

An Internship Report on the Impact of Indirect Tax (Value Added Tax) on the Economic Development of Bangladesh

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By

**Saumik Das
18104095**

An internship report submitted to the **BRAC Business School (BBS)** in partial fulfillment of the requirements for the degree of **Bachelor of Business Administration**

BRAC Business School
BRAC University
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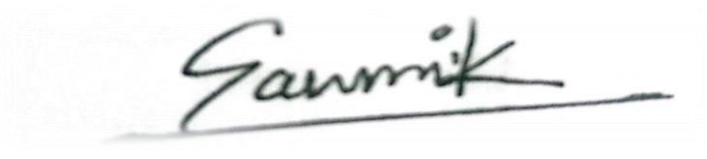
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Declaration

It is hereby declared that:

1. I wrote the internship report on my own initiative while earning my degree at BRAC University.
2. Except where properly cited by complete and precise referencing, the report does not contain any previously published or written by a third party material.
3. No material that has been approved or submitted for another degree or diploma at a university or other institution is included in the report.
4. I have given credit to all major sources of assistance.

Student's Full Name & Signature:

A handwritten signature in black ink that reads "Saumik" with a long horizontal line extending to the right.

SAUMIK DAS
Student ID: 18104095

Supervisor's Full Name & Signature:

Dr. Md. Kausar Alam
Assistant Professor
BRAC Business School
BRAC University

Letter of Transmittal

To

Dr. Md. Kausar Alam

Assistant Professor

BRAC Business School

BRAC University

66 Mohakhali, Dhaka-1212

Subject: Submission of Internship Report

Dear Sir,

I am grateful to God for providing me with the opportunity for completing the internship and submitting this report to you. I am also very grateful for your kind advice and guidance while preparing this report. I consider myself lucky enough to have you as my internship supervisor. This report includes a summary of my role as an intern at ACNABIN chartered accountant, the organization overview and also research on the topic “The Impact of Indirect Tax (Value Added Tax) on the economic development of Bangladesh”.

I thus hope that you will enjoy and value the work I put into the report. Another objective I had in mind when preparing this report was that every reader would gain something useful from it. I appreciate your support in helping me research this worthwhile subject. I'm hoping you'll accept it after giving it some thought.

Sincerely yours,

Saumik Das

18104095

BRAC Business School

BRAC University

Date: 24-08-2023

Non-Disclosure Agreement

This agreement is made and entered into by and between ACNABIN Chartered Accountant and the undersigned student at BRAC University, BRAC Business School: Saumik Das. As per the agreement the information used in this report cannot be used anywhere else and to be used only for the internship purpose.

Acknowledgement

First and foremost, I'd want to thank my GOD for allowing me to stay healthy and complete the internship program during ACNABIN's most difficult audit time. All of my efforts would have been in vain if it hadn't been for the guidance of GOD. Next, I am grateful to my parents who provided me with constant support and aid to complete my degree.

To begin, I'd like to express my thanks and indebtedness to my faculty & Supervisor, Dr. Md. Kausar Alam, and Dr. Md. Arif Hossain Mazumder, Assistant Professor, BRAC Business School, BRAC University, for his unwavering support, guidance, encouragement, and suggestions during the composition of my internship report. I sincerely appreciate him taking the time from his busy schedule to read my report.

Secondly, Mr. Muhammad Aminul Hoque, FCA, Audit & Assurance Partner, ACNABIN Chartered Accountants, deserves my gratitude for his guidance, continual support, and supervision. I would not have ended up as an intern at ACNABIN Chartered Accountants without his assistance. Moreover, upon his guidance I have worked in the internal "Taxation & Corporate Affairs team" where I have gathered hands-on experience on the procedure taxation & VAT system of Bangladesh.

Thirdly, I would appreciate and express my gratitude to my respectable colleagues who provided me constant support during my completion of this degree. In addition to that I'd like to thank Md. Ashikul Alam (Deputy Manager), Md. Raquibul Islam (Articled Student), Alvee Ahmed & Afif Chowdhury for providing me mental support and help.

Finally, I convey my sincere gratitude to my team member namely, Tonmoy Roy (Articled Student), Md. Sohel Mondal (Articled Student), Md. Fazle Sarder (Articled Student), Asma Akter (Executive), Razon Bhowmik (Articled Student), Ms. Fahmida Ahmed (Articled Student), Md. Sharif Mustafa Anik (Trainee) for providing me all love and support throughout my internship period. I would also like to thank my on-site supervisor Mohammad Mutasim Hossain FCA (Manager) & Md. Fahad Sarker (Deputy Manager), for his constant guidance and support as a strict mentor. It was quite challenging and instructive under his supervision.

Executive Summary

The People's Republic of Bangladesh's government decided to switch out the antiquated general sales tax for a value-added tax during the 2010–2011 fiscal year. This decision was made in an effort to update the tax code. To update the tax system for the modern period, this was done. This was carried out to boost revenue collection for the government and improve funding for infrastructure and other forms of economic expansion. The intention was to accelerate global economic growth. Increasing the overall amount of money that was available for investment was the aim of this project. This analysis will include a practical analysis and an examination of the connection between Bangladesh's economic growth and the value-added tax.

This investigation's goal is to ascertain whether there is a connection between these variables. The empirical results support the idea that Value-Added Tax, which is measured by Gross Domestic Product, has a significant positive impact on Bangladesh's economic expansion. The findings lead to the conclusion that the Value-Added Tax is calculated based on Gross Domestic Product, which supports this conclusion. Furthermore, the value-added tax, or VAT as it is more often known, has a statistically significant beneficial impact on total tax revenue as well as total revenue, both of which affect Bangladesh's GDP growth. This effect is advantageous. The study's conclusions indicate that the value-added tax contributes favorably to the nation's rate of economic growth as indicated by GDP for the relevant time periods. This conclusion is based on taking into account all eras. The results of this study are consistent with those of an earlier study that showed a value-added tax had a significant positive impact on economic growth in a number of different countries.

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List of Acronyms

A Stand for Aziz-Uddin, C stands for Chowdhury

N stands for Nurun Nabi, A stand for Anwaruddin

ACNABIN B stands for Bari, I stand for Iftekhar, N stands for Nayeem

CA Chartered Accountant

CARE Cooperative for American Relief Everywhere

CC CA Course Complete (Not qualified yet)

DVC Document Verification Code

DVS Document Verification System

ERP Enterprise Resource Planning

EVP Executive Vice President

USAID U.S. Agency for International Development

VAT Value Added Tax

VDS Vat Deduction at source

WFP World Food Programme

SME Small Medium Enterprise

SPSS Statistical Package for the Social Sciences

SWOT Strength weakness opportunity and threat

TDS Tax Deduction at source

IAS	International Accounting Standards
ICAB	Institute of Chartered Accountants of Bangladesh
IFRS	International Financial Reporting Standards
PL	Profit and Loss statement
GDP	Gross Domestic Product

Chapter 1: Overview of Internship

1.1 Student Information

Name: Saumik Das
Student ID: 18104095
Department: BRAC Business School
Program: Bachelors of Business Administration
1ST Major: Accounting
2nd Major: Finance

1.2 Internship Information

1.2.1 Employment Details:

Work Duration: 11th October 2022 to 11th January 2023(3 months or 12 weeks of Internship)

Company or Firm name: ACNABIN, Chartered Accountant

Department: Taxation & Corporate Affairs

Address: BDBL Bhaban (Level-13 & 15), 12 Kawran Bazar Commercial Area, Dhaka-1215, Bangladesh.

1.2.2 Internship On-site Supervisor

InformationSupervisor Name: Fahad Sarker

Designation: Deputy Manager, Taxation & Corporate Affairs

1.3 Job Duties and Responsibilities

I was appointed as a junior Intern in Taxation & Corporate Affairs at ACNABIN chartered firm where I was assigned to ACNABIN's tax and VAT team. The main task and objective of our team is to provide various Income tax & VAT related service to different clients' of various sector companies. When I joined ACNABIN; I was assigned to ACNABIN VAT to prepare monthly VAT return of some national & international clients. The main objective of our work is to calculate their VAT amount after analyzing their sales, purchase & VDS certificate to find and ensure our clients are paying right amount of VAT on time. Moreover; During the Internship period the key responsibility I was assigned:

1. At first, I was assigned to prepare purchase and sales book of ACNABIN to reserve these documents as per VAT and SD Act 2012 (Section-40).
2. The main job I was assigned during the internship period is to prepare VAT return of three different clients to assess their monthly VAT amount.
3. Later on I was appointed to a VAT audit of an international client in which cases; their VAT amount was overstated by NBR and so we try to provide them some VAT benefit in these issues by implementing draft calculation using some necessary laws and regulation of VAT & SD Act.
4. Prepared VDS Challan form to observe whether the VAT or TAX amount is properly calculated and reserved on government exchequer or not.
5. Learned to prepare Mushak 6.1 to Mushak 6.6 and known about why we should prepare those forms.
6. Lastly, I have seen and prepared TDS & VDS Certificate, Withholding Tax return, Monthly TDS statement, 108 prepare, VAT return entry in online VAT portal for different clients to provide them consultancy & professional services.

Internship Outcome

1.3.1 Contribution towards Organization

I was first tasked with creating ACNABIN's purchase and sales book in order to reserve these documents in accordance with the VAT and SD Act of 2012. (Section-40).

During my internship, my main task was to prepare three distinct clients' VAT returns in order to calculate their monthly VAT amount. Later, I was assigned to a VAT audit of a foreign client whose VAT amount had been exaggerated by NBR. In this situation, we tried to give them a VAT benefit by applying a draft calculation using several essential laws and regulations of the SD Act and VAT. Besides this; in order to determine whether the VAT or TAX amount is correctly computed or not, I have also prepared a VDS Challan form.

I am also familiar with how to fill out Mushak 6.1 to 6.6 and the rationale behind doing so. As a final step, I have reviewed and created TDS and VDS Certificates for a variety of clients in order to offer them consulting and advice service.

1.3.2 Benefits of the Internship

The most significant benefit I have received during my internship period is the learning opportunity about tax & VAT prospect in the context of Bangladesh. Also, I am able to observe the CA firm's internal culture, policy & procedures to adapt myself to it accordingly. I got the opportunity to be one of the important members of conducting a VAT audit at Gulshan-2 for an international client of ACNABIN. During this period; I have faced with some challenges since I had to deal with new people & environment. However, I have tried my best and successfully dealt with all those challenges and objectives accordingly and fulfilled the assigned task respectively. Since I was appointed to the VAT audit team, I was able to get an insight into how the international clients operate their business and their tax & VAT maintenance system in Bangladesh. Specifically, I got a clear idea about how that international client deal with NBR to sustain in their business industry in Bangladesh. Besideall these I got the opportunity to calculate the tax & VAT amount, VAT rebate & exemption scope and why it is necessary for them to maintain a regular basis tax and VAT payment for their classified business. Furthermore, I learn how to handle clients or deal with them in a professional manner. How to interact with the top officers such as Partners, Director, GM & others for gathering information in the form of documents accordingly. Since, CharteredAccountancy is all about professionalism this new learning will definitely help me in future days. Because I had to deal with clients and senior colleagues on a regular basis, so the internshipprogram also helped me to improve my interpersonal and communication skills in the workplace. Apart from all these I have gained almost 4 months of working with tax & VAT related task experience which provide me aclear view of the prospect and job opportunity of tax and VAT consultancy in the context of Bangladesh.

1.3.3 Problems and difficulties during internship

Overall, my internship period was a mixed bag, but I learnt a lot because I was treated just like a regular article student. There were a few obstacles I had to overcome during the internship timeline, and they are as follows:

- My client office was situated a long distance from our home office (ACNABIN). Since we have to conduct a VAT audit by presenting in the client office it is difficult to maintain proper time management. Thus, it creates obstacles in the efficiency of the audit and reporting purpose.
- Gathering documents is one of the biggest challenges that I have faced during my internship. Since, international clients are not compliant enough in Bangladesh which is why it's tough to get all the information readily available to the auditors. It requires a huge effort and time to gather all those documents and evidence in the form of support of our audit matters.
- Understanding the client business operation is another challenge which is faced by many of our junior audit associates such as me. Since, VAT section is very diverse and complex also our client's business operation is vast. Which is why it is almost impossible to capture all the concepts at once.
- Establishing proper & regular basis communication with the higher-up authorities of the client was an immense challenge. As these officers held up with huge responsibility and were always busy with their task and objective. So, therefore we sometimes have to wait for them to clarify about the work & time process of our continuing VAT audit.
- Few of their financial data and annual report were highly confidential. Though we were there to provide them consultancy services from ACNABIN still they were confused to give access to their annual report & other financial data to the outsiders or students of other organization. Which is why it's not permissible to access that information for my internship report purpose.
- Lastly, but least the time bound for the VAT audit was not adequate enough to execute proper judgment or opinion. Since, there was not enough manpower especially in our VAT audit team so sometimes it seems difficult for us to report on time to as we had to deal with lots of information continuously.

1.4.3 Recommendation

I will only propose students who are eager to pursue chartered accountancy as their professional career as a new intern at ACNABIN. The job at CA professionals is very diverse, making them fairly difficult. I was assigned significant responsibilities, such as job leadership or acquiring sensitive information through client negotiations. However, since a team does the major client works, he or she must be a competent team player. Skill of Negotiation is also important. However, by working with CA firms like ACNABIN, one can gain a tremendous amount of expertise that would aid them in directing various industries and sectors. In conclusion, I will suggest that anyone who is extremely passionate about the CA profession complete an internship at a CA business in order to learn more about CA and make decisions accordingly.

Chapter 2

Organizational Part: Overview, Operations, and Strategic Audit

Overview of the firm

2.1.1 About the Organization (ACNABIN)

ACNABIN is one of the top ten firms in Bangladesh according to the Bangladesh Bank's rating of accounting firms (Morshed, R. 2018). The audit, tax, and other professional consultancy services provided by this accounting business were diverse. In order to continuously motivate their client to achieve, ACNABIN was established in February 1985 (Al-Mumen, S. 2018). The company has made a name for itself as one of the best and most reputable chartered accounting firms in Bangladesh, with links abroad. According to ACNABIN Chartered Accountants, "At the moment, ACNABIN is exhibiting 11 partners with expertise in inspecting, bookkeeping, assessing, business counseling, business process outsourcing, innovative arrangements, preparing, and tax planning."

Since the company's founding, ACNABIN has served clients in Bangladesh who are engaged in business, trade, finance, microfinance, education, health, social services, and agriculture in the public, private, and non-governmental sectors, as well as various UN agencies and other development partners.

ACNABIN has been contracted by a number of governmental and non-governmental organizations to offer advisory services for development projects that are supported by donations. The World Bank, ADB, UNDP, UNICEF, UNFPA, WFP, CIDA, DFID, FAO, ILO, IFAD, NORAD, SIDA, USAID, UNCDF, ODA, European Commission (EC), CARE International, DANIDA, and Save the Children are just a few of the international organizations that provided funding for many of these initiatives (Rahman, I. 2015).

Because of their highly qualified partners, ACNABIN chartered firm is one of the top firms of licensed bookkeepers in the nation with a significant market presence. ACNABIN is a separate member of Baker Tilly Global, the ninth-largest company in the world with 145 separate autonomous part companies operating in 110 nations (Shahriar, M. 2020). Given that it is a well-known Chittagong Division in Bangladesh, the company is well-positioned for sustained expansion. The company has a branch office in Chittagong Division in addition to its main

office in Dhaka, the capital of Bangladesh (ACNABIN Chartered Accountants, 2022).

