

Finance Bill 2020 (selected provisions only)

June 2020



 **Income tax changes**

 **VAT changes**

Income tax changes

Personal income: Individual/Firm tax rates

Tax Payer	Income Slabs	Income Slabs	Tax Rate (Existing)	Tax Rate (Proposed)
For Bangladeshi individuals, resident foreigners, and firms	Tk. 250,000	Tk. 300,000	-	-
	Next Tk. 400,000	Next Tk. 100,000	10%	5%
	Next Tk. 500,000	Next Tk. 300,000	15%	10%
	Next Tk. 600,000	Next Tk. 400,000	20%	15%
	Next Tk. 3,000,000	Next Tk. 500,000	25%	20%
	On balance	On balance	30%	25%



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



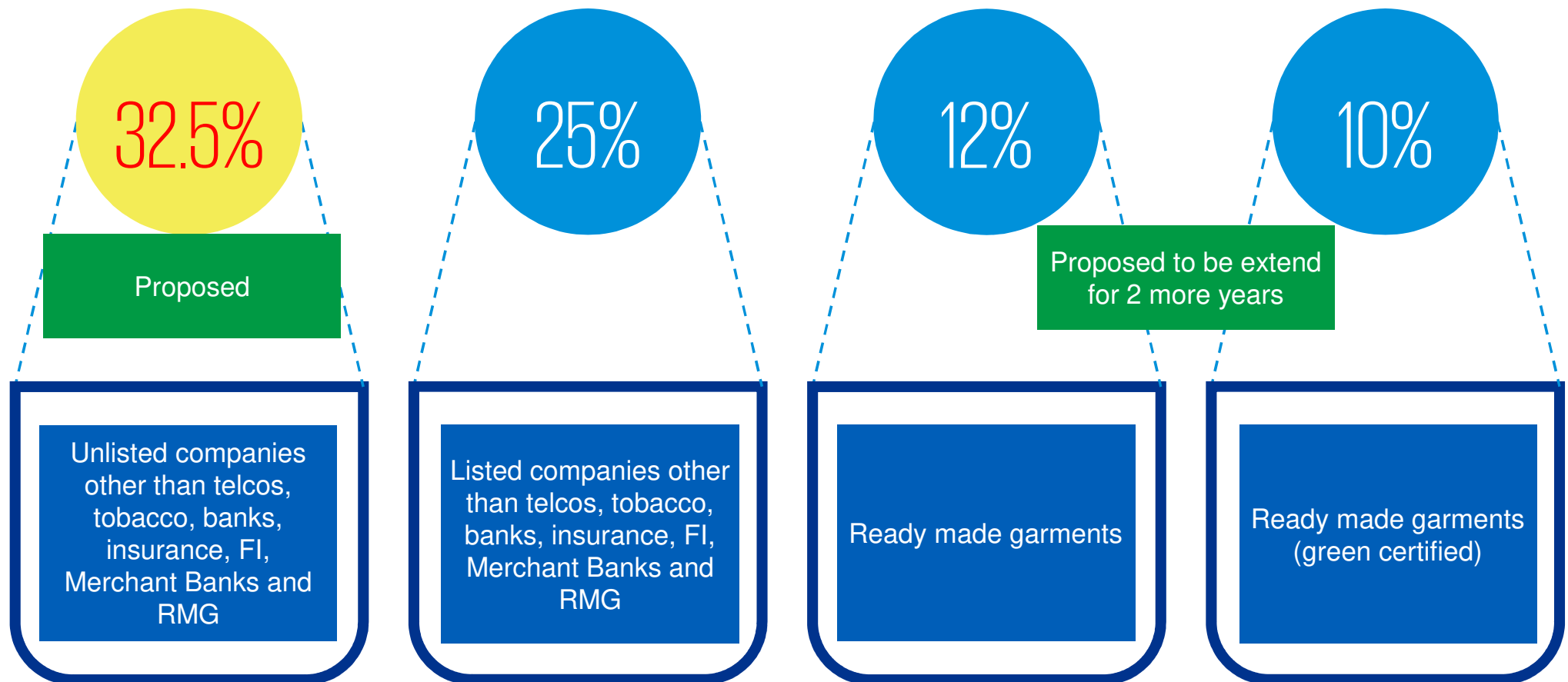
Personal income: Individual/Firm tax rates

