

National Budget 2020-21 Income Tax and Changes in the Income Tax Laws: An Overview

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Abstract

The national budget for fiscal year (FY) 21 has been announced at a time when the economy has been worst hit by the novel coronavirus (COVID-19) pandemic ever in the history of Bangladesh. In the Budget of 2020-21 and consequently through Finance Act 2020, we observed a lot of changes in Income Tax structure and rates. This paper broadly analyzes all the recent changes and amendments in income tax laws and its effects.

Like previous years, there is a scope for the undisclosed income holder to disclose those income by paying tax in a prescribe rate. Sufficient allocation has been made in the budget to satisfy the needs of all Ministries and Divisions to address the impact of COVID-19 outbreak. Government has started implementing the VAT Act, 2012. However, it seems that due to the impact of the COVID-19 pandemic, revenue income and expenditure will be significantly lower than expected.

1. Introduction

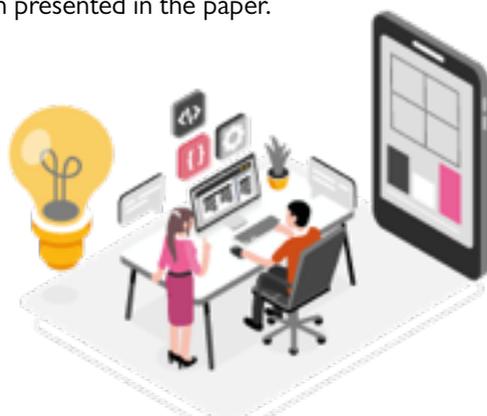


On 11 June 2020, present Finance Minister Mr. A. H. M. Mustafa Kamal, FCA, MP, has placed the National Budget 2020-21 in the Parliament in the second budget session of the current government. The budget for the financial year (FY) 2020-21 is the country's 49th budget and the 21st budget of the Awami League government. The motto of this budget is Economic Transition and Pathway to Progress.

The Bangladesh economy, from the very beginning of the ongoing fiscal year, has been grappling with formidable challenges which have been exacerbated by the outbreak of COVID-19. The tax proposals in the budget are directed towards creating trust, bringing in certainty, attracting investments and in reducing litigation. The key

features of the tax proposals that deserve a special mention are reduction of tax rates for individual taxpayers in lower income range. Besides, the tax-free benefit has been reintroduced for the income from investment in zero-coupon bonds against the demand by the businessmen. The government has also withdrawn the proposal on rebate against the payment of VAT in importing raw materials under the Finance Bill, passed in voice votes.

The total outlay of budget for FY 2020-21 is Tk. 568,000 crore. This size is 13.2% higher than the size of revised budget for FY 2019-20 of Tk. 501,577 crore. To finance this expenditure, the total revenue target (excluding foreign grants) for FY2020-21 is Tk. 378,000 crore, which was Tk. 348,069 crore in the revised budget of FY2019-20 (i.e., 8.6% increase). About 66.5% of total expenditure will be financed by the targeted revenue sources, which was only 69.4% in last year's according to revised budget. The budget is 17.91% of gross domestic product (GDP) which is very much similar comparing to prewise year revised budget 17.88% of GDP. In FY 2020-21 total revenue excluding foreign grants is 11.9% of GDP, which was 12.4% of GDP in the revised budget of FY 2019-20. The tax-GDP ratio is still far below than expected (8.91% in actual for FY2018-19, 11.16% in revised budget of FY2019-20 and 10.88% in original budget of FY2020-21 against the corresponding planned rates of 13.1% in FY2018-19 and 14.1% FY2019-20 respectively according to the 7th Five-Year Plan). In this paper, overall taxes and non-taxes issues of the budget and the structure of the Finance Act 2020 have been discussed in brief and overall changing of the income tax of the budget have been analyzed and presented. An analytical review of the inclusion, substitutions, deletions and revisions in the income tax laws approved as Finance Act 2020 and other relevant SROs (statutory rules and orders) has also been presented in the paper.



