

CHAPTER - 4

INCOME TAX AUTHORITY

● LEARNING OBJECTIVES ●

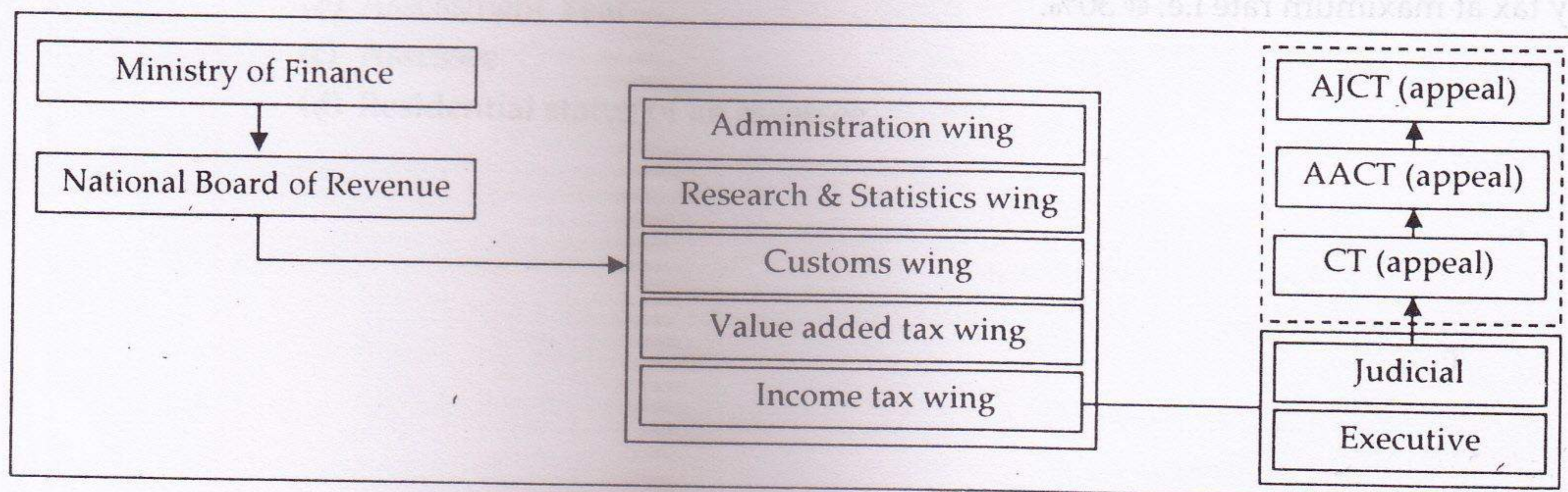
After studying Chapter 4, you shall be able to understand:

- ⊕ different types of income tax authority
- ⊕ appointment of different income tax authority
- ⊕ subordination and control of income tax authorities
- ⊕ power, functions and responsibilities of different administrative authorities
- ⊕ power, functions and responsibilities of different judicial authorities
- ⊕ role of Civil Courts regarding income tax

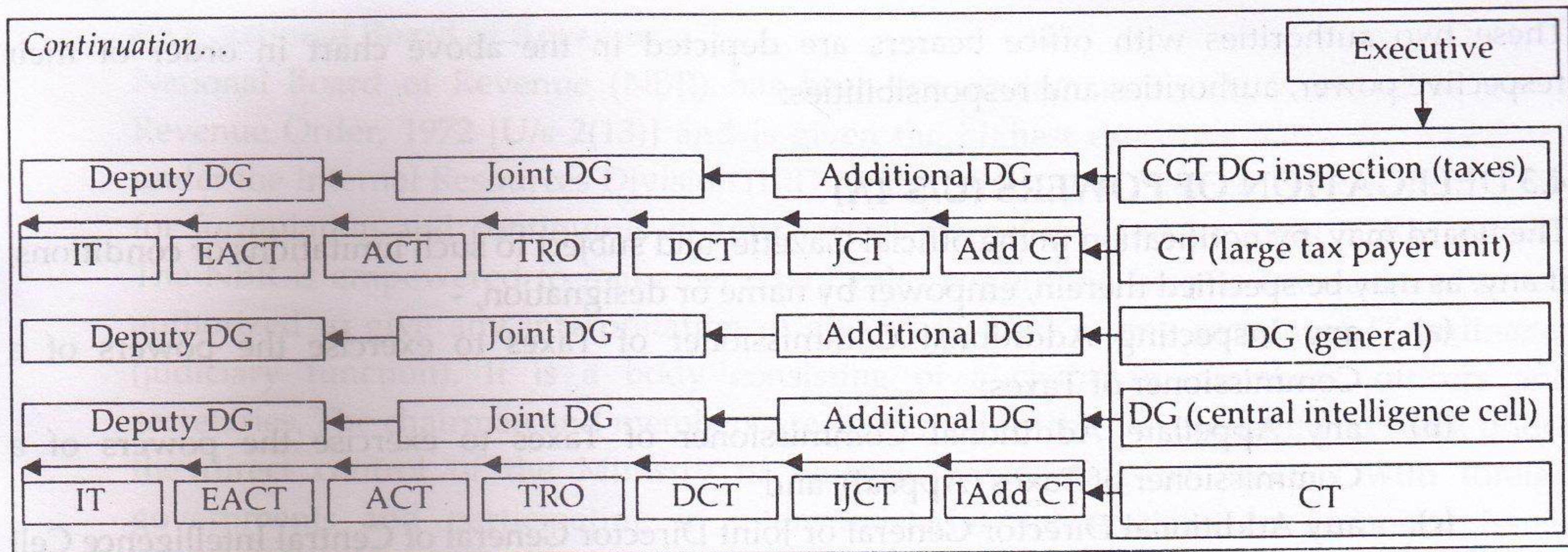
Income tax authorities hold the sole responsibility to execute the laws relating to income tax applicable in the land and to run various departments formed for streamlining the functions like identification of assesseees; computation of taxable income, net tax liability; receiving application in this regard and appeal, listening to complains, hearings; even changing or amending or repealing various sections etc. To ensure efficient administration and to discharge executive and other appellate functions, certain necessary provisions are constituted in the ITO, 1984. Chapter II (Sections 3 - 10) of the IT Ordinance, 1984 deals with the appointment, power and responsibilities of various income tax authorities with their respective authority - responsibility relationships.

4.1 APPOINTMENT OF INCOME TAX AUTHORITIES

The National Board of Revenue (NBR) as the apex body enjoys the power to appoint income tax authorities in accordance with the provisions of the IT Ordinance, 1984 subject to the rules and orders of the government regulating the terms and conditions of service of persons in public services and posts. The board may appoint Chief Commissioner of Taxes, Direct General, Central Intelligence Cell, as many Directors-General of Inspection, Commissioners (Appeals), Commissioners, Joint Commissioners of Taxes, Deputy Commissioners of Taxes, Tax Recovery Officers and Assistant Commissioners of Taxes and such other executive or ministerial officers and staffs as it may think fit. [U/s 4(2)] The Board may also, with approval of the Government, appoint person(s) having appropriate professional experiences and skills as may be specified in the order issued on this behalf. Any other income tax authorities may also appoint income tax authority subordinate thereto subject to the orders and instructions as the board may issue from time to time.



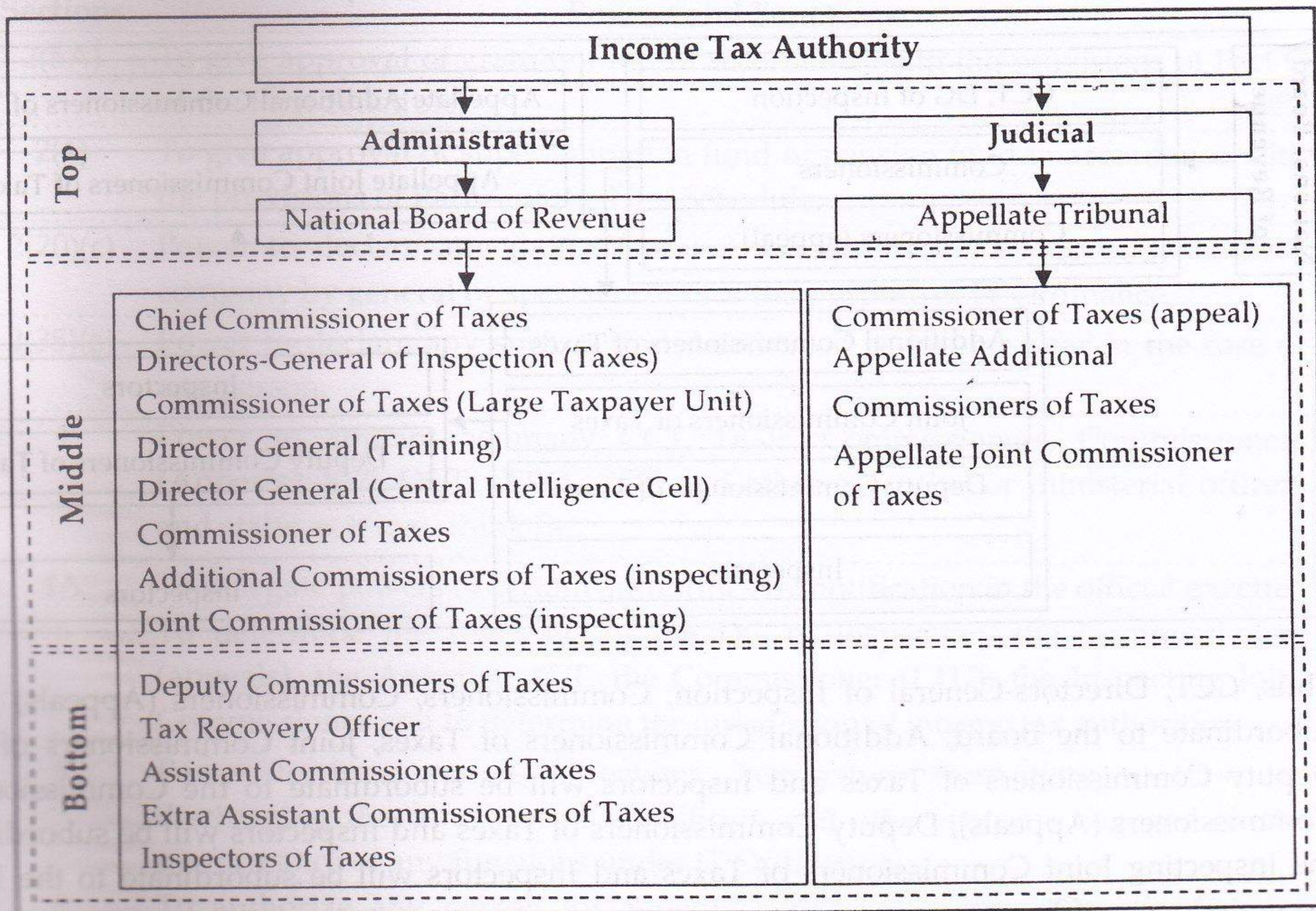
Chapter - 4: Income Tax Authority



DG	: Director General	AACT	: Appellate Additional Commissioner of Taxes
CT	: Commissioner of Taxes	AJCT	: Appellate Joint Commissioner of Taxes
DCT	: Deputy Commissioner of Taxes	Add CT	: Additional Commissioner of Taxes
JCT	: Joint Commissioner of Taxes	ACT	: Assistant Commissioner of Taxes
TRO	: Tax Recovery Officer	EACT	: Extra Assistant Commissioner of Taxes
IT	: Inspector of Taxes	IJCT	: Inspecting Joint Commissioner of Taxes
CCT	: Chief Commissioner of Taxes	IAddCT	: Inspecting Additional Commissioner of taxes

4.2 TYPES OF INCOME TAX AUTHORITIES

Income tax authorities may be classified into two major groups depending on their functions, namely, administrative and judicial.



4.3.1 Administrative: To look after the total administration of income tax wing starting from the identification of assesseees to the collection of taxes from them.

4.3.2 Judicial: To hear the claims of the aggrieved assesseees and to give them the verdict as early as possible.

These two authorities with office bearers are depicted in the above chart in order of their respective power, authorities and responsibilities:

4.3 DELEGATION OF POWERS (U/S 4A)

The Board may, by notification in the official Gazette, and subject to such limitations or conditions, if any, as may be specified therein, empower by name or designation, -

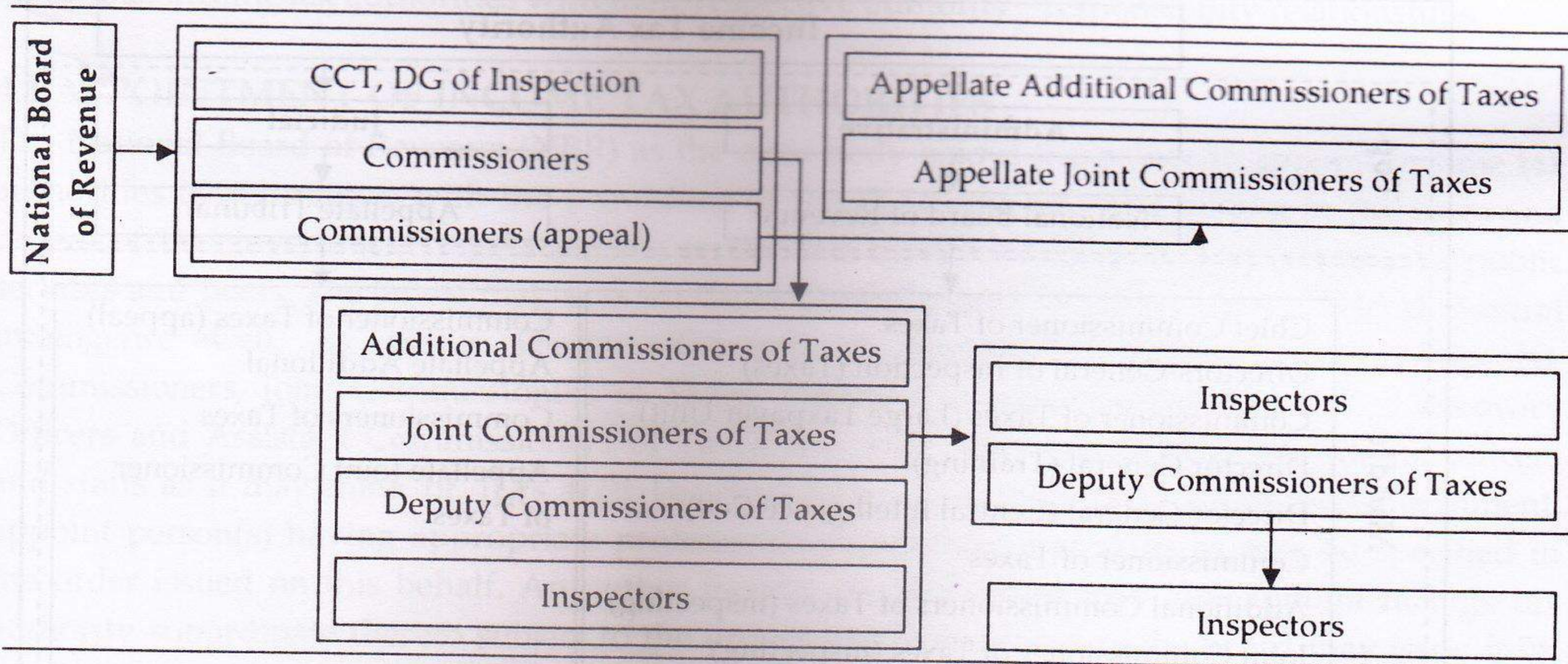
- (a) any Inspecting Additional Commissioner of Taxes to exercise the powers of a Commissioner of Taxes;
- (b) any Appellate Additional Commissioner of Taxes to exercise the powers of a Commissioner of Taxes (Appeal); and
- (c) any Additional Director General or Joint Director General of Central Intelligence Cell to exercise powers of Director General, Central Intelligence Cell.

SELF REVIEW 4 – 1

- (a) Define income tax authority.
 - (b) What is the basic objective to formulate administrative and judicial authority?
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4.4 SUBORDINATION AND CONTROL OF IT AUTHORITIES (U/S 5)

Section 5 of the ITO, 1984 depicts the subordination and control of IT authorities for the purpose of smooth functioning of the administration. In the following chart the overall subordination and control of IT Authorities are depicted:



Thus, CCT, Directors-General of Inspection, Commissioners, Commissioners (Appeals) will be subordinate to the Board; Additional Commissioners of Taxes, Joint Commissioners of Taxes, Deputy Commissioners of Taxes and Inspectors will be subordinate to the Commissioners or Commissioners (Appeals); Deputy Commissioners of Taxes and Inspectors will be subordinate to the Inspecting Joint Commissioners of Taxes and Inspectors will be subordinate to the Deputy Commissioners of Taxes.

4.5 ADMINISTRATIVE AUTHORITIES: POWERS AND FUNCTIONS

Income tax authorities may be of two types; administrative and judicial. In this section, the powers, functions and responsibilities of administrative authorities are discussed.

4.5.1 National Board of Revenue:

National Board of Revenue (NBR) has been constituted under the National Board of Revenue Order, 1972 [U/s 2(13)] and is given the highest executive authority under the under the Internal Resources Division (IRD) of the Ministry of Finance. NBR is responsible for formulation and continuous re-appraisal of tax-policies and tax-laws in Bangladesh. The NBR is empowered to make necessary rules concerning income tax matters but not authorized to give any interpretation of any word used in any section of IT ordinance (judiciary function). It is a body consisting of a chairman, members, officers and secretaries. The chairman and members are appointed by the Government and work under the direct control of the Ministry of Finance. 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 NBR's responsibilities. The main responsibility of NBR is to mobilize domestic resources through collection of Import Duties and Taxes, VAT and Income Tax for the Government. Side by side with 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 3434 officers of various grades and 10195 supporting staff positions.

Powers & Functions of NBR –

Sections	Powers and Functions
2(5A)	To give approval of gratuity fund in accordance with the provisions of Part C of the First Schedule.
2(6)	To give approval of superannuation fund or pension fund in accordance with the provisions of Part A of the First Schedule.
2(20)(c)	Power to declare any unincorporated foreign association or body to be a company by general or special order for the purpose of IT Ordinance.
2(35)(e)	Power to declare any such period determined as income year in the case of any person.
4	Power to appoint as many CCT, DGIs, Commissioners, Commissioners (Appeals), JCT, DCT, TRO, ACT and other executive or ministerial officers and staffs as it may think fit.
4A	To delegate powers of certain authorities by notification in the official gazette.
6	To determine the functions of the DG of Inspection, the Commissioners (appeals), the Appellate JCT, the Commissioner (LTU), the Inspecting Joint Commissioner and to determine the jurisdiction of income tax authorities.
8	Power to issue orders, directions, instructions from time to time for discharging the functions of all officers and other persons engaged in the performance of any functions under IT Ordinance.
9	To authorize any person for assisting, guiding or instructing the Deputy Commissioner of Taxes in the course of any proceedings under this ordinance.
35(2)	Power to prescribe any manner or form to keep accounts for any business or profession or for any other sources of income, to record payment of commercial transactions.

44, 45, 46A, 46B, 47	To allow allowances, tax exemption or tax holiday to approved industrial undertakings, physical infrastructure facilities, income of a tourist industry, and income of co-operative societies.
59	Direct to pay the amount deducted or collected as tax to the credit of the Government within specified time.
170	To compound offences.
173A	To determine place of assessment when jurisdiction of an assessee falls in more than one zone.
174	To set the qualification and disqualification criteria of persons to be authorized representative of an assessee.
184D	To reward an officer or employee of tax department or any other persons for furnishing information to detect tax evasion.
185	Power to make rules for carrying out the purposes of this ordinance.

4.5.1 Chief Commissioner of Taxes, Director-General of Inspection (Taxes):

‘Chief Commissioner of Taxes, Director-General of Inspection (Taxes)’ means a person appointed to be a Director-General of Inspection (Taxes) under Section 3, and except for the purpose of Section 117, includes a person appointed for the purpose of this Ordinance to be an Additional Director-General of Inspection (Taxes), a Deputy Director-General of Inspection (Taxes), or an Assistant Director-General of Inspection (Taxes) [U/s 2(25)]. He is appointed by the NBR and works under the direct supervision of NBR.

Powers & Functions of DGI (Taxes) –

Functions of CCT, DGI are made clear in section 6(1)(aa) through Finance Act, 1997. As per the section, the Directors-General of Inspection shall perform the following functions: -

- (i) Carry out inspection of income tax cases;
- (ii) Investigate or cause investigation to be carried out in respect of cases involving leakage of revenue or evasion of taxes;
- (iii) Carry out audit of cases of offices involving income tax cases only;
- (iv) Furnish annual report about the working of income tax offices dealing with revenue matters to the Board by the thirty first day of December following the end of the financial year to which it relates; and
- (v) Such other functions as may be assigned to them by the Board;

Special Power given in Chapter XIV of IT Ordinance (Section 116 &117) –

- (i) The DGI enjoys the powers to make any inquiry or to require any such person to produce any accounts or documents that he may consider necessary [Section – 116].
- (ii) Under Section 116A, the DGI has the power of giving order for not removing property in necessary grounds.
- (iii) DGI can enter and search any building, place, vessel, vehicle or aircraft where he has reason to suspect that any books of accounts, documents, money, bullion, jewellery or other valuable articles or things are kept and he also enjoys the power to seize any books of accounts, and other sources found from such search [Sec 117].

4.5.2 Powers & Functions of Chief Commissioner of Taxes Director General, Central Intelligence Cell (CIC):

As per Section 6(b)(aaa) the Director General of CIC shall perform the following functions:

- (i) Carry out intelligence works to gather information about tax payers;

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- (ii) Analyze information gathered through intelligence work vis-à-vis concerned income tax records;
- (iii) Detect tax evasions, concealments of income and offences;
- (iv) Carry out investigations to prove tax evasion or concealment or any other irregularities relating to tax and to collect evidences in support of tax offences or tax frauds for recovery of tax with penalty and to supersets prosecution in fit cases;
- (v) To carry out functions as authorized by any other law.

4.5.3 Commissioner of Taxes and Commissioner of Taxes (Large Taxpayer Unit):

'Commissioner' means a person appointed to be a Commissioner of Taxes or Commissioner (Large Taxpayer Unit) under Section 3, or a person appointed to hold current charge of a Commissioner of Taxes or Commissioner (Large Taxpayer Unit) [U/s 2(19)]. They are appointed by NBR on a territorial basis in most of the time and may enjoy the supreme power of their jurisdiction. They work as per the direction of NBR and holds liable for the functioning of the department headed by them.

Powers & Functions of Commissioners –

- (i) Power to call for information under Section 113: The Commissioner may require any firm, Hindu undivided family (HUF), person including a banking company, assessee, dealer, broker or agent to furnish any information in relation to such points or matters as may be specified in the notice.
- (ii) Additional powers of enquiry and production of documents under Section 116: The Commissioner may make any inquiry in respect of any person liable to assessment under this ordinance or to require any such person to produce any accounts or documents that he may consider necessary.
- (iii) Power of giving order for not removing property under Section 116A: The Commissioner may order for not removing property like any money, bullion, jewellery, financial instrument, financial asset, valuable article or any other property in necessary grounds.
- (iv) Power of search and seizure under Section 117: The commissioner exercises the power to enter and search any building, place, vessel, vehicle or aircraft where he has reason to suspect that any books of accounts, electronic records and systems, documents, money, bullion, jewellery or other valuable articles or things are kept and he also enjoys the power to seize any books of accounts, extract the data from any such sources found as a result of such search.
- (v) Revisional power under Section 121A: Commissioner may on an application made by an assessee, with a fee of 200 taka and full payment of undisputed portion of tax, call for the record of any proceedings in which an order has been passed by any authority subordinate to him. He may make such enquiry and may also pass such order thereon within 60 days from the date of application, not being an order prejudicial to the assessee, as he thinks fit. The power he exercises under this section are judicial and quasi-judicial where the Board has no power to interfere but he is bound to give an opportunity of being heard to the assessee.
- (vi) Power to take evidence on Oath, etc. under Section 122: The Commissioner has the same powers as are vested in a Court under the Code of Civil Procedure, 1908 (Act V of 1908), when trying a suit in respect of certain matters.
- (vii) Power for having reference from High Court Division under Section 160: The Commissioner can ask for a reference to the Supreme Court (High Court Division)

from an order of the Appellate Tribunal on appeal within 90 days from the date of receipt of such order, by application in prescribed form.

4.5.4 Additional Commissioner of Taxes (ACT):

ACT is subordinate to the Commissioner within whose jurisdiction he is appointed to perform his function [U/s 5(2)]. But the Board may also empower him to exercise the powers of a CT (U/s 4A). He is entrusted with the following responsibilities:

- (i) He provides necessary instructions to the JCT and the DCT.
- (ii) He can seize the books of accounts and other relevant documents of a defaulter assessee authorized by the Board.
- (iii) He may demand relevant information from the assessee by issuing notice

4.5.6 Joint Commissioner of Taxes (Inspecting):

They are appointed by the Board and work under the direct supervision of the Commissioner of Taxes within whose jurisdiction they perform their functions. Their main function is to supervise the work of the DCT tackling tax evasion under his jurisdiction. The Board may also direct them to exercise the power of the DCT. His other powers are:

- (i) He can demand required information by issuing a written notice as per Section 113.
- (ii) He can inspect any register of the members, debenture holders or mortgagees of any company or any entry in such register as per Section 114.
- (iii) He enjoys special power to conduct investigation and collection of relevant document as per Section 116.
- (iv) He has the power to revise any order of the DCT within four years as per Sec. 120.
- (v) He may accept appeal against a TRO works under his jurisdiction and give a final decision as per Section 157.
- (vi) Power of previous approval for imposing penalty by the DCT as per Sec 131.

4.5.7 Deputy Commissioner of Taxes (DCT):

According to Section 2(23) of the ITO, 1984, “Deputy Commissioner of Taxes” means a person appointed to be a Deputy Commissioner of Taxes under Section 3, and includes a person appointed to be an Assistant Commissioner of Taxes, an Extra Assistant Commissioner of Taxes and a Tax Recovery Officer. Among the income tax authorities, the DCT holds a very important position enforcing both executive and judicial power. He is appointed by the Board and works under the supervision of the Commissioner of Taxes in respect of specific areas or persons or income. The main functions and powers of the DCT are as follows:

- (i) Jurisdiction of DCT: The DCT shall perform their functions in respect of specific areas, or persons, or cases, or incomes as the commissioner to whom they are subordinate may assign to them. [Section 6(1)(c)]
- (ii) Extension of Tax Return Submission Time: The last date for the submission of return may be extended upto two months by the DCT in respect of any person or class of persons. He may further extend the date upto two months with the approval of the Inspecting Joint Commissioner. [Section – 75(3)]
- (iii) Issue of Notices: The DCT issues written notices to any person or company to file a return of their total income within stipulated time (not being less than 21 days or within extended period as the DCT allows); to produce and present relevant books of accounts and documents; to file the Statement of Assets, Liabilities and Lifestyle. [Section – 77, 79 & 80]

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- (iv) **Provisional Assessment:** The DCT may proceed to make a provisional assessment of the tax payable by the assessee on the basis of the return and the accompanying accounts and documents, and where no return has been filed, on the basis of the last assessment [Section - 81]
- (v) **Assessment on Correct Return:** Being satisfied with the information presented in the return or revised return, The DCT may assess the total income of the assessee and determine the tax payable by him on the basis of such return and communicate the assessment order to the assessee within thirty days next. [Section - 82]
- (vi) **Assessment after Hearing:** Being dissatisfied with the information presented in the return or revised return, The DCT may serve a notice to the assessee requiring him to appear before the DCT with relevant documents for hearing. Within 30 days after the completion of the hearing and consideration, the DCT assess the total income of the assessee and determine the tax payable by him on the basis of such assessment. [Section - 83]
- (vii) **Best Judgment Assessment:** Where any person fails to file the return or revised return and to comply with the requirements of a notice under section 77, 78, 79, 80, or 83(1), the DCT may assess the total income of the assessee to the best of his judgment and determine the tax payable by him on the basis of such assessment and communicate the assessment order to the assessee within thirty days next. [Section - 84]
- (viii) **Assessment in Case of Persons Leaving Bangladesh:** Where it appears to the DCT that any person may leave Bangladesh during the current financial year or shortly after its expiry and he has no intention of returning, an assessment may be made in that year by the DCT. [Section - 91]
- (ix) **Assessment in Case of Income of a Deceased Person:** The DCT may assess the total income of a deceased assessee and issue a notice to his legal representatives to pay the tax. [Section - 92]
- (x) **Assessment in Case of Income Escaping Assessment:** If, for any reason, any income chargeable to tax for any year has escaped assessment or has been under assessed or has been assessed at too low a rate or has been the subject of excessive relief or refund under the ITO - 1984, The DCT may issue a notice to the assessee and may proceed to assess or determine the total income of the assessee or the tax payable by him, applying all the relevant provisions accordingly. [Section - 93]
- (xi) **Tackling tax avoidance:** If it appears to the DCT that an assessee has avoided tax through transactions with non-residents intentionally, the DCT may assess the total income again to determine the correct amount of income and tax. [Section - 104]
- (xii) **Issue of Tax Clearance (TC) & Tax Exemption Certificates (TEC):** The DCT has the authority to issue TC & TEC to the assessee as per ITO - 1984. [Section - 107]
- (xiii) **Power to Call for Information:** The DCT has the power to call for information from any firm, HUF, person including a banking company, assessee, dealer, broker or agent through issuing notices. [Section - 113]
- (xiv) **Power to Inspect Registers of Companies:** The DCT has the power to inspect any register of the members, debenture holders or mortgagees of any company or any entry in such register. [Section - 114]
- (xv) **Additional Powers of Enquiry and Production of Documents:** Being authorized in writing, the DCT may seek for any information from the assessee for the purpose of making any enquiry which he considers necessary. [Section - 116(3)]

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- (xvi) Power of Search and Seizure: DCT may impose the power of search and seizure in case of the assessee's non-compliance with the provisions of the ITO –1984 [Sec 117]
- (xvii) Power to Take Evidence on Oath: The DCT, for the purposes of ITO – 1984, has the same powers as are vested in a Court under the Code of Civil Procedure, 1908, when trying a suit in respect of discovery and inspection, enforcing the attendance of any person and examining him on oath, compelling the production of accounts or documents, issuing commissions for the examination of the witness. [Sec. – 122]
- (xviii) Power of Imposing Penalty for not maintaining Accounts in the Prescribed Manner: Where any person, without reasonable cause, has failed to comply with the provisions under section 35(2) regarding the maintenance of accounts and documents properly, The DCT may impose on him a penalty as per section 123.
- (xix) Power of Imposing Penalty for Failure to File Return, etc.: Where any person, without reasonable cause, has failed to file a return of income required by sections 75, 77, 89(2), 91(3) or 93(1); to file or furnish any certificate, statement, accounts or information required by sections 58, 108, 109, or 110; to file TIN certificate under section 148C, The DCT may impose on him a penalty as per section 124.
- (xx) Power of Imposing Penalty for other reasons: The DCT may impose on the assessee a penalty for failure to pay advance tax, for non-compliance with notice, to pay tax on the basis of return, for concealment of income as per sec. 125, 126, 127 and 128.
- (xxi) Issuing Certificate for Recovery of Tax: The DCT has the power to forward a Certificate for Recovery of Tax to the TRO imposing him with the authority of recovering the arrear tax from the defaulter assessee. He has also the power of withdrawal of the certificate. [Sections – 138 & 140]

So, from the above discussion it is clear that the DCT plays a vital role in the whole of tax administration of the country, enforcing both executive and judicial power. He acts like the middleman between the taxpayers and the tax authority. According to section 6(4), decisions regarding assignment and transfer of cases to any authority or performance of functions of DCT under this section cannot be challenged in any court or other authority.

