

Handbook on VAT & SD Act 2012

An Overview of VAT Law in Bangladesh

Updated Based on Finance Act 2019

AWC

A. WAHAB & CO.
Chartered Accountants

An Overview of
VAT Law
in
Bangladesh
(Updated Based on Finance Act 2019)

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Preamble

This publication has been intended to give a brief overview of the Bangladesh VAT Law. The information provided is of general nature and not intended to address any specific industry or circumstances. Readers are requested to seek adequately qualified tax professionals to address specific tax situations.

This document has been updated based on Finance Act 2019.

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1. About VAT & SD Act 2012

Previous VAT Act 1991 has been replaced with the VAT and Supplementary Duty Act, 2012 (VAT Act 2012) from 1 July 2019. The VAT Act 2012 was enacted by the Parliament in 2012 but due to several administrative reasons and concerns raised by the business communities, its enforcement had been delayed. Eventually with the Finance Act 2019, the VAT Act 2012 has been made effective from 1 July 2019.

1.1. What is Value Added Tax (VAT)

Value Added Tax or VAT is an indirect tax which is paid by a consumer through a registered person. VAT on particular goods or service is determined on the basis of value addition of the said goods.

1.2. What is Supplementary Duty (SD)

Supplementary Duty means additional duty that is added with conventional duty imposed by government at the stage of import, manufacturing, and supply of services inside Bangladesh.

2. VAT Registration

VAT Act 2012 introduces a new guideline of Registration and Enlistment for the purposes of VAT and Turnover Tax respectively. Under the new requirements, business entities having turnover exceeding BDT 5,000,000 will be required to enlist for Turnover Tax and entities having turnover exceeding BDT 30,000,000 will be required to register for VAT.

2.1. Definition of Turnover

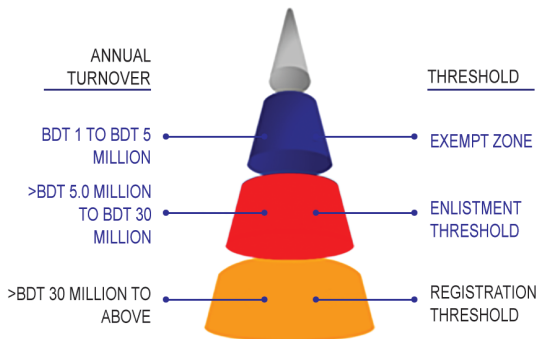
VAT Act 2012 defines turnover as all money received or receivable against the supply of taxable goods or the rendering of taxable services by means of their economic activities. For the purpose of assessing the eligibility for Registration and Enlistment, Turnover shall not include:

- The value of an exempted supply,
- The value of sale of a capital asset,
- The value of supply made as a consequence of permanently closing down an economic activity,
- The value of sale of an organization of economic activities or portion thereof.

2.2. VAT Registration Threshold

Turnover from BDT 5m to 30m are liable for enlistment as turnover tax payer unless there is specific instruction by the government to get VAT registration.

VAT registration must be obtained if Turnover is BDT 30 million and above.



2.3. Mandatory registration requirement

Manufacturer, Importer, Exporter, Participating in tender /contract, Supplier of Supplementary Duty imposed goods, Withholding Entity irrespective of turnover are required by the Act to obtain VAT registration.

According to General Order (GO) no. 17/Mushok/2019 of Section (6) of VAT and SD Act-2012, NBR has ordered the following organizations to be registered irrespective of annual turnover.

Heading No.	H.S Code	Goods/Services
04.01-04.04	Applicable H.S Code	Dairy Products
11.08	Applicable H.S Code	Starch
13.01, 13.02	Applicable H.S Code	Gum
17.02	Applicable H.S Code	Glucose and Dextrose
17.03	Applicable H.S Code	Molasses
17.04	Applicable H.S Code	Lozenge /Chewing Gum
18.06	Applicable H.S Code	Chocolate
19.02	Applicable H.S Code	Noodles & Others Food Items
19.05	Applicable H.S Code	Biscuit, Chanachur, Others Food Items
20.07	Applicable H.S Code	Jam & Jelly
21.03, 21.06	Applicable H.S Code	Pickles & Sauce
25.07	Applicable H.S Code	China Clay
25.21-25.22	Applicable H.S Code	Lime
25.15, 68.02	Applicable H.S Code	Marble Stone
28.24	Applicable H.S Code	Lead Oxide
28.33, 33.07	Applicable H.S Code	Alum
28.39	Applicable H.S Code	Sodium Silicate
29.05	Applicable H.S Code	Glycerin
29.15	Applicable H.S Code	Acetic Acid
29.33	Applicable H.S Code	Melamine
30.1-32.12	Applicable H.S Code	Antiseptic, Disinfectant & Medicine
32.07-32.12	Applicable H.S Code	Pigments, Varnish, Polishes

