

The Minimum Tax

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The Minimum Tax has been introduced as per Finance Act 2016 by substituting Section 82-C of Income Tax Ordinance 1984.

The title of the newly substituted section has been termed as Minimum Tax which is applicable in case of sources of Income as mentioned in clause (b) of sub-section (2) of section 82-C and effective from the Assessment year 2016-2017.

The sources of Income as referred to above for Minimum Tax are those sources wherefrom taxes are deducted or collected at sources under different sections mentioned in the above section.

The provisions on the basis of which the Minimum Tax is assessable are the following:

- 1) Tax deducted or collected at source as tax from the income under different sections mentioned in clause (b) of sub-section (2) of Section 82-C. The sections referred to above are 52, 52A, 52AAA, 52B, 52C, 52D, 52JJ, 52N, 52O, 52R, 53, 53AA, 53B, 53BB, 53BBB, 53BBBB, 53C, 53CCC, 53DDD, 53EE, 53F, 53FF, 53G, 53GG, 53H, 53M, 53N, 55.
- 2) Books of account shall be maintained in regular manner in accordance with provision of section 35 for sources of income for which minimum tax is applicable.
- 3) Income from sources for

which minimum tax is applicable under section 82-C, shall be determined in regular manner and tax shall be calculated by using applicable rate on such income. If the tax so calculated is higher than the minimum tax, the higher amount shall be payable on such income (Example-5).

- 4) Income or loss computed in accordance with clause (d) or proviso to clause (d) of sub-section (2) of section 82-C shall not be set off with loss or income, respectively computed for any regular source.

It means loss computed for sources of income for minimum tax shall not be set off against the income of sources of regular income or the income computed for sources of income for minimum tax shall not be set off against loss computed for sources of regular income.

- 5) Where there is regular source of income in addition to income from sources for which minimum tax is applicable, regular tax shall be calculated on the income for regular sources and the tax liability of the assessee shall be the aggregate of the tax determined as minimum tax under sub-section (2) of section 82-C and the regular tax under clause (a) of sub-section (3) of Section 82-C.
- 6) Besides, the minimum tax

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for a firm having a gross receipts of more than fifty lakh or every company shall irrespective of its profits or loss in any assessment year for any reason whatsoever, including the sustaining of a loss or claiming of allowances or deductions (including depreciation) allowed under the ordinance, be liable to pay minimum tax in respect of an assessment year at the prescribed rate as per clause (a) of sub-section (4) of section 82-C (Example-6).

the sources for which tax has been deducted or collected at source and the provisions of sub-section (4) with regard to the provisions of minimum tax for a firm having a gross receipts of more than taka fifty lakh or a company at the prescribed rate, apply then the higher amount of the two shall be the minimum tax of the assessee (Example-8);

The sources of Income as referred to above for Minimum Tax are those sources wherefrom taxes are deducted or collected at sources under different sections mentioned in the above section.

- 7) Where the assessee has an income from sources that is exempted from tax or is subject to reduced tax rate, the gross receipts from sources shall be shown separately and the minimum tax shall be calculated in the manner detailed as under:
 - i) Minimum tax for receipts from sources that are subject to regular tax rate shall be calculated by applying the rate mentioned in clause (a) of sub-section (4) of section 82-C;
 - ii) Minimum tax for receipts from sources that enjoy tax exemption or reduced tax rate shall be calculated by applying the rate mentioned in clause (a) of sub-section (4) of section 82-C, as reduced in proportion to the exemption of tax or the reduction of tax rate;
 - iii) The minimum tax under this sub-section shall be the aggregate of amount under sub-clauses (i) and (ii) as above (Example-7).
- 8) Where the provisions of sub-section (2) with regard to the minimum tax on income from

- 9) Minimum tax under section 82-C shall not be refundable nor shall it be adjusted against refund due for earlier year or years or due for the assessment year from any source, although refund due on regular source of income is refundable and adjustable (Example-4);
- 10) Where any surcharge, additional interest, additional amount etc. is payable under provisions of this ordinance, it shall be payable in addition to the minimum tax (Example-9);
- 11) Where the regular tax calculated for any assessment year is less than the minimum tax under section 82-C, the minimum tax shall be payable (Example-10);
- 12) Where the regular tax calculated for any assessment year is higher than the minimum tax under section 82-C the regular tax shall be payable (Example-11).