2.1.2 Service offered by ACNABIN Chartered Accountant

ACNABIN provides a range of high-quality, professional services to clients in Bangladesh's private and public sectors. Additionally, it offers support to foreign consultants working on projects in Bangladesh as well as international development organizations (Rahman, I. (2015). For more than 31 years, ACNABIN has offered a range of clients accounting services in various industries (Shahriar, M. 2020). The development of the internal control system for each customer is the main goal of their services because it will ultimately bring value. These are the main services that ACNABIN offers:

- ❖ **External Audit and Assurance Service:** Every CA firm in Bangladesh offers this crucial External Audit and Assurance Service. However, ACNABIN is also one of those well-known businesses that provide assurance services to a wide range of international corporations, including BAT, BERGER Paints, Huawei, and many more (Baker Tilly International.2022, May 5). ACNABIN furthermore offers assurance services in numerous manufacturing and RMG textile industries. The firm's primary duty in this situation is to offer an opinion with some, but not all, degree of assurance, either reasonable or limited. Most frequently, the company's financial statements serve as the subject of such assurance services. The ICAB guidelines and standards are followed as closely as feasible by ACNABIN. The report significantly facilitates and improves decision-making for its consumers (Shahriar, M. 2020). Numerous audit services are offered by ACNABIN, including statutory audits, focused audits, cost audits, forensic audits, NGOAB audits, and others (Morshed, R. 2018).

- ❖ **Advisory & Consultancy service:** Numerous CA firms in Bangladesh also provide their clients consulting services, which aid in the efficient operation of their businesses. The company can offer clients advice on how to create and maintain organizational accounts and bookkeeping in this situation. ACNABIN further provides management consulting to help the client to improve the efficiency of its management, payroll schemes, and overtime schemes, among other things (Shahriar, M. 2020). Business process consulting is also available to help the client increase productivity and efficiency in their business.

- ❖ **Taxation Tax planning and tax management of expatriates:** The ACNABIN chartered accountant helps their client by organizing their tax planning, tax liability, VAT payment, VAT liability, VAT return, WTR and other financial matters, just like other accounting firms in Bangladesh do. Additionally, ACNABIN computes TDS and VDS for each of its clients, assisting them in controlling their tax planning & expenditures. Clients at both the corporate and individual levels can take advantage of this service. In addition, the company offers its clients advice on how to lower their tax and VAT obligations while still adhering to legal requirements. Corporate and individual tax planning, personal income tax planning, computation of deferred taxes, indirect taxes, tax investigations, capital gain taxes, designing VAT management, tax-effective remuneration planning, and so forth are a few of the tax and legal topics (Morshed, R. 2018).

- ❖ **Outsourcing:** ACNABIN also offers outsourcing to its clients. Their outsourcing services range from processing accounts payable to processing payroll and payroll taxes to providing help for human resources (Shahriar, M. 2020). Few businesses in Bangladesh provide their clientele outsourcing services as well as ACNABIN.

- ❖ **Internal Audit service:** ACNABIN further offers internal audit services to each of its clients. Internal audit is primarily concerned with determining a company's or organization's internal control vulnerabilities and conducting compliance checks (Pickett, K. S. 2010). Many of the company's articleship students are sent to the client's office, where they examine the organization's internal control system and submit reports as necessary (ACNABIN Chartered Accountants, 2022).

- ❖ **Other essential service:** In addition to the services stated above, ACNABIN offers its clients a number of other unique services. These include fixed asset or inventory management, financial review, accounting, management training, system plan development, due diligence review, bank account opening for foreign clients, business plan development, and business plan development (Rahman, I. 2015).

In the end, ACNABIN has more than 35 years of experience in the sector and is the largest partnership firm in the nation, providing clients with high-quality service

(Morshed, R. 2018).

2.2.1 Vision Mission and Objective

Every organization has a vision, mission, and statement of fundamental values that define their aim and objective for ongoing development. Every organization needs to make such comments in order to advance. As a provider of accounting services, ACNABIN also has a statement of fundamental values, vision, and goal.

- **Vision Statement of ACNABIN:** The vision statement of ACNABIN chartered accountant is - “We go beyond the traditional auditor and client relationship by becoming you “Trusted Business Advisor.” (ACNABIN Chartered Accountants, 2022). The company wants to foster an atmosphere that values initiative, ongoing learning, teamwork, and progress (Shahriar, M. 2020).

- **Mission Statement of ACNABIN:** The following is the mission statement of ACNABIN Chartered Accountants: "We uphold the strictest standards of client confidentiality. It is necessary for the upkeep of trust as well as the sensitive and competitive nature of proprietary information. On such foundational ideas, we have built our success. We make every effort to gain and maintain client trust. (Chartered Accountants ACNABIN, 2022). The company wants to make sure there is always an incentive by helping customers succeed. With the intention of fostering initiative, ongoing development, learning, and collaborative activities, the largest organization at the time was created (Shahriar, M. 2020).

- **Objective or Strategic intent:** The strategic goals of ACNABIN chartered accountant are as follows: "We wish to establish ourselves as the industry leader who upholds the highest standards of professionalism and competence. We see further room for us to get involved in other sectors in the nation and the region even as we establish a secure and reputable position in the market for financial institutions, telecoms, foreign branch & liaison offices, and NGOs/NPOs. (Chartered Accountants ACNABIN, 2022).

- **Values of ACNABIN:** The predictions made by Baker Tilly, a subsidiary of

ACNABIN, are followed. The Baker Tilly Internal basic principles, which are described in their profile guidebook, "drive our way of life" (Shahriar, M. 2020). These are their key principles: to set a good example

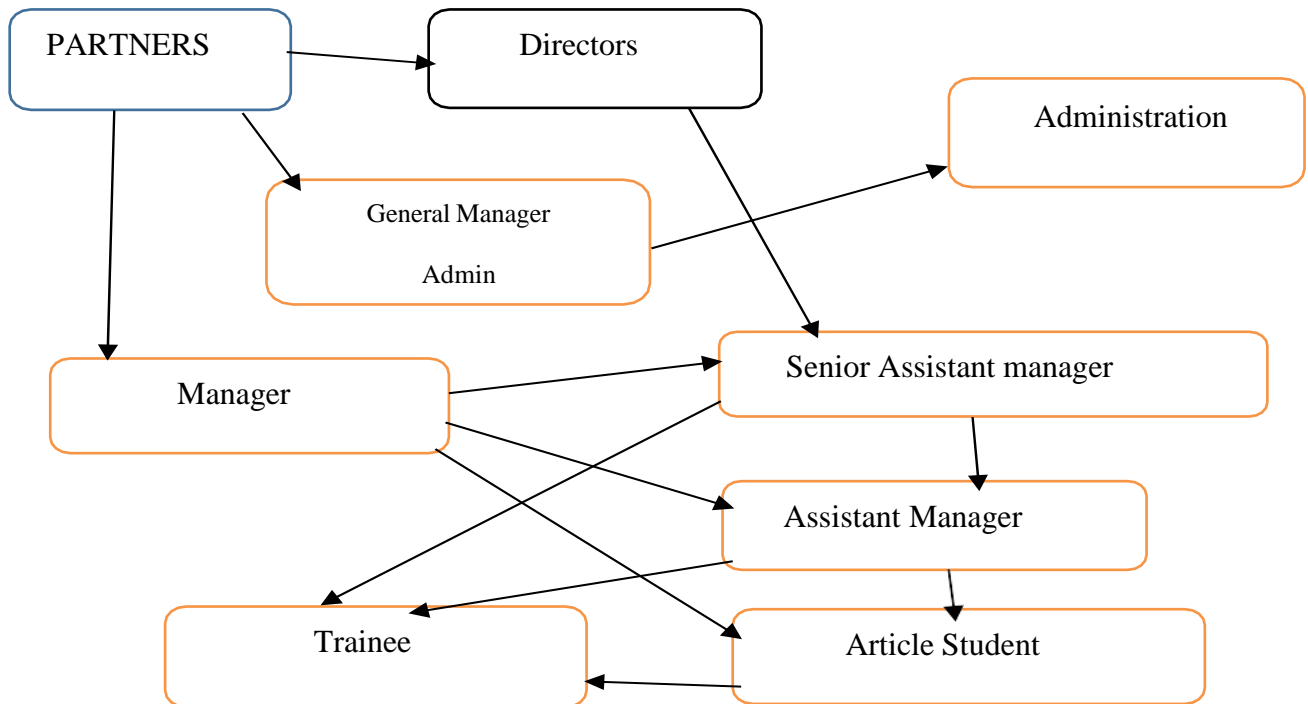
- To provide great services in an ethical manner.
- To act ethically and to communicate honestly
- And to promote a neighborhood based on cooperation and civic duty.
- We are passionate about serving our customers and growing the potential of our workforce (ACNABIN Chartered Accountants, 2022).

2.3 Management Practice

2.3.1 Leadership and Decision Making

ACNABIN's management style is very dictatorial. The partners, or more simply expressed, the firm's proprietors, typically serve as the firm's leaders. Along with the seven initial partners, ACNABIN currently has eleven partners. Any business choice or engagement requiring audit approval is typically discussed among partners. The following is ACNABIN's organizational structure:

P.T.O



Data Source: RocketReach - Find email, phone & social media for 450M+ professionals. (n.d.). Retrieved from https://rocketreach.co/acnabin-chartered-accountants-management_b5a2c287f610497b

The operational procedure of an ACNABIN chartered accountant is clearly depicted in the above graphic. Later, the manager and senior assistant manager of the firm took on the task responsibility for the audit. The audit engagement is often signed by the firm partner. They are in charge of carrying out the audit by assigning the job to the firm's trainee, article student, and assistant manager. The majority of the time, the autocratic leadership is followed by the CA firm in Bangladesh. ACNABIN operates much like any other CA firm and primarily employs autocratic leadership. A company can maintain its profit and reputation in the market with the aid of such a leadership approach.

2.3.2 Human Resource Planning Policy

The chartered accountants at ACNABIN are committed to keeping the most talented and knowledgeable individuals working for them. If a student has finished their article ship, the company often does not keep them. However, the company discovered that certain people were more effective and efficient than they tried to implement the employee retention approach to keep that person by raising their pay as a reward for their effective service. They do not retain employees based on their age, race, gender, or background; rather, they do so based on

performance and quality of work.

2.3.3 Recruitment and selection process

Two hiring procedures have been established by ACNABIN's chartered firm. The first step in the hiring procedure is to find new regular employees, and the second is to find new CA article ship students. In a group interview setting, one to three candidates are chosen from a pool of job interview candidates in order to hire regular employees for the company, such as an administrative officer or manager. On the other hand, the panel interview procedure is typically used when only article ship student firms are chosen. The candidate for the article-ship must first take a test at ACNABIN. After passing the exam, the student is invited to a viva, where a panel will interrogate him or her. In the majority of cases, the firm's FCAs or partners conduct these interviews to choose the candidate for their respective teams.

2.3.4 Compensation System

For the compensation of their article ship students, Bangladeshi CA businesses follow the ICAB standard. Whereas a student will receive 4000 BDT in their first year of article-ship, 4500 BDT in their second year, and roughly 5000 BDT in their final year (ICAB, 2022). Although Dhaka University students are given particular consideration for allowance and transportation. However, businesses use a performance appraisal approach as a remuneration mechanism for regular employees. Where the business gave employees a better stipend for their job in order to keep productive workers. ACNABIN has its own salary scale and policy, which it uses to pay employees and bases on each employee's performance.

2.3.5 Training and Development Process

Training sessions are an essential part of every CA firm in Bangladesh. Every week or once in a quarter firms arrange training programs to train their article student or trainee to be trained and skilled in specific tasks. Different types of training sessions are being offered by CA firms for example training sessions on bank audit, tax planning, compliance checking. Some time, Firms also send their students to ICAB to attend special training sessions on different subject matter which both help students in their academics and professional career as well. The main

objective of these training and development is to understand the subjective matter of their job objective and also to increase the work efficiency of the article student.

2.4 Marketing Practice

ACNABIN Chartered Accountants is primarily a business-to-business chartered firm that offers audit, tax, and consulting services to large commercial organizations. Their main marketing strategy is to offer audit services to a wide range of clients while upholding their brand value. ACNABIN uses the marketing strategies listed below:

2.4.1 Marketing strategy

"Join venture and referrals" is the marketing technique that ACNABIN is utilizing to increase their reputation and notoriety in the accounting service provider industry. Below, both strategies are discussed:

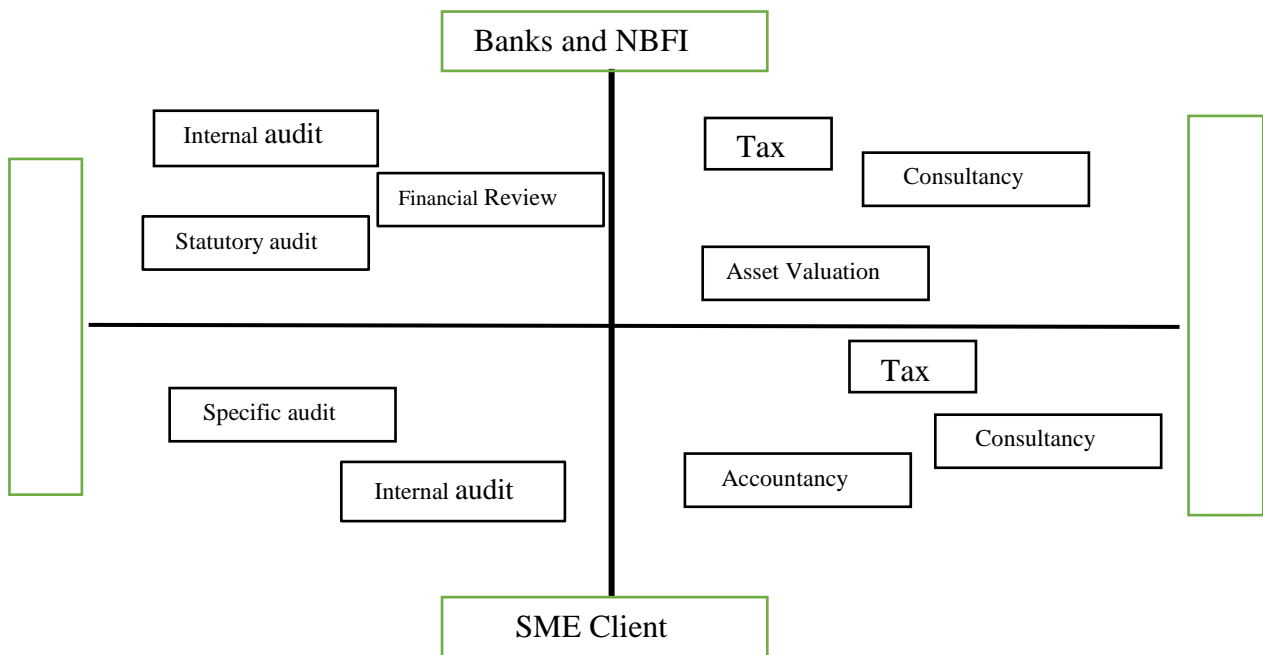
- **The Joint Venture strategy:** The BAKER TILLY International and ACNABIN are networking partners (Islam, M. J. 2014). According to revenue and active employees, the BAKER TILLY international stand is currently rated 10th globally (Big4 Accounting firm, 2022). According to C. Tang (2022, April 21), the joint venture approach entails a cooperation between two businesses that uses marketing techniques to grow their market share, reputation, and profitability. Similar to this, ACNABIN chartered accountants are also taking similar steps to expand their market share by forming a networking alliance with BAKER TILLY worldwide.
- **Referrals strategy:** This strategy essentially shows that service is a relationship built on trust and that it develops a client base that provides additional good reasons why they should also use the firm's services (Tang, C. 2022, and April 21). In their early years, ACNABIN had previously used this tactic in the services sector. They develop positive working connections with major corporations by offering them exceptional audit services, which aids the businesses in establishing a strong foundation of trust with their current clients.

