National Budget 2019-20, Income Tax and Amendments in the Income Tax Laws: An Overview

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Abstract

Through the Finance Act 2019, there are huge amendments in the Income-tax Ordinance 1984, but the existing tax rate structures for individual or corporate taxpayers have not been changed. However, the amendments in some cases result in possible disincentives or favourable incentives. Tax holiday regime or reduced tax rate policy for selected sectors has been extended. Scope of investment of undisclosed income by paying taxes at prescribed rate has newly been created for investment in Economic Zones or Hi-Tech Parks and such type existing provision on investment in residential building or apartment has been revised to pay tax at a lower prescribed rate. For listed companies, tax is imposed on stock dividend or retained earnings or reserve or surplus to pay at least fifteen percent of their net profit as cash dividend. The presumptive tax rates on road and water transports or vehicles have significantly been enhanced without considering the economic life of those vehicles. There are a number of amendments in case of withholding taxes as an expansionary policy drive by enhancing the rate of deduction or coverage or number of withholding entities or by taking some indirect punitive measure by considering the applicable payment without deduction of tax at source as deemed income. This paper has comprehensively enumerated all the recent amendments in income tax laws with a reflection on the effect of those changes.

Keywords: Income-tax Ordinance, National Budget, Finance Act.

1.0 Introduction

On 13 June 2019, new Finance Minister Mr. A. H. M. Mustafa Kamal, FCA, MP, has placed the National Budget 2019-20 in the Parliament in the first budget session of the current government and the third session of the eleventh Parliament. The budget for the financial year (FY) 2019-20 is the country's 48th budget and the 20th budget of the Awami League government. The budget speech is titled *Bangladesh on a Pathway to Prosperity: Time is Ours, Time for Bangladesh* and consists of 128 pages in printed version in English language (4 initial pages plus 100-page body plus 28-page annexures). Finance Minister Mr. Kamal started a digital presentation of his first budget speech, but later, Prime Minister Sheikh Hasina read out the rest of the budget script on behalf of the finance minister. The Budget 2019-20 has been passed on 30 June 2019.

The budget of 2019-20 is the ever biggest in terms of the size of total expenditure (Tk. 523,190 crore in FY2019-20 against Tk. 442,541 crore in revised budget of FY2018-19, with an increase of 18.2%). For financing this big budget, the total revenue target (excluding foreign grants) for FY2019-20 is Tk. 377,810 crore, which was Tk. 316,613 crore in the revised budget of FY2018-19 (i.e., 19.3% increase). After inclusion of the foreign grants, this year (FY2019-20) 73.0% of the total expenditure will be financed by the targeted revenue sources, which was only 72.4% in last year's revised budget. In terms of gross domestic product (GDP) also, this shows more capability of the Government successively (total revenue including foreign grants is 13.2% of GDP in FY 2019-20, which was 12.6% of GDP in the revised budget of FY 2018-19). But the tax-GDP ratio is still far below than expected (8.68% actual in FY2017-18, 11.42% in revised budget of FY2018-19 and 11.78% in original budget of FY2019-20 against the corresponding planned rates of 12.3%, 13.1% and 14.1% respectively in the 7th Five Year Plan) (GOB, 2019c; 2019d). In this paper, overall taxes and non-taxes issues of the budget and the structure of the Finance Act 2019 have been discussed in brief and changing aspects of the income tax of the budget have been delineated with broader focus. A diagnostic overview of the insertions, substitutions, deletions and revisions in the income tax laws by the Finance Act 2019 and other relevant SROs (statutory rules and orders) has also been presented in the paper.

2.0 Revenue Aspects of the National Budget 2019-20

The revenue target (including foreign grants) in the budget for FY2019-20 has been fixed at Tk. 381,978 crore, against Tk. 320,399 crore in revised budget of FY2018-19, with an increase of 19.2% (which was 30.1% in preceding year). However, the revenue target (excluding foreign grants) in the budget for FY2019-20 has been fixed at Tk. 377,810 crore, against Tk. 316,613 crore in revised budget of FY2018-19, with an increase of 19.3% (which was 30.8% in preceding year). The percentage growth in total revenue including foreign grants and that excluding foreign grants are almost similar (19.2% including foreign grants vs. 19.3% excluding foreign grants), although there is a higher target of foreign grants (Tk. 4,168 crore in FY2019-20 against Tk. 3,787 crore in revised budget of FY2018-19, with a rise by 10.1%). Out of total revenue target (excluding foreign grants) of Tk. 377,810, tax revenue consists of 90.0% and remaining 10.0% is non-tax revenue.

Out of total tax revenue target of Tk. 340,100 crore (which is 17.4 percent higher from the revised target of Tk. 289,600 crore), value added tax (VAT) will contribute the highest 36.2 percent. Then income tax will contribute 33.5 percent, the second highest share of total tax target. Of the other taxes collected by the National Board of Revenue (NBR), supplementary duty will contribute 14.2 percent, customs duty 10.7 percent, excise duty 0.7 percent, and other taxes and duties 0.5 percent. The non-NBR taxes in total including the Surcharges (Health Development, Environmental Safety and Information Technology Development) will contribute only 4.3 percent of total tax target, where a new line-item has been added in the budget.

As shown in Table 1, total income tax revenue target for FY 2019-20 is at Taka 113,912 crore with 19.70 percent increase over that of revised budget for FY 2018-19 (although there is a decline of 5.51 percent from the original budget of FY 2018-19 in the revised budget). The amount of income tax target in FY2019-20 is 33.49 percent of the total tax target of Tk. 340,100 crore, 34.99 percent of the NBR's tax target of Tk. 325,600 crore and 30.15 percent of the total revenue (excluding foreign grants) target of Tk. 377,810 crore. In FY2019-20, income tax will finance 21.77 percent of total expenditure of Tk. 523,190 crore. The income tax-GDP ratio was 3.75 percent in revised budget of FY2018-19, and it is expected to be 3.95 percent in FY2019-20 (overall tax-GDP ratio expected to be 11.78 in FY2019-20 against 11.42 in revised budget of FY2018-19) (GOB, 2019d), although in the seventh Five-Year Plan (2015-2020), overall tax-GDP ratio was fixed at 14.1 in FY2019-20 against 13.1 in in FY2018-19. Income tax is targeted to be increased by 13.10 percent in terms of original budget-to-budget comparison (current year's Taka 113,912 crore versus last year's Taka 100,719 crore), but in terms of current year's budget versus last year's revised budget, the enhancement is reasonably big (19.70 percent).

Table 1: Income Tax Revenue Target in the Budget

Income Tax Parameters	Actual 2016-17	Actual 2017-18	Budget 2018-19	Revised Budget 2018-19	Budget 2019-20	% Increase
Taxes on Income and Profit (crore taka) (% of original budgeted target)	***52,433*** (72.88)	***59,031*** (69.30)	***100,719*** (100)	***95,167*** (94.49)	***113,912*** (100)	***19.70***
Taxes on Income and Profit as a % of:						
Total NBR Tax Revenue	30.55	31.55	30.93	33.99	34.99	2.93
Total Tax Revenue	29.44	30.38	29.61	32.86	33.49	1.92
Total Revenue (excluding foreign grants)	26.06	27.26	26.66	30.06	30.15	0.31
Total Expenditure	19.46	18.34	19.25	21.50	21.77	1.25
Gross Domestic Product (GDP)	2.68	2.64	3.49	3.75	3.95	5.19
Overall Tax-GDP Ratio	9.10	8.68	11.78	11.42	11.78	3.21
Tax-GDP Ratio in 7th Five Year Plan	11.5	12.3	13.1	13.1	14.1	

Note: "% increase" means increase in Budget 2019-20 over Revised Budget 2018-19.

Sources:Compiled from GOB (2019c); GOB (2019d); GOB (2018a); GOB (2018b).

3.0 Structure of the Finance Act 2019

Just after the budget speech, the Finance Bill 2019 was placed in the Parliament by the Finance Minister on 13 June 2019 to effect the fiscal measures proposed in the national budget 2019-20. The Finance Bill was passed on 29 June 2019 and Presidential assent was given to it on 30 June 2019 and published in the official Gazette on the same day as the Finance Act 2019 (Act No. 10 of 2019). The structures of the Finance Bill 2019 (FB 19) and the Finance Act 2019 (FA 19) are as follows:

Chapter	Coverage of the Tax Laws	Finance Bill 2019 (placed on 13.6.2019)		Finance Act 2019 (passed on 29.6.2019)	
First	Preliminary	Section 1	01 section	Section 1	01 section
Second	Customs Act, 1969 (Act No. IV of 1969)	Sections 2-10	09 sections	Sections 2-10	09 sections
Third	Income-tax Ordinance, 1984 (Ord. No. XXXVI of 1984)	Sections 11-54	44 sections	Sections 11-52	42 sections*
Fourth	Value Added Tax and Supplementary Duty Act 2012 (Act No. 47 of 2012)	Sections 55-107	53 sections	Sections 53-108	56 sections
Fifth	Schedules	--	--	--	--
Sixth	Declaration	--	--	--	--
	Statement regarding Object and Reason	--	--		
	Total	**Sections 1-107**	**107 sections**	**Sections 1-108**	**108 sections**

**One proposal of inserting a new section 94B (Assessment without jurisdiction)[1] and another proposal of deleting the proviso to clause (f) of sub-section (2) of section 174 (Appearance by authorised representative)[2] under section (u/s) 42 and u/s 48 of the Finance Bill 2019 respectively were withdrawn at the time of passing the Finance Act 2019.*

Sources: GOB (2019a), The Finance Bill 2019; GOB (2019b), The Finance Act 2019.

[1] *"94B. Assessment without jurisdiction.- If any income tax authority makes any assessment beyond jurisdiction, it shall be considered without lawful authority and shall stand annulled and such assessment shall be made by an income tax authority having proper jurisdiction within two years from the end of the assessment year in which the income was first assessable".*

[2] *Proviso to clause (f) of sub-section (2) of section 174 is related to an income tax practitioner registered by the National Board of Revenue (NBR), the content of which is as follows: "Provided that such an income tax practitioner shall be a member of any registered Taxes Bar Association" (proviso inserted by the FA 2006).*

Since the Value Added Tax and Supplementary Duty Act 2012 (VAT-SD Act) has been made effective from July 1, 2019 by repealing the Value Added Tax Act 1991 (Act No. 22 of 1991), the significant changes (about 52%) have been made in the VAT-SD Act in terms of number of sections of the Finance Act 2018. Thereafter, major changes (about 39%) have been made in the Income-tax Ordinance 1984 (ITO) under similar comparison. A review of these changes is presented below.