Heading No.	H.S Code	Goods/Services
32.15	Applicable H.S Code	All Types of Ink
34.01-34.02	Applicable H.S Code	All Types of Soap Including Liquid Soap
34.02	Applicable H.S Code	Detergent
36.05	Applicable H.S Code	Firebox
38.08	Applicable H.S Code	Mosquito Coil
39.21	Applicable H.S Code	Foam
39.23	Applicable H.S Code	Pvc Pipe/Plastic Container
39.26	Applicable H.S Code	Plastic Goods
40.11-40.13	Applicable H.S Code	Tire Tube
40.16	Applicable H.S Code	Rubber Product
42.02-64.03	Applicable H.S Code	Leather Goods
44.09-44.21	Applicable H.S Code	Wooden Goods
44.1	Applicable H.S Code	Particle Board
48.1	Applicable H.S Code	Insulation Board
44.11	Applicable H.S Code	Hardboard
44.12	Applicable H.S Code	Plywood
47.03-47.05	Applicable H.S Code	Pulp
48.18	Applicable H.S Code	Toilet Tissue/Tissue Paper/ Sanitary Napkin
48.19	Applicable H.S Code	Packaging Materials
51.05	Applicable H.S Code	Woolen Fabrics
52.05	Applicable H.S Code	Cotton Yarn
52.08	Applicable H.S Code	Cotton Fabrics
54.04	Applicable H.S Code	Synthetic Fiber
56.07	Applicable H.S Code	Nylon Cord
56.08	Applicable H.S Code	Fishing Net
59-62	Applicable H.S Code	Knitted and Crocheted Fabrics / Socks /Readymade Garments
68.05	Applicable H.S Code	Sand Paper
68.11	Applicable H.S Code	Asbestos
69.05-69.14	Applicable H.S Code	All Types Of Bricks

Heading No.	H.S Code	Goods/Services
69.03	Applicable H.S Code	Carbon Rod
69.05-69.14	Applicable H.S Code	All Types of Ceramic And Porcelain Made Goods
70.13	Applicable H.S Code	Glassware
72.04	Applicable H.S Code	Scrap
72.10-73.26	Applicable H.S Code	All Types of MS Products
72.18	Applicable H.S Code	Steel Ingots
72.25	Applicable H.S Code	Stainless Steel
73.2	Applicable H.S Code	Leaf Spring
73.24	Applicable H.S Code	Sanitary Ware
73.17, 74.15, 76.16, 79.07	Applicable H.S Code	Nails
74.08-76.05	Applicable H.S Code	Copper & Aluminum Ware
76.04-76.06	Applicable H.S Code	Aluminum Fittings
76.07	Applicable H.S Code	Aluminum Foil
78.01	Applicable H.S Code	Lead Ingots
82.08	Applicable H.S Code	Blade
83.11	Applicable H.S Code	Welding Electrode
84.14	Applicable H.S Code	Electric Fan & Its Spare Parts
84.16	Applicable H.S Code	Gas Burner
84.15, 84.16, 85.09, 85.16, 85.28, 85.29	Applicable H.S Code	Air Conditioner, Refrigerator, Television & Other Electronics Goods
85.04	Applicable H.S Code	Electric Transformer
85.06, 85.07	Applicable H.S Code	Dry Cell Battery & Storage Battery
85.07	Applicable H.S Code	Battery Separator
85.28	Applicable H.S Code	Television
85.39	Applicable H.S Code	Electric Bulb
87.14	Applicable H.S Code	Bicycle Parts

Heading No.	Service Code	Services
S001	S001.10	Hotel (Unless Exempted By SRO)
	S001.20	Restaurant (Unless Exempted By SRO)
S002	S002.00	Decorators & Caterers
S003	S003.10	Motor Car Garage & Workshop
	S003.20	Dockyard
S004	S004.00	Construction Firm
S005	S005.10	Warehouse
	S005.20	Port For Import/Export
S006	S007.00	Advertising Firm
S008	S008.10	Printing Press
S009	S009.00	Auction Firm
S010	S010.10	Land Development Organization
	S010.20	Building Construction Organization
S012	S012.10- S012.14	Telephone, Teleprinter, Telex, Fax or Internet Organization
	S012.20	Sim Card Distributor
S013	S013.00	Automated Laundry
S014	S014.00	Indenting Firm
S015	S015.10	Freight Forwarders
	S015.20	Clearing & Forwarding
S017	S017.00	Community Center
S018	S018.00	Film Studio
S020	S020.00	Survey Firm
S021	S021.00	Plants or Capital Machineries Rental Firm
S022	S022.00	Sweet Shop
S023	S023.10	Cinema Hall
	S023.20	Film Producer
S024	S024.10	Production Of Furniture
	S024.20	Sales Center Of Furniture
S026	S026.00	Goldsmith, Silversmith & Trader Of Gold & Silver

Heading No.	Service Code	Services
S027	S027.00	Insurance Company (Except Exempted By SRO)
S028	S028.00	Courier & Express Mail Services
S030	S030.00	Beauty Parlor
S032	S032.00	Consultancy & Supervisory Firm
S033	S033.00	Lessor
S034	S034.00	Audit & Accounting Firm
S035	S035.00	Shipping Agent
S036	S036.10	Ac Bus Service
	S036.20	Ac Launch Service
	S036.20	Ac Train Service
S037	S037.00	Procurement Provider (Unless Exempted By SRO)
S038	S038.00	Organizer of Cultural Programs With Foreign Performer
S039	S039.10	Satellite Cable Operator
	S039.20	Satellite Channel Distributor
S040	S040.00	Security Service Provider
S043	S043.00	Programs Broadcasting Through Television or Online Telecast
S046	S046.00	Health Club & Fitness Center
S047	S047.00	Sports Organizer
S048	S048.00	Transport Contractor (Without Food And Crops Transport)
S049	S049.00	Transport Rental Service
S050	S050.00	Architect, Interior Designer/Interior Decorator
	S050.20	Graphics Designer
S051	S051.00	Engineering Firm
S052	S052.00	Sound & Light Instruments Rent Provider
S053	S053.00	Attending Board Meeting
S054	S054.00	Advertising Through Satellite Channel
S056	S056.00	Banking & Non -Banking Service Provider

