



Snehasish
Mahmud & Co

The Salient Features of the Finance



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Preface

This handout provide an overview of the changes proposed in the Finance Bill 2018 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 2018-19



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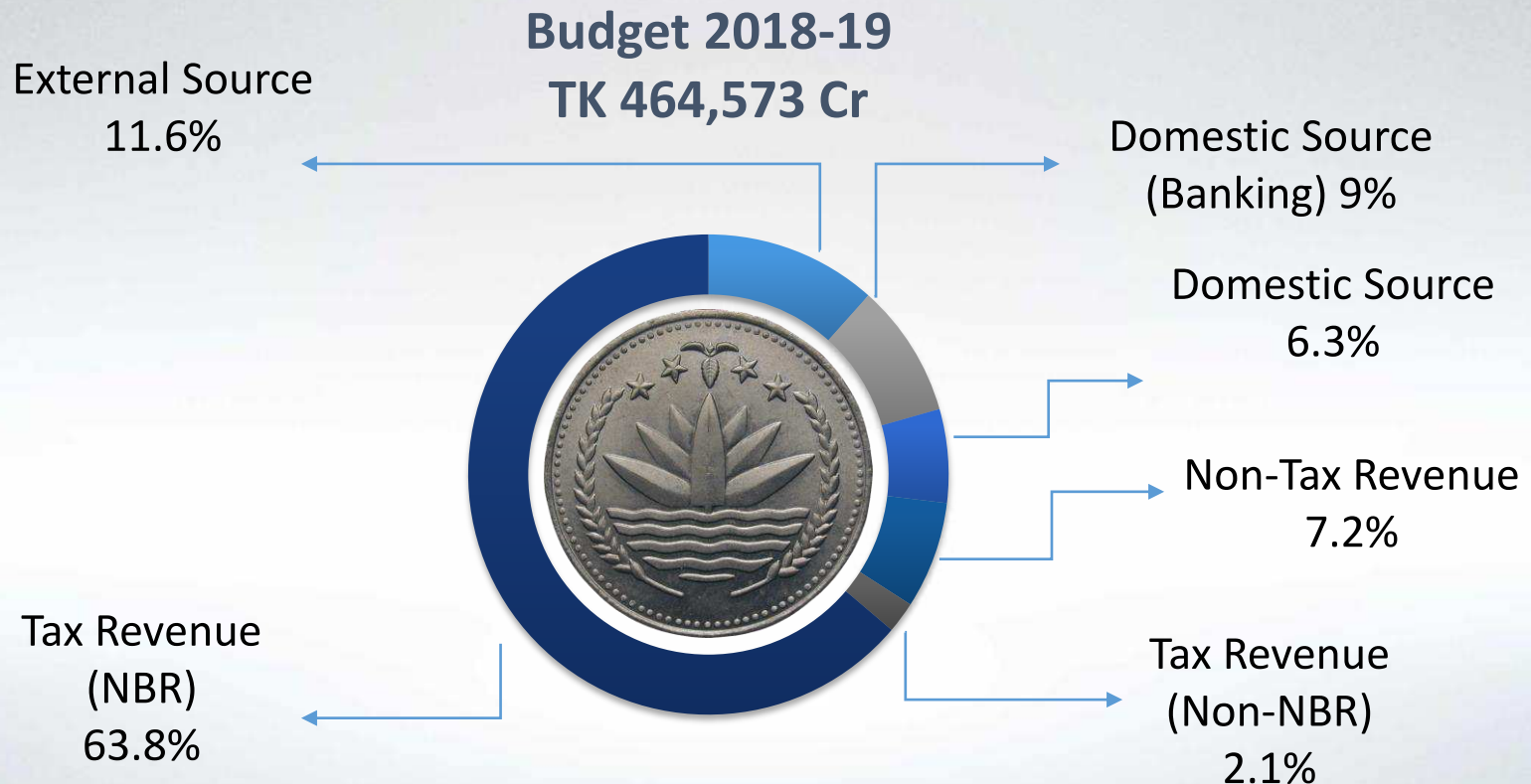
National Budget Comparison at a glance

Particulars	FY 2018-19 (Amount in Crore Taka)	FY 2017-18 (R) (Amount in Crore Taka)	% Change	
Total Size of Budget	464,573	371,495	25%	↑
Total Revenue Earnings	339,280	259,454	31%	↑
Earnings from NBR	296,201	225,000	32%	↑
Budget Deficit	125,293	112,041	12%	↑
GDP Growth	7.8	7.65*	2%	↑
Inflation	5.6	5.8**	3%	↓

* Bangladesh Bureau of Statistics

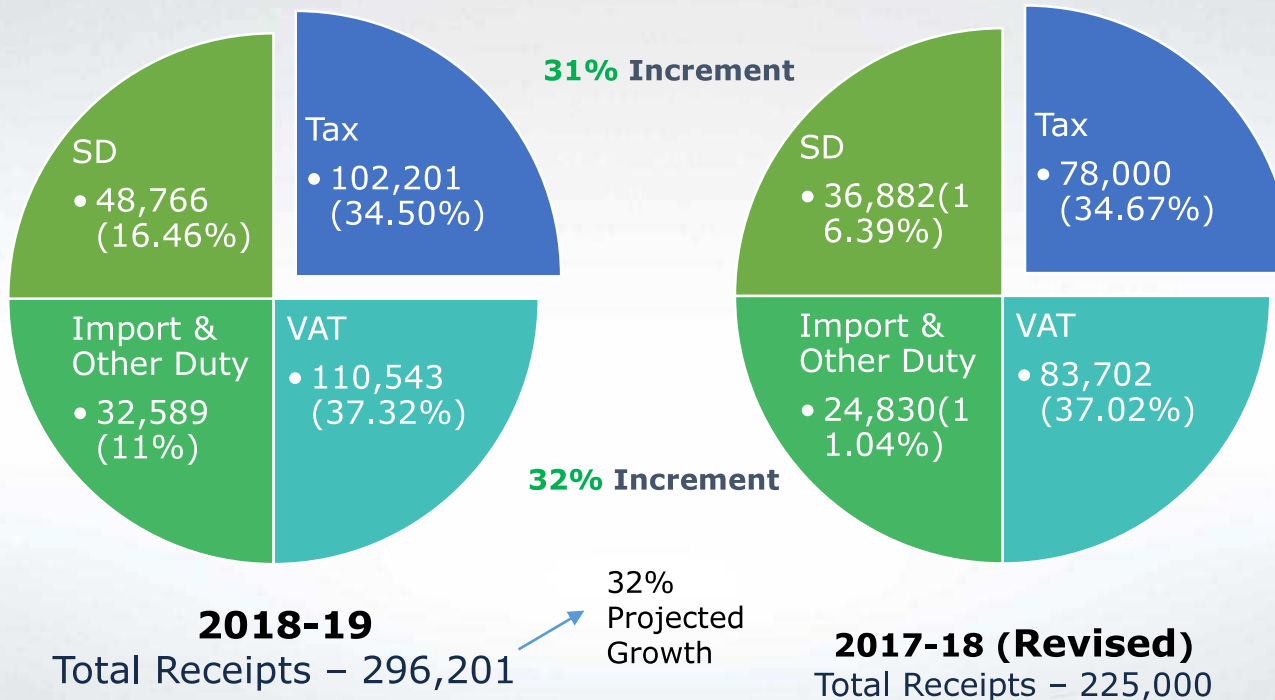
** Average Inflation up to April

Budget at a glance



National Budget Comparison at a glance

Sources of Receipts:
(In Crore Taka)



