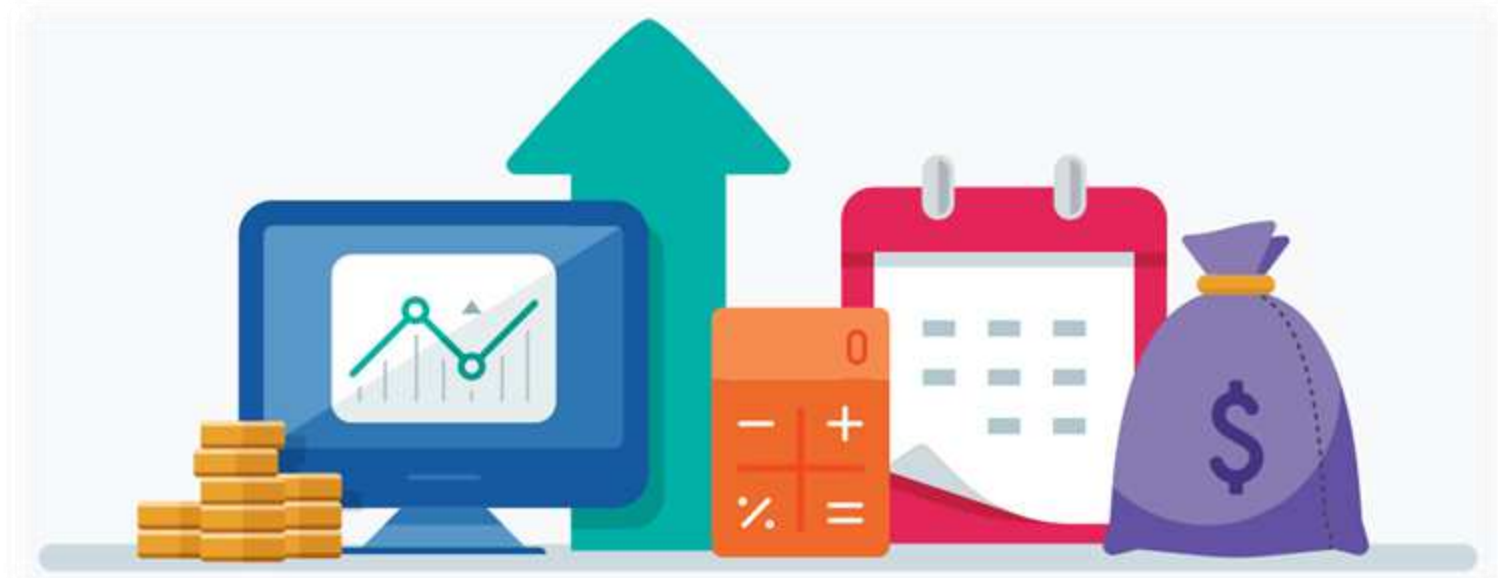
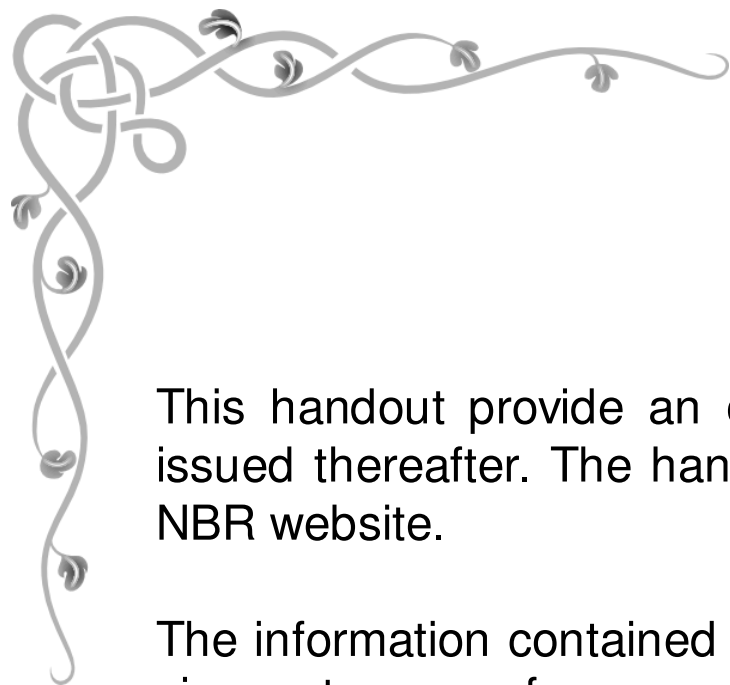


The Salient Features Of The Finance Bill 2019

Presented By :
Snehasish Mahmud & Co.,
Chartered Accountants
17 June 2019





Preface

This handout provide an overview of the changes proposed in the Finance Bill 2019 and SROs issued thereafter. The handouts have been prepared on the basis of publicly available sources i.e. NBR website.

The information contained in this document is of a general nature and is not intended to address the circumstances of any particular individual. Although we aim to provide accurate and timely information, we do not provide assurance that such information is accurate as of the date it is received or that it will continue to be accurate in future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

This publication has been prepared in accordance with the selective provision of the national budget proposal for 2019-20

National Budget Comparison At A Glance

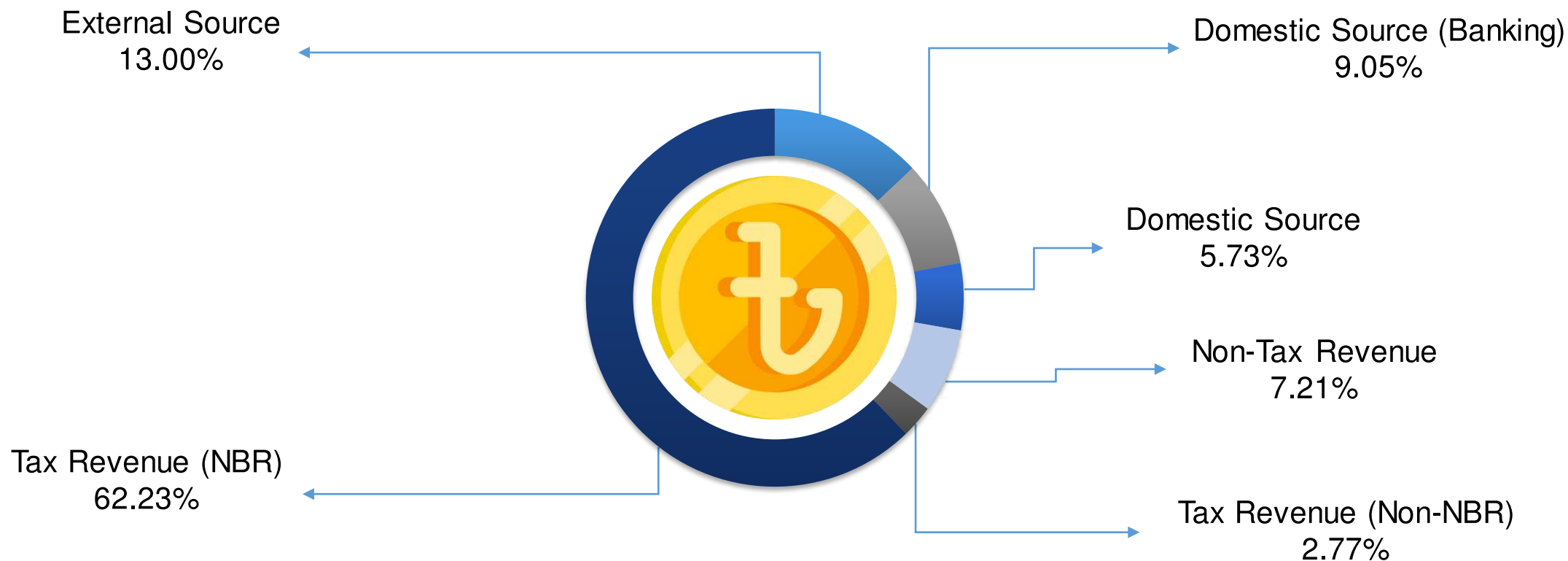
Particulars	FY 2019-20 (Amount in Crore Taka)	FY 2018-19 (R) (Amount in Crore Taka)	% Change	
Total Size of Budget	523,190	442,541	18%	↑
Total Revenue Earnings	377,810	259,454	46%	↑
Earnings from NBR	325,600	280,000	16%	↑
Budget Deficit	145,380	125,929	15%	↑
GDP Growth	8.2	8.13*	1%	↑
Inflation	5.5	5.4**	2%	↑

* Bangladesh Bureau of Statistics

** Average Inflation up to April

Budget At A Glance

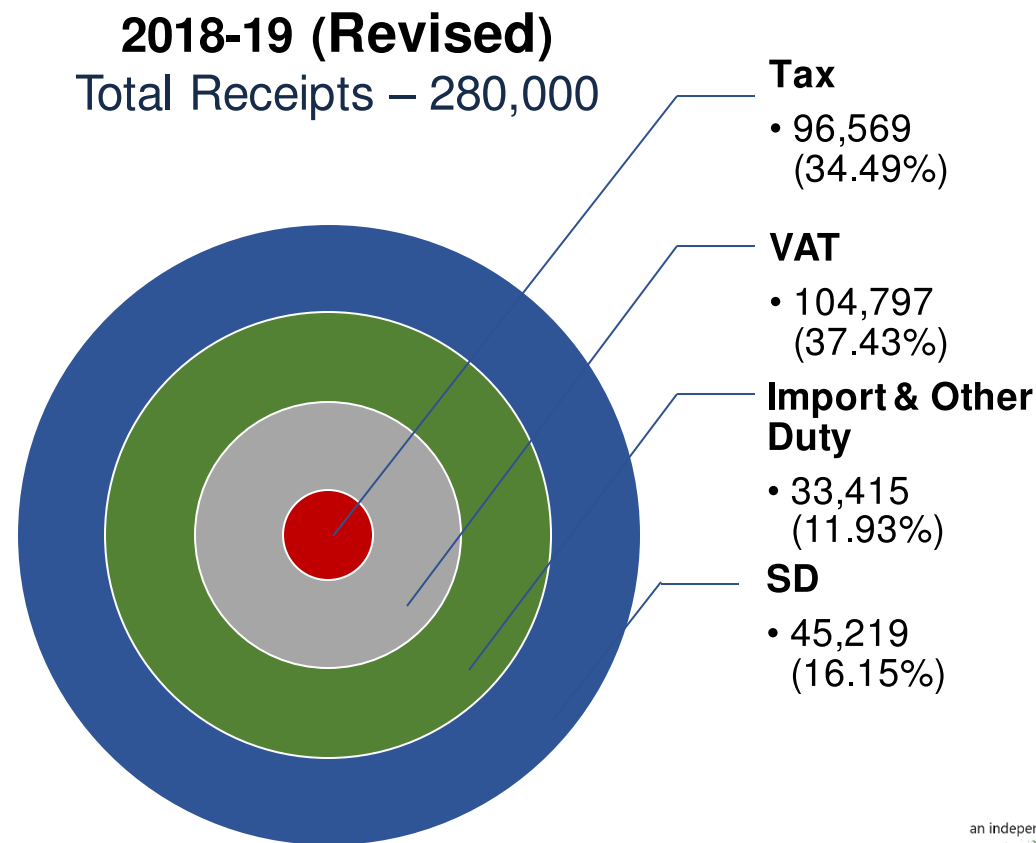
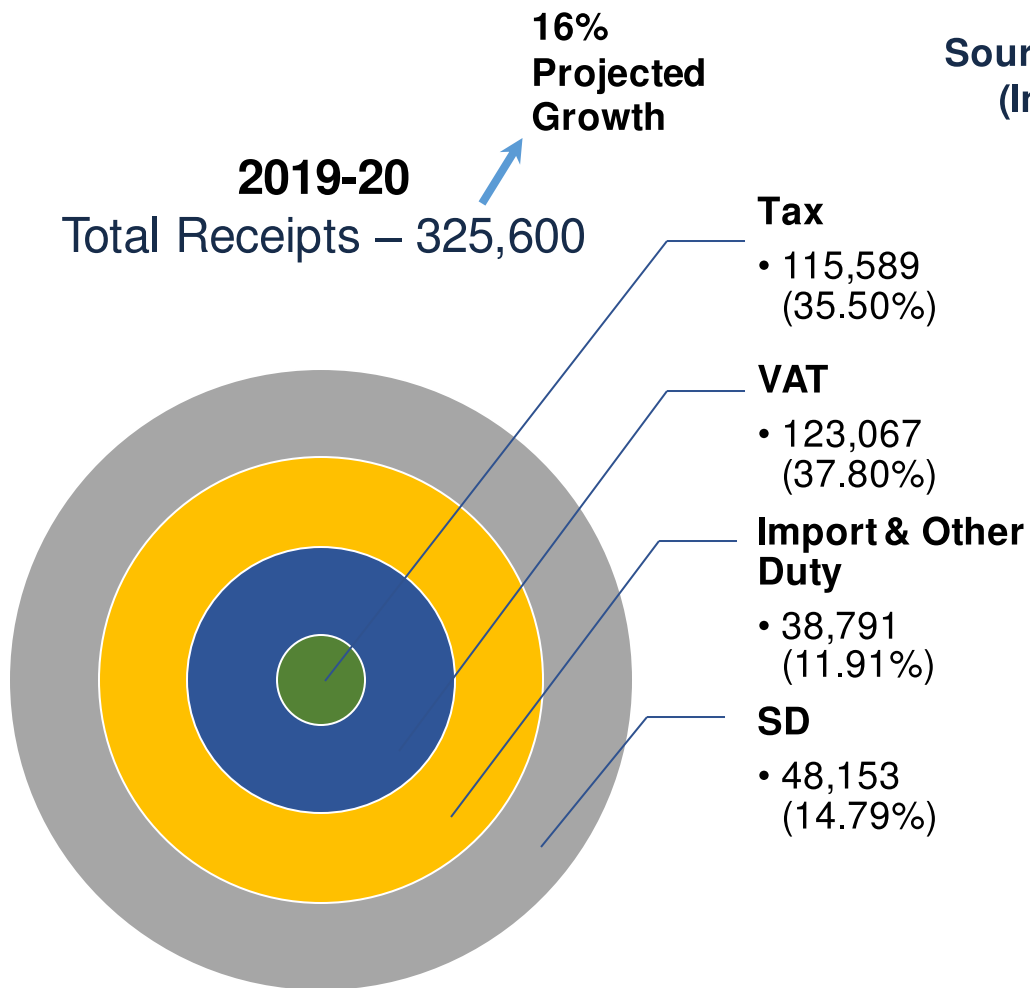
Budget 2019-20
TK 5,23,190 Cr