4.5.8 Tax Recovery Officers (TRO):

As per section 2(64), Tax Recovery Officer is appointed under section 3 of ITO – 1984 by the Board. These officers are nominated by the Commissioner of Taxes among the Deputy Commissioner of Taxes within his jurisdiction. The main responsibility of the Tax Recovery Officer is to collect arrear taxes from the defaulter assesses after receiving a certificate for recovery of the tax, forwarded by the DCT as per section 138 of the ITO – 1984. As per section 139 of the ITO – 1984, the main functions of the TRO are as follows:

- (i) A TRO may recover arrear taxes from the aseeesees by any mode [Section 139(1)]:
 - (a) attachment and sale, or sale without attachment, of any movable or immovable property of the assessee;
 - (b) Arrest of the assessee and his detention in prison;
 - (c) Appointment of a receiver for the management of the movable and immovable properties of the assessee.
- (ii) The TRO may also recover in the same above manner from the assessee in default, in addition to the amount of arrear taxes, [Section 139(2)]:
 - (a) the interest for which the assessee is liable under section 136; and
 - (b) any cost and charges, including expenses of the service of any notice or warrant, incurred in the proceedings for the recovery of arrear taxes.

- (iii) If the TRO is not able to recover the entire amount by the sale of movable and immovable properties of the assessee within his jurisdiction, may send the certificate to other TRO within whose jurisdiction the assessee has additional assets, to recover the rest of the amount through same procedures [Section 139(3)].

4.5.9 Assistant Commissioners of Taxes:

As per section 2(10), Assistant Commissioners of Taxes is appointed under section 3 of ITO - 1984 by the Board. He will perform his functions as per the instructions of the authorities for the assistance of whom he has been appointed. As per section 2(23) he may also work as the DCT, if authorized by the Board.

4.5.10 Extra Assistant Commissioners of Taxes:

As per section 2(29), Extra Assistant Commissioners of Taxes is appointed under section 3 of ITO - 1984 by the Board. He normally provides notices to the assesses on behalf of DCT, inspects tax returns and other relevant documents, recover taxes from defaulters. As per section 2(23) he may also work as the DCT, if authorized by the Board.

4.5.11 Inspector of Taxes:

As per section 2(37), Inspector of Taxes is appointed under Section 3 of ITO - 1984 by the Board. He is appointed to assist the DCT or IJCT within whose jurisdictions they conduct their functions and duties. As per section 2(23) he may also work as the DCT, if authorized by the Board. Their main duties include:

- (i) He may inspect books of accounts and other documents to check the accuracy and authenticity of the information presented in those books by the assessee.
- (ii) He conducts survey to find out new assesses or new income sources of old assesses to with a view to widening the tax net.
- (iii) He helps the Tax Recovery Officers in recovery of arrear tax from assesses.
- (iv) He works to detect and prevent tax evasion in the country.
- (v) Executes other orders of DCT and superior authorities beside his regular functions.

SELF REVIEW 4 - 2

- (a) State any five duty of deputy commissioner of taxes.
 - (b) How a TRO may recover arrear taxes from the aseessees?
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4.6 JUDICIAL AUTHORITIES: POWERS AND FUNCTIONS

If an assessee is not satisfied with the decisions of the administrative authority, he can move for appeal to the appropriate judicial authority. The status, power and functions of various judicial authorities are enumerated below:

4.6.1 Appellate Joint Commissioner of Taxes (AJCT):

According to section 2(4), "Appellate Joint Commissioner" means a person appointed to be an AJCT under section 3 and includes an Appellate Additional Commissioner of Taxes and also a person appointed to hold current charge of an Appellate Joint Commissioner of Taxes. This authority is appointed by the Board and perform functions regarding specific judicial activities associated to person, income, case or area; assigned by the Board. They are entrusted with the following powers and responsibilities:

- (i) He can inspect any register of the members, debenture holders or mortgagees of any company or any entry in such register as per section - 114.

- (ii) He can impose penalty for concealment of income on the assessee as per sec. 128.
- (iii) He can order for imposing penalty and a copy of such order can be sent to the DCT for taking necessary steps as per section 132.
- (iv) He can accept an appeal against order of the DCT and Inspecting Joint Commissioner as per section 153 and 154.
- (v) He has the power to fix a day and place for the hearing of the appeal as per sec. 155.
- (vi) He has the power to retain, change, reduce, enhance or cancel the decision of DCT after hearing the appeal as per section 156.

4.6.2 Appellate Additional Commissioner of Taxes:

They are appointed by the Board and work under the direct control of the Board. They may be directed by the Board to perform their functions in respect of specified areas, persons or classes of persons or income. Although they are appointed by and work under the Board, their appellate powers and functions cannot be interfered by the Board.

4.6.3 Commissioner of Taxes (Appeals):

According to section 2(19A), "Commissioner (Appeals)" means a person appointed to be a Commissioner of Taxes (Appeals) under section 3 and includes a person appointed to hold current charge of a Commissioner of Taxes (Appeals). They are appointed by the Board and work under the direct control of the Board. They are directed by the Board to perform their judicial functions in respect of specified areas, persons or classes of persons or income. The aggrieved assessee may appeal to him against the decisions of Appellate Joint Commissioner of Taxes. Moreover, he is also entrusted with the same powers and functions of the Appellate JCT as per sections 122, 128, 132, 153, 154, 155 and 156.

4.7 TAXES APPELLATE TRIBUNAL

According to section 2(5), "Appellate Tribunal" means the Taxes Appellate Tribunal established under section 11. As per section 3, it is not a part of income tax authority. But in order to facilitate the aggrieved assessee and the DCT with allowing them to file an appeal against the order of an Appellate Joint Commissioner or the Commissioner (Appeals); the government forms the "Taxes Appellate Tribunal" under section 11 of ITO - 1984 as a judicial body. The provisions regarding the formation, qualification of members and functioning are as follows:

4.7.1 Formation of Taxes Appellate Tribunal: For the purpose of exercising the functions of the Appellate Tribunal under this ordinance, the government shall establish a Taxes Appellate Tribunal consisting of a President and such other members as the Government may, from time to time, appoint. [Section - 11(1)]

4.7.2 Qualification of the members: As per section 11(3), a person shall not be appointed as a member of the Taxes Appellate Tribunal unless-

- (i) he was or is a member of the Board or holds the current charge of a member of the Board; or
- (ii) he was a Commissioner of Taxes; or
- (iii) he is a Commissioner of Taxes; or
- (iv) he is a chartered accountant and practiced professionally for a period not less than eight years; or
- (v) he is a cost and management accountant and practiced professionally for a period not less than eight years; or

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- (vi) he is an income tax practitioner within the meaning of section 174(2)(f) and practiced professionally for not less than twenty years; or
- (vii) he is a professional legislative expert having not less than eight years experience in the process of drafting and making financial and tax laws;
- (viii) he is an advocate and practiced professionally for not less than ten years in any income tax office; or
- (ix) he is, was or has been a district judge.

4.7.3 Appointment of the President: Government shall appoint one of the members of the Appellate Tribunal to be the president of the Tribunal who is a member of the Board or holds the current charge of a member of the Board [Section 11(4)].

4.7.4 Exercise of Power: As per section 12, generally the powers and functions of the Appellate Tribunal (AT) shall be exercised by Benches of the AT, to be constituted by the President having not less than two members. Moreover, as per section 14, the government may direct that the powers and functions of the AT shall be exercised by any one of its members, or by two or more members jointly or severally.

4.7.5 Decision of Bench: As per section 13, the decision of a bench in any case or on any point shall be given in accordance with the opinion of the majority of its members. But if the members are equally divided in any point, they will refer it to the president who may refer the case to one or more other members of the Tribunal for hearing and the point shall be decided according to the majority of the members of the Appellate Tribunal who have heard it including those who first heard it.

However, where there are only two members of the Appellate Tribunal and they differ in any case, the Government may appoint an additional member of the Appellate Tribunal for the purpose of hearing the case and the decision of the case shall be given in accordance with the opinion of the majority of the members of the Appellate Tribunal as constituted with such additional member.

4.7.6 Powers and Functions::

- ⊕ It can accept appeal of an assessee who is aggrieved by an order of an Appellate JCT or the CT (Appeals) as the case may be, u/s 128 or 156 [Sec 158(1)(a)].
- ⊕ It can also accept appeal of the DCT against the order of an Appellate Joint Commissioner or the Commissioner (Appeals) under section 156. [Sec. 158(2A)].
- ⊕ On a valid ground appeal is admitted after the expiry of 60 days [Sec. 158(4)].
- ⊕ It may pass orders as it thinks fit after giving both the parties a chance of being heard. [Section - 159(1)].
- ⊕ It may call for relevant particulars or cause further inquiry by the DCT before disposing any appeal. [Section - 159(2)].
- ⊕ It may direct the DCT to amend the assessment of an assessee. [Section 159(3)].
- ⊕ It has the same powers as are vested in a Court under the Code of Civil Procedure, 1908 (Act V), when trying a suit of certain matters [Section 122(1)].
- ⊕ It may impose a penalty for concealment of income by the assessee [Sec. 128].
- ⊕ Send copy of the order of penalty on an assessee, to the DCT [Section 132].
- ⊕ The orders from the Appellate Tribunal on appeal shall be final [Section 159(5)].
- ⊕ It will communicate its order on the appeal to the assessee and to the commissioner within thirty days from the date of such order. [Section 159(4)].

4.7.7 Regulation of Procedure: Subject to the provisions of this Ordinance, the Appellate Tribunal shall regulate its own procedure and the procedure of its Benches in matters arising out of the discharge of its functions including the places at which a Bench shall hold its sittings [Section – 15].

4.8 ROLE OF CIVIL COURTS REGARDING INCOME TAX

The role of civil courts regarding income tax is not very significant since no suit shall be brought in any Civil Court to set aside or modify any assessment made under this Ordinance [Section – 182(1)]. High Court Division and Supreme Court Division can only give explanation of law to any point referred to them by the assessee or the Commissioner of Taxes. On the basis of the explanation, the Tribunal can give the final verdict. An appeal can also be filed against the judgment of the High Court Division in any case which the High Court Division certifies to be a fit one for appeal to the Appellate Division [Section 161 & 162].

4.9 ASSISTANCE TO INCOME TAX AUTHORITIES [SECTION – 184E]

All officers and staff of government and semi-government organizations, law enforcement agencies, autonomous bodies, statutory bodies, financial institutions, educational institutions, private organizations, local government and non-government organizations shall assist the income tax authorities in the discharge of their functions under the ITO, 1984.

KEY POINTS

1. Income tax authorities hold the sole authority to execute the laws relating to income tax applicable in the land.
2. Chapter II (Sec 3-10) of the Income Tax Ordinance, 1984 deals with the appointment, power and responsibilities of income tax authorities with their respective authority responsibility relationships.
3. Income tax authorities may be classified as administrative and judicial authority depending on their functions.
4. Administrative authorities look after the total administration of income tax wing starting from the identification of assessee to the collection of taxes from the assessees.
5. Judicial authorities hear the claims of the assessees and give the verdict as early as possible.
6. The National Board of Revenue (NBR) as the apex body enjoys the power to appoint income tax authorities in accordance with the provisions of the IT Ordinance, 1984 subject to the rules and orders of the government regulating the terms and conditions of service of persons in public services and posts.
7. Any income tax authority may appoint any income tax authority subordinate thereto subject to the orders and instructions as the board may issue from time to time.
8. NBR has the power to make rules for carrying out the purposes of this ordinance.
9. Taxes Appellate Tribunal is not a part of income tax authority but in order to facilitate the aggrieved assessees and the DCT with allowing them to file an appeal against the order of an Appellate Joint Commissioner or the Commissioner (Appeals); the government forms the "Taxes Appellate Tribunal" as a judicial body.
10. The role of civil court regarding income tax is not significant since no suit shall be brought in any Civil Court to set aside or modify any assessment made under this Ordinance.

Multiple choice questions:

1. Most of the income tax authority has been appointed by –
 - (a) Ministry of Finance
 - (b) NBR
 - (c) Appellate Tribunal
 - (d) Government
2. The chairman and members of NBR are appointed by –
 - (a) Ministry of Finance
 - (b) Commissioner of Taxes
 - (c) Appellate Tribunal
 - (d) Government
3. Commissioner of Taxes works as per the direction of –
 - (a) Ministry of Finance
 - (b) NBR
 - (c) Appellate Tribunal
 - (d) Government
4. The last date for the submission of return may be extended by the DCT upto –
 - (a) 21 days
 - (b) 30 days
 - (c) 60 days
 - (d) 90 days
5. The DCT issues written notices to any person or company to file a return of their total income within stipulated time not being less than –
 - (a) 21 days
 - (b) 30 days
 - (c) 60 days
 - (d) None of the above
6. The aggrieved assessee may appeal to whom against the decision of Appellate Joint Commissioner of Taxes –
 - (a) Appellate Tribunal
 - (b) Appellate Additional Commissioner of Taxes
 - (c) Commissioner of Taxes (appeal)
 - (d) None
7. Tax Appellate Tribunal is a –
 - (a) Administrative body
 - (b) Judicial body
 - (c) Independent body
 - (d) None of the above
8. Followings are the qualification to be a member of Tax Appellate Tribunal, except –
 - (a) he was a member of the Board
 - (b) he was a Commissioner of Taxes
 - (c) chartered accountant with not less than eight years practical experience
 - (d) an advocate with not less than eight years experience in any income tax office

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9. The aggrieved assessee may appeal to whom against the decision of DCT or IJCT –
 - (a) Appellate Tribunal
 - (b) Appellate Additional Commissioner of taxes
 - (c) Appellate Joint Commissioner of taxes
 - (d) Commissioner of Taxes (appeal)
10. Who works to detect and prevent tax evasion in the country –
 - (a) Commissioner of Taxes
 - (b) Deputy Commissioner of Taxes
 - (c) Tax Recovery Officer
 - (d) Inspector of Taxes

Identify the following statements as either true (T) or false (F):

1. Any income tax authority may appoint any income tax authority subordinate thereto subject to the orders and instructions as the board may issue from time to time.
2. Administrative authority has been formulated to hear the claims of the assessee and to give them the verdict as early as possible.
3. Joint Commissioner of Taxes (inspecting) has the power to revise any order of DCT within 4 years.
4. Best judgment assessment is generally conducted by the Commissioner of Taxes.
5. High Court Division and Supreme Court Division can only give explanation of law to any point referred to them by the assessee or the Commissioner of Taxes.

Discussion Questions:

- Question 4 – 1:** Who are the income tax authorities? Present income tax authority in a diagram reflecting power of different administrative and judicial body.
- Question 4 – 2:** How do you think income tax authorities have been appointed?
- Question 4 – 3:** What is NBR? Explain the powers and functions of NBR.
- Question 4 – 4:** “The DCT plays a vital role in the whole of tax administration of the country” – do you agree? Explain.
- Question 4 – 5:** “The main responsibility of the Tax Recovery Officer is to collect arrear taxes” – explain.
- Question 4 – 6:** What is Tax Appellate Tribunal? Explain the required qualifications to be a member of Tax appellate Tribunal.
- Question 4 – 7:** Briefly explain the functions of Appellate Joint Commissioner of Taxes.
- Question 4 – 8:** Write short note on:
 - (a) Judicial Authority
 - (b) NBR
 - (c) Tax Appellate Tribunal
 - (d) DCT

Chapter - 4: Income Tax Authority

Answers:

Multiple choice questions		True/False
1. b	6. c	1. T
2. d	7. b	2. F
3. b	8. d	3. T
4. c	9. c	4. F
5. a	10. d	5. T

Self review 4 – 1:

- (a) Income tax authorities** hold the sole authority to execute the laws relating to income tax applicable in the land and to run various departments formed for streamlining the functions like identification of assessee; computation of taxable income, net tax liability etc.
- (b) Administrative:** To look after the total administration of income tax wing starting from the identification of assesseees to the collection of assesseees.

Judicial: To hear the claims of the assesseees and to give them the verdict as early as possible.

Self review 4 – 2:

(a) Functions of DCT:

1. The DCT issues written notices to any person or company to file a return of their total income
2. The DCT may proceed to make a provisional assessment
3. The DCT may conduct best judgment assessment
4. The DCT may impose on the assessee a penalty for non compliance
5. The DCT may further extend the date filing return upto three months with the approval of the Inspecting Joint Commissioner.

(b) A TRO may recover arrear taxes from the assesseees by any of the following modes:

- (i) attachment and sale, or sale without attachment, of any movable or immovable property of the assessee;
- (ii) Arrest of the assessee and his detention in prison;
- (iii) Appointment of a receiver for the management of the movable and immovable properties of the assessee.

CHAPTER - 5

INCOME AND ITS CLASSIFICATION

LEARNING OBJECTIVES

After studying Chapter 5, you shall be able to understand:

- ⊕ the concept of income and its characteristics
- ⊕ capital and revenue nature of income & expenditure
- ⊕ the concept of total income and total world income
- ⊕ different classes of income and their impact
- ⊕ sources of income
- ⊕ non-assessable or tax-exempted income
- ⊕ tax credit income or investment allowance

5.1 DEFINITION OF INCOME

The concept of income is central to the Income Tax Act as it is the income that is taxed. Anything, which can be defined as income is taxable unless specifically exempted from tax. According to the Oxford Dictionary, the term "income" means periodical, especially annual receipt from one's work, lands, investments. It includes any sum that a person or organization receives either as a reward for effort (e.g. salary or trading profit) or as a return on investments (e.g. rents or interests). The concept of income is the main theme to the ITO, 1984 as it is the income that is taxed by it. Anything which can be defined as income is taxable unless specifically exempted from tax. On the other hand, a receipt that cannot be termed as income cannot be assessed. The term 'income' has not clearly been defined in the ITO, 1984, rather what to be included and not to be included under the income head has been explained. According to the Section 2(34) of the ITO, 1984, "income" includes –

- (a) any income, receipts, profits or gains, from whatever source derived, chargeable to tax under any provision of this Ordinance;
- (b) any amount which is subject to collection or deduction of tax at source under any provision of this Ordinance
- (c) any loss of such income, profits or gains;
- (d) the profits and gains of any business of insurance carried on by a mutual insurance association computed in accordance with paragraph 8 of the Fourth Schedule;
- (e) any sum deemed to be income, or any income accruing or arising or received, or deemed to accrue or arise or be received in Bangladesh under any provision of this Ordinance;
- (f) any amount on which a tax is imposed;
- (g) any amount which is treated as income under any provision of this Ordinance.

Definitions of income as per various court decisions:

1. "Income is what comes in from outside. No man can make a profit by dealing with himself"
– [CIT vs. Hind Construction Ltd. (1972) 83 I.T.R 211 (S.C)]
2. "Income includes every kind of receipts or gain" - [CIT vs. Navin Chandra Mafatlal (1954), 26 I.T.R. 758 (S.C)]
3. "Essentially the concepts of income indicates something which goes into the pocket of the assessee and not what saves in its pocket" - [Bhagwan Das Jain vs. Union of India (1981), 5 taxman 7 (S.C)]

The definition given above is an inclusive definition and not exhaustive. It is not capable of expressing the exact definition. It has got a legal concept. Income in this ordinance connotes a periodical monetary return "coming in" with some sort of regularity or expected regularity, from definite sources after deducting allowable expenses.

5.2 CHARACTERISTICS OF INCOME

From the above discussion, it is clear that the term 'income' is difficult to define and therefore a lot of litigation has taken place all over the world to sort out difference of opinion in this regard. Considering the judgments we can find the following salient features of income:

1. **Periodical return:** The term 'income' under the ITO, 1984, refers to a periodical monetary return coming in with some sort of expectation and definite sources.
2. **Received from third party:** Income must come from outside. Pocket money received by a student from his father is not income. [CIT vs. Hind Construction Ltd., 1972]
3. **Definite source:** It arises from or out of a source, like work by way of employment or profession or vocation or investment in business assets or government securities or shares, debentures etc., or the land or things erected on or connected with land.
4. **Revenue receipts:** Income is one kind of revenue receipts which is essentially the product of capital. [CIT vs. Shaw Wallence & Co., 1932]
5. **Tainted with illegality:** Legality is not an important factor to consider an item as income. Legal or illegal both incomes may be charged for tax.
6. **Income in kind:** Income may be received either in money or in kind or in the form of perquisites which can be measured in terms of money. [CIT vs. Kameshwar Singh]
7. **Received or accrued:** Income must be earned but may have already been received or not. Income earned but receivable will also be considered as income. [Trinidad Lake Asphalt Operating Co. vs. CIT]
8. **Real:** Income means real income not fictitious income. [CIT vs. B. M. Kharwar]

5.3 CAPITAL AND REVENUE RECEIPTS AND EXPENDITURES

The distinction between capital and revenue is important for the purpose of income tax. It is the revenue receipt and not capital, that is put to tax. The only exception being is the capital gains. In the same way, only revenue expenditure is allowed to be deducted while calculating income whereas amount spent to acquire capital assets is ignored altogether. The concept of capital and revenue should be discussed with regard to receipts, expenditure and losses.

Receipts are of two types. – revenue or capital. *Revenue receipts* arise on account of sale of goods and services in business. This is a regular flow of receipts. On the other hand, *capital receipts* are those receipts which are received on selling of capital assets, e.g. sale proceeds of residential house. Similarly expenditure can also be classified as revenue or capital. Expenses incurred in day-to-day running of business are known as *revenue expenditure*, e.g. salary, wages etc. But, amount spent on acquiring of capital assets is termed as *capital expenditure*. Such as, purchase of Plant & Machineries. Losses do occur in business. Some of them are allowable losses which are deductible from business income while computing taxable income, while some of them are not. Although the distinction between capital and revenue can be fairly recognized and easily applied, there is no clear guideline in the ITO, 1984 about such distinctions. Based on accounting principles, economic considerations and judicial remarks we can distinguish them. Various tests have been evolved for distinguishing between capital and revenue receipts and expenditure, but no test is paramount or conclusive. There is no all-embracing formula which can provide a ready solution to the problem;

no touch-stone has been devised. Every case has to be decided on its own facts, keeping in mind the broad picture of the whole operation in respect of which the income has been receipt and the expenditure has been incurred [CIT vs. Karanpura Development Com. (1983) 144 ITR 538].

5.3.1 Distinguishing Tests of Revenue and Capital Receipts:

Following tests can be applied in distinguishing capital and revenue receipts:

1. **Fixed and Circulating:** A receipt on account of fixed capital is a capital receipt. And a receipt against circulating capital is a revenue receipt, therefore, taxable.
2. **Sources of compensation:** Compensation received for the immobilization, sterilization or destruction of a capital asset is capital receipt. Compensation received for harmful affect of a trading asset is a revenue income and liable to tax.
3. **Motive of seller in case of isolated transactions:** In the case of an isolated transaction of purchase and sale of property, the motive of the seller is a deciding factor in determining the nature of the receipt. Where assets are held as investment, receipt from sale of such assets will be considered as capital receipt. Whereas, receipt from the sale of an asset who holds them for trade or resale, will be considered as revenue receipt.
4. **Surrender of rights:** Any amount received for surrender of certain rights under an agreement is a capital receipt. On the other hand, any amount received by way of compensation for loss of future profits is termed as revenue receipt.
5. **Nature of receipt:** The nature of receipts in the hand of the receiver, not the nature of payment, will determine whether a receipt is capital or revenue in nature. Such as, if in a newly established business, the owner pays salary, bonus and wages out of the capital, it will be treated as revenue receipt for the receiver, and will be taxable.
6. **Periodicity of receipt:** Generally capital receipts are received on a lump sum basis. But whether the receipt is lump sum or periodical is not the factor to decide nature of receipts as revenue or capital. Salary will be considered to be a revenue receipt whether it is received once in a year or periodically every month. But, if the sale proceed of a capital asset is received on an installment basis, will be considered as capital receipt.

Examples of Revenue and Capital Receipts:

Capital Receipts	Revenue Receipts
1. Sale of Capital assets like Land, Machine, Furniture etc. of a business.	1. Receipt of annual royalty from user of rights.
2. Compensation received for the termination of job e.g. Golden Handshake.	2. Compensation received for loss of goods in transit.
3. Royalty received for transfer of capital rights.	3. Sale of marketable securities which has been purchased with a view to resale.
4. Insurance claim received for loss caused by fire to a capital asset.	4. Proceeds from sale of forest trees.
5. Any receipt to meet capital expenditure.	

5.3.2 Distinguishing Tests of Revenue and Capital Expenditures:

Unlike receipts, following tests are important in determining whether a particular expenditure is capital expenditure or revenue expenditure in nature:

1. **Nature of goods purchased:** Amount spent on acquiring or purchasing or installing a capital asset will be considered as capital expenditure. Whereas, if it is paid to acquire purchase of goods for resale, will be considered as revenue expenditure.
2. **Nature of liability:** Payment made by the assessee to free himself from a liability of capital nature will be treated as capital expenditure. Whereas, any payment made by

the assessee to discharge himself from the recurring liability will be considered as revenue expenditure. For example, Compensation paid to a contractor for premature termination of contract pertaining to construction of a factory building will be capital expenditure but compensation paid to an employee for the termination of his service (e.g. golden handshake) is an example of revenue expenditure.

3. **Acquiring a source of income:** Any amount paid for the acquisition of a source of income shall be of capital expenditure in nature. On the other hand, the payment made for earning of certain income shall be revenue expenditure. For example, any payment made for buying a coal mine will be capitalized whereas payment made to procure coals from mine will be revenue in nature.
4. **Improvement, Development or Replacement of an asset:** If the amount is paid to increase the efficiency and capacity of the business assets, or replace an existing business asset, will be a capital expenditure. But when certain payments are made just to maintain the existing efficiency of an asset, they are revenue expenditure. For example, payment made to install a generator will be a capital expenditure, but annual repair and maintenance cost for the generator is revenue expenditure.
5. **Earning profits or producing profits:** A payment made in consideration of the acquisition of rights and opportunity to earn profits is a capital expenditure. But, the expenditure incurred to conduct the business activities with a view to earning profit will be revenue expenditure. For example, to purchase the license of Cellular Phone Operation for 10 years is a capital expenditure. But annual royalty expense is an example of revenue expenditure.

Examples of Revenue and Capital Expenditures:

Capital Expenditure	Revenue Expenditure
1. Sum paid to acquire a capital asset.	1. Payment of commission to the sales agents.
2. Cost of reconstructing and refurbishing business premises.	2. Annual license fee.
3. Payment for the purchase of mining rights.	3. Repair expense and maintenance cost of machineries.
4. Expenses paid in connection with purchase of fixed assets. E.g. legal exp. for land purchase.	4. Regular expenditure incurred on advertisement, salary, rent and other operating expenses
5. Payment for the acquisition or purchase of the goodwill of any business.	

5.4 LOSSES

A loss is different from the concept of expenditure. Against loss there is no return or benefit has been received. This is also known as the excess of expenses over revenues in an accounting period of a business. A business loss is allowable if it is of non capital nature and is not only connected with the trade but also is incidental to the trade itself [CIT vs. J K Cotton Spng. & Wvg. Mills (1980) 123 ITR 911]. In assessing the taxable profits of a year account must necessarily be taken of all losses incurred besides the expenditure allowable under various provisions of the ITO, 1984.

SELF REVIEW 5 - 1

Identify some characteristics of income and also explain the nature of the following transactions –
 (a) compensation received for golden handshake and compensation received for goods lost in
 (b) purchase of furniture for use and for resale purpose.

