



Amendments to Income Tax Statutes in 2015: Extents and Effects

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Abstract

Major objective of the National Budget 2015-16 is to "break free of the 6 percent growth trap". With a view to achieving this target, how the amendments to income tax statutes will play a role is the main scope of this paper. It highlights the income tax aspects within the purview of this year's budget and also enumerates the extents and effects of the annual changes made in the income tax statutes relevant for assessment year 2015-16.

Keywords: National Budget, Income tax, Assessment year.

1.0 Introduction

The National Budget for the financial year (FY) 2015-16 was placed by the Finance Minister Mr. Abul Maal Abdul Muhith on 04 June 2015 and passed on 30 June 2015. This is the sixth consecutive digital presentation of budget speech, which was a comprehensive printed document of a total of 140 pages in English version (5 initial pages plus 96-page body plus 39-page annexures). In terms of the size of total expenditure, the budget of 2015-16 is also the ever biggest (Tk. 295,100 crore in FY2015-16 against Tk. 239,668 crore in revised budget of FY2014-15, with an increase of 23.1%). For financing this big budget, the total revenue target (excluding foreign grants) for FY2015-16 is Tk. 208,443 crore, which was Tk. 163,371 crore in the revised budget of FY2014-15 (i.e., 27.59% increase). After including the foreign grants, this year (FY2015-16) 72.60% of the total expenditure will be financed by the targeted revenue sources, which was only 70.53% last year. In terms of gross domestic product (GDP) also, this shows more capability of the Government successively (total revenue including foreign grants is 12.48% in FY 2015-16, which was 11.17% in the revised budget of FY 2014-15 (GOB, 2015c; 2015d). This paper mainly highlights the income tax aspects of the National Budget 2015-16 and also gives an analytical overview of the extents and effects of the amendments in the income tax laws by the Finance Act 2015 and other relevant SROs (statutory rules and orders).

2.0 Income Tax Aspects within the National Budget 2015-16

As shown in Table 1, total income tax revenue target for FY 2015-16 is at Taka 64,971 crore with 33.65 percent increase over that of revised budget for FY 2014-15 (although there is a decline of 15.37% from the original budget of FY 2014-15 in the revised budget). This amount is 35.65 percent of the total tax target of Tk. 182,244 crore, 36.84 percent of the NBR's tax target of Tk. 176,370 crore and 31.17 percent of the total revenue (excluding foreign grants) target of Tk. 208,443 crore. In FY2015-16, income tax will finance 22.02 percent of total expenditure of Tk. 295,100 crore. The income tax-GDP ratio was 3.21 percent in FY2014-15, and it is expected to be 3.78 percent in FY2015-16 (overall tax-GDP ratio expected to be 10.62). Out of total income tax target in 2015-

16, around 72 percent is from corporate taxpayers (Taka 46,479 crore) and 28 percent is from other taxpayers (Taka 18,492 crore). In the revised budget of 2014-15, the corporate-non-corporate income tax ratio is 68:32 (Taka 32,900 crore from corporate taxpayers and Taka 15,714 crore from other taxpayers (GOB, 2015d). Thus, corporate income tax is targeted to be increased by 33.65 percent, whereas non-corporate income tax is targeted to be increased by only 17.68 percent.

Table 1: Income Tax Revenue Target in the Budget

Income Tax Parameters	Revised Budget	Budget	% Increase over
	2014-15	2015-16	FY2014-15
Taxes on Income and Profit (crore taka)	48,614	64,971	33.65
Companies	32,900	46,479	41.27
Other than companies	15,714	18,492	17.68
Taxes on Income and Profit as a percent of:			
Total NBR Tax Revenue	36.00	36.84	2.32
Total Tax Revenue	34.56	35.65	3.16
Total Revenue	29.76	31.17	4.75
Total Expenditure	20.28	22.02	8.54
Gross Domestic Product (GDP)	3.21	3.78	
Overall Tax-GDP Ratio	9.29	10.62	14.32

Note: "% increase" means increase in Budget 2015-16 over Revised Budget 2014-15.
Sources: Compiled from GOB (2015c); GOB (2015d).

High annual growth rate in income tax in FY2015-16 might be for introduction of minimum net wealth-related surcharge, more expanded scope of withholding taxes, penalizing tax rate for cigarette manufacturers (both corporate and non-corporate), enhanced penal provisions (both penalty and prosecution), introduction of 'further processing' or scrutiny in case of universal self-assessment, and widened scope of 'deemed income'.

3.0 Structure of the Finance Act 2015

In the Parliament, just after the budget speech, the Finance Bill 2015 was placed on 4 June 2015 by the Finance Minister to effect the fiscal measures proposed in the national budget 2015-16. The Finance Bill was passed on 29 June 2015 and Presidential assent was given to it on 30 June 2015 and published in the official Gazette on the same day as the Finance Act 2015 (Act No. 10 of 2015). The structures of the Finance Bill 2015 (FB 15) and the Finance Act 2015 (FA 15) are as follows:

Chapter	Coverage of the Tax Laws	Finance Bill 2015 (placed on 04.6.2015)		Finance Act 2015 (passed on 29.6.2015)	
First	Introduction	Section 1	01 section	Section 1	01 section
Second	Excise and Salt Act, 1944 (Act No. I of 1944)	Section 2	01 section	Section 2	01 section
Third	Customs Act, 1969 (Act No. IV of 1969)	Sections 3-8	06 sections	Sections 3-8	06 sections
Fourth	Income-tax Ordinance, 1984 (Ord. No. 36 of 1984)	Sections 9-68	53 sections	Sections 9-66	58 sections
Fifth	VAT Act 1991 (Act No. 22 of 1991)	Sections 69-76	08 sections	Sections 67-74	08 sections
Sixth	Schedules	--	--	--	--
Seventh	Declaration	--	--	--	--
Eighth	Statement regarding Object and Reason	--	--	--	--
	Total	Sections 1-76	67 sections	Sections 1-74	74 sections

Sources: GOB (2015a), The Finance Bill 2015; GOB (2015b), The Finance Act 2015.

Thus, major changes (above 78% in terms of number of sections of the FA) have been made in the Income Tax Ordinance 1984 (ITO). Following sections have enumerated an analysis of these changes.

