

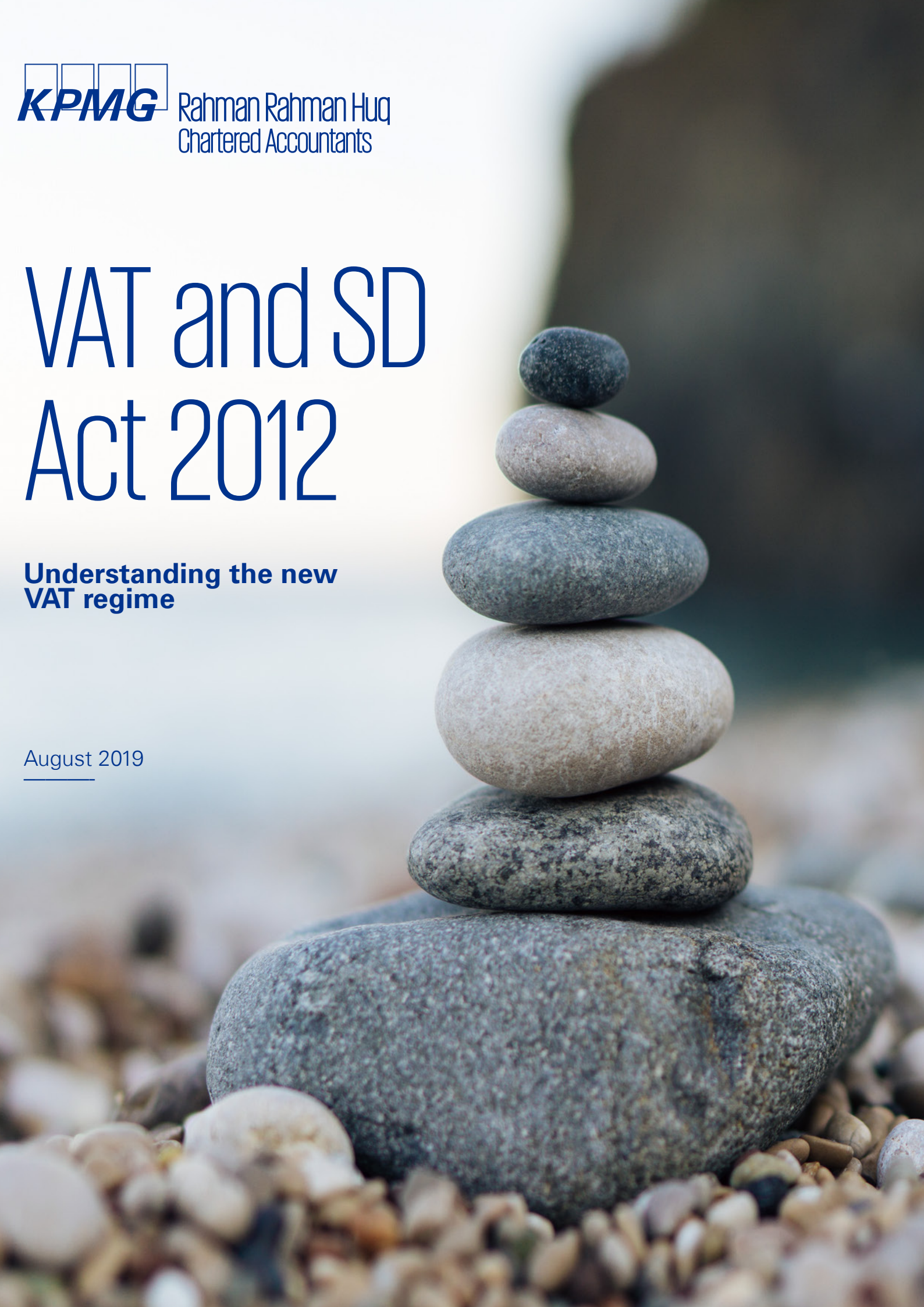


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VAT and SD Act 2012

**Understanding the new
VAT regime**

August 2019





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The new VAT legislation

The outgoing VAT legislation, Value Added Tax (VAT) Act, 1991, enacted in 1991 began to lose its effectiveness gradually as the business environment of Bangladesh continued to expand and develop. The apparent disconnection between the aging VAT legislation and the evolving business models created several inefficiencies and confusion in the application of the VAT provisions. This necessitated the need for a sophisticated VAT administration and legislation which would cater to the industrial and business environment of Bangladesh while at the same time ensure proper revenue collection for the government.

Thus, the previous VAT legislation 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**.

The new VAT legislation has been developed with a view to modernising the previous VAT legislation which had some major difficulties, limitations and deviations from the basic VAT principles. It introduces new concepts such as residency status and fair market price, provides clearer definitions, devises a streamlined and efficient VAT payment and credit mechanism, **reduces the scope of withholding VAT** significantly and eliminates concepts of package VAT, price declaration etc.

VAT Act 2012 in the context of difficulties and challenges in previous VAT Act

The VAT Act 2012 comes in the face of several limitations of the previous VAT Act such as:

- the cumbersome price declaration system,
- advance VAT payment through current account mechanism,
- limited extent of credit or refunds, and
- deduction of VAT at source on almost all services.

