

**The Institute of Chartered Accountants of  
Bangladesh (ICAB)**

**TAX PLANNING & COMPLIANCE**

**STUDY MANUAL  
(COVERING FINANCE ACT, 2023)**

**CA Professional Level**

**Value Added Tax - Portion**



THE INSTITUTE OF  
**CHARTERED  
ACCOUNTANTS**  
OF BANGLADESH



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IN ENGLAND AND WALES

**PARTNER IN LEARNING**



## Value Added Tax

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## Introduction

### Learning objectives

- Understanding the concept of VAT, Turnover Tax and Supplementary Duty
- Getting familiar with the relevant rules and procedures of VAT, Turnover Tax and Supplementary Duty
- Computation of cost for calculating VAT and computing VAT payable
- Understanding VAT rates (including reduced tax rate and specific tax amount) and base value
- Documentation under VAT system
- Knowing the consequences of non-compliance of VAT rules and regulations

### Practical significance

Value Added Tax (VAT) is an important source of revenue financing to the Government of Bangladesh. In financial year 2022-2023, it comprises more than 38% of government tax revenue and thus the Government heavily relies on VAT for raising fund for running a big administration. VAT is the tax that is paid on the value added by the respective taxpayer. VAT is regulated by the Value Added Tax and Supplementary Duty Act, 2012, Value Added Tax and Supplementary Duty Rules, 2016, and SROs, notifications, orders, explanations made there-under. Unless exempted, VAT is chargeable and payable on all goods imported, produced and services rendered in Bangladesh @ 15% except on exports and deemed exports on which tax is imposed at zero percent. Some person in some cases required to register for the purposes of VAT by submitting application with some documents. Determination of cost on which VAT will be computed is very important to VAT practitioners. Method and time of payment of VAT need to be followed as per the Act and Rules. Various books of accounts and documents are required to be maintained for VAT purposes. On certain goods and services, VAT is applicable @ reduced rates or fixed amount which have been detailed in 3<sup>rd</sup> schedule of the VAT & SD Act 2012. In an economy like Bangladesh where a significant portion of Government revenue comes from VAT, knowing VAT with all technicalities is very significant. VAT & SD Act also addresses required rules and provisions for Turnover Tax and Supplementary Duty.

There are some differences between VAT and Turnover Tax. Turnover Tax is a tax on the turnover of a manufacturer or producer of taxable goods or a trader of taxable goods or a provider of taxable services, as the case may be, who is not required to register for the purposes of VAT. The rate of turnover tax has now been re-fixed at 4% on turnover. There are some guidelines, rules and procedures on Turnover tax relating to registration, payment, books of accounts and documents to be maintained and penalties.

Input tax is the amount VAT paid earlier by a taxpayer on his inputs. For claiming credit of input tax some conditions are required to be fulfilled.

Supplementary duty is an indirect tax, in addition to VAT, on luxuries, not essential and not socially desirable goods and services. The rate of supplementary duty varies from 5% to 500%.

### Stop and think

Think about other types of tax and VAT. Do you realize the significance of VAT, Turnover Tax and Supplementary Duty?

### Working context

The revenue collection through VAT is increasing sharply day by day. Supplementary Duty also has significance as sources for revenue to the Government. On the other hand, Turnover Tax is not very significant as a source of revenue. Different methods, rules, conditions and procedures relating to VAT and other taxes are very important to know.

Clients are sometime expecting expert opinion in calculating VAT and other legal procedures relating to VAT and other taxes from accountants. Hence, accountants should have clear concept with practical exposure in this area, so that they can take the opportunity to provide the expert service to their clients.

### **Examination context**

#### **Exam requirements**

In the examination, candidates may be required to:

- a. Demonstrate the concept of VAT, Turnover Tax and Supplementary Duty and identify the application of tax rate.
- b. Explain the registration procedures, method of computation of VAT payable, time of payment of VAT and Turnover Tax.
- c. Identify documents required for VAT administration.
- d. Identify the different schedule for VAT and Supplementary Duty.
- e. Identify the VAT authorities and their power and functions.
- f. Explain the consequences for non-compliance of VAT rules and regulation.

#### **Question practice**

For practicing question on these topics please go through the suggested answers at the end of this manual.

#### **Examiner's comments on how students tackle questions**

Candidates need to be careful on different VAT bases and rates for computing VAT payable with the respective dates of payments and the adjustments of VAT deducted/collected at sources with VAT payable to compute the net amount.

## 30.0 Value Added Tax (VAT) System in Bangladesh

### Section overview

- VAT is the tax on the value added by a taxpayer.
- Unless exempted, VAT is usually payable @ 15%.
- Some persons are not required to be registered under VAT Act.
- VAT will be paid by the importer, suppliers and provider of taxable services.
- On certain services VAT is applicable as per reduced rate or fixed amount.
- There are some specific method and time of payment of VAT.
- Some books of accounts and documents are required to be maintained by the VAT payer.
- There are clear differences between VAT, Turnover Tax and Supplementary Duty.
- The rate of Turnover Tax is 4%.
- Input tax is the amount of VAT paid earlier by a taxpayer on his inputs.
- Supplementary duty is an output tax, in addition to VAT on luxury goods and services those are not essential and not socially desirable.
- Supplementary duty may vary from 5% to 500% for goods and from 10% to 30% for services.

### 30.1 Introduction

Value Added Tax (commonly known as VAT) is the tax on the value-added amount by a taxpayer. In an economy where value addition is significant and value is added at different levels, Government has sufficient rationality to impose such taxes.

VAT is an important type of indirect tax where impact and incidence of taxes fall on different persons. If tax burden can be shifted to another person then it is called indirect tax. The ultimate burden of VAT falls on final consumers as different persons have the mechanism to shift the burden onto the shoulders of others. For example, the traders, on whom VAT is charged, transfer the tax burden to subsequent traders until the goods reach the final buyers or customers who cannot shift the incidence or burden to anyone else. VAT is levied on expenditure rather on income and that is why it is sometimes called expenditure tax.

In Bangladesh, up to 30 June 2019, VAT was regulated by the Value Added Tax Act, 1991, Value Added Tax Rules 1991; Finance Acts and various rules, regulations and notifications issued under this Act. In the Parliament the new Value Added Tax and Supplementary Duty Act, 2012 (hereinafter referred to as the VAT and SD Act) (Act No. 47 of 2012) has already been enacted on 10 December 2012. Moreover, in order to implement the Act, NBR issued Value Added Tax and Supplementary Duty Rules 2016 (hereinafter referred to as the VAT and SD Rules) on 3 November 2016. Chapter two, chapter twelve and chapter fifteen, and sections 128, 132, 134, and 135 of the new Act came into force at once. But the remaining provision of the Act along with the Rules came into force from July 2019 vide SRO No. 168-Ain/2019/25-Mushak, dated 13 June 2019 & SRO No. 169-Ain/2019/25-Mushak, dated 13 June 2019 respectively.

Unless exempted by the First Schedule under section 15(3) of the VAT & SD Act, VAT is chargeable and payable on all goods and services imported, produced or rendered in Bangladesh @ 15% except on exports and deemed exports on which tax is imposed at zero (0) percent.

**The zero rate** is an actual tax rate of VAT, the same as 15 percent. An entity may claim refund of VAT paid on purchases and can be claimed against the liability i.e., zero. On the other hand, an entity cannot claim any rebate/credit of VAT on purchase to produce exempted goods and has no tax liability against which to offset it and thereby pays tax on input which must be wholly passed on or absorbed. In this way, the zero rate allows an entity complete exemption because, for instance, the entity can claim full amount of tax he has paid on his input and, therefore, pays no tax, while all the previous stages have passed their tax liability fully forward. Initially it will involve the required cost of administration without yielding any revenue. But this will bring all economic activities under the VAT system which will help achieving the ultimate objective of having an elastic tax system for the country.

When VAT (output tax) is imposed on “full value”, taxpayer pays VAT (output tax) at 15%; and when VAT (output tax) is imposed on “estimated added value”, the taxpayer pays VAT (output tax) at 1.5%, 2%, 2.4%, 4.5%, 5%, 7.5%, or 10% or Fixed amount.

VAT is computed as a percentage of the value added on goods or services. It is charged on the value of consumption, applied at each point of transactions of goods or services from primary production to final consumption. At every stage one has to pay as well as collect VAT before reaching the stage of the final consumption. So, everyone, except the final consumer, does not have to bear any VAT from his own account. Because whatever the person other than the final consumer has paid as VAT at the time of purchase, he shall collect that amount of VAT from the persons who shall buy his goods or services and also collect tax on value which is added by him before selling. Value addition by the seller is the difference between the selling prices of the goods or services (Output) and the cost of raw materials (input) purchased. The amount of value addition may consist of processing cost, such as wages, overheads etc. and profit. Thus, VAT collection increases at every stage because of the value addition that is maximized at the final stage. This value addition stops when any goods or a service is purchased for final consumption and the consumer has to bear the full amount of VAT. At each point of transaction, the tax is passed onto the shoulder of next person in the form of higher price, which consists of selling price plus VAT. This process illustrates that a business does not bear VAT. Being at the final point in the chain of total transaction, the final consumer bears the whole amount of the tax. The basic procedure of VAT system is explained below with an example assuming five layers of transactions from importer to final consumer.

Supplier / Consumer	Value of Input / Import / Raw materials (excluding VAT)	Value addition		Value of Output / Sales / supplies	VAT Paid on input / Import /Raw materials	VAT Levied on Output / Sales / supplies	Total invoice price including VAT	VAT Paid / Payable at different stage	
		Processing Cost	Profit						
A	B	C	D	F = (B+C+D)	F = (Bx15%)	G = (Ex15%)	H = (E+G)	I = (G-F)	
Importer:	100	10	20	130	15.00	19.50	149.50	19.50	
Producer:	130	35	15	180	19.50	27.00	207.00	7.50	
Wholesaler:	180	5	20	205	27.00	30.75	235.75	3.75	
Retailer:	205	5	15	225	30.75	33.75	258.75	3.00	
Final consumer:	225	-	-	-	-	-	-	-	
<b>Total</b>							<b>33.75</b>		

The above table illustrates the computation of VAT at different stages. Except for importer, VAT payable in column (I) is computed by deducting VAT paid on input (F) from VAT levied on output (G). In case of importer, the process has started from him in this illustration and importer himself is responsible to pay total VAT to the Government Treasury at this stage. However, the importer has collected the total VAT paid to Government from his customer i.e. the producer. In other cases, such as producer who is responsible for payment of VAT of Tk. 7.50, this amount has been computed by deducting the VAT paid by the producer at input purchase stage (Tk. 19.50) from the VAT levied on sale (Tk. 27) which is to be collected from the wholesaler. In other words, this is exactly 15% of value addition (C+D) by the producer (15% of Tk. 50) as in all other cases except importer and final consumer.

Though the above illustration gives a view that VAT is a very simple system of taxation for the taxpayer and Government but practically this illustration reflects the system partially. Because in Bangladesh, exceptions in VAT system are observed due to the presence of reduced rate, fixed amount of VAT and VAT exemption etc.

Under the reduced rate system, reduced amount (lower than the standard rate of 15%) are allowed to be collected from the consumers (who may or may not be the final consumers) and the seller cannot set off his/her input tax against his/her output tax.

In case of VAT exemption, VAT is exempted at output stage and VAT paid at input stage cannot be set off and should be treated as cost. However, in case of zero-rated VAT (for export), the amount paid as VAT at input purchase stage can be recovered.

### Turnover tax

The VAT and SD Act has provisions for levying and collecting turnover tax. 'Turnover' refers to the total amount received or due by a person against the supply of taxable goods or services at a given time. Manufacturers and suppliers of any taxable goods or service providers (excluding goods / services covered under compulsory registration) have no obligation to accept VAT registration if their annual turnover is not more than Tk. 3 (three) crore. All those entities have to be listed under turnover tax and pay turnover tax at the rate of 4% on the prescribed annual turnover.

### Supplementary Duty

Supplementary duty is also levied under the Value Added Tax and Supplementary Duty Act. Supplementary duties are usually imposed on luxury goods, not essentials and socially unwanted goods or services. The VAT registered person also collects supplementary duty where applicable at the time of collection of VAT and at the time of submission of VAT deposits to the exchequer in a separate account through treasury challan.. Since the supplementary duty paid by a registered person is not considered as input tax, he cannot avail a input tax rebate against the supplementary duty. However, if the goods or services are exported, the input tax can be refunded along with the supplementary duty (decreasing adjustment allowed) paid on the goods used in the production or service of the exported goods.

For the financial year 2023-24, there are 19 levels of supplementary duty through the Second Schedule to the VAT Act (Section 55 of the VAT and SD Act). These are 5%, 10%, 15%, 20%, 25%, 30%, 35%, 40%, 45%, 55%, 60%, 65%, 100%, 150%, 200%, 250%, 300%, 350% and 500%.

## 30.2 Statutory definitions

### 30.2.1 Statutory definitions as per VAT & SD Act 2012

Important terms relating to VAT are defined in section 2 of the VAT & SD Act. Some of the definitions are presented below with specific references:

- (1) **"economic activity"** means any activity carried on regularly or continuously for making supply of any goods, services or immovable property, and
  - (a) also includes the following activities, namely-
    - (i) any business, profession, vocation, means of earning livelihood, manufacture or undertaking of any kind, whether or not for profit;
    - (ii) Supply of any goods, service or property made under any lease, license, or a similar arrangement,
    - (iii) any one-off initiative in the nature of a commercial activity or enterprise; or
    - (iv) any activity carried out at the beginning or at the end of such an activity; but
  - (b) shall not include the following activities, namely-
    - (i) any service rendered by an employee to his employer;
    - (ii) any service rendered by any director of a company:  
*provided that the services rendered by a director, who holds the office of the directorship for the purposes of the business of the company, shall be regarded as an economic activity;*

- (iii) any recreational pursuit or hobby carried on a non-commercial basis; or
  - (iv) any prescribed activity carried on by the Government without any commercial motive; [section 2(6)].
- (2) **"advance tax"** means any tax payable in advance under section 31(2) on a taxable import; [section 2(8)].
- (3) **"resident"** means an individual who –
- a. normally lives in Bangladesh; or
  - b. stays in Bangladesh for more than 182 (one hundred and eighty-two) days in a current calendar year; or
  - c. stays in Bangladesh for more than 90 (ninety) days in a calendar year and stayed in Bangladesh for more than 365 (three hundred and sixty-five) days during the four immediately preceding calendar years; and also includes the following entity, namely—
    - i. a company, if it is incorporated under the prevalent laws of Bangladesh or its center of control and management is in Bangladesh;
    - ii. a Trust, if a Trustee thereof is a resident of Bangladesh or the center of control and management of the Trust is in Bangladesh;
    - iii. an association of persons other than a Trust, if it is formed in Bangladesh or its center of control and management is in Bangladesh;
    - iv. all government entities; or
    - v. a property development joint venture; [section 2(15)].
- (4) **"input"** means input means all raw materials, laboratory reagents, laboratory equipment, laboratory accessories, any particular used as fuel, packing materials, services, machines and parts of machines.

Following goods and services will not be considered as input:

- (a) Land, labour, building, office equipment and fixtures, buildings/ infrastructures construction, maintenance, repair, renovation
- (b) All furniture, office supplies, stationary materials, refrigerator, air conditioner, fan, lighting materials, generator purchase and repair
- (c) Interior design, architecture planning and design
- (d) Purchase, Lease and rental payments for transportation
- (e) Travelling, entertainment, goods and services related to employee welfare related activities
- (f) Rentals for office premises, showrooms or similar place of business establishments, called by whatever name

Provided that goods or service purchased or acquired by the trader as per third schedule of the VAT and SD Act, 2012 will also be included in the definition of input. [section 2(18Ka)]

- (5) **"input tax"** means the VAT (except advance tax) paid by any registered person at import stage at the time of import of goods or service as input and VAT paid against local purchase or collect of goods or service as input; [section 2(19)].
- (6) **"output tax"** means the VAT and supplementary duty payable by any registered person for the following activities, namely—
- (a) supply of any taxable goods, service or immovable property by such person; or
  - (b) import of any taxable service by such person; [section 2(20)].
- (7) **"Withholding Entity"** means:
- a) a Government entity;
  - b) a non-government organization approved by the NGO Affairs Bureau or the Directorate-General of Social Welfare;
  - c) a bank, insurance company or a similar financial institution;



- d) a educational institution of secondary level or above; or  
e) a limited company. [section 2(21)]
- (8) **"import"** means bringing in any goods from outside to within the geographical boundary of Bangladesh; [section 2(16)].
- (9) **"imported service"** means service supplied from outside Bangladesh; [section 2(17)].
- (10) **"Electronic Service"** means the following services, when provided or delivered on or through a telecommunications network, a local or global information network, or similar means, namely—
- websites, web-hosting, or remote maintenance of programs and equipment
  - software and the updating thereof delivered remotely
  - images, texts, and information delivered
  - access to databases
  - self-education packages
  - music, films, and games; and
  - political, cultural, artistic, sporting, scientific and entertainment broadcasts and telecasts and events, including telecasts; [section 2(18)].
- (11) **"tax"** means VAT, turnover tax, supplementary duty, and shall in relation to realization of arrears, also include any interest, monetary penalty or fine; [section 2(24)].
- (12) **"Tax Invoice"** means a document issued by any supplier under section 51; [section 2(25)].
- (13) **"tax assessment"** means an assessment of net payable tax by any tax payer under chapter five; [section 2(27)].
- (14) **"tax determination"** means determination of tax by appropriate officer under chapter eleven; [section 2(28)].
- (15) **"tax fraction"** means the following fraction, namely:
- $$\frac{R}{100 + R}$$
- where R is the VAT rate specified in section 15(3); [section 2(29)].
- (16) **"tax period"** means-
- (i) in relation to VAT and supplementary duty, one month of the Christian Calendar; or
  - (ii) in relation to turnover tax, every three- month- period ending on 31 March, 30 June, 30 September or 31 December; [section 2(30)].
- (17) **"taxable import"** means any import, other than an exempt import; [section 2(31)].
- (18) **"taxable supply"** means a supply other than an exempted supply, which is made through the process of economic activities; [section 2(32)].
- (19) **"tax rate"** means, depending on the context,-
- a. VAT rate specified in section 15(3);
  - b. supplementary duty rate specified in section 55(4);
  - c. turnover tax rate specified in section 63(1); [section 2(33)].
- (20) **"Company"** means an entity incorporated as a company under any law prevailing in Bangladesh or in any other country [section 2(38)].
- (21) **"centrally registered entity"** means entity centrally registered under section 5; [section 2(37)].