4.0 Amendments in the Income Tax Ordinance

Below is the description of major structural and other changes in the income tax rates and other changes made in income tax laws.

Overall structural change in the Income Tax Ordinance: On 01.07.2014 for assessment year (AY) 2014-15, there were 24 Chapters, 294 sections and 7 Schedules. Following are the changes done in the Income-tax Ordinance, 1984 by the Finance Act, 2015:

- New sections inserted: 6 sections (sections 53P, 107HH, 124AA, 129B, 165AA and 165C);
- Existing section deleted: 2 sections (sections 53CC and 53O);
- Existing sections substituted: 5 sections (sections 16B, 52AA, 52JJ, 54 and 107F);
- Existing sections amended: 41 sections [sections 2(35), 16CCC, 19, 19BBBBB, 19E, 28, 29, 30, 33, 37, 46B, 46C, 47, 49, 50, 51, 52, 52A, 52B, 52D, 52S, 52U, 53AA, 53E, 53EE, 53F, 53H, 53HH, 53K, 56, 75, 82BB, 82C, 84, 124, 127, 130, 132, 152I, 153 and 184A]; and
- Existing Schedule amended: 2 Schedules (Third Schedule and Sixth Schedule).

Thus, from 01.07.2015 for AY 2015-16, there are 24 Chapters, 298 sections and 7 Schedules.

Overall structural change in the Income Tax Rules: For AY 2014-15 (after amendment by SRO No. 216-Ain/Aykar/2015, dated 18.08.2014), there were 107 rules (Rule 1 to Rule 75A). Following are the changes done in the Income-tax Rules, 1984 by SRO No. 192-Ain/Aykar/2015, dated 30.06.2015, applicable for AY 2015-16:

- Existing rules amended: 8 rules (rules 16, 18, 33A, 33D, 33I, 37, 70 and 73);
- New rule inserted: 2 rules (rules 18A and 62A);
- Existing rules replaced: 3 rules (rules 17A, 24A and 75); and
- Existing rules repealed: 2 rules (rules 17 and 74).

Thus, for AY 2015-16, there are 107 rules (Rule 1 to Rule 75A) in the Income Tax Rules, 1984.

■ Changes in Income Tax Rates:

Tax rates for AY 2015-16 have been mentioned below according to various taxpayers and for different classes of income.

■ Tax Rate for Non-Corporate Taxpayers:

Resident individual assessee, non-resident Bangladeshi, association of persons, firm, Hindu undivided family (HUF) and other artificial juridical persons: There are changes in the income slabs in AY 2015-16 with the highest tax rate of 30% for normal assessee beyond total income of Tk. 4,720,000 (last year it was Tk. 4,420,000).

Type of Income	Tax Rates for AY			
	2014-15		2015-16	
(1) Capital gain on transfer of securities or mutual fund of:				
→ shareholders of stock exchange [Second Schedule up to AY 2013-14 and source tax u/s 53N <input type="checkbox"/>	15%	15%	15%	15%
<input type="checkbox"/> <input type="checkbox"/> from AY 2014-15 with settled tax u/s 82C]				
→ a partnership firm [u/s 53O for AY 2014-15 with settled tax u/s 82C and SRO No. <input type="checkbox"/>	10%	10%	10%	10%
<input type="checkbox"/> <input type="checkbox"/> 196-Ain/Aykar/2015, dated 30.6.2015, from AY 2015-16]				
→ a sponsor shareholder or director or placement-holder of a listed company [source tax u/s <input type="checkbox"/>	5%	5%	5%	5%
<input type="checkbox"/> <input type="checkbox"/> 53M and settled tax u/s 82C]				
→ a sponsor shareholder or director of bank, financial institution, merchant bank, insurance <input type="checkbox"/>	5%	5%	5%	5%
<input type="checkbox"/> <input type="checkbox"/> company, leasing company, portfolio management company and stock dealer company				
<input type="checkbox"/> <input type="checkbox"/> [SRO 217-Ain/Aykar/2014; dated 18/8/2014 for AY 2014-15 and SRO No. 196-Ain/Aykar/2015,				
<input type="checkbox"/> <input type="checkbox"/> dated 30.6.2015 from AY 2015-16]				
→ other shareholder or director of a listed company having more than 10% of share capital <input type="checkbox"/>	5%	5%	5%	5%
<input type="checkbox"/> <input type="checkbox"/> of a company at any time in income year [SRO 217-Ain/Aykar/2014; dated 18/8/2014,				
<input type="checkbox"/> <input type="checkbox"/> for AY 2014-15 and SRO No. 196-Ain/Aykar/2015, dated 30.6.2015 from AY 2015-16]				
(2) Other capital gain (long-term)	15% or Average Tax Rate (ATR) on total income including capital gain, lower one			Same
(3) Income from lottery, crossword puzzle, etc. u/s 19(13)	As per Second Schedule, 20% or ATR on total income including accidental income, lower one; but 20% TDS is applicable u/s 55, which is treated as settled tax			Same
(4) Other income				
Total Income-Slab	2014-15 ^b	2015-16 ^b	2014-15	2015-16
On first Tk.	220,000 ^a	250,000 ^a	Nil	Nil
On next Tk.	300,000	400,000	10%	10%
On next Tk.	400,000	500,000	15%	15%
On next Tk.	500,000	600,000	20%	20%
On next Tk.	3,000,000	3,000,000	25%	25%
On balance Tk.	Balance	Balance	30%	30%
Minimum tax (Tk.)	City Corporation area: Dhaka and Chittagong		3,000	5,000
	City Corporation area: Other		3,000	4,000
	Paurasabha of district headquarter area		2,000	3,000
	Other area		1,000	3,000
<p>a Initial exemption limit for AY 2015-16: women taxpayers and taxpayers having age of 65 years or more-Taka 300,000; retarded taxpayers-Taka 375,000; and Gazetted war-wounded freedom fighters-Taka 425,000 (GOB, 2015b). Initial exemption limit for AY 2014-15: women taxpayers and taxpayers having age of 65 years or more-Taka 275,000; retarded taxpayers-Taka 350,000; and Gazetted war-wounded freedom fighters (as per the Gazetted SRO of Ministry of Liberation War Affairs, dated 04.09.2003)-Taka 400,000.</p> <p>b For AYs 2014-15 and 2015-16, if an assessee is the owner of a small or cottage industry situated in Less Developed Area or Least Developed Area and engaged in producing cottage industry goods, he will obtain income tax rebate at 5% of payable income tax (if income year's production is higher by more than 15% but not more than 25%) or 10% of payable income tax (if income year's production is higher by more than 25%).</p>				

Rate of Surcharge for Individual Assessee:

For an assessee being individual whose "total net worth" as shown in the statement of assets, liabilities and expenses submitted u/s 80 of the Income Tax Ordinance, 1984, surcharge shall be payable on income tax applicable on income for which income tax is applicable at following rates. In AY 2015-16, the initial exemption threshold has increased from Tk. 2 crore to Tk. 2 crore 25 lakh and a minimum surcharge of Tk. 3,000 has been introduced if total net worth exceeds this threshold.

