

Guidelines on

VAT Deduction & Collection at Source

Laws Covered:

- The Withholding VAT Deduction & Collection Rules, 2025
- The VAT & Supplementary Duty Act, 2012
- The VAT & Supplementary Duty Rules, 2016
- The Finance Ordinance, 2025
- The Certain Laws Relating to Finance (Amendment) Ordinance, 2025
- Other SROs, GOs, SOs & Explanations

Presented by

Hadee Lutful & Co.

Chartered Accountants





The VAT Deduction & Collection at Source Rules, 2025

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

Effective from 01 July 2025

Topics

- VDS rates
- Withholding tax entity
- Procurement provider
- Services import from non-resident located outside Bangladesh
- VAT on license, registration & permit issuance/renewal & payments
- VAT on space & establishment rent
- The cases where VDS is not applicable
- Other cases related to VDS
- Responsibilities of withholding tax authority
- Responsibilities of supplier
- Obligation to deduct VAT at source
- Interest & penalty for non-compliance
- Other miscellaneous provisions

VDS Rates

Service Code	Name of Service	Rate (%/Tk.)	Reference
S001.10	AC Hotel	15%	VDS Rules
S001.10	Non-AC Hotel	10%	VDS Rules
S001.20	Restaurant (except restaurants located in residential hotels of three-star quality or higher listed by the Ministry of Civil Aviation and Tourism, restaurants located in hotels with liquor bars and restaurants with liquor bars.)	5%	Table-1, Part-Kha
S002.00	Decorators & caterers	15%	VDS Rules
S003.10	Motor vehicle garage & workshop	10%	Table-3, Part-Kha

VDS Rates

Service Code	Name of Service	Rate (%/Tk.)	Reference
S003.20	Dockyards	15%	VDS Rules
S004.00	Construction firm	10% (7.5%)	Table-3, Part-Kha
S007.00	Advertisement firm	15%	VDS Rules
S008.10	Printing press	15%	VDS Rules
S009.00	Auction house	15%	VDS Rules
S010.10	Land development firm	2%	Paragraph-3

VDS Rates

Service Code	Name of Service	Rate (%/Tk.)	Reference
S010.20	Building construction firm:		Paragraph-3
	(i) for square feet 1 to 1,600	2%	Do
	(ii) for square feet 1,601 and more	4.5%	Do
	(iii) for re-registration of any size	2%	Do
S014.00	Indenting firm	15%	VDS Rules
S015.10	Freight forwarders	15%	VDS Rules
S017.00	Community center	15%	VDS Rules

VDS Rates

Service Code	Name of Service	Rate (%/Tk.)	Reference
S020.00	Survey firm	15%	VDS Rules
S021.00	Firm letting out plant & machinery	15%	VDS Rules
S024.00	Furniture manufacturer (15%, if directly supplied from factory to the consumer)	7.5%	Table-2, Part-Kha
	Furniture showroom (subject to availability of challan for payment of 7.5% VAT at manufacturing stage, otherwise 15%)	7.5%	Do

VDS Rates

Service Code	Name of Service	Rate (%/Tk.)	Reference
S028.00	Courier & express mail service	15%	VDS Rules
S031.00	Person, enterprise or organization engaged in repair and servicing	15%	VDS Rules
S032.00	Consultancy firm & supervisory firm	15%	VDS Rules
S033.00	Lessee	15%	VDS Rules
S034.00	Audit & accounting firm	15%	VDS Rules
S037.00	Procurement provider	10%	Table-3, Part-Kha

VDS Rates

Service Code	Name of Service	Rate (%/Tk.)	Reference
S040.00	Security service	15%	VDS Rules
S043.00	Supplier of program for television & online broadcasting	15%	VDS Rules
S045.00	Legal advisor	15%	VDS Rules
S048.00	Transport contractor:		
	• in case of petroleum products	5%	Table-1, Part-Kha
	• in case of others goods	15%	VDS Rules

VDS Rates

Service Code	Name of Service	Rate (%/Tk.)	Reference
S049.00	Rent-a-Car	15%	VDS Rules
S050.10	Architect, interior designer or interior decorator	15%	VDS Rules
S050.20	Graphics designer	15%	VDS Rules
S051.00	Engineering firm	15%	VDS Rules
S052.00	Renting out sound system & lighting materials	15%	VDS Rules
S053.00	Participants of board meeting	15%	VDS Rules

VDS Rates

Service Code	Name of Service	Rate (%/Tk.)	Reference
S054.00	Telecasting advertisement through satellite	15%	VDS Rules
S058.00	Renting out helicopter or chartered plane	15%	VDS Rules
S060.00	Purchaser of goods at auction	15%	VDS Rules
S065.00	Cleaning or maintenance services of building, floor & compound	15%	VDS Rules
S066.00	Seller of lottery ticket	15%	VDS Rules
S067.00	Immigration consultant	15%	VDS Rules

