

Significant impact of new VAT & SD Act 2012



What Is VAT

Value Added Tax (VAT) is a type of indirect Tax. VAT is imposed on goods and services. VAT also known as consumption tax or consumer tax.

A value-added tax (VAT) is a consumption tax placed on a product or service whenever value is added at each stage of the supply chain, from production to the point of sale.



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VAT registration

➤ Registration threshold:

BDT up to 50 lacs – Registration is not required

From BDT 5,000,001 – 3 crore – Turnover registration

Above 3 crore – Mandatory registration

- ❖ **Central Registration** - Any registered person or company who has supply uniform or homogeneous goods or services from different places, can file for central registration or Branch-wise registration.
- ❖ **Note that:** All registered company has to take VAT certificate again filling up from 2.1 under new VAT & SD act 2012 within November 30, 2019.

Imposition of VAT

➤ Every person specified below shall be liable to pay VAT, namely—

- a) in relation to taxable import: the importer;
- b) in relation to any taxable supply in Bangladesh: the supplier;
- c) in relation to any taxable supply of imported service: the recipient of such supply;
- d) in relation to any sale, in the prescribed manner, of any good by an auctioneer on behalf of a registered person: the auctioneer.

Four (4) types of VAT rate has been introduced in the new VAT ACT:

Standard rate 0% & 15%

Reduced rate: 5%, 7.5% &

10% Special rates:

- Medicine 2.4%
- Petroleum products: 2 %
- Local trading stage: 5%
- Land developer: 3%
- Real Estate in building sale and transfer: 2% (1-1600 square feet), 4.5% (1601 square feet) and above size 2% re-registration of any size respectively.

VAT on Non-residents

1. A non-resident, who does not carry on an economic activity from a fixed place in Bangladesh, shall appoint a VAT Agent.
 2. Such VAT Agent of a non-resident shall bear all responsibilities and carry out all activities of the non-resident, and shall be jointly and severally liable for the payment of all dues including taxes, fines, penalties, and interests that may be imposed.
 3. The VAT registration of the economic activities by a VAT Agent shall be in the name of the principal.
- ❖ **Non-resident** means an individual who-
- a) normally does not live in Bangladesh; or
 - b) stays in Bangladesh for less than 182 (one hundred and eighty-two) days in a current calendar year.

Zero rated supply

Immovable property supply should be treated as zero-rated if the immovable property relates to outside Bangladesh.

For export, supply of all goods and services will be treated zero rated supply as previous.

If a supply is both exempted and zero-rated, it shall be treated as zero-rated and not exempted.

❖ VAT for Travel Agent and tour operators:

Tourism services shall be zero rate or nor that should be decided by the NBR (National Board of Revenue).

"Tourism service" means accommodation, food, tours, entertainment, and similar things commonly provided to tourists or international visitors.

Procedure of VAT collection

Payment of advance tax on import

❖ Advance tax:

Every registered or enlisted importer who has made a payment of advance tax @ 5% in prescribed manner, claim in the return of the related tax period, a decreasing adjustment equal to the amount paid as advance tax.

❖ Sale of an establishment as a going concern:

Seller or purchaser of any going concern shall submit continuous and unconditional bank guarantee of a scheduled bank of an amount equivalent to all payable tax and arrears to the commissioner by a joint application in form Mushak-4.2 before 15 days of the sale of such business.

Input Tax Credit

Every registered person or company can take input tax credit against the output tax within the same or next two tax period maintaining the prescribed rules and regulations.

If a registered person utilizes any asset produced in his factory for private purpose then the value of the asset will be taxable and no rebate is acceptable.

If a person is registered for turnover tax and consequently takes VAT registration then at the time of registration for VAT can apply for VAT rebate for the stock in hand before the day of registration.

❖ **Input-Output Coefficient:**

Input-output coefficient (price declaration) should be submitted to the concerned authority in the prescribed form by every registered or enlisted person.

Co-efficient should be declared for any new goods or service before 15 days of sales. If the price of raw material, value addition or sales are increasing more than 7.5%, input-output coefficient shall be submitted to the concerned authority.

Input Tax Credit Cont'd

❖ Partial input tax credit:

- 1) Where a registered person pays or is liable to pay a part of the consideration for a taxable supply, any input tax credit to which the person is entitled shall be calculated on the basis of the amount of the consideration such person pays or is liable to pay.
- 2) A registered person shall be entitled to claim input tax credit against an import or acquisition in a tax period; but if he is not entitled to the input tax credit in full, his entitlement to it against his total imports and acquisitions shall be calculated under the provisions of sub-section (3).
- 3) For each tax period, the amount of the input tax credits that may be allowed for the imports or acquisitions to which this section relates shall be calculated according to the following formula:

$I \times T/A$, where—

I = is the total amount of input tax originating from imports or acquisitions to which this sub-section relates and for which a credit is sought in such tax period;

T = is the value paid by the person mentioned below of all taxable supplies during the tax period; and

A = is the value paid by the registered person of all the supplies during a tax period.

VAT Accounting

For a registered person it is mandatory to maintain the following records:

- ✓ **Tax Invoice:** Every registered company should issue tax invoice (6.3 form) at the point of supply. VAT becomes payable on the taxable supply on or before such date.
- ✓ **Purchase Register:** All the purchase related to business will be recorded in specific VAT form 6.1
- ✓ **Sales Register:** All the sales related to the business will be recorded in specific VAT form 6.2
- ✓ **Purchase and Sales Register:** If a person purchases a product and sales it without any modification, then he can maintain VAT form 6.2.1
- ✓ **Delivery Challan:** If a person delivery goods from one branch to another he must issue VAT form 6.5.
- ✓ **VDS Certificate:** A registered or enlisted purchaser who deducts VAT and pay the net amount excluding VAT will issue VAT form 6.6 as a certificate of VDS in favor of supplier.
- ✓ **Debit Note:** As per rule 27 a registered person can issue a VAT form 6.8 as Debit note in accordance with BAS, BFRS, BSA and internationally recognized accounting standard method
- ✓ **Credit Note:** As per rule 27 a registered person can issue a VAT form 6.7 as Credit note in accordance with BAS, BFRS, BSA and internationally recognized accounting standard method.