Actual Growth Compared to Proposed Growth

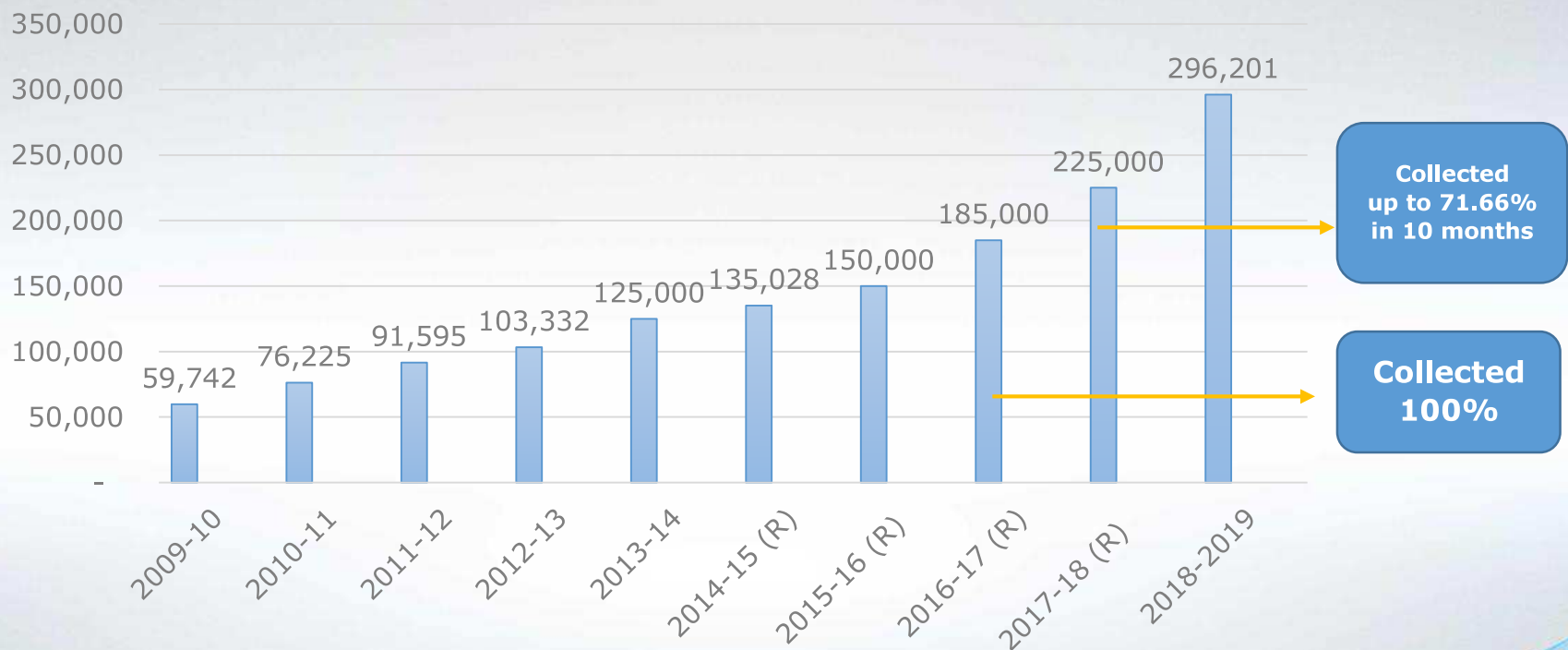
Particulars	2018-19 Proposed	2017-18 (R)	Growth in %	2016-17 (Actual)	2015-16 (Actual)	Growth in %
Tax	102,501	78,000	31.4%	62,729	53,235	17.8%
VAT	110,543	83,702	32.1%	66,204	55,447	19.4%
Import & other	32,589	24,839	31.2%	21,166	18,050	17.3%
SD	48,766	36,882	32.2%	32,034	26,191	22.3%



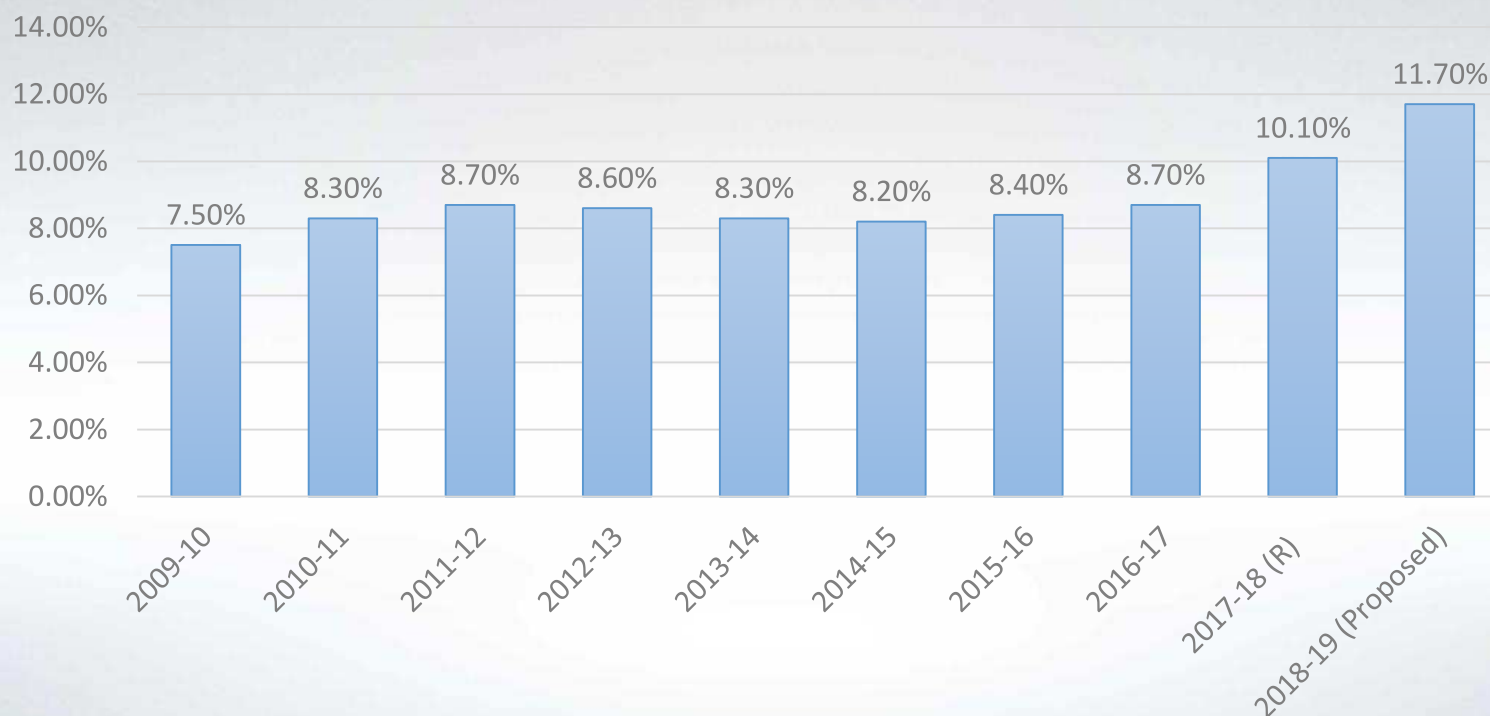
Target seems too high!

Year-wise NBR Budget

NBR BUDGET (IN CRORE TAKA)



Tax(%) of GDP



Corporate TAX



Corporate tax rate

No major changes in corporate tax rates except for the following entities:

Particulars	Existing tax rate	Proposed tax rate
Bank and Financial Institution	40%	37.5%
Medical service provider (with no facility for disabled persons)	35%	40%
Garments Manufacturer:		
Private Limited Company	12%	15%
Public Limited Company		12.5%
Green Building certificate	10%	12%

