



Salient features of Finance Bill 2026

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Salient Features of Finance Bill 2026

Introduction

Dear Guests

Welcome to RRH's Technical Seminar on Finance Bill 2026.

As you know, the Finance Bill will now be debated in Parliament, perhaps amended to an extent, and final version is expected to become law in July 2026. In our experience, however, most of the key provisions in such bills remain largely unchanged.

We have compiled today's presentation and this booklet for sharing the key provisions of Finance Bill 2026 with you. Errors and omissions, may happen, for which we seek your understanding. In any event, the contents of today's presentation and this booklet cannot be taken as a comprehensive analysis of either the Bill, or Income Tax and VAT proposals contained in the Bill. More importantly, no decision should be taken exclusively on the basis of today's presentation or this booklet; you should obtain professional advice tailored to your specific circumstances.

Our objective for today is to bring to your knowledge, in a concise and organised manner, the key proposals in the Bill regarding Income Tax and VAT. We trust you will find this initiative beneficial.

Thank you.

Adeeb H. Khan
Senior Partner

Dhaka, 14 June 2026



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Proposals/changes in connection with Income Tax

1. Tax rates for individual and HUF for assessment years 2026-2027 to 2030-2031 are proposed:

AY 2026-2027 and AY 2027-2028		AY 2028-2029 and AY 2029-2030		AY 2030-2031	
Total annual income	Tax rate	Total annual income	Tax rate	Total annual income	Tax rate
First Taka 375,000	Nil	First Taka 400,000	Nil	First Taka 450,000	Nil
Next Taka 300,000	10%	Next Taka 300,000	10%	Next Taka 300,000	10%
Next Taka 400,000	15%	Next Taka 400,000	15%	Next Taka 400,000	15%
Next Taka 500,000	20%	Next Taka 500,000	20%	Next Taka 500,000	20%
Next Taka 2,000,000	25%	Next Taka 2,000,000	25%	Next Taka 2,000,000	25%
Balance amount	30%	Next Taka 26,400,000	30%	Next Taka 26,350,000	30%
		Balance amount	35%	Balance amount	35%

Initial exemption limit for individual and HUF taxpayers is proposed

Taxpayers	AY 2026-27 and AY 2027-28	AY 2028-29 and AY 2029-30	AY 2030-31
General taxpayer	Taka 375,000	Taka 400,000	Taka 450,000
Women and senior citizens aged 65 years or above	Taka 425,000	Taka 450,000	Taka 500,000
Third gender	Taka 500,000	Taka 525,000	Taka 575,000
Physically challenged persons	Taka 500,000	Taka 525,000	Taka 575,000
Gazetted war-wounded freedom fighters and July Warriors	Taka 525,000	Taka 550,000	Taka 600,000

In case of parent/legal guardian of a physically challenged person, he/she (only one assessee if father and mother both are taxpayers) will get a further initial exemption of Taka 50,000 in addition to above limit.

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Proposals/changes in connection with Income Tax (contd.)

2. Non-residents

Non-residents other than Bangladeshi non-residents shall pay tax on the total income at flat rate of 30%.

3. Minimum tax payable

For AY 2026-27 to AY 2030-31 – Taka 5,000.
However, in case of new taxpayers – Taka 1,000.

4. Charge of surcharge

Surcharge is payable by an individual assessee are as follows:

Total net worth	AY 2026-27 to AY 2030-31
Over Taka 40 million to Taka 100 million or owner of more than 1 motor car or owner of house property of more than 8,000 sft. size	10%
Over Taka 100 million to Taka 200 million	20%
Over Taka 200 million to Taka 500 million	30%
Over Taka 500 million	35%

5. Environment surcharge

Environment surcharge from AY 2026-27 to AY 2030-31 are as follows:

Engine capacity of motor car	Rate
Up to 1500cc	Taka 25,000
Exceeding 1500cc but not 2000cc	Taka 50,000
Exceeding 2000cc but not 2500cc	Taka 75,000
Exceeding 2500cc but not 3000cc	Taka 150,000
Exceeding 3000cc but not 3500cc	Taka 200,000
Exceeding 3500cc	Taka 350,000

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Proposals/changes in connection with Income Tax (contd.)

- Environment surcharge is payable to all taxpayers having more than one motor car and such surcharge will be exempted on the motor car with the lowest applicable surcharge.
- Environment surcharge will be collected during registration or fitness renewal.

6. Investment tax rebate

An individual taxpayer is eligible to avail investment tax rebate lowest of the following:

- 3% of total taxable income (other than tax exempted income and income on which reduced and final tax liability applicable), or
- 10% of actual investment as per Part 3 of 6th Schedule or
- Taka 0.75 million.

7. Statement of assets, liabilities and lifestyle

The DCT may issue notice for submission of statements, where it is missing, incomplete, or necessary for tax assessment. Failure to comply with the notice will result to incomplete tax return, and the DCT will issue notice informing on void and invalid.