4.0 Amendments in the Income Tax Ordinance

Below is the description of salient structural and other changes in the income tax rates and other changes made in income tax laws have been delineated below.

Overall structural change in the Income Tax Ordinance: On 01.07.2018 for assessment year (AY) 2018-19, there were 24 Chapters, 310 sections and 7 Schedules. Following are the changes done in the Income-tax Ordinance, 1984 by the Finance Act, 2019:

- New sections inserted: 7 sections (sections 16F, 16G, 19DD, 30B, 46BB, 46CC, and 184CC);
- Existing section deleted: no section deleted;
- Existing sections substituted: 5 sections (sections 19BBBBB, 52F, 52P, 53A and 53J);
- Existing sections amended: 27 sections (sections 2, 19, 30, 32, 33, 44, 52, 52AA, 52D, 52K, 53DDD, 53GG, 54, 56, 64, 75, 75A, 75AA, 82BB, 82C, 93, 107A, 107C, 107D, 165, 165C, and 184A); and
- Existing Schedule amended: 2 Schedules (Second Schedule and Sixth Schedule).

Thus, from 01.07.2019 for AY 2019-20, there are 24 Chapters, 317 sections and 7 Schedules.

Overall structural change in the Income Tax Rules: For AY 2017-18 (after amendment by SRO No. 191-Ain/Aykar/2018, dated 25.06.2018), there were 107 rules (Rule 1 to Rule 75A). Following are the changes done in the Income-tax Rules, 1984 by SRO No. 213-Ain/Aykar/2019, dated 23.06.2019, applicable for AY 2019-20:

- New rules inserted/deleted: No new rule has been inserted or no rule deleted; and
- Existing rules amended: 4 rules (rules 16, 17A, 24 and 37);

Thus, for AY 2019-20, there are 107 rules (Rule 1 to Rule 75A) in the Income Tax Rules, 1984.

Changes in Income Tax Rates:

Tax rates for AY 2019-20 have been mentioned below according to various taxpayers and for different classes of income.

Tax Rate for Non-Corporate Taxpayers:

Resident individual assessee, non-resident Bangladeshi, association of persons, firm, Hindu undivided family (HUF) and other artificial juridical persons: There are no changes in the income slabs or corresponding tax rates in AY 2019-20 except for one change in case of tax rate on "Income from lottery, crossword puzzle, etc. u/s 19(13)" under paragraph 3 of the Second Schedule to make it simplified and straightforward.

Type of Income		Tax Rates for AY 2018-19	Tax Rates for AY 2019-20
(1) Capital gain on transfer of listed securities or mutual fund of:			
- shareholders of stock exchange *[Source tax u/s 53N from AYs 2014-15 to 2015-16 with settled tax u/s 82C and from AY 2016-17 with minimum tax u/s 82C]*		15%	15%
- a partnership firm *[SRO No. 196-Ain/Aykar/2015, dated 30.6.2015, from AY 2015-16]*		10%	10%
- a sponsor shareholder or director or placement-holder of a listed company *[source tax u/s 53M and settled tax u/s 82C up to AY 2015-16 and minimum tax u/s 82C from AY 2016-17]*		5%	5%
- a sponsor shareholder or director of bank, financial institution, merchant bank, insurance company, leasing company, portfolio management company and stock dealer company *[SRO No. 196-Ain/Aykar/2015, dated 30.6.2015 from AY 2015-16]*		5%	5%
- other shareholder or director of a listed company having more than 10% of share capital of a company at any time in income year *[SRO No. 196-Ain/Aykar/2015, dated 30.6.2015 from AY 2015-16]*		5%	5%
(2) Other capital gain (long-term)	15% or Average Tax Rate (ATR) on total income including capital gain, *lower one*		Same
(3) Income from lottery, crossword puzzle, etc. u/s 19(13)	As per Second Schedule, 20% or ATR on total income including such accidental income, *lower one*; but 20% TDS is applicable u/s 55, which is treated as minimum tax		20%[a]

Type of Income			Tax Rates for AY	
			2018-19	2019-20
(4) Other income				
Total Income-Slab	**AY2018-19**[c]	**AY2019-20**[c]	**AY2018-19**	**AY2019-20**
On first Tk.	250,000b	250,000b	Nil	Nil
On next Tk.	400,000	400,000	10%	10%
On next Tk.	500,000	500,000	15%	15%
On next Tk.	600,000	600,000	20%	20%
On next Tk.	3,000,000	3,000,000	25%	25%
On balance Tk.	Balance	Balance	30%	30%
Minimum tax (Tk.)	City Corporation area: Dhaka North and Dhaka South and Chittagong		5,000	5,000
	City Corporation area: Other		4,000	4,000
	Other area		3,000	3,000

[a] As per paragraph 3 of the Second Schedule, tax rate on "Income from lottery, crossword puzzle, etc. u/s 19(13)" is straight 20% from AY2019-20 [paragraph 3 of the Second Schedule amended by section 49 of the FA 2019]; and TDS on this income at 20% u/s 55, which is treated as minimum tax.

[b] Initial exemption limit for AYs 2018-19 and 2019-20: women taxpayers and taxpayers having age of 65 years or more–Taka 300,000; taxpayers with disability–Taka 400,000; Gazetted war-wounded freedom fighters–Taka 425,000; and initial exemption limit will be Taka 50,000 more for parents or legal guardian of a retarded taxpayers and in case of both father and mother of the retarded person are assessees, either of them shall get this benefit.

[c] For AYs 2018-19 and 2019-20, if an assessee is the owner of a small or cottage industry situated in Less Developed Area or Least Developed Area and engaged in producing cottage industry goods, he will obtain income tax rebate at 5% of payable income tax (if income year's production is higher by more than 15% but not more than 25%) or 10% of payable income tax (if income year's production is higher by more than 25%).

Changes in Investment Allowance and Tax Credit [Sec. 44(2)(b) and Paragraph 23 of Part B, Sixth Schedule]: From AY 2019-20, one item of investment allowance subject to investment tax credit has been deleted. Previously under paragraph 23 (inserted by the FA 2009) of Part B, Sixth Schedule, any sum invested in the purchase of one computer or one laptop by an individual assessee was subject to tax credit, which has been now withdrawn. The rate of tax credit on investment allowance u/s 44(2)(b) is also revised as follows:

Previous investment tax credit	Changed investment tax credit
(i) if the total income does not exceed Tk. 10 lakh @ 15% of the eligible amount; (ii) if the total income exceeds Tk. 10 lakh but does not exceed Tk. 30 lakh @ 15% of the first Tk. 250,000 of the eligible amount *plus* 12% of the rest of the eligible amount; (iii) if the total income exceeds Tk. 30 lakh @ 15% of the first Tk. 250,000 of the eligible amount *plus* 12% of the next Tk. 500,000 of the eligible amount *plus* 10% of the rest of the eligible amount.	(i) if the total income does not exceed taka fifteen lakh @ 15% of the eligible amount; (ii) if the total income exceeds taka fifteen lakh @ 10% of the eligible amount. *Impact:* (i) if the total income does not exceed Tk. 10 lakh, there is no impact; (ii) if the total income exceeds Tk. 10 lakh but does not exceed Tk. 15 lakh, then investment tax credit may be increased; and (iii) if the total income exceeds Tk. 15 lakh, then investment tax credit may be decreased.

Here, the eligible amount u/s 44(2)(c) is the lesser of 25% of total income (excluding exempted income and income subject to reduced rate), or Tk. 1,50,00,000 or actual allowable investments.

Rate of Surcharge for Individual Assessee and Manufacturer of Tobacco Products: From AY 2017-18, there are two paragraphs in the schedule of surcharge: Paragraph A is related to the previous 'wealth tax surcharge' (WTS) for an individual assessee in general based on 'total net worth' and Paragraph B is related to 'income surcharge' for manufacturer of tobacco products based on income tax payable on income earned from business of those products (i.e., any manufacturer, not necessarily an individual; and not on the basis of 'total net worth'). From AY2018-19, there are changes in case of WTS for individual assessee: (i) Wealth includes quantitative criteria of 'more than one motor car' and 'house property having an aggregate area of more than 8,000 square-feet in a city corporation area', in addition to value-based criterion of 'total net worth' shown in the statement of assets, liabilities and expenses submitted u/s 80; (ii) Minimum WTS for individual assessee has been changed to Tk. 3,000 (as was in preceding AY) for WTS rates of 10% and 15%; and Tk. 5,000 for WTS rates of 20%, 25% and 30%; and (iii) Explanation is added to define 'total net worth' and 'motor car'. This year (AY 2019-20), under a new proviso to Paragraph A, for a high net worth individual assessee (having net worth of Tk. 50 crore or more), WTS shall be higher of 0.1% of net worth or 30% of income tax applicable on the income on which income tax is applicable.

Paragraph A: Rates of WTS for an individual assessee

Sl.	Wealth	WTS Rates for AY	
		2018-19	2019-20
(a)	Total net worth up to ***Tk. 2 crore 25 lakh***	Zero	---
	Total net worth up to ***Tk. 3 crore***	---	Zero
(b)	Total net worth above ***Tk. 2 crore 25 lakh***, but not exceeding Tk. 5 crore or, in own name, more than one motor car; or, house property having an aggregate area of more than 8,000 square-feet in a city corporation area	10%[α]	---
	Total net worth above ***Tk. 3 crore***, but not exceeding Tk. 5 crore or, in own name, more than one motor car; or, house property having an aggregate area of more than 8,000 square-feet in a city corporation area	---	10%[Φ]
(c)	Total net worth above Tk. 5 crore, but not exceeding Tk. 10 crore	15%[α]	15%[Φ]
(d)	Total net worth above Tk. 10 crore, but not exceeding Tk. 15 crore	20%[β]	20%[β]
(e)	Total net worth above Tk. 15 crore, but not exceeding Tk. 20 crore	25%[β]	25%[β]
(f)	Total net worth above Tk. 20 crore	30%[β]	30%[β]
	[α] Minimum surcharge, if total net worth exceeds Tk. 2 crore 25 lakh, but not exceeding Tk. 10 crore	Tk. 3,000	---
	[Φ] Minimum surcharge, if total net worth exceeds Tk. 3 crore, but not exceeding Tk. 10 crore (i.e., against 10% and 15% rates of WTS)	---	Tk. 3,000
	[β] Minimum surcharge, if total net worth exceeds Tk. 10 crore (i.e., against 20%, 25% and 30% ratesof WTS)	Tk. 5,000	Tk. 5,000

Note: 1 crore = 10 million.