Heading No.	Service Code	Services
S057	S057.00	Electricity Supplies (Without Supplying in Irrigation and Cold Storage Service)
S058	S058.00	Chartered Airplane or Helicopter Rental Firm
S059	S059.00	Glass Sheet Planter
S060	S060.00	Buyer of Auctioned Goods
S061	S061.00	Credit Card Service Provider
S062	S062.00	Money Changer
S063	S063.00	Air Conditioned Tailoring Shop and Tailors
S064	S064.10	Amusement & Theme Park
	S064.20	Picnic Spot, Shooting Spot
S065	S065.00	House, Floor, Space Cleaning & Maintaining
S066	S066.00	Lottery Ticket Seller
S067	S067.00	Immigration Consultant
S068	S068.00	Coaching Center
S071	S071.00	Event Management
S072	S072.00	Human Resource Supply or Management
S074	S074.00	Rent of Office or Building For Commercial Purpose
S076	S076.00	Social & Sports Related Club
S078	S078.00	Sales Center of RMG Products
S080	S080.00	Ride Sharing
S099	S099.10	IT Enabled Services
	S099.30	Sponsorship Service
	S099.50	Credit Rating Agency
	S099.60	Online Goods Sale

2.4. Central registration requirement

Supply of identical goods /Services, similar goods / services from different places and maintain books of accounts centrally can apply for central registration.

2.5. Unit registration requirement

Person engaged in the business of different types of

products / services from different places is required to obtain unit registration.

2.6. Voluntary VAT Registration

Any person, making a taxable supply in the process of economic activities who are not required to be registered, may voluntarily make an application to the Commissioner for VAT registration.

2.7. Documents required for registration

There are requirements of some documents to upload in the VAT online system while processing for VAT registration. Application in Mushok-2.1 needs to be filled up along with the following documents as applicable for the person.

- Memorandum and Articles of Association
- Trade License
- BIDA Permission (in case of Liaison Office, Branch office and Manufacturing)
- Certification of Incorporation (RJSC)
- E-TIN of the Company
- E-TIN of the Company Shareholder
- NID/Smart card for local share holder
- Passport of Owner (if 100% Foreign ownership)
- IRC (in case of Importer)
- ERC (in case of Exporter)
- List of Capital Machinery (in case of Manufacturing Co)
- Plan Layout (in case Manufacturing Co)
- Latest Bank Statement
- H.S Code of outputs and Inputs (in case of Manufacturing Co)
- Taxable turnover in past 12 months period

3. VAT Books and Records

VAT Act 2012 requires VAT registered person to maintain records and accounts for 5 years. 100% export oriented company will maintain records for 3 years. In case of unsettled dispute all relevant documents and records need to be maintained until settlement of disputes.

3.1. Basic VAT books and records

Input-output co-efficient form - Mushok-4.3 - Registered persons are required to file Input-Output Coefficient Declaration in Mushak Form 4.3. Input-Output Coefficient Declaration should be filed with the VAT Authority through online system or concerning divisional VAT official 15 days prior to the date of supply. No approval is required from the VAT Authority. Revised declaration required if input price, value addition, sales prices changes by more or less than 7.5%

- Purchase Register - Mushok-6.1
- Sales Register - Mushok-6.2
- In case of Trading business - Maintain Sales & Purchase Register combinedly in the prescribed form - Mushok-6.2.1
- VAT Challan– Mushok 6.3 (Two copies. No need to submit to VAT office)
- Centrally registered person will issue Goods Transfer Challan in prescribed form Mushok 6.5
- Production through Sub contract –
- Mushok 6.4 when raw material will be issued by owner.
- Mushok 6.4 to be issued by sub-contractor when contractual goods will be produced and to be delivered to owner of the goods.
- At the time of delivery of finished goods sub-contractor will also issue Mushok Challan in Mushok 6.3
- VDS Certificate – Mushok-6.6
- Credit Note – Mushok-6.7
- Debit Note – Mushok-6.8

- Sales and purchase of more than Tk. 200,000 should be reported in prescribed form in Mushok-6.10 along with VAT Return or before submission of VAT return
- VAT Return– Mushok 9.1

3.2. Requirement of Software based books and records

In case of turnover 5 crore or above, VAT Books and records should be maintained in the NBR approved VAT software. Computer generated challan, purchase register, sales register, debit note, credit note, VAT return etc. should be printed on daily basis and signed by appropriate authority and maintain the hard copies for 5 years from the end of the tax period

3.3. Tax Invoice (Mushok 6.3)

Every registered supplier is required to issue two copies of serially numbered Tax Invoice (Mushok Challan) on or before the date when VAT becomes payable on the taxable supply containing the following information, namely:–

- a) the date and time of issue of the invoice;
- b) the name, address and Business Identification Number of both the supplier and the buyer if the supply value is greater than BDT 25,000;
- c) description of the goods or services,
- d) quantity of the goods supplied;
- e) the value of the supply (exclusive of VAT and inclusive of VAT);
- f) the VAT- rate applicable to the supply;
- g) the amount of payable VAT; and
- h) any other information prescribed by the Board.