8. Tax rates for companies, trusts, firms and other entities

Applicable tax rates for companies, trusts, firms and other entities are as follows:

Taxpayers	AY 2026-27 to AY 2030-31
Publicly traded companies listed at least 10% of their paid-up capital through IPO	22.5% / 20%*
All other publicly traded companies	27.5% / 25%*
Non-listed companies other than below	27.5%
Banks, insurance and other financial institutions (except merchant banks):	
- if publicly listed	37.5%
- if not publicly listed	40%
Cigarette, zarda, bidi, gul or any other tobacco product manufacturer (companies and any other assessee)	45%
Surcharge in addition to above tax is applicable on business income.	2.5%
Mobile phone operator company if not publicly listed as below	45%

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Proposals/changes in connection with Income Tax (contd.)

Taxpayers	AY 2026-27 to AY 2030-31
Mobile phone operator company that converts itself into a publicly traded company by transfer of at least 10% shares through stock exchanges, of which maximum 5% may be through Pre-Initial Public Offering Placement [If mobile phone operator companies list at least 20% of their paid-up capital through IPO, they shall receive a rebate of 10% in the year of listing.]	40%
Trusts, Association of persons, and firms	27.5%
Co-operative society	20%
Private university, private medical college, private dental college, private engineering college or private college engaged in information technology education	10%

* All income in a year shall be made through bank transfer.

Surcharge at 2.5% is applicable for educational institutions if these entities fail to ensure proper arrangement for movement of disabled person.

On the other hand, rebate of 5% tax or waiver of 75% of salary to physically challenged or third gender employees, whichever is lower, will be allowed for employing 10% of total employees or more than 25 persons from physically challenged or third gender persons.

9. Group insurance

- Reimbursements under the group insurance policy will not be treated as income from employment.
- Moreover, payment of group insurance premium for employees by a Company will not be considered as perquisite.
- Cash or benefits received by employees will be considered as income from other sources [6th Schedule].

10. Capital gains

- Personal belongings like gold, silver, diamonds, coins, antiques, paintings, digital coins and club memberships are now proposed to be capital assets.
- Separate Part has been initiated under fifth Schedule for Developers' income from land, establishment, house, flat, apartment or floorspace. Receipts of cash, flats etc. from developers by the owners under specified agreement or otherwise have been addressed.
- Difference between all benefits received from the developer, including cash and flats, and the acquisition value of land, including facilities, provided to the developer under a specialised contract would be capital gain of the landowners.

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Proposals/changes in connection with Income Tax (contd.)

11. Tax treatment on conversion of firm into company

- Tax exemption benefit on capital gains arising from transfer of capital and intangible assets from a firm to a company, subject to conditions:
 - Transfer of entire assets and liabilities.
 - Receive only shares in proportion to their existing capital, and
 - Retain at least 50% voting power collectively in the company for five years post-transfer.
- In case of breach of any conditions, the exemption will be withdrawn and the capital gains will become taxable.
- The firm's accumulated losses and unabsorbed depreciation can be carried forward by successor company.

12. Inadmissible expenses (newly proposed)

- Excess perquisite has been proposed to be increases to BDT 2.5 million instead of BDT 2 million.
- Cash and retail office expenses supplies, snacks, stationery, etc. are allowed up to 0.10% of total turnover.
- Entertainment is allowable at capped at single rate of 4% of total income before charging entertainment and actual expense; whichever is lower.
- Subject to lower of applicable limit or actual expense incurred, the allowable limit for deduction of free sample expenses has been increased to:
 - 2% of turnover up to BDT 100 million
 - 1.5% of turnover exceeding BDT 100 million but not exceeding BDT 200 million, and
 - 1% of turnover exceeding BDT 200 million.
- Promotional expenses is allowable up to 1% of business turnover instead of 0.5%.

13. Non-compliance of failure to comply with withholding income tax

- Separate income tax on special business income is proposed to be withdrawn.
- Failure to deduct, collect and deposit, the shortfall amount needs to be paid with additional 50% tax on such shortfall.
- Expenses disallowed under section 55 will be treated as business or professional income.

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Proposals/changes in connection with Income Tax (contd.)

14. Income tax return filing – incentives and penalties

Individuals and firms:

- 1 July to 30 September: 5% rebate on tax payable (capped at BDT 25,000).
- 1 October to 31 December: No incentive or penalty.
- 1 January to 31 March: penalty of 2% of the tax liability or BDT 3,000, whichever is higher.
- 1 April to 30 June: penalty of 5% of the tax liability or BDT 5,000, whichever is higher.

Companies:

- First six months of year end: 5% rebate on tax payable (capped at BDT 25,000).
- Next three and half months: No incentive or penalty.
- Next two and half months or 30 June: penalty of 2% of the tax liability or BDT 25,000, whichever is higher.

Delay submission beyond 30 June:

- **Taxpayer's voluntary:** Taka 5,000 or 10% on tax payable, whichever is higher.
- **Submission based on notice under section 212(1):** Taka 10,000 or 15% on tax payable, whichever is higher.

15. Advance tax, final tax and turnover tax (Previously – Minimum tax)

Exclusion from minimum tax computation

- The concept of minimum tax has been proposed to be withdrawn.

