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SCHEDULE I**SCHEDULE II**

THE BUSINESS PROFITS TAX ACT, 1947

ACT NO. XXI OF 1947

[11th April, 1947]

An Act to impose a special tax on a certain class of income.**

WHEREAS it is expedient to impose a special tax on income arising from business;

It is hereby enacted as follows:-

1. (1) This Act may be called the Business Profits Tax Act, 1947. Short title,
extent and
commencement

(2) It extends to the whole of Bangladesh.

(3) It shall come into force on such date as the Government may, by notification in the *official Gazette*, appoint.

2. In this Act, unless there is anything repugnant in the subject or context, - Interpretation

(1) “abatement” means, in respect of any chargeable accounting period, a sum which bears to a sum equal to -

(a) in the case of a company, not being a company deemed for the purposes of section 9 to be a firm, six *per cent* of the capital of the company on the first day of the said period computed in accordance with Schedule II, or one lakh of Taka, whichever is greater, or

* Throughout this Act the words “Bangladesh” and “Government” were substituted for the words “Pakistan” and “Central Government” by the Bangladesh Taxation Laws (Adaptation) Order, 1972 (P.O. No. 62 of 1972).

^ Throughout this Act the words “National Board of Revenue” and “Taka” were substituted for the words “Central Board of Revenue” and “rupees” by section 8 of the Bangladesh Laws (Revision and Declaration) (Amendment) Act, 1974 (Act No. LIII of 1974).

- (b) in the case of a firm having-
 - (i) not more than two working partners, one lakh of Taka, or
 - (ii) three working partners, one and a half lakhs of Taka, or
 - (iii) four or more working partners, two lakhs of Taka, or
 - (c) in the case of a Hindu undivided family, two lakhs of Taka, or
 - (d) in any other case, one lakh of Taka, the same proportion as the said period bears to the period of one year;
- (2) “accounting period” in relation to any business means any period which is or has been determined as the previous year for that business for the purposes of the Income-tax Act, 1922;
- (3) “business” includes any trade, commerce or manufacture, or any adventure in the nature of trade, commerce or manufacture, or any profession or vocation the profits of which are chargeable according to the provisions of section 10 of the Income-tax Act, 1922:

Provided that where the functions of a company or of a society incorporated by or under any enactment consist wholly or mainly in the holding of investments or other property, the holding of the investments or property shall be deemed for the purpose of this definition to be a business carried on by such company or society:

Provided further that all businesses to which this Act applies carried on by the same person shall be treated as one business for the purposes of this Act;

- (4) “chargeable accounting period” means-
- (a) any accounting period falling wholly within the term beginning on the first day of April, 1946, and ending on the thirty-first day of March, 1958;

- (b) where any accounting period falls partly within and partly without the said term, such part of that accounting period as falls within the said terms;

Provided that where an accounting period falls partly before and partly after the thirty-first day of March, 1951, so much of that accounting period as falls before and so much of that accounting period as falls after the end of March, 1951, shall be deemed each to be a separate chargeable accounting period.

- (5) “company” has the same meaning as in section 2 of the Income-tax Act, 1922;
- (6) “control of a company” means control direct or indirect of more than one half of the voting power attached to the total issued paid-up share capital of the company, or control vested by its Memorandum and Articles of Association otherwise than by reference to such voting power:

Provide that the voting power attached to shares held by a nominee or trustee for any person shall be deemed for the purpose of this definition to be held by that person;

- (7) “deficiency of profits” means-
 - (i) where profits have been made in any chargeable accounting period, the amount by which such profits fall short of the abatement in respect of that period;
 - (ii) where a loss has been made in any chargeable accounting period, the amount of the loss added to the abatement in respect of that period;
- (8) “director” includes any person occupying the position of a director by whatever name called and also includes any person who-
 - (i) is a manager of the company or concerned in the management of the business;
 - (ii) is remunerated out of the funds of the business; and
 - (iii) is the beneficial owner of not less than twenty *per cent* of the ordinary share capital of the company.

- (9) “dividend” has the same meaning as in section 2 of the Income-tax Act, 1922;
- (10) “firm”, “partner” and “partnership” have the same meanings respectively as in the Partnership Act, 1932;
- (11) “fixed rate” in relation to dividends on share capital, other than ordinary share capital, includes a rate fluctuating in accordance with the maximum rate of income-tax;
- ¹[(11A) “Government” means, except where the context otherwise requires, the Government of the People’s Republic of Bangladesh;]
- (12) “loss” means a loss computed in the same manner as, for the purposes of this Act, profits are to be computed;
- (13) “ordinary share capital”, in relation to a company, means all the issued share capital (by whatever name called) of the company, other than capital the holders whereof have a right to a dividend at a fixed rate but have no other right to share in the profits of the company;
- (14) “person” includes a Hindu undivided family;
- (15) “prescribed” means prescribed by rules made under this Act;
- (16) “profits” means profits as determined in accordance with Schedule I;
- (17) “taxable profits” means the amount by which the profits during a chargeable accounting period exceed the abatement in respect of that period;
- ²[(17A) “taxable territories”, has the meaning assigned to that expression by clause (14AA) of section 2 of the Income-tax Act, 1922;]
- (18) “working partner” of a firm means a partner thereof who devotes substantially the whole of his time to the business of the firm.

