

**Tax Incentive Existed in
INCOME TAX REGIME
Under Income Tax Ordinance, 1984
of Bangladesh**

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Sixth IMF-Japan High-Level Tax Conference
For Asian Countries in Tokyo

April 7, 2015

EXEMPTIONS AND ALLOWANCES according to ITO,1984

Tax rebate:

- an assessee shall be entitled to a credit from the amount of tax payable **on his total income** of **an amount equal to fifteen percent** of the sums specified in paragraphs of the said Part B of ITO, 1984.
- The aggregate of the allowances admissible of the Sixth Schedule Part B shall not exceed- **(a) One crore and fifty lakh taka**
(b) exceed thirty per cent of the total income of the assessee

Tax Exemption:

44.(4) The Government may,

(a) make such amendments by way of **addition, omission, alteration or qualification**

(b) make **any exemption, reduction in rate** in respect of tax in favour of any class of income or in regard to the whole or any part of the income of any class of persons.

"industrial undertaking" are:

- (a) active pharmaceuticals ingredient industry and radio pharmaceuticals industry;
- (b) barrier contraceptive and rubber latex;
- (c) basic chemicals or dyes and chemicals;
- (d) basic ingredients of electronic industry (e.g. resistance, capacitor, transistor, integrator circuit);
- (e) bio-fertilizer; (f) biotechnology; (g) boilers;
- (gg) brick made of automatic Hybrid Hoffmann Kiln technology;
- (h) compressors; (i) computer hardware;
- (j) energy efficient appliances; (k) insecticide or pesticide; (l) petro-chemicals;
- (m) pharmaceuticals; (n) processing of locally produced fruits and vegetables;
- (o) radio-active (diffusion) application industry
(e.g. developing quality or decaying polymer or preservation of food or disinfecting medicinal equipment);
- (p) textile machinery; (q) tissue grafting; or
- (r) any other category of industrial undertaking as the Government may, by notification in the official Gazette, specify.

Conditions to be met:

- (a) a body corporate established by or under any law for the time being in force with **its head office in Bangladesh**; or
- (b) a company having a subscribed and paid up capital of **not less than two million taka**
- (c) that **thirty percent** of the exempted income is invested in the said undertaking or in any new industrial undertaking
- (d) **another ten percent** of the exempted income is invested in each year in purchase of shares of a company listed with any stock exchange,
- (e) that the said undertaking **is not formed by splitting up** or by reconstruction or reconstitution of business already in existence or by transfer to a new business of any machinery or plant used in business which was being carried on in Bangladesh at any time before the commencement of the new business;

Conditions to be met.....

- (f) that the said undertaking obtained a **clearance certificate** for the relevant income year from the **Directorate of Environment**;
- (g) The Board shall give its decision on an application **within forty five days**
- (h) any person aggrieved by any decision or order passed, **within four months** of the receipt of such decision or order, The Board may **review the previous decision**

Physical infrastructure facility:

46C. Exemption from tax of newly established physical infrastructure facility set up between the period of **July, 2011 and June, 2019**

Period of Exemption (ten years)

diminishing rate of Exemption (100% to 10%)

"physical infrastructure facility" means

- (a) deep sea port;
- (b) elevated expressway;
- (c) export processing zone;
- (d) flyover;
- (e) gas pipe line;
- (f) Hi-tech park;
- (g) Information and Communication Technology (ICT) village or software technology zone;
- (h) Information Technology (IT) park;
- (i) large water treatment plant and supply through pipe line;
- (j) Liquefied Natural Gas (LNG) terminal and transmission line;
- (k) mono-rail;
- (l) rapid transit;
- (m) renewable energy (e.g energy saving bulb, solar energy plant, windmill);
- (n) sea or river port;
- (o) toll road or bridge;
- (p) underground rail;
- (q) waste treatment plant; or
- (r) any other category of physical infrastructure facility as the Government may specify by notification in the official Gazette

(EXCLUSIONS FROM TOTAL INCOME)

THE SIXTH SCHEDULE PART A

- Any income derived from house property held under trust or other legal obligation wholly for religious or charitable purposes;
- Any service charge derived from operation of micro credit by a non-government organisation registered with NGO Affairs Bureau;
- Any voluntary contributions received by a religious or charitable institution and applicable solely to religious or charitable purposes;
- The income of a local government;
- Any income accruing to, or derived by, a provident fund to which the Provident Fund Act, 1925 (XIX of 1925), applies;
- Any income accruing to, or derived by, workers participation fund established under the Bangladesh Labour Act, 2006;
- Any income received by the trustees on behalf of a recognised provident fund, an approved superannuation fund or pension fund and an approved gratuity fund;

- Any income of an individual, being an indigenous hillman of any of the hill districts of Rangamati, Bandarban and Khagrachari, which has been derived solely from economic activities undertaken within the said hill districts;
- Any income derived from the business of software development or Nationwide Telecommunication Transmission Network (NTTN) or Information Technology Enabled Services (ITES) for the period from the first day of July, 2008 to the thirtieth day of June, 2019;

Explanation : Information Technology Enabled Services (ITES) means Digital Content Development and Management, Animation (both 2D and 3D), Geographic Information Services (GIS), IT Support and Software Maintenance Services, Web Site Services, Business Process Outsourcing, Data entry, Data Processing, Call Centre, Graphics Design (digital service), Search Engine Optimization, Web Listing, E-commerce and Online Shopping, document conversion, imaging and archiving;