Source: Budget Speech 2019

National Budget Comparison At A Glance

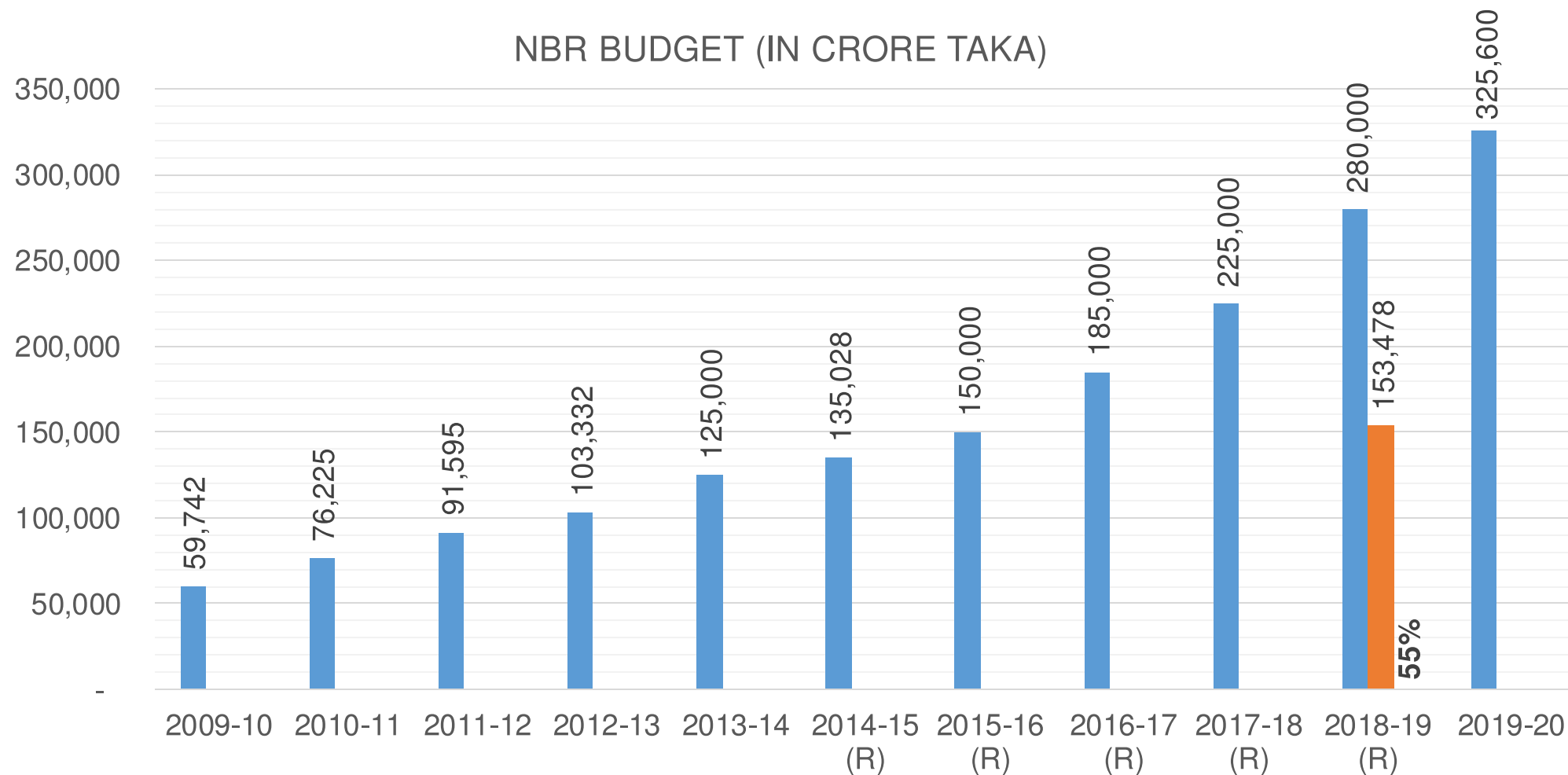
Sources of Receipts:
(In Crore Taka)



Actual Growth Compared To Proposed Growth

Particulars	2019-20 Proposed	2018-19 (R)	Growth in %	2017-18 (Actual)	2016-17 (Actual)	Growth in %
Tax	115,589	96,569	20%	60,240	62,729	-4%
VAT	123,067	104,797	17%	68,222	66,204	3%
Import & other	38,791	33,415	16%	22,134	21,166	5%
SD	48,153	45,219	6%	36,510	32,034	14%

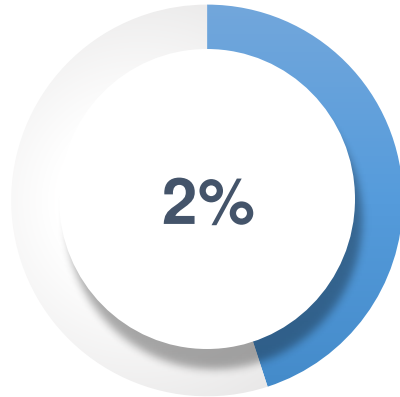
Year-wise NBR Budget





Changes proposed for Corporate Tax

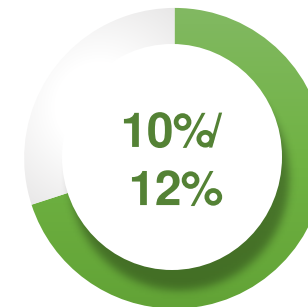
Corporate Tax Rates



No major changes in corporate tax rates except changes in minimum tax for the mobile companies at 2% from 0.75%.

Tax collection did not reduce while the rate was reduced to 35% from 37.5% in 2014-15

Tax rate for the readymade garments and textile sector has been proposed to remain same @ 12%/10% and 15% respectively.

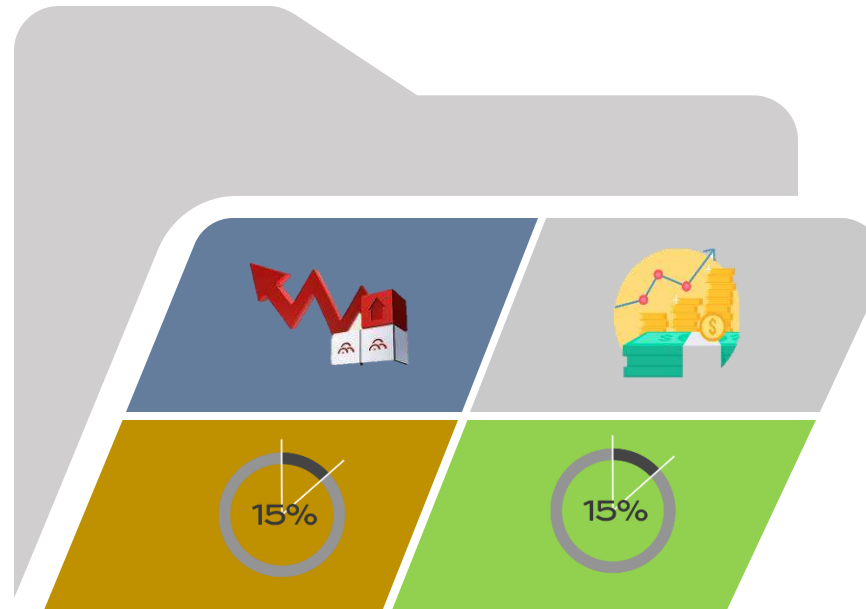


Tax rate of Jute should also remain the same (10%)

Additional Tax on Stock Dividend and Retained Earnings by Listed Co.

Retained earnings and reserves exceeding 50% of the paid up capital of the company will be subject to 15% tax on the excess amount.

Dividend depends on company policy. Capital will be reduced and expansion opportunity may be narrowed



Stock dividend distributed to the shareholders by any listed company will be subject to 15% tax.

Cash dividend encouraged to attract more tax

Impact of Additional Tax on RE

Particulars	BDT
Paid up capital	200,000
Retained earnings	400,000
Reserve	100,000
Total equity	700,000
Less: Paid up capital	200,000
Retained earnings and reserve except paid up capital	500,000
Less: 50% of paid up capital	100,000
Excess amount	400,000
Additional tax @ 15% on 400,000	60,000

Impact of Additional Tax on RE

Company	Y/E	Capital (m)	Reserve (m)	50% of paid up capital (m)	Excess of 50% of paid up capital (m)	Tax impact (m)
GP	31 Dec 18	21,343	21,022	10,672	10,350	1,553
Berger Paints	31 Mar 18	347	5704	173	5,531	830
Agrani Bank	31 Dec 18	20,723	21,117	10,361	10,756	1,613
Pragati Insurance	31 Dec 18	613	2,635	307	2,332	350
DESCO	30 June 18	7,916	8,039	3,958	3,958	612
Beximco	30 June 18	8,320	52,946	4,160	48,786	7,318

Additional Tax on Non-compliance



Inadmissible expenses u/s 30 will be subject to corporate tax separately regardless of loss from business.

Additional Tax on Non-compliance

Illustration:

Particulars	Existing	Proposed
Loss before tax as per FS	(15,000,000)	(15,000,000)
Add: Inadmissible Expenses u/s 30	3,500,000	3,500,000
Loss from business	(11,500,000)	(11,500,000)
Tax liability (a)	Nil	Nil
Minimum tax u/s 82C (b)	200,000	200,000
Higher of (a) & (b)	200,000	200,000
Additional tax liability on inadmissible expenses u/s 30 (3,500,000*35%)	Nil	1,225,000
Total Tax Liability	200,000	1,425,000

Will increase compliance. But this increases burden to the company. Compliant company should be rewarded

Deemed Income

Non-deduction of tax at source on the acquisition of any assets shall be deemed to be income from other sources.