VDS Rates

Service Code	Name of Service	Rate (%/Tk.)	Reference
S071.00	Event management firm	15%	VDS Rules
S072.00	Human resource supply or management firm	15%	VDS Rules
S099.10	Information technology enabled services (ITES)	5%	Table-1, Part-Kha
S099.20	Other miscellaneous services	15%	VDS Rules
S099.30	Sponsorship services	15%	VDS Rules
S099.50	Credit rating agency	15% (7.5%)	VDS Rules

Withholding Tax Entity

- Any ministry, division or office, semi-government or autonomous body, state owned entity, local authority, council or similar organization
- Non-government organization approved by NGO Affairs Bureau or Department of Social Services
- Any bank, insurance company or similar financial institution
- Any educational institution of secondary or higher level
- Any limited company
- Person or enterprise having annual turnover exceeding Tk. 10 Crore.

[Ref: VDS SRO & Section 2(21)]

Procurement Provider (S037.00):

- Supply of goods or services or both **against quotation or tender or work order or in any other manner**, except supply exempted by the **1st Schedule of the VAT & SD Act, 2012** to **any withholding tax entity** by **any person, enterprise or organization** in exchange for consideration.
- Supply of goods or service, **exempted through gazette notification**, by procurement provider shall be subject to VDS.
- **Service exempted through gazette notification as procurement provider** shall be regarded beyond the scope of VDS.
- **Manufacturer** will not be regarded as procurement provider, e.g., Trader may be subject to VDS as procurement provider if the service recipient is a withholding tax entity.
- Those **services** shall not be considered as procurement provider that **have specific definitions**.

[\[Ref: VDS SRO & Explanation of Service SRO\]](#)

Services Import from Non-resident Located Outside Bangladesh

Particulars	Registered Recipient	Unregistered Recipient
Applicable rate	15%	15%
Deducting/collecting authority	Recipient itself and send a copy of treasury challan to bank.	The bank will collect or deduct the VAT and make an increasing adjustment in Mushak 9.1.
	If the recipient fails to deposit the VAT or deposits less, the bank will collect and make an increasing adjustment in Mushak 9.1.	

- **Compulsory separate deposit by bank for VDS on service import by unregistered person [Section 20 (5)?]**

[Ref: VDS SRO]

VAT on License, Registration & Permit Issuance/Renewal & Payments Thereunder:

- **15% VAT shall be collected at source** on the total amount received from the beneficiary at the time of issuance or renewal of license, **permit or registration** or, as the case may be, in the case of any facility creating services, by the government, semi-government, autonomous body and local authority or **any authority issuing license, permit or registration**.
- **15% VAT shall be collected at source** on the total amount received on account of revenue sharing, royalty, commission, charge, fee or any other receipts under the condition stated in the license, registration and permit issued.

[Ref: VDS SRO]

VAT on Space & Establishment Rent:

15% VAT on rent be paid through-

- an increasing adjustment in Mushak 9.1, where tenant is registered
- A-challan or E-payment, where tenant is unregistered

[Ref: VDS SRO]



Exemptions:

- **Factory rent** of registered/enlisted manufacturer/producer
- Facility provided for completely **residential** use
- Establishment with an area not exceeding **150 sqf** used for commercial purpose
- Space or establishment rented by **ITES** provider registered under service code S099.10
- Rent on **beauty parlour** or show-room of business managed by a **woman entrepreneur**

[Ref: SRO No. 160-Aain/2025/288-Mushak dated 27 May 2025]

The Cases Where VDS is not Applicable:

- If manufacturer supplies goods VAT chargeable at 15% rate/reduced rate/specific tax through Mushak 6.3 (tax invoice) upon mentioning the said rate therein.
- If any supplier supplies goods through Mushak 6.3 mentioning 15% VAT therein subject to providing the supply recipient with the VAT honor card or certificate regarding submission of regular VAT return received from IVAS for the last financial year (in logical cases, certificate or honor card issued by the Divisional Officer) .
- If a supplier makes a supply of services, **except those mentioned in the table of rule 3 (1)**, through Mushak 6.3.
- From the payment of bill for utility services, namely **fuel, gas, water (WASA), electricity, telephone and mobile phone.**
- Supply of goods or services or both mentioned in the **First schedule** of the VAT & SD Act, 2012.

[Ref: VDS SRO]

The Cases Where VDS is not Applicable:

- For **zero-rated supply** under section 21 of the VAT & SD Act, 2012.
- For **Ad firm and enterprises rendering services titled programs through television and online broadcast** as mentioned in the table of rule 3 (1) provides form Mushak 6.3 **certified by the Revenue Officer or Assistant Revenue officer.**
- **The furniture manufacturer** issues form Mushak 6.3, certified by **the Revenue Officer or Assistant Revenue officer**, showing **15% VAT.**
- **Tax Invoice is issued from EFD/SDC/PKI/POS** subject to mentioning **name and BIN of supply recipient** therein.
- **Purchase of local medicines from trader.**

[Ref: VDS SRO]

Other Cases Related to VDS

- If 15% VAT rate is applied for services mentioned in the table instead of applying reduced rate, VAT shall be deducted at source at reduced rate.