- (22) "**credit note**" means any document issued by the taxpayer in support of a decreasing adjustment. [section 2(39)]
- (23) "**turnover**" means, in relation to a person, all the money received or receivable by such person within a prescribed time or tax period against the supply of taxable goods or the rendering of taxable services manufactured, imported or purchased by means of his economic activities; [section 2(42)].
- (24) "**debit note**" means any document issued by the taxpayer in support of an increasing adjustment. [section 2(44)]
- (25) "**enlistment threshold**" means the limit of Taka 50 (fifty) lakh as turnover of an economic activity of any person in a 12 (twelve) month- period, but does not include the following, namely-
- (a) the value of an exempted supply;
  - (b) the value of sale of a capital asset;
  - (c) the value of a sale of an organization of economic activities or any portion thereof; or
  - (d) the value of a supply made as a consequence of permanently closing down an economic activity; [section 2(48)].
- (26) "**fixed place**" means any of the following places at or through which economic activities inside or outside Bangladesh are carried on, namely—
- a) a place of management;
  - b) a branch, an office, a factory, or a workshop;
  - c) a mine, a gas well, a quarry for extraction of stones or any other similar mineral resource; or
  - d) a location of any construction or installation project; [section 2(52)].
- (27) "**registration threshold**" means the limit of Taka 3 (three) core as turnover of an economic activity of any person in a 12 (twelve) month-period, but does not include the following, namely-
- (a) the value of an exempted supply;
  - (b) the value of sale of a capital asset;
  - (c) the value of a sale of an organization of economic activities or any portion thereof;
  - (d) the value of a supply made as a consequence of permanently closing down an economic activity; provided that this registration threshold shall not apply while registering any person under clause (gha) of sub-section (2) of section 4 [section 2(57)].
- (28) "**fair market price**" means—
- (a) the consideration for a supply arrived at on the basis of a normal relation between a buyer and a seller, who are not associated with each other;
  - (b) if it is not possible to arrive at a fair market price as prescribed in clause (a) above, it would then be the consideration of a similar supply made previously under similar circumstances;
  - (c) if it is not possible to arrive at a fair market price by the above means, it may be determined by the Board on the basis of an objective approximation of considerations arrived at in the course of normal business relations among buyers and sellers, who are not associated with one another; [section 2(58)].
- (29) "**Consideration**" means the money paid or payable, whether directly or indirectly, in consequence of, or as an inducement to, a supply, or the fair market price of a thing paid or payable in lieu of cash, and also includes the money realized or realizable on the following accounts, namely—
- (a) any tax imposed under this or any other Act that is—
    - i) payable by the supplier on, or by reason of, a supply; and
    - ii) included in, or added to, the price charged to the recipient;

- (b) any money realized as service charge; or
  - (c) any money payable in relation to a loan agreement under finance lease or hire purchase and included in the consideration for supply of goods under hire purchase or finance lease; but does not include any discount in price given at the time of a supply; [section 2(59)]
- (30) **"Supply of goods"** means-
- a) the transfer of right of goods through sale, exchange, or sale otherwise; or
  - b) giving the right to use the goods on lease, rent, installment, hire purchase or by any other means, and it also includes the sale of goods under finance lease. [section 2(61)].
- (31) **"deemed export"** would mean to include one or more of the following supplies, namely—
- (a) supply of any goods or service in a prescribed manner against foreign currency and destined for consumption outside Bangladesh;
  - (b) supply of any goods or service in a prescribed manner within the territory of Bangladesh against foreign currency through an international tender; or
  - (c) supply of any goods or service in a prescribed manner within the territory of Bangladesh against foreign currency under cover of a local letter of credit; [section 2(62)].
- (32) **"representative"** means—
- (a) for a mentally or physically challenged individual, a guardian or a manager appointed by him;
  - (b) for a company other than a company in liquidation, the chief executive officer of the company or any person appointed by the chief executive officer;
  - (c) for a partnership, a partner thereof;
  - (d) for a Trust, any Trustee of the Trust or an executor or administrator of such Trust;
  - (e) for an association of persons, its chairman, secretary or the treasurer;
  - (f) for a government entity, the chief executive officer of the entity or any person appointed by the chief executive officer;
  - (g) for a foreign government, an officer appointed by such foreign government;
  - (h) for a non-resident, any VAT Agent appointed by him;
  - (i) VAT consultant appointed by any person; or
  - (j) any other prescribed representative; [section 2(63)].
- (33) **"Manufacturing"** means—
- (a) transforming or reshaping of any substance by processing individually or in combination with any other substance, material or components of production for changing, transforming or reshaping it into a different specific substance or goods so that it becomes useable differently or specifically;
  - (b) any incidental or related processes required to complete the production of goods;
  - (c) any printing, publication, lithography or engraving processes;
  - (d) any assembling, mixing, cutting, liquefaction, bottling, packaging or repackaging; or
  - (e) all processes adopted for production or manufacture of goods, including intermediary or an incomplete process; [section 2(65)]
- (34) **"increasing adjustment"** means any of the following adjustments, namely-
- (a) an increasing adjustment in respect of withholding tax;
  - (b) an increasing adjustment required for an annual re-calculation;
  - (c) an increasing adjustment if a payment is not made through banking channels;
  - (d) an increasing adjustment for goods put to a private use;
  - (e) an increasing adjustment on being registered;
  - (f) an increasing adjustment on cancellation of registration;
  - (g) an increasing adjustment for a change in the VAT rate
  - (h) an increasing adjustment for less paid VAT in any earlier tax period;
  - (i) an increasing adjustment for the payment of any interest, monetary penalty, fine, fee, etc.; or
  - (j) any other prescribed increasing adjustment; [section 2(71)].

- (35) "**person**" means any natural person , and also includes the following entities, namely-
- a) a company;
  - b) an association of persons
  - c) a government entity a foreign government or a department designated, or any official appointed, by it
  - d) an inter-state or international organization
  - e) a joint venture for property development or any other similar initiative; or
  - f) other business organization; [section 2(74)].
- (36) "**association of persons**" means any partnership, Trust or any similar association of persons, but does not include any company or unincorporated joint venture; [section 2(75)].
- (37) "**business identification number**" means a unique business identification number mentioned in the VAT registration certificate or turnover tax certificate issued to a registered or enlisted person; [section 2(76)].
- (38) "**value**" means-
- a. the value of import specified in section 28; or
  - b. the value of supply specified in section 32; [section 2(78)].
- (39) "**Value added tax**" or "**VAT**" means the value added tax imposed under section 15; [section 2(79)].
- (40) "**export**" means any supply from inside to outside the geographical limits of Bangladesh in exchange of foreign currency, and also includes a "**deemed export**". [section 2(82)]
- (41) "**adjustment event**" means any of the following events, namely—
- (a) cancellation of any supply;
  - (b) alteration of the consideration for any supply;
  - (c) return of any supplied goods, in part or in full, to the supplier;
  - (d) conversion of a supply into a zero-rated or an exempted one as a result of an alteration in the nature of such supply; or
  - (e) any other prescribed event; [section 2(87)].
- (42) "**supplementary duty**" means the supplementary duty imposed under section 55; [section 2(89)].
- (43) "**goods subject to supplementary duty**" means any goods specified in the second schedule; [section 2(90)].
- (44) "**service subject to supplementary duty**" means any service specified in the second schedule; [section 2(91)].
- (45) "**withholding tax deduction certificate**" means a document specified in section 53; [section 2(92)].
- (46) "**government entity**" means –
- a. a government or any of its ministries, divisions, or attached departments;
  - b. a semi- government entity or an autonomous body;
  - c. a state-owned enterprise; or
  - d. a local authority, council, or a similar organization; [section 2(93)].

- (47) **"supply"** means any supply, and it includes the following namely-
- a. supply of goods;
  - b. a supply of immovable property;
  - c. a supply of services; or
  - d. a combination of supplies of the above clauses (a), (b) and (c); [section 2(94)].
- (48) **"time of supply"** means—
- (a) in relation to supply of goods, the time when the possession of the goods are conferred or they are removed;
  - (b) in relation to supply of services, the time when the services are rendered, generated, transferred or assigned; or
  - (c) in relation to supply of any immovable property, the time when the property is delivered or created or transferred or assigned; [section 2(96)].
- (49) **"associate"** means such a relation between two persons as would make one act or reasonably expected to act in accordance with the intention of the other, or make both act or reasonably expected to act in accordance with the intention of a third person, and it also includes the following persons, namely—
- (a) a partner of a partnership;
  - (b) a shareholder of a company;
  - (c) a Trust and a beneficiary of such Trust; or
  - (d) a joint venture for property development and the landowner as a partner of that joint venture, builder, or other related person;
  - (e) representative, VAT Agent, distributor, licensee or persons with similar relationship  
Provided that persons with employment relations does not include in this. [section 2(97)].
- (50) **"service"** means any service but does not include any goods, immovable property and money; [section 2(99)].
- (51) **"supply of service"** mean such a supply as is not a supply of goods, money or immovable property, which, without prejudice to the generality shall include the following, namely-
- a. a grant, assignment, termination, or conferment of a right
  - b. making a facility, an opportunity, or an advantage available
  - c. an agreement to perform an act, to refrain from performing an act or accepting a situation or to tolerate an act or a situation; and
  - d. the issuance, transfer or conferment of a license, permit, certificate, concession, authorization, or a similar right.; [section 2(100)].
- (52) **"immovable property"** means title or right on immovable property where irrespective of whether land, or any building established on land or any structure permanently attached or established on it or not; [section 2(101)].
- (53) **"supply of immovable property"** means to include the following supplies-
- a) An interest in, or right over, land;
  - b) A personal right consisting of an invitation to confer a right or interest on land;
  - c) Issuance of a license to occupy land including supply of residential accommodation or a contractual right exercisable over, or in relation to, land;
  - d) A right to acquire anything mentioned in clause (a) (b) and (c) or the option to exercise that right in future; [section 2(102)].
- (54) **"decreasing adjustment"** means any of the following adjustments, namely—
- (a) a decreasing adjustment for the money paid as advance tax;
  - (b) a decreasing adjustment in respect of withholding taxes against provided supply by supplier;

- (c) a decreasing adjustment applicable as a result of an annual re-calculation;
- (d) a decreasing adjustment against credit note issue;
- (e) a decreasing adjustment where there is a decrease in the VAT rate;
- (f) a decreasing adjustment claimed for a negative net amount carried forward from a previous tax period;
- (g) a decreasing adjustment allowed for VAT overpaid in a previous tax period;
- (h) any other prescribed decreasing adjustment. [section 2(103)].

### 30.2.2 Statutory definitions as per VAT & SD Rule 2016

- (1) **"import value"** means the value ascertained as per section 25 and 25A of the Customs Act, 1969 (IV of 1969); [rule 2(kha)].
- (2) **"contract manufacturer"** means the manufacturer, who manufactures goods under contract in exchange of consideration, using input supplied by the brand owner or his own input; [rule 2(khakha)].
- (3) **"related person"** means two person registered or enlisted under the Act, who hold a minimum of 50 (fifty) percent shares of the same ownership; [rule 2(cha)].
- (4) **"backward linkage industry"** means any industrial undertaking which supplies goods or services against Inland Back to Back LC or Inland LC in foreign currency to any registered person who is under an obligation in the Inland Back to Back LC to supply goods or services to an Actual exporter in exchange of foreign currency; [rule 2(chacha)].
- (5) **"actual exporter or exporter"** means such person or establishment who directly exports to Export Processing Area or outside Bangladesh its produced goods or services or goods or services collected otherwise, observing the formalities laid down in the provisions of Export Policy Order published from time to time by the Government and foreign exchange related provisions published from time to time by Bangladesh Bank; [rule 2(chhachha)].
- (6) **"supply under barter process"** means such a supply which is transacted between two related persons; [rule 2(neo)].

### 30.3 VAT Registration & Turnover Tax Enlistment

#### When registrations are required for the purposes of VAT

- (1) Each of the following persons shall, from the first day of a month, be required to be registered for VAT, namely—
  - (a) a person whose turnover exceeds the registration threshold (i.e. Tk. 3 crore) within a 12 (twelve)- month-period closing at the end of the month preceding that month; or
  - (b) a person whose estimated turnover exceeds the registration threshold (i.e. Tk. 3 crore) within the succeeding 12 (twelve)- month-period beginning at the start of the preceding month.

**Example:** Assume that today is 15 July 2023. XYZ Ltd prepared its financial statements for YE 30 June 2023 and reported sales revenue is Tk. 30,500,000

Assume that today is 27 July 2023. ABC Ltd prepared its financial statements for the month of June 2023 and reported sales of Tk. 2,000,000. However, the company is expecting its average revenue per month will be Tk. 2,700,000 for next 11 month.

XYZ 1: Actual sales: XYZ Ltd. is required to obtain VAT registration.  
 ABC 2: Projected sales: ABC Ltd. is required to obtain VAT registration.

#### Mandatory Registration

Every person carrying on the following economic activities must be registered for VAT regardless of the turnover threshold, if he—

- (a) supply or manufacture or import goods or services which are subject to supplementary duty in Bangladesh;
- (b) supply goods or service or both against any contract or work order or through participating in the tender;
- (c) Involved in any export and import business
- (d) Establish branch office or liaison office or project office of a foreign organization
- (e) Appointed as VAT agent
- (f) Engaged in economic activities related to supplies, manufactures or imports of specific goods or services or in any specific area as determined by the National Board of Revenue (NBR)

Additionally, as per **General Order (GO) No.17/Mushak/2019**, mandatory VAT registration is applicable for those who manufacture goods, supply services and, goods as per Table 1,2 & 3 respectively of the said GO, irrespective of their turnover being below the VAT registration threshold.

### Example

SL	Content	Example
	Table-1 Manufacturer of goods	Chocolate, noodles, biscuit, soap, detergent, plastic goods, leather goods, wooden goods, all kinds of goods made of ceramic and porcelain, electric bulb
	Table-2 Service provider	Construction firm, consultancy firm and supervisory firm, procurement provider, human resources supply or management organization, ITES
	<ul style="list-style-type: none"> <li>▶ Super shop, shopping mall irrespective of place</li> <li>▶ Goods under table-3 in case of supply at trading stage by organization situated within the area of district town and city corporation</li> </ul>	Table 3: Cement, all kinds of goods made of ceramic and porcelain, GP Sheet/ CI Sheet, MS products, sanitaryware, aluminum fittings, all kinds of electric and electronics goods including air conditioner, refrigerator, television.

### Unit or Central Registration

- (1) If any person preserves centrally all accounts, tax deposit and VAT records in automated system through software and records of economic activity relating to the supply of identical or similar goods or service or both from two or more places, then, may take one central VAT registration in prescribed conditions and procedures.

Provided that in spite of the supply of identical or similar goods or services, if accounts, tax payment and records of economic activities of a unit is maintained separately then separate registration shall have to be taken for each unit.

Any person, involved in supply under special schemes of tobacco products as per section 58, cannot obtain central registration.

On the other hand, there is a guideline for cigarette manufacturer as to transfer of input, machinery, spare parts and supply of manufactured cigarette (Nothi No. 08.01.0000.068.24.002.15/250 dated 31 August 2021)

NBR has also issued an **SRO no. 263-Ain/2019/79-VAT** dated 18 August 2019 which further specifies the following conditions required to be satisfied for obtaining central VAT registration:

### Applicability

- As per (Ka) of sub-rule (2) of the said SRO if any manufacturer **produces and supplies identical or similar goods from one or more places.**
- As per (Kha) of sub-rule (2) of the said SRO, if any commercial importer after importing goods supplies the same through its owned and controlled sales unit.
- As per (Ga) of sub-rule (2) of the said SRO, if any trader supplies procured or collected goods through its owned and controlled sales unit.
- As per (Gha) of sub-rule (2) of the said SRO, if any service provider provides services of identical or similar nature through their various owned and controlled branches.
- As per (Uma) of sub-rule (2) of the said SRO, where a manufacturer, after manufacturing, supplies goods from one or more places through self-owned and controlled sales center after paying 15% VAT or reduced rate or specific tax as mentioned in the third schedule provided that it will not be applicable in case of conditional SRO, where exemption is granted at manufacturing stage for additional part of specific rate
- .
- As per (cha) of sub-rule (2) of the said SRO, Where a manufacturer, after manufacturing, supplies goods from one or more places after paying applicable VAT through different self-owned and controlled sales center or depot or warehouse.

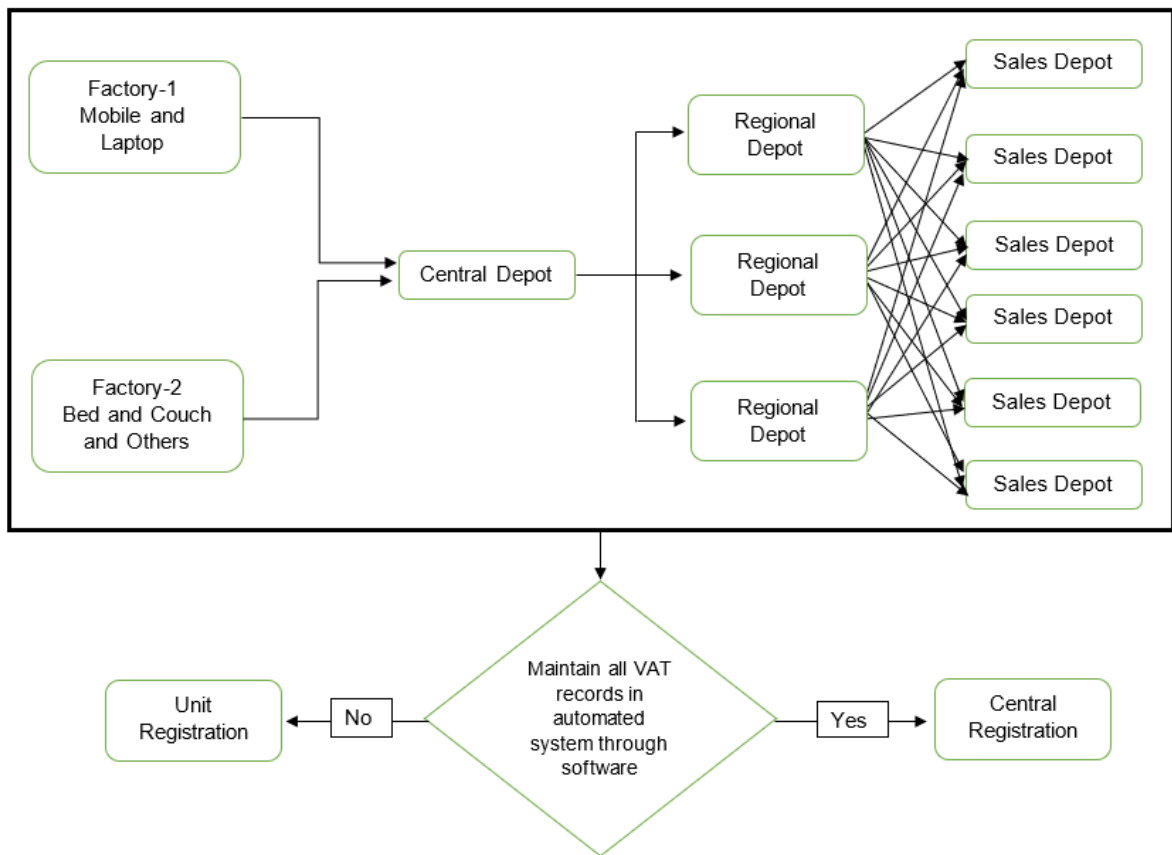
As per the SRO No. 263-AIN/2019/79Mushak dated 18 August 2019, “Similar Goods” means homogeneous according to nature of consumption/use, such as medicine, electronics goods, food, cosmetics, toiletries, plastic goods etc. and its packaging or intermediate input.

**Example 1:** ABC Company owns 2 factories, 1 central depot, 3 regional depots and 6 sales depots. Factory-1 manufactures mobile phones and laptops of different model and price. Factory-2 also manufactures TV, fridge and some other kinds of electronic items. The products manufactured by the two factories are first transferred to the central depot, which are then stored in regional depots. Finally, these products are sold to distributors via the sales depots. All books of accounts and records are maintained centrally in automated system through software.

**Question: Will the Company be applicable for central registration?**

Solution: The Company maintains the records of economic activity centrally in automated system through software and manufactures, stores and supplies “**similar goods**” (i.e., **as it is categories as electronics items**) from all their factories, central depot, regional depots and sales depots respectively. Hence, ABC company is eligible to obtain central registration for all their units.





### Implication of central registration in case of intercompany goods and service transfer:

If goods and services are transferred within units of centrally registered company, then this kind of movement will not be treated as a supply, therefore input/output tax will not arise against the supply.

### Procedure for VAT registration

Each person who has obligation to take registration, prior to the passage of 15 days from the day on which obligation for registration has been transpired shall submit application for VAT registration to the concerned Divisional Officer in form “**Mushak-2.1**” along with required information. The application can also be made online.

Documents to be submitted for VAT registration are as follows:

- (a) Trade License;
- (b) Partnership deed/ MOA, AOA/ Relevant ownership certificate.
- (c) TIN Certificate (if any);
- (d) IRC/ERC Certificate (if any);
- (e) Incorporation certificate.
- (f) List of all related selling centers in the case of “central registration”;
- (g) List of all input along with HS code;
- (h) BIDA Permission/registration certificate (for manufacturer);
- (i) Passport and e-TIN of shareholders.
- (j) Bank Solvency Certificate.

Upon successful submission of Mushak 2.1, the Divisional Officer will issue a certificate of VAT registration in “**Mushak-2.3**” containing a business identification number.

At the time of obtaining online VAT registration, the concerned officer may:

- Physically visit the registered company address in order to check all the relevant documents.
- If the entity does not physically exist in the registered address and any important information provided is proved to be false information, then the officer will recommend to commissioner for cancelation of VAT registration

### **VAT registration by non-resident**

A non-resident having no fixed place in Bangladesh and providing electronic service, etc. to the unregistered person in Bangladesh is required to take VAT registration as non-resident. There is a definition of electronic service in section 2(18) of the VAT and SD Act.

Appointment of VAT agent by non-resident

A non-resident, who does not carry on an economic activity from a fixed place in Bangladesh, shall appoint a VAT agent.

Such VAT Agent of a non-resident shall ensure all responsibilities and carry out all activities of the non-resident. However, the non-resident shall be liable for the payment of all dues including taxes, fines, penalties, and interests that may be imposed on the non-resident.

The VAT registration of the economic activities by a VAT agent shall be in the name of the principal.

### **Use of Business Identification Number (BIN)**

- a) All imports- exports except baggage imports.
- b) Registration of land or building in the name of registered or enlisted person.
- c) Obtaining Import Registration Certificate (IRC) and Export Registration Certificate (ERC).
- d) Making any supply to a withholding entity.
- e) Participation in any tender.
- f) Enlistment in any organization.
- g) Approval of Bond License.
- h) Approval of bank loan in favor of registered or enlisted person.
- i) In any other case determined by an order of the Board.

### **Voluntary VAT Registration**

Any person making a taxable supply in the process of economic activities, who is not required to be registered, may apply for voluntarily registration to the Commissioner.

Once one obtains voluntary VAT registration, all the provisions of the VAT & SD Act, 2012 shall be binding on them as on other registered persons and, they will need to continue being registered for at least 1 year from the date of registration before being eligible for cancellation.

### **Enlistment for Turnover Tax**

#### **Concept of Turnover Tax**

Turnover Tax is a tax, as an alternative to VAT, on the turnover of a manufacturer or producer of taxable goods or a trader of taxable goods or a provider of taxable services, as the case may be, whose turnover is within the turnover threshold as mentioned in section 2(48) of the VAT & SD ACT, 2012.