The VAT Act 2012 addresses these complexities and provides a modern streamlined VAT system by introducing Input-Output Coefficient declaration in place of price declaration, removing the requirement of maintaining positive balance with VAT authority before any sale, providing a **greater scope for obtaining input VAT credit** or refund and reducing the scope of withholding VAT significantly.

1. Registration or Enlistment Requirements

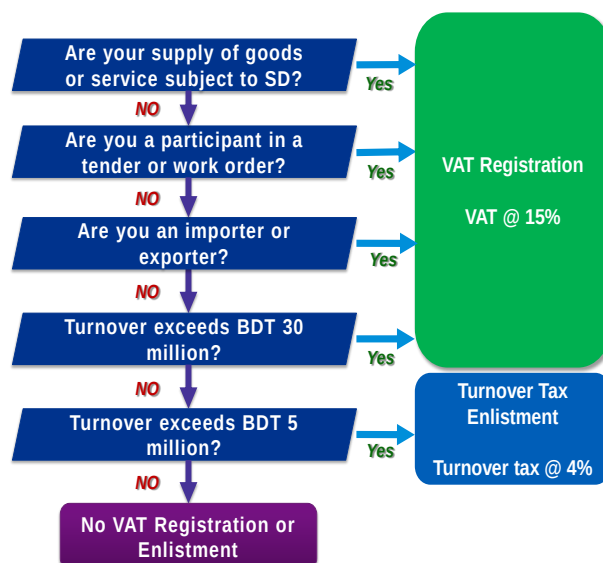
New Requirements

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.

The following entities will be required to register for VAT regardless of the turnover threshold:

- 1) Supplier, manufacturer or importer of goods or services which are subject to supplementary duty;
- 2) Supplier of goods or services through tender, contract or work order;
- 3) Importer and exporter;
- 4) Any other person recommended by the National Board of Revenue (NBR). **NBR has issued a general order prescribing manufacturers or traders and service providers of 175 certain goods and services are to be registered mandatorily.**

Any person who will not be eligible for either Registration or Enlistment will be effectively exempted from VAT. However, such persons can voluntarily register for VAT.



What constitutes “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.

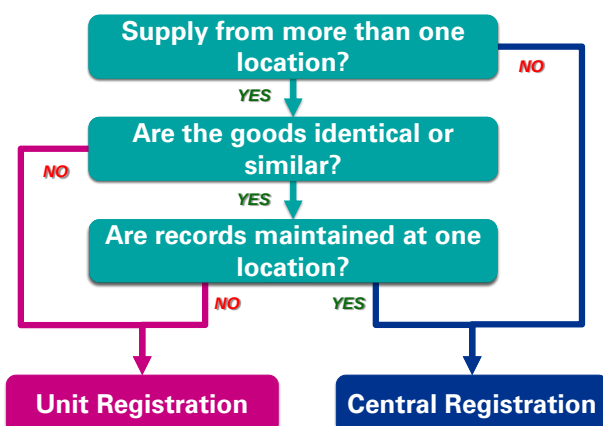
Unit Registration vs Central Registration

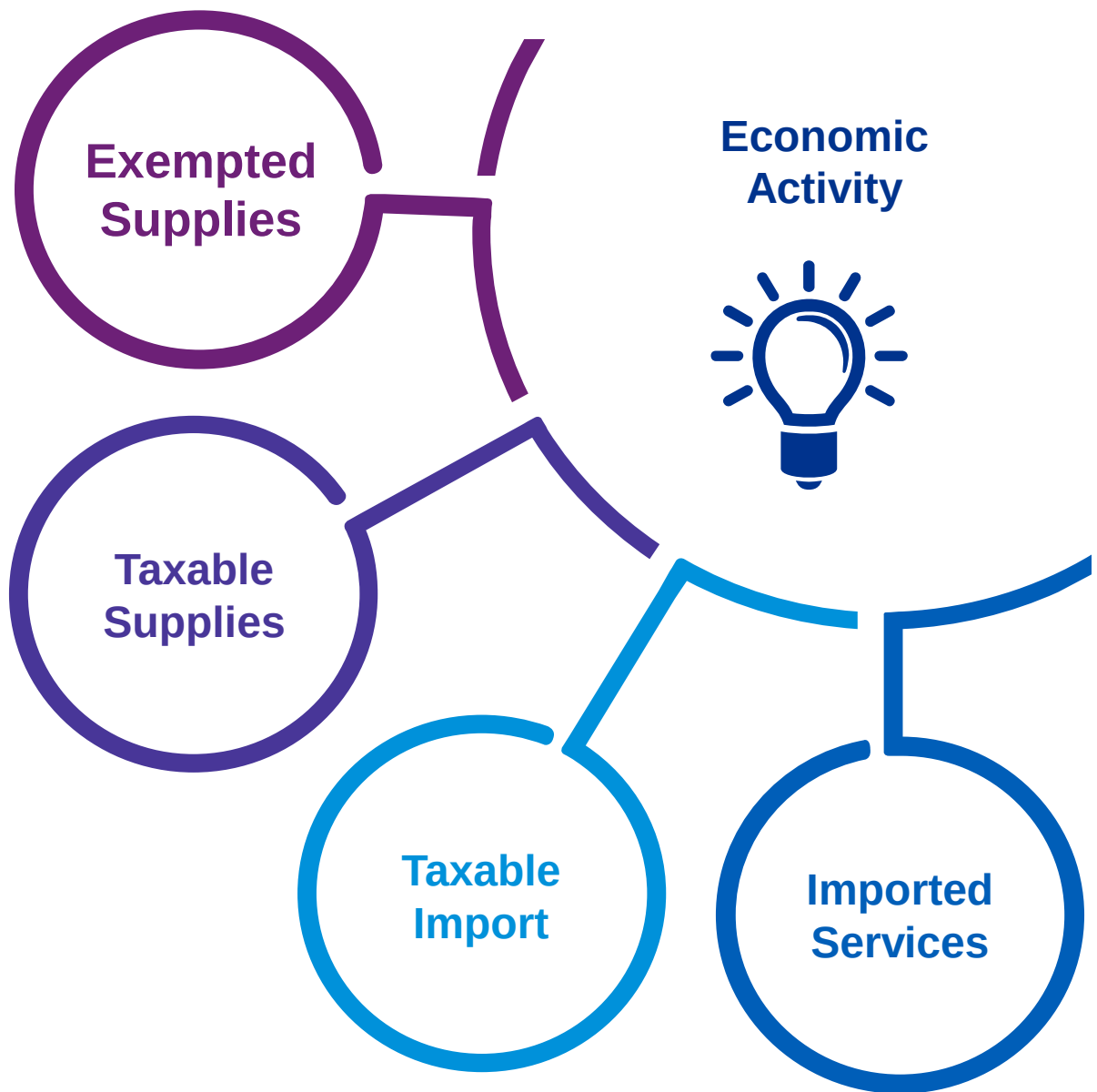
Mandatory Unit Registration is required when different goods or services are supplied from different locations. Also when identical or similar goods or services are supplied from different locations and the related books and records are kept at separate locations, Unit Registration is mandatory.