5.5 SCOPE OF TOTAL INCOME & TOTAL WORLD INCOME

(a) Total Income:

According to the provisions stated in the ITO, 1984, the scope of total income varies according to the residential status of an assessee. Total income is to be computed following provisions of this ordinance. Total income of a resident assessee includes [Section 17(1)]:

1. Income received or deemed to be received in Bangladesh
2. Income accrues or arises or deemed to accrue or arise in Bangladesh
3. Income accrues or arises outside Bangladesh

But for a non-resident, only the income received or deemed to be received and income accrues or arises or deemed to accrue or arise in Bangladesh are to be included in the total income. These incomes are classified and computed on the basis of following seven sources [Section – 20]:

- | | |
|-------------------------------|---------------------------------------|
| 1. Salaries | 5. Income from Business or Profession |
| 2. Interest on Securities | 6. Capital Gains |
| 3. Income from House Property | 7. Income from other sources |
| 4. Agricultural income | |

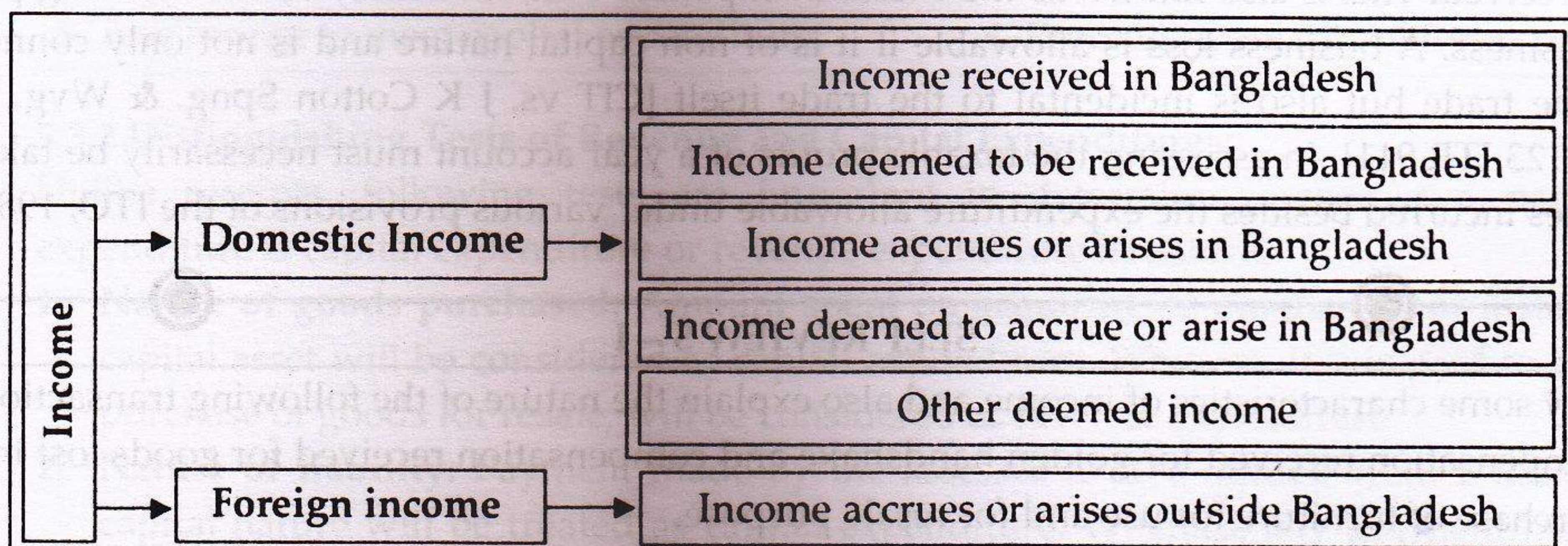
But in Income Tax Rule – 24, “Specimen Form of Return of Income under the ITO, 1984 – Part II” total 10 heads of income have been mentioned. Among those the additional heads are Share of profit in a firm, Income of the spouse or minor child as applicable u/s 43(4) and foreign income. While computing the income under the above heads, provisions regarding set-off and carry-forward, clubbing of incomes, exemptions and allowable deductions have to be considered.

(b) Total World Income:

The term “Total World Income” is relevant for a non-resident only, whose income includes, the income received or deemed to be received and income accrues or arises or deemed to accrue or arise in Bangladesh. To determine the total world income, income accrues or arises outside Bangladesh is also to be added with the total income of a non-resident. Total world income is calculated to determine the rate at which a non-resident is chargeable on his income earned in Bangladesh i.e. taxable country. The non-resident assessee pays tax on income earned in Bangladesh at the rate applicable to his total world income.

5.6 CLASSIFICATION OF INCOME – ON THE BASIS OF LOCALITY

The income which is earned by an assessee within the boundary of the taxable territory i.e. Bangladesh, can be termed as “Domestic Income” and if it is earned from outside the taxable territory i.e. other countries of the world, it is “Foreign Income”. On the basis of the residential status, an assessee can be a resident or a non-resident. The total income of a resident is the sum of his domestic income and foreign income. But in case of a non-resident, total income will include only his domestic income. The classification can be presented as it is in the following diagram:



5.6.1 Domestic income:

All the incomes received, deemed to be received, accrues or arises, deemed to accrue or arise in Bangladesh are considered domestic income. They are as follows:

a) Income received in Bangladesh:

These are the incomes earned and received either by the assessee or his agent in Bangladesh in an income year. Income received in Bangladesh during the income year is taxable in the hands of all assesseees i.e. both residents and non-residents. It is only the first receipt either by the assessee or his agent. For example, income received from salary in India for a job in India and subsequently remitted to Bangladesh will be considered as foreign income since it was the subsequent receipt, not the first receipt. Income may either be received in cash or in kind.

b) Income deemed to be received in Bangladesh:

These are the incomes which are not actually received by the assessee but the law treats them as income received for income tax purposes. This is treated at par with income received. Such incomes as are deemed to be received in Bangladesh are as follows:

i) Any dividend declared or distributed by a company within the meaning of Section 19(7) shall be deemed to be the income of the income year in which it is received and shall be included in the total income of the assessee of that year.

ii) Where an employee is a member of a recognized provident fund, the annual accretions during the income year to his account under the provident fund scheme consisting of –

- ⊕ Aggregate contribution in excess of one-third of his salary for that year.
- ⊕ Interest credited on the accumulated balance of an employee in excess of one third of the salary of the employee and is allowed at a 14.5% rate.

is deemed to have been received by the employee in that income year and is taxable.

iii) Balance transferred to a newly Recognized Provident Fund from a previously Unrecognized Provident Fund as per Para 10(4), Section – B, First Schedule of the ITO.

iv) Where tax is deducted at source under the provisions of the ITO; the tax so deducted is deemed to be the income received by such person (on whose behalf the tax is so deducted) in that income year in which such deduction is made by virtue of Sec. 48(2).

c) Income accrues or arises in Bangladesh:

Income is said to “accrue” when an enforceable right to receive it comes to vest with the assessee i.e. when it is earned by the assessee. It may be seen to convey the same meaning by the term “accrue” and “arise” which indicate a right to receive, but in reality it is not so. The word “accrue” or “arise” differ only as to the point of time of recognition of income in the books of accounts. Income accrues when it first comes into existence, it arises when the method of accounting shows it. Thus, there may arise a situation when income may accrue in one year, arise in the next year and may be received in the third year. Income earned in Bangladesh is considered as income accruing or arising in Bangladesh. Regarding this, the following general principles and guidelines are to be followed:

Sources of income	Guidelines to be accrued or arisen in Bangladesh
Salary	The employee has to serve in Bangladesh.
Interest on Securities	The securities must be issued in Bangladesh
Income from House Property	The properties must be situated in Bangladesh
Agricultural income	Agricultural land or properties must be situated in Bangladesh

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Income from Business or Profession	The entire activities of the business or profession must be held in Bangladesh.
Capital gain	Relevant capital asset or properties must be situated in Bangladesh
Income from other sources	The sources must be from Bangladesh

d) Income deemed to accrue or arise in Bangladesh:

According to Section 18 of the ITO, 1984; the following incomes shall be deemed to accrue or arise in Bangladesh, namely:-

1. any income which falls under the head "Salaries", wherever paid if –
 - (a) it is earned in Bangladesh; or
 - (b) it is paid by the Government or a local authority in Bangladesh to a citizen of Bangladesh in the service of such Government or authority;
2. any income accruing or arising, whether directly or indirectly, through or from –
 - (a) any business connection in Bangladesh;
 - (b) any property, asset, right or other source of income in Bangladesh; or
 - (c) transfer of capital assets in Bangladesh;

Provided that in the case of a business all the operations of which are not carried out in Bangladesh, only such part of the income as is reasonably attributable to the operation carried out in Bangladesh shall be deemed to accrue or arise in Bangladesh.

3. any dividend paid outside Bangladesh by a Bangladeshi company;
4. any income by way of interest payable –
 - (a) by the Government; or
 - (b) by a person who is a resident, except where the interest is payable in respect of any debt incurred, or moneys borrowed and used, for the purposes of a business or profession carried on by such person outside Bangladesh or for the purpose of making or earning any income from any source outside Bangladesh; or
 - (c) by a person who is a non-resident where the interest is in respect of any debt incurred, or moneys borrowed and used for the purposes of a business or profession carried on by such person in Bangladesh or for the purposes of making or earning any income from any source in Bangladesh;
5. any income by way of fees for technical services payable –
 - (a) by the Government; or
 - (b) by a person who is a resident, except where such fees are payable in respect of services utilized in a business or profession carried on by any such person outside Bangladesh or for the purposes of making or earning any income from any source outside Bangladesh; or
 - (c) by a person who is non-resident where such fees are payable in respect of services utilized in a business or profession carried on by such person in Bangladesh or for the purposes of making or earning any income from any source in Bangladesh.
6. any income by way of royalty payable (either/or) –
 - (a) by the Government;
 - (b) by a person who is a resident, except where the royalty is payable in respect of any right, property or information used or services utilized for the purposes of a business or profession carried on by such person outside Bangladesh or for the purposes of making or earning any income from any source outside Bangladesh;

- (c) by a person who is a non-resident where the royalty is payable in respect of any right, property or information used or services utilized for the purposes of a business or profession carried on by such person in Bangladesh or for the purposes of making or earning any income from any source in Bangladesh.

e) Other deemed income:

According to Section 19 of the ITO, 1984 certain unexplained cash credits, investments, and expenditures including possession of money, bullion, jewellery etc. with an assessee shall be deemed to be his income for that income year, and to be included in his total income classifiable under relevant heads. 4 categories of deemed income has been mentioned under 31 sub-sections in Section 19 of the ITO, 1984. Of them two [19(22) & (30)] is related to "income from house property, two [19(17) & (19)] to "agricultural income", seven [19(6), (14), (15), (16), (18), (20) & (23)] to "income from business or profession", and nineteen [19(1-5), (7 -13), (21), (21A), (21B), (24), (26 - 29), & (31)] to "income from other sources".

1. **Unexplained cash credit [Section 19(1)]:** Any sum credited in the books of accounts for any year, source of which cannot be explained, is income for that year under the head "Income from other Sources".
2. **Unrecorded investments or possession of bullion, jewellery etc. [Section 19(2)]:** Unexplained investments made in any year or possession of bullion, jewellery or other valuable articles in any year, in excess of what has been recorded in the books of accounts, is income for that year under the head "Income from other Sources".
3. **Unexplained expenditure [Section 19(3)]:** Where nature and source of any expenditure incurred during any year cannot be explained, such unexplained expenditure is income for that year under the head "Income from other Sources".
4. **Unrecorded investments [Section 19(4)]:** Amount of investments made in any financial year preceding in the books of account and nature and source of which cannot be explained, is income for the financial year under "Income from other Sources" head.
5. **Ownership of any money, bullion etc. [Section 19(5)]:** Where ownership of money, bullion, jewellery or other valuable articles in any financial year which are not recorded in the books of accounts and nature and source of which cannot be explained, the money of the value of such bullion, jewellery etc., is income for the financial year under the head "Income from other Sources".
6. **Income received from discontinued business [Section 19(6)]:** Income received during any income year from discontinued business is income of the said income year under the head "Income from business or profession".
7. **Declaration of dividend [Section 19(7)]:** Any dividend declared or distributed by a company is income of the income year in which it is declared and to be included in the total income of the assessee of that year.
8. **Difference between the purchase price and the fair market value [Section 19(8)]:** Where price paid by an assessee for purchase from any company of any asset other than stock-in-trade or stocks and shares and the price paid is less than the fair market value is income of the assessee under the head "Income from other Sources".
9. **Salami or premium [Section 19(9)]:** Lump sum amount received or receivable by an assessee during any income year on account of salami or premia receipts by virtue of any lease, is income of the assessee of that income year under the head "Income from

other Sources". The receipts may be allowed at the option of the assessee proportionately to the years covered by the entire lease period but not exceeding five years.

10. Goodwill, compensation or damages etc. [Section 19(10)]: Receipt of any amount by an assessee by way of goodwill money or compensation or damages for cancellation or termination of contracts and licenses by the government or any person during any income year is income of such assessee for that year under the head "Income from other Sources".

11. Cancellation of indebtedness [Section 19(11)]: Benefit or advantage, whether convertible into money or not, derived by an assessee on account of cancellation of indebtedness during any income year is income of that year of such assessee under the head "Income from other Sources". However, this provision shall not be applicable in case of a benefit or advantage, of an assessee being an individual, not exceeding taka ten lakh resulting from the waiver of margin loan or interest thereof by a holder of Trading Right Entitlement Certificate (TREC) in respect of the assessee's investment in shares, debentures, mutual funds or securities transacted in the stock exchange.

12. Managing agency commission [Section 19(12)]: Managing agency commission including compensation for termination of agencies or any modification of the terms and conditions relating thereto, received by an assessee during any income year is his income for that year under the head "Income from other Sources".

13. Lotteries, crossword puzzles etc. [Section 19(13)]: Winning from lotteries, crossword puzzles, card games and other games of any sort or from gambling or betting received by an assessee in any income year is his income for that year under the head "Income from other Sources".

14. Income from insurance business [Section 19(14)]: Profits and gains derived in any income year from business of insurance carried on by a mutual insurance association computed in accordance with provisions of paragraph 8 of the Fourth Schedule is income of such association for that income year.

15. Receipt back if loss, bad debt or expenditure and unpaid trading liability, etc. [Section 19(15)]: When any amount of deduction which was allowed in the past for any loss, bad debt, expenditure or trading liability is subsequently received back, whether in cash or any other manner in the income year will be deemed as "Income from business or profession" for that income year. Benefit received on account of unpaid trading liability in any income year is deemed as income for that year from business or profession unless the same is considered as income under the provision of the next paragraph. Trading liability or any portion thereof remaining unpaid for three years after the expiration of the income year in which the deduction for such liability was allowed is deemed as "Income from business or profession" for the income year immediately following the expiry of the said three years.

Interest payable to any commercial bank, or Bangladesh Development Bank Limited or on account of share of profit payable to any bank run on Islamic Principles, though was not actually paid but was allowed deductions because of mercantile system of accounts, is not paid within three years after the expiry of the concerned year of deduction, shall, to the extent the same remains unpaid, be deemed to be business income for the year next following the said three years.

- 16. Income from sale of depreciated assets having been used for purpose of any business or profession [Section 19(16)]:** Where any building, machinery or plant having been used by an assessee for purpose of any business or profession carried on by him is disposed of during any income year and the sale proceeds thereof exceeds the written down value, so much of the excess as does not exceed the difference between the original cost and the written down value shall be deemed to be the income of the assessee for that income year classifiable under the head "Income from business or profession".
- 17. Income from sale of depreciated assets having been used for agricultural purpose [Section 19(17)]:** Where any machinery or plant exclusively used by an assessee for agricultural purposes has been disposed of in any income year and the sale proceeds thereof exceeds the written down value, so much of the excess as does not exceed the difference between the original cost and the written down value shall be deemed to be the income of the assessee for that income year classifiable under "Agricultural income"
- 18. Income from receipt of insurance, salvage or compensation moneys in respect of assets having been used for purpose of any business or profession [Section 19(18)]:** Where any insurance, salvage or compensation moneys are received in any income year in respect of any building, machinery or plant which having been used by the assessee for the purpose of business or profession is discarded, demolished or destroyed and the amount of such moneys exceed the written down value (WDV) of such assets, so much of the excess as does not exceed the difference between the original cost and the WDV less the scrap value shall be deemed to be the income of the assessee for that income year classifiable under "Income from business or profession".
- 19. Income from receipt of insurance, salvage or compensation moneys in respect of assets having been used for agricultural purpose [Section 19(19)]:** Where any insurance, salvage or compensation moneys are received in any income year in respect of any machinery or plant which having been used by the assessee exclusively for agricultural purpose is discarded, demolished or destroyed and the amount of such moneys exceed the written down value of such machinery or plant, so much of the excess as does not exceed the difference between the original cost and the written down value less the scrap value shall be deemed to be the income of the assessee for that income year classifiable under the head "Agricultural income".
- 20. Income from sale of asset of capital nature [Section 19(20)]:** Where an asset representing expenditure of a capital nature on scientific research within the meaning of section 29 (1) (xx) is disposed of during any income year, so much of the sale proceeds as does not exceed the amount of the expenditure allowed under the said clause shall be deemed to be the income of the assessee for that income year classifiable under the head "Income from business or profession".
- 21. Unpaid loan [Section 19(21)]:** Where any sum, or aggregate of sums not exceeding Tk. 500,000 is claimed to have been received as loan by an assessee, not being a company during any income year from any person, not being a banking company or a financial institution, otherwise than by a crossed cheque drawn on a bank, and has not been paid back in full within 3 years from the end of the income year in which it is claimed to have been received, the said sum or part thereof which has not been paid back, shall be deemed to be the income of the assessee for the income year immediately following

- the expiry of the said [3 years] and be classifiable as "Income from other sources".
Provided that where the loan referred to in this sub-section is paid back in a subsequent year, the amount so paid shall be deducted in computing the income in respect of that subsequent year.
22. **Loan or gift received under some circumstances [Section 19(21A)]:** Where any sum is claimed to have been received by an assessee as loan or gift during any income year from a person who has transferred the sum within the period of limitation stipulated in the rule made under this Ordinance, from the initial capital of his business or profession shown in his return filed under Section 83A, the amount of such loan or gift so received by the assessee shall be deemed to be his income of the year in which such loan or gift was received and shall be classifiable under "Income from other sources".
23. **Initial capital transferred within the period of restriction [Section 19(21B)]:** Where any sum, shown as initial capital of business or profession in return of income filed under section 82BB, is transferred by a person partly or fully from that business or profession within the period of limitation stipulated in the said section, the sum so transferred shall be deemed to be his income of the year in which such sum was transferred and shall be classifiable under the head "Income from other sources".
24. **Unadjustable security money taken from tenant [Section 19(22)]:** When an owner of a house receives any sum from tenant which is not adjustable against rent, such shall be deemed as income for the income year in which it is received and be classified as "Income from house property". The amount may however be allocated for assessment for five income years at the option of the assessee. Further, when the sum or any part thereof is refunded in subsequent year, the sum or part thereof so refunded shall be deducted in computing the income of the assessee in respect of that income year.
25. **Income from transfer of export quota by Garment Industry [Section 19(23)]:** Where during any income year a garment exporter assessee transfers any export quota or part thereof, export value of the quota so transferred i.e. 3% of the value under Rule 30(A) shall be deemed to be the income of the assessee for that income year and be classified under the head "Income from business or profession".
26. **Equity capital received by a unlisted company other than through crossed check or bank transfer [Section 19(24)]:** Where a company, not listed with any stock exchange, receives paid up capital from any shareholder during any income year in any other mode excepting by crossed check or bank transfer, the amount so received as paid up capital shall be deemed to be the income of such company for that income year and be classifiable under the head "Income from other sources".
27. **Loan taken by a company otherwise than by a crossed check or by bank transfer [Section 19(26)]:** Where an assessee, being a company, receives any amount as loan from any other person otherwise than by a crossed check or by bank transfer, the amount so received shall be deemed to be income of such assessee for that income year in which such loan was taken and shall be classified as "Income from other sources".
It is provided that where the loan or part thereof referred in this subsection is repaid in a subsequent income year, the amount so repaid shall be deducted in computing the income for that subsequent year.
28. **Purchase or hire of motor car where the value exceeds 10% of the paid up capital [Section 19(27)]:** Where an assessee, being a company, purchases directly or hire one or more motor car or jeep and value of any motor car or jeep exceeds ten percent of its paid up capital, then fifty percent of the amount that exceeds such ten percent of the

paid up capital shall be deemed to be the income of such assessee for that income year classified under the head "Income from other sources". *Provided that nothing in this sub-section shall be applicable to a loan or gift from spouse or parents if any banking or formal channel is involved in the process of such loan or gift.*

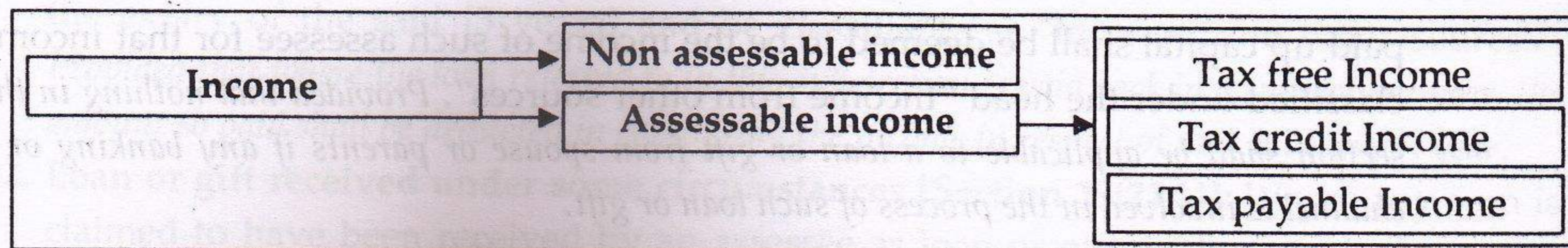
29. **Loan or gift taken by an assessee otherwise than by a crossed check or by bank transfer [Section 19(28)]:** Where an assessee, being an individual, receives any sum or aggregate of sums exceeding Tk. Five lakh as loan or gift from any other person otherwise than by a crossed check or by bank transfer, the amount so received shall be deemed to be the income of such assessee for that income year in which such loan or gift was taken and shall be classified under the head "Income from other sources".
30. **Defaulter in due payment for purchase by real estate business [Section 19(29)]:** Where an assessee, not being an assessee engaged in real estate business during any income year, purchases on credit any material for the purpose of construction of building or house property or its unit and fails to pay the sum or any part thereof representing the liability in respect of such purchase, the sum or any part thereof, which has not been paid within two years from the end of the income year in which the purchase was made, shall be deemed to be the income of the assessee for the income year immediately following the expiry of the said two years and be classifiable under the head "Income from other sources".
31. **Unspent portion of repair and maintenance expense of house property [Section 19(30)]:** Where an assessee, in the course of any proceedings under this Ordinance, is found to have any sum or part thereof allowed or deducted but not spent in accordance with the provision of clause (h) of sub-section (1) of section 25 of this Ordinance (allowable repair and maintenance expense), such unspent sum or part thereof shall be deemed to be the income of such assessee for that income year classifiable under the head "Income from house property".
32. **Difference in the amount of the exempted incomes shown in revised return and the original return [Section 19(31)]:** Where an assessee files a revised return or an amended return under sections 78, 82BB or 93 and shows in such revised return or amended return any income that is subject to tax exemption or a reduced tax rate, so much of such income as exceeds the amount shown in the original return shall be deemed to be income of the assessee for that income year classifiable under the head "Income from other sources".

5.6.2 Foreign Income:

According to Section 17(1)(a) of the ITO, 1984 all those incomes which accrue or arise outside Bangladesh is included under the head "Foreign Income". In case of resident, it is included in his total income and in case of non-resident it is excluded.

5.7 CLASSIFICATION OF INCOME – ON THE BASIS OF ASSESSMENT

As it has been seen earlier, no clear definition has been given in the ITO, 1984; rather what to be included and not to be included under the head income has been explained. According to the provisions of the ITO, 1984, on the basis of chargeability of tax we can classify income in the following way:



5.7.1 Non-assessable income:

Those income which are not included in the computation of total income of an assessee, are non-assessable income. A list of such income is given under Section 44(1), in Part A of the Sixth Schedule of the ITO, 1984. According to Section 44(4), the government, by notification in the Official Gazettee, can make necessary inclusion or exclusion of incomes in the list considered to be non-assessable. For example, income from interest on Deposit Pension Scheme; Pension; Gratuity etc. are examples of non-assessable incomes.

5.7.2 Assessable income:

Assessable incomes are those incomes, which are included in the determination of the total income of an assessee. For example, receipt of Tk. 20,000 as bonus is assessable and hence included under total income. The total of assessable incomes from various sources is known as total income of an assessee. Assessable incomes can again be classified into:

- (a) Tax-free income, (b) Tax credit income, and (c) Tax payable income

(a) Tax-free income: Tax-free incomes are those incomes, which are included in the determination of the total income of an assessee for computing total income and applicable tax rates. However, tax relief or rebate is allowed on average rate on such income. According to Section 44(2)(a) and Para 15 & 16 of the Sixth Schedule of the ITO, 1984, income from the following two sources are considered as tax-free income as tax rebate is allowed on such income at an average rate. They are: Income from partnership firm if tax has already been paid by the firm, income from Association of Persons on which tax has already been paid by the association. Average tax rate and rebate on tax free income is calculated in the following manner:

$$\text{Average tax rate} = \frac{\text{Total tax}}{\text{Total income}} \times 100$$

$$\text{Rebate on tax free income} = (\text{Total tax free income} \times \text{average tax rate}) \text{ or}$$

$$\text{Rebate on tax free income} = (\text{Total tax} \div \text{Total income}) \times \text{Total tax free income}$$

(b) Tax credit income: Those incomes, which are included in the determination of the total income of an assessee for computing total income and increasing applicable tax rates. This is also known as investment allowance for tax rebate. As per section 44(2), tax rebate is allowed of an amount equal to 10% to 15% of the sums eligible for tax rebate. However as per Section 44(3), maximum amount eligible for tax rebate would be restricted to the lower of 25% of the total income excluding any income for which a tax exemption or a reduced rate is applicable under section 44(4) or any income from any source or sources mentioned in Section 82C(2)(1) or Tk. 1,50,00,000.

(c) Tax payable income: This is that part of total income for which the taxpayer actually pays tax. The amount is equal to the excess of assessable income over tax free and tax credit income. For example, an assessee's total income is Tk. 380,000 of which income from firm Tk. 20,000 and tax credit income / as investment allowance for tax rebate Tk. 30,000. In this case, tax payable income will be [380,000 – 20,000 – 30,000] = Tk. 330,000.

5.8 EFFECTS OF CLASSIFICATION OF INCOME ON ASSESSMENT

Classification of income for assessment purpose has a significant role on the determination of total taxable income, investment allowance, tax rate and tax liability. The effects of classification are:

1. **Non-assessable income:** As non-assessable income is not included in the computation of total income, it minimizes the volume of total taxable income and the tax liability. If an assessee's (other than company & local authority) annual total income is less than the minimum taxable limit i.e. Tk. 250,000 (in case of women, elderly citizens who are more than 65 years old Tk. 300,000, for disable person Tk. 400,000 and for gazette wounded freedom fighters Tk. 425,000), he is not liable to pay tax on his income.
2. **Assessable income:** Assessable incomes are those incomes, which are included in the determination of the total income of an assessee. If an assessee's (other than company & local authority) annual total income is more than the minimum taxable limit i.e. Tk. 250,000 (in case of women, elderly citizens who are more than 65 years old Tk. 300,000, for disable person Tk. 400,000 and for gazette wounded freedom fighters Tk. 425,000), he is liable to pay tax on his income at applicable rates. Assessable income is classified into three categories:
 - a) **Tax-free income:** These types of income are included in total income but tax rebate is granted on these incomes at an average rate. As these items increase the amount of taxable income and initial tax liability is computed using maximum rates which are more than the average tax rate, it increases the actual tax burden of the assessee.
 - b) **Tax credit income / Investment allowance:** An assessee is eligible to receive 10% to 15% tax rebate on the allowable investment which lessens the tax burden of the assessee.
 - c) **Tax payable income:** This is the amount ultimately for which an assessee pays the tax. This amount helps to determine the tax payable amount of the assessee.

In the following table, we can see the effects of classification of income on assessment:

Classification of income	Effect on Total Income	Effect on tax liability / tax rate
Non-assessable Income	Not included	decreases
Assessable income	Included	Increase
Tax-free income	Included which increases total income	Increase the tax liability & allows rebate at an average rate
Tax credit income	Increases total income	Decrease tax through rebate.
Tax payable income	included	Actual tax liability depends on it

5.8.1 Distinction between Non-assessable Income and Tax credit Income:

Distinctions between Non-assessable Income and Tax-credit Income are as follows:

Area of Difference	Non-assessable Income	Tax credit Income
Effect on total income	It is not included in total income	It is included in total income
Tax rebate	Not allowed on this income.	Allowed at the rate of 10-15%.
Effect on tax liability	Does not increase tax liability.	Increases tax liability.
Impact on tax rate	No effect	Increases the overall tax rate.

5.8.2 Distinction between Non-assessable Income and Tax-free Income:

Distinctions between Non-assessable Income and Tax-free Income are depicted below:

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Area of Difference	Non-assessable Income	Tax-free Income
Effect on total income	Not included in total income.	Included in total income
Tax rebate	Not allowed on this income.	Allowed at average rate
Effect on tax liability	Does not increase tax liability.	Increases tax liability.
Impact on tax rate	No effect	Increases overall tax rate.
Minimum tax limit	No influence on tax limit	Influences tax limit.

5.8.3 Distinction between exemption and deduction:

If an income is exempt from tax, it is not included in the computation of income. Exemption can never exceed the amount of income. Deduction is generally given from income chargeable to tax. Deduction can be less than or equal to or more than amount of income. If amount deductible is more than the amount of income, the resulting amount will be taken as loss.