This year (from AY 2019-20), a new proviso has been inserted in Paragraph A under which, for an assessee having net worth is Tk. 50 crore or more, the WTS shall be 0.1% of net worth or surcharge payable at the rate of 30% of income tax applicable on the income on which income tax is applicable, whichever is higher.

Explanation to Paragraph-A (first inserted by the Finance Act 2018 and continued):

(i) "Total net worth" means total net worth as to be shown (i.e., shown or legally to be shown)in the statement of assets, liabilities and expenses submitted u/s 80 of the Income Tax Ordinance, 1984;

(ii) "Motor car" means private car, jeep or microbus.

Paragraph B: Rate of Income Surcharge (IS) for manufacturer of tobacco products

Paragraph-B (first inserted by the Finance Act 2017 and continued) is for an assessee being a manufacturer of tobacco products including cigarette, biri, jarda, gul etc. who shall pay 'income surcharge' at the rate of 2.5% on income earned from business of those tobacco products.

Reduced rate for special tax treatment in respect of investment in residential building or apartment [Sec. 19BBBBB substituted]: Existing provision on investment of undisclosed income by any person at the rate prescribed on the basis of per 'square meter' (sqm) in the construction or purchase of any residential building or apartment was initially proposed for building or apartment or land. But finally the provision is made in relation to building or apartment by reducing the prescribed rate u/s 19BBBBB(1) as follows:

Name of the areas	Existing tax rates/sqm	Proposed tax rates/sqm f
Gulshan Model Town, Banani, Baridhara, Motijheel commercial area and Dilkhusha commercial area of Dhaka	• Tk. 5,000/sqm for plinth area up to 200 sqm; • Tk. 7,000/sqm for plinth area above 200 sqm	• Tk. 4,000/sqm for plinth area up to 200 sqm; • Tk. 5,000/sqm for plinth area above 200 sqm
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 Chattogram	• Tk. 4,000/sqm for plinth area up to 200 sqm; • Tk. 5,000/sqm for plinth area above 200 sqm	• Tk. 3,000/sqm for plinth area up to 200 sqm; • Tk. 3,500/sqm for plinth area above 200 sqm

Name of the areas	Existing tax rates/sqm	Proposed tax rates/sqm f
Any City Corporation other than areas of Dhaka and Chattogram mentioned above	• Tk. 2,000/sqm for plinth area up to 200 sqm; • Tk. 3,000/sqm for plinth area above 200 sqm	• Tk. 800/sqm for plinth area up to 120 sqm; • Tk. 1,000/sqm for plinth area exceeding 120 sqm but up to 200 sqm; • Tk. 1,500/sqm for plinth area above 200 sqm
A Paurasabha of any district headquarters	• Tk. 600/sqm for plinth area up to 200 sqm; • Tk. 800/sqm for plinth area above 200 sqm	• Tk. 300/sqm for plinth area up to 120 sqm; • Tk. 500/sqm for plinth area exceeding 120 sqm but up to 200 sqm; • Tk. 700/sqm for plinth area above 200 sqm
Areas not mentioned above	• Tk. 400/sqm for plinth area up to 200 sqm; • Tk. 600/sqm for plinth area above 200 sqm	• Tk. 200/sqm for plinth area up to 120 sqm; • Tk. 300/sqm for plinth area exceeding 120 sqm but up to 200 sqm; • Tk. 500/sqm for plinth area above 200 sqm

In the Finance Bill 2019, there were another tax rate of per square meter of land located in the above five locations as Tk. 15,000/sqm, Tk. 10,000/sqm, Tk. 5,000/sqm, Tk. 1,000/sqm, and Tk. 500/sqm respectively.

Special tax treatment in respect of investment in Economic Zones or Hi-Tech Parks [new section 19DD]: Notwithstanding anything contained in the Income-tax Ordinance or any other law for the time being in force, no question shall be raised as to the source of any sum invested in any economic zone declared under section 5 of the Bangladesh Economic Zone Act, 2010 (Act No. 42 of 2010) or in any hi-tech park declared under section 22 of the Bangladesh Hi-tech Park Authority Act, 2010 (Act No. 8 of 2010) for setting up industrial undertaking engaged in producing goods or services therein within the period from the first day of July, 2019 and the thirtieth day of June, 2024 (both days inclusive) by a company, if tax at the rate of 10% is paid on the sum so invested before filing of the return for the concerned income year.

• Tax Rate for Corporate Taxpayers:

Corporate tax rate structure is not changed for AY 2019-20 except the enhanced minimum tax rate of 2% (instead of 0.75%) for mobile phone operator u/s 82C(4) and TDS u/s 54 and exemption in relation to 'taxed dividend' under paragraph 60 of Part A of Sixth Schedule, which was for a resident company in the preceding financial/assessment year and for any resident or non-resident company from this year.

Types of Company	Type of Income		Tax Rates for AY	
			2018-19	2019-20
Any company	(1) Capital gain arising out of	- Transfer of securities of listed company *[SRO No. 196-Ain/Aykar/2015, dated 30.6.2015 from AY 2015-16]*	10%	10%
		- Transfer of other capital assets [Second Schedule]	15%	15%
	(2) Dividend income *[from AY2018-19 (for a company being resident in Bangladesh) and from AY2019-20 (for any company), subject to sec. 2(62B), Proviso to clause (b) of sec. 54 and paragraph 60 of Part A of Sixth Schedule]*		20%	20%
Bank, insurance, financial institutions (except merchant bank)	Other income (except capital gain and dividend income)	- Company being a publicly traded company	37.5%	37.5%
		- For bank, insurance and financial institution approved by Government in 2013	37.5%	37.5%
		- For other company (actually foreign banks only)	40%	40%
Merchant bank	Merchant bank	Other income (except capital gain and dividend income)	37.5%	37.5%
Cigarette manu-facturing companies	Other income (except capital gain and dividend income)	- Company being a publicly traded company	45% + 2.5% IS	45% + 2.5% IS
		- For other company	45% + 2.5% IS	45% + 2.5% IS
Mobile phone operator companies	Other income (except capital gain and dividend income)	- Company being converted into a publicly traded one by transferring at least 10% shares [of which maximum 5% may be through Pre-Initial Public Offering Placement (IPO)] through stock exchanges	40%	40%
		- For other company	45%	45%

Types of Company	Type of Income		Tax Rates for AY 2018-19	Tax Rates for AY 2019-20
Other company	Other income (except capital gain and dividend income)	- For publicly traded company i. Dividend declared by less than 10% or failure to pay declared dividend within SEC stipulated time *(60 days as per SEC's SRO No. 385-Ain/91, dated 15.12.1991; 30 days from 9.2.2010 as per SEC Notification on same date)*	25%	25%
		ii. Other situation	25%	25%
		- For other company [β]	35%	35%
All companies	Minimum tax as a % of 'gross receipts' u/s 16BBB and 82C(4) from AY 2016-17		See below	
	Minimum tax for every partnership firm having gross receipts of more than taka fifty lakh and every company [Section 16BBB and substituted section 82C]: From AY2016-17, section 16BBB has been inserted as a charging section for minimum tax (by repealing previous section 16CCC which was for rate of minimum tax) and the provision of imposing minimum tax for companies and applicable partnership firms has been shifted to section 82C(4) at following rate of minimum tax: (1) For manufacturer of cigarette, bidi, chewing tobacco, smokeless tobacco or any other tobacco products @ 1% of gross receipt; (2) For mobile phone operator @ 0.75% of gross receipt*; and (3) For other @ 0.60% of gross receipt. However, the reduced minimum tax rate of zero point one zero percent (0.10%) of gross receipts has been maintained for an industrial undertaking engaged in manufacturing of goods for the first three income years since commencement of its commercial production. Additionally, where the assessee has an income from any source that is exempted from tax or is subject to a reduced tax rate, the gross receipts from such source or sources shall be shown separately, and the minimum tax shall be calculated by allowing proportional benefit of this exemption or reduced rate. *From AY2019-20, under section 40(c) of the FA 2019, for mobile phone operator the minimum tax rate has been increased from 0.75% to 2% of gross receipt by amending section 82C(4).			

[α] ***Applicable for a mobile operator company:*** For both AYs 2018-19 and 2019-20, if a mobile phone operator company transfers at least 20% shares through Initial Public Offering (IPO), it will obtain income tax rebate at 10% on applicable income tax in the concerned year of such transfer.

[β] ***Applicable for a company which is not publicly traded (other than a banking or insurance company, or merchant bank, or tobacco products manufacturing company or mobile phone operator company):*** For both AYs 2018-19 and 2019-20, if such company transfers at least 20% shares through Initial Public Offering (IPO), it will obtain income tax rebate at 10% on applicable income tax in the concerned year of such transfer.