Refund of tax deducted or collected at source

- Tax deducted or collected at source will now be refundable if exceeds the tax payable. However, taxpayers may continue to adjust such tax against current tax liabilities or carry it forward, while also having the option to claim a refund through an application.

Restriction of final tax regime

- Only tax collected on commercial motor vehicle and inland ships will be treated as final tax liability. However, these taxes collected will be compared with the tax liability computed under the regular provisions to determine the final payable amount.

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Proposals/changes in connection with Income Tax (contd.)

Revised turnover tax rates

The turnover tax rates of the following have been revised:

Taxpayers	Existing	Proposed
Carbonated/sweetened beverage manufacturers	3%	2.5%
Other business sectors – newly established manufacturing companies (first 3 years)	0.1%	0.2%
Start-up sandbox entities	0.1%	0%

Expansion of turnover tax exempted sectors

- Turnover tax exemption is proposed for the following taxpayers:
 - Any government agency, state-owned enterprise, or corporation engaged in import, distribution, or open-market sale of fertiliser, seeds, or essential consumer goods;
 - Commission business;
 - DO (Delivery Order) business;
 - Money exchange business;
 - Trading business in connection with gold, silver, gold/silver ornaments, gems, diamonds, or platinum.

Turnover tax set-off and carry forward

- Turnover tax will be compared with tax payable and any excess turnover tax paid over the tax liability may be carried forward and adjusted in future years without any time limit.

16. Withholding tax return

Mandatory withholding tax return filing coverage is expanded to:

- Public – Private Partnership (PPP);
- E-commerce platforms / online marketplaces where annual turnover exceeds BDT 100 million;
- Hotels, resorts, motels, restaurants, convention centers, community centers, transport agencies where annual turnover exceeds BDT 100 million;
- Any person (non-farmer) involved in the production of tobacco leaves, cigarettes, bidis, jorda, gul and other tobacco products;
- Individual taxpayers where annual business turnover exceeds BDT 100 million.

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Proposals/changes in connection with Income Tax (contd.)

17. Payments to contractors and suppliers

Supply of service against contracts executed for manufacturing, process or conversion, civil work, construction, engineering or works of similar nature remains at flat rate of 5%.

Description	Existing WHT rate	Proposed WHT rate
Supply of gold, silver, ornaments, gems, diamonds and platinum	-	0.5%
Supply of oil by any company engaged in oil refinery	1.5%	1%
Recycled - plastic, polythene, batteries, electrical, electronics, paper, glass and other recyclable products.	5%	1%
Recycled – resin	3%	1%
Supply of raw material in recycling industry	1.5%	1%

18. Payment against services

Description	Existing WHT rate	Proposed WHT rate
Technical services fee, technical know-how or technical assistance fee	10%	For natural person - 15% Other than natural person – 10%
Meeting fees, training fees or honorarium	10%	20%
Mobile network operator, technical support service provider	12%	10%
Motor garage or workshop	8%	5%
Private container port or dockyard service	8%	5%
Transport service, carrying service, vehicle rental service, repair and maintenance service, any sharing economy platform including ride sharing service, coworking space providing service and accommodation ride sharing economy platform	5%	2%

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Proposals/changes in connection with Income Tax (contd.)

19. Payment through local LC / financing arrangements

- Cotton is removed from the scope of 1% WHT on financing arrangements for yarn purchases.
- Scope of 0.5% WHT expanded to cover additional agricultural and allied products, including poultry, shrimp, eggs, milk, vegetables, feed, cotton, raw hides, organic fertilizers and pesticides, etc.
- 2% WHT introduced on financing arrangements relating to the sale of cement, iron and iron products and ferro-alloy products (excluding MS billets).

20. Export cash subsidy:

- The withholding tax rate on export cash subsidies has been reduced from 10% to 5%.

21. Purchase of gold, silver, ornaments, gems, diamonds and platinum

- Deduction of tax at 0.5% has been newly proposed.

22. Purchase of electricity from captive power producers

- The withholding tax rate on payments for electricity purchased from captive power producers has been reduced from 4% to 3%.

23. Income remitted from abroad on account of any services, revenue sharing etc.

- Fees, service charges, commission or remuneration called by whatever name, or revenue sharing of any name and nature: 5% instead of 7.5%. If any resident lease out of any property to a foreign person and receives inward remittance, tax needs to be deducted under this section.
- Payment received by the freight forwarding agent is subject to tax on higher of 1% of gross bill or 10% of commission.

24. Collection of advance tax from retail seller

- A new 0.2% advance tax has been introduced on payments received from retailers for goods sold or supplied by manufacturers, importers, suppliers, distributors, or warehouse operators.

25. Collection of taxes from members of registered clubs

- A new 10% withholding tax has been introduced on fees paid for admission, renewal, transfer, or change of membership in registered clubs.

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Proposals/changes in connection with Income Tax (contd.)

26. Payment made by cellular mobile phone operator and tower sharing company

- The provision requiring 20% withholding tax on payments to the regulatory authority has been eliminated.