Budget Statement

Sector	Budget 2020-21	Revised 2019-20
Revenue and Foreign Grants		
Tax revenue	345,000	313,067
Non-tax revenue	33,000	35,002
Foreign Grants	4,013	3,454
Total Revenue and Grants	382,013	351,523
Expenditure		
Non-Development Revenue Expenditure	311,190	274,907
Development Expenditure	215,043	202,349
Other Expenditure	41,767	24,321
Total Expenditure	568,000	501,577
Budget Deficit (Excluding Grants)	190,000	153,508
External source (Including Grants)	80,017	56,163
Domestic source	109,983	97,345
Financing of deficit	190,000	153,508

Source: Annual Budget Statement, 2020-21

Economic Review 2019-20

FY 2019-20 (Revised)	VS	FY 2020-21
Total Expenditure		Total Expenditure
501,577 Crore		568,000 Crore
Total Income		Total Income
348,069 Crore		378,000 Crore
GDP Growth		GDP Growth
5.2%		8.2%
Inflation		Inflation
5.63%		5.4%

<https://www.bb.org.bd/econdata/inflation.php>

2. Revenue Collection Synthesis

The revenue collection target has been set in the budget for FY2020-21 at Tk. 378,000 crore (excluding grants) and FY2019-20 budget has been revised by Tk. 348,069 crore. The revenue collection budget is increased by 8.6% (which was 38.2% in preceding year comparing revised budget of FY 2019-20 and actual budget 2018-19). The NBR has been tasked to collect revenue of Tk. 330,000 crore as tax revenue, the non-NBR tax revenue collection target is Tk. 15,000 crore while the non-tax revenue collection target is Tk. 33,000 crore and Tk. 4,013 crore will come from foreign grants. NBR's tax collection target has been increased by 10.2% more than previous year revised budget. There is a slight difference between percentage growth in total

revenue including foreign grants and that excluding foreign grants (8.7% including foreign grants vs. 8.6% excluding foreign grants), although there is a higher target of foreign grants (Tk. 4,013 crore in FY2020-21 against Tk. 3,454 crore in revised budget of FY2019-20, raised by 16.2%). Out of total revenue target (excluding foreign grants) of Tk. 378,000 crore, tax revenue consists of 91.27% and remaining 8.73% is non-tax revenue.

Out of total revenue collection target tax revenue target is Tk. 345,000 crore (which is 10.2 percent higher from the revised target of Tk. 313,067 crore). Among the total tax revenue target value added tax (VAT) will contribute the highest 36.3 percent. Then income tax will contribute 30.1 percent, the second highest share of total tax target. Of the other taxes collected by the National Board of Revenue (NBR), supplementary duty will contribute 16.8 percent, customs duty 11 percent, excise duty 1.1 percent, and other taxes and duties 0.4 percent. The non-NBR taxes in total including the Surcharges (Health Development, Environmental Safety and Information Technology Development) will contribute only 8.7 percent of total tax target, where a new line-item has been added in the budget.

Total income tax revenue target for FY 2020-21 is Taka 103,945 crore which is only 1.0 percent increase over that of revised budget for FY 2019-20. The amount of income tax target in FY2020-21 is 30.1 percent of the total tax target of Tk. 345,000 crore, 31.5 percent of the NBR's tax collection target of Tk. 330,000 crore and 27.5 percent of the total revenue (excluding foreign grants) target of Tk. 378,000 crore. In FY2020-21, income tax will finance 18.3 percent of total expenditure of Tk. 568,000 crore. The income tax GDP ratio was 3.28 percent.



3. Structure of the Finance Act 2019

After the presenting the budget for the FY 2020-21 the Finance Minister in consequence placed the Finance Bill 2020 in the Parliament to effect the fiscal measures proposed in the national budget 2020-21. The Finance Bill



was passed on 29 June 2020 in the Parliament without major changes and Presidential acceptance was given to it on 30 June 2020 and published in the official Gazette on the same day as the Finance Act 2020 (Act No. 09 of 2020). The summaries structure of the Finance Bill 2020 (FB 20) and the Finance

Act 2020 (FA 20) are as follows:

Chapter	Coverage of the Laws	Finance Bill 2020 (placed on 13.6.2019)		Finance Act 2020 (passed on 29.6.2019)	
		Range	No of Section	Range	No of Section
First	Preliminary	1	01	1	01
Second	Excises and Salt Act, 1944 (Act No. I of 1944)	2-7	06	2-7	06
Third	Customs Act, 1969 (Act No. IV of 1969)	8-15	08	8-15	08
Fourth	Income-tax Ordinance, 1984 (Ord. No. XXXVI of 1984)	16-53	38	16-53	38
Fifth	Value Added Tax and Supplementary Duty Act 2012 (Act No. 47 of 2012)	54-81	28	54-81	28
Sixth	Repeal and Custody	82	01	82	01
Seventh	Schedules	--	--	--	--
Eighth	Declaration	--	--	--	--
	Statement regarding Object and Reason	--	--		
Total		1-82	82	1-82	82

Sources: The Finance Bill 2020; The Finance Act 2020.

Government has started implementing the Value Added Tax and Supplementary Duty Act 2012 (VAT-SD Act), the significant changes (about 34%) have been made in the VAT-SD Act considering the number of sections in the Finance Act 2020.

Thereafter, major changes (about 46%) have been made in the Income-tax Ordinance 1984 (ITO) under similar comparison. A review of these changes is presented below.



4. Amendments in the Income Tax Ordinance



Here we describe the salient structural and other changes in the income tax rates and other changes made in income tax laws.

4.1. Structural changes:

According to assessment year 2019-20 there are 23 Chapters, 360 Sections and 7 Schedules. Changes done in IT Ordinance, 1984 by Finance Act, 2020 are:

New sections inserted: 6 sections (sections 16H, 19AAAA, 19AAAAA, 31A, 32A, and 184G)
Existing section deleted: no section deleted;
Existing sections substituted: 3 sections (sections 51, 52Q, and 53BBB);
Existing sections amended: 26 sections (sections 2, 19BBBBB, 28, 30, 33, 42, 46BB, 52, 52A, 52AA, 52C, 52R, 52U, 53BB, 53BBBB, 53E, 56, 68, 68B, 75, 75A, 80, 82C, 124, 158, and 184A); and
Existing Schedule amended: 2 Schedules (First Schedule, and Sixth Schedule).

After amendment, for AY 2020-21, there are 23 Chapters, 366 sections and 7 Schedules.

4.2. Income Tax Rates:

Tax Rate for Non-Corporate Taxpayers:

Rates and slab of income tax for individual (including non-resident Bangladeshi), Hindu undivided family, partnership firm, fund, trust, NGO and every other artificial juridical person (except business of cigarette, bidi, jorda, gul and all tobacco products) are as follows:



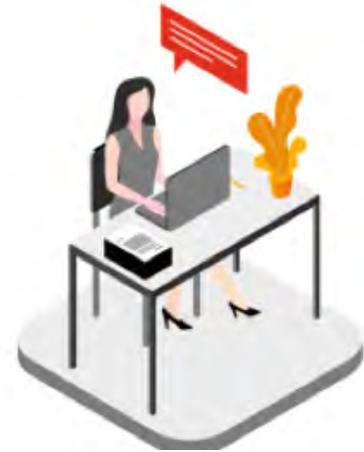
Tax Exempted Income		
Tax Payer	Previous Slab (Tk.)	Current Slab (Tk.)
General Tax Payer	250,000	300,000
Women and senior citizens (65+)	300,000	350,000
Physically challenged persons	400,000	450,000
War-wounded gazette freedom fighters	425,000	475,000
For parents or legal guardians of physically challenged persons, the Nil Tax Limit would be increased by BDT 50,000.		

General Tax Rate			
Income Slabs (Previously)	Income Slabs (Current)	Tax Rate (Previously)	Tax Rate (Current)
Up to Tk. 250,000	Up to Tk. 300,000	Nil	Nil
Next Tk. 400,000	Next Tk. 100,000	10%	5%
Next Tk. 500,000	Next Tk. 300,000	15%	10%
Next Tk. 600,000	Next Tk. 400,000	20%	15%
Next Tk. 3,000,000	Next Tk. 500,000	25%	20%
On balance	On balance	30%	25%

Tax rate for an association of persons is proposed at the rate of 32.5% previously it was as like as individual tax rate.