Permanent establishment

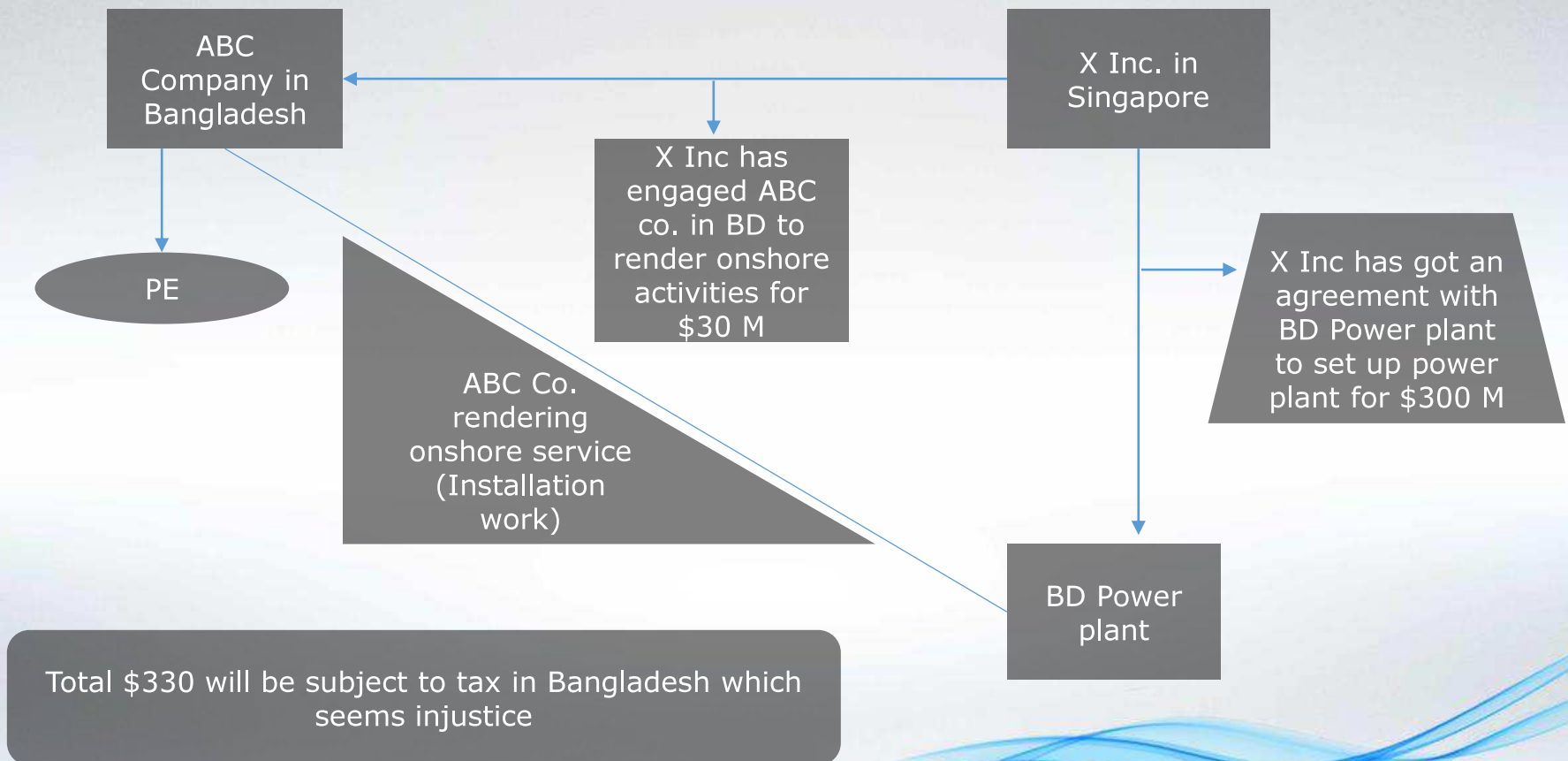
Maximum definition has been aligned with DTAA except for the following:

- The furnishing of services, including consultancy services, by a person through employees or other personnel engaged by the person for such purpose, if activities of that nature continue (for the same or a connected project) in Bangladesh; and
- Any associated entity or person (hereinafter referred to as "Person A") that is commercially dependent on a non-resident person where the associated entity or Person A carries out any activity in Bangladesh in connection with any sale made in Bangladesh by the non-resident person



Non-resident entity running their business operation through PE has been brought under the tax net in Bangladesh.

Associated entity commercially dependent on non-resident person to carry out activities in Bangladesh

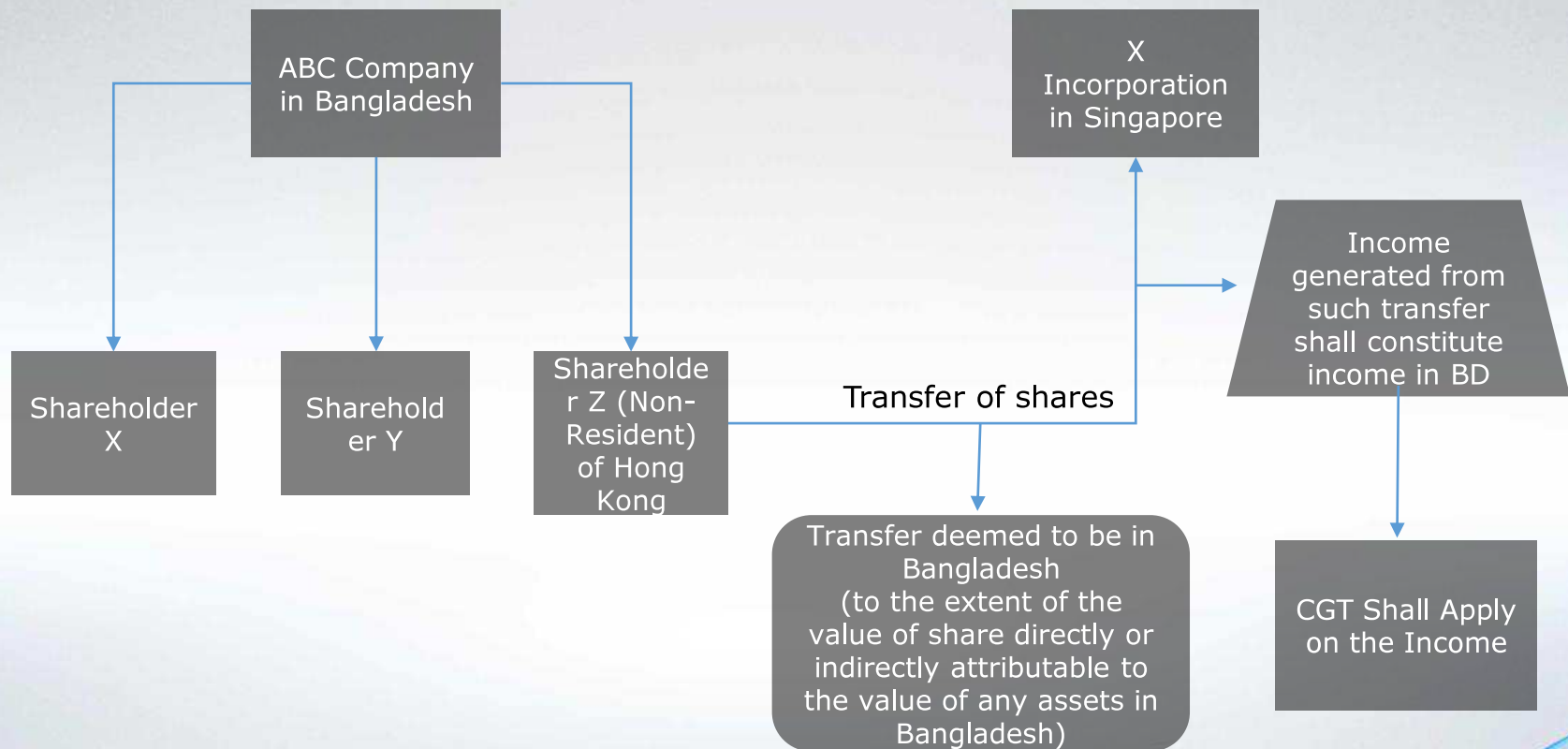


Income deemed to accrue or arise in Bangladesh

Following new scope of income has been inserted:

- any permanent establishment in Bangladesh
 - the transfer of any assets situated in Bangladesh
 - the sale of any goods or services by any electronic means to purchasers in Bangladesh
 - any intangible property used in Bangladesh
- Person coming from abroad for a temporary period to render services in Bangladesh will constitute income.
 - Income earned from Bangladesh by Facebook, Google or YouTube will be subject to income tax in Bangladesh

Transfer of Shares Deemed to be in Bangladesh



Deemed to be income

Deleted	Modified
Loan not repaid within three years shall be deemed to be income	Loan received without bank transfer will be deemed to be income in the year in which it was received
Loan received from initial capital of business shall be deemed to be income	
Initial capital transferred which was shown in the return shall be deemed to be income	

108A: Furnishing information on tax return

An employee shall submit the following information by **15th day of April of each year**

- Taxpayer's Identification Number;
- Date of filing of the return of income; and
- The serial number provided by the income tax authority upon filing of the return of income

An employer shall produce the same to the Income Tax authority by **30th day of April of each year**



Extra hassle on the employer

Inadmissible expenses

- ❑ Non-compliance of section 108A (replacement of section 30(aaaa)).