27. Payments to non-residents

Services	Existing WHT rate	Proposed WHT rate
Technical services, technical know-how or technical assistance	20%	For natural persons - 20% Other than natural person – 10%
Architecture, interior/landscape/fashion/process design	20%	15%
Certification, rating etc.	20%	15%
Commission	20%	15%
Interest	20%	10%
Advertisement broadcasting	20%	15%
Advertisement making or digital marketing	15%	10%
Air or water transport (excluding scope in section 259 and 260)	7.5%	6%
Contractor/sub-contractor services (manufacturing, construction, etc.)	7.5%	6%
Supply of goods	7.5%	6%

28. Submission of audited financial reports and income computation sheets

- Companies, long term contractors and firms, AOP, HUF, artificial juridical persons having turnover exceeding BDT 100 million or capital exceeding BDT 50 million.
- Introduction of mandatory submission of an Income Computation Sheet (ICS) for all taxpayers mentioned above, including firms, AOPs, HUFs, and other juridical persons.
- The ICS must be prepared and certified by the relevant professionals.
- Traders of gold, silver, ornaments, gems, diamonds, and platinum and manufacturers, importers, suppliers, distributors, and warehouse operators must also submit the ICS with their tax returns.

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Proposals/changes in connection with Income Tax (contd.)

29. Tax exemption for renewable solar power projects

- The Government has granted an income tax exemption to institutions engaged in the generation and supply of renewable solar power through the establishment of solar power plants subject to compliance with the certain conditions.
- The exemption is available on income derived from such activities up to 30 June 2035.

30. Statutory payment for appeal filing

- **At appeal stage before the Commissioner of Taxes (Appeals):** 1% of disputed tax.
- **At Tribunal stage:** 3% instead of 10% of the disputed tax
- **At High Court level:** 10% instead of 25% of the disputed tax

Waiver opportunity for such statutory payments has been proposed to be withdrawn.

31. Start-up sandbox

- Business loss can be carried forward up to 9 years, even if shareholdings are changed or new investments are made.
- Start-up sandbox gets full exemption on turnover tax.
- “Growth Year” – 9 years following the year of incorporation for the entity registered as Start-up sandbox.
- “Deep Tech Startup” - enterprise established by a Bangladeshi entrepreneur that develops and owns intellectual property related to Artificial Intelligence (AI), Financial Technology (FinTech), Blockchain Technology, or Biotechnology.
- “Standard Startup” – an innovative business that develops or improves products, services, processes, business models, or technologies with the potential to create significant employment and economic value.

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Proposals/changes in connection with Income Tax (contd.)

32. Definitions

Tax Day

- The Government has introduced “National Tax Day” to promote tax awareness and encourage voluntary tax compliance.

Raw material

- Any substance, ingredient or item directly or partially used for production, preparation, or changed into the final product.

Export

- Export continues to cover the supply of goods or services from Bangladesh to a place outside Bangladesh and additionally includes supplies made against domestic Letters of Credit denominated in foreign currency.

Developer

- Any natural person, institution, company, firm, AOP, AJP, public authority that develops land/ buildings/ infrastructure and selling, leasing, transferring, marketing, or using commercially.

Bank Transfer

- Cash sales properly deposited into the taxpayer’s bank account shall also be treated as bank transfers.

Dividend

- Distributed to the partners of the Joint Venture is not included as dividend. Earlier it was applicable for partners other than individuals.

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Proposals/changes in connection with Income Tax (contd.)

Permanent Establishment (PE)

- To define PE, treaty provision needs to be considered. PE will include digital or online users or subscribers of non-resident having at least 0.1 million customers in Bangladesh

Income deemed to accrue or arise in Bangladesh

- The sale of goods and services through electronic means including both online and offline payments is included in the scope of income.

Turnover

Sale of goods

- Turnover will include all receipts from the sale of goods, excluding VAT and Supplementary Duty (SD).

Services and facilities

- Turnover will include all fees, charges, commissions, discounts and other considerations received for providing services or facilities.

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Proposals/changes in connection with Value Added Tax (VAT)

Proposals/changes in connection with VAT

1. Amendment to the definition through Act and SRO

a) “Input” definition amended

“Labour” has been excluded from the negative input list. This means labour is now considered as an “input”

b) “Tour Operator” definition amended

Commission of the tour operator is considered in the definition of “Tour Operator”

c) “Buyers of Auctioned Goods” definition amended

Immovable property has been excluded from the definition of “Buyers of Auctioned Goods”. Now only movable property will be considered for “Buyers of Auctioned Goods”

2. New definition brought through Act and SRO

a) Definition of “Trader”

Definition of Trader was separately mentioned in the 3rd schedule, now it has been brought into the main Act without any change.

“Trader” means any person who sells or otherwise transfers goods to another person in exchange for consideration, without affecting any change in the form, nature, characteristics, or quality of the goods imported, purchased, acquired, or otherwise obtained.

b) Definition of “Semi-Conductor Assembly, Testing & Packing Service”

This definition has been newly introduced in the VAT regulation with new service code S083.00

Semiconductors are widely used across many industries, including personal computers (PCs), home electronics, automotive, industrial manufacturing and more.