[Ref: Nothi no. 08.01.0000.068.22.057.14/131 dated 25 May 2023: Partial VDS]

Responsibilities of Withholding Tax Authority:

- If a supplier does not issue a tax invoice (form Mushak 6.3), **the withholding tax entity shall not accept any supply** from such supplier and shall pay no price to the supplier against such supply.
- If the supply recipient, in applicable case, obtains supply from a person **unregistered or not enlisted**, he shall be **responsible for payment of applicable VAT**.
- In the case of a registered withholding tax entity/recipient of the supply
 - **making increasing adjustment in the VAT return** for the relevant tax period.
 - issuance of **3 copies** of withholding tax certificate in form Mushak 6.6 within **3 days after submitting the VAT return**
 - the **original copy of the said certificate shall be submitted to the VAT circle office** concerned and a copy shall be provided to the supplier and a copy shall be preserved by the withholding tax entity for 5 years.

[Ref: VDS SRO, Section 49 & Rule 40]

Responsibilities of Withholding Tax Authority:

- If the supply recipient is an **unregistered withholding entity**-
 - VDS shall be deposited to the **prescribed economic code** through government treasury within **15 days of payment**.
 - upon depositing the treasury challan, the entity shall **issue 3 copies of withholding tax certificate** in form Mushak 6.6
 - the **original copy** of the said certificate and treasury challan shall submit to **the VAT circle office concerned** within 3 working days
 - a copy shall provide to the **supplier** and
 - a copy shall be **preserved** the entity for **5 years**
 - for a single challan covering multiple suppliers, **a detailed break-up on the reverse side or on a separate sheet**

[Ref: VDS SRO]

Responsibilities of Supplier:

- Shall **issue Mushak 6.3** at the time of supply of goods or services
- Shall **mention price and amount of VAT** or specific tax in **Mushak 9.1**
- Will make **decreasing adjustment in return** after receiving **Mushak 6.6** from the withholding tax entity
- Decreasing adjustment shall be made **in the tax period** in which the price is received or **in the next 6 tax periods (3 tax periods)** and any claim for such adjustment after the aforementioned period shall be time-barred

[Ref: VDS SRO & Section 50]

Obligation to Deduct VAT at Source:

- **The withholding tax entity and the supplier shall be jointly and severally liable for deduction of VAT at source and depositing the same in the government treasury**
- If VAT is not deducted at source despite being under obligation for making such deduction, actions may be taken against the **person deducting VAT, the person responsible for depositing the deducted VAT and the Executive Officer** of the entity concerned under **section 85 (1Ka) and section 127** of the VAT & SD Act, 2012.

[Ref: VDS SRO Section 49, 85 & 127]

Interest & Penalty for Non-compliance:

Section 85 (1Ka):

Despite being under obligation for making deduction and **deposit of the VAT** [?] in accordance with the provisions of section 49, if the withholding tax authority fails to deduct and deposit the VAT under the said section:

(a) the **VAT including interest imposed under section 127** shall be realized from him in such a manner as if he were the supplier of goods or service under the said section.

(aa) without prejudice to the provisions of clause (a), **if VAT deducted at source is not deposited in the government treasury** [?] within the specified time, the Commissioner concerned may impose a personal **penalty not exceeding Tk. 25,000/=** upon the relevant person deducting VAT, the person responsible for depositing the deducted VAT and the Executive Officer of the entity concerned.

[?] Contradiction with VDS SRO

[Ref: Section 85]

Interest & Penalty for Non-compliance:

Section 127:

In the case of collection of VDS arrears, **interest shall be payable @ 2% per 6 months** on the amount of tax payable.

As explained in section 127 (1), “Till the day of payment” shall mean the period from the day after the due date till the day of payment including the pendency, **but shall not exceed 24 months.**

[Ref: Section 127]

Other Miscellaneous Provisions:

- Branch or Sales outlets of **centrally registered entities** shall pay VAT at source **including VAT paid on space rent** through their centrally registered units. **[Ref: VDS SRO & Central Registration SRO]**
- If there is more than one component in a supply, **each component and pertinent value** shall have to be separately mentioned in tender, quotation or bill relating to the said supply. **[Ref: VDS SRO & Section 35]**
- VAT shall have to be deducted at source **applying appropriate rate to each of such component.** **[Ref: VDS SRO]**
- Where contract had been made before the VAT & SD Act, 2012, entered into effect but price was not paid, **provisions applicable at the time of payment shall be applied** to such supply. **[Ref: Section 49, Section 138, Rule 40, Transition GO, VDS SRO]**

Thank You

Contact Information

For further information, please contact:

Lutful Hadee

LLB LLM MCom FCA

Proprietor & CEO

M +880 1711500142

E hadee@hadeelutful.com

Md. Raisul Islam

LL.B MAT(DU) ITP

Director

M +880 1913997273

E raisul@hadeelutful.com