

Report On
The Impact of imposing the new VAT & SD Act 2012: A study on the
Challenges Chevron faced due to the change of VAT Law

By
Md. Ahad Shahriar
15104133

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

BRAC Business School
BRAC University
January 2020

© [2020] BRAC University
All rights reserved.

Declaration

It is hereby declared that

The internship report submitted is my own original work while completing degree at BRAC University.

The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.

The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.

I have acknowledged all main sources of help.

Student's Full Name & Signature:

Md. Ahad Shahriar

15104133

Supervisor's Full Name & Signature:

Riyashad Ahmed

Assistant Professor, BRAC Business School

BRAC University

Letter of Transmittal

Mr. Riyashad Ahmed
Assistant Professor,
BRAC Business School
BRAC University
66 Mohakhali, Dhaka-1212

Subject:

Dear Sir,

This is my pleasure to let you know that I have started working as an Intern at Chevron from 3rd November 2019. I have worked in the Tax and Treasury department (Finance) for three months.

I have attempted my best to finish the report with the essential data and recommended proposition in a significant compact and comprehensive manner as possible.

I trust that the report will meet the desires.

Sincerely yours,

Md. Ahad Shahriar
15104133
BRAC Business School
BRAC University
9th January 2020

Non-Disclosure Agreement

This agreement is made and entered into by and between Chevron Bangladesh and Md. Ahad Shahriar, the undersigned student of BRAC University; to undertake the internship project described in this report based on the assurance of avoiding the unapproved disclosure of any confidential data of the organization.

Chevron Bangladesh

Md. Ahad Shahriar

Acknowledgement

Firstly, I thank the Almighty Allah for blessing me with this immense opportunity to work in such an organization and I appreciate the individuals who helped me preparing this internship report.

I want to pass on my genuine appreciation to the accompanying individuals who guided me all through this time in my work place and on this internship report. I am especially grateful to **Qazi Shafiqul Haider**, Manager, Financial Accounting Services, Chevron Bangladesh, **Ramdas Howlader**, Supervisor, Chevron Bangladesh and **Asif Reza Akash**, Tax Analyst, Chevron Bangladesh. On account of their understanding and direction it was feasible for me to get the functional experience and comprehend the real-life understandings. Also, special thanks to **Mashruk Zaman Khan**, AP Analyst and **Salauddin Shah**, Treasury Analyst for their valuable suggestions. Also, I got significant support from my colleague **Abul Khayar Mohammad Fazlur Rahman**, Finance Intern of Chevron Bangladesh.

I want to express my genuine appreciation to my Internship Supervisor and honorable faculty of BRAC University, **Mr. Riyashad Ahmed** for his brilliant direction and support. Simply, it would have never been possible for me to prepare this report without the support and guideline of my instructor. My all gratitude and cordial thanks to them, who have helped me at all possible aspects in preparing this report.

Executive Summary

Chevron is an oil & gas based multinational company which is operating to process most of the gas production of Bangladesh. The company is operating as a profit center under the Asia South Business Unit. It is a renowned company for tax paying and it's one of the largest foreign direct investment in Bangladesh. It is highly concerned about creating values, trust and maintain a high professional and operational excellence. Chevron also focuses on safety, operational excellence, environment and involved in various social and development activities. It is included in the Fortune 500 for 65 years and currently it is in the 11th position. It has upgraded 2 steps in the Fortune 500 list. Chevron Bangladesh has three fields in Bangladesh and all of them are situated in Sylhet. It has a corporate office in Dhaka. All the gas fields have a vision for expansion of unexplored blocks and to find and develop alternative source of energy.

In Chevron Bangladesh I have worked in the Finance department. I was enrolled as an intern in the Tax and Treasury division. My major task was to assist in providing Tax and VAT certificates to the vendors. Along with that I have done some data entry tasks where I have assisted to update the vendor's list of Chevrons Bangladesh. Moreover, I have also attended numerous knowledge sessions which was offered by the Finance department of Chevron.

My research is basically on the current change of VAT Law. Previously VAT law 1991 was followed. The VAT and SD Act 2012 was imposed in July 2019. Basically, I have tried to cover both the law's features, advantages and disadvantages. Also, I discussed contribution of VAT in government revenue and the context of introducing a new VAT law. My core findings are the challenges Chevron faced due to this change in VAT Law and what are the remedial actions Chevron took.

Table of Content

Contents

Declaration.....	i
Letter of Transmittal	ii
Non-Disclosure Agreement	iii
Acknowledgement.....	iv
Executive Summary	v
Table of Content.....	vi
List of Table.....	ix
List of Figure	x
List of Acronym.....	xi
Glossary	xiii
Chapter 1: Chevron	1
1.1 Company Overview:	1
1.2 Worldwide position:.....	2
1.3 Chevron Bangladesh:.....	3
1.4 Mission and Vision:.....	4
1.5 The Chevron Way:.....	4
1.6 Operational Network and Organogram:	6

1.7 Logo of Chevron.....	13
1.8 Major Business Strategies:.....	14
1.9 Financial Performance:	14
Chapter 2: Internship at Chevron Bangladesh	17
2.1 Regular duties:	17
2.2 Projects:	20
2.3 Knowledge Sessions:	20
2.4 Detailed Overview:.....	21
Chapter 3: The Impact of imposing the new VAT & SD Act 2012: A study on the Challenges Chevron faced due to the change of VAT Law	22
3.1 Methodology:.....	22
3.2 Limitations:	23
3.3 General Concept of VAT:	23
3.4 Introduction of VAT in Bangladesh 1991:.....	23
3.5 Major Features of VAT Act, 1991	24
3.6 The Context of introducing a new VAT Law:.....	26
3.6.1 Increasing revenue stream:	26
3.6.2 Improving Tax GDP Ratio:.....	26
3.6.3 Eliminating the limitation of Previous VAT Law:.....	28
3.6.4 Increasing the ease of doing business:.....	29

3.7 Major Features of the new VAT Law:	29
3.8 VAT Revenue of Bangladesh	31
3.9 Challenges faced by Chevron Bangladesh in implementing the new VAT Law:	32
Conclusion	34
References	35
Appendix.....	36

List of Table

Table 1: Key Financials (2018).....	15
Table 2: Financial data (Annual Report 2018)	17
Table 3: Tax GDP ratio of Bangladesh.....	27
Table 4: Tax GDP ratio of other South Asian countries.....	28

List of Figure

Figure 1: Chevron Headquarters	1
Figure 2: Chevron Headquarters (Night View)	2
Figure 3: Chevron Bangladesh Dhaka Office	3
Figure 4: The Chevron Way	5
Figure 5: Chevron Operational Network	7
Figure 6: Board of Directors (Hierarchy in Bangladesh).....	8
Figure 7: Organogram of Chevron Bangladesh	10
Figure 8: Organogram of Finance department, Chevron Bangladesh	12
Figure 9: Chevron's logo at different times	13
Figure 10: Financial data of Chevron (2018).....	14
Figure 11: Earning Per Share (2018)	16
Figure 12: Finance Intern's Duties and Responsibilities.....	19
Figure 13: Detailed Overview of Finance Department.....	21
Figure 14: Revenue composition of NBR 2017-18	31

List of Acronym

ABU	Australia Business Unit
AP	Accounts Payable
ASBU	Asia South Business Unit
CALAEP	Chevron Africa and Latin America Exploration and Production
CAPEP	Chevron Asia Pacific Exploration and Production
CAPEX	Capital Expenditure
CAPM	Capital Asset Pricing Model
CEEMEEP	Chevron Europe, Eurasia and Middle East Exploration and Production
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGO	Chief Governance Officer
CHRO	Chief Human Resource Officer
CNAEP	Chevron North America Exploration and Production
CSOS	Cyber Security Operation Center
CSR	Corporate Social Responsibility
CTREX	Chevron Travel and Expenditure
EPD	Early Payment Discount

EPS	Earnings per Share
FAS	Financial Accounting Services
FFAR	Financial Forecast and Reporting
GAS	General Accounting Services
HES	Health Environment and Safety
IBU	Indo Business Unit
ICC	Internal Control and Compliance
MCP	Major Capital Project
NYA	New York Stock Exchange Index Code at NYSE
NYSE	New York Stock Exchange
OE/HES	Operational Excellence / Health, Environment and Safety
OPEX	Operating Expenditure
PSC	Production Sharing Contract
ROA	Return on Assets
ROE	Return on Equity
SCM	Supply Chain Management
SRO	Statutory Regulatory Order
VAT	Value Added Tax

Glossary

Business Identification Number	Business Identification Number is basically the VAT registration number in the letter of credit, bill of lading and other shipping documents.
Downstream	It's a business strategy of Chevron to grow earnings across the value chain. Also, it makes targeted investments to lead the industry in returns.
Upstream	It is another major business strategy of Chevron which delivers industry-leading returns while developing high-value resource opportunities.
Technology & Functional Excellence	Differentiate performance through technology and functional expertise
Value Added Tax	A value-added tax (VAT) is known as a consumption tax placed on a product whenever value is added at each stage of the supply chain starting from the production to the point of sale

Chapter 1: Chevron

1.1 Company Overview:

Chevron is an American multinational energy corporation. It is one of the world's integrated energy companies producing safe, reliable energy now and for the future. The headquarter is situated in San Ramon, California and it is active in more than 180 countries. Chevron is involved in every aspect of oil, natural gas and geothermal energy industries. Its operation also includes hydrocarbon exploration and production, refining, marketing and transport. Furthermore, it engages in chemicals manufacturing, sales and power generation. It is engaged in all aspects of the energy chain. Also, it is involved in finding, processing, transporting and selling energy resources. The company sells products internationally under the brand names Caltex, Havoline and Delo. Approximately, around 64000 people are working all over the globe in Chevron.