Cost of non-compliance
is expensive

Illustration:

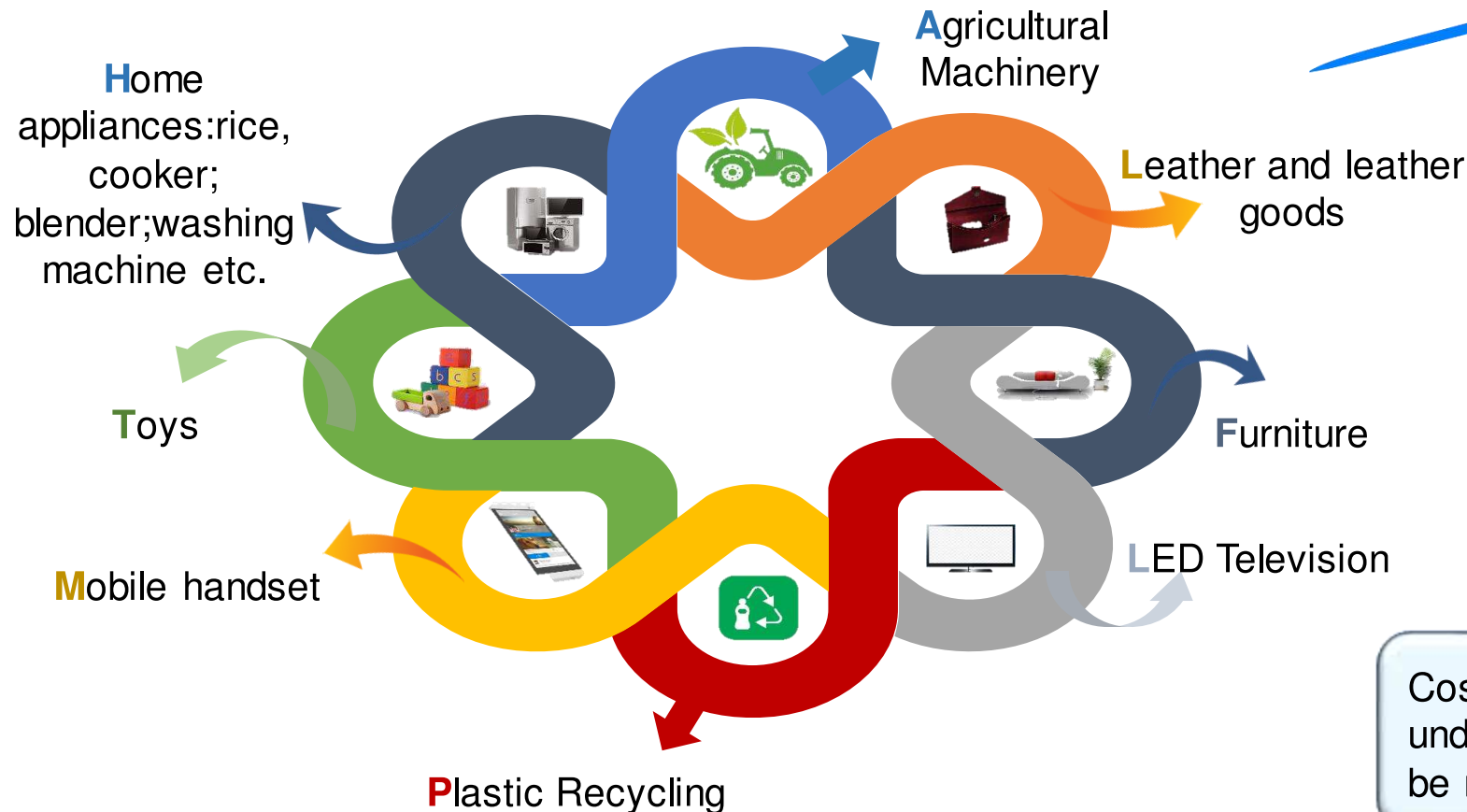
Cost of assets (Plant & Machinery) is Tk. 10 Cr which was bought without deduction of tax.

Deemed income: 10 Cr

Tax impact = Tk. 3.5 Cr ($10 \times 35\%$)

Facilitating Business and Growth

New manufacturing sectors have been proposed to include which are as follows:




Encouraging for local industrialization

No question will be raised as to the source of any sum invested in any economic zone or in any high tech park if tax @ 10% is paid on the sum so invested.


Cost of legalizing undisclosed income will be reduced

Newly Established IU/PIF



Tax holiday period for the “**newly established industrial undertaking**” has been proposed to continue upto 10 years if the set up is between the period of July 2019 and June 2024

Tax exemption facility for the 1st year has been reduced to 90% from 100%



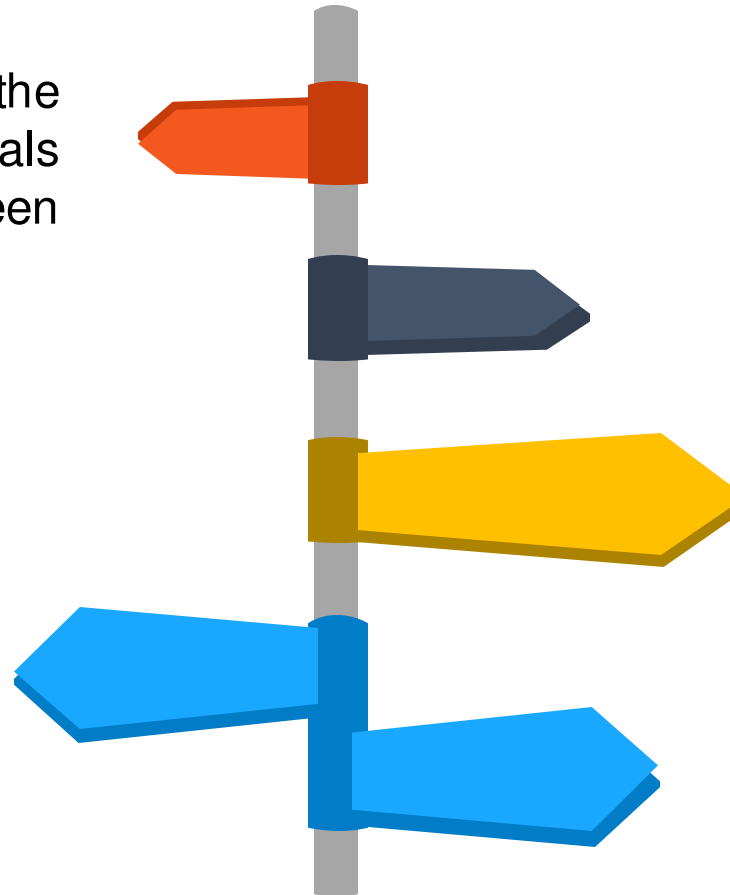
Tax friendly
proposition

TDS- Supply of Goods and Execution of Contract

TDS exemption on the purchase of direct materials part of COGS has been deleted.



Collection from suppliers will increase



Goods supplied on which TDS applied u/s 53E will be subject to TDS on the said supply shall be B-A.

A= tax paid u/s 53E

B= amount of tax applicable u/s 52



Double taxation impact will be reduced

TDS- Supply of Goods and Execution of Contract

Illustration:

A manufacturing company sells its products to the distributors at Tk. 95, MRP of which is Tk. 100. The distributors then resell the products to the retailer at Tk. 98.

TDS implication u/s 53E (3):

The manufacturer will collect tax of Tk. 0.24 $(95 \times 5\% \times 5\%)$ (A).

TDS implication u/s 52:

TDS u/s 52 comes to Tk. 1.96 $(98 \times 2\%)$ (B).

The retailers will deduct tax of Tk. 1.72 $(1.96 - 0.24)$ from the distributor.

TDS- Supply of Goods and Execution of Contract

Threshold Level of base amount	Current rates of deduction	Threshold Level of base amount	Proposed rates of deduction
Up to 15 lakh	2%	Up to 25 lakh	2%
Above 15 lakh to 25 lakh	3%	Above 25 lakh to 50 lakh	3%
Above 25 lakh to 1 crore	4%	Above 50 lakh to 1 crore	4%
Above 1 crore to 5 crore	5%	Above 1 crore	5%
Above 5 crore to 10 crore	6%		
Above 10 crore	7%		


Big relief for the contractor and supplier

However, TDS @ 3% will be applicable for the company engaged in cement, iron or iron products on the payment of any amount.

Single TDS for the cement industry

Inclusion of New Services u/s 52AA

SL	Service description	Upto 25 lakh	Above 25 lakh
3	Courier services; Packing and shifting services	(i) 1.5% on gross bill (ii) 10% on commission	(i) 2% on gross bill (ii) 12% on commission
13A	Wheeling charges for electricity commission	4%	5%



Transportation charge of electric energy has been brought under WHT. Hence cost will be increased.

Exemption of TDS on Taxed Dividend


Avoidance of multilayer taxation on the distribution of taxed dividend to the resident companies in Bangladesh has been extended to the non-resident companies as well.



Encouraging move for the foreign
investors

Foreign Travel of Employees

Expenditure in excess of the prescribed amount in case of foreign travel of employees and their dependents for holidaying and recreation will no longer be inadmissible expenses.



Cost of the company
will be reduced.



House Property Income



Any amount received exceeding Tk. 2 lakh other than bank transfer which is adjustable against the rent receivable shall be deemed to be the income from house property.



If such amount is received through bank transfer, the amount shall be adjusted within five years. Unadjusted amount shall be deemed to be income after expiry of aforesaid period

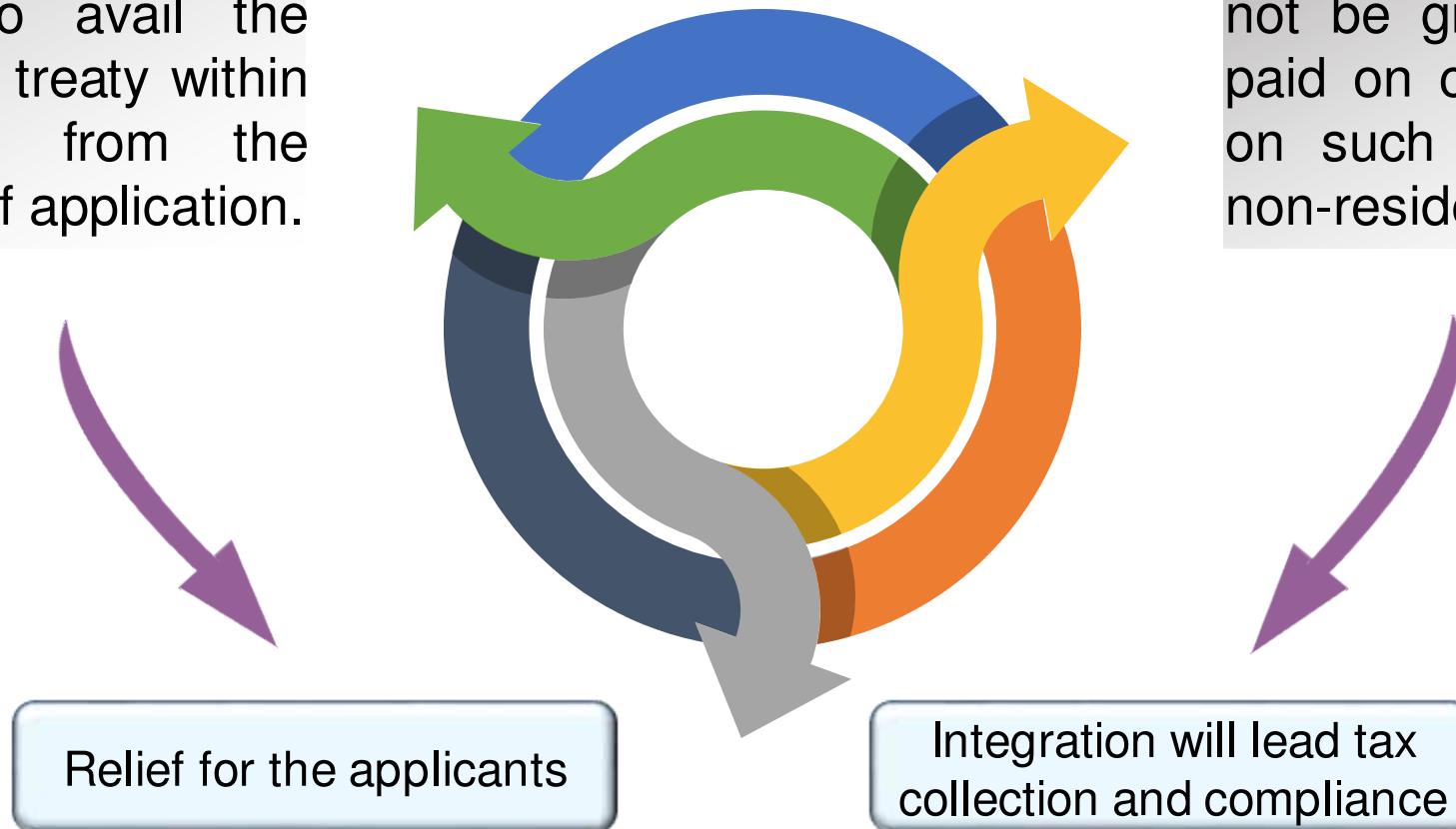


Transaction has been formalized
and adjustment has been
freezed

Changes in Section 56

NBR may issue a **certificate** to avail the benefit of tax treaty within **thirty days** from the receipt date of application.