Annual income	Tax liability (old)	Tax liability (new)	Tax savings
Tk. 2,000,000	Tk. 297,500	Tk. 295,000	Tk. 2,500
Tk. 4,000,000	Tk. 797,500	Tk. 795,000	Tk. 2,500
Tk. 6,000,000	Tk. 1,360,000	Tk. 1,295,000	Tk. 65,000
Tk. 8,000,000	Tk. 1,960,000	Tk. 1,795,000	Tk. 165,000
Tk. 10,000,000	Tk. 2,560,000	Tk. 2,295,000	Tk. 265,000

Computed for **male** tax payers.



Corporate income tax rates



Special tax treatments for investment in securities



No question on the sources of fund invested in securities between 1 July 2020 and 30 June 2021

Investment withdrawal within 3 years of investment will be treated as income in that income year

10%

Tax on the investment amount will need to be paid

This opportunity will not apply if any proceeding has been initiated under any law before 30 June 2020

Securities mean stocks, shares, mutual fund units, bonds, debentures and other securities of the companies listed in and approved by the Bangladesh Securities and Exchange Commission and all other government securities and bonds tradable in the capital market.

Special tax treatments (section 19BBBBBB)

Previous

No question would be raised over the source of fund for construction or purchase of residential buildings, apartment etc.

Proposed

**Limitation to residential buildings, apartment have been removed
Hence, all buildings and apartment would be within the scope**



Commercial building, apartment included

This investment opportunity is only applicable for future investments!!

Special tax treatments (section 19AAAAA)

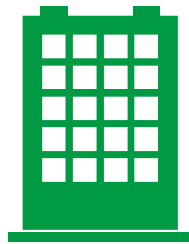
No question will be raised over the source of fund of certain **PREVIOUSLY** undisclosed investments



Land

Tk. 5K to 20K/sm.

Tax will need to be paid
depending on location



Buildings

Tk. 200 to 1.3K/sm.

Tax will need to be paid
depending on area






Cash & savings
instruments

10%

Tax on the total amount

This opportunity will not apply if any proceeding has been initiated under any law before 30 June 2020

Expense allowance

	Overseas traveling expenses limit	1.25% reduced to 0.5% of turnover
	Promotional expenses limit	0.5% of turnover (any expense incurred by way of giving any benefit in kind or cash or in any other form for the promotion of business or profession)
	Royalty expense computation	Net profit used for allowance computation will exclude profit or income of subsidiary or associate or joint venture

New industrial undertakings now included under Tax Holiday



Electrical transformer



Artificial fiber or manmade
fiber manufacturing



Automobile parts and
components manufacturing



Aircraft heavy maintenance
services including parts
manufacturing



Automation and Robotics
design, manufacturing
including parts and
components



Artificial Intelligence based
system design and/or
manufacturing



Nanotechnology based
products manufacturing

Requirement for statements of assets, liabilities and life style

Change in gross wealth threshold for filing statements of assets, liabilities and life style

Previous threshold

BDT 2.5 million

Proposed threshold

BDT 4 million



Requirement for statement of expense

Change in income threshold to opt out of submitting statement of expenses (excluding shareholder director of a company)