Turnover Tax is administered under VAT and SD Act and Rules. It is a liberal and easier tax treatment for the small enterprises (supplies and services).

Turnover means, in relation to a person, all the money received or receivable by such person within a prescribed time or tax period against the supply of taxable goods or the rendering of taxable services manufactured, imported or purchased by means of his economic activities

Turnover Tax means the tax payable on the said total money under section 63 of VAT & SD Act, 2012.

### Person eligible for enlistment for Turnover Tax

If a person's yearly turnover exceeds Tk. 50 lac (enlistment threshold) but is not more than tk. 3 core (registration threshold), such person is exempt from VAT, but is liable to pay Turnover Tax.

Please note that the amount of revenue will be calculated for 12 months- period closing at the end of each quarter.

**Example:** Assume ABC Ltd. is incorporated in 20 February 2022 and turnover will be as follows:

Timeline	Turnover (Tk.)	Accumulated turnover (Tk.)
31 March 2022	0	0
30 June 2022	1,000,000	1,000,000
30 September 2022	1,200,000	2,200,000
31 December 2022	1,500,000	3,700,000
31 March 2023	2,000,000	5,700,000

At the quarter ended 31 March 2023, total turnover exceeds the enlistment threshold limit Tk. 5,000,000 therefore "ABC Ltd." needs apply for enlistment within 30 days from end of the quarter i.e., 30 April 2023.

### Procedure for Enlistment for Turnover Tax

If the annual turnover of any supplier of goods or provider of services is above Tk. 50 lac and does not exceed Tk. 3 core, he may apply to the Divisional Officer of VAT in form **Mushak-2.1** for enlistment for the purposes of turnover tax. If the Divisional Officer is satisfied as to the turnover, he will issue the certificate of Enlistment in **form Mushak-2.3** within 3 working days of the application.

Once enlisted, no renewal for enlistment is required. No fee is payable for enlistment for the purposes of turnover tax.

If, after enlistment, the turnover of an enlisted person exceeds Tk. 3 core during a continuous period of 12 months, he will need to apply within next 30 days after the end of 12 months for VAT registration to the VAT Divisional Officer in form **Mushak-2.1**.

### Registration or enlistment, by the Commissioner, Suo moto, of persons required to be registered or enlisted:

If, after proper enquiry, the Commissioner is satisfied that a person was required to be registered or enlisted but failed to make an application, he shall, *Suo moto*, register such person for VAT or enlist him for turnover tax and issue the appropriate certificate.

### Responsibility of a registered or enlisted person to display certificates:

Every registered or enlisted person shall display the VAT registration certificate or turnover tax certificate, or a certified copy thereof, in such a fixed place of his economic activity as makes it easily visible.

### **Cancellation of VAT Registration:**

Registered person may apply for cancellation of VAT registration to the respective divisional officer through Form “**Mushk-2.4**”, If-

- a) He fails to commence economic activity following registration.
- b) He closes his economic activity.
- c) His economic activity has been declared as exempted.
- d) His annual turnover falls below the limit of registration for 2 consecutive years.

If any application is filed under Sub-Rule (1), the Divisional Officer after proper enquiry about the matter-

- (a) If he considers the reasons for the cancellation of registration to be proper, shall suspend the registration temporarily and make him informed; or
- (b) If he does not consider the reasons for the cancellation of registration to be proper or if the application is incomplete or if for any other reason deems that it is not proper to cancel the registration, he will suspend the registration temporarily or take any other decision by giving the person an opportunity of being heard and inform him.

Within 15 (fifteen) days of submission of final return, if the information contained therein are found to be proper following its verification, the Divisional officer shall cancel the registration.

If registration of a registered person is cancelled, then he shall:

- Refrain from using or issuing tax invoice, withholding VAT certificate, receipt, credit note, debit note, etc. at the earliest
- Return the VAT registration certificate and all its certified copies to the respective officer and pay the arrears of tax and submit his final VAT return

### **Cancellation of Turnover Tax Enlistment:**

An enlisted person may file application to the divisional officer in form “**Mushak-2.4**” for cancellation of his enlistment for the following reasons, namely-

- a. if he ceases to carry on any economic activity;
- b. if the turnover of his economic activity remains below the enlistment threshold proportionately for three consecutive tax periods.

If an application is filed under Sub-Rule (1), the Commissioner following proper enquiry-

- (a) shall inform the person after temporarily suspending his enlistment if there are valid reasons for the cancellation of his enlistment; or
- (b) if the reasons for the cancellation or enlistment are not proper or if the application is incomplete or if for some other reasons it is not proper to cancel the enlistment, the Commissioner shall inform the person temporarily suspending his enlistment or taking any other lawful decision after giving him an opportunity of being heard.

If the enlistment of any enlisted person is temporarily suspended, he—

- (a) will desist from all the activities related to Turnover Tax immediately; and
- (b) will return to the Divisional officer enlistment certificate as well as all its attested copies within 15 (fifteen) days of temporary suspension and if there is arrear due, he will pay it and will submit final Turnover Tax return.

### Informing changes in registration/enlistment:

Every registered or enlisted person, is required to inform the Divisional officer regarding any change in following areas relating to his economic activity in form “**Mushak-2.1**” for online submission and in form “**Mushak-2.4**” for hard copy application within 15 days of change of information:

- ❖ name of the business or any other commercial name;
- ❖ any other contact details;
- ❖ places of his economic activity;
- ❖ any bank account of such person;
- ❖ nature of one or more of the economic activities;
- ❖ any other prescribed information.

### Informing change in place of business:

If and registered or enlisted person needs to change the place of business, he has to submit application to the respective Divisional Officer where he is registered or enlisted 15 (fifteen) days prior to that change.

## 30.4 Imposition of VAT

VAT shall be imposed and payable on the taxable import and taxable supply; and the payable amount of VAT shall be assessed and determined by multiplying the applicable VAT rate with the value of the taxable import or of the taxable supply.

### The rate of VAT

As per section 15 of VAT & SD Act, VAT shall be imposable at:

- 15% on taxable import or taxable supply
- Reduced rate of VAT or specific amount of VAT for the specific goods or service mentioned in the 3<sup>rd</sup> Schedule of VAT & SD Act, 2012
- 15% VAT instead of reduced rate of VAT or specific amount of VAT as per 3<sup>rd</sup> Schedule

Particulars	Rate
Standard Rate	15%
Reduced Rate	5%, 7.5%, 10%, Specific Tax amount
Other than Standard Rate	2% for: <ul style="list-style-type: none"><li>• Petroleum nature products</li><li>• 1-1,600sqft for Building Construction firm</li><li>• Land Development Organization</li><li>• Flat re-registration</li></ul> 2.4% - Medicine 4.5% - for 1,601sqft above for Building Construction firm
Trade VAT (except traders of Petroleum nature products and Medicine)	5%
<b>Wholesale traders</b>	1.5%

### Provision related to Wholesale traders-

Wholesaler is such trader, who sells the same types limited variety of goods in a single Challan to the retailer or wholesaler at a large amount and the place at which it is traded is known as wholesale market. However, If the wholesaler also sells goods to the final consumer in a lower quantity of amount, he will be treated as Wholesaler.

However, the percentage of retail sell cannot exceed more than 20% of total sales of a tax period. VAT rate for Wholesale traders is 1.5% on its sales.

## Conditions

- Applicable for wholesale selling of Clothes (including Saree, lungi, three-pieces etc.) and paper related goods;
- Certificate according to Annexure-Kha has to be received from the Divisional officer based on approval of respective Commissioner;
- No refund of AT

## VAT records:

- Issuance of tax invoice in chronological manner in form Mushak- 6.3(ka) as per Annexure-Ga during supply of goods
- Maintaining records in form Mushak -6.2.1(Ka) as per Annexure-Gha
- Submission of VAT return in form Mushak-9.1 after end of tax period.

## Persons liable to pay VAT

- In relation to taxable import – the importer
- In relation to any taxable supply in Bangladesh – the supplier
- In relation to any taxable supply of imported service – the recipient of supply
- In relation to other cases – Supplier or recipient of supply

## Supplies made in Bangladesh:

The following supplies shall be treated to be made in Bangladesh namely—

- a. any supply made by any resident;
- b. any supply made by a non-resident carrying on an economic activity at or through a fixed place in Bangladesh;
- c. any supply other than one mentioned in clause (b) made by a non-resident if the supply-
  - (i) relates to immovable property and land attached to it situated in Bangladesh;
  - (ii) relates to any goods that is transferred, conferred, installed or assembled in Bangladesh;
  - (iii) is made to an unregistered person and relates to-
    - a) the services are physically performed in Bangladesh by a person who is in Bangladesh at the time of supply;
    - b) the services are directly related to land located in Bangladesh;
    - c) the services are radio or television broad-casting or telecasting services received at an address in Bangladesh;
    - d) the services are electronic services delivered to a person located in Bangladesh at the time of supply;
    - e) the supply is of a telecommunications service that is initiated by a person who is located in Bangladesh at the time of supply, other than a telecommunications supplier or a person who is global roaming while temporarily in Bangladesh.

## VAT Agent of non-residents

Appointment of agent is related with particular services as mentioned under sub-clause (e) of clause (ga) of sub-section (1) of section 17.

Such VAT Agent of a non-resident shall bear all responsibilities and carry out all activities of the non-resident.

However, the non-resident shall be liable for the payment of all dues including taxes, fines, penalties, and interests that may be imposed on the non-resident.

An online application in the form “**Mushak-3.1**” is needed to be made to the Director General, Customs, Excise and VAT Training Academy in order to be appointed as VAT Agent.

## For example-

Non-residents providing electronic services viz. following services on or through a telecommunications network, a local or global information network, or similar means in Bangladesh are required to appoint a VAT Agent in case of providing services to VAT unregistered person:

- websites, web-hosting or remote maintenance of programmes and equipment
- Software and updating thereof by way of remote delivery of services
- Images, texts and information delivered
- Access to databases
- Self-education packages
- Music, films and games and
- Political, cultural, artistic, sporting scientific and entertainment broadcasts and telecasts and events, including telecasts

## VAT on imported services reverse charged to recipient

Supply of imported service shall be taxable supply, if:

- Recipient is VAT registered or required to be registered, and acquires such service in the process of economic activities
- Such service is provided in Bangladesh by the registered or required to be registered person in the process of an economic activity and is taxable at a rate other than the zero-rate;

**Example:** JPZ Company will import consultancy services from UK.

If the supply is made in Bangladesh at **0%** then the supply of imported service **will not** be treated as taxable supply with regards to reverse charged.

Now if we assume that the applicable VAT rate is **7.5% or 15% or any other rate** for the said service in Bangladesh, then it **will be** treated as taxable supply with regards to reverse charged.

**Point to Note:** VAT payable by the recipient of a taxable supply of imported services is both Output tax and Input tax of that person, which needs to be shown as such in the VAT Return.

## Payment of VAT on imported services

In case where the recipient of supply of imported services is:

**Unregistered/Un-enlisted:** The bank/financial institution shall deduct VAT at source at the applicable rate at the time of remitting the payment against importation of service, and shall deposit the VAT amount to the Government Exchequer through Treasury Challan

**Registered/Enlisted:** the recipient shall be liable to deposit the applicable VAT amount. Bank shall deposit on the registered person's behalf only if he cannot provide or there is no treasury challan for the payment of the corresponding VAT amount; or if the amount so deposited is less than the required amount, in which case bank shall collect and deposit the remaining balance to the Government Exchequer. However, there is requirement to deposit output VAT @15% on imported service directly to the Govt treasury as treasury challan is required for taking input tax credit on such service.

NBR issued SRO No. 240-AIN/2021/163-Mushak dated 29 June 2021- on VAT Deduction at source (VDS) to further provide clarification on payment of VAT on imported services.

## Zero-rated goods/services supply

The following supplies are zero-rated supply:

In case of **goods:**

- Supply of goods for export not applicable to any goods re-imported or intended for re-import
- Goods located outside Bangladesh at the time of supply (such goods is not assembled, installed or imported into Bangladesh, by the supplier)
- Supply of Goods anywhere outside Bangladesh after it is imported but before it is entered for home consumption (such goods shall be deemed to have been located outside Bangladesh at the time of supply)
- Supply of any goods to a Tourist or to a Visitor (For consumption outside Bangladesh and Seller holds a license to sell duty-free goods)
- Supply of Goods outside Bangladesh on lease, hire, under license or other supplies relating to use of such goods (If goods remains outside Bangladesh during the whole of the specified period)
- Supply of a goods usable for repair, maintenance, cleaning, renovation, modification or other similar work of any goods under specific terms and conditions
- Supply of goods for the repair or replacement of a goods under warranty under specific terms and conditions
- Supply of a goods usable for repair, maintenance, cleaning, renovation, modification or other similar work of any goods (Physically affecting an ocean-going ship or an aircraft or any other vessel of the like kind engaged in international transport)
- Supply of stores, or of spare parts relating to an aircraft or an ocean-going ship engaged in international transport (Stores or parts are for use, consumption, or sale on the aircraft or the ship during a flight or a voyage)

In case of **services**:

- Supply of service directly related to any land situated outside Bangladesh
- Supply of service physically given on goods situated outside Bangladesh
- Supply of a service of repair, maintenance, cleaning, renovation, modification etc. of any goods under specific terms and conditions
- Supply of service where value of service is included in the customs value of an imported goods under specific terms and conditions
- Export of service outside Bangladesh
- Supply of a service outside Bangladesh for the protection of intellectual property rights and relating to filing of a case, its prosecution, conferment of right, its protection, transfer, transfer of right, Licensing or enforcement of rights
- Supply of telecommunications service by a telecommunications supplier to a non-resident telecommunications supplier
- supply of a service in favour of A goods under warranty of repair or replacement under specific terms and conditions
- Supply of insurance services to the international transport of goods
- Supply of services of repair, maintenance, cleaning, renovation, modification, or otherwise physically affecting an aircraft or an ocean-going ship engaged in international transport
- A supply to a non-resident and a non registered, of services directly connected to the operation or management of an ocean-going ship or an aircraft engaged in international transport

**Point to note:**

- If any supply is both exempted and zero-rated, then the said supply shall be treated as zero-rated.
- 0% on export of any goods whether re-imported or intended to be re-imported **shall not** be applicable

**Supply of goods for export**

**Examples of Deemed Export**

1. Work order obtained vide international tender by a VAT registered person in Bangladesh:
  - For supplying any goods or services within Bangladesh through letter of credit or agreement in foreign currency



- Subject to submitting certain documents to the Divisional officer
2. Performance of partial activity (included in the work order obtained in international tender by any organization located outside Bangladesh) by a VAT registered person in Bangladesh
- Against letter of credit established in foreign currency
  - For supplying any goods or services within Bangladesh
  - Subject to submitting certain documents to the Divisional officer

## VAT exemptions

The following supplies shall be exempted from VAT:

- Any supply or import specified in the 1<sup>st</sup> Schedule of VAT & SD Act 2012
- Goods or services subject to Turnover Tax
- Supply in respect of receiving exempt supplies or future right of purchase or sale
- As per SRO No. 136-AIN/2023/213-Mushak, goods at import stage listed in Table-1, Goods at both import and manufacturing stage listed in Table-2, Goods at manufacturing stage listed in Table-3, services listed in Table-4 and goods at trading stage listed in Table-5 and at Manufacturing & Trading stage for goods of S.R.O. no. 128-Law/2020/79/Customs dt. 13 June 2020 for entity enjoying concessionary benefit subject to conditions.
- Exemption above the amount or rate as mentioned in tables of S.R.O. No. 320-Law/2019/82-VAT dt. 13 October 2019 of IRD, GoB

### Table-1 Manufacturing Stage

- Cement sheet- 5%
- Ferromanganese and Ferro-silico- manganese alloy- Tk. 1000/MT
- Ferro-silicocon- alloy- Tk. 1200/MT

### Table-2 Trading Stage

- MS product- Tk. 200/MT

### Table-3 Service Stage

- Credit rating agency- 7.5%

## Imposition of Turnover Tax

Turnover tax shall be @ 4% of turnover.

As per section 45(2) of the VAT & SD Act, the net payable tax assessed in the process outlined under sub-section (1) of section 45 shall, in the prescribed manner, be paid by the taxpayer before filing the return for such tax period and as per Rule 25(1) of the VAT & SD Rule, the registered or enlisted person, after determining the net tax of a specific tax period shall pay it to the government treasury in specific code of accounts. So turnover tax is required to be paid quarterly before turnover return submission.

No input tax credit is allowed for both the seller and buyer of goods or services enlisted for Turnover Tax.

## 30.5 Manner of VAT Collection

### A.1: On Imports

VAT on the taxable imports shall be collected in the same manner and at the same time as the customs duty collects on such imports under the Customs Act even if import duty is not imposable on such import.

## Determination of value of taxable imports

In case of importation of goods, the amount on which the VAT will be payable, will be determined by adding:

- a. the value of goods determined for the imposition of import duty as per Customs Act; and
- b. Customs Duty (CD), Regulatory Duty (RD), Supplementary Duty (SD), or other duties and taxes {except Advance tax (AT), and Advance Income Tax (AIT)} payable on the import of the goods, if any.

## Calculation of value of taxable supply at import stage:

The value of goods assessed for the purpose of imposing import duties under the Customs Act, i.e. Assessable Value (AV) is determined u/s 25 or 25A of Customs Act.

Other duties and taxes are Safeguard Duty (SGD), Countervailing Duty (CVD), and Antidumping Duty (ADD) etc.

**Example:** AV is Tk 50,000, CD @25%, RD @3%, SD @20%, VAT @15%, AT @5%

Tax Type	Base value Formula	Base Value	Tax Rate	Tax Amount
CD	AV	50,000	25	12,500
RD	AV	50,000	3	1,500
SD	AV+CD+RD	64,000	20	12,800
VAT	AV+CD+SD+RD	76,800	15	11,520
AT	AV+CD+SD+RD	76,800	5	3,840
				<b>42,160</b>

## A.2: Re-imported goods after being exported

### Determination of value of re-imported goods

The value for assessment of VAT shall be:

- The combination of the value to the extent that it is enhanced as a result of the repairmen, and
- The expenses incurred on their insurance, freight and landing charges

Provided that the forms, features, characteristics and the qualitative standards of the goods remain unchanged after such repairs.

## A.3: Imports for exports

A goods brought for export, without being released for consumption inside Bangladesh, **shall not** be liable to pay any VAT.

### Advance Tax

Advance Tax (AT) @ 5% shall be payable on the value of the taxable import at the same time and in the same manner as VAT is payable.

Every registered or enlisted importer who has paid advance tax at import stage can make decreasing adjustment (except wholesale traders paying 1.5% on its sales) of the total AT paid in the same tax period or within next four tax period.

*The rate of advance tax applicable on the import of raw materials used for manufacturing/production purposes is 3%.*

The following documents are required to be submitted to the customs house station to avail the benefit:

- ✓ Attested copy of VAT registration certificate as manufacturer
- ✓ Attested copy of Input-Output Coefficient submitted to Divisional office
- ✓ Attested copy of updated Industrial IRC
- ✓ Certificate for submission of VAT Return of previous 12 tax periods or specified tax periods in applicable cases from the VAT online system. If VAT return submission certificate is not possible to get from VAT online system then certificate issued from the respective divisional Officer shall be submitted.

Any unregistered person who has paid AT may also claim refund by applying to the Commissioner in prescribed form.

Conditions and procedure for claiming refund of AT paid:

- Importer is the ultimate consumer of the imported goods.
- File an application to any nearest Commissioner in “**VAT-4.1**” form within 120 (One hundred and twenty) days from the date on which advance tax has been paid. The Commissioner, after verifying the received application if found to be proper shall issue a crossed check after approving the refund in favor of the applicant within 15 (fifteen) days of the receipt of the application or issue an order to transfer the approved money to the bank account of the applicant

### AT exemption

- Any import specified in the 1<sup>st</sup> Schedule of VAT & SD Act 2012
- Goods specified as per S.R.O. No. 151-Law/2021/148-VAT Dt. 03 June 2021 of IRD, MoF, GOB (SRO related with AT exemption)

However, for VAT exempted goods as per 136-law/2023/213-VAT dated 21 May 2023 of IRD, MoF, GoB, there is no exemption for AT.

## **B: On General Supplies**

### **Determination of value of taxable supply**

Section 32 of VAT & SD Act, states that, subject to the provision of this section, the value of a taxable supply shall be the consideration for such supply, reduced by an amount equal to the tax fraction of that consideration.

**Example 1:** The price of a laptop is Tk. 50,000. VAT is applicable at @15%. What is the value of the taxable supply?

<b>Particulars</b>	<b>Tk</b>
Price	50,000
VAT fraction (@15%)	15/115
VAT	6,522 (50,000 x 15/115)
<b>Value of taxable supply</b>	<b>43,478 (50,000 – 6,522)</b>

**Example 2:** The price of a mobile phone is Tk. 50,000. If Supplementary Duty (SD) @10% is applicable, then what is the total Tax payable?

