



Bangladesh
Tax Guide
2015/16

FOREWORD

A country's tax regime is always a key factor for any business considering moving into new markets. What is the corporate tax rate? Are there any incentives for overseas businesses? Are there double tax treaties in place? How will foreign source income be taxed?

Since 1994, the PKF network of independent member firms, administered by PKF International Limited, has produced the PKF Worldwide Tax Guide (WWTG) to provide international businesses with the answers to these key tax questions.

As you will appreciate, the production of the WWTG is a huge team effort and we would like to thank all tax experts within PKF member firms who gave up their time to contribute the vital information on their country's taxes that forms the heart of this publication.

The PKF Worldwide Tax Guide 2015/16 (WWTG) is an annual publication that provides an overview of the taxation and business regulation regimes of the world's most significant trading countries. In compiling this publication, member firms of the PKF network have based their summaries on information current on 1 January 2015, while also noting imminent changes where necessary.

On a country-by-country basis, each summary such as this one, addresses the major taxes applicable to business; how taxable income is determined; sundry other related taxation and business issues; and the country's personal tax regime. The final section of each country summary sets out the Double Tax Treaty and Non-Treaty rates of tax withholding relating to the payment of dividends, interest, royalties and other related payments.

While the WWTG should not to be regarded as offering a complete explanation of the taxation issues in each country, we hope readers will use the publication as their first point of reference and then use the services of their local PKF member firm to provide specific information and advice.

Services provided by member firms include:

- Assurance & Advisory;
- Financial Planning / Wealth Management;
- Corporate Finance;
- Management Consultancy;
- IT Consultancy;
- Insolvency - Corporate and Personal;
- Taxation;
- Forensic Accounting; and,
- Hotel Consultancy.

In addition to the printed version of the WWTG, individual country taxation guides such as this are available in PDF format which can be downloaded from the PKF website at www.pkf.com

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MEMBER FIRM

For further advice or information please contact:

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BASIC FACTS

Full name:	People's Republic of Bangladesh
Capital:	Dhaka
Main languages:	Bengali, English
Population:	156,594,962 (2013 estimate)
Major religion:	Islam
Monetary units:	Bangladesh Taka (BDT)
Internet domain:	.bd
Int. dialling code:	+880

KEY TAX POINTS

- In Bangladesh, the principal taxes are Customs Duty, Value-Added-Tax (VAT), Supplementary Duty and personal income taxes and corporate income taxes.
- The standard rate of VAT is 15% levied on transaction value of most of the imports and supplies of goods and services.
- For Bangladesh tax purposes, income is categorised into seven areas, namely, salaries, interest on securities, income from house property, income from agriculture, income from business or profession, capital gains and income from other sources.
- Among direct taxes, income tax is one of the main sources of revenue. It is a progressive tax system. Income tax is imposed on the basis of ability to pay. "The more a taxpayer earns the more he should pay" is the basic principle of charging income tax. It aims at ensuring equity and social justice. The top income tax rate for individuals is 30%.
- For the 2014/15 tax year (1 July 2014 to 30 June 2015) the top corporate tax rate was 45% which also applies to banks, financial institutions and insurance companies. Publicly traded companies registered in Bangladesh are charged at a lower rate of 27.5%.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

The National Board of Revenue (NBR) is the central authority for tax administration in Bangladesh.

Administratively, it is under the Internal Resources Division (IRD) of the Ministry of Finance (MoF) which is split into 4 divisions, namely, the Finance Division (FD); the Internal Resources Division (IRD), the Banking Division (BD) and the Economic Relations Division (ERD).

Each division is headed by a Secretary to the Government. NBR is responsible for formulation and continuous re-appraisal of tax-policies and tax-laws in Bangladesh. Negotiating tax treaties with foreign governments and participating in inter-ministerial deliberations on economic issues having a bearing on fiscal policies and tax administration are also the NBR's responsibilities. Its main responsibility is to mobilize domestic resources through collection of import duties and taxes, VAT and income tax for the government. Side by side with the collection of taxes, facilitation of international trade through quick clearance of import and export cargoes has also emerged as a key role of NBR.

Other responsibilities include administration of matters related to taxes, duties and other revenue related fees/charges and prevention of smuggling.

Under the overall control of IRD, NBR administers the excise, VAT, Customs and income tax services consisting of 3,434 officers of various grades and 10,195 supporting staff positions.

COMPANY TAX

The following rates apply to the taxation of the following companies:

- 27.5% Publicly Traded Company;
- 37.5% Non-publicly Traded Company;
- 42.5% Bank, Insurance & Financial Company (Except merchant bank);
- 37.5% Merchant bank;
- 5.0% Cigarette manufacturing company;
- 40.0% Publicly traded cigarette company;
- 45.0% Mobile Phone Operator Company
- 40.0% Publicly traded mobile company.

If any publicly traded company declares more than a 20% dividend, the tax rate is 24.75%, whereas if a company declares less than 10% it is 37.5%.

If any non-publicly traded company transfers a minimum of 20% of its paid-up capital (shares) through an IPO (Initial Public Offering) it receives a 10% rebate on the total tax in the year of transfer.

ADMINISTRATION

Company Tax Returns should be submitted by 15th day of July next following the income year or, where the 15th day of July falls before the expiry of six months from the end of the income year, before the expiry of such six months.

The consequences of not submitting a tax return (including a return of withholding tax) are that a penalty arises of 10% of the tax of a tax payers last assessed income (subject to a minimum of BDT 1,000/-) and in the case of continuing default, a further penalty of BDT 50/- is levied for every day of delay. There are also penalties for using a false Taxpayer Identification Number (TIN).