Previous threshold

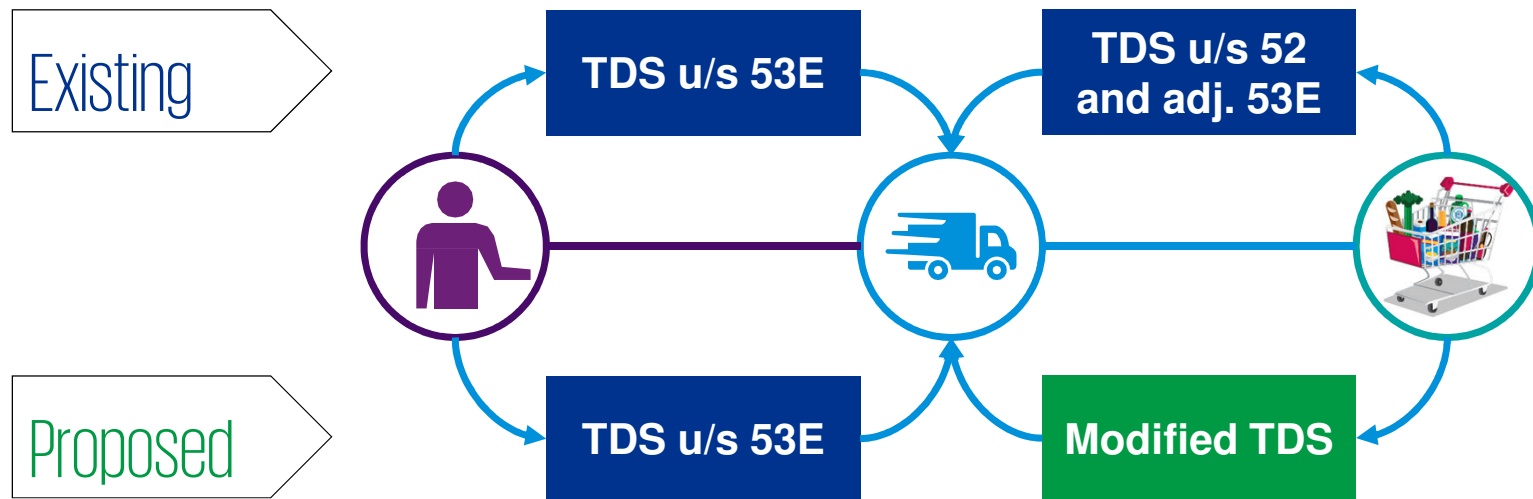
BDT 0.3 million

Proposed threshold

BDT 0.4 million



Tax at source on distributors



Tax at source on local letter of credits for certain items



Daily essentials, fruits, computer & accessories, jute, cotton and yarn

Existing

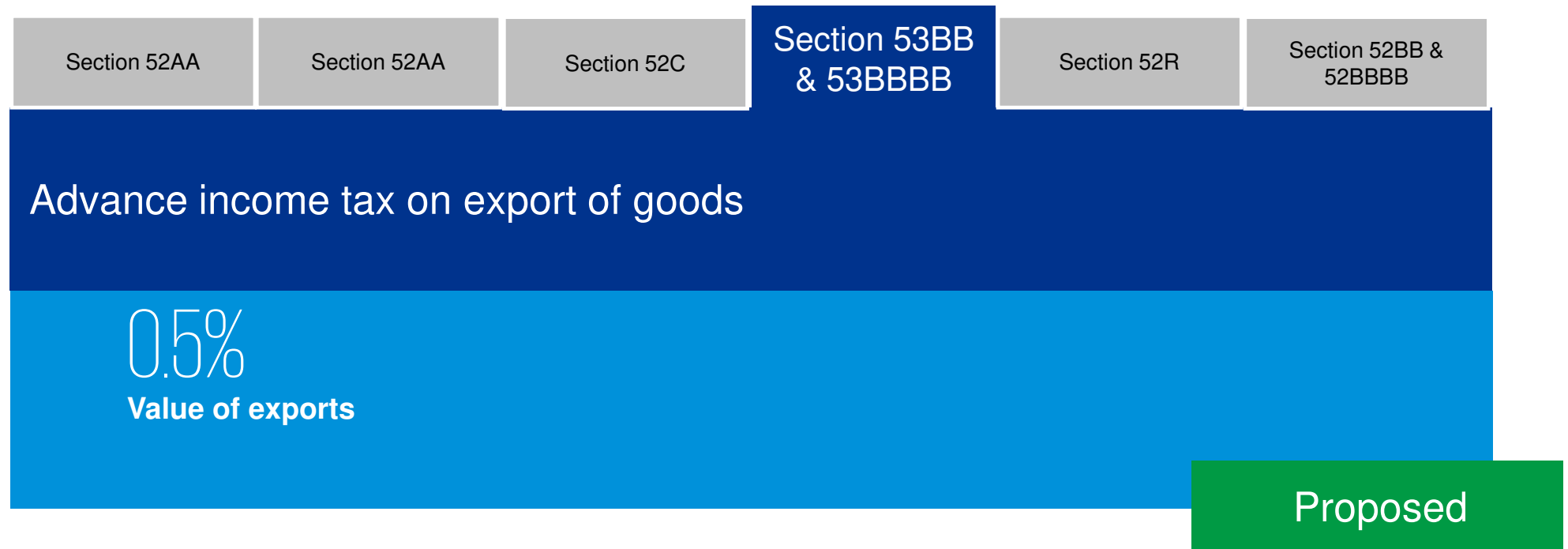
No tax at source was applicable

Proposed

2%

Tax at source is applicable

Other updates in tax deduction at source






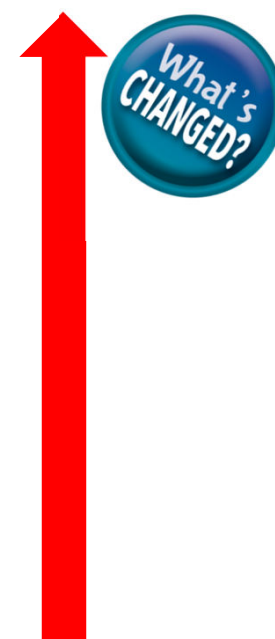
Other updates in tax deduction at source

Section 52AA	Section 52AA	Section 52C	Section 52BB & 52BBBB	Section 52R	Section 53BBB
Tax at source on the value of shares and mutual funds transacted by members of a stock exchange					
0.05%			10%		
on the value of shares and mutual funds			on commission for transaction of securities (excluding shares and mutual funds)		
					Proposed

Advance income tax for private car owners

Advance income tax payment for private motor car owners at the time of registration or fitness renewal

Type of car / engine capacity	Previous	Proposed
Car or Jeep, capacity up to 1500cc	BDT 15,000	BDT 25,000
Car or Jeep, capacity from 1500cc to 2000cc	BDT 30,000	BDT 50,000