Effect of share transfer will not be given unless tax is paid on capital gain arising on such share transfer to non-resident company.



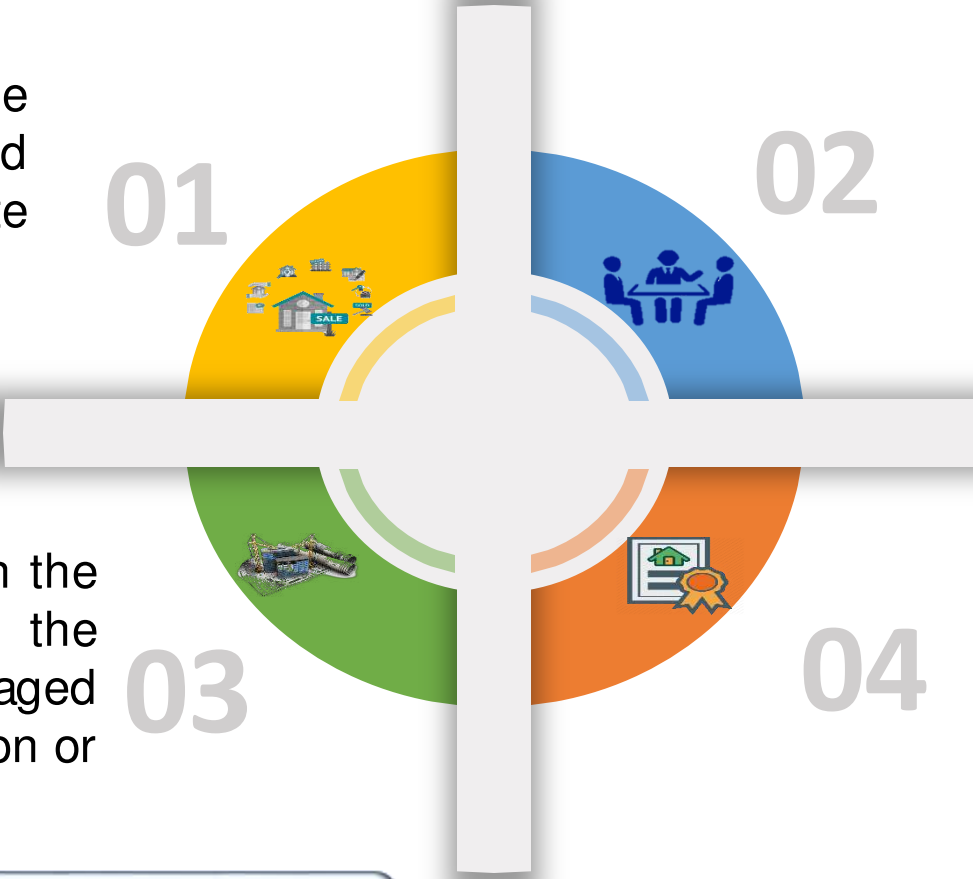
Changes in Section 82C

01 Deduction of tax on the payment made to the land owner by the real estate developer

02 Tax deducted at source from advisory or consultancy services

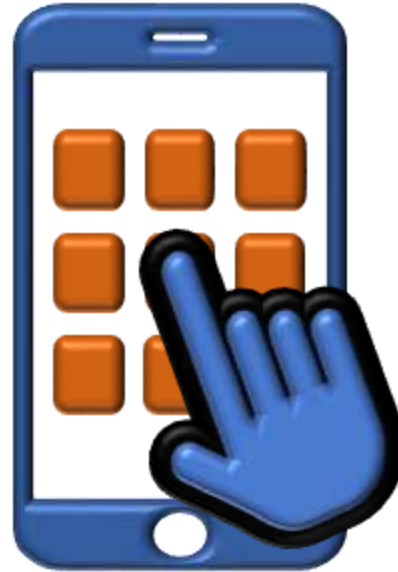
03 Tax collected at source on the import of goods by the industrial undertaking engaged in production of cement, iron or iron products

04 Collection of tax on transfer of property (deed value less acquisition cost) will be considered as final tax.



Cement industry cost will be increased

Requirement of ETIN



Releasing overseas grants to a non-government organization registered with NGO Affairs Bureau or to a Micro Credit Organization having license with Micro Credit Regulatory Authority.



Will increase the tax net and compliance since they will also be required to file tax return

Referral of ETIN in Certain Documents

Both the seller and the buyer are required to have ETIN and mention the same:

In the documents relating to the transfer of land, building or apartment situated within a city corporation, or cantonment board, or a paurashava of a district headquarters with deed value exceeding taka one lakh and required to be registered under the Registration Act, 1908 (XVI of 1908).



Will increase the tax net but cost of administration may outweigh the benefit



Automation between two authorities will increase compliance

Increase/Extension of Tax Exemption

Particulars	Existing Exemption limit upto	Proposed exemption limit upto
Dividend income	25,000	50,000
Income from SME	36 Lakh	50 Lakh
Exporter of handicrafts	30 June 2019	30 June 2024
Producer of rice bran oil		
Cineplex		

N/A for listed companies

Tax friendly proposition

Tax Rebate

Employment of at least 10% of total work force from physically challenged people will enjoy 5% tax rebate.



Good proposition to bring
the physically challenged
people in work force

Changes in TDS

Particulars	Existing	Proposed
Export cash subsidy	3%	10%
Fees for surveyor of general insurance company	15%	10%
Interest on saving instrument	5%	10%
Media buying agency service	3.5%	2.5%

Exporter's net income will be reduced

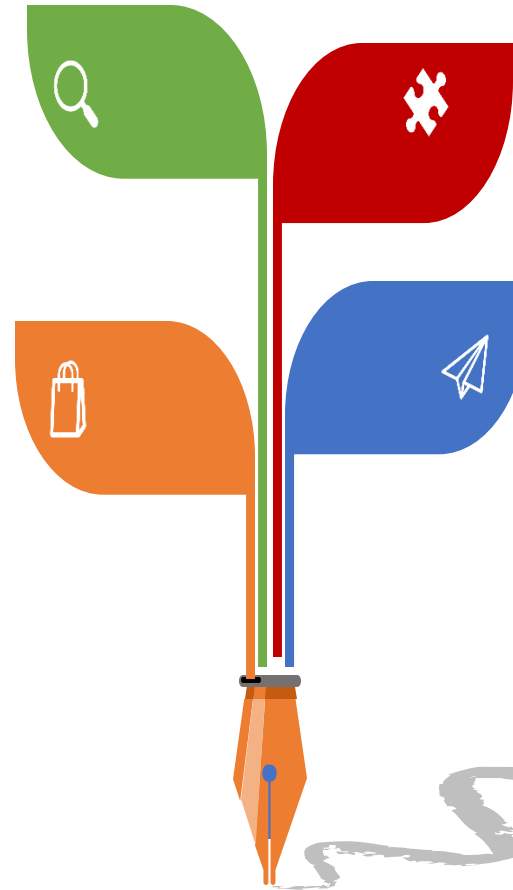
Marginal income holder's net income will be reduced

Applicable for proviso u/s 52AA

Changes in WHT Authority

No tax deduction for the payment made to the Government for services from convention hall, conference center etc.

Specified person has been brought in to deduct tax at source from payment of **house rent, hotel rent, fee of convention center.**



Association of person has been included in the list of tax deduction authority.

Specified person has been brought in to deduct tax at source from rental value of vacant land or plant or machinery.

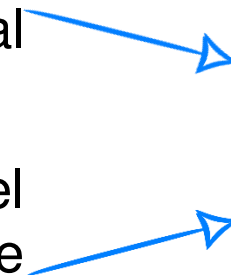
WHT authority has been
made identical

Changes in Other Areas

- Threshold level for AIT payment has been increased to 6 lakh from 4 lakh
- Time limit of reopening file by the assessing officer u/s 93 has been extended to 6 years from 5 years
- Transfer of capital assets has been defined as plant, machinery, equipment, motor vehicle, furniture, fixture and computer
- Failure to provide medical facility to schools, colleges, universities and NGO will be subject to 5% additional tax

Changes in Other Areas


- Buying price of shares shown below the fair market price will cause the assessing officer to deem the differential figure as income.
- Advance sales or deposit not through banking channel will be deemed as income. But will be deductible upto the amount sold later.



Cost of non-compliance is high

Renewal of Trade License

Areas	Proposed amount	Existing amount
Dhaka South City Corporation, Dhaka North City Corporation or Chittagong City	3,000	500
In any other city corporation	2,000	300
In any paurashava at any district headquarter;	1,000	300
In any other Paurashava	500	100



Cost of holding too many licenses will be burdensome

Presumptive Tax

- Presumptive tax rate in road and water transport has been increased by 25%
- Submission of tax return and submission of tax challan copies have been made mandatory to avail this benefit



Cost of transport will be increased and businessmen have been brought under the net of tax submission

Renewal of Brick Manufacture

Permission for the manufacture of bricks shall not be issued or renewed without tax clearance certificate of the preceding assessment year along with the receipt of the tax.



Law has been
stringent

Tax Return

Submission of Tax return has been mandatory:

- A Micro Credit Organization having license with Micro Credit Regulatory Authority
- A non-resident having permanent establishment in Bangladesh

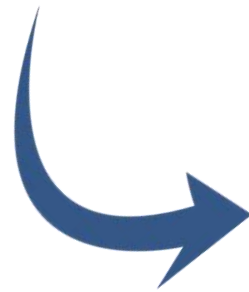


Compliance will increase the tax net as well as collection. Question is about enforcement!

WHT Return

Submission of WHT return has been mandatory:

For a Micro Credit Organization having license with Micro Credit Regulatory Authority, a private university, a private hospital, a clinic, a diagnostic center, a firm or an association of persons



Compliance will increase the tax collection in advance.

Audit Selection

Return or amended return of the financial institution is open to selection for audit even if the shown income constitutes 15% higher total income than the total income assessed in the immediate preceding assessment year.



Very discriminatory!

Changes in Definition

- **Following entities have been brought within the definition of resident:**
 - ✓ A trust, a fund, or an entity, the control and management of whose affairs is situated wholly in Bangladesh in that year; and
 - ✓ a local authority and every other artificial juridical person
- Hotel accommodation including furniture, fittings and the land appurtenant has been included in the definition of house rent
- **Leave fair assistance will be considered as perquisite.**



Cost of the company will
be increased

Transfer Pricing

- A transaction with a resident non-associate enterprise will also considered as international transaction for this proposed change.



Scope of international
transaction has been
widened

- In case of any adjustment made in conformity with the arm's length price shall be treated as income and tax shall be payable on such income at the regular rate.



Adjustment will be
deterrent

Transfer Pricing

An arm's length range beginning from the forty percentile of the dataset and ending on the sixty percentile of the dataset shall be constructed using more than 6 entities:

- If the transaction price is within the range referred above price shall be deemed to be arm's length price.
- If the transaction price is outside the range, price shall be taken to be the median of the dataset.

Moreover, arithmetical mean shall be taken if dataset is less than 6 entries.

Guidelines for calculation
of arm's length price have
been better specified

Changes in Definition

- **For the purpose of royalty** in respect of any right, property or information, it is not necessary that-
 - ✓ the possession or control of such right, property or information is with the payer;
 - ✓ such right, property or information is used directly by the payer;
 - ✓ the location of such right, property or information is in Bangladesh.
- The expression “process” in the definition of royalty includes transmission by satellite (including up-linking, amplification, conversion for down-linking of any signal).



Services not mentioned in DTAA
have been brought under Royalty.



Service fee repatriation as business
profit will be reduced. Hence, Govt
will realize taxes

Personal Income Tax



Tax rate for Individual Assessee

- Tax exemption threshold for both the male and female has remained unchanged.
- Tax rate for the individual has remained unchanged.



No inflationary adjustment
for last five years!