Option of Central Registration is available when identical or similar goods or services are supplied from different locations but books and records are maintained centrally.

It is implied that different goods or services supplied from a single location would consequently be under one registration.

Furthermore, transfer of goods or services between one unit to another unit by a centrally registered person will not be considered as supplies. As a result, this internal transaction will not result in output VAT liability and input VAT credit.





Economic Activity

VAT Act 2012 imposes VAT on “*economic activity*”. The VAT Act 2012 defines economic activity as any activity carried on regularly or continuously for making supply of any goods, services or immovable property. The definition of economic activity also includes:

- 1) any business, profession, vocation, means of earning livelihood, manufacturing or undertaking of any kind;
- 2) supply of any goods, services or properties made under any lease, license or similar arrangement;
- 3) one-off initiative in the nature of a commercial activity or enterprise.

However, any service rendered by an employee to his employer or any service rendered by any director of a company in general or any recreational pursuit or hobby performed on a non-commercial basis or any activity carried on by the Government without any commercial motive are excluded from the definition of economic activities.

Exempted Supplies

VAT Act 2012 provides VAT exemption on certain goods and services which appears to be broadly consistent with the exempted goods and services under the previous VAT Act 1991.

Taxable Import

Any import other than exempted imports. Import is defined as bringing any goods from outside Bangladesh into the geographical territory of Bangladesh.

Taxable Supplies

Taxable Supply means any supply, excluding exempted supplies, made in an economic activity. **Supply includes supply of goods, services and immovable property.**

Imported Services

Imported service means supply of any service from outside Bangladesh to a registered person or a person required to be registered.

2. Coverage of VAT

VAT Exempted Goods

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.

VAT Exempted Services

The VAT Act 2012 provides VAT exemption on certain services which are broadly categorised as follows:

- 1) **Basic services for livelihood** - agricultural services e.g. farming, irrigation of farmlands, storage of agricultural goods and animal products excluding warehouses, etc.
- 2) **Social services** - e.g. Government and private healthcare services, Government education services etc.
- 3) **Cultural services** - e.g. radio or television broadcasting.
- 4) **Financial services** - stock or security exchange institution, life insurance policy and deposit or savings at banks or financial institutions.
- 5) **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.
- 6) **Personal services** - e.g. journalist, actor, singer, driver, operator, designer, etc.
- 7) **Other services** - e.g. services for any religious activity or programs, land purchase or transfer and its registration, stevedoring activities, etc.



Zero-rated VAT

Supply of zero-rated goods

- ⇒ Supply of any goods from inside to outside Bangladesh,
- ⇒ Temporarily imported goods,
- ⇒ Deemed export,
- ⇒ Supply of goods for repair, maintenance or modification and supply of stores or spare parts for ocean-going ship and aircraft engaged in international transport.

Deemed exports are supplies of ingredients of goods or services for consumption outside Bangladesh and supply of any goods or services within the territory of Bangladesh against foreign currency through an international tender or under local letter of credit.

Supply of zero-rated services

- ⇒ Services given physically on goods situated outside Bangladesh at the time of supply of the service,
- ⇒ Services given relating to temporarily imported goods under the Customs Act,
- ⇒ Services given to a recipient situated outside Bangladesh at the time of supply,
- ⇒ Supply of telecommunication services by a telco supplier to a non-resident telco supplier.

3. Types of VAT Rates

15%

Standard VAT rate

The standard VAT rate under VAT Act 2012 is 15%.

Input VAT credit can only be obtained against supplies of goods or services subject to 15% VAT.