- **Tax rate for manufacturer and exporter of readymade garments:** For AY 2017-18, the tax rates for income from export by the manufacturer and exporter of knitwear and woven garments were 10% or 12% [S.R.O. 255-Ain/Aykar/2017, dated 01.08.2017, amended by S.R.O. 217-Ain/Aykar/2019, dated 23.06.2019], which have been changed as follows for AY 2018-19 and the same rates have been further extended for AY 2019-20 [S.R.O. 217-Ain/Aykar/2019, dated 23.06.2019]:

Sl.	Manufacturer and exporter of readymade garments	Rates for AY 2017-18	Rates for AY 2018-19 and 2019-20
(a)	Company with factory having internationally recognized green building certification	10%	12%
(b)	Other public limited company	12%	12.5%
(c)	Other company not being a public limited company	12%	15%
(d)	Non-corporate assessee (Maximum rate)	12%	15%

- ***Corporate tax rate for textile sector:*** Under S.R.O. 193-Ain/Aykar/2015, dated 30.06.2015, the tax rate for textile sector companies (engaged in thread manufacturing, thread dying, finishing, coning, clothes manufacturing, clothes dying, finishing, printing or engaged in one or more such processes in relation to textile production) was 15% from July 1, 2015 to June 30, 2019. S.R.O. 193-Ain/Aykar/2015, dated 30.06.2015, has been amended by S.R.O. 218-Ain/Aykar/2019, dated 23.06.2019 and the reduced rate of 15% is to be applicable now up to June 30, 2022.
- ***Presumptive tax rate for owners of road vehicles enhanced [SRO 171-Ain/Aykar/2009; dated 30/06/2009, amended by SRO 160-Ain/Aykar/2014; dated 26/06/2014,and repealed by SRO 215-Ain/Aykar/2019; dated 23/06/2019]:***Under SRO 215-Ain/Aykar/2019; dated 23/06/2019, the tax rates have been increased for the owner of bus, minibus, coaster, taxicab, prime mover, truck, tank lorry, pick-up, human hauler, maxi and auto-rickshaw as follows:

Particulars	Rate from 01.07.2014 to 30.06.2019		Rate from 01.07.2019 (Tk.)
	Up to 10 years old (Tk.)	Above 10 years old (Tk.)	
Bus (capacity more than 52 seats)	12,500	6,500	16,000
Bus (capacity 52 seats or less)	9,000	4,500	11,500
A/C luxury bus	30,000	15,000	37,500
Bus (double Decker)	12,500	6,500	16,000
A/C Mini Bus/Coaster	12,500	9,000	16,000
Other Mini Bus/Coaster	5,000	2,500	6,500
Prime mover (container carrying)	19,000	10,000	24,000
Truck and tank lorry (capacity more than 5 ton)	12,500	7,500	16,000
Truck and tank lorry (capacity more than 1.5 ton to 5 ton)	7,500	4,500	9,500
Truck / pick-up (capacity 1.5 ton or less) and all type of human hauler, maxi and auto-rickshaw	3,000	2,500	4,000
A/C taxi cab	9,000	4,500	11,500
Non A/C taxi cab	3,000	1,500	4,000

- ***Presumptive tax rates of water transports enhanced [SRO 224-Ain/Aykar/2012; dated 27/06/2012, amended by SRO 162-Ain/Aykar/2014; dated 26/06/2014, repealed by SRO 214-Ain/Aykar/2019, dated 23/06/2019]:***Under SRO 214-Ain/Aykar/2019, dated 23/06/2019, thetax rates for the owner of inland water vessel, cargo or coaster and dump burge have been increased as follows:

Particulars	Rate from 01.07.2014 to 30.06.2019		Rate from 01.07.2019 (Tk.)
	Up to 10 years old (Tk.)	Above 10 years old (Tk.)	
Inland water vessel (per passenger on the basis of day-time passenger capacity)	100	40	125
Cargo or coaster engaged in carrying goods through inland water-way (per gross tonnage on the basis of capacity of carrying goods)	135	60	170
Dump Burge engaged in carrying goods through inland water-way (per gross tonnage on the basis of capacity of carrying goods)	100	50	125

- ***Tax exemption for educational/training institution for persons with disability [paragraph 59 of Part A, Sixth Schedule amended]:*** Under paragraph ('para' hereinafter) 59 of Part A of Sixth Schedule, from AY2018-19, any income derived from the operation of an educational or training institution runs exclusively for persons with disability is exempted from tax. The provision of"any income derived from the operation of an educational or training institution" has been amended to "any income of an educational or training institution" by the FA 2019 effective from AY 2019-20 and thus all incomes of these institutions are now tax exempted.

- ***Extension of tax exemption for another five years for handicrafts-exporters, cinema hall or Cineplex, and rice bran oil producers [Paragraphs 35, 44 and 45 of Part A, Sixth Schedule amended]:*** Existing tax exemption facility for handicrafts-exporters, cinema hall or Cineplex, and rice bran oil producers has been extended for another five years as follows:

Classes of exempted income	Existing timing	Changed timing
income derived from the export of handicrafts under paragraph (u/p) 35	for the period from July 1, 2008 to June 30, 2019	for the period from July 1, 2008 to June 30, 2024
income derived from cinema hall or Cineplex which starts commercial exhibition u/p 44	between July 1, 2008 and June 30, 2019	between July 1, 2008 and June 30, 2024
income derived by an industrial undertaking engaged in the production of rice bran oil and commencing commercial production u/p 45	by June 30, 2019	by June 30, 2024

- ***Charge of tax on stock dividend declared by a listed company [new section 16F]:*** In accordance with the provision of new section 16F, notwithstanding anything contained in the Income-tax Ordinance or any other law for the time being in force, if in an income year, the amount of stock dividend declared or distributed exceeds the amount of cash dividend declared or distributed or without declaration or distribution of any cash divided by a company registered under the Companies Act, 1994 and listed to any stock exchange, tax shall be payable at the rate of ten per cent on the whole amount of stock dividend declared or distributed in that income year. The comparative positions of this provision as proposed in the Finance Bill (FB) and as passed in the Finance Act (FA) are as follows:

Proposed provision u/s 16F in the FB 2019	Final provision u/s 16F in the FA 2019
If a listed company declares stock dividend, whether interim or otherwise, the company shall pay, in addition to tax payable, tax on the value of stock dividend at the rate of fifteen per cent within sixty days from the date of such declaration.	If the amount of stock dividend declared or distributed exceeds the amount of cash dividend declared or distributed or without declaration or distribution of any cash divided by a listed company, tax shall be payable at the rate of ten per cent on the whole amount of stock dividend declared or distributed in that income year.

It is to be noted that here the income tax is on "stock dividend" which is an enhancement of paid-up capital by converting share-premium or other undistributed past or present profit on which income-tax has already been paid and hence the tax is not on pre-tax income earned in the income year. However, due to the revision from the proposal in the FB (tax rate reduced from 15% to 10%; and made conditional with cash dividend), the final provision may be viewed as a constraining fiscal instrument to pay cash dividend only or cash dividend equal to the amount of stock dividend or more.

- ***Charge of tax on retained earnings, reserves, surplus etc. [new section 16G]:*** Notwithstanding anything contained in this ordinance or any other law for the time being in force, if in an income year, the total amount transferred to retained earnings or any fund, reserve or surplus, called by whatever name, by a company registered under the Companies Act 1994 and listed to any stock exchange exceeds seventy per cent of the net income after tax, tax shall be payable at the rate of ten per cent on the total amount so transferred in that income year. The comparative positions of this provision as proposed in the FB and as passed in the FA are as follows:

Proposed provision u/s 16G in the FB 2019	Final provision u/s 16G in the FA 2019
Where in any income year the total of retained earnings, any reserve or any other equity, called by whatever name, except paid up capital exceeds fifty per cent of the paid up capital of a listed company, tax shall be payable at the rate of fifteen per cent on the amount of such excess of the company in the aforesaid income year.	If in an income year, the total amount transferred to retained earnings or any fund, reserve or surplus, called by whatever name, by a listed company exceeds seventy per cent of the net income after tax, tax shall be payable at the rate of ten per cent on the total amount so transferred in that income year

It is to be noted that here the income tax was proposed on past and present tax-paid "retained earnings and reserve" at the rate of 15%. Finally, the income tax is also on tax-paid "retained earnings and reserve" at the rate of 10%, but that is out of relevant income year's net income. However, due to the revision from the proposal in the FB (tax rate reduced from 15% to 10%; tax on "amount of retained earnings or reserve exceeding 50% of paid-up capital" changed to "total amount transferred to retained earnings or reserve" and tax-base shifted from past accumulated retained earnings or reserve to relevant income year's retained earnings or reserve out of net profit), the final provision may be viewed as a deterring tax tool to pay dividend at least 30% of net income.

- ***Expanded scope of tax exemption for Small and Medium Enterprise (SME) [Para 39 of Part A, Sixth Schedule amended]:*** Tax exemption of income derived from any Small and Medium Enterprise (SME) engaged in production of any goods is applicable for having an annual turnover of not more than taka thirty six lakh. This annual turnover limit has been raised to taka "fifty lakh" by the FA 2019.

- ***Revised condition in relation to exempted income derived from house property held under trust or other legal obligation wholly for religious or charitable purposes [Paragraph 1 of Part A, Sixth Schedule amended]:*** Under para 1(2)(b) of Part A of Sixth Schedule, there are three options for investment (in Government or Government security) or deposit (in Post Office Savings Bank or government controlled scheduled bank) of the "income derived from house property held under trust or other legal obligation wholly for religious or charitable purposes" but accumulated or set apart without application yet to charitable or religious purposes in Bangladesh. The third option of deposit [under para 1(2)(b)(iii)] has been changed as follows:

Previous provision	New provision
deposited in any account with scheduled bank of which fifty one per cent or more shares are held by the Government	deposited at least fifty per cent of such money in an account with scheduled bank of which fifty one per cent or more shares are held by the Government and the rest amount of money may be deposited in any scheduled bank

- ***Tax holiday for industrial undertaking and physical infrastructural facility expanded for another five years up to 30.06.2024 [new sections 46BB and 46CC inserted]:*** Tax holiday for industrial undertaking, tourist industry or physical infrastructural facility under the Income-tax Ordinance 1984 can be shown as follows:

