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Salient features of Finance Act 2020

A BRIEF REVIEW OF THE IMPORTANT CHANGES BROUGHT IN THE
FINANCE ACT 2020

HUSSAIN FARHAD & CO., CHARTERED ACCOUNTANTS

H-15, R-12, BLOCK-F, NIKETON, GULSHAN-1, DHAKA-1212

About Hussain Farhad & Co.(HFC)

Hussain Farhad & Co. (HFC) started its operation in 1997 as a sole proprietorship firm. Since then HFC has been maintaining a fast growth excelling in the professional fields. Today we are equipped with 6 Partners, 2 Directors, 2 Qualified Managers and 4 Consultants working as members of senior management, 12 part qualified accountants working at the mid and senior level management, supported by 70 trainees and 10 staff. Hussain Farhad & Co is a member of ASNAF from 2009. The firm is now equipped with resources capable of serving a wide variety of clients providing services in the area covering Accounting, Auditing, Taxation, Secretarial matters, Compliance issues, Business Advisory, Management Consultancy and Financial Planning.

HFC delivers a wide range of professional services to business. Our client list covers diversified sectors including Banks, Insurance Companies, Financial Institutions, Manufacturing Industries, Corporations, NGOs, Natural Resources, Service Industries, Information Technology, Chemical and Various Government funded projects.

Our vision is to serve our clients and be the most trusted service provider in our field, go on improving ourselves by retaining our growth and drive, and develop the skill of foreseeing issues before they arise.

Our mission is to provide high quality service by upholding our professional standards and without compromising even the slightest in our ethical ground.

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1. Preface

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 changes of the Income Tax Ordinance 1984 as amended up to the Finance Act 2020. 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.



M. Farhad Hussain FCA

Managing Partner

Hussain Farhad & Co.
Chartered Accountants

2. Tax Rates

2.1 Changes Tax rates for individual, etc.

No tax is payable by tax residents on income not exceeding Tk 300,000. The following rates are applicable to resident individual, Hindu undivided family, partnership firm, non-resident Bangladeshi and any other taxpayer including artificial judicial person created by the act:

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

*Initial exemption limit for women and senior citizens aged 65 years or over is Tk 350,000, for physically challenged persons, it is Tk 450,000 and for gazetted war-wounded freedom fighters, it is Tk 475,000.

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

Minimum tax payable

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

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

Small and cottage industry

If an individual taxpayer owns small and cottage industry in less or least developed area is engaged in manufacturing, he/she shall get tax rebate same as previous year.

Particulars	Rate of tax rebate
Where in the concerned year the volume of production is between 15% to 25% more than that of the previous year	5% of income tax payable on income from the small and cottage industry
Where in the concerned year the volume of production is more than 25% above of that of the previous year	10% of income tax payable on income from the small and cottage industry

Tax payee will get rebate for the period specified under clauses (b) & (c) of sub section (2A) of section 45;

(b) if the undertaking is set up in such areas as the Board may, by notification in the official Gazette, specify to be "Least Developed Areas", for a period of nine years beginning with the month of commencement of commercial production of the undertaking;

(c) if the undertaking is set up in such areas as the Board may, by notification in the official Gazette, specify to be "Less Developed Areas", for a period of seven years beginning with the month of commencement of commercial production of the undertaking.

Charge of surcharge

Surcharge is payable by an individual assessee on total tax payable if the total net worth exceeds Tk 30 million as stated below:

Total net worth	Rate	Minimum surcharge
a) Over Tk 30 million to Tk 50 million or owner of more than 1 motor car or owner of a flat of 8,000 sft size within City Corporation area	10%	Tk. 3000
b) Over Tk 50 million to Tk 100 million	15%	
c) Over Tk 100 million to Tk 150 million	20%	Tk. 5000
d) Over Tk 150 million to Tk 200 million	25%	
e) Over Tk 200 million	30%	

However, if the total net wealth is Tk 500 million or more, surcharge will be higher of the following:

- 0.1% of net wealth; and
- 30% of surcharge on total tax.

Changes in Advance tax for owner of private motor car and jeep

According to Section 68B Advance tax is payable by the owner of the private motor cars at the time of registration or renewal of fitness certificate for motor vehicles as follows:

Type of Vehicle	Tax payable (Tk)
Up to 1500 CC for each motor car or jeep	25,000
Up to 2000 CC for each motor car or jeep	50,000
Up to 2500 CC for each motor car or jeep	75,000
Up to 3000 CC for each motor car or jeep	125,000
Up to 3500 CC for each motor car or jeep	150,000
More than 3500 CC for each motor car or jeep	200,000
Micro-bus each	30,000

Such advance tax shall not be collected from government, local government, any project under government, foreign diplomat, development partner, an educational institute under MPO, public university, gazetted war-wounded freedom fighter and any institution that has obtained a certificate from board.

