

BUSINESS PLANNING: TAXATION & COMPLIANCE

Time allowed- 3:30 hours
Total marks- 100

March-April 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. a) You have been employed as the Tax Manager at Nutella PLC, a highly profitable and compliant industrial manufacturing company, since July 1, 2020. Nutella PLC has been operating in the manufacturing of industrial equipment for the past 10 years. As a responsible company, Nutella contributes 5% of its profit, as defined under the Companies Act 1994, to beneficiaries outlined in the Bangladesh Labour Act 2006. However, according to the Income Tax Act 2023 (ITA 2023), this contribution is subject to a 10% withholding tax, which Nutella deducts before making the payment to the respective profit participation and welfare funds.

Recently, the CBA President of the workers at Nutella requested that the company refrain from withholding any tax from the workers, arguing that this payment is tax-exempt under the Bangladesh Labour Act 2006. However, the company management rejected the request, citing the mandatory requirement to withhold tax as per the ITA 2023.

Following the company's refusal, the CBA President sought legal advice from a labour law specialist and decided to take the matter to the Labour Court in order to obtain an order against Nutella, preventing any withholding taxes as per the Bangladesh Labour Act 2006. After a thorough hearing with legal representation from both sides, the Labour Court issued an order to stop withholding any income taxes on the contributions made by the company to the respective profit participation and welfare funds. Consequently, the CFO decided to make the payment without any tax deduction as per the court's decision.

Requirement:

As the tax expert, advise the company on the consequences if they decide to stop withholding taxes on contributions made by the company to the respective profit participation and welfare funds and remedy if any if they choose to ignore the order of the Labour Court.

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- b) A project company has been incorporated under the Companies Act, 1994, in accordance with section 22 of the Bangladesh Public Private Partnership Act, 2015. The company has entered into a Public-Private Partnership (PPP) Contract dated 15th October 2024 with a Port Authority to 'Equip, Operate and Transfer' (EOT) back the assets of a Container Terminal and South Container Yard, located at a port. The project tenure is 22 years from the date of signing contract and the initiation of commercial operation of the project is scheduled to begin on 15th July 2025. The project company will be engaged in the operation and maintenance of the Container Terminal, generating income through a variety of port handling services. These services encompass container management, maintaining and repairing the wear and tear in relation to the Port Assets and all civil and marine structures and container handling services.

As per Statutory Regulatory Order (SRO) 208/2017 dated 22nd June 2017, a Project Company incorporated under section 22 of the Bangladesh Public Private Partnership Act 2015 and engaged in the PPP project in Bangladesh in connection with a 'sea port', would be entitled to 100% tax exemption on the profits earned by the project company for a period of 10 years from the date of commencement of the PPP project in Bangladesh.

Requirements:

- i) Is any certificate required to avail tax exemption facilities on its income? 2
- ii) Whether the entity has to pay any tax on disallowance with respect to excess perquisite, royalties, and overseas traveling expense even though these disallowances have been excluded from section 56 of the Income Tax Act 2023 vide Finance Act 2024? 2
- iii) What are the compliances required to be performed by the entity in order to continue with the exemption facilities? 2
- iv) Draft an application for obtaining a nil WHT certificate on the entity's business income. 4

2. Ms. Hamza, a widowed woman with a disabled child, retired on July 31, 2024, from a reputed private university after reaching the age of 60, concluding a highly successful career. For the income year 2024-25, starting from July 1, 2024, Ms. Hamza has the following income and asset details:
- For the month of July 2024, she received a salary of Tk. 150,000, with no tax withheld at the time of payment.
 - On August 1, 2024, she received Tk. 2,50,50,000 as gratuity from a funded gratuity scheme of the University and Tk. 25,00,000 from a recognized Provident Fund of the University. Both of these funds are approved by the National Board of Revenue.
 - Ms. Hamza owns a 2,000 sq ft flat in Gulshan, registered at a cost of Tk. 2,00,00,000 in 2024. She also inherited an agricultural land, recorded at Tk. 1,00,00,000 as per the Asset and Liability statement of the previous year.
 - On July 1, 2024, she settled Tk. 1,75,00,000 against her outstanding loan balances obtained for the apartment in Gulshan. Additionally, on October 1, 2024, she made a Tk. 25,00,000 investment in a 3-year Fixed Deposit, which provides quarterly interest credited to her designated bank account every 3 months. For the income year, she received Tk. 168,750 after a 10% withholding tax deduction by the bank. From her savings bank account, she received Tk. 45,000 as interest after a 10% tax deduction. The withholding taxes fall under the minimum tax provision as per section 163 of the Income Tax Act 2023.
 - Ms. Hamza earned Tk. 1,00,000 from her agricultural land used for honey farming. Although she does not maintain any book records, she had expenditures on labour, fertilizer, etc.
 - As of June 30, 2025, the value of her other assets amounted to Tk. 60,00,000, and her bank balance was Tk. 15,05,000.
 - Ms. Hamza's net wealth as of June 30, 2024, was Tk. 2,25,00,000.
 - It is important to note that Ms. Hamza's investment in financial assets does not qualify for the investment tax credit as per the Sixth Schedule of the Income Tax Act 2023.