Section	Type of industry	Set up between		Tax holiday period (last amended ones)
		From	To	
45(1)	Industrial undertaking (IU)	01 July 1974	30 June 1985	• 12 years in 'Special Economic Zone' (SEZ); • 9 years for prescribed areas; • 5 years for other areas
45(2A)	Industrial undertaking (IU)	01 July 1985	30 June 1995	• 12 years in SEZ; • 9 years for prescribed areas; • 7 years in 'Less Developed Areas' (LDA); • 5 years for the city of Dhaka, Chittagong or Khulna or the municipality of Narayanganj or within 10 miles from the outer limits thereof
46(1)	Tourist industry (TI)	01 July 1976	30 June 1985	• 12 years in SEZ; • 5 years for the city of Dhaka, Chittagong, Khulna and Rajshahi or within 15 miles from the outer limits thereof; • 7 years for other areas
46(2A)	Tourist industry (TI)	01 July 1985	30 June 1995	• 12 years in SEZ; • 9 years in 'Least Developed Areas'; • 7 years in LDA; • 5 years for the city of Dhaka, Chittagong or Khulna or the municipality of Rajshahi or within 15 miles from the outer limits thereof
46A(1)	IU, TI or physical infrastructural facility	01 July 1995	30 June 2008	• 4 years for Dhaka and Chittagong divisions excluding hill districts of Rangamati, Bandarban and Khagrachari; • 6 years for Rajshahi, Khulna, Sylhet and Barisal divisions and hill districts of Rangamati, Bandarban and Khagrachari
46B(1)	Industrial undertaking	01 July 2011	30 June 2019	• 5 years of graduated exemption from 100% to 20% for Dhaka, Mymensingh and Chittagong divisions excluding Dhaka, Narayanganj, Gazipur, Chittagong, Rangamati, Bandarban and Khagrachari districts;*[including Dhaka, Narayanganj, Gazipur and Chittagong for production of bio-fertilizer and petro-chemicals]* • 10years of graduated exemption from 100% to 20% for Rajshahi, Khulna, Sylhet ,Rangpur divisions (excluding City Corporation area) and Rangamati, Bandarban and Khagrachari districts
46C(1)	Physical infrastructural facility	01 July 2011	30 June 2019	• 10 years of graduated exemption from 100% to 10% for any area
46BB(1)	Industrial undertaking	01 July 2019	30 June 2024	• 5 years of graduated exemption from 90% to 20% for Dhaka, Mymensingh and Chattogram divisions excluding Dhaka, Narayanganj, Gazipur, Chattogram, Rangamati, Bandarban and Khagrachari districts; *[including Dhaka, Narayanganj, Gazipur and Chattogram for production of bio-fertilizer and computer hardware]* • 10 years of graduated exemption from 90% to 20% for Rajshahi, Khulna, Sylhet, Barisal and Rangpur divisions (excluding City Corporation area) and Rangamati, Bandarban and Khagrachari districts
46CC(1)	Physical infrastructural facility	01 July 2019	30 June 2024	• 10 years of graduated exemption from 90% to 10% for any area

Thus, from the above, it can be said that tourist industry was discontinued for tax holiday from July 1, 2008 under any of the above sections. Tax holiday for industrial undertaking, and physical infrastructural facility was not available for the period from July 1, 2008 to June 30, 2011. Under section 46BB, 7 (seven) new items added in the list of industrial undertaking for tax holiday:(a) agriculture machineries [u/s 46BB(2)(a)(ii)]; (b) furniture [u/s 46BB(2)(a)(xiii)]; (c) leather and leather goods [u/s 46BB(2)(a)(xvi)]; (d) LED (Light Emitting Diodes) TV (Television) [u/s 46BB(2)(a)(xvii)]; (e) mobile phone [u/s 46BB(2)(xix)]; (f) plastic recycling [u/s 46BB(2)(xxii)]; and (g) toy manufacturing [u/s 46BB(2)(xxv)]. But the scope of one category of industrial undertaking for tax holiday has been reduced, such as "home appliances (blender, rice cooker, microwave oven, electric oven, washing machine, induction cooker, water filter etc.)" [u/s 46BB(2)(a)(xii)], in place of earlier "energy efficient appliances". But under section 46CC, there are no changes in the list of physical infrastructural facility for tax holiday. From July 1, 2019, 100% tax exemption is also discontinued.

Tax Issues for Securities Market:

This year following issues are related to securities market:

(a) Tax is applicable at the rate of 10% on stock dividend declared by a listed company if it declared only stock dividend or the amount of stock dividend exceeds the amount of cash dividend declared [new section 16F];

(b) Tax is applicable at the rate of 10% on retained earnings or reserve or surplus transferred by a listed company in the income year, if such transferred amount exceeds 70% of the net income after tax [new section 16G];

Under the combined effect of sections 16F and 16G, a profitable listed company now has to pay at least 15% of its post-tax net profit as cash dividend, if it wants to avoid tax on stock dividend or retained earnings or reserve.

(c) Exemption threshold of dividend income from listed companies has been increased from Tk. 25,000 to Tk. 50,000, but restricting only to individual investors (in place of any investors) [paragraph 11A, Part A, Sixth Schedule]; and

(c) Exemption of "taxed dividend" for all corporate shareholders (instead of only resident Bangladeshi corporate shareholders) to avoid double-taxation [paragraph 60, Part A, Sixth Schedule].

With holding Tax (WHT) or Tax Deducted at Source (TDS)

To obligate tax deducted at source (TDS) in some cases, an indirect punitive measure has been taken this year. From AY 2019-20, any payment made for acquiring any asset or constitutes any asset without applicable TDS, such payment shall be deemed to be the income of the person responsible for making the payment under the head "Income from other source" in the income year in which the payment was made [u/s 19(32)]. The details of changes in withholding tax rate, and introduction of new area of withholding tax are summarized below:

Sl.	Head of TDS	Section	Earlier rate of TDS/provision	New rate of deduction/provision
1.	Payment to contractors, etc.	52	Sec. 52(1): *Clause (b) of proviso:* Tax shall not be deducted in respect of "supply of goods" [mentioned in sec. 52(1)(b)] in respect of the purchase of direct materials that constitute cost of sales or cost of goods sold of a trading company or a manufacturing company, as the case may be.	Deleted [Thus, collection of source tax from supplier of goods may be increased.]
			-----	**Sec. 52(1):** *Clause (d) of proviso:* Where any goods on which tax has been paid at source under section 53E [Deduction or collection at source from commission, discount or fees] is supplied, tax at source on the said supply shall be B-A, where- A = the amount of tax paid under section 53E, B = the amount of tax applicable under this section if no tax were paid under section 53E
			-----	Two new organizations have been added in the definition of "specified person" u/s 52(2)(a), i.e., tax deducting or collecting authorities: (i) a Micro Credit Organisation having licence with Micro Credit Regulatory Authority [added in sub-clause (viii) of sec. 52(2)(a)]; and (ii) an association of persons [added in sub-clause (xiia) of sec. 52(2)(a)].
		52(1)	Rate of TDS under Table-1 [under rule (u/r) 16(a)]: Six-tier TDS rates [see Note-1]	Four-tier TDS rates [see Note-1]
		52(1)	Rate of TDS under Table-2 [u/r 16(b)]: TDS rates for five classes of persons	TDS rates for seven classes of persons with following new two undertakings: • In case of an industrial undertaking engaged in producing cement, iron or iron products except MS (mild steel) Billets, @ 3% [new serial No. 6]; • In case of an industrial undertaking engaged in the production of MS Billets, @ 0.5%[new serial No. 7].

Sl.	Head of TDS	Section	Earlier rate of TDS/provision	New rate of deduction/provision
2.	Payment of certain services	52AA	*Under Sl No. 3 of Table u/s 52AA(1):* (x) any other service of similar nature TDS Rate on gross bill: @ 1.5% (for base amount up to Tk. 25 lakh) and @ 2% (for base amount above Tk. 25 lakh) TDS Rate on commission or fee: @ 10% (for base amount up to Tk. 25 lakh) and @ 12% (for base amount above Tk. 25 lakh) [For showing both gross bill and commission/fee, TDS shall be the higher one between (i) TDS based on commission or fee; and (ii) Gross bill ×**3.5%**× Rate applicable on commission or fee]	*Under Sl No. 3 of Table u/s 52AA(1):* *(x) Courier service;* *(xi) Packing and Shifting service;* *(xii) any other service of similar nature* *TDS rate: as earlier* *[Thus 2 new services (Courier service; and Packing and Shifting service) have been included here at same rate of TDS.]*
			Under Sl No. 4 of Table u/s 52AA(1): • Media buying agency service TDS Rate on gross bill: @ 0.5% (for base amount up to Tk. 25 lakh) and @ 0.65% (for base amount above Tk. 25 lakh) TDS Rate on commission or fee: @ 10% (for base amount up to Tk. 25 lakh) and @ 12% (for base amount above Tk. 25 lakh) [For showing both gross bill and commission/fee, TDS shall be the higher one between (i) TDS based on commission or fee; and (ii) Gross bill ×**3.5%**× Rate applicable on commission or fee]	*Under Sl No. 4 of Table u/s 52AA(1):* • Media buying agency service TDS Rate on gross bill: @ 0.5% (for base amount up to Tk. 25 lakh) and @ 0.65% (for base amount above Tk. 25 lakh) TDS Rate on commission or fee: @ 10% (for base amount up to Tk. 25 lakh) and @ 12% (for base amount above Tk. 25 lakh) [For showing both gross bill and commission/fee, TDS shall be the higher one between (i) TDS based on commission or fee; and (ii) Gross bill ×2.5%× Rate applicable on commission or fee] Thus, TDS amount may be reduced for showing both commission/fee and gross bill.
			---	*Under new Sl No. 13A of Table u/s 52AA(1):* • Wheeling charge for electricity transmission TDS Rate: @ 4% (for base amount up to Tk. 25 lakh) and @ 5% (for base amount above Tk. 25 lakh)
3.	Interest on savings instrument	52D	5%	10%
4.	Brick manufacturers	52F	Office of the Deputy Commissioner (DC) will collect tax	The assessee will pay tax himself and the DCT will verify it and without tax clearance certificate issued by the DCT, DC office will not give registration and renewal to operate brick field.
5.	Renewal of trade license	52K	• Dhaka and Chittagong city corporation area @ Tk. 500 • Other city corporation area @ Tk. 300 • Pourashava at district headquarters @ Tk. 300 • Other than pourashava @ Tk. 100	• Dhaka and Chittagong city corporation area @ Tk. 3,000 • Other city corporation area @ Tk. 2,000 • Pourashava at district headquarters @ Tk. 1,000 • Other than pourashava @ Tk. 500
6.	Service from convention hall, conference centers, etc.	52P	Deduction is applicableon account of renting or using space of convention hall, conference centre, room or, as the case may be, hall, hotel, community centre or any restaurant applicable on convention hall and conference center only (except for direct payment to Government).	Deduction is applicable on same things (except for direct payment to Government).
			Deducting authority was Company, Non-government organization (NGO) registered with NGO Affairs Bureau, University, Medical college, Dental college and engineering colleges.	All "specified persons" (16 persons from 01.07.2019) mentioned as deducting authority under section 52(2) will have to deduct tax at source.
7.	House rent	53A	Deduction was applicable on house rent only Deducting authority was GO, NGO, Body corporate, Company, Bank, Insurance, University, Medical/Dental/ Engineering colleges, Any school & college, Any Hospital, Clinic or Diagnostic Centre	Deduction will also be applicable on hotel accommodation All deducting authority as specified at section 52 will have to deduct tax at source from this head.
8.	Cash subsidy	53DDD	3%	10%
9.	Surveyors of general insurance company	53GG	15%	10%