However, if any assessee owns more than one motor vehicle in his name self or joint name, then rate of tax will be 50% higher for each additional motor car. This shall be treated as advance payment of tax of the assessee. Moreover, such advance tax shall not be refundable.

2.2 Changes in Corporate Tax

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

Companies	Rate
Publicly traded companies i.e. companies listed with any stock exchange in Bangladesh other than banks, insurance companies, merchant banks and other financial institutions and jute, textile, garment industries, mobile phone operator companies and cigarette zarda, bidi, gul or any other tobacco product manufacturing companies.	25%
Non-listed companies including branch companies other than banks, insurance companies, merchant banks and other financial institutions, jute, textile, garment industries, mobile phone operator companies and cigarette, zarda, bidi, gul or any other tobacco product manufacturing companies. <i>[If non-listed companies other than banks, insurance companies, merchant banks and other financial institutions, jute, textile, garment industries, mobile phone operator companies and cigarette, zarda, bidi, gul or any other tobacco product manufacturing companies list at least 20% of their paid up capital through IPO, they shall receive a rebate of 10% in the year of listing. 50% of export income is exempt from tax.</i> <i>However, rebate on income from export business shall not apply to companies who are enjoying tax exemption or paying tax at the reduced rates as mentioned in 2.3.]</i>	32.5%
Banks, insurance and other financial institutions (except merchant banks) if not publicly traded	40%
Banks, insurance and other financial institutions (except merchant banks) if publicly traded and those which got approval from the Government in 2013.	37.5%
Merchant banks	37.5
Cigarette, zarda, bidi, gul or any other tobacco product manufacturing companies (companies, firms and individuals) irrespective of listing status.	45%
Surcharge in addition to above tax is applicable on business income.	2.5%
Mobile phone operator companies if not publicly listed as below	45%
Mobile phone operator companies that convert themselves into a publicly traded company by transfer of at least 10% shares through stock exchanges, of which maximum 5% may be through Pre-Initial Public Offering Placement <i>[If mobile phone operator companies list at least 20% of their paid up capital through IPO, they shall receive a rebate of 10% in the year of listing]</i>	40%

*** However, 5% additional tax will be charged from 1 July 2020 if disabled persons are not provided with proper arrangement for movement at the place of service by school, college, university and NGO. On the other hand 5% tax rebate will be allowed if at least 10% of total employees constitute disabled person.**

3. Personal income tax

3.1 Introduction

In general, Bangladesh residents are taxed on their worldwide income. Non-residents are taxed on income earned in Bangladesh irrespective of where the payment is made. There is no provision for married couples to file joint returns. Returns are to be filed by 30 November for the income year ending 30 June. Individuals may file returns under universal self-assessment scheme but the assessing officers have discretion to scrutinize the returns. Where total income exceeds Tk 600,000 during the income year for any individual, he is required to pay advance tax as either 100% of last assessed tax or 75% of current estimated income tax and pay the outstanding tax (if any) at the time of filing the return. Tax on an employee's salary is required to be withheld on a monthly basis by the employer.

3.2 Changes related to Submission of Return (Including Withholding Tax Return)

In addition to remaining categories under sub-section (1) of section 75, if any person, at any time during the relevant income year fulfills any of the following conditions, shall file or cause to be filed, with the Deputy Commissioner of Taxes, a return of income for the income year:

- Any person participating in shared economic activities by providing motor vehicle, space, accommodation or any other assets or owning any licensed arms will submit income tax return [Section 75(1)(e)(x)];
- Owns any licensed arms [Section 75(1) (e) (xi)];
- Any individual, who is required to have 12-digit TIN under section 184A will mandatorily submit income tax return (except who has no taxable income but is required to have e-TIN for selling a land or obtaining a credit card) [Section 75 (1) (f)];

In addition to existing categories under sub-section (2) of section 75, if any person falls under below categories, a return of income shall not be mandatory:

- an individual assessee who has no taxable income but who is required to have Twelve-Digit Taxpayer's Identification Number under section 184A for selling a land [Section 75(2)(v)]
- an individual assessee who has no taxable income but who is required to have Twelve-Digit Taxpayer's Identification Number under section 184A for obtaining a credit card. [Section 75(2)(vi)]

- University, English Medium School, local authority, artificial juridical person will be required to submit withholding tax return [Section 75A];
- Limit of gross wealth will be increased to Tk. 40 lakh (which was Tk. 25 lakh) for the mandatory submission of statement of assets, liabilities & expenses.
- A person, not being a shareholder director, may opt not to submit statement of expenses if his total income does not exceed Tk. 4 lakh (previously it was Tk. 3 lakh) [Section 80];
- One-page return introduced for individual taxpayer having taxable income and gross wealth not exceeding Tk. 400,000 and Tk. 400,000 respectively.

