

BUSINESS PLANNING: TAXATION & COMPLIANCE

Time allowed- 3:30 hours
Total marks- 100

July-August 2025

[N.B. - The figures in the margin indicate full marks. Questions must be answered in English. Examiner will take account of the quality of language and of the manner in which the answers are presented. Different parts, if any, of the same question must be answered in one place in order of sequence.]

Marks

1. Mr. Alvee Hasan, a 50-year-old Bangladeshi expatriate, has been residing and working in Berlin, Germany as an Electrical Engineer since 2010. During his time abroad, he had no income source in Bangladesh and hence did not obtain a Taxpayer's Identification Number (TIN) nor file any tax returns till 2024. Throughout his stay in Germany, Mr. Alvee regularly remitted substantial amounts of foreign currency to his parents and close family members in Bangladesh. He also provided informal loans to relatives and maintained a savings bank account with a local commercial bank in Bangladesh since 2010.

On July 30, 2023, Mr. Alvee permanently returned to his hometown in Syedpur. His father, who had passed away in 2018, left behind a significant portion of immovable property jointly to Alvee and his siblings. In December 2023, the Government of Bangladesh acquired a part of this land for the expansion of Syedpur Airport, for which Mr. Alvee received a compensation amounting to BDT 25,000,000 net of tax at 3% at source.

Mr. Alvee made the following investments during the income year 2023-24:

- In March 2024, he purchased a 2,500 square foot residential flat in Dhanmondi for BDT 12,000,000, although the registered deed value was BDT 7,000,000.
- In June 2024, he also invested BDT 20,000,000 in a local electric cable manufacturing company and joined as a director.

During the income year ended June 30, 2024, Mr. Alvee's received bank interest of BDT 80,000 net of tax at 10%. He obtained his TIN in June 2024 to meet regulatory requirements for shareholding and directorship, and thereafter in November 2024, he filed his income tax return online for the income year 2023-2024.

In December 2024, Mr. Alvee received a letter from the Extra Assistant Commissioner of Taxes stating that a TIN had been issued in his name, but no tax return had been submitted. The letter requested submission of the return along with details of properties, bank statements, and other supporting documentation. Mr. Alvee, through a tax lawyer, responded with a copy of the online return acknowledgement and a formal letter explaining his background as a returning expatriate. However, the tax officer insisted that a manual return be filed with supporting documents and verbally indicated an intention to initiate an audit, allegedly demanding an illicit payment.

Mr. Alvee, being concerned, reached out to you for professional advice and guidance in resolving the situation within the legal and ethical framework.

Requirements:

- a) What amount should Mr. Alvee report for the Dhanmondi flat in the Statement of Assets and Liabilities? Explain the consequence under the tax law for the actual payment made over the registered value for the flat. 4
- b) Assess whether the Extra Assistant Commissioner of Taxes is empowered under the law to issue a notice requiring submission of a manual tax return where a return has already been submitted electronically. 4
- c) Discuss the timeline for filing a return by an expatriate residing outside the country with a valid employment permit, and assess whether Mr. Alvee's return filing complies with the criteria set out in the Act. 4
- d) Assuming Mr. Alvee declines to pay the alleged bribe, outline the steps and documentation he should prepare to legally and ethically defend his position and ensure compliance. What remedies or recourse does he have under the law in dealing with potential harassment? 4

2. Mr. Rahim, a 60-year-old resident individual taxpayer in Bangladesh, is a salaried employee at a multinational company and also do some agricultural activities. He has never filed his tax return before. The following information relates to his financial situation:

Salary Income:

- Basic Salary: Tk. 1,200,000 per annum.
- House Rent Allowance: 50% of Basic Salary.
- Medical Allowance: Tk. 100,000 per annum (actual medical expenses Tk. 85,000).
- Provident Fund Contribution: 10% of Basic Salary (employer also contribute equally).

Agricultural Income:

Market value of the agricultural produces during the year: Tk 2,300,000. He does not maintain proper books of accounts for the agricultural business. However, he assumes that the following expenditure have been made during the income year:

- Expenses regarding seeds, cultivation and labours: Tk. 1,200,000.
- Paid land development tax: Tk. 30,000.
- Interest on bank loans: Tk. 137,000.
- Repair and maintenance of machinery and equipment used in agriculture: Tk. 270,000.

Investments:

- Invested in listed securities: Tk. 150,000
- Donation to an approved charity organization: Tk. 50,000
- He also purchased a life insurance policy, paying an annual premium of Tk. 30,000.

Other Information:

- He sold his personal car for Tk. 1,850,000 (original cost Tk. 1,350,000 in 2015).
- Tax deducted at source from salary was Tk. 180,000.
- He is the single parent of a physically challenged son.
- He has never filed his tax return.