5%

Trade VAT

Traders are subject to VAT at a rate of 5% on their supplies except traders of **medicine and petroleum products for which reduced trade VAT of 2.4% and 2%, respectively, is applicable.**

Goods and services subject to truncated VAT rate will not be eligible for input VAT credit.

Goods and services subject to trade VAT rate can choose to exercise standard VAT rate of 15% and input VAT credit against their purchase.

5%

Advance Tax

Importers are required to pay Advance Tax at 5% on taxable imports on the value determined for taxable imports. Such Advance Tax can be shown as decreasing adjustment with in the concerning VAT period or 2 succeeding VAT periods.

5 -
10%

Truncated VAT

VAT Act 2012 prescribes VAT rates lower than the standard VAT rate of 15%, commonly known as Truncated VAT system, in the Third Schedule. Truncated VAT rates are as follows:

- ⇒ 5% - e.g. mustard oil, biscuits, plastic products, indenting firm, ride sharing services, etc.
- ⇒ 7.5% - e.g. non air conditioned hotel or restaurant, procurement provider, construction contractor, etc.
- ⇒ 10% - e.g. printing press, security service, building, floor, compound cleaning or maintenance service provider, etc.
- ⇒ For building construction firm
 - Up to 1,600 sq. ft. at 2%
 - Exceeding 1,600 sq. ft. at 4.5% and
 - Reregistration irrespective of size at 2%

Goods and services subject to Truncated VAT rate will not be eligible for input VAT credit.

Business entities whose supplies are subject to Truncated VAT can choose to exercise the standard VAT rate of 15% and claim input VAT credit against their purchase.

BDT

Specific VAT (Tariff Value VAT)

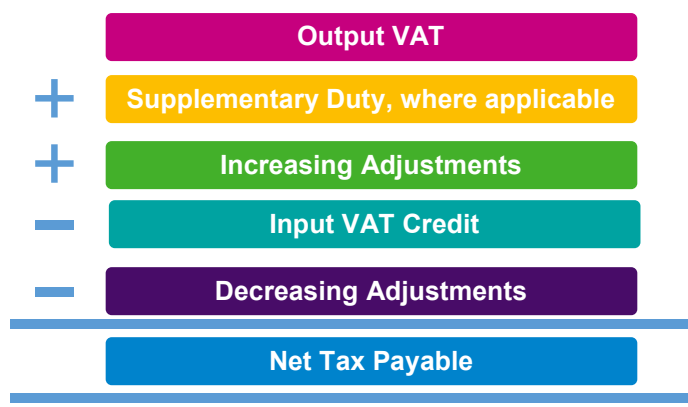
Certain goods and services are subject to tariff value based VAT such as SIM cards, mild steel products, newsprint etc.

4. VAT Mechanism

Previous VAT legislation's requirement of having positive VAT balance (VAT receivable) before making any sales led to refund situations and adverse cash flow impact. VAT Act 2012 redefines the manner of VAT payment by allowing VAT to be paid on net basis at period ends. Therefore, businesses can better manage their cash flow and VAT receivables now.

VAT Payment through VAT Return

VAT Act 2012 does not generally require to make any advance payment of VAT or maintain positive VAT current account balance before conducting sales. Thus, the registered persons under VAT Act 2012 will pay the net VAT payable, if any, (i.e. output VAT less input VAT and other adjustments) within 15 days following the month end at the time of submission of VAT Return.



Adjustments

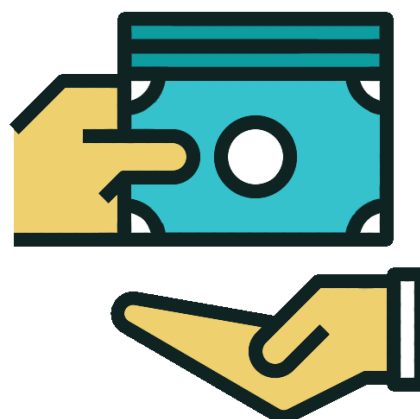
The following adjustments can be made against output VAT and Supplementary Duty payable in a tax period, namely:

1. a decreasing adjustment for VAT paid in advance.
2. an increasing or decreasing adjustment with respect to withholding VAT;
3. an increasing or decreasing adjustment applicable in consequence of an annual re- assessment;
4. an increasing adjustment for not making payments through banking channels;
5. an increasing adjustment of input tax and VAT on being registered;
6. an increasing adjustment for payment of any interest, monetary penalty, fine, fee, etc.;
7. a decreasing adjustment in relation to second-hand goods purchased for re-sale;
8. a decreasing adjustment in relation to a policy of insurance, a lottery, lucky draw, raffle draw, housie or similar undertakings;
9. an increasing or decreasing adjustment for the change in the tax-rate;
10. a decreasing adjustment allowed for a negative amount carried forward from a previous tax period or for VAT overpaid in a previous tax period;

Input-Output Coefficient Declaration

Price Declarations are not required to be filed under VAT Act 2012.

Registered and enlisted persons are required to file Input-Output Coefficient Declaration in Mushak Form 4.3. For first supply of goods and services (i.e. first supply of a new good or service or first supply after change in input-output coefficient), Input-Output Coefficient Declaration should be filed with the VAT Authority's online system or concerning divisional VAT official 15 days prior to the date of supply. No approval is required from the VAT Authority.