VAT Software



The persons whose yearly Turnover exceed BDT 5 Crore, will preserve VAT record in software using VAT software of NBR enlisted software provided company.

VAT on Special supply

Sale of an establishment as a going concern

Rights, options, and vouchers

Supply of prepaid telecommunications products or services

Lotteries, lucky draws, housie, raffles, and similar undertakings

Value of in-kind benefits given to an employee or officer

Lay-by sales

Cancelled transactions

Sale of property to pay off a debt

Vending machines



VAT Deduction at source

1. All register supplier's supplying goods or service under tender, contract, except which are zero rated or exempted above 10,000 taka, withholding entity should be deducted VAT from payment to the supplier as following:
 - A. Bank or other financial institute If supplier provides goods or services at 15% through VAT challan 6.3, in such cases, VAT should not be deducted at source at the time of payments.
 - B. If supplier provides goods or services on reduced rate of VAT is applicable through VAT challan 6.3, withholding entity should be deducted the VAT at applicable rate from payment.
2. Bank or other financial institutes (who will related to pay the bills) have to deduct VAT at source at applicable rate in case of availing any service from outside of Bangladesh's geographical boundary.
3. If the buyer's bank settled payment for services on which VDS is applicable through internal debenture or any other means, the bank will deduct the VAT at applicable rate on behalf of the customer and deposited the VAT in government treasury.
4. Government, Semi government and autonomous entities and local authorities will deduct VAT at 15% from the fee received from issuing or renewing license. Furthermore, VAT of 15% should be deducted at source from the revenue sharing, loyalty, commission, charge, fee or other received settlements falling under the mentioned criteria set in the provided license, registration, and permit.
5. For service on "Rent on places and establishment" VAT will be deducted at a rate of 15% by tenant.

Submission of VAT return

- **Filing of return:** Each and every enlisted or registered person required to filling VAT return in prescribe form determined by the Board tax for each tax period within a period not exceeding 15 (fifteen) days after such tax period expires.
- **Late filing of return:** The commissioner can give permission subject to conditions to submit return in a late period not more than 1 month on the basis of application.
- **Amendments to return:** A tax payer can amend VAT return within in 4 years if such clerical or accounting mistakes made by the taxpayer. Any amendment made under this section and returns may be filed without paying monetary penalty.
- **Filing of complete, additional, or alternative returns:** The Commissioner may, upon serving a notice, pass an order directing a person to file, within such time, on such terms and in such manner as may be prescribed, a complete, additional, or alternative return for a tax period; and similar order may also be passed for such registered person in relation to non-filing of an original return for any specified tax period.
- **Filling return by post:** A tax payer can submit VAT return by post for each tax period within a period not exceeding 15 (fifteen) days after such tax period expires. Note that: Receiving date will be treated as submission date for such type of filling.

Imposition of interest on payable tax

If a person unable to pay a tax payable to the Commissioner on or before the due date of payment, he/she shall be liable to pay an interest at a simple rate of two percent per month on the amount of payable tax, from the next day after the date the payment becomes due to the date the payment is made.

For VAT deduction related arrear payable, he/she shall be liable to pay an interest at a simple rate of two percent six monthly on the amount of payable tax.

Supplementary Duty

❖ Imposition of supplementary duty:

Supplementary duty shall be imposable and payable on the import of goods, the supply of goods manufactured in Bangladesh and on the supply of services rendered in Bangladesh If they are subject to supplementary duty in Bangladesh.

Notwithstanding anything contained in sub-section (1), no supplementary duty shall be imposed on the supply of goods or services that are zero- rated under Chapter Three of this Act.

Supplementary Duty Cont'd

❖ Special schemes for tobacco and alcoholic goods:

For the purposes of imposition and realization of supplementary duty on the following goods manufactured in Bangladesh and subject to supplementary duty, the Board may, subject to the provisions of this Act or the rules made thereunder, make a special scheme to be complied with by the manufacturers of such goods, namely-

tobacco products or any other similar product, including products blended with tobacco;
or

alcoholic drinks, ingredients of alcoholic drinks or any other similar product.

❖ Such special scheme shall include the following matters, namely:

Matters in relation to the stamps, banderols or special signs or marks of any particular size or design containing security features on the packages, bottles, pots or containers of such goods, or on the bodies thereof, or any other similar matter; and

Matters in relation to the manufacture, acquisition, distribution, preservation, use supervision, observation, accounting, disposal, etc. of such stamps, banderols, or of the special signs or marks.

Adjustment of Current Account Closing Balance

Any registered person who is unable to adjust current account's (Mushak 18) closing balance within FY 2018-19, he/she shall be able to adjust input credit 10% per month on net payment of each tax period through VAT return.

Schedule as per new act

➤ 1st schedule: VAT Exemption

Part-1: Goods which are exempted in every stage of VAT imposition; such as Import, Local Mfg, Trading and procurement provider.

Part-2: Service which are exempted in Import and local service.

➤ 2nd schedule: SD imposition

Table-1 (Import): SD applicable in import stage.

Table-2 (Local Mfg): SD applicable at local Mfg stage.

Table-3 (Local Service): SD applicable for Local.
(SD is not applicable at Trading stage)

➤ 3rd schedule: Truncated VAT rate