Figure 1: Chevron Headquarters

Chevron is considered one of the largest foreign investors of Bangladesh. Around 48,600 employees are currently working at Chevron. It also has a good record in paying corporate tax. In 2009-2010 fiscal year Chevron was declared the highest corporate tax payer.

Chevron is renowned for its core operational activities and in tax paying. Also, Chevron is involved in development projects which focuses on economic progress, education and healthcare. Chevron employees are engaged in the community development projects. Besides, their contributions are always recognized and rewarded by Chevron management.

1.2 Worldwide position:

In 2019, Chevron has ranked eleventh in the fortune 500 list of the top US closely held and public corporations. (Fortune, 2020). It also has ranked 28th in the Fortune Global 500 list of the top 500 corporations worldwide.



Figure 2: Chevron Headquarters (Night View)

1.3 Chevron Bangladesh:

Chevron operates three fields in the Northeast of the country. Chevron is the largest producer of natural gas. It has a contribution for involvement in 55% of total domestic natural gas production. Chevron extracts natural gas from Bibiyana, Jalalabad and Moulovibazar gas fields. All the production generated from these three sites is sold to Petrobangla. Chevron also produce about 85% of the domestic condensate production. (Khan , The Annual Business Plan & the recruitment & Selection Process of Chevron, 2017)



Figure 3: Chevron Bangladesh Dhaka Office

Condensate is liquid hydrocarbon produced with natural gas. Chevron Bangladesh is very well known for its remarkable safety record, managing its operations with a workforce that comprises of about 95% Bangladeshi nationals. Chevron works with communities across its operations. It focuses on building long-term partnerships that foster economic development and benefits them as well. Corporate Social Responsibility is a core value of Chevron's global business practice. Since 2006, Chevron has been sponsoring in social investments programs. Besides, its focus also lies in economic development, education and health.

1.4 Mission and Vision:

Vision: "To be the global energy company most admired for its people, partnership and performance."

Mission: "Our company's foundation is built on our values, which distinguish us and guide our actions. We conduct our business in a socially responsible and ethical manner. We respect the law, support universal human rights, protect the environment, and benefit the communities where we work."

1.5 The Chevron Way:

All over the world Chevron has their specific way of conducting activities and this is known as "The Chevron Way". It is also alive and practiced in Chevron Bangladesh. In every induction, meeting, workshops it is reminded repeatedly. The main theme of Chevron way is to get the results in the right way. It establishes a common understanding not only for the Chevron people but also for all who interacts with Chevron. The Chevron way is composed of the following values.

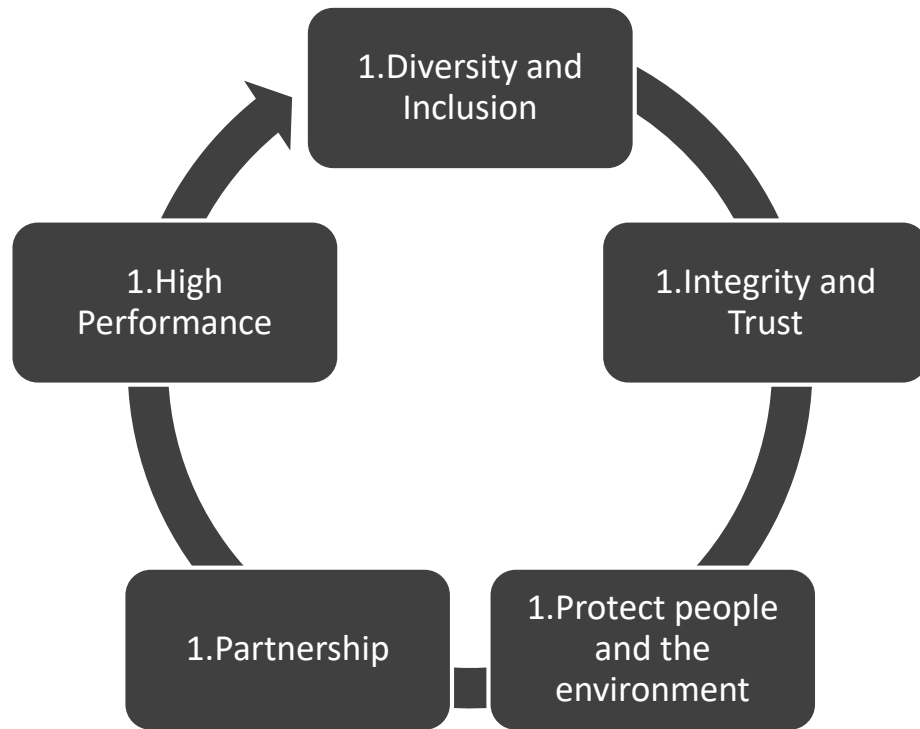


Figure 4: The Chevron Way

Diversity and Inclusion: A practice of learning from and respecting the culture is emphasized. Chevron values the uniqueness and diversity of individual talents, experiences and ideas.

High performance: Chevron is highly passionate about delivering results. It also emphasizes on a process of continuous improvement. Chevron is considered accountable for its actions and outcomes.

Integrity and Trust: Honesty is the biggest priority and commitments are highly maintained. Chevron trust, respect and support each other. Chevron operates the highest ethical standard and through that the trust of colleagues and partners is earned.

Partnership: Chevron has established trust and mutual belief and relationships. They have done this by collaborating with its communities, governments, customers, suppliers and other business partners.

Protect People and the Environment: Chevron puts the highest priority on the health and safety of its workforce. Also, Chevron is highly conscious regarding the protection of its assets, communities and the environment. Chevron believes in delivering world-class performance and it has a focus on preventing high-consequence incidents. (Chevron, n.d.)

1.6 Operational Network and Organogram:

Based on Chevron's operations Chevron Corporation is divided into seven regional offices. There are two or more business units under each regional office. Each business units consists of one or more profit centers. Chevron Bangladesh is a profit center and it is under the Asia South Business Unit. The Asia South Business Unit (ASBU) reports to the regional office of Chevron Asia Pacific. Every regional office has specific official name. The Asia Pacific Regional office is known as Chevron Asia Pacific Exploration and Production (CAPEP). Chevron Operational Network framework provided in Figure 5 below.

Chevron Bangladesh has their own hierarchy. It has nine departments and seven sub departments. The director plays the leading role of each department. Director reports to the country manager. The country manager of Chevron is Neil Menzies. He reports to Jeff Lehrmann who is the the director of ASBU, and he reports to the President, A Nigel Hearne. The president reports to the Executive Vice President, Jay Johnson. Finally, the Chairman and the CEO of Chevron is Mike

Wirth.