Investment Tax Rebate

Proposed threshold level	Tax rebate on eligible amount
Up to TK. 15 lakh	15%
More than TK. 15 lakh	10%

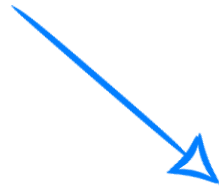
Person	Income	Rebate as per AY 18-19	Proposed	Increase/ Decrease
A	1,500,000	52,500	56,250	3,750
B	1,600,000	55,500	40,000	(15,550)
C	3,100,000	150,000	77,500	(72,500)

Substantial reduction
for high income
group



Eligible Investment

Purchase of one computer or laptop will no longer be considered as eligible investment



Misuse will be stopped. Instead of deleting on its entirety provision could have been introduced for eligibility in every three to five years

Surcharge

Surcharge on net wealth of the individual assessee has been proposed to maintain at its current level with the exception that the limit of surcharge is raised to BDT 3 crore compared to BDT 2.25 crore.

Tax charge for marginal and new billionaire's will
reduce

If net wealth of an individual assessee exceeds 50 crore or above, minimum surcharges will be higher of 0.1% of the net wealth or 30% of income tax payable.

Example: Tax payable 5,000, Wealth 51 Crore

0.1% of net wealth of 51 crore of an individual = Tk. 510,000

Current: 30% surcharge of income tax payable = Tk 1,500. TTI = 10,000 (5,000+5,000)

Proposed: 30% surcharge of income tax payable = Tk 510,000. TTI = 515,000 (5,000+510,000)

Tax charge for wealthy but low income
generating personnel will increase substantially

Investment in Land, Building or Apartment

Area wise tax rates for the investment in building, apartment or land:

Name of the areas	Existing tax rates/sqm	Proposed tax rates/sqm
Gulshan Model Town, Banani, Baridhara, Motijheel commercial area and Dilkhusha commercial area of Dhaka	5,000 to 7,000	(i) 4,000 to 5,000 (ii) 15,000 for land
Dhanmandi Residential Area, Defence Officers Housing Society (DOHS), Mahakhali, Lalmatia Housing Society, Uttara Model Town, Bashundhara Residential Area, Dhaka Cantonment, Kawran Bazar, Bijaynagar, Segunbagicha, Nikunja of Dhaka, and Panchlaish, Khulshi, Agrabad and Nasirabad Area of Chittagong-	4,000 to 5,000	(i) 3,000 to 3,500 (ii) 10,000 for land
In the city corporation area	2,000 to 3,000	(i) 800 to 1,500 (ii) 5,000 for land
In the area of a Paurasabha of any district headquarters	600 to 800	(i) 300 to 700 (ii) 1,000 for land
In the areas not mentioned above	400 to 600	(i) 200 to 500 (ii) 500 for land

Cost of legalizing undisclosed
income will be reduced



Value Added Tax

Registration

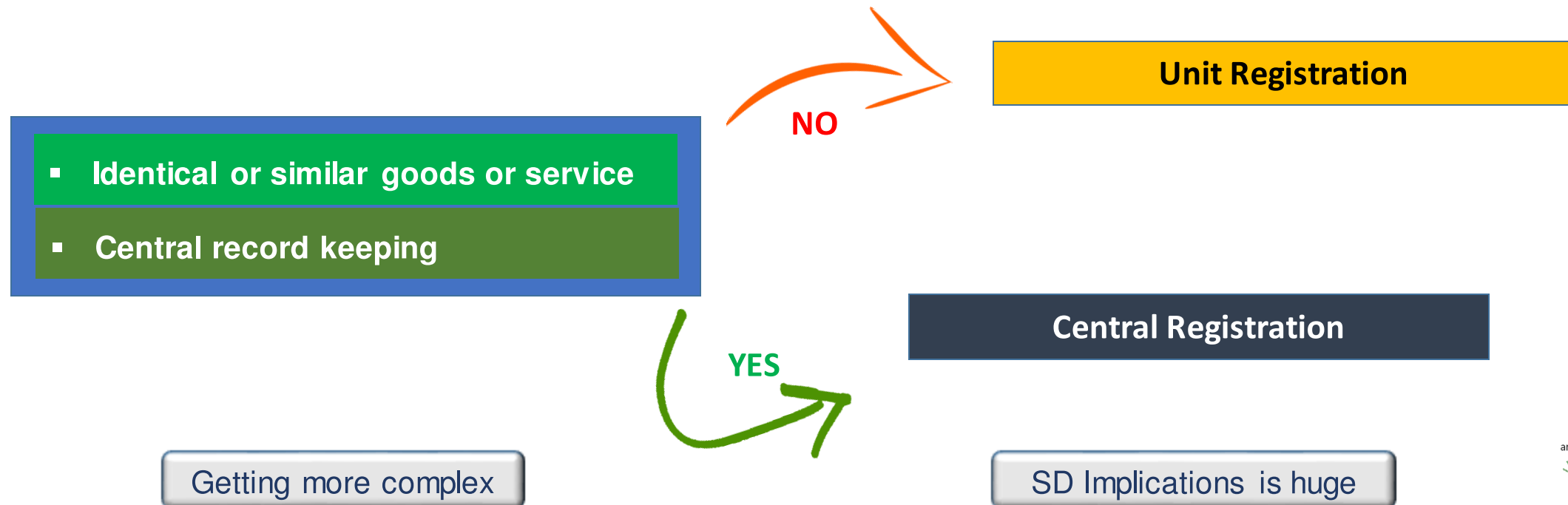
Now entity who wants to obtain Enlistment and VAT registration they have to apply through online.



Registration (Continued)

Unit or Central Registration?

- 1 When an entity operates economic activities by supplying same type of product from different place but keep the records centrally then they will be required to obtain central registration.
- 2 When an entity operates economic activities by supplying different type of product from different place then they have to obtain registration for every places.





Snehasish
Mahmud & Co.

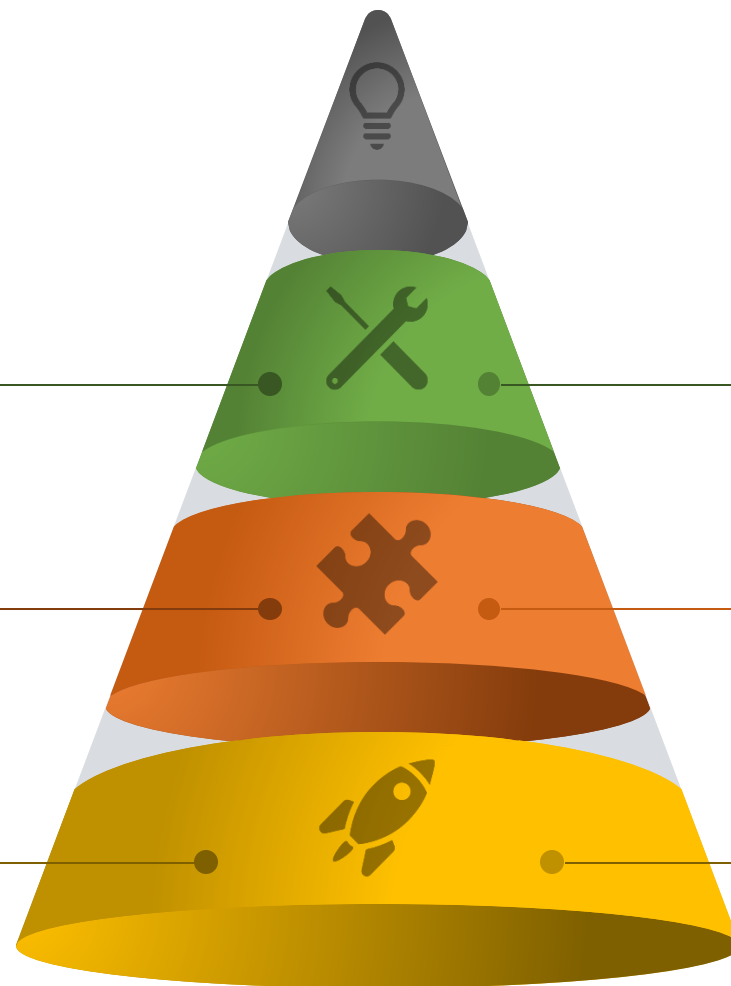
Threshold

ANNUAL TURNOVER

BDT 1 TO BDT 4.99
MILLION

BDT 5.0 MILLION TO
BDT 29.99 MILLION

BDT 30 MILLION TO
ABOVE



THRESHOLD

NONE

ENLISTMENT
THRESHOLD

REGISTRATION
THRESHOLD

Urgency
of EFD!

Mandatory Registration

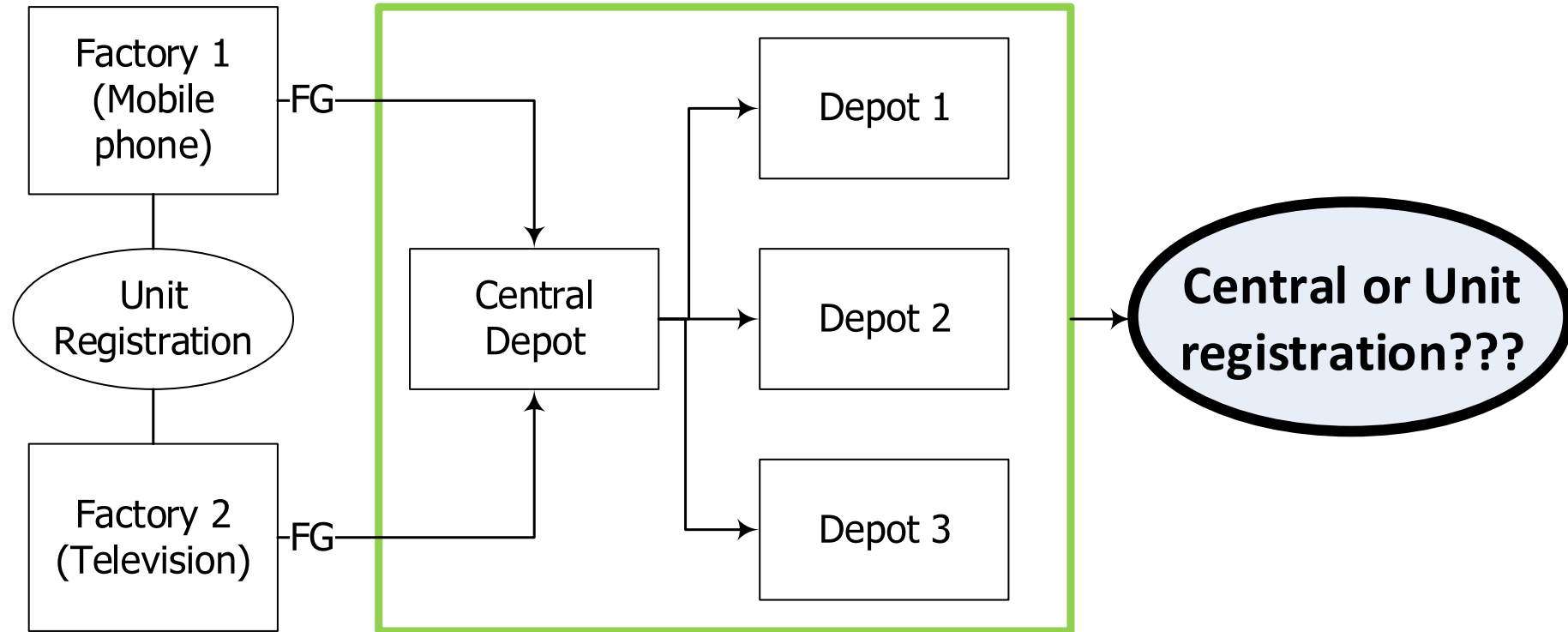
Every person carrying on the following economic activities, has to be registered for VAT



Registration (Continued)

Challenges

- ❑ Definition of identical or similar goods or services requires clarification.



Registration (Continued)

Challenges

- ❑ Same company cannot have two sets of audit and cannot pay from one unit to another unit. One unit can also not pay another unit even if they maintain unit registration.
- ❑ Contradiction regarding registration between enlistment threshold vs Deducting authority. A limited co having turnover of less than Tk. 30 M is not required to be registered but is considered as a deducting authority. Since it is a deducting authority, they are required to be registered irrespective of their turnover.
- ❑ Buyers BIN number must be disclosed in the VAT challan for all sale above Tk. 25,000.