Authority has been tough
on employee tax return

- ❑ Perquisite limit has been increased to Tk. 550,000

Beneficial for the employer
not for the employee **since
no change in slabs or rate(s)**

Inadmissible expenses

Expenses booked **in any other name** for the purpose of **head office expenses** has been included



Chance of disallowances has been eliminated

Inadmissible expenses

- ❑ **Any fee of similar nature** for the purpose of royalty, technical assistance fee, etc. has been included.

Particulars	Allowable limit
First 3 years from COD	10% NPBT
Subsequent years	8% of NPBT

Slight benefit in allowable limit which might not be beneficial during initial years

Method of Accounting

- Need to prepare financial statements in accordance with **IAS and IFRS**
- Need to be audited **in accordance with BSA**


Should have been aligned with ISA

- **Authentication of balance sheet**, profit and loss account brought in ITO, 1984
- **Production of fake audit reports** will cause the DCT to deem the income as he may think fit


Production of fake audit reports will be eliminated

Ride Sharing service

- Ride sharing service has been brought within the scope of TDS @ 3 to 4%

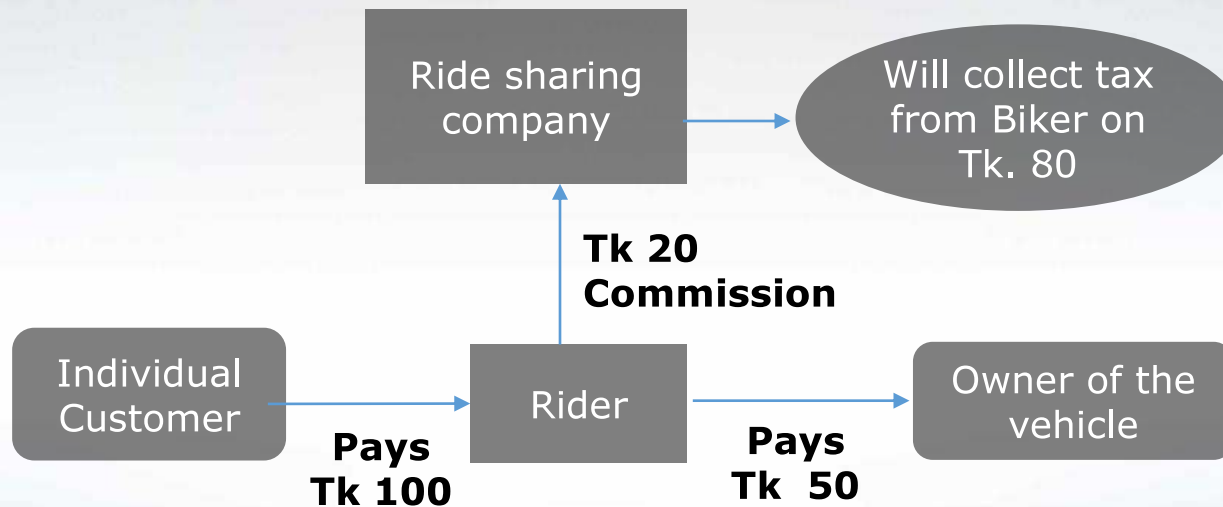
- 
- This will increase the tax burden of the owner. They will be demotivated and growth of this booming sector will be affected
 - How ride sharing company shall deduct tax rather it will be a collection

- Collection of ETIN and return submission has been mandatory



Owner of the motor vehicle is already under the requirement of submission of tax return

TDS Implication on ride sharing (Promotion)



Tax Calculation

Particulars	BDT Per day	BDT 295 days
Collection by the rider	5,000	1,450,000
Payment to the ride sharing company	1,000	290,000
Income of the owner	4,000	1,160,000
Payment of the rider	1,200	348,000
Tax collection on Tk. 1,160,000 @ 3%		34,800

Net income calculation		BDT
Gross income of the owner		1,160,000
Less: Payment of the rider		348,000
Less: Depreciation @ 20% * 2,000,000		400,000
Less: Repair and Maintenance		50,000
Total expenses		750,000
Net income		410,000


Tax Calculation

Income tax calculation		BDT
Particulars	Tax rate	Tax
250,000	Nil	Nil
160,000	10%	16,000
Less: Tax rebate	$(10\text{lac} \times 25\%) \times 15\%$	15,375
Tax after rebate		625
AIT	1500cc car	15,000
TDS		34,800
Tax credit		49,800
Tax refund	$(625 - 49,800)$	(49,175)

Tax payable might start from year 7 even if consider 0.5% instead of 3-4%

Soft Drink Manufacturer

Manufacturer of soft drink shall suffer source tax no more i.e. 4% on the supply of banderoles or stamps.



Tax burden at advance stage has been relieved

Procurement through Local LC/Financing arrangement

Purchase of goods through local LC or for the purpose of trading or of reselling after process or conversion shall be subject to TDS @ 3%



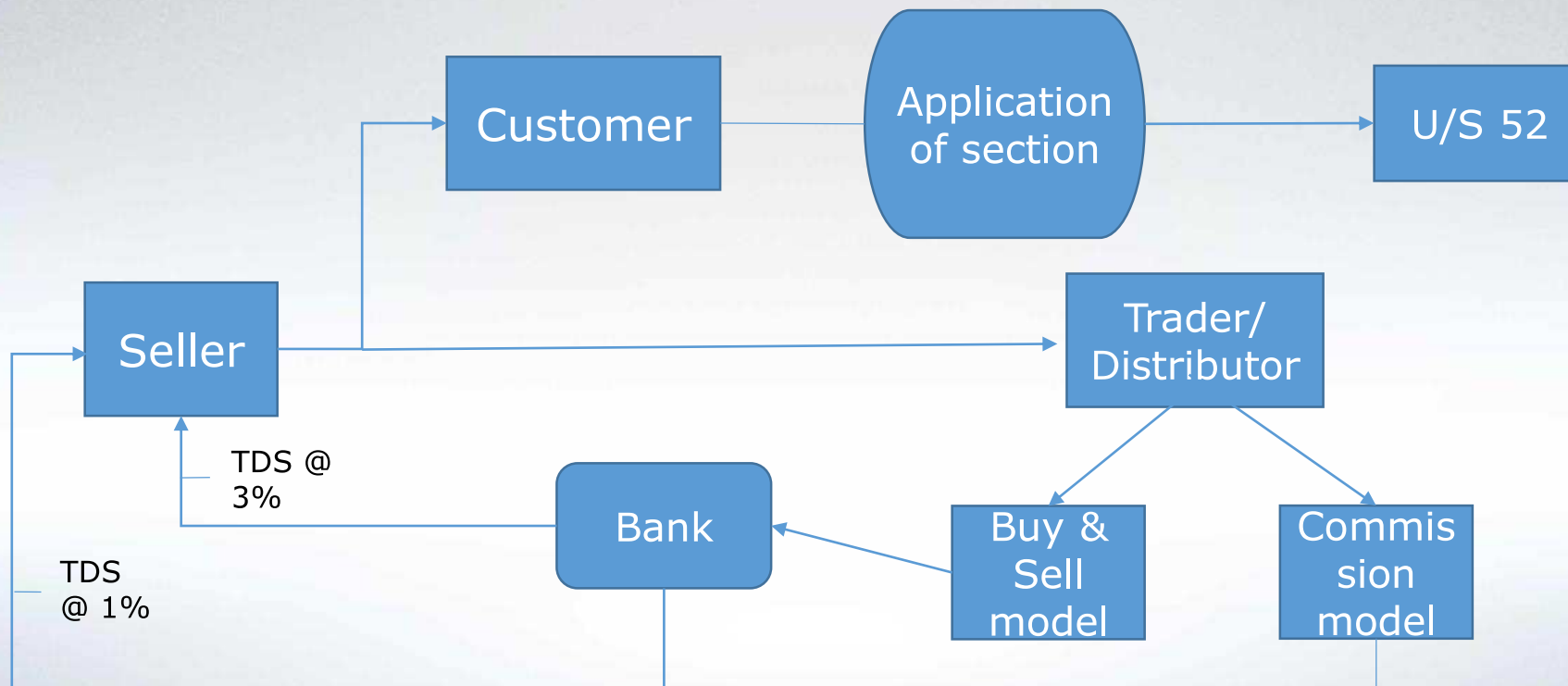
- Shall apply on the seller under buy and sell model
- No TDS u/s 52
- Purchase for own consumption shall no more within the scope of 52U
- TDS for transaction above 5 lac is eliminated