5.9 SOURCES OF INCOME

Total income of an assessee is classified and computed based on the following 7 sources [Sec 20]:

1. **Salaries [Section – 21]:** According to normal meaning, salary means periodical payment made for work to an employee from an employer for the services rendered to him. According to Section 2(58) of the ITO, 1984, Salary includes:
 - (a) any pay or wages;
 - (b) any annuity, pension or gratuity;
 - (c) any fees, commission, allowances, perquisites or profits in lieu of, or in addition to salary or wages;
 - (d) any advance of salary;
 - (e) any leave encashment.
2. **Income from Interest on Securities [Section – 22]:** An assessee may invest his fund in various types of securities like both government and commercial securities. The interest received from those securities will be taxable according to the ITO, 1984. According to Section 22 of ITO, 1984, the following incomes of an assessee shall be classified and computed under the head 'Interest on Securities':
 - (a) interest receivable by the assessee on any security of the Government or any security approved by government; and
 - (b) interest receivable by him on debentures or other securities of money issued by or on behalf of a local authority or a company
3. **Income from House Property [Section – 24]:** The owner of house property, legal or beneficial, is liable to pay tax under this section. In this regard, income must come from the house property and its adjacent premises which is not used for the purpose of business or profession or for personal purpose.
4. **Agricultural Income [Section – 26]:** According to Sec 2(1) "agricultural income" means-
 - (a) any income derived from any land in BD and used for agricultural purposes –
 - (i) by means of agriculture; or
 - (ii) by the performance of any process ordinarily employed by a cultivator to render the produce of such land fit to be taken to market; or
 - (iii) by the sale of produce of the land raised by the cultivator for which only processing to render the produce marketable, has been performed; or

- (iv) by granting a right to any person to use the land for any period; or
- (b) It also includes any income derived from any building which-
 - (i) is occupied by the cultivator of such land where any process is carried on to render the produce of land marketable.
 - (ii) is on or in the immediate vicinity of such land, and
 - (iii) is required by the cultivator for dwelling or storehouse or other house by reason of his connection of such land.
- 5. **Income from Business or Profession [Section - 28]:** Income from business and profession is also included in total income. According to Sec. 2(14), "business" includes any trade, commerce or manufacture or any adventure or concern in the nature of trade, commerce or manufacture; as per Sec. 2(49), "profession" includes a vocation;
- 6. **Capital Gain [Section - 31]:** According to Section 31 of the ITO, 1984, tax shall be payable by an assessee under the head "Capital Gains" in respect of any profits and gains arising from the transfer of a capital asset and such profits and gains shall be deemed to be the income of the income year in which the transfer took place.
- 7. **Income from Other Sources [Section - 33]:** The incomes other than from salary, interest on securities, house property, Agricultural income, business or profession and capital gains will be included under this head. In case such income does not fit in anywhere under the first six heads, it will be considered under the head "Income from Other Sources". But according to Income Tax Rule - 24 it has been seen that in the "Specimen Form of Return of Income under the ITO, 1984 - Part II" total 10 heads have been given. Among those the additional heads are Share of profit in a firm, Income of the spouse or minor child as applicable u/s 43(4) and foreign income.
- 8. **Share of profit in a firm:** If an assessee is a partner of a partnership firm, the income from the firm will be shown under this head.
- 9. **Income of the spouse or minor child:** According to Section 43(4) and 43(5), income of the spouse or minor child is to be included in the total income, provided that the spouse or minor child doesn't submit separate return.
- 10. **Foreign income:** According to Section 17(1)(a), all those incomes which accrue or arise outside Bangladesh is included under the head "Foreign Income". In case of resident, it is included in his total income and in case of non-resident it is excluded.

5.10 CASUAL AND NON-RECURRING INCOME

The word "Casual" means "subject to or produced by chance; accidental; fortuitous; coming at uncertain times; not to be calculated on; unsettled". The term "Non-recurring" does not mean that the receipt should happen only once and be isolated one and it should not happen again at all. Rather it means there is no right for recipient to expect its recurrence. Although casual and non-recurring incomes are not regular source of income, some casual and non-recurring incomes are considered as taxable. In this regard, we can consider the following definitions:

- a) **Casual income:** These are the incomes about which the assessee remains uncertain before it is received. Such as, Income from lottery, cross-word competition, betting etc.
- b) **Non-recurring income:** These are the incomes which arise at an irregular interval.

Generally, voluntary payments, personal testimony, gifts or regular allowances are some examples of casual and non-recurring income. In general, to be casual and non-recurring income the following characteristics should be there:

1. It is a sudden receipt and the assessee is uncertain about its appearance.

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2. It is not a capital gain as per Section 31.
3. It is not earned from business or profession as per Section 28.
4. It is not perquisite in addition to salary.

5.10.1 Examples of Assessable Casual and Non-recurring Income:

1. Income from Lottery, Cross-word and horse-race competition.
2. Honorarium received as middleman to settle a dispute.
3. Reward from the employer for extra-ordinary effort.
4. Profit on sale of goods through auction.
5. Remuneration of Professional actors, players, dancers, musicians, singers etc.
6. Reward received by a lawyer from the client for winning the case.
7. Tips of Hotel Stewards.

5.10.2 Examples of Non-assessable Casual and Non-recurring Income:

1. Gift received on in Birthday or Marriage anniversary.
2. Gift against affection or love.
3. Receipt of money taken from the streets with no claim.
4. Honorarium of Jury.
5. Reward of Prize Bond or Gift Check.

5.11 NON-ASSESSABLE/TAX-EXEMPTED INCOMES

Certain incomes are totally exempt from tax. Incomes specified in Part A of the Sixth Schedule of the Income Tax Ordinance, 1984 are exempt and excluded from the computation of total income subject to the limits, conditions and qualifications mentioned therein. Besides these specified items of income, the government may make any exemption, reduction in rate or other modifications in respect of tax in favor of any class of income or in regard to the whole or any part or the income of any class of persons [Section 44(4)].

Notwithstanding anything contained in clause (b) of section 44(4) or any other section in Chapter VI of ITO 1984, the income of a person for the relevant income year shall not be **(i) exempted from tax; or (ii) be subject to reduced rate of tax;** in an assessment year if the person fails to submit the return of income, as required under section 75 [Section 44(5)(a)];

Any disallowance of expenditure under section 30, in calculating the income of a source or of a person that is exempted from tax or is subject to a reduced rate of tax, shall be treated as income for that source or of that person, as the case may be, and tax shall be payable on such income at the regular rate [Section 44(5)(b)].

5.11.1 Non – assessable/Tax – exempted incomes under Section 44(1) – Part A of the Sixth Schedule, ITO, 1984:

Followings are exempted from tax as per Part A of the Sixth Schedule of the ITO, 1984:

1. **Income from property held under trust [Para – 1]:** Any income derived from house property held under trust or other legal obligation wholly for religious or charitable purpose and if part of the house is so held, the income as set apart for application. However, above provisions are not applicable to an NGO registered with NGO Affairs Bureau. However, where any such income is not applied for charitable or religious purposes during the income year, following conditions should be complied with to get the tax exemptions:

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- a) There should be given a notice in writing to the DCT specifying purposes for which the income is being accumulated or set apart. But the period of such accumulation should not be more than 10 years.
 - b) The money so accumulated or set apart is either invested in any Government Security or deposited in any post office Bank Savings Account or deposited in any account with scheduled bank of which fifty one percent or more shares are held by the government.
2. **Income from micro credit operation of NGOs [Para - 1A]:** Any service charge derived from operation of micro credit by an NGO registered with NGO Affairs Bureau. For the purpose of this paragraph, "service charge" means any financial charge or interest or share of profit, called by whatever name, paid or payable by the loan recipient for the amount borrowed under micro credit programme from the nongovernment organization.
3. **Voluntary contributions received by the Religious or Charitable Institutions [Para - 2]:** Any voluntary contributions received by a religious or charitable institution. It would not be applicable to a private religious trust which does not ensure public welfare.
4. **The income of a Local government [Para - 3]**
5. **Income of provident and other funds [Para - 4]:** Any income accruing to/derived by -
- a) a provident fund established under the Provident Fund Act, 1925.
 - b) A workers participation fund established under Bangladesh Labor Act 2006 (Act No. XLII of 2006), subject to any such conditions as may be prescribed.
6. **Special allowances [Para - 5]:** Any special allowance, benefit or perquisite specifically granted to meet expenses wholly and necessarily incurred in the performance of the duties of an office or employment of profit.
7. **Income received by the trustees on behalf of specified funds [Para - 6]:** Any income received by the trustees on behalf of a recognized provident fund, an approved superannuation fund or pension fund and an approved gratuity fund.
8. **Income of employees of Foreign Missions [Para - 7]:** Any income received by the following persons:
- a) Ambassadors, High commissioners, envoys, ministers, charge de affairs, commissioners, counselors, consul de carriere, secretaries, advisors or attaché of an embassy, high commission, legation or commission of a foreign State.
 - b) Trade commissioners or other official representatives of foreign states, if the official salary of the corresponding officials of Bangladesh Government enjoys a similar exemption in that foreign country.
 - c) Staff members or other officials employed in the offices aforesaid provided they are not engaged in any business or profession or other employment.
9. **Pension [Para - 8]:** Any pension due to, or received by, an assessee.
10. **Dividend [Para - 11A]:** Income from dividend received from a company listed in any stock exchange in Bangladesh up to twenty five thousand taka.
11. **Income from newly Constructed House [Para - 14]:** Income from a newly constructed residential house subject to stipulated conditions and limits as prescribed in paragraph 14 of Part A of the Sixth Schedule of the ITO, 1984.
12. **Share of Capital gains of a partner of a firm [Para - 18]:** Any income received by a partner out of capital gains on which tax has been paid by the firm.
13. **Income of a member of a Hindu Undivided Family (HUF) [Para - 19]:** Any income received by a member of HUF out of income of the said family.

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14. **Gratuity [Para – 20]:** Any income up to taka two crore fifty lakh received by an assessee as gratuity.
15. **Any payment received from Provident and other funds [Para – 21]:** Payment from:
 - a) A provident fund to which the Provident Funds Act, 1925 applies.
 - b) A recognized provident fund, subject to any such limits as may be prescribed.
 - c) An approved superannuation fund, subject to any such conditions and limits as may be prescribed.
 - d) A workers participation fund established under Bangladesh Labor Act 2006 (Act No. XLII of 2006) to any person not exceeding Tk.50,000 notwithstanding anything contained in any other law for the time being in force regarding tax exemption of such payment.
16. **Income from Mutual or Unit fund [Para – 22A]:** Income from a mutual fund or a Unit fund up to Tk. 25,000. So, not only dividend, any type of income from a mutual fund will be considered here e.g. fixed income mutual/unit fund.
17. **Interest on Tax free government securities [Para – 24]:** Any interest classifiable under “Interest on securities” receivable by an assessee on any security of the Government, which is issued with the condition that interest thereon, shall not be liable to tax.
18. **Income from various bonds [Para – 24A]:** Any income received by an assessee from Wage earners development bond, US dollar premium bond, US dollar investment bond, Euro premium bond, Euro investment bond, Pound sterling investment bond or Pound sterling premium bond.
19. **Interest on the balance in a Recognized Provident Fund [Para – 25]:** Interest on the accumulated balance of an employee in a recognized provident fund not exceeding 1/3 of the salary of the employee for the concerned year and it is allowed at 14.50% rate.
20. **Payment received on Voluntary retirement [Para – 26]:** Amount received by an employee of a Government organization, a local authority, an autonomous or semi-autonomous body including the units or enterprises controlled by it, on a voluntary retirement scheme approved by the government.
21. **Income of indigenous hillman [Para – 27]:** Income received from economic activities by indigenous Hillman in the hill districts of Rangamati, Bandarban and Khagrachari.
22. **Income from export business [Para – 28]:** An amount equal to 50% of the income of an assessee other than a company registered outside Bangladesh derived from export business excepting the assesseees who are enjoying tax exemption or reduction thereon by any notification.
23. **Agricultural income [Para – 29]:** Agricultural income upto Tk. 200,000 of an individual assessee whose only source of income is agriculture.
24. **Interest on pensioners’ savings certificate or wage earners bond [Para – 32A]:** Any sum or aggregate of sums received as interest from pensioners’ savings certificate where the total accumulated investment at the end of the relevant income year in such certificate does not exceed Tk. 500,000.
25. **Income from IT business [Para – 33]:** Any income derived from the following business of a person being a resident or a non-resident Bangladeshi for the period from the first day of July, 2008 to the thirtieth day of June, 2024 on the conditions that the person shall file income tax return in accordance with the provisions of section 75-

Nature of Businesses: Software development, Software or application customization, Nationwide Telecommunication Transmission Network (NTTN), Digital Content Develop –

-ment and management, Digital animation development, Website development, Web Site Services, Web listing, IT process outsourcing, Website hosting, Digital graphics design, Digital data entry and processing, Digital data analytics, Geographic Information Services (GIS), IT support and software maintenance service, Software test lab services, Call center service, Overseas medical transcription, Search engine optimization services, Document conversion, imaging and digital archiving, Robotics process outsourcing, Cyber security services.

- 26. Income from fisheries, poultry etc. [Para – 34]:** Subject to the following conditions, any income from fisheries, poultry, production of seeds, marketing of locally produced seeds, cattle farming, dairy farming, horticulture, frog farming, mushroom farming, floriculture, sericulture for the period from July 01, 2008 to June 30, 2011-
- (a) If such income exceeds Tk. 150,000, the person shall invest an amount not less than ten percent of the said income in the purchase of bond or securities issued by the Government within six months from the end of of the income year and hold such bond or securities till maturity of such bond or securities;
 - (b) The person shall file income tax return in accordance with the provisions of Section 75(2)(c) of the ITO, 1984; and
 - (c) No such income shall be transferred within five years from the end of the income year: provided that income from fisheries as mentioned in this paragraph shall not apply to a company.
- 27. Income from export of handicrafts [Para – 35]:** Any income derived from the export of handicrafts for the period from July 01, 2008 to June 30, 2019.
- 28. Tax paid by the government on behalf of a petroleum company [Para – 36]:** Any amount paid by the government as tax on behalf of a petroleum exploration company engaged in exploration of petroleum products in Bangladesh under Production Sharing Contract (PSC) with the Government of Bangladesh.
- 29. Income of agricultural educational activities [Para – 37]:** Income of any private Agricultural College or University derived from agricultural educational activities.
- 30. Income of Building with specific characteristics [Para – 38]:** Any income derived from any building, not less than 5 storied, having at least 10 flats, constructed at any time between 1.07.09-30.06.14 (both days inclusive), for 10 years from the date of completion of construction of the building, if it is situated in any area of Bangladesh other than the areas of City Corporation, Cantonment Board, Tongi Upazila, Narayanganj Paurashaba, Gazipur Pourashava and any Pourashaba under Dhaka district.
- 31. Income of SME [Para – 39]:** Income derived from any Small and Medium Enterprise (SME) engaged in production of any goods and having an annual turnover of not more than taka thirty six lakh. Provided that the person shall file income tax return in accordance with the provisions of Section 75.
- 32. Income from Zero Coupon Bond [Para – 40]:** Any income derived from Zero Coupon Bond (ZCB) received by a person other than Bank, Insurance or any Financial Institution, subject to the following conditions:
- (a) that the ZCB is issued by Bank, Insurance or any Financial Institution with prior approval of Bangladesh Bank and Securities and Exchange Commission.
 - (b) that the ZCB is issued by any institution other than Bank, Insurance or any Financial Institution with prior approval of Securities and Exchange Commission.

33. Income from poultry farming [Para - 42]: Subject to the following conditions, any income from poultry farming for the period from July 01, 2011 to June 30, 2015-

- (a) If such income exceeds Tk. 150,000 an amount not less than 10% of the said income shall be invested in government bonds or securities within six month from the end of the income year;
- (b) The person shall file income tax return in accordance with the provisions of Section 75(2)(c) of the ITO, 1984; and
- (c) No such income shall be transferred by way of gift or loan within five years from the end of the income year.

34. Income from Capital gain arising from transfer of stocks and shares by non-resident [Para - 43]: Any profits and gains under the head "Capital Gains" arising from the transfer of stocks or shares of a public company as defined in the Companies Act, 1994 listed in any stock exchange in Bangladesh of an assessee being a non-resident subject to the condition that such assessee is entitled to similar exemption in the country in which he is a resident. [SRO 59-AIN/IT/2012 dated 28.02.2012]

35. Income from Cinema hall or Cineplex [Para - 44]: An amount of income derived from cinema hall or Cineplex which starts commercial exhibition between 1.7.12 - 30.06.19, beginning with the month of commercial exhibition and at the rate specified below:

Specified Areas	Total period of exemption	Period of Exemption	Rate of Exemption
Dhaka, Mymensingh or Chittagong divisions (excluding Rangamati, Bandarban and Khagrachari districts)	5 years	For the first 2 years (1 st and 2 nd year)	100% of income
		For the next 2 years (3 rd and 4 th year)	50% of income
		For the last 1 year (5 th year)	25% of income
Rajshahi, Khulna, Sylhet, Rangpur and Barisal divisions and Rangamati, Bandarban and Khagrachari districts	10 years	For the first 3 years (1 st , 2 nd & 3 rd year)	100% of income
		For the next 3 years (4 th , 5 th & 6 th year)	50% of income
		For the next 4 years (7 th , 8 th , 9 th & 10 th year)	25% of income

36. Income from industrial undertaking engaged in the production of rice bran oil [Para - 45]: An amount of income derived by an industrial undertaking engaged in the production of rice bran oil and commencing commercial production between the July 1, 2012 and thirtieth day of June, 2019 for the period, and at the rate specified below:

Specified Areas	Total period of exemption	Period of Exemption	Rate of Exemption
Dhaka, Mymensingh or Chittagong divisions (excluding city corporation area and Rangamati,	5 years	For the first 2 years (1 st and 2 nd year)	100% of income
		For the next 2 years (3 rd and 4 th year)	50% of income

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Bandarban and Khagrachari districts)	For the last 1 year (5 th year)	25% of income
Rajshahi, Khulna, Sylhet, Rangpur and Barisal divisions (excluding city corporation area) and Rangamati, Bandarban and Khagrachari districts	For the first 3 years (1 st , 2 nd & 3 rd year)	100% of income
10 years	For the next 3 years (4 th , 5 th & 6 th year)	50% of income
	For the next 4 years (7 th , 8 th , 9 th & 10 th year)	25% of income

37. **Income from production of corn/maize or sugar beet [Para - 46]:** An amount equal to 50% of income of an assessee derived from the production of corn/maize or sugar beet;
38. **Income of an assessee donated to a fund established under Prime Minister's Education Assistance Fund [Para - 47]:** Income of an assessee donated in an income year to any fund established by or under the provisions of the Trust of Prime Minister's Education Assistance Act, 2012 (Act No. 15 of 2012) subject to a maximum of-
- (a) 20% of income of a company or taka eight crore, whichever is less;
 - (b) lower one of 20% of income of an assessee other than a company or Tk. 1 crore.
39. **Foreign Remittance [Para - 48]:** Any income earned in abroad by an individual assessee being a Bangladeshi citizen and brought any such income into Bangladesh as per existing laws applicable in respect of foreign remittance.
40. **Income of an assessee donated to girls school or college [Para - 49]:** Income of an assessee donated in an income year by a crossed cheque or bank transfer to any girls' school or girls' college approved by the Ministry of Education of the government.
41. **Income of an assessee donated to Technical and Vocational Training Institute [Para - 50]:** Income of an assessee donated in an income year by a crossed cheque or bank transfer to any Technical and Vocational Training Institute approved by the Ministry of Education of the government.
42. **Income of an assessee donated to any national level institution engaged in R&D of agriculture, science, technology and industrial development [Para - 51]:** Income of an assessee donated in an income year by a crossed cheque or bank transfer to any national level institution engaged in the Research & Development (R&D) of agriculture, science, technology and industrial development.
43. **Income received by educational institutions [Para - 52]:** Any income, not being interest or dividend classifiable under the head "Income from other sources", received by any educational institution, if it -
- (i) is enlisted for Monthly Pay Order (MPO) of the Government;
 - (ii) follows the curriculum approved by the Government;
 - (iii) is governed by a body formed as per Government rules or regulations.
44. **Income received by public universities or professional institutes [Para - 53]:** Any income, not being interest or dividend classifiable under the head "Income from other sources", received by any public university or any professional institute established under any law and run by professional body of Chartered Accountants or Cost and Management Accountants or Chartered Secretaries.
45. **Income from alternative investment fund recognized by [Para - 54]:** Any income from an alternative investment fund recognized by the Bangladesh Securities and Exchange Commission.

46. **Income of BSEC [Para – 55]:** Any income of the Bangladesh Securities and Exchange Commission for the Assessment Years starting from the first day of July, 2017 to the thirtieth day of June, 2022.
 47. **Honorarium or allowance or welfare allowance received from Bangladesh Freedom Fighter Welfare Trust / Government [Para – 56]:** Any amount in the nature of an honorarium or allowance from Bangladesh Freedom Fighter Welfare Trust or any welfare allowance received by any person from the Government.
 48. **Any reward from Government [Para – 57]:** Any reward received by any person from the Government.
 49. **Any reward of elderly care home [Para – 58]:** Any income derived from the operation of an elderly care home.
- 5.11.2 Tax – exempted incomes as per different SRO's:**
1. Income of Unit Fund of the Investment Corporation of Bangladesh [SRO 187-AIN-IT/1983/ dated 12.06.1983]
 2. Income of any welfare fund established for the welfare of workers employed in tea sector [SRO 239-AIN-IT/1987 dated 29.09.1987]
 3. Interest on Deposit Pension Scheme of a Bank approved by the government [SRO 89-AIN-IT/2003/IT/2003 dated 02.04.2003]
 4. Income from Bond not exceeding Tk. 25,000 issued by any government, semi-government or autonomous body engaged in electricity generation and distribution [SRO 66/ Law/2004 dated 13.03.2004]
 5. Income of Stock Exchanges in Bangladesh upto certain limit [SRO 157-L/IT/2014 dated 26.06.2014]
 6. Income of Army Welfare Trust established for the welfare of the Ex-Army personnel, their children and dependents [SRO 23/ Law/2007 dated 22.02.2007]
 7. Income of National Heart Foundation of Bangladesh, Bangladesh Diabetic Society, Bangladesh Diabetic Foundation, Foundation of Research on Education Planning and Development (FREPD) [SRO 182/ Law/2006 dated 18.07.2006]
 8. Income of private sector power generation company for 15 years [SRO 188-L/IT/2009 dated 01.07.2009 later modified by SRO 235-L/IT/2011 dated 06.07.2011; SRO 211-L/IT/2013 dated 01.07.2013; SRO 213-L/IT/2013 dated 01.07.2013]
 9. Income of Welfare Fund established under any law for the time-being in force for the welfare of the Tea Garden Workers [SRO 239-L/87 dated 18.10.1993]
 10. Receipt of Bonus share as dividend [Section 2(34)]
 11. Income of the District Sports Association, Divisional Sports Association, National Sports Association and National Sports Council [SRO 298-L/IT/2000 dated 28.09.2000]
 12. Scholarships to meet the cost of education. [SRO 454-L/80 dated 31.12.1980]
 13. Monetary award granted from the Cultural Heritage Fund for outstanding contribution in the country's art and culture. [SRO 39-L/82 dated 19.01.1982]
 14. Interest accrued on non-resident foreign currency deposit account. [SRO 415-L/82 dated 13.12.1982]
 15. Certain casual and non-recurring incomes like gift received on occasion of marriage, birthday, anniversary, gift for personal relation and affection etc.
 16. Ression received by army persons. [SRO 454-L/80]
 17. Income from public universities [SRO 268/AIN/IT/2010 dated 01.07.2010]

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18. Tax on tax amount paid by the employers' against salary paid to employees, if employer pays the tax, such amount will not be included as an income to the employee [SRO 182-AIN/99]
19. Income of District Sports Association, Divisional Sports Association, national Sports Federation and National Sports Council [SRO 298-AIN/2000]
20. Income of Local Development Network Institutions established by Aga Khan Development Network (e.g. Aga Khan Foundation, Aga Khan Health Service, Aga Khan Education Service etc.) [SRO 210-AIN/2001 dated 26.07.2001].
21. Monetary award granted to any government employee from the government for outstanding contribution in the official duties to the government [SRO 245-AIN/IT/2001 dated 29.08.2001].
22. Income of any foreign faculty members, teaching, research or library staff members, administrators, officers, experts, technicians, visiting personnel employed in Asian University for Women [SRO 17-AIN/2009 dated 02.02.2009]
23. Income from the Endowment Fund of National Disable Development Foundation upto June 30, 2019 [SRO 91-AIN/2009 dated 27.05.2009 later revised by SRO 187-AIN/IT/2014 dated 01.07.2014]
24. Income of Bangladesh Retired Govt. Servants Welfare Association registered in Social Welfare Department (Reg. No. 21/1976) [SRO 90-AIN/IT/2009 dated 27.05.2009]
25. Salary income of foreign nationals working in International Committee of Redcross (ICRC), Bangladesh. [SRO 80-AIN/IT/2010 dated 15.03.2010]
26. Income of Muktijuddho Jadughor, 5, Segunbagicha, Dhaka [SRO 117-AIN/IT/2010 dated 21.04.2010]
27. Income of Bangladesh Retired Governments' Servants Welfare Association registered under Department of Social Welfare (Reg: 21/1976) [SRO 90-AIN/2009 dated 27.05.2009]
28. Income of Political Parties registered by Bangladesh Election Commission [SRO 330-AIN/IT/2011 dated 26.10.2011]
29. Income of Mutual Fund Issuer Person from that Mutual Fund effective from 01.07.2011 [SRO 333-AIN/IT/2011 dated 27.10.2011]
30. Any gain from sale of shares of listed companies will be tax free in the hand of non-resident provided that such assessee is entitled to similar tax exemption in his own country [SRO 59-AIN/IT/2012 dated 28.02.2012]
31. Any income of commerce ministry approved Federation of Chamber of Commerce and Industries (except income from interest, income from house property and income from business) [SRO 210-AIN/IT/2013 dated 01.07.2013]
32. Income of "Bisha Shahitto Kendro" [SRO 182-AIN/IT/2013 dated 10.06.2013]
33. Income of Anjuman Mufidul Islam earned from social welfare service activities [SRO 403-AIN/IT/2012 dated 05.12.2012]
34. Salary income of the foreign workers engaged in Dhaka Elevated Expressway PPP Project earned from the project for 3 years from the SRO issuance date [SRO 290-AIN/IT/2012 dated 13.08.2012]
35. Income of Khaja Yunus Ali Medical College and Hospital, Enayetpur, Chowhali, Sirajgonj upto 30th June 2017 [SRO 119-AIN/IT/2010 dated 21.04.2010 later revised by SRO 293-AIN/IT/2013 dated 03.09.2013]
36. Income earned from charitable and service activities by Bangabir General Osmani Memorial Trust [SRO 291-AIN/IT/2013 dated 03.09.2013]

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37. Dividend income of the foreign investor of Coal Based 1320 Megawatt Independent Power Producer (IPP), Rampal, Bagerhat for 10 years from the date of starting commercial operation [SRO 266-AIN/IT/2013 dated 30.07.2013]
38. Income of the organization named "Surer Dhara" earned from the tuition fee of music training conducted under the activities of "Music for Development" [SRO 264-AIN/IT/2013 dated 30.07.2013]
39. Income of Private Power Generation companies engaged in electricity generation subject to fulfillment of certain conditions [SRO 212, 213-AIN/IT/2013; SRO 222-AIN/IT/2013; SRO 211-AIN/IT/2013 dated 01.07.2013, SRO 79-AIN/IT/2017 dated 19.04.2017]
40. Income of Dr. Monsuruddin Girls College (College Code: 7458), Hoshimpur, Kochua, Chandpur for 10 years effective from the date of the SRO issue [SRO 187-AIN/IT/2013 dated 13.06.2013]
41. Interest income of "Sweden-Bangladesh Trust Fund" from Fixed or Savings deposit [SRO 181-AIN/IT/2013 dated 10.06.2013]
42. Income of Bangladesh Lions Foundation earned from non-profit and medical service activities [SRO 06-AIN/IT/2013 dated 15.01.2013]
43. Income of Pally Karmo Sohaiok Foundation (PKSF) [SRO 42-AIN/IT/2015 (23.02.2015)]
44. Income of Human Development Foundation up to June 30, 2016 from the date of SRO issuance [SRO 106-AIN/IT/2015 dated 27.05.2015]
45. Income of Society for Assistance to Hearing Impaired Children (SAHIC) [SRO 115-AIN/IT/2015 dated 06.06.2015]
46. Income donated to the philanthropic institution named "Probin Kallyan Songstha" by an assessee [SRO 116-AIN/IT/2015 dated 04.06.2015]
47. Income earned from providing medical services only by Chittagong Mother & Children Hospital [SRO 117-AIN/IT/2015 dated 04.06.2015]
48. Income earned from providing medical services only by Kidney Foundation Hospital & Research Institute [SRO 160-AIN/IT/2015 dated 04.06.2015]
49. Income earned only from providing medical services of THE ENT AND HEAD-NECK CANCER HOSPITAL AND INSTITUTE [SRO 320-AIN/IT/2015 dated 01.11.2015]
50. Income of Lolit Mohan-Dhonoboti Memorial Foundation [SRO 12-AIN/IT/2016 dated 21.01.2016]
51. Income of Prime Minister's Education Assistance Trust [SRO 11-AIN/IT/2016 dated 21.01.2016]
52. The portion of the income of an assessee that is contributed to "Suchona Foundation" for the welfare of disable persons [SRO 87-AIN/IT/2016 dated 06.04.2016]
53. The foreign workers working in the companies established in accordance to Bangladesh Economic Zone Act, 2010 [SRO 298-AIN/IT/2015 dated 08.10.2015]
54. Certain benefits for the Developer, Company operating in accordance to Bangladesh Hitech Park Authority Act, 2010 [SRO 299, 300, 301, 302-AIN/IT/2015 dated 08.10.2015]
55. Income of Grameen Bank for the income earned between 01-10-2016 to 31-12-2020 [SRO 121-AIN/IT/2016 dated 04.05.2016]
56. Income of Excelerate Energy Bangladesh Limited (EEBL) involved in the Floating LNG Storage and Regasification Facility at Cox'sbazar under Build, Own Operate and Transfer (BOOT) method subject to fulfillment of certain conditions [SRO 102-AIN/IT/2017 dated 03.05.2017].

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57. Income earned from welfare services of Obstetrical and Gynecological Society of Bangladesh (OGSB) for 3 years [SRO 137-AIN/IT/2016 dated 19.05.2016]
58. Income of the Russian and Foreign workers and consultants working in Rooppur Atomic Electricity Power Generation Project for the tenure under construction [SRO 242-AIN/IT/2016 dated 25.07.2016]
59. Any receipt/allowance (including Lump Grant at the time of retirement) of government employees from government other than basic salary, festival allowance and bonus [SRO 211-AIN/IT/2017 dated 21.06.2017].