<b>Particulars</b>	<b>Tk</b>
Price	50,000
VAT fraction (@15%)	15/115
VAT	6,522 (50,000 x 15/115)
Value of taxable supply	43,478 (50,000 – 6,522)
<b>SD</b>	<b>3,953 (43,478 x 10/110)</b>

## **Determination of value of taxable supply between associated entities**

The value of taxable supply of goods or service which a registered person makes to an **associate** will need to be at the fair market price of such supply, reduced by the tax fraction of that price.

The value of a taxable supply a registered person makes to an associate shall be the fair market price of such supply, reduced by the Tax fraction of that price, if-

- Such supply is made for no consideration or for a consideration that is lower than the Fair Market price; and
- Such associate would not be entitled to a credit for all of the input tax arising out of such supply.

## **Determining fair market price**

NBR further issued SRO No. 180-Law/2019/37-Mushak dated 13 June 2019, which prescribes regarding fair market price as follows:

(Ka). Where the buyer and seller are not associated parties, and that the fixation of the price of supply is not influenced by their non-association but is based on the normal buyer-seller relationship, then such price will be treated as fair market price for the said supply.

(Kha). Where the buyer and seller are associates and that the price at which the supply of identical or similar goods is made is equal to earlier determined price of the said supply or, if it does not change below or more than 10% of the earlier determined price, in that case, the price will be treated as fair market price

(Ga). Where the buyer and seller are associates and that the price at which the supply of identical or similar goods is made is not equal to earlier determined price of the said supply or, if it decreases or increases more than 10% of the earlier determined price, in that case, the fair market price will need to be determined based on the **five methodologies prescribed in this SRO**.

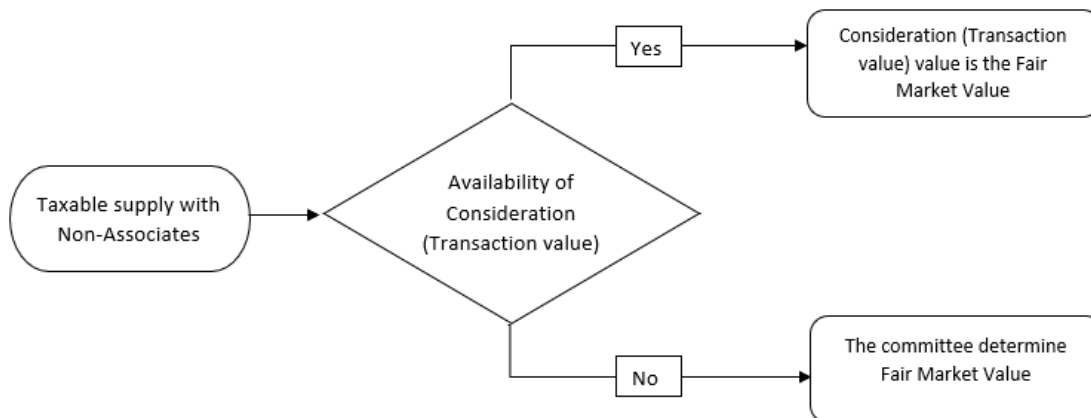
The five methods are as follows:

- (1) Comparative method
- (2) Deductive method
- (3) Computed method
- (4) Holistic method
- (5) Objective approximation method\*

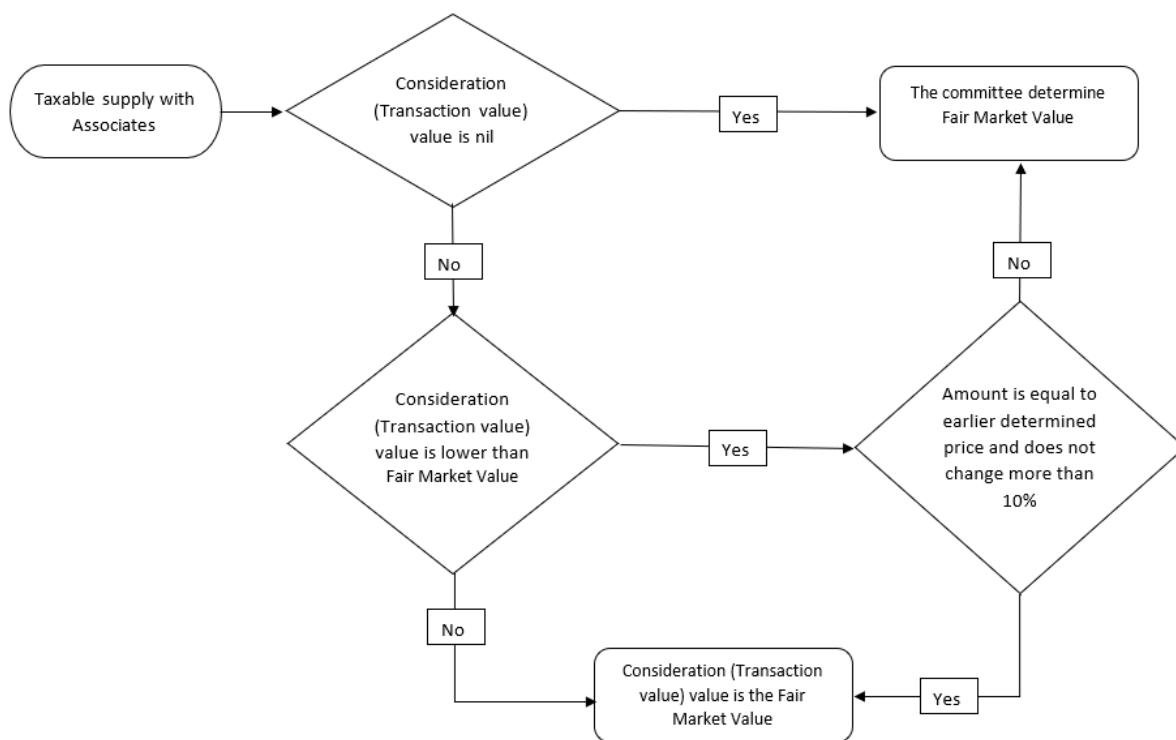
\*Serial no. (5) can be applied without following the sequences upon approval from the additional commissioner or the Joint commissioner. In such case, the committee to be formed by the additional commissioner or the Joint commissioner will consider the average prices of minimum three and not exceeding seven identical or similar products of which price was earlier determined at the time of transaction between non-associated parties.

## Determining fair market value

### Non-Associates



### Associates



### Non applicability of Fair Market Value determination rules

- Unit price as determined by any offices or agencies of Govt. for Medicine and Petroleum nature products, shall be deemed to be fair market value
- In case of supply of any goods or service through tender, price mentioned in the tender shall be considered as fair market value

## Determination of value of supply without consideration

Any registered person can make a supply of a maximum of 20 (twenty) thousand Taka amount as sample in a fiscal year.

**Example:** Company “ABC Ltd.” launch a new product. To promote the product, they decide to give some products as sample to its customer worth Tk. 50,000 for one fiscal year.

VAT Implication is as follows:

No VAT on Tk. 20,000.

For remaining Tk. 30,000 will treat as a taxable supply.

## Cases where determining fair market value is applicable

Determining fair market value is applicable in case of the following situations within the purview of VAT & SD Act:

- For determining the value of free samples within the allowable limit of BDT 20,000 per fiscal year
- Determining the value of consideration of services imported from or supplied by associated person
- Determining the value of taxable supply made to an associate in exchange of zero consideration or price below fair market price and also where the associate cannot claim full input tax rebate
- Supply of service or of immovable property to an employee without consideration or at a value less below fair market price
- Quantity of goods subject to SD which have not been previously accounted properly and are being identified during an audit investigation
- Any goods or services which have supplied without any consideration or with inadequate consideration on which SD is imposable

## Declaration of Input-Output Coefficient

Every registered or enlisted person are required to file prior to manufacture or supply of goods, input-output coefficient in form “**Mushak-4.3**” to the Divisional Officer.



গণপ্রজাতন্ত্রী বাংলাদেশ সরকার  
জাতীয় রাজস্ব বোর্ড

মুসক-৪.৩

উপকরণ-উৎপাদন সহগ (Input-Output Coefficient) ঘোষণা (বিধি ২১ দ্রষ্টব্য)											
প্রতিষ্ঠানের নাম: ঠিকানা : বিন: দাখিলের তারিখ: ঘোষিত সহগ অনুযায়ী পণ্য/সেবার প্রথম সরবরাহের তারিখ:											
ক্রমিক সংখ্যা	পণ্যের এইচ এস কোড	সরবরাহতব্য পণ্যের নাম ও বর্ণনা (প্রমোচ্য ক্ষেত্রে ব্রান্ড নামসহ)	সরবরাহের একক	একক পণ্য সরবরাহে ব্যবহার্য যাবতীয় উপকরণের/কীচামালের ও প্যাকিং সামগ্রীর বিবরণ, পরিমাণ ও ক্রমক্রয় (উপকরণগতিরিক্ত অবশেষের শতকরা হারসহ)					মূল্য সমযোজনের বিবরণ		মন্তব্য
				বিবরণ	অবশেষের পরিমাণ	ক্রয় মূল্য	অবশেষের পরিমাণ	শতকরা হার	মূল্য সমযোজনের খাত	মূল্য	
(১)	(২)	(৩)	(৪)	(৫)	(৬)	(৭)	(৮)	(৯)	(১০)	(১১)	(১২)

#### বিশেষ দৃষ্টব্য :

- ১। যেকোন পণ্য প্রথম সরবরাহের পূর্ববর্তী পনেরো কার্যদিবসের মধ্যে অনলাইনে মুসক কম্পিউটার সিস্টেমে বা সংশ্লিষ্ট বিভাগীয় কর্মকর্তার দপ্তরে উপকরণ-উৎপাদ সহগ ঘোষণা দাখিল করিতে হইবে।
  - ২। পণ্য মূল্য বা মোট উপকরণ/কাঁচামালের মূল্য ৭.৫% এর বেশী পরিবর্তন হইলে নতুন ঘোষণা দাখিল করিতে হইবে।
  - ৩। উপকরণ ক্রয়ের স্বপক্ষে প্রামাণিক দলিল হিসাবে বিল অব এন্ট্রি বা চালানপত্রের কপি সংযুক্ত করিতে হইবে।
  - ৪। নির্ধিক্ত ব্যবসায়ী কর্তৃক পণ্য সরবরাহের ক্ষেত্রে কলাম (১০) এ “সর্বমোট মূল্য সংযোজনের পরিমাণ” শব্দগুলি উল্লেখপূর্বক কলাম (১১) এ সর্বমোট মূল্য একটি সংখ্যায় উল্লেখ করা যাইবে। অর্থাৎ এক্ষেত্রে সংযোজনের খাত পৃথকভাবে উল্লেখ করিতে হইবে না।
- 

## Conditions

100% export-oriented Industrial undertakings are not required to submit input-output coefficient in Mushak-4.3 form.

## Time of payment of VAT on taxable supply

Section 33 of VAT & SD ACT, provides relevant provisions regarding the time of payment of VAT.

The VAT imposed on a taxable supply shall become payable on the earliest occurrence of any of the following events:

- when such supply is made
- when a tax invoice for such supply is issued
- when a part or the whole of the consideration is received
- When supply made for personal use or for any other use.

## Progressive or periodic supplies

If any supply is considered as progressive or periodic supply, VAT imposed on such supply shall be payable on the earliest occurrence of any of the following events:

- when separate invoices are issued for each such supply;
- when receivable consideration against each such supply is received in part or in full;
- when the price against the series of supplies becomes payable;

If a progressive or periodic supply of water, gas, fuel or electricity is made through a distribution network, the imposed VAT shall become payable within 90 days from the date on which invoices against each such supply are issued.

## C: On Special Supplies

### 1. Sale of an establishment as a going concern

VAT will not be imposed if:

- Sale of a business which is acquired with an intent to carry on as a going concern will not be considered as a supply made in Bangladesh.
- A part of a running business establishment which is capable of being operated separately, such part shall be regarded as a separate economic activity and will fall under the scope of running business.

### Method of selling a going concern

Seller and purchaser of any going concern shall submit continuous and unconditional bank guarantee of a scheduled bank of an amount equivalent to all payable tax and arrears to the Commissioner by a joint application in form “Mushak-4.2” before a minimum of 15 (fifteen) days of the sale of such business. Upon receipt of the application, the Commission will provide his approval to the sale of the going concern within 7 days, subject to verification of the submitted bank guarantee.

The seller of the going concern shall furnish to the purchaser of such business the following information, viz: –

- (a) latest updated information regarding ownership;
- (b) complete financial statements;
- (c) statement of all properties;
- (d) statement of all debts;
- (e) information regarding cases;
- (f) statement of registration, license etc. of different government agencies; and
- (g) other related information.

## **2. Supply of prepaid telecommunications products or services**

Where a telecommunications supplier supplies a prepaid telecommunications product or a service at a discount to a telecommunications intermediary, the consideration for such a supply shall be assessed inclusive of the discount.

Where a telecommunications intermediary buys and sells a prepaid telecommunications product, such sale shall not be treated as a taxable supply.

**Example:** PQR Ltd. is a telecommunication products intermediary who is buying airtime from GP and Robi and selling the same to distributors as well as subscriber. PQR is purchasing airtime value of Tk. 100 at 95 from GP/Robi and selling the same to distributors at Tk. 97 or subscribers at Tk. 100.

As GP/Robi pays VAT at the time of selling the products to PQR, PQR as well as distributors of PQR will not be liable to pay any VAT.

## **3. Value of in-kind benefits given to an employee or officer**

Where a person, registered or required to be registered:

- Makes a supply of an in-kind benefit in lieu of cash to any of his employees or officers, the price of such in-kind benefits shall be taxable.
- Supplies to any of his officers or employees a service or an immovable property without a consideration or at a price less than the fair market price, the value of such service or such immovable property shall be its fair market price.

## **4. Lay-by Sales**

Where a supply of goods is made under a lay-by agreement—

- (a) the output tax on such supply shall become payable when payments for such supply are made and, in each tax period, taxes shall be assessed and paid at the time of payment of the price; and
- (b) the amount of assessed output tax in each tax period shall be the tax-fraction of the payments made in that period.

## **5. Treatment of cancelled Transaction**

If a transaction is cancelled, and a portion of the consideration previously received is retained by the supplier, then the tax applicable on the portion thus retained may be adjusted while making adjustments.

If a transaction for any supply is cancelled and the supplier realizes any money from the recipient as a consequence of the cancellation, the amount shall be treated as the consideration for the supply in the tax period in which it is realized, and taxes shall be payable.



## 6. Sale of property in satisfaction of a debt

Where a person (the creditor) makes a supply of the property of another person (the debtor) in full or partial satisfaction of a debt owed by the debtor to the creditor,—

- a. the supply is deemed to have been made by the debtor;
- b. the creditor is liable to pay the VAT, if any, payable on the supply; and
- c. the VAT is payable in priority to the satisfaction of the debt and the return to the debtor of any part of the proceeds that is surplus to the debt.

The debtor is jointly and severally liable with the creditor for the VAT payable.

A creditor who is not registered but is required to pay VAT because of this section shall pay the VAT at such time, and in such manner and mode, as the Board prescribes.

## 7. Second-hand goods purchase for resale

Second-hand goods are classified as goods (with the exception of precious metal or goods made from precious metal) which have been used previously.

Second-hand goods are subject to VAT, although such VAT can be adjusted against output VAT if such goods are purchase for the purpose of reselling (without any manufacturing activities). Therefore, VAT imposable on second-hand goods that are not bought for resale will be a cost.

### 30.6 Assessment of Net Payable Tax by the Taxpayer & Payment Thereof

The amount of net tax payable by a taxpayer for any tax period shall be assessed in the following manner:

**Net VAT = Output Tax – Input Tax (Credit) + Increasing Adjustment – Decreasing Adjustment**

#### Case study: Net VAT calculation

New Bangla Private Ltd is an enterprise registered with Dhaka- North and engaged in shoe manufacturing. They imported raw materials from Japan paying VAT of Tk 300,000 and Advance Tax of Tk. 60,000. They have purchased raw materials from ABC Ltd. For Tk 2,500,000

NBPL purchased another type of raw materials from a registered proprietorship firm MS Hasan Traders (HT) having value of Tk 200,000 and payment is done through account payee cheque. AB legal submitted an invoice of Tk 200,000 without issuing Form Mushak-6.3.

They sold goods with 100 invoices aggregating to Tk 7,000,000 to their customers. Out of 100 customers, 3 of them refunded some goods worth of Tk 300,000.

All these transactions took place in July 2023.

Calculate net VAT for this tax period.

**Solution:**

**Output Tax (OT)**

=Total taxable sales x tax fraction  
=7,000,000 x 15/115  
=913,043.48

**Input Tax (IT)**

(a) VAT at import = 300,000  
(b) From ABC = 2,500,000 x 15/115 = 326,086.96  
(c) From HT = 200,000 x 15/115 = 26,086.96

**Total = 652,173.92**

**Net Tax = OT – IT + IA – DA**

= 913,043.48 - 652,173.92  
+ 26,086.96 - 99,130.43  
= **187,826.09**

**Increasing Adjustment (IA)**

=VDS from AB legal  
=200,000 x 15/115  
=26,086.96

**Decreasing Adjustments (DA)**

AT = 60,000  
Goods Returned = (300,000 x 15/115) = 39,130.43  
**Total = 99,130.43**

**Note: As per S.R.O. No. 240-AIN/2021/163-Mushak dated 29 June 2021, VDS amount need to deposit separately.**

### 30.7 Input Tax Credit

A registered person shall be entitled to an input tax credit of paid VAT against the VAT imposed on a taxable supply.

#### Conditions for claiming Input tax credit

Registered person can't claim Input tax credit unless the following conditions are met-

- Importer issues invoice tax invoice with bill of entry number. And description of the goods in tax invoice (“**Mushak 6.3**”) must match with bill of entry.
- Output VAT on supply must be @ 15% (except export).
- Input has to be mentioned in “Input-Output Coefficient declaration” (“**Mushak-4.3**”) as input.
- Input tax credit must be claimed in same tax period or next four tax period.
- Inputs needs to be recorded on purchase register (“**Mushak-6.1**” or “**Mushak-6.2.1**”).
- Full payment made through MFS or banking medium, if taxable supply value exceeds Tk. 1 lakh (**Other than intracompany transaction**).

**Point to note:** Input tax credit can only be claimed through VAT Return.

Input Tax credit not allowable under following circumstances:

- (a) Other than intracompany transaction, if the value of a taxable supply exceeds Tk. 100,000 (one lakh) only and the consideration against such supply is paid through means other than by banking medium or Mobile Banking medium
- (b) imported services for which output VAT has not been shown in the VAT Return separately in terms of section 20
- (c) claim of input tax credit which have not been made either in the tax period in which VAT has been paid or within the four succeeding tax periods
- (d) VAT paid on the goods or services under the custody or possession or supervision of another person except contract manufacturing

- (e) VAT paid on inputs that have not been entered into the Purchase Register or Combined Purchase and Sale Register prescribed by the Rules
- (f) If name, address and BIN of both the purchaser and seller does not mention in Tax invoice (Mushak 6.3)
- (g) when supply is received from the importer, if the invoice issued by the importer does not contain the Bill of Entry number of the concerned import consignment and when there is no match between the commercial description of the goods supplied in the invoice issued by the importer and description in the Bill of Entry
- (h) input tax involved with Bank Guarantee portion, in case of raw-materials or goods released furnishing Bank Guarantee, until, the causes for which Bank Guarantee was furnished have been finally settled
- (i) input tax paid on inputs used in manufacturing of exempted goods or rendering of exempted services
- (j) Turnover Tax paid under the purview of turnover tax
- (k) Supplementary Duty paid on goods or service used in the manufacture of goods or rendering of service
- (l) VAT paid at a specified rate or at a rate less than 15% (except in case of export)
- (m) Input tax paid against such inputs or goods not declared in the Input-Output Coefficient Declaration
- (n) Additional input tax credit will not be allowed if a new Input-Output Coefficient Declaration is not submitted in case of a change in the total price of the input by 7.5%.
- (o) if supplies goods or service below its input price
- (p) purchase of passenger vehicle or entertainment services, provided that, input VAT credit may be allowed when such purchases are part of normal course of the economic activities of the person (e.g. dealer or charterer of vehicles),
- (q) such acquisition relates to a person's membership or right of entry in a club, association, or society, of a sporting, social, or recreational nature
- (r) Acquisition of transportation services (up to 80% of the VAT paid)

#### **Documents required for claiming Input tax credit**

A registered person shall, in support of his claims for input tax credit at the time of filing of returns, be in possession of the following documents, namely—

- **in case of an import** - a bill of entry bearing the name of the importer, address and the business identification number;
- **in case of a supply** - a tax invoice ("**Mushak 6.3**") issued by the supplier;
- **In case of imported service-** a copy of treasury challan
- In case of Gas, Water, Electricity, Telephone bill, Bank, Insurance and Port, bill are considered as Tax invoice
- In case of electricity bill- Invoice issued by Bank, mobile banking service provider and digital payment gateway organization against paid electricity bill, will be treated as tax invoice as per defined terms and procedures

#### **Partial Input Tax Credit**

Where a registered person pays or is liable to pay a part of the consideration for a taxable supply, any Input tax credit to which the person is entitled to, shall be calculated on the basis of the amount of the consideration such person pays or is liable to pay.

