

MCCI presentation on

Finance Bill 2018

(Selected aspects only)

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Personal Income: Individual/Firm Tax Rates

**No
change**

**For Bangladeshi
individuals, resident
foreigners, and firms**

Income	Tax Rate
First Tk. 250,000	Nil
Next Tk. 400,000	10%
Next Tk. 500,000	15%
Next Tk. 600,000	20%
Next Tk. 3,000,000	25%
On Balance	30%

For non-resident foreigner, flat tax rate of 30% will remain unchanged

Personal Income: Nil Tax Limit

Type of Individual Tax payer	Existing
General – Individuals & Firms	Tk. 250,000
Women and senior citizens (65+)	Tk. 300,000
Physically challenged persons	Tk. 400,000
War-wounded gazetted freedom fighters	Tk. 425,000

For parents or legal guardians of physically challenged persons the Nil Tax Limit will be increased from **Tk. 25,000** to **Tk. 50,000**.

Personal Income: Perquisites and allowance

**No
change**

House rent allowance

- Lower of 50% of basic salary; or
- Tk. 25,000 per month will be exempted

Conveyance provided for personal or private use

Higher of 5% of basic salary or Tk. 60,000 per year would be added to the income

Personal Income: Perquisites and allowance

Medical expenses

**No
change**

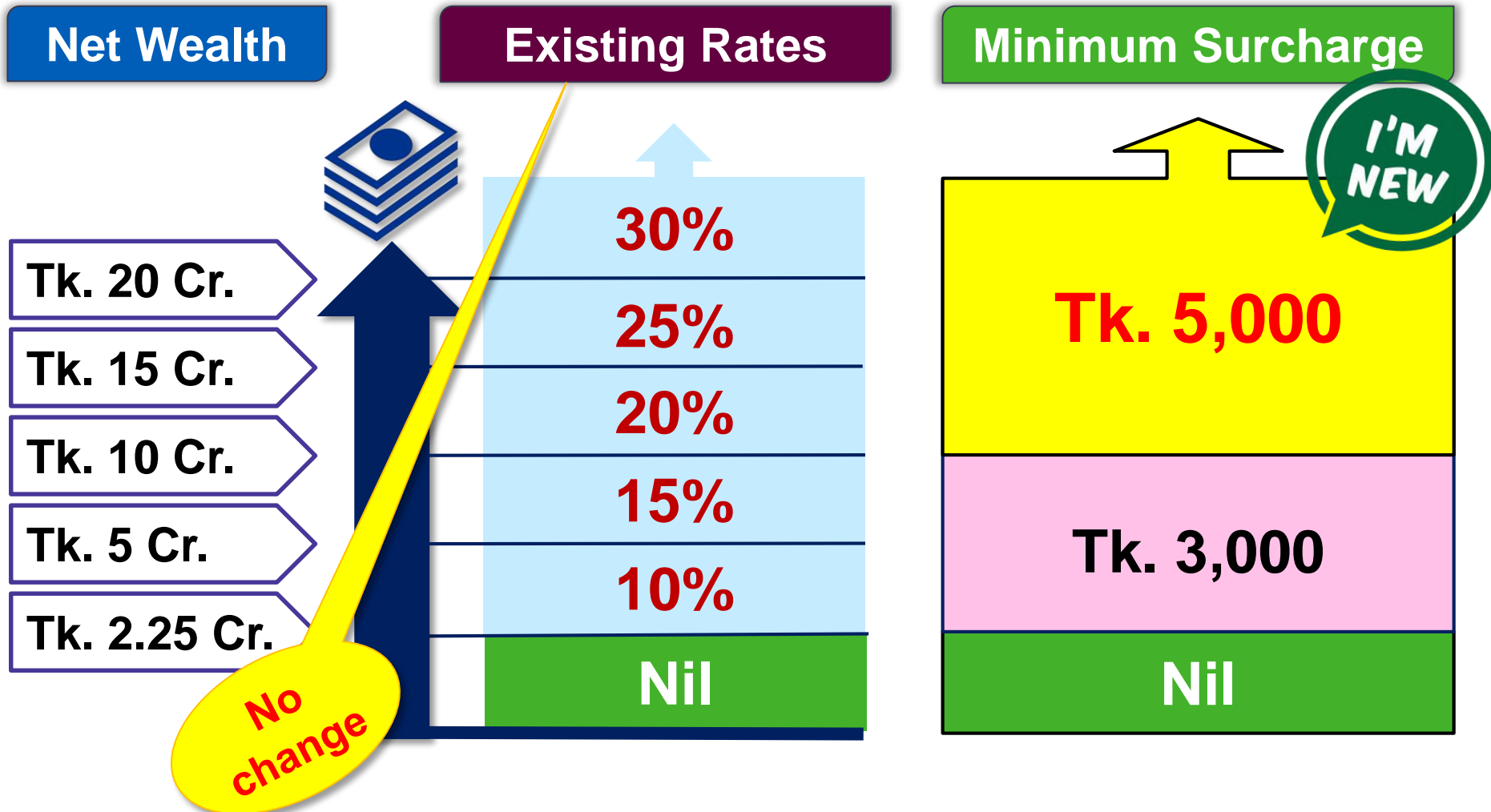
General Individual

**Lower of 10% of basic
salary and Tk. 120,000**

**Mentally Challenged
Person**

Tk. 1,000,000

Personal Income: Surcharge on Tax Liability

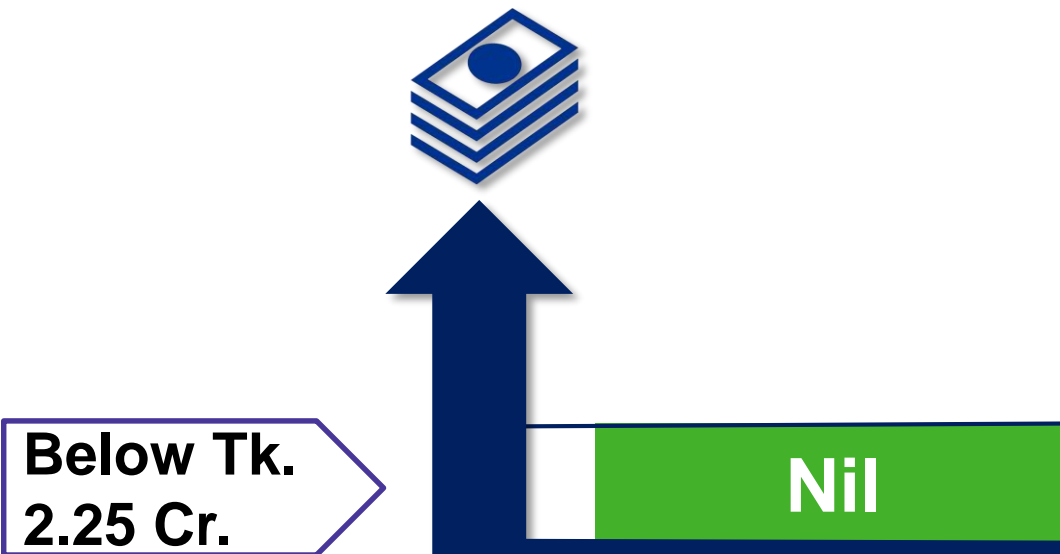


Personal Income: Surcharge on Tax Liability

Net Wealth

Existing Rates

Proposed Rates



If net wealth is below Tk 2.25 Cr but person has more than 1 motor car or house property over 8,000 sq. ft.

