



## RECENT CHANGES IN THE INCOME-TAX ORDINANCE, 1984

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Finance Act 2019 has brought some significant changes in the Income Tax Ordinance 1984 and Income Tax Rules which will affect the computation of income and tax payable. This paper will discuss the changes.

### Insertion of new section 16F and 16G

Following new section 16F and 16G have been added after deleted section 16E:

**“16F. Charge of tax on stock dividend.-** Notwithstanding anything contained in this Ordinance or any other law for the time being in force, where a company registered under Companies Act 1994 and listed to any stock exchange in Bangladesh declares stock dividend, whether interim or otherwise, the company shall pay, in addition to tax payable under this Ordinance, tax on the value of stock dividend at the rate of fifteen per cent within sixty days from the date of such declaration.

**16G. Charge of tax on retained earnings.-** Notwithstanding anything contained in this Ordinance or any other law for the time being in force.

### Insertion of sub-section 22A

New sub-section (22A) have been added after sub-section 22:

“(22A) 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:

*Provided that 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.*

Explanation.-In this sub-section, “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.”

### Insertion of sub-section (32)

New sub-section (32) has been inserted after sub-section (32)

“(32) Where any payment made for acquiring any asset or constitutes any asset and tax has not been deducted therefrom in accordance with Chapter VII, such payment shall be deemed to be the income of the person responsible for making the payment under this Ordinance and classifiable under the head “Income from other source” in the income year in which the payment was made.”

## Substitution of section 19BBBBB

Sub-section 19BBBBB will be substituted by the following sub-section 19BBBBB.

### “19BBBBB. Special tax treatment in respect of investment in residential building, apartment, or land.–(1)

Notwithstanding anything contained in this Ordinance, source of any sum invested by any person, in the construction or purchase of any residential building or apartment, or in the purchase of any land shall be deemed to have been explained if the assessee pays, before the assessment for the relevant assessment year in which the investment is completed, tax at the following rate –

- (a) for building, apartment or land situated in the area of Gulshan Model Town, Banani, Baridhara, Motijheel Commercial Area and Dilkusha Commercial Area of Dhaka-
    - (i) taka four thousand per square meter in the case of a building or apartment the plinth area of which does not exceed two hundred square meter;
    - (ii) taka five thousand per square meter in the case of a building or apartment the plinth area of which exceeds two hundred square meter;
    - (iii) taka fifteen thousand per square meter in the case of land;
  - (b) for building or apartment or land situated in the area of 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-
    - (i) taka three thousand per square meter in the case of a building or apartment the plinth area of which does not exceed two hundred square meter;
    - (ii) taka three thousand and five hundred per square meter in the case of a building or apartment the plinth area of which exceeds two hundred square meter;
    - (iii) taka ten thousand per square meter in the case of land;
  - (c) for building or apartment or land situated in the area of any City Corporation other than areas mentioned in clauses (a) or (b)-
    - (i) taka eight hundred per square meter in the case of a building or apartment the plinth area of which does not exceed one hundred and twenty square meter;
    - (ii) taka one thousand per square meter in the case of a building or apartment the plinth area of which exceeds one hundred and twenty square meter but does not exceed two hundred square meter;
    - (iii) taka one thousand and five hundred per square meter in the case of a building or apartment the plinth area of which exceeds two hundred square meter;
    - (iv) taka five thousand per square meter in the case of land;
  - (d) for building or apartment or land situated in the area of a Paurasabha of any district headquarters-
    - (i) taka three hundred per square meter in the case of a building or apartment the plinth area of which does not exceed one hundred and twenty square meter;
    - (ii) taka five hundred per square meter in the case of a building or apartment the plinth area of which exceeds one hundred and twenty square meter but does not exceed two hundred square meter;
    - (iv) taka seven hundred per square meter in the case of a building or apartment the plinth area of which exceeds two hundred square meter;
    - (v) taka one thousand per square meter in the case of land;
  - (e) for building or apartment or land situated in the area other than the areas mentioned in clauses (a) to (d)-
    - (i) taka two hundred per square meter in the case of building or apartment the plinth area of which does not exceed one hundred and twenty square meter;
    - (ii) taka three hundred per square meter in the case of building or apartment the plinth area of which exceeds one hundred and twenty square meter but does not exceed two hundred square meter;
    - (iv) taka five hundred per square meter in the case of a building or apartment the plinth area of which exceeds two hundred square meter;
    - (v) taka five hundred per square meter in the case of land;
- (2) The rate of tax mentioned in sub-section (1) shall be twenty per cent higher in case where the assessee already owns a building or apartment in any City Corporation before such investment is completed; or the assessee makes such investment in two or more buildings or apartments or land.
- (3) The rate of tax mentioned in sub-section (1) shall be one hundred per cent higher in case, where-

- (a) a notice under section 93 has been issued before submission of such return of income for the reason that any income, asset or expenditure has been concealed or any income or a part thereof has escaped assessment;
  - (b) a notice under clause (f) of section 113 has been issued before submission of such return of income;
  - (c) any proceeding under sections 164, 165 or 166 has been initiated before submission of such return of income.
- (4) The provision of this section shall not apply where the source of such investment, made by the assessee for the purchase or construction of such residential building or apartment or land, is-
- (a) derived from any criminal activities under any other law for the time being in force; or
  - (b) not derived from any legitimate source.”