Input VAT Credit

VAT Act 2012 provides a broader scope for obtaining input VAT credit. A registered person shall be entitled to an input VAT credit for any taxable import or taxable supply made to the person for conducting their economic activities and taxable supplies.

The VAT Act 2012 allows to take input VAT credit on most cases excluding, namely:

- a. expenses for exempted goods or services,
- b. expenses which are not mentioned in the Input-Output Coefficient Declaration,
- c. expenses related to supply of goods and services which are subject to Turnover Tax (VAT), VAT at a specified rate or VAT at a rate less than 15%,
- d. expenses over BDT 100,000 for which payment is made without banking channel,
- e. imported services for which output VAT has not been shown in the VAT Return,
- f. claim of input VAT credits which have not been made either in the VAT period in which VAT is paid or within the two succeeding VAT periods,
- g. expenses for which the VAT invoice (Mushak Form 6.3) does not mention the name, address and BIN of both the purchaser and seller,
- h. purchase of passenger vehicle or entertainment services, provided that, input VAT credit may be allowed when such purchases are part of normal course of the economic activities of the person (e.g. dealer or charterer of vehicles);
- i. purchase of transportation services;
- j. VAT paid on the goods under the custody or possession or occupancy of another person;
- k. VAT paid on inputs that have not been entered into the Purchase Register prescribed by the Rules.

Partial Input Tax

If a registered person is not entitled to full input VAT credit, their entitlement to input VAT credit against total imports and acquisitions shall be calculated in a proportionate manner as follows:

$$I \times T/A$$

where—

"I" is the total amount of input tax originating from imports or acquisitions;

"T" is the amount paid on all taxable supplies during the tax period; and

"A" is the amount paid by the registered person on all the supplies during a tax period.

Also, when 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.

Partial input tax calculated on monthly basis is provisional. Annual increasing/decreasing adjustments can be made for the calendar year with the approval of VAT Commissioner considering the above factor on annual basis.

Key points to note

- ⇒ VAT is paid on net basis through VAT Return,
- ⇒ Input VAT credit can only be obtained on supplies subject to zero-rated VAT and standard VAT,
- ⇒ Withholding entities should only conduct business with registered or enlisted entities who provide integrated VAT invoice and withholding VAT certificate,
- ⇒ When goods and services subject to VAT at less than 15% are obtained VAT should be deducted at the full rate,
- ⇒ Advance VAT and applicable refunds can be adjusted as a decreasing adjustment,



Current Account System



Price Declaration System

Withholding VAT

VAT Act 2012 has given certain business entities the responsibility to withhold VAT.

Sub-section 21 of section 2 of VAT Act 2012 defined withholding entity to mean-

- a. a Government entity (Ministry, board, authority, semi-Government, autonomous body, state owned entity, local authority or similar types of institutes);
- b. a non-government organisation approved by the NGO Affairs Bureau or the Directorate-General of Social Welfare;
- c. a bank, insurance company or a similar financial institution;
- d. a post-secondary educational institution; or
- e. a limited company;

As per Guidelines on Collection of VAT at Source, 2019 as amended by SRO 235-Act/2019/71-VAT, withholding VAT responsibility should be complied in the following manner:

- 1) **No Deduction** for obtaining exempted or zero-rated goods and services;
- 2) **No Deduction** for obtaining utilities like fuel, gas, electricity, water (WASA), telephone, and mobile bills;
- 3) **No Deduction** for obtaining goods or services subject to 15% VAT through Mushak Form 6.3;
- 4) **Deduct applicable VAT** for supply of goods or services subject to reduced or specified VAT rates through Mushak Form 6.3.

Where applicable, amount of VAT deduction should be the **full amount of VAT applicable**.

A withholding entity will have to provide a withholding VAT certificate within 3 days from making payment to the supplier. The supplier will be able to use the withholding VAT certificate as an evidence for claiming decreasing adjustment in their VAT Returns.

Withholding entities are also restricted from obtaining supplies or services from persons who are not registered for VAT or do not issue a Mushak Form 6.3.

Tax invoices or integrated tax invoices, withholding VAT certificates, deduction documents and other related documents should be preserved for at least 5 years.

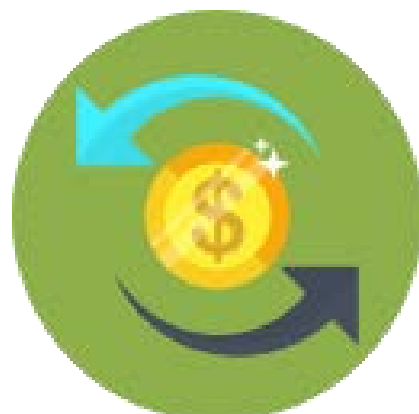


Reverse Charge of VAT

The VAT Act 2012 provides clear provision for VAT on imported services under the concept of Reverse Charge.

The imported service will be a taxable supply in the hand of the service recipient and consequently, it has to be shown as output VAT in the VAT Returns. Simultaneously, the service recipient will be required to show the applicable VAT on such imported service as their input VAT in the VAT Return. Hence, there would be no cash flow impact for imported service. However, this will not be the case for non-registered or non-enlisted persons. VAT Act 2012 requires banks or financial institutions that are responsible for payment for imported services obtained by non-registered or non-enlisted persons to deduct VAT appropriately and submit VAT to the Treasury.

VAT on imported service, unless exempted, will be applicable even if the importer is not registered or required to be registered.