Sl.	Head of TDS	Section	Earlier rate of TDS/provision	New rate of deduction/provision
10.	Rent of vacant land or plant or machinery	53J	Deducting authority was Company, Non-government organization (NGO) registered with NGO Affairs Bureau, University, Medical college, Dental college and engineering colleges.	All "specified persons" (16 persons from 01.07.2019) mentioned as deducting authority under section 52(2) will have to deduct tax at source.
11.	Cash dividend	54	TDS will not be applicable to any distribution of taxed dividend to **a company being resident in Bangladesh** if such taxed dividend enjoys tax exemption as per paragraph 60, Part A, Sixth Schedule	TDS will not be applicable to any distribution of taxed dividend to **acompany** if such taxed dividend enjoys tax exemption as per paragraph 60, Part A, Sixth Schedule
12.	Non-resident	56	---	New area of deduction: • Survey for coal exploration @ 5.25% [SL No. 24 of Table u/s 56(1) amended] • Fees, etc. of surveyors of general insurance companies @ 20% [new SL No. 24A inserted in Table u/s 56(1) amended]

Note-1: Deduction from payment to contractors, etc. [Sec. 52(1) and Rule 16(a)]:

Sl. No.	Amount	TDS rate	Sl. No.	Amount	TDS rate
1.	Where the amount does not exceed Tk. 15 lakh	2%	1.	Where the amount does not exceed Tk. 15 lakh	2%
2.	Where the amount exceeds Tk. 15 lakh, but does not exceed Tk. 25 lakh	3%	2.	Where the amount exceeds Tk. 15 lakh, but does not exceed Tk. 50 lakh	3%
3.	Where the amount exceeds Tk. 25 lakh, but does not exceed Tk. 1 crore	4%	3.	Where the amount exceeds Tk. 50 lakh, but does not exceed Tk. 1 crore	4%
4.	Where the amount exceeds Tk. 1 crore, but does not exceed Tk. 5 crore	5%	4.	Where the amount exceeds Tk. 1 crore	5%
5.	Where the amount exceeds Tk. 5 crore, but does not exceed Tk. 10 crore	6%			
6.	Where the amount exceeds Tk. 10 crore	7%			

It is noted that reduced rates are for following slabs:

(1) Where the amount exceeds Tk. 25 lakh, but does not exceed Tk. 50 lakh @ 3% (instead of earlier 4%);

(2) Where the amount exceeds Tk. 5 crore, but does not exceed Tk. 10 crore @ 5% (instead of earlier 6%)

(3) Where the amount exceeds Tk. 10 crore @ 5% (instead of earlier 7%)

Advance Income Tax (AIT) or Advance Payment Tax u/s 64

Under current provision of section 64, advance income tax [payable in equal quarterly installments] is applicable for an assessee if the total income of the assessee [disregarding any income classifiable under the heads "Agricultural income" and "Capital gains" excluding gain from transfer of share of a company listed with a stock exchange] for the latest income year in respect of which he has been assessed by way of regular assessment, or has been provisionally assessed under the income-tax laws, exceeds Tk. 4 lakh. This threshold limit has been raised to Tk. 6 lakh [sub-section (1) of section 64 amended].

Changes in the Provisions on Different Heads of Income:

• ***Changes in "Salaries": Section 21***

Change in the definition of "perquisite" u/s 2(45): Following is the change here:

Previous provision u/s 2(45)(i)	Revised provision u/s 2(45)(i)
any payment made to an employee by an employer in the form of cash or in any other form excluding basic salary, festival bonus, incentive bonus not exceeding ten percent of disclosed profit of relevant income year, arrear salary, advance salary, leave encash-ment or leave fare assistance and overtime.	any payment made to an employee by an employer in the form of cash or in any other form excluding basic salary, festival bonus, incentive bonus, arrear salary, advance salary, leave encashment and overtime.

Impact: The admissible expense limit of the incentive bonus u/s 30(j) is now rationalized by removing the double negative issues thereon. The admissible expense limit of "perquisite" u/s 30(e), i.e., Tk. 550,000 per employee per year, may be negatively affected due to deletion of "leave fare assistance" from the perquisite.

Repeal of three old SROs in relation to "Salaries": Following three SROs have been repealed by S.R.O. No. 216-Ain/Aykar/2019, dated 23.06.2019: (1) S.R.O. No. 159-L/78, dated 30.06.1978, effective from July 1, 1978 on exemption from the tax payable on so much of the income of an assessee representing payments received as gratuity as does not exceed 65% of the total amount of gratuity received by him or Taka 36,000 whichever is less; (2) S.R.O. No. 251-L/81, dated 07.08.1981, effective from July 1, 1981 on exemption from the tax payable on so much of the income of an assessee representing payments received as gratuity as does not exceed 65% of the total amount of gratuity received by him or Taka 48,000 whichever is less; and (3) S.R.O. No. 63-L/84, dated 12.02.1984 on exemption of the expatriate personnel engaged in the construction work of Hotel Sonargaon, Dhaka, from so much of the tax on their salary income, received or deemed to be received by, or accruing or arising or deemed to accrue or arise to, them in Bangladesh, as exceeds the tax that would have been payable by them, had the said Hotel Sonargaon, Dhaka, not agreed to pay such tax on their behalf.

- ***Changes in "Income from House Property": Sections 24 and 25***

  New deemed income from House Property [new sub-section (22A) u/s 19]: Amount above Tk. 2 lakh received against future rental income from house property without bank transfer may be treated as deemed "Income from house property" under new sub-section (22A) of section 19. That is, where an assessee, being the owner of a house property, received, from any person to whom such house property or any part thereof is let out, any amount exceeding taka 2 lakh other than bank transfer which is adjustable against the rent receivable, the amount shall be deemed to be the "Income from house property" of the assessee for the income year in which it is received. However, under the proviso to sub-section (22A) of section 19, where such amount is received through bank transfer, the amount shall be adjusted within five years after the year of receipt or the period of agreement whichever is lower, if after the expiry of the aforesaid period such amount or any part thereof remains unadjusted, the amount remained so unadjusted shall be deemed to be the "Income from house property" of the assessee in the income year in which such amount remains unadjusted. As per the "Explanation" to section 19(22A), "bank transfer" means transfer from the account of the giver to the account of the receiver, and such accounts are maintained in a bank or financial institution legally authorised to operate accounts.

- ***Changes in "Income from Business or Profession": Sec. 28, 29, 30, 30A and 30B***

  (a) Inadmissible expense in relation to "publicity and advertisement" withdrawn for appropriate correction [sub-clause (iii) of clause (f) u/s 30 deleted]: Under sub-clause (iii) of clause (f) of section 30, any expenditure in respect of 'publicity and advertisement' as is in excess of the amount or rate prescribed in this behalf was inadmissible. For the prescribed amount or rate, Rule 65B (Rate of allowances in respect of publicity and advertisement expenses) was inserted in the Income Tax Rules, 1984 under S.R.O. No. 318-L/85, dated 04.07.1985, and subsequently this SRO was omitted from the date of insertion vide S.R.O. No. 32A-L/86, dated 30.07.1986. Thus, the deletion of sub-clause (iii) of clause (f) of section 30 was a long pending amendment, which has been done this year.

  (b) Treatment of disallowances u/s 30 as mandatory separate income [new section 30B]: Notwithstanding anything contained in section 82C (Minimum tax) or any loss or profit computed under the head "Income from business or profession", the amount of disallowances made under section 30 shall be treated separately as "Income from business or profession" and the tax shall be payable thereon at the regular rate.

- ***Changes in "Capital gains": Sections 31 and 32***

  (a) Capital asset used in business or profession redefined for capital gain tax exemption on transfer thereof [sub-section (5) of section 32 amended]: A capital gain arising from the transfer of a capital asset (used in business or profession) is exempted from tax u/s 32(5), if the assessee has, within a period of one year before or after that date of transfer, purchased a new capital asset for the purposes of his business or profession. Amending section 32(5), now this "capital asset" is restricted to "plant, machinery, equipment, motor vehicle, furniture, fixture, and computer".

- ***Changes in "Income from Other Sources": Section 33***

  (a) Change in exempted dividend income [Paragraph 60 of Part A, Sixth Schedule: From AY 2018-19, "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" is exempted from tax. By amending this provision, the exemption has been opened for all companies instead of only resident Bangladeshi companiesfrom AY2019-20 [paragraph 60 of Part A of Sixth Schedule amended]. As per definition u/s 2(62B), "taxed dividend" means the dividend income on which tax has been paid by the recipient under the Income-tax Ordinance [u/s 2(62B)].

(b) ***Dividend income from listed companies [Para 11A of Part A, Sixth Schedule amended]:*** Exemption threshold of dividend income from listed companies has been increased from Tk. 25,000 to Tk. 50,000, but restricting only to individual investors as follows:

Previous provision	New provision
Income from dividend received from a company listed in any stock exchange in Bangladesh up to twenty five thousand taka.	Any sum or aggregate of sum received as dividend by a person being an individual from a company or companies listed to any stock exchange in Bangladesh up to taka fifty thousand.

(c) **Underpaid purchase price for stocks and shares made deemed income under the head "Income from other sources" [sub-section (8) of section 19 amended first time after introducing the ITO in 1984]:** Under the original provision of section 19(8), where any assets, not being stock-in-trade or stocks, and shares, are purchased by an Assessee from any company and the Deputy Commissioner of Taxes (DCT) has reason to believe that the price paid by the Assessee is less than the fair market value thereof, the difference between the price so paid and the 'fair market value' (FMV) shall be deemed to be income of the Assessee classifiable under the head "Income from other sources". By deleting the words "or stocks, and shares", now the underpaid price to purchase stocks or shares in comparison to FMV would be a deemed income at the discretion of DCT depending his reasoned belief.