If supply is made from multiple locations, Tax Invoice should be made serial for each location. This number along with the name and address of the location should be mentioned in the Tax Invoices for the supplies made from those locations.

3.4. Tax invoice in case of Progressive or Periodic Supplies

The VAT Act 2012 defines “progressive or periodic supplies” as any supply under contract, lease, hire purchase or license (including finance lease) on the condition of progressive or periodic payment of consideration. VAT imposed on such supplies becomes payable at the earliest of:

- a) when separate invoices are issued for each such supply;
- b) when consideration against each such supply is received in part or in full;
- c) when the price against the series of supplies becomes payable; or
- d) the first day of the tax period to which the payable consideration relates, if it is possible to ascertain the payable amount at that time.

Where a supply of any good is made under a lay-by agreement, separate tax invoices shall be required to be issued against payment of each installment.

3.5. Use of software at various business shops

Value Added Tax and Supplementary Duty Rules -2016, Rule- 118Ka, requires following business organization situated in City Corporation, District level having annual taxable turnover more than 50 lac to use software like as Electronic Fiscal Device(EFD), Sales Data Controller(SDC), Point of Sales(POS). These are as follows:

- Residential Hotel
- Restaurant & Fast-food Shop
- Decorators & Caterers
- Motor Car Garage & Workshop
- Dockyard
- Advertising Firm

- Printing Press
- Community Center
- Sweet Shop
- Goldsmith, Silversmith And Gold & Silver Trader
- Sales Center Of Furniture
- Courier & Express Mail Service
- Beauty Parlor
- Health Club & Fitness Center
- Coaching Center
- Social & Sports Related Club
- Sales Center Of Rmg
- Departmental Store
- Super Shop
- Electric Laundry
- Cinema Hall
- Security Service
- All Business Organization Including Shopping Mall
- Goods or Service as determined by NBR.



4. Input VAT Credit

A registered person shall be entitled to input VAT credit for taxable import and taxable supply made to person for conducting their economic activities except following areas.

- ▷ Purchase of inputs exceeding Tk. 100,000 which is paid without banking channel
- ▷ In case of receiving imported services, if VAT payable on such service is not shown in the VAT return
- ▷ If VAT rebate not taken by next two tax period
- ▷ If goods or services are in the possession of other person
- ▷ If purchase of goods or services not included in the purchase register
- ▷ If BIN, address and name of seller and purchaser are not mentioned in the VAT Challan
- ▷ If Bill of Entry number is not mentioned in the VAT Challan in case of purchase of goods from importer or if there is any discrepancy between VAT Challan and Bill of Entry
- ▷ Goods released through Bank Guarantee
- ▷ Input used for VAT exempted product
- ▷ Turnover tax
- ▷ Supplementary duty paid on production of goods and services
- ▷ VAT rebate not allowed in case of output VAT which is subject to less than 15%
- ▷ Inputs not shown in input-output coefficient
- ▷ Import of spare parts / repair or maintenance related items related to public transport not qualify for rebate unless the economic activity of the person includes the business of transport service or rent a car service
- ▷ Import of entertainment related items not qualify for rebate unless the economic activity of the person includes the business of entertainment
- ▷ If the VAT paid for membership sports, social or entertainment club

In addition, following items will not qualify as input while taking input credit:

- ▷ Land, building, office equipment, machinery, furniture & fixture, extension, modernization, repair
- ▷ All types of office supplies, stationeries, refrigerator, freezer, generator purchase and maintenance
- ▷ Interior design
- ▷ Car rental or lease
- ▷ Entertainment, refreshment, workers welfare, workers development related work
- ▷ Office / show room rent by whatever name called.

4.1. Documents needed for input tax credit

- In case of an import, a bill of entry bearing the name and the BIN No. of Importer,
- For supply, a tax invoice (Mushok 6.3) issued by the supplier
- For withholding entity, a combined tax invoice and withholding certificate issued by the supplier
- In case of purchase from an importer, the B/E No. and Description of goods in Mushok 6.3 will be the same as in B/E
- Name, Address and BIN of both Seller and Buyer to be written in Mushok 6.3

4.2. Time limit for input tax credit

Every claim of an input tax credit by a registered person shall be made either in the tax period in which VAT is paid or within the two succeeding tax periods, and such claim of input tax credit thereafter shall be time barred.

4.3. Credit of Advance Tax paid at import

Importers are required to pay Advance Tax at 5% (except where NBR has given exemption) on taxable imports on the value determined for taxable imports. Such Advance Tax can be shown as decreasing adjustment within the concerning VAT period or 2 succeeding VAT periods.

4.4. Partial Input Tax Credit

Where a registered person pays or is liable to pay a part of the consideration for a taxable supply, an input tax credit can be claimed against an import or acquisition in a tax period, using the following formula:

$$\text{Partial Input Tax Credit Amount} = I \times T/A$$

Where,

I = Total input tax on import or acquisition in a tax period

T = Total value of all taxable supplies in that tax period

A = Total value of all supplies in that tax period

A registered company makes total sales Tk. 9,000/- consisting of taxable supply of Tk. 6,000 & exempted supply of Tk. 3,000. The total Value of inputs on which VAT was paid, was Tk. 6,300/-. If standard VAT rate is 15%, what will be the amount of creditable input tax?