Requirements:

- Compute Total income.
- Compute Net Wealth at the end of fiscal period on 30 June 2025.
- Compute Net Tax liability.

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The current Income Tax law/rules should be followed.

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:

Description	Amount expressed in Crores Taka		
	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:

- i) Upon acquisition of Zillion PLC, the amalgamated entity will become Startrek Zillion PLC.
- ii) 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:
 - 1) The gross profit ratio is expected to increase by 50 basis points.
 - 2) 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.
- iii) 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.
- iv) 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.
- v) While considering the acquisition of Zillion PLC, Startrek PLC is contemplating following two options, both of which have an equal overall monetary value:
 - Option-1:** 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.
 - Option-2:** 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.
- vi) 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 under the Income Tax Act 2023, for both the options mentioned above. 15
- 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. Biomed Inc, a multinational enterprise headquartered in UK, manufactures high-end medical devices and sells them to its wholly owned subsidiary, Biomed Bangladesh Limited located in Bangladesh. Biomed Bangladesh acts as a distributor and sells the devices to third-party hospitals and clinics in Bangladesh. As part of the group policy, selling price of the products are determined on the basis of cost-plus method and 25% margin is commonly used globally. The following details are relevant for a unit of BPDigital, a device measuring blood pressure digitally.

Manufacturing cost per unit: \$500

Number of units transferred in the financial year 2024: 5,000

Independent distributors in Bangladesh typically earn a gross profit margin of 30% on similar products.

Operating expenses of Biomed Bangladesh Limited is: \$50 per unit

Selling price per unit to hospitals: \$800

Corporate tax rate in UK: 20%

Corporate tax rate in Bangladesh: 25%

The tax authority of Bangladesh has currently been reviewing the transfer price of Biomed Inc's products, and is challenging the transfer price used by the company arguing that the price should be determined using the Resale Price Method (RPM) instead of the existing cost-plus method.

Requirements:

- a) Determine the arm's length transfer price per unit using the Resale Price Method and additional taxable income if Resale Price Method is used instead of cost-plus method. 5
- b) What strategies can Biomed Bangladesh Limited adopt to defend its existing transfer pricing method and avoid double taxation? 5

5. a) Heritage Distribution, a distributor of Penn Bangladesh PLC, faced liquidity issues resulting in lower turnover due to the company's policy of requiring 100% advance payment. To address this, Penn introduced a customer financing solution with ABC Bank PLC, where Heritage provided its inventory as collateral. However, due to the economic crisis and market demand drop, Heritage failed to repay its debt to ABC, leading to the sale of the inventory to the retailers of Heritage. With an outstanding debt of BDT 20,00,000 and an inventory value of BDT 30,00,000, the inventory was sold for BDT 24,00,000, resulting in a refund of BDT 4,00,000 to Heritage. For VAT purposes, Heritage followed standard rate.

Requirements:

- i) Quoting the relevant provision of the law, explain whether there is any VAT applicable to the goods sold by ABC. Who is responsible for the payment of the VAT? 4
- ii) Determine the VAT amount after reviewing the amount refunded to Heritage. When should this VAT be paid? 2
- b) Maxwell Trading Company (Maxwell) is a limited liability company incorporated on January 15, 2024 and is a wholly owned subsidiary of Maxwell Inc., USA. The company obtained VAT registration on April 20, 2024 and has been submitting monthly VAT returns since its registration, except for June 2024 and October 2024. Maxwell follows a financial year ending on December 31.