Where, standard rated or reduced rated or specific amount of tax or exempted or zero-rated or some of such or all of such goods or services are supplied by a registered person, VAT paid on input will be taken as credit in case of supply of zero rated and standard rated goods and services only and in such case, the registered person will be admissible input tax credit against receipt of goods or services as inputs in pursuance of section 46, provided that after the end of the relevant tax period, increasing adjustment taken against supply of reduced rated or specific amount of tax or exempted or some of such or all of such goods or services will be disclosed in the VAT return.

If a VAT registered person is not entitled to the input tax credit in full, then the entitlement of Input Tax credit against total imports and acquisitions shall be calculated using the following **formula**:

### I X T/A

Where-

- I = Total Input Tax Credit during the Tax Period
- T = Value of all supplies where registered person is eligible to take ITC in terms of section 46 during any tax period
- A = The value paid against all supplies during the Tax period

**Example:**

Total Supply (A) = Total Taxable Supply @15% (T) + Exempted Supply  
 TK. 160,000 = TK. 120,000 + TK. 40,000

Total Input Tax Credit (I) = TK. 15,000

Partial Input Tax Credit =  $I \times T/A = 15,000 \times (120,000/160,000)$

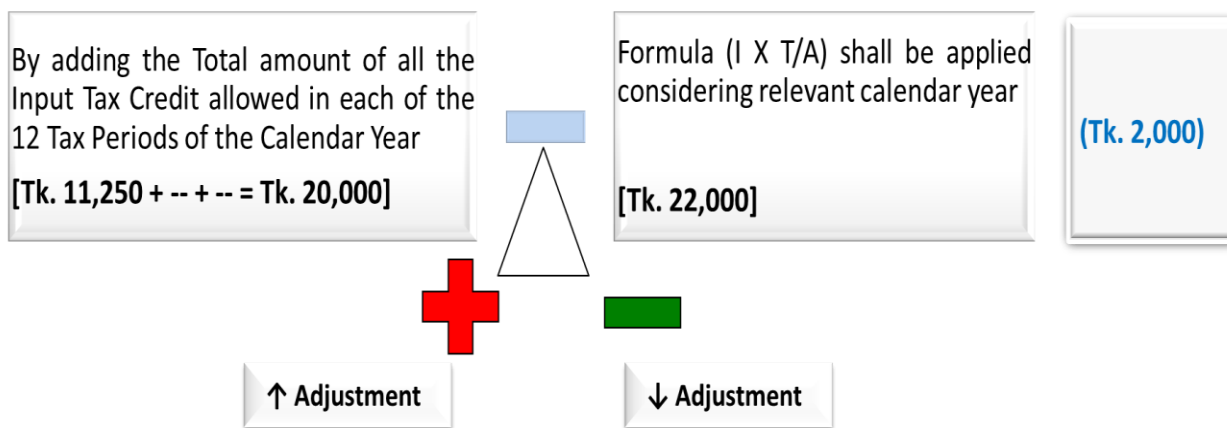
Therefore, **Partial Input Tax Credit = TK. 11,250**

**Point to note:** The Board may determine when and how T/A fraction shall be rounded up or down to full number;

If result of T/A is  $> 0.90 = \uparrow 1$  (one)

If result of T/A is  $< 0.10 = \downarrow 0$  (zero)

Input Tax credit granted will be provisional and need an annual adjustment after end of every Calendar year.



Adjustment shall be made in the 3<sup>rd</sup> Tax Period of the Next Calendar Year or any previous Tax Period as determined by the Commissioner.

## 30.8 Withholding VAT

### VAT deduction/collection at source

- If a supplier makes a supply, which is not exempted or zero- rated, to a withholding entity under an agreement, tender or work order or by any other means, the withholding entity shall withhold VAT at source at specified rate as determined by the rule from the consideration payable to the supplier.
- If a supplier is not registered or enlisted, and if a tax invoice is not issued, the withholding entity shall not receive any supply from such supplier and shall pay against such supply to the supplier. However, if the withholding entity purchase from an unregistered entity it will have to bear the VAT

- NBR issued SRO No. 240-AIN/2021/163-Mushak dated 29 June 2021, according to which, Withholding Entities are required to deduct VAT at source (VDS) in case of the following list of services irrespective of the applicable rate of VAT:

SL No.	Service Code	Description	Rate of VDS
01	S001.10	AC Hotel	15%
	S001.10	Non-AC Hotel	7.5%
	S001.20	Restaurant	5%
02	S002.00	Decorators and Caterers	15%
03	S003.10	Motor Vehicles Garage and Workshop	10%
04	S003.20	Dockyard	10%
05	S004.00	Construction Firm	7.5%
06	S007.00	Advertising Firm	15%
07	S008.10	Printing Press	10%
08	S009.00	Auctioneers	10%
09	S010.10	Land Development Organization	2%
10	S010.20	Building Organization Construction	a. Up to 1- 1600 sq. feet 2%
			b. More than 1600 sq.feet 4.5%
			c. Re-registration irrespective of size 2%
11	S014.00	Indenting Organization	5%
12	S015.10	Freight Forwarders	15%
13	S020.00	Survey Firm	15%
14	S021.00	Plant and Capital Equipment Rent Providing Organization	15%
15	S024.00	Furniture Distributors	Furniture Manufacturer (In case of supply directly from factory to consumer, 15%) 7.5%
			Furniture Sales center (if challan having VAT paid at 7.5% on manufacturing stage, otherwise 15%) 7.5%
16	S028.00	Courier and Express Mail Service	15%
17	S031.00	Repairing or servicing of taxable goods in exchange of money by a person, organization or agency	10%
18	S032.00	Consultancy and supervisory firm	15%
19	S033.00	Lessor	15%
20	S034.00	Audit and accounting firm	15%
21	S037.00	Procurement provider	7.5%
22	S040.00	Security Services	10%
23	S043.00	Television and online broadcast program provider	15%
24	S045.00	Legal Advisors	15%
25	S048.00	Transport Contractor	a. In the case of petroleum transportation 5%
			b. In any other cases 10%
26	S049.00	Rent-A-Car service provider	15%
27	S050.10	Architect, Interior Designers or Interior decorators	15%
28	S050.20	Graphic Designer	15%
29	S051.00	Engineering firm	15%
30	S052.00	Sound and Lighting instrument renter	15%
31	S053.00	Participants in board meetings	10%
32	S054.00	Advertisement Broadcasting agency through Satellite channel	15%
33	S058.00	Rental of chartered planes or helicopters	15%
34	S060.00	Purchaser of auctioned goods	7.5%

SL No.	Service Code	Description	Rate of VDS
35	S065.00	Clearing and maintaining agencies of Building, Floor and Premises	10%
36	S066.00	Lottery Ticket Seller	10%
37	S067.00	Immigration advisor	15%
38	S071.00	Event management	15%
39	S072.00	Human resource supplier or management organization	15%
40	S099.10	Information Technology Enabled Services	5%
41	S099.20	Other Miscellaneous services	15%
42	S099.30	Sponsorship services	15%
43	S099.60	Credit Rating Agency	7.5%

**Technical Note:** VDS must be adjusted in the same tax period in which the VAT was deducted on the supply of goods or within the next 3 month following the month of payment. It cannot be adjusted after such time has elapsed. Mushak-6.6 is required in case of decreasing adjustment for VDS.

#### **Goods/services that are exempted from VDS:**

- Goods supplied by manufacturers at any VAT rate accompanied with Tax Invoice (Mushak-6.3)
- Provision of services that are subject to VAT @ any rate and are not mentioned in the Mandatory VDS list (as above) as per 240-AIN/2021/163-Mushak dated 29 June 2021.
- Supply of utilities such as fuel, gas, water (WASA), electricity, telephone, mobile bill
- Supply of goods and services which are exempted under the 1<sup>st</sup> Schedule of the VAT & SD Act, 2012
- Supplies that are considered zero rated within the purview of section 21 of the VAT & SD Act, 2012
- If furniture manufacturer, Advertisement agency and Advertisement Broadcasting agency through Satellite channel issues an invoice duly attested by RO with the rate of 15%.
- Invoice issued from EFD and SDC wherein name and BIN number of purchasers are incorporated.

#### **VDS Against Import of Service from Outside the Geographical Area of Bangladesh**

- (1) For unregistered person – the bank is responsible for collecting VAT @ 15% on the imported price from the unregistered person at the time of remitting the fund abroad and deposit to the Government Treasury
- (2) For registered person – Bank shall not collect VAT @ 15% on import of service, provided that the registered person submits a copy of the treasury challan for the payment of corresponding amount of VAT on imported service.

#### **Provision of VAT Deduction at Source (VDS) for sub-contract project**

If under any project, VAT payable by any service recipient is collected at source or deducted and deposited to the government treasury in prescribed manner while paying service value or commission by service recipient or as the case may be by the person paying the service value or commission and if that service provider appoints any sub-contractor, agent or any other service rendering person with the purpose of providing a part of the total service, in such case, as VAT will not be applicable in this case, VAT shall not be collected at source again from such sub-contractor, agent or any other service rendering person appointed by the service provider, subject to submission of documentary evidence of collection or deduction of VAT payable primarily on the service and deposit of the same to the government treasury. Please note, the rule does not apply in case of purchase of goods under the project.

## Deposit of Withheld VAT by the VAT Registered Withholding Entity

Any person responsible for deducting VAT at source shall be liable to deposit deductible VAT against concerned Commissionerate code within 7 day of next tax period. Interest **at the rate of 2% per 6 month shall be recoverable, if the person failed to collect, deduct and deposit the same.**

### Issuing Withholding VAT certificate (Mushak 6.6) to the supplier

Certificate to the supplier shall be issued in three copies:

- (i) Main copy to the respective VAT Circle Office (along-with Original TR Challan)
- (ii) 2<sup>nd</sup> copy to the Supplier
- (iii) 3<sup>rd</sup> copy for preservation of 5 years

### Timeline for Issuing Certificate to the Supplier-

- As per sub-clause (Ao) of clause (Cha) of sub-rule (1) of Rule 40 of the VAT & SD Rules, 2016 and as per rule 6(3) of S.R.O., Within 3 working days of deposit of VDS amount to the Govt. Treasury

### Adjustments for Withholding VAT

Person	Adjustment
For Supplier	Decreasing adjustment made in the VAT Return (Mushak-9.1), subject to receiving Withholding VAT certificate (Mushak 6.6).  Decreasing adjustment need to be taken within 4 tax period from the date of payment
For Withholding Entity	Increasing adjustment made in the relevant month's VAT Return (Mushak-9.1). VDS amount shall be deposited separately and VDS deposited shall be adjusted with relevant month's net VAT liability.

## 30.9 Carry forward of negative net amount and refunds

**Net tax amount = Output Tax – Input Tax (Credit) + Increasing Adjustment – Decreasing Adjustment**

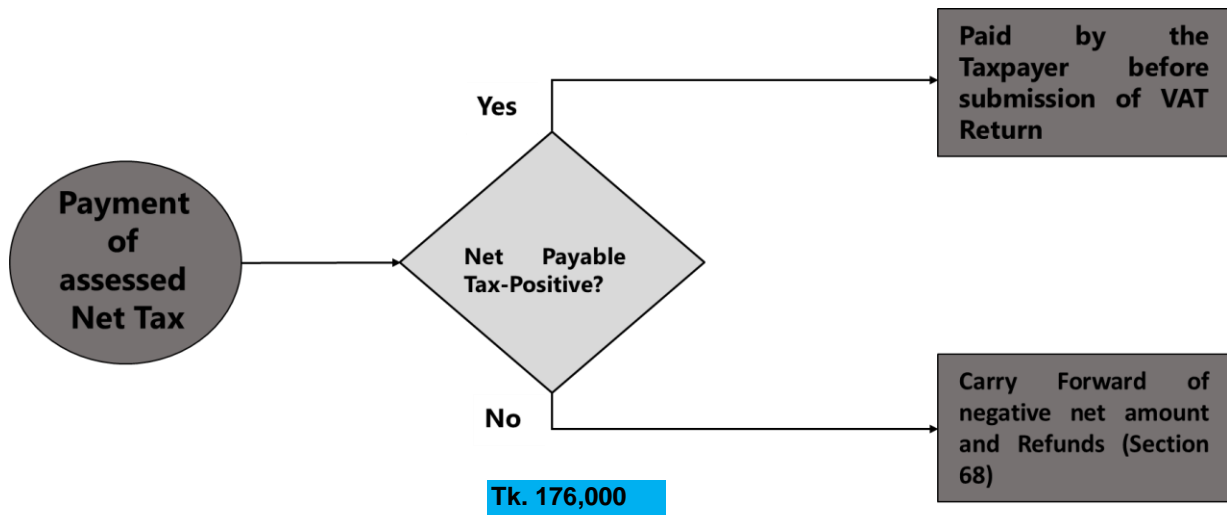
If, in a tax period, the sum of input tax and the receivable decreasing adjustments exceeds the sum of output tax, supplementary duty and increasing adjustments for such tax period, resulting in a net negative payable amount of money, then—  
the excess amount of money shall be carried forward and may be deducted over the following 6 (six) tax periods,

**Example:** Suppose XYZ is a limited company. For the current month:

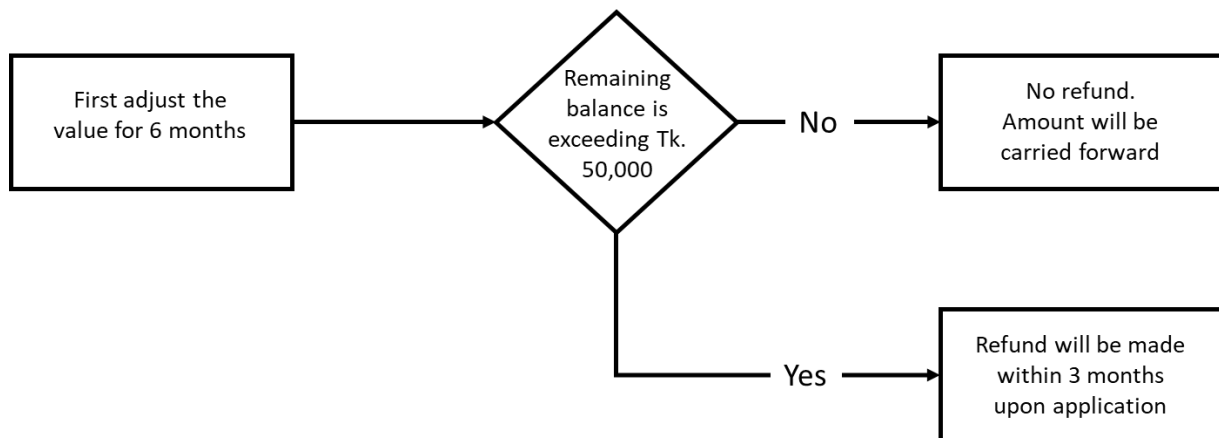
1. Total output VAT & SD payable is Tk. 100,000
2. Total input tax credit is Tk. 26,600 (Tk. 10,000 for imported goods, Tk. 10,000 for locally procured services, Tk 5,000 @5% VAT for Electricity & Newsprint @ Tk. 1,600 per metric ton)
3. VAT deducted at source by the company is Tk. 100,000
4. Tk. 250,000 was paid as Advance Tax (AT).

	Particulars		Amount	Amount
	Total of Payable Output Tax & SD	(A)	Tk. 100,000	
Less:	Total Input Tax Credit	(B)	Tk. 26,600	
		C = (A - B)	Tk. 73,400	
Add:	Total Increasing Adjustment	(D)	Tk. 100,000	
		E = (C + D)	Tk. 173,400	
Less:	Total Decreasing Adjustment	(F)	Tk. 250,000	
	<b>Net Payable Tax G = (E - F)</b>			Tk. -76,600 *

\* As per S.R.O. No. 240-AIN/2021/163-Mushak dated 29 June 2021, VDS amount shall be deposited separately. In such cases, negative net payable tax i.e. carry forward amount will be 176,000



### Carry Forward & Refund mechanism



### Conditions for applying for refund without carry forward

If the net VAT payable of a registered person is in the negative, such person will be entitled to a refund of such amount if the Commissioner is satisfied that:

- (a) fifty percent or more of such person's turnover is or will be derived from zero-rated supplies
- (b) fifty percent or more of such person's expenditure on inputs is on imports or acquisitions used in the manufacture of zero-rated supplies
- (c) the nature of such person's economic activity regularly results in excess input tax credits (the economic activity to which sub-section (2) of section 68 does not apply)
- (d) If paid SD during import of input against export is allowed for decreasing adjustment and SD is not applicable in case of local supply by the exporter



## Application process for the refunded amount

No refund of money shall be made, until the applicant files all the VAT returns up to the current tax period.



Once the application is received

The Commissioner shall apply the refund first in reduction of any outstanding liability for taxes including interest, monetary penalties, or fines payable under the Act.



Remainder of money does not exceed Tk. 50,000

Yes



may accord permission to treat as decreasing adjustment

No



Commissioner will refund the amount within 3 months of application

Application for getting refund amount shall need to be made to the Commissioner in form “**Mushak-9.1**”. Upon approval of the application, the Commissioner shall deposit the returnable amount to the applicant’s bank account or issue a crossed check in favor of the applicant.

## Refund or adjustment of taxes paid in excess

If a person pays taxes in excess of what is shown as payable tax in the return for a tax period, he will be entitled to claim refund for the excess payment, within such time on such terms and in such manner as may be prescribed through an application, or show as a decreasing adjustment in the next return.

### 30.10 Supplementary Duty (SD)

Luxury goods non-essential and socially undesirable goods and the other goods and services upon which supplementary duty is imposed which is justified in the public interest.

#### Imposition of SD

SD is imposable on the import of goods, goods manufactured in Bangladesh and on the supply of services rendered in Bangladesh, given that they are subject to SD in Bangladesh.

***SD on the supply of goods or services shall be payable at only one stage of the supply chain.***

#### Please note:

No SD is imposable on goods imported for the purpose of export, and not for home consumption. No SD is imposable on the supply of goods or services that are zero-rated.

#### Persons liable to pay SD:

Every person specified below is liable to pay SD namely:

- In case of import of goods: the importer
- In case of supply of goods in Bangladesh: the supplier
- In case of supply of services rendered in Bangladesh: the supplier of such services

## **Determining the rate/amount of SD payable**

The amount of payable supplementary duty shall be,—

- (a) if a rate of supplementary duty is specified for the goods or services subject to such duty in column (4) of the 2<sup>nd</sup> Schedule of VAT & SD Act, the amount arrived at by multiplying the dutiable value of the goods or services by such rate; or
- (b) if a specific amount of supplementary duty is specified against a goods or service, subject to supplementary duty, in column (4) of the said 2<sup>nd</sup> Schedule, such amount.

## **Determining the value for imposition of SD**

### **Goods & Services: At Import stage**

The value that is arrived at by adding customs duty and regulatory duty (if any) with the value on which customs duty is leviable under section 25 or 25(a) of the Customs Act:

$$\text{Value for SD} = \text{Assessable Value (AV)} + \text{Customs Duty (CD)} + \text{Regulatory Duty (RD)}$$

### **Goods & Services: At local stage**

In relation to a supply of goods or services subject to supplementary duty, the value of such taxable supply shall be arrived at by deducting the supplementary duty from the total consideration of such supply, reduced by an amount equal to the tax fraction of that consideration.

$$\text{Value of SD} = \text{Total consideration of supply} \times \{1 - (15/115)\} \times \{1 - (10/110)\}$$

Where rate of VAT is 15% and rate of SD is 10%

### **Exceptions**

Provided that if the supply of any goods or service subject to supplementary duty is made without any consideration or with inadequate consideration, the value for imposition of supplementary duty on such goods or service shall be arrived at by deducting supplementary duty from the tax fraction of the fair market price of such supply; and

In relation to any goods where VAT is imposed on the basis of retail prices, the retail price described in section 58(2) shall be regarded as the value for imposition of supplementary duty.