Sl. <input type="checkbox"/> Total net worth <input type="checkbox"/>	Rate of surcharge for AY	
	2014-15 <input type="checkbox"/>	2015-16 <input type="checkbox"/>
(a) <input type="checkbox"/> Up to Tk. 2 crore <input type="checkbox"/>	Zero <input type="checkbox"/>	---
<input type="checkbox"/> Up to Tk. 2 crore 25 lakh <input type="checkbox"/>	---	Zero
(b) <input type="checkbox"/> Above Tk. 2 crore, but not exceeding Tk. 10 crore <input type="checkbox"/>	10% <input type="checkbox"/>	---
<input type="checkbox"/> Above Tk. 2 crore 25 lakh, but not exceeding Tk. 10 crore <input type="checkbox"/>	---	10%*
(c) <input type="checkbox"/> Above Tk. 10 crore, but not exceeding Tk. 20 crore <input type="checkbox"/>	15% <input type="checkbox"/>	15%
(d) <input type="checkbox"/> Above Tk. 20 crore, but not exceeding Tk. 30 crore <input type="checkbox"/>	20% <input type="checkbox"/>	20%
(e) <input type="checkbox"/> Above Tk. 30 crore <input type="checkbox"/>	25% <input type="checkbox"/>	25%
*Minimum surcharge, if total net worth exceeds Tk. 2 crore 25 lakh <input type="checkbox"/>	---	Tk. 3,000

- **Non-company non-resident assessee (except any Bangladeshi):** Rate has been increased to 30% for AY 2014-15 and this rate continues for AY 2015-16 also.
- **Non-company assessee (sole-proprietorship, partnership firm or any other entity) for income from business in relation to cigarette manufacturing:** From AY 2015-16, this income is subject to separate tax at the rate of 45%.
- **Tax Rate for Corporate Taxpayers:** For a company which is publicly traded (other than a banking or insurance company or mobile phone operator company), corporate tax rate has been reduced from 27.5% to 25% for AY 2015-16. Similarly the earlier provision to impose tax @ 35% for less than 10% dividend declaration is also withdrawn. So now single tax rate of listed industrial company is 25% with a gap of 10% from the rate for non-listed industrial companies. However, listed cigarette manufacturing companies' tax rate has been increased from 40% to 45%. Minimum tax as a percentage of 'gross receipts' u/s 16CCC has also been reduced from 0.30% to 0.10% in case of a new industry engaged in manufacturing of goods for first three years since the commencement of its commercial production. Incentive of tax rebate (@ 10% of applicable income tax) for paying cash dividend at 30% or more allowed for AY 2014-15 in case of a listed company (other than a banking or insurance company or mobile phone operator company) has been withdrawn from AY 2015-16.

Types of Company	Type of Income		Tax Rates for AY	
			2014-15	2015-16
Any company	(1) Capital gain arising out of	→ Transfer of securities of listed company [u/s 530 for <input type="checkbox"/> AY 2014-15 with settled tax u/s 82C and SRO No. <input type="checkbox"/> 196-Ain/Aykar/2015, dated 30.6.2015 from AY 2015-16]	10%	10%
		→ Transfer of other capital assets [Second Schedule]	15%	15%
	(2) Dividend income		20%	20%
Bank*, insurance, financial institutions (except merchant bank)	Other income (except capital gain and dividend income)	→ Company being a publicly traded company	42.5%	40%
		→ For bank, insurance and financial institution approved by <input type="checkbox"/> Government in 2013	42.5%	40%
		→ For other company (actually foreign banks only)	42.5%	42.5%
Merchant bank	Other income (except capital gain and dividend income)		37.5%	37.5%
Cigarette manufacturing companies	Other income (except capital gain and dividend income)	→ Company being a publicly traded company	40%	45%
		→ For other company	45%	45%
Mobile phone operator companies ^α	Other income (except capital gain and dividend income)	→ Company being converted into a publicly traded one by transferring at least 10% shares [of which maximum 5% may be through Pre-Initial Public Offering Placement (IPO)] through stock exchanges	40%	40% ^a
		→ For other company	45%	45%
Other company**	Other income (except capital gain and dividend income)	→ For publicly traded company*** <input type="checkbox"/> i. <input type="checkbox"/> Dividend declared by less than 10% or failure to pay <input type="checkbox"/> <input type="checkbox"/> declared dividend within SEC stipulated time (60 days as per SEC's SRO No. 385-Ain/91, dated 15.12.1991; 30 days from 9.2.2010 as per SEC Notification on same date) <input type="checkbox"/> ii. <input type="checkbox"/> Other situation	35%	25%
			27.5%	25%
		→ For other company	37.5%	35%
All companies	Minimum tax as a % of 'gross receipts' u/s 16CCC from AY 2011-12		0.30%	0.30%
	From AY 2015-16, minimum tax rate shall be 0.10% of gross receipts for an industrial undertaking engaged in manufacturing of goods for the first three income years since commencement of its commercial production (new proviso to sec. 16CCC by FA 2105).			
<p>* <input type="checkbox"/> Applicable for a banking company: Under section (u/s) 16C (inserted by the FA 2002), a bank company, if shows, in the return, profit exceeding 50% of the aggregate sum of capital and reserve, shall pay tax @ 15% of such excess profit as excess profit tax.</p> <p>** <input type="checkbox"/> Applicable for a publicly traded company (other than a banking or insurance company): Under section 16B (from AYs 2002-03 to 2014-15) and under clause (a) of section 16B (from AY 2015-16; due to amendment by the FA 2015), a listed company other than a banking or insurance company, if has not issued, declared or distributed dividend or bonus share equivalent to at least 15% of paid-up capital within six months immediately following any income year, shall pay tax @ 5% of "undistributed profit" (accumulated profit including free reserve) as additional tax.</p> <p>*** <input type="checkbox"/> Applicable for a publicly traded company (other than a banking or insurance company or mobile phone operator company): For AY 2014-15, if such company pays cash dividend at 30% or more, it will obtain income tax rebate at 10% on applicable income tax. But for AY 2015-16, this dividend related incentive has been withdrawn.</p> <p>^α <input type="checkbox"/> Applicable for a mobile phone operator company: For both AYs 2014-15 and 2015-16, if a mobile phone operator company transfers at least 20% shares through Initial Public Offering (IPO), it will obtain income tax rebate at 10% on applicable income tax in the concerned year of such transfer.</p> <p>*** <input type="checkbox"/> Applicable for a company which is not publicly traded (other than a banking or insurance company or mobile phone operator company): For both AYs 2014-15 and 2015-16, if such company transfers at least 20% shares through Initial Public Offering (IPO), it will obtain income tax rebate at 10% on applicable income tax in the concerned year of such transfer.</p>				