¹ Clause 11A was inserted by the Bangladesh Taxation Laws (Adaptation) Order, 1972 (P.O. No. 62 of 1972) .

² Clause 17A was substituted by the Bangladesh Taxation Laws (Adaptation) Order, 1972 (P.O. No. 62 of 1972).

3. (1) Every Commissioner of Income-tax, Appellate Assistant Commissioner of Income-tax, Inspecting Assistant Commissioner of Income-tax and Income-tax Officer shall have the like powers under this Act and in relation to the same area and cases as he exercises under the Income-tax Act, 1922.

Tax authorities

(2) All officers and persons employed in the execution of this Act shall observe and follow the orders, instructions and directions of the National Board of Revenue:

Provided that no such orders, instructions or directions shall be given so as to interfere with the discretion of the Appellate Assistant Commissioner of Income-tax in the exercise of his appellate functions.

4. Subject to the provisions of this Act, there shall, in respect of any business to which this Act applies, be charged, levied and paid on the amount of the taxable profits during any chargeable accounting period, a tax (in this Act referred to as "business profits tax") which shall be equal to sixteen and two-thirds *per cent* of the taxable profits:

Charge of tax

Provided that –

- (a) any profits which are, under the provisions of subsection (3) of section 4 of the Income-tax Act, 1922, exempt from income-tax,
- (b) all profits from any business of life insurance,
- (c) any sum paid to a business by or through the Government by way of bonus or subsidy,

shall be totally exempt from business profits tax under this Act:

Provided further that where the profits of an industrial undertaking to which section 15B of the Income-tax Act, 1922, applies are included in the profits and taxable profits of any chargeable accounting period no tax shall be payable under this Act on such part of the said profits as ranks for exemption under the said section:

Provided further that no tax shall be payable under this Act on the profits of an industrial undertaking as described in sub-section (2) of section 15B of the Income-tax Act, 1922, which has been set up or commenced after the 31st day of March, 1951, and before the first day of April, 1958, as respects the first five successive chargeable accounting periods:

Provided further that notwithstanding anything to the contrary contained in sub-section (8) of section 10 of the Income-tax Act, 1922, no tax under this Act shall, subject to the terms of the agreement entered into with Government, be payable by an undertaking the profits or gains of which are liable to be computed in accordance with the rules contained in the Second Schedule to the Income-tax Act, 1922:

Provided further that, as respects any chargeable accounting period relevant to the previous year for assessment under the Income-tax Act, 1922, for any year ending on or after the 31st day of March, 1959 no tax shall be payable under this Act on profits of any business carried on by a firm which is registered under section 26A of the Income-tax Act, 1922 or a firm treated as a registered firm under clause (b) of sub-section (5) of section 23 of the Income-tax Act, 1922.

Application of
Act

5. This Act shall apply to every business of which any part of the profits made during the chargeable accounting period is chargeable to income-tax by virtue of the provisions of sub-clause (i) or sub-clause (ii) of clause (b) of sub-section (1) of section 4 of the Income-tax Act, 1922, or of clause (c) of that sub-section:

Provided that this Act shall not apply to any business the whole of the profits of which accrue or arise without taxable territories where such business is carried on by or on behalf of a person who is resident but not ordinarily resident in taxable territories unless the business is controlled in Bangladesh:

Provided further that where the profits of a part only of a business carried on by a person who is not resident in taxable territories or not ordinarily so resident accrue or arise in taxable territories or are deemed under the Income-tax Act, 1922, so to accrue or arise, then, except where the business being the

business of a person who is resident, but not ordinarily resident, in taxable territories is controlled in Bangladesh, this Act shall apply only to such part of the business, and such part shall for all the purposes of this Act be deemed to be a separate business.]

¹[**Explanation-** As respects any period before the 26th day of March, 1971, the reference to “Bangladesh” in the first and the second provisos to this section shall be construed as a reference to the territories then comprised in Pakistan.]