5. Value of Taxable Supply

Determination of Value of Taxable Supply

Taxable Supply

The value of a taxable supply is the amount derived by reducing the tax fraction [VAT Rate/(100+Vat Rate)] from the consideration. Consequently, value of any supply other than the taxable ones shall be the consideration of such supplies.

Imported Services

Value of imported services is determined in the same manner in which value of taxable supplies is determined.

Taxable Imports

Imports will be valued at the Assessable Value determined by the Customs Authority plus the amount of Customs Duty, Regulatory Duty or Supplementary Duty.

It is also required to file Input-Output Coefficient declaration to the VAT authority.

Special Cases

If any taxable supply is made or imported service is taken from an associated entity, the value of such transaction would be the fair market value of that taxable supply or imported service if:

1. the taxable supply or imported service is of no consideration or consideration lower than the fair market value, and
2. the associated entity cannot claim input VAT credit on the taxable supply or imported service.

Also, taxable supplies with no consideration will be valued at the fair market value of the supply reduced by the tax fraction.



Fair Market Price Concept

VAT Act 2012 introduces the concept of fair market price. According to the legislation “fair market price” is the consideration arrived at as a result of normal relationship between a buyer and a seller who are not associated with each other. If such price is not identifiable, consideration of similar supply made previously under similar circumstance would then be the fair market value. If the price cannot be derived by the above means, it may be determined by NBR on the basis of impersonal average of consideration in course of normal business relations among buyers and sellers, who are not associated with one another.

Definition of associated entities

Associated entities mean two persons with such a relation between them that it would make one act or reasonably expect to act in accordance with the intention of the other, or make both act or reasonably expect to act in accordance with the intention of a third person. Associated entities also include the following persons, namely–

1. a partner of a partnership;
2. a shareholder of a company;
3. a Trust and a beneficiary of such Trust; or
4. a joint venture for property development and the landowner as a partner of that joint venture, builder, or other related person;
5. representative, VAT Agent, distributor, licensee or persons with similar relationship;

but do not include persons with employment relations.

When is Fair Market Price relevant?

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.





6. New Concepts

Defining Residents

The VAT Act 2012 brings a definition for Residents which was not present in the previous VAT legislation. In case of individuals, "resident" will mean an individual who—

- a normally lives in Bangladesh; or
- b stays in Bangladesh for more than 182 days in a current calendar year; or
- c stays in Bangladesh for more than 90 days in a calendar year and has stayed in Bangladesh for more than 365 days during the four immediately preceding calendar years.

In other cases, resident will include the following:

- a a company incorporated in Bangladesh or having its center of control and management in Bangladesh;
- b a Trust, if a Trustee thereof is a resident of Bangladesh or the center of control and management of the Trust is in Bangladesh;
- c an association of persons other than a Trust, if it is formed in Bangladesh or its center of control and management in Bangladesh;
- d all Government entities; or
- e a property development joint venture.

Any other person is a **Non-resident**.

Defining Fixed Place

VAT Act 2012 also defines *fixed place* to include, namely—

- 1. a place of management;
- 2. a branch, an office, a factory, or a workshop;
- 3. a mine, a gas well, a quarry for extraction of stones or any other similar mineral resource; or
- 4. a location of any construction or installation project;

Implications of Residency Status

The prime implication of residency status is that if a non-resident is carrying out an economic activity from or through a fixed place in Bangladesh and provides any supply from such a fixed place, such activity or supply would be considered as an economic activity or supply in Bangladesh and will be subject to VAT. A non-resident having no fixed place of business in Bangladesh would not be required to register for VAT for their compliance of VAT obligations, if any, but they have to appoint a VAT Agent in order to discharge these obligations.

VAT Agent

A non-resident can appoint a VAT Agent who will bear and carry all VAT related responsibilities arising out of the activities performed by the non-resident. **The VAT Agent will obtain a VAT Registration in the name of the principal for the concerning economic activities.**

Cancelled Transaction

If a transaction is cancelled, the amount of money which may be retained by the supplier will be subject to VAT. Furthermore, such VAT may be adjusted in the VAT Return.

In-kind Benefits

The price of supply by a registered or required to be registered person of an in-kind benefit to any of their employees will be subject to VAT under the VAT Act 2012.

If a service or an immovable property without a consideration or at a price less than the fair market price is given to the employees, the value of such service or such immovable property shall be its fair market price.

Input VAT credit can also be obtained on in-kind benefits.

7. New Clarifications

Carry Forward and Refund

The VAT Act 2012 makes refund process easier compared to the previous VAT law. Refund provisions have been segregated for:

- (1) **construction, house building, land development or property development activities** - Negative Net Tax Payable in a tax period can be carried forward indefinitely. Cash refund is not possible for building, construction and property development entities.
- (2) **other economic activities** - Negative Net Tax Payable for a tax period can be carried forward for 6 tax periods. Afterwards, if the Negative Net Tax Payable is not fully adjusted and the remaining amount is greater than BDT 50,000, it can be claimed as cash refund within 3 months from the date of application. If the remaining Negative Net Tax Payable is less than BDT 50,000, it can be carried forward indefinitely.

Refund can be claimed only after submission of all VAT Returns up to the current tax period.

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.

Is there VAT on Sale of Business?