Total amount of input Tax,	I	= 6,300 * 15/115 = 821.74
Total Taxable Supply,	T	= 6,000
Total Supply,	A	= 9,000
Therefore, Partial Input tax Credit		= $I \times T/A$
		= 821.74 x 6000/9000
		= 821.74 x 0.6667
		= 547.85

5. Advance Tax (AT) Exemption

Government has exempted payment of advance tax in the following cases.

- ▷ Imported goods not for sale by Government, Semi government, autonomous instructions, UN concerned organizations, embassy, special person or organization who/which is exempted by government.
- ▷ Import by 100 % export oriented organization including deemed exporter who has Bond License under Customs ACT-1969 , Section -13.
- ▷ Goods imported by name of President under Presidents Act-1975
- ▷ Goods imported as relief according to S.R.O no -61/ AIN/92/1444/customs
- ▷ Goods imported for blind & deaf disables person according to S.R.O no-36/AIN/93/1502/customs
- ▷ Goods imported as Defense store of Internal Resource Division (IRD) of Ministry of Finance.
- ▷ Goods imported for government project approved by National Board of Revenue(NBR)
- ▷ Goods imported according to S.R.O No-202-AIN/95/1639/ kas of Internal Resource Division (IRD) of Ministry of Finance. Date: 28/11/1995.
- ▷ Goods imported as inputs for electricity production of government approved organizations.
- ▷ Capital machineries imported by registered manufacturer according to Customs Act-1969
- ▷ According to S.R.O No -158/AIN/2017/44/Customs, Date: 02/06/2016, Imported firefighting equipment.
- ▷ Insecticides product against HS code of 3808.91.10, 3808.92.10, 3808.93.10 use in Agriculture.
- ▷ Preventing Malaria, TB, Cancer, Leprosy medicines, Antibiotic, Toxin & Cardiovascular medicine , Anti-hepatic, Anti-hepatic encephalopathy, Homeopathic,

Biochemical, Psychotropic medicines, Anesthetic, Ether anesthetic bp/usp, Ethyl chloride bp, Suksamethlious bromide/ fluoride, thiopentone, Sodium Jilokain/ Lidokain whether or not associated with adrenalin, prochain hydrochloride, adrenalin, Dialysis fluid of kidney disease, Cyclosporine for kidney transplant and Erythropoietin (H.S. Code 3002.11.00, 3002.13.00, 3002.14.00, 3002.15.00, 3002.19.00, 3002.90.00, 3003.10.00, 3003.20.00, 3003.31.00, 3003.39.10, 3003.39.90, 3003.41.00, 3003.42.00, 3003.43.00, 3003.49.10, 3003.49.90, 3003.90.91, 3003.90.99, 3004.10.00, 3004.20.10, 3004.20.90, 3004.31.00, 3004.32.00, 3004.39.10, 3004.39.90, 3004.41.00, 3004.42.00, 3004.43.00, 3004.49.10, 3004.49.90, 3004.50.00, 3004.90.20)

- ▷ Preventing Malaria, TB, Cancer, Leprosy medicines Antibiotic, Toxin & Cardiovascular medicine, Anti-hepatic, Anti-hepatic encephalopathy, Dialysis solutions of kidney, drags for Thalassemia (H.S. Code 3004.90.91),
- ▷ Artificial joints (H.S. Code 9021.31.00) Hearing aids, excluding parts & accessories (H.S. Code 9021.40.00), Pacemaker for stimulating heart muscles (H.S. Code 9021.50.00), Streptokinase (H.S. Code 3507.90.10) Carriages for disable person not mechanically propelled (Wheel chair) (H.S. Code 8713.10.00), Heart valve (H.S. Code 9021.90.10), Operation lamp (H.S. Code 9405.40.10) Vaccine (H.S. Code 3002.20.00, 3002.30.00), Insulin Pen (H.S. Code 9018.39.20)

6. VAT Exemption for 100% Export Oriented Company

Like VAT Act 1991, VAT & SD Act, 2012, Government has given exemption to 100% export oriented company, 100% deemed exporter, organization situated in EPZ from payment of VAT for consumption of the following goods & services:

H.S Code	Description of Goods/Services	Remarks
S2711.21.00	Natural Gas	
S025.00	WASA	
S037.00	Procurement Provider	
S040.00	Security Service	
S048.00	Transportation Contractor	
S049.00	Rent of Vehicles	
S057.00	Electricity Distributor	
S099.10	IT Enabled Service	
-	Labor Welfare & Entertainment	
-	Laboratory Test Charge	
-	Services Receiving From Outside Of Bangladesh	
S005.00	Port	
S015.10	Freight Forwards	
S015.20	Clearing & Forwarding Agency	
S035.00	Shipping Agent	
S012.10	Telephone used only for export – 2 telephone, 1 telex and 1 fax	
S027.00	Insurance Company	Fire Insurance only
S028.00	Courier and express mail service	Only for sample
S056.00	Banking and non-banking service	Commission, fee related to export