3.3 Obtaining of e-TIN

Obtainment of e-TIN has been made mandatory for participants in Zilla Parishad election or shared economic activities providing motor vehicle, space accommodation or any other assets [Section 184A];

3.4 Changes in submission of Statement of Assets and Liability and Life Style

According to section 80 It is mandatory for an individual assessee to submit the statement of assets, liabilities and lifestyle, if he/she

- a) has a gross wealth over Tk 4 million; or
- b) owns a motor car; or
- c) has made an investment in a house property or an apartment in the city corporation area.

If any individual, not being a shareholder director, has his income from salary or his income from business or profession does not exceed Tk 0.4 million, he may opt not to submit the statement of lifestyle.

3.5 Changes in Exemptions & Rebates

- An Association of Persons will be able to adjust its business loss against its income from any other head. But the proportionate loss cannot be adjusted by its members with their own income, nor can it be carried forward by the members for the purpose of setting off [Section 42 (3A) & (3B)];
- Some new industries will be brought under the umbrella of Tax Holiday, e.g. electrical transformer, artificial fiber, automobile parts or components manufacturing, automation & robotics design, artificial intelligence based design and/or manufacturing, nanotechnology based products manufacturing, aircraft heavy maintenance services including parts manufacturing [Section 46BB (2)];
- Pension and gratuity from only approved funds will be eligible for exclusion from total income [Para 8 & 20 of 6th Schedule, Part A];
- Income earned by alternative investment fund recognized by BSEC will be excluded from total income [Para 54 of 6th Schedule, Part A]. Previously this exclusion was applicable for income earned from alternative investment fund;
- Additional rebate of Tk. 2,000 may be availed in the case of submission of income tax return through online for the first time by the new assessee.

3.6 Undisclosed income as per sec 19AAAA

1. Subject to some conditions, no authority including income tax authority will raise question to the source of income for any investment made in listed securities tradable in capital market, if the assessee pays tax @ 10% on the amount to be so invested [Section 19AAAA];
2. Subject to paying certain rate of income tax, no authority including income tax authority will raise any question on investment in land and/or building and/or cash/bank deposits [Section 19AAAAA];
 - Undisclosed land, buildings and apartments may be disclosed by individual assessee if tax is paid at prescribed amounts by per square meter and location.
 - Undisclosed cash, bank deposits, financial schemes and other saving instruments may be disclosed by individual assessee if 10% tax is paid on the amounts.
3. Special tax treatment for only residential buildings/apartments will now be applicable for any building/apartment [Section 19BBBB].

However, this provision does not apply to income subject to question under tax law or other laws on or before 30 June 2020.

3.7 Unexplained investments - (Section 19BBBBB)

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

Area	Tax per square meter	
	Up to 200 square meter	More than 200 square meter
Gulshan Model Town, Banani, Baridhara, Motijheel Commercial Area and Dilkusha Commercial Area	Tk 4,000	Tk 5,000
Dhanmondi Residential Area, Defence Officers Housing Society (DOHS), Mohakhali, Lalmatia Housing Society, Uttara Model Town, Bashundhara Residential Area, Dhaka Cantonment, Kawran Bazar, Bijoy Nagar, Segunbagicha and Nikunja of Dhaka and Panchlaish, Khulshi, Agrabad and Nasirabad of Chattogram	Tk 3,000	Tk 3,500

Area	Tax per square meter		
	Up to 120 square meter	Up to 200 square meter	More than 200 square meter
Any City Corporation other than area mentioned in A and B above	Tk 800	Tk 1,000	Tk 1,500
Pourashava or any district Headquarters	Tk 300	Tk 500	Tk 700
Other area	Tk 200	Tk 300	Tk 500

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

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

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

However, the above will not be applicable rather under section 164, 165 and 166 if the source of income is:

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

4. Corporate tax

4.1 Introduction

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

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

4.1 Changes in deductions not admissible in certain circumstances (u/s 30)

- In the case of a holding company/ group of companies, profit for income of subsidiary or associate or joint venture would be excluded from net profit from business or profession for the computation of allowable limit of royalty, technical service fee, technical know-how fee, technical assistance fee or any fee of similar nature [Section 30(h)];
- Overseas travelling will be allowed up to 0.50% of the disclosed turnover instead of 1.25% thereof [Section 30(k)];
- Promotional expense will be allowed up to 0.50% of the disclosed turnover [Section 30(p)].