■ **Additional tax for unauthorized employment of foreign citizen [Section 16B substituted]:** Keeping the existing provision (tax on undistributed profit) in clause (a), a new clause (b) has been added to section 16B to impose an additional tax. Any person employs or allows, without prior approval of the Board of Investment (BOI) or any competent authority of the Government, as the case may be, any individual not being a Bangladeshi citizen to work at his business or profession at any time during the income year, such person shall be charged additional tax at the rate of 50% of the tax payable on his income or Tk. 5 lakh, whichever is higher, in addition to tax payable under the ITO.

■ **New Tax Rate for Cooperative Societies registered under the Cooperative Societies Act 2001 (effective from AY 2015-16):** Every cooperative society is now taxable from AY 2015-16 at a reduced rate of 15% [prescribed by the FA 2015] for its income other than agricultural income, income from rural credit and cottage industry, and income from the letting of godowns or warehouse in relation to commodities belonging or meant for sale to members. By deleting clauses (a) and (c) of sub-section (1) of section 47, following incomes of a cooperative society are taxable:

- income as is derived by a cooperative society as a result of such of its dealings with its members as involve sale of goods, the lending of money or the lease of buildings and land which is for the personal use of such members, or where such member is a firm or an association of persons, for the personal use of the partners or members thereof [clause (a) of sec. 47(1)];
- income from interest and dividends derived from its investments with any other cooperative society [clause (a) of sec. 47(1)].

● **Changes in Tax Holiday provisions u/s 46B and 46C:**

(a) **New area of Tax Holiday [Section 46B(2)]:** The following type of industry will be eligible for 10-year graduated tax holiday: Following new industries are subject to tax holiday u/s 46B: (1) Automobile manufacturing industry, (2) Bi-cycle manufacturing industry, (3) Brick

made of Tunnel Kiln technology, and (4) Tyre manufacturing industry. However, if any tax holiday enjoying company employed foreign employee having no work permit, tax holiday for the relevant assessment year will be withdrawn and tax will be imposed by the DCT for that year [sub-section (11) of sec. 46B amended].

- **Extension of tax exemption income facility of software and IT enabled services [Sixth Schedule, Part A, Para 33]:** The tax exemption up to 30/6/2019. This tax exemption facility has been extended up to 30/6/2024.
- **Extension of tax exemption income facility of handicrafts export business [Sixth Schedule, Part A, Para 35]:** It was tax exempted up to 30/6/2015. This tax exemption facility has been extended up to 30/6/2019.
- **Introducing reduced tax rate for importers of 29 items:** Under rule 17A(b), advance income tax (AIT) at import stage has been imposed @ 2% in place of regular 5% on 29 items including petroleum oil, raw leather, M.S. rod, mobile phone set etc. and it will be final settlement of tax liability as per section 82C(2)(g).
- **Extension of reduced tax rate facility of textile and jute goods manufacturing for another 4 years [SRO Nos. 193-Ain/Aykar/2015 and 194-Ain/Aykar/2015, both dated 30.6.2015]:** Facility of 15% reduced tax rate for textile and jute goods manufacturing has further been extended up to 30/6/2019.
- **Reduced tax rate on poultry [new SRO]:** Income from poultry will be taxed at the following reduced tax rate:

Income range	Tax rate
On first Tk. 15,00,000	nil
On next Tk. 15,00,000	5%
On rest amount of income	10%

- **Reduced Tax Rate for Agro-Farms [SRO No. 199-Ain-Aykar/2015, dt. 30.6.2015]:** Under SRO No. 208-Ain-Aykar/2013, dt. 1.7.2013, fish farming [deleted by SRO No. 232-Ain/2014, dt. 15.9.2014], pelleted poultry feed production, seed production, marketing of seeds produced locally, livestock farming, dairy farming, frog farming, horticulture, mulberry farming, apiculture, sericulture, mushroom

production farming, and floriculture, were subject to 3% rate for income earned from 01.07.2013 to 30.06.2015. Under SRO No. 199-Ain-Aykar/2015, dt. 30.6.2015, new tax rate will be as follows:

Income range□	Tax rate
On first Tk. 10 lakh□	3%
On next Tk. 20 lakh□	10%
On rest amount of income□	15%

- **Tax on Bangladesh Road Transport Authority (BRTA) withdrawn [SRO No. 158-Ain-Aykar/2014, dt. 26.6.2014, amended by SRO No. 197-Ain-Aykar/2015, dt. 30.6.2015]:** Tax imposed @ 25% on BRTA last year has been withdrawn.