6. Where a deficiency of profits occurs in any chargeable accounting period in any business, the taxable profits of the business shall be deemed to be reduced and relief shall be granted in accordance with the following provisions:-

Relief on occurrence of deficiency of profits

- (a) the aggregate amount of the taxable profits for the previous chargeable accounting periods shall be deemed to be reduced by the amount of the deficiency of profits and the amount of business profits tax payable in respect thereof, before taking into account any credit that may be due under an agreement referred to in section 49AA of the Income-tax Act, 1922, shall be deemed to be reduced accordingly, and the relief necessary to give effect to the reduction shall be given by repayment or otherwise;
- (b) where the amount of the deficiency of profits exceeds the aggregate amount of the taxable profits for the previous chargeable accounting periods or where there is no previous chargeable accounting period, the balance of the deficiency of profits or the whole of the deficiency, as the case may be, shall be applied in reducing any taxable profits for the next subsequent chargeable accounting period, and if and so far as it exceeds the amount of those profits, any taxable profits for the next subsequent chargeable accounting period and so on.

7. As from the date of any change in the persons carrying on a business, the business shall be deemed for all the purposes of this Act to have been discontinued and a new business to have been commenced:

Change in persons carrying on business

¹ The Explanation was substituted by The Bangladesh Taxation Laws (Adaptation) Order, 1972 (P.O. No. 62 of 1972).

Provided that where a change takes place in the persons carrying on a business and where except for such change relief would be allowable under section 6, the National Board of Revenue may, if it thinks fit, allow such relief under that section as it considers just, having regard to the extent to which the persons directly or indirectly interested in the business before the change remain interested therein after the change.

Interconnected
companies

8. (1) Where any interest, annuity, or other annual payment, or any royalty or rent, is payable by one company to another company, and one of those companies is a subsidiary of the other, or both are subsidiaries of a third company, and the recipient company is resident outside taxable territories no allowance shall be made in respect of such payment in computing the profits or losses of the paying company.

(2) Where-

- (a) a company (hereinafter referred to as "the principal") is resident in taxable territories and is not a subsidiary of any other company resident in taxable territories; and
- (b) during the whole or any part of any chargeable accounting period of the principal, another company resident or carrying on business within taxable territories (hereinafter referred to as "the subsidiary") is a subsidiary of the principal,

the capital or profits or losses of the subsidiary for such chargeable accounting period or part thereof shall be treated for the purposes of this Act as if they were the capital of, or as the case may be, profits or losses arising from the business of, the principal:

Provided that the profits of the subsidiary so treated shall not be exempted from business profits tax in the hands of the principal by reason of any exemption applicable to the principal under the proviso to section 4.

(3) Where the chargeable accounting periods of the principal and subsidiary are not coterminous, such division and apportionment of the profits or losses of the subsidiary for any chargeable accounting period shall be made as will allocate the

due proportion thereof to the relative chargeable accounting period or periods of the principal; and such division and apportionment shall be by reference to the proportion that the number of days of the chargeable accounting period of the subsidiary falling within the relative chargeable accounting period or periods of the principal bears to the total number of days in the chargeable accounting period of the subsidiary.

(4) For the purposes of this section a company shall be deemed to be a subsidiary of another company if and so long as not less than four-fifths of its ordinary share capital is beneficially owned by that other company, whether directly or through another company or other companies, or partly directly and partly through another company or other companies.

(5) The business profits tax payable by virtue of this section by the principal shall, for the purposes of section 10, be allocated by the Income-tax Officer to the respective companies concerned in such proportion as in his opinion is just:

Provided that the principal shall have the same rights of appeal against an order of allocation made under this subsection as it has under this Act against the amount of its business profits tax assessment.

9. Where an individual or a Hindu undivided family is entitled to profits arising from more than one business, of which at least one is carried on by a firm in which he or it is a partner or by a company which for the purposes of this section is deemed to be a firm in which he or it is interested, the Income-tax Officer may, with the prior sanction of the Inspecting Assistant Commissioner of Income-tax, aggregate the shares of such individual or Hindu undivided family in the profits or losses of all of such businesses and treat the sum of such aggregation as the profits of a business carried on by such individual or Hindu undivided family and assess him or it accordingly:

Aggregation of profits in certain cases

Provided that if the accounting periods of such businesses are not coterminous, the Income-tax Officer shall determine in respect of such individual or Hindu undivided family his or its chargeable accounting period and shall make such divisions,

apportionments and aggregation of the shares of such individual or Hindu undivided family in the profits or losses of the several businesses as may be necessary to determine for such chargeable accounting period the total profits and gains of such individual or Hindu undivided family therefrom:

Provided further that for the purposes of this section, a company, which is neither one in which the public are substantially interested, as defined in the Explanation to sub-section (1) of section 23A of the Income-tax Act, 1922, nor a subsidiary company as defined in sub-section (4) of section 8 of this Act, shall be deemed to be a firm in which the persons having an interest in the company are partners or, in the case of a sole-shareholder, a business carried on by that sole shareholder, and the profits of such company shall be computed accordingly:

Provided further that any profits or losses so aggregated for assessment upon an individual or a Hindu undivided family shall be excluded from the profits or losses of the respective businesses for the purposes of this Act; and no assessment under this Act shall be made in respect of any such business save in the names of the other partners therein and such individual or Hindu undivided family shall not be treated as a working partner in relation to such business for the purpose of sub-clause (b) of clause (1) of section 2.

