

Bangladesh Tax

Your guide to Bangladesh tax framework

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Preface

Dear Readers,

We are pleased to present our annual publication on Bangladesh's tax regulations, updated to incorporate the amendments introduced by the Finance Act 2026.

Finance Act 2026 and regulatory orders mark the first step of the newly elected Government's objective to improve Bangladesh's revenue collection while at the same time creating a business friendly tax environment. These changes have removed many pain points for businesses and investors which should provide a much needed boost to the economy in the prevailing national and global economic and geopolitical stress.

The primary objective of this publication is to provide readers with an overview of Bangladesh's tax structure. It aims to demystify the complexities of tax laws and present the information in a clear, concise, and easily understandable manner.

The content includes significant provisions from the Income Tax Act 2023, the Value Added Tax and Supplementary Duty Act 2012, as amended by the Finance Act 2026.

The information contained in this publication is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate

information at the time of preparation, there can, of course, be no assurance that such information will continue to be accurate in the future. This publication contains selected aspects of Bangladesh tax provisions and is not intended to be comprehensive. Competent professional advice should be sought for specific circumstances.

We trust you will find this publication informative and useful, and we remain committed to supporting you with timely and relevant insights.



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01

Finance Act 2026 at a glance

Key changes of Finance Act 2026

Reform of tax disallowances

A significant change is made in the treatment of disallowed expenses by the removal of separate tax on “special business income” provisions. Non-compliance with withholding tax provisions is now addressed through a structured penalty mechanism without disallowance of the expenses.

Overhauling minimum tax

Except for few selective areas, minimum tax provisions have been withdrawn. The new framework allows adjustment or refund of excess withholding taxes, reducing the burden on businesses.

A revised turnover-based tax approach is introduced.

Expanding scope of deductibles

Businesses can now claim higher amounts of tax deductions for perquisites and promotional expenses.

Revision of withholding tax

Several withholding tax rates have undergone revisions particularly withholding tax on payments to non-residents which will streamline effective tax liabilities of businesses.

Withholding tax against non-residents having no permanent establishment is deemed to be final.

Tax litigations are less costly

Mandatory deposit of disputed tax has been significantly reduced. Set at 3% at Tribunal and 10% at the High Court, easing taxpayers’ cash flow pressure, although the 1% threshold at the first appeal may still influence initial access to dispute resolution.

Extended VAT return filing

Businesses must file VAT returns within 15 days from the end of a three-month or quarterly cycle from previously monthly filing.

Proof of VAT registration

VAT legislation has begun to require proof of VAT registration for obtaining certain services.

VAT invoice digitisation

VAT Invoice or Mushak 6.3 can be issued through registered entity’s ERP system. Preservation of electronic VAT Invoice or Mushak 6.3 is allowed.

In case of mobile financial services, online notifications or statements can be treated as VAT Invoice or Mushak 6.3.

Key changes of Finance Act 2026



Changes in withholding tax rates

Tax deduction rate on service income remitted from abroad is reduced to 5% from 7.5%.

Advance income tax needs to be collected at 0.2% from retailers by manufacturers, importers, suppliers, distributors, and warehouse operators.

Supply of gold, silver, gold jewellery, gems and diamonds are subject to tax deduction at 0.5%, while club memberships are subject to 10%.

Technical services, technical know-how or technical assistance fees payment to non-residents, except individuals, are subject to withholding tax at 10%, instead of flat 20%.

Commission and interest payments are subject to withholding tax at 15% and 10% respectively, instead of flat 20%.

Tax rates for dividend income of individual is now flat 15% and others 20%.



Intra-group financing and interest provisions

Financing between associated enterprises will now be rationalised. A minimum interest benchmark is prescribed, and any shortfall from this rate will be treated as taxable business income for the lender. Simultaneously, approval from NBR on interest expense have been withdrawn.

Additionally, interest remaining outstanding for a certain period would be treated as income which can be deducted if repaid subsequently.



Stable tax regime with segmented filing framework

Personal income tax slabs have been adjusted to for next five years, while investment rebate limit is reduced.

Corporate income tax rates will remain largely stable up to 30 June 2030.

Taxpayers are allowed to submit income tax returns throughout the assessment year with early filings within defined windows being rewarded while filings in later months will incur additional taxes.

Tax return filings after end of assessment year, will attract further penalties of 10% of tax payable or Taka 5,000, while returns filed in response to DCT's notice are subject to a higher penalty of 15% of tax payable or Taka 10,000.



Taxation of landowner and developer arrangements

A "developer" is broadly defined as anyone engaged in construction or development activities, and income arising from such arrangements is to be determined in accordance with IFRS 15.