**I'M
NEW**

10%

Personal Tax: Minimum Tax Amount

Minimum Tax Amount at Tax Return Level

**No
change**

Location

Existing

Dhaka and Chittagong City Corporation

Tk. 5,000

Other City Corporations

Tk. 4,000

Other areas

Tk. 3,000

Personal Income: Investment Rebate

**No
change**

15%
of Allowable Investment (Eligible Amount)

Whichever is lower of:



25% of Total Income

TK. 15,000,000

Actual Investments

Corporate Tax: Rates (1)



Companies	Existing	Proposed
Non listed companies including branch companies	35%	
Listed Companies	25%	
Banks, insurance and other FIs – Listed	40%	37.5% 
Banks, insurance and other FIs – Non-listed	42.5%	40% 
Merchant Banks – Listed and Non-listed	37.5%	
Cigarette manufacturer – Listed and Non-listed	45%	
Mobile phone operators – Listed	40%	
Mobile phone operators – Non-listed	45%	

Corporate Tax: Rates (2)

Companies (from budget speech)

Rate of Tax

Existing

Proposed

Ready-Made Garments



12%

15%

Ready-Made Garments (public listed)



12%

12.5%

Ready-Made Garments (green building certified)



10%

12%

Corporate Tax: Rates (3)

Cigarette, bidi, zarda, chewing tobacco/gul, or any other tobacco products manufacturers

Rate of Tax

Proposed

45%

**No
change**

Rate of Surcharge

**2.5% on
income**

NEW

New Definition

Taxed Dividend

Not applicable
for individual

**Dividend income on
which tax has been
paid by the recipient
under ITO 1984**



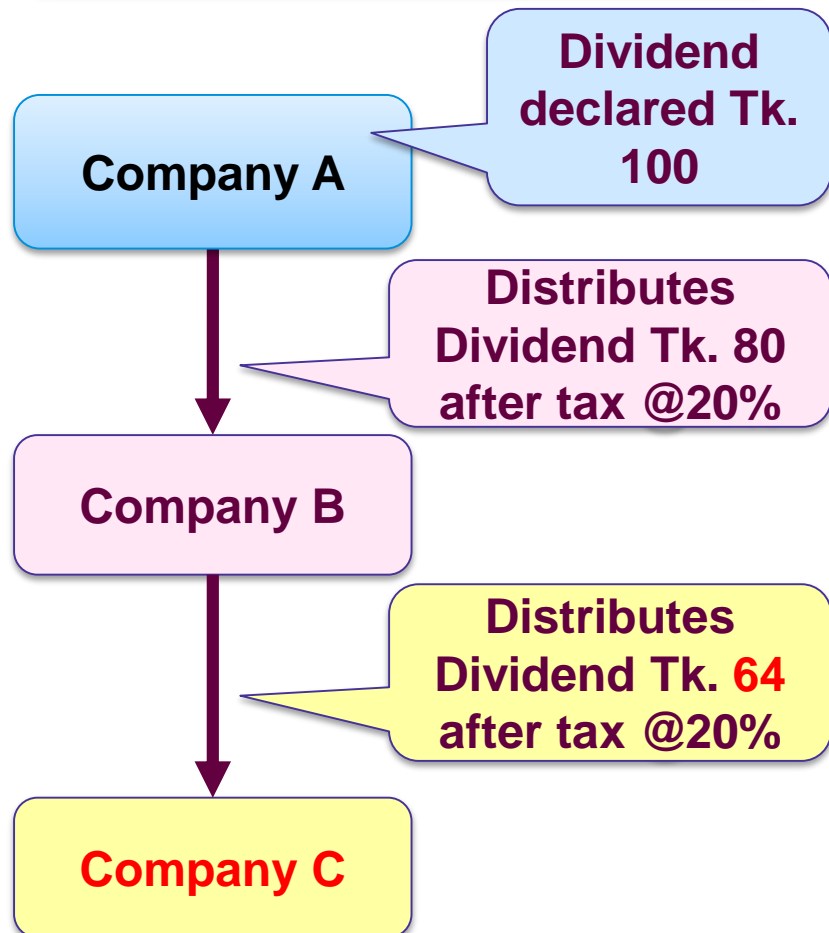
Distribution of taxed dividend is exempted from tax, if:

- 1) Recipient company is resident in Bangladesh**
- 2) Paying company maintains separate account**