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Proposals/changes in connection with Value Added Tax (VAT) (contd.)

3. Turnover Tax period extended to four months with revised closing dates

The definition of “Tax Period” has been amended to extend the turnover tax period from three (3) months to four (4) months, with the relevant closing dates now specified as 30 April, 31 August, and 31 December.

Aspect	Current	Proposed
Turnover Tax Period	Quarterly	Four-month cycle

4. Deletion of definition “threshold for enlistment”

Provision of enlistment threshold stated in section 2(48) has been deleted. Earlier, turnover up to BDT 30 lacs was not under the provision of enlistment obligation. Now, any amount of turnover up to BDT 50 lacs will be subject to enlistment. Turnover beyond BDT 50 lacs will be subject to VAT registration.

Turnover in BDT	Existing	Proposed	Status
Any amount up to BDT 30 lacs	No enlistment obligation	Obligatory enlistment	Changed
Any amount above BDT 30 lacs up to 50 lacs	Obligatory enlistment	Obligatory enlistment	No change
Any amount above BDT 50 lacs	Obligatory VAT registration	Obligatory VAT registration	No change

5. Mandatory Business Identification Number (BIN) for specified business activities

Submission of a valid BIN or proof of registration is now mandatory for specific business activities as follows:

- For opening and operating a current account or STD account by any business enterprise with any Bank or NBFIs or any other financial institution;
- For obtaining a loan from any Bank or NBFIs or any other financial institution;
- For renewal of a trade license;
- For opening a Merchant Account of any Mobile Financial Services (MFS);
- For obtaining or renewing membership of a trade organization;
- For obtaining electricity and gas connections in the name of an enterprise; and
- For obtaining vehicle registration from the BRTA in the name of a business enterprise.

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Proposals/changes in connection with Value Added Tax (VAT) (contd.)

6. Change of VAT implications on imported services

VAT mechanism for import of services has been restructured. Followings are the current mechanism for import of services:

- a) Reverse charge mechanism has been removed; However, in another way, it is still existing as it is prescribed in the withholding VAT guidelines 2025 that import of service will be reported in the VAT return, in the manner, once as output VAT and again as input VAT credit as applicable. It appears conflict with the law;
- b) Importers are solely responsible for the deposit of VAT against import of service;
- c) At the time of making payment against import of service, Bank being withholding entity will withhold VAT from the invoice amount and deposit through treasury challan in the name of importer. Bank will present this amount in the relevant month's Bank VAT return;
- d) Bank will share the copy of treasury challan to importer which will be considered as VAT Invoice (i.e. Mushak- 6.3) for importer;
- e) If this import of service is considered as input and eligible for input VAT credit in accordance with VAT law. In such case, it will be shown as input VAT credit in the respective month's VAT return;
- f) The importer will present this treasury challan in the respective month's VAT return.

7. VAT on actual value addition for exempted or reduced-rated manufactured goods

New provision allows VAT at 15% on actual value addition at the post-production stage for goods exempted or reduced rated at production level, subject to supporting purchase invoices and Input-Output Coefficient submission. In such case the Input-Output Coefficient form will be Mushak 4.3.1 instead of general Mushak 4.3.

In case of complete or partial exemption of any goods at the local production stage by notification, Value Added Tax may be paid at the rate of 15% only against the actual value addition at the time of its supply subsequent to production, subject to having the invoice of previous purchase. Provided that, in the case of supplying such goods, a declaration of input-output coefficient must be submitted in the prescribed manner by the registered and enlisted person to the concerned officer.

8. Removal of partial input VAT credit for transportation services

A registered entity is eligible to claim 100% input tax credit on transportation services, replacing the current 80% entitlement.

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Proposals/changes in connection with Value Added Tax (VAT) (contd.)

9. Digital control framework for Tobacco items

NBR is now empowered not only to determine the Maximum Retail Price (MRP) but also to impose "Supply Conditions & Limits" on goods.

Furthermore, alongside ensuring the correct weight and quantity of products, NBR has been granted the legal authority to mandate advanced digital tracking technologies (e.g., Tax Stamp, Digitalized Banderole, QR Code, AR Code, RFID, Perforation) to replace traditional physical banderoles.

Key amendments and new conditions:

- a) Direct NBR oversight on product supply: Enforcement of regulatory conditions and volume limits.
- b) Standardization of weight and volume: Strict adherence to government-prescribed product weight and quantity.
- c) Mandatory integration of digital tracking: Compulsory implementation of advanced tracking technologies (QR, AR, RFID).

10. Shifting turnover tax rate (4%) to fixed base VAT

The turnover tax framework has been revised from a fixed rate basis to a flexible determination mechanism. Previously, turnover tax was imposed at a uniform rate of 4% on turnover. The amended provision empowers the Government to prescribe turnover tax as specified amount based on the nature of economic activities, on a regional or sector-wise basis, subject to specified conditions and a maximum prescribed threshold (BDT 2 lacs).