The previous VAT legislation contained provisions regarding fulfillment of certain VAT obligations prior to the transfer of ownership of a business. The VAT Act 2012 further clarifies these obligations by providing clearer instructions for transfer of ownership of a business.

Furthermore, **if a business is purchased with an intention to keep the economic activities associated with it to be continued, such transfer of ownership will not be regarded as a taxable supply.** Similarly, if any part of the business is sold on a going concern basis it would be covered by the aforementioned provisions.

Is there VAT on Disposal of Assets?

The previous VAT legislation did not provide clear definitions or clarifications for applicability of VAT on sale of used goods. The VAT Act 2012, defines second-hand goods as goods (except precious metal or goods made out of precious metal) which have been used previously.

VAT is applicable on second-hand goods. However, VAT Act 2012 provides the opportunity to adjust such VAT against the output VAT, if the second-hand goods are purchased for re-sale (without any manufacturing activities). This implies that under the new legislation, **VAT paid on second-hand goods not for re-sale will be a cost.**



8. VAT Documentations

Filing of Return

VAT Returns are required to be filed within 15 days following the month end (for Turnover Tax—following the end of quarter).

A late VAT Return may be filed by obtaining extension from the VAT Authority which is limited to 1 month. Nevertheless, interest will be applicable at a rate of 2% per month on the amount of VAT payable, if Return is submitted after 15 days.

The VAT Act 2012 also includes a provision for Amended Return for clerical error or computational errors. The Amended Return can be submitted before completion of 4 years from the date of filing of the relevant return or before commencement of audit by VAT Authority.

The tax payer will have to pay interest on the difference between the amount of tax payable as per the Amended Return less the amount of tax initially paid.

If any tax payer fails to submit the monthly VAT return within the prescribed time limit, Commissioner will issue a notice through VAT Form 11.1 (Mushak 11.1) to the tax payer to submit the late VAT Return.

If the defaulting tax payer does not submit the late VAT Return within 21 days of the notice, Commissioner will issue a VAT Assessment Order through VAT Form 11.2 (Mushak 11.2)

In failure of submission of late VAT Return within 21 days of the stipulated time period, the Board will temporarily lock the BIN including suspension of import and export activities through automatic VAT online system and transactions of source tax deductible supply. With submission of VAT Return, BIN will automatically be unlocked within two days of the submission.

Mushak Forms

The VAT Act 2012 prescribes new templates and forms for VAT compliance and submissions. The followings are some of the important forms relevant to business entities:

Form Name	Form Description
Mushak 2.1	Registration form for VAT and Turnover Tax
Mushak 2.2	Registration form for Branch/Division
Mushak 2.3	Registration Certificate for VAT/Turnover Tax
Mushak 2.4	Cancellation or Amendment of Registration/Enlistment
Mushak 2.5	Final Return on Cancellation of Registration/Enlistment
Mushak 3.1	Registration of VAT Agent
Mushak 3.2	Registration Certificate of VAT Agent
Mushak 3.4	Delegation of Power to VAT Agent by Non-resident Person
Mushak 4.3	Input-Output Coefficient Declaration
Mushak 6.1	Purchase Register
Mushak 6.2	Sales Register
Mushak 6.2.1	Purchase-Sale Register
Mushak 6.3	Tax Invoice
Mushak 6.5	Goods Transfer Invoice for Centrally Registered Entity
Mushak 6.6	Withholding Tax Certificate
Mushak 9.1	VAT Return
Mushak 9.2	Turnover Tax Return
Mushak 11.1	Late VAT Return
Mushak 11.2	Assessment Order for VAT



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

- Notably, if supply is made from multiple locations Tax Invoice should be serialized 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.

A registered person, who makes a supply to a withholding entity shall on or before the date of making such supply, issue to the withholding entity an integrated tax invoice and withholding certificate containing the prescribed information.

[illegible]

VAT Act 2012 allows all prescribed documents to be customized according to the company's formats or templates.

For tax determination all documents which depict the operation of business should be considered.

NBR has made it mandatory for registered entities having turnover exceeding BDT 50,000,000 in the previous financial year to maintain their VAT related books and records in software prescribed by the VAT authority. In order to comply with this provision, only software from NBR approved software developer or supplier should be used. Entities may also use their own personal software provided it has the same specifications as prescribed by the NBR and after obtaining approval from the NBR.

The new VAT Rules 2016 makes it easy for entities to use internet-based portals of National Board of Revenue (NBR) to conduct the following activities:

-

9. Transition into the VAT Act 2012

Registration

I already have VAT registration under Value Added Tax Act, 1991

Re-registration under VAT and SD Act, 2012 must be obtained as soon as possible. In this regard, registered person should follow the prescribed regulation from online project.

I am registered under Value Added Tax Act, 1991 but annual turnover is less than BDT 30,000,000

Enlistment under the category of Turnover Tax is required. If the entity wants, it can take voluntary VAT registration.

My company was required to be registered under VAT Act, 1991 but it did not take VAT registration.

Registration under VAT and SD Act, 2012 is compulsory at the earliest otherwise legal action will be taken against it.

Credit and Current Account

What will be the treatment of credit regarding Release of goods by using 11 digit old BIN and purchase of input goods through Mushak-11 up to 30 June, 2019?

It will be considered as a decreasing adjustment in VAT Return abiding by the all rules in the law.