Tax Issues for Securities Market:

In addition to maintaining previous 10% gap between tax rates for listed and non-listed industrial companies by reducing listed industrial company's tax rate from 27.5% to 25% (from 27.5% vs. 35% tax rates to 25% vs. 35% rates), reducing tax rate from 42.5% to 40% for listed bank, insurance and financial institution, increasing tax rate from 40% to 45% for listed cigarette manufacturing companies, and first year's 10% tax rebate to listed industrial company for offloading at least 20% shares through IPO, following are additional tax issues related to securities market:

- Withdrawal of withholding tax on capital gain on sale of shares of listed securities by companies and partnership firms (Section 53O deleted):** Last year withholding tax system was introduced @ 10% on companies and partnership firms for their capital gain on transfer of securities. However, share market related SRO No. 217-Ain/Aykar/2014, dated 18.8.2014 has been deleted and a new SRO (SRO No. 196-Ain/Aykar/2015, dated 30.6.2015) has been issued to continue the tax.
- Tax exemption to BSEC for 5 years [SRO No. 195-Ain/Aykar/2015; dated 30.6.2015]:** Last year tax @ 25% was imposed on the Bangladesh Securities and Exchange Commission (BSEC) under SRO No. 158-Ain-Aykar/2014, dt. 26.6.2014. Under new SRO No. 197-Ain-Aykar/2015, dt. 30.6.2015, previous 25% tax rate has been withdrawn. However, income of BSEC will remain tax exempted at graduated rate

for 5 years with effect from 01/7/2015 at the following rate: 1st year @ 100%; 2nd year @ 80%; 3rd year @ 60%; 4th year @ 40% and 5th year @ 20%.

- Tax exempted cash dividend ceiling raised from Tk.20,000 to Tk.25,000 [Sixth Schedule, Part A, Para 11A]:** Tax exempted cash dividend ceiling has been raised from Tk.20,000 to Tk.25,000.
- Any type of incomes (not only dividend) from mutual/unit fund to be exempted up to Tk.25,000 [Sixth Schedule, Part A, Para 22A]:** Earlier provision was that dividend income from mutual fund and unit fund is tax exempted up to Tk. 25,000. Now any income from mutual fund and unit fund will be similarly tax exempted. Thus, fixed-income mutual/unit fund will get this benefit also..

"Our main objective in this fiscal year's budget will be to break free of the 6 percent growth trap, and climb up to higher growth trajectory"

Withholding Tax (WHT) or Tax Deducted at Source (TDS)

The details of changes in withholding tax rate, and introduction of new area of withholding tax are summarized below:

Sl.	Head of TDS	Section	Earlier rate of TDS/provision	New rate of deduction/provision
1.	Government salary	50	There was no specific provision to deduct tax at source	Tax to be deducted by the Government salaried person himself at average rate if his/her basic salary and bonus likely to exceed the minimum taxable ceiling. Respective Government accounts office will issue TDS certificate to every such employee within 31st July every year.
2.	Interest on Securities	51	5% upfront	5% upfront [unchanged], but no TDS will be applicable on treasury bill/treasury bond.
3.	Contractor and supplier	52 (Rule 16)	TDS was applicable on indenting commission and shipping agency commission under this section.	<ul style="list-style-type: none"> ■ Provision of TDS on indenting commission and shipping agency commission is withdrawn from sec. 52 and put it into sec. 52AA. ■ TDS on gas bill has been reduced to 3% which is not to be treated as final settlement of tax liabilities.
4.	Professional or technical services	52A(3)	There was a provision to issue certificate by the NBR not to deduct tax at source if his income does not likely to exceed the assessable limit	This provision has been withdrawn
5.	Stevedoring agency or private security service agency or any person for rendering any service other than the services specified in Chapter VII of the ITO	52AA	10%	1.5%, 3%, 5%, 7.5% and 10% (18 specific service providers and one residual service other than the services specified in Chapter VII of the ITO) Service-specific TDS rates are given in Table-2 below.
6.	Cigarette manufacturing	52B	New	Value Added Tax (VAT) department will collect income tax @ 3% on Maximum Retail Price (MRP) from cigarette manufacturer
7.	Cigarette manufacturing	52J	3% on commission or discount or incentive bonus or another benefit provided by the airlines to GSA or GSA to travel agent for selling air ticket/ air cargo	0.30% of the total value of tickets of the airlines or any charge for carrying cargo by air (Embarkation fees, travel tax, flight safety insurance, security tax and airport tax shall not be included in such value of tickets or cargo charge)
8.	Soft Drinks/Mineral water	52S	3%	4%
9.	Shipping business of a resident	53AA	New	<ul style="list-style-type: none"> ■ Commissioner of Customs will not allow port clearance to any ship without income tax certificate issued by the DCT. ■ The form of such certificate is prescribed at Rule 62A.
10.	Local letter of credit (L/C) or any financing agreement called by whatever name	52U	3% on total proceeds exceeding Tk. 5 lakh (but not applicable on rice, wheat, potato, onion, garlic, peas, chickpeas, lentils, ginger, turmeric, dried chillies, pulse, maize, coarse flour, flour, salt, edible oil, sugar, black pepper, cinnamon, cardamom, clove, date, cassia leaf and all kinds of fruits)	TDS will not also be applicable on computer or computer accessories, jute, cotton and yarn.
11.	(a) Export of knit wear and woven garments, terry towel, carton and accessories of garments industry	53BB	0.30% (SRO No. 68-Ain/2014, dated 22.4.2014)	0.6% (SRO No. 224-Ain/2015, dated 02.7.2015, w.e.f. 30.6.2015)
	(b) Export of jute goods, frozen food, vegetables, leather goods, packed food	53BB	0.8% (SRO No. 68-Ain/2014, dated 22.4.2014)	0.6% (SRO No. 224-Ain/2015, dated 02.7.2015, w.e.f. 30.6.2015)
12.	Export of goods other than items u/s 53BB	53BBBB	0.8% (SRO No. 68-Ain/2014, dated 22.4.2014)	0.6% (SRO No. 224-Ain/2015, dated 02.7.2015, w.e.f. 30.6.2015)