Car or Jeep, capacity from 2000cc to 2500cc	BDT 50,000	BDT 75,000
Car or Jeep, capacity from 2500cc to 3000cc	BDT 75,000	BDT 125,000
Car or Jeep, capacity from 3000cc to 3500cc	BDT 100,000	BDT 150,000
Car or Jeep, capacity over 3500cc	BDT 125,000	BDT 200,000
Microbus	BDT 20,000	BDT 30,000
50% higher tax with each additional vehicle   		



Tax for misreporting investments, exports or imports

$$\left[\frac{\text{Differences found between} \\ \text{Claimed investment,} \\ \text{import \& export}}{\text{Actual investment,} \\ \text{import \& export}} \right]$$



50%

**Additional tax on the
misreported amount**

**Appears to include under
and over reporting**



Other initiatives in Finance Bill and Budget Speech



Tax Rebate of BDT 2,000

- All taxpayers who file their return first time through online platform



Physically challenged persons

- 5% tax rebate for employing physically challenged persons amounting to 10% of total manpower
- 5% additional tax on school, college, university and NGO failing to provide adequate facilities to physically challenged person.



Reduced source tax on MS scrap & ferro alloys

- Reduced tax from 5% to 0.5% for local M.S. scrap supply
- Reduced TDS from 5% to 3% for import of ferro alloys