Procurement by Financing arrangement

Purchase of finished goods by a **distributor** through Financing arrangement for the purpose of selling the same to the end customers shall be subject to **TDS @ 1%- New insertion**

- 
- Shall apply on the seller under Commission model
 - No TDS u/s 52

Procurement Through LC/Financing Arrangement



Air transport or water transport

Air transport or water transport service shall not cover the carrying services mentioned in section **102 and 103A**



Water or air transport service by non-resident seems dormant

Tax exemption certificate from NBR

- ❑ Certification from NBR to avail the double tax treaty benefit has been emphasized more.

- Contradiction will arise while issuing certificate since PE definition is not aligned with DTAA
- Hence PE definition might be challenged by the Bilateral tax treaty

- ❑ TDS u/s 56 will be considered as minimum tax liability of the payee and no opportunity for refund or set-off.

How come to refund tax demand in BD since the non-resident person doesn't file tax return

Selection for Audit

Compliance of section **75A, 108 and 108A** shall deter the Board for audit selection



More focus on compliance

Penalty for non-compliance

- ❑ Non-compliance of rule 18 and 21 has been brought under penalty

Now has been clarified

- ❑ Penalty for non-compliance of section 75A, 108, 108A, 109 and 110 has been amended with higher charges

Authority has been very tough on non-compliance



Penalty for non-compliance

Particulars	Existing amount (Tk.)	Proposed amount (Tk.)
Return u/s	First time default	
108	500	Higher of 10% of last assessed tax and Tk. 5,000
108A	N/A	
75A	Higher of: • 10% of last assessed tax and • Tk. 1,000	
109 and 110	250 per day	5,000
58	N/A	
	Continuous default	
108	250 per day	1,000 per month
108A	N/A	
75A	250 per day	
109 and 110	250 per month	
58	N/A	

Appeal to Appellate income tax authority

- ☐ Company can file appeal against the aggreviance related to **international transactions.**
- ☐ Scope of filing appeal u/s 10 has been withdrawn
- ☐ **Board is empowered** to assign or transfer appeal to any appellate income-tax authority

Appeal to Appellate income tax authority:

Following scope has been inserted for an individual to file appeal:

- Set off or carry forward of loss
- Charge and computation of surcharge

Money laundering issues

The DCT with approval of Commissioner of Taxes may make special enquiry and investigation in relation to the tax related offense under Money laundering prevention Act 2012.



Good move to curb
money laundering issues

Exclusion from Total Income


- ❑ Any income derived from the operation of a day care home for children.
- ❑ Any income derived from the operation of an educational or training institution runs exclusively for persons with disability.



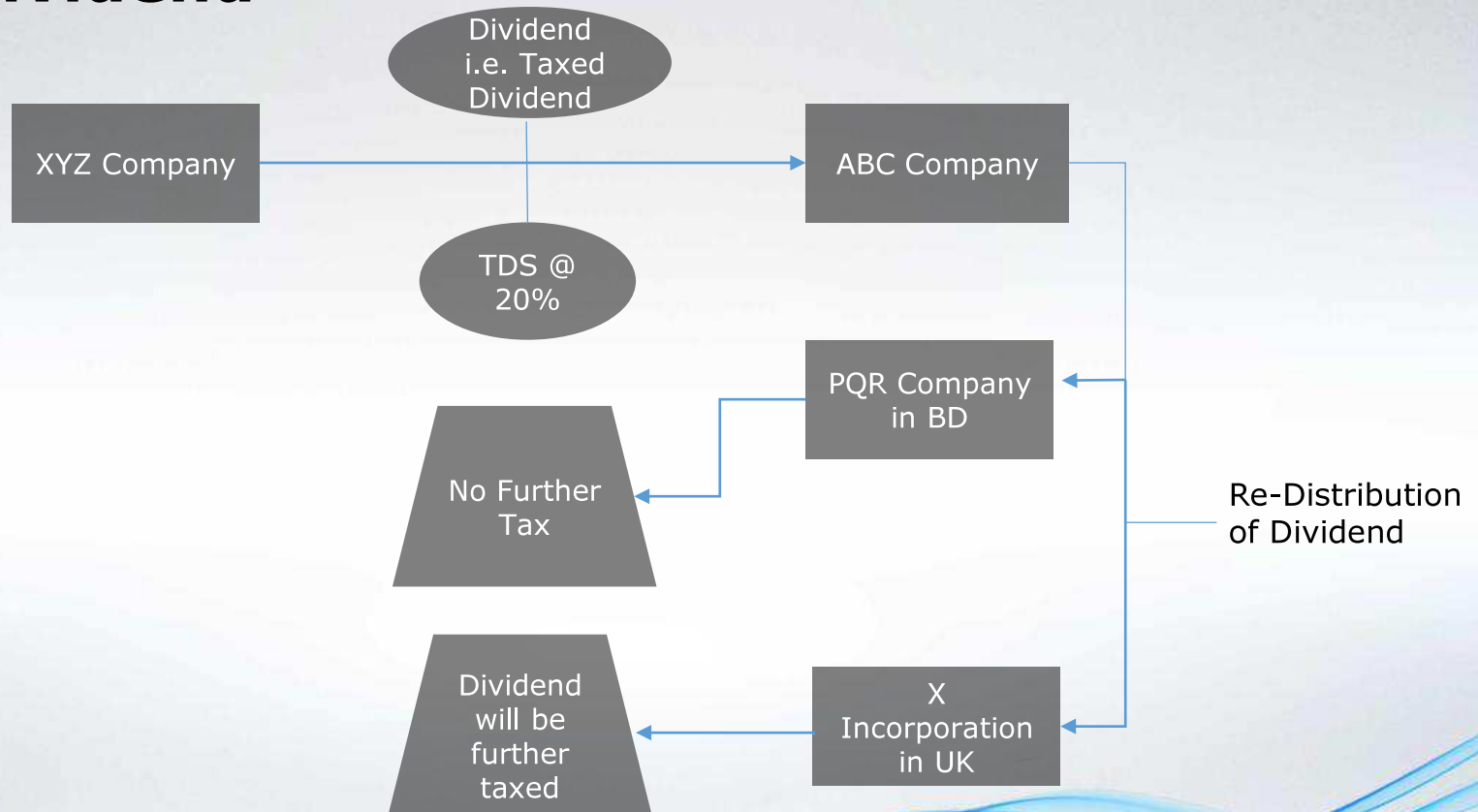
Good move

Exclusion from Total Income

Any **distribution** of taxed dividend to a company being resident in Bangladesh if the company distributing such taxed dividend has maintained separate account for the taxed dividend.”

- 
- A blue arrow pointing downwards from the text above to the list below.
- Multiple tax on dividend is eliminated
 - “Separate account” requires clarification

No Tax on Re-Distribution of Dividend



Progress towards digitization

Email registration, Serving **notice through E-mail** has been proposed as an option in addition to serving notice by registered post.



Good move towards Digitalization.