## **List of Major items on which SD is imposable:**

### **Goods: Import stage**

- Fresh and chilled tomato, fresh and dried nut, fresh and dried fruits, spices, finished chocolate
- Marble, granite, cement, petroleum products
- Detergent powder, mosquito coil, printed PVC sheet
- Toilet paper, tissue paper, woven fabrics, carpet
- Diamond, imitation jewelry
- Explosive powder, revolver, pistol and other firearms.
- Liquor, motor vehicle
- TV, refrigerator, VCP, VCR, VCD, DVD

### **Goods: Local stage**

- Cigarettes, Bidi, Zarda and Gul,
- Personal deodorants and antiperspirants, Shampoo
- paints

- Ceramic sink, basin, pedestal basin, commode or its parts, any type of pan and other fittings and fixtures of bathroom
- Other filament lamp, except ultra violet/infra-red lamp.
- Carbonated Beverage and energy drink, fruit juice and fruit drink
- Mineral water (up to 3 liter)

**Services: Local stage**

- Satellite channel distributor
- Telephone (services provided by using SIM/RIM card of mobile phone only)
- Organization renting out chartered aircraft or helicopter
- Service by BRTA

**Exemption of SD**

**Exemption of SD at manufacturing stage above the rate mentioned in below table-**

H.S. Code	Description of goods	Maximum Retail Price	Rate of SD (%)
2402.20.00	Cigarettes Containing Tobacco	Slab of maximum retail price of cigarette per 10 sticks (subject to condition of not supplying cigarettes containing flavouring capsule below medium slab)	
		lower slab - at Taka 45 and above	58
		medium slab - at Taka 67 and above	65
		high slab - at Taka 113 and above	65
		premium slab - at Taka 150 and above	65
2402.90.00	(a) Hand-made Bidi (without filter)	8 stick per packet Taka 6	30
		12 Stick per packet Taka 9	30
		25 stick per packet Taka 18	30
	(b) Hand-made Bidi (with filter)	10 stick per packet Taka 10	40
		20 stick per packet Taka 19	40
S.R.O. No.155-Law/2020/116-VAT dated 11 June 2020 of IRD, Mof, GoB as amended through S.R.O. 141-Law/2023/218-VAT dated 21 May 2023 w.e.f. 01 June 2023			

**Special Schemes for Tobacco and Alcoholic goods- MRP**

H. S. Code	Description goods of	Maximum Retail Price	Rate of SD (%)
2402.20.00	Cigarettes Containing Tobacco,	Slab of maximum retail price of cigarette per 10 sticks (subject to condition of not supplying cigarettes	

	manufactured mechanically	containing flavouring capsule below medium slab)	
		lower slab - at Taka 45 and above	58
		medium slab - at Taka 67 and above	65
		high slab - at Taka 113 and above	65
		premium slab - at Taka 150 and above	65
2402.90.00	(a) Hand-made Bidi (without filter)	Taka 6 (8 stick per packet)	30
		Taka 9 (12 Stick per packet)	30
		Taka 18 (25 stick per packet)	30
	(b) Hand-made Bidi (with filter)	Taka 10 (10 stick per packet)	40
		Taka 19 (20 stick per packet)	40

### Decreasing adjustment for SD

Any person importing a goods subject to supplementary duty may make a decreasing adjustment for the supplementary duty paid by him on the import if the goods is in compliance with the conditions of a drawback of duties under the Customs Act. In order to do so, he will need to make any application to the Commissioner in form "Mushak-7.1" within 6 months of the date on which the goods have been exported or the goods have been loaded into a ship, an airplane or in the other means of transport.

### Collection of SD on supplies

#### At Import stage

The supplementary duty on an imported goods subject to such duty shall be collected at the same time and in the same manner as the customs duty on such goods is collected. In relation to an import of goods, for the purposes of collecting and paying the supplementary duty, the provisions of the Customs Act 1969 shall (with necessary modifications and adaptations) apply in such a way as if the supplementary duty payable on imports were a customs duty.

#### At Local stage

SD on the supply of goods or service become payable at the same time when VAT becomes payable on such supply.

**Point to note:** Every person who is liable to pay SD, will need to include the information relating to the SD in their VAT return.

### 30.11 Books and documents to be maintained for VAT purposes

Any registered person is responsible to properly maintain the below mentioned documents whichever applicable to them at their respective place or places of operations:

1. **Mushak-6.1:** Books of Accounts for purchase
2. **Mushak-6.2:** Books of Accounts for sale
3. **Mushak-6.3:** Tax Invoice
4. **Mushak-6.4:** Invoice for contractual manufacturing
5. **Mushak-6.5:** Invoice of transfer of goods between branch units that are centrally registered
6. **Mushak-6.6:** Certificate for VAT deduction at source.
7. **Mushak-6.7:** Credit Note.
8. **Mushak-6.8:** Debit Note.
9. **Mushak-6.9:** Turnover Tax invoice
10. **Mushak-6.10:** Invoice data for purchase/sales over BDT 200,000.

These books and documents shall be maintained at the business place for at least 5 years along with all documents and other records relating to his economic activities in case authorities assess the tax liability and other obligations.

#### Debit Notes & Credit Notes

In a case where debit notes or credit notes are issued additional forms need to be filled Mushak-6.7 and Mushak-6.8 respectively. The following information must be provided in the forms:

- (a) serial number of the credit note, or debit note
- (b) date and time of its issue
- (c) Name, address and BIN Number of the supplier
- (d) the serial number, date and time of the relevant original tax invoice
- (e) the nature of the adjustment
- (f) the effect on the amount of VAT
- (g) Name, address and BIN number (If applicable) of recipient if effect of payable VAT is more than BDT 5000 on supply

Please note that if a credit note does not contain information specified in (g) above, no decreasing adjustment can be claimed in support of the note.

#### Subject of documents (Books of Accounts)

The under mentioned books of accounts is prepared and maintained as per prescribed rules:

- Purchase Accounts book (Mushak-6.1)

A registered person shall preserve in Mushak-6.1 accounts of all his purchases related to his economic activity

- Sales Accounts book (Mushak-6.2)

A registered person shall preserve in Mushak-6.2 accounts of all his purchases related to his economic activity

- Purchase-sales account (Mushak-6.2.1)

If a registered person purchases the goods which he supplies without any processing, then he shall preserve in Mushak-6.2.1 form accounts of all his purchase-sale of those goods.

Tax invoice (Mushak-6.3)

Every registered supplier shall issue two copies of serially numbered Tax invoice on or before the date when VAT becomes payable on the supply provided, which should contain the following information:

- (i) Date and time of the issue of the invoice
- (ii) Name, address and BIN of the supplier
- (iii) Name, address and BIN (in case where the value of the supply is above TK.25,000) of the buyer
- (iv) Description of the goods/services
- (v) Quantity of the goods supplied
- (vi) Value of supply (excluding VAT)
- (vii) The rate of VAT applicable for the supply
- (viii) Amount of VAT payable
- (ix) Summation of value of supply and VAT payable
- (x) Fiscal yearwise serially numbered tax invoice

Invoice for contractual manufacturing (Mushak-6.4)

For the purpose of manufacturing contractual goods, the owner shall have to transfer the input of the goods to be manufactured to the contract manufacturer in Form "Mushak-6.4". Similarly, the contract manufacturer shall issue form Mushak-6.4 at the time of transferring the manufactured goods to the owner.

Invoice for transfer of goods for entity with Central Registration (Mushak-6.5)

In case where a registered person transfers the goods from his own branch to another branch (including warehouse), shall have to issue invoice in form Mushak-6.5. Please note that, this is applicable in case of central registration.

**Books and documents required to be maintained for Turnover Tax purposes**

- 1 Purchases and sales register in form Mushak-6.1 & 6.2 respectively or where applicable Mushak-6.2.1;
- 2 Turnover tax invoice Mushak-6.9 in serially numbered;
- 3 Treasury challan in favor of payments of turnover tax; and
- 4 Turnover Tax return in form Mushak-9.2.

Submission of information related to purchase-sale (Mushak-6.10)

Statement of purchases / sales more than BDT 0.2 million (Mushak-6.10) will be submitted on or before submitting monthly VAT return (Mushak-9.1).

**30.12 Submission of VAT return**

Every registered and enlisted person or required to be enlisted or registered, is required to file for VAT return in Mushak-9.1 and Mushak-9.2 (for Turnover Tax) forms respectively which provides a summary of his tax liability for a certain tax period (generally an English calendar month) and in case of turnover tax payer in quarterly in which the following important matters of his business activities are reflected:

- Aggregation of sales
- Accounts of payable taxes
- Aggregation of purchase
- Accounts of deduction at source / rebate /
- Final accounts and balance
- Accounts of deduction by supplier at source

Information on the payment of any supplementary duty should be included in the VAT return.

Submission of VAT return should be made through online (except online to the concerned local VAT office-circle office) no later than 15 days after the end of the tax period under prescribed form and procedure.

If the 15<sup>th</sup> day is a holiday, monthly VAT return can be submitted on the next working day. Moreover, for reasons of epidemic, pandemic, acts of God or war, the board, in public interest, with prior approval of the government, by an order, can extend the time limit for submission of return for that period of danger exempting from collection of interest and fine.

### **Late filing of return**

Application can be made to the Commissioner for extending the time for filing return to up to 1 month from due date. Note that the application in form Mushak-9.3 must be submitted within 7 days after the end of the tax period.

If the Commissioner considers the reasons mentioned in the application as valid, he shall grant his approval within 7 (seven) days of receiving the application. If the Commissioner does not give his decision within the specified time, it shall be deemed to have been approved.

Unless the late submission of return is approved by the concerned Commissioner, registered or enlisted person shall be liable to pay a fine under Clause (f) of Sub-Section (1) of Section 85 and interest of 1% under Section 127 for delay period, which is also payable if the late submission of return is granted approval.

**Example:** If tax period is the month of September, the date of submission shall be no later than the 15<sup>th</sup> of the following month, hence 15 October. If time extension is required the application through Mushak-9.3 must be made within 7 October, i.e. 7 days from the end of the tax period.

If for the above-mentioned case the return is not filed on time and no application is made for the extension of time Tk. 5,000 fine and 1% monthly interest will be payable for delay period. In case an application is made only interest will be payable.

### **Amendments to return**

In case of any errors in a VAT return already filed, Section 66 allows you to make an application in the form Mushak-9.4 to file an amended return. The Board will determine to allow any decreasing adjustments which arise due to the amendments. No monetary penalty will be charged.

The submitted return may be amended in the following cases:

- (a) If there is any clerical error;
- (b) If the amount of tax paid is less because of some errors in calculation;
- (c) If the amount of tax paid is more because of some errors in calculation; or
- (d) If any other types of error are committed excepting forgery.

VAT return can not be amended due to failure towards decreasing adjustment or input tax credit within time

Application for amendment–

- (a) Can be submitted within 4 (four) years of submission of the relevant return;
- (b) Cannot be submitted if the VAT authority starts any audit or enquiry or in any other manner the error is discovered.

The Commissioner shall give his decision on the said application within 30 (thirty) days of receiving such an application if net tax of the concerned tax period requires to be lessened through amendment of return. In case, the application is not approved within the specified time period, it shall be deemed to have been approved.

In case any request of amendment of return is submitted by the taxpayer before the receipt of the audit notice and because of the submission of amended return the amount of net payable tax is increased, in that case–

- (a) interest will have to be calculated on the applicable less paid tax under Section 127; and
- (b) to pay the less paid tax along with the interest, no penalty or fine can be imposed for reasons of amendment of return.

Where a request to amend the return is submitted by the taxpayer before the receipt of audit notice and because of the amendment of return the amount of net payable tax decreases, in that case–

- (a) **In case of VAT return:** The taxpayer will be able to make a decreasing adjustment equal to the additional amount within the tax period determined by the Commissioner;
- (b) **In case of Turnover Tax return:** The taxpayer will be able to deduct an amount from his payable Turnover Tax equal to the additional amount within the tax period determined by the Commissioner; or
- (c) **In case of withholding entity:** Will receive tax refund according to the Act as determined by the Commissioner.

### **30.13 VAT authorities & officers**

**The following are the VAT authorities under section 78 of the VAT & SD ACT, 2012:**

1. Chief Commissioner;
2. Commissioner;
3. Commissioner (Appeal);
4. Commissioner (LTU);
5. Director General, Central Intelligence Cell;
6. Director General, VAT Audit, Intelligence and Investigation Directorate;
7. Director General, Customs, Excise and VAT Training Academy
8. Director General, Duty Exemption and Drawback Office
9. Additional Commissioner or Additional Director General or Director (CIC);
10. Joint Commissioner or Joint Director (CIC) or Director;
11. Deputy Commissioner or Deputy Director;
12. Assistant Commissioner or Assistant Director;
13. Revenue Officer;
14. Assistant Revenue Officer;
15. Any other officer appointed by the Board.

#### **Duties and responsibilities of the VAT Authority.**

The Board shall, under the provisions of this Act, carry out all the functions, including the policy making functions, and discharge all the duties and exercise all the powers of the VAT Authority.

S.R.O. No. 183-Law/2019/40-VAT dated 13 June 2019 of NBR delegated power of Commissioner.

The VAT officials shall perform, while remaining under the control, surveillance and supervision of the Board, all or any of the functions, discharge all or any of the responsibilities and duties, and exercise all or any of the powers described below, namely:

- a) tax collection and activities relating to keeping accounts thereof;
- b) application of the provisions of this Act and the rules made thereunder and administrative functions; and
- c) any other function or duties and responsibilities assigned to them by the Board to carry out the purposes of this Act.



Subject to such limitations and conditions as may be determined by the Board, by a general or special order, the VAT officers shall, under the provisions of this Act or the rules made thereunder, perform all:

- such functions, discharge such responsibilities and duties, and exercise such powers as may be bestowed upon them; and an official junior in rank and status shall perform all such functions, discharge all such responsibilities and duties, and exercise all such powers as may be given by an officer senior in rank and status to such official; and
- such functions, discharge such responsibilities and duties, and exercise such powers through an arrangement whereunder a senior officer may perform all the duties and responsibilities of a junior officer.

### 30.14 Consequences of non-compliance

Non-compliance covers a wider range of situations starting from registration to the collection and payment of VAT as per the provisions mentioned in VAT & SD Act. According to Section 85 of the VAT & SD Act an assessed may be penalized for the following offences:

If any person:

Sl. No.	Non-compliances or irregularities	Amount of monetary penalty
(a)	Non-compliance or irregularity for not applying for registration or enlistment within the prescribed time-limit;	10 (ten) thousand taka only
(b)	Non-compliance or irregularity for not displaying the registration or turnover tax certificate in a visible place;	10 (ten) thousand taka only
(c)	Non-compliance or irregularity for not informing the Commissioner of the change in the information of the economic activity;	10 (ten) thousand taka only
(d)	Non-compliance or irregularity for not applying for cancellation of registration or enlistment within the prescribed time-limit	10 (ten) thousand taka only
(e)	Non-compliance or irregularity for not abiding by the provision of section 9(5);	10 (ten) thousand taka only
(f)	Non-compliance or irregularity for not filing the VAT or turnover tax return within the prescribed time period;	5 (five) thousand taka only
(g)	Non-compliance or irregularity for not making inclusion of the output tax in the return;	Half or equal of the amount of output tax not included;
(h)	Irregularities for taking more input tax credit than entitlement in the return;	Half or equal of the amount of input tax irregularly taken;
(i)	Irregularity relating to making an increase of a decreasing adjustment or making a decrease of an increasing adjustment in the return;	Half or equal of the amount of increased decreasing adjustment or Half or equal of the amount of decreased increasing adjustment;
(j)	Non-compliance or irregularity for not issuing tax invoice, credit note, debit note, combined tax invoice and withholding certificate;	10 (ten) thousand taka only
(k)	Non-compliance or irregularity for not keeping records in the prescribed manner;	10 (ten) thousand taka only
(l)	Non-compliance or irregularity for not furnishing fixed security;	10 (ten) thousand taka only
(m)	Irregularity for willingly evading or attempting to evade assessment and payment of taxes;	Half or equal of the amount of taxes evaded.
(n)	Non-compliance or irregularity for not filing the input-output coefficient within the prescribed time period;	10 (ten) thousand taka only

(o)	If a company claim exemption through SRO without complying the conditions said in the SRO they will be penalized	100,000
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**Penalty for unintentional VAT avoidance:**

No penalty will be imposed when unintentionally VAT avoidance occurred.

**Declaration of temporary abstention from giving supply:**

Any registered or enlisted person desirous of temporary abstention from giving taxable supply, he shall minimum of 48 hours before inform it to the Divisional Officer and the Divisional Officer or the officer nominated by him within 24 hours shall take on site accounts of input in stock and goods prepared or services of the registered or enlisted person.

If any registered or enlisted person remains abstained from making taxable supply and if subsequently wants to commence it again, has to inform to the concerned Divisional Officer on the proceeding working day of such commencement.

If a registered entity is temporary closed, VAT authority will not impose any penalty for non submission of return during the closing period.

**The following Table shows the monetary limits of the VAT officers in initiating a proceeding for adjudication:**

SL No.	Officer	Power
(a)	Revenue Officer	Value of goods or value of taxable service not exceeding Tk. 5 lakh only
(b)	Assistant Commissioner	Value of goods or value of taxable service not exceeding Tk. 20 lakh only
(c)	Deputy Commissioner	Value of goods or value of taxable service not exceeding Tk. 30 lakh only
(d)	Joint Commissioner	Value of goods or value of taxable service not exceeding Tk. 50 lakh
(e)	Additional Commissioner	Value of goods or value of taxable service not exceeding Tk. 1 Crore
(f)	Commissioner or Chief Commissioner	Value of goods or value of taxable service exceeding Tk. 1 Crore

**30.15 Recovery of Arrear Tax**

Where any amount of VAT, supplementary duty, turnover tax, interest monetary penalty or fine remains payable by a defaulting taxpayer, the Commissioner shall initiate a proceeding for the recovery of such arrear taxes from such defaulter.

An arrear tax shall become payable, if:

- a) the amount of arrear taxes is shown as payable on a return and remains unpaid;
- b) the amount of arrear taxes is shown in the notice of tax determination served on the taxpayer and the defaulting taxpayer fails to pay it by the last date specified in such notice; or
- c) an amount of arrear tax becomes payable on the disposal of any proceeding under this Act.

The Commissioner shall, if an arrear tax becomes payable by a defaulting taxpayer, send a notice to such defaulting taxpayer for the recovery of such taxes.

In a proceeding relating to the recovery of arrear taxes, and in relation to fixing the liability and the amount of such taxes, such notice shall be treated to be the conclusive proof.

The Commissioner shall, in matters of recovery of arrear taxes, take the following actions, namely:

- a) deduct, in the prescribed manner, the amount of arrear tax from the money the defaulting taxpayer may have under the control of any authority of Income Tax, Customs, VAT or Excise;
- b) direct any person or associate or financial institution or bank holding any money of the defaulting taxpayer to pay the amount by such person or bank;
- c) issue an order directing to stop the supply of any goods or any service from the business premises of the defaulting taxpayer;
- d) lock the business identification number in the Bill of Entry processing system in the Custom House to stop clearance of imported goods of the defaulting taxpayer;
- e) issue an order, in the prescribed manner, directing to freeze the bank accounts of the defaulting taxpayer;
- f) issue an order directing to seal the business premises of the defaulting taxpayer or seal such business premises within the prescribed time and in the prescribed manner;
- g) recover the arrear taxes by attaching and selling, in the prescribed manner, any of the defaulting taxpayer's immovable property and by seizing and selling any of his movable property; or
- h) take a security deposit from a guarantor of the defaulting taxpayer in such manner and on such terms as may be prescribed.

In relation to the recovery of arrear taxes by a Customs Commissioner, such arrear taxes shall be collected in the same way as Customs duty on imports is collected.

### **Consequence of VAT defaulter**

VAT authority may request WASA, Gas, Electricity provider to disconnect the line if defaulter entity unable to pay the tax

### **Power of VAT officer under the Code of Civil Procedure**

In relation to the recovery of money under the Code of Civil Procedure, an officer of VAT, duly empowered in this behalf and subject to the provisions of this Act, shall have the same powers as those of a Civil Court for the recovery of arrear taxes.

### **Change in jurisdiction for recovery of arrear tax**

Where a defaulting taxpayer resides in, or has an economic activity or a property within, the jurisdiction of any other Commissioner, the Commissioner may make a request to such other Commissioner to recover the arrear tax, and such Commissioner shall, on such request, recover the arrear tax in such a manner as if the tax were an arrear in his jurisdiction.

## **30.16 Audit and Investigation**

In order to prevent tax evasion, the Commissioner or the Director-General may conduct audit and investigation into all affairs of a taxpayer's economic activities.

An officer of VAT, duly empowered by the Commissioner or the Director-General, shall, after conducting the audit and investigation in accordance with the procedure laid down in the Audit Manual, submit an (final) audit report to the Commissioner or the Director-General in form "**Mushak-13.3**".

If tax liability of any taxpayer for the audited period is identified, then the Commissioner or Director-General shall determine the tax liability after considering the interest payable on such unpaid tax and, will refer to the concerned officer for initiating next proceedings for the collection of the unpaid tax.

Notwithstanding anything contained in section 73, in case of 100% export oriented industries, the Commissioner cannot demand any arrear tax for any tax period, more than three years before the concerned tax period for realization of arrear tax

### **Tax Determination timeline**

Tax Determination procedure should be completed within 120 days of submission of the Written explanation.

### **Powers of the VAT officers**

An Officer of VAT, duly authorized in this respect, and for authorized purposes, may, through service of a notice, ask for the following information from any person, namely:

- (a) necessary information relating to any person for conducting the audit and the investigation; or
- (b) any document or evidence under the custody of any person.

Such an authorized VAT officer shall have the following powers, namely:

- (a) to make copies of any record;
- (b) to seize any record in the prescribed manner;
- (c) to seal any record or good; and
- (d) to take steps, in the prescribed cases and manner, to freeze bank accounts of any person.

In relation to the seizure of any record, document or a goods, those shall be returned, under such procedure as may be prescribed, to such person from whom they were seized.