Imposition of VAT

Government introduced new 3rd schedule which included reduce rate on some goods and services and fixed VAT amount on some goods and services



Standard rate is **15%**

Reduced rates imposed by 3rd schedule are **5%**, **7.5%** and **10%**

Special rates: Medicine **2.4%**, Petroleum products, Flat Re-registration **2%**, Land development **3**, Apart registration **2% (1600) 4.5% (above 1600)**

*So many rates
goes against
the basic act!*



Services

Change in definition of Services

S099.50 “Sale of Goods through online” has been replaced by “Credit Rating Agency” which was under service code S099.6.

S099.10 “Information Technology Enabled Services” has been altered so as to include “Website development and services”

S079.00 “Social Media & Virtual Business” has been altered to replace the words “ecommerce based sales/purchase/handover of cars, furniture, air conditioner, freezer, refrigerator, television, washing machine, camera, home theater, jewelry (gold or diamond threaded), foreign branded clothing and footwear and other similar goods or service” with “ecommerce based sales/purchase/handover of goods or service”.



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Mahmud & Co.

Services (Continued)

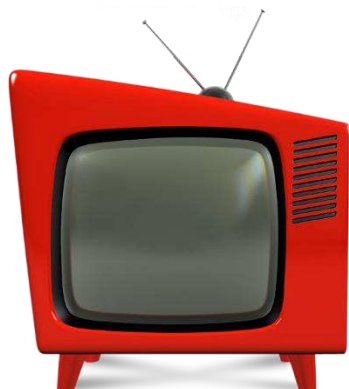
Addition of New Services



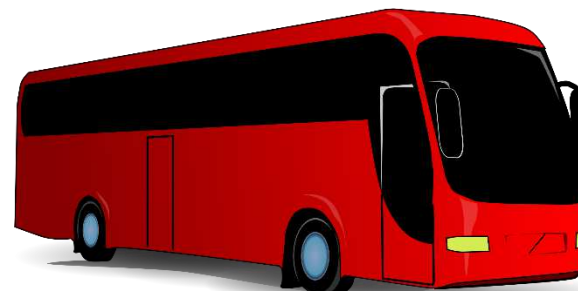
S029 - Astrologer



S041 - Marriage Media



S043 - Supplier of Programs to
Television & Online Medium



S044 – Services by BRTA

Decrease in Rates of Certain Services

Code	Service	Previous Rate	New Rate
S008.10	Printing press	15%	10%
S009.00	Auctioneer	15%	10%
S013.00	Automated Laundry	15%	10%
S014.00	Indenting Firm	15%	5%
S018.00	Film Studio	15%	10%
S023.10	Cinema Hall	15%	10%
S023.20	Film distributor	15%	10%
S031.00	Repair and servicing	15%	10%
S036.20	Air Conditioned Launch service	15%	5%
S040.00	Security service	15%	10%
S042.00	Automated Sawmill	15%	10%
S047.00	Sports Organizer	15%	10%
S053.00	Board meeting attendee	15%	10%
S063.00	Tailoring Shop & Tailors	15%	10%
S065.00	Organization performing the works of cleaning and maintenance of building and floor	15%	10%
S066.00	Seller of lottery ticket	15%	10%
S076.00	Social and sport club	15%	10%

**Cost going
to be
reduced**

Increase in Rates of Certain Services

Code	Service	Previous Rate	New Rate
S004.00	Construction Firm	7.0%	7.5%
S024.10	Furniture manufacturers	7.0%	7.5%
S037.00	Procurement provider	5.0%	7.5%
S060.00	Purchaser of auctioned goods	5.0%	7.5%
S064.10	Ammusement park and theme park	5.0%	7.5%
S078.00	Own branded ready made garments	5.0%	7.5%
S078.00	Ready made garments except own branded	5.0%	7.5%
S079.00	Social media and virtual business	5.0%	7.5%



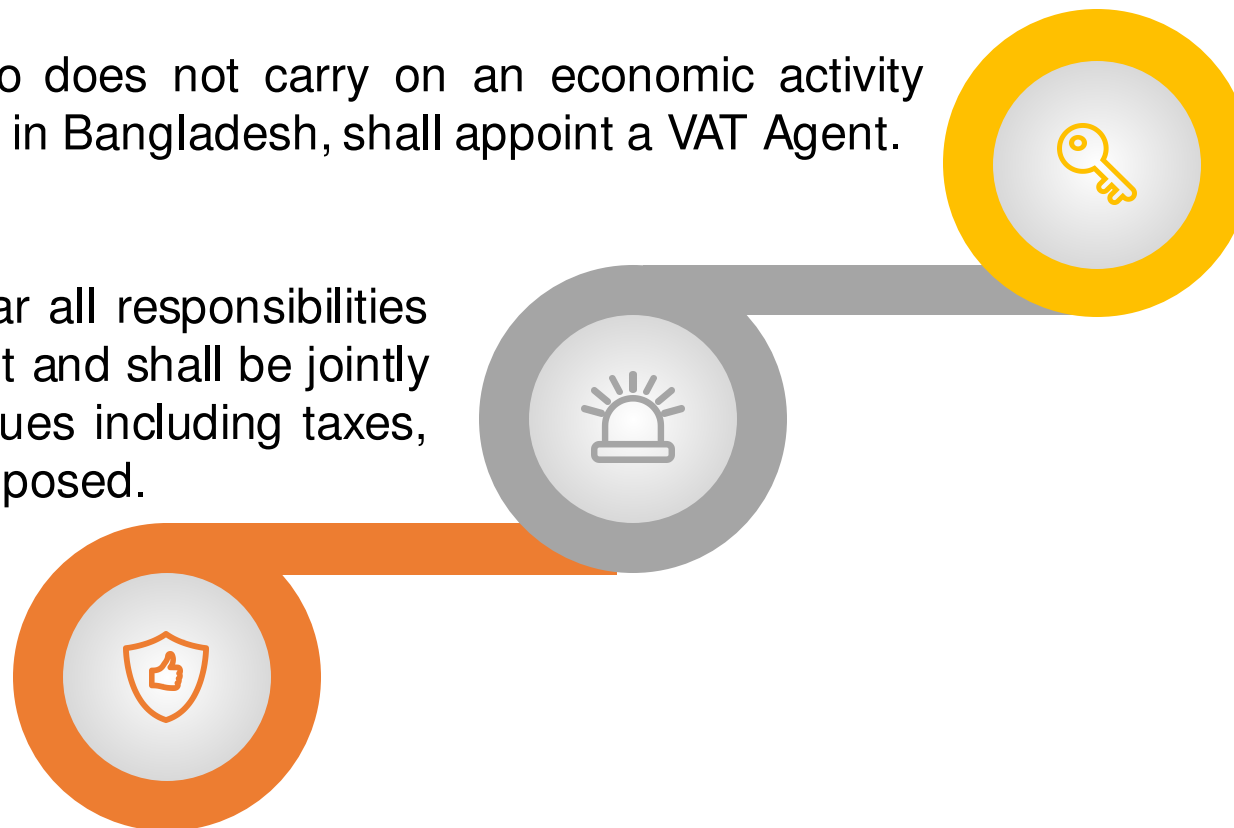
Cost will increase.

VAT Agent of Non-residents

Non-resident, who does not carry on an economic activity from a fixed place in Bangladesh, shall appoint a VAT Agent.

Such VAT Agent of a non-resident shall bear all responsibilities and carry out all activities of the non-resident and shall be jointly and severally liable for the payment of all dues including taxes, fines, penalties, and interests that may be imposed.

**Cost to the company
will increase.**



Zero-rated Supply

A supply of immovable property shall be zero-rated if the land to which the immovable property relates is outside Bangladesh.



**New provision matches
best practice**

Export

Export of goods as well as deemed export is subject to VAT @ 0%

Certain services related to export of goods is also subject to VAT @ 0%

Export of service is subject to VAT @ 0%





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Manner of VAT Collection

- 1 Input-output co-efficient has been brought in case of general supply.
- 2 VAT is payable when taken for personal use or given to employee for their use.
- 3 VAT on hire purchase has been introduced.



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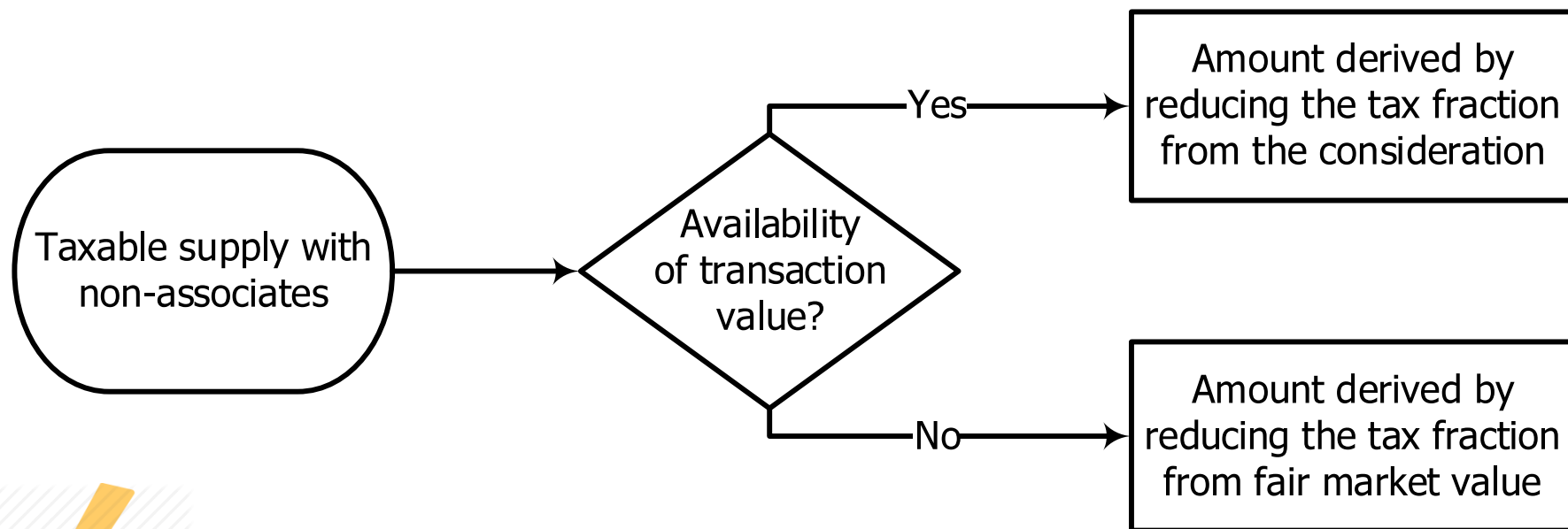


Challenges

- 1) How do we submit co-efficient for services?
- 2) Current dispute regarding PD will continue since the same format will be used.
- 3) 15 Days to submit co-efficient is too long!
- 4) Revised declaration if the input gets changed by 7.5%.
- 5) No format for trader for their declaration. Will increase the cost.
- 6) Advance VAT need to be claimed as decreasing adjustment within the same tax period. What if the entity cannot claim within that month?