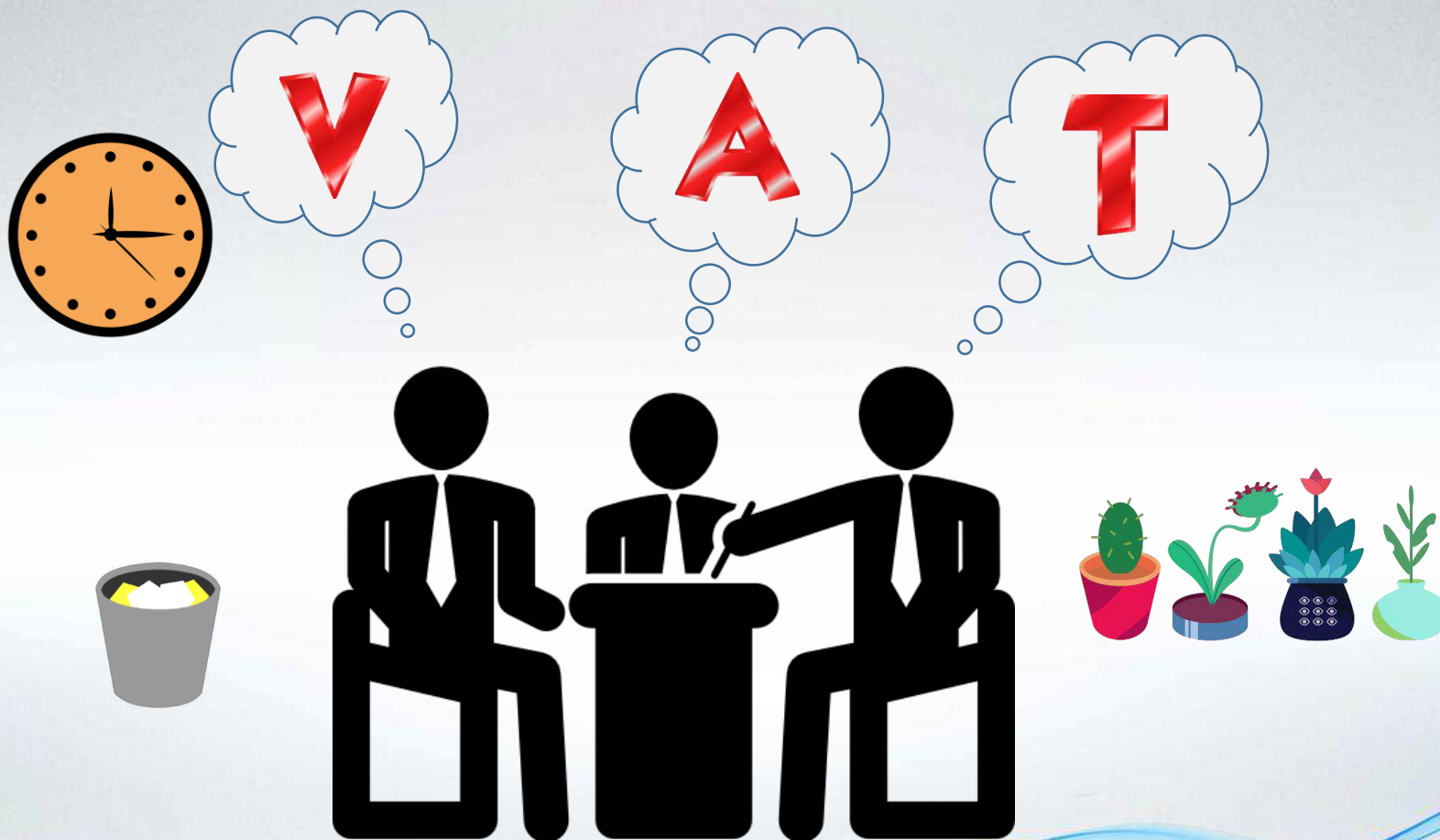
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Personal Tax



Personal tax

- ❑ Threshold level or Slab rate remained unchanged except for the parents of disabled person by Tk. 50,000.
- ❑ **A minimum surcharge** amounting to **Taka 5 thousand** for individuals who have a net wealth exceeding Taka 10 crore



Introduction of New Service Code

S079: Virtual Business

Facilitation of sales of any goods or services (with the exception of own sales or business centre) using electronic network through Internet, web, social media, mobile application or similar platform, except for any value added service provided to telecom operators.

Impact:

Scope of VAT has increased, as sales of goods & services through social media and mobile application (Pathao, Uber, etc.) was not under the purview of VAT.



Ride Sharing

The concept of Ride Sharing has been introduced in VAT, due to mobile apps like Pathao & Uber which have gained popularity in a short period of time.

The fare is calculated through the mobile app. A percentage of the fare is the income from use of the app (i.e.: Uber/Pathao), while rest is the driver's income.

The driver's income is VAT exempted through the second schedule*. However the income of the app is not VAT exempted.

VAT will be applicable on the income of the app, at 5%, through the new service code S079 – Virtual Business

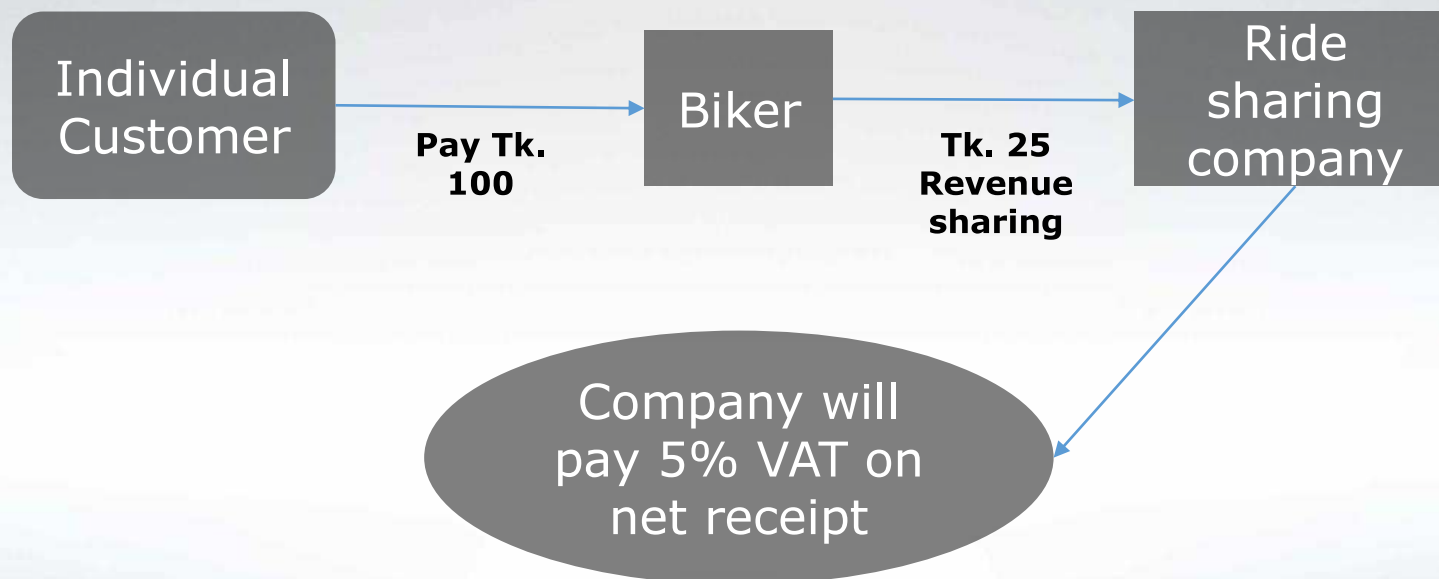
Impact:

Cost to customers will increase, as the fare charged by the mobile app will increase due to the imposed VAT.

* Explanatory note no-1/VAT/2018; date: 7 June 2018.



Transaction among Customer, Biker and Ride Sharing Company



Changes in Definition

S099.1: Service code re-structured

Items added

- ☐ Software Development & Customization
 - ☐ Website Hosting
 - ☐ Website Development
 - ☐ Digital Data Analytics
- ☐ Computer Aided Design
 - ☐ Overseas Medical Transcription
- ☐ Cyber Security Services.

Items removed

- ☐ E-commerce
- ☐ Online Shopping
- ☐ Any automated services rendered by Internet or electronic network.