Current	Proposed
Turnover tax is 4% of turnover.	Turnover tax is proposed to be set as fixed amount based on the business profile not exceeding BDT 2 lacs

11. Quarterly VAT return filing and VAT payment in advance

A. Submission of return

Due date of return filing has been extended. The return submission framework has been restructured by introducing filing after every three tax periods, replacing mandatory filing for each tax period. Returns are to be submitted within 15 days from the end of the three tax periods cycle, with extended timelines for specified entities

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Proposals/changes in connection with Value Added Tax (VAT) (contd.)

This can be structured in the following manner:

Description	Current	Proposed
VAT return	Monthly	Quarterly (covering three tax periods)
Turnover Tax return	Quarterly	Yearly (covering three turnover-tax periods)

Provision has also been made for voluntary submission of returns for each tax period. The Board's power to extend timelines without interest and penalty is retained, and electronic filing may be made mandatory. Supplementary duty reporting is now integrated within the VAT return.

B. Monthly deposit of provisional VAT liabilities before submission of VAT return

A mandatory advance tax payment mechanism has been introduced requiring deposit of one-third of the total tax payable of the preceding three tax periods within 15 days after each tax period, with final adjustment and declaration in the return filed at the end of the three months cycle.

12. Changes in penalty provision

A. New items have been brought into the penalty provision

Description	Penalty
Tobacco or tobacco products storage or possession without proper tax assessment or valid markings (stamps/banderoles/codes)	Up to double of the tax evaded
Data tampering, modification, or data sharing or reporting via the software supplied by a software company approved for supplying VAT software prescribed by the National Board of Revenue	Minimum equal amount, maximum double of the evaded tax

B. Reduction of penalty

Description	Current	Proposed
VAT evasion through increasing and decreasing adjustments in the VAT return	Minimum 50% maximum 100% of tax evaded	Minimum 30% maximum 50% of the tax evaded

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Proposals/changes in connection with Value Added Tax (VAT) (contd.)

13. Defined VAT audit timeline with the provision of best judgment assessment

Description	Timeframe
Submission of relevant documents to the VAT authorities	Within two months (which can be extended for one month under reasonable grounds)
Completion of VAT audit	Within one year from the date of document submission
Best judgement assessment	Failure of submission of the documents within the given timeframe of 2/3 months, audit authority can do the best judgment assessment in absence of documents.

14. Recognition of digital records as legal evidence

The provision has been updated to formally recognize electronic record keeping. Registered entities may now preserve tax documents, books of accounts, and records in secured servers using ERP software or prescribed VAT software.

Such digitally stored records are deemed legally admissible evidence and may be submitted electronically to the VAT authority.

15. Decrease of deposit of disputed VAT for appeal process

Significant reductions in deposit of disputed VAT (except penalty) at the time of submitting appeal to the appeal commissioner, tribunal and high court.

Appeal Stage	Current	Proposed
Commissioner & Appellate tribunal	10%	1%
High court	10%	2%

16. Introduction of new VAT return form (Mushak 9.1) for registered traders

VAT Return form (Mushak 9.1) has been split for VAT registered traders. Now registered traders will submit VAT return through Mushak 9.1.1 instead of Mushak 9.1.

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Proposals/changes in connection with Value Added Tax (VAT) (contd.)

17. Amendment of VAT forms

VAT registration form (Mushak 2.1), VAT registration certificate (Mushak 2.3), turnover tax return (Mushak 9.2) have been amended through SRO.

18. Issuance of digital tax invoice (Mushak 6.3)

Mushak 6.3 can be issued through registered entity's ERP system. Preservation of electronic Mushak 6.3 is allowed. In case of Mobile Banking Services, its online notification or statement can be treated as Mushak 6.3.

19. Changes in guidelines regarding VAT implications for online sale of goods

Online sale of goods consists of two categories:

- a) online retail sale;
- b) marketplace.

Online retail sale

New guidelines	Remarks
<ul style="list-style-type: none"> • In case of sale of goods at same rate as purchased from supplier, no further VAT will be applicable. In such case it is required to preserve VAT invoice / treasury challans against the purchase of goods • It can maintain 7.5% trade VAT • It can also maintain 15% standard VAT rate • Submission of input-output coefficient (Mushak 4.3) is not required unlike general traders • Exempted goods, based on the applicability, can be sold without VAT 	<p>Here, by guidelines it appears that online retail sales are categorized as sale of trading goods. Accordingly, same VAT application as trader is suggested. However, by definition "online retail sale" is classified as service with a designated service code on which standard VAT rate (15%) is prescribed. With this differentiation, the law becomes conflicting for online retail sales.</p>

Salient Features of Finance Bill 2026

Proposals/changes in connection with Value Added Tax (VAT) (contd.)

Marketplace

New guidelines	Documentation responsibility
15% VAT on service fees or commission only irrespective of VAT exemption status of goods.	Not required to preserve VAT invoice / treasury challans. However, based on requirements from VAT authority, obliged to disclose transaction information of buyers and sellers of marketplace.

20. Deposit of VAT on office rent separately

As per withholding VAT guidelines, VAT on office rent is required to be deposited separately through automated challan.

21. Exclusion of item from procurement provider service

Any trader supplies any goods with Mushak 6.3 at 15% VAT rate will not fall under the scope of procurement provider service.