2.4.2 Target customer, targeting and positioning strategy

- **Targeting Customer:** The main target markets for ACNABIN are large corporations, non-governmental organizations (NGO), banks, non-banking financial institutions,

apparel, hospitals, airlines, cement companies, pharmaceuticals, insurance, and charitable organizations. To meet the needs of their target clientele, ACNABIN offers a variety of assurance services (ACNABIN Chartered Accountants, 2022).

- **Positioning:** They position their services in accordance with client needs. The numerous service kinds that ACNABIN offers are covered above. Here, they position their services in accordance with client needs.



Data Source: *Services.* (n.d.). Baker Tilly. Retrieved from: <https://www.acnabin.com/english/services/#>

According to their client's needs, ACNABIN offers a variety of services, as shown in the diagram above. The company evaluates the financial statements of large corporations and institutions and offers both internal and external audit services. The firm offers tax and consulting services to its SME and individual clients. In addition to the aforementioned services, the company may offer further services upon request from its clients.

- **Segmenting:** ACNABIN chartered accountants divide their targeted market into customer relationships built on trust as well as potential future opportunities. Here, the

company consistently tries to penetrate the market while taking future demographic, psychographic, regional, and behavioral factors into account. ACNABIN tries to comprehend their client's current and potential business goals by accomplishing this. This aids the business in deciding whether to keep offering services to this sector or not.

2.4.3 Marketing Channels (For the service of ACNABIN)

The marketing channels for this reputable CA are rather simple. Since the organization provides services rather than goods, the process for distributing those services is relatively straightforward. They offer their respective businesses direct service. They don't need to maintain any media as manufacturing businesses do in order to do it.



In the above diagram; we can see that ACNABIN is providing professional consultancy services directly to the client who seeks such consultancy service.

2.5 Product or New Product development

Since ACNABIN is a service provider, they always seek to raise the caliber of their services by bringing on fresh employees. Since there are numerous other accounting firms that are operating and are regarded as worthy competitors, this is crucial for them. Currently, ACNABIN is concentrating on enhancing the caliber of work produced by their specialists (ACNABIN Chartered Accountants, 2022). They think they can offer a superior audit service on the market if they increase the effectiveness of their personnel.

2.5.1 Branding Activities

1. By fostering strong bonds with their huge corporate clients and supporting them in their day-to-day operations.
2. Consistently accepting their client incentive audit.
3. Giving their client's proper business consulting services, as well as tax planning and

implementation that complies with the law.

4. Recruiting certified chartered accountants for the company. One of ACNABIN's greatest accomplishments to date is the qualification of more than 180 chartered accountants (ACNABIN Chartered Accountants, 2022).

2.5.2 Advertising and promotional strategies

The company mostly uses digital media platforms to promote its operations. More precisely, websites like Facebook and LinkedIn. ACNABIN uses these channels to advertise its services to both its target audience and potential workers who are keen to learn about accounting. ACNABIN also has its own official website, which is located at "www.acnabin.com". The website was created so that the general public could learn more about the firm's policies, rules, and motivations. However, ACNABIN doesn't advertise since they don't need to because they have a strong reputation in the industry.

2.6 Financial Performance and Accounting Practices

2.6.1 Financial Performance

ACNABIN chartered accountants maintain their financial performance using a tried-and-true system. Since they are a private limited company, they uphold a stringent policy respecting the secrecy of their financial statements. The company's overall service revenue is growing at a good rate. In contrast to its Bangladeshi rivals, the company has enjoyed a positive turnover during the past five years (ICAB, 2022). ACNABIN has a huge customer base, which contributes to their own sizable revenue.

2.6.2 Accounting Practices

Since ACNABIN is an accounting firm and their everyday activities include doing audits and offering accounting services to a variety of business organizations, they are required to carefully uphold the accounting principles for both themselves and for other people (clients). The Chartered Accountants of ACNABIN adhere to the same accounting standards as ICAB (ACNABIN Chartered Accountants, 2022). All of the years offered for preparing their financial statement have these policies implemented consistently. The firm adheres to IAS 1's presentation of financial statements framework while preparing and presenting financial statements. The following are the key accounting principles that are used to prepare their FS:

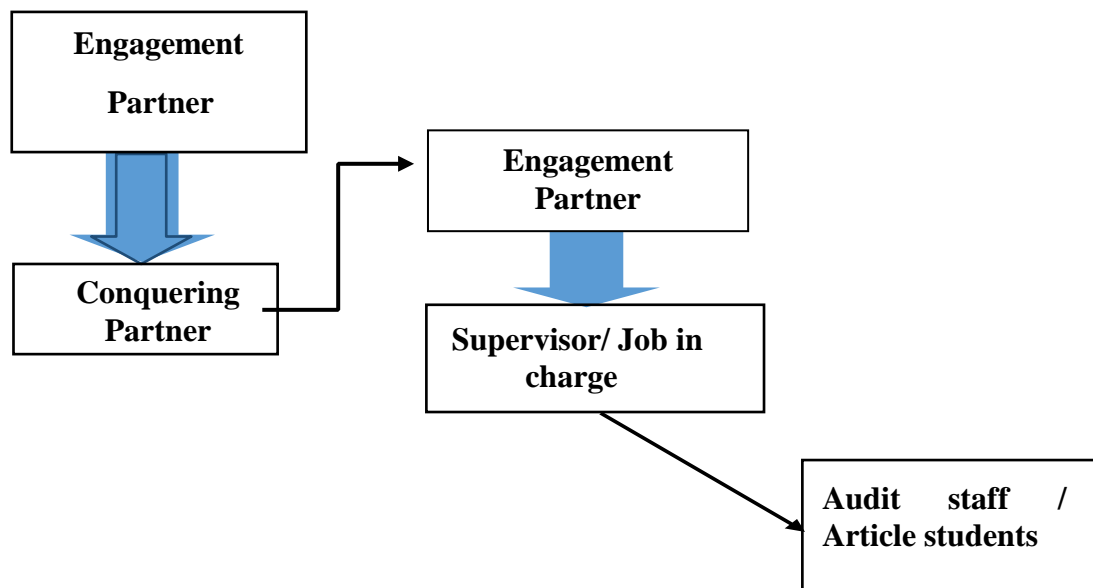
- **Accounting principles:** In this case, the company prepares its financial statements in line with IFRS and other relevant laws and regulations (ICAB, 2022). The statements were additionally created using the historical cost convention method.
- **Accounting Method:** ACNABIN uses the accrual foundation of accounting, just like the majority of other CA firms in Bangladesh. Most of the time, the company records revenue on an accrual basis. However, companies use both the accrual basis and the cash basis concepts to recognize their expenses.
- **Accounting Cycle:** To create their financial statements, the recertified CA businesses adhere to an annual cycle. The period covered by these financial statements runs from July 1, 2020, to June 30, 2021 (ACNABIN chartered accountant, 2018). The company employs a certain fiscal year to keep track of its transactions and adheres to the periodicity assumption. This accounting service provider uses the going concern assumption in their accounting cycle with the conviction that the business will endure forever and continue to generate revenue in the years to come.
- **Depreciation Methods:** The Company measures its fixed assets, such as its furniture fixtures and office equipment, using the decreasing balance approach. Here, the company uses the measurement principle to report the cost of its fixed assets at either fair value or historical cost. The corporation uses "IAS-16: Property, Plant, and Equipment" at a historical cost and subtracts cumulative depreciation to reflect the depreciation expense in their financials. The company does not have any lease assets at its disposal, so their financial statements do not need to include the right to use an asset that is an "IFRS-16" lease property.
- **Accounting Disclosures:** Because ACNABIN chartered accountant is a private limited company, the full disclosure principle is not applied to their financial statements. They are therefore exempt from having to reveal their financial details to anyone outside themselves. They adhere to strong guidelines for protecting the privacy of their financial data. As a result, the company follows "IFRS 7 Financial Instruments:

“Disclosures to Their Stakeholder or the Firm's Partner” but does not provide financial information to any third parties, such as investors.

Operations Management and Information system practices

2.7 Operation management

Operations management is all about managing the team and the process in a way that ensures maximum efficiency (Hazari, A.A 2021). Whether a corporation is a manufacturing one or a service one like ACNABIN, operation management is a crucial area. The primary activity of the ACNABIN chartered accountant is to offer their large corporate client statutory audit service. In addition, businesses offer tax and consulting services in areas where operation is not particularly necessary. Firms use a direct strategy to service their client in these situations. The following is the operation organogram for ACNABIN:



We can see from the above graphic that the firm must adhere to this operating flow in order to execute an annual audit. The business partner initially agrees to an engagement process with the victorious partner. The engagement manager then transfers the job responsibility to the supervisor or job in charge when the conquering partner has passed the audit responsibility to them. The task is then divided amongst the senior article students or audit associates by the job in charge (Nayon, M. R. H. 2015).

Information System Practices

Like any other major chartered firm in the industry, ACNABIN charterer's information system practices are crucial. Information systems are utilized by the business and firm to collect, organize, and communicate data to clients and stakeholders (Hossain, M. 2021). Currently, ACNABIN uses ERP-based information systems to store, gather, and process data for their clients, employees, and stakeholders.

ACNABIN records the daily work activities of their workforce using ERP software. Since each employee at ACNABIN has a unique login for the ERP system, they can apply to enter a job ticket for their upcoming audit customer. The ACNABIN workers can enter their time sheets using this program to track their daily attendance. In order to monitor employee activities and provide compensation appropriately, businesses adopt ERP software (ACNABIN chartered accountants, 2022).

Additionally, ACNABIN has a database of their own where they keep and organize client information. Only the firm partners have access to the database. Since client financial information is kept in the strictest of confidence, no one else would anticipate that the partners would have access to that information from the ACNABIN database. Every CA Company is typically required to keep the audited data in their own database for a period of time greater than or equal to five years (ICAB, 2022). The ICAB's rules must also be adhered to by ACNABIN.

Industry and Competitive Analysis

2.7.1 Porter's Five Forces Analysis of ACNABIN

The porter's five forces analysis of ACNABIN is as follow-

Threat of new entrance: High

In order to offer higher-quality auditing services, new CA firms are establishing in the auditing service sector every year. A few accounting companies have recently entered the audit service industry. For instance, Anika Sultana and Co. is one of the companies that is well-known enough

to be a strong competitor in the sector. Such businesses pose a serious threat to ACNABIN's ability to keep its clients.

Threat of substitution: Low

There is no competitor to ACNABIN chartered accountants in the market. Since neither auditing nor tax planning services have any viable alternatives. Every single significant corporation is required to carry out an annual statutory audit. Particularly for listed firms, an audit of their statement of financial status must be performed once a year (Akhtaruddin, M. 2005). Because of this, the ACNABIN chartered firm is not in danger of being replaced in the market.

Bargaining power of suppliers: Medium

The future CAs or article-ships and the current professionals in the accounting sector are seen as suppliers by Bangladeshi CA firms. Although the partners sign the audit engagement, the students and professionals in this piece actually perform the service. The firm has very little negotiating leverage when it comes to hiring article-ships because the ICAB has a set of policies in place for that. These ICAB policies are very beneficial to businesses like ACNABIN. Businesses must deal with the suppliers' negotiating power while hiring professionals. Due to their extensive experience, experts demand higher compensation for their services. Although many experts prefer to deal with ACNABIN in the market because of their excellent brand value.

Bargaining power of buyers: High

Due to the presence of numerous reputable companies like ACNABIN in the industry, clients of ACNABIN have a significant amount of negotiating leverage. ACNABIN, Hoda Vasi Chowdhury & Co, Syful Shamsul Alam & Co, Qasem & Co, Rahman Rahman Huq, Howladar Yunus & Co, and others are a few of the well-known companies (Scribd. 2022). Clients of accounting companies with current competitors might easily switch firms due to issues with service quality.

Rivalry among existing competitors: High

Firms are reported to exist in Bangladesh, according to ICAB statistics (ICAB, 2021). Because of this, there is intense competition among businesses who are already competitors to win over new clientele. Categories are used to rank the chartered accounting firms in Bangladesh. The three categories that exist today are A category, B category, and C category. The A category firms are regarded as the best in terms of service quality and clientele, whereas C category organizations are recently established businesses with a small clientele and a small staff. However, out of the 164 currently operating firms in Bangladesh, there are more than 50 A category firms. As a result, this shows that ACNABIN, an A category corporation itself, faces intense competition from its current rivals.

2.7.2 Differentiation Strategy

It is evident from the description given above that Bangladesh's accounting service sector is very competitive. The CA firms, like ACNABIN, need to develop a strategy to mitigate this risk as the number of competitors grows daily. ACNABIN approached us with a differentiation strategy that would allow them to tailor the quality of their audit services to each client's needs. This not only improves communication between the businesses and the powerful corporations, but it also potentially offers new business prospects.

2.7.3 SWOT analysis of ACNABIN

The SWOT analysis of ACNABIN is as follows:

<p>Strengths</p> <ol style="list-style-type: none"> 1. Brand value 2. Creating professionals 3. Vast Client list 4. Good Networking 5. Joint Venture 6. Strong linkup 	<p>Weaknesses</p> <ol style="list-style-type: none"> 1. Environment 2. work pressure and deadlines 3. In-experience students 4. Geographical disadvantage 5. Employee retain policy
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Opportunities	Threats
<ol style="list-style-type: none"> 1. Policy Obtain by ICAB 2. Emerging of new business 3. Growing economy 	<ol style="list-style-type: none"> 1. New entrance 2. Client switching 3. Confidentiality 4. Lack of qualified professionals

Figure: SWOT analysis of ACNABIN chartered accountants

- **Strength:** ACNABIN's brand value in the accounting sector is their primary strength. One of Bangladesh's top chartered accounting firms for the past few decades is ACNABIN. In addition, they annually produce a sizable number of competent and professionals in the field of chartered accounting. Additionally, they have a long list of past and present customers. ACNABIN has a strong network among Bangladesh's largest corporations. Additionally, the company is a joint venture partner with BAKER TILLY International, which enhances their branding. Last but not least, the company's current partners have a strong connection to ICAB, which gives them a significant competitive advantage.

- **Weakness:** The working atmosphere of ACNABIN chartered accountants is one of their biggest weaknesses. This renowned accounting firm has a very tough and dynamic work environment. ACNABIN's internal environment is not conducive. Additionally, the professional staff and article students labor under a great lot of deadline pressure, which is not a smart organizational practice. In addition, the poor success rate of the CA profession discourages many people from entering it. Because of this, there is a severe shortage of article students. As a result, businesses send extremely unskilled students immediately to audit tasks. As a result, the assurance quality plummets. A significant geographic advantage also exists because the client office is located far from the home office.

- **Opportunity:** The ICAB recently introduced a few policies that are beneficial to CA businesses. For instance, the ICAB recently unveiled a new DVS policy that aids businesses in efficiently storing their papers (ICAB, 2022). Additionally, the DVC policy, which was developed by ICAB, aids businesses in further supporting their annual report

and statement (Nath, 2022). In addition, a lot of start-ups and foreign companies are setting up shop in Bangladesh. These multinational corporations may eventually become clients of ACNABIN. Additionally, the current expansion of Bangladesh's economy encourages new businesses to expand, which is advantageous for companies like ACNABIN.