4.2 Minimum tax based on withholding tax of certain sources

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

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

Sl. no.	Section	Details	Withholding tax rate
1	52	Supply of goods/execution of contract	Up to 5% or 7%
2	52A	Royalty fee, franchise, technical know- how, etc.	10% or 12%
3	Sl no. 1 of 52AA	Advisory or consultancy service	10% or 12%
4	Sl no. 2 of 52AA	Professional service, technical services fee, or technical assistance fee	10% or 12%
5	Sl no. 13A of 52AA	Wheeling charge for electricity transmission	2% or 3%
6	52AAA	Commission from C&F Agent	10%
7	52B	Cigarette manufacturer	10%
8	52JJ	Tax collection from travel agent	0.30%
9	52N	Sale of rental power	6%
10	52O	Foreign technician salary of diamond cutting industry	5%
11	52P	Services from convention hall, conference center, etc.	5%
12	52R	IGW and ICX for international call	1.5% and 7.5%
13	53	Imported goods (excluding raw material for own consumption)	5% or 2% or Tk 800 per ton
14	53AA	Shipping business of a resident	5% or 3%
15	53B	Manpower export	10%
16	53BB	Export of certain items	0.5%
17	53BBB	Collection of tax from member of stock Exchange	0.05%
18	53BBBB	Export of any other goods	0.50%
19	53C	Auction purchase	5%
20	53CCC	Income from courier business of non- Resident	15%
21	53E	Commission, discount, fees etc.	10%, 1.5% & 0.25%
22	53EE	Commission/ remuneration of agent of foreign buyer	10%
23	53FF	Real estate /land development business	- Land 3% or 5% - Residential building Tk 300 to Tk 1,600 per square meter - Commercial building Tk 1,200 to Tk 6,500 per square meter
24	53G	Insurance agent	5%
25	53GG	Payment to surveyor of insurance Company	10%

26	53M	Transfer of securities or mutual fund units by Sponsor shareholders	5%
27	53N	Transfer of share of shareholder 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. In such case, if those sources of income have taxable loss, such loss cannot be set off against the income of other sources of income and vice-versa.

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

i) tax collected under *section 52* from the following persons:

- a) a contractor of an oil company or a subcontractor to the contractor of an oil company as may be prescribed;
- b) an oil marketing company and its dealer or agent excluding petrol pump station;
- c) any company engaged in oil refinery; and
- d) any company engaged in gas transmission or gas distribution.

ii) Foreign income by residents under *section 52Q*

10% tax is deducted on fee, service charges, commission or remuneration or similar foreign income by banks

Nature of foreign income:

- a) providing any service rendered in Bangladesh;
- b) rendering any service or performing any task by a resident person in favor of a foreign person;
- c) allowing the use of any online platform for advertisement or any other purposes.

10% tax deduction is exempted on

- a) Income brought in by banking channel (*Sixth Schedule Part A Para 48*)
- b) Proceeds of sales of software or IT services (*Sixth Schedule Part A Para 33*)

ii) tax deducted under *section 53* from import of goods by an industrial undertaking except an industrial undertaking engaged in cement, iron or iron products as raw materials for its own consumption.

iii) tax deducted under sections *53F(1)(a) and (b)*

- b) Withholding tax deducted from the following 6 (Six) sources of income will be considered as final tax liability considering the rate of withholding tax would be their applicable tax rate:

Sl. no.	Section	Source of income	Rate of tax
1	52C	Compensation against acquisition of property	6% and 3%
2	52D	Interest on savings instrument	10%
3	53DDD	Export cash subsidy	10%
4	53F(1)(c) and 2	Interest on savings deposits and fixed deposits	10% and 5%
5	53H	Transfer of property less cost of acquisition	Depending on location and square meter
6	53P	Any sum paid by real estate developer to land owner	15%

- 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.