Any benefit received by the landowner, including cash or constructed property, is consider for capital gain computation. Tax is to be computed based on the difference between total benefits received and acquisition value of property. However, such capital gain can be discharged in the year of income and equal instalment of next two years.



Tax incentives for priority sectors

A tax holiday is granted to the edible oil sector for production from locally grown oil seeds, with 100% exemption for the first five years, followed by 50% for the next three years and 25% for the last two years.

In addition, full tax exemption is provided for solar power projects undertaken with own financing and management, including supply under power purchase agreements and sale of excess electricity to the national grid.

Both incentives are applicable for the period from 1 July 2026 to 30 June 2035, aiming to encourage local production and investment in renewable energy.



Reduction in payment of disputed tax and VAT

Businesses will be benefited by significant reduction in payment of disputed tax and VAT when filing appeals to the commissioner, tribunal and High Court, as the case maybe.

However, the introduction of 1% disputed tax payment when filing appeal to commissioner can create a degree of tax burden on the business.



Exemption from Input-output Co-efficient declaration

Commercial importer or trader is exempted from requiring to file input-output co-efficient declaration (i.e. Mushak- 4.3) to claim input VAT credit against output VAT by paying 15% VAT and adding 50% or more value subject to fulfilment of certain compliances (i.e. issuance of VAT invoice, submission of VAT return, maintaining books and records).



Preservation of books and records for income tax purpose

Clear guidance has been given for preservation of books and records for income tax purpose drawing from the requirements of Companies Act 1994.

Companies must preserve books and records for up to 12 years while others should maintain the books and records for 6 years.



02

Corporate tax

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Introduction of Bangladesh income tax framework

Income Tax Act 2023 (ITA 2023), as amended by the Government from time to time, is the legal framework of imposing income tax in Bangladesh. The Ministry of Finance (MoF) and National Board of Revenue (NBR), the primary tax regulator, issue statutory orders, general orders, special orders, clarifications, and notifications from time to time to support the tax legislation.

Bangladesh follows a mixed income tax system, combining both source-based and residence-based taxation principles.

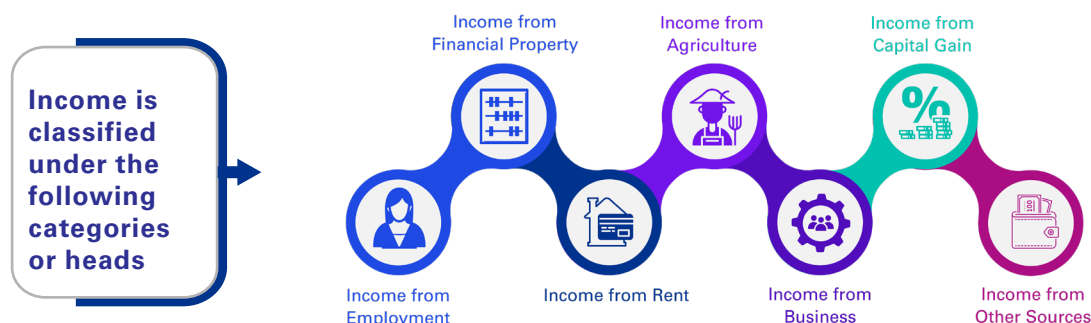
Resident taxpayers are generally taxed on their worldwide income, while non-residents are taxed on income arising in Bangladesh. The framework incorporates internationally recognised concepts such as permanent establishment and indirect transfer of shares and has recently been expanded to cover certain digital or online activities of non-residents having a significant subscriber base in Bangladesh. However, withholding income tax deducted from non-residents having no permanent establishment in Bangladesh is treated as final tax.

Tax collection in Bangladesh continues to rely significantly on deduction or collection at source, commonly referred to as withholding tax or advance income tax. The Finance Act 2026 rationalises several withholding tax rates applicable to inward remittances and outbound payments, while broadening the tax net to include retail sellers and specified digital business activities.

Income is classified under the following categories or heads A notable reform introduced by the Finance Act 2026 is the replacement of the broad minimum tax regime with a more focused turnover tax framework. Taxpayers may claim refunds where withholding taxes exceed actual tax liability, and excess turnover tax may be adjusted against future tax liabilities. Importantly, proportionate relief continues to be available for businesses enjoying tax exemptions or reduced tax rates.

The legislation also simplifies business taxation by abolishing the separate tax on special business income and removing the automatic disallowance of expenses for withholding tax non-compliance. Instead, any withholding tax shortfall will be addressed through a dedicated tax and penalty mechanism.

Taxpayers are required to obtain a Taxpayer Identification Number (TIN), self-assess their tax liabilities and submit returns within prescribed timelines. Return filing is now permitted throughout the year up to 30 June, with incentives for early compliance and additional tax for delayed filing. The assessment, audit and refund





have also become more time-bound, with the general limitation period for return processing, audit cases and normal assessments reduced to 12 months. Disputed tax payment requirements at litigation stages have also been significantly reduced, easing cash flow pressure for taxpayers pursuing appeal or reference remedies.