The exceptions to the minimum tax with regard to the tax deducted or collected at source for the following sources as referred to earlier are noted below:

Under section 52

- a) Taxes collected from a contractor of an oil company or a sub-contractor to the contractor of an oil company, as may be prescribed;

- b) An oil marketing company and its dealers or agents excluding petrol pump stations.
- c) Any company engaged in oil refinery; and
- d) Any company engaged in gas transmission or gas distributions.

Under Section 53

Tax deducted under section 53 from import of goods by an Industrial enterprise as raw materials for its own consumption.

Under Section 53F

Tax deducted under section 53F from a source other than

the sources mentioned in clause (c) of sub-section (1) and sub-section (2) of that section.

Besides the above exceptions, there are incomes with tax at source deducted or collected which shall be computed and tax shall be calculated for certain sources in the manner as specified in the following:

Sl. No.	Sources of income as mentioned	Amount that will be taken as income	Rate or amount of Tax
1.	Section 52-C tax deducted at source from compensation against acquisition by govt.	Amount of compensation as mentioned in Section 52-C	As mentioned in section 52-C @ 2% on Property in the Pourashava @ 1% on Property outside Pourashava
2.	Section 52D deduction of tax at source from interest on Savings instruments.	Amount of interest as mentioned in Section 52D	at the rate of 5% mentioned in section 52-D
3.	Section 52DDD deduction of tax at source from Export cash subsidy	Amount of export cash subsidy as mentioned in Section 52DDD	At the rate of 3% mentioned in section 52DDD
4.	Section 53 F (1) (C) and (2) Tax deduction at source on interest on savings deposits and fixed deposits	Amount of interest as mentioned in Section 53F	As mentioned in section 53F
5.	Section 53H Tax deducted at source on registration of transfer of property	Deed value as mentioned in section 53-H	As mentioned in section 53H and the rule made there under



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Example-1

Mr. X is an individual. During the Income year ending on 30th June 2016, he imported goods worth 40,00,000 for which tax @ 5% at import stage totaling Tax 2,00,000 has been paid by him.

In the Assessment year 2016-17 he submitted Income tax return with a profit of Tk. 16,00,000/-. There was no item disallowed as per Section-30.

His total Income on import business Tk. 16,00,000/-. Section 82-C is applicable in this case as he dealt in import business with collection of tax at source. His tax liability on Income of Tk. 16,00,000 as is determined on regular manner at slab rate is Tk. 2,05,000.

Tax collection at source Tk. 2,00,000.

The higher of the two amounts is Tk. 2,05,000.

The assessee will have to pay an extra amount of Tk. 5,000 as tax to make the total tax as Tk. 2,05,000 and surcharge etc. will be payable if applicable.

Example-2

His income from import business is 12,50,000 on which taxes payable in regular manner at slab rate Tk. 1,35,000/-.

Tax collected at source Tk. 2,00,000/-

The higher of the two is Tk. 2,00,000/-

So the tax payable is Tk. 2,00,000/- as collected at source, besides other dues like surcharge etc, if applicable.

Example-3

In the year ending on 30th June 2016 an individual had income from savings certificate of Tk. 4,00,000 on which Tax of Tk. 20,000/- @ 5% as per Section 52-D has been deducted. There is no other source of income.

In the assessment year 2016-2017 the tax on this interest income of Tk. 4,00,000 from savings certificate as per section 52-D is Tk. 20,000/- as deducted from source as per proviso to clause (d) sub-section (2) of section 82-C.

Example-4

The income of an individual during the year ended 30th June 2016 was Tk. 3,00,000/- from savings certificate on which tax at source had been deducted @ 5% as per section 52D amounting to Tk. 15,000.

In addition he had received bank interest amounting to Tk. 6,00,000/- on which tax at source had been deducted amounting to a sum of Tk. 60,000/-.

The assessee had no income from any other sources and he had no investment eligible for tax rebate.