4.3 Changes Minimum tax based on overall gross receipts

Every companies, every firms (having gross receipts of more than Tk 5 million) and individual (having gross receipts of more than Tk 30 million) will be liable to pay minimum tax based on gross receipts as mentioned below:

Sl.	Classes of assessee	Rate of minimum tax
1	Manufacturer of cigarette, bidi, chewing tobacco, smokeless tobacco or any other tobacco products	1% of the gross receipts
2	Mobile phone operator	2% of the gross receipts
3	Individuals other than mobile operator & tobacco manufacturer	0.50% of the gross receipts
4	Any other cases	0.60% of the gross receipts

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

- Minimum tax based on gross receipts from regular sources by applying the rate as mentioned in the above table.
- Minimum tax based on gross receipts from sources which enjoys exemption or reduced tax rate by applying the rate in the above table as reduced in proportion to the exemption of tax or the reduction of rate of tax.
- Minimum tax shall be the aggregate of the amounts calculated above.

5. Tax Deducted at Source (TDS):

- Reduction in rates of income tax to be deducted at source in the case of local supply or scrap sale has been proposed
- Reduction in rates of income tax to be collected at import stage has been proposed

- Deduction at source from discount, interest or profit on securities will be at the time of making payment or credit, not upfront [Section 51];
- The amount of deduction at source for distributors will be changed from whose tax has already been deducted under section 53E (3) [Section 52];
- Foreign income by residents under *section 52Q*

10% tax is deducted on fee, service charges, commission or remuneration or similar foreign income by banks

Nature of foreign income:

- d) providing any service rendered in Bangladesh;
- e) rendering any service or performing any task by a resident person in favor of a foreign person;
- f) allowing the use of any online platform for advertisement or any other purposes.

10% tax deduction is exempted on

- c) Any 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. (*Sixth Schedule Part A Para 48*)
- d) Proceeds of sales of software or IT services (*Sixth Schedule Part A Para 33*)

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

Description of service	Rate of deduction of tax (% of base amount*)	
	Base amount up to Tk 2.5 million	Base amount exceeds Tk 2.5 million
Advisory or consultancy	10%	12%
Professional service, technical services and technical assistance fee	10%	12%

For below and any other service of similar nature-		
a. On commission or fee	10%	12%
b. On gross bill amount	1.5%	2%
<ul style="list-style-type: none"> - Catering service - Cleaning service - Collection and recovery service - Private security service - Supply of manpower - Creative media service - Public relations service - Event management service - Training, workshops, etc. organization and management service - Courier service - Packing and Shifting service 	However, where both gross bill and commission are shown; minimum withholding tax will be higher of 10% of commission or 1.5% of gross bill amount.	However, where both gross bill and commission are shown; minimum withholding tax will be higher of 12% commission or 2% of gross bill amount.
Indenting commission	6%	8%
Meeting fees, training fees or honorarium	10%	12%
Mobile network operator, technical support service provider or service delivery agents engaged in mobile banking operations	10%	12%
Credit rating agency	10%	12%
Motor garage or workshop	6%	8%
Private container port or dockyard service	6%	8%
Shipping agency commission	6%	8%
Stevedoring/berth operation commission	10%	12%
Transport service, carrying service, vehicle rental service or ride sharing services	3%	4%
Wheeling charge for electricity transmission	2%	3%
Any other service unless provided by bank, insurance or financial institution	10%	12%

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

Some more important change regarding TDS

- Any sharing economy platform including ride sharing service (though it has already been there), co working space providing service and accommodation providing service will be subject to deduction of income tax at source [Section 52AA];
- Deduction at source from compensation against acquisition of property will be increased from 2% to 6% and from 1% to 3% [Section 52C];
- Any income including revenue sharing from abroad will be subject to deduction of income tax @ 10%, except foreign remittance earned in abroad as per para 48 of 6th Schedule, Part A and IT Enabled Service as per para 33 of 6th Schedule, Part A [Section 52Q];
- BTRC's income from international phone call will be subject to deduction of tax @ 7.5% [Section 52R];

- Food items and other necessary products which were not subject to deduction of income tax under a local letter of credit will now attract 2% tax deduction at source [Section 52U];
- Export of goods will attract deduction of income tax at source @ 0.5% [Section 53BB & 53BBBB];
- In the case of transaction of shares and mutual fund in the stock exchange, tax @ 0.05% will be deducted at source and in the case of transaction of other securities, 10% tax will be deducted on commission received or receivable [Section 53BBB];
- Dividend to any non-resident fund or trust would be subject to deduction of income tax @ 20%, instead of 30% [Section 56].

6. Further changes in Minimum tax- Section 82C

- TDS from professional service, technical services fee or technical assistance fee and wheeling charge for electricity transmission would be subject to minimum tax [Section 82C];
- Any individual having gross receipt of Tk. 3 crore or more would be subject to minimum tax on gross receipt @ 0.50% [Section 82C].