Bangladesh's corporate tax structure continues to apply general and sector-specific rates for companies, banks, financial institutions, mobile operators and tobacco businesses. The Finance Act 2026 provides stability in corporate tax rates for five years up to the year ending 30 June 2030, while retaining specific treatment for selected sectors. It revises the tax framework for listed companies based on public float or shareholding criteria and reinstates the 2.5% rate incentive for eligible cashless companies. The general corporate tax rate is 25%, while listed companies are subject to corporate income tax rates ranging from 20% to 25%. Private educational institutions are subject to a reduced tax rate of 5%.

Dividend tax rates have been redefined for companies and individual taxpayers, with alignment to withholding income tax provisions. For listed companies other than banks, insurance, leasing and finance companies, additional tax on lower dividend distribution will apply only on the shortfall from the 30% dividend threshold, instead of applying on the full reserve transfer.

Although capital gain tax at 15% applies to all capital assets, including real estate properties of landowners, personal belongings falling within the scope of capital assets are subject to capital gain tax at 5%.

Effective tax cost may be reduced in certain areas due

to relaxation of deductible expense thresholds, removal of the earnings stripping rule and removal of the interest expense cap on certain related-party financing. At the same time, a benchmark interest rate for loans to associated enterprises has been introduced, requiring taxpayers to recognise shortfall interest as business income where the interest charged is below the prescribed rate.

The Finance Act 2026 also introduces and extends several policy incentives, including exemptions for content creators, freelancers, edible oil production from locally grown oilseeds and solar power generation projects. The cap on investment in unit funds or mutual funds has been removed, encouraging new investments, while the holding-to-maturity provision for certain securities has been reintroduced.

Tax administration is moving towards a more digital and document-based compliance environment. Taxpayers are required to preserve books, records, bills, vouchers, receipts and related documents within prescribed timelines, while digital record keeping has also been recognised. To further strengthen compliance, transparency, risk-based monitoring, in addition to ensuring IFRS compliance across the industry, NBR requires taxpayers to submit an Income Computation Sheet (ICS) certified by selected professionals. In consultation with relevant stakeholders, NBR may establish a defined framework for such certification, involving practicing accounting professional with strong expertise in business practices and income tax laws of Bangladesh. This would help to ensure professional competence and accountability.

Imposition of tax (1/2)

Chargeability of tax

Income tax is charged on a taxpayer's taxable income that is derived in accordance with the provisions of Income Tax Act 2023 during an income year by applying the tax rates prescribed by Finance Acts or Ordinances enacted by the Government of Bangladesh.

Residency

In general, a company which is incorporated in Bangladesh will be treated as a resident for tax purposes.

Furthermore, any company, trust, fund, an entity or any artificial juridical person created whose control and management are situated wholly in Bangladesh will also be treated as a resident for tax purposes.

Any person not being a resident is a non-resident for tax purposes.

Scope of taxable income

In Bangladesh, scope of taxable income depends on the taxpayer's residency status.



Resident

Resident taxpayers pay tax on their global income during an income year, this includes:

- + Income received or deemed to be received in Bangladesh by or on behalf of such person; or
- + Income received or deemed to be received outside Bangladesh by or on behalf of such person; or
- + Income accruing or arising, or is deemed to accruing or arising in Bangladesh; or
- + Income accruing or arising or is deemed to accruing or arising outside Bangladesh.



Non-resident

Non-resident taxpayers pay tax on their Bangladesh sourced income during an income year, this includes:

- + Income received or deemed to be received in Bangladesh by or on behalf of such person; or
- + Income accruing or arising or is deemed to accruing or arising in Bangladesh.

Imposition of tax (2/2)

Assessment year (AY)

Assessment year is a twelve-month period commencing from 1 July of a calendar year unless specific rules apply.

Income year (IY)

Income year is a period not more than twelve-months preceding the assessment year.

For banks and other finance companies, income year is the period between 1 January to 31 December.

For other companies, income year is 1 July to 30 June with the exception of subsidiaries of foreign companies which can maintain their parent’s accounting year subject to approval by the tax authority.

Timeline of submission of tax return

For companies, tax returns must be filed within later of:

- 15th day of the ninth month following the end of the income year; and
- 15th September following the end of the income year.