Below are details of Maxwell's supplies from January 2024 to June 2024:

<i>Months</i>	<i>Standard-rated supplies</i>	<i>Zero-rated supplies</i>	<i>Total supplies</i>
January 2024	70,00,000	50,00,000	1,30,00,000
February 2024	90,00,000	90,00,000	1,80,00,000
March 2024	1,50,00,000	70,00,000	2,20,00,000
April 2024	1,00,00,000	80,00,000	1,80,00,000
May 2024	1,20,00,000	60,00,000	1,80,00,000
June 2024	90,00,000	80,00,000	1,70,00,000

Maxwell appointed ABC Advisory, a tax advisory firm in Bangladesh, to conduct a VAT compliance review audit. In its review report, ABC Advisory made the following observations:

i) Late VAT Registration

Maxwell may be subject to a penalty for late VAT registration. Since its standard-rated turnover exceeded BDT 3,00,00,000 by March 2024, it should have registered earlier. However, the only penalty applicable for late registration is BDT 10,000.

ii) Group IT Expenses

Maxwell Inc., USA, charges USD 20,000 per year as Group IT expenses for shared HR and accounting software used by its subsidiaries. Maxwell remitted this amount without paying VAT on imported services. As VAT collection is the responsibility of the remitting bank, and the bank failed to collect it, Maxwell is not liable for the VAT, and no financial consequences are expected.

iii) Input Tax Credit

The VAT authority conducted a special VAT audit for June 2024 to December 2024, selectively reviewing Maxwell's input tax credit claims. The audit did not raise concerns regarding the claimed input credits. However, ABC Advisory identified BDT 34,00,000 of input tax credit in June 2024 that was ineligible. Since the VAT authority did not detect this issue, Maxwell is unlikely to face penalties.

Requirements:

Assess the validity of ABC Advisory's comments on the following issues:

- i) Late VAT Registration 4
- ii) Group IT Expenses 4
- iii) Input Tax Credit 5
- c) "Facebook" is one the most used global social networking platform used by billions of people across the world. Facebook is owned by "Meta Platforms Ireland Limited" (the Company), a company incorporated in Ireland. The Company provides advertisement services through Facebook to various customers in Bangladesh and such customers includes both VAT Registered and unregistered customers in Bangladesh.

Section 2(18) of the VAT and SD Act, 2012 (the Act) provides the following-

Section (18)- "electronic service" means the following services, when provided or delivered on or through a telecommunications network, a local or global information network, or similar means, namely—

- websites, web-hosting, or remote maintenance of programmes and equipment;
- software and the updating thereof delivered remotely;
- images, texts, and information delivered;
- access to databases;
- self-education packages;
- music, films, and games; and
- political, cultural, artistic, sporting, scientific and entertainment broadcasts and telecasts and events, including telecasts;

Further, section 17 of the Act provides the following

“Section 17-Supplies made within Bangladesh-

(1) For the purposes of section 15, the following supplies shall be treated to be made within Bangladesh, namely—

(a)

(b)

(c) any supply other than the ones mentioned specified in clause (b) made by a non-resident if the supply-

i.

ii.

iii. is any of the following and is made to VAT unregistered person:

(A)

(B)

(C)

(D) the services are electronic services delivered to a person located in Bangladesh at the time of supply;”

Requirements:

Considering the aforesaid legal provisions you are requested to provide your comments on the following aspects:

i) Whether the supply made by the Company is to be considered as “Supply made in Bangladesh” along with proper justification. 2

ii) Whether the Company is required to obtain VAT registration in Bangladesh and what factors need to be considered while obtaining VAT Registration. 2

iii) Upon obtaining of the VAT Registration (if required) what are the compliance needs to be followed by the Company? 3

6. a) In accordance with section 20 of the VAT & SD Act, 2012, when a VAT registered person imports any service from outside Bangladesh which is not zero rated in Bangladesh is considered as taxable import of service. Accordingly, such importer of service needs to make payment of VAT before making the payment to the supplier located outside Bangladesh.

Further, in accordance with para 3(4) of SRO 240-Ain/2021/163-Mushak dated 29th June 2021, if any importer of service does not deposit the applicable VAT and produce the treasury challan before the Bank for outward remittance then the Bank shall deduct applicable VAT and shall deposit the same to respective Commissionerate’s economic code.

During January 2025, Virgo Limited has remitted an amount of BDT 1,00,000 against which they have not deposited any VAT rather Bank has deducted applicable VAT amounting to BDT 15,000 and also deposited the same in Bank’s respective Commissionerate’s code. Later bank has provided the copy of treasury challan to Virgo Limited and based on such treasury challan, Virgo Limited has claimed input tax credit which is subsequently disallowed by the VAT authority on the ground that treasury challan was not deposited in the Virgo Limited’s Commissionerate’s economic code. Higher management of the company is astonished to see such a rejection of input tax credit even if the company has made the payment of VAT.

