

## Comparative Analysis: Penalty for Concealment of Income

**Scenario:** Mr. Rahim, a businessman, reports an income of BDT 2,000,000, while his actual income is BDT 3,000,000. (concealment of sales Tk. 1 crore)

**Tax Rate:** 27.5%

**Tax on Actual Income:** BDT 3,000,000 × 27.5% = BDT 8,25,000

**Tax Paid:** BDT 2,000,000 × 27.5% = BDT 5,50,000

**Tax Evasion:** BDT 8,250,000 - BDT 5,50,000 = BDT 2,75,000

**Under the Income Tax Ordinance, 1984:**

**Penalty:** 15% of BDT 275,000 = BDT 41,250

**Additional Penalty:** If detected after 1 year, an additional 15% for each preceding year.

**Under the Income Tax Act, 2023:**

**Penalty:** 15% of BDT 275,000 = BDT 41,250

**Additional Penalty:** 10% for each year up to the year of detection.

**Criminal Prosecution:** Imprisonment up to 5 years (minimum 6 months), a fine, or both.

### Penalty Summary

Particulars	Income Tax Ordinance, 1984		Income Tax Act, 2023	
	Punishment	Reference	Punishment	Reference
<b>Penalty Rate</b>	15% of tax avoided	u/s. 128	15% of tax avoided	u/s. 272
<b>Additional Penalty</b>	15% for each year of concealment	u/s. 128	10% for each year up to detection	u/s. 272
<b>Criminal Prosecution</b>	Up to 5 years imprisonment	u/s. 166	Up to 5 years imprisonment (minimum 6 months)	u/s. 312
<b>Corporate Offenses</b>	Not specified		Up to 6 years imprisonment (minimum 6 months)	u/s. 323

### Calculation Summary

Item	Income Tax Ordinance, 1984	Income Tax Act, 2023	Difference
Actual sales	30,000,000	30,000,000	
Reporting sales	20,000,000	20,000,000	
Actual taxable income	3,000,000	3,000,000	
Declared taxable income	2,000,000	2,000,000	
Tax rate	27.5%	27.5%	
Tax payable (actual)	825,000	825,000	
Tax paid (declared)	550,000	550,000	
Tax evaded	275,000	275,000	
Basic Penalty @ 15%	41,250	41,250	
Additional Penalty @ 15% & 10% respectively	41,250	27,500	
<b>Total Penalty</b>	<b>82,500</b>	<b>68,750</b>	<b>13,750</b>

**Note:** Assume 1 years of concealment before detection:

**Penalty formula As per u/s. 272 of ITA 2023:**

Penalty = A + B

Where, A = Tax Evasion x 15%

B = Tax Evasion x 10% x C

C = Total Timing of tax year from concealment happened to detected

Tax Evasion = Tax payable (Actual) - Tax payable (Declared)