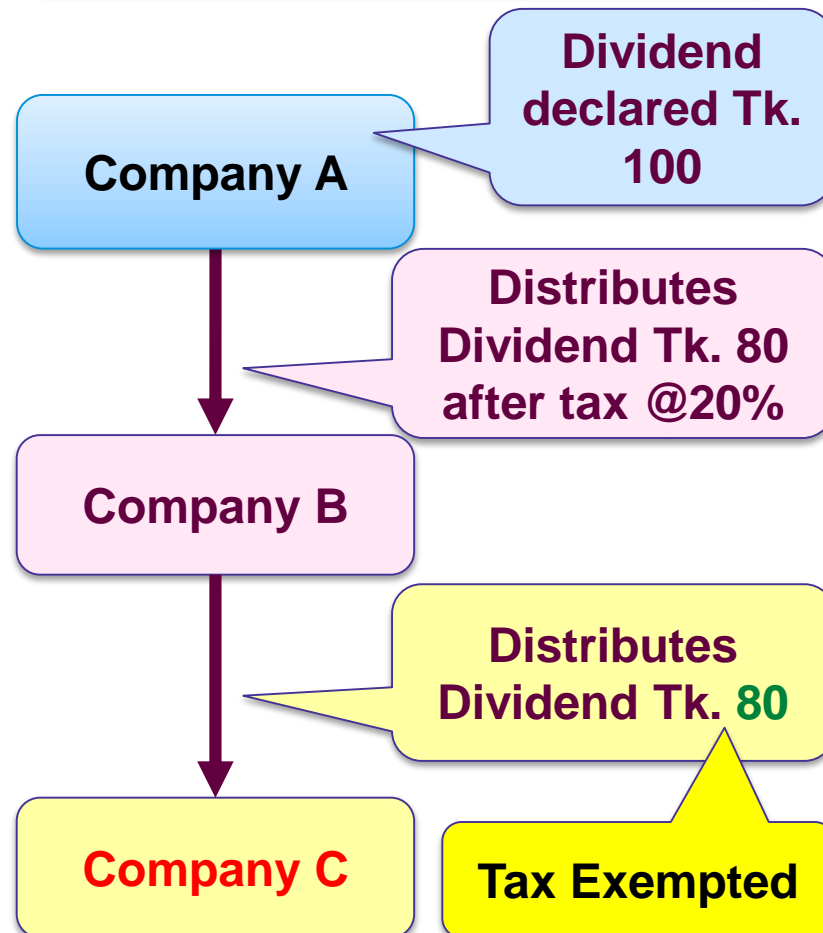


Taxed Dividend

Existing



Proposed



NEW

Definition of Permanent Establishment

Permanent Establishment

in relation to income from business or professions means a place or activity through which the business or profession of a person is wholly or partly carried on and includes:

Branch

Workshop

Factory

Plantation

Agency

**Mine, oil or
gas well**

Farm

NEW

Definition of Permanent Establishment

Office

What about liaison office?

Warehouse

What about own warehouse which is exempted as per DTAA?

Place of management

Unregistered office e.g. project office?

Building site, construction, assembly or installation project or supervisory activities

Any duration e.g. 6 months?

Dependent agents (associated entity or person)

No definition of associated entity

Furnishing of service by employees or any person in Bangladesh

Employees without work permit e.g. A3 visa

Income accruing or arising in Bangladesh (Section 18)



FY 2017/2018

Business Connection

**Any property, asset, right
or other source of income**

**Transfer of capital asset in
Bangladesh**

**directly or
indirectly,
through or
from**



Proposed

Permanent establishment

**clarified that intangible
property is also included**

**Transfer of any asset
situated in Bangladesh**

**Any intangible Property
used in Bangladesh**

**Sales of goods or services
by electronic means to any
purchasers in Bangladesh**

NEW

Income accruing or arising in Bangladesh

Property in Bangladesh?

Shares of Company?

Resident Company

**Property situated in
Bangladesh**

In scope of sec 18

Non-resident Company

**Not Property in
Bangladesh**

Not in scope of sec 18

***Such income (likely dividend) will be subject to tax in
Bangladesh***

NEW

Income accruing or arising in Bangladesh

Transfer of asset – shares of a company

Company Resident in Bangladesh?



YES

*** Transfer of asset in
Bangladesh**



NO

*** Only the portion of share
sales attributable to
assets situated in
Bangladesh**

***Such income (likely capital gain) will be subject to tax
in Bangladesh***

NEW

Income accruing or arising in Bangladesh

Transfer of shares

Sale of shares of UK Company by German Company

German Company

100%

UK Company

Proportionately taxable in Bangladesh

Own registered IP in Bangladesh

100%

100%

IP in Bangladesh

BD Company

Indian Company

NEW

Income accruing or arising in Bangladesh

Intangible Property

**When property
in Bangladesh?**



**registered in
Bangladesh**

or

**owned by non-
resident and
attributed to a PE
in Bangladesh**

Deemed Income – Loan or gift

Restructured

Existing S19(21)

(Individual) Loans less than Tk. 0.5 million, if not paid within 3 years

Existing S19(21B)