7. Extending Scope of Tax (Capital Gain and Additional Tax on Inconsistence Information):

- Selling of business or undertaking entirely would be now measured with fair market value [Section 2(30)] and capital gain would be computed therefrom [Sections 31A and 32A];
- **Difference between actual and shown/claimed investment, import and export made will be subject to income tax of equal to 50% of the difference [Section 16H].**

8. Power of NBR to Extend Time Limit:

The National Board of Revenue (NBR) will be bestowed power upon them in order to extend or condone any time limit as per provision of the Ordinance due to epidemic, pandemic or any other acts of God [Section 184G].

9. Other features:

- Failure to submit return under section 103A (air transport business of non-resident) would cause to impose penalty under section 124(2);
- If the Commissioner of Taxes agrees to waive the mandatory payment of 10% tax for filing appeal to Tribunal of an assessee, he will give such order within 30 days from the date of receipt of such application of the assessee [Section 158(2)];
- Local authority will be included as employer to be meant for approved provident fund and approved gratuity fund [1st Schedule, Part B].

10 Value Added Tax and Supplementary Duty

10.1 Changes in Definitions and abbreviations:

- Import of service will mean any service supplied from outside Bangladesh, irrespective of the service recipient being VAT registered or registrable [Section 2(17)];
- Definition of input will be inserted. Few specific items have been excluded from the definition of input, namely:
 - I. Labor, land, building, office equipment & fixture, construction, modernizing, replacement, extension, repairing etc. of building or infrastructure,
 - II. All kinds of furniture, office supplies, stationeries, refrigerator or freezer, air-conditioner, fan, lightings, purchase of generator or repairing of the same,
 - III. Interior design, architectural planning or design,
 - IV. Rental or lease of vehicles,
 - V. Travelling, entertainment, welfare or development of employees or any goods or service relating to that;
 - VI. Rental of business premises, office, showroom or similar things, whatever be called.
 - VII. But, any of the above, if obtained by the trader for the purpose of trading, then it will be considered as input. [Section 2(18ka)];
- VAT paid on immovable properties will be excluded from the definition of input tax [Section 2(19)];
- Branch offices of foreign entities in Bangladesh will be considered as company and thus may fall under the scope of Deducting Authorities [Section 2(38)];
- Definition of deemed export will be amended by incorporating supply of goods or services (instead of inputs of goods or service) in exchange of foreign currency for the purpose of consumption outside Bangladesh [Section 2(62)];
- Any business organization will be considered as person [Section 2(74)];
- Any supply (including both goods and service, previously it was only goods) from inside Bangladesh to outside the geographical area of Bangladesh will be considered as export [Section 2(82)];
- At the time of import of raw materials by manufacturing entities only, Advance Tax (AT) may be availed at the rate of 4% instead of 5% by applying in compliance with General Order No.- 10/VAT/2020 dated 11 June 2020 [Section 31 (2)];
- Decreasing adjustment regarding Advance Tax (AT) may be made within next 04 tax periods (instead of next 02 tax periods) [Section 31(3)].

10.3 Changes in Input Tax Credit, Adjustment & Refund:

- Input tax rebate may be availed within next 04 tax periods (instead of next 02 tax periods) [Section 46(1)];
- In the case, a trader wants to take input tax credit (perhaps by voluntarily applying standard rate), it will be required to maintain Purchase-Sales book (VAT 6.2.1) [Section 46(1)];
- Submission of revised input-output co-efficient will be mandatory for availing input tax credit in the case when input value changes by 7.5% [Section 46(1)];

- Up to 80% of input tax credit will be allowed in the case of transportation service consumed [Section 46(2)];
- Treasury challans in the case of import of service and invoices by appropriate authority supplying gas, water, electricity and telephone service will be used to take input tax credit [Section 46(3)];
- Input tax credit will be allowed up to the proportion of input used for making a taxable supply (previously entire amount of input tax credit could be taken irrespective of the actual amount of input consumed) [Section 47(1)];
- As long as construction of building, land development etc. will be excluded from the definition of input, the section for carry forward and refund of negative net amount of VAT return will be revised accordingly [Section 68];
- Duty Exemption and Drawback Office (DEDO) will be able to refund VAT to diplomatic and international organizations according to General Order No. 11/VAT/2020 dated 11 June 2020. Thus, necessary amendments will be brought into section 71 [Section 71].