For an individual who is a non-resident (not non-resident Bangladeshi), the rate of income tax would be 30% on his total income as before.

Tax-free limit of income of all female taxpayers, senior male taxpayers aging 65 years and above is revised at Tk. 3,50,000, previously it was Tk. 3,00,000. Tax free limit of individuals with disability is revised at Tk. 4,50,000, previously it was Tk. 4,00,000 and that of gazetted war-wounded freedom fighters is revised at Tk. 4,75,000, previously it was Tk. 4,25,000. Tax-limit of income of the parents or legal guardian of the person with disability will be Tk. 50,000 higher (for each child with disability) as like before. Only one of the parents can avail the benefit. Any person registered under section 31 of the Persons with Disabilities Rights and Protection Act, 2013 would be considered as "person with disability".



Minimum tax for any individual category of taxpayer has been proposed the same as the one in previous year which is shown below:

Sl. No.	Location of taxpayer	Minimum tax (Taka)
1.	Dhaka North City Corporation, Dhaka South City Corporation and Chittagong City Corporation	5,000
2.	Other City Corporations	4,000
3.	Areas other than City Corporation	3,000

If an individual taxpayer is the owner of small and cottage industry and is engaged in manufacturing in less or least developed area, he/she shall get tax rebate same as previous year which is shown below:

Particulars	Rate of tax rebate
Where in the concerned year the volume of production is between 15% to 25% more than that of the previous year	5% of income tax payable on income from the small and cottage industry
Where in the concerned year the volume of production is more than 25% above of that of the previous year	10% of income tax payable on income from the small and cottage industry

Less and least developed areas have been defined in clauses (b) and (c) of sub-section (2A) of section 45 which are as follows:

- b) if the undertaking is set up in such areas as the Board may, by notification in the official Gazette, specify to be "Least Developed Areas", for a period of nine years beginning with the month of commencement of commercial production of the undertaking;

- c) if the undertaking is set up in such areas as the Board may, by notification in the official Gazette, specify to be "Less Developed Areas", for a period of seven years beginning with the month of commencement of commercial production of the undertaking.
- Additional tax rebate of Tk. 2,000 has been proposed to all the taxpayers who will file their income tax returns online for the first time.

Changes in the Rates of Surcharge:

Individuals having net wealth above Tk. 3 crore has to pay surcharge as like before at the following rates on their net tax payable:

Assessment Year 2019-2020		Assessment Year 2020-2021	
Total net worth	Rate	Total net worth	Rate
Up to Tk. 3 crore	Nil	Up to Tk. 3 crore	Nil
More than Tk. 3 crore but not more than Tk. 5 crore; Or, taxpayer having more than 01 motor vehicles in his/her own name; Or, taxpayer having house property in city corporation measuring more than 8,000 square feet	10%	More than Tk. 3 crore but not more than Tk. 5 crore; Or, taxpayer having more than 01 motor vehicles in his/her own name; Or, taxpayer having house property in city corporation measuring more than 8,000 square feet	10%
More than Tk. 5 crore but not more than Tk. 10 crore	15%	More than Tk. 5 crore but not more than Tk. 10 crore	15%
More than Tk. 10 crore but not more than Tk. 15 crore	20%	More than Tk. 10 crore but not more than Tk. 15 crore	20%
More than Tk. 15 crore but not more than Tk. 20 crore	25%	More than Tk. 15 crore but not more than Tk. 20 crore	25%
More than Tk. 20 crore	30%	More than Tk. 20 crore	30%

Minimum surcharge, if applicable, for individual taxpayer having net wealth more than Tk. 3 crore but not more than Tk. 10 crore or taxpayer owning more than 01 motor vehicles or taxpayer having house property in city corporation measuring more than 8,000 square feet will be Tk. 3,000 for the assessment year 2020-2021 and for the individual taxpayer having net wealth over Tk. 10 crore the minimum surcharge has been retained same at Tk. 5,000 for the assessment year 2020-2021 as in the assessment year 2019-2020. For assesseees having net wealth more than Tk. 50 crore, minimum surcharge will be higher of 0.1% of net worth or 30% of tax payable on total taxable income.