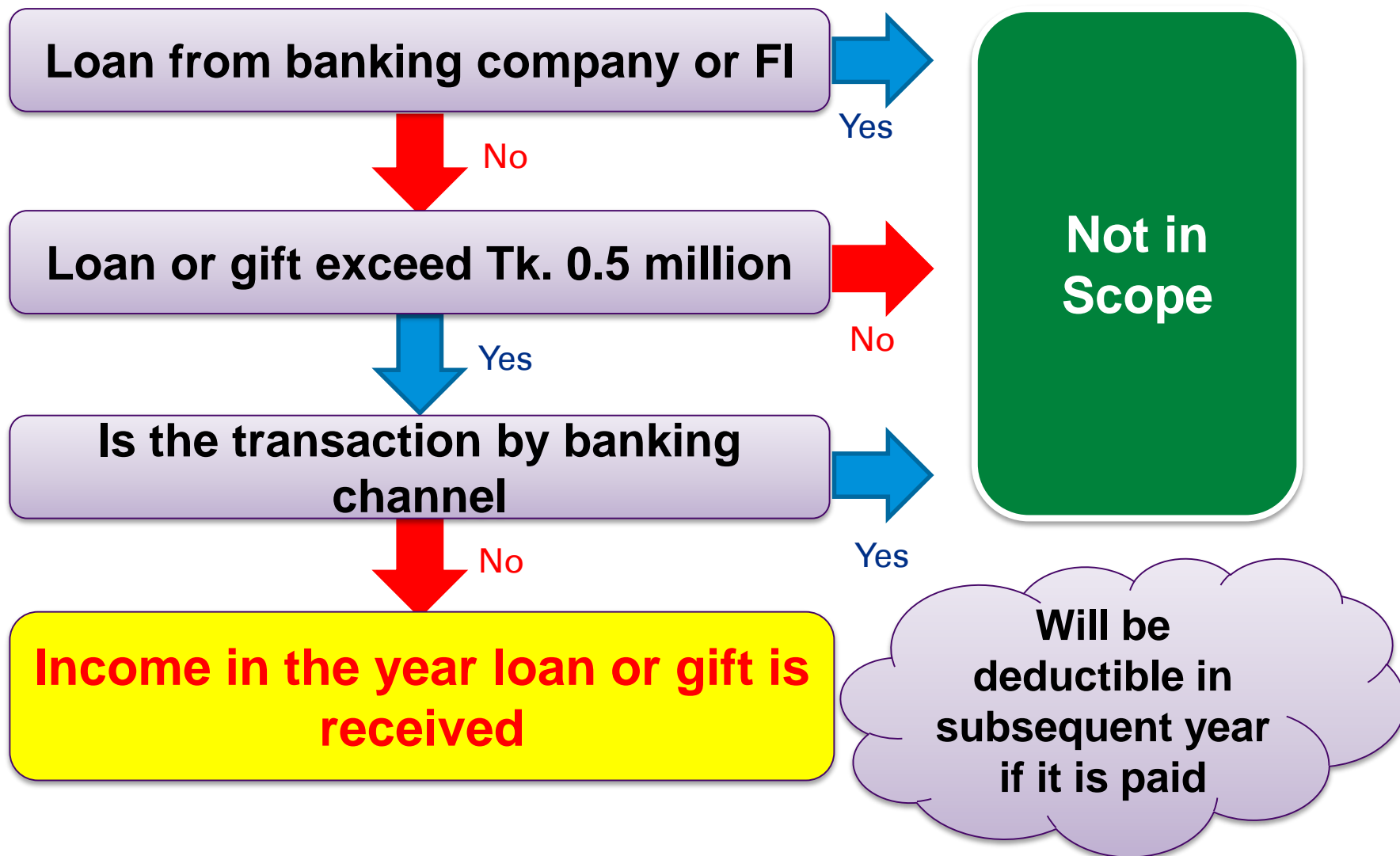
Any transfer from initial capital shown in the return filed under 82BB during period of limitation

Existing S19(21A)

Sum received from a person who transfer such amount from initial capital under period of limitation

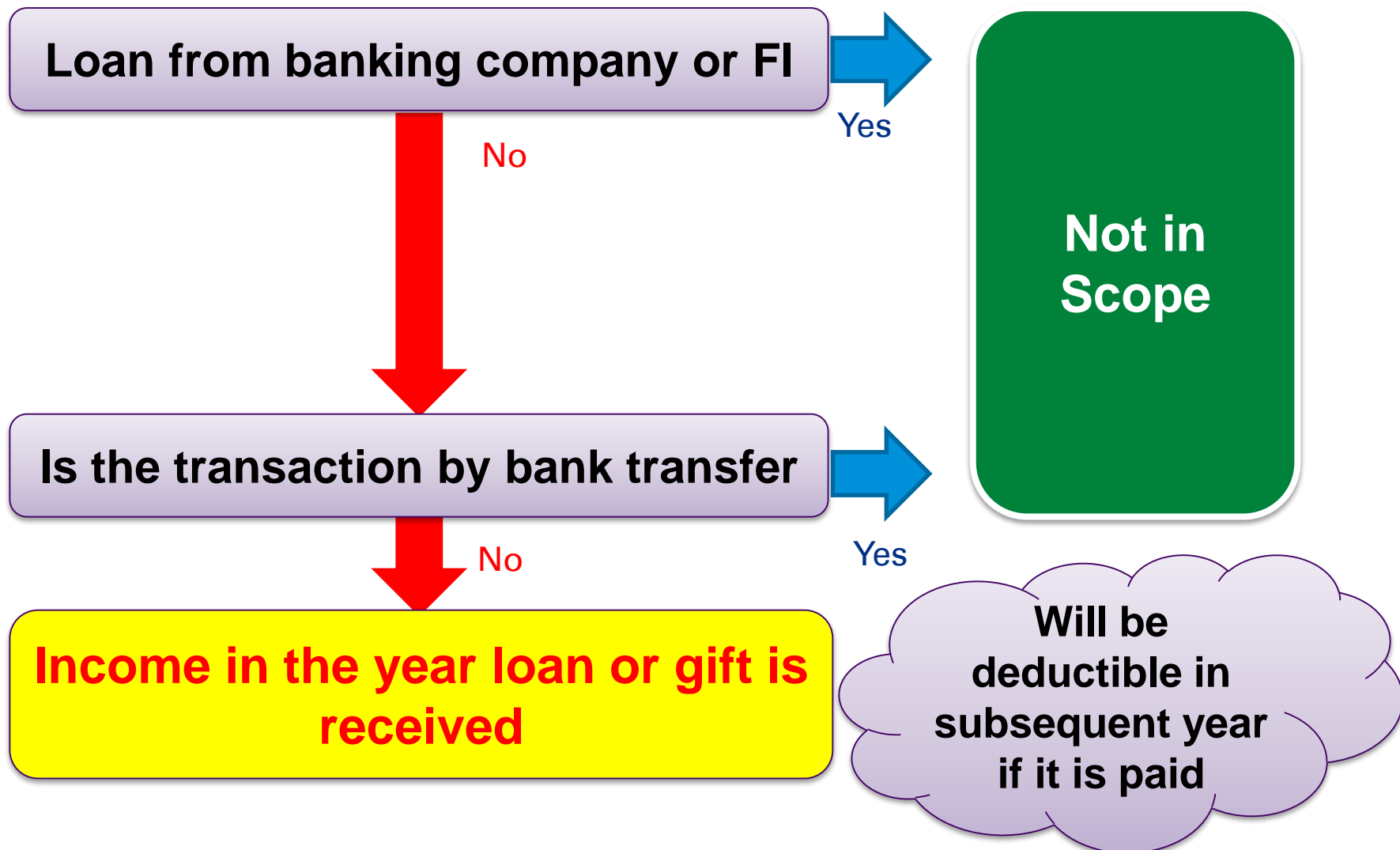
NEW

Deemed Income - Individuals



NEW

Deemed Income - Other than individuals



NEW

Section 108: Information regarding filing of return

Statement under 108A

1

Employees are required to provide to their employers by 15th April of each year:

- 1) TIN**
- 2) Date of filing of their tax return**
- 3) Serial of submitted return**

2

Employers are required to submit a statement to the tax authority regarding return submission details of their employees as mentioned above by 30th April of each year

NEW

Corporate Tax: Disallowances

Section 30(aaaa)

Statement u/s
108A not
submitted

Payment of salary to employees for whom the statement u/s 108A was not provided.

**Failure to ensure this
requirement will result in
related salary expenses
disallowance**

Corporate Tax: Allowable Perquisites

Section 30(e)

Existing

Proposed

What's
CHANGED?

Generally

Tk. 475,000

Tk. 550,000



***For a person
with disability**

Tk. 2,500,000

**No
Change**

“an individual registered as person with disability under sec 31 of Protection of the Rights of the Persons with Disabilities Act, 2013”

Corporate Tax: Head Office Expense

Section 30(g)

Existing

**10% of revenue as
Head office expenses**

Proposed

**10% of revenue for
both Head office
expenses
and
Intra-group expense
called by whatever
name**



**Applicable only for companies
not incorporated in Bangladesh**

Corporate Tax: Royalty, technical fees, etc.

Section 30(g)

NEW

Existing

8% of net profit was allowed

Proposed

- Allowed up to:**
- 1) 10%, first 3 income years after commencement,**
 - 2) 8%, subsequent years**

NEW

Filing of return: Sec 75

No definition
of fixed base

**I'M
NEW**



**Person providing motor vehicle under a
ride sharing agreement**

Exempted

**Non-resident individual having no fixed
base in Bangladesh**

Exempted

**Non-resident (other than individual)
having no PE in Bangladesh**

Changes in TDS Sections

Sec 58: Certificate of deduction

Every person is required to furnish a statement in such a manner as prescribed to tax authority for tax deduction or collection.



Is it same as withholding tax returns?

NO

Penalty for failure to file return, etc. - Sec 124

Non-submission of statements

75: Return of Income

77: Notice of Return

89: Assessment in case of
discontinuation of business

91: Assessment in case of persons
leaving BD

93: Tax, etc. escaping payment

Existing

**No
Change**

**10% of tax imposed
on last assessed
income**

[minimum Tk. 1,000]

**For continuing
default Tk. 50 per
day**

Penalty for failure to file return, etc. - Sec 124

Submissions sections 75A (WHT return)

Existing

10% of tax imposed on last assessed income [minimum Tk. 1,000]

Tk. 50 per day of continuing default



Proposed

10% of tax imposed on last assessed income [minimum Tk. 5,000]

Tk. 1,000 per month for continuing default



Penalty for failure to file return, etc. - Sec 124

Submissions sections 108 (salary information)

Existing

TK. 500

**Tk. 250 per month of
continuing default**



Proposed

**10% of tax imposed on
last assessed income
[minimum Tk. 5,000]**

**Tk. 1,000 per month for
continuing default**



Penalty for failure to file return, etc. - Sec 124

Submission under sections 108A (Employee information)

Existing

None



Proposed

**10% of tax imposed on
last assessed income
[minimum Tk. 5,000]**



**Tk. 1,000 per month for
continuing default**



Penalty for failure to file return, etc. - Sec 124

Submission under sections 58 (withholding tax information), 109 (Interest information), or 110 (Dividend information)

Existing

TK. 500

**Tk. 250 per month of
continuing default**



Proposed

Tk. 5,000

**Tk. 1,000 per month for
continuing default**



Penalty for failure to file return, etc. - Sec 124

Penalty in case of non compliance with section 113 (Information requested by tax authority)

Existing

TK. 25,000

**Tk. 500 per day of
continuing default**

**No
change**

Other modes of recovery



Section 143 [2(a)]

The DCT can require any person:

- 1) to stop the transfer of goods to the assessee or**
- 2) placement of that goods under the disposal the assessee**

Until the tax has been recovered or agreement has been made with DTC

NEW

Punishment for providing false information, etc.

A new section (166A)

Grounds for punishment

- **Concealment of information required to be furnished;**
- **Deliberate furnish of inaccurate information.**

Punishment

- **Imprisonment which may extend to three years; or**
- **Fine; or both.**

Service of notice

Amendment of 178



**Notice may be served by registered post
or electronic mail**

**Companies will need to maintain specified email address
with tax authority**

Fourth Schedule: Insurance Business



Proposed Clarification

Provisions of section 30 will apply for management expenses or any other expenses under this schedule

Changes in TDS Sections

Sec 52AA: Ride sharing services

Proposed

**Base amount below
Tk 2.5 million**

3%

**Base amount over
Tk 2.5 million**

4%

Mechanism for this deduction at source is not clear.

Changes in TDS Sections

Sec 52Q: Deduction of tax from resident for any income in connection with any service provided to any foreign person

Exemption for sales of software or services if the income is exempted ITES Services under SIXTH SCHEDULE

Changes in TDS Sections

Sec 52S: Collection of tax from manufacturers of soft drink section

Existing

Proposed

4%

Deletion

Changes in TDS Sections

Clarification of Sec 56: Deduction from income of non-residents

Certificate from NBR is required for applying exemption or reduced rate of tax due to tax treaty or any other reason.