(d) ***Undeducted source tax for asset acquisition to be deemed income of the payer [new sub-section (32) of section 19]:*** From AY 2019-20, where any payment made for acquiring any asset or constitutes any asset and tax has not been deducted therefrom in accordance with Chapter VII (Payment of Tax before Assessment), such payment shall be deemed to be the income of the person responsible for making the payment under the Income-tax Ordinance and classifiable under the head "Income from other source" in the income year in which the payment was made [u/s 19(32)].

(e) ***Correction of clause (d) of section 33 for amendment in section 19:*** Sub-sections (21A), (21B), (26) and (28) of section 19 were related to the head "Income from other source". But by the FA 2018, these four sub-sections were repealed without amending clause (d) of section 33. This year, new sub-section (32) has been inserted in section 19, which is related to the head "Income from other source". Thus, clause (d) of section 33 has been amended by deleting sub-sections (21A), (21B), (26) and (28) of section 19 and by inserting sub-section (32) of section 19.

(f) ***Definition of "Royalty" clarified with two new Explanations u/s 2(56):Following two explanations have been inserted to the definition of "royalty" by the FA 2019:***

Explanation 1: For the purpose of royalty in respect of any right, property or information, it is not necessary that –

(i) the possession or control of such right, property or information is with the payer;
(ii) such right, property or information is used directly by the payer;
(iii) the location of such right, property or information is in Bangladesh.

Explanation 2: For the removal of doubts, it is hereby clarified that the expression "process" includes transmission by satellite (including up-linking, amplification, conversion for downlinking of any signal), cable, optical fibre or by any other similar technology, whether or not such process is secret;"

(g) ***Repeal of one old SRO in relation to "interest income":*** S.R.O. No. 415-L/82, dated 13.12.1982has been repealed by S.R.O. No. 216-Ain/Aykar/2019, dated 23.06.2019 on exemption from the tax payable on the interest accrued in from the Non-Resident Foreign Currency Deposit (NFCD) Account.

Residential Status, Income Tax Return, TIN (Taxpayer's Identification Number), and Assessments:

- ***Changes in the definition of "Resident" u/s 2(55):*** In the definition of "resident", previously residential status of three categories of assessees was given – individuals [u/s 2(55)(a)], Hindu undivided family (HUF), firm (partnership firm) or other association of persons (AOP) [u/s 2(55)(b)] and companies [u/s 2(55)(c)]. By the FA 2019, there is a change in the condition of resident by a HUF, firm or AOP and two further sub-clauses have been added to give conditions for being resident. The changes in relation to "resident" are as follows:

- *Changes regarding a HUF, firm or AOP u/s 2(55)(b):* Previously in an income year, a Hindu undivided family (HUF), or firm (partnership firm) or other association of persons (AOP) is to be treated as "resident", the control and management of whose affairs is situated wholly or partly in Bangladesh in that year. After amendment, the control and management of the affairs of HUF/ firm/AOP is to situated wholly in Bangladesh in that income year.
- *New addition for treating a trust, a fund or an entity as resident [new clause (d) u/s 2(55)]:* A trust, a fund or an entity, the control and management of whose affairs is situated wholly in Bangladesh in that year is to be treated as "resident", [u/s 2(55)(d)];
- *New addition for treating a local authority and every other artificial juridical person [new clause (e) u/s 2(55)]:* A local authority and every other artificial juridical person shall be treated as "resident" without further condition [u/s 2(55)(e)].

• *Changes in Filing of Return of Income u/s 75:*

- New mandatory filer of return of income: Two new filers have been added: (1) a Micro Credit Organisation having licence with Micro Credit Regulatory Authority [new clause (x) u/s 75(1)(c)]; and (2) a non-resident having permanent establishment in Bangladesh [new clause (xi) u/s 75(1)(c)].

• *Changes in Filing/Audit of Return of Withholding Tax [Sections 75A and 75AA]:*

- New mandatory filer of the return of withholding tax u/s 75A(1): Seven new filers have been added here: a Micro Credit Organisation having licence with Micro Credit Regulatory Authority, a private university, a private hospital, a clinic, a diagnostic centre, a firm or an association of persons [section 75(1) amended].
- Changes in approval process of the audit of the return of withholding tax u/s 75AA(1): The Deputy Commissioner of Taxes (DCT) is the authority to select a number of returns of withholding tax filed u/s 75A for audit, but he has to take the approval of the NBR under current provision. Through amendment, now this approval authority is given to the Commissioner of Taxes [section 75AA(1) amended].

• ***Changes in Corporate Return Form [Form IT-11GHA2016 under rule 24(2)]:*** There are small changes in the Part I (Basic Information) of the corporate return form [Form IT-11GHA2016]:
  - In Serial No. 08, "TIN" is written in place of "12-digit TIN";
  - In Serial No. 18, previous one item ["Any export in income year? (tick the box if YES)"] has been changed into three sub-items as follows: "(tick the box if YES); 18A. Any export in income year?; 18B. Liable to furnish statement of international transaction under section 107EE?; 18C. Has the Statement under section 107EE been attached?".

• ***Return filing by tax-exempted agro firms [Para 34 of Part A, Sixth Schedule amended]:*** Exemption of income from agro firms was for a period from July 1, 2008 to June 30, 2011 under this paragraph and hence now not applicable. But there is a correction here. Under para 34(b), the firm was supposed to file the income tax return in accordance with the provisions of section 75(2)(c) of the ITO, which would be in accordance with the provisions of section 75(5), i.e., on or before Tax Day u/s 2(62A).

• ***Changes in Universal Self-Assessment [Proviso to sub-section (7) of section 82BB amended]:*** Under section 82BB, a return of income submitted by an assessee to the Deputy Commissioner of Taxes (DCT) or any other official authorized by him shall be accepted initially with acknowledgement and such acknowledgement shall be deemed to be an order assessment [sub-section (1)], then the DCT shall process the return in the prescribed manner [sub-section (2)], if the processing results in any material difference, then the DCT shall serve a notice to the assessee communicating the details of difference, giving him an opportunity to explain and giving him an opportunity to file an amended return, but must be within 12 months from the date of submission of return [sub-sections (3) and (6)], then if an amended return is filed, the DCT shall send a letter of acceptance of amended return if the prescribed conditions are fulfilled; otherwise a notice of demand is served by the DCT [sub-section (4)], the assessee has also the right to file an amended return on his own initiative, if he finds unintentional mistakes in the return after filing thereof [sub-section (5)], and then the NBR or any authority subordinate to it may select original or amended returns in the NBR determined manner and refer the same to the DCT for the purpose of audit [sub-section (7)]. Under a proviso to sub-section (7), the original return filed or amended return accepted or allowed u/s 82BB shall not be selected for audit where certain conditions are fulfilled [total income as per original/amended return shows at least 15% higher total income than assessed total income in the immediately preceding assessment year; such return is accompanied by evidence on exempted income and bank/account statement, and has no inclusion of any receipt of gift, income exempted or taxable at reduced rate u/s 44, or any refund; and compliance with the provisions of section 75A ("Return of withholding tax"), section 108 ("Information regarding payment of salary") and section 108A ("Information regarding filing of return by employees")]. After amendment of this proviso to sub-section (7), now the original return or amended return "except the return of income of a financial institution" shall not be selected for audit. Thus, the return of income of a financial institution may be subject to audit if selected in the prescribed manner even if the above conditions are fulfilled.

• ***Changes in minimum tax u/s 82C: Following are the changes in section 82C:***

- ***TDS from advisory and consultancy service u/s 52AA:*** TDS from advisory and consultancy service at the rate of 10% (for base amount up to Tk. 25 lakh) or 12% (for base amount above Tk. 25 lakh) as per SL No. 1 of the Table of sub-section (1) of section 52AA will be treated as final settlement of minimum tax u/s 82C(2)(b).
- ***TDS from import of goods by producers of cement, iron or iron products u/s 53:*** Under paragraph (ii) of proviso to clause (d) of sub-section (2) of section 82C, TDS from import of good by industrial undertaking (i.e., raw-materials at import stage) u/s 53 at the rate u/r (under rule) 17A is not 'minimum tax' for the purpose section 82C. But after amendment of this provision, TDS from import of raw-materials by an industrial undertaking engaged in producing cement, iron or iron products shall be treated as minimum tax u/s 82C [paragraph (ii) of proviso to section 82C(2)(d) amended].
- TDS from any sum paid by real estate developer to land owner u/s 53P: TDS from any sum paid by real estate developer to land owner at the rate of 15% on the sum so paid is to be now treated as minimum tax u/s 82C(2)(b) as well as finally settled tax under Serial No. 6 of the Table under the proviso to clause (d) of section 82C(2).
- ***TDS from transfer, etc. of property u/s 53H:*** TDS from transfer, etc. of property u/s 53H at the rate under rule 17II is already a minimum tax u/s 82C(2)(b) as well as finally settled tax under Serial No. 5 of the Table under the proviso to clause (d) of section 82C(2), where the rate of amount was mentioned as "as mentioned in section 53H and the rule made thereunder". This rate of amount has been amended as "as mentioned in section 53H less cost of acquisition and the rule made thereunder".
- ***Minimum tax for mobile phone operator u/s 82C(4)(a):*** Alternative minimum tax based on gross receipts in case of mobile phone operator company has been raised from 0.75% to 2% [Serial No. 2 of the Table under section 82C(4)(a)].

• ***Change in tax, etc. escaping payment u/s 93:*** Under section 93(1), If, based on the information from an audit, assessment or any other proceeding or from any other source, the DCT has reason to believe that any sum payable by an assessee has escaped payment in any assessment year, the DCT may issue a notice in the specified form upon the assessee requiring him to file the relevant return of his income long with the applicable documentation and pay the escaped payment. Under sub-section (4), this notice may be issued as follows: (a) at any time where, no return was filed and no assessment was made; (b) within 6 years from the end of the relevant AY where, for the relevant AY, no return was filed but assessment is completed; (c) within 5 years from the end of the relevant AY in any other cases. In the third case [i.e., any other cases in clause (c)], the time limit has been increased from 5 years to 6 years from the end of the relevant AY.