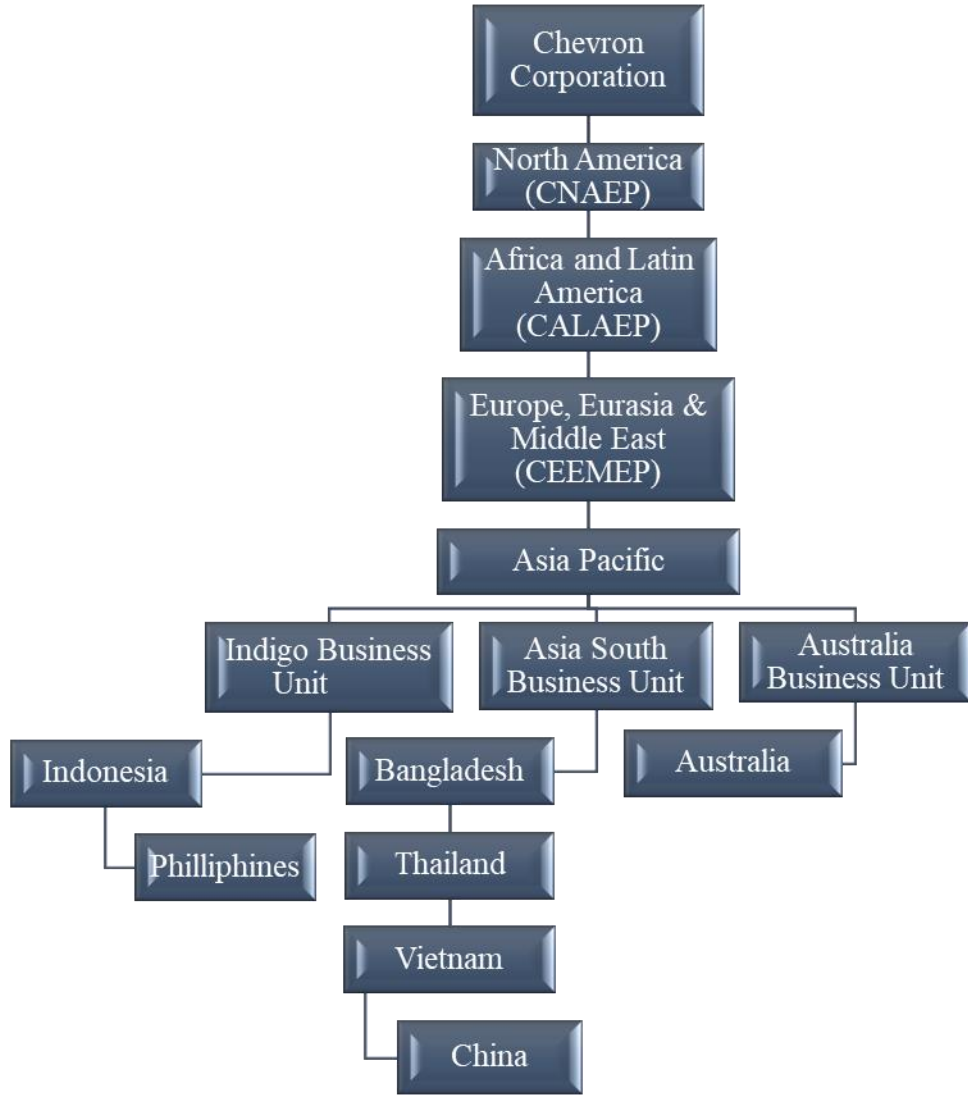


Figure 5: Chevron Operational Network



Figure 6: Board of Directors (Hierarchy in Bangladesh)

The following chart shows the Organogram of Chevron Bangladesh. This chart will give a clear idea of the various departments operating in Chevron Bangladesh.

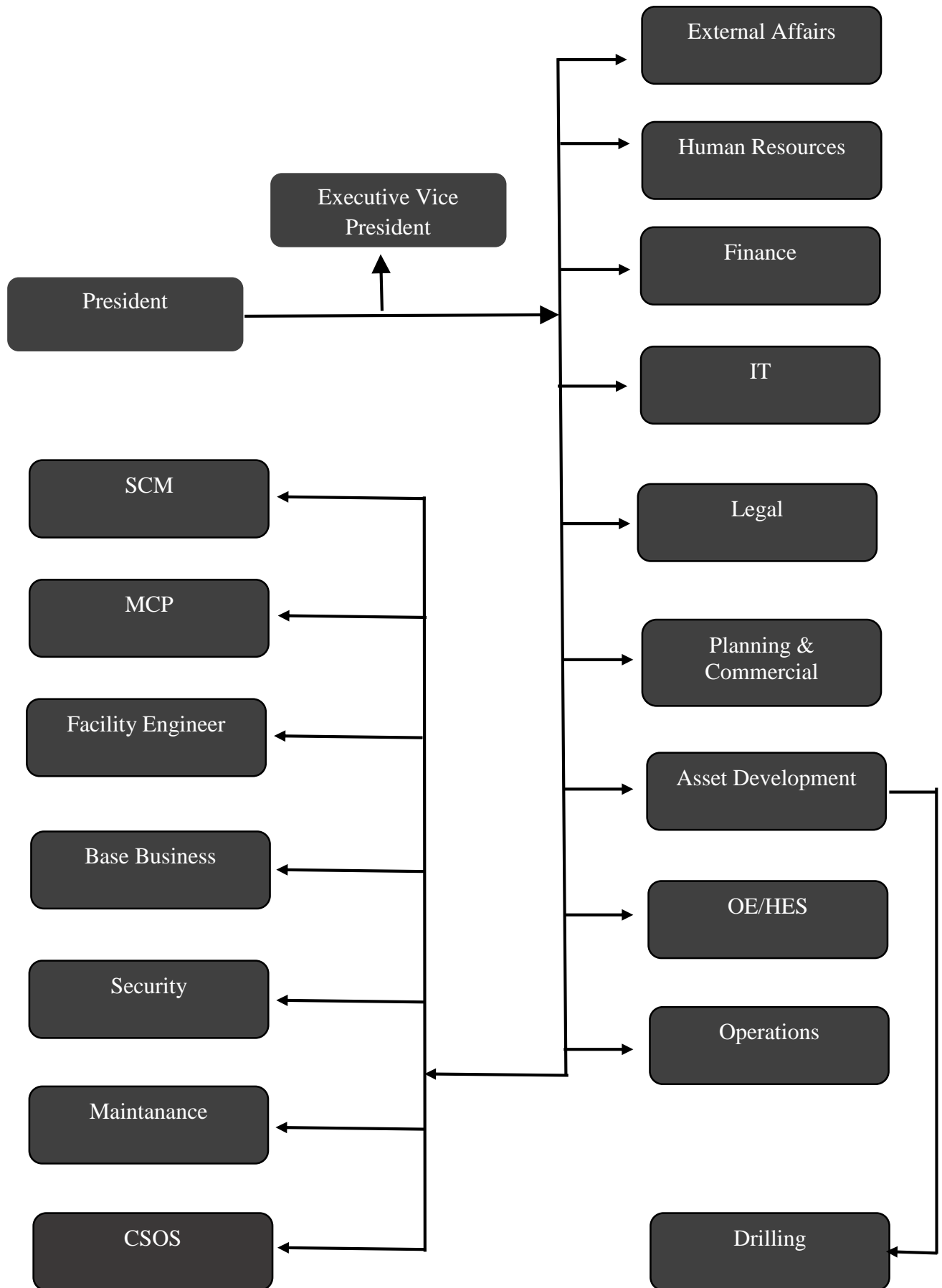


Figure 7: Organogram of Chevron Bangladesh

Here is board of directors of Chevron in detail.

Michael K. (Mike) Wirth Chairman of the Board and CEO	Wanda M. Austin Director
Dambisa F. Moyo Director	John B. Frank Director
Debra Reed-Klages Director	Alice P. Gast Director
Ronald D. Sugar Director	Enrique Hernandez Jr. Director
Inge G. Thulin Director	Charles W. Moorman IV Director
D. James Umpleby III Director	Pierre R. Breber Vice President and CFO
Bruce Niemeyer Vice President, Strategic Planning	Mary A. Francis Corporate Secretary and CGO
Jeanette L. Ourada Vice President and Comptroller	Joseph C. Geagea Executive Vice President, Technology, Projects and Services,
Colin E. Parfitt Vice President, Midstream	James W. Johnson Executive Vice President, Upstream
R. Hewitt Pate Vice President and General Counsel	Charles N. Macfarlane Vice President and General Tax Counsel

<p>J. David (Dave) Payne Vice President, HES</p>	<p>Navin K. Mahajan Vice President and Treasurer</p>
<p>Jay R. Pryor Vice President, Business Development</p>	<p>Rhonda J. Morris Vice President and CHRO</p>
<p>Dale A. Walsh Vice President, Corporate Affairs</p>	<p>Mark A. Nelson Executive Vice President, Downstream & Chemicals</p>

The Finance department is led by the Finance Director. The department has four Finance Managers for four specific subsections. There are currently 3 supervisors leading various teams of Finance. These supervisors report to the Finance Managers. There are also Analysts and Accountants working in the Finance department. They report to the supervisors.