Any Tax deducted considered as minimum tax liability and no refund or set off is applicable.

Changes in TDS Sections

Sec 52U: Deduction from payment on account of local L/C

Existing

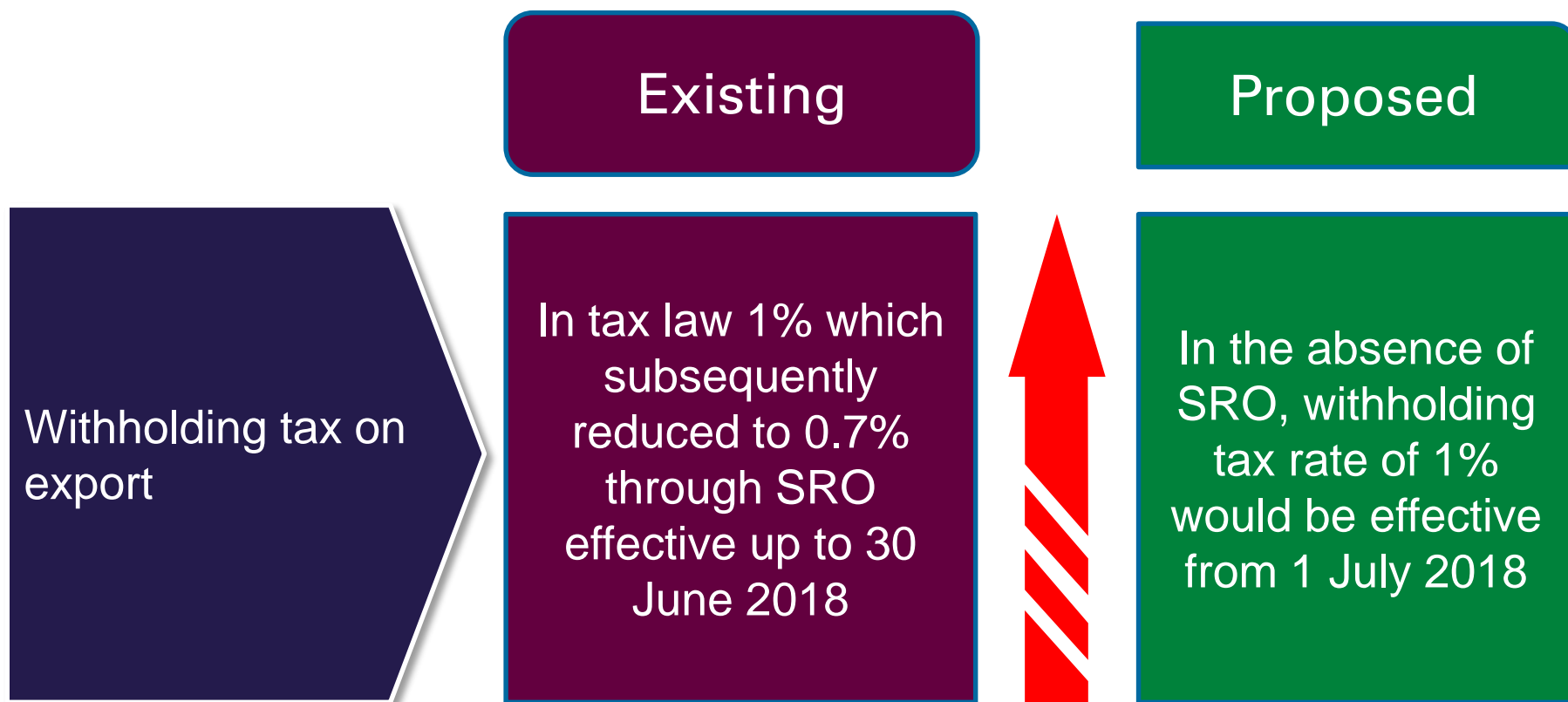
**3% on total
proceeds
exceed Tk. 0.5
million**

Proposed

Purpose of L/C	% of total proceeds
Trading or reselling after process or conversion	3%
Distributor	1%

Changes in TDS Sections

Section 53BB and 53BBBB – withholding tax on export



Value Added Tax

VAT Alerts

Advance Trade VAT

Increased from 4% to **5%**

**Trade VAT and
Super shop VAT**

Increased from 4% to **5%**

Computer and parts

VAT exemptions at trading stage
withdrawn

VAT on pulp import

Exemption **withdrawn**. 15%
would be applicable.