10.4 Withholding of VAT:

- Section 49 (Tax withheld at source and increasing adjustment by withholding entity) will be substantiated over Section 33 (Time of payment of VAT on taxable supply) [Section 49 (1)];
- In any project, collection/deduction of VAT from sub-contractor will not be required in the case when main contractor will possess proper documentation regarding payment of VAT on the main contract by the service receiver [Section 49(5)];
- Vide SRO No. 149-Law/2020/110-VAT dated 11 June 2020, in the case of following services irrespective of the applicable rate of VAT, deduction of VAT at source by the VAT deducting entities are mandatory:

Sl. No.	Service Code	Name of services	Rate of VDS
01	S001.10	AC Hotel	15%
	S001.20	AC Restaurant	15%
	S001.10	Non-AC Hotel	7.5%
	S001.20	Non-AC Restaurant	7.5%
02	S002.00	Decorators and Caterers	15%
03	S003.10	Motor Vehicles Garage and Workshop	10%
04	S003.20	Dockyard	10%
05	S004.00	Construction Contractor	7.5%
06	S007.00	Advertising Firm	15%
07	S008.10	Printing Press	10%
08	S009.00	Auctioneers	10%
09	S010.10	Land Development Organization	2%
10	S010.20	Building Construction Organization	a. Up to 1-1600 sq. feet

			b. More than 1600 sq. feet	4.5%
			c. Re-registration	2%
11	S014.00	Indenting Organization		5%
12	S015.10	Freight Forwarders		15%
13	S020.00	Survey Firm		15%
14	S021.00	Plant and Capital Equipment Rent Providing Organization		15%
15	S024.00	Furniture sales center	Manufacturing Stage	7.5%
			Sales stage (show room) (if challan having VAT paid at 7.5% on manufacturing stage, otherwise 15%)	7.5%
16	S028.00	Courier and Express Mail Service		15%
17	S031.00	Repairing or servicing of taxable goods in exchange of money by a person, organization or agency		10%
18	S032.00	Consultancy and supervisory firm		15%
19	S033.00	Lessor (Izaradar)		15%
20	S034.00	Audit and accounting firm		15%
21	S037.00	Procurement provider		7.5%
22	S040.00	Security Services		10%
23	S043.00	Television and online broadcast program provider		15%
24	S045.00	Legal Advisors		15%
25	S048.00	Transport Contractor	a. In the case of petroleum transportation	5%
			b. In any other cases	10%
26	S049.00	Rent-A-Vehicle		15%
27	S050.10	Architect, Interior Designers or Interior decorators		15%
28	S050.20	Graphic Designer		15%
29	S051.00	Engineering firm		15%
30	S052.00	Sound and Lighting instrument renter		15%
31	S053.00	Participants in board meetings		10%
32	S054.00	Advertisement Broadcasting agency through Satellite channel		15%
33	S058.00	Rental of chartered planes or helicopters		15%
34	S060.00	Purchaser of auctioned goods		7.5%
35	S065.00	Clearing and maintaining agencies of Building, Floor and Premises		10%
36	S066.00	Lottery Ticket Seller		10%
37	S067.00	Immigration advisor		15%
38	S071.00	Program organizer		15%
39	S072.00	Human resource supplier or		15%

		management organization	
40	S099.10	Information Technology Enabled Services	5%
41	S099.20	Other Miscellaneous services	15%
42	S099.30	Sponsorship services	15%
43	S099.60	Credit Rating Agency	7.5%
35	S065.00	Clearing and maintaining agencies of Building, Floor and Premises	10%
36	S066.00	Lottery Ticket Seller	10%
37	S067.00	Immigration advisor	15%
38	S071.00	Program organizer	15%
39	S072.00	Human resource supplier or management organization	15%
40	S099.10	Information Technology Enabled Services	5%
41	S099.20	Other Miscellaneous services	15%
42	S099.30	Sponsorship services	15%
43	S099.60	Credit Rating Agency	7.5%

Without obtaining certificate of withheld VAT from VAT deducting authority, the supplier will not be able to make any decreasing adjustment in this regard [Section 50(3)].

10.5 Submission of VAT Return:

- If the date on which monthly VAT return is required to be submitted is a public holiday, VAT return will be submitted on the following working day [Section 64(1)];
- The National Board of Revenue (NBR) has been bestowed with the power to extend the time of submission of VAT return in the case of any natural disaster, epidemic, Act of God or War and such order may be made effective retrospectively [Section 64 (1ka) & (1kha)].