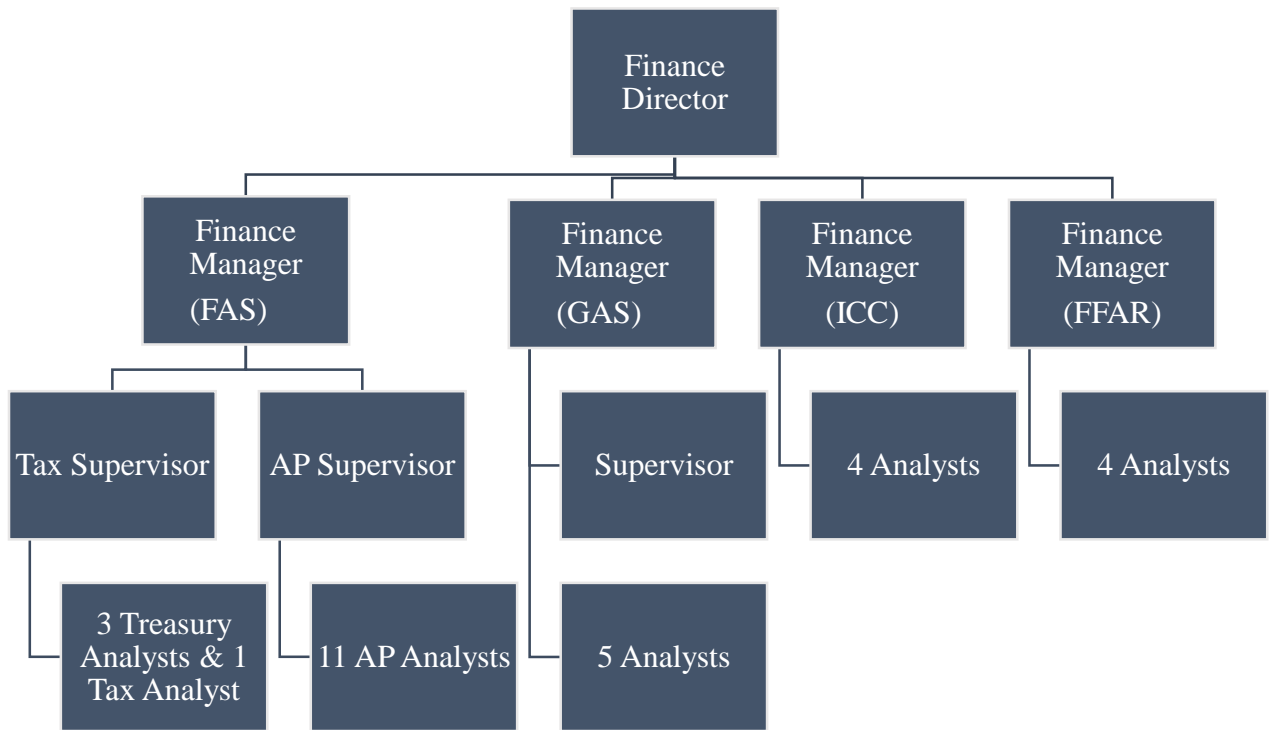


Figure 8: Organogram of Finance department, Chevron Bangladesh

1.7 Logo of Chevron

Chevron had several predecessors named as Star Oil, Pacific Coast, and Standard among them. The Pacific Coast Oil company formed in 1879. It had a logo in black and white.

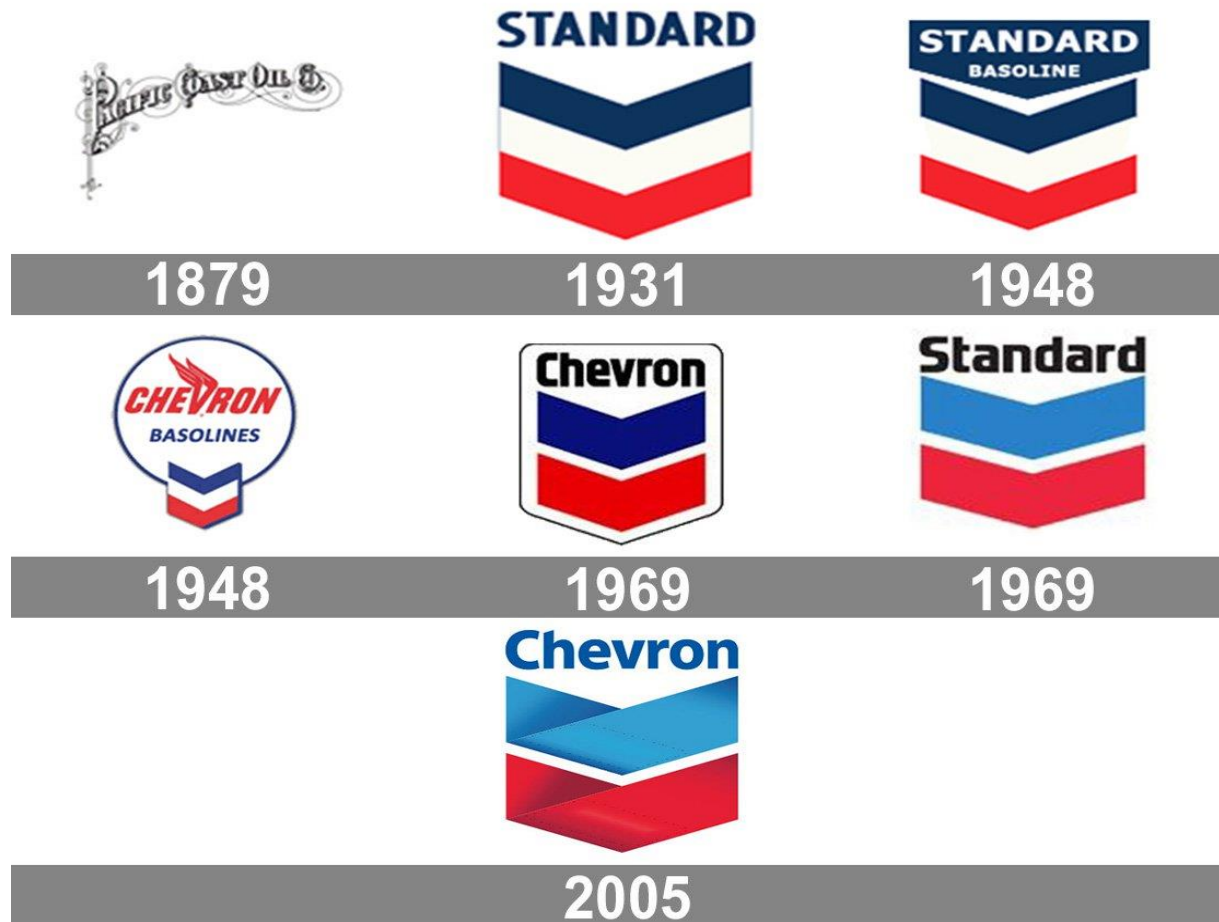


Figure 9: Chevron's logo at different times

It was the largest company in its industry by 1900. Later it was purchased by Standard Oil. The logo consists of several shades of blue and red and the background is white. The current logo has been initiated in 2005. In figure 9 Chevron's logo at different time has been presented. (1000 Logos, n.d.)

1.8 Major Business Strategies:

Upstream: Involved in delivering industry leading returns. Also, works in developing high-value resource opportunities.

Downstream & Chemicals: Focuses on increasing earnings in the value chain and set specific targets regarding investments in order to lead the industry.

Midstream: It implies about providing operational, commercial and technical expertise. This expertise is to generate greater results in Upstream and Downstream & Chemicals. (Chevron, n.d.)

1.9 Financial Performance:

The following figure shows some significant financial data of Chevron in the last fiscal year. They generated revenues of \$166,339 million. Revenue percentage was 23.6% and profit percentage was 61.2 %. Moreover, its profits were \$ 14,824 million and assets were \$ 253.863 million.



Figure 10: Financial data of Chevron (2018)

Let us look at some key financial data of Chevron. The following discussion will give an idea of recent financial performance of Chevron. (Fortune 500, n.d.)