- **Threats:** The recent entry of potential CA companies into the accounting service sector poses a serious threat to ACNABIN. As a result, a large number of current clients are changing firms to reduce the cost of their audits. Additionally, because the audit process is carried out inside a group where both professionals and non-professionals work together, it can occasionally be quite challenging to maintain the client's complete anonymity. If customer information became public, the business may file a lawsuit against the firm. Last but not least, the field of CA is severely lacking in trained personnel. Due to the fact that not everyone is eager to pursue CA and that not all CA students go on to become qualified accountants. ACNABIN rarely has a sufficient number of trained specialists, for this reason.

2.8 Summary and Conclusion

Chapter 02 briefly discusses ACNABIN's history, focusing on its vision, mission, and objectives. Additionally, it discusses the services the business offers in several industries. The chapter then focuses on ACNABIN's management strategies, including its leadership style, compensation policy, and measures for employee retention. The chapter goes on to explore ACNABIN's marketing strategies, with a particular emphasis on segmentation, branding, promotion, and service development standards. The chapter's discussion of general recognized accounting principles and practices by ACNABIN as well as the highlights of the last five years in the financial and accounting practice sector. Where we are aware of the ERP system of ACNABIN, it is highly restricted in the operating management and information system division. Last but not the least, the chapter's industry and comparative study emphasizes Porter's five forces, SWOT analysis, and ACNABIN's unique strategy.

ACNABIN chartered accountants, which has been in operation for more than 35 years, is a well-known CA firm in Bangladesh. They have won numerous ICAB honors over their career.

Additionally, they are significantly enhancing the auditing service in the area of Bangladesh.

2.9 Recommendation

While doing audits at the client's office the most of the time throughout my internship, I noticed a few key areas where ACNABIN may improve in the future. The following suggestions are provided:

- ✓ By equalizing the workload for junior and senior article students, ACNABIN may enhance their working environment. They can also create better policies to encourage current employees to stay with the company longer.
- ✓ ACNABIN's human resources must develop a better policy in order to accomplish this.
- ✓ The firm has to hold more training sessions to increase the junior audit associates' productivity. Since a number of new juniors enroll in the firm each year to get a CA degree.
- ✓ Since being a chartered accountant is everyone's top priority, businesses need to develop environments that are more conducive to education for article students.

Chapter-03

Project Part: Impact of Indirect Tax (Value Added Tax) on the Economic Development of Bangladesh.

I learnt a lot throughout the final four years of my bachelor's program at BRAC University, and I eventually sought to apply what I had learned in real life and the workplace. My main goal is to comprehend the ICAB's auditing process along with Tax & VAT compliance and principles. My secondary goal was to learn as much as I could about the Tax & VAT computation & Implication system and overall procedure since I was assigned to conduct an audit on Tax & VAT.

Overview of VAT

Value Added Tax (VAT) is an important source of revenue financing to the government of Bangladesh. It comprises more than 35% of government tax revenue and therefore the government heavily relies on Value Added Tax (VAT). The Value-Added Tax or VAT, is a consumption tax that is imposed on goods and services whenever the value of the goods and services increases or added regardless of where in the production process it occurs or when it is sold at its final location. The tax is further levied when the item is bought and sold in the nation where it will be utilized. VAT is regulated by Value-Added Tax and supplementary Duty Act 2012, Value-Added Tax and supplementary Duty Rules 2016, and other SRO's, notifications and orders. The entire cost of the service and goods, less the costs of any components used in the product that were previously taxed prior to their inclusion in the product, is the amount of value-added tax that the consumer is responsible for paying. A base rate, special rates that only apply to specific goods and services, and exemption status for specific commercial and economic activity or goods and services are all common elements of VAT systems. In the majority of circumstances, the basic rate and the standard rate can be used interchangeably. These characteristics have an impact on the overall effective tax base of the country. One of the factors that will inevitably change in reaction to any tax reform is the potential application of more revenues, which will have an effect on subsequent economic developments. The government can use additional tax revenue for a number of purposes, such as:

- (1) Buying products and services;
- (2) The lowering or abolition of an additional tax;
- (3) The repayment of debt already owed; or
- (4) Upkeep of equilibrium in commercial or central banks

Moreover, unless exempted VAT is chargeable and payable to the government on all goods imported, produced and services rendered in Bangladesh at 15 % except on exports and deemed exports on which tax is imposed at zero percent. VAT has different rates to charge on. For example: on certain services; VAT is charged on reduced rates and/or fixed rates which have been referred in the 3rd schedule of the VAT Act, 2012. VAT Act also addresses required rules and provisions for turnover tax and supplementary duty. So, a significant portion of government revenue comes from VAT, knowing VAT with all technicalities is crucial.

3.1.1 Objective of the Study

The following are the report's objectives:

1. To examine the application process of various taxation methods & VAT imposition of Bangladesh.
2. To determine the impact of Bangladesh's tax structure on the national economy.
3. To determine the effect; the value-added tax has on Bangladesh's economy.

3.1.2 Significance of the study

The reader's will receive a review of the ACNABIN chartered firm's Taxation and VAT calculation procedures in the second chapter of this report. Academic readers can gain some insight into the

culture of the CA firm or the significance of choosing the CA profession as a future career. Additionally, this portion will give some background information about ACNABIN's operations, including management procedures, client retention policies, administrative and IT facilities, and the accounts and financial system. This chapter will give a general overview of CA firms and how they operate in Bangladesh. Additionally, it will provide a general concept of the audit methodology and taxation system now used by my accounting firm.

Rationale of the Study

The final buyer of the good or service is ultimately responsible for paying the value-added tax, which is gathered at every stage of the consumption process. The People's Republic of Bangladesh's government decided to transition from a sales tax to a value-added tax in 1991. The purpose of this was to increase the amount of money available for investment in infrastructure and other types of economic development that stimulated economic growth while also broadening the revenue base of the government. The Government of Kosovo adopted a variety of tax increases, the most notable of which was a rise in the value-added tax (Ebrill, Keen, and Perry, 2001). This was done to reach a state of fiscal balance between the government's income and expenditures. On the advice of the International Monetary Fund, these tax increases were implemented.

Throughout the 1990s, there was a discernible acceleration in the rate at which new members from emerging nations joined the VAT club. The value-added tax has a number of potential advantages, some of which include the effects of indirect taxes, the possibility that it is harder to evade than other types of taxation, and the ease with which it can be justified in the context of international trade. The proportion of a country's total tax burden imposed in relation to its gross domestic product is one of the metrics that is commonly accepted for gauging a country's degree of development. South Asian nations have an average tax rate of 11% when expressed as a percentage of gross domestic product, compared to over 15% in developing nations, 24% in high-income nations, and 30% in industrialized nations.

In Bangladesh, however, this proportion is far lower, accounting for only 9% of the population.

Every country's state budget should be made up of between fifty and eighty percent of tax revenue, as this is the ideal range for this percentage. Since the tax was first enacted in Bangladesh, tax collection should account for the bulk of any state budget.

3.1.2 Scope of the Study

To aid in the development of the hypotheses, a review of pertinent and related online literature from Bangladesh and other nations was conducted. The following three theories explain how domestic product, value-added tax, and gross domestic product, as well as value-added tax and total trade revenue, are related. These theories were created after reviewing the pertinent literature. The following collection of report questions was created in an effort to discover a methodological approach that adheres to the guidelines of the report topic:

1. What effect, if any, do the proceeds from Bangladesh's value-added tax have on the nation's overall economic growth?
2. What kind of impact does Bangladesh's value-added tax have on the total amount of taxes the nation collects annually?
3. What percentage of Bangladesh's overall income can be ascribed to the value-added tax that the country collects?

3.1.3 Literature Review

Since the value-added tax is a consumption tax, the more money someone spends, the more money they will owe in taxes. It is also thought to be a tax that has no bearing whatsoever on the businesses who are subject to it because it does not represent an actual cost to anyone other than the eventual client. Every time a person makes a purchase of goods or services, they are required by law to make a contribution to the government in the form of taxable income. The company or person delivering the taxable goods or services is to be charged this tax on behalf of the government. In recent years, Bangladesh's government has relied more and more on the value-added tax as a source of funding. Therefore, increasing overall revenue collection through the application of the value-added tax should be the main goal of economic policy (Bird and Gendron, 2007). The need to develop an equitable and effective value-added taxation system that can supplement

governmental spending and, as a result, reduce the amount of money that must be borrowed from the general populace, has motivated the tax authorities in charge of collecting taxes. Bangladesh's value-added tax rate has been set in a way that reduces the possibility of adverse consequences on the nation's economic operations. The negative effects of Bangladesh's historically poor rate of tax compliance have been made worse by the country's value added tax system. This has caused some of these issues to come to a head as a result. The basic premise of Kaldor's inquiry, according to Bird, Vazques, and Torgler (2017), is that a country must levy taxes at a rate higher than the 10-15 percent prevalent in many modern nations if it wants to develop. This is what the answer to Kaldor's query indicates.

The authors Bird, Vazques, and Torgler (2017) brought attention to this specific finding. These countries must increase their spending on both economic and social infrastructure if they are to achieve the international goal of meeting the Millennium Development Goals by the year 2018. They must do this in order to reach the overall goal. This is only possible if they increase their efforts to increase tax revenue and increase the necessary amount of public spending as a result of those efforts. Musgrave (2019), Lotz and Morss (2020), Chelliah, Baas and Kelly (2015), and Tait, Gratz and Eichengreen (2019) are a few authors who have authored early papers on tax effort. The advancements described in these early papers date from the 1960s and the late 1970s. Every one of these books was published in the United States of America. According to Musgrave (2019), there are four different ways to assess a developing country's tax performance: "ability to give up method," "efficient resource use approach," "ability to collect approach," or "comparison with average performance or stochastic approach." If what has been said here is accepted, VAT has no issues with its ability to surrender and gather approaches. With particular reference to the state of Lagos as the investigation's focus, this study will shed light on stochastic approaches and effective resource exploitation. Eltony (2019) studied the variables influencing tax effort. He accomplished this by using cross-sectional and time-series data on the economics of 16 Arab countries between 1994 and 2000. Below are presented his findings. The data show that the main variables influencing the proportion of tax revenue contributed to GDP were per capita income, the ratio of agricultural production to GDP, and the ratio of mining output to GDP. The ratio of mining output to GDP was another important element. Numerous other elements, like as the ratio of exports to imports and the overall amount of debt owed to different countries, have also been shown to be

extremely significant. The political system, people's attitudes toward the government, the effectiveness of tax administration, and other governmental institutions all seem to be country-specific factors that have a significant impact on the tax-to-GDP ratio.

Teera (2018) just finished a study in which he contrasted the tax performance of Uganda with that of 18 other Sub-Saharan countries. The goal of the study was to ascertain whether or not the Ugandan government would be able to increase tax revenue. The goal of this study was to ascertain whether it is feasible to increase the amount of revenue collected via taxes for the Ugandan government. The research was able to pinpoint the characteristics that contribute to high and low levels of tax effort by using a model to analyze individual tax shares and then analyzing the pooled data that was used to create an index of tax effort for these countries. By creating a country-specific index of tax effort, this was accomplished. The model should have incorporated the value-added tax into its calculations as a logical addition. The study found that while Uganda's tax effort index for all income taxes was less than one, it was higher than one for taxes on foreign trade and for taxes on goods and services. There is a risk that someone could be persuaded that this is about locating a location for value-added tax, and one might be led to believe this. Emran and Stiglitz (2017) claim that the current consensus is predicated on shaky findings derived from a partial model that disregards the existence of an informal sector and supports the reduction and eventual elimination of trade taxes while relying almost entirely on VAT as the instrument of indirect taxation in developing countries. The majority also supports lowering and eventually doing rid of import and export duties. To be more precise, they contend that the current consensus needs to be reevaluated because it is based on findings from an imperfect model. They cite this as justification for revising the consensus. The findings of a more complete model suggest that, under some plausible hypotheses, the replacement of trade taxes with VAT can result in a decline in welfare. After examining the implications of the model's numerous assumptions, this conclusion was drawn. The statistics, according to the authors, cast serious doubt on the viability of indirect tax reform proposals being pursued by a sizable number of developing countries. Bangladesh, Cambodia, Laos, Myanmar, Nepal, and Sri Lanka are some of these countries.

The scope of Emran and Stiglitz's research was broadened in the article they published in 2020 to include the case of a selected reform of trade tax and VAT in an economy with an informal sector.

This was done in order to explain the investigation's results. "Selective reform," which is frequently used interchangeably with the phrase, refers to changes to the tax code that only apply to a fraction of the things that are subject to taxation. In the context of selective reform, Michael et al. (2021) demonstrate that, under appropriate substitution assumptions, lowering the import tariff on the good with the highest tariff and the highest overall indirect tax burden increases welfare in a tradable-only economy without an informal sector. This is based on the notion that it is regressive to lower the import tariff on the good that is subject to both the highest overall indirect tax burden and the highest tariff rate. This occurs when a decrease in the consumption tax on the good or service with the lowest indirect tax burden is used to make up for the lost revenue. Alternatively, a reduction in the import tariff for the good that is subject to the highest total indirect tax. On the other hand, the current body of research gives absolutely no thought to how a shadow economy would affect the effectiveness of a value-added tax as a method of collecting taxes. This is true despite the fact that the subject is crucial. This is true even if the consequences could have a significant impact, particularly in developing nations.

3.1.3 Methodology

In this particular study, secondary sources of data were used for the compilation of the findings, along with empirical research techniques including descriptive and inferential statistics. The effects of VAT revenue on wealth creation and economic growth in Bangladesh are assessed using descriptive and inferential statistics, respectively. Bangladesh served as the location for both investigations. To determine whether or not the value-added tax aids in the expansion of Bangladesh's economy, a research of time series macroeconomic data using descriptive statistics and multiple regression is carried out. To perform the task of doing an analysis on the data that was gathered for this particular study, Microsoft Excel is used.

3.1.4 Working context of Value Added Tax

The revenue collection through VAT is increasing day by day. Therefore, different methods, rules,

conditions and procedures relating to VAT and other taxes are very important to know. Because clients sometimes expect expert opinions in calculating VAT and other legal requirements of VAT & Tax system. Hence accountants and practitioners should have a clear concept with practical exposure in this area so that they can offer and provide the expert professional service to their clients for their sustainable growth of their business.

3.1.5 Source of Data

Here, I mostly prefer using my own personal experience and data from the time working as an intern and article student at ACNABIN, Chartered Accountants, to put together an overall perspective and analysis of value added tax. It couldn't have been any better to employ experimental analysis of data as a source of data because, in my opinion, experience & practical knowledge work better than theoretical understanding. I have made every effort to present my internship experience in a way that encompasses both the theoretical and practical aspects of data and the general operation of Bangladesh's Taxation and VAT computation system.

Analysis of Data

Value Added Tax System in Bangladesh

Value Added Tax Features in Bangladesh

- ✓ VAT is the tax charged on the value added by a taxpayer
- ✓ Unless exempted VAT is usually paid at 15%
- ✓ VAT will be paid by the importer, supplier and the provider of taxable service
- ✓ VAT is applicable on different rates: Fixed rate, zero rate and reduced rate.
- ✓ There are some specific methods and timeline of payment of VAT
- ✓ There are clear difference between VAT, Turnover tax and supplementary duty.
- ✓ The rate of turnover tax is 4%
- ✓ Input tax is the amount of VAT paid earlier by a taxpayer on his inputs.
- ✓ Supplementary duty is an output tax, in addition to VAT on few luxurious goods and services which are neither essential nor socially desirable.
- ✓ The rate of supplementary duty may vary from 5% to 500% for goods and 5% to 35% for services.