Sl.	Head of TDS	Section	Earlier rate of TDS/provision	New rate of deduction/provision
13.	Non-resident courier	53CC	15%	Provision of TDS on non-resident courier is withdrawn from section 53CC and put it into section 56.
14.	Distributorship commission	53E	10% on commission or discount	10% (same) TDS is also applicable on dealer's promotional charges or fees or commission or any other payment called by whatever name
15.	Foreign buyers agent	53EE	7.5%	10%
16.	Bank interest	53F	15% if the deposit holder does not have any 12-digit TIN	10% (though not having any TIN) from: (1) Public university, (2) MPO enlisted educational institution, (3) ICAB, (4) ICMA, and (5) ICSB.
17.	Registration of leasehold property	53HH	4% (was applicable on RAJUK, CDA, RDA, KDA and National housing society)	4% (also applicable on any type of lessor)
18.	Direct Advertisement	53K	3%	4%
19.	Gain on sale of shares or securities traded in Stock Exchange	53O	10% applicable for investor being company or firm	withdrawn
20.	Any some paid by real estate / land developer to the land owner	53P	New	15% [TDS is applicable on signing money, subsistence money, house rent or in any other form called by whatever name]
21.	Dividend	54	10% or 15% for resident individual, 20% for company or 30% for non-resident individual	Provision of TDS on non-resident is withdrawn from section 54 and put it into section 56.
22.	Non-resident's income	56	Corporate rate for company, maximum rate for non-resident foreigner, and resident's rate for non-resident Bangladeshi	5%, 5.25%, 7.5%, 10%, 15%, 20% and 30% (25 specific service) Service-specific TDS rates are given in Table-3 below.

Table-2: New Tax Deduction at Source (TDS) u/s 52AA

New rate of deduction/provision				Deducting Authority
Head of Service	Rate	Head of Service	Rate	
Catering service	10%	Printing service	3%	<ul style="list-style-type: none"> ● <input type="checkbox"/> Government <input type="checkbox"/> Organization ● Corporation ● NGO ● Company ● Bank <input type="checkbox"/> (including Co-<input type="checkbox"/>operative <input type="checkbox"/>Bank) ● Insurance <input type="checkbox"/> Company (Deducting authority will not deduct tax at source or will deduct tax at a lower rate/amount if the party produces a certificate issued by the NBR to do so.)
Cleaning service- <input type="checkbox"/> (a) Commission <input type="checkbox"/> (b) Gross receipts	10% 1.5%	Private container port or dockyard service	5%	
Collection and recovery agency- <input type="checkbox"/> (a) Commission <input type="checkbox"/> (b) Gross receipts	10% 1.5%	Stevedoring/berth operation commission	10%	
Contract or toll manufacturing	10%	Private security service provider- <input type="checkbox"/> (a) Commission <input type="checkbox"/> (b) Gross receipts	10% 1.5%	
Credit rating agency	10%	Product processing charge	10%	
Event management- <input type="checkbox"/> (a) Commission <input type="checkbox"/> (b) Gross receipts	10% 1.5%	Shipping agency commission	5%	
Indenting commission	7.5%	Supply of manpower- <input type="checkbox"/> (a) Commission <input type="checkbox"/> (b) Gross receipts	10% 1.5%	
Meeting fees, training fees or honorarium	10%	Transport provider	3%	
Mobile network operator, technical support service provider or service delivery agents engaged in mobile banking operations	10%	Any other service which is not mentioned in Chapter VII of this Ordinance and is not a service provided by any bank, insurance or financial institutions	10%	

Table-3: New Tax Deduction at Source (TDS) u/s 56

New rate of deduction/provision				Deducting Authority
Head of Service	Rate	Head of Service	Rate	
Accounting or tax consultancy	20%	Courier service	3%	Person responsible for making such payment.
Advertisement making	15%	Dividend- <input type="checkbox"/> (a) Company <input type="checkbox"/> (b) Other than company	20% 30%	
Advertisement broadcasting	20%	Insurance premium	10%	
Advisory or consultancy service	30%	Interest, royalty or commission	20%	
Air transport or water transport	7.5%	Legal service	20%	
Architecture, interior design or landscape design	20%	Machinery rent	15%	
Artist, singer or player	30%	Management or event management	20%	
Capital gain received- <input type="checkbox"/> (a) <input type="checkbox"/> From securities not listed with <input type="checkbox"/> <input type="checkbox"/> stock exchange-	15%	Pre-shipment inspection service	30%	
<input type="checkbox"/> (b) <input type="checkbox"/> From securities listed with <input type="checkbox"/> <input type="checkbox"/> stock exchange but income not <input type="checkbox"/> <input type="checkbox"/> exempted in their home country	10%	Professional service	20%	
Certification	30%	Salary or remuneration	30%	
Charge or rent for satellite, airtime or frequency	20%	Exploration or drilling in petroleum operations	5.25%	
Contractor, sub-contractor or supplier	5%	Survey for oil or gas exploration	5.25%	
		Any service for making connectivity between oil or gas field and its export point	5.25%	
		Any other payments	30%	

TDS as the final settlement of tax liability: Following heads of deduction has been brought into the coverage of section 82C:

Sl.	Section	Head
1.	<input type="checkbox"/> 52D	All savings instrument
2.	<input type="checkbox"/> 53JJ	Travel agent
3.	<input type="checkbox"/> 53BB	Export of items mentioned at section 53BB [under new clause (kk) of sec. 82C(2), export of any goods cept certain items on which tax is deductible under section 53BBBB]
4.	<input type="checkbox"/> 53EE	Foreign Buyers Agent[under new clause (mmm) of sec. 82C(2)]
5.	<input type="checkbox"/> 53F(1)(c)	Bank interest or share of profit of Public university, MPO enlisted Educational institution, ICAB, ICMA and ICSB[under new clause (mmmm) of sec. 82C(2)]

Final discharge of tax liability u/s 82C has been withdrawn in following cases:

1. TDS u/s 53O on capital gain from sale of shares of listed companies in the hand of company and firm taxpayer was under clause (sss) of section 82C(2). Section 53O and clause (sss) of section 82C(2) are both deleted by the FA 2015.
2. TDS from gas bill @3% is also withdrawn from section 82C [clause (d) in proviso to sub-section (2) of sec. 82C amended].
3. TDS u/s 53CC for non-resident courier was u/s 82C. Relevant TDS section (sec. 53CC) is deleted and concerned TDS is shifted to sec.56, which is not u/s 82C.