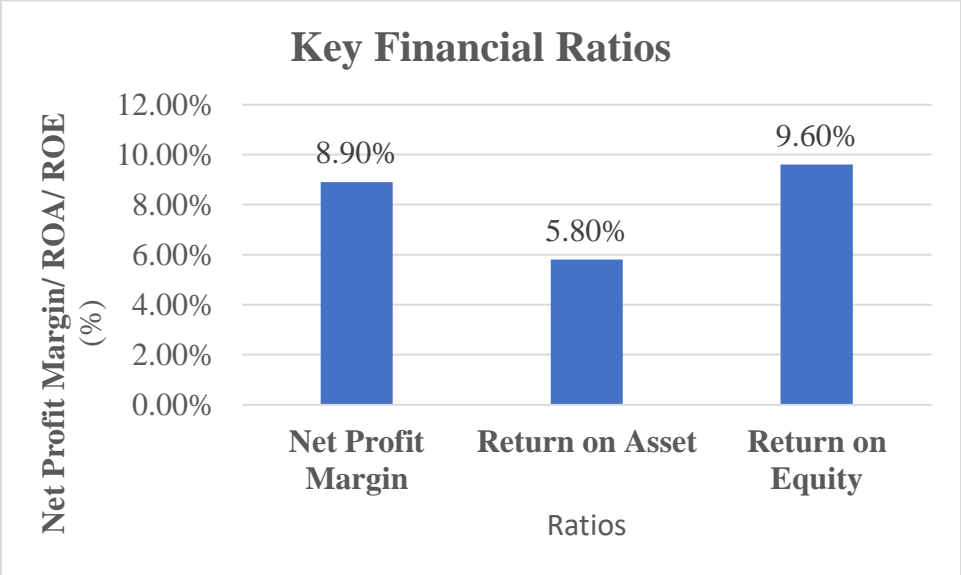


Table 1: Key Financials (2018)

The following Figure 11 represents the profit ratios of Chevron in the recent time.

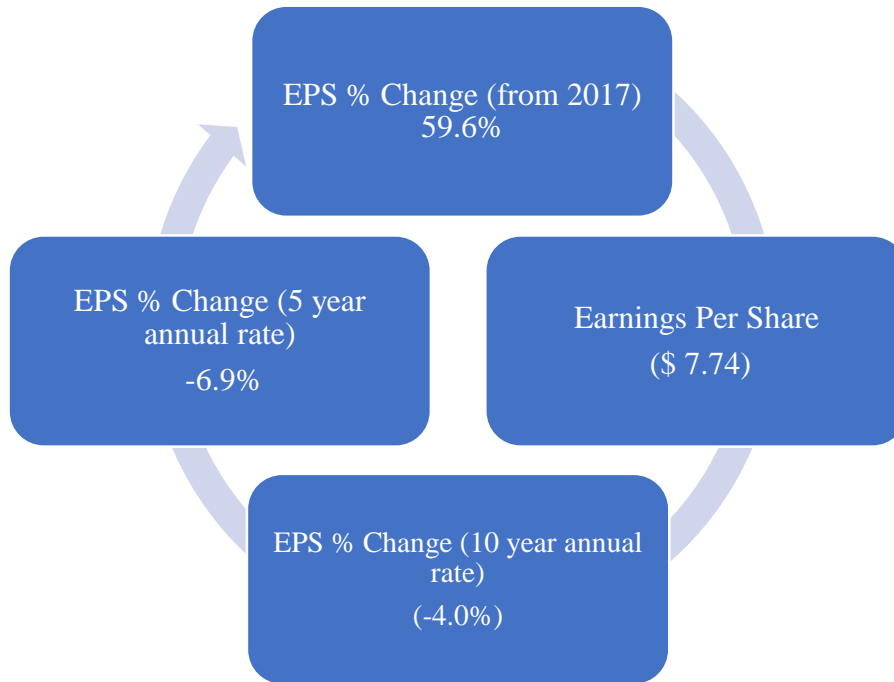


Figure 11: Earning Per Share (2018)

In the above-mentioned Figure 11 the EPS information of Chevron is displayed. Here we can see the EPS percentage has changed significantly comparing to 2017. In 2018, EPS was \$ 7.74.

The following information further represents additional financial data of Chevron. From the Annual Report of 2018, we can see that net income was 14.8 billion which is 5.6 billion more

than the previous fiscal year. Also, about 8.2% return is generated from the capital employed.

Net Income
14.8 billion

8.2% return from the capital employed

Sales & Other Operating Revenues \$158.9 billion

Record Free Cash Flow \$16.8 billion

Table 2: Financial data (Annual Report 2018)

Moreover, Sales and other operating revenues were \$ 158.9 billion and record free cash flow is \$ 16.8 billion.

Chapter 2: Internship at Chevron Bangladesh

In Chevron Bangladesh, I was hired as a Finance Intern. After going through a 5 steps recruitment process, I got the desired opportunity to do my internship here. These five steps were resume screening, aptitude test, an interview, medical test and security clearance. Officially I started working here from 3rd November 2019.

2.1 Regular duties:

In Chevron I have worked in the Tax and Treasury Division as an Intern. My office time was from 8:30 am to 5 pm. Friday and Saturday were my off days. I have worked with very experienced,

talented and unique individuals which was undoubtedly a great opportunity for me. I will try to describe my major responsibilities here and what were the other functions I were involved with.

Issuing Tax and VAT certificates to the vendors: I had to assist our Tax Analyst in order to prepare the Tax and VAT certificate. I used to get some data which was taken using a software named 'Hubble'. Taking those data from Excel, I need to prepare the Tax Certificates of different local and foreign vendors.

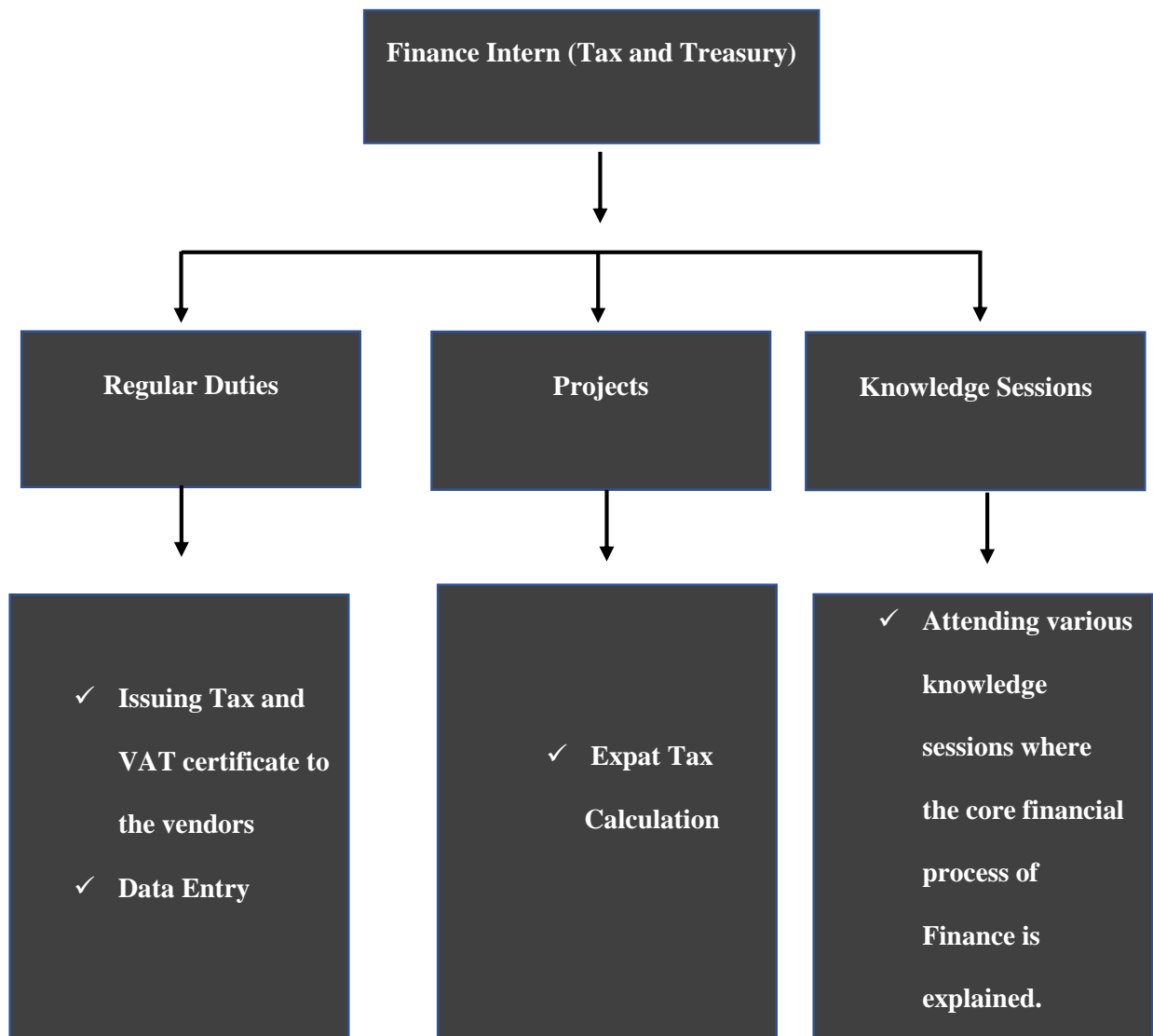


Figure 12: Finance Intern's Duties and Responsibilities

Data Entry: Apart from that I need to do various data entry related works. I have worked with the vendor list of the company. I need to check the Challans of the vendors as well for VAT and Tax purpose.