- ✓ Tax burden can't be shifted to another person, but VAT can.
- ✓ The ultimate burden of VAT falls on final consumer.
- ✓ VAT is paid on expenditure rather than income, that's why VAT is sometimes called expenditure tax.
- ✓ VAT can be exempted under section 15(3) of the VAT & SD Act, 2012.
- ✓ On export & deemed export; tax is imposed at 0%
- ✓ The zero rate is actual rate of VAT as like 15%.
- ✓ An entity can claim rebate against zero rated VAT but can't claim rebate against exempted goods or services.
- ✓ Tax paid on inputs is creditable/adjustable against output tax
- ✓ Tax returns are to be submitted on monthly or quarterly or half yearly basis as notified by the Government
- ✓ Supplementary Duty (SD) is imposed at local and import stage under the VAT Act, 1991.
- ✓ VAT is payable at the time of supply of goods and services

Basic Characteristics of Value Added Tax

There are three types of value-added tax used around the world; each is different in the ways that taxes on investment (capital) expenditures are handled. The most common are the consumption method, which allows businesses to immediately deduct the full value of taxes paid on capital purchases. The second is the net income method, which allows gradual deduction of VAT paid on capital purchases over a number of years, much like depreciation. The third type, gross national product method of value-added tax, provides no allowance for taxes paid on capital purchases. As a result of the tax base being roughly equal to private GNP, this sort of tax gets its name. The consumption method is most popular with the general public since it taxes income from labor and capital more equally and encourages capital formation.

Theoretically, all types of productive input are neutral in value-added tax systems with a uniform rate. To address political, economic, and social needs, nations all over the world have had to adjust the VAT system with a variety of rates and exemptions. Most countries do not impose taxes on basic goods like food, medicine, and housing. Additionally, because value added tax is difficult to calculate, professional services like banking, accountancy, and insurance are frequently exempt.

The zero tax rates on exports represent the biggest departure from uniform tax rates. Many countries do not add taxes to the final selling price of exports because they anticipate that taxes will be applied at the product's final destination. The VAT is levied on imported goods as restitution. Consequently, nations that cooperate strive for more balanced trade.

VAT Registration

For every location a business has, VAT registration is required. If the taxable person's yearly turnover surpasses taka 3 million, they must submit an application in a certain format to the VAT authority. A unique certificate issues a registration number to the taxpayers. The activity codes that the person is associated to are included in the registration certificate along with additional information. The taxpayers utilize the registration numbers in their business dealings. Registrations are free of charge and do not need to be renewed. Anyone outside of VAT or with an annual turnover of less than 3 million taka may also voluntarily apply for registration. Any registration may be revoked if the applicant closes shop or is determined to have an annual revenue of less than 3 million Taka.

How VAT system works?

A proportion of the value added to products or services is used to calculate VAT. From basic manufacturing through final consumption, it is based on the value of consumption charged at each point of transaction for products and services. Therefore, no one is required to pay any VAT out of his own pocket, with the exception of the end customer. Because whoever paid the VAT at the time of purchase, other than the end consumer, is responsible for collecting that amount from those who would purchase his goods or utilize his services, as well as for collecting tax on any value he adds before selling. Because value addition is highest at the last stage, VAT collection rises at every stage as a result. When any products or services are purchased for ultimate consumption and the consumer is required to pay the full amount of VAT, this value addition comes to an end. The tax is transferred to the next party's shoulders at each point of the transaction in the form of a higher price that comprises of the selling price plus the VAT amount. This proves that the final consumer is responsible for paying the entire VAT.

Now we observe the basic procedure of VAT system is explained below with an example assuming

five layers of transaction from importer to final consumer:

Consumer	Value of Input/Import	Processing Cost	Profit	Value of Output/Sales	VAT paid on input/Rebate	VAT Levied on output/sales	Total invoice price including VAT	VAT paid/payable at different stage
A	B	C	D	E=(B+C+D)	F=B*15%	G=E*15%	H=E+G	I(G-F)
Importer	100	10	20	130	15	19.5	149.5	19.5
Producer	130	35	15	180	19.5	27	207	7.5
Wholesaler	180	5	20	205	27	30.75	235.75	3.75
Retailer	205	5	15	225	30.75	33.75	258.75	3.00
Final Consumer	225	-	-	-	-	-	-	-
Total								33.75

The computation of VAT at various stages is shown in the above table. The VAT due at column (I), with the exception of importers, is determined by subtracting the VAT paid on input (F) from the VAT charged on output (G). In the example of the importer, the procedure has begun with him, and at this point, the importer is in charge of paying VAT to the government treasury. However, the importer has obtained from his client, the producer, the whole amount of VAT that was paid to the government. Therefore, the manufacturer now bears the burden of the VAT. In other situations, such as when a producer must pay Tk. 7.50 in VAT, the amount has been calculated by subtracting the Tk. 19.50 in VAT that the producer had to pay at the input stage from the Tk. 27 in VAT that must be collected from the wholesaler. In other words, aside from importers and end consumers, this is exactly the same 15% of value addition (C+D) by the producer (15% of TK. 50) as in all other circumstances. The final customer must therefore bear the full burden of the VAT.

Though the above illustration gives a view that, VAT is a very simple system of taxation for the taxpayer and the government but practically this illustration reflects the system partially. Because in Bangladesh; exceptions in VAT system are observed due to the presence of reduced rate, fixed amount of VAT and VAT exemptions etc.

Role of Indirect Taxes in Developing countries

In comparison to economies of more developed countries, direct taxation has a far smaller impact on less developed countries' economy. Developing nations struggle to generate enough revenue through direct taxation due to a small tax base and the high costs associated with enforcing taxes, in contrast to developed nations that generate two thirds of their total tax revenue through direct

taxation of personal income and contributions to social security. In contrast, modern nations directly tax personal income and collect social security contributions for two thirds of their overall tax revenue. The majority of a person's taxable income is comprised of their wages and salary from working in the public sector. This is because every other taxpayer is either self-employed or owns a small business, both of which are free from paying any income tax at all. People working for larger businesses must pay the full income tax rate. Additionally, it is not at all difficult to avoid paying tax on income derived from personal assets.

About two thirds of the annual tax revenue received in underdeveloped countries comes from indirect taxes⁹. Along with excises and sales taxes, these include trade taxes, value-added taxes, and sales taxes (Barbone, Bird, and Vázquez Caro, 2012). The remaining one-third is nearly completely made up of various taxes levied against businesses. Since the 1980s, developing countries have undergone sporadic tax changes in which domestic consumption taxes, most notably the value-added tax, have gradually supplanted trade tariffs. In order to improve macroeconomic stability and bring the advantages of free trade to countries who are still developing their economies, trade tariffs were converted into domestic consumption taxes (Keen, M., 2013). It was completed. Taxes on exports are usually viewed as ineffective because they deter domestic manufacturers from exporting their products abroad since they put them at a competitive disadvantage compared to manufacturers in other nations. Due to the fact that it does not distinguish between domestic and imported items, the value-added tax, often known as VAT, was thought to be more effective than import taxes. Local customers will now be able to benefit from price reductions brought on by improved competition between domestic and foreign firms thanks to the abolition of import duties. Additionally, the competition pushes local firms to raise their production levels and concentrate on the areas of the market where they have a competitive advantage.

Current Tax Policy in Bangladesh

Effect of Tax Policy on the People of Bangladesh

One of the main obstacles to attaining economic growth in developing countries has been seen as a heavy reliance on indirect taxes, which has been seen as one of the main bottlenecks. The primary aspect that causes this issue is the fact that just a tiny percentage of people are responsible for

paying taxes. No exceptions are made for Bangladesh, which has been making comparable attempts to change its tax structure through the process of structural adjustment for a considerable amount of time. It has come under growing pressure to offer suggestions for actions that should be made to create the desired tax structure. In this way, Bangladesh is not an exception. The majority of people reside in situations that would be considered to be defined as "extreme poverty," and there is a large economic gap between the various population groups. At the end of the day, only a relatively small percentage of corporations and individual taxpayers are responsible for paying taxes. Therefore, developing a system of taxation that is both broad and effective is a very desirable goal for the government. In order to support the continuance of such an effort, this study seeks to better understand how income taxes is burdened in Bangladesh. The purpose of the study is to investigate how the burden of income taxation in Bangladesh is distributed (Thomas, A., 2020). The principal mechanism through which an economy may mobilize its own resources as well as resources from other economies is through the imposition of taxes. Bangladesh's revenue structure has frequently been characterized by high import and excise tariffs as a result of the fact that it has been burdened for a significant amount of time by taxes derived from indirect sources. This is because of the fact that Bangladesh has been burdened for a significant amount of time by taxes. To meet the challenge posed by globalization, the governments of many countries, including these, have been forced to reduce the amount of such tariffs and levies. Lowering the intensity with which they are used is part of this. It appears that the government may be compelled to levy additional taxes, either directly or through the VAT. These two choices are both viable solutions.

In place of the sales taxes that had previously been in place, Bangladesh introduced the value-added tax, or VAT, for the first time in 1991. This is still regarded as the most important change that Bangladesh's tax system has ever undergone. The only other activity that has the potential to be profitable is income taxation, which accounts for the great bulk of taxes collected directly. Despite having a population of more than 133 million, just 1.25 million people in Bangladesh are officially registered as taxpayers. The Internal Revenue Code has an excessive number of deductions, exclusions, and credits, and the tax base is considerably too low. Even though it only contributes 25% of GDP and collects virtually no income tax, the agricultural sector is responsible for employing more than 60% of the workforce. Whether or not this business receives more protection is still up for debate, and if it does, doubts about how long it will last and for how long

it will continue remain. Many wealthy individuals claim that their whole source of income is from agriculture, and many even wealthier individuals attempt to avoid paying taxes by making this claim. Both of these parties are making an effort to take advantage of the system. It is general knowledge that only a very tiny fraction of people in Bangladesh, even among those who are formally registered as taxpayers, pay any tax at all in the form of income taxes. This is true even among the population of Bangladesh who are taxpayers. Higher rates almost always come with an uneasy feeling, which is most likely caused by the fact that the corporate sector provides the majority of the money toward income taxes. It is believed that around one hundred overseas investors are responsible for providing sixty percent of the total revenue to the exchequer of Bangladesh. The great majority of income is deducted from earnings at the source through a procedure known as withholding tax, and the tax rates are often progressive (Gastaldi, F., Liberati, P., Pisano, and Tedeschi, 2017).

The Bangladeshi government is regarded as having paid the employees' income taxes because the remuneration that Bangladeshi government employees get is less than the average for their industry. Even though the laborers are employed by the Bangladeshi government, this is the case. When it comes to the private sector, on the other hand, these kinds of payments are considered to be income. As a consequence, the amount of tax burden that employees of private enterprises are responsible for paying is raised. This is unjust and definitely gives employees of private enterprises the incentive to dodge or get out of paying their due amount of taxes. Due to the fact that relatively few people in Bangladesh really shoulder the financial responsibility of paying income taxes, the Bangladeshi government faces a substantial obstacle in its efforts to divide the tax burden in a manner that is fair to all taxpayers.

Direct Tax Contributes Only a Small Portion of the Tax Revenue

The two main components of Bangladesh's system for producing taxable revenue are direct and indirect taxation. Direct tax payments must be made to the appropriate revenue authorities by a specific person. Indirect taxes are those that are passed on by the tax payer so that someone else eventually bears the cost of the tax, as opposed to direct taxes, which are paid directly by the tax payer and cannot be transferred to anyone else. Sales taxes, excise taxes, and value-added taxes are examples of indirect taxes. The value-added tax, sometimes known as sales tax, which is paid

by retailers but eventually passed on to their customers, is one example of this. To put it another way, there are many different ways that indirect taxes are levied against consumer spending. Regressive taxes are those that take a larger share of an individual's income in response to their level of wealth. An indirect tax is one type of regressive tax since it is imposed through other methods. Each person is required to pay the same amount toward the VAT. When taxes are buried in prices, no one notices that they are paying them, so indirect taxes do not promote the development of civic awareness in the minds of tax payers. This is due to the fact that nobody is aware they are paying taxes. Direct taxes, on the other hand, provide taxpaying citizens the impression that they are supporting governmental spending, which promotes the development of civic awareness. Taxpayers feel more responsible for their communities as a result. When it comes to direct taxes, there is a tight and personal relationship between the taxpayer and the organizations in charge of collecting the money. One-third or more of the taxes paid in the country are direct taxes. However, in the case of indirect taxes, there is a relationship that is not direct between the person paying the tax and the organizations in charge of collecting it. This is due to the fact that indirect taxes are illegally collected through the merchants' agency. The existence of indirect taxes may be the cause of this.

Review of Economy

Effect of Tax on the Economy

In comparison to other developing nations, Bangladesh has one of the lowest total tax burdens of any emerging nation. As a result, Bangladesh and other countries with low tax rates are not making the most of their tax revenues, and as a result, they have the power to finance fiscal imbalance by raising tax revenues. This has important policy implications since it demonstrates that Bangladesh and other countries with weak tax systems are not making the best use of their tax revenues. Many countries are impacted by this problem, including the United States. Bangladesh has the ability to increase the amount of money it receives from direct and indirect taxation, as evidenced by the fact that the country's tax effort index for both direct and indirect taxes is less than 0.6. It is possible to draw this conclusion since Bangladesh's tax effort index is less than 0.6. Any income from poultry, fishing, or other comparable businesses shall not be subject to income tax until the month of June 2021, in accordance with the terms of the current agreement. This clause is being applied

in a way that does not in any way display discrimination. By using this technique, a sizable amount of money that was obtained illegally is brought into the market and made available for use in the economy. It has been found that many businesses in Bangladesh are reluctant to distribute dividends to shareholders on a regular basis rather than holding onto their earnings to meet tax obligations. Bangladesh has reported seeing this behavior. In actuality, a small segment of the population has a higher marginal rate than the entire population as a whole. In the case of Bangladesh, the taxpayers in question are made up of small- and medium-sized producers and dealers. A significant amount of investment capital in Bangladesh is exempt from taxes due to a tax amnesty program, which creates another issue for that nation. Indirect taxes make up the largest portion of overall tax receipts when compared to direct taxes, and NBR receipts represent about 83.6% of the entire amount taken in. It is expected that the rise in gross tax income that is likely to happen during FY20-21 would be 21% greater than the increase that happened during FY21-22. Only 24.1% of the total revenue is contributed by income tax. As of the end of the FY20–21, NBR revenue made up 67.1% of total revenue. Only 20.0% of the total revenue is contributed by income tax. It is estimated that 275.61 billion taka will be collected in income tax for the upcoming fiscal year, or FY20-21. In comparison to the initial budget for the fiscal year that concluded the year before this one, this represents an increase of 65.56 billion taka. According to predictions, the government would get 343, 04 billion taka in VAT revenue. For the current fiscal year, this represents an increase of 72.12 billion Taka over the baseline budget (Zhang, F., Zhu, L., Li, Z., Wang, S., Shi, J., Tang, W., Li, N. and Yang, 2021). The most recent budget, which was just passed, does away with the provision of a tax break for readymade clothing, textiles, and a wide range of other historically based businesses. Despite the fact that this percentage is already zero for all earnings from exports aside from those listed below, the current budget asks for the application of a tax at the source equivalent to 1.50 percent of all earnings from exports other than those from RMG. In contrast, the proposed budget would allocate 56.2% of the total budget for both non-development and development, raising the tax-to-GDP ratio to 13% in order to raise 918.70 billion Taka in tax revenue.