### **Powers and functions of the Customs Officers**

Every Customs Officer, in applying, and giving effect to, any provision of this Act or any rule made thereunder, shall have the following responsibilities, namely:

- a) to collect VAT and advance tax imposed on taxable imports; and
- b) to collect supplementary duty payable on imports of goods subject to supplementary duty

A Customs Officer shall be entitled to exercise the powers conferred upon him by the Customs Act in such a manner as if the provisions of imposition of Customs duty on an importable goods under the Customs Act is applicable to the VAT and supplementary duty imposed under this Act.

### **Supervised supply, observation and surveillance**

Where a taxpayer does not comply with the provisions of this Act with an intention of evading payment of supplementary duty, an Officer of VAT may, under orders from the Commissioner observe, and keep surveillance on, any supervised supply, in a prescribed manner, at any place relating to his economic activities subject to supplementary duty to determine the actual tax liability of such taxpayer.

## **30.17 Offence, Trial & Punishment**

### **Offences relating to VAT registration certificate or turnover tax certificate and tax invoice, and punishment thereof, whoever dishonestly:**

- makes or uses a fake VAT registration certificate, turnover tax certificate or integrated tax invoice and withholding certificate bearing a forged or false business identification number; or
- makes or uses a forged or false tax invoice, credit note, debit note, integrated tax invoice and withholding certificate;
- evades payment of the payable tax otherwise; or
- claims a tax refund without such person being entitled to such refund,

Shall be punished with imprisonment for a term which may extend to **one year, or with a fine** equal to the amount of tax payable, or with both.

- If any person gives any false information regarding online VAT registration or enlistment then the VAT authority will take action under the applicable law.

### **Offence and punishment relating to false or misleading statement or description**

Whoever dishonestly makes a false or misleading statement or description in any tax document submitted to any VAT officer shall be punished with imprisonment for a term which may extend to **6 (six) months, or with a fine equal** to the amount of tax payable, or with both.

### **Offence and punishment for obstructions**

Whoever, with a mala fide intention, obstructs or attempts to obstruct any VAT officer in discharging his duties under this Act or any rule made there under shall be punished with imprisonment for a term which may extend to **6 (six) months, or with a fine which may be not less than 10 (ten) thousand taka and not more than 2 (two) lakh taka, or with both.**

### **Offence committed by any company, association of persons or property development joint venture**

If an offence is committed by any company or association of persons or property development joint venture, every director, partner, chief executive, manager, secretary, official, employee, representative or VAT Agent thereof having involvement with such offence shall be deemed to have committed such offence unless he proves that such offence was committed without his knowledge or he tried his best to prevent the commission of such offence.

No imprisonment, **except for paying fine**, shall be imposable upon the director, partner, chief executive, manager, secretary, official, employee, representative or VAT Agent of such company, on whom the same judicial proceeding is lodged against as that of the company.

- Activities in production, marketing, transport of fake, forged or used stamp and banderole
- Activities in production, storage, transport, marketing and sales of products through using fake, forged or used stamp and banderole.
- Production, storage, transport, marketing and sales of products without banderole and stamp which are legally required to be used

### **Prior approval before filing a case**

Without the prior approval of the Commissioner, no case in respect of any offence shall be filed in any court.

### **Fine additional to the tax payable**

The fine imposed as punishment by a Judicial Magistrate or a Metropolitan Magistrate shall be in addition to VAT, supplementary tax, turnover tax or monetary penalty.

## **30.18 Appeals, Revisions & Miscellaneous**

### **Appeals & Revisions**

#### **Appeal to Commissioner**

A person may lodge an appeal in the prescribed manner to the Commissioner (Appeal) within 90 (ninety) days from the date of issue of decision or order. Time extension may be possible for 60 days.

At the time of filing appeal, person shall pay 20 percent of the tax specified in the order (except the penalty amount).

The Commissioner shall dispose off the appeal within a period not exceeding 1 year.

### Appeal to Customs, Excise and VAT Appellate Tribunal

A person may lodge an appeal in the prescribed manner to the Appellate Tribunal within 90 (ninety) days from the date of issue of decision or order.

Applicant will have extra 60 days upon discretion of the president, Appellate Tribunal to appeal if he/she fails to appeal within 90 days

At the time of filing appeal, person shall pay 20 percent of the tax specified in the order (except the penalty amount). If payment has been made in the Commissioner Appeal stage, then no disputed VAT will be required to be deposited.

In case where the Appellate Tribunal fails to dispose off the appeal within a period of two years, the appeal shall be deemed to have been granted by the Appellate Tribunal.

### Appeal to High Court Division of the Supreme Court

A person may prefer an appeal to the High Court Division of the Supreme Court against any question of law arising by the decision or order.

At the time of filing appeal, person shall pay ten percent of the tax specified except penalty amount-

### **ADR**

An Assessee can choose ADR to resolve his/her issues even if the case is pending at the honorable High Court division and Appellate division.

The authority must settle the case within 90 days of ADR application

### **Miscellaneous**

#### **Imposition of Interest**

If a person fails to pay a tax payable to the Commissioner on or before the due date of payment, s/he shall be liable to pay an interest at a simple rate of one (1) percent per month (upto 24 months) on the amount of payable tax, from the next day after the date the payment becomes due to the date the payment is made.

If a person pays an interest and an amount to which the interest relates is found not to have been payable, the interest paid on such amount shall be refundable to such person.

Interest shall be payable in addition to any monetary penalty or fine.

However, 2% bi-annual interest penalty for withholding VAT payable.

#### **Appointment of VAT Consultant**

Any person may be appointed from among Chartered Accountant or Chartered Secretary or licensed VAT consultant for providing advice to a taxpayer or for representing him in any proceedings.

An application for VAT Consultant license will need to be made by **eligible persons** online in form "**Mushak-18.1**" to the Board.

Following the approval of the application, applicants are required to sit for examination according to the specified syllabus defined by the order of the Board, as well attend a viva.

The Board shall issue a VAT Consultant license in the form of a card in form "**Mushak-18.1Ka**".

In order to obtain VAT Advisor license:

- VAT registration is not required before application
- Application fee is Tk. 5,000
- Not required to renew the license

### **Maintenance of VAT Software**

As per General Order (GO) 16/Mushak/2019 dated 30 June 2019 it is mandatory for every registered organization having turnover more than Tk. 5 crore in previous fiscal to maintain all books account and documents related with VAT in a VAT software as approved by NBR. Hence, if the turnover of each registration unit exceeds Tk. 5 crore, in that case, you will be required to implement VAT software. Entities are allowed to use their own software, as long as it complies with the specifications as prescribed by NBR subject to obtaining approval from NBR.

Further, in case of taking central VAT registration, maintaining VAT records through software is mandatory.

### **Tax accounting during transition**

The VAT imposed on a taxable supply shall be payable on the day of introduction of this Act, if:

- (a) A supply has been or is made after the day of introduction; and
- (b) A tax invoice for a supply was issued or the price of the supply was paid, or both the actions were completed before the day of introduction

*No VAT would be payable if such person has already paid VAT on the supply under the VAT Act, 1991 (previous Act), and included that VAT in a return submitted to the Commissioner under that Act.*

### **Submission of audit report**

- Limited companies are required to submit previous year's audited Financial Statement including income-expenditure within 6 months of current fiscal year. Permission for time extension up to 6 more months can be granted upon application to the commissioner.
- Chartered Accountant firm will be liable to assist VAT officials to discharge their responsibility

**Annexure A: Summary of important Mushak Forms**

<b><u>Form Name</u></b>	<b><u>Description</u></b>
Mushak 2.1	Registration form for VAT or Turnover Tax
Mushak 2.2	VAT Registration form for Non-resident
Mushak 2.3	Registration Certificate for VAT/enlistment certificate for Turnover Tax
Mushak 2.4	Cancellation or Changes to Registration/Enlistment
Mushak 2.5	Change in information or new inclusion of information after VAT registration or turnover tax enlistment
Mushak 3.1	Application for VAT Agent
Mushak 3.2	VAT Agent Registration certificate
Mushak 4.1	Application for refund of paid Advance Tax at import stage
Mushak 4.2	Joint application for transfer of liabilities for Purchase-Sale of Running Business
Mushak 4.3	Declaration of Input-Output Coefficient
Mushak 4.4	Dispose of unused or unusable input
Mushak 4.5	Dispose of damaged or destroyed goods in accident
Mushak 4.6	Dispose and supply of wastage or by products
Mushak 6.1	Purchase account book
Mushak 6.2	Sales account book
Mushak 6.2.1	Purchase-Sales account
Mushak 6.3	Tax Invoice
Mushak 6.4	Invoice for Contractual Manufacturing
Mushak 6.5	Invoice for transfer of goods for entity with Central Registration
Mushak 6.6	Withholding VAT certificate
Mushak 6.7	Credit note
Mushak 6.8	Debit note
Mushak 6.9	Turnover Tax invoice
Mushak 6.10	Information of purchase-sale invoices exceeding BDT 200,000/-
Mushak 7.1	Application for adjustment of supplementary duty
Mushak 9.1	VAT Return
Mushak 9.2	Turnover Tax Return
Mushak 9.3	Application for late submission of VAT return
Mushak 9.4	Application for amendment of VAT return



**Annexure B: Table showing list of VAT rates**

<b>VAT</b>	<b>Rate</b>
Import stage	15%
Export stage	0%
Local supply	15%
<b>Special or Reduced rates:</b>	
Goods & Services as per Table-3 of 3 <sup>rd</sup> Schedule of VAT & SD Act, 2012	10%
Goods & Services as per Table-2 of 3 <sup>rd</sup> Schedule of VAT & SD Act, 2012	7.5%
Goods & Services as per Table-1 of 3 <sup>rd</sup> Schedule of VAT & SD Act, 2012	5%
Trading stage as per Paragraph 3 of 3 <sup>rd</sup> Schedule of VAT & SD Act, 2012	5%
For Building Construction companies as per Paragraph 3 of 3 <sup>rd</sup> Schedule of VAT & SD Act, 2012	4.5% (for 1,601sqft and above) 2% (1-1,600sqft)
For Medicine at local trading stage as per Paragraph 3 of 3 <sup>rd</sup> Schedule of VAT & SD Act, 2012	2.4%
For diesel, kerosene, octane, petrol, furnace oil and LP Gas as per Paragraph 3 of 3 <sup>rd</sup> Schedule of VAT & SD Act, 2012	2%
<b>Specified Amount (example):</b>	
Newsprint paper	Tk. 1,600/ton
Thread	Tk. 3/Kg
Bricks of different grades	Tk. 450, Tk. 500, Tk. 700
Scrap/Ship Scrap	Tk. 1,000 per metric ton
M.S. Product of different grades	Tk. 1,400, Tk. 1,200, Tk. 2,200 per ton
Supplier of sim card	Tk. 200 per sim card
<b>Advance Tax</b>	3-5%
<b>Turnover Tax</b>	4%
<b>Supplementary Duty on goods and services:</b>	
At Import stage as per Table-1 of 2 <sup>nd</sup> Schedule	10%, 20%, 30%, 45%, 60%, 100%, 150%, 200%, 250%, 300%, 350%, 500%
At Local supply stage as per Table-2 of 2 <sup>nd</sup> Schedule	5%, 10%, 15%, 25%, 30%, 35%, 40%, 55%, 65%
At service stage as per Table-3 of 2 <sup>nd</sup> Schedule	10%, 15%, 20%, 25%, 30%

### Annexure C: Comparison between VAT & Turnover Tax

<u>Particulars</u>	<u>VAT</u>	<u>Turnover Tax</u>
1. Type	Registration	Enlistment
2. Tax rate	Taxpayer pays VAT at 15%, which may be "full" invoice value or reduced value or specific rate or amount as the case may be.	Taxpayer pays turnover tax at 4% on of the "full" invoice value.
3. Rebate/Credit against input tax	Taxpayer can take rebate/credit of input tax paid by him.	Taxpayer cannot take rebate/credit on input tax paid by him.
4. Rebate/Credit of VAT paid by purchaser	The purchaser can take rebate/credit on the VAT paid by him earlier.	The purchaser cannot take credit on the VAT paid by him earlier.
5. Tax payment	The taxpayer pays VAT before submitting VAT return on monthly basis.	The taxpayer pays quarterly.
6. Books and documents	The taxpayer maintains purchase register, sales register and prescribed invoices.	The taxpayer maintains purchase register, sales register and prescribed invoices
7. Return	The taxpayer submits return in form VAT-9.1 monthly within 15th of next month after each tax period (Christian calendar month).	The taxpayer submits return in Form VAT-9.2 quarterly within 15th from the end of each quarter. (March 31, June 30, September 30 or December 31)

### Chapter Two- Registration

1. You are a tax adviser and one of your clients is seeking advice regarding registration. The client currently has a central office through which they provide consulting services, one warehouse and a factory which is involved in the manufacturing and assembly of certain equipment sold by the central office, for which the factory receives a percentage of the total revenue. The client also imports heavy machineries and equipment, which are stored at the warehouse before being sold. The factory currently charges Output VAT @15% and operates under the input VAT rebate system, whereas the central office charges output VAT ranging from 5% to 15% and does not claim rebate on input VAT.

Determine whether the client should obtain unit or central registration based on the nature of their operations.

**Solution:** NBR issued SRO No. 263-Ain/2019/79-Mushak dated 18 August 2019, which specifies the following conditions required for obtaining central registration:

As per (Ka) of sub-rule (2) of the said SRO, if any manufacturer supplies identical or similar goods from one or more places.

As per (Kha) of sub-rule (2) of the said SRO, if any commercial importer after importing goods, sale or supplies the same through its owned and controlled sales depot.

As per (Ga) of sub-rule (2) of the said SRO, if any trader sale or supply its procured and collected goods through its own sales unit.

As per (Gha) of sub-rule (2) of the said SRO, if any service provider provides services of identical or similar nature through their various owned branches.

As per (Uma) of sub-rule (2) of the said SRO, where a manufacturer, after manufacturing, supplies goods from one or more places through self-owned and controlled sales center after paying 15% VAT

or reduced rate or specific tax as mentioned in the third schedule provided that it will not be applicable in case of conditional SRO, where exemption is granted at manufacturing stage for additional part of specific rate

As per (cha) of sub-rule (2) of the said SRO, where a manufacturer, after manufacturing, supplies goods from one or more places after paying applicable VAT through different self-owned and controlled sales center or depot or warehouse.

Furthermore, the SRO defines “similar goods” means similar in nature of consumption or use, e.g.: medicines, electronics products, Food, cosmetic, toiletries, plastic products etc. and their packaging or intermediate materials

If clause (Ka) and (Uma) of the aforementioned SRO are considered, then central registration is unlikely to apply for the client because of the following reason:

- The factory manufactures equipment and the central office provides consulting services.

Hence, the client would need to opt for unit registration.

### **VAT Imposition**

#### ***Determining the taxable supply at import stage and comparison between Trade and Credit VAT system***

2. One of your client plans to import cosmetic products and supply the same to small retailers through a channel of distributors. As per the VAT & SD Act, there are two options available for application of VAT at the time of supplying the imported goods to the distributors, i.e. applying the Trade VAT system where Output VAT will be fixed @5%, or the credit method where Output VAT will be fixed @15%.

In relation to the above for doing a simulation, you have been given following information on the product per unit:

<b>Description (per unit)</b>	<b>Amount (TK.)</b>
Selling price inclusive of VAT	300
Commercial Value	82
Customs Duty	25%
Regulatory Duty	3%
Supplementary Duty	60%
VAT	15%
Advance Income Tax	5%
Advance Tax	5%
Operational cost	20
Profit	?

#### **Requirement:**

Advise your client on the best option they should consider in view of the overall financial aspects of the options.

#### **Solution:**

##### **Calculation of Assessable Value:**

The assessable value is determined by the actual price, i.e. the price actually paid at the time and place of importation, with addition of (a) freight actually paid, (b) landing charge/local cost and (c) insurance expenditure.

Particulars	Tk.
Commercial value	82
Freight (20% of C&F value)	16
Insurance (1% of C&F value)	1
Landing charge (1% *(Cost + freight+ Insurance)	1
<b>Assessable Value (AV)</b>	<b>100</b>

#### Calculation of Total Tax Incidence (TTI):

Types of Duty	Calculation	Amount (Tk.)
Customs Duty (CD)	AV*25%	25
Regulatory Duty (RD)	AV*3%	3
Supplementary Duty (SD)	(AV+CD+RD)*60%	76.80
VAT	(AV+CD+RD+SD)*15%	30.72
Advance Income Tax (AIT)	AV*5%	5
Advance Tax (AT)	(AV+CD+RD+SD)*5%	10.24
<b>TTI</b>	<b>AV+CD+RD+SD+VAT+AIT+AT</b>	<b>250.76</b>

Client can adjust or claim against VAT (subject to payment of output VAT @ 15%), AT, and AIT.

As per section 31 of the VAT and SD Act and rule 19 of the VAT & SD Rules, 2016, every importer who is VAT registered may claim decreasing adjustment for AT in the VAT return of the same tax period or within the next four tax period.

Additionally, with reference ITA, 2023, importer will be eligible to claim tax credit for the advance income tax (AIT) paid at import stage against their corporate tax liability.

Client may also claim rebate on their input VAT with the submission of bill of entry along with conditions prescribed u/s 46 of VAT & SD Act. However, this is to note that to avail the input tax credit, they will need to sell their products @ 15% VAT. This means that applying reduced VAT rate @ 5%, will not allow the company to claim input VAT rebate.

As per section 46 of VAT & SD Act, rebate on input tax can be claimed in the VAT return subject to meeting the major conditions stated as follows:

- Output VAT on supply must be @ 15%.
- Input has to be mentioned in "Input-Output Coefficients declaration" (Mushak-4.3).
- Input needs to be booked on purchase register (Mushak-6.2.1) in the instant case

#### Comparison between Trade VAT and Credit VAT System:

Particulars	Output VAT @5%	Output @15%
Cost of Sale	250.76	250.76
Less: AT as a decreasing adjustment	10.24	10.24
Less: Rebate on Input VAT		30.72
Total VAT Claimable/Rebate	10.24	40.96
Less: AIT claimable	5.00	5.00
<b>Net Cost of the product</b>	<b>235.52</b>	<b>204.80</b>

Particulars	Output VAT @5%	Output @15%
Selling Price (VAT inclusive)	300	300
Selling Price (VAT exclusive)	286	261
Net Cost of Product	236	205
Income	50	56
Less: Operational cost	20	20
<b>Net profit</b>	<b>30</b>	<b>36</b>
Output VAT payable	14.29	39.13

<b>Net VAT payable</b>	<b>4</b>	<b>(2)</b>
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It appears from the above calculation, it will be more beneficial for the client to operate under credit VAT system, as the net income is Tk.36 when Output VAT is @15%, but the net income reduces to Tk.30 when Output VAT is @5%.

### **Implication of reverse charged**

- XYL Ltd, a company incorporated in Bangladesh, has entered into an offshore contract with Xavier A.S., a company based in USA to render onshore consultancy services in Bangladesh. Please note that XYL Ltd is VAT registered.

Based on the above background, XYL Ltd has sought your professional opinion about implication of VAT at the time of make payment to XYL A.S.

### **Solution:**

As per section 2(17) of the VAT & SD Act, the transaction constitutes as import of service, and as per section 15(3) of the VAT & SD Act, importation of taxable goods or services will be subject to VAT @15%. Furthermore, as per clause (Ga) of section 16 of the VAT & SD Act, service recipient is liable to pay VAT against importation of service.

Now section 20 of the VAT & SD Act, 2012 prescribes regarding tax payment in case of reverse charged on import of service, according to which if the supply of service is subject to zero rated VAT, then the supply of imported service will not be treated as taxable supply with regard to reverse charged. Hence the service shall be treated as taxable supply with regards to reverse charged and 15% VAT shall be applicable.

### **VAT deduction mechanism at the time of remitting the payment**

NBR issued SRO No.240-AIN/2021/163-Mushak dated 29 June 2021 which provides guidelines on payment of VAT on imported services, according to which, XYL Ltd shall be liable to deposit the VAT to the Government Exchequer. Bank shall deposit the VAT on XYL's behalf only if they are unable to provide treasury challan for the payment of the corresponding VAT, or if the amount so deposited by XYL is less than the required amount, in which case bank shall collect and deposit the remaining balance to the Government Exchequer.

### **VAT implication on Export of service**

- KZY Bangladesh, a subsidiary of KZY Singapore, offer inspection services to foreign apparel brands. The parent company KZY Singapore, collects orders from apparel brands in Singapore and places the inspection requests to KZY Bangladesh. In response to such requests, KZY Bangladesh inspects the quality of clothing manufactured in the export oriented RMG factories in Bangladesh and accordingly sends the inspection report to KZY Singapore. KZY Bangladesh receives the payment from KZY Singapore in foreign currency for the services rendered.

Should KZY Bangladesh consider the service rendered to KZY Singapore as a zero-rated supply of service?

### **Solution:**

As per section 24(5) of the VAT and SD Act, the supply of a service shall be zero-rated if it is exported outside Bangladesh.