5.11.3 Tax exempted incomes (Tax free income) under Section 44(2) – Part B of the Sixth Schedule (Para 15 & 16):

Following tax exempted incomes are included in the total income of an assessee for rate purpose. The assessee will be entitled to get rebate on tax at the average rate of tax for such income. They are:

1. **Income from Association of Persons:** Any sum received by the assessee out of the income of an association of persons other than a Hindu Undivided Family, company or firm on which tax has already been paid. [Para – 15, Part B. Sixth Schedule]
2. **Income from a Firm:** Any share of profit of a partnership firm if tax on such profit or income has already been paid by the firm. [Para – 16, Part B. Sixth Schedule]

In case of a firm, where income is derived by the exercise of a profession and depends wholly on the personal qualification of the partners, and if the partners are prevented by law to form a company, the income would not be taxable in the hands of the firm. The partners of the firm would be assessed considering the share of income of the firm. [SRO 181-L/99 dated 10.07.1999]

5.12 TAX CREDIT INCOME OR INVESTMENT ALLOWANCE AS PER PART B, SIXTH SCHEDULE

As per section 44(2)(b) of the ITO, 1984, a resident and non-resident Bangladeshi assessee will get tax rebate from the amount of tax payable on his total income of the following amount:

Total Income	Amount of Credit / Rebate
If the total income does not exceed Tk. 10,00,000	15% of the eligible amount
If the total income exceeds Tk. 10,00,000 but does not exceed Tk. 30,00,000	(i) 15% of the first Tk. 250,000 of the eligible amount; and (ii) 12% of the rest of the eligible amount;
If the total income exceeds Tk. 30,00,000	(i) 15% of the first Tk. 250,000 of the eligible amount; (ii) 12% of the next Tk. 500,000 of the eligible amount; and (iii) 10% on the rest of the eligible amount;

Where the "eligible amount" shall be the lesser of:

- (i) the sums specified in all paragraphs excluding paragraphs 15 and 16 of Part B of the Sixth Schedule; or

- (ii) 25% of the total income excluding any income for which a tax exemption or a reduced rate is applicable under section 44(4) or any income from any source or sources mentioned in Section 82C(2)(1, or
- (iii) 1,50,00,000.

The following items should be considered as investment allowance to enjoy tax credit facility:

1. **Life Insurance Premium Paid [Para – 1]:** Any sum paid in Bangladesh by an assessee to effect an insurance or a contract for deferred annuity on the life of himself, spouse or minor child, provided that such payment, in the case of insurance, shall not exceed 10% of the sum assessed excluding bonus or other benefits.
2. **Life Insurance Premium Paid by a Hindu Undivided Family [Para – 2]:** Any sum paid in Bangladesh by a HUF to effect an insurance on the life of any male member of the family or the wife of any such member.
3. **Deduction from the salary of Government employee for deferred annuity [Para – 3]:** Any sum not exceeding one-fifth of the salary deducted from the salary payable by the Government or on its behalf to any individual in accordance with the service conditions to secure a deferred annuity for him or for his wife or children.
4. **Contribution to Provident Funds [Para – 4]:** Any contribution by an assessee to any provident fund to which the Provident Fund Act, 1925 applies.
5. **Employer's and Employee's contribution to a Recognized Provident Fund [Para – 5]:** Any sum paid to a recognized provident fund by the assessee and the employer, where the assessee is a participant subject to the limits laid down in Part B of the 6th Schedule.
6. **Contribution to Superannuation Fund [Para – 6]:** Any sum paid by the assessee as ordinary annual contribution to approved superannuation fund as a participant to the fund.
7. **Investment in Savings Certificate [Para – 10]:** Any sum invested by a non-company assessee in the following if the investment are held for 5 years from the date of purchase / up to its maturity:
 - (a) Savings Certificates or instruments specified by the NBR;
 - (b) Unit certificates and mutual fund certificates issued by any financial institution or ICB and its subsidiaries;
 - (c) Govt. securities including development loans/Bonds as specified by the NBR;
 - (d) Shares of Investment Companies as specified by the NBR.

If the securities are disposed of by sale, transfer or in any other manner within 5 years from the date of purchase or before the maturity thereof, the tax credit amount availed for such investment will be cancelled. This amount has to be added to the tax payable amount of the income year on which such certificate was disposed i.e. the assessee has to pay back the money.

8. **Contribution to Deposit Pension Scheme (DPS) [Para – 11]:** Any amount not exceeding Tk. 60,000 by an individual in any Deposit Pension Scheme sponsored by a Scheduled Bank or a financial institution.
9. **Donation to a Charitable Hospital [Para – 11A]:** Any sum paid as donation to a charitable hospital established outside the city corporation, provided the donation is made after one year of establishment of the hospital.

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- 10. Donation to Organizations set up for the welfare of retarded people [Para - 11B]:** Any sum paid as donation to an organization set up for the welfare of retarded people, provided the donation is made after one year of establishment of the organization and is approved by the Social Welfare Department and the NBR.
- 11. Donation to Zakat Fund [Para - 13]:** Any sum paid by an assessee as Zakat to the Zakat Fund or charitable fund established by or under the Zakat Fund Ordinance, 1982.
- 12. Contribution to Benevolent Fund and Group Insurance Scheme [Para - 17]:** Any sum paid by an assessee to make provision for his spouse, children or other dependent person to a benevolent fund or any premium paid under a group insurance scheme approved by the NBR.
- 13. Contribution to Aga Khan Development Network [Para - 21]:** Any sum paid by an assessee as donation to any socio-economic or cultural development institution established by the Aga Khan Development Network in Bangladesh.
- 14. Contribution to Philanthropic or Educational Institution [Para - 22]:** Any sum paid by an assessee as donation to Philanthropic or Educational Institution approved by the government for this purpose.
- 15. Investment in Computer / Laptop [Para - 23]:** Any sum invested in purchase of one computer (Upto Tk. 50,000) or one laptop (Upto Tk. 100,000) by an individual assessee.
- 16. Donation to national level institution set up in memory of the liberation war [Para-24]:** Any sum paid by an assessee as donation to a national level institution set up in memory of liberation war.
- 17. Donation to national level institution set up in memory of Father of the Nation [Para-25]:** Any sum paid by an assessee as donation to a national level institution set up in memory of Father of the nation.
- 18. Investment in stocks or shares by an individual in any stock exchange [Para - 27] :** Any sum invested by an assessee, being an individual, in the acquisition of any stocks or shares of a company, mutual fund or debenture listed with any stock exchange. [SRO 60-AIN/IT/2012 dated 28.02.2012]
- 19. Investment in Government Treasury Bond (GTB) [Para - 28]:** Any sum invested by an assessee, being an individual, in the purchase of Bangladesh GTB.
- 20. Contribution to President's Relief Fund [SRO 254/L85]**
- 21. Contribution to Prime Minister's Relief Fund [SRO 125/L91 dated 01.07.1991]**
- 22. Contribution to Ahsania Mission Cancer Hospital [SRO 202/IT/2005 dated 06.07.2005]**
- 23. Donation to The International Centre for Diarrhoeal Disease Research, Bangladesh (ICDDR,B) [SRO 232/IT/2006 dated 24.09.2006]**
- 24. Contribution to Sylhet Diabetic Society, Islamia Eye Hospital and M. A. Ispahani Institute of Ophthalmology, Kidney Foundation; and National Heart Foundation of Bangladesh [SRO 109/IT/2006 dated 07.05.2006]**
- 25. Contribution to Child Health Foundation Hospital; Child Hospital, Jessore; Hospital for Sick Children, Sathkhira (Run by Child Health Foundation, Bangladesh); Digonto Memorial Cancer Hospital, Dhaka; The ENT & Head-Neck Cancer Foundation of Bangladesh, Dhaka; and National Development Foundation for Disabled', Dhaka [SRO 316-AIN/2008 dated 18.11.2008]**

26. Donation to Dhaka Community Hospital [SRO 92-AIN/2008 dated 10.04.2008]
27. Donation to Centre for the Rehabilitation of the Paralysed (CRP), Savar [SRO 42-AIN/IT/2008 dated 24.02.2008]
28. Contribution to Asiatic Society of Bangladesh, Ramna, Dhaka [SRO 32-AIN/2009 dated 09.03.2009]
29. Contribution to Jatir Janok Bangabondhu Sheikh Mujibur Rahman Memorial Trust, Dhaka; Rafatullah Community Hospital (RCH), Thengamara, Bogra; and Salvation for the Deserving (SFD), Manikgonj [SRO 33-AIN/2009 dated 09.03.2009]
30. Donation to Muktijuddho Jadughor, 5, Segunbagicha, Dhaka [SRO 116-AIN/IT/2010 dated 21.04.2010]
31. Donation to “Society for Assistance to Hearing Impaired Children (SAHIC) [SRO 11-AIN/IT/2011 dated 10.01.2011]
32. Donation to A. K. Khan Health Care Trust [SRO 218-AIN/IT/2011 dated 04.07.2011]
33. Donation to Civil Service College, Dhaka [SRO 409-AIN/IT/2012 dated 17.12.2012]
34. Donation to Center for Neurodevelopment & Autism in Children (CNAC) for 5 years from the SRO issuance date [SRO 147-AIN/IT/2012 dated 03.06.2012]
35. Donation to Dr. Monsuruddin Girls College, Hoshimpur, Kochua, Chandpur for 10 years effective from the date of the SRO issue [SRO 188-AIN/IT/2013 dated 13.06.2013]
36. Donation to Science and Technology Development Fund, Ministry of Science and Technology, Bangladesh Secretariat, Dhaka [SRO 282-AIN/IT/2013 dated 21.08.2013]
37. Donation to Hope Worldwide Bangladesh [SRO 283-AIN/IT/2015 dated 03.09.2015]

SELF REVIEW 5 – 2

Identify the following items as either tax credit income or tax exempted income: Income from property under trust, Income of a local government, Contribution to recognized provident fund, gratuity, Investment in savings certificate and Purchase of primary share.

5.13 SPECIAL TAX REBATE FOR CORPORATE ORGANIZATIONS

10% rebate is allowed to the corporate organizations on their corporate social responsibility related expenditures subject to the fulfillment of some prescribed conditions. The scope areas of the corporate social responsibility (CSR) to avail this rebate are as follows if any contribution is made to any organization engaged in: (SRO 229-AIN/IT/2011 dated 04.07.2011 later updated by SRO 223-AIN/IT/2012 dated 27.06.2012 & SRO 186-AIN/IT/2014 dated 01.07.2014)

1. Donation through any government bodies to the people of areas affected by natural calamities like Cyclone, Earthquake, Hurricane, Flood etc.
2. Old home foundation and management,
3. Welfare of mentally or physically disable people,
4. Educational institution for street / homeless children,
5. building houses for people living in slums,
6. Donation to social organizations involved in building public awareness about women-right and dowry system,
7. Donation to social organizations involved in the welfare of orphan / homeless children,

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8. Donation to organizations involved in research about liberation war, campaign to uphold the spirit of liberation war and welfare of freedom fighters,
9. Improving sewerage facilities in Chittagong hilltract, alluvial land, river breakage areas.
10. Donation to organizations provide treatment of hare-lipped, cataract; cancer, leprosy.
11. Donation to organizations serving treatment to the Acid Victims,
12. Specialized hospital established for serving the poor people free medical facilities and improving the quality e.g. Cancer, Lever, Kidney, Thalasemia, Eye and Cardio.
13. Donation to public universities;
14. Donation for promoting technical and vocational education for poor meritorious students through any government approved educational institution;
15. Donation to government or MPO included Private educational institution to establish lab and arrange training for IT, Computer and English education;
16. Donation to the organizations engaged in promoting technical and vocational education for unskilled or semi-skilled workers for manpower export;
17. Donation to organizations engaged in infrastructure development and training for national sports level.
18. Donation to built or under constructed national level museums established in the memory of the liberation war.
19. Donation to any national level institution set up in memory of Father of the Nation;
20. Donation to the non-profitable organizations established for treatment, increasing awareness and rehabilitation of HIV, AIDS or intoxication affected people.
21. Donation to the non-profitable private organizations established for the welfare of women and children saved from human trafficking.
22. Donation to government approved fund established for any unique disaster/ catastrophe or arranging any tournament or national event.

5.14 CONDITIONS FOR TAX REBATE ON CSR RELATED EXPENDITURES FOR CORPORATE ORGANIZATIONS

In order to avail the 10% tax rebate on CSR related expenditures, an organization has to fulfill the following conditions: (SRO 229-AIN/IT/2011 dated 04.07.2011 later updated by SRO 223-AIN/IT/2012 dated 27.06.2012 & SRO 186-AIN/IT/2014 dated 01.07.2014)

1. Maximum limit of the CSR expenditure, on which rebate will be allowed, will be 20% of the total income of the company or Tk. twelve (12) crore, whichever is lower.
2. It should pay salary and wages to its employees regularly and if it is a manufacturing unit it must have waste treatment plant or ETP.
3. The firm must pay the relevant taxes like Income tax, VAT etc. and loan installment on a regular basis.
4. It can only contribute to government approved organizations.
5. The organization must submit the relevant documents to the DCT regarding the expenditure.
6. It must comply with the provisions of the Bangladesh Labor Law, 2006.

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7. This expenditure cannot be considered as admissible expenses in the books of accounts;
8. The donation for CSR activities must be paid through banking channel by a company.
9. This SRO will be applicable from the assessment year 2014-15.

Illustration:

X Ltd, a private limited co, has presented the following information:

Total expenditure on CSR activities	Tk. 1 crore
Net income as per audited income statement	Tk. 10 crore
Corporate tax rate	35%

Total income for assessment purpose = Tk. (10 + 1)
= Tk. 11 crore

(CSR expenditure is inadmissible expense, so added back with Net Income)

Gross Tax liability on the basis of regular rate* = (11 crore × 35%) = Tk. 3.85 crore

Maximum limit of the CSR expenditure, on which rebate will be allowed:

20% of the total income of the company (11 × 20%) = Tk. 2.2 crore

Or, Tk. eight (12) crore, whichever is lower i.e. = Tk. 2.2 crore.

Since the company's actual CSR expenditure (Tk. 1 crore) is less than the maximum limit (Tk. 2.2 crore), it will get 10% rebate on CSR expenditure of Tk. 1 crore.

Therefore 10% CSR rebate is (1 crore × 10%) = Tk. 10 lac.

Net tax liability will be: (Gross tax – 10% CSR rebate) = Tk. 3.85 crore – 0.1 crore = Tk. 3.75 crore

* Assuming that the tax liability is more than minimum tax amount applicable for a company.

KEY POINTS

1. Periodical monetary return coming in with some sort of expectation and definite sources is income.
2. Income must come from outside and must be earned but may have already been received or not.
3. The distinction between capital and revenue nature of income is important for the purpose of income tax as income tax is basically charged on income with revenue nature.
4. For a non-resident, only the income received or deemed to be received and income accrues or arises or deemed to accrue or arise in Bangladesh is to be included in the total income.
5. The term "Total World Income" is relevant for a non-resident only as non-resident assessee pays tax on income earned in Bangladesh at the rate applicable to his total world income.
6. Tax rebate is allowed of an amount equal to 10% to 15% of the sums eligible for tax rebate and maximum amount eligible for tax rebate would be restricted to the lower of 25% of the total income or Tk. 1,50,00,000.
7. Some types of income are included in total income but tax rebate is granted on these incomes at an average rate is commonly known as tax free income.
8. Residential Income from property held under trust, Voluntary contributions received by The Religious or Charitable Institutions, The income of a Local government, pension, gratuity etc are example of tax free income as stated in sixth schedule part - A of the ITO, 1984.
9. An assessee can get tax rebate on certain investments as mentioned in sixth schedule part - B of the ITO, 1984.
10. Assessment of income is basically done under different heads specified in Section - 20.

Multiple choice questions:

1. According to Section 2(34) of Income Tax Ordinance, 1984 income includes any income, profit or gain that is chargeable to tax under any hear specified in –
 - (a) section 2
 - (b) section 20
 - (c) section 15
 - (d) section 21
2. Followings are the example of capital receipts except –
 - (a) sale of land
 - (b) compensation received for termination of job
 - (c) compensation received for loss of goods in transit
 - (d) insurance claim received for loss caused by fire to a capital asset
3. Followings are the example of capital expenditure except –
 - (a) cost of reconstructing business premises
 - (b) repair expenses of machineries
 - (c) purchase of mining rights
 - (d) acquisition of the goodwill of any business.
4. Which of the following is not included in the total income of a non resident –
 - (a) Income received in Bangladesh
 - (b) Income accrues or arises or deemed to accrue or arise in Bangladesh
 - (c) Income accrues or arises outside Bangladesh
 - (d) Income deemed to be received in Bangladesh
5. The concept of 'total world income' is relevant for –
 - (a) resident assessee
 - (b) all non resident assessee
 - (c) non resident Bangladeshi assessee
 - (d) non resident foreigner assessee
6. which of the following items is not a deemed income –
 - (a) Medical allowance received from the employer
 - (b) Unrecorded investments
 - (c) Income received from discontinued business
 - (d) Cancellation of indebtedness
7. An assessee, whose total income does not exceed Tk. 10,00,000, is eligible to receive tax rebate on allowable investments @ -
 - (a) 5%
 - (b) 7.5%
 - (c) 11%
 - (d) 15%
8. Following items as specified in Part A of Sixth Schedule are exempted from tax except –
 - (a) Income from property held under trust
 - (b) The income of a Local government
 - (c) Pension
 - (d) Festival bonus

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9. What is the maximum limit of allowable investment to get income tax rebate –
- Actual investment in allowable sectors
 - Tk. 1,50,00,000
 - 25% of Total income
 - Lower of (b) & (c)
10. life insurance premium is an allowable investment but shall not exceed –
- 15% of policy value
 - 12.50% of policy value
 - 10% of policy value
 - None of the above

Identify the following statements as either true (T) or false (F):

- | | | | |
|--|--|---|---|
| 1. Legality is not an important factor to consider an item as income. | | T | F |
| 2. Compensation received for harmful effect of a trading asset is a capital receipt. | | T | F |
| 3. Contribution to a Recognized Provident Fund is an allowable investment. | | T | F |
| 4. Contribution to Ahsania Mission Cancer Hospital is an allowable investment. | | T | F |
| 5. Pension is exempted for tax. | | T | F |

Discussion Questions:

- Question 5 – 1:** Define income as per Section 2(34) of the ITO, 1984 and also identify some important characteristics of income.
- Question 5 – 2:** “Nature of income or expenditures needs to understand to apply income tax law against an assessee” – do you agree? Explain.
- Question 5 – 3:** Explain the factors that can determine capital or revenue nature of income and also expenditure?
- Question 5 – 4:** Classify income based on locality and also explain each class of income.
- Question 5 – 5:** Explain the effect of tax free income and tax credit income on determination of total income and tax liability?
- Question 5 – 6:** What is causal and non recurring income? Explain both assessable and non assessable causal and non recurring income with example.
- Question 5 – 7:** What are the contents of the Sixth Schedule of the ITO, 1984? Do you think these contents are important to assess tax liability of an assessee? Explain.
- Question 5 – 8:** Write short note on:
- Non assessable income
 - Tax payable income
 - Sixth schedule part – B
 - Total world income

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Answers:

Multiple choice questions		True/False
1. b	6. a	1. T
2. c	7. d	2. F
3. b	8. d	3. T
4. c	9. d	4. T
5. b	10. c	5. T

Self review 5 – 1:

Characteristics of income:

1. Periodical monetary return coming in with some sort of expectation and definite sources is income.
 2. Income must come from outside.
 3. Income must be earned but may have already been received or not.
- (a) Compensation received from golden handshake is a capital receipt because it is not recurring in nature whereas compensation received for goods lost in transit is a revenue receipt as it can be recurring.
- (b) Furniture purchased for use is capital expenditure because it will provide long term benefit whereas furniture purchased for resale is revenue expenditure as it will not be used and so look like an operating transaction of a business.

Self review 5 – 2:

Tax Credit Income	Tax Exempted Income
Contribution to RPF	Income from property under trust
Investment in savings certificate	Income of a local government
Purchase of primary share	Gratuity

CHAPTER - 6

INCOME FROM SALARY

LEARNING OBJECTIVES

After studying Chapter 6, you shall be able to understand:

- ⊕ the concept of income under the head salary
- ⊕ basic components of salary income
- ⊕ different types of provident fund and their features
- ⊕ tax exempted income under the head salary
- ⊕ Non assessable income under the head income from salary
- ⊕ TDS from the head income from salary

6.1 DEFINITION OF SALARY

Section 20 of the ITO, 1984 specifies 7 heads of income. Of these 7 heads "Salary" is the first one. Generally salary means periodical payment made for work to an employee from an employer for the services rendered to him. According to Section 2(58) of the ITO, 1984, Salary includes:

- a. any pay or wages;
- b. any annuity, pension or gratuity;
- c. any fees, commission, allowances, perquisites or profits in lieu of, or in addition to salary or wages;
- d. any advance of salary;
- e. any leave encashment.

6.2 CHARGEABILITY OF INCOME UNDER SALARY

The touchstone of chargeability of an amount as salary is the relationship of an employer-employee between the person making the payment and the person receiving such payment. It comprehends every payment, due or received, by an employee from an employer or former employer on account of services rendered. Even non-monetary benefits and perquisites are valued in accordance with specified rules and assessed to tax. The following incomes shall be chargeable to income tax under the head "Salaries" as per Section 21(1) of the ITO, 1984:

- (a) Any salary due from an employer or a former employer to an assessee in the income year whether paid or not.
- (b) Any salary paid or allowed to him in the income year, by or on behalf of an employer though not due or before it became due to him; and
- (c) Any arrears of salary paid or allowed to him in the income year by or on behalf of an employer, if not charged to income tax for any earlier income year.

On the other hand, Section 21(2) also provides that "where any amount of salary of an assessee is ever included in his total income of an income year on the basis that it had become due or that it had been paid in advance in that year, that amount shall not again be included in his income of any other year."

6.2.1 Points to be remembered:

Following points should be noted with regard to the chargeability of income under the head "Salaries":

1. An income can be taxed under the head "Salaries" only if there is a relationship of an employer and employee between the payer and payee. If this relationship does not exist, then the income would not be deemed to be income from salary.
2. Whether there is a relationship of employer and employee is a question of fact to be decided on all the circumstances of the case. If it is found that there was no element of employer-employee relationship, income is assessable as income from other sources.
3. It does not matter whether the employee is a fulltime employee or a part-time one. Once the relationship of employer and employee exists, the income is to be charged under the head "salaries". If, for example, an employee works with more than one employer, salaries received from all the employers should be clubbed and brought to charge for the relevant income years.
4. For instance, the salary received by a partner from his partnership firm carrying on a business is not chargeable as "Salaries" but as "Profits & Gains from Business or Profession". Similarly, salary received by a person as MP is taxable as "Income from other sources", but if a person received salary as Minister of Government, income should be under the head "Salaries". Pension received by an assessee from his former employer is taxable as "Salaries" whereas pension received on his death by members of his family (Family Pension) is taxed as "Income from other sources"

6.3 DEFINITIONS OF SALARY RELATED ITEMS

6.3.1 Perquisite: Perquisite is a causal emolument or benefit attached to an office or position in addition to salary or wages. Perquisites may be given in a variety of forms. They may be received in cash or in kind. Perquisites received in kind may or may not be convertible into cash. Section 2(45) of the ITO, 1984 defines perquisites as:

- a. any payment made to an employee by an employer in the form of cash or in any other form excluding basic salary, festival bonus, incentive bonus not exceeding ten percent of disclosed profit of relevant income year, arrear salary, advance salary, leave encashment or leave fare assistance and overtime, and
- b. any benefit whether convertible into money or not, provided to an employee by an employer, called by whatever name, other than contribution to a recognized provident fund, approved pension fund, approved gratuity fund and approved superannuation fund;

Perquisite includes-

- ⊕ The value of rent free accommodation;
- ⊕ The value of any concession in the matter of rent respecting any accommodation;
- ⊕ Any sum payable by the employer, whether directly or indirectly, as insurance premium for the assessee or his spouse or any of his dependent child.
- ⊕ The value of any benefit provided free of cost or at a concessionary rate, and
- ⊕ The sum paid by an employer in respect of any obligation of an employee.

Thus, the term "perquisite" means any casual emolument, fee or profit attached to an office or position, any addition to salary and wages. Example of perquisites are Insurance premium borne by the employer, House for free or at concession, Entertainment, Conveyance allowance, car for personal use, leave passage, any other obligation of the employee (House servant, Gardener etc.).

6.3.2 Profits in lieu of salary: "profits in lieu of salary" includes [Section 2(50)]:

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- a. The amount of compensation due to or received by an assessee from his employer at or in connection with the termination of or the modification of any terms and conditions relating to his employment; and
- b. Any payment due to, or received by, an assessee from provident or other fund to the extent to which it does not consist of contributions by the assessee and the interest on such contributions.

6.3.3 Employee: Generally 'employee' means the person who works for an employer. According to Section 2(28) of the ITO, 1984 'employee' in relation to a company, includes the managing director, or any other director or other person, who irrespective of his designation, performs, any duties or functions in connection with the management of the affairs of the company.

6.3.4 Employer: Generally 'employer' means a person or an organization who appoints or recruits the employee to work for him according to the instruction. It denotes the person who has employed the assessee. A person is an employer to assessee so long as the contract of employment is in currency. After the end of the currency of contract of employment, the erstwhile employer is called "former" employee. According to Section 2(27) of the ITO, 1984, 'employer' includes a former employer. On the other hand according to Para 1(f), Part B, First Schedule, 'employer' means-

- i) a company, firm, other association of persons, a Hindu undivided family or an individual engaged in a business or profession the profits and gains whereof is assessable to tax under the head 'income from business or profession', maintaining a provident fund for the benefit of his or its employees; or
- ii) any diplomatic, consular or trade mission or office of any inter governmental organization located in Bangladesh, maintaining a provident fund for the benefit of Bangladesh employees of such mission of office.

6.3.5 Wages: Wages is a pledge or payment of usually monetary remuneration by an employer especially for labor or services usually according to the contract, on an hourly, daily or unit work basis. It often includes bonuses, commissions, profit sharing and amount paid by the employer for insurance, pension, hospitalization and other benefits. Generally, here the nature of work is mechanical.

6.4 ELEMENTS OF SALARY AND EXPLANATIONS

Based on the various provisions of the ITO, 1984 and practical situation, elements of salary are:

6.4.1 Basic Salary: Basic salary is the most important element of salary since some allowances and contribution to various funds are determined on the basis of this. Even the yearly increment is also computed on the basis of basic salary. According to Rule 33(2)A, basic salary is the amount paid or payable by the employer or his representative to the employee on a monthly basis or otherwise, for services other than mechanical involving some intellectual or mental skill or expertise. Total amount of basic salary in a year is fully taxable. In this regard the yearly increment should also be taken into consideration.

Explanation 1: If the basic salary of Mr. X is Tk. 10,000 per month, Total annual basic salary of $(10,000 \times 12)$ Tk. 120,000 will be included as a part of total income.

Explanation 2: If Mr. X has withdrawn monthly salary of Tk. 7,000 on July 2016 in the scale of Tk. 6,000-200-10,000 and his date of yearly salary increment falls on March 1; his basic salary for the income year 2016 - 17 will be computed in the following way:

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From 01/07/2016 to 28/02/2017 for eight months @ Tk. 7,000	56,000
From 01/03/2017 to 30/06/2017 for four months @ [(7,000+200) ×4]	<u>28,800</u>
	<u>84,800</u>

Explanation 3: If Mr. X has withdrawn monthly salary of Tk. 7,000 on June 2017 in the scale of Tk. 6,000-200-10,000 and his date of yearly salary increment falls on March 1; his basic salary for the income year 2016 – 17 will be computed in the following way:

From 01/07/2016 to 28/02/2017 for eight months @ Tk. 6,800	54,400
From 01/03/2017 to 30/06/2017 for four months @ 7,000	<u>28,000</u>
	<u>82,400</u>

Explanation 4: If Mr. X has withdrawn monthly salary of Tk. 7,000 on July 2016 in the scale of Tk. 6,000-200-10,000 and his date of yearly salary increment falls on March 26; his basic salary for the income year 2016 – 17 will be computed in the following way:

From 01/07/2016 to 28/02/2017 for eight months @ Tk. 7,000	56,000
For March [(7,000×25/31) + (7,200×6/31)] i.e. (5,645.16 +1,393.55)	7,039
From 01/04/2017 to 30/06/2017 for three months @ 7,200	<u>21,600</u>
	<u>84,639</u>

SELF REVIEW 6 – 1

Mr. X has withdrawn monthly salary of Tk. 7,000 on June 2017 in the scale of Tk. 6,000-200-10,000 and his annual increment falls on April 1; What is his basic salary for the income year 2016 – 17.

6.4.2 Dearness Allowance: Dearness allowance is the most popular allowance being given to employees these days. It means the payment made by the employer to the employee to cope with the higher cost of living, which, in general is a certain percentage of the basic salary. The total amount of dearness allowance is taxable and therefore included under the head of income from salary.

Explanation : If the basic salary of Mr. X is Tk. 10,000 per month and he is given 10% dearness allowance on basic salary per month, the amount of dearness allowance that will be included as a part of total income will be [(10,000×12) ×10%] = Tk. 12,000.

6.4.3 Bonus: It means the payment of extra salary based on the basic salary or otherwise for festivals like Eid, Christmas etc. or rewards for good performance. The total amount of bonus is taxable and therefore included under income from salary.

Explanation: If the basic salary of Mr. X is Tk. 10,000 per month and he is given two festival bonus equal to two month's basic salary, the amount of total bonus that will be included as a part of total income will be (10,000×2) = Tk. 20,000.

6.4.4 Special Allowance: According to Part A, Sixth Schedule (Paragraph 5) of the ITO, 1984, any special allowance, benefits or perquisite specifically granted to meet expenses wholly and necessarily incurred in the performance of the duties of an office or employment of profit; are totally exempted from tax.

Explanation: If Mr. X is given a special allowance of Tk. 10,000 to meet some expenses wholly for official purpose, it will not be included under income from salary head.

6.4.5 Medical Allowance (Rule 33I): Where any amount is received or receivable by the employee by way of hospitalization, medical expenses or medical allowance, the

amount, if any, so receivable or received exceeds 10% of the basic salary or Tk.120,000 annually, whichever is less, shall be included in his income.