Value-added tax collection has a target amount of 343.04 billion taka, income tax collection has a goal amount of 275.61 billion taka, and import has a goal amount of 126.34 billion taka. Even if the cost of other utilities has increased since last year, the fact that income tax revenue has

decreased by 3.9% indicates that income has been more stable. However, the cost of other utilities has increased. It indicates how quickly the rate of inflation is increasing. The current fiscal year will fall 65.56 billion taka short of the government's projected higher income tax receipts. The budget deficit would significantly increase as a result of this. It is a positive sign for the future of our economy because people are willing to pay VAT in order to support the development of the country. A rise from the amount of VAT collected in the prior fiscal year is expected, bringing the estimated value-added tax collection to 343, 04 billion taka. This implies that people are willing to pay the value-added tax. Despite the fact that there was no such tax in place during the previous fiscal year, the most current budget asks for the application of a tax at the point of origin equal to 1.5% of all export earnings (Akhmadeev, R.G., Bykanova, O.A. and Salomadina, P.S., 2019). This adjustment will lessen the current discrepancy between the total amount of exports and imports that make up the balance of payments. The current fiscal year's non-NBR tax collection is expected to increase by 663 crore taka, which indicates that people are becoming more eager to make a difference for the welfare of the nation. The overall rate of tax revenue was found to have increased by 13.41% when compared to both the actual budget and the modified budget for the previous fiscal year. This degree of achievement establishes a new high point in Bangladesh's lengthy and renowned economic history. The fact that the rate is rising shows that more people may be motivated to support sectors like narcotics, land paper, non-judicial paper, and motor vehicle tax.

Effect of VAT on the Economy

Bangladesh's entire tax burden continues to be dominated by direct and indirect taxes. Although VAT is a multi-point tax system, double taxation is not a factor. At each point of sale, tax is charged at the specified rate. In a system of value-added taxation, the tax is computed at various stages of a good's manufacture and distribution. Depending on the value generated at each point of production and distribution, it is collected in installments. Due to the fact that an input is only charged once, VAT avoids the cascading effect, which is the main drawback of a generalized taxing system, such as excise and sales tax. Due to the inclusion of commodities like wages, interest, profits, etc. in its basis, VAT has multiple goals, the primary one being the ability to increase revenue. Additionally, it will increase the indirect tax system's level of discipline. Additionally, it is essential that VAT address the shortcomings of the current system.

But overcoming every shortcomings VAT is still doing a very healthy job for the economic development of Bangladesh. For example, for the fiscal years 2019–2020, 2020–21, and 2021–22, import taxes made up 51.57 percent, 55 percent, and 54.34% of the total amount of revenue collected, respectively. Import duties, sales taxes, value-added taxes, and other charges levied at the time of importation made up the components. The legislative and administrative framework governing both of these taxes is the same, which is a situation that is unusual in the vast majority of other countries. This approach, which is unusual for Bangladesh, applies to both of these taxes and is governed by the same legal and administrative framework in Bangladesh. In addition to the value-added tax, which is also referred to as "supplementary duty," and a turnover tax, which is a type of sales tax that does not allow for input tax credits and which is calculated on a demonizes basis, there is also a tax that is structured similarly to an excise and is known as "supplementary duty." This final tax has been integrated within the VAT Act for reasons pertaining to enforcement and administration, but in all other respects, it is considered as if it were a different tax. The reason that this tax has been incorporated under the VAT Act is because of these reasons. The VAT regime has become much more complicated as a result of the consolidation of these three levies under one roof. This assumes that the three parts are viewed as forming a single tax system. This VAT system is rather simple in comparison to the intricate ones used in other countries. Both manufactured and imported goods, as well as their wholesale and retail sales, are subject to a standard 15% value-added tax at the moment of supply of taxable goods or services.

Both wholesale and retail sales of these commodities are subject to this tax. There is also a tax on the rendering of services. The tax paid on inputs may be deducted from the output tax amount to calculate the amount of value-added tax that is owed. The value-added tax return must be filed either monthly, quarterly, or biannually depending on the sort of business, for example, one that manufactures bricks. None of the nation's exports are subject to taxation. Bangladesh uses a number of different VAT rates in addition to the current zero-rate that are referred to as "reduced rates" or "truncated rates." Together with the current zero-rate, these rates are available. The difference in financial value that remains after deducting the value of outputs from the value of those inputs for which tax has already been paid constitutes the tax base for Bangladesh's value-added tax. In Bangladesh, a consumption-based profit-and-loss accounting value-added tax system

has been put into place. In contrast to systems based on income or gross product, which stipulate that the VAT should only apply to consumer goods and not capital goods, this system was adopted by Bangladesh. Contrasting this would be a tax system that is based income or gross product (Benedek, M.D., De Mooij, and Wingender, 2015). This has been done to prevent any preference from being shown for any one way of completing the statement, and it has been successful in doing so. The destination concept has been included into the regulatory framework for international trade, in contrast to the origin principle.

The origin principle is in conflict with this. Due to this, a value-added tax, also known as a VAT, has been implemented on any value added in connection with goods that are meant for consumption by Bangladeshi customers, regardless of whether the value was contributed locally or globally. Value-added tax is only levied on imports under this arrangement; exports are exempt from paying any taxes. The framework of the consumption-based VAT model can handle the destination idea. Adopting the destination principle is advantageous for a number of reasons, including the following: it prioritizes employment over consumption; it ensures fair treatment of domestic and imported goods by taxing both at the same rate when used for domestic consumption; and it promotes economic growth. The destination principle should be given precedence in a nation like Bangladesh where the currency rate does not fluctuate drastically and where the costs of the factors also do not alter too significantly. Due to its compatibility with a consumption destination type of VAT in terms of how a tax-paying corporation may determine its tax burden, the invoice or tax credit method, as opposed to the account-based technique, has been implemented in Bangladesh. Contrast this with the account-based system, which was abandoned because it was incompatible with the VAT consumption destination type. The account-based approach, in contrast, is not being described here because it has not been implemented in Bangladesh. By employing the tax credit method, value addition is not directly calculated. Instead, to calculate the overall amount of net tax that must be paid, the tax rate is applied to a component of value added, including inputs and outputs, and the related tax liabilities are deducted from one another. Some other advantages of utilizing this strategy include the fact that the tax liability is connected to the transaction, the fact that the invoice serves as the primary piece of documentation proof, and the fact that it creates a clear audit trail. In contrast to the account-based VAT strategy, which would give priority to the annual period, the method may be applied to any tax period, whether it be

monthly or quarterly (Pagac, M., Hajnys, J., Ma, Q.P., Jancar, L., Jansa, J., Stefek, P., and Mesicek, J., 2021). Since Bangladesh's accounting system is lacking at many other levels of operation in the nation, the value-added tax that is paid on goods was only allowed to be collected at the stages of import and manufacture. This would result in a substantial decrease in the number of registered dealers, a simplification of the administrative process, and a rise in the visibility of taxed goods. The fact that this scenario's revenue base is so small suggests a higher tax rate as one of its downsides. One of the problems with this scenario is that.

Another potential negative is that it might be feasible for a company to deceive wholesalers or retailers about the true worth of its sales, which would reduce the amount of money that is collected through VAT. Bangladesh's value-added tax, or VAT, rate was set at 15% across the board. The actual VAT rate will differ from the regular rate of 15% after the turnover tax and the reduced VAT rates are taken into account. This is due to the fact that the amounts projected using the shorter rates will not exactly match the amounts of value-added that will actually be created. Although it is not a VAT in the strictest sense, the extensive list of exclusions and the additional tax help to reduce the progressive effects of the single rate of VAT. Value-added tax is not applied to foods like rice, lentils, and others that are frequently consumed by lower-income people in Bangladesh. This is done to combat any regressive issues that might result from the tax. At the same time, it is required to levy a "supplementary charge" at a higher rate on some products that are considered to be excessively lavish or socially unacceptable in order to make the value-added tax system more equitable. According to the degree of difficulty involved in its development, the quantity of human resources it will require, and the effects it will have on the society, the implementation of a value-added tax in Bangladesh will be one of the most significant projects of its kind ever carried out in this country. This is due to the possibility that Bangladesh's introduction of a value-added tax may significantly affect the nation's economic situation. Every country imposing a value-added tax would create a considerable barrier for the collection of taxes. Specialized treatment is necessary to address the challenges of transitioning, and this care often lasts three to four years. The advantages of the system will enter their full operational phase and become accessible to users as soon as the transitional phase is through and the basis has been solidly built. Therefore, it is crucial to make every effort to firmly implement the system, make the required adjustments, and integrate the system into the nation's socioeconomic mosaic in a way

that is as assured and as seamless as is humanly feasible. Additionally, it is crucial to make every effort to securely establish the system, implement the required reforms, and incorporate the system into the socioeconomic mosaic of the nation. By doing this, the distortions caused by taxes and their related policies will be eliminated, allowing for the expansion of the industrial sector along lines that are economically sound. At the same time, enough revenue will be generated to help the nation become less reliant on foreign assistance and more self-sufficient.

Findings

I'll try to incorporate what I've learned from my internship, what I found challenging or technical, and put my emphasis on my practical findings rather than written or bookish stuff in this section.

I have prepared & learned performing a VAT audit, monthly VAT Return of ACNABIN, Chartered Accountants, Filing Mushak 6.1 & 6.2, and Issuing VDS certificate (Mushak 6.6), monthly TDS statement, preparing withholding Tax Return, 108-Salary statement, submitting VAT return on the VAT online portal in VAT software, e-TDS software operation and challan & Mushak 6.3 preparing. Now I will try to present my findings that I have gained during this internship period while working in different clients.

❖ VAT Audit of an International client:

During my internship I had an opportunity to conduct a VAT audit of an international (South Korean) client. Though I was quite unexperienced in that sector at that time, still I have learned a lot during the VAT audit.

Firstly, there was an issue with the NBR & our international client about VAT liability of the client. Our client was involved in construction work and they had assigned sub-contractor and sub-sub-contractor for doing their work. But it was not clearly mentioned in VAT and SD ACT that whether sub-contractor & sub-sub-contractor need to pay any VAT or not. It was only mentioned that the main contractor needs to pay the VAT on the basis of the value addition. So, therefore, as it was not clear about the VAT liability of such construction organization while they were assigning sub-contractor and sub-sub-contractor for their work, NBR had claimed extra VAT for assigning such sub-contractor and sub-sub-contractor when our client was denying to do so as it

was not mentioned clearly anywhere in the Act. So, it was an interesting & learning VAT audit case for me.

At first we had analyzed the ledger with their financial statement to determine whether the ledger amount heads matches with the FS amount heads or not. Then we examine their test of control and test of details through few substantive procedures by checking their vouchers, VDS certificate (Mushak 6.6) and contract agreement with sub-contractor and sub-sub-contractors they had assign. Finally, after proper documentation and measurement, we have calculated the VAT liability they should have to NBR and also compare that with the claimed VAT liability by NBR. After all the calculation, analyzing and performing the audit procedures; our calculated VAT liability for our client was 12.65 million TK. while NBR was claiming 28.5 million TK. VAT on their assigned sub-contractor & sub-sub-contractor.

With all the calculation, documents and evidence we have collected; we appealed to NBR for revaluation the VAT liability and the case has still been in the running for final order.

❖ Preparing VAT Return of ACNABIN, Chartered Accountants:

I have prepared few VAT returns of ACNABIN, Chartered Accountants during my internship period. Through preparing the VAT return; I have learned & experienced a lot of new things that I am sharing in this report.



**GOVERNMENT OF THE PEOPLE'S REPUBLIC OF BANGLADESH
NATIONAL BOARD OF REVENUE**

Mushak-9.1

VALUE ADDED TAX RETURN FORM
[See rule 47(1)]

Part-1: TAXPAYER'S INFORMATION

1	BIN	:	000127163-0203
2	Name of Taxpayer	:	ACNABIN, Chartered Accountants
3	Address of Taxpayer	:	BDBL Bhaban (L-13), 12 Kawran Bazar C/A, Dhaka-1215
4	Type of Ownership	:	Partnership Firm
5	Economic Activity	:	Service Renderer

Part-2 : RETURN SUBMISSION DATA

1	Tax Period	:	June 2023
2	Type of Return [Please select your desired option]	:	A) Main/Orginal Return (Section 64) <input checked="" type="checkbox"/> B) Late Return (Section 65) <input type="checkbox"/> C) Amended Return (Section 66) <input type="checkbox"/> D) Full or Additional or Alternative Return (Section 67) <input type="checkbox"/>
2a.	Economic Activity is Trader or approved wholesaler and want to pay VAT at the rate of 5% or 1.5%. [If "No" is selected please fill up the full Mushak-9.1 form]	:	YES <input type="checkbox"/> NO <input checked="" type="checkbox"/>
3	Any activities in this Tax Preiod? [If Selected "No" please Fill only the relevant Part]	:	YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>
4	Date of Submission	:	16-Jul-2023

Part-3: SUPPLY - OUTPUT TAX

Name of Supply	Note	Value (a)	SD (b)	VAT (c)	
Zero Rated Goods/Service	Direct Export	1	15,000		Sub-form
	Deemd Export	2	20,000		Sub-form
Exempted Goods/Service		3	80,000		Sub-form
Standard Rated Goods/Service		4	500,000	75,000	Sub-form
Goods Based on MRP		5			Sub-form
Goods/Service Based on Specific VAT		6			Sub-form
Goods/Service Other than Standard Rate		7			Sub-form
Retail/Wholesale/Trade Based Supply		8			Sub-form
Total Sales Value & Total Payable Taxes	9	615,000		75,000	

Part-4: PURCHASE - INPUT TAX

- (1) If all the products / services you supply are standard rated, fill up note 10-20.
 (2) All the products/services you supply are not standard rated or input tax credit not taken within stipulated time period under section 46, fill up note 21-22.
 (3) If the products / services you supply consist of both standard rated and non-standard rated , then fill up note 10-20 for the raw materials that ware used to produce / supply standard rated goods / services and fill up note 21-22 for the raw materials that ware used to produce / supply non-standard rated goods / services and show the value proportionately in note 10-22 as applicable.