- Any income from poultry farming for the period from the first day of July 2011 to the thirtieth day of June, 2015;

- An amount of income derived from **cinema hall or Cineplex** which starts commercial exhibition between the **01 July, 2012 and 30th June, 2019** set-up in
 - (i) Dhaka or Chittagong divisions **for a period of five years**
 - (ii) other divisions **for a period of ten years**

- An amount of income derived by an industrial undertaking engaged in the **production of rice bran oil** and commencing commercial production by **thirtieth day of June, 2019** set-up in-
 - (i) Dhaka or Chittagong divisions **for a period of five years**
 - (ii) Other divisions **for a period of ten years**

Tax Incentive under various SROs

Power Producers

There are several SROs **exempt**

- only **income of business** from power generation by private power producers (IPP using Furnace oil, diesel fuel and coal) **for 15 years** starting from their commercial production of power
- **Foreign Persons** worked in those companies enjoy exemptions on their incomes **for three years** from their date of arrival
- **Interest on foreign loan** received by said companies
- **Royalties, technical know-how and technical assistance fees** paid by the said companies
- **Capital gains** arise out transfer of shares by the said companies

Special exemption

(on dividend payable to foreign investors for 10 (ten) years from COD) in favor of coal based power producing company named **Bagerhat Rampal 1320 MW project**

Tax Incentive under various SROs

Export Oriented Industries established in Export Processing Zones

Under SRO -219/2011

- Any industry set up within EPZ, and commercial Operation commences on or after 01 January, 2012 enjoy exemption on income from the said industry as following

First two (02) years of export/supply	100% exemption of tax
Next two years (3 rd and 4 th)	50% exemption of tax
Next year (5 th year)	25% exemption of tax

Designing, approving and monitoring tax incentives....

- NBR plays the key role in designing, approving and also monitoring tax incentive scheme existed under Income Tax Ordinance, 1984. NBR has a separate desk named Tax Appeal and Exemption to look into such matters along with its policy wing
- Considering the fiscal policy, political commitment of government, long term development, creation of employment and social welfare objective, incentives to particular class of income is offered.
- Through proper system these schemes get approved and monitoring is done mostly through field administration and supervision is done at higher level (NBR).

How does NBR respond to any tax incentive proposals?

- Here in Bangladesh, many policy research institution, board of investment, export promotion bureau, trade bodies association, chambers & commerce, professional institutes do research on existing policies and coping with global trend, matching with internal capacity propose various incentives scheme to promote industrial growth, to attract domestic and foreign investment.
- NBR scrutinizes these proposals and adopt feasible tax incentive programs or revise existing schemes conforming with prevailing tax policy of Bangladesh.
- If it is found redundant, favorable to tax dodgers, potential to create negative impact to the economy or it contributes to create imbalance and proves harmful to level playing field, NBR rejects such proposal that is it puts veto to those.

To which agency do investors apply for incentives?

- Investors need to apply to taxes appeal and exemption desk of National Board of Revenue.
- The said desk scrutinizes the application and get field administration involved in inspecting the investors' facilities whether given conditions are met or not.

Filing return by companies enjoying tax holidays..

- NBR always puts the condition on any tax incentive issue to file return of the said facilities recipient in respective tax authorities.
- Any infringement found or any conditions found violated, the incentives stand withdrawn.

Does Bangladesh government publish tax expenditure budget (revenue foregone by incentives)?

- Bangladesh did not publish budget accompanying revenue exhausted due to tax incentive package yet.
- But recently research and policy wing are extensively working on publishing such expenditure budget yearly.

**No. of companies (approx.) currently enjoying the incentives
period jan 2014- dec 2014**

Type of Companies/industrial undertaking	No.
Mfgs companies enjoying tax holidays	18
Companies in EPZs (reduced tax rate)	155
Poultry, Hatchery and other agricultural Farms (reduced Tax rate)	16
Independent Power Producer (tax exemption)	32
Software developer and IT enable Service producer and provider (tax exemption)	76
Rice Bran Oil Producers (reduced tax rate)	02
Mfg of Motorcycle, Air-condition, Refrigerator (reduced tax rate)	03
Philanthropic Institution (tax exemption)	42
University/Educational Institute/Research Centre	15
National Level Institutes (tax exemption)	12
Grameen Bank/PKSF/AMCs/SECs	14

NBR/MOF's Policy/Principle on tax incentives.....

- Social welfare needs to be ensured;
- Vulnerable group should be given support;
- New industry in particular sectors need to be set-up;
- Creation of employment in such industries;
- Foreign Direct Investment and domestic Investment needs to be attracted;
- level playing field to new comers in the industry needs to be ensured;
- charitable and philanthropic activities needs to be promoted.

How tax authorities could rationalize tax incentives and impose most cost incentives....

- through limiting tax holidays or tax exemption periods in short terms
- extensive monitoring on the recipients, if found non compliance to fulfillment of conditions, incentives will be withdrawn from that period
- A healthy benefit verses risk ratio should be foreseen
- In order to curb tax planning or transfer pricing most befitted tax incentives to be offered

**Thanking you
very much
for
your patient heed**