7. Types of VAT Rates

- ▷ Standard VAT rate 15%
- ▷ Trade VAT rate 5%
- ▷ Truncated VAT Rate - 3rd Schedule - 5%, 7.5%, 10%
 - Trading stage VAT for Medicine – 2.4%
 - Trading stage VAT for Petroleum – 2%
 - Land Development – 3%
 - Apartment sale or transfer by Real Estate Developer – 2% (upto 1600 sft), 4.5% (from 1601 sft and above)
- ▷ Re-registration of any size– 2%
- ▷ Packaged VAT system has been abolished.
- ▷ Fixed Amount of VAT for newsprint, bricks, M.S. Product and SIM cards.
- ▷ Turnover tax rate – 4%

8. Withholding VAT / VAT Deduction at Source

- ▷ No VAT will be deductible if the goods or services are supplied by VAT registered person at 15% mentioning the rate of VAT in the VAT challan.
- ▷ Full amount of VAT is deductible if the goods or services are supplied at reduced rate (i.e. less than 15%).
- ▷ After deduction VAT amount should be deposited within 15 days of deduction. Withholding Entity will issue VDS certificate (3 copies) in Mushok 6.6 Form within 3 days of deposit. VDS is not required in case of purchase of Fuel, Gas, Water (WASA), Electricity, Telephone, Mobile bill.

8.1. Who are required to deduct VAT at sources

Following entities are eligible to withhold VAT at source.

- Govt. Authority
- Semi Govt. Authority
- Autonomous Body
- Local Authority
- NGO registered with NGOAB or Social Welfare Department
- Govt. Owned Enterprise
- Bank
- Non-Banking Financial Institution
- Insurance Company.
- Limited Company
- Education Institution (post-secondary)

9. Filing VAT Return / Turnover Tax Return

Every registered person file VAT Return in prescribed form – Mushok 9.1 to submit the VAT return.

- ▷ VAT Return to be submitted online / hard copy centrally for centrally registered unit.
- ▷ Sales and purchase of more than Tk. 200,000 should be reported in prescribed form Mushok-6.10 along with VAT Return
- ▷ VAT payment will be done before submission of VAT Return which is due on 15th of next month.
- ▷ Advance VAT paid on import will be shown as reducing adjustment in the VAT Return
- ▷ 10% of VAT payable for July will be adjusted from the positive balance of current account as of 30 June 2019 as reducing adjustments as per rule 118 of VAT Rules 2016

**Net payment = VAT Payable on sales –
input VAT eligible for rebate –decreasing
adjustment + increasing adjustment**

9.1. Delayed filing of VAT return

The Commissioner may, on an application made within such time, on such terms and in such manner as may be prescribed, grant a person permission to file a return at a later date, but such permission shall not extend the actual date for payment of taxes beyond more than 1 (one) month or shall not alter the liability to pay 2 % interests at simple rate monthly.

9.2. Revised return

VAT Act 2012 permits a VAT registered person to submit revised return. Revised return could be submitted for error (other than fraud) within 4 years from date of submission of VAT return. It should be submitted to Commissioner through online or hard copy through Mushok 9.4

9.3. Turnover Tax return

Every turnover tax registered person file Turnover Tax Return in prescribed form – Mushok 9.2 in the quarterly basis within 15 days of the end of the quarter and pay 4% on its turnover.

Period	Due date
Jan to March	By 15 April
April to June	By 15 July
July to Sep	By 15 Oct
Oct to Dec	By 15 Jan

10. Concept of Fair Market Value (FMV)

In the context of the VAT Act 2012, fair market price is relevant in the following scenarios:

- ▷ To determine the value of free samples above the allowable limit of BDT 20,000 per fiscal year;
- ▷ When assessing the consideration of imported services obtained from or supplied by a related person;
- ▷ When taxable supply is made to an associate for no consideration or consideration which is less than fair market price and also if the associate cannot take full input VAT credit;
- ▷ Supplies of service or immovable property to any employee without a consideration or at a price less than the fair market price;
- ▷ Imposition of Supplementary Duty on the supply of any goods or service subject to Supplementary Duty which is made without any consideration or with inadequate consideration
- ▷ When quantity of goods subject to Supplementary Duties is identified during an audit to have not been accounted properly; or
- ▷ Transfer of immovable property by a property developer to the land-owner.

- Transaction between unrelated parties:

Value obtained in case of supply of goods / services between unrelated parties in the normal course of business would be considered as fair market value.

- Transaction between related parties:

Value received for identical or similar goods / services would be considered as FMV if it does not increase or decrease by 10% from the transaction value between unrelated parties at the same terms and conditions. If Value received increase or decrease by more than 10% from the transaction value between unrelated parties at the same terms and conditions for the same supplies then Fair Market Value method will be applied by VAT authority.

11. VAT Exempted Goods & Services

Similar to the previous VAT Act 1991, VAT Act 2012 provides VAT exemption on certain goods and services through the First Schedule as well as specific exemptions through statutory orders. Services exempted from VAT are broadly categorized as follows:

- ▷ Basic services for livelihood - agricultural services e.g. farming, irrigation of farmlands, storage of agricultural goods and animal products excluding warehouses, etc.
- ▷ Social services - e.g. Government and private healthcare services, Government education services etc.
- ▷ Cultural services - e.g. radio or television broadcasting.
- ▷ Financial services - stock or security exchange institution, life insurance policy and deposit or savings at banks or financial institutions.
- ▷ Transportation services - e.g. passenger transport, goods transport, airlines, ambulance services except certain cases such as shipping agent, courier services, freight forwarder, charterer of aircraft or helicopter etc.
- ▷ Personal services - e.g. journalist, actor, singer, driver, operator, designer, etc.
- ▷ Other services - e.g. services for any religious activity or programs, land purchase or transfer and its registration, stevedoring activities, etc

12. Interest & Penalty

12.1. Interest

2% simple interest per month is payable from due date to actual payment date in case of failure to pay VAT within prescribed time limit provided that 2% half yearly interest will be calculated for delayed deposit of VDS amount.