Nature of Purchase	Note	Value (a)	VAT (b)	
Zero Rated Goods/Service	Local Purchase	10		Sub-form
	Import	11		Sub-form
Exempted Goods/Service	Local Purchase	12	15,000	Sub-form
	Import	13		Sub-form
Standard Rated Goods/Service	Local Purchase	14	5,000	750
	Import	15		Sub-form
Goods/Service Other than Standard Rate	Local Purchase	16	10,000	1,500
	Import	17		Sub-form
Goods/Service Based on Specific VAT	Local Purchase	18		Sub-form
Goods/Service Not Admissible for Credit (Local Purchase)	From Turnover Tax Units	19		Sub-form
	From Unregistered Entities	20		Sub-form
Goods / Service Not Admissible for Credit (Taxpayers who sell ONLY Exempted / Specific VAT and Goods /Service Other than Standard Rate / Credits not taken within stipulated time)	Local Purchase	21	100,000	Sub-form
	Import	22		Sub-form
Total Input Tax Credit	23	130,000		2,250

Part-5: INCREASING ADJUSTMENTS (VAT)

Adjustments Details	Note	VAT Amount	
Due to VAT Deducted at Source by the supply receiver	24	4,000	Sub-form
Payment Not Made Through Banking Channel	25		
Issuance of Debit Note	26		2,250
Any Other Adjustments (please specify below) VAT on office rent	27		1,000
Total Increasing Adjustment	28		7,250

Part - 6: DECREASING ADJUSTMENTS (VAT)

Adjustments Details	Note	VAT Amount	
Due to VAT Deducted at Source from the Supplies delivered	29	15,000	Sub-form
Advance Tax Paid at Import Stage	30		Sub-form
Issuance of Credit Note	31		
Any Other Adjustments (please specify below)	32		
Total Decreasing Adjustment	33		15,000

Part - 7: NET TAX CALCULATION				
Items	Note	Amount		
Net Payable VAT for the Tax Period (Section- 45) (9C-23B+28-33)	34	65,000		
Net Payable VAT for the Tax Period after Adjustment with Closing Balance and Balance of from 18.6 [34-(52+56)]	35	65,000		
Net Payable Supplementary Duty for the Tax Period (Before adjustment with Closing Balance) [9B-38-(39+40)]	36	-		
Net Payable Supplementary Duty for the Tax Period after Adjusted with Closing Balance and Balance of from 18.6 [36-(53+57)]	37	-		
[Increasing Adjustment of Supplementary Duty]	38	-		
[Decreasing Adjustment of Supplementary Duty]	39	-		
Supplementary Duty Paid on Inputs Against Exports	40	-		
Interest on Overdue VAT (Based on note -35)	41	-		
Interest on Overdue SD (Based on note -37)	42	-		
Fine/Penalty for Non-submission of Return	43	-		
Other Fine/Penalty/Interest	44	-		
Payable Excise Duty	45	-		
Payable Development Surcharge	46	-		
Payable ICT Development Surcharge	47	-		
Payable Health Care Surcharge	48	-		
Payable Environmental Protection Surcharge	49	-		
Net Payable VAT for treasury Deposit (35+41+43+44)	50	65,000		
Net Payable SD for treasury Deposit (37+42)	51	-		
Closing Balance of Last Tax Period (VAT)	52	-		
Closing Balance of Last Tax Period (SD)	53	-		
Part - 8: ADJUSTMENT FOR OLD ACCOUNT CURRENT BALANCE				
Items	Note	Amount		
Remaining Balance (VAT) from Mushak-18.6, [Rule 118(5)]	54	-		
Remaining Balance (SD) from Mushak-18.6, [Rule 118(5)]	55	-		
Decreasing Adjustment for Note 54 (up to 30% of Note 34)	56	-		
Decreasing Adjustment for Note 55 (up to 30% of Note 36)	57	-		
Part - 9: ACCOUNTS CODE WISE PAYMENT SCHEDULE (TREASURY DEPOSIT)				
Items	Note	Account Code	Amount (Tax)	
VAT Deposit for the Current Tax Period	58	1-1133-0010-0311	65,000	Sub-form
SD Deposit for the Current Tax Period	59			Sub-form
Excise Duty	60		-	Sub-form
Development Surcharge	61		-	Sub-form
ICT Development Surcharge	62		-	Sub-form
Health Care Surcharge	63		-	Sub-form
Environmental Protection Surcharge	64		-	Sub-form
Part - 10: CLOSING BALANCE				
Items	Note	Amount		
Closing Balance (VAT) [58-(50+67) + The refund amount not approved	65	-		
Closing Balance (SD) [59-(51+68) + The refund amount not approved	66	-		
Part - 11: Refund				
I am interested to get refund of my Closing Balance	Items	Note	Yes <input type="checkbox"/>	No <input type="checkbox"/>
	Requested Amount for Refund (VAT)	67		
	Requested Amount for Refund (SD)	68		
Part - 12: DECLARATION				
I hereby declare that all information provided in this Return Form are complete, true & accurate. In case of any untrue / incomplete statement. I may be subjected to penal action under the Value Added Tax and Supplementary Duty Act, 2012 or any other applicable Act prevailing at present.				
Name	:	A.S.M Nayeem, FCA, FCCA		
Designation	:	Partner		
Mobile Number	:			
National ID / Passport Number	:	2696536931576		
Email	:	acnabin@bangla.net		
Signature [Not required for electronic submission]	:			

As per Section 64 of the Value Added Tax (VAT) and Supplementary Duty (SD) Act, 2012 and Rule 47 of the VAT and SD Rules, 2016, ACNABIN Chartered Accountants, shall file monthly VAT return for each VAT period within a period not exceeding 15 (fifteen) days after such VAT period expires. There are 12 parts and 64 notes in a VAT return. But before starting the return we have to collect few information from our ACNABIN admin panel to organize the data and starting our work. These information are:

- Sales information from ERP for the period (Every 1 month)
- Copy of master file (both audit and tax) of that month
- All sales invoices (Mushak 6.3) of the period
- Purchase invoices and Mushak-6.3
- VAT Deducted at source certificates (Mushak-6.6) regarding the amount of VAT deducted by the clientele of ACNABIN
- Mushak 6.7 if ACNABIN issues any credit note to its client (if any)
- Mushak 6.8 if ACNABIN issues any debit note to its client (if any)
- VAT exemption coupon received from clientele of ACNABIN (if any)
- Treasury challans if ACNABIN deposits any VAT to the Government exchequer by itself (i.e. VAT deposited against office rent)

After receiving these documents and organizing them properly; we start our VAT return preparing work. We have to fill-up the Mushak 9.1 form with all the relevant information we have had with us. At first I provide the BIN number of the organization, in this regard which is ACNABIN, Chartered Accountant. I also fill-up some other basic information; such as: Name of taxpayer, address of taxpayer, type of economic activity and Tax period for which we prepare the return. Then I need to select type of return from the drop down list. As we mostly submit the main/original return according to the VAT & SD Act 64, so I have select the main return in the drop down box. If I submit the late return or amendment return then I have to select late return & amendment return according to Sec: 65 & 66 respectively. After that I have to tick the “any activity in this tax period” box for yes.

Then I start filling the main body of Mushak 9.1. Here; in part 3 covers the supply: output tax on

sales and it has few parts. For example, in June-2023, zero rated goods/service was 15,000 for direct export and 20,000 for deemed export which is shown on note 1 & 2. Then in note 3 under this part shows the value of exempted goods/ service in which VAT is not applicable. Then in note 4, standard rated (15%) goods/ service were shown at amount 500,000 on which 75,000 VAT imposed. So, in part 3; the value of sales & total payable taxes of June-23 was 615,000 & 75,000 respectively.

Then in part-4 “purchase: Input tax”, I have shown all the input tax credit available for the month of June-23 for ACNABIN and that amount was valued at amount 1,30,000 & 2,250 TK. VAT respectively. This figure includes 15,000 TK. of exempted goods/service of local purchase, 5,000 TK. of standard rated local purchase, 10,000 TK. of other than standard rate or reduced rate local purchase and 100,000 TK. of the overall remaining local purchase. Finally, this amount was deducted for calculating Tax-VAT liability as input tax credit had been taken.

In part 5 “Increasing adjustments” has been shown. Here; VAT deducted at source by supplier, Debit note issues and any other adjustments have been shown that ultimately increase the VAT liability for the period. In our cases the increasing adjustment amount for the month of June-23 was 7,250 which was under note 24, 26 & 27 and would be added in total calculation of VAT liability of the month.

Afterwards, in part 6: “Decreasing adjustments has been shown. Decreasing adjustments simply decrease the VAT liability of that specific period. Here, due to VAT deducted at source (VDS Certificate, Mushak-6.6) from the supplies delivered was 15,000 which was shown in note 29 and deducted in the calculation of Total VAT liability for the month of June-23.

Lastly, Total VAT payable for the period (June-23) has been calculated under Section: 45; note 34 & 35 after adjusting with Sales: Output tax, Purchase: Input tax, Increasing and decreasing adjustments. After all the calculation and adjustments the Net VAT liability for the period of June-23 was 65,000 TK. which would be paid by ACNABIN & also shown again under Section: 58 through VAT deposit in Government exchequer by challan of 65,000 TK. and that’s how under note 65 the closing balance of VAT liability was null as VAT was fully paid for the period of June-

23 by ACNABIN.

So, that's how, I prepare many VAT return for ACNABIN, Chartered Accountants; in which (June-23) the VAT Return was an example among those. This return of June-23 would be submitted by 16th of July 2023. Last but not the least, it is to mention that as per Section 85 of the VAT and SD Act, 2012, if ACNABIN fails to submit the VAT return within the prescribed time period, the VAT officer may impose a monetary penalty amounting taka five thousand and ACNABIN will also have to pay 1% interest upon the total net VAT payable for the relevant month.

❖ Filling Mushak 6.1 & 6.2:

<p style="text-align: right;">মূলক-৬.১</p> <p style="text-align: center;">প্রতিষ্ঠানের নাম, ঠিকানা ও ব্যবসা সনাক্তকরণ সংখ্যা ক্রয় হিসাব পুস্তক (পণ্য বা সেবা প্রক্রিয়াকরণে সম্পূর্ণ এমন নিবন্ধিত বা আদিকাড়ুল ব্যক্তির অন্য প্রযোজ্য) [বিধি ৪০(১) এর দফা (ক) এবং ৪১ এর দফা (ক) দৃষ্টব্য] পণ্য/সেবার উপকরণ ক্রয়</p>																				
ক্রমিক সংখ্যা	তারিখ	মালুম উপকরণের প্রারম্ভিক জের		চালানপত্র/বিল অব এন্ট্রি নম্বর	তারিখ	বিভ্রোত/ সরবরাহকারী			বিবরণ	পরিমাণ	মূল্য (সেকল প্রকার কর ব্যতীত)	সম্পর্কশূন্য (যদি থাকে)	মূলক	মোট উপকরণের পরিমাণ		পণ্য প্রস্তুত/প্রক্রিয়া করবে উপকরণের ব্যবহার		পরিমাণ (একক)	মূল্য (সেকল প্রকার কর ব্যতীত)	
		পরিমাণ (একক)	মূল্য (সেকল প্রকার কর ব্যতীত)			নাম	ঠিকানা	নিবন্ধন/ আদিকাড়ুল/ জাতীয় পরিচয়পত্র নং						পরিমাণ (একক)	মূল্য (সেকল প্রকার কর ব্যতীত)					
(১)	(২)	(৩)	(৪)	(৫)	(৬)	(৭)	(৮)	(৯)	(১০)	(১১)	(১২)	(১৩)	(১৪)	(১৫)	(১৬)	(১৭)	(১৮)	(১৯)	(২০)	(২১)

বিশেষ দৃষ্টব্যঃ

- ১। অর্থনৈতিক কার্যক্রম সংশ্লিষ্ট সকল প্রকার ক্রয়ের তথ্য এই ফরমে অন্তর্ভুক্ত করিতে হইবে।
- ২। যে ক্ষেত্রে অনিবন্ধিত ব্যক্তির নিকট হইতে পণ্য ক্রয় করা হইবে সেই ক্ষেত্রে উক্ত ব্যক্তির পূর্ণাঙ্গ নাম, ঠিকানা ও জাতীয় পরিচয়পত্র নম্বর যথাযথভাবে সংশ্লিষ্ট কলাম [(৭), (৮) ও (৯)] এ আবশ্যিকভাবে উল্লেখ করিতে হইবে।
- ৩। উপকরণ ক্রয়ের স্বপক্ষে প্রামাণিক দলিল হিসাবে বিল অব এন্ট্রি বা চালানপত্রের কপি সংরক্ষণ করিতে হইবে।

গণপ্রজাতন্ত্রী বাংলাদেশ সরকার
জাতীয় রাজস্ব বোর্ড

প্রতিষ্ঠানের নাম, ঠিকানা ও ব্যবসা সনাক্তকরণ সংখ্যা															মুদ্রক-৬.২					
বিক্রয় হিসাব পুস্তক																				
(পণ্য বা সেবা প্রক্রিয়াকরণে সম্পৃক্ত এমন নিবন্ধিত বা ডায়িকাহুক্ত ব্যক্তির জন্য প্রযোজ্য)																				
[বিধি ৪০ এর উপ-বিধি (১) এর দফা (খ) এবং বিধি ৪১ এর দফা (ক) দ্রষ্টব্য]																				
পণ্য/সেবার বিক্রয়																				
ক্রমিক সংখ্যা	তারিখ	উৎপাদিত পণ্য/সেবার প্রারম্ভিক জের		উৎপাদন		মোট উৎপাদিত পণ্য/সেবা		ক্রোক/ সরবরাহগ্রহীতা			চালানপত্রের বিবরণ		বিক্রয়/সরবরাহকৃত পণ্যের বিবরণ				পণ্যের প্রারম্ভিক জের		মুদ্রা	
		পরিমাণ (একক)	মূল্য (সেকল প্রকার কর ব্যতীত)	পরিমাণ (একক)	মূল্য (সেকল প্রকার কর ব্যতীত)	পরিমাণ (একক)	মূল্য (সেকল প্রকার কর ব্যতীত)	নাম	ঠিকানা	নিকনম/ ডায়িকাহুক্তি/ জাতীয় পরিচয়পত্র নং	নম্বর	তারিখ	বিবরণ	পরিমাণ	করযোগ্য মূল্য	সম্পূরক শুল্ক (যদি থাকে)	মুদ্রক	পরিমাণ (একক)		মূল্য (সেকল প্রকার কর ব্যতীত)
(১)	(২)	(৩)	(৪)	(৫)	(৬)	(৭) =(৩+৫)	(৮) =(৪+৬)	(৯)	(১০)	(১১)	(১২)	(১৩)	(১৪)	(১৫)	(১৬)	(১৭)	(১৮)	(১৯) =(১২-১১)	(২০) =(১৩-১৬)	(২১)

বিশেষ দ্রষ্টব্যঃ

• বেইংক্রে অনিবন্ধিত ব্যক্তির নিকট পণ্য বিক্রয় করা হইবে সেইক্রে উক্ত ব্যক্তির পূর্ণাঙ্গ নাম, ঠিকানা ও জাতীয় পরিচয়পত্র নম্বর যথাযথভাবে সংশ্লিষ্ট কলামে [(৯),(১০) ও (১১)] আবিষ্কৃতভাবে উল্লেখ করিতে হইবে।

Filling 6.1 & 6.2 is obvious for every organization. During my internship firstly I have to write these books as a junior student of the firm. Firstly, in purchase book an organization fill-up every purchase it made in a month. This book includes the date of preparing the purchase book, any opening balance with quantity and value excluding tax & VAT (if the organization have any opening balance). Then comes the information of the sales & seller, such as: sales date, the name/ organization of the seller, their address, BIN number, invoice number, purchasing details of the product, its price excluding VAT, and its applicable VAT.


Lastly, the closing balance comes after adding all the purchases made with its opening balance. And that's how a Purchase book or Mushak 6.1 have to maintained under **rules 40 & 41 of VAT & SD Act, 2012** and the company has to reserve this book for at least 5 years according to the Act; so that it can be used later for any audit, inspection or verification works.

As like Mushak 6.1, Mushak 6.2 is also an important book for any organization. In this book or form; the company records each of their sales transaction done in a tax period. This book includes dates of the record, the opening quantity and balance (excluding VAT) of the organization if they have, their production quantity and price during the period, thesten the information of the purchase and purchaser which includes purchaser name, address & BIN number. After that; the sales information is recorded which contains invoice number, sales date, sales details, quantity and

taxable value and applicable VAT. Lastly the closing balance is shown after the calculation with opening balance, production and with sales. And that's how, sales book or form Mushak 6.2 is maintained by an organization and as like Mushak 6.1, Mushak 6.2 also needs to be reserved for at least 5 years for the same reasons mentioned above.

So, after writing this I have learned the process and necessity of maintaining these books for an organization and also conscious about why an organization should maintain this book properly both from Act perspective and also from maintaining a proper records of their purchase and sales.