The total income and the tax liability of the assessed will be as follows:

Calculation of Tax on regular source of Income:

Bank Interest (Regular Source)	6,00,000
Section 82-C (Savings Certificate) Interest	3,00,000
Total Income	9,00,000

Tax on Regular source of Income

Bank Interest	6,00,000
Less: 0% rate tax on Income at slab rate	2,50,000
Balance	3,50,000

Tax @ 10% on balance 3,50,000	35,000
Tax on Regular Income as above	35,000
Tax deducted at source as per 82-C on Income	15,000
Tax Savings Certificate of 3,00,000	15,000
Total	50,000

Tax refundable on regular source of Income for Bank Interest

Tax deducted at source	60,000
Less: Tax due on the Income from Bank Interest	35,000
Tax Refundable on regular source of Income i. e. Bank Interest	25,000
Total Income (6,00,000 + 3,00,000)	9,00,000

Example-5

An Individual during the year ended on 30th June 2016 had imported goods worth Tk. 20,00,000/- on which tax at source had been paid @ 5% amounting to a sum of Tk. 1,00,000/-. The individual on that import business had made a profit of Tk. 6,00,000/-. Besides, in that income year the individual had income from house property of a sum of Tk. 4,00,000/-.

He had submitted his Income tax return on Universal Self Assessment basis for that Income year.

Example-6

An individual during the year ending on 30th June 2016 had import business of Tk. 20,00,000/- on which tax at source @ 5% had been paid amounting to a sum of Tk. 1,00,000/-. The individual had made a profit of Tk. 8,00,000/- from the said import business. Besides, he had an income of Tk. 4,50,000/- from the house property and he had an income of Tk. 4,00,000/- from savings certificate on which tax @5% amounting to Tk. 20,000/- has been deducted as tax at source. The individual had submitted Tax Return on Universal Self Assessment basis. Determine his total Income and his tax liability for the year.

His Total Income and tax liability will be as follows:

1) Regular source of Income on House Property	4,00,000
Tax liability will be(at Slab rate)	15,000
2) Tax liability on Import business income as per section 82-C:	
Regular source (House Property)	4,00,000
Import business profit as per account	6,00,000
Total Income	10,00,000
Total Tax on Total Income 10,00,000 (at slab rate)	92,500
Less: Tax on Regular Source Income (House Property)	15,000
Balance of Tax on 6,00,000/- Income for Import Business	77,500
At source tax paid on Import business Income:	1,00,000
As per sub-section (2) of Section 82-C the tax liability will be the higher amount of Tk. 77,500 and Tk. 1,00,000	
3) In this case the Total Income of the Individual will be 4,00,000+6,00,000	10,00,000
Total Tax liability will be (15,000+1,00,000)	1,15,000

1) Regular Source of Income:	
House Property	450,000
Tax liability on House Property Income (at slab rate)	20,000
2) Tax liability on Import business Income under section 82-C:	
Regular Source Income (House Property Income)	4,50,000
Import business income as per account	8,00,000
Total Income	12,50,000
Tax on total Income at slab rate	1,35,000
Less: Tax on House Property income (Regular Source)	20,000
Tax on Import business Income (Balance)	1,15,000
As per sub section (2) of section 82-C the higher of the two amounts that is Tk. 1,00,000/- collected at source and Tk. 1,15,000 as above will be the tax on Import Business.	
3) Tax deducted from Interest on savings certificate Tk. 20,000/-	
4) For the Assessment year 2016-17 the Total Income of the Individual will be Tk. 4,50,000+8,00,000+4,00,000 = 16,50,000/-	
Tax liability will be 20,000 + 1,15,000 + 20,000 = 1,55,000/-	

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Example-7

A Pvt. Limited Company during the Income year ending on 30th June 2016, had gross receipts of Tk. 50,00,000 of which the gross receipts of Tk. 40,00,000 was from a source liable to tax @15% and the gross receipts of Tk. 10,00,000 was from a source liable to tax at rate applicable to regular source.