2.2 Projects:

I have learned and observed the Expat Tax Calculation process and stayed for late hours in the office to see the whole process. Also, in the team meeting I presented myself and expressed my expectations from Chevron.

2.3 Knowledge Sessions:

Finance department of Chevron has designed a new program for the interns named as “Bangladesh Finance Fluency Program for Interns.” Here I had to join around 15 sessions where I got the opportunity to know and get an idea about each operational activities of Finance department.

Chevron Finance has 4 major divisions. They are:

Financial Forecast and Reporting

General Accounting Services

Financial Accounting Services

Internal Control and Compliance

2.4 Detailed Overview:

The detailed overview of the Finance department of Chevron is given below:

Financial Forecasting and Reporting

Corporate Reporting
Petro Bangla Budgeting
OPEX & Capital Expenditure

General Accounting Services

Revenue
General ledger
Project Cost Management
Intercompany

Financial Accounting Services

Accounts Payable
Treasury
Tax
Chevron Travel and Expenditure (CTREX)

Internal Control and Compliance

Core Compliance
Petro Bangla Audit
System

Figure 13: Detailed Overview of Finance Department

Chapter 3: The Impact of imposing the new VAT & SD Act 2012: A study on the Challenges Chevron faced due to the change of VAT Law

Abstract: This study represents an overview of the VAT (Value Added Tax) in Bangladesh. It shows the various features of the previous law and the present law of VAT. It also depicts the context of introducing a new VAT law. Furthermore, it describes about the challenges faced by Chevron Bangladesh due to this change of VAT law and what are the remedial actions taken by Chevron.

Keywords: Value Added Tax; Tax-GDP ratio; VAT Law; Challenges; Statutory Regulatory Order; Digital Tax Payment

3.1 Methodology:

Primary Data: In this research, both primary data and secondary data is used. I have taken around five interviews of different analysts of Chevron including the Tax Analyst. Furthermore, I have got fantastic support from the Finance Manager of Chevron who has provided me different publications of Chartered Accountant firms which was helpful for this research.

Secondary Data: I have searched internet, online articles, research papers and taken information and data from various websites including the website of Chevron and National Board of Revenue.

3.2 Limitations:

I have faced few limitations while doing this research. Firstly, it was completely a new thing to learn for me. At the initial stage of the research, I had to go through numerous books, newspaper articles, publications and searched different sites in the internet. Secondly, while collecting information regarding the VAT revenue of Bangladesh I found difficulty getting the exact data of different years. Finally, I think doing such research needs more time. I had a short time to do this research.

3.3 General Concept of VAT:

A value-added tax (VAT) is a consumption tax. It is placed on a product when a specific value is added to a product at each stage of supply chain starting from the production to the point of sale. The amount of VAT that the user pays is on the production cost less cost of materials used in the product that have already been taxed. The advantage of VAT is by substituting a VAT for other taxes would close tax loopholes. It also provides the way to earn more money than a progressive income tax does. Besides, there are also some disadvantages. For instance, it increases the cost of businesses. Consequently, more money is needed in order to run the business operation. It also encourages tax evasion. VAT creates a burden on low-income consumers.

3.4 Introduction of VAT in Bangladesh 1991:

One of the shortcomings of pre-VAT system in Bangladesh is tax on tax or cascading effect. There were a lot of planning in order to remove tax on tax. In 1918, famous German Industrialist F Von Siemens first introduced Input Tax Credit Management. He also proposed logics to impose VAT instead of Turnover Tax. In 1954, VAT was practiced in wholesale stage and in 1966 it was extended in retail area of business. To enhance regional co-operation in European countries

European Economic Community was formed. According to the EEC rapidly VAT system was initiated in different countries of Europe. From this time World Bank and International Monetary Fund emphasized on the VAT system regarding the condition of taking loan. In consistency of that, within 1990 VAT system was applied in more than 100 countries. Also, in July 1991 Value Added Tax was initiated in Bangladesh. In the last 25 or more years VAT Law, 1991 is applied in Bangladesh. In these 25 years many distortions took place in our Value Added Tax system. Some of them are tariff price, base price, most retail price-based price, price declaration, in advance VAT collection in terms of import business, identifying the definition of service and VAT deduction at source. So, there is a high necessity of introducing a standard VAT implication system. In 2011. National Board of Revenue initiated a modernization plan. Among many issues Tax and Vat issue was one of them. Its objective was to review tax and VAT related law, to remove the distortions and to establish a modern and ideal Taxation in Bangladesh. International Monetary Fund (IMF) provided the technical support in order to establish the draft of the new VAT Law. Moreover, it also assisted to implement this new law after it was accepted in the National parliament of Bangladesh in 2012. The 10 July is observed as National VAT Day in Bangladesh. VAT has become the largest source of Government Revenue. From the total tax revenue, 56% is VAT revenue in Bangladesh.

3.5 Major Features of VAT Act, 1991

The main features of VAT in Bangladesh are as follows: (Rouf, 2016)

1. VAT is applied on goods and services at import, manufacturing and trading stages (i.e. wholesale and retail stage);
2. For both goods and services, a uniform VAT rate of 15% is applicable;

3. Businesses which are generating annual turnover of Taka 2 million or above 15 percent VAT is applicable;
4. When annual turnover is less than Taka 2 million, a turnover tax rate of 4% is applied;
5. Keeping some exemptions VAT is imposed on all domestic goods and services;
6. Vat will be payable when the supply of goods and services will take place;
7. Tax paid on inputs is creditable or adjustable against output tax;
8. VAT is exempted on export level;
9. Cottage industries (defined as a unit with an annual turnover of less than Taka 2 million and with a capital machinery valued up to Taka 3,00,000) are exempt from VAT;
10. According to the notification of the government, tax returns are to be submitted on monthly, quarterly or half yearly;
11. Under the VAT Act, 1991, Supplementary Duty (SD) is applied on local and import stage. The rates on goods are 20%, 35%, 65%, 100%, 250% & 350% and on services are 10%, 15% & 35%.
12. It was less organized and had 3 schedules.
13. Due to no tax concession, net tax payable exceeds 15%.
14. The base of registration is geographical location.
15. If a company has numerous branch units generally numerous registrations are required.
16. BIN needed to be changed if the address of the business is changed.
17. For registration process various documents are required.
18. Unnecessary complexities were there.
19. VAT account system of this act does not follow the modern accounting system.
20. Cash basis and accrual basis both the systems were mixed.

21. If a company has more than one BIN, more than one accounts were kept.
22. For any kind of service, it was needed to go to VAT office.
23. Advance VAT payment was required for the business. So, there was a pressure in the cashflow of the businesses.

3.6 The Context of introducing a new VAT Law:

In this discussion the necessity and reasons of introducing a new VAT Law is described. Some of the key points of this discussion is increasing revenue stream, improving Tax GDP ratio, eliminating the limitation of previous VAT Law and increasing the ease of doing business. (Rashid, 2017)

3.6.1 Increasing revenue stream:

The main objective of the new VAT Law is to increase revenue stream. The National Board of Revenue is expecting to collect about Tk 11,000 crore more for application of VAT on different goods and services. The NBR's collection target from Value Added Tax in the coming fiscal year is 117,672 Taka. This year, it is expecting to collect Tk 81,820 crore Taka. So, it must apply new ways to bring an additional 35,852 Taka in the fiscal year 2019-2020.

3.6.2 Improving Tax GDP Ratio:

Currently Bangladesh is having a Tax GDP ratio of 10.3 %. Tax GDP ratio should be 25%. Also, in the developed countries the average Tax GDP ratio is 35.8 %. In the last ten years the performance of this ratio is not satisfactory. Finance Minister has declared to raise this ratio to 15 % by 2021. The tax administration needs to be more target-oriented, job-oriented and taxpayer-friendly.

