Changes introduced through:

- The Finance Ordinance, 2025
- The Finance Related Certain Law (Amendment) Ordinance, 2025
- SROs, GOs & SOs

VAT
SD
Excise Duty

Presented by

Hadee Lutful & Co.

Chartered Accountants

Preamble

- This summary has been prepared on the basis of information/data made available to the public in printed form or online.

- This material only provides an understanding of the amendments brought in through Ordinances, SROs and Orders. If anything of this summary contradicts with the Ordinances, SROs and Orders, the latter shall prevail.

- This brochure has been prepared for informational purposes only, and is not intended to provide, and should not be relied on for VAT/SD/Excise Duty advice. None should act upon this document without consulting with a professional about his specific circumstances.

- Despite best efforts were made to ensure that this summary is accurate and without typos, email notification to HLC of any typo, if spotted in the content, would be appreciated.

Major Building Blocks

Major Changes in the VAT & SD Act, 2012

(Effective from 01 July 25 except the 2nd schedule & the 3rd schedule)

Definitions

- **"Goods Declaration"** is **defined** in accordance with the Customs Act, 2023

Sec 2(60Ka)

- **"Bill of Entry"** definition **deleted**

Sec 2(70)

- **"Value" includes** VAT chargeable value mentioned in section 28 (**Mushak 4.3**)

Sec 2(78)

- **"Joint initiative in property development"** definition **deleted**

Sec 2(88)

Several Major Changes

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Particulars	Changes
Supply of service by sub-contractor under any project **[Sec 49(5)]**	VAT will not be applicable to **first sub-contractor** subject to certain conditions
Power to enter and search by VAT officers **[Sec 83]**	If instructed in writing by the Divisional Officer, **the ARO** may visit designated geographical areas, collect information, verify sales, and perform any other assigned tasks
Time line for payment of tax arrears in installments **[Sec 106]**	Extended from **12 months** to **18 months**
Time extension for disposal of appeal by the Commissioner (Appeal) **[Sec 121]**	The government may, in the public interest, **extend time limit for disposal of appeal** due to any natural disaster, epidemic, pandemic, unforeseen calamity and war

Several Major Changes

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Particulars	Changes
Maintaining registers and other records relating to VAT by registered persons **[Sec 107]**	Using **ERP software** with secure storage on a server
Penalty for not filing VAT/turnover tax return within the specified date **[Sec 85]**	Reduced from **Tk. 5,000/=** to **Tk. 2,000/=**
Penalty for taking unlawful input tax credit **[Sec 85]**	Reduced to **30%-50%** from **50%-100%**
Penalty for failure or irregularity in compliance with the provisions of section 51, 53, 54, 64 and 107 in the case of supply of exempted goods or services **[Sec 85]**	Reduced from **Tk. 1,00,000/=** to **Tk. 25,000/=**
Time limit for AT adjustments, taking input VAT rebates and refund application **[Sec 31, 46, 72]**	Extended from **4 months** to **6 months**
Time limit for decreasing adjustment by the supplier after tax withheld at source **[Sec 50]**	Extended from **3 months** to **6 months**

VAT Return Submission

Applicable to	Changes
Sec 64- • Government • Semi-government or autonomous bodies • Banks • Insurance companies • Individual or entity filing zero return	within **20 days** instead of **15 days**
Sec 2(30)- • Constriction firm • Procurement provider • C&F agent **(Except Withholding Tax Entity)**	**in every 6 months** (30^{th} June or 31^{st} December)

AT Rate Change

Particulars	Stage	Increased
Advance tax (AT) on raw material of Manufacturer **[Sec 31 (2)]**	Import	reduced from **3%** to **2%**
AT for commercial importers **[Sec 31 (2)]**	Import	Increased from **5%** to **7.5%**
If value addition by commercial importer does not exceed 50% at local stage **[Sec 31 (3Ka)]**	First sale after import	**Final settlement** of AT

Input VAT Rebate

Particulars	Changes
Time limit for taking input VAT rebate **[Sec 46 (1 Ga)]**	Extended from **4 months** to **6 months**
Rebate for inputs or goods cleared under a bank guarantee **[Sec 46 (1 Ja)]**	Within **6 months** from the later of the date of- (i) release of the bank guarantee, or (ii) final payment of duties-taxes
Inputs or goods not included in Input-Output Coefficient **[Sec 46 (1 Da)]**	Not applicable to **service**
Non-submission of new input-output coefficient where total value of inputs changed exceeding 7.5% **[Sec 46 (1 Dha)]**	Rebate for Additional increased input tax **of 7.5%** **(on)** not be allowed
Partial input VAT rebate **[Sec 47]**	**Deleted following provisions:** • Payment based partial input VAT rebate • Formula based partial input VAT rebate • NBR's authority to determine relevant issues