22. Benefits for registered startups

Startups defined under the Income Tax Act, 2023 (companies engaged in innovation, development of technology, or intellectual property driven new products, processes or services) and registered under the VAT Act, 2012 will enjoy the following benefits from 1 July 2026 to 30 June 2035:

- a) Local supplies (sales) are not subject to VAT;
- b) Importation of services are not subject to VAT;
- c) VAT payable on office and space rent is not applicable;
- d) Any supply made by the registered startup will not be subject to withholding VAT.

Startup companies need to maintain VAT documents through ERP software or NBR nominated software to enjoy the above benefits.

Salient Features of Finance Bill 2026

Proposals/changes in connection with Value Added Tax (VAT) (contd.)

23. New exempted services

Services	Service Code	Remarks
Content creator and freelancing	S099.20	Exemption up to 30 June 2029
Supply of sorted and unsorted garments waste (ঝুট) under procurement provider service	S037.00	Exempted through SRO
Heart rings/stents and intraocular lenses for eyes under procurement provider service	S037.00	
Computer specialist consultancy firm	S032.00	

24. Special provision for interest application on the settlement of old VAT cases

Interest has been limited to two years for settlement of old VAT cases as described below:

Particulars	VAT payable cases	Existing provision	Proposed provision
Settlement of old VAT payable, VAT deducted at source, imposed monetary penalty any other arrear within six months after 1 st July 2026.	Any cases under old VAT Act (the VAT Act 1991)	Interest is applied for unlimited periods from the date of arising of liability to the date of deposit.	Simple interest at 2% per month for 24 months.
	Any cases under current VAT Act (the VAT & SD Act 2012) before 1 July 2022	Interest is applied for unlimited periods from the date of arising of liability to the date of deposit.	Simple interest at applicable rate for 24 months

25. SD Charge at production/supply stage of new product through second schedule

HS code	Name of the product	SD rate
24.04 related HS codes	Nicotine Pouch (BDT 50 per gram)	40%
	Heated Tobacco (BDT 210 per 10 bar)	67%

Salient Features of Finance Bill 2026

Proposals/changes in connection with Value Added Tax (VAT) (contd.)

26. Reduction of SD rate at production stage through second schedule

HS Code	Particular of goods	Existing rate	Proposed rate
3304.10.00	Lip Cosmetics	10%	5%
3304.20.00	Eye Cosmetics	10%	5%
3304.30.00	Hand, Nail or Foot Cosmetics	10%	5%
3304.91.00	Powders, Whether or not Compressed	10%	5%

27. Withdrawal of Advance Tax at import stage

H.S. Code	Particulars	Existing rate	Proposed rate
8470.50.10	Point of sales (POS) Machine	7.5%	0%
8504.40.50	Electric Charger or Charging station	7.5%	0%
8706.00.25	Electric Bus Chassis fitted with battery and motor	7.5%	0%
8706.00.60	Electric Truck Chassis fitted with battery and motor	7.5%	0%

28. Industry wise VAT exemption through SRO

SRO No.	Item/Industry	Exemption details	Effective period
SRO 134	Mobile phone manufacturing	Component manufacturer- 4%	Up to 30 June 2030 (Amendment)
		Assembler and component manufacturer-7.5%	Up to 30 June 2030 (Amendment)
		Assembler-10%	Up to 30 June 2030 (Amendment)
SRO 136	Manufacture of Computer and Computer Accessories	<ul style="list-style-type: none"> VAT exemption at local manufacture stage VAT exemption of Raw material at import Stage 	Up to 30 June 2030 (Amendment)
SRO 137	Motor car, vehicle, hybrid, Ambulance, 3 & 4-wheeler, EV Manufactured (up to 3,000 CC)	<ul style="list-style-type: none"> VAT exempted at Local manufacturing imports above 5%. Import of raw material & spare parts is fully VAT exempted for manufacturing 	Up to 30 June 2030 (new Inserted)

Salient Features of Finance Bill 2026

Proposals/changes in connection with Value Added Tax (VAT) (contd.)

SRO No.	Item/Industry	Exemption details	Effective period
SRO 144	Electricity production through captive power for 100% export industry	VAT exemption on purchase of natural gas to produce electricity	Up to 30 June 2027 (Amendment)
SRO 145	Economic Zone & Hi-Tech Park	<p>Merged with VAT exemption facility for certain services</p> <ul style="list-style-type: none"> • Natural Gas. • WASA. • Procurement Provider (except Petroleum product). • Electricity Distributor. <p>If any Economic Zone and Hi-tech park registered after 1st July 2026 in VAT exemption on the following cases</p> <ul style="list-style-type: none"> • Procurement Provider (except Petroleum product). • Electricity Distributor. 	Up to 30 June 2030 (Amendment)
SRO 146	Refrigerator, Fridge, Air conditioner	VAT rate changed from 15% to 7.5% on supply at production stage).	Up to 30 June 2030 (Amendment)
SRO 371	Import of ocean-going ships	<p>Importable ship age limit 10 years</p> <p>Sale or transfer restriction period 5 years</p>	30 June 2028

Salient Features of Finance Bill 2026

Proposals/changes in connection with Value Added Tax (VAT) (contd.)