i) Minimum tax on 10,00,000 being receipts from a source where the rate applicable is 0.60% as per sub-section (4) of section 82-C	6,000
ii) Minimum Tax on 40,00,000 being the receipts from sources liable to tax at reduced rate	*10,286
Total Minimum Tax	16,286
* Minimum tax at the rate of 0.60% on Tk. 40,00,000/-	24,000
Minimum tax at reduced rate = 24,000 x 15% / 35%	10,286

Note: Regular Tax rate for Private Co. 35%

Example-8

A Private Limited Company during the Income year ending on 30th June 2016 had imported goods with Tk. 40,00,000/- on which at source the company paid a tax @ 5% amounting to Tk. 2,00,000/-.

The Assessee company had sold the goods for Tk. 75,00,000 and he made a profit of Tk. 8,00,000 as per statement of accounts prepared and audited by a firm of Chartered Accountants.

There was no disallowable expense as per section 30 of the Income tax ordinance and the depreciation claimed by the company and the other expenses claimed were according to the law.

In this case the minimum tax will be as follows:

According to sub-section (2) the minimum tax:

At source deduction was Tk. 2,00,000/-

As per regular method the computed profit for the business was Tk. 8,00,000/-

Tax as a private Ltd. co. @ 35% on Tk. 8,00,000/- is Tk. 2,80,000/-

So as per sub-section (2) the minimum tax would be the higher amount i. e. Tk. 2,80,000/-

According to sub-section (4) the Gross receipts as sale price was Tk. 75,00,000/-

According to sub-section (4), the minimum tax on Gross receipts of Tk. 75,00,000- @ 0.60% = 45,000/-.

As a result the minimum tax for the company as per section 82-C for assessment year 2016-17 will be Tk. 2,80,000 which is the higher amount between the minimum tax computed as per sub-section (2) and as per sub-section (4) of section 82-C.



Example-9

Example (1) the Individual Assessee had a Net Asset of Tk. 3 cr. for which surcharge @ 10% on tax is applicable. As the tax payable by the assessee is Tk. 2,05,000/-. He will have to pay a surcharge of Tk. 20,500/- in addition to the tax payable. So, he will have to pay a total sum of Tk. 2,05,000 + 20,500 = 2,25,500/-

Example-10

A private limited company providing entertainment services to the general public, had received during the year ended on 30th June 2016 a sum of Tk. 75,00,000/- on which as per statement of account the company had shown a profit of Tk. 1,00,000/- There was no disallowable expenses as per section 30 and the company had claimed depreciation as per law and it had no other disallowable expenses.

For assessment year 2016-17:

The regular tax @ 35% on Tk. 1,00,000/- is Tk. 35,000/- minimum tax on receipt of Tk. 75,00,000/- @ 0.60% = 45,000/-

The Minimum tax being more than the regular tax, the tax payable will be tk. 45,000/-

Example-11

Had there been the profit of Tk. 2,00,000/- of the company the regular tax would have been Tk. 70,000/- @ 35%

The Minimum Tax = 45,000/- @ 0.60% on 75,00,000/-

The regular tax being more than the Minimum tax, the tax payable for Assessment year 2016-17 would be Tk. 70,000/- being the higher amount.

To sum up whatever may be the regular or minimum tax as per provisions of section 82-C the higher amount will be taken as the Minimum Tax.

Besides, the Minimum Tax as dealt with above in Section 82-C, the assessee of the Individual group like an Individual, Hindu Undivided Family, Firm, Association of persons, artificial persons created by law etc. will be liable to pay the minimum tax as under:

Whatever may be the tax payable at slab rates as per Schedule (2) first part of Finance Act 2016 the minimum tax payable by an assessee shall not be less than the following amount:

Area of Living	Minimum Tax
Dhaka North City Corporation & Dhaka South City Corporation & Chittagong City Corporation	5,000/-
Other City Corporations excluding the above	4,000/-
Outside the above	3,000/-

Source: Finance Act 2016



The Asian Development Bank (ADB) has approved \$526 million in loans for Bangladesh to help boost infrastructure investment. The multilateral lender said the funds will be used in financing public-private partnership or PPP projects and renewable energy plants.

SOURCE
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