Deemed Income u/s 19

There are few amendments in section 19 as follows:

- **Loan exceeding Tk.5,00,000 through crossed cheque or bank transfer [section 19(21)]:** Previously loan exceeding Tk.5, 00,000 could be received through crossed cheque only. Now loan can be received through bank transfer also.
- **Deemed income in case of purchasing motor car/jeep at more than 10% of paid-up-capital [section 19(27) amended]:** Since AY 2011-12, if any company purchases motor car/jeep at a price more than 10% of paid-up-capital then 50% of the amount that exceeds such 10% of paid-

up-capital was deemed to be the income of the company. From this AY 2015-16, the change here is that 10% to be calculated not only on paid-up-capital but also on reserve and accumulated profit. That means, 10% on paid-up-capital together with reserve and accumulated profit.

Changes in the Provisions on Different Heads of Income:

● Changes in "Salaries": Section 21

- (a) **Ceiling of tax exempted income from gratuity fund [Sixth Schedule, Part A, para 20]:** Income from gratuity fund was fully tax exempted. From AY 2015-16, it will be tax exempted up to Tk. 2.5 crore.
- (b) **Workers profit participation fund (WPPF) [Sixth Schedule, Part A, para 21(d)]:** Previously any payment from "a workers participation fund established under the Labour Act 2006" was fully exempted to the recipient (any employee or worker). From AY 2015-16, any payment from a workers participation fund established under the Labour Act 2006 and received by a worker as defined in section 2(65) of the said Labour Act is exempted. Thus, income from workers profit participation fund will be taxable in the hand of an employee other than workers.
- (c) **Scope of taxability of salary income of Government employees [SRO No. 198-Ain-Aykar/2015, dt.30.6.2015]:** Government employees' salary income other than basic salary, festival bonus and bonus, is exempted.
- (d) **House rent allowance, Medical allowance and Conveyance (Rules 33A, 33I and 33D):** Exemption limit of house rent and medical allowances and notional income for conveyance provided of a salaried person has been changed as follows:

Particulars	Earlier Provision	New Provision
House rent allowance (rule 33A)	50% of basic salary or Tk. 20,000 p.m., whichever is lower	50% of basic salary, or Tk.25,000 p.m., whichever is lower
Medical allowance (rule 33I)	10% of basic salary, or Tk.60,000 per year, whichever is lower	10% of basic salary, or Tk.1,20,000 per year, whichever is lower
Notional income for using full time car facility (rule 33D)	5% of basic salary	5% of basic salary, or Tk. 60,000, whichever is higher

● Changes in "Interest on Securities": Section 22

- (a) Income from Wage earners development bond, US dollar premium bond, US dollar investment bond, Euro premium bond, Euro investment bond, Pound sterling investment bond and Pound sterling premium bond is exempted fully from AY 2015-16(new Para24A, Part A, Sixth Schedule).
- (b) Interest income from a fixed income bond-type mutual fund or unit fund is exempted up to Tk. 25,000 from AY 2015-16. Previously, only dividend income from equity-type mutual/unit fund was exempted up to Tk. 25,000 (Para 22A, Part A, Sixth Schedule amended).

● Changes in "Income from House Property": Section 25

- (a) **Deemed income at house property income [Sec. 25(h)(1) and 19(30)]:** In case of computing house property income a fixed portion of annual value is always allowable deduction. But if it is not really spent or partly spent then the remaining unspent amount shall be deemed to be the income from house property as per new sub-section (30) of section 19.

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

- (a) **Ceiling of excess perquisite [Section 30(e)]:** Ceiling of excess perquisite has been raised from Tk. 3,50,000 to Tk. 4,50,000.
- (b) **Set-off of losses [new proviso to Section 37]:** Loss at any head could not be set-off against income from manufacturing of cigarette.
- (c) **One new head in the tax depreciation schedule [Third Schedule]:** A new head included in the tax depreciation schedule: Imported computer software @ 10%.

- (d) **Notional cost price of motor car not plying for hire for depreciation purpose enhanced [sub-clause (a) of clause (6) of paragraph 11 of Third Schedule amended]:** National cost price of motor car not plying for hire is enhanced from Tk. 20,00,000 to Tk.25,00,000 for the purpose of tax depreciation.

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

- (a) **Taxability of Interest and Dividend Incomes only for educational institutions:** Any income from other sources (except interest and dividend) of Monthly Pay Order (MPO)enlisted educational institution or any other educational institution if it follows national curriculum and Government rules and regulations is exempted from AY 2015-16 (Para 52, Part A, Sixth Schedule).
- (b) **Taxability of Interest and Dividend Incomes only for professional bodies:** Any income from other sources (except interest and dividend) received by any public university or any professional institute established under any law and run by professional body of Chartered Accountants or Cost and Management Accountants or Chartered Secretaries [i.e., the Institute of Chartered Accountants of Bangladesh (ICAB) or the Institute of Cost and Management Accountants of Bangladesh (ICMAB) or the Institute of Chartered Secretaries of Bangladesh (ICSB)]is exempted from AY 2015-16 (Para 53, Part A, Sixth Schedule).
- (c) **Extended exemption limit of cash dividend:** Tax exempted cash dividend ceiling has been raised from Tk.20,000 to Tk.25,000 [Sixth Schedule, Part A, Para 11A].
- (d) **Deemed "Income from other sources" in relation to delayed payment [new sub-section (29) inserted under section 19]:** Where an assessee, not being an assessee engaged in real estate business during any income year, purchases on credit any material for the purpose of construction of building or house property or its unit and fails to pay within the following year, then the outstanding amount would be "deemed income" under sub-section (29) of section 19. Thus, real estate company or developer company will not come under the purview of this new provision.
- (e) **Deemed "Income from other sources" for excess exempted income or excess income subject to low rate [new sub-section (31) inserted under section 19]:** Where an assessee files a revised return under section 78 (filing of revised return for non-submission or rectification of omission or incorrect statement) or section 93 (income escaping assessment or under-assessment or assessed to lower rate or excess relief or refund) and shows tax exempted income or income that is subject to reduced tax rate, so much of the excess as it exceeds the amount shown in the original return shall be deemed to be income under sub-section (31) of section 19.