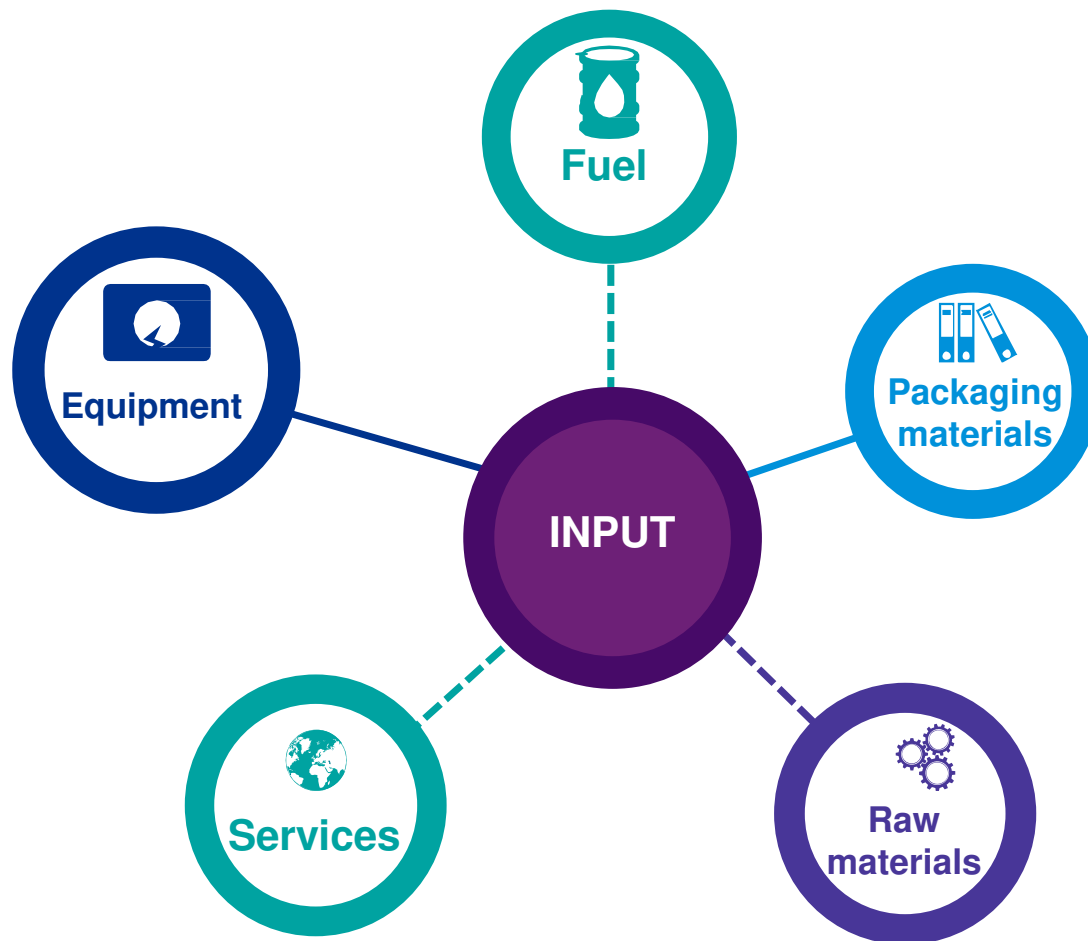


Reduced source tax on raw materials

- Reduced TDS from 5% to 2% for import of raw materials for poultry feed, local supply of essential commodities like rice, atta, potato, garlic, onion, import of garlic and sugar.

VAT changes

New definition of input



✗ Exclusions

Employee related expenses

Immovable property

Office equipment, furniture, supplies, etc.

Refrigerator, air conditioner, generator, etc.

Rent-a-car, travelling

Changes in input-output coefficient declaration

Existing

100% export-oriented organizations need to submit

Proposed

100% export-oriented organizations need not submit



100% exporters excluded

Revised Input-output Co-efficient declaration need to be made for changes in input price exceeding 7.5%.

This is formally included in the VAT & SD Act, 2012.



New withholding VAT regulations (1/2)

Scope of withholding VAT



VAT should be deducted from certain services @ 15% VAT



Goods under lower VAT rate



Services included in mandatory list



Services not in mandatory list but under lower VAT Rate

New withholding VAT regulations (2/2)

Outside scope of withholding VAT



**Goods @ 15% VAT
under Mushak 6.3**



Utilities



**Exempted or zero-
rated supplies**



**Services @ 15%
VAT not in
mandatory list**

Applicability of withholding VAT

Applicability of withholding VAT for services

SL	Service Code	Description of services	VAT rate
1	S001.10	Hotel (Air-conditioned)	15%
	S001.20	Restaurant (Air-conditioned)	15%
	S001.10	Hotel (Non AC)	7.5%
	S001.20	Restaurant (Non AC)	7.5%
2	S002.00	Decorators and caterers	15%
3	S003.10	Motor car garage and workshop	10%
4	S003.20	Dockyard	10%
5	S004.00	Construction firm	7.5%
6	S007.00	Advertising firm	15%
7	S008.10	Printing press	10%
8	S009.00	Auction firm	10%
9	S010.10	Land developer	2%
10	S010.20	Building construction firm	
		Up to 1,6 00 square feet	2%
		Above 1,600 square feet	4.5%
		Reregistration irrespective of size	2%
11	S014.00	Indenting agency	5%
12	S015.10	Freight Forwarders	15%
13	S020.00	Survey firm	15%