Requirements:

- a) Compute the total taxable income for the assessment year 2024-25, and the tax payable. 6
- b) While preparing his income tax return, Mr. Rahim recalled that he had a business arrangement with one of his friends in the year 2020. He received Tk. 10,50,000 as one-off business income during the financial year ending December 2020, for which no tax was paid, nor was any return submitted. He now wants to comply with tax rules for this income. Advise Mr. Rahman with relevant information and process regarding disclosing previously undisclosed business income as well as computation of total tax payables in this assessment year. 4
3. You are employed as the Tax Manager at Startrek PLC, a prominent Bangladeshi conglomerate listed on the Dhaka Stock Exchange. Currently, Startrek PLC is considering the acquisition of Zillion PLC, another Bangladeshi public limited company also listed on the Dhaka Stock Exchange. Zillion PLC operates in the same FMCG sector as Startrek PLC but has been struggling due to substantial losses. As part of the evaluation process for the acquisition in the form of an amalgamation, you have been given access to the below projected financial statements of Zillion PLC for a three-year period starting from 2025, which will be crucial for your analysis and assessment:

Amount expressed in Crores Taka			
Description	2025	2026	2027
Turnover	400	450	550
Gross profit	200	225	275
People related expenses	60	62	65
Marketing and advertisement expenses (includes promotional expenses except advertisement 2% of turnover)	40	45	55
Book depreciation	4	4	4
Transportation and other distribution expenses	4	4.5	5.5
Other administrative and general expenses	5	5	5.5
Royalty and technical know-how fees	5%	5%	5%
Excess perquisite	3	3.5	4

Business loss carried forward as per tax record (actual) in Crores Taka: 140

Year	BDT (crore)
2021	50
2022	40
2023	30
2024	20

Other information:

- 1) Upon acquisition of Zillion PLC, the amalgamated entity will become Startrek Zillion PLC.
- 2) After the acquisition, the M&A team of Startrek PLC anticipates the following additional improvements in the amalgamated entity during the projected three-year financial period, driven by the synergy impact:
 - i) The gross profit ratio is expected to increase by 50 basis points.
 - ii) The turnover is projected to increase by an additional 10% of the turnover presented by Zillion PLC (when no acquisition takes place), leveraging the distribution network utilized by Startrek PLC.
- 3) While considering the acquisition of Zillion PLC, Startrek PLC is contemplating following two options, both of which have an equal overall monetary value:
 - i) To allow the shareholders holding 45% of the shares in value in the amalgamating company, Zillion PLC, to have shares in the amalgamated company, Startrek Zillion PLC.
 - ii) To allow the shareholders holding 80% of the shares in value in the amalgamating company, Zillion PLC, to have shares in the amalgamated company, Startrek Zillion PLC.
- 4) During the due diligence process, you identified that the M&A team considered the feasibility study using the book depreciation figures provided by Zillion management. In response to your request, Zillion management shared that the tax depreciation for the projected period will be Taka 4 crores, 3.5 crores, and Taka 3.0 crores, respectively.
- 5) It is important to note that admissible royalty expenses and promotional expenses should be considered in accordance with Section 55 of the Income Tax Act 2023.
- 6) Consider Startrek Zillion PLC fulfils all the conditions to qualify for the lowest corporate tax rates applicable for a publicly traded company.

Requirements:

Considering the acquisition will take place effective from 1st January 2025:

- a) Compute the total tax liability for the projected periods (2025-2027), considering the prevailing laws (up to and including Finance Act 2024) under the Income Tax Act 2023, for both of the options mentioned above. 13
 - b) Based on the analysis, recommend the best possible option for the proposed acquisition, taking into account the maximum tax benefit (ignore present value). 3
4. a) Global Parts Limited., a Bangladeshi company, imports spare parts from its parent company based in Germany and sells them to unrelated local dealers. It also exports finished products to another group entity in Singapore. The German parent sells its products exclusively through Global Parts Limited, and no financial information of the German parent is available for benchmarking purposes.

During the income year 2023–2024, Global Parts Limited. reported operating losses, while comparable independent companies in the same industry showed moderate profitability.

Requirements:

- i) Choose and justify a suitable transfer pricing method to be applied for Global Parts Ltd., considering the given facts. 2
- ii) Identify and explain two potential transfer pricing risks in the above scenario that may attract scrutiny from the tax authority. 3

Provisions up to and including the Finance Act 2024 need to be followed as may be relevant.

- b) ABC Manufacturing Ltd., a multinational enterprise engaged in the electronic components industry, operates a distribution subsidiary, XYZ Electronics Inc., in a separate jurisdiction. ABC supplies electronic components to XYZ for resale to third-party customers.