Changes in Sections & Rules

More points of sourcing information

Section 24(1)(D): Assistance to Authority

Addition of 'non banking financial institution, stock exchange, SEC, RJSC, audit & accounting firms, credit rating agency' are included with bank officers, as source of collecting information.

Impact:

VAT authority can collect information from wider sources than before. In this case, if any company provides incorrect information, the authority will be able to authenticate it.



Changes in Sections & Rules

Section 9(1)(N): Rebate

Explanation of banking medium has been included.

Banking medium includes those bank accounts which were informed to the VAT authority during Registration and those bank accounts which were opened later on, on condition that VAT authority is kept informed.

Impact:

Will be required to declare all bank details to claim rebate. No rebate will be allowed if any payment made from un-listed banking medium.



National Board of Revenue, Bangladesh
জাতীয় রাজস্ব বোর্ড, বাংলাদেশ

Changes in Sections & Rules

Second Schedule, paragraph 7: Other Services

New exemption added: Sale or transfer of land and its registration (excluding Land Developer & Building Construction Firm).

Impact: Cost of purchase of land will be reduced for direct purchase by end user as no VAT is applicable.



Advance VAT

Rate

The rate of Advance VAT (AVAT) has been increased from **4%** to **5%**.

Impact:

Cost to the company will increase which will create burden on end users.

5%



4%

Capital Machineries & Spare Parts

AVAT exemption has been introduced on capital machineries and spare parts.

Impact:

Government in encouraging industrialization through this step.



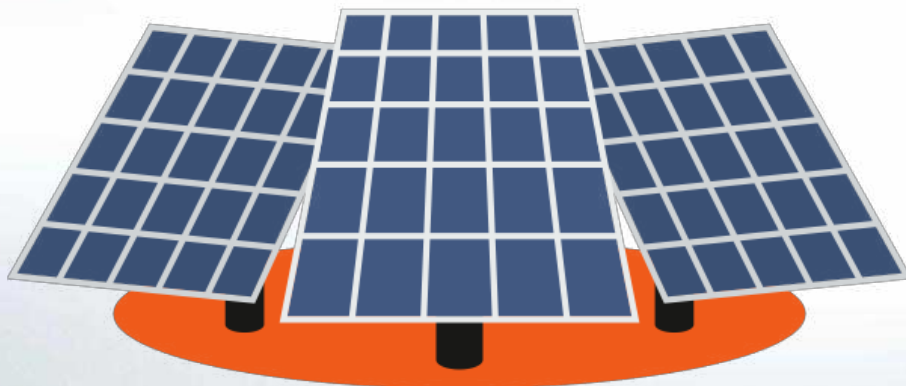
Advance VAT

Solar Panel

Advance VAT exemption on import stage has been cancelled.

Impact:

The solar panel industry is not yet well established in Bangladesh. This exemption is discouraging the importer. As a result uses of renewable energy and green energy may get reduced.



Trade VAT

Rate

The rate of Trade VAT has increased from **4%** to **5%**.

Impact:

As end-consumer needs to pay additional VAT, life style will be more expensive.

Super Shop

The rate of VAT for super shops has been increased from 4% to 5%.

Impact:

Super shop is more reliable source of government revenue rather than other local purchase. Middle income group will be demotivated to purchase from super shop.

5%



4%



Trade VAT

Computer & Computer Parts

The VAT exemption on trade stage on computer & computer parts has been cancelled.

Impact:

Computer is not only used for business purposes. It is also becoming essential for education sector. Increase of such will impact widen stakeholders. It is also albeit opposite of government recent intensions to motivate **ICT** sector.



Withholding VAT

Procurement Provider: Definition of procurement provider has been simplified.

Traders who purchase from manufacturers or any other trader, or import the goods for reselling, will be considered as procurement provider.

Non-applicability of VDS

- Fuel has been included in the list of utility services for which VDS will not be applicable
- VDS exemption on transaction under 1000 taka has been cancelled.

* **New general order -06/VAT/2018**



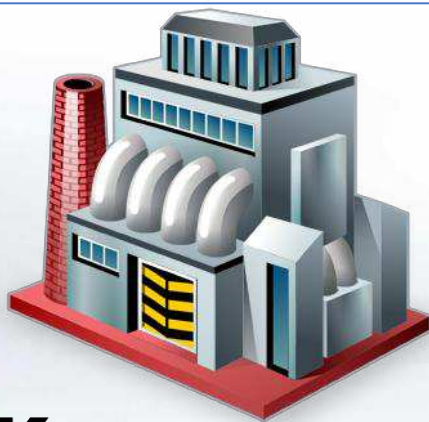
Mobile Phone

Exemption

Importation of materials by mobile phone manufacturer (not assembler) is exempt from VAT, subject to certain conditions.

Impact:

Government is encouraging local manufacture of mobile phones. However, this is discouraging for mobile phone assemblers. Last year, government allowed duty exemption for both manufacturer and assembler. Government should allow more time for assemblers to be established in the market.



Mobile Phone

Surcharge

Surcharge has been increased from 1% to 2% on the base price of imported mobile phone and moved to 0% from 1% for locally manufactured mobile phone.

Impact:

Government is encouraging local manufacture of mobile phones.

2%

1%



Motorcycle

Exemption

Importation of materials by motorcycle & motorcycle parts manufacturer (not assembler), is exempt from VAT, subject to certain conditions.

Impact:

Government is encouraging local manufacture of both motorcycle & motorcycle parts.



Medicine

Exemption

Importation of Erythropoietin (medicine of Cancer and Kidney diseases), is exempt from VAT.

Impact:

Giving importance to the health issues of the citizens.



Truncated Rates

Code	Description	Existing rates (%)	Proposed Rates (%)
S001.2	Non-AC restaurant	7.5	7
S004	Construction firm	6	7
S010.2	Flats of sizes up to 1100 Square feet	1.5	2
	Flats of sizes up to 1101-1600 Square feet	2.5	
	Flats which are above 1600 square feet	4.5	4.5
	Resale of any flats irrespective of the size	N/A	2
S024(ka)	Manufacturing of furniture	6	7
S024(kha)	Selling of furniture	4	5
S048(ka)	Transport Contractor of petroleum products	4.5	5
S060	Buyer of auctioned goods	4	5

Truncated Rates

Code	Description	Existing rates (%)	Proposed Rates (%)
S069	English Medium School	7.5	5
S078(ka)	Branded garment outlets	4	5
S078(kha)	Sale of non-branded garment items in the local market	N/A	5
S079	Virtual Business like Pathao & Uber [on net receipt by organization]	N/A	5
S099.1	ITES	4.5	5

Tariff

Government has increased base price of the many tariff rated products. This will increase cost of living.

Example:

Base price of the tomato paste has been increased from taka 20 to taka 40 per kg. Therefore, VAT on 1 kg tomato paste will increase from taka 3 to taka 6.



Newly imposed Surcharge

Surcharge for the protection of environment

1% surcharge imposed on base price of the product produced by specified organization



Base Price

**Meaning of
specified
organization
has not been
clarified.**



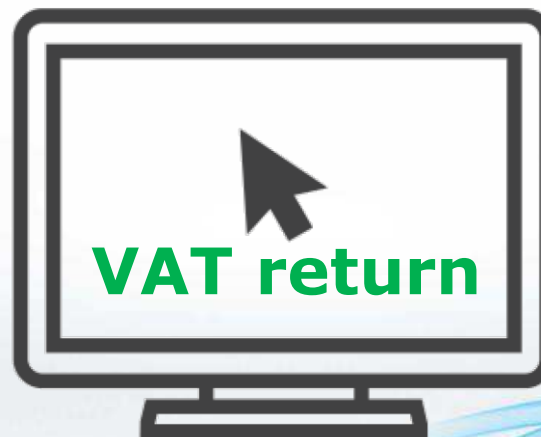
General Changes

Online Return Submission & tax payment system

Online VAT return submission will be launched soon. Initially process will be piloted in LTU. Online tax payment system is also likely to be introduced by this year.

Impact:

Return submission & tax payment will be easier than now, and will save time.



