depreciation allowance   |
| Rule - 47                 | Furnishing of an abstract of the provident fund account of an employee   |
| Rule - 58B                | Return, statements, etc., that may be required to be furnished   |

### Form of Return:

#### For Individuals

|             |  |
|-------------|--|
| IT 11GA2016 | Form of return of income under the income tax ordinance 1984 for individual and other taxpayers (Other than company)     |
| IT 10B2016  | Statement of Assets and Liabilities  |
| IT 10BB2016 | Statement under section 75(2)(d)(i) and section 80 of the Income Tax Ordinance, 1984 regarding particulars of life style |

#### For Company

|              |   |
|--------------|---|
| IT 11GHA2016 | Form of return of income under the income tax ordinance 1984 for Company taxpayers only |
| IT 11CHA2016 | Other Than Company  |

## Summary of Penalty:

| Ref.     | Reasons of Penalty  | Authority                   | Penalty  |
|----------|---|-----------------------------|--|
| Sec 123  | for not maintaining accounts in the prescribed manner u/s 35(2)                                       | DCT with approval from IJCT | Where any person, not having income from house property, sum not exceeding (a) 1.5 times the amount of tax payable by him, however, such amount must not exceed (b) Tk. 100 where the total income does not exceed the non-assessable limit, say, Tk. 250,000. |
|          |   |                             | Where any person, having income from house property, 50% of taxes payable on house property income or Tk. 5,000, whichever is higher.  |
| Sec 124  | for failure to file a return of income required by or under sections 75, 75A, 77, 89(2), 91(3), 93(1) | DCT                         | <b>Other than individual:</b> amounting to 10% of tax imposed on last assessed income subject to a minimum of Tk. 1,000 and in the case of a continuing default a further penalty of Tk. 50 for every day during which the default continues                   |
|          |   |                             | <b>in case of an assessee, being an individual:</b> shall not exceed- (a)Tk. 5,000; whose income was not previously assessed; (b) 50% of the tax payable on the last assessed income or Tk. 1,000, whichever is higher, whose income was assessed previously.  |
|          |   |                             | Tk. 500 and in the case of a continuing default a further sum of Tk. 250 for every default month or fraction thereof during which the default continues.   |
|          | for failure to file certificate, statement, accounts, information or TIN certificate                  | DCT                         | Tk. 25,000 and in case of a continuing default a further sum of Tk. 500 for each default day.  |
|          | for failure to furnish information as required under section 113                                      | DCT                         |  |
| Sec 124A | for using fake Taxpayer's Identification Number   | DCT with approval from IJCT | Sum not exceeding Tk. 20,000   |

|           |  |  |  |
|-----------|--|--|--|
| Sec 124AA | for failure to verify Taxpayer's Identification Number u/s 184A(2) | DCT or any other income tax authority authorized by the Board    | Sum not exceeding Tk. 50,000.  |
| Sec 125   | for failure to pay advance tax u/s 64, 67                          | DCT with approval from IJCT                                      | Sum not exceeding the amount by which the tax actually paid falls short of the amount that should have been paid   |
| Sec 126   | for non-compliance with notice u/s 79, 80, & 83(1)(2)              | DCT with approval from IJCT                                      | Sum not exceeding the amount of tax chargeable on total income.  |
| Sec 127   | for failure to pay tax on the basis of return u/s 74               | DCT with approval from IJCT                                      | Sum not exceeding 25% of the whole of the tax or as the case may be, of such portion of the tax as has not been paid   |
| Sec 128   | for concealment of income  | DCT, AJCT, Commissioner of Taxes (Appeals) or Appellate Tribunal | 15% of tax which would have been avoided had the income as returned by such person or as the case may be, the value of the immovable property as stated by him been accepted as correct; Provided that if concealment is detected after a period of more than 1 year from the year in which the concealment was first assessable to tax, the amount of penalty shall increase by an additional 15% for each preceding assessment year. |
| Sec 129A  | incorrect or false audit report by chartered accountant            | DCT, AJCT, Commissioner of Taxes (Appeals) or Appellate Tribunal | If audit report- (a) is not certified by a chartered accountant to the effect that the accounts are maintained and the statements are prepared and reported in accordance with the BAS and BFRS, and are audited in accordance with BSA, or (b) is false or incorrect, sum not less than Tk. 50,000 but not more than Tk. 2 lakh.  |
| Sec 129B  | Penalty for furnishing fake audit report                           | DCT, AJCT, Commissioner of Taxes (Appeals) or Appellate Tribunal | If assessee furnished false audit report, sum of Tk. 1 lakh one lakh taka for that income year.  |
| Sec 137   | for default in payment of tax                                      | DCT  | sum not exceeding the amount of tax in arrears   |



## Appeal against the Order of DCT:

A taxpayer can file an appeal against DCT's order to the Commissioner (Appeals)/Additional or Joint Commissioner of Taxes (Appeals) and to the Taxes Appellate Tribunal against an Appeal order.

## Avoidance of Double Taxation Agreement (Sec-144, 145):

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

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

Please also note that there are no provision exists for carry forward or carry-back of excess tax credits.