Applicability of withholding VAT

Applicability of withholding VAT for services

SL	Service Code	Description of services	VAT rate
14	S021.00	Plant or capital machinery rental firm	15%
15	S024.00	Furniture distributors	
		a. Manufacturing stage	7.5%
		b. Selling stage (showroom) (subject to 7.5% VAT challan at manufacturing stage)	7.5%
16	S028.00	Courier and express mail service	15%
17	S031.00	Repair and maintenance service firm	10%
18	S032.00	Consultancy and supervisory firm	15%
19	S033.00	Lessor	15%
20	S034.00	Audit and accounting firm	15%
21	S037.00	Procurement provider	7.5%
22	S040.00	Security service	10%
23	S043.00	Program aired through television or online platform	15%
24	S045.00	Legal advisor	15%
25	S048.00	Transport contractor:	
		i) Transportation of petroleum products	5%
		ii) Others	10%
26	S049.00	Rent-a -car service provider	15%

Applicability of withholding VAT

Applicability of withholding VAT for services

SL	Service Code	Description of services	VAT rate
27	S050.10	Architect, interior designer or interior decorator	15%
28	S050.20	Graphic designer	15%
29	S051.00	Engineering firm	15%
30	S052.00	Sound and lighting accessories provider	15%
31	S053.00	Board meeting participants	15%
32	S054.00	Advertisement through satellite channel	15%
33	S058.00	Chartered air or helicopter rental firm	15%
34	S060.00	Buyer of auctioned goods	7.5%
35	S065.00	Cleaning and maintenance services of floors, compounds etc.	10%
36	S066.00	Seller of lottery ticket	10%
37	S067.00	Immigration Advisor	15%
38	S071.00	Event management	15%
39	S072.00	Human resource supplier or management	15%
40	S099.10	Information technology enable services	5%
41	S099.20	Miscellaneous services	15%
42	S099.30	Sponsorship services	15%
43	S099.60	Credit rating agency	7.5%

No withholding VAT from subcontractor

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Sub-contractor of the service provider of the project will not be subject to withholding VAT

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Extended time

Time limit for adjustment of Advance Tax and Input VAT credit has been increase

Existing

2 months

Proposed

4 months



Advance tax(VAT)

Advance tax for manufacturers have been reduced subject to conditions

Existing

5%

Proposed

4%



Conditions

- VAT Registration Certificate
- Input-output coefficient
- Bill of entry
- Import Registration Certificate
- VAT Return (Last 12 Months)



Advance tax for other importers other than manufacturers will remain at 5%

VAT payment for filing appeals

VAT payment for filling of appeal at both Commissioner (Appeal) & Tribunal level has been increased

Existing

10%
of VAT demand

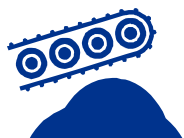
Proposed

20%
of VAT demand



New exempted goods and services

Exemption
at all stages



Clay



**Share purchase and
sales related
activities**



**Air ambulance
services**

Exemption
at certain
stages

Import

Covid-19 medicines

**Certain articles of
tractors**

Gold

Manufacturing

Protective kits and wears

Natural honey

Mustard oil

Trading

**Protective kits and
wears**

Natural honey

Change in partial input VAT credit system



Input tax credit will now be based on the portion of input consumed in a tax period for taxable supplies

New VAT documents



Mushak- 18.1KA

It is used for VAT consultant License



Mushak- 18.7

It is used for the settlement of unused goods



Mushak- 18.8

It is used for the settlement of destruction of goods due to accident.

Change in excise duty

Bank account balance	Excise duty (Existing)	Excise duty (Proposed)
Up to Tk. 100,000	-	No change
Exceeds Tk 100,000 but does not exceed Tk 500,000	Tk. 150	No change
Exceeds Tk 500,00 but does not exceed Tk 1,000,000	Tk. 500	No change
Exceeds Tk 1,000,000 but does not exceed Tk 10,000,000	Tk. 2,500	Tk. 3,000
Exceeds Tk 10,000,000 but does not exceed Tk 50,000,000	Tk. 12,000	Tk. 15,000
Exceeding 50,000,000	Tk. 25,000	Tk. 40,000



Thank you

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and

Senior Partner

KPMG/Rahman Rahman Huq