

Comprehensive Guidelines on VAT Deduction at Source



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Entities responsible for VAT Deduction at Source

The following entities or organizations are responsible for the deduction of VAT at source:

- + Any government entity (i.e. semi-government, autonomous body, state-owned entity, local authority, ministry, board, authority, or similar institutes).
- + Any non-government organization approved by the NGO Affairs Bureau or the Directorate-General of Social Welfare.
- + Any bank, insurance company, or similar financial institution.
- + Any post-secondary or above educational institution.
- + Any limited company.
- + Any person or organization whose annual turnover is over BDT 100 million.

The Scope for VAT Deduction at Source

- + **For procurement of goods from manufacturers:** VAT is not required to be deducted at source regardless of the VAT rate, if the manufacturer issued Mushak 6.3.
- + **For procurement of goods from traders:** VAT is required to be deducted at source unless the goods are supplied at a 15% VAT rate accompanied by a tax invoice (i.e. Mushak 6.3) and a VAT honor card.
- + **For procurement of services:** There is a list of mandatory VAT deductions at source for 43 (forty-three) services (please see **Annexure - A**). The services that do not fall under the list of mandatory VDS are not subject to withholding VAT if the supplier provides Mushak 6.3.
- + **For procurement from unregistered or non-enlisted persons:** The applicable VAT needs to be paid by VAT withholding entities.
- + VAT is not required to be deducted at source from the payment of bills for Fuel, Gas, Water (WASA), Electricity, Telephone, and Mobile Phone.
- + In case of supply of goods or services mentioned in the First Schedule of the Value Added Tax and Supplementary Duty Act, 2012, VAT is not required to be deducted at source.
- + In case of supply of zero-rated goods or services under Section 21 of the Value Added Tax and Supplementary Duty Act, 2012, VAT is not required to be deducted at source.

Responsibilities of VAT Withholding Entities:

- ✦ If suppliers do not provide a VAT invoice (i.e. Mushak 6.3), VAT withholding entities shall not receive any supply and shall not make any payment against such supplies.
- ✦ The VAT withholding entities must deposit the withholding VAT into the government exchequer within 07 days of the following month.
- ✦ An unregistered withholding entity must deposit the withheld VAT to the government exchequer within 15 days of the deduction.
- ✦ Issue withholding VAT certificate (Mushak 6.6) to the supplier within 03 working days after deposit of withholding VAT.
- ✦ VAT withholding entities must preserve or maintain withholding documents for at least 5 years.

The Responsibilities of the Supplier

- ✦ The suppliers must issue Mushak 6.3 at the time of supply and report the applicable VAT in the monthly VAT Return (Mushak 9.1).
- ✦ Upon receipt of Mushak 6.6 from the service recipient, the suppliers shall claim decreasing adjustment on the withheld VAT within three tax periods following the end of the month of receiving payment.
- ✦ The suppliers must preserve or maintain withholding documents for at least 5 years.

The Consequences of Non-compliance

- ✦ The VAT withholding entity and the supplier shall be liable jointly and separately for deduction and deposit of the withheld VAT into the government exchequer.
- ✦ The VAT withholding entity must pay the VAT not deducted at source and deposit it into the government exchequer with 2% simple interest biannually. The maximum period for computing interest is 24 months.
- ✦ The concerned VAT withholding entity, the person responsible to deposit the deducted VAT and the executive officer of the concerned entity shall be fined up to BDT 25,000 for the failure to deposit the VAT deducted at source in the government treasury within prescribed time.