Supplementary Duty (local supply) Alerts

Cosmetic Products

SD imposed @ 10%

Polythene, plastic bags, wrapping

SD imposed @ 5%

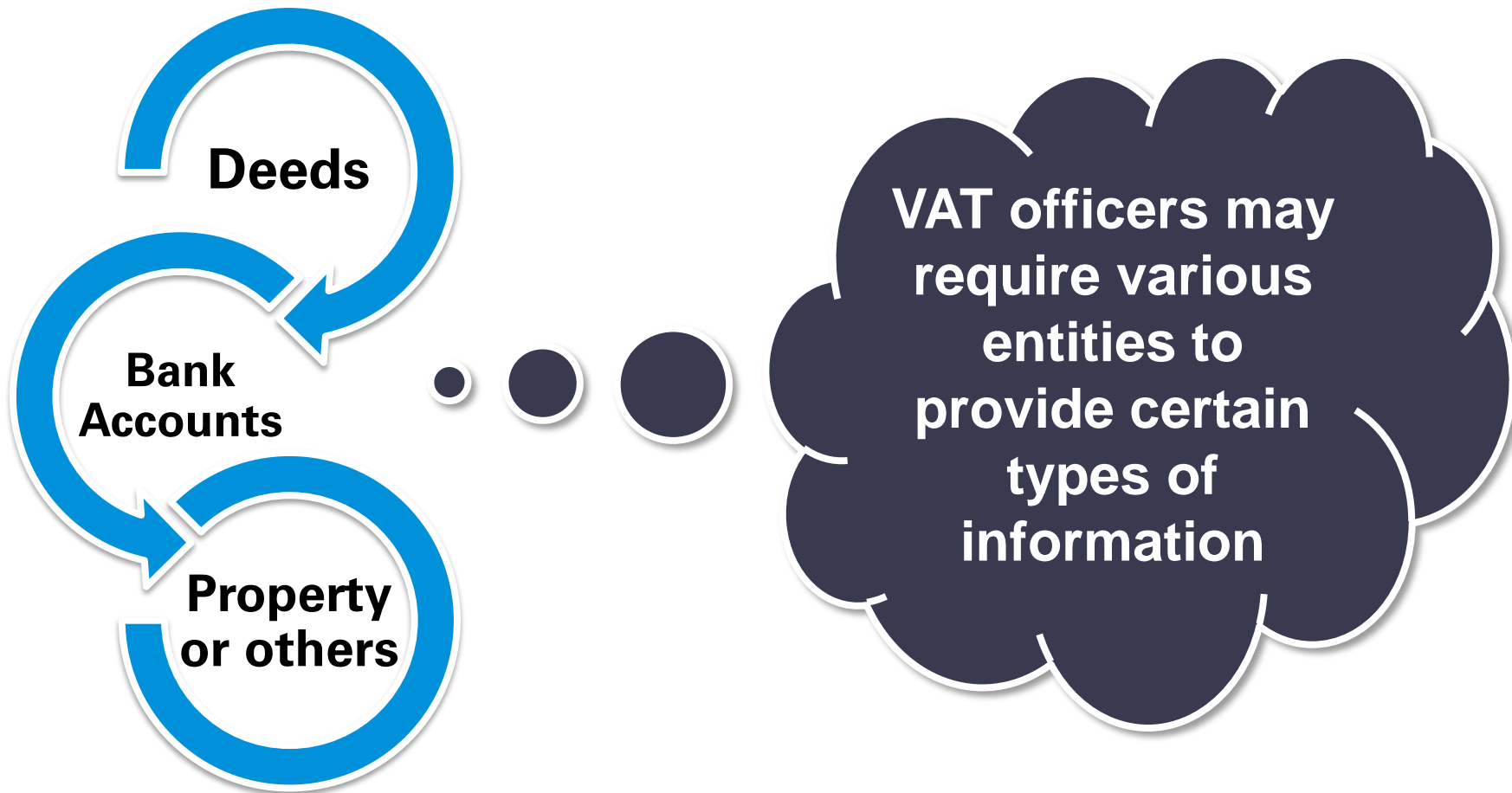
Energy Drink

SD increased from 25% to 35%

Ceramic Bathtub, Jacuzzi, shower, etc.

SD increased from 20% to 30%

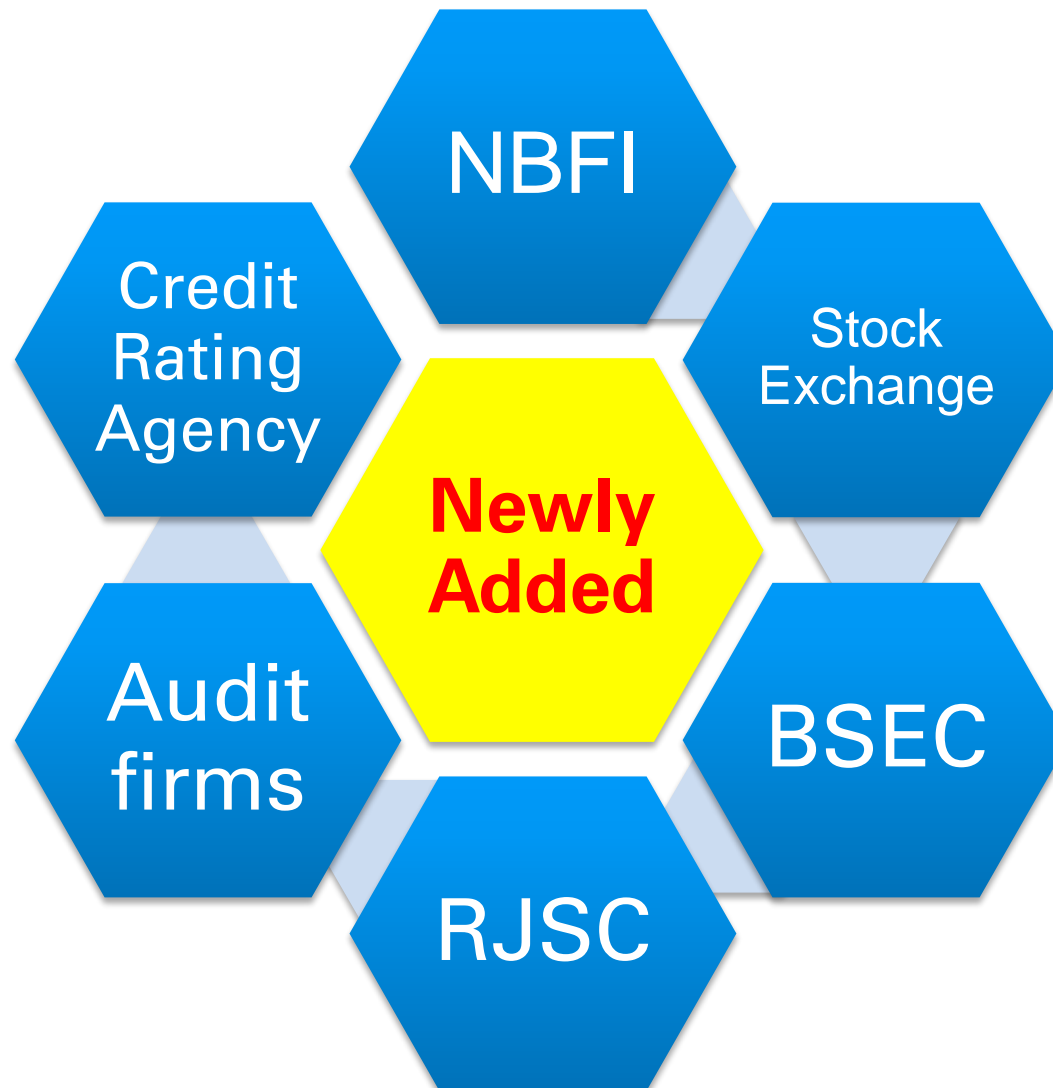
Type of Information VAT Officers can seek