Notes:

- 1) net worth means the demonstrable total net worth, which will be shown in the statement of assets, liabilities, and expenses according to section 80 of Income Tax Ordinance, 1984; and
- 2) motor vehicles mean the private car, zip or microbus.

Manufacturers of cigarette, bidi, jorda, gul and all other tobacco products shall pay 2.5% surcharge on the income earned from the said business.

Corporate Tax Rates:

A brief picture of the corporate tax rates proposed for the assessment year 2020- 2021 and previous assessment year 2019-2020 is shown in the table below:

Sl. No.	Particulars	Assessment year	
		2019-2020	2020-2021
a.	Publicly traded companies (except banks, insurance companies, financial institutions, merchant banks, mobile phone operators and tobacco-based product manufacturing companies)	25%	25%
b.	Non-listed companies including branch offices (except banks, insurance companies, financial institutions, merchant banks, mobile phone operators and tobacco-based product manufacturing companies)*	35%	32.5%
c.	i) Mobile phone operator companies (not publicly traded) *	45%	45%
	ii) Mobile phone operator companies (publicly traded by transfer of 10% share of paid-up capital through stock exchange of which maximum 5% must be through pre-initial public offering)	40%	40%
d.	Banks, insurance companies, financial institutions (except merchant banks) which are publicly traded	37.5%	37.5%
e.	Not publicly traded banks, insurance companies, financial institutions (except merchant banks)	40%	40%
f.	Merchant banks	37.5%	37.5%
g.	Manufacturing companies of cigarette, bidi, jorda, gul and all tobacco products	45%	45%
h.	Any person other than companies engaged in manufacturing of cigarette, bidi, jorda, gul and all tobacco products	45%	45%
i.	Any dividend received from a Bangladeshi registered company or profit repatriation by a foreign company who is not registered in Bangladesh	20%	20%
j.	A Co-operative society registered under the Co-operative Society Act, 2001	15%	15%
k.	An association of persons	Slab rate as like as individual tax rate	32.5%
l.	Manufacturer & exporter of Knitwear and Woven Garments **	12% (10% for factories having 'Green Building Certification')	12% (10% for factories having 'Green Building Certification')
m.	Manufacturer of yarn related to production of fabrics, (dying, finishing & conning of yarn), (Manufacturing, dying, finishing & printing of fabrics or engagement in any other activity in similar nature) ***	15%	15%
n.	Manufacturer of Jute Products ****	10%	10%

* Non-listed companies will receive rebate of 10% in the year of listing if they list at least 20% of their paid-up capital through initial public offering.

** The deadlines of SRO No. 217-Law/Income Tax/2019 dated 23 June 2019 has been extended another 2 years.

*** Vide SRO No. 218-Law/Income Tax/2019 dated 23 June 2019.

**** Vide SRO No. 314-Law/Income Tax/2019 dated 03 August 2019.

- School, College, University and NGO would be subject to excess income tax of 5%, if special arrangement facilitating the disabled persons was not made.
- If an assessee appoints minimum 10% physically handicraft individual of total employee as an appointment authority then such assessee shall get 5% tax rebate on income tax payable.

4.3. Submission of Return (Including Withholding Tax Return) & Obtainment of E-TIN:

- 1) Any person participating in shared economic activities by providing motor vehicle, space, accommodation or any other assets or owning any licensed arms will submit income tax return [Section 75];
- 2) Any individual, who is required to have 12-digit TIN under section 184A will mandatorily submit income tax return (except who has no taxable income but is required to have E-TIN for selling a land or obtaining a credit card) [Section 75];
- 3) Now, University, English Medium School, local authority, artificial juridical person will be required to submit withholding tax return [Section 75A];
- 4) Limit of gross wealth will be increased to Tk. 40 lakh (which was Tk. 25 lakh) for the mandatory submission of statement of assets, liabilities & expenses. A person, not being a shareholder director, may opt not to submit statement of expenses if his total income does not exceed Tk. 4 lakh (previously it was Tk. 3 lakh) [Section 80];
- 5) Obtainment of e-TIN has been made mandatory for participants in Zilla Parishad election or shared economic activities providing motor vehicle, space accommodation or any other assets [Section 184A];