10.6 Appeal:

- In order to file an appeal to the Commissioner of VAT (Appeals) or Appellate Tribunal, VAT will be required to be paid @ 20% of amount as specified in the impugned order (instead of 10%) [Section 122 (2)]

10.7 Others:

- In addition to the Commissioner of VAT, appropriate officials according to section 86 will be able to determine VAT [Section 73];
- Revenue Officers will now have authority to visit manufacturing plant, supply place, service place or office of VAT registered or registerable persons and examine inventory, services, inputs and accounts [Section 83(4)].

10.8 Change in 1st Schedule:

- VAT has been imposed on meat and edible offal of poultry (HS Code 0207.13.90 and 0207.14.90), natural honey (HS Code 0409.00.90), and soil has been exempted (HS Code 2508.40.00) [1st Schedule, Part A];
- Books, newspapers, magazines have been exempted at sales point. All activities relating to completion of share trading and services of air ambulance have been incorporated as exempted services [1st Schedule, Part B].

10.9 Changes in 2nd Schedule:

Increase/decrease of Supplementary Duty (SD) at the stage of local supply:

Sl. No.	HS Code/ Service Code	Product/ Service	Existing Rate of SD	Proposed Rate of SD
1.	33.04.99.00	Manufacturing of cosmetics products	5%	10%
2.	Related HS Code of 69.10	Manufacturing of Ceramic Sinks	0%	10%
3.	S012.10	Services using SIM/RIM card	10%	15%
4.	S044.00	Services by BRTA	10%	15%
5.	S058.00	Chartered Aero Plane or Helicopter	25%	30%

10.10 Changes in 3rd Schedule:

Following changes have been made relating to rates of VAT as per 3rd Schedule of the VAT & SD Act, 2012:

Description of Goods/Services	Previous Rate (2019-2020)	New Rate (2020-2021)
Potato flakes	15%	5%
Maize (Corn) Starch	15%	5%
Fabrics from man-made fiber (except few cases)	15%	5%
Router	15%	5%
Loaded PCB	15%	5%
Printed Circuit Board	15%	5%
Furniture showroom	5%	7.5%
Air-conditioned launch	5%	10%

Cotton	Tk. 4 per Kg.	Tk. 3 per Kg.
Man-made fiber and other yarns	5%	Tk. 6 per Kg.

Changes in VAT & SD Rules, 2016:

Vide SRO No. 142-Law/2020/103-VAT dated 11 June 2020 changes have been made with regard to VAT & SD Rules, 2016. Only important changes have been outlined below:

Vide SRO No. 144-Law/2020/105-VAT dated 11 June 2020 (by replacing SRO 172-Law/2019/29-VAT dated 13 June 2019), following changes have been offered in different stages of transactions relating to specific goods/services:

Description of goods or services	Stage of Exemption
Medicine to restrain COVID-19	Import, manufacturing and trading stage
Tyre used on agricultural tractors	Import Stage
Inner tubes or rubber used on tractors	Import Stage
Gold in unwrought form	Import Stage
Gold in semi-manufactured form	Import Stage
Fresh or chilled Cuts and Offal of fowls in bulk	Manufacturing and trading stage
Frozen Cuts and Offal of fowls in bulk	Manufacturing and trading stage
Natural honey (up to 2.5 Kg except wrap or canned)	Manufacturing and trading stage
Mustard Oil	Manufacturing stage
Purchase of IDCOL's partner organization's solar battery (up to 60 AMP)	Manufacturing stage
COVID-19 Test Kits (based on Immunological Reactions)	Manufacturing and trading stage

COVID-19 Test Kits based on polymerase chain reaction (PCR) nucleic acid test	Manufacturing and trading stage
Protective garments made from plastic sheeting (medical purpose)	Manufacturing and trading stage
Plastic face shields (covering more than the eye area) (medical purpose)	Manufacturing and trading stage
Protective garments for surgical/medical use (medical purpose)	Manufacturing and trading stage
Medical Protective gear	Manufacturing and trading stage
Protective spectacles and goggles for medical use	Manufacturing and trading stage
3-ply/3-layer surgical Mask (Including Face Mask)	Manufacturing and trading stage

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Chottogram Office:

Yunusco City Center (9th Floor), 807, CDA Avenue, Agrabad, Chittagong

Corporate Office:

House – 15, Road – 12, Block – F, Niketon, Gulshan – 1, Dhaka –1212, Bangladesh
(880-2) 8836015-7

Thank you so much for your time.....

Web : www.hfc-bd.com
Mail : hfc@hfc-bd.com
Fb : facebook.com/hfc.cafirm

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Chartered Accountants