From whom Information can be requested



From whom information can be requested



Power of Confiscating Goods or Services

**Limit
Doubled**

Power	Officer	Old Limit	New Limit
Confiscating product or service and imposing penalty on tax evasion	Commissioner	Above 2 million	Above 4 million
	Additional Commissioner	Up to 2 million	Up to 4 million
	Joint Commissioner	Up to 1.5 million	Up to 3 million
	Deputy Commissioner	Up to 1 million	Up to 2 million
	Assistant Commissioner	Up to 0.5 million	Up to 1 million
	Revenue Officer	Up to 0.2 million	Up to 0.4 million
Other cases	Divisional Officer	Complete power	Complete power

VAT Exemptions

VAT Exemptions on Mobile Phones Manufacturing

Subject to certain conditions of which major conditions are:



at least **30%** local value addition

Permission from BTRC etc.

Surcharge

FY 2017-18

FY 2018-19

Mobile Manufacturing

0%

0%

Mobile Importing

0%



2%

VAT Exemptions

VAT Exemptions on Motorcycle and parts Manufacturing

Subject to certain conditions of which major conditions are:



**at least 30%
local value
addition**

**Permission from
BRTA etc.**

Other VAT Exemptions

Port Service

Rendered by Civil Aviation Authority
for operating international flights

Insurance Agent

VAT on insurance agent commission

Land

Sale and transfer of land and its
registration (not including land
developer)

Change in IT Enabled Services Definition

**NEW
Addition**

1. Software Development and Customization
2. Website Development and Services
3. Website Hosting
4. Digital Data Analytics
5. Computer Aided Design
6. Overseas Medical Transcription
7. Cyber Security Services

Exclusion

1. E-commerce and Online Shopping
2. Any automated services rendered by Internet or Electronic Network

Virtual Business in VAT

Definition of Virtual Business now included

Buy-sale or transfer of goods and services using mobile app based platform, social media, internet or web

**Virtual Business now would be
under 5% VAT**


VAT on ride sharing service

Separate interpretation for VAT for ride sharing service (e.g. Uber, Pathao)

Service fee/commission received by the mobile Apps owner would be subject to **5% VAT**

The portion of the car driver's fee/commission for his services is exempted

Virtual Business Vs Online Sales

Virtual Business (S079.00)	Online Sales (S099.50)
<p>Virtual business means using electronic network, buy- sale or transfer of goods or services through internet or web or social media or mobile application based platform or any similar media not having own sales center or business center.</p>	<p>Online sales means, using electronic network, buy- sale or transfer of goods or services, which were collected from any manufacturer of goods or provider of services paying VAT, and having no own sales center.</p>
<p>Value added services provided by mobile telecom operators are excluded from Virtual Business.</p>	
<p>Now VATable</p>	<p>Remains VAT exempt</p>

Requirement for Deduction of VAT

**VAT withholding
not required from
payment**

Gas.
Electricity.
Telephone.
Mobile Phone.
Water


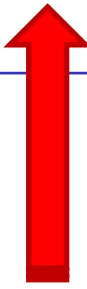
Fuel

New

**VAT withholding
required**

**For the purchase of any goods
or services valued less than
1,000 taka**

VAT Rate Change

Services on which VAT rate has been changed				
Sl. No.	General Description	Existing (%)		Proposed (%)
1.	General restaurant	7.5		7
2.	English medium school	7.5		5
3.	Building construction firm			
	1-1100 sq. ft.	1.5		2
	1101-1600 sq. ft.	2.5		2
	1601 sq. ft. and above	4.5		4.5
4.	Construction firm	6		7
	Furniture distributors			
5.	Manufacturing stage	6		7
	Retail stage	4		5

(continued)

VAT Rate Change

Services on which VAT rate has been changed			
Sl. No.	General Description	Existing (%)	Proposed (%)
6.	Buyer of auctioned products	4	5
7.	Transportation contractor (for transporting petroleum products)	4.5	5
	Readymade garments distributor	4	
8.	Own brand		5
	Other than own brand		5
9.	Virtual business	-	5
10.	Information technology enabled services	4.5	5



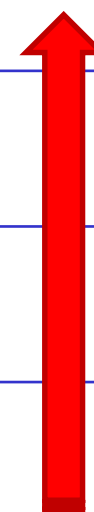
Supplementary Duty Change

Products on which SD (local supply) has been changed			
Sl. No.	General Description	Existing Rate (%)	Proposed Rate (%)
1.	Energy Drink	25	35
2.	Cosmetics	0	10
3.	Shaving products	10	15
4.	Body spray/perfume (except attar)	10	15
5.	Bath salt and other bathing products	10	15
6.	Air freshener and similar products	10	15
7.	Others	10	15

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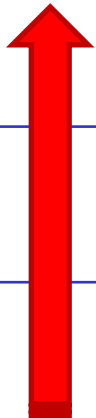
Supplementary Duty Change

Products on which SD (local supply) has been changed			
Sl. No.	General Description	Existing Rate (%)	Proposed Rate (%)
8.	Cigarette and bidi paper	20	25
9.	Ceramic bathtub and Jacuzzi, shower, shower tray	20	30
10.	Filament lamps except ultra-violet / infra-red lamps	0	10
11.	Polyethylene and plastic bags and packaging supplies	0	5



(continued)

Supplementary Duty Change

Services on which SD has been changed				
Sl. No.	General Description	Existing Rate (%)	Proposed Rate (%)	
1.	Hotel (on bills of alcohol supply or “floor shows” arranged)	10	20	
2.	Restaurant (on bills of alcohol supply or “floor shows” arranged)	10	20	
3.	Chartered plane & helicopter rental service (except air ambulance)	New	20	

Thank you

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