4.4. Special Tax Treatment in Respect of Undisclosed Property, Cash etc.:

- 1) Subject to some conditions, no authority including income tax authority will raise question to the source of income for any investment made in listed securities tradable in capital market, if the assessee pays tax @ 10% on the amount to be so invested [Section 19AAAA];
- 2) Subject to paying certain rate of income tax, no authority including income tax authority will raise any question on investment in land and/or building and/or cash/bank deposits [Section 19AAAAA];
- 3) Special tax treatment for only residential buildings/apartments will now be applicable for any building/apartment [Section 19BBBBB].

4.5. Exemptions & Rebates:

- 1) An Association of Persons will be able to adjust its business loss against its income from any other head. But the proportionate loss cannot be adjusted by its members with their own income, nor can it be carried forward by the members for the purpose of setting off [Section 42 (3A) & (3B)];
- 2) Some new industries will be brought under the umbrella of Tax Holiday, e.g. electrical transformer, artificial fiber, automobile parts or components manufacturing, automation & robotics design, artificial intelligence based design and/or manufacturing, nanotechnology based products manufacturing, aircraft heavy maintenance services including parts manufacturing [Section 46BB(2)];
- 3) Pension and gratuity from only approved funds will be eligible for exclusion from total income [Para 8 & 20 of 6th Schedule, Part A];
- 4) Income earned by alternative investment fund recognized by BSEC will be excluded from total income [Para 54 of 6th Schedule, Part A]. Previously this exclusion was applicable for income earned from alternative investment fund;
- 5) Additional rebate of Tk. 2,000 may be availed in the case of submission of income tax return through online for the first time by the new assessee [Ref: Salient Features published by NBR].

4.6. Relaxation on Submission of AIT and Increase in Tax for Motor Car:

- 1) For a new assessee, if his total income exceeds Tk. 6,00,000; then he will be liable to pay advance income tax; which was previously Tk. 4,00,000 [Section 68];
- 2) Advance tax for motor vehicle will be increased. A comparison between AY 2019-20 tax and AY 2020-21 tax has been outlined below:

Sl. No.	Type and engine capacity	Existing amount of tax (BDT)	Proposed amount of tax (BDT)
1.	A car or jeep not exceeding 1500 cc	15,000	25,000
2.	A car or jeep exceeding 1500 cc but not exceeding 2000 cc	30,000	50,000
3.	A car or jeep exceeding 2000 cc but not exceeding 2500 cc	50,000	75,000
4.	A car or jeep exceeding 2500 cc but not exceeding 3000 cc	75,000	1,25,000
5.	A car or jeep exceeding 3000 cc but not exceeding 3500 cc	1,00,000	1,50,000
6.	A car or jeep exceeding 3500 cc	1,25,000	2,00,000
7.	A microbus	20,000	30,000

4.7. Limiting Allowable Expenditures:

- 1) In the case of a holding company/group of companies, profit for income of subsidiary or associate or joint venture would be excluded from net profit from business or profession for the computation of allowable limit of royalty, technical service fee, technical knowhow fee, technical assistance fee or any fee of similar nature [Section 30(h)];
- 2) Overseas travelling will be allowed up to 0.50% of the disclosed turnover instead of 1.25% thereof [Section 30(k)];
- 3) Promotional expense will be allowed up to 0.50% of the disclosed turnover [Section 30(p)].