General Changes

Introduction of Electronic Fiscal Device (EFD)

Use of EFD instead of ECR (Electronic Cash Register) and POS will be mandatory to use for all hotels, restaurants, resorts and shops.

Impact:

This will enable the National Board of Revenue to have real-time access to business transactions which will eventually protect revenue leakage and increase revenue collection significantly.



Major Changes in CD, SD and Excise Duty



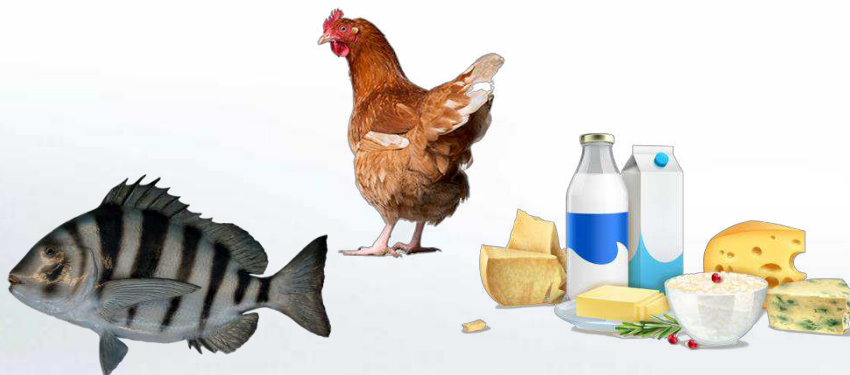
Agriculture Sector

For Rice importation - CD @ **25%** and RD @ **3%** have been re-imposed on rice importation and duty has been rationalized on starches, wheat, maize, potato and cassava. (CD@15% & RD@10%)



Agriculture Sector

Fisheries, poultry and dairy	CD/RD	Existing (%)	Proposed (%)
Oil-cake and other solid residues	CD	10	0
	RD	0	5
Flours and meals of oil seeds	CD	0	0
	RD	10	5



0% CD

5% RD

Agriculture Sector

For Tobacco - Withdrawal of ED @ 25% has been proposed on export of Tobacco in order to reduce domestic consumption of tobacco and to promote export.



ED
25%



Agriculture Sector

For food processing industry – CD @ **25%** on bulk import for retail packing has been proposed on food processing industry i.e. honey, chewing gum, sugar confectionery, chocolate, cocoa food, nuts, cereals, and oats, in order to protect local industry.

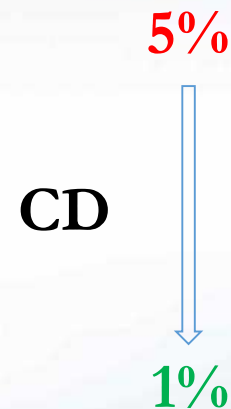
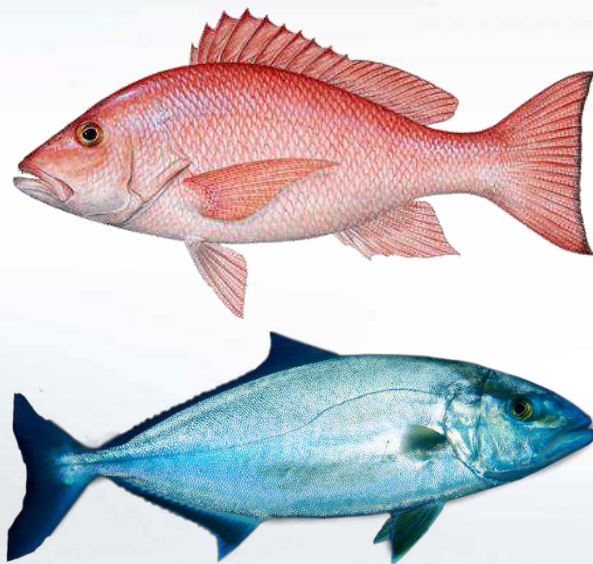


CD
25%



Agriculture Sector

For Sea Fish Industry- In order to boost up export of Fish and fish product concessionary CD rate at **1%** (from earlier **5%**) on import of fishing nets for fishing trawler has been proposed.



Industrial sector

Medicine

- ❑ Reduced CD rate has been proposed for Active Pharmaceutical Ingredients (API) including cancer medicines in order to maintain the existing growth in export of medicines and for further boost up.



Textile industry

- ❑ Exemption of import duties is proposed (earlier which was **10%**) for textile raw materials i.e. flax tow and waste in order to support the export



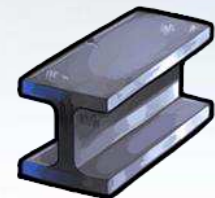
Split leather

- ❑ In order to eradicate the complexities in exporting split leathers different H.S. Codes in Bangladesh Customs Tariff (BCT) is proposed



Iron and steel sector

- ❑ Production cost will be reduced and market price of MS Rod will be lower with the proposed reduction in Regulatory Duty on import of raw materials i.e. Ferro Alloy from **15%** to **10%** and reduction of specific customs duty on import of Sponge Iron from Tk. **1000**/MT to Tk. **800**/MT.



Industrial sector



- ❑ **Milk Powder Processing industry** - A reduction in import duty from **25%** to **10%** is proposed which will increase affordability of the poor.



- ❑ **Refrigerator and compressor industry** - Local industries have been incentivized, with the proposed reduction in customs duties on refrigerant, printed still sheet (0.3mm), copper tube, capacitor, connector, terminal & electrical apparatus at **5%** from **25%** and customs duties on welding wire, spring and gasket at **15%** from **25%**.

Industrial sector



- ❑ **Printing industry** - local industries have been incentivized, with the proposed reduction in import duties of their raw material i.e. Flexo and gravure in liquid form to **10%**. And to safeguard this industry, CD increased to **25%** and SD increased to **20%** on printed leaflet, brochure, printed postcard, printed card, calendar etc.

- ❑ **Battery production sector** - For environment friendly process and to incentivize the local battery producer ED @ **25%** have been proposed on re-melted lead export from Bangladesh.



Other sector

Transport sector

- ❑ An intimation came on declaration of policy/roadmap for auto mobile industry
- ❑ Price of hybrid motor vehicles (from 1600cc-1800cc) will be reduced with the proposed reduction of SD from **45%** to **20%**
- ❑ Price of reconditioned vehicle will go up with the proposed restructuring of depreciation benefit
- ❑ Price of double cabin pick up will fall with the proposed reduction of RD, from **25%** to **10%**
- ❑ Duty rates for importation of raw material has been reduced to **5%** for motorcycle industry to promote local manufacturers

Other sector

Transport sector

- ❑ SD on Leaf spring is reduced to 10% from 20% targeting the market price stability
- ❑ Proposed reduction of CD in importation of raw material will lower the cost of production of tyres & tubes i.e. Paraffin wax reduced at 25% from 10% and Phenolic resins at 10% from 5%
- ❑ Local bicycle producers will be shielded with the proposed increased CD (25% from 10%) for the importer of bicycle parts



Other sector

Transport sector

- ❑ In order to promote local manufacturer and assembler, rate of duties are reduced on the raw materials and parts required for manufacture and assembling of cellular phone.
- ❑ In order to expedite and expand IT and computer use, CD is reduced to **5%** from **25%** for import of software, not developed in Bangladesh e.g. Database; productivity, communication or collaboration software for automatic data processing machines recorded on magnetic media; Other software for automatic data processing machines recorded on magnetic media etc.



Other sector - SD at Manufacturing Stage

- ❑ SD on energy drinks increased to 35% (earlier 25%)
- ❑ 10% SD proposed for similar products of Cosmetics and beauty product items
- ❑ SD increased at 15% (earlier 10%) on toiletries, perfumes (except attar), body sprays and similar items (except aromatic vapour)
- ❑ SD increased at 25% (earlier 20%) on Cigarette and bidi paper
- ❑ SD increased at 30% (earlier 20%) on Bathtubs, Jacuzzi and shower trays
- ❑ SD imposed @10% on filament lamps
- ❑ SD imposed @5% on all kinds of polythene and plastic bags



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Thank you!

Presenter's contact details:

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