Allowance of
business profits
tax in
computing
income for
income-tax
purposes

10. The amount of the business profits tax payable by any person, before taking into account any credit that may be due under an agreement referred to in section 49AA of the Income-tax Act, 1922, for any chargeable accounting period shall, in computing total income for the purposes of the relevant income-tax or super-tax assessment, be allowed as a deduction:

Provided that, as respects any assessment under the Income-tax Act, 1922 for any year beginning on or after the first day of April, 1958, the amount of business profits tax payable by any person under this Act shall not be allowed as a deduction in computing his total income for the purposes of the relevant income-tax or super-tax assessment.

Provided further that where, under the provisions of this Act relating to deficiencies of profits relief is given by way of repayment from business profits tax chargeable for any chargeable accounting period previous to that in which the deficiency occurs, the amount of the deduction, if any, allowed shall not be altered, but the amount repayable shall be taken into account in computing the profits and gains of the business for the purposes of income-tax as if it were a profit of the business accruing in the previous year (as determined for that business for the purposes of the Income-tax Act, 1922) in which the deficiency of profits occurs.

11. (1) The Income-tax Officer may, for the purposes of this Act, require any person whom he believes to be engaged in any business to which this Act applies, or to have been so engaged during any chargeable accounting period, or to be otherwise liable to pay business profits tax, to furnish within such period, not being less than forty-five days from the date of the service of the notice, as may be specified in the notice, a return in the prescribed form and verified in the prescribed manner setting forth (along with such other particulars as may be provided for in the notice) with respect to any chargeable accounting period specified in the notice the profits and taxable profits of the business or the amount of deficiency, if any, available for relief under section 6:

Issue of notice
for assessment

Provided that the Income-tax Officer may, in his discretion, extend the date for the delivery of the return.

(2) The Income-tax Officer may serve on any person, upon whom a notice has been served under sub-section (1), a notice requiring him on a date to be therein specified to produce, or cause to be produced, such accounts or documents as the Income-tax Officer may require, and may from time to time serve further notices in like manner requiring the production of such further accounts or documents or other evidence as he may require.

12. (1) The Income-tax Officer shall, by an order in writing after considering such evidence, if any, as he has required under section 11, assess to the best of his judgment the profits liable to business profits tax and the amount of business profits tax

Assessments

payable on the basis of such assessment, or if there is a deficiency of profits, the amount of that deficiency and the amount of business profits tax, if any repayable, and shall furnish a copy of such order to the person on whom the assessment has been made.

(2) Business profits tax payable in respect of any chargeable accounting period shall be payable by the person carrying on, or treated as carrying on, the business in that period.

(3) Where two or more persons were carrying on the business jointly in the chargeable accounting period, the assessment shall be made upon them jointly and, in the case of a partnership, may be made in the partnership name.

(4) Where by virtue of the foregoing provisions an assessment could, but for his death, have been made on any person either solely or jointly with any other person or persons the assessment may be made on his legal representative either solely or jointly with that other person or persons, as the case may be.

Power to make
provisional
assessments

13. (1) The Income-tax Officer, before proceeding to make an assessment (in this section referred to as the regular assessment) under section 12, may, at any time after the expiry of the period specified in the notice issued under sub-section (1) of section 11 as that within which the return therein referred to is to be furnished, and whether the return has or has not been furnished, proceed to make in summary manner a provisional assessment of the taxable profits and the amount of business profits tax payable thereon.

(2) Before making such provisional assessment the Income-tax Officer shall give notice in the prescribed form to the person on whom assessment is to be made of his intention to do so, and shall with the notice forward a statement of the amount of the proposed assessment, and the said person shall be entitled to deliver to the Income-tax Officer at any time within fourteen days of receipt of the said notice a statement of his objections, if any, to the amount of the proposed assessment.