4.8. Tax Deducted at Sources (TDS):

- 1) Deduction at source from discount, interest or profit on securities will be at the time of making payment or credit, whichever is earlier [Section 51];
- 2) The amount of deduction at source for distributors will be changed from whose tax has already been deducted under section 53E(3) [Section 52];
- 3) Any sharing economy platform including ride sharing service (though it has already been there), coworking space providing service and accommodation providing service will be subject to deduction of income tax at source [Section 52AA];
- 4) Deduction at source from compensation against acquisition of property will be increased from 2% to 6% and from 1% to 3% [Section 52C];
- 5) Any income including revenue sharing from abroad will be subject to deduction of income tax @ 10%, except foreign remittance earned in abroad as per para 48 of 6th Schedule, Part A and IT Enabled Service as per para 33 of 6th Schedule, Part A [Section 52Q];
- 6) BTRC's income from international phone call will be subject to deduction of tax @ 7.5% [Section 52R];
- 7) Food items and other necessary products which were not subject to deduction of income tax under a local letter of credit will now attract 2% tax deduction at source [Section 52U];
- 8) Export of goods will attract deduction of income tax at source @ 0.5% [Section 53BB & 53BBBB];
- 9) In the case of transaction of shares and mutual fund in the stock exchange, tax @ 0.05% will be deducted

at source and in the case of transaction of other securities, 10% tax will be deducted on commission received or receivable [Section 53BBB];

- 10) Dividend to any non-resident fund or trust would be subject to deduction of income tax @ 20%, instead of 30% [Section 56].

4.9. Minimum Tax:

- 1) TDS from professional service, technical services fee or technical assistance fee and wheeling charge for electricity transmission would be subject to minimum tax [Section 82C];
- 2) Any individual having gross receipt of Tk. 3 crore or more would be subject to minimum tax on gross receipt @ 0.50% [Section 82C].

4.10. Extending Scope of Tax (Capital Gain and Additional Tax on Inconsistency Information):

- 1) Selling of business or undertaking entirely would be now measured with fair market value [Section 2(30)] and capital gain would be computed therefrom [Sections 31A and 32A];
- 2) Difference between actual and shown/claim investment, import and export made will be subject to income tax of equal to 50% of the difference [Section 16H].

4.11. Power of NBR to Extend Time Limit:

The National Board of Revenue (NBR) will be bestowed power upon them in order to extend or condone any time limit as per provision of the Ordinance due to epidemic, pandemic or any other acts of God [Section 184G].

4.12. Others:

- 1) Failure to submit return under section 103A (air transport business of nonresident) would cause to impose penalty under section 124(2);
- 2) If the Commissioner of Taxes agrees to waive the mandatory payment of 10% tax for filing appeal to Tribunal of an assessee, he will give such order within 30 days from the date of receipt of such application of the assessee [Section 158(2)];
- 3) Local authority will be included as employer to be meant for approved provident fund and approved gratuity fund [1st Schedule, Part B



5. Conclusion



A significant change in Income Tax Ordinance, 1984 is adopted through the Finance Act 2020. Six new sections have been inserted, no sections have been deleted, three sections have fully been substituted and twenty-six other sections and two schedules have been amended. For individual assessee, there are changes in the income slabs or corresponding tax rates. This changes appear to benefit the lowest and the highest segments of income earners, leaving out middle-income group people. Analyzing tax measures, individuals with a monthly gross salary between Tk. 60,000 to Tk. 1 lakh would gain the most – a maximum of 62 percent in tax exemption – through this amendment. From a revenue perspective, we need to review which of these taxpayer groups will contribute to higher amounts of revenue. If it is the people whose salary is between Tk. 60,000 and Tk. 100,000, tax revenue might be adversely affected due to an increase in the tax-free income threshold and a decrease in the highest rate of tax. Also, scope of investment of undisclosed income by paying taxes at the rate of 10% has been extended to invest in securities by an individual assessee. Special Tax Treatment in respect of undisclosed property, cash, etc. in a prescribe rate. Existing provision on investment of undisclosed income by any person in the construction or purchase of any residential

building or apartment has been revised to any building. Corporate tax rate structure is not changed except the Non-Publicly Traded Company which is reduced by 2.5 percent and fixed at 32.5%. A good number of incentive measures has newly been introduced or the time limit of existing incentives has been extended for one to five years. Applicability of existing reduced rates of 12% to 15% for manufacturer and exporter of readymade garments have been further extended for another two years. Computation of capital gains from the transfer of business or undertaking has been newly decided. Advance Tax on Car or Jeep is increased by Tk. 10,000 to Tk. 75,000 in accordance of engine capacity. 

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