The List of Mandatory VAT Deductions at Source for 43 Services
Annexure - A

SL. No.	Service Code	Description of Services	VAT Rate
01.	S001.00	Hotel & Restaurant (except all temporary hotels and restaurants within BD (temporary hotels and restaurants mean hotels & restaurants without fences, electric fan and not more than two electric lights)	
	S001.10	Hotel (air conditioner)	15%
	S001.10	Hotel (non-air conditioner)	15%
	S001.20	Restaurant (except restaurants located in any 3-star or above hotel listed with the Ministry of Civil Aviation and Tourism, restaurants located in hotels with a liquor bar, or any restaurant with a liquor bar)	15%
02.	S002.00	Decorators and caterers	15%
03.	S003.10	Motor vehicles garage and workshop	15%
04.	S003.20	Dockyard	15%
05.	S004.00	Construction contractor (except <ul style="list-style-type: none"> a. Construction work is being done under any contract signed on or before 30 June 1991; and b. Construction work is being done under any contract signed on or before 30 June 1993 based on the tender issued on or before 30 June 1991.) 	7.5%
06.	S007.00	Advertising firm (except the publication of death news in the newspaper)	15%
07.	S008.10	Printing press (except charges for printing books, journals & educational products for students)	15%
08.	S009.00	Auctioneer	15%
09.	S010.10	Land development organization	2%
10.	S010.20	Building construction organization: <ul style="list-style-type: none"> a. 1-1600 sq. feet b. Over 1600 sq. feet c. Re-registration irrespective size 	2% 4.5% 2%
11.	S014.00	Indenting organization	15%
12.	S015.10	Freight forwarders	15%
13.	S020.00	Survey firm	15%
14.	S021.00	Plant or capital machinery rental organization	15%
15.	S024.00	Furniture distributors <ul style="list-style-type: none"> a. Manufacturing stage (if manufacturer directly delivers to customers then VAT will be 15%) b. Selling stage - showroom (Only if the seller has evidence re the payment of VAT @ 7.5% at the manufacturing stage, otherwise VAT 15%) 	7.5% 7.5%
16.	S028.00	Courier and express mail service	15%

SL. No.	Service Code	Description of Services	VAT Rate
17.	S031.00	Repairing or servicing taxable goods in exchange for consideration by any individual, organization or entity	15%
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 (except <ul style="list-style-type: none"> a. Tiffin supply to schools. b. Supply of books to schools & colleges against tender of national education and textbook board. c. Cotton supply. d. Waste & Scrap paper supply. e. Cutlet supply. f. Plastic waste supply. g. Cow & buffalo bone used as input of gelatin capsule. h. Supply of locally collected Scrap/Bangari to steel mill. i. Supply of jute products. j. Supply of old battery. k. Aluminum waste & scrap collected locally by aluminum utensils manufacturers.) 	10%
22.	S040.00	Security services	15%
23.	S043.00	Provider of programs that are broadcast through television and online	15%
24.	S045.00	Legal advisors	15%
25.	S048.00	Transport contractor: <ul style="list-style-type: none"> a. Transportation of Petroleum goods. b. Transportation of other goods (except transportation of food grain). 	5% 15%
26.	S049.00	Rent-a-Car/Vehicle	15%
27.	S050.10	Architects, Interior Designers, or Interior Decorators	15%
28.	S050.20	Graphic Designer	15%
29.	S051.00	Engineering firms	15%
30.	S052.00	Sound and Lighting instrument renter	15%
31.	S053.00	Participants in board meetings	15%
32.	S054.00	Advertisement broadcasting agency through satellite channel	15%
33.	S058.00	Chartered planes or helicopter rental firm	15%
34.	S060.00	Purchaser of auctioned goods	15%
35.	S065.00	Clearing or maintaining agencies of Building, Floor and Premises	15%
36.	S066.00	Lottery ticket seller	15%
37.	S067.00	Immigration advisor	15%
38.	S071.00	Event management organization	15%
39.	S072.00	Human resource supplier or management organization	15%
40.	S099.10	Information Technology Enabled Services (ITES)	5%

SL. No.	Service Code	Description of Services	VAT Rate
41.	S099.20	Other Miscellaneous services (except services related to dying, printing, finishing, and calendaring of gray fabrics)	15%
42.	S099.30	Sponsorship services	15%
43.	S099.50	Credit rating agency	7.5%

Note: Jurisdiction of VAT deduction at source has been mentioned in Statutory Regulatory Order (SRO) No. 240-Law/2021/163-VAT dated 29 June 2021 (as amended by SRO No. 19-Law/2025/273-VAT dated 09 January 2025).

* New changes brought by SRO No. 19-Law/2025/273-VAT dated 09 January 2025 have been marked in **Red color**.

Disclaimer:

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