What about the input VAT credit on tariff based goods?

1. If tariff based goods and services of The VAT Act 1991 are now considered under 15% VAT, a decreasing adjustment can be made for total amount of VAT associated with the inputs stored in the production place.
2. If tariff based goods and services of The VAT Act 1991 are not considered for 15% VAT, no decreasing adjustment is possible in the VAT Return for inputs stored in the production place.

Withholding Tax

What will be the treatment of withholding tax in case of any supply made or invoice issued or payment made on or before 1st July, 2019?

If any of the following three events take place after 1 July 2019, relevant withholding VAT regulations of the VAT Act 2012 and VAT Rules 2016 should be followed:

- a. Supply of services,
- b. Issuance of Mushak Challan (VAT Form), and
- c. Settlement of the invoice.

What about adjustment of the Mushak-12Kha which is supposed to be received as per VAT Act 1991 after the period of 1 July 2019?

The withholding VAT certificate (Mushak 12kha) issued under the VAT Act 1991 will be considered for decreasing adjustment in the month of issuance of the certificate, no matter if it is issued after 1 July 2019.

Other Matters

Settlement of VAT disputes (Appeal)

10% VAT deposited at the time of application of Appeal under the VAT Act 1991 can be adjusted through decreasing or increasing adjustment of the VAT return based on the winner of the case. If the tax payer wins the case, a decreasing adjustment will be made and vice versa.

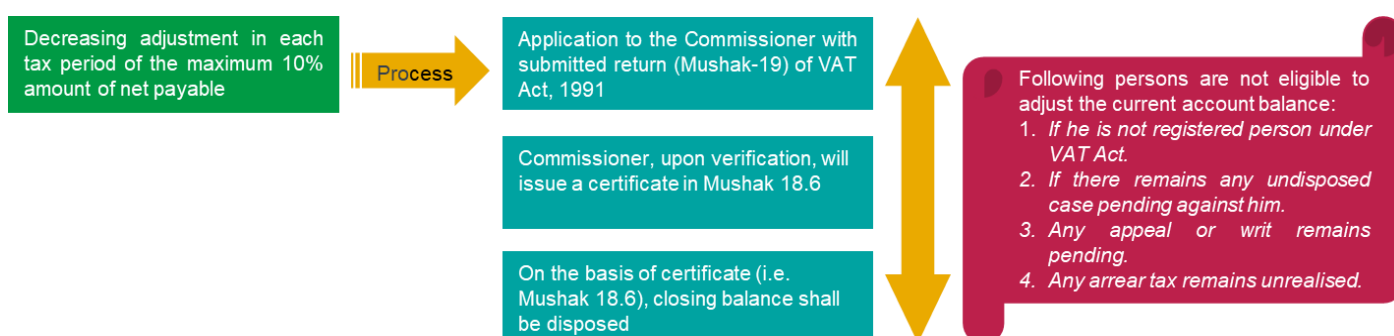
What is the VAT implication to a construction contractor for a contract made before 1 July 2019?

VAT implication will, as usual, be determined based on the VAT and Supplementary Duty Act 2012. There is no separate mechanism guided for construction services for the transitional period.

Previous VAT Balance Adjustment

How will the closing balance lying with Current Account Register under Value Added Tax Act, 1991 be adjusted?

As per rule 118 of VAT and Supplementary Duty Rules, 2016, there will be decreasing adjustment in the VAT return.



Tariff Value Goods

What will be the treatment of goods supplied at uniform price under the VAT Act 1991?

As per the VAT Act 1991, if any goods are supplied at uniform price, all the VAT will be deposited at first stage of the transaction after consideration of all subsequent value chain of the goods. In such case, there should not be any VAT implication for subsequent transactions. Under these circumstances, if any goods on which VAT is collected at first stage remains unsold as on 1 July 2019, such goods should not be subject to VAT when it will be sold after 1 July 2019 under the legislation of VAT and SD Act 2012. Considering this fact, NBR has issued a clear guideline as follows:





KPMG at a glance

KPMG International



207,000
People globally

Globally over

153
countries

Learning & Development

Global Opportunity Robust Training Skill-building Programs



KPMG Bangladesh

Established in

1962

One of the oldest
CA firm in the
country.

Celebrating over

50 years
of service



6

Partner & Directors

440+

People locally

27

Qualified
Professionals

Professional Services

Audit

Tax

Advisory

Achievements



1st

Big Four Firm in
Bangladesh

ICAB

Recognised for CA firm with
highest number of female
Chartered Accountants

Customers



250+ clients

Industry Presence





Technical Seminar on new VAT Act 2012 and Rules 2016

In March 2017, KPMG held a comprehensive technical seminar on the VAT Act 2012 and Rules 2016 for its clients.

KPMG Events





Training on VAT Act 2012 and Rules 2016

Held in June 2019, KPMG professionals received a comprehensive training on the VAT Act 2012 in the presence of Mr. Md Zakir Hossain, Additional Commissioner (Customs, Excise and VAT) NBR.



Technical Seminar on Finance Bill 2019

In June 2019, KPMG held a comprehensive technical seminar on Finance Bill 2019 discussing the income tax and VAT updates..



Contact us

If you have questions, please visit us at www.kpmg.com/bd, email dhaka@kpmg.com or contact: one of KPMG Bangladesh's Indirect tax (VAT) professionals listed below.

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