Requirement:

As the VAT manager of Virgo Limited, provide your comments to the higher management of the Company on the legal aspects involved in this matter as well as future action which the company should follow to avoid any disputes. 2

b) Habiganj Agro Limited (the Company) is a major sister concern of Pran Group in Bangladesh. The Company manufactures and supplies various food products charging 15% VAT. Being entitled, the company claims all eligible input tax credit in VAT return.

At the time of preparing February 2025 VAT return, VAT manager of the company has not claimed an input tax credit against procurement of “Audit Service” on the understanding that since the fees for audit service has not been paid yet, input tax credit would not be eligible. However, the Finance Director while reviewing and signing the VAT return opposed the position taken by the VAT manager and approached your firm for detailed comments from a legal perspective.

Requirement:

As the VAT manager of your firm, provide your comments to the management on the legal aspects involved in this matter. 2

- c) A foreign supplier of Liquified Natural Gas (LNG) has anchored its ship at Chittagong port for supply of LNG to a Bangladeshi buyer under the incoterm 'delivered ex ship' (DES) and raising invoice in USD to the Bangladeshi buyer. The Bangladeshi buyer would be the importer on record (IOR).

Requirement:

Based on the above scenario, provide your comments on the local VAT implication of foreign buyer for sale of LNG considering the fact that the supply is made within Bangladesh while the ship is anchored in Chittagong port.

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7. a) Green Ltd., a newly incorporated company, commenced operations on October 1, 2020, with its factory located in Gazipur, Dhaka. In July 2024, the company imported certain raw materials "Y" from Pakistan with the following details:
- According to the proforma invoice, the total quantity of the raw materials was 300 tons, with an FOB value of US\$ 3,00,000.
 - The freight charges amounted to US\$ 2,500, and insurance costs were US\$ 1,000. Landing charges were to be considered as 1% of the CIF value.
 - The imported raw materials fall under the minimum assessable value category, and the minimum assessable value per kg rate has been fixed at US\$ 1.00/kg.
 - Pakistan, being a part of the SAFTA treaty, qualifies for preferential duty rates on the imported raw materials "Y". Hence, instead of the standard duty rate of 25%, the basic duty rate for said material "Y" will be 5%. The other applicable duties and taxes for the said import include regulatory duty at 3%, supplementary duty at 20%, VAT at 15%, advance income tax at 5%, and advance tax at 3%.
 - For the purpose of assessment in July 2024, the Customs Authority considered a conversion rate of Taka 122.00 per 1.00 US\$, although it was Taka 120.00 per 1.00 US\$ while settling through the bank.
 - Green Ltd. accordingly cleared the raw materials after payment of duties and taxes upon receiving the SAFTA benefits.

After one year, during the audit of this particular assessment, the audit team raised concerns regarding the HS code classification of the raw material "Y." They claimed that the HS code would be different based on an assessment for another company that imported similar goods. As a result, the SAFTA benefit would not be applicable, and the basic duty rate for the import should have been 25%, while the other rates would remain unchanged. The Customs Authority is currently in the process of finalizing the issuance of a demand notice for the deposit of the differences, considering that the SAFTA benefit was not available. Green Ltd. has decided that if they receive any such demand notice, they will file an appeal.

Requirements:

- Determine the total amount that the Customs Authority may demand for the differential of duties and charges if the SAFTA benefit was not applicable. 8
 - What would be the amount that Green Ltd. need to deposit on the disputed demand for filing the appeal under the new Customs Act 2023? Was it same under the Customs Act 1969? 2
- b) Wartsila Bangladesh Private Limited (Company) is engaged in the business of installation of large capital machineries in Power sector. The company is also engaged in providing repair and maintenance services for large machinery in the power sector. In order to provide such repair and maintenance services, the company is required to import various equipment and accessories which in turn being consumed while providing the repair and Maintenance service.

During March 2022, the Company has imported one workbench which was declared under HS Code 83.01.3000 and the same was assessed by customs authority (Customs House-Dhaka) under the declared HS code 83.01.3000. However, the Post Clearance Audit (PCA) team of Dhaka Customs House recently during January 2025 selected the aforesaid consignment under a different HS Code of 94.03.1000. Under the new HS code proposed by the PCA team, the company is required to pay additional duty of BDT 25 Lac as per the Show Cause Notice (SCN) issued by the authority.

Requirements:

In the aforesaid context you are required to provide your comments on the following aspects:

- Whether the PCA team has the authority to select the consignment for audit within the statutory timeline as per the prevailing Customs Act? 3
- What could be the legal remedies available to the Company? 3

---The End---