(3) On expiry of one month from the date of service of the notice referred to in sub-section (2), or earlier if the assessee agrees to the proposed assessment, the Income-tax Officer may, after taking into account the objections, if any, made under sub-section (2) make a provisional assessment, and shall furnish a copy of the order of assessment to the assessee:

Provided that assent to the amount of the assessment, or failure to make objection to it, shall in no way prejudice the assessee in relation to the regular assessment.

(4) In making any such provisional assessment the Income-tax Officer shall make allowance for any deficiencies of profits for previous chargeable accounting periods which are under the provisions of section 6 to be set off against the taxable profits of the chargeable accounting period in respect of which the assessment is being made:

Provided that, where such deficiencies of profits have not been determined under sub-section (1) of section 12, the Income-tax Officer shall estimate the amount thereof to the best of his judgment.

(5) There shall be no right of appeal against a provisional assessment made under this section, and it shall, until a regular assessment is made in due course under section 12, determine the amount of business profits tax due from the assessee.

(6) If, when a regular assessment is made in due course under section 12, the amount of business profits tax payable thereunder is found to exceed that determined as payable by the provisional assessment, it shall be reduced by the amount determined as payable by the provisional assessment.

(7) If, when a regular assessment is made in due course under section 12, the amount of business profits tax payable thereunder is found to be less than that determined as payable by the provisional assessment, any excess of tax paid as a result of the provisional assessment shall be refunded to the assessee, together with interest at two *per cent per annum* calculated from the date of payment of such excess tax to the date of the order of refund, both days inclusive.

14. [*Profits escaping assessment.- Omitted by section 12 of the Finance Act, 1957 (I of 1957).*]

Penalties

15. If the Income-tax Officer, the Appellate Assistant Commissioner of Income-tax or the Commissioner of Income-tax, in the course of any proceedings under this Act, is satisfied that any person has, without reasonable cause, failed to furnish the return required under sub-section (1) of section 11, or to produce or cause to be produced the accounts or documents or other evidence required by the Income-tax Officer under sub-section (2) of that section, or has, either in the said proceedings or in any earlier proceedings relating to an assessment in respect of the same chargeable accounting period, concealed particulars of the profits of the business or has deliberately furnished inaccurate particulars of such profits, he may direct that such person shall pay by way of penalty, in addition to the amount of any business profits tax payable, a sum not exceeding-

- (a) where the person has failed to furnish the return required under sub-section (1) of section 11, the amount of the business profits tax payable;
- (b) in any other case, the amount of business profits tax which would have been avoided if the return made had been accepted as correct:

Provided that the Income-tax Officer shall not impose any penalty under this section without the previous approval of the Inspecting Assistant Commissioner of Income-tax.

Appeals to
Appellate
Assistant
Commissioner
of Income-tax

16. (1) Any person objecting to the amount of business profits tax for which he is liable as assessed by the Income-tax Officer or denying his liability to be assessed under this Act, or objecting to any penalty imposed by the Income-tax Officer, or to the amount of any deficiency of profits as assessed by the Income-tax Officer, or to the amount allowed by the Income-tax Officer by way of relief under any provision of this Act or to any refusal by the Income-tax Officer to grant re-relief, may appeal to the Appellate Assistant Commissioner of Income-tax:

Provided that no appeal under this section shall be filed in any case in which the total income of an assessee as determined under the Income-tax Act, 1922 for the corresponding period exceeds two lakh Taka.

(2) An appeal shall ordinarily be presented within forty-five days of receipt of the notice of demand relating to the assessment or penalty objected to, or in the case of an appeal against the assessment of a deficiency of profits, within thirty days of the receipt of the copy of the order determining the deficiency, or in the case of an appeal against the amount of a relief granted or a refusal to grant relief, within forty-five days of the receipt of the intimation of the order granting or refusing to grant the relief, but the Appellate Assistant Commissioner of Income-tax may admit an appeal after the expiration of that period if he is satisfied that the appellant had sufficient cause for not presenting it within that period.

(3) An appeal shall be in the prescribed form and shall be verified in the prescribed manner.

(4) The Appellate Assistant Commissioner of Income-tax shall determine the appeal after giving both parties to the appeal an opportunity of being heard.

If the Appellate Assistant Commissioner of Income-tax is not satisfied that the assessment or order which is the subject of appeal ought to be interfered with, he shall reject the appeal and the assessment or order shall stand good.

If he is satisfied that the assessment or order ought to be interfered with, he shall, subject to the provisions of this Act, pass such orders as he thinks fit and such orders may include an order enhancing the assessment or penalty:

Provided that an order enhancing an assessment or penalty shall not be made unless the person affected thereby has been given an opportunity of showing cause against the enhancement.

(5) The procedure to be adopted in the hearing and determination of appeals shall be in accordance with the rules made by the National Board of Revenue in relation to income-tax.