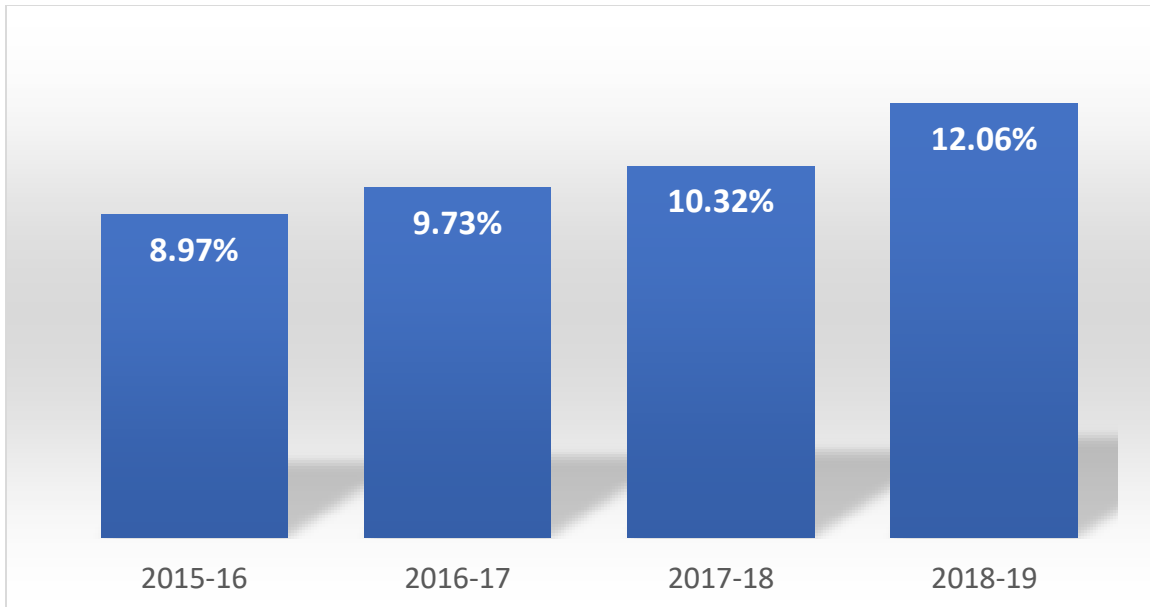


Table 3: Tax GDP ratio of Bangladesh

The Table 3 represents the Tax GDP ratio of Bangladesh of the fiscal year 2015-16, 2016-17, 2017-18, 2018-19. This ratio was 8.97% in 2015-16, 9.73% in 2016-17, 10.32% in 2017-18 and 12.06% in 2018-19.

The Table 4 in the following represents the Tax GDP ratio of other countries in South Asia in the year of 2017. Four countries are mentioned here including India, Pakistan, Sri Lanka and Nepal.

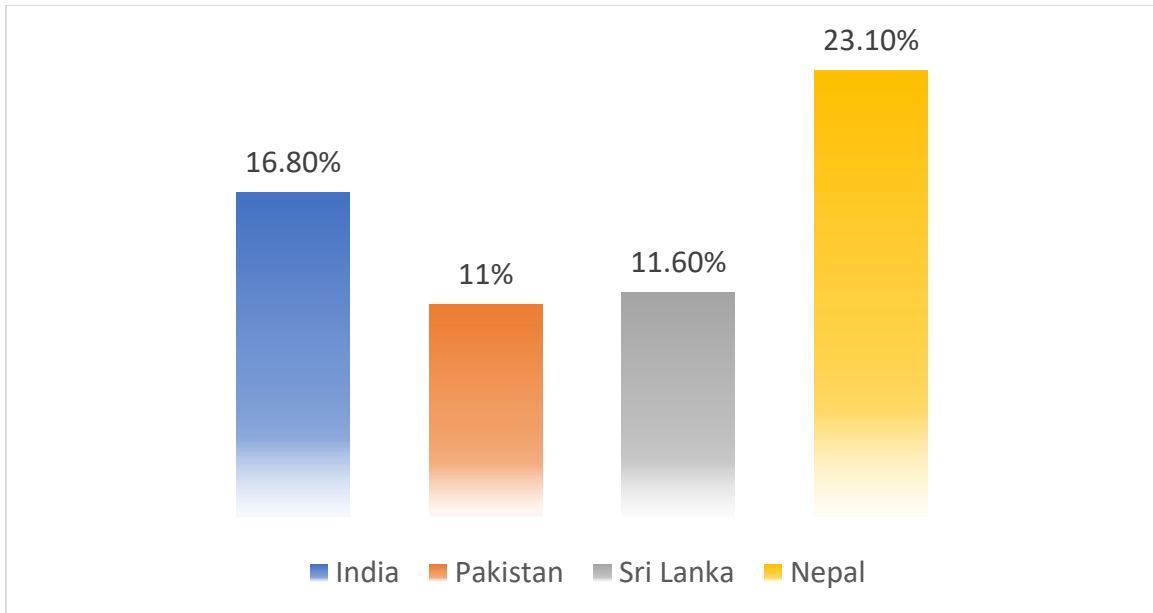


Table 4: Tax GDP ratio of other South Asian countries

The tax intelligence, investigation and enforcement unit, digital tax management unit, tax deduction management unit, tax information unit, international tax unit, taxpayer service, public relations and

infrastructure unit and tax dispute resolution unit will be set up and under specific strategy to meet the desired goals.

3.6.3 Eliminating the limitation of Previous VAT Law:

The previous law was unorganized whereas the new law is easy to read and understand. Business which has turnover up to 30 lakhs or less are not applicable for paying Tax. In the previous law there were no Tax concession. As a result, it may seem that less tax is being paid but considering the net tax the amount exceeds 15% and the end user needs to pay more than 15%. On the other hand, in the new law, there is a tax concession where tax payer needs to pay exactly 15% and not more than that. The real recording of business and the recordings and accounts of VAT will be same. There is no necessity to keep an extra account of VAT. Consequently, there will be less

complexity and the cost of business will also reduce. The most complex part of previous law was price declaration and its approval process. In the law it has been removed which also decrease the impediments of the tax payer and the cost of doing business. In the new law there is no necessity to pay VAT in advance and there will be no pressure in the cashflow. In addition to that, as it is online based it will be easier to get any service. (Revenue, Metropolitan Chamber of Commerce & Industry, Dhaka-MCCI, n.d.)

3.6.4 Increasing the ease of doing business:

Due to the implication of new VAT law, in the short run it will create an expenditure pressure on general citizens of the country. On the other hand, in the long run it will have a positive impact on the overall welfare of the country. Government wants to create a good cash flow or income. Also, they want to utilize this money in the development of the infrastructure of the country. Consequently, Bangladesh will be in a better place to do business. The foreign investors will find interest to invest money in different sectors of Bangladesh. When there will be a flourish of business in the country, economic development will take place and it will also have an impact on GDP, per capita income and on the overall standard of living. (Shah, 2019)

3.7 Major Features of the new VAT Law:

According to National Board of Revenue (2016), the major features of the new VAT law are as follows:

1. VAT is implied on import, production and business level, service, immovable asset, lease, license, permit, right and import of service as well.
2. VAT is determined based on fair market value.

3. There can be special tax management system under the declaration of government to face any emergency.
4. In every case, to adjust each month's return in the next month VAT is payable.
5. In every purchase, there is a law to provide goods tax rebate.
6. In order to face emergency, government can provide VAT exemption.
7. VAT payment system is modernized now. VAT can be paid by bank cheque, credit card and through online banking.
8. The discrimination between turnover tax and VAT will reduce.
9. The cash flow of tax payer will not be affected.
10. The small businesses which has a turnover of 30 lakhs or below are not required to pay tax.
11. The real account of business and VAT account will be the same. No different accounts for VAT are required. Consequently, cost of business is now reduced and there is no unnecessary complications.
12. VAT management system of this act follows the modern accounting system.
13. It also follows accrual based dual entry system.
14. The accounting system of this act is easier, and it is also easier for the tax payer to pay the tax.
15. Though there is no necessity of meeting in person for tax and VAT issues, therefore there is a possibility of reduction of corruption.
16. The new VAT payment is online based. Consequently, to avail any service time and money both are saved. (National Board of Revenue, n.d.)