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

- **Uniform income year for all types of assesseees [Section 2(35)]:** For every company uniform income year /accounting year to be followed from 01.7.2016 and that is July to June. For Bank, Insurance and other non-banking financial institution, English calendar year will be income year as before.
- **Curtailement of time extension power of the DCT for Return Submission [sec. 75]:** Time extension power of the Deputy Commissioner of Taxes (DCT) has been curtailed from 6 months to 4 months. As per new provision, the DCT may extend the date up to two months from the last date for the submission of return and he may further extend the date up to two months with the approval of the Inspecting Joint Commissioner (IJCT) [proviso to sub-section (3) of sec. 75 replaced].
- **Scrutiny assessment by the DCT after submission of return under the universal self-assessment[Sec. 82BB(2)]:** After submission of return under universal self-assessment system, the DCT shall make scrutiny assessment, i.e., process such return and make adjustment: (i) if there is any arithmetical error in the return, and (ii) if there is any incorrect claim (if such incorrect claim is apparent from the existence of any information in the return). After necessary adjustment the DCT will send demand notice along with income computation sheet to the assessee. The time limit is 12 months from the end of the assessment year within which such intimation is to be sent to the assessee. If as a result of such scrutiny assessment, more tax is to be paid by the assessee, then DCT

shall have to give the assessee a reasonable opportunity of being heard. As per 'Explanation' to sub-section (2) of section 82BB, "incorrect claim apparent from the existence of any information in the return" shall mean a claim, on the basis of an entry, in the return-(i) of an item, which is inconsistent with another entry of the same, or some other item, in such return; or (ii) in respect of a deduction, where such deduction exceeds the specified statutory limit which may have been expressed as monetary amount, percentage, ratio or fraction."

- **Compulsory Requirement of Twelve-digit TIN Certificate [Section 184A]:** The compulsion of e-TIN certificate for a foreigner being a director of a foreign company doing business in Bangladesh [new clause (ll) inserted] is withdrawn to facilitate foreign direct investment. Another ineffective provision on compulsory e-TIN certificate for giving ISD connection to any kind of telephone [clause (k) deleted] is also withdrawn. However, in one new situation, now e-TIN certificate is compulsory, which is for "being a parent or guardian of a student of English medium school, situated in any city corporation or in any paurasabha of a district headquarter, following international curriculum [new clause (x) inserted]."

Changes in Transfer Pricing Provisions

Under previous provision of sec. 107F (Report from an accountant to be furnished), every person who has entered into international transaction or transactions the aggregate of value which, as recorded in the books of account, exceeds Tk. 3 crore during an income year shall furnish, on or before the specified date in the form and manner as may be prescribed, a report from a Chartered Accountant. Under the new provision of replaced sec. 107F, the DCT may, by notice in writing, require that a person who has entered into international transaction or transactions the aggregate value of which, as recorded in the books of accounts, exceeds three crore taka during an income year shall furnish within the period as may be specified in the notice and in the form and manner as may be prescribed, a report from a Chartered Accountant or a Cost and Management Accountant regarding all or of a part of the information, documents and records furnished under section 107E. "Form of report to be furnished under section 107F" under rule 75 has also been changed.

Penal Provisions:

Following changes have been introduced regarding penalty for defaults:

Sl.	Head	Section	Earlier provision	New provision
1.	Non submission of statement of international transaction as per section 107EE	107HH	New	Maximum 2% of the value of such international transaction
2.	Non submission of return	124	10% of last assessed tax or Tk.1,000 whichever is higher plus Tk.50 per day of default	(a) Total amount of such penalty <input type="checkbox"/> will not exceed Tk. 5,000 in case <input type="checkbox"/> an individual was not previously <input type="checkbox"/> assessed. (b) 50% of last assessed tax or <input type="checkbox"/> Tk.1,000 whichever is higher in <input type="checkbox"/> case of individual assessee who <input type="checkbox"/> failed to submit return in time.
3.	For failure to verify 12 digit TIN	124AA	New	Maximum Tk.50,000 [NBR has given 25 authorities to verify TIN]
4.	For failure to pay tax as per return	127	If 80% tax paid then no penalty could be imposed for the rest 20% shortfall	Penalty can be imposed for any amount of shortfall
5.	For submitting fake audit report	129B	New	DCT, AJCT, CT (Appeal) or Appellate Tribunal shall impose upon such assessee who submitted fake audit report Tk. 1,00,000 (fixed)

Provisions for Prosecution:

Following changes have been introduced regarding prosecution for offences:

Sl.	Head	Section	Earlier provision	New provision
1.	Imprisonment for submitting fake audit report	165AA	New	Submission of fake audit report will be considered as an offence which is punishable with imprisonment for a term up to 3 years but not less than 3 months with or without fine up to Tk. 1,00,000
2.	Imprisonment for giving employment of foreign national without valid work permit	165C	New	If any employer employed foreign nationals without valid work permit then it will be considered as an offence which is punishable with imprisonment for a term up to 3 years but not less than 3 months with or without fine up to Tk. 5,00,000

5.0 Conclusion:

The Finance Minister has mentioned in his budget speech: "Our main objective in this fiscal year's budget will be to break free of the 6 percent growth trap, and climb up to higher growth trajectory" (Muhith, 2015: 95). For this purpose, this year (FY 2015-16) overall tax is targeted to increase by 29.55% from last year's revised budget and this will depend on the targeted increase of total direct taxes by 30.66% and total indirect taxes by 28.83% (GOB, 2015d; 2015e). However, the income tax is budgeted to increase by 33.65%. Thus, it is clear that Government has extensive income tax target and this will be achieved mainly through the enhanced extent of tax-net and tax-rate, which will have huge impacts and effects on the taxpayers and the economy in general. But the counter-effect on equity aspects due to expanded progressivity of overall taxation through slowly increased share of direct tax in total tax (ratio of direct and indirect taxes is 39.5:60.5 in FY 2015-16, which was 39.2:60.8 in the revised budget of FY2014-15) might help in building a more just and fair society in the long-run. 

"Government has extensive income tax target to be achieved by enhancing extent of tax-net and tax-rate, which will have huge impacts and effects on taxpayers and the economy..."

References:

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"Vision is the art of seeing things invisible to others."
- Jonathan Swift