17. (1) Any Income-tax Officer or any person in respect of whose business an order under section 12 has been passed and who objects to such order or an order, if any, passed by an Appellate Assistant Commissioner of Income-tax under section 15 or section 16 may, within the prescribed time and in the prescribed manner appeal against such order to the Appellate Tribunal constituted under the Income-tax Act, 1922.

Appeal to
Appellate
Tribunal

(1A) The Appellate Tribunal may admit an appeal after the expiry of the prescribed time referred to in sub-section (1), if it is satisfied that there was sufficient cause for not presenting it within that time.

(2) The Appellate Tribunal shall determine the appeal after giving both parties to the appeal an opportunity of being heard.

If the Appellate Tribunal is not satisfied that the assessment or order which is the subject of appeal ought to be interfered with, it shall reject the appeal and the assessment or order shall stand good.

If it is satisfied that the assessment or order ought to be interfered with, it shall, subject to the provisions of this Act, pass such orders as it thinks fit, and such orders may include an order enhancing the assessment or penalty:

Provided that an order enhancing an assessment or penalty shall not be made unless the person affected thereby has been given an opportunity of showing cause against the enhancement.

Power of
revision by the
Commissioner

17A. (1) The Commissioner may on his own motion call for the record of any proceeding under this Act in which an order has been passed by any authority subordinate to him and may make such enquiry or cause such enquiry to be made and subject to the provisions of this Act may pass such order thereon not being an order prejudicial to the assessee, as he thinks fit:

Provided that the Commissioner shall not revise any order under this sub-section if-

- (a) where an appeal against the order lies to the Appellate Assistant Commissioner or to the Appellate Tribunal, the time within which such appeal may be made has not expired; or
- (b) the order is pending on an appeal before the Appellate Assistant Commissioner or has been made the subject of an appeal to the Appellate Tribunal; or

- (c) the order has been made more than one year previously:

Provided further that the Commissioner may, for reasons to be recorded by him in writing, also revise under this sub-section any order made more than one year previously.

(2) The Commissioner may, on application by an assessee for revision of an order under this Act passed by any authority subordinate to the Commissioner, made within one year from the date of the order (or within such further period as the Commissioner may consider fit to allow on being satisfied that the assessee was prevented by sufficient cause from making the application within the period), call for the record of the proceeding in which such order was passed, and on receipt of the record may make such inquiry or cause such inquiry to be made, and, subject to the provisions of this Act, may pass such order thereon, not being an order prejudicial to the assessee, as he thinks fit:

Provided that the Commissioner shall not revise any order under this sub-section if-

- (a) where an appeal against the order lies to the Appellate Assistant Commissioner or to the Appellate Tribunal but has not been made, the time within which such appeal may be made has not expired, or, in the case of an appeal to the Appellate Tribunal, the assessee has not waived his right of appeal; or
- (b) where an appeal against the order has been made to the Appellate Assistant Commissioner, the appeal is pending before the Appellate Assistant Commissioner; or
- (c) the order has been made the subject of an appeal to the Appellate Tribunal:

Provided further that an order by the Commissioner declining to interfere shall be deemed not to be an order prejudicial to the assessee.

(3) Every application by an assessee under sub-section (2) shall be accompanied by a fee of twenty-five Taka.

Rectification of mistakes

18. (1) The Commissioner or the Appellate Assistant Commissioner may at any time within four years from the date of any order passed by him in appeal or in the case of the Commissioner in revision under section 17A and the Income-tax Officer may at any time within four years from the date of any assessment order passed by him on his own motion rectify any mistake apparent from the records of appeal, revision or assessment, as the case may be, and shall within the like period rectify any such mistake which has been brought to his notice by a person to whose business this Act applies:

Provided that no such rectification shall be made having the effect of enhancing the liability of any person unless that person has been given a reasonable opportunity of being heard.

(2) The provisions of sub-section (1) shall also apply in like manner to the rectification of mistakes by the Appellate Tribunal.

(3) Where any such rectification has the effect of reducing the assessment, the Income-tax Officer shall make any refund which may be due to such assessee.

(4) Where any such rectification has the effect of enhancing the assessment, the Income-tax Officer shall serve on the assessee a notice of demand in the prescribed form specifying the sum payable and such notice shall be deemed to be issued under section 29 of the Income-tax Act, 1922 as applied to the business profits tax under section 19 of this Act and the provisions of this Act shall apply accordingly.