12.2. Penalty

Scenario	Amount of Penalty
Non submission of application for VAT registration	Tk. 10,000
Non displaying registration certificate	Tk. 10,000
Not informing VAT Commissioner about changes in economic activity	Tk. 10,000
Failure to file return within prescribed timeline	Tk. 10,000
Failure or irregularities to mention output tax in the return	Twice the amount of undisclosed output tax
Excess claim of input tax	Twice the amount of input tax
Excessive decreasing adjustment / reducing the increasing adjustment	Twice the amount of increasing / decreasing adjustment
Failure to issue VAT challan, credit note, debit note, VDS certificate	Tk. 10,000
Failure to maintain records as per the Act	Tk. 10,000
Failure to pay the deposit (in case of appeal)	Tk. 10,000
Evasion of VAT	Twice the amount of evasion

13. Filing and Disposal of Appeal

Situation	Appeal to	Timeframe	Requirement of Deposit	Timeline for disposal of Appeal
Aggrieved by the order of Additional Commissioner or below such ranking (Ref Sec 121)	Commissioner Appeal	Within 90 days	10% of demand amount	Within 1 year
Aggrieved by the order of Commissioner or Commissioner Appeal (Ref Sec 122)	Appellate Tribunal	Within 90 days	10% of demand amount	Within 2 years
Aggrieved by the order of Appellate Tribunal or NBR (Ref Sec 124) for question of law	High Court	Not mentioned	10% of demand amount	Not specified

14. VAT Refund for Diplomatic Mission / International Organization

As per VAT & SD Act 2012, Diplomatic Mission / International Organization (like Foreign Embassy, UN Organization, and Organizations established under international convention) can claim VAT refund. Such organization would be eligible for VAT refund that was paid on purchase of goods or services for official purpose. Authorized representative will submit the application in prescribed form within 6 months of payment along with supporting documents as applicable. Commissioner will examine the documents and pass necessary orders within 2 months in case of application through online / within 3 months in case of application through hard copy. If there is any discrepancy found in the documents, the claimant will be served a notice of being heard before passing the order.

15. VAT Refund for Foreign Tourist

VAT & SD Act 2012 has kept a provision for VAT refund to Foreign Tourist on fulfillment of the following conditions.

- ▷ Foreigner must stay in Bangladesh less than 180 days
- ▷ Not a crew of any air lines
- ▷ Depart from Bangladesh through International Airport
- ▷ Purchased goods from VAT Refund for Tourist specified shops
- ▷ Purchase was not made for consumption in Bangladesh
- ▷ Price of the product exceeds Tk. 5,000 (excluding VAT)
- ▷ Depart from Bangladesh within 3 months of purchase
- ▷ VAT Refund certificate to be issued in Mushok 10.2 by seller

Refund claim to be made at VAT Refund Counter at the International Airport.

16. VAT Rates on Various Services

Sl.	Service Code	Service Provider	Rate of VAT
1	S 001.20	Hotels Including Club	7.5%
2	S 001.20	Restaurant (including club) with Air Condition	15%
3		Restaurant (including club) without Air Condition	7.5%
4	S 002.00	Decorators and Caterers	15%
5	S 003.10	Motor Car Garage & Workshop	10%
6	S 003.20	Dockyard	10%
7	S 004.00	Construction Works / Firms (Builders)	7.5%
8	S 005.10	Warehouse	15%
9	S 005.20	Port for Import or Export	15%
10	S 007.00	Advertisement Firm	15%
11	S 008.10	Printing Press	10%
12	S 009.00	Auction Firm	10%
13	S 010.10	Land Development Organization	3%
14	S 010.20	Building construction organization — 1-1,600 sq. feet — Over 1,601 sq. feet Re-registration (Other than first time sale)	2% 4.5% 2%
15	S 011.10	Video Cassette Shop	15%
16	S 011.20	Video Games Shop	15%
17	S 011.30	Video, Audio Recording Shop	15%
18	S 011.40	Video and Audio CD Rent Provider Shop	15%
19	S 012.10	Telephone Service Provider	15%
20	S 012.11	Tele-Printer Service Provider	15%
21	S 012.12	Telex Service Provider	15%
22	S 012.13	Fax Service Provider	15%
23	S 012.14	Internet Service Provider	5%
24	S 012.20	SIM Card Distributors	Tk.200 /pcs