• ***Mandatory 12-digit TIN [Section 184A(3)]:*** The 12-digit TIN has newly been made mandatory from AY 2019-20 for the following one case and there are changes in two cases as follows:

Previous provision	Changed provision
Obtaining registration, by a resident, of the deed of transfer, baynanama or power of attorney of a land, building or an apartment situated within a city corporation or a paurashava of a district headquarter, where the deed value exceeds one lakh taka [item (vii) at section 184A(3)]	Obtaining registration, by a resident, of the deed of transfer, baynanama or power of attorney or selling of a land, building or an apartment situated within a city corporation or a paurashava of a district headquarter or cantonment board, where the deed value exceeds one lakh taka [some additions in item (vii) at section 184A(3)]
Obtaining or maintaining the connection of electricity for commercial purpose in a city corporation or paurashava cantonment board [item (xviii) at section 184A(3)]	Obtaining or maintaining the connection of electricity in a city corporation or paurashava or cantonment board [some deletions in item (xviii) at section 184A(3)]
---	Releasing overseas grants to a non-government organisation registered with NGO Affairs Bureau or to a Micro Credit Organisation having licence with Micro Credit Regulatory Authority [new item (xxxiii) at sub-section (3) of section 184A]

• ***Requirement of mentioning twelve-digit Taxpayer's Identification Number in certain documents [new section 184CC]:*** Notwithstanding anything contained in any other law for the time being in force where any document relating to the transfer of land, building or apartment situated within a city corporation, or cantonment board, or a paurashava of a district headquarters, deed value of which exceeds taka one lakh and required to be registered under the Registration Act, 1908 (XVI of 1908), such document shall contain twelve-digit Taxpayer's Identification Number of both the seller and the purchaser.

Changes in Provisions on "Offences and Prosecution": Chapter XXI; Sections 164-171

- ***Section 165 (Punishment for false statement in verification, etc.]:*** Under section 165(c), a person is guilty of an offence punishable with imprisonment for a term which may extend to three years, but shall not be less than three months, or with fine, or with both, if he signs and issues any certificate mentioned in the first or second proviso to section 82 which he either knows or believes to be false or does not believe to be true. Since under section 82 (Assessment on correct return) there is one proviso, clause (c) of section 165 is corrected accordingly by replacing "first or second proviso to" with "proviso of". But the problem is that there is no provision of signing or issuing any certificate in that proviso.
- ***Section 165C (Punishment for unauthorized employment]:*** Under section 165C, the employment of an individual not being a Bangladeshi citizen is to be unauthorized, if employed without prior approval from the Board of Investment or any competent authority of the government as the case may be. Since the Board of Investment is dissolved by establishing the Bangladesh Investment Development Authority (BIDA), "Board of Investment or any competent authority of the Government, as the case may be" have been replaced by "appropriate authority of the Government".

Changes in "Transfer Pricing": Chapter XIA (Sections 107A-107J)

- ***Changes in definition of 'international transaction' [Section 107A(5)(b)]:*** Under clause (b) of sub-section (5) of section 107A, 'international transaction' includes 'a transaction entered into by an enterprise with a person other than an associated enterprise, if there exists a prior agreement in relation to the relevant transaction between such other person, or the terms of the relevant transaction are determined in substance between such other person and the associated enterprise. After amendment, the person with whom the transaction is entered into is "irrespective of whether such other person is a non-resident or not".
- ***Better guideline for computing arm's length price (ALP) u/s 107C:*** Under new sub-section (1A) of section 107C, where the most appropriate method applied is a method other than the method referred to in clause (d) or clause (f) of sub-section (1)[3] [i.e., one method out of comparable uncontrolled price method u/s 107C(1)(a), resale price method u/s 107C(1)(b), cost plus method u/s 107C(1)(c) and transactional net margin method u/s 107C(1)(e)]and the dataset of the arm's length price (ALP) consists of six or more

entries, an arm's length range beginning from the thirty percentile of the dataset and ending on the seventy percentile of the dataset shall be constructed and the ALP shall be –

(i) if the price at which the international transaction has actually been undertaken is within the range referred as above, then the price at which such international transaction has actually been undertaken shall be deemed to be the ALP;

(ii) if the price at which the international transaction has actually been undertaken is outside the arm's length range referred as mentioned above, the ALP shall be taken to be the median of the dataset;

In a case the dataset is less than six entries, the arm's length price shall be the arithmetical mean of all the values included in the dataset.

- ***Changes in Reference to Transfer Pricing Officer (TPO) u/s section 107D:*** Under the provisions of section 107D, notwithstanding anything contained in section 107C (Computation of ALP), the DCT, with prior approval of NBR, may refer the determination of ALP to the TPO or the TPO, with prior approval of NBR, may proceed to determine ALP [under sub-section (1)], then the TPO shall serve a notice on the assessee for documentation in support to compute ALP [under sub-section (2)], then the TPO shall, by order in writing, determine ALP and send a copy of the order to the DCT [under sub-section (3)] and then the DCT shall proceed to compute the total income of the assessee in conformity with the ALP so determined by the TPO [sub-section (4) before amendment]. After amendment of sub-section (4), now "in computing the income of a person that is exempted from tax or is subject to a reduced rate of tax, the adjustment made in conformity with the arm's length price so determined by the Transfer Pricing Officer shall be treated as income of such person and tax shall be payable on such income at the regular rate".

5.0 Conclusion

Through the Finance Act 2019, seven sections have been inserted in the Income-tax Ordinance 1984, no sections deleted, five sections fully substituted and twenty-seven sections and two schedules amended. For individual assessees, there are no changes in the income slabs or corresponding tax rates except for one change in case of tax rate on "income from lottery, crossword puzzle, etc." to make it simplified and straightforward. But one item of investment allowance subject to investment tax credit (purchase of one computer or one laptop) has been withdrawn possibly for misuse of the benefit. The rate of tax credit on allowed investments have been simplified with two categories in place of previous three categories and the assessees having total income above Tk. 10 lakh and up to Tk. 15 lakh may be benefited and higher income group may be adversely affected by this change. Exemption threshold for wealth tax surcharge (WTS) has been increased from total net worth of Tk. 2.25 crore to Tk. 3 crore, but for a high net worth individual assessee (having net worth of Tk. 50 crore or more), WTS rate has been revised in such a way that if any individual has assets of Tk. 50 crore or more, but they are yielding less taxable income, then WTS may be high in this case due to its base being the net worth in place of applicable tax. Scope of investment of undisclosed income by paying taxes at the rate of 10% has been extended to corporate investment in Economic Zones or Hi-Tech Parks up to June 30, 2024. Existing provision on investment of undisclosed income by income by any person in the construction or purchase of any residential building or apartment has been revised to pay tax at a lower rate prescribed on the basis of per 'square meter'. Corporate tax rate structure is not changed except the enhanced minimum tax rate of 2% (instead of 0.75%) for mobile phone operator and exemption in relation to 'taxed dividend' which was for a resident company will be applicable for any resident or non-resident company from this year.

This year there are a good number of incentive measures newly introduced or the time limit of existing incentives has been extended for one to five years. Applicability of existing reduced rates of 12% to 15% for manufacturer and exporter of readymade garments have been further extended for another one year. Similarly, the reduced corporate rate of 15% for textile sector is to be applicable for another

[3] *Methods mentioned in clause (d) or clause (f) of sub-section (1) of section 107C are: profit split method u/s 107C(1)(d) and any other method u/s 107C(1)(f) where five specific methods [mentioned in clauses (a), (b), (c), (d) and (e)] cannot be reasonably applied to determine ALP (arm's length price) and such other method yields a result consistent with ALP.*

three years. Tax exemption has been extended to all incomes (in place of earlier operating income) for educational/training institution for persons with disability. Tax holiday period has been extended for another five years for handicrafts-exporters, cinema hall or Cineplex, and rice bran oil producers. Scope of tax exemption for Small and Medium Enterprise (SME) is expanded by raising annual turnover limit from Tk. 36 lakh to Tk. 50 lakh. Tax holiday (at graduated rates of 90% to 10% income) for industrial undertaking and physical infrastructural facility expanded for another five years.

However, for listed companies, tax is imposed at the rate of 10% on stock dividend if it declared only stock dividend or the amount of stock dividend exceeds the amount of cash dividend declared; and tax is also applicable at the rate of 10% on retained earnings or reserve or surplus transferred by a listed company in the income year, if such transferred amount exceeds 70% of the net income. Thus, for avoiding such type of taxes, a profitable listed company has to pay at least 15% of its net profit as cash dividend. The presumptive tax rates on road and water transports or vehicles have significantly been enhanced without considering the economic life of those vehicles.

There are a number of amendments in case of withholding taxes. With a view to ensuring proper withholding of taxes, an indirect punitive measure has been taken by considering the applicable payment without TDS as deemed income. Two new services (Courier service; and Packing and Shifting service), non-resident's survey for coal exploration and surveyors of general insurance companies have been taken under withholding regime. However, withdrawal of non-deductibility of source tax in respect of the purchase of direct materials may be subject to higher source taxes for the supplier or manufacturer of industrial undertakings. Tax deducting entities have been increased by adding a Micro Credit Organisation and an association of persons (AOP) and for house rent and service from convention hall, conference centers, etc. tax deducting entities have also been increased from a limited number (6 in number) to the comprehensive list (16 in number). TDS rate or amount has been increased in cases of trade license (from Tk. 100-Tk. 500 to Tk. 500-Tk. 3,000), interest on savings instrument from 5% to 10% and Cash subsidy from 3% to 10%. However, for resident surveyors of general insurance company TDS rate has been decreased from 15% to 10%.

As mentioned by the Finance Minister in his Budget Speech, "Our GDP grew consistently at a very high rate in the last decade. We expect a GDP growth of 8.13 percent in FY2018-19. Our commitment is to achieve a growth rate of 10 percent by FY2023-24, and maintain that rate until 2041 so that we can lay a solid foundation for becoming a high income country by that time. To achieve this objective, GDP growth rate has been projected at 8.2 percent for FY2019-20" (Kamal, 2019: 17). If the income tax target in FY2019-20 of Taka 113,912 crore with 19.70 percent increase over that of last year's revised budget would work as a main contributor towards this growth expectation, then social and equity aspects of the budget may be achieved in a better way.

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