3.8 VAT Revenue of Bangladesh

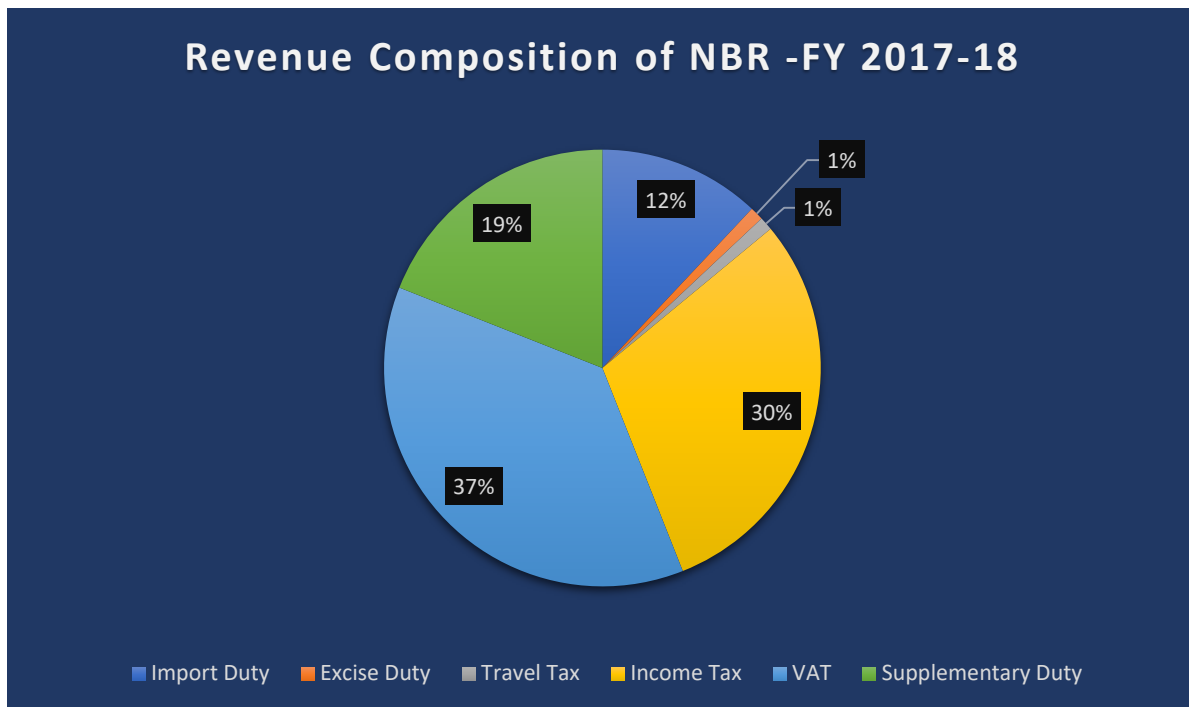


Figure 14: Revenue composition of NBR 2017-18

This pie chart represents the revenue composition of the National Board of Revenue (NBR) of the fiscal year 2017-2018. Here we can see that the contribution of VAT is the highest which is 37%. Also, income tax is 30%. Furthermore, excise duty, import duty, supplementary duty and travel tax is respectively 1%, 12%, 19% and 1%.

Md Mosharraf Hossain Bhuiyan, Chairman of National Board of Revenue (NBR) said comparing to the fiscal year 2016-17, revenue collection gained a growth of 19% in the fiscal year 2017-18. In 2017, NBR collected Taka 1.85 lakh crore as revenue. (Hasan, 2018)

3.9 Challenges faced by Chevron Bangladesh in implementing the new VAT

Law:

1. According to the old law, VAT was exempted on the supply of gas. On the other hand, after the imposition of this new law there is no exemption on this. It becomes taxable now. VAT return is required to be submitted.
2. Also, the SRO is still processing. So, without this it's difficult to take decisions regarding VAT.
3. According to the new law, along with all other document vendors are required to provide Mushak 6.3. Due to the lack of knowledge regarding this change, a temporary challenge took place. A confusion also took place among the vendors that whether they will provide Mushak 6.3 or not.
4. Also, according to the new law, VAT certificate is needed to provide within 3 days.
5. Government suddenly imposed this law in July 2019. In terms of those invoices which were received after July, delivery date is considered. It was mentioned before that according to the new Law Mushak 6.3 is required. But vendors were not giving it. So, an indecision took place regarding revised received invoice due to the lack of knowledge of the new law. Also, Chevron Finance need to segregate the invoices which will be processed whether under the new Law or the old Law. (Khan , The Annual Business Plan & the recruitment & Selection Process of Chevron, 2017)
6. Total Sales and purchase record are needed to keep in the suggested software and system. Whereas, Chevron has its own information technology environment and data privacy. So, it will take some time to process all the system under the law suggested way.

7. VAT exemption facility on supply of natural gas and condensate under new Valued Added Tax & Supplementary Duty Act, 2012 has been revoked.
8. Chevron must come up with the installation of NBR approved VAT software and integrate with Chevron's system to maintain all kind of VAT compliances.
9. Monthly VAT return must be submitted within the 15th day of the following month.
10. Under the new law Chevron must maintain and submit of all purchase and sales information exceeding BDT 200k.
11. Chevron needs to ensure the collection of Business Identification Number (Mushak- 2.3) from the supplier. It is done to ensure the legitimate transaction with vendor.
12. Within 3 days of making payment, VAT deduction certificate (Mushak 6.6) is needed to issue to the suppliers.

Remedial Action:

When no directions from the law is found SRO is required. SRO is provided by the National Board of Revenue (NBR). To meet all the challenges which took place regarding this new law, SRO is in progress. Planning and meeting are going on in order to organize everything under the new law. Also, Chevron is trying its best to cope up with this change. They are facing few challenges and all the remedies are on progress.

Conclusion

I have managed to take an exclusive interview from the Tax Analyst of Chevron where he has expressed his overall thinking and evaluation regarding this change. The change of this law was incurred considering having some positive outcomes. Though the change has done to generate a higher government revenue but still it's not working as it was planned. Initially the plan was to set up a single VAT rate which is good for the business of the country. Also, in the current law VAT credit system is as it was before. Also, current law was set to have a single VAT rate, but it is following the reducing rate. Consequently, it is not creating any good outcome in the business. If there is a reducing rate, the cost of business increases. Furthermore, the businessman will try to cover that expense by setting higher prices. As a result, the expenditure pressure is on the general people of the country where everyone's purchasing power is not the same. Apart from that, the new law has initiated online paying system which is a good inclusion and it will reduce the cost of doing business and increase flexibility. Also, for any VAT related services there is no necessity to go to the office in person. Many services are available online. The challenges Chevron is facing is not so critical. The remedial actions are on progress and eventually they are adjusting with this and trying to make their vendors adjusted with the change. Still government can take decisions considering the current situation. As the primary concern was to accelerate government revenue and to make that happen this law was applied. Unfortunately, due to the reducing rate and having no opportunity of VAT credit due to this reducing rate of VAT, the main objective is not obtained. Still government can think over it and it would be a good decision to emphasis on single VAT rate. Doing this will create smoothness of business. It will create ease in operating business operational activities. It might seem that the reducing rates are making less cost but, in some cases, it even exceeds 15%, because this rate is applied in every steps of Supply Chain. (Akash, 2020)

References

1000 Logos. (n.d.). Retrieved from <https://1000logos.net/>: <https://1000logos.net/chevron-logo/>

Akash, A. R. (2020, January 5). Tax Analyst. (M. A. Shahriar, Interviewer)

Chevron. (n.d.). Retrieved from www.chevron.com: <https://www.chevron.com/about/the-chevron-way>

Chevron. (n.d.). Retrieved from www.chevron.com: <https://www.chevron.com/-/media/shared-media/documents/The-Chevron-Way.pdf>

Fortune. (2020, January). Retrieved from <https://fortune.com/>: <https://fortune.com/fortune500/2019/chevron/>

Fortune 500. (n.d.). Retrieved from <https://fortune.com/>: <https://fortune.com/fortune500/2019/chevron/>

Hasan, M. (2018, July 5). *Dhaka Tribune*. Retrieved from Dhaka Tribune: <https://www.dhakatribune.com/business/2018/07/05/nbr-revenue-collection-witnesses-a-19-growth-in-fy18>

Khan, M. Z. (2017, February 27). *The Annual Business Plan & the recruitment & Selection Process of Chevron*. Dhaka: Slide Share.

Khan, M. Z. (2017). *The Annual Business Plan & the recruitment & Selection Process of Chevron*. Dhaka: SlideShare.

National Board of Revenue. (n.d.). Retrieved from National Board of Revenue: http://nbr.gov.bd/uploads/publications/FL4_Diff_bet_old_and_new_act.pdf

Rashid, M. (2017, May 8). *Dhaka Tribune*. Retrieved from <https://www.dhakatribune.com/https://www.dhakatribune.com/opinion/op-ed/2017/05/08/new-vat-law-means-us/>

Revenue, N. B. (2016, November). *National Board of Revenue*. Retrieved from http://nbr.gov.bd/uploads/publications/FL4_Diff_bet_old_and_new_act.pdf

Revenue, N. B. (n.d.). *Metropolitan Chamber of Commerce & Industry, Dhaka-MCCI*. Retrieved from http://www.mccibd.org/http://www.mccibd.org/images/uploading/presentation/New_VAT_Operations_MCCI.PDF

Rouf, D. M. (2016). *New VAT Law in easy language*. Dhaka: Liton Publications: Dhaka.

Shah, S. (2019, November 21). Treasury Analyst. (M. A. Shahriar, Interviewer)

Appendix

New Vat Law in Easy language (Dr. Md. Abdur Rouf, November 2016)

New Vat Law in Easy language (Dr. Md. Abdur Rouf, July 2019)