## Value Added Tax (VAT) Related Issues:

### Vat Deducted at Source (VDS)

VAT will have to be deducted at source by the below mentioned rates.

| Sl. No. | Service code | Particulars   | Rates of VDS  |   |
|---------|--------------|---|---|---|
|         |              |   | 2016-2017   | 2015-2016   |
| 1       | S 002.00     | Decorators & caterers                                   | 15%   | 15%   |
| 2       | S 003.10     | Motor car garage & workshop                             | 10%   | 7.50%   |
| 3       | S 003.20     | Dockyard  | 10%   | 7.50%   |
| 4       | S 004.00     | Construction Agency                                     | 6%  | 5.50%   |
| 5       | S 007.00     | Advertising Agency                                      | 15%   | 15%   |
| 6       | S 008.10     | Printing press  | 15%   | 15%   |
| 7       | S 010.10     | Auction Firm  | 15%   | 15%   |
| 8       | S 010.10     | Land development agency                                 | 3%  | 3%  |
| 9       | S 010.20     | Building construction agency                            | (a) 1-1100 Square feet 1.50%<br>(b) 1101-1600 Square feet 2.50%<br>(c) Above 1600 Square feet 4.50%   | 3%  |
| 10      | S 014.00     | Indenting Agency  | 15%   | 15%   |
| 11      | S 020.00     | Survey Agency   | 15%   | 15%   |
| 12      | S 021.00     | Plant or capital machineries rent provider agency       | 15%   | 15%   |
| 13      | S 024.00     | Furniture sales/ distribution centre                    | (a) Manufacturing stage 6%<br><br>(b) Distribution stage(show room) 4% (On manufacturing stage 6% provided mushak for the challan is presented) | (a) Manufacturing stage 6%<br><br>(b) Distribution stage(show room) 4% (On manufacturing stage 6% provided mushak for the challan is presented) |
| 14      | S 028.00     | Courier & express mail service                          | 15%   | 15%   |
| 15      | S 031.00     | Repairing for taxable product or service Trading Agency | 15%   | 15%   |
| 16      | S 032.00     | Consultancy firm & supervisory firm                     | 15%   | 15%   |
| 17      | S 033.00     | Lessor  | 15%   | 15%   |

|    |          |   |  |   |
|----|----------|---|--|---|
| 18 | S 034.00 | Audit & Accounting firm   | 15%  | 15%   |
| 19 | S 037.00 | Procurement Provider  | 5%   | 5%  |
| 20 | S 040.00 | Security service  | 15%  | 15%   |
| 21 | S 045.00 | Legal Advisor   | 15%  | 15%   |
| 22 | S 048.00 | Vehicle supplier  | (a) Carrying on petroleum goods 4.50%<br>(b) Carrying on other goods 10% | (a) Carrying on petroleum goods 2.25%<br>(b) Carrying on other goods 7.5% |
| 23 | S 049.00 | Rent a car  | 15%  | 15%   |
| 24 | S 050.10 | Architect, interior designer or interior decorator                | 15%  | 15%   |
| 25 | S 050.20 | Graphic designer  | 15%  | 15%   |
| 26 | S 051.00 | Engineering firm  | 15%  | 15%   |
| 27 | S 052.00 | Sound & light rent provider                                       | 15%  | 15%   |
| 28 | S 053.00 | Attendance on board meeting                                       | 15%  | 15%   |
| 29 | S 054.00 | Advertisement in satellite channels by Ad agency                  | 15%  | 15%   |
| 30 | S 058.00 | Chartered Plane or Helicopter Rent Agency                         | 15%  | 15%   |
| 31 | S 060.00 | Buyer of Betting Product  | 4%   | 4%  |
| 32 | S 065.00 | Cleaning/Maintenance Agency for building & floor                  | 15%  | 15%   |
| 33 | S 066.00 | Seller of Lottery Ticket  | 15%  | 15%   |
| 34 | S 067.00 | Immigration advisor   | 15%  | 7.5%  |
| 35 | S 071.00 | Event Management  | 15%  | 15%   |
| 36 | S 072.00 | Human resource provider or human resource management institution. | 15%  | 15%   |
| 37 | S078.00  | Seller of readymade garments of own brand                         | 4%   | 5%  |
| 38 | S099.10  | Information Technology Enable Services                            | 4.50%  | 4.50%   |
| 39 | S099.20  | Miscellaneous services  | 15%  | 15%   |
| 40 | S099.30  | Sponsorship services  | 15%  | 7.50%   |
| 41 | S099.60  | Credit Rating Agency  | 15%  | —   |

## Exemption of Input VAT at Manufacturing Stage:

Exemption of input VAT at manufacturing stage for exporter, deemed exporter and the company situated in EPZ in accordance with the provision of S.R.O. No. 110-AIN/2014/705-Mushak.

| Sl. No. | Service code | Service name                                    | Exemption rate of VAT |
|---------|--------------|---|-----------------------|
| 1       | S025.00      | WASA  | 60%                   |
| 2       | S037.00      | Procurement provider                            | 100%                  |
| 3       | S040.00      | Security service                                | 100%                  |
| 4       | S048.00      | Transport contractor                            | 100%                  |
| 5       | S057.00      | Electricity distributor                         | 60%                   |
| 6       |              | Service receiver from outside of the Bangladesh | 100%                  |

**Thank You**

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