❖ Issuing VDS Certificate:

	পপপ্রজাতন্ত্রী বাংলাদেশ সরকার জাতীয় রাজস্ব বোর্ড	মুসক - ৬.৬																																																																												
উৎসে কর কর্তন সনদপত্র বিধি ৪০ এর উপ-বিধি (১) এর দফা (চ) অধীন																																																																														
উৎসে কর কর্তনকারী সত্তার নাম	: A Limited																																																																													
উৎসে কর কর্তনকারী সত্তার ঠিকানা	: 30, Kakoli, Banani, Dhaka.																																																																													
উৎসে কর কর্তনকারী সত্তার বি আই এন (গ্রন্থোত্তর ক্ষেত্রে)	: 000548258-0305																																																																													
 উৎসে কর কর্তন সনদপত্র নং :	01/A limited	জারির তারিখ : 7/04/2023																																																																												
এই মর্মে প্রত্যয়ন করা যাইতেছে যে, আইনের ধারা ৪৯ অনুযায়ী উৎসে কর কর্তনযোগ্য সরবরাহ হইতে গ্রন্থোত্তর মূল্য সংযোজন কর বাবদ উৎসে কর কর্তন করা হইল। কর্তনকৃত মূল্য সংযোজন করের অর্থ পূরক ট্রান্সফার / ট্রেজারি চালান / দাখিলপত্রে বুদ্ধিকারী সম্বন্ধের মাধ্যমে সরকারি কোষাগারে জমা প্রদান করা হইয়াছে। কপি এতদসঙ্গে সংযুক্ত করা হইল (গ্রন্থোত্তর ক্ষেত্রে)।																																																																														
<table border="1"> <thead> <tr> <th>ক্রমিক নং</th> <th colspan="2">সরবরাহকারীর</th> <th colspan="2">সংশ্লিষ্ট কর চালানপত্র</th> <th>মোট সরবরাহ মূল্য ^১</th> <th>মুসকের পরিমাণ</th> <th>উৎসে কর্তনকৃত মুসকের</th> </tr> <tr> <th></th> <th>নাম</th> <th>বি আই এন</th> <th>নম্বর</th> <th>ইস্যুর তারিখ</th> <th>(টাকায়)</th> <th>(টাকা)</th> <th>পরিমাণ (টাকা)</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>B Limited</td> <td>000256789-0102</td> <td>IN-T-2304-60/100</td> <td>7/04/2023</td> <td>115,000</td> <td>15,000</td> <td>15,000</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>							ক্রমিক নং	সরবরাহকারীর		সংশ্লিষ্ট কর চালানপত্র		মোট সরবরাহ মূল্য ^১	মুসকের পরিমাণ	উৎসে কর্তনকৃত মুসকের		নাম	বি আই এন	নম্বর	ইস্যুর তারিখ	(টাকায়)	(টাকা)	পরিমাণ (টাকা)	1	B Limited	000256789-0102	IN-T-2304-60/100	7/04/2023	115,000	15,000	15,000																																																
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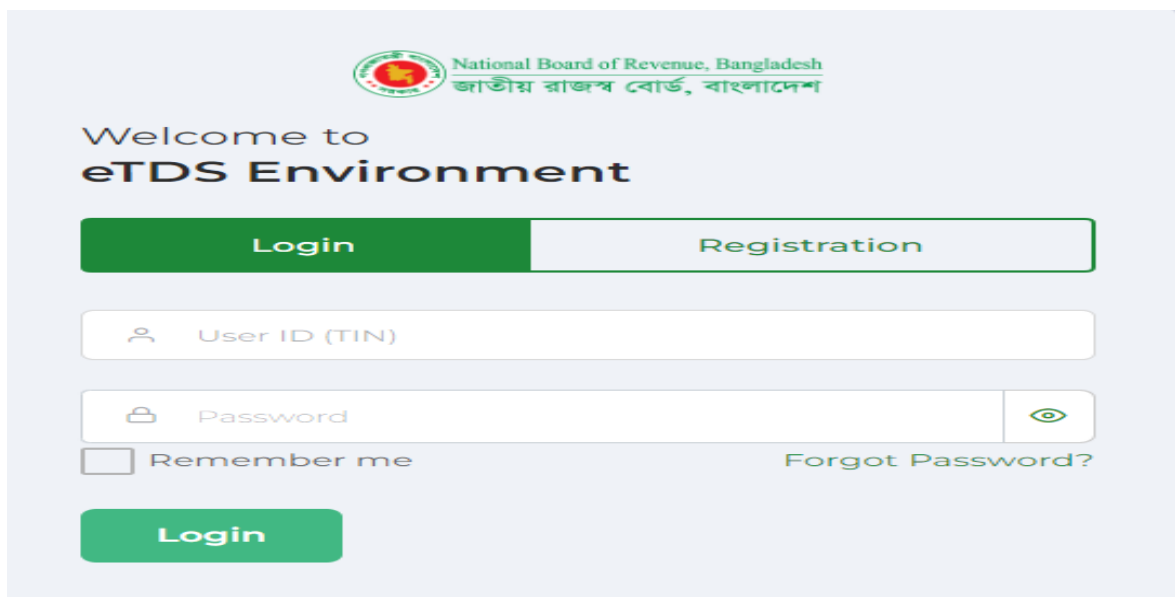
VDS certificate refers VAT Deduction at source Certificate which is Mushak 6.6. This certificate is normally issued by the withholding entity of a transaction. Government entity, Non-government agency, Private University and few other organization who has the right to withhold the payment of the opposite party in a transaction issue the VDS Certificate. Mushak 6.6 need to fill up by the suppliers and withholding entities. Each year a new SRO published to provide guideline about VDS. Additionally, the deducted VAT amount must be deposited via treasury challan within the specified time frame.

Suppose A has bought a good from B and now A has paid to B after withholding the VAT amount.

In this regard, A is the withholding entity here and A has the VAT liability now to pay the VAT on behalf of B. So, as A withheld the VAT, A has to deposit the VAT amount through a challan within 7 days of withhold and issue a certificate to B within next 3 days of depositing the VAT amount to government exchequer. It shows that, VDS Certificate increase the VAT liability of the withholding entity when decrease the VAT liability of B as A has paid the VAT amount on part of B that I have described in details in VAT return part.

❖ Monthly TDS Statement

To collect tax from the very source of income, the TDS concept was introduced. According to this idea, a person (deductor) who is required to make a payment of a specific sort to another person (deductee) must withhold tax at source and deposit it into the Central Government's account. On the basis of Form 26AS or a TDS certificate provided by the deductor, the deductee from whose income tax source deductions have been made is entitled to get credit for the amount so deducted. So, the withholding entity of TDS is liable to make the payment on behalf of his other transaction party. At the rates outlined in the applicable Act provisions or the First Schedule to the Finance Act, taxes must be withheld. However, the withholding tax rates outlined in the double taxation avoidance agreements must also be taken into account when paying non-resident individuals.



The image shows the login interface for the National Board of Revenue, Bangladesh's eTDS Environment. At the top, there is the organization's logo and name in English and Bengali. Below this, the text "Welcome to eTDS Environment" is displayed. There are two main buttons: "Login" (highlighted in green) and "Registration". Below these are input fields for "User ID (TIN)" and "Password", with a "Remember me" checkbox and a "Forgot Password?" link. A final "Login" button is positioned at the bottom of the form.

Pay Tax Online

Step-1

To pay taxes online, login to <https://www.protean-tinpan.com/> > Services > e-payment : Pay Taxes Online or [click here](#) on the tab "e-pay taxes" provided on the said website. Provide proper link of e-payment

Step-2

Select the relevant challan i.e. ITNS 280, ITNS 281, ITNS 282, ITNS 283, ITNS 284 or Form 26 QB demand payment (only for TDS on sale of property) as applicable.

Step-3

Enter PAN / TAN (as applicable) and other mandatory challan details like accounting head under which payment is made, address of the tax payer and the bank through which payment is to be made etc.

Step-4

On submission of data entered, a confirmation screen will be displayed. If PAN / TAN is valid as per the ITD PAN / TAN master, then the full name of the taxpayer as per the master will be displayed on the confirmation screen.

Step-5

On confirmation of the data so entered, the taxpayer will be directed to the net-banking site of the bank.

Step-6

The taxpayer has to login to the net-banking site with the user id / password provided by the bank for net-banking purpose and enter payment details at the bank site.

Step-7

On successful payment a challan counterfoil will be displayed containing CIN, payment details and bank name through which e-payment has been made. This counterfoil is proof of payment being made.

Monthly TDS statement have two parts. One part is the salary part under Section: 50 of VAT & SD Act, 2012. Other part is for TDS of the client payment. Moreover; TDS can also be paid in two methods. 1) Electronic mode: e-payment and 2) Physical mode: By furnishing the challan in prescribed format in the authorized bank branch. That's how I prepare monthly statement of TDS in ACNABIN, Chartered Accountant during my internship period.

I was also involved in preparing withholding tax return which is most likely the same concept as like VDS & TDS statements. e-TDS format and working is also shown in the above. I have also did some basic work on preparing challan for depositing the amount to government exchequer and also prepare Mushak 6.3 slightly. As I my internship period was only of 3 months, I was not being able to directly involve in each & every work of the firm. Still I have tried my best to get the concept clear about whatever I did keeping my future CA path in mind and I try to mention those in this report.

❖ Limitation of my workings

Though there is no lack of trying from my side to learn as much as I can, but as an internship student I often didn't get the access to the information of the firm as I was not their article-ship

student at that time. Moreover, many of the information is confidential to share. Therefore, I have to use some hypothetical data here to make reader understand the concept and overall procedures. Last but not the least, one of the major challenge was; adapting with the culture of CA and its humongous pressure suddenly and to perform from the very first day. I have to set myself there with the environment, culture and everything and then I have started to learn different things and works done in a CA firm. In spite of so many challenges and shortcomings I tried my best to learn and gather some practical knowledge as much as I can during my internship period.

Contributions of VAT to the Economic Growth of the Country

A country's government is often in a position to acquire substantial quantities of money through taxation while its economy is performing well. Any nation's gross domestic product is significantly impacted by this. Because of the huge increase in GDP growth that followed the implementation of VAT, which reached an average of 15.20 percent from FY 2010–11 to FY 2021/22, Appendix Figure 1 shows that the issue is still present in Bangladesh. This finding shows that the problem persists in Bangladesh because, following the implementation of the VAT, the GDP growth rate grew significantly (Ferguson, L., Molina, and Riao, 2019). This supports the assertion that Bangladesh's position has not changed. The fiscal year 2012–2013 saw the lowest rate ever recorded at 4.88 percent, while the fiscal year 2017–2018 saw the highest rate ever recorded at 30.1 percent. When the VAT was first introduced, the ratio of VAT income to GDP was only 1.45%; but, in 2018–19, it rose to its highest level ever, reaching 3.43 percent. This is as a result of the ratio's gradual upward trend over time. The greatest point in this ratio's history was reached during the 2018–19 academic year. Although there were some swings in the ratio as the evaluation went along since the complete ratio was being determined, the average ratio of VAT receipts to GDP was 2.71 percent. The value-added tax growth rate in 2011/2012 was 5.75 percent, the lowest level since that year's 47.74 percent growth rate. The average growth rate of VAT from 2010/11 to 2021/22 was 18.82 percent, which is lower than the highest growth rate of 47.74 percent in 2011/2012. In 2011/2012, the growth rate was the highest. Additionally, the information in Appendix Figure 1 demonstrates that in Bangladesh, the ratio of VAT to TTR in the year when VAT was first implemented was 21.96 percent, whereas the ratio of VAT to TR in that same year was 17.68 percent. The ratio dropped to 32.92 percent in the academic year 2021–2022, but has

since risen steadily to reach 36.87 percent now. The ratios in question averaged 33.29 percent over the duration of the study and 27.73 percent when combined with those percentages.

Comparative Scenario of the Impact of Sales Tax and Value Added Tax on GDP

Since Bangladesh gained its independence in 1971, it has imposed a sales tax, also referred to as a consumption tax, which was in effect through the fiscal year 2010–2011. Value-added tax (VAT), which was substituted for ST beginning with the 2010–2011 fiscal year, is still in operation across the entire country. Both the ST-GDP ratio and the VAT-GDP ratio had erratic behavior during the time periods, as can be seen in Appendix Figures 1 and 2, respectively. After the introduction of the VAT, the ratio of VAT to GDP increased significantly; this ratio is steadier than the ST-GDP ratio. The average percentage of total government spending to GDP was 0.82 percent, with the lowest percentage occurring in the fiscal years 2011–2012 at 0.42 percent and the greatest percentage occurring in 2013–2014 at 1.40 percent. From 0.42 percent in the fiscal year 2011–2012 to 1.40 percent in the fiscal year 2013–2014, the ratio varied. The ratio of value-added tax to gross domestic product, or VAT-GDP, on the other hand, increased essentially continuously until it eventually reached an average of 2.71 percent. The ratio's greatest position of 3.43 percent was attained in the fiscal year 2015/2016, after it had initially reached its lowest point of 1.45 percent in the fiscal year 2014/15. Sales tax growth ranged from -7.59 percent in 2016–17 to -8.40 percent in 2017–18 to -7.24 percent in 2018–19. The lowest rate was -7.59 percent in 2016–17. Three fiscal years saw negative growth rates for sales taxes. 103.86 percent was the rate's all-time high during the fiscal year 2011–2012. ST experienced an average growth rate of 29.52 percent with a standard deviation of 34.97, while VAT experienced an average growth rate of 18.82 percent with a standard deviation of 18.15. These numbers were calculated by comparing the average growth rates of ST and VAT. There hasn't been a single year in which Bangladesh's growth rate hasn't been positive since the value-added tax was originally put in place (Simionescu, M., and Albu, L.L., 2016). The average amount of value-added tax collected over the VAT period is, thus, 6,818% higher than the average amount of sales tax collected over the sales tax period. Sales tax and value-added tax are just two of the many factors that are taken into consideration while calculating any nation's GDP. Based on the results of the study that was just presented, it would seem that Bangladesh's GDP rose noticeably more during the time when it was subject to VAT

than it did during the time when it was subject to ST. Because of this, the contribution of VAT to the country's economic growth has been far greater than that of ST.

Conclusion

During the fiscal year 2010–2011, the People's Republic of Bangladesh decided to replace the antiquated general sales tax with a value-added tax. To update the tax system, this was done. This was carried out to boost revenue collection for the government and improve funding for infrastructure and other forms of economic expansion. Additionally, the value-added tax, or VAT as it is commonly called, has a statistically significant beneficial effect on total tax income and total revenue, both of which have an impact on Bangladesh's GDP-measured economic growth. The study's conclusions show that the value-added tax, when applied to the country's GDP during the relevant time periods, contributes positively to the rate of economic growth. The results of this study are consistent with previous research showing that a value-added tax significantly boosts economic growth in a variety of nations.

Recommendation

Bangladesh's taxation system is based on the ability to pay hypothesis, and as a direct result of this conceptual foundation, it uses a progressive tax structure. The National Board of Revenue is the organization in charge of handling revenue management. A part of the Ministry of Finance is this board. The NBR's main duty is to represent the government and act in the capacity of the person in charge of domestic tax collection. Despite this, the building up of financial resources, and Bangladesh's very beginning as a nation, there has remained a problem with the government's management. Even though we have limited abilities and resources, we are constantly under pressure to find a solution to that issue. Despite the fact that we lack all of those things, this is true. It will be necessary to take a number of actions in order to implement a successful revenue system, some of which include the establishment of new organizational structures, the creation of new forms and procedures, the writing of new instructions, and the coordination of the distribution of enhanced management data and statistics. These are but a few of the actions that will be necessary. This gives the administration the chance to develop new abilities and learn new skills that they could use in the future to better serve the public.

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