Sl.	Service Code	Service Provider	Rate of VAT
25	S 013.00	Automated Laundry	10%
26	S 014.00	Indenting Service Firm	5%
27	S 015.10	Freight Forwarders	15%
28	S 015.20	Clearing and Forwarding Agent	15%
29	S 017.00	Community Center	15%
30	S 018.00	Film Studio	10%
31	S 020.00	Survey Firm	15%
32	S 021.00	Plants or Capital Machineries Rental Firm	15%
33	S 022.00	Sweet Shop	15%
34	S 023.10	Cinema Hall or Film Distributor	10%
35	S 023.20	Film Producer	10%
36	S 024.20	Sales Center of Furniture - at the Time of Production	7.5%
37		Sales Center of Furniture - at the time of marketing subject to Treasury Challan for 7.5% at production	5%
38	S 025.00	WASA	15%
39	S 026.00	Goldsmith, Silversmith and Gold & Silver Trader	5%
40	S 027.00	Insurance Company	15%
41	S 028.00	Courier & Express Mail Service	15%
42	S 030.00	Beauty Parlor	15%
43	S 031.00	Repairing or Servicing of Taxable Goods	10%
44	S 032.00	Consultancy Firm and Supervisory Firm	15%
45	S 033.00	Lessor	15%
46	S 034.00	Audit and Accounting Firm	15%
47	S 035.00	Shipping Agent	15%
48	S 87.02	Air-conditioned Bus Service (36 Seat)	5%
49	S 036.20	Air-conditioned Launch Service	5%
50	S 036.30	Air-conditioned Railway Service	15%

Sl.	Service Code	Service Provider	Rate of VAT
51	S 037.00	Procurement Provider	7.5%
52	S 038.00	Organizer of Cultural Programs with Foreign Performers	15%
53	S 039.10	Satellite Cable Operators	15%
54	S 039.20	Satellite Channel Distributors	15%
55	S 040.00	Security Service Provider	10%
56	S 042.00	Automated Saw- Machine	10%
57	S 045.00	Legal Advisors	15%
58	S 046.00	Health Club and Fitness Center	15%
59	S 047.00	Sports Organizer	10%
60	S 048.00	Transport Contractor - for Carrying Petrol	5%
61	S 048.00	Transport Contractor – Without Petrol	10%
62	S 049.00	Transport Fare or Rent- a-Car	15%
63	S 050.10	Architect, Interior Designer or Interior Decorator	15%
64	S 050.20	Graphics Designer	15%
65	S 051.00	Engineering Firms	15%
66	S 052.00	Sound and Lighting Instruments Rent Providers	15%
67	S 053.00	Presence at Board Meeting	10%
68	S 054.00	Advertisement Through Satellite Channel	15%
69	S 056.00	Banking and Non- Banking Service Provider	15%
70	S 057.00	Electricity Supplier	5%
71	S 058.00	Chartered Airplane or Helicopter Rental Firm	15%
72	S 059.00	Glass Sheet Manufacturer	15%
73	S 060.00	Buyer of Auctioned Goods	7.5%
74	S 061.00	Credit Card Supplying Organization	15%
75	S 062.00	Money Changer	15%

Sl.	Service Code	Service Provider	Rate of VAT
76	S 063.00	Air-conditioned Tailoring Shop	10%
77	S 064.10	Amusement and Theme Park	7.5%
78	S 064.20	Picnic Spot and Shooting Spot	15%
79	S 065.00	House, Floor & Space Cleaning and Maintenance Organization	10%
80	S 066.00	Lottery Ticket Seller	10%
81	S 067.00	Immigration Advisor	15%
82	S 068.00	Coaching Center	15%
83	S 069.00	English Medium School	5%
84	S 071.00	Event Management	15%
85	S 072.00	Human Resource Supply or Management	15%
86	S 074.00	Rent of Office Space or Building Used for Commercial Purpose.	15%
87	S 076.00	Social and Sports Related Club	10%
88	S 078.00	Sales Center of RMG of Own Brand	7.5%
89	S 079.00	Virtual Business	7.5%
90	S 080.00	Ride Sharing	5%
91	S 099.60	Online Goods Sale	5%
92	S 099.10	Information Technology Enabled Services	5%
93	S 099.20	Other Services	15%
94	S 099.30	Sponsorship Services	15%
95	S 099.50	Credit Rating Agency	7%

17. SD Rates on Services

There are certain services where supplementary duty is applicable, namely:—

Sl. No	Service Code	Name of Services	Rate of SD
1	S001.10	Hotel (For Alcohol sale)	20%
2	S001.20	Restaurant (For Alcohol sale)	20%
3	S012.10	Sim Card Sales	10%
4	S038.00	Event with foreign Artist (If not done under agreement for cultural activities between countries)	10%
5	S039.20	Satellite Channel Distributor	25%
6	S044.00	Registration, root permit, fitness certificate , registration certificate, renewal fee of BRTA (except public transport, transport for carrying goods/ lorry, three wheeler, ambulance and school bus)	10%
7	S058.00	Chartered Biman (without air ambulance)	25%

Forward your questions to

A. Wahab & Co.

19, Road: 13C, Block: E, Banani,

Dhaka 1213, Bangladesh

Phone: 88-02-982-1943, 88-02-982-1946,

88-02-982-1950

Web: www.awahabco.com

Email: nwahab@awahabco.com, wahab_co@agni.com,

k.mahboob@awahabco.com



Corporate Office

Plot: 19, Road: 13C, Block: E
Banani, Dhaka 1213
BANGLADESH

Phone: +88-02-982-1943, 982-1946

Email: info@awahabco.com

Registered Office

Hotel Purbani Annex 2, 4th Floor
1 Dilkusha C/A, Dhaka – 1000
BANGLADESH

Phone: +88-02-958-5626, 957-5293

Email: info@awahabco.com