Explanation: If Mr. X is given Tk. 12,000 as medical allowance in a year and his actual medical expense is Tk. 10,000; His annual basic salary is Tk. 109,000. Under such circumstances, taxable medical allowance will be calculated in the following way:	
Medical Allowance	Tk. 12,000
Less: Tk. 120,000 or 10% of basic salary i.e. Tk. 10,900; whichever is lower	<u>Tk. 10,900</u>
	<u>Tk. 1,100</u>

Note: Actual medical allowance is irrelevant in this case. But it is provided that-

- (a) *Medical expense or medical allowance not exceeding Tk. 10,00,000 received or receivable by an employee being a person with disability shall not be included in his total income;*
- (b) *Medical expenses reimbursed by an employer to an employee, other than an employee who is a shareholder director, for a surgery relating to heart, kidney, eye, liver and cancer of the employee, shall not be included in the total income of such employee.*

6.4.6 House rent allowance in cash (Rule 33A): This sort of relief is granted by the employer to the employee in order to compensate him in the matter of higher rent prevailing in big cities. When house rent allowance is received in cash, amount exceeding 50% of basic salary or Tk. 25,000 per month (annually Tk. 300,000) whichever is lower, shall be added with salary.

Situation 1: Mr. X is paid monthly Tk. 20,000 as basic salary and he is also given 60% of basic salary as house rent allowance. So, the amount under the head salary is:	
House rent allowance (240,000×60%)	144,000
Less: exempted – lower of 50% of basic salary i.e. (240,000×50%) = 120,000 or Tk. 25,000 per month (annually Tk. 300,000)	<u>120,000</u>
	<u>24,000</u>

Situation 2: Mr. X is paid monthly Tk. 60,000 as basic salary and he is also given 60% of basic salary as house rent allowance. So, the amount under the head salary is:	
House rent allowance (720,000 × 60%)	432,000
Less: exempted – lower of 50% of basic salary i.e. (720,000×50%) = 360,000 or Tk. 25,000 per month (annually Tk. 300,000)	<u>300,000</u>
	<u>132,000</u>

6.4.7 Rent free accommodation (Rule 33B): When the employee is provided with rent free unfurnished/furnished accommodation, the rental value of the accommodation or 25% of the basic salary, whichever is less, shall be added with salary income.

Explanation: Mr. X is paid monthly Tk. 20,000 as basic salary and he has also been provided with a rent-free accommodation which has an annual rental value of Tk. 120,000. In this case following amount will be added with the salary income:		
Rent free accommodation: Rental value	Tk. 120,000	lower one
25% of basic salary (2,40,000×25%)	60,000	Tk. 60,000

6.4.8 Accommodation at a concession rate (Rule 33B): When the accommodation is given by the employer at a concessional rate, the difference between the rent actually paid by the employee and the amount determined using the above rule (i.e. the rental value of the accommodation or 25% of the basic salary, whichever is less) will be added with the salary income:

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Explanation: Mr. X is paid monthly Tk. 20,000 as basic salary and he has also been provided with an accommodation at a concession rate that has an annual rental value of Tk. 120,000. He bears rent of Tk. 2,000 per month. In this case following amount will be added with the salary income:

Value of Rent free accommodation: Rental value	Tk. 120,000	
25% of basic salary (240,000×25%)	60,000	Tk. 60,000
Less: Rent paid by employee (2,000×12)		24,000 <u>Tk. 36,000</u>

6.4.9 Entertainment allowance (Rule 33H): This is an allowance given to the employee for entertaining customers or clientele of the employer. The whole amount of entertainment allowance will be included under the head salary income and there will be no exemption. But nothing will be added for free tea, coffee, beverages or the like thereof that are provided at the office premises during the course of work.

Explanation: Mr. X is given Tk. 300 monthly as entertainment allowance, whereas the actual entertainment expense was Tk. 3,000. In addition to this he is also provided with free lunch at office during his work. The entire amount of the entertainment allowance i.e. (300×12) =Tk. 3,600 will be added with salary, there will be no exemption for actual expense or further addition for free lunch.

6.4.10 Conveyance allowance received in cash with no conveyance facility (Rule 33C): Where no conveyance facility is provided by the employer and the conveyance allowance is received by the employee in cash, amount exceeding Tk. 30,000 annually will be added with salary.

Explanation: Mr. X is an employee of Grameen Phone and he is given Tk. 3,000 per month as conveyance allowance. So, the amount added with salary will be as follows:

Conveyance allowance (3,000×12)	36,000	
Less: exempted	<u>30,000</u>	<u>6,000</u>

6.4.11 Conveyance facility provided for personal use (Rule 33D): When the conveyance facility (vehicle) is provided for partly or fully personal use of the employee, 5% of the basic salary or Tk. 60,000, whichever is higher, will be added with salary income. It should be noted here that if the conveyance is provided wholly for official purpose, nothing will be added with salary income.

Explanation 1: Mr. X is paid monthly Tk. 20,000 as basic salary and he has also been provided with a conveyance facility for both personal and official use. Annual maintenance cost Tk. 2,000 has borne by the employer. So, the amount added with salary will be as follows:

Conveyance facility: Higher of Tk. 60,000 or (240,000×5%) i.e., Tk. 12,000: Tk. 60,000

Explanation 2: Mr. X is paid monthly Tk. 20,000 as basic salary and he has also been provided with a conveyance facility for only for official use. So, nothing will be added with salary.

Notes: The cost of the car and annual maintenance cost is irrelevant and proportion of personal and office use of the car is also irrelevant.

6.4.12 Additional conveyance allowance along with conveyance facility (Rule 33E): If an employee is provided with conveyance facility and conveyance allowance in cash, both the (higher of Tk. 60,000 or 5% of basic salary) and amount of the conveyance allowance given in cash will be added with salary income. In this case, there will be no exemption.

Explanation: Mr. X is paid monthly Tk. 20,000 as basic salary and he has also been provided with a conveyance facility for both personal and official use. In addition to this he is also given Tk. 500 monthly as conveyance allowance. Annual maintenance cost of Tk. 3,000 was borne by the employer. So, the amount added with salary will be:

Conveyance facility (Higher of Tk. 60,000	60,000	
or 5% of Tk. 240,000 i.e. Tk. 12,000)		
Add: Conveyance allowance (500×12)	<u>6,000</u>	<u>66,000</u>

6.4.13 Fees & commission: Fees is an amount paid for services rendered, the payment of which is with reference to the work performed and not with reference to any time factor. On the other hand, commission is a payment for transacting a business. It may be based on sales, or net profit or other factors or it may be just fixed sum of money. Whatever the fee or commission is, if it is received from employer the entire amount will be added with salary and will be taxable.

Explanation: Mr. X is paid monthly Tk. 20,000 as basic salary and he has also been provided with a monthly fee of Tk. 500 for a special task conducted by him. In addition to it he is also given a 2 percent commission on net profit (net profit Tk. 50,000) annually. So, the amount added with salary will be as follows:

Fee (500×12)	6,000	
Commission (50,000×2%)	<u>1,000</u>	<u>7,000</u>

6.4.14 Servant allowance: No exemption so, full amount will be added with salary.

6.4.15 Compensation: If an employee receives a certain amount from the employer as compensation for job termination or changing job condition by the employer, the entire amount will be added with salary.

6.4.16 Annuity: Annuity means a yearly allowance or yearly payment for a term of period or for life. The annuity payable by employer or former employer is chargeable under the head 'income from salaries'.

6.4.17 Outstanding salary: The outstanding salary of a particular income year will be added with the salary income in that income year. But if it is received in the next year then it will be excluded from the salary income of the next year since tax has already been paid on that amount.

6.4.18 Advance against salary: If a certain amount of money is received from the employer as advance against salary, it will be added with the salary income of the income year when the advance has been receipt and it will be excluded from the salary income of the next year since tax has already been paid on that amount.

6.4.19 Pension: Pension is periodical payment due to employee from employer after his retirement. Pension is a bounty for past services. The pension may be commuted and full or a portion of such commuted portion may be received. For a resident assessee, pension is fully exempt from tax and hence not included as a part of salary income.

6.4.20 Gratuity: Gratuity is paid in recognition of past services. Generally it is paid at the time of leaving the job. Excess of Tk. 2.5 crore of gratuity is taxable [6th Schedule, Part A, Para – 20].

6.4.21 Employer's contribution to Recognized Provident Fund: In case of a recognized provident fund an equal amount as contributed by the employee is also given by the employer. Here, only the employer's contribution will be added with salary, not the employee's contribution.

Chapter - 6: Income from Salary

Example: Mr. X is paid monthly Tk. 20,000 as basic salary and he also contributes 10% of his basic salary to a recognized provident fund. His employer also contributes the same amount. In this case, the amount that will be recorded under salary will be:

Employer's contribution to R.P.F. (20,000×10%)	<u>2,000</u>
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6.4.22 Interest on Recognized Provident Fund: Interest on Recognized Provident Fund is a taxable income to the employee and amount of interest exceeding 14.5% rate or 1/3rd of basic salary (whichever is lower) will be added with salary.

Explanation 1: Mr. X is paid monthly Tk. 5,000 as basic salary and he has also received Tk. 7,200 as 18% interest on recognized provident fund. In this case, the amount that will be recorded under the head salary will be:

Interest @ 18% on R.P.F.	7,200	
Less: exempted, lower of interest @14.5% i.e. Tk. 5,800 or 1/3 rd of basic salary i.e. Tk. 20,000	5,800	<u>1,400</u>
Calculation of 14.5% interest	= (interest ÷ actual rate of interest) × 14.5%	
	= (7,200 ÷ 18) × 14.5% = 5,800	

6.4.23 Accumulated Balance of Unrecognized Provident Fund: Amount received by the employee at the end of service will be added with salary to the extent of employer's contribution and interest thereof.

6.4.24 Accumulated Balance of Recognized Provident Fund (RPF): Amount received from the Fund by the employee at the end of service will not be added with salary.

6.4.25 Wages: Generally it is received by the workers against physical labor work. The full amount is taxable.

6.4.26 Lunch/Tiffin Allowance: If any employee receives any extra cash allowance for lunch/tiffin, the full amount will be taxable. But if free lunch is provided in the office, it will be fully exempted.

6.4.27 Special / Professional allowance: If any employee receives any extra allowance for having any special / professional competence, full amount will be added.

6.4.28 Overtime: For working extra period in addition to the general time limit, an employee receives additional payment named as "Overtime". Full amount of overtime is taxable.

6.4.29 Leave encashment: If the employee gets any cash benefit for not taking the leave, it is known as leave encashment. The amount is fully taxable.

6.4.30 Free or concessional passage for travel abroad or within Bangladesh (Rule 33G):

(a) Where free or concessional passage for travel abroad or within Bangladesh is provided by the employer to an employee (including the members of his household and dependents) it shall be included in the income of an employee:

i) Where the passage is provided in accordance with terms of employment, an amount equal to the sum by which cash payments, if any, made by the employer exceeds the actual expenditure incurred by the employee; and

Example - 1: Mr. X an employee of the Grameenphone traveled to Norway recently, as a part of his service contract, along with his wife, children and mother who is dependent on him. As per the contract, the Grameenphone authority has given him both way free tickets. Besides, He has also been given Tk. 100,000 to meet the expenditure abroad which is also a part of the service contract. Here only Tk. 100,000 will be added with salary, as it has not been given to meet the travel expenditure.

Example – 2: Mr. Y is an employee of Beximco Pharmaceuticals Limited, has been given Tk. 250,000 as a travel passage to India with his spouse as per the terms of employment. During the travel he saved Tk. 30,000 by availing a discount offer of Bangladesh Biman. Here, excess of cash over actual travel passage i.e. Tk. 30,000 will be added with his salary income.

- ii) Where the passage is not in accordance with terms of employment, the whole of the amount paid in cash, if any, or if no cash payment is made, the amount which would have been expended by the employee had the free or concessional passage as the case may be, not been provided by the employer.

Example: Mr. Z has been given Tk. 100,000 as special travel allowance to Maldives for his satisfactory performance in job. It was not a part of his service contract. Here the full amount i.e. Tk. 100,000 will be added with salary, as the passage has not been given as a part of service contract.

Provided that where free concessional passage for travel abroad is availed of by the employee more than once in two years, the whole of the amount paid to him in cash, if any, for such additional passage or if no cash payment is made, the amount which would have been expended by him, had the additional passage not been provided by the employer, shall be included in his income.

- (b) Where the transport is provide free of cost or at a concessional rate by and undertakings engaged in the transport of passengers or the carriage of goods to any employee of the undertaking (including the members of his household and dependents) in any conveyance owned or chartered by the undertakings for the purpose of the transport of the passengers or carriage of goods, nothing shall be added in his income. In this regard, when Bangladesh Biman, GMG, Best Air or other Airlines Companies, any other transport companies like Bangladesh Railway, BRTC, Greenline Transport Services, Shohag Paribahan Private Limited etc. provides its employees free tickets for travel either within or outside Bangladesh, either as term of employment or not and as frequently as it wants, nothing would be added with the salary for such free tickets.

6.4.31 Other benefits: Where any benefit or annuity not covered by the above provisions, is provided to the employee, the members of his household or his dependents, there shall be included in his income an amount equal to the amount which would have been expended by the employee in obtaining such benefit or annuity from an independent source in the same or near locality, had it not been so provided, as reduced by the amount, if any, expended wholly, necessarily and exclusively in the performance of the duties of the office held by him or actually paid by him in cash.

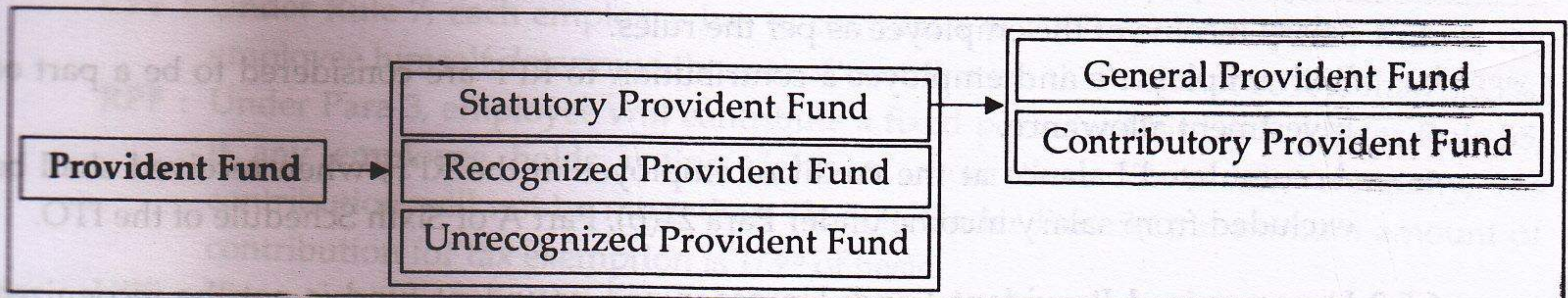
Thus, if an employee takes interest free loan from the employer, there is a benefit accruing to the employee in that had he taken the loan from outside he would have been liable to pay a certain amount of interest. In such a case, the estimated amount of interest thus saved is a perquisite chargeable to tax in the hands of the employee [Addl. C.I.T. Vs Late A. K. Lakshmi (1978) 113 ITR 368].

SELF REVIEW 6 - 2

Mr. Mollick receives basic salary of Tk. 15,000 per month. His other benefits are: rent free accommodation with annual rental value of Tk. 40,000; full time car that he uses both personal and office purposes; leave encashment 11 days basic salary. Calculate Mr. Mollick's taxable income from (a) rent free accommodation (b) conveyance facilities and (c) income under the head salary.

6.5 PROVIDENT FUND

Provident fund is the fund where funds are accumulated during the active period of employees for his financial protection at the end of his service life, amount contributed by the employee or the employer or both employee and employer. The amount lying in the fund is invested in trust securities that yield fair but secured returns. When an employee leaves his service either on retirement or for any other reason, he gets back the money standing to the credit of his provident fund account. In case of death of the employee, the amount is refunded to his nominee. Provident fund is a social security measure provided to employees for his rainy days of post-employment period. There are three types of provident fund:



6.5.1 Statutory or Government provident fund: This provident fund is controlled and maintained by the government for the government employees. Such fund is constituted and run by the government under Provident Fund Act 1925, General Provident Fund Rules 1979 and Contributory Provident Fund Rules 1979. Government employees who are permanently transferred to the pensionable jobs, they contribute to general provident fund where government as an employer contributes nothing. However, government employees who have no benefits from pension, they contribute to contributory provident fund where both government and the employee contribute. Generally most of the government employees of our country are pensionable.

Points to remember at the time of tax computation:

- Since employer does not contribute to general provident fund there is no question of its inclusion with salary. But since government contributes to contributory provident fund, government's contribution will be included.
- Employee's contribution to statutory / government provident fund will be included in investment allowance.
- Accumulated balance of GPF at the credit of employees when received, is neither included in his total income nor taxed. It is excluded from total income under Para 21(a), Part A of Sixth Schedule of the ITO, 1984.

6.5.2 Recognized Provident fund: Recognized Provident fund is constituted under the conditions mentioned in Part B, First schedule in the Income Tax Ordinance, 1984 and approved by the commissioner of taxes. These funds are available in non-government

organizations where both employees and employer contribute the same amount. In order that a provident fund may receive and retain recognition, it shall satisfy the conditions set out below and any other conditions which the NBR may prescribe:

- i) All the employees shall be employed in Bangladesh or shall be employed by an employer whose principal place of business or head office is in Bangladesh. In case of exceptional situation the recognition criteria will depend on the Commissioner's judgment.
- ii) Employer must deduct a certain percentage from the salary of employee and deposit the same to the fund.
- iii) Employer will also contribute the same amount as deducted from the employee.
- iv) The fund will constitute taking the contribution of both the employer and employee.
- v) The fund will be managed by trustee of two or more persons.
- vi) Employer will not be able to take any amount from the fund.
- vii) Employee will receive the amount deposited to his account including principal and interest at the time of leaving the job.

Points to remember at the time of tax computation:

- a. Only, employer's contribution to RPF and interest thereon are included in the total salary income of the employee as per the rules.
- b. Both employer's and employee's contribution to RPF are considered to be a part of investment allowance.
- c. Accumulated balance at the credit of employee in the RPF, when received shall be excluded from salary income under Para 21(b), Part A of Sixth Schedule of the ITO.

6.5.3 Unrecognized Provident Fund: Unrecognized provident fund is not the recognized or statutory fund. This fund is not constituted under Part B, First schedule in the Income Tax Ordinance, 1984 or under any other applicable acts or laws and is not approved by the commissioner of taxes. In this fund, both the employees and employer contributes and generally it is found in non-government organization. In this case, the employers' contribution and interest thereon is not included in the total income of the employee. At the time of the employee's retirement, the accumulated balance of the UPF except employees' contribution and interest thereon is included in the total income.

Points to remember at the time of tax computation:

- a. Employer may contribute as well as employee to this provident fund, but nothing will be added in the salary income.
- b. At the time of employee's retirement, the accumulated balance of this fund minus the employee's contribution plus interest thereon is taxable and will be added with salary.

COMPARATIVE ANALYSIS OF VARIOUS PROVIDENT FUNDS

[Here, GPF: General Provident Fund; CPF: Contributory Provident Fund; RPF: Recognized Provident Fund and UPF: Unrecognized Provident Fund]

❖ **Applicable Law:**

GPF : Provident Fund Act, 1925 and General PF Rules, 1979

CPF : Provident Fund Act, 1925 and Contributory PF Rules, 1979

RPF : First Schedule, Part B of Income Tax Ordinance, 1984

UPF : Nil

❖ **Type of employees:**

- GPF : Government employees with pension benefit
- CPF : Government employees without pension benefit
- RPF : Non government employees employed by Bangladeshi employer
- UPF : Other non-government employees

❖ **Fund Management:**

- GPF : Government manage this fund within Bangladesh in taka
- CPF : Government manage this fund within Bangladesh in taka
- RPF : Government manage this fund within Bangladesh in taka
- UPF : Employer himself manage the fund

❖ **Employees contribution:**

- GPF : Under rule 5, after 2 years of job, all employees have to contribute. If employee wants contribution may be given from the beginning and can be stopped at 52 years of age. Amount is set by the employees under rule 9, but minimum rate will be:

Monthly Salary (Tk.)	Up to 600	601 – 1,000	1,001 – 1,500	1,501 – 4,000	Above 4,000
Rate	2%	4%	6%	8%	10%

- CPF : Under Rule 7, each employee has to contribute to CPF monthly. Under Rule 8, the employee himself determine the rate of contribution that will not be less than 8.33%

- RPF : Under Para 3, employee will contribute a fixed portion of his basic. Under Rule 55, if any employee holds voting rights of more than 5% of any company, his contribution will not be more than Tk. 500. Under Para 5(1), maximum amount of contribution for tax exemption is 1/3rd of basic.

- UPF : The rate is determined by the rules set by the company under consideration.

❖ **Employers' contribution:**

- GPF : Government as an employer contributes nothing.

- CPF : Under rule 11(1), government as an employer pays an equal amount as the employee pays.

- RPF : Employer will not contribute more than the employee [para3(c)]. But, if the monthly income of the employee is not more than 500, employer may contribute more but that must not be more than twice of the employees contribution [rule 58(1)]

- UPF : If mentioned in the contract, employer may contribute equal amount as the employee contributes. It may be non-contributory also.

❖ **Rate of interest:**

- GPF : Set by government. Presently, the rate is 13.5%.

- CPF : Same as general PF

- RPF : It depends on where the fund is invested.

- UPF : It depends on where the fund is invested.

EFFECTS OF DIFFERENT KINDS OF PROVIDENT FUND IN ASSESSMENT OF TAX

For calculating Total Income:

❖ **Employees contribution –**

- GPF : Remain with salary, no further addition is required

- CPF : Remain with salary, no further addition is required

- RPF : Remain with salary, no further addition is required

- UPF : Remain with salary, no further addition is required

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- ❖ **Employers contribution –**
 - GPF : Not applicable
 - CPF : Will be added with salary
 - RPF : Will be added with salary
 - UPF : Will not be added with salary

- ❖ **Interest on provident fund –**
 - GPF : Will not be added with salary
 - CPF : Will not be added with salary
 - RPF : Will be added with salary exceeding interest at the rate of 14.5% or 1/3rd of basic salary, whichever is less. (Sixth Schedule, Part A, Para 25)
 - UPF : Will not be added with salary

- ❖ **Fund withdrawn at retirement –**
 - GPF : Will not be added with salary (Sixth Schedule, Part A, Para 21)
 - CPF : Will not be added with salary (Sixth Schedule, Part A, Para 21)
 - RPF : Will not be added with salary (Sixth Schedule, Part A, Para 21)
 - UPF : Will be added with salary to the extent of employers' contribution and the interest thereon.

EFFECTS ON TAX EXEMPTION

Point of discussion	GPF	CPF	RPF	UPF
Employees Contribution	Eligible for tax exemption	Eligible for tax exemption	Eligible for tax exemption	Not exempted
Employers' Contribution	Not applicable	Eligible for tax exemption	Eligible for tax exemption	Not applicable
Interest on PF	Not applicable	Not applicable	As exempted, no question of tax rebate	Not applicable
Amount received at retirement	Not applicable	Not applicable	Not applicable	Taxable

6.6 APPROVED SUPERANNUATION FUND (ASF)

This fund is created for granting pension and other benefit to the employees on their retirement, or after a specified age or his death. This is run by the individual name of the employees. This fund is approved and run under the provisions of Part A, First Schedule of the Income Tax Ordinance, 1984. Both employee and employer contribute to the fund. The contribution of the employer is added to the income of the employee. But interest on this fund and any amount received from it is not added to income.

Advantages:

1. Interest and other income from the fund is totally tax exempted.
2. Any gain from sale or transfer of capital asset of the fund is tax-free income.
3. Employees' contribution to the fund will be tax rebate able.
4. Total amount received from the fund at retirement is tax exempted.
5. The contribution of the employer is treated as admissible expense for him.

6.7 APPROVED GRATUITY FUND (AGF)

If the employer agrees to constitute a gratuity fund for the employees on the contract of job, then the employer contributes to the gratuity fund for the benefit of the employees in the event of retirement. The approved gratuity fund is approved by NBR and run under the conditions mentioned in First Schedule, Part C. Employee contributes nothing in this fund. The contribution of the employer is considered as income of employee. But interest on this fund and any amount received from it is not added to income.

Advantages:

1. Income from the fund is totally tax exempted.
2. Any gain from sale or transfer of capital asset of the fund is tax-free income.
3. Total amount received from the fund at retirement is tax exempted.
4. The contribution of the employer is treated as admissible expense for him.

APPROVED SUPERANNUATION FUND AND APPROVED GRATUITY FUND IN ASSESSMENT OF TAX:

Points of discussion	Approved Superannuation Fund	Approved Gratuity Fund
Employee's contribution	Contribution on annual basis will not be included in salary income; otherwise will be included [Part A, First Schedule, Para 5(3)]	Not applicable
Employer's contribution	Will be added with salary income	Will be added with salary income
Interest on accumulated balance and capital gain	Will not be added with salary income [Part A, First Schedule, Para 5(1)]	Will not be added with salary income [Part C, First Schedule, Para 5]
Amount received from fund at the time of retirement	Will not be added with salary income [Part A, Sixth Schedule, Para 21]	Will not be added with salary income
Repayment of principal and interest to the employer by the employee	Will be added with salary income [Part A, First Schedule, Para 6]	Will be added with salary income [Part C, First Schedule, Para 7]

6.8 WORKER'S PARTICIPATION FUND (WPF)

It is established under the Companies Profit (workers participation) Act, 1968 (Act XII of 1968). Any payment received by an employee from this fund, subject to prescribed limits and conditions, shall be excluded from the total income as provided under Para 21(d), Part A of Sixth Schedule to the Income Tax Ordinance, 1984.

SELF REVIEW 6 - 3

Mr. Akmal is a government employee enjoys general provident fund benefit whereas Mr. Maula a non government employee enjoys recognized provident fund benefit. How can you differentiate provident fund benefits of these two employees?

6.9 TAX DEDUCTED AT SOURCE FROM SALARY

Under section 50(1) of the ITO, 1984, any person who is responsible for paying salary shall deduct income tax on the amount payable at the average rate. The tax shall be calculated on the basis of the rates of tax in force for the financial year in which the payment is made on the estimated income of the assessee under this head. At the time of making deductions under subsection (1), the amount to be deducted may be increased or decreased for the purpose of adjusting any excess or deficiency arising out of any previous deductions or failure to make deductions [Sec – 50(2)]. For the purposes of deductions under subsection (1) in respect of salary payable in a foreign currency, the value in taka of such salary shall be calculated at such rate as the Board may prescribe. The tax so deducted shall be adjusted against the tax liability at the time of regular assessment. Where the employer fails in his duty to deduct tax at source, he will be considered as “Tax Defaulter” shall be responsible for payment of additional 2% surcharge per month on the tax amount.

Every person who has deducted or collected any tax at source from salary (not being salaries paid by the government) shall furnish, to the person from whom such deduction or collection has been made, a certificate of tax deduction under section 58 shall be issued in accordance to rule 18 specifying relevant information in this regard.

6.10 NON-ASSESSABLE INCOMES UNDER THE HEAD “SALARY”

As per Sixth Schedule, Part A of the ITO, 1984, following salary incomes are non-assessable:

- a) **All employees, mainly for all Bangladeshi residents:**
 - i) Any income from a provident fund established under the Provident Fund Act, 1925 or workers participation fund. (Para 4)
 - ii) Any special allowance, benefits or perquisite specifically granted to meet some official expenses. (Para 5)
 - iii) Pension (Para 8)
 - iv) Gratuity up to Tk. 2.5 crore (Para 20)
 - v) Any receipt from govt. and recognized provident fund, approved superannuation fund and a worker’s participation fund (not exceeding Tk. 50,000) . (Para 21)
 - vi) Interest on recognized provident fund if it does not exceed 1/3rd of basic salary or interest amount computed @ 14.5% per annum. (Para 25)
 - vii) Any amount received by an employee of a government organization, a local authority, or an autonomous or semi-autonomous body at the time of his retirement. (Para 26)
- b) **For foreign employees:**
 - i) Any income received by any ambassador, high commissioner, envoy, minister, charge d’affairs, commissioner, counselor, secretary, advisor of an embassy or high commission. (Para 7)
 - ii) Salary of foreign technician employed by a Bangladeshi firms (Para 15)
 - iii) Tax liability of an employer computed on the salary of a foreign technician as per Para 15. (Para 16)
 - iv) Salary of a foreign technician and tax paid by the employer on his salary who works in a NBR approved Consultancy or Engineering firm.

