

# The Business Profits Tax Act, 1947

( ACT NO. XXI OF 1947 )

**An Act to impose a special tax on a certain class of income.<sup>1♣♣</sup>**

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

It is hereby enacted as follows:-

**Short title,  
extent and  
commencement**

1. (1) This Act may be called the Business Profits Tax Act, 1947.

(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.

**Interpretation**

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

(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

(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, and

(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;

<sup>2</sup>[(11A) “Government” means, except where the context otherwise requires, the Government of the People's Republic of Bangladesh;]

- (12) <sup>The Business Profits Tax Act, 1947</sup> “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;
- <sup>3</sup>[(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.

## **Tax authorities**

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.

(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.

## **Charge of tax**

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:

Provided that –

(a) any profits which are, under the provisions of sub-section (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