18A. [*Agreement for avoidance of double taxation in Pakistan and India.- Omitted by section 13 of the Finance Act, 1956 (I of 1956).*]

Application of the provisions of Act XI of 1922

19. (1) The provisions of sections 4A, 4B, 10, 13, 24B, 29, 34, 36 to 44C (inclusive), 45 to 48 (inclusive), 49E, 49F, 50, 54, 61 to 63 (inclusive) and 65 to 67A (inclusive) of the Income-tax Act, 1922, shall apply with such modifications, if any, as may be prescribed, as if the said provisions were provisions of this Act and referred to business profits tax instead of to income-tax, and every officer exercising powers under the said provisions in regard to income-tax may exercise the like powers under this Act in regard to business profits tax as he exercises in relation to income-tax under the said Act:

Provided that references in the said provisions to the assessee shall be construed as references to a person to whose business this Act applies.

(2) Any reference in this Act to the Income-tax Act, 1922, shall, in relation to the profits of any chargeable accounting period and to the state of affairs and all the circumstances necessary to determine the charge to business profits tax, mean the said Act as in force in the relevant period:

Provided that whatever be the relevant period, references to section 46 of the said Act shall be deemed to include reference to sub-sections (8), (9) and (10) of that section.

20. (1) Notwithstanding anything contained in the Income-tax Act, 1922, all information contained in any statement or return made or furnished under the provisions of that Act or obtained or collected for the purposes of that Act may be used for the purposes of this Act.

Income-tax papers to be available for the purposes of this Act

(2) All information contained in any statement or return made or furnished under the provisions of this Act or obtained or collected for the purposes of this Act may be used for the purposes of the Income-tax Act, 1922.

21. If any person fails, without reasonable cause or excuse, to furnish in due time any return or statement, or to produce, or cause to be produced, any accounts or documents required to be produced under section 11, he shall be punishable with simple imprisonment which may extend to three months or with fine which may extend to five hundred Taka or with both.

Failure to deliver returns or statements

22. If a person makes in any return required under section 11 any statement which is false, and which he either knows or believes to be false or does not believe to be true, he shall be punishable with imprisonment which may extend to three years and with fine.

False statements

23. (1) A person shall not be proceeded against for an offence under section 21 or section 22 except at the instance of the Inspecting Assistant Commissioner of Income-tax.

Institution of proceedings and composition of offences

(2) No prosecution for an offence punishable under section 21 or section 22 or under the ¹[Penal Code] shall be instituted in respect of the same facts as those in respect of which a penalty has been imposed under this Act.

(3) The Inspecting Assistant Commissioner of Income-tax may, either before or after the institution of proceedings, compound any offence punishable under section 21 or section 22.

Power to make
rules

24. (1) The National Board of Revenue may, make rules for carrying out the purposes of this Act.

(2) Without prejudice to the generality of the foregoing power, such rules may-

- (a) prescribe the procedure to be followed on appeals, applications for rectification of mistakes, and applications for funds;
- (b) provide for any matter which by, or under, this Act is to be prescribed.

(3) The power to make rules conferred by this section shall be exercised in like manner as the power to make rules under section 59 of the Income-tax Act, 1922.

SCHEDULE I

[See section 2(16)]

RULES FOR THE COMPUTATION OF PROFITS FOR PURPOSES OF BUSINESS PROFITS TAX

1. The profits of a business during any chargeable accounting period shall be separately computed, and shall, subject to the provisions of this Schedule, be computed in accordance with the provisions of section 10 of the Income-tax Act, 1922:

¹ The words "Penal Code" were substituted for the words "Pakistan Penal Code" by section 8 of the Bangladesh Laws (Revision and Declaration) (Amendment) Act, 1974 (Act No. LIII of 1974).

Provided that any sums other than any interest paid by a firm to a partner of the firm excluded under the proviso to clause (iii) of sub-section (2) or clause (a) of sub-section (4) of that section from the allowances made in computing the profits of the business for the purposes of income-tax shall, if paid, be included in those allowances when computing the profits of the business for the purposes of business profits tax:

Provided further-

- (a) that any sums received or credited in a chargeable accounting period which by virtue of rule 9 of Schedule I to the Excess Profits Tax Act, 1940, have been treated as business receipts for the purpose of assessment to excess profits tax, and
- (b) any expenditure or loss incurred in any chargeable accounting period, allowance in respect of which has been made for excess profits tax purposes,

shall be disregarded in computing the profits or losses of the chargeable accounting period:

Provided further that where a chargeable accounting period is not an accounting period, the profits or losses of the business during the accounting periods wholly or partly included within the chargeable accounting period shall be so computed as aforesaid, and such division and apportionment to specific periods of those profits or losses and such aggregation of those profits and losses, or any apportioned part thereof, shall be made as appears necessary to arrive at the profit during the chargeable accounting period; and any such apportionment shall be made in proportion to the number of days in the respective periods.