6.10.1 Chargeability of tax on salary income of certain persons e.g. ministers. MPs, Judges etc: Through the Finance Act 2011, the following provisions have been introduced for chargeability of tax on salary income of certain persons:

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Nature of person	Chargeability to tax on salary income
Prime minister, Speaker, Ministers and advisors with minister rank, Deputy Speaker.	Only, Basic salary amount is taxable; other allowances / elements of salary are fully exempted from tax [SRO 226 – Law/IT/2011 dated 4 th July, 2011]
Honorable Judges of High Court and Appellate Division of the Supreme Court	Only, Basic salary amount is taxable; other allowances / elements of salary are fully exempted [SRO 225 – Law/IT/2011 dated 4 th July, 2011]
Government employees	Only, Basic salary, Festival allowance & Bonus amount is taxable; other allowances / elements of salary are fully exempted from tax [SRO 211 – Law/IT/2017 dated 21 June, 2017]

6.11 ITEMS INCLUDED IN INVESTMENT ALLOWANCE RELATED TO SALARY INCOME

From basic salary, the employer can deducts a certain amount of money under various heads according to the contract between employer and employee. Of those some of the deductions are included under the head Investment Allowance: As per the rules explained in the Part B of Sixth Schedule of the ITO, 1984, the following items are considered as a part of the Investment Allowance:

- i) Any income deducted to a deferred annuity or for making provisions for his wife or children, provided that the sum so deducted shall not exceed 1/5 of the salary. (Para 3)
- ii) Employee's contribution to a Government/Statutory Provident Fund. (Para 4)
- iii) Employee's and Employer's contribution to a RPF. (Para 5)
- iv) Ordinary annual contribution to approved superannuation fund. (Para 6)
- v) Employee's contribution to a benevolent fund or group insurance scheme. (u/p 17)

COMPUTATION OF INCOME FROM SALARY AT A GLANCE:

Description	Amount/Percentage that will be added to salary
1. Basic Salary	Full
2. Dearness Allowance	Full
3. Bonus	Full
4. Commission and fees	Full
5. Advance salary	Full
6. Accrued Salary	Full, provided it was not taxed in earlier period
7. Leave encashment	Full
8. Pension	Nothing, since fully exempted
9. Gratuity	Actual amount less Tk. 2.5 crore exempted
10. Annuity	Full
11. Profit in lieu of Salary	Full
12. Profit in addition to Salary	Full
13. Education Allowance for children	Full
14. Employer's contribution to RPF	Full
15. Employer's contribution to Approved Superannuation Fund	Full

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16. Employer's contribution to Approved Gratuity Fund	Full
17. Employer's contribution to life insurance policy	Full
18. Entertainment Allowance	Full
19. Medical Allowance*	Medical allowance received less Tk. 120,000 or 10% of basic salary whichever is lower.
20. Traveling Allowance	Excess over actual.
21. Special Allowance	Nothing, if given for official purpose.
22. House Rent Allowance	Actual allowance less exemptions of Tk. 25,000 per month (annually Tk. 300,000) or 50% of basic salary whichever is less.
23. Rent Free Accommodation	Rental value or 25% of basic whichever is less
24. Accommodation at concessional rate	Rental value or 25% of basic whichever is less, minus deducted rent
25. Conveyance Allowance	Actual amount less exemption of Tk. 30,000 on an annual basis.
26. Transport / conveyance facility	Higher of Tk. 60,000 or 5% of basic salary; if conveyance facility is given for personal, both personal and official purpose. Nothing will be added if it is given only for official purpose.
27. Both Conveyance Allowance & Transport / conveyance facility	Higher of Tk. 60,000 or 5% of basic salary Plus Conveyance Allowance; Here no exemption will be allowed for cash allowance.
28. Interest on RPF	Actual Interest less exempted to the extent of the interest @ 14.5% rate or 1/3 rd of basic salary, whichever is less.
29. Free tea, coffee or lunch in office premises	Nothing
30. Free dress, telephone, power, gas, water in office etc.	Nothing
31. Free caretaker, sweeper etc.	Nothing
32. Servant allowance	Full
33. Compensation	Full
34. Allowance received as Head of the department / Charge allowance.	Full
35. Overtime	Full
36. Residence telephone bills / utility bills / club bills reimbursed	Full

* Medical expense or medical allowance not exceeding Tk. 10,00,000 received or receivable by an employee being a person with disability shall not be included in his total income; Medical expenses reimbursed by an employer to an employee, other than an employee who is a shareholder director, for a surgery relating to heart, kidney, eye, liver and cancer of the employee, shall not be included in the total income of such employee.

**CONTRIBUTION TO PROVIDENT FUNDS:
SUMMARY OF TAX CHARGEABILITY**

Nature of PF	Contribution	To be included in total income	To be considered as investment allowance
Recognized (RPF)	: Employer's	√	√
	: Employee's	x	√
Unrecognized (URPF)	: Employer's	x	x
	: Employee's	x	x
Statutory / Govt. (SPF)*	: Employee's	x	√

* Employer do not contribute in case of Statutory / Govt. Provident Fund (SPF).

SPECIMEN FORM FOR COMPUTING "INCOME FROM SALARY"

Name of the Taxpayer

Assessment year: 2017 – 2018; Income year: 2016 – 2017

Income from Salary (Section – 21)	Tk.	Tk.
1. Basic salary		XX
2. Dearness allowance		XX
3. Annuity		XX
4. Festival bonus / performance bonus		XX
5. Leave encashment / Compensation		XX
6. Employer's contribution to recognized provident fund		XX
7. Interest on recognized provident fund	XX	
Less: exempted – lower of interest @ 14.5% or 1/3rd of basic salary	XX	XX
8. Advance salary / outstanding salary		XX
9. Entertainment allowance		XX
10. Medical allowance*	XX	
Less: exempted – Tk. 120,000 or 10% of basic salary whichever is lower	XX	XX
11. House-rent allowance	XX	
Less: exempted - lower of 50% of basic salary or Tk. 300,000 (annually)	XX	XX
12. Rent free accommodation (furnished or not furnished) :		
The rental value or 25% of basic salary whichever is lower		XX
13. Accommodation at a concessional rate:		
The rental value or 25% of basic salary whichever is lower	XX	
Less: rent paid by the employee	XX	XX
14. Conveyance allowance	XX	
Less: exempted – (up to Tk. 30,000)	XX	XX
15. Conveyance facility: Higher of Tk. 60,000 or 5% of basic salary		XX
16. Conveyance facility & allowance: both will be added & no exemption is allowed.		XX
17. Servant's allowance		XX
18. Overtime / Charge allowance		XX
19. Residence telephone bill/utility bill/ club bill reimbursed		XX
20. Pension	XX	
Less: Exempted - Full	XX	-

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21. Gratuity	XX	
Less: Exempted – Up to Tk. 2,50,00,000	XX	XX
22. Other benefits		XX
Total income from salaries		XX

* Medical expense or medical allowance not exceeding Tk. 10,00,000 received or receivable by an employee being a person with disability shall not be included in his total income; Medical expenses reimbursed by an employer to an employee, other than an employee who is a shareholder director, for a surgery relating to heart, kidney, eye, liver and cancer of the employee, shall not be included in the total income of such employee.

Illustration 6 – 1:

Mr. Rahman is a service holder. Compute his taxable income from salary and investment allowance for the year ended 30th June 2017 considering his basic salary (BS) Tk. 20,000 per month; Dearness allowance 10% of BS; Two festival bonuses, each equal to one month's BS; House rent 40% of BS; Conveyance allowance Tk. 3,000 per month; Medical allowance Tk. 2,500 per month (actual expense Tk. 22,500); Entertainment allowance Tk. 100 per month (actual expense Tk. 1,000); and Commission Tk. 3,000. His contribution to recognize provided fund (RPF) is 10% of BS. His employer also contributed the same to the fund. He received Tk. 2,500 as interest on RPF @ 10%.

Solution 6 – 1:

Assessee: Mr Rahman

Assessment year: 2017 – 2018; Income year: 2016 – 2017

Determination of total income

Income from Salaries (Section – 21):	Tk.	Tk.
(a) Basic salary (20,000 × 12)		240,000
(b) Dearness allowance (240,000 × 10%)		24,000
(c) Festival bonus (20,000 × 2)		40,000
(d) House rent (240,000 × 40%)	96,000	
Less: Tk. 300,000 annually @ 25,000 p.m. or 50% of Basic salary i.e. 120,000 whichever is lower	120,000	-
(e) Conveyance allowance (3,000 × 12)	36,000	
Less: Exempted	30,000	6,000
(f) Medical allowance (2,500 × 12)	30,000	
Less : Lower of Tk.120,000 or 10% of B.S. i.e. Tk. 24,000	24,000	6,000
(g) Entertainment allowance (100 × 12)		1,200
(h) Employer's contribution to R.P.F. (240,000 × 10%)		24,000
(i) Interest on R.P.F @10%.	2,500	
Less : Exempted maximum @ 14.5% (2,500 ÷ 10 × 14.5) = 3,625 or one-third of B.S i.e. Tk. 80,000; whichever is lower	3,625	-
(j) Commission & fee		3,000
Total		344,200

Notes: (1) Actual medical expense amount is irrelevant (2) For the assessment year 2017-18, the tax-exemption limit of conveyance allowance paid in cash will be Tk. 30,000. (3) Investment Allowance: Employer's contribution to RPF Tk. 24,000 + Employee's contribution to RPF Tk. 24,000 = Tk. 48,000.

Illustration 6 – 2:

Mr. Aksar Salman is a service holder. Following are the particulars of his income from salary for the year ended on 30th June 2017. Compute taxable income from salary and investment allowance.

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Basic salary Tk. 25,000 per month; Dearness allowance – 10% of Basic salary; Two festival bonuses - each equal to one month's basic salary; He has been provided with a rent-free quarter, the annual rental value of which is Tk. 50,000; He has been provided with a car for both office and private use; Medical allowance – Tk. 3,000 per month; During the year he received Tk. 6,000 as traveling allowance; His contribution to an unrecognized provident fund @ 10% of basic salary; Interest on provident fund @ 13% on accumulated balance equivalent to Tk. 2,500; He is given a servant allowance of Tk. 200 per month; He contributes 1% of his basic salary to the Group Insurance Scheme; He has paid Tk. 5,500 per month on a Deposit Pension Scheme.

Solution 6 - 2:

Assessee: Mr. Aksar Salman

Assessment year: 2017 – 2018; Income year: 2016 – 2017

Determination of total income

Income From Salary (Section – 21):	Tk.	Tk.
(a) Basic salary (25,000 × 12)		3,00,000
(b) Dearness allowance (300,000 × 10%)		30,000
(c) Festival bonus (25,000 × 2)		50,000
(d) Rent free accommodation: Lower of Rental value i.e. 50,000 or 25% of Basic salary i.e. 75,000		50,000
(e) Conveyance facility (Higher of Tk. 60,000 or 5% of B.S. i.e. Tk. 15,000)		60,000
(f) Medical allowance (3,000 × 12)	36,000	
Less : Lower of Tk.120,000 or 10% of B.S. i.e. Tk. 30,000	30,000	6,000
(g) Traveling allowance	6,000	
Less : exempted (actual expense)	6,000	-
(h) Servant allowance (200 × 12)		2,400
Total		498,400

Investment Allowance: (Actual)

	Tk.
Employee's contribution to Group Insurance Scheme 1% of B.S. (300,000×1%)	3,000
Contribution to DPS (5,500×12 = 66,000 but maximum limit is Tk. 60,000)	60,000
Total	63,000

Note: It is assumed that travel allowance was given for official purpose and the full amount has been expensed.

Illustration 6 - 3:

Mr. Nahid Hasan Khan is a service holder. Following are the particulars of his income from salary for the year ended on 30th June 2017. Compute taxable income from salary.

Basic salary Tk. 25,000 per month; Dearness allowance 10% of Basic salary; Two festival bonuses, each equal to one month's basic salary; He has been provided with a house at a concessional rate for which Tk. 1,000 per month is deducted from his salary. The annual value of the house is Tk. 50,000; He has been provided with a car for both office and private use. Besides he is also provided with Tk. 1,000 per month as conveyance allowance; He has also been provided with telephone facilities at his residence. The bill for this telephone reimbursed amounted to Tk. 12,000;

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During the year he received arrear salary of Tk. 16,000, not charged to income for any earlier income year; His contribution to unrecognized provident fund @ 10% of basic salary. The employer also contributes the same amount; Compensation received from previous employer Tk. 50,000; Leave encashment Tk. 20,000; Gratuity Tk. 50,000 and Overtime received Tk. 5,000.

Solution 6 – 3:

Assessee: Mr. Nahid Hasan Khan

Assessment year: 2017 – 2018; Income year: 2016 – 2017

Determination of total income

Income From Salary (Section – 21):	Tk.	Tk.
(a) Basic salary (25,000 × 12)		300,000
(b) Dearness allowance (300,000 × 10%)		30,000
(c) Festival bonus (25,000 × 2)		50,000
(d) Accommodation at a concessional rate: Lower of rental value i.e. 50,000 or 25% of Basic salary i.e. 75,000	50,000	
Less: Rent paid by the assessee (1,000 × 12)	12,000	38,000
(e) Conveyance facility (Higher of Tk. 60,000 or 5% of B.S. i.e. Tk. 15,000)		60,000
(f) Conveyance allowance (1,000 × 12)		12,000
(g) Telephone bill reimbursed by the employer		12,000
(h) Arrear salary received		16,000
(i) Compensation received		50,000
(j) Leave encashment		20,000
(k) Gratuity	50,000	
Less: exempted (full)	50,000	-
(l) Overtime received		5,000
Total		<u>593,000</u>

Note: Employer's contribution to unrecognized provident fund is excluded from total income.

Illustration 6 – 4:

Mr. Zahid, the Additional Secretary of the Ministry of Finance, Government of the People's Republic of Bangladesh receives basic salary of Tk. 40,000 per month in the income year 2016 – 2017. Besides basic salary he received house rent allowance @ 60% of basic salary; a full time car; medical allowance Tk. 2,000 per month. During the year he received two bonuses each equal to one month's basic salary. He contributes 10% of basic salary into a statutory provident fund (SPF). From that fund he also received interest of Tk. 8,000 at an interest rate of 16% per annum. Compute taxable income of Mr. Zahid under "Income from Salary" for the income year 2016-17.

Solution 6 – 4:

Assessee: Mr Zahid

Assessment year: 2017 – 2018; Income year: 2016 – 2017

Determination of total income

Income From Salary (Section – 21):	Tk.	Tk.
(a) Basic salary (40,000 × 12)		480,000
(b) House rent (480,000 × 60%)	288,000	
Less: Exempted – Full	288,000	-

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(c) Conveyance facilities (480,000 × 5%)	24,000	
Less: Exempted – Full	24,000	-
(d) Medical allowance (250 × 12)	24,000	
Less : Exempted – Full	24,000	-
(e) Bonus (40,000 × 2)		80,000
Total		<u>560,000</u>

Notes: As Mr. Zahid is a government employee, only basic salary, bonus and festival allowance amount is taxable. All other allowances are fully exempted from tax as per SRO 211 – Law/IT/2017 dated 21.06.17 – Ref. 6.10.1

Illustration 6 – 5:

On June 2017, Mr. Anil Ambani's basic salary falls on Tk. 12,000 in the scale of 10,000-1,000×4-14,000. His date of yearly increment is on 1st April. He received dearness allowance @ 10% of basic salary and medical allowance Tk. 1,175 per month. During the year his actual amount of medical expense was Tk. 3,000. He received three bonuses (Festival – two and performance – one) each equivalent to one month's basic salary- received in the month of August, January and May respectively. He contributes 10% of his basic salary to a recognized provident fund from which he has also received an interest of Tk. 1,500 @ 15% interest. His employer also contributes the same amount to the RPF. He has been provided with a rent-free quarter and a car for both official and personal purpose. During the year he has also received an entertainment allowance of Tk. 13,375 of which Tk. 4,500 has actually been spent. He has also received arrear salary of Tk. 30,000 which has not been taxed earlier. He has also been given travel allowance of Tk. 10,000 during the year for official tour.

His investments during the year were: Purchase of shares of listed company and partnership firm Tk. 2,000 and Tk. 5,000 respectively; Purchase of gold Tk. 10,000; Payment of his life insurance premium Tk. 4,000 (Policy value Tk. 35,000); Purchase of books and magazine Tk. 3,000; Contribution to a Deposit Pension Scheme Tk. 500 on a monthly basis; and Donation to the Baitul Mokarram Mosque Tk. 10,000.

Compute taxable income and tax liability of Mr. Anil Ambani for the assessment year 2017-18 assuming that he is a taxpayer of Dhaka City Corporation Area.

Solution 6 – 5:

Assessee: Mr. Anil Ambani

Assessment year: 2017 – 2018; Income year: 2016 – 2017

Determination of total income

Income From Salary (Section – 21):	Tk.	Tk.
(a) Basic salary [(11,000 × 9) + (12,000 × 3)]		135,000
(b) Dearness allowance (135,000 × 10%)		13,500
(c) Medical Allowance (1,175 × 12)	14,100	
Less: Lower of Tk.120,000 or 10% of B.S. Tk. 13,500	13,500	600
(d) Bonus [11,000 + 11,000 + 12,000]		34,000
(e) Employer's contribution to RPF [135,000 × 10%]		13,500
(f) Interest on RPF @ 15%	1,500	
Less: exempted - lower of interest @ 14.5% i.e. [(1,500 ÷ 15 × 14.5) = 1,450] or one-third of basic salary	1,450	50
(g) Rent free accommodation (135,000 × 25%)		33,750

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(h) Conveyance facility (Higher of Tk. 60,000 or 5% of B.S. i.e. Tk. 6,750)		60,000
(i) Entertainment allowance		13,375
(j) Arrear salary		30,000
(k) Travel Allowance	10,000	
(l) Less: Exempted - full	10,000	-
Total		<u>333,775</u>

Computation of Investment Allowance:

		Tk.
(i) Purchase of shares of listed company		2,000
(ii) Employee's & Employer's contribution to Recognized Provident Fund (13,500 × 2)		27,000
(iii) Payment of life Insurance Premium 4,000; maximum 10% of the policy value		3,500
(iv) Contribution to Deposit Pension Scheme (500 × 12)		6,000
Total		<u>38,500</u>

Investment Allowance: Eligible Amount for tax rebate

[A] Total Allowable Investment		Tk. 38,500
[B] 25% of the total income [excluding any income for which a tax exemption or a reduced rate is applicable under sub-section (4) of section 44 or any income from any source or sources mentioned in clause (a) of sub-section (2) of section 82C.] 25% of Tk. 333,775		Tk. 83,444
[C] 1.5 Crore		
Whichever is less		Tk. 38,500

Tax liability:

		Rate	Tk.
On the first	Tk. 250,000	0%	Nil
On the next	<u>83,775</u>	10%	<u>8,378</u>
Total	<u>333,775</u>		<u>8,378</u>
Less: investment tax credit (38,500 × 15%)			<u>5,775</u>
Net tax liability			<u>2,603</u>

Since the computed tax liability is less than the minimum amount of tax i.e. 5,000, the net tax liability of Mr. Anil Ambani for the assessment year 2017-18 will be Tk. 5,000.

Illustration 6 - 6:

Ms. Nazmun Nahar is the head of Accounts of a multinational company in Bangladesh. She has joined the company on July 01, 2016 as her first job. She has received the following income for the year ended on 30th June, 2016. You are required to calculate the total income and tax liability of Ms. Nazmun Nahar for the assessment year 2017-18:

Basic pay Tk. 150,000 per month sent directly to her bank account; Rent free accommodation fully furnished by the company; The annual rental value of the house is Tk. 500,000; Full time company car for 24 hours for her own use and for her family; Company pays Tk. 20,000 per month for her two school going children which is paid to the school authority directly; She received two festival bonuses each equivalent to basic pay during the Eid time which she spent partly for her family

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and partly for the poor people in her village; Driver's salary of the full time car Tk. 10,000 per month paid to her driver's bank account; Company paid Tk. 205,000 to her during the year being the reimbursement of various utility bills of her house; Personal mobile bill paid by the company Tk. 5,000 per month.

She was paid Tk. 200,000 for her overseas travels for the official trip out of which she saved 25% during the year; Bill paid for the membership of an international club by the company Tk. 250,000. Medical allowance Tk. 15,000 per month; during the year actual medical expense was Tk. 100,000; Entertainment allowance Tk. 10,000 per month; actual expense in this regard Tk. 150,000; She has contributed 10% of her basic salary to a recognized provident fund. Her employer also contributed the same amount. Interest on the said fund @ 18% is Tk. 1,800 during the period; She has contributed 2% of her basic pay to a group insurance scheme.

During the year she has claimed the following expenditures as her investment allowance:

Purchase of Debentures from the primary market Tk. 25,000; Insurance premium Tk. 20,000 (Policy value Tk. 250,000); Household expenses Tk. 200,000; Payment to income tax lawyer Tk. 25,000; Purchase of Savings certificate Tk. 150,000; Donated Tk. 50,000 to the President's Relief Fund. Donated to Government Zakat Fund Tk. 25,000; Donated to Ahsania Mission Cancer Hospital Tk. 10,000; Installment paid for a 5 Katha Plot to the Bashundhara Group Tk. 40,000.

Solution 6 - 6:

Assessee: Ms. Nazmun Nahar

Assessment year: 2017 - 2018

Income year: 2016 - 2017

Determination of total income

	Tk.	Tk.
Income From Salary (Section - 21):		
(a) Basic salary (150,000 × 12)		1,800,000
(b) Rent-free accommodation: Lower of rental value i.e. Tk. 500,000 or 25% of B.S. i.e. Tk. 4,50,000		450,000
(c) Conveyance facility (Higher of Tk. 60,000 or 5% of B.S. i.e. Tk. 90,000)		90,000
(d) School fee of children paid by the company		240,000
(e) Bonus (150,000 × 2)		300,000
(f) Utility bills reimbursed by the company		205,000
(g) Mobile bill paid by the company (5,000 × 12)		60,000
(h) Savings from travel allowance (200,000 × 25%)		50,000
(i) International club bill paid by the company		250,000
(j) Medical Allowance (15,000 × 12)	180,000	
Less: Lower of Tk. 120,000 or 10% of B.S. i.e. Tk. 180,000	120,000	
		60,000
(k) Entertainment allowance (10,000 × 12)		120,000
(l) Employer's contribution to RPF (1,800,000 × 10%)		180,000
(m) Interest on RPF @18%	1,800	
Less: Exempted - lower of interest @ 14.5% i.e. [(1,800 ÷ 18 × 14.5) = 1,450] or one-third of basic salary	1,450	
		350
Total		3,805,350

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Computation of Investment Allowance

(i) Purchase of debentures	Tk. 25,000
(ii) Payment of life Insurance Premium 20,000 maximum (10% of the policy value i.e. 10% of 250,000 = 25,000)	20,000
(iii) Purchase of savings certificate	150,000
(iv) Contribution to President's Relief Fund	50,000
(v) Contribution to Government Zakat Fund	25,000
(vi) Contribution to Ahsania Mission Cancer Hospital	10,000
(vii) Employee's and Employer's contribution to RPF (180,000 × 2)	360,000
(viii) Contribution to Group Insurance Scheme (1,800,000 × 2%)	36,000
Total	<u>676,000</u>

Maximum limit of the investment allowance: 25% of Total income i.e. $[(3,805,350 \times 25\%)] = 951,338$ or Tk. 15,000,000 whichever is less. So, the required amount of investment allowance on which tax rebate will be applicable is Tk. 676,000. So, the amount of tax rebate will be $[(250,000 \times 15\%) + (426,000 \times 12\%)] = \text{Tk. } 88,620$

Tax liability:

		Rate	Tk.
On the first	Tk. 300,000	0%	Nil
On the next	400,000	10%	40,000
On the next	500,000	15%	75,000
On the next	600,000	20%	120,000
On the next	20,05,000	25%	501,250
Total	<u>3,805,350</u>		736,250
Less: Investment tax credit			<u>88,620</u>
Net tax liability			<u>647,630</u>

Note: (1) For women, non-assessable limit of total income is Tk. 300,000. **(2)** Driver's salary of full time car is not a part of her total income.

Illustration 6 - 7:

On July 2016, Mr. Tareq Anwar's basic salary falls on Tk. 52,000 in the scale of 40,000-4,000×8-72,000. His date of yearly increment is on 16th April. He received dearness allowance @ 20% of basic salary and medical allowance Tk. 3,000 per month. During the year his actual amount of medical expense was Tk. 30,000. He received two festival bonuses and one performance bonus each equivalent to one month's basic salary in the month of September, December and May respectively. He contributes 10% of his basic salary to a recognized provident fund from which he has also received an interest of Tk. 1,500 @ 15% interest. His employer also contributes the same amount to the RPF. He has been provided with a rent-free quarter annual rental value of Tk. 160,000 and a full time car by the employer. The maintenance cost of the car during the year was Tk. 10,000. Company gave him International Air ticket for a tour as a part of his service contract for which the company spent Tk. 35,000. During the year he has also received an entertainment allowance of Tk. 31,850 of which Tk. 27,500 has actually been spent. His taxable income from other sources was Tk. 300,000 during the year.

His investments during the year were: Purchase of shares of a private limited company Tk. 10,000; Purchase of shares of a registered partnership firm Tk. 8,000; Payment of his life insurance premium Tk. 12,000 (Policy value Tk. 100,000); Purchase of books and magazine Tk. 3,000; Contribution to a Superannuation fund Tk. 500 on a monthly basis; Donation to Lab Aid Hospital

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Tk. 15,000. Compute taxable income and tax liability of Mr. Tareq Anwar for the assessment year 2017-18, assuming that in current year his net asset is valued at Tk. 3 crore.

Solution 6 – 7:

Assessee: Mr. Tareq Anwar

Assessment year: 2017 – 2018; Income year: 2016 – 2017

Income from Salaries (Section – 21):	Tk.	Tk.	Tk.
(a) Basic salary [(52,000 × 9.5) + (56,000 × 2.5)]		634,000	
(b) Dearness allowance (634,000 × 20%)		126,800	
(c) Medical Allowance (3,000 × 12)	36,000		
Less: Lower of Tk.120,000 or 10% of B.S. i.e. Tk. 63,400	<u>63,400</u>	-	
(d) Bonus [52,000 + 52,000 + 56,000]		160,000	
(e) Employer's contribution to RPF [634,000 × 10%]		63,400	
(f) Interest on RPF @15%	1,500		
Less: Exempted – Lower of interest @ 14.5% i.e. [(1,500 ÷ 15 × 14.5) = 1,450] or one-third of B.S. i.e. 2,11,333	<u>1,450</u>	50	
(g) Rent free accommodation: lower of rental value Tk. 160,000 or 25% of B.S. (6,34,000 × 25%) = 1,58,500		158,500	
(h) Conveyance facility (Higher of Tk. 60,000 or 5% of B.S. i.e. Tk. 31,700)		60,000	
(i) Entertainment allowance		<u>31,850</u>	
			1,234,600
Income from Other Sources			<u>300,000</u>
Total			<u>1,534,600</u>

Computation of Investment Allowance

(i) Payment of life Insurance Premium 12,000; maximum (10% of 100,000)	Tk. 10,000
(ii) Contribution to Superannuation fund (500 × 12)	6,000
(iii) Employee's and Employer's contribution to RPF (63,400 × 2)	<u>126,800</u>
Total	<u>142,800</u>

Maximum limit of the investment allowance: 25% of Total income i.e. [(1,534,600 × 25%) = 383,650 or Tk. 15,000,000 whichever is less. So, the required amount of investment allowance on which tax rebate will be applicable is Tk. 142,800.

Tax liability:

	Rate	Tk.
On the first Tk. 250,000	0%	Nil
On the next 400,000	10%	40,000
On the next 500,000	15%	75,000
On the next 384,600	20%	<u>76,920</u>
Total		<u>191,920</u>
Less: Investment tax credit (142,800 × 15%)		<u>(21,420)</u>
Net tax liability		170,500
Add: 10% surcharge on tax payable		<u>17,050</u>
Net tax liability with surcharge		<u>187,550</u>

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Note: (1) Since his net wealth is more than Tk. 2.25 crore but less than Tk. 5 crore, he will be liable to pay 10% of tax liability as surcharge which is to be paid along with the tax liability of this income. (2) Investment in shares of private limited companies and partnership firms are not allowable investments.

Illustration 6 – 8:

Mr. Hasan Ahmed was the HR Manager of Axiata Bangladesh Ltd. On July 2016, his basic salary was Tk. 52,000 in the scale of 40,000 - 4,000 × 8 - 72,000. His date of yearly increment is on 26th March. He has resigned from Axiata Bangladesh Ltd on 30th April, 2017 and Joined Grameenphone Ltd on 1st June of the same year. His taxable income from other sources was Tk. 200,000 during the year. During the year total TDS from various sources of his income was Tk. 20,000. Moreover, his refund claims of Tk. 10,000 for additional payment of tax in the last assessment year was to be adjusted with current year's tax liability.

His investments during the year include purchase of a laptop Tk. 110,000; payment of his life insurance premium Tk. 20,000 (Policy value Tk. 500,000) and contribution to DPS Tk. 3,000 per month. During the income year his income from salary from Axiata Bangladesh Ltd and Grameenphone Ltd. is given below. Considering all the given information compute taxable income and tax liability of Mr. Hasan Ahmed for the year.

From Axiata: He received dearness allowance @ 10% of basic salary and medical allowance Tk. 2,000 per month. He received two festival bonuses each equivalent to one month's basic salary in the month of September and April respectively. He contributes 10% of his basic salary to a recognized provident fund. He has been provided with a rent-free quarter and a full time car by the employer. During the year he has also received an entertainment allowance of Tk. 1,000 per month. He has received compensation for the termination of Tk. 250,000 and gratuity of Tk. 100,000. Moreover, his accumulated balance from the RPF was Tk. 180,000.

From Grameenphone: His basic is Tk. 60,000 per month with 40% house rent allowance and Tk. 5,000 medical allowance per month. He is also entitled to receive Tk. 4,000 conveyance allowance per month. He and his employer both contributed 10% of his basic salary to a RPF.

Solution 6 – 8:

Assessee: Mr. Hasan Ahmed

Assessment year: 2017 – 2018; Income year: 2016 – 2017

Determination of total income

	Tk.	Tk.	Tk.
Income from Salaries (Section – 21):			
(a) Basic salary (Total)		584,774	
(b) Dearness allowance (Axiata) (524,774 × 10%)		52,477	
(c) Medical Allowance (Total) [(2,000 × 10) + 5,000]	25,000		
Less: Lower of Tk.120,000 or 10% of B.S. i.e. Tk. 58,477	58,477	-	
(d) Bonus [52,000 + 56,000]		108,000	
(e) Employer's contribution to RPF (Total) [584,774 × 10%]		58,477	
(f) Rent free accommodation (Axiata): 25% of basic salary		131,194	
(g) Conveyance facility (Axiata) [Higher of Tk. 60,000 or 5% of B.S. i.e. Tk. 26,239]		60,000	
(h) Entertainment allowance (Axiata) [1,000 × 10]		10,000	
(i) Gratuity (Axiata)	100,000		
Less: Exemption: Full	100,000	-	

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(j) Compensation (Axiata)	250,000	
(k) Accumulated balance of RPF (Axiata)	180,000	
Less: Exemption: Full	180,000	
(l) House Rent Allowance (Grameenphone) [60,000 × 40%]	24,000	
Less: Exempted Tk. 25,000 per month or 50% of Basic salary i.e. 30,000 whichever is lower	25,000	
(m) Conveyance allowance	4,000	
Less: Exempted – Up to Tk. 30,000	4,000	1,254,922
Income from Other Sources		200,000
Total		<u>1,454,922</u>

Computation of Investment Allowance

(i) Purchase of laptop (allowable up to Tk. 100,000)	Tk. 100,000
(ii) Payment of life Insurance Premium 20,000; maximum 10% of policy value	20,000
(iii) Contribution to DPS (3,000 × 12)	36,000
(iv) Employee's and Employer's contribution to RPF (58,477 × 2)	116,954
Total	<u>272,954</u>

Maximum limit of the investment allowance: 25% of Total income i.e. [(1,454,922 × 25%) = 363,731 or Tk. 15,000,000 whichever is less. So, the required amount of investment allowance on which 15% tax rebate will be applicable is Tk. 272,954. The eligible amount of tax rebate will be [(250,000×15%) + (22,954×12%)] = Tk. 40,254

Tax liability:

	Rate	Tk.
On the first	0%	Nil
On the next	10%	40,000
On the next	15%	75,000
On the next	20%	60,984
Total		<u>175,984</u>
Less: Investment tax credit		(40,254)
TDS		(20,000)
Refund adjustment (Note – 1)		(10,000)
Net tax liability		<u>105,730</u>

Note: (1) Basic Salary: Axiata: From July 16 to February 17 [Tk. 52,000 × 8] Tk. 416,000 plus for March 17 [(52,000×25/31) + (56,000×6/31)] Tk. 52,774 plus for April 17 Tk. 56,000 = Total Tk. 524,774. Grameenphone: For June 17 Tk. 60,000. Total Basic salary Tk. 584,774. (2) Since conveyance allowance is received from a separate company, the exemption limit has been considered. (3) In the month of May he was not employed.