Several Major Changes

Particulars	Changes
NBR's power to exempt taxable goods or service from VAT or SD or AT **[Sec 126]**	**Deleted**
Irregularities in calming rebate or decreasing adjustments [Sec 127]	Simple **interest 1% per month** to be imposed

VAT Rates Increase: Highlights (3rd Schedule)

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Particulars	Increase
MS products (specific tax)	by **20% (approx.)**
Scrap/Ship scrap (per ton)	from **Tk. 1,000** to **Tk. 1,200**
Online product sales commission (!)	from **5%** to **15%**
Self copy paper, duplex board/coated paper	from **7.5%** to **15%**
Tableware, kitchenware, household goods, hygienic and toiletries including any similar items made of plastic	from **7.5%** to **15%**
Cotton yarn & man-made fiber yarn (specific tax/Kg)	from **Tk. 3** to **Tk. 5**
Blade made from stainless steel strip and carbon steel strip	from **5%** to **7.5%**

Effective from 02 June 2025

VAT Rates Increase: Highlights (3rd Schedule)

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Particulars	Increase
Construction firm	from 7.5% to 10%

Effective from 01 July 2025

SD Rates Changes: Highlights (2nd Schedule)

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Particulars	Changes
Ice cream	Reduced from **10%** to **5%**
Commercial import of Cigarette paper	Increased from **150%** to **300%**
OTT platform services	**10%**

Effective from 02 June 2025

Major Changes

in the VAT & SD Rules, 2016

Effective from 01 July 25

Changes in the VAT & SD Rules, 2016

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Particulars	Changes
"Import Value" [Rule 2 (1 Kha)]	**Assessable Value** as determined in accordance with section 27 of the Customs Act, 2023 (Mushak 4.3)
"Bill of Export" [Rule 2 (1 Ta)]	**Deleted**
Informing the changed information **[Rule 12]**	**Within 15 days**, in place of immediately
Value of supply of sample in a fiscal year without consideration **[Rule 20]**	Increased from **Tk. 20,000/=** to **Tk. 50,000/=**
Declaration of Input-output coefficient **[Rule 21]**	Not applicable to **supply of service** by a service renderer
Price of the waste/by-product goods under the Fair Market Value Rules **[Rule 24 Ga]**	**Deleted**
Partial Input VAT Rebate related rules **[Rule 26]**	**Deleted** **Except** for NBR's authority to prescribe special procedures for claiming input VAT rebate by financial service providers

Changes in the VAT & SD Rules, 2016

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Particulars	Changes
Time limit for decreasing adjustment by supplier **[Rule 39]**	Extended from **same tax period of payment** (3 months in Act) to **6 months**
Responsibility of registered Withholding Tax Entity **[Rule 40]**	• Make increasing adjustment for deducted/collected VAT **in the month of payment of consideration** • Issuance of VDS certificate (Mushak 6.6) within 3 working days **after submission of VAT return** • No VDS (Mushak 6.6) certificate if supplier is **not registered or does not issue Mushak 6.3**
Adjustment of SD in the case of Export **[Rule 45]**	• **Requirement of Commissioner's approval – Deleted** • Decreasing adjustment **within 6 months** of shipment • If Divisional Officer permits, decreasing adjustment **within next 6 months**

Changes in the VAT & SD Rules, 2016

<table>
<tr><th>Particulars</th><th>Changes</th></tr>
<tr><td>Input-Output Coefficient
(Mushak 4.3)</td><td>New condition as to purchase price of imported goods/service:

VAT chargeable value under Section 28 of the VAT & SD Act, 2012 shall be considered as the purchase price.</td></tr>
<tr><td>VAT Return Form
(Mushak 9.1)</td><td>Note 18a newly inserted for imported goods/service based on specific VAT.
<table>
<tr><td rowspan="2">Goods/Service Based on Specific VAT</td><td>Local Purchase</td><td>18</td><td></td><td></td><td>Sub-form</td></tr>
<tr><td>Import</td><td>18a</td><td></td><td></td><td>Sub-form</td></tr>
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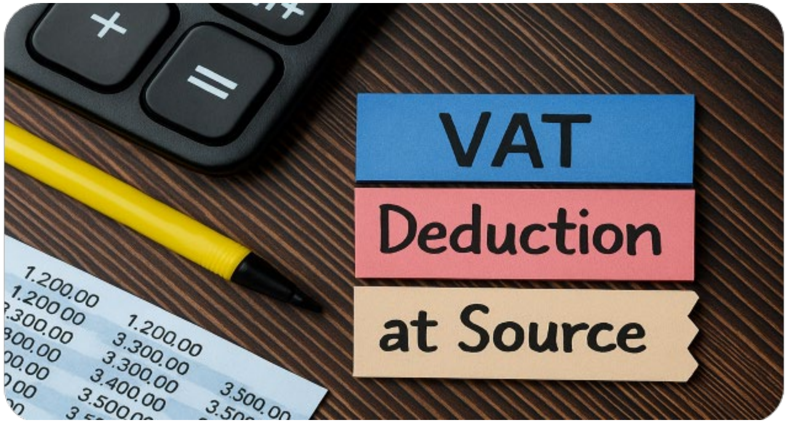

Major changes in the VDS Rules

SRO No. 182-Aain/2025/310-Mushak dated 27 May 2025

Effective from 01 July 2025

VDS Rules

Service Code	Name of Service	Rate (%/Tk.)
S017.00	**Community Center**	**15%**
S004.00	Construction Firm	**(10%) 7.5%**
S099.50	Credit Rating Agency	**(15%) 7.5%**

VAT not deductible, if
• purchase of local medicines from trader
• tax Invoice (fiscal receipt) issued from PKI/POS mentioning name and BIN of supply recipient therein

Deposit of VDS/VAT not required separately
• **No compulsory separate treasury deposit for VDS**
• 15% VAT on rent be paid through **an increasing adjustment** in Mushak- 9.1, **where tenant is registered**

VDS Rules

Others
• VAT Payment **on space rent for Branch or Sales Center** by Centrally Registered Entity
• Issuance of VDS Certificate (Mushak-6.6) within 3 working days after **submitting the VAT return** **depositing the treasury challan.** • **Compulsory separate deposit by bank for VDS on service import by unregistered person [Section 20 (5)?]**

Changes through SROs, GOs & SOs

Changes through SROs

Particulars	Changes
Changes and insertion in **Explanation of Services** **Amendment to SRO no.-186-Aain/2019/43-Mushak dated 13 June 2019**	• Credit or Debit Card Issuing Entity (S061.00) - **included Debit card** • Participant in Board Meeting (S053.00) - **Director appointed with regular salary and allowances** treated as an employee, not as person participating in board meetings or AGMs for a fee or honorarium • Tower Sharing Service Provider (S081.00) – **Newly inserted** • OTT Platform (S082.00) - **Newly Inserted**

Changes through SROs

Particulars	Changes
Changes and insertion in **Explanation of Services** **Amendment to SRO no.-186-Aain/2019/43-Mushak dated 13 June 2019**	• **Procurement Provider** (S037.00) – Simplified • **Transport Contractor** (S048.00) – Simplified • **Rent-a-Car Service** (S049.00) – Simplified • **Auction Purchaser** (S060.00) – Simplified • **Cleaning or maintenance services of building, floor & compound** (S065.00) – Simplified • **Human Resource Supply or Management Firm** (S072.00) – Simplified
Fair Market Value Determination Rules **Amendment to SRO no.-180-Aain/2019/37-Mushak dated 13 June 2019**	• Increase or decrease exceeding **7.5%** with comparable goods for considering FMV in place of **10%**

Changes through GOs & SOs

Particulars	Changes
Exemption of VAT exceeding **7.5% on LP Gas (Manufacturing stage)** SO No. 02 dated 13 January 2025	**Repealed** **But included in the 3rd schedule**
Procedures for **refund of VAT & SD** to **embassies, diplomats, international organizations & unregistered person** Amendment to GO No. 04/Mushak/2020 dated 01 March 2020	**Simplified and clarified**
Contract manufacturer Amendment to GO No. 14/Mushak/2020 dated 24 November 2020	Locally purchased inputs may be **delivered to the contract manufacturer from the place of supplier**

Changes

in Excise Duty

SRO No. 136-Aain/2024/242-Excise dated 27 May 2024

Excise Duty: Changes

- No Excise Duty, where the bank balance does not exceed **Tk. 300,000/=, in place of Tk. 1,00,000/=**
- The bank shall confirm deposit of the collected Excise Duty through treasury challan under the specified economic code, **along with the VAT return for the relevant month**

Effective from 01 July 2025

Thank You

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