2. (1) The principle of adding the allowance for depreciation for any one period to the allowance for depreciation for any subsequent period and deeming it to be part of the allowance for such subsequent period shall not be followed.

(2) Nothing in this Act shall be construed as permitting the application, in computing profits for the purposes of business profits tax, of the provisions of sub-section (2) of section 24 of the Income-tax Act, 1922.

3. Income received from investments or other property shall be included in the profits only as provided in this rule, that is to say,-

- (a) in the case of the business of a building society, or a banking business, insurance business or business consisting wholly or mainly in the dealing in or holding of investments or other property, the profits shall include all income received from investments or other property; or
- (b) in the case of a business part of which consists in banking, insurance or dealing in investments or other property, not being a business to which clause (a) applies, the profits shall include all income received from investments or other property held for the purposes of that part of that business:

Provided that-

- (i) income received directly or indirectly by way of dividend or distribution of profits from a body corporate carrying on business as defined in this Act; and
- (ii) income to which the persons carrying on the business are not beneficially entitled,

shall in no case be included.

4. (1) In the case of a business carried on in any accounting period which constitutes or includes a chargeable accounting period, by a company, the directors whereof have throughout that accounting period a controlling interest therein, no deduction shall be made in respect of directors' remuneration in computing the profits for that accounting period.

(2) Where, in the case of a business carried on by a company in any accounting period which constitutes or includes a chargeable accounting period, the directors of the company have during any part of that accounting period a controlling interest therein, and the case is not one to which sub-rule (1) applies, the profits of the accounting period shall be computed as if the directors of the company had no controlling

interest therein, and to the part thereof appropriate to the chargeable accounting period ascertained in accordance with the third proviso to rule 1 shall be added the directors' remuneration for that part of the chargeable accounting period during which the directors of the company had a controlling interest therein.

(3) In this rule the expression "directors' remuneration" includes all remuneration payable by a company to a director thereof in respect of any services rendered to or employment with the company in any capacity whatever but does not include-

- (a) the remuneration of any director who is required to devote substantially the whole of his time to the service of the company in a managerial or technical capacity and is not the beneficial owner of, or able, either directly or through the medium of other companies or by any other indirect means, to control more than five *per cent* of the ordinary share capital of the company, or
- (b) the remuneration of any managing agent where such remuneration is included in the profits of the managing agent's business for the purposes of the business profits tax.

5. (1) In computing the profits of any chargeable accounting period no deduction shall be allowed in respect of expenses in excess of the amount which the Income-tax Officer considers reasonable and necessary, having regard to the requirements of the business, and, in the case of directors' fees or other payments for services, to the actual services rendered by the person concerned:

Provided that no disallowance under this rule shall be made by the Income-tax Officer unless he has obtained the prior authority of the Inspecting Assistant Commissioner of Income-tax.

(2) Any person who is dissatisfied with the decision of the Income-tax Officer under this rule may appeal in the prescribed time and manner to the Appellate Tribunal referred to in section 17.

SCHEDULE II

[See section 2(1)]

RULES FOR COMPUTING THE CAPITAL OF A COMPANY FOR PURPOSES OF BUSINESS PROFITS TAX

1. For the purposes of ascertaining the abatement under this Act in respect of any chargeable accounting period, the capital of a company shall be computed in accordance with the following rules.

2. (1) Where the company is one to which rule 3 of Schedule I applies, its capital shall be the sum of the amounts of its paid-up share capital and of its reserves in so far as they have not been allowed in computing the profits of the company for the purposes of the Income-tax Act, 1922, diminished by the cost to it of its investments or other property the income from which is not to be included in the profits, so far as that cost exceeds any debt for money borrowed by it.

(2) In all other cases, the capital shall be the sum ascertained in accordance with the first part of sub-rule (1), diminished by the cost to the company of its investments so far as that cost exceeds any debt for money borrowed by it.

Explanation- A reserve or paid-up share capital brought into existence by creating or increasing (by revaluation or otherwise) any book asset is not capital for the purposes of ascertaining the abatement under this Act in respect of any chargeable accounting period.

2A. Notwithstanding anything contained in rule 2, where only a part of the profits of a company is chargeable under the provisions of this Act, its capital shall be the sum ascertained in accordance with the said rule diminished by an amount which bears to that sum the same proportion as the amount of its profits not so chargeable bears to its total profits.

3. So much of the premium realised by a company from the issue of any of its shares as is retained in the business shall be regarded as forming part of its paid-up capital for the purposes of rule 2.

4. Any deposits with the Government under section 10 of the Finance Act, 1942, or section 2 of the Excess Profits Tax Ordinance, 1943, shall not be regarded as investment or other property for the purposes of this Schedule.