### Insertion of new section 19DD

A new section 19DD has been inserted after the deleted section 19D

**“19DD. Special tax treatment in respect of investment in Economic Zones or Hi-Tech Parks.-** Notwithstanding anything contained in this 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 Bangladesh Economic Zones Act 2010 or in any hi-tech park declared under section 22 of Bangladesh Hi-Tech Park Authority Act, 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 ten per cent is paid on the sum so invested before filing of the return for the concerned income year.”

### Insertion of new section 19DD

A new section 30B has been inserted after the section 30A

**“30B. Treatment of disallowances.-** Notwithstanding anything contained in section 82C 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.”

### Amendment of section 44

The rate of investment tax credit against investment allowance has been revised as follow:

Total Income	Amount of credit
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

### Insertion of new section 46BB

A new section 46BB has been inserted after the section 46B

**“46BB. Exemption from tax of newly established industrial undertakings set up between the period of July, 2019 and June, 2024, etc. in certain cases.** (1) Subject to the provisions of this Ordinance, income, profits and gains under section 28 from an industrial undertaking (hereinafter referred to as the said undertaking) set-up in Bangladesh between the first day of July, 2019 and the thirtieth day of June, 2024 (both days inclusive) shall be exempted from the tax payable under this Ordinance for the period, and at the rate, specified below:

- (i) if the said undertaking is set-up in Dhaka, Mymensingh and Chattogram divisions, excluding Dhaka, Narayanganj, Gazipur, Chattogram, Rangamati, Bandarban and Khagrachari districts, for a period of five years beginning with the month of commencement of commercial production of the said undertaking;

Period of Exemption	Rate of Exemption
For the first year	90% of income
For the second year	80% of income
For the third year	60% of income
For the fourth year	40% of income
For the fifth year	20% of income

- (ii) if the said undertaking is set-up in Rajshahi, Khulna, Sylhet, Barishal and Rangpur divisions (excluding City Corporation area) and Rangamati, Bandarban and Khagrachari districts, for a period of ten years beginning with the month of commencement of commercial production of the said undertaking:

Period of Exemption	Rate of Exemption
For the first and second year	90% of income
For the third year	80% of income
For the fourth year	70% of income
For the fifth year	60% of income
For the sixth year	50% of income
For the seventh year	40% of income
For the eighth year	30% of income
For the ninth year	20% of income
For the tenth year	10% of income

Provided that any industry engaged in the production of item as referred to in clause (viii) or clause (xii) of sub section (2) shall be entitled to exemption from

tax under the provision of this section even if it is set up in the districts of Dhaka, Gazipur, Narayanganj or Chattogram.

(2) For the purpose of this section, "industrial undertaking" means

(a) an industry engaged in, or in the production of,

- (i) active pharmaceuticals ingredient and radio pharmaceuticals;
- (ii) agriculture machineries;
- (iii) automatic bricks;
- (iv) automobile;
- (v) barrier contraceptive and rubber latex;
- (vi) basic components of electronics (e.g. resistor, capacitor, transistor, integrated circuit, multilayer PCB etc.);
- (vii) bi-cycle including parts thereof;
- (viii) bio-fertilizer;
- (ix) biotechnology based agro products;
- (x) boiler including parts and equipment thereof;
- (xi) compressor including parts thereof;
- (xii) computer hardware;
- (xiii) furniture;
- (xiv) home appliances (blender, rice cooker, microwave oven, electric oven, washing machine, induction cooker, water filter etc.);
- (xv) insecticides or pesticides;
- (xvi) leather and leather goods;
- (xvii) LED TV;
- (xviii) locally produced fruits and vegetables processing;
- (xix) mobile phone;
- (xx) petro-chemicals;
- (xxi) pharmaceuticals;
- (xxii) plastic recycling;
- (xxiii) textile machinery;
- (xxiv) tissue grafting;
- (xxv) toy manufacturing;
- (xxvi) tyre manufacturing;

(b) any other category of industrial undertaking as the Government may, by notification in the official Gazette, specify.

(3) Not with standing anything contained in sub-section (2), for the purpose of this section industrial undertaking shall not include expansion of such an existing undertaking.