Illustration 6 – 9:

Mr. Nisar Ahmed, a Bangladeshi citizen, joined S. Group in Dhaka on 1.11.16 with a consolidated salary of Tk. 180,000 (60% basic and 40% house rent). He stayed in Doha in a job from 1.03.13 and came back to Bangladesh on 17.10.16. During 1.03.13 to 17.10.16, he visited Bangladesh for 60 days in each fiscal year. In addition to basic and house rent, Mr. Ahmed also enjoys the following benefits during the period:

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Full time car with Tk. 20,000 per month as allowance for maintenance; 10% of basic as entertainment allowance (he spent the full amount); servant allowance Tk. 2,000 per month; Tk. 71,600 as profit bonus; Medical allowance Tk. 2,000 per month (Actual exp. Tk. 20,000); Leave encashment 12 days basic salary; Mr. Ahmed contributes 10% of his basic salary to a recognized provident fund like his employer; As per the terms of employment, Mr. Ahmed received Tk. 150,000 for travelling abroad (he actually spent Tk. 135,000 for the purpose).

Mr. Ahmed has made investments during the period as: Contribution to DPS Tk. 10,000 per month; Purchase of shares: Primary Tk. 50,000; Secondary Tk. 100,000 and Mohamedan Sporting Clubs share Tk. 30,000; Purchase of debenture from DSE Tk. 30,000; Purchased a personal desktop computer spending Tk. 60,000; Donated to Bongabondhu National Museum Tk. 60,000; Purchase of government Treasury bond Tk. 50,000; His net asset amounted to Tk. 11 crore.

Requirements: Compute taxable income and tax liability of Mr. Ahmed for the assessment year 2017-18 assuming total tax deducted at sources amount Tk. 120,000.

Solution 6 - 9:

Mr. Nisar Ahmed

Assessment Year: 2017 - 2018

Income Year: 2016 - 2017

Determination of Total Taxable Income

Income from Salaries (Section - 21)	Tk.	Tk.
(a) Basic Salary (Tk. 108,000 × 8 months)		864,000
(b) House Rent Allowance (Tk. 72,000 × 8 months)	576,000	
Less: exempted - lower of 50% of basic (Tk. 432,000) or Tk. 25,000 per month for 8 months (Tk. 160,000)	200,000	376,000
(c) Conveyance facility (Higher of Tk. 60,000 or 5% of B.S. i.e. Tk. 43,200)		60,000
(d) Allowance for maintenance (Tk. 20,000 × 8)		160,000
(e) Entertainment allowance (Tk. 864,000 × 10%)		86,400
(f) Servant allowance (Tk. 2,000 × 8)		16,000
(g) Profit bonus		71,600
(h) Medical allowance (Tk. 2,000 × 8)	16,000	
Less: Lower of Tk.120,000 or 10% of B.S. i.e. Tk. 86,400	86,400	-
(i) Leave encashment (108,000 ÷ 30 × 12)		43,200
(j) Employer's contribution to recognized provident fund - 10%		86,400
(k) Travelling allowance (savings)		15,000
Total Taxable Income		<u>17,78,600</u>

Allowable Investment Allowance (Actual):

Deposit Pension Scheme Tk. 120,000 (Max. allowable Tk. 60,000)	Tk. 60,000
Purchase of primary and secondary shares	150,000
Purchase of debenture	30,000
Purchase of desktop computer Tk. 60,000 (Max. allowable Tk. 50,000)	50,000
Donation to Bongabondhu National Museum	60,000
Purchase of government treasury bond	50,000
Contribution to Recognized Provident Fund (86,400 × 2)	172,800
Total	<u>572,800</u>

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Allowable Investment Allowance (Maximum Limit):

25% of Total Income [25% of Tk. 17,78,600]	Tk.444,650
Or, Tk. 15,000,000	15,000,000
Lower one	444,650
Thus, allowable investment allowance will be	444,650

Computing Tax Liability

		Rate	Tk.
On the first	Tk. 250,000	0%	Nil
On the next	400,000	10%	40,000
On the next	500,000	15%	75,000
On the next	600,000	20%	120,000
On the next	28,600	25%	7,150
Total	17,78,600		242,150
Less: Investment tax credit			60,858
	Net tax liability		181,292
Add: Surcharge @20%			36,258
Total tax liability for tax and surcharge			217,550
Less: Tax Deducted at Source			120,000
Net Payable amount			97,550

Note: (1) Tax rebate on investment allowance will be $[(250,000 \times 15\%) + (194,650 \times 12\%)] = \text{Tk. } 60,858$ [(As his net wealth is more than Tk. 10 crore but less than Tk. 15 crore, 20% surcharge on net tax liability will be applicable).

Illustration 6 – 10:

On April 30, 2017, Mr. Hasan retired as an accountant from a private limited company. Before retirement, during the income year 2016-2017 he received the following incomes:

On, April 2017, his basic salary falls on Tk. 20,000 in the scale of 16,000-2,000×3-22,000. His date of yearly increment is on 18th March. Besides, he received

- (a) Dearness allowance @ 10% of basic salary
- (b) Tk. 100,000 for Eye operation related medical expense reimbursement
- (c) 60% of his basic salary as house rent allowance.
- (d) Conveyance allowance Tk. 2,000 per month
- (e) Two festival bonuses each equivalent to one month's basic salary- received in the month of October and April respectively
- (f) He contributes 10% of his basic salary to an unrecognized provident fund.

After his retirement in May, 2017 he has received the accumulated balance of his unrecognized provident fund total Tk. 256,000 (employer's contribution Tk. 100,000, employee's contribution Tk. 100,000 and accumulated interest Tk. 56,000); He has also received Tk. 300,000 as gratuity and Tk. 40,000 from Worker's Participation Fund; The company has given him complimentary travel allowance of Tk. 40,000 as a reward for his good performance in the company. His actual expense is Tk. 13,000 in this regard.

His additional income includes income from house property Tk. 300,000; income from agriculture Tk. 50,000 and income from other sources Tk. 200,000.

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His investments during the year were: Purchase of laptop Tk. 60,000; Purchase of Bangladesh savings certificate Tk. 50,000; Donation to Islamia Eye Hospital Tk. 5,000; Purchase of Gift Cheque Tk. 3,000; Purchase of Microwave oven Tk. 10,000; Donation as Zakat to poor relatives Tk. 10,000; Donation to Jatio Muktiyuddho Jadughor Tk. 5,000; Donation to Aga Khan Development Network Tk. 10,000 and Contribution to DPS Tk. 6,000 per month.

TDS deducted from his salary amounted to Tk. 10,000 and he has also paid advance tax of Tk. 15,000 for renewing the registration of his own personal car. Compute taxable income and tax liability of Mr. Hasan for the assessment year 2017-18 assuming that he is disable/handicapped.

Solution 6 – 10:

Assessee: Mr. Hasan

Assessment year: 2017 – 2018; Income year: 2016 – 2017

Determination of total income

Income From Salary (Section – 21):	Tk.	Tk.	Tk.
(a) Basic salary [Note 1]		182,903	
(b) Dearness allowance (182,903 × 10%)		18,290	
(c) Medical Exp.	100,000		
Less: Exempted - Full	100,000		
(d) House Rent All. [182,903 × 60%]	109,742		
Less: Tk. 250,000 (10 × 25,000 per month) or 50% of B.S. i.e. Tk. 91,450; lower one	91,450	18,292	
(e) Conveyance allowance	24,000		
Less: Exempted [up to Tk. 30,000]	24,000		-
(f) Bonus [18,000 + 20,000]		38,000	
(g) Accumulated balance of unrecognized provident Fund [100,000 + 56,000]		156,000	
(h) Gratuity	300,000		
Less: Exempted - Full	300,000		-
(i) Receipt from Worker's Participation Fund	40,000		
Less: Exempted – upto Tk. 50,000	50,000		-
(j) Travel allowance		40,000	428,485
Income from House Property			300,000
Income from Agriculture			50,000
Income from Other Sources			200,000
Total			<u>10,03,485</u>

Computation of Investment Allowance:

Particulars	Tk.
(i) Purchase of laptop	60,000
(ii) Purchase of Bangladesh Savings Certificate	50,000
(iii) Donation to Islamia Eye Hospital	5,000
(iv) Donation to Jatio Muktiyuddho Jadughor	5,000
(v) Donation to Aga Khan Development Network	10,000
(vi) DPS	60,000
Total	<u>190,000</u>

Maximum limit of the investment allowance: 25% of Total income $[10,03,485 \times 25\%] = 250,871$ or Tk. 15,000,000 whichever is less. So, the maximum limit is Tk. 250,871. The required amount of investment allowance on which 15% tax rebate will be applicable is lower of actual investment and maximum limit i.e. Tk. 190,000.

Tax liability:

		Rate	Tk.
On the first	Tk. 400,000	0%	Nil
On next	400,000	10%	40,000
On next	<u>203,485</u>	15%	<u>30,523</u>
Total	<u>10,03,485</u>		<u>70,523</u>
Less: investment tax credit (190,000 × 15%)			<u>28,500</u>
			<u>42,023</u>
Less: TDS + Advance tax			<u>25,000</u>
Net tax liability			<u>17,023</u>

Note: (1) $[(18,000 \times 8) + \{(18,000 \times 17/31) + (20,000 \times 14/31)\} + (20,000 \times 1)] = 182,903$ (2) Accumulated balance of unrecognized prov. Fund is taxable to the extent of employer's contribution and interest amount. (3) Medical expense was received for eye surgery, so fully exempted. (4) Travel allowance is fully taxable as it is not given as a part of contact. (5) As he is disable, First Tk. 375,000 will be non assessable.

KEY POINTS

1. Salary means periodical payment made to an employee from an employer for the services rendered to him and includes wages, annuity, pension or gratuity, any perquisites etc.
2. Perquisite is a causal emolument or benefit attached to an office or position in addition to salary or wages which may be given in a variety of forms.
3. Medical allowance is exempted from tax by the amount of actual spending in such purposes.
4. Any amount received to support house rent is exempted from tax by 50% of basic salary or Tk. 300,000 per year (Monthly Tk. 25,000), whichever is lower. On the other hand any rent free accommodation facilities is taxable considering 25% of basic salary or the annual value of the house, whichever is lower as perquisite received by the employee.
5. Conveyance allowance is taxable on the amount exceeds Tk. 30,000 per year and for any conveyance facilities for personal purpose (full or partial) is taxable considering higher of Tk. 60,000 or 5% of basic salary as income. But if someone received both allowance and facilities, no exemption is allowable.
6. Full of pension and up to Tk. 2.5 crore of gratuity is exempted from tax for a resident assessee.
7. Employer's contribution to recognized provident fund will be considered as income.
8. Receipt of arrear salary will be added to the total income if has not been considered earlier in the computation of total income.
9. Any person who is responsible for paying salary shall deduct income tax on the amount payable at the average rate which shall be adjusted against the tax liability of the assessee at the time of regular assessment.
10. If the employee contributes to deferred annuity, government provident fund or recognized provident fund, approved superannuation fund, benevolent fund or group insurance scheme can get investment tax rebate on such contribution.

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Multiple choice questions:

1. Perquisites includes followings except –
 - (a) leave encashment
 - (b) rent free accommodation
 - (c) concession rate accommodation
 - (d) basic salary
2. Which of the following provident fund is applicable for government employees with pension benefit –
 - (a) contributory provident fund
 - (b) general provident fund
 - (c) recognized provident fund
 - (d) unrecognized provident fund
3. Which of the following contribution by employee to PF is not eligible for tax rebate –
 - (a) contributory provident fund
 - (b) general provident fund
 - (c) recognized provident fund
 - (d) unrecognized provident fund
4. For house rent allowance how much is exempted from tax –
 - (a) 50% of basic salary
 - (b) Tk. 25,000 per month
 - (c) 25% of basic salary
 - (d) lower of a and b
5. How much of medical allowance is exempted from tax –
 - (a) full
 - (b) Tk. 60,000
 - (c) Lower of Tk.120,000 or 10% of B.S.
 - (d) Actual expense
6. How much of conveyance facilities is exempted from tax –
 - (a) 5% of basic salary
 - (b) Tk. 30,000
 - (c) actual spending
 - (d) none
7. which of the following statement is false –
 - (a) employer's contribution to RPF will be added to calculate tax payable income
 - (b) employee's contribution to RPF will be added to calculate tax payable income
 - (c) employer's contribution to RPF will get investment tax rebate
 - (d) employee's contribution to RPF will get investment tax rebate
8. How much of interest on RPF will add to calculate tax payable income –
 - (a) Interest @ 14.5%
 - (b) Interest exceeding @ 14.5%
 - (c) Interest exceeding 1/3 of basic salary
 - (d) Lower of b and c
9. What is the rate of interest on government provident fund –
 - (a) 13.5%
 - (b) 14.5%
 - (c) 15.5%
 - (d) 16.5%

10. Followings are the example of non-assessable income except –

- (a) Pension
- (b) Travel allowance given for official purpose
- (c) Festival bonus
- (d) Accumulated balance of RPF

Identify the following statements as True (T) or False (F):

1. Employee contributes nothing in approved gratuity fund.
2. The amount received at retirement from unrecognized provident fund is taxable.
3. Gratuity is fully exempted.
4. Rate of interest applicable for contributory provident fund is 15%.
5. When employer fails to deduct TDS an additional surcharge need to pay @2% per month on the tax amount.

T	F
T	F
T	F
T	F
T	F

Discussion Questions:

- Question 6 – 1:** “Perquisite is a causal emolument or benefit attached to an office or position in addition to salary or wages” – explain the statement according to ITO, 1984.
- Question 6 – 2:** What is a provident fund? Explain different types of provident fund and identify distinguished features of each type.
- Question 6 – 3:** Differentiate between government and non government provident fund.
- Question 6 – 4:** Explain the effect of different types of provident fund in assessment of income tax.
- Question 6 – 5:** Differentiate approved superannuation fund from approved gratuity fund.
- Question 6 – 6:** “Any person who is responsible for paying salary shall deduct income tax on the amount payable at the average rate” – explain the statement according to the ITO, 1984.
- Question 6 – 7:** What is non-assessable income? Explain the non-assessable income under the head income from salary.
- Question 6 – 8:** Write short note on:
- (a) Perquisites
 - (b) Recognized provident fund (RPF)
 - (c) Tax exempted income under the head income from salary
 - (d) TDS under the head income from salary

Answer the following questions based on the given cases:

Case 6 – 1:

Mr. Zahid receives basic salary of Tk. 18,000 per month in the income year 2016 – 2017. Besides basic salary he received house rent allowance @ 55% of basic salary; conveyance allowance of Tk. 2,000 per month; medical allowance @ 15% of basic salary . He and his employer both contribute 10% of basic salary into a recognized provident fund (RPF). From that fund he also received interest of Tk. 8,000 at an interest rate of 16% per annum.

1. How much is Mr. Zahid’s tax payable income from house rent allowance:
 - (a) 2,16,000
 - (b) 1,18,800
 - (c) 10,800
 - (d) 54,000
2. How much is Mr. Zahid’s tax payable income from conveyance allowance:
 - (a) 6,000
 - (b) 24,000
 - (c) 16,200
 - (d) Nil

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3. How much is Mr. Zahid's tax payable income from medical allowance:
(a) 21,600 (b) 10,800 (c) 32,400 (d) Nil
4. How much is Mr. Zahid's tax payable income as interest from RPF:
(a) 8,000 (b) 7,250 (c) 750 (d) 72,000
5. How much of Mr. Zahid's contribution to RPF is taxable income:
(a) 21,600 (b) 43,200 (c) 10,800 (d) None

Case 6 - 2:

Mr. Kabir receives basic salary of Tk. 40,000 per month. Besides the basic salary Mr. Kabir is supposed to get conveyance allowance of Tk. 2,000 per month and also a full time car. He also receives accommodation facilities but the company charges him Tk. 2,000 per month for the house.

1. How much is Mr. Kabir's taxable income from concession rate accommodation:
(a) 1,20,000 (b) 2,40,000 (c) 96,000 (d) 24,000
2. How much is Mr. Kabir's total taxable income:
(a) 6,36,000 (b) 624,000 (c) 6,60,000 (d) 7,80,000

Case 6 - 3:

Mr. Sumon receives salary following salary scale of 18,000 - 1,500 X 3 - 22,500 and he received Tk. 19,500 salary in the month of December, 2016. His date of increment is 18th January of every year. Now calculate Mr. Sumon's basic salary for the income year 2016 - 2017:

- (a) 2,60,177 (b) 2,42,177 (c) 2,34,000 (d) 2,24,177

Problem 6 - 1:

Mr. Pritom is a service holder. His sources of income for the year ended 30th June, 2017 were: Basic Salary Tk. 27,500 per month; Medical Allowance Tk. 1,000 per month; Conveyance Allowance 5% of Basic Salary; Performance Bonus 4 months Basic Salary; and Leave encashment 10 days leave. He has been provided with a car both for personal use and office purpose and also a rent free furnished house with annual rental value of Tk. 50,000. He received two festival bonuses each equal to 50% of a month's basic salary. He contributed 10% of basic salary to Recognized Provident Fund (RPF) and his employer also contributed the same amount. He received interest @ 15% Tk. 20,000 on the accumulated balance of RPF.

Requirement: Calculate Mr. Pritom's income under the head income from salary.

Problem 6 - 2:

Mr. Limon is a service holder. His sources of income for the year ended 30th June, 2017 were: Basic Salary Tk. 25,000 per month; House rent Allowance 70% of Basic Salary; Medical Allowance Tk. 1,250 per month; Conveyance Allowance 7.5% of Basic Salary; Performance Bonus 5 months Basic Salary; and Dearness Allowance 10% of Basic Salary. He has been provided with a car both for personal use and office purpose. He received two festival bonuses each equal to a month's basic salary. He contributed 10% of basic salary to Recognized Provident Fund (RPF) and his employer also contributed the same amount. He received interest @ 15% Tk. 15,000 on the accumulated balance of RPF.

Requirement: Calculate Mr. Limon's income under the head income from salary.

Problem 6 - 3:

Mr. Mahfuz is a service holder. He received basic salary of Tk. 22,500 in the month of July 2016 following the salary structure of 18,000 - 1,500 X 4 - 24,000. The date of annual increment is 16th

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November. Besides basic salary he received: Medical Allowance Tk. 1,500 per month; Conveyance Allowance Tk. 2,500 per month; Entertainment Allowance Tk. 500 per month; Performance bonus Tk. 80,000; Mobile bill allowance Tk. 2,000 per month; and Overtime allowance Tk. 25,000. He has been provided free furnished accommodation for which the company paid rent of Tk. 5,500 per month. He received two festival bonuses (one in October and another in December) each equal to one month's basic salary. He contributed 10% of basic salary to Recognized Provident Fund (RPF) like his employer. He received interest @ 16% Tk. 12,800 on the accumulated balance of RPF.

During the year he incurred and made the following expenses and investments:

Life insurance premium paid: Own (policy value Tk. 500,000) Tk. 60,000 and Spouse (policy value Tk. 300,000) Tk. 25,000; Family expenses Tk. 85,000; Contribution to approved superannuation fund Tk. 48,000; Purchase of shares: Initial public offerings Tk. 40,000; Unlisted company Tk. 30,000; Listed company Tk. 22,000; Donated to: Prime Minister's Relief Fund Tk. 15,000; Religious institution Tk. 10,000; Zakat fund Tk. 30,000; Dhanmondi Sports club Tk. 8,000; Deposited to Pension Scheme per month Tk. 6,000; Purchase of books Tk. 12,000; Purchase of land Tk. 80,000 and Purchase of motor vehicles Tk. 250,000.

Requirements: Calculate taxable income and net tax liability for the assessment year 2017 – 18.

Problem 6 – 4:

Mr. Mozumder is an executive of a private telecommunication firm. He received basic salary of Tk. 35,000 per month with: House rent allowance 50% of basic salary; Medical allowance Tk. 3,500 per month; Conveyance allowance Tk. 2,500 per month; Traveling allowance Tk. 60,000; Performance bonus Tk. 80,000 and Overtime allowance Tk. 25,000.

He has been provided with a full time car that he can use both for office and personal purposes. In this income year he saved Tk. 13,000 from Medical Allowance. He received two festival bonuses (one in the month of December another in February) each equal to one and half month's basic salary. He contributed 10% of basic salary to Recognized Provident Fund (RPF) and his employer also contributed the same amount. He received interest @ 16% Tk. 67,200 on the accumulated balance of RPF. He also contributed 5% of basic salary to a group insurance premium.

Because of a salary restructure Mr. Mozumder received Tk. 40,000 as basic salary from the month of February. During the year he incurred and made the expenses and investments for: Life insurance premium paid (Policy value Tk. 300,000) Tk. 15,000; Purchase of land Tk. 295,000; Purchase of shares from primary market Tk. 5,000; Purchase of shares of an unlisted company Tk. 30,000; Purchase of savings certificate Tk. 15,000; Donated to: Religious institution Tk. 10,000; Zakat fund Tk. 6,000; Sobujbag Sporting club Tk. 8,000; and Purchase of motor vehicles Tk. 250,000

Requirement: Calculate net tax liability for Mr. Mozumder for the assessment year 2017.– 18.

Problem 6 – 5:

Ms. Rabeya is a service holder. Following are the particulars of her income from salary for the year ended on 30th June 2017. Compute taxable income from salary and investment allowance.

Basic salary Tk. 40,000 per month; Dearness allowance 10% of Basic salary; Two festival bonuses and one performance bonus each equal to one month's basic salary; She has been provided with a rent free quarter, the annual rental value of which is Tk. 60,000; She has been provided with a car

for official purpose; Tk. 200,000 for Open Heart Surgery; During the year she received Tk. 6,000 as traveling allowance and Tk. 60,000 from Worker's Participation Fund.

Her contribution to a statutory provident fund @ 10% of basic salary; Interest on provident fund @ 13% on accumulated balance equivalent to Tk. 2,500; She is given a servant allowance of Tk. 200 per month; She contributes 1% of his basic salary to the Group Insurance Scheme; She has paid Tk. 500 per month on a Deposit Pension Scheme.

Problem 6 – 6:

Mr. Nahid is a service holder. Following are the particulars of his income from salary for the year ended on 30th June 2017. Compute taxable income from salary.

Basic salary Tk. 35,000 per month; Dearness allowance 10% of Basic salary; Two festival bonuses each equal to one month's basic salary; He has been provided with a house at a concessional rate for which Tk. 1,000 per month is deducted from his salary. The annual value of the house is Tk. 70,000; He has been provided with a car for both office and private use. In addition to it, he is also provided with Tk. 2,000 per month as conveyance allowance; He has also been provided with telephone facilities at his residence. The bill for this telephone reimbursed amounted to Tk. 12,000. During the year he received advance salary of Tk. 16,000; His contribution to unrecognized provident fund @ 10% of basic salary. The employer also contributes the same amount; Compensation received from previous employer Tk. 30,000; Leave encashment Tk. 20,000; Gratuity received Tk. 50,000; and Overtime received Tk. 5,000.

Problem 6 – 7:

On June 2017, Mr. Areean's basic salary falls on Tk. 10,200 in the scale of 9,600-200×12-12,000. His date of yearly increment is on 26st April. He received dearness allowance @ 10% of basic salary and medical allowance Tk. 300 per month. He received two bonuses equivalent to one month's basic salary-one received before the date of increment and another after increment. He contributes 10% of his basic salary to a recognized provident fund from which he has also received an interest of Tk. 1,500 @ 14% interest. His employer also contributes the same amount to the RPF.

He has been provided with a rent-free quarter and a car for both official and personal purpose. He is also provided with cash conveyance allowance of Tk. 2,000 per month. During the year he has also received an entertainment allowance of Tk. 5,000 of which Tk. 4,500 has actually been spent. His investments during the year were: Purchase of shares of a unlisted company Tk. 2,000; Purchase of land Tk. 10,000; Payment of his life insurance premium Tk. 4,000 (Policy value Tk. 45,000); Purchase of books and magazine Tk. 3,000; and Contribution to a Deposit Pension Scheme Tk. 500 on a monthly basis.

Requirement: Compute taxable income and tax liability of Mr. Areean.

Problem 6 – 8:

Mr. Nazmul Haque is the head of the Department of Business Administration of a reputed private university in Bangladesh. He has joined the university on July 01, 2016. He has received the following income for the year ended on 30th June, 2017. You are required to calculate the total income and tax liability of Mr. Nazmul Haque for the year:

Basic pay Tk. 100,000 per month sent directly to his bank account; He has been provided with accommodation fully furnished by the university; the annual rental value of the house is Tk.

Chapter - 6: Income from Salary

250,000; 10% of his basic salary is deducted for this purpose; Full time car for 24 hours for his own and family use; Company pays Tk. 20,000 per month for his two school going children which is paid to the school authority directly; He received two festival bonuses and one performance bonus each equivalent to basic pay during the Eid time which he spent partly for his family and partly for the poor people in his village; Driver's salary of the full time car Tk. 7,000 per month paid to driver's bank account.

Company has also paid Tk. 200,000 to him during the year being the reimbursement of various utility bills of his house; Office phone and mobile bill paid by the university Tk. 20,000 during the year; He was paid Tk. 200,000 for his overseas travels for the official conference out of which he saved 25% during the year; Bill paid for the membership of Dhaka club by the university Tk. 100,000; Medical allowance Tk. 10,000 per month; Entertainment allowance Tk. 10,000 per month; actual expense in this regard Tk. 150,000; He has contributed 10% of her basic salary to an unrecognized provident fund. His employer also contributed the same amount. Interest on the said fund @ 18% is Tk. 1,800 during the period; He has contributed 2% of her basic pay to a group insurance scheme.

During the year he has claimed investment allowance for:

Purchase of Debentures from the secondary market Tk. 25,000; Insurance premium Tk.20,000 (Policy value Tk. 250,000); Household expenses Tk. 200,000; Payment to his teaching assistant Tk. 25,000; Purchase of government treasury bond Tk. 100,000; Donated Tk. 50,000 to the Prime Minister's Relief Fund; Donated to Government Zakat Fund Tk. 25,000; Donated to his children's school Tk. 10,000; and Loan installment paid to Prime bank Tk. 40,000 (including Tk. 2,000 interest).

Problem 6 - 9:

On June 2017, Ms. Tania Amir's basic salary falls on Tk. 56,000 in the scale of 40,000-4,000×8-72,000. Her date of yearly increment is on 21st March. She received dearness allowance @ 20% of basic salary and medical allowance Tk. 3000 per month. She received two festival bonuses and one performance bonus each equivalent to one month's basic salary in the month of September, December and May respectively.

She contributes 10% of his basic salary to a recognized provident fund from which she has also received an interest of Tk. 1,500 @ 15% interest. Her employer also contributes the same amount to the RPF. She has been provided with 60% of his basic salary as house rent allowance and a full time car by the employer. Company gave her International Air ticket for a tour as a reward for her performance in addition to her service contract for which the company spent Tk. 50,000. During the year she has also received an entertainment allowance of Tk. 10,000 of which Tk. 7,500 has actually been spent. Her taxable income from other sources was Tk. 400,000 during the year.

Her investments during the year were: Purchase of shares of a secondary shares of public limited company Tk. 10,000; Purchase of shares of a registered partnership firm Tk. 8,000; Payment of her life insurance premium Tk. 12,000 (Policy value Tk. 1,00,000); Purchase of books and magazine Tk. 3,000; Contribution to a benevolent fund Tk. 500 on a monthly basis; Donation to a mosque Tk. 15,000; and Donation to Anjuman Mufidul Islam Tk. 6,000.

Required:

Compute taxable income and tax liability of Ms. Tania Amir for the assessment year 2017 - 2018, assuming that his net wealth during the year amounted to Tk. 3 crore.

Bangladesh Income Tax - Theory and Practice

Answers:

Multiple choice questions		True/False
1. d	6. d	1. T
2. b	7. b	2. T
3. d	8. d	3. F
4. d	9. a	4. F
5. c	10. c	5. T

Self review 6 – 1:

From 01/07/2016 to 31/03/2017 for nine months @ Tk. 6,800	61,200
From 01/04/2017 to 30/06/2017 for three months @ $[(6,800+200) \times 3]$	<u>21,000</u>
	<u>82,200</u>

Self review 6 – 2:

(a) Rent free accommodation:

25% of Basic salary
Annual rental value

Tk. 45,000
40,000

Lower one Tk. 40,000

(b) Conveyance facilities:

Higher of Tk. 60,000 or 5% of Basic salary i.e. Tk. 9,000 Tk. 60,000

(c) Income from salary:

Basic salary	Tk. 1,80,000
Rent free accommodation	40,000
Conveyance facilities	60,000
Leave encashment $[(15,000/30) \times 11]$	<u>5,500</u>
	<u>Tk. 2,85,500</u>

Self review 6 – 3:

General Provident Fund	Recognized Provident Fund
Govt. manages this fund within Bangladesh in taka.	Fund is managed by two or more trustee under any trust or government trust.
Government as an employee contributes nothing.	Employer will contribute but not more than the employee contribution.
Interest rate is 13.5% on this fund	It depends on where the fund is invested
Interest on this fund will not be added with salary	Interest on this fund will be added with salary exceeding interest @ 14.5% or 1/3 of basic salary whichever is lower