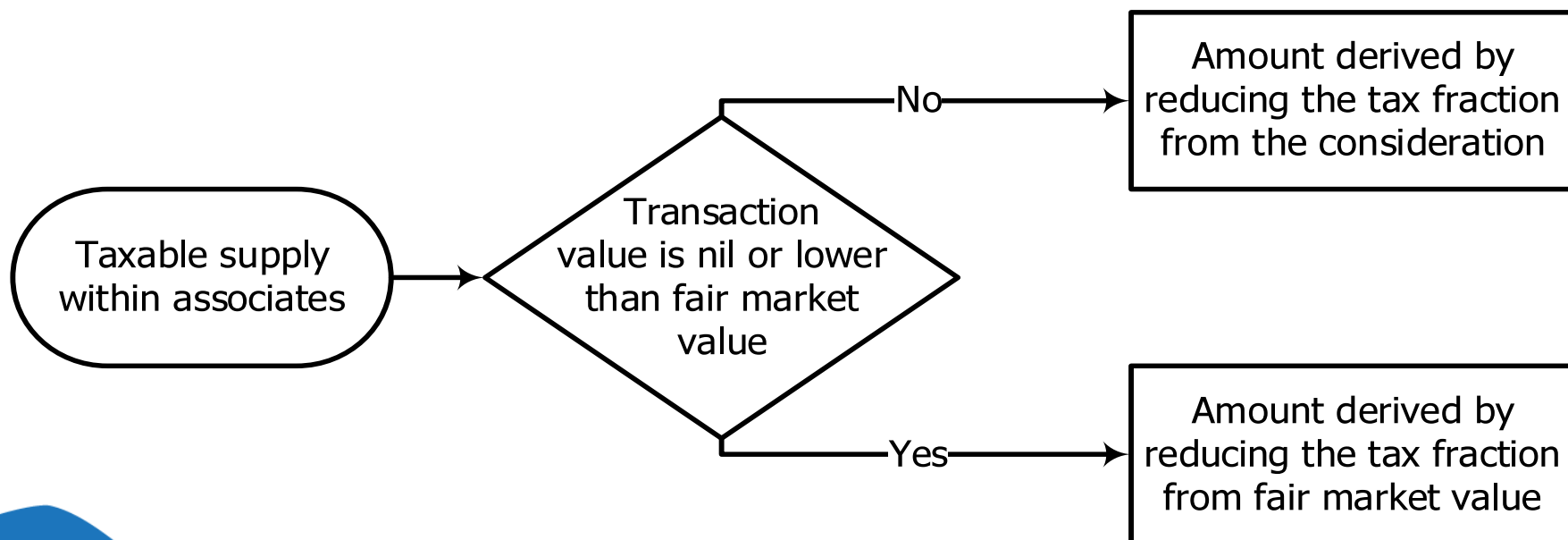
Determination Fair Market Value: Non-associates



$$\text{Tax fraction} = \text{Value} \times [(\text{VAT rate} / (100 + \text{VAT rate}))]$$



Determination Fair Market Value: Associates



$$\text{Tax fraction} = \text{Value} \times [(\text{VAT rate} / (100 + \text{VAT rate}))]$$

Methods to Determine Fair Market Value

- 1 Comparative Method.
- 2 Deductive Method.
- 3 Computed Method.
- 4 Wholistic Method.
- 5 Objective Approximation Method.

The commissioner may recommend the committee to determine price by not following the aforementioned sequence and adapt this method. If the commission recommends, the committee need to consider average prices of minimum three and not exceeding seven identical or similar products.

**Subjectivity
increases
complexity!**

Sale of Running Business



- Sale of a business which acquired with an intent to carry on as a going concern will not be considered as a supply made in Bangladesh. [Section 36(1,2)]
- If a part of a running business establishment which is capable of being operated separately, such part shall be regarded as a separate economic activity and will fall under the scope of running business. [Section 36(3)]

Seller and purchaser of any going concern shall submit continuous and unconditional bank guarantee of a scheduled bank of an amount equivalent to all payable tax and arrears to the Commissioner by a joint application in form “**Mushak-4.2**” before a minimum of 15 (fifteen) days of the sale of such business. [Rules 22(1)]



Telecommunications Products or Services



Sale should be calculated as inclusive of discount where a telco company sells products/services relating to prepaid telecommunication.(Section-38(1))

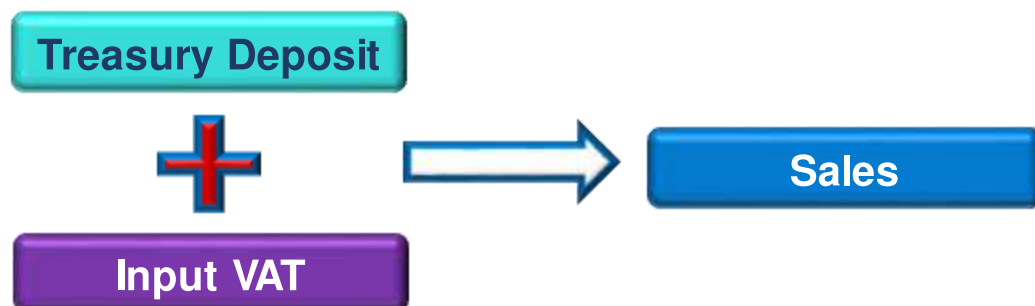
Sales by a telco intermediary shall not be treated as taxable if he buys and subsequently sells any prepaid telecommunications product. (section-38(2))



Difference Between New & Old Act

VAT Act 1991

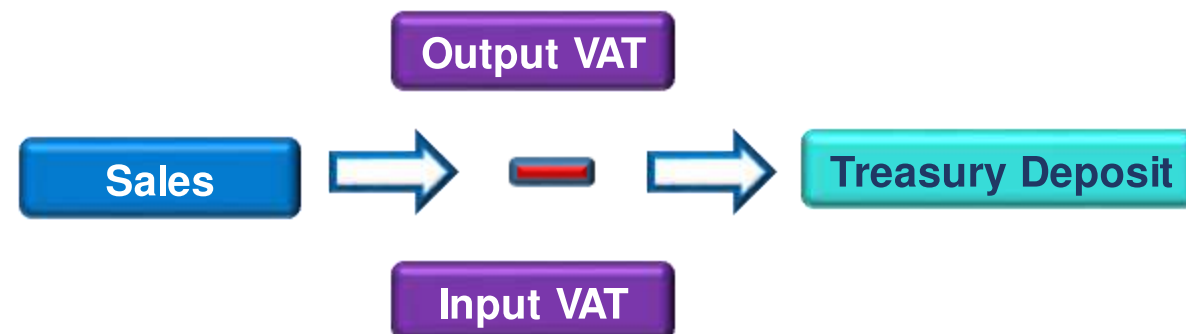
Previous System of
Advance Payment of VAT



VAT & SD Act 2012



New System of Payment
Through Return



Input Tax Credit, Section 46

Positive change

1. No advance payment of VAT
2. Not required to maintain VAT current account
3. Rebate on VAT paid for immovable property



Input Tax Credit, Section 46 (Continued)

Negative change:

1. No definition of “Input”. Therefore, it will be more difficult to define what will be considered as “Input”
2. No VAT rebate if items are not listed in the input-output co-efficient.
3. How does a service recipient know when VAT has been paid by service provider.
4. Reduced rated VAT payer are not eligible to claim rebate of input tax.



Withholding entity, Section 2.1

Inclusion

- ✓ Ministry
- ✓ Division or Department
- ✓ Government Owned Entity
- ✓ Local Authority
- ✓ Council or Similar Entity
- ✓ NGO Bureau
- ✓ Private Organisation Approved by Social Welfare Department
- ✓ Secondary or Above Educational Institute

VAT Deduction at Source

- No VDS if the supply is from a deducting authority
- 1/3 to be deducted if VAT is at standard rate
- Full deduction if VAT is at reduced rate
- Cannot take supply if the supplier does not provide VAT Challan form (Form Mushak 6.1)

Confusion:

- One cannot take supply from TOT/Person who does not require enlistment
- Can we deduct VAT from office/house rent
- Government authority collect VAT at the time of registration/renewal. It is not deduction

Books & Records

Exclusion in VAT & SD Act, 2012

Invoice submission to VAT office : There is a provision in VAT Act, 1991 the invoice will submit to VAT office with in 5 working days after raising the invoice.

Amendment of return

On application to the Commissioner now VAT return can be amended after submission.

Late filing of return

Time for filling a return can be extended by 1 month through application to the Commissioner.

Books & Record keeping

1. 100% export oriented company will keep the books & records for 3 years.
2. Others will keep the records for 5 years.



Discriminatory!

Books & Records

Need to mention recipients BIN for sales over 25,000. This means all the distributors/retailers are most likely going to be included under the VAT Net.



Turnover Tax

4%

Determination of turnover of TK 30 Million will be a key challenge for NBR as people will tend to remain below the threshold to evade VAT

NOTE: In VAT & SD Act, 2012 there is no Cottage industry.


Carry Forward & Refund

- In relation to an economic activity involving construction, house building, land development, or property development: the excess amount of money shall be carried forward indefinitely and may be deducted in subsequent tax periods (**No refund**) Section 68(1)].
- For other activities, the excess amount can be carried forward and adjusted in next six tax period and remaining portion if any may be refunded. However,
 - ❖ If amount does not exceed taka fifty thousand (50,000), it shall continue to be carried forward until it is reduced to nil.
 - ❖ In other cases, the commissioner shall refund the amount, on receipt of an application made, be refunded within a period of 3 (three) months.

Carry Forward & Refund

Tax refund to foreign tourists:

There is no provision regarding the Tax refund on the purchase made by foreign tourist in VAT Act, 1991



This will create
positive image
of the country



Monetary Penalty

Imposition of penalty for non-compliances and irregularities; section 85

New	Description	Old Act, 1991	New Act, 2012
	Non-compliance or irregularity for not informing VAT officer about the change in the information of economic activity	Tk. 5-10 thousand	Tk. 10 thousand only
√	Non-compliance or failure to apply for cancellation of registration or enlistment within the prescribed time period		Tk. 10 thousand only
	Non-compliance or irregularity for not filing the VAT or turnover tax return within the prescribed time period	Tk 10-20 thousand	Tk. 10 thousand only
√	Non-compliance or irregularity for not including output tax in the return		Twice the amount of undisclosed output tax
√	Irregularities for taking more input tax credit than entitlement in the return		Twice the credit amount claimed in excess

Monetary Penalty (Continued)

New	Description	Old Act, 1991	New Act, 2012
✓	Irregularity relating to making an increase of a decreasing adjustment or making a decrease of an increasing adjustment in the return		Twice the amount of improper adjustment
✓	Non-compliance or irregularity for not issuing tax invoice, credit/debit note, combined tax invoice or withholding certificate		Tk. 10 thousand only
✓	Non-compliance or irregularity for not furnishing fixed security		Tk. 10 thousand only
✓	Irregularity for willingly evading or attempting to evade assessment and pay tax.	100% of the tax evaded	200% of the tax evaded

This will create significant impact for the VAT payer

VAT office may start with initial warning and gradually increase the rate of penalty if the mistake is off-repeated

Such a huge penalty can not be imposed due to error of omission

Recovery of Due Tax, Section 95

Overdue tax may not be paid in excess of 12
Months (6 months as per 1991)



**This will ease
the distressed
business man**

Appeals and Revisions

If the appellant needs to file appeal, it needs to deposit 10% of the disputed tax amount at each of the stage.



This is very expensive for the businessman. Rewards to VAT official linked with the demand!

VAT Representation by Chartered Accountants

A practicing chartered accountant cannot represent their client unless they participate in the VAT licensing exam.



In the 1991 Act, this requirement was not there. The new act is transaction based. Who else can better understand than a qualified accountant? This might act as a barrier to the implantation of the VAT Act, 2012. Provision of 1991 should be brought in the VAT Act, 2012 in this regard.

Actions During Transitional Period

Registration – To register in the light of VAT Act 2012 immediately.

Rebate & Current Account – To follow provision of Rule 118 of VAT & SD Rules 2016. Adjust maximum 10% of net payable as decreasing adjustment every tax period.



**Approval from
Commissioner
will act as a
barrier**

Price Declaration – Submit input-output co-efficient for all the products as per form VAT 4.3.

VDS – VAT 12 Kha issued after 1 July 2019 can adjusted as decreasing adjustment.

Actions During Transitional Period

Goods delivered based on unique price –

- Need to update Mushak – 17 register as of 30 June 2019. Taxes paid on the stock need to show in the VAT return for the month of June 2019.
- Need to preserve the VAT paid stock register for five years.
- No need to pay VAT on sale of those VAT paid stock from 1 July 2019 and need to exhaust the stock as soon as possible on priority basis.

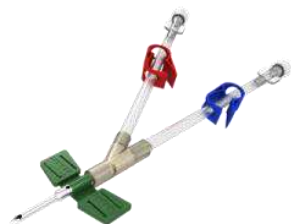


**Marginal
businessman
may not avail
this benefit if
they cannot
declare**

Appeal (10% deposit) – If the assessee wins it will be considered as a decreasing adjustment and if the department wins it will be considered as an increasing adjustment.

Exemption (Inclusion)

Code	Name	Stage
9018.39.40	AV Fistula needle	Import
8541.40.20	Solar Modules or Panels	Import & production
All HS code under 39.24	Tiffin box and water bottle made from plastic	Production
S016	Travel agency	Service
2111.21.00	Natural Gas	Business stage



Exemption (Exclusion)

Code	Name	Stage
8525.50.90 8525.60.90	Machinery for Telecom Sector	Import
All HS code under 76.15	Kitchen ware and sanitary ware made from aluminum	Production
S005	Port service	Service



Industry Specific Information

Industry specific exemption:

1. Air-condition manufacturer: No change
2. Refrigerator manufacturer : No change
3. Motorcycle manufacturer : No change
4. Motor car manufacturer : No change
5. Mobile Telephone set manufacturer : No change
6. Polystyrene fiber (Plastic) production : No change

Industry Specific Information (No Change)

1. Export/Deemed Export/EPZ
2. SEZ/ Hi-Tech Park
3. University : No change
4. Brick field
5. Tea
6. Rubber
7. Land development
8. Ship break yard

Social Media & Virtual Business

There are no explanatory note for Ride Sharing Companies. Hence VAT @ **7.5%** will be applicable on total ride value.