There is a formal dispute resolution system for taxpayers in Bangladesh, and where a return has been submitted under the normal scheme a taxpayer can make his case at a Hearing, where a decision (assessment) with then be made.

For returns submitted under the Universal Self-Assessment Scheme, the issue of an acknowledgement slip is determined to be an Assessment Order. Universal Self-Assessment is subject to audit.

PERMANENT ESTABLISHMENT IMPLICATIONS

There is the potential that a permanent establishment (PE) could be created as a result of extended business travel, but this would be dependent on the type of services performed and the level of authority the employee has. The concept of PE primarily exists in tax treaties.

VALUE ADDED TAX (VAT)

VAT is levied on the importation of goods and the making of taxable supplies in the course of carrying out a taxable activity. The standard rate is 15%.

Reduced rates are available depending on the nature of the taxable supply, which ranges from 0% to 15%. VAT operates in Bangladesh partly as a sales tax.

FRINGE BENEFITS TAX

There is no separate Fringe Benefits Tax, however, all benefits received by an employee who is resident in Bangladesh, or for services rendered in Bangladesh, are taxable.

INCENTIVES

A tax rebate of 15% of the allowable investment can be received depending on the investment satisfying certain conditions.

B. RELATED PARTY TRANSACTIONS

Transfer pricing was introduced into Bangladesh tax laws in 2012.

C. EXCHANGE CONTROL

Expatriates are allowed to open foreign currency bank accounts in Bangladesh and remit a portion of their post-tax earnings through proper banking channels after obtaining necessary permissions from the central bank. The balance can be taken out when leaving the country permanently.

D. PERSONAL TAX

An individual is treated as a resident of Bangladesh if they stay in Bangladesh for 182 days or more in any income year; or 90 days or more in an income year if that person has previously resided in Bangladesh for a period of more than 365 days during the 4 preceding years.

Residence is determined in Bangladesh purely on the period of presence in Bangladesh, irrespective of residency in other countries. Short term visitors and dependents of foreign nationals not earning any income in Bangladesh are not taxed and are not required to file a tax return in Bangladesh. Otherwise, every taxpayer is required to file an annual tax return. An individual's tax return must be filed by 30 September, following the end of the tax year, which is on 30 June. The filing date may be extended up to 3 months by the Deputy Commissioner of Taxes upon application by an individual

being assessed, and by another 3 months upon application by the Inspecting Joint Commissioner of Taxes.

In general, all remuneration and benefits received by an employee who is resident in Bangladesh, or for services rendered in Bangladesh, are taxable. Taxable remuneration and benefits include salary, bonuses, commissions, accommodation allowances, transport benefits, education allowances for children, employer-provided domestic assistance and medical allowances.

Employers are required to withhold income tax when making payments to employees. Employers are also required to file an annual return showing the respective payments and tax deducted for each employee in the tax year.

Companies of a certain size are required to pay 5% of their profits into a Workers Profit Participation Fund (Social Security Contribution). This fund is for employees not in a managerial role.

Income tax is levied on residents based on progressive tax rates, which range from 10 percent to 25 percent, while non-residents are taxed at the flat rate of 25 percent.

For individuals other than female taxpayers, senior taxpayers of 65 years or over and the retarded, tax is payable at the following rates and bands:

First BDT 220,000/-	Nil
Next BDT 300,000/-	10%
Next BDT 400,000/-	15%
Next BDT 300,000/-	20%
On excess	25%

For female taxpayers, senior taxpayers of 65 years or over and the retarded, tax is payable is calculated based on the following rates and bands:

First BDT 250,000/-	Nil
Next BDT 300,000/-	10%
Next BDT 400,000/-	15%
Next BDT 300,000/-	20%
On excess	25%

The minimum tax for any individual taxpayer ('assessee') located in the City Corporation area is BDT 3,000. The minimum tax for any individual taxpayer ('assessee') located in District head quarter is BDT 2,000. The minimum tax for any individual taxpayer ('assessee') located in any other area is BDT 1,000.

For a non-resident Individual (other than non-resident Bangladeshi) the rate is 25%.

Unless the date is extended, individuals (and any other entity or person which is not a company) must submit their income tax return by the 30th day of September next following the income year.

WORK PERMIT / VISA REQUIREMENTS

A visa must be applied for before the individual enters Bangladesh. The type of visa required will depend on the purpose of the individual's entry into Bangladesh. Foreigners working in Bangladesh must have a work permit. These are issued by the Board of Investment.

LOCAL DATA PRIVACY REQUIREMENTS

Bangladesh does not currently have data privacy laws.

E. TREATY AND NON-TREATY WITHHOLDING TAX RATES

Bangladesh has concluded double taxation agreements with the following countries:

- (1) Belgium
- (2) Canada
- (3) China
- (4) Denmark
- (5) France
- (6) Germany
- (7) India
- (8) Indonesia
- (9) Italy
- (10) Japan
- (11) Korea
- (12) Malaysia
- (13) Mauritius
- (14) Netherlands
- (15) Norway
- (16) Pakistan
- (17) Philippines
- (18) Poland
- (19) Romania
- (20) Saudi Arabia
- (21) Singapore
- (22) Sri Lanka
- (23) Sweden
- (24) Switzerland
- (25) Thailand
- (26) The Union Myanmar
- (27) Turkey
- (28) United Arab Emirates
- (29) United Kingdom
- (30) United States of America
- (31) Vietnam



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