29. Change of Fixed-based VAT or specified VAT through Third Schedule of VAT and SD Act, 2012

A. Goods

Item name	Previous fixed-based rate	Current fixed-based rate
Scrape/Sheep Scrap	BDT 1,200 per Metric Ton	BDT 1,500 per Metric Ton
M.S. products manufactured from imported/locally procured re-rollable scrap	BDT 1,700 per Metric Ton	BDT 2,100 per Metric Ton
All types of billets and ingots manufactured from imported/locally procured meltable scrap	BDT 1,500 per Metric Ton	BDT 1,900 per Metric Ton
M.S. products manufactured from billets/ingots	BDT 1,600 per Metric Ton	BDT 2,000 per Metric Ton
Ingots/billets manufactured from scrap/meltable scrap and M.S. products manufactured from such ingots/billets	BDT 2,700 per Metric Ton	BDT 3,400 per Metric Ton

B. Services

Service code	Item name	Previous fixed-based rate	Current fixed-based rate
S012.20	SIM card or e-SIM Supply	BDT 300 per SIM	15% VAT
S026.00	Gold, Silver seller through Shop	5% VAT	BDT 2,500 per bhori

Salient Features of Finance Bill 2026

Proposals/changes in connection with Value Added Tax (VAT) (contd.)

30. Input exemption for the industries established in Economic Zone and Hi-Tech Park

Input exemption for the industry established in Economic Zone & Hi-Tech Park Zone				
Inputs		Industry established before 1 July 2026	Industry established before 1 July 2026	Comments
SL	Items	Inputs exempted	Inputs exempted	
1	Natural Gas	Yes	No	Exemption not applicable for industry setup after 1 July 2026
2	WASA (Water Supply and Sewerage)	Yes	No	Exemption not applicable for industry setup after 1 July 2026
3	Procurement Provider (Excluding Petroleum Products)	Yes	Yes	Exemption continued
4	Electricity Distributor	Yes	Yes	Exemption continued

31. New “input’ exemption for the industries established in EPZ or 100% exporter or deemed exporter

In addition to existing prescribed input items, another input has been considered as VAT exemption for its supply to export processing zone (EPZ), 100% exporter and deemed exporter. The new input as prescribed exemption is “Water supply to the production activities of industries located in Export Processing Zone, 100% Exporter and Deemed Exporter.”

32. Changes in VAT at import stage

Product H.S. Code / Service Code	Product / Service description	Existing VAT rate	Proposed VAT rate
8421.29.30	Dialysis filter	15%	0%
8421.29.50	Leucocyte filter	15%	0%
8443.32.10	Computer printer	15%	0%
8471.30.00	Portable automatic data processing machines, weighing not more than 10 kg, consisting of at least a central processing unit, a keyboard and a display	15%	0%
8471.41.00	Comprising in the same housing at least a central processing unit and an input and output unit, whether or not combined	15%	0%
8504.40.50	Electric Charger or Charging station	15%	0%
8523.51.10	Flash memory card or similar media, unrecorded	15%	0%
8528.52.10	Computer monitor size not exceeding 30 inch	15%	0%

Salient Features of Finance Bill 2026

Proposals/changes in connection with Value Added Tax (VAT) (contd.)

33. VAT imposed on goods at import stage

Heading No.	H.S Code	Description of goods	Previous rate (%)	Current rate (%)
03.02	0302.11.90 ... 0302.90.90	Frozen fish, not packed or canned, up to 2.5 kg (excluding boneless fish and other parts of fish of heading 03.04)	0	15
03.03	0303.11.90 0303.90.90	Frozen fish, not packed or canned, up to 2.5 kg (excluding boneless fish and other parts of fish of heading 03.04)	0	15
03.04	0304.11.90 ... 0304.90.90	Frozen fish, not packed or canned, up to 2.5 kg (excluding boneless fish and other parts of fish of heading 03.04)	0	15
12.11	1211.20.90 1211.30.90 1211.40.90 1211.90.19 1211.90.29 1211.90.99	Trees or parts of trees (including seeds and fruits), used primarily in perfumery, medicine or for insecticidal or fungicidal purposes or similar purposes, fresh or dried, whether or not cut, crushed or powdered (excluding those packed or canned up to 2.5 kg)	0	15
13.01	All HS code	Million, natural gum, resin, gum-resin and fragrance tree extract	0	15

34. Excise duty on bank deposit

Bank account balance (Existing)	Excise duty (Existing)	Bank account balance (Proposed)	Excise duty (Proposed)
Up to Tk 3 Lakh	Nil	Up to Tk 4 Lakh	Nil
Tk 3 Lakh to 5 Lakh	150	Tk 4 Lakh to 5 Lakh	150
Tk 5 Lakh to 10 Lakh	500	Same	500
Tk 10 Lakh to 50 Lakh	3,000	Same	3,000
Exceeding 50 Lakh	5,000	Same	Nil



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