(4) The exemption under sub-section (1) shall apply to the said under taking if it fulfils the following conditions, namely:

(a) that the said undertaking is owned and managed by -

(i) a body corporate established by or under any law for the time being in force with its head office in Bangladesh; or

(ii) a company as defined in Companies Act 1994 with its registered office in Bangladesh and having a subscribed and paid up capital of not less than two million taka on the date of commencement of commercial production;

(b) that thirty percent of the exempted income under sub-section (1) is invested in the said undertaking or in any new industrial undertaking during the period of exemption or within one year from the end of the period to which the exemption under that sub-section relates and in addition to that, another ten percent of the exempted income under sub-section (1) is invested in each year before the expiry of three months from the end of the income year in the purchase of shares of a company listed with any stock exchange, failing which the income so exempted shall, not with standing the provisions of this Ordinance, be subject to tax in the assessment year for which the exemption was allowed:

Provided that the quantum of investment referred to in this clause shall be reduced by the amount of dividend, if any, declared by the company enjoying tax exemption under this section;

(c) that the said undertaking is not formed by splitting up or by reconstruction or reconstitution of business already in existence or by transfer to a new business of any machinery or plant used in business which was being carried on in Bangladesh at any time before the commencement of the new business;

(d) that the said undertaking is approved, and during the relevant income year, stands approved by the Board for the purposes of this section;

(e) that application in the prescribed form for approval for the purposes of this section, as verified in the prescribed manner, is made to the Board within six months from the end of the month of commencement of commercial production;

- (f) that the said undertaking obtained a clearance certificate for the relevant income year from the Directorate of Environment;
- (g) that the said undertaking maintains books of accounts on a regular basis and submits return of its income as per provisions laid down in section 75 of this Ordinance.
- (5) Notwithstanding anything contained in this section, where an undertaking enjoying exemption of tax under this section is engaged in any commercial transaction with another undertaking or company having one or more common sponsor directors, and during the course of making an assessment of the said undertaking if the Deputy Commissioner of Taxes is satisfied that the said undertaking has purchased or sold goods at higher or lower price in comparison to the market price with intent to reduce the income of another undertaking or company, the exemption of tax of that undertaking shall be deemed to have been withdrawn for that assessment year in which such transaction is made.
- (6) The Board shall give its decision on an application made under clause (e) of sub-section (4) within forty five days from the date of receipt of the application by the Board, failing which the undertaking shall be deemed to have been approved by the Board for the purposes of this section:  
Provided that the Board shall not reject any application made under this section unless the applicant is given a reasonable opportunity of being heard.
- (7) The Board may, on an application of any person aggrieved by any decision or order passed under sub-section (6), if the application is made within four months of the receipt of such decision or order, review the previous decision, order or orders and pass such order in relation thereto as it thinks fit.
- (8) The income, profits and gains of the undertaking to which this section applies shall be computed in the same manner as is applicable to income chargeable under the head "Income from business or profession":  
Provided that in respect of depreciation, only the allowances for normal depreciation specified in paragraph 3 of the Third Schedule shall be allowed.
- (9) The income, profits and gains of the undertaking to which this section applies shall be computed separately from other income, profits and gains of the assessee, if any, and where the assessee sustains a loss from such undertaking it shall be carried forward and set off against the profits and gains of the said undertaking for the next year and where it cannot be wholly set off, the amount of the loss not so set off, shall be carried forward for the following year and soon, but no loss shall be carried forward beyond the period specified by the Board in the order issued under sub-section (6) or (7).
- (10) Unless otherwise specified by the Government, nothing contained in this section shall be so construed as to exempt the following from tax chargeable under this section, namely-
- any dividend paid, credited or distributed or deemed to have been paid, credited or distributed by a company to its shareholders out of the profits and gains;
  - any income of the said undertaking classifiable as "Capital gains" chargeable under the provisions of section 31;
  - any income of the said undertaking resulting from disallowance made under section 30.
- (11) Where any exemption is allowed under this section and in the course of making assessment, the Deputy Commissioner of Taxes is satisfied that any one or more of the conditions specified in this section are not fulfilled or any individual not being a Bangladeshi citizen is employed or allowed to work without prior approval of any competent authority of the Government for this purpose, the exemption shall stand withdrawn for the relevant assessment year and the Deputy Commissioner of Taxes shall determine the tax payable for such year.
- (12) Any such undertaking approved under this section may, not later than one year from the date of approval, apply in writing to the Board for the cancellation of such approval, and the Board may pass such order or orders thereon as it may deem fit.
- (13) Notwithstanding anything contained in this section, the Board may, in the public interest, cancel or suspend fully or partially any exemption allowed under this section.
- (14) The Board may make rules regulating the procedure for the grant of approval under sub-section (6), review under sub-section (7), furnish information regarding payment of other taxes by the said undertaking, and take such other measures connected therewith or incidental to the operation of this section as it may deem fit.
- Explanation.**-For the purpose of this section set-up means completion of establishment of the industry referred to in this section." 