Further, as per section 24(6) of the VAT and SD Act, subject to the provisions of section 24(5), the supply of a service shall be zero-rated, if—

- a) the recipient of such a supply is—
- i. a non-resident who stays outside Bangladesh at the time of supply of the service; or
  - ii. a resident and receives such service, in effect, staying outside Bangladesh at the time of the supply of the service; and
- b) such service is not—
- i. directly related to any land situated in Bangladesh;
  - ii. physically given on any goods situated in Bangladesh at the time of the supply;
  - iii. provided, by global roaming services, to a person temporarily outside Bangladesh.

KZY Bangladesh, renders services to a non-resident based in Singapore. However, the inspection service rendered by KZY Bangladesh involves physical inspection of finished products or raw materials in RMG factories situated in Bangladesh. With reference to section 24(6)(b)(ii) for a service, to be qualified as zero-rated supply, it should not be physically given on any goods situated in Bangladesh at the time of the supply.

Please do note that the VAT law has not separately defined the meaning of services which should fall within the purview of the “services which are physically given to any goods situated in Bangladesh”. But from our plain reading and apparent understanding of section 24(6)(b)(ii) of the said Act, the services rendered by KZY Bangladesh are unlikely to qualify as a zero-rated supply as the services are physically performed on the “goods” situated in Bangladesh. Hence, the services are more likely to be subject to VAT per VAT and SD Act, 2012.

#### **VAT on online sales**

5. Medova.com works as an online platform for specialized doctors to offer services to their patients through online during the ongoing pandemic. Medova.com charges 15% service fee to the doctors on the consultation fee charged to the patients. Therefore, for a consultation fee of Tk. 1,000 the service fee comes to Tk. 150 (Gross) and the remaining Tk. 850 is reimbursed to the doctors. In addition to that, the patient will be charged a processing fee of 5% as visit fee.

The entity maintains individual bank accounts to collect consultation fee and processing fee from the patient. For ease of tracking, the entity maintains separate bank account to reimburse the doctor’s portion of the consultation fee received from the patients.

In the statement of financial performance of Medova.com there are two sources of revenue: Tk. 150 as a service fee from the doctors and processing fee of Tk. 50 from the patients, hence total revenue comes to Tk. 200 (VAT inclusive).

#### **Requirements:**

As a VAT advisor to Medova.com, you have been requested to provide opinion on the following issues as per the provisions of the VAT & SD Act and the VAT & SD Rules:

- a) How much VAT shall Medova.com be subject to against their invoice to doctors?
- b) How much VAT shall Medova.com be subject to against their invoice to patients?
- c) Are there any implications of withholding VAT?

#### **Solution:**

- a) Medova.com currently charges 15% service fee to the doctors against the service provided by them. Such service can be classified under the service code S099.20 as “Other miscellaneous service” as per SRO No. 186-AIN/2019/43-Mushak, dated 13 June 2019, and shall be subject to 15% VAT.

If Tk. 150 service fee is VAT inclusive, then, the VAT comes to Tk. 20 (150\*15/115).

- b) Medova.com currently charges processing fee of 5% to patients. The service so provided can be classified under the service code S099.20 as “Other miscellaneous service” as per SRO No. 186-AIN/2019/43-Mushak, dated 13 June 2019, and shall be subject to 15% VAT.

If Tk. 50 processing fee is VAT inclusive, hence VAT payable on the invoice value (VAT-6.3) comes to Tk. 6.5 (50\*15/115).

**Explanation for Solution a) & b):**

Medova.com is rendering the services to both the doctors and patients through an online app.

Such services used to fall within the purview of service code S079.00 “Social media and virtual business” which has been defined vide SRO no. 186-AIN/2019/43-VAT dated 13 June 2019. “Social media and virtual business” means the buy and sale or transfer of those goods or services rendered through the use of electronics network or web based or app based mobile applications or social media based apps or through the use of similar medium i.e. advertisement, establishment of transport communication or e-commerce without any owned sale or business center. Such service code will be subject to 7.5% VAT with reference to section 15 of the VAT and SD Act, 2012 However, the service code S079.00 has been omitted from VAT and SD Act 2012 vide SRO no. 234-AIN/2019/70-VAT dated 30 June 2019. Therefore, service code S079.00 will not be applicable in this instant.

Now question is if such service should fall within the purview of “Sale of goods through online” under the service code S099.60. Sale of goods or services through online is subject to VAT @ 5% with reference to section 15 and 3<sup>rd</sup> Schedule of the VAT and SD Act, 2012. “Sale of goods through online” has been defined as follows vide SRO no. 234-AIN/2019/70-VAT dated 30 June 2019: “Sale of goods through online” means the buy and sale of those goods, through the use of electronic network, which has been bought from the manufacturer or from the service renderer with the payment of VAT and which does not have any sales center. Within the purview of the definition, Medova.com will have to make sure that the services being rendered to both the doctors and patients has been taken from other service renderer with the payment of VAT. But this is not the business modality happening in Medova.com’s case. Hence, service code S099.60 “Sale of goods through online” is unlikely to be applicable and accordingly VAT @ 5% should not be applicable.

Such services are likely to be considered under the service code S099.20 “Other Miscellaneous Services”. Please note that service code S099.20 “any other services” is subject to VAT @ 15% through SRO No. 149-AIN/2020/110-Mushak, dated: 11 June 2020.

Hence, rendering service to both the doctors and patients through online apps should be categorized under the service code S099.20 as any other service and VAT @ 15% should be applied.

c) **Withholding implications for Patients:**

Patient being an individual is outside the purview of VAT withholding entity. Hence, payment will not suffer VAT deduction at source.

**Withholding implications for Doctors:**

Medova.com collects the consultation fees from the patients and reimburse the entitlement of the doctors after keeping their own income. Hence, there is no scope for deduction at source. At the same time, it is worthwhile to mention that even if the payment mode was from the doctors to the Medova.com, doctor being an individual is outside the purview of withholding entity.

Therefore, there shall be no withholding implications in both cases.

## VDS implication on sub-contract project

6. Luminous Ltd currently works as contractor in many government projects. In order to complete the projects, Luminous Ltd also hires sub-contractors to do part of the work. Luminous Ltd receives the full payment against the work done, which it then pays to sub-contractors on proportionate basis.

Advise Luminous Ltd in light of VAT & SD Act and relevant SROs, regarding the treatment of VAT deduction at source (VDS) when making payment to sub-contractors.

### Solution:

As per section 49(5) of the VAT & SD Act, If under any project, VAT payable by any service recipient is collected at source or deducted and deposited to the government treasury in prescribed manner while paying service value or commission by service recipient or as the case may be by the person paying the service value or commission and if that service provider appoints any sub-contractor, agent or any other service rendering person with the purpose of providing a part of the total service, in such case, as VAT will not be applicable in this case, VAT shall not be collected at source again from such sub-contractor, agent or any other service rendering person appointed by the service provider, subject to submission of documentary evidence of collection or deduction of VAT payable primarily on the service and deposit of the same to the government treasury. Please note, the rule does not apply in case of purchase of goods under the project.

In order to avail this benefit, documents providing evidence of early stage's collection/deduction of VAT and the deposition of such VAT to the Government Treasury must be submitted.

Hence in light of the aforementioned section, if Luminous Ltd, being the main contractor of a project, can provide proof of the VAT deduction by the project owner, i.e. "Mushak-6.6" provided by the project owner, then VAT would not be applicable on the transaction with Luminous Ltd. and sub-contractor and Luminous Ltd shall make payment to the sub-contractors without deduction of VAT.

### VAT Return

7. PARACOM is involved in the business of publishing books. On the sale of books, PARACOM collects VAT @ 15% from its customers. The following transactions have been shared with you from the accounts department of PARACOM to compute the VAT liability for the month of September 2023.

Particulars	Amount	VAT Rate	VAT
Books exported to Vietnam	500,000	0%	
Books sold to local distributors	1,500,000	15%	
Books sold to SSF at reduced rate (SSF will deduct VAT at source however SSF has not paid during September)	60,000	7.5%	
Exempted goods used as raw materials	50,000	Exempted	
Paper imported from India	300,000	15%	
AT paid on paper paid from India	300,000	3%	
Other raw materials procured from local suppliers at standard rate	200,000	15%	
Services procured at standard rate	150,000	15%	
Purchase air-conditioner for office	60,000	7.5%	
Repair of factory premises	20,000	7.5%	
VAT deducted at source from suppliers during September			8,000
Issuance of debit note during September			6,000
VAT paid against office rent			5,000
Issuance of credit note			8,000



a) Calculate Net VAT payable when submitting the VAT return for the month of September 2023

**Solution:**

a)

Output VAT = 225,000+4,500 =229,500

Input VAT = 45,000+30,000+22,500 = 97,500

Increasing Adjustment = 8,000+6,000+5,000 = 19,000

Decreasing Adjustment = 9,000+8,000 = 17,000

Net VAT liability = Output VAT + Increasing Adjustment – Input VAT – Decreasing Adjustment = 229,500+19,000-97,500-17,000 = 134,000

**Additional information:**

The accounts department will not be able to submit the VAT return within 15th October. After their CFO returns on 14<sup>th</sup> November, they will be able to submit the return for the month of September on 15th November.

b) What will be the VAT liability if they have not filed for time extension to the authority?

**Solution:**

b)

Net VAT Liability = 128,000

Interest due to late filing of return as per section 127 = 1% \* 128,000 = 1280

Late payment penalty as per section 85 = 5,000

Total VAT liability for the month of September = 128,000+1280+5,000 = 134,280

**Invoicing**

8. In reference to question 2, what are the compliance requirements with respect to documentation that the client needs to maintain when supplying goods between the three units.

**Solution:**

As per rule 1(c), of Rule-40 of the VAT & SD Rules, 2016, every registered supplier shall, at the date when VAT becomes payable on the taxable supply, issue, on or before such date, a tax invoice in "Mushak-6.3" form against each supply.

Since the client is required to obtain unit registration, hence within the purview of Rule 40 of VAT & SD Rules, 2016, supply of goods/services between each of the three locations will be considered as taxable supply and accordingly Mushak 6.3 will be required to be issued as and when the supply is made.

**VAT Audit**

9. Mr. Abedin is the Managing Director of Xoom Limited. Xoom Limited manufactures and sells animal food. Xoom Limited obtained its VAT registration on 20 June'2022. Mr. Abedin has operated under the assumption that animal food is VAT exempted. Hence, to this date he has not submitted any VAT return or maintained any documentation for VAT purposes.

Recently local VAT authority paid a visit to Xoom Limited's premises and have asked for their audited financial statements. Xoom Limited's latest financial year ended on 31 Dec'2022, and the F/S is as follows: -

**Xoom Limited**  
**Statement of Financial Position**  
**As at 31 December 2022**

<b>In Taka</b>	<b>31-Dec-22</b>
<b>Assets</b>	
<b>Non-current assets</b>	
Property, plant & equipment	500,000,000
<b>Total non-current assets</b>	<b>500,000,000</b>
<b>Current assets</b>	
Advance, deposit & prepayments	5,000,000
Cash & cash equivalents	20,000,000
<b>Total current assets</b>	<b>25,000,000</b>
<b>Total assets</b>	<b>525,000,000</b>
<b>Equity</b>	
Share capital	510,000,000
Share money deposit	10,000,000
Retained earnings	
<b>Total equity attributable to equity holders</b>	<b>520,000,000</b>
<b>Non-current liabilities</b>	
Lease liability	3,000,000
<b>Total current liabilities</b>	<b>3,000,000</b>
<b>Current liabilities</b>	
Payable for expenses	1,500,000
Provision for tax	500,000
<b>Total current liabilities</b>	<b>2,000,000</b>
<b>Total equity and current liabilities</b>	<b>525,000,000</b>

**Xoom Limited**  
**Statement of Comprehensive Income**  
**For the year ended 31 December 2022**

<b>In Taka</b>	<b>31-Dec-22</b>
Revenue	70,000,000
Cost of sales	50,000,000
<b>Gross profit</b>	<b>20,000,000</b>
Administrative expenses	5,000,000
<b>Operating profit</b>	<b>1,500,000</b>
Other income/(loss)	-
Finance expenses	
<b>Profit before income tax</b>	<b>1,500,000</b>

### Income tax expenses

Current tax

Deferred tax

-

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### Profit for the year

Other comprehensive income

-

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### Total comprehensive Profit for the year

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Please note that, vendors of Xoom Limited are all VAT registered and provide tax invoice along with their supply. However, Xoom Limited does not deduct any VAT from any vendors.

#### Requirement:

Assume that you are a VAT advisor and today's date is 3<sup>rd</sup> January'2023. Mr. Abedin wishes to know what the consequences are that Xoom Limited may face following the VAT audit.

#### Solution:

Xoom Limited manufactures animal food, which is likely to fall under H.S Code "23.09". As per the First and Third Schedule of VAT & SD Act, there is no H.S Code 23.09 listed there, meaning that such goods are not exempted from VAT. However, the Government through issuance of **SRO No.-136 – AIN/2023/213-Mushak** dated 21 May 2023 has further exempted certain goods and services. The goods under the "H.S. Code 23.09" are listed in the Table-2 of the said SRO, meaning that animal feed is exempted from VAT at import and manufacturing stage subject to maintaining compliance with the conditions mentioned in the SRO. To avail this exemption benefit, Xoom will need to comply with the provision of section 51, 53, 54, 64 and 107 of the VAT & SD with regards to the maintenance of accounts, Tax Invoice and submission of documents. If Xoom fail to comply the conditions then they will penalized as per section 85(1).

As per section 51, 53, 54, 64 and 107 of the VAT & SD Act, Xoom Limited must maintain the following documents:

- Mushak-6.1: Books of Accounts for purchase
- Mushak-6.2: Books of Accounts for sale
- Mushak-6.3: Tax Invoice
- Mushak-6.6: Certificate for tax deduction at source.
- Mushak-6.7: Credit Note
- Mushak-6.8: Debit Note
- Mushak-6.10: Invoice data for purchase/sales over two lakh taka

Furthermore, they must submit monthly VAT return (Mushak-9.1), to be able to avail the exemption. Since Xoom Limited does not maintain any documentation, the VAT authority may penalize BDT 100,000 as per section 85(1).

Furthermore, as per section 2(21) of the VAT and SD Act, Xoom shall be considered as a withholding entity and consequently they are required to withhold VAT as per **SRO No.-240–AIN/2021/163-Mushak**. Given that, they currently do not withhold any VAT from the vendors, VAT authority should ask to pay VDS as per the SRO and may also impose 2% half yearly interest on the VDS payable amount.

Additionally, they haven't submitted any VAT returns up until now. And following the inspection, they will be required to submit all the previous VAT returns along with the penalty of BDT 5k for every late submission of VAT return as per section 85, VAT and SD Act.

## **Trader vs. Procurement provider**

10. Zaber Enterprise is a trading company selling and distributing foreign manufactured specialty chemicals in Bangladesh. AZ Ltd is the principal supplier of Zaber Enterprise, who imports the products from Thailand and supplies to Zaber Enterprise while charging VAT @5%. Zaber Enterprise sells the goods to customers who are mainly limited companies who uses the chemicals for production purposes.

### **Requirement:**

- a. At what rate of VAT should Zaber Enterprise deduct VAT at source when making payment to AZ Ltd?
- b. At what rate of VAT, customer of Zaber Enterprise shall deduct VAT at source?
- c. When will Zaber Enterprise be required to deposit VDS amount to the Government Exchequer?

### **Solution:**

- a. Currently, AZ Ltd follows trade VAT system and issues Mushak 6.3 to Zaber Enterprise while applying VAT @5%.

Therefore, Zaber Enterprise, being a withholding entity will deduct VAT at source @7.5% in accordance with Rule 3(1) of the VDS Rules.

- b. Same argument shall apply as mentioned under response to “a”, that is Zaber Enterprise will be considered as procurement provider within the purview of the amended definition of procurement provider given under SRO No. 240-AIN/2021/163-VAT dated 29 June 2021. Hence customers will deduct VAT @7.5% when making payment to Zaber Enterprise.
- c. As per the guidelines provided under SRO No. 240-AIN/2021/163-VAT dated 29 June 2021, Zaber Enterprise is required to deposit the VAT deducted at source to the Government Exchequer within 7 days of the following month of making payment to the supplier.

## **ITES**

11. KZ Ltd is a VAT registered entity, planning to procure digital content development and management services from LETO Solutions Ltd., against which LETO Solutions will be raising an invoice (i.e., Mushak-6.3) applying VAT @5%, while considering this as IT Enabled Services (ITES).

The Finance Manager of KZ Ltd has now approached you to clarify whether LETO Solutions is right to raise an invoice applying VAT @5%.

### **Requirement:**

Provide clarification whether the service will be considered as ITES while stating relevant provisions of the law.

### **Solution:**

he service provided by LETO Solutions Ltd, will be considered as ITES within the purview of VAT & SD Act. Further, since digital content development and management services has been specifically mentioned under service code S099.10, the applicable VAT rate in that case is 5%. KZ Ltd, being a withholding entity, should deduct VAT @5% when making payment to LETO Solutions Ltd in the light of SRO No. 240-AIN/2021/163-Mushak dated 29 June 2021.

## Refund

12. Azur Bangladesh paid input VAT of Tk 500,000,000 in August 2023 but output VAT was Tk 350,000,000. This has created a refund of Tk 150,000,000 for the month of August 2023. They have approached you to advise on how they can utilize the refund in the light of VAT and SD Act, 2012?

### Solution:

As per section 68 of the VAT & SD Act, if in a Tax period, the sum of input tax and the decreasing adjustment exceeds the sum of output tax, supplementary duty and increasing adjustment for such VAT period, resulting in net negative payable amount money, in which case the excess amount of money shall be carried forward and may be deducted over the following six Tax periods, after which any remaining excess money shall be refunded in accordance with the provision of this section.

Furthermore, if the remaining excess money exceeds BDT 50,000, in which case, the Commissioner shall refund the amount within 3 months of application.

Hence, Azur Bangladesh can claim back the refund from VAT authority if they have the refund amount of more than BDT 50,000 after adjusting for 6 VAT periods.

Application for getting refund amount shall need to be made to the Commissioner through form "Mushak-9.1". Upon approval of the application, the Commissioner shall deposit the returnable amount to the applicant's bank account or issue a crossed check in favor of the applicant.

### Filling out Mushak-4.3 (Input-Output coefficient)

13. The following information is available on a single product of a manufacturing company:

No.	Item Name	Price per unit
1	Raw Materials	20.00
2	Salary & Allowance	1.50
3	Laboratory Equipment	2.00
4	Stationery Item Purchase	0.50
5	Electricity Bill	0.10
6	Gas Bill	0.20
7	Bank Interest	0.65
8	Machinery Items	0.60
9	Transport Service	1.00
10	Wrapping Materials	0.50
11	Wages	0.70
12	Advertising Expense	0.45
13	Overhead Expense	2.00
14	Laboratory Re-agent	1.00
15	Depreciation of Machineries	0.85
16	Commission charges paid	1.00
17	Other Expense	0.15
18	WASA Bill	0.10
19	Entertainment Expense	0.20
20	Profit	5.50

### Requirement:

Please complete Form Mushak-4.3. In this case, what is the cost of materials, value addition and production? What is the rate of value addition? What will be the cost of each unit of product and what will be the selling price?

**Solution:**

The material and value addition will be displayed as follows:

No.	Item Name	Cost Per Unit	Input	Value addition	Price
1	Raw Materials	20.00	20.00		
2	Salary & Allowance	1.50		1.50	
3	Laboratory Equipment	2.00	2.00		
4	Stationery Purchase	0.50		0.50	
5	Electricity Bill	0.10	0.10		
6	Gas Bill	0.20	0.20		
7	Bank Interest	0.65		0.65	
8	Machinery Items	0.60	0.60		
9	Transport Service	1.00	0.80	0.20	
10	Wrapping Materials	0.50	0.50		
11	Wages	0.70		0.70	
12	Advertising Expense	0.45	0.45		
13	Overhead Expense	2.00		2.00	
14	Laboratory Re-agent	1.00	1.00		
15	Depreciation of Machineries	1.85		1.85	
16	Commission charges paid	1.00		1.00	
17	Other Expense	0.15		0.15	
18	WASA Bill	0.10	0.10		
19	Entertainment Expense	0.20		0.20	
20	Profit	5.50		5.50	
	<b>Total</b>		25.75	14.25	40.00

Hence, cost of material is Tk. 25.75, value addition is Tk. 14.25, production cost is Tk. 40.00.

VAT @15% will be applicable at the time of supply {40+ (40x15%) = Tk. 46.00}, therefore selling price will be Tk {46.00- (46x15 / 115)} or {46.00-6.00} or Tk. 40.00.

Rate of value addition:  $(14.25 / 25.75) \times 100 = 55.34\%$

Note: As per section 48(2)(Gha) of VAT & SD Act, 80% of transport expenses will be considered as raw materials. Hence 80% of transport cost is  $1.00 \times 80\% = \text{Tk. } 0.80$  and  $(1.00 - 0.80)$  or Tk. 0.20 is considered as value addition.

**FOR FURTHER COMMUNICATION:**

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