In accordance with the Transfer Pricing Regulations applicable in Bangladesh, the transaction between ABC and XYZ is subject to review to ensure compliance with the arm's length principle—which requires that the pricing of intercompany transactions reflect the pricing that would have been agreed upon between independent entities under comparable circumstances.

Transaction Details:

- Direct costs incurred by ABC: BDT 800,000
- Indirect costs incurred by ABC: BDT 200,000
- Total cost of goods sold (COGS): BDT 1,000,000
- Transfer price charged to XYZ: BDT 1,250,000
- ABC's internal gross profit markup (added to cost): 25%
- Comparable independent distributors' gross profit markup (added to cost): 20%

Requirement:

Identify the appropriate method and evaluate whether the transfer price of ABC complies with the arm's length principle; if not, determine the necessary adjustment amount.

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5. Mass Rapid Transport Limited (MRTC), a state-owned company, has planned to build a metro rail from Dhaka Airport to Jatrabari. The bidding documents for the Contractor has been floated in December 2024 to invite international reputed construction company to participate in the bid. In the bidding documents it was clearly mentioned that the Contractor will be exempted from all tax, VAT and customs duties out of the project works. The total contract value was USD 3 billion out of which 2 billion is allocated for procurements of rail tracts, equipment and 40 units of rail coach for the project, and remaining 1 billion for construction works. Contractor is responsible to completely develop and construction of the project up to a test run before handed over the MRTC.

Tokyo Construction Limited (TCL), a Japanese leading construction company, has been awarded a contract in 2024 and signed up the agreement which included a clause that indicated 'all tax, VAT and customs duties in relation to the project shall be borne by MRTC'. Further, contract also includes a clause that Contractor shall comply with tax and VAT related regulation in performing construction activities in Bangladesh. TCL started its construction works in January 2025, and after three month's work it submitted an invoice for BDT 100 million net of taxes as per terms of payment of the contract. Invoice amount includes BDT 50 million for sub-contractors bills and BDT 20 million for payment to the suppliers for the project. TCL did not deduct/collect any VAT on account of sub-contractor's works as well as for the suppliers.

In June 2025, MRTC paid 92.5 million to TCL and shared the following computations:

Invoice amount	BDT 100 million
Tax at Source at 7.5%	BDT 7.5 million
VAT at 7.5%	BDT 7.5 million
Total including tax and VAT	BDT 115 million
Less: Tax at Source	(BDT 7.5 million)
Less: VAT at Source	(BDT 7.5 million)
Net payment to TCL	BDT 100 million

In a separate note, MRTC informed that it has been observed that, TCL has not been complying country's tax regulations in deducting and collecting tax and vat from the bills of sub-contractor and the suppliers, and requested TCL to immediately perform the compliances and provide updates to MRTC. TCL, in response to the note of MRTC, shown frustration for treating it as non-compliant company as globally TCL is a compliant company globally and has reputation for its good governance. TCL further reiterated that as per contract TCL does not have any responsibility to pay any taxes in relation to collect taxes from the sub-contractor and suppliers, and it is a tax exempted as per contract.

Upon receiving the explanation, MRTC mentioned that as per contract MRTC is to bear tax and VAT at source from the contract payment at a rate of 7.5% each which is the rate applicable for the construction contractor, and TCL is responsible to deduct tax and VAT from the payment of sub-contractor and suppliers.

At this point, TCL came to you and wants your professional advice on the following matters:

Requirements:

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|---|---|
| a) Why did MRTC apply VAT at 7.5% when TCL understands the VAT rate to be 15%? Are there any consequences for TCL due to MRTC applying 7.5% VAT instead of 15%? | 4 |
| b) Is MRTC's computation aligned with the terms and conditions of the contract? If not, could TCL face any future challenges? | 4 |
| c) What are the applicable tax and VAT requirements for payments made to subcontractors and suppliers? | 4 |
| d) Since TCL has established a branch office in Dhaka, what are the minimum tax and VAT compliance requirements under Bangladeshi law? | 4 |

Provisions up to and including the Finance Act 2024 need to be followed as may be relevant.

6. a) ABC Ltd. is a registered company engaged in the manufacturing and sale of high-end ornaments. The company's products are subject to a Value Added Tax (VAT) of 15% and a Supplementary Duty of 20%. ABC Ltd. operates a single factory located at Gazipur and maintains 10 sales centers distributed across the country. The company holds a unit registration for its factory and a central registration that encompasses all 10 sales centers. Once production is completed, the goods are supplied to the sales centers, where they are subsequently sold to individual customers. The sales centers also have the facility to repair any ornaments on payment of consideration. Applicable VAT rate on such repair service is 10%. Below are the transactions for the month of November 2024:

1. Sales:

- The factory supplied ornaments to its sales centers with a total value of Tk. 10,00,000, excluding Supplementary Duty (SD) and Value Added Tax (VAT).
- The factory directly exported goods worth Tk. 5,00,000 excluding SD and VAT to a company in Germany.
- Ornaments were sold from the sales centers to individual customers, amounting to Tk. 20,00,000, excluding VAT.
- The sales centers provided repair services to individual customers, generating revenue of Tk. 1,00,000, excluding VAT.