E-commerce business are added under this service code, therefore **7.5%** VAT will be applicable for all E-commerce based transaction.



Contract Manufacturing

Positive change:

1. Goods can be moved directly from port or supplier's premises to contract manufacturer place. Only documentation is required.
2. Owner of the goods can claim rebate based on bill of entry or challan.



Impact of VAT & SD Act 2012 on Tariff Rated Goods

Product	Vat amount in 1991's Act	VAT amount in 2012's Act	Impact
12.5 kg cylinder of LP Gas (Tk. 1,100 each)	Tk. 9	Tk. 55	Increase of Tk. 46
1 kg of cotton yarn waste	Tk. 3	Tk. 4	Increase of Tk. 1
A single pc of 250 KV electric transformer (Tk. 800,000 each)	Tk. 16,500	Tk. 40,000	Increase of Tk. 23,500
A pair of non-metal reading glasses	Tk. 8	Tk. 25	Increase of Tk. 18
One metric tonne cigarette or bidi paper	Tk. 6,562.50	Tk. 13,500	Increase of Tk. 6937.5
One ride in a ride sharing service	Tk. 9	Tk. 13.5	Increase of Tk. 4.5
1000 pc machine made bricks (First Grade)	Tk. 730	Tk. 700	Decrease of Tk. 30
1 tonne coal	\$ 3	\$ 2	Decrease of \$ 1



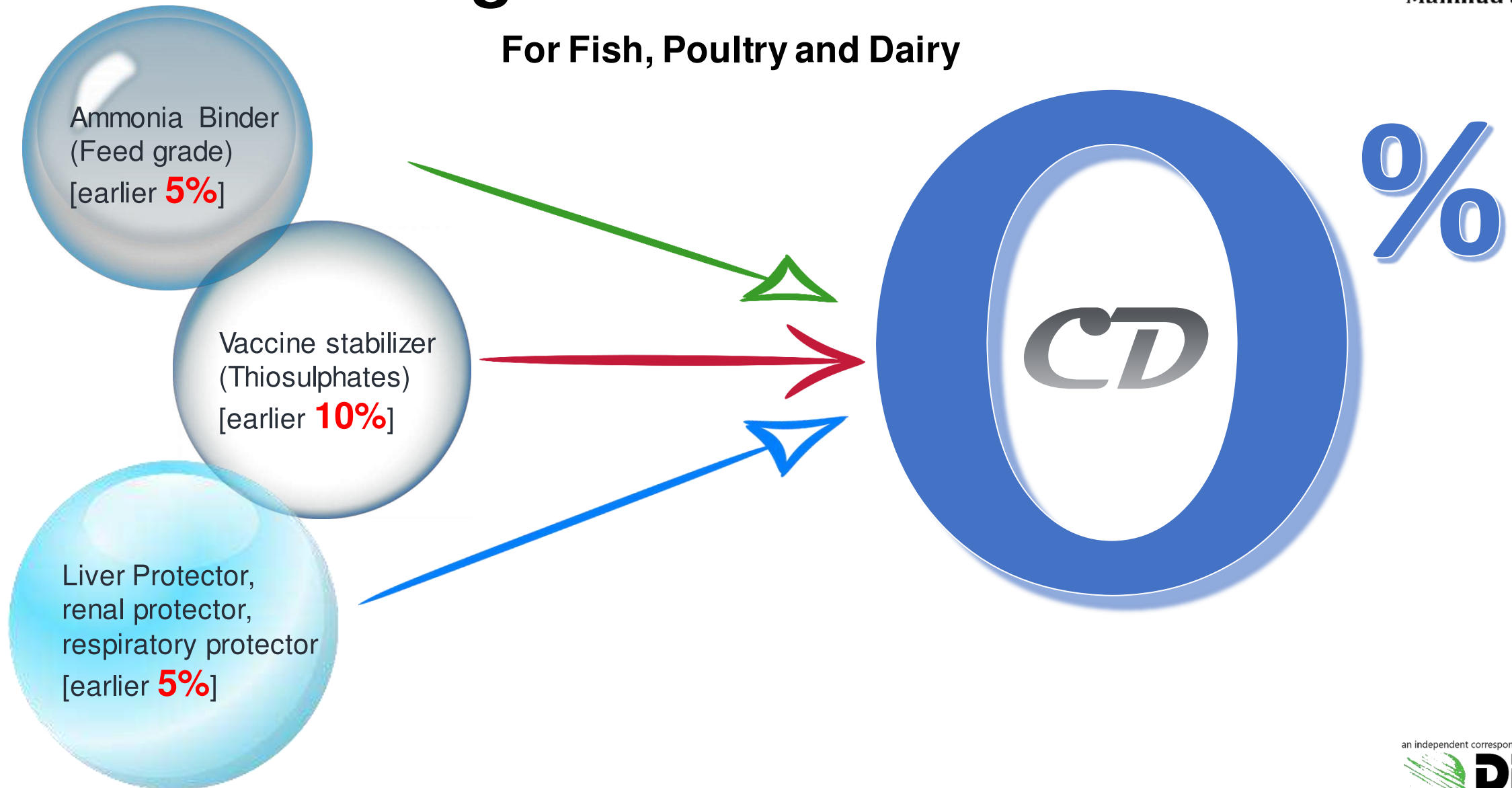
Major Changes in CD, SD and Excise Duty



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Agriculture Sector

For Fish, Poultry and Dairy



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Industrial Sector

Description	Specific duty (Tk./M.Ton)		Regulatory duty (%)	
	Existing	Proposed	Existing	Proposed
Refined sugar	2,000	3,000 ↑	20	30 ↑
Raw sugar	4,500	6,000 ↑	20	30 ↑



❖ Cost of raw materials will be increased for “**Food and beverage industry**”



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Customs
Duty

Milk Powder

5% ⇒ 10%



CD proposed to reduce at
0% on import of raw material
of Cancer medicine

0%

Industrial Sector

Regulatory
Duty

RD proposed on import of
life saving gas
(Liquid Oxygen, Nitrogen,
Argon and Carbon Dioxide)

20% ⇒ 10%



Export
Duty

Rice Bran

10% ⇒ 25%



Unmanufactured
Tobacco

10% ⇒ 0%



Building Bricks

25% ⇒ 15%



Transport Sector

CD

Motorcycle

RD



Air filter



Brakes

25% \Rightarrow **15%**

3% \Rightarrow **5%**



Tyre of rim size of 16 inch

Tyre of a kind used on motorcycles



Other Inner tubes

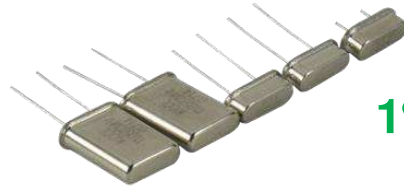
ICT Sector



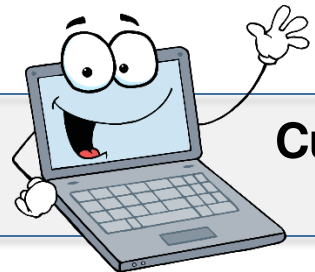
25% (earlier **10%**) is proposed on import of **Smart Phone** [no changes on feature phone]



10% (earlier **25%**) is proposed on import of **Charger connection pin and SIM slot ejector pin**

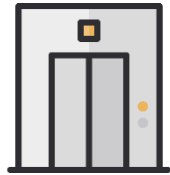


1% (earlier **5%**) is proposed on import of **Transistors and Crsytal diods**



Customs Risk Management Department (CDMD) is proposed to be formed for introducing automated customs risk management- [Digital Bangladesh](#)

Customs Duty Reduced



1% / 5%

LIFT INDUSTRY

Certain components of lift industry are proposed to be exempted from duty and taxes however some are proposed to CD @1% and some @5%.



1% / 5%

COMPRESSOR INDUSTRY

Certain components of compressor industry are proposed to be exempted from duty and taxes however some are proposed to CD of 1% and some 5%.



10% ⇒ 1%

BRASS WIRE AND COPPER PLATE



CD @1% (earlier 10%) proposed on import of Brass wire and Copper plate

10% ⇒ 5%

FIREFIGHTING EQUIPMENT



CD @5% (earlier 10%) is proposed on import of Firefighting equipment

UNWROUGHT, SEMI- MANUFACTURED AND GOLD BAR



CD has been proposed to 2,000/11.664 gm (earlier 3,000/11.664 gm) on import of Unwrought, Semi-manufactured and Gold bar (upto 234 gm)

3,000 ⇒ 2,000



Customs Duty Reduced

- ❑ CD reduced to 0% for Cotton seeds, Palm nuts or kernels etc.
- ❑ CD reduced to 5% for Pebbles broken stone, Fistula needle etc.
- ❑ CD reduced to 10% for Flat-rolled products of a thickness of 0.4 mm or more imported by VAT registered pre-fabricated building manufacturing industry.
- ❑ CD reduced to 15% for Dehydrated chives imported by VAT registered biscuits and bakery products manufacturing industry etc.
- ❑ A proposal to form “**de minimis**” rule to make import more effective for items on which duty tax is below Tk. 2,000.





Customs Duty Increased

- ❑ CD increased to 10% for Universal AC/DC motor of an output exceeding 37.5 W but not exceeding 750 W, AC motor single phase of an output not exceeding 750 W etc.
- ❑ CD increased to 15% for Natural honey in bulk, Dry mixed ingredients of food preparations in bulk imported by VAT registered food processing industries.
- ❑ CD increased to 25% for Olive oil wrapped/canned up to 2.5 kg, Glass envelopes for electric lighting etc.



10%



15%



25%

RD and SD Exemption

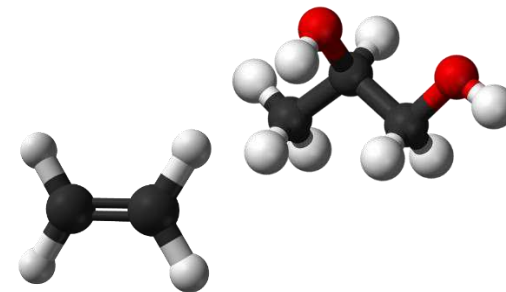
❖ RD & SD exemption proposed on following 5 components of **footwear industry**:

- i. Tubes, pipes and hoses of plastics
- ii. PVC Screen
- iii. Textile fabrics, impregnated, coated, covered or laminated with PVC
- iv. Other Textile fabrics, impregnated, coated, covered or laminated with plastics
- v. Other knitted or crocheted fabrics



Regulatory Duty Increased

- ❑ RD increased to 3% for Ethylene/propylene imported by VAT registered PVC/PET resin manufacturing industry in economic zone etc.



3%

- ❑ RD increased to 5% for Cotton seeds, palm nuts or kernels etc.



5%

- ❑ RD @20% (earlier 10%) proposed on import of **Maize (corn) starches** and **Manioc (cassava) Starches**



10% ⇒ 20%

Changes in Supplementary Duty

- ❑ SD reduced to **0%** for Ultra clear glass imported by VAT registered refrigerator or freezer manufacturing industry and Plug terminal imported by VAT registered electric fan motor or water pump motor manufacturing industry.
- ❑ SD imposed @ **30%** for Pebbles broken stone.
- ❑ SD increased to **30%** for Personal deodorants and antiperspirants.
- ❑ SD imposed @ **20%** for Dextrose anhydrous/ monohydrate BP/USP Pyrogen free imported under blocklist, Carboys, bottles, flasks, jars, pots, phials and other containers, of glass, of a kind used for the conveyance or packing of goods; preserving jars of glass and Other ovens; cookers, cooking plates, boiling rings, grillers and roasters.
- ❑ SD increased to **20%** for Particle board.
- ❑ SD imposed @ **10%** for Panels, boards, tiles, blocks and similar articles of vegetable fiber, of straw or of shavings, chips, particles, sawdust or other waste, of wood, agglomerated with cement, binders. plaster or other mineral binders.

Thank you!

Presenter's contact details:

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