2. Purchases:

- Purchased raw materials valued at Tk. 2,00,000 (excluding 15% VAT) from a domestic supplier.
- Imported raw materials from a supplier in China, costing Tk. 3,00,000 (excluding VAT). An import VAT of Tk. 45,000 and an Advance Tax of Tk. 9,000 were paid on this transaction.
- An import purchase of goods valued at Tk. 1,00,000 was made. The associated costs included Tk. 10,000 paid as import SD, Tk. 15,000 paid as import VAT and Tk. 3,000 paid as Advance Tax. These goods were exclusively utilized in the manufacturing of products intended for export.
- Procured small spares for repair services from a local supplier, amounting to Tk. 50,000 (inclusive of 7.5% VAT).

3. Expenses:

- An amount of Tk. 1,15,000 was paid for the rent of sales centers, which includes VAT.
- Office equipment worth Tk. 21,500, inclusive of VAT, was purchased from a local supplier for the factory.
- An amount of Tk. 1,15,000, including 15% VAT, was paid for advertising services by the sales centers.
- The factory paid Tk. 55,000 for transportation services, which includes 10% VAT.
- An amount of Tk. 11,500, inclusive of 15% VAT, was paid for professional (accounting) services at the sales center level.

4. Other Transactions:

- The sales centers received a credit note for goods returned to the factory valued at Tk. 1,00,000, excluding Supplementary Duty (SD) and Value Added Tax (VAT).
- The sales centers issued a credit note for goods returned by individual customers amounting to Tk. 40,000, excluding VAT.
- Salaries amounting to Tk. 1,00,000 were paid, which are not subject to VAT.

Requirements:

- i) Determine the net VAT and Supplementary Duty (SD) payable by ABC Ltd. at the factory level for November 2024. When calculating the VAT amount, ensure to apply the VAT factor where relevant. 5
- ii) Determine the net VAT payable by ABC Ltd. at the sales center level for November 2024. When calculating the VAT amount, ensure to apply the VAT factor where relevant. 5

6. b) Exclusive Clothing Limited sells high-end fashion products both through its retail store under the brand name 'Uptrend' and via its online marketplace, www.uptrend.com. The company has established an outlet in Gulshan, Dhaka for in-store purchases, and a website is being developed where customers can browse products, place orders, and make advance payments for delivery via courier.

For in-store sales, the company charges 7.5% VAT under service code S078.00, while for online sales, VAT is charged at 5% under service code S099.60.

Requirement:

Advise the management of Exclusive Clothing Limited on whether the VAT rates applied to in-store and online sales are in compliance with applicable VAT laws. 5

7. Doreen Power Limited, a Bangladeshi company, imported 50,000 metric tons of coal from Indonesia for use in its power plant. The company declared a CIF value of USD 80 per metric ton for customs assessment. Based on this, the company expected the applicable duties and taxes to be:

- Customs Duty (CD): 5%
- Value Added Tax (VAT): 15%
- Advance Tax (AT): 5%
- Advance Income Tax (AIT): 3%
- Other expenses and charges: As per applicable customs regulations.

Upon arrival at Mongla Port, the customs authorities raised the following concerns:

The company declared a CIF value of \$ 80 per metric ton, but customs authorities questioned the price, citing recent imports of similar coal at \$ 90 per metric ton.

Doreen Power Limited classified the coal under HS Code 2701.12, which carries a 5% import duty. However, customs officials argued that the correct HS Code is 2701.19, which attracts a 15% import duty due to its different calorific value.

The Customs Authority asserts that Doreen Power Limited intentionally declared an incorrect HS Code and deliberately provided false information and supporting documents to evade the appropriate duties and taxes.

Requirements:

- a) Compute the assessable value, duties, and taxes per metric ton of coal, considering the declared values. 4
- b) What arguments and supporting documents can Doreen Power Limited present to justify its declared CIF value? 4
- c) How should Doreen Power Limited proceed in defending its tariff classification under declared HS Code? What dispute resolution mechanisms are available if there is a disagreement with customs? 4
- d) Discuss the relevant provisions of the law addressing misdeclaration and outline the penalties and consequences that Doreen Power Limited may face if found guilty. 4

---The End---