Tax returns can be submitted within the timeline specified in the table below to earn incentives or additional tax:

File tax returns...	Incentive or additional tax
before 2 months from due date of submission of tax return	Incentive: Lower of 5% of tax payable or Taka 25,000
within 2 months of due date of submission of tax return	No incentive or additional tax
after due date of submission of tax return up to 30 June	Additional Tax: Higher of 2% of tax payable or Taka 25,000

	Income Year	Assessment Year	Timeline of submission of tax return
Banks, insurance companies or financial institution (and subsidiaries thereof)	January to December	Following 1 July to 30 June	Following 15 September
Subsidiary, holding company, branch or liaison office of a company incorporated outside Bangladesh	As per parent’s accounting year	Following 1 July to 30 June	On or after 15 September
Other companies	1 July to 30 June	Following 1 July to 30 June	Following 15 March

Illustrations of possible assessment year, income year and specified date of submission of tax returns.

Computation of taxable income (1/3)

Income Tax Act 2023 provides a general guidance on computing taxable income to determine tax liability for an income year.

Taxable income =

Accounting profit

- Bangladesh is an IFRS based country and the accounting profit before tax is the starting point of tax computation.
- Taxpayer may use different method of accounting upon the approval of the Deputy Commissioner of Tax.

+ Deductions not admissible

- ITA 2023 also specifies a list of expenses which are deductible up to certain limits or prescribed methods.

+ Special areas of business income

- Certain types of income are deemed as special areas of business income subject to tax at regular rate or reduced rate, as the case maybe.

- Income treated separately

- Certain non-business income (e.g. dividend, capital gains) is treated separately under appropriate head of income. These types of income are subject to specified tax rates and have restrictions on business loss set-off.

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Removal of “special business income” provisions mark a significant change to make tax framework more business friendly.

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Computation of taxable income (2/3)

Accounting profit

Generally, business income includes all income generated through operation of business activities e.g. sales revenue, fees, commissions, realised exchange gains, rents, dividends and interest received.

Net profit before tax as per audited financial statements in line with International Financial Reporting Standards (IFRS) is the starting point of tax computation.

Submission of tax computation is required to illustrate how the taxable income has been arrived in the tax return.

Allowable deductions

As a general rule, revenue expenditures are deductible only if they are incurred for the purpose of carrying out business activity and are compliant with accepted accounting methods.

Tax depreciation and amortisation

One key allowable deduction is depreciation and amortisation allowances. For tax purposes, depreciation allowance is computed on reducing balance basis whereas, amortisation allowance is calculated on straight line basis.

Tax depreciation is categorised mainly into three parts:

- Normal/general depreciation allowance;
- Initial depreciation; and
- Accelerated depreciation.

Any unabsorbed depreciation allowance in accordance with the provisions of tax legislation can be carried forward indefinitely.

Pre-commencement expenditures include any expenditure incurred for business purposes prior to commencement of operations. It is permissible to capitalise such expenditures for tax purposes and then amortise them after commencement of operations.

Amortisation allowance is also applicable for mobile spectrum licences, computer software and R&D expenditures. Furthermore, disallowed expenses on account of capital expenditure are also eligible for amortisation. However, amortisation of other intangible assets has not been prescribed.

Special computation rules for computing taxable income are prescribed for certain industries and businesses, such as:

- > **Insurance business**
- > **Petroleum operations**
- > **Foreign contractors and sub-contractors of an oil company in Bangladesh**

Computation of taxable income (3/3)

Disallowed expenses

Certain payments are not allowable for tax purposes, for instance:

- **Excess perquisites:** Perquisites exceeding Taka 2.5 million per employee.
- **Royalty and technical fees:** Aggregate payments exceeding 15% of disclosed business net profit or 6% disclosed business turnover, whichever is lower.
- **Head office or intra-group expenses:** Aggregate payments exceeding 10% of disclosed business net profit for companies not incorporated in Bangladesh.
- **Overseas travel expenses:** Exceeding 0.50% of disclosed business turnover, with some exceptions.
- **Promotional expenses:** Exceeding 1% of disclosed turnover, excluding advertisements.
- **Free samples and entertainment expenses:** Exceeding prescribed range or threshold.
- **Cash transfers:** Payments for salary and rent not made by bank transfer. For other payments except raw materials, if cash payment exceeds 50% of total payments, 25% of such payments is disallowed.
- **Proof of submission of return:** Payments made without proof of submission of return for certain services and goods unless 50% additional tax is deducted.
- **Unspecified liabilities:** Liabilities not precisely determined or computed.
- **Accounting of lease under IFRS 16:** Depreciation and interest related to Right of Use (RoU) assets as per IFRS-16, excluding rental, development, and maintenance expenses. Rather rental payments are allowed as an expense deduction.
- **Impairment loss provisions:** Any provision for impairment loss of assets.
- **Unapproved fund contributions:** Contributions to unapproved funds.

Special areas of business income

Certain items of income or benefits will be deemed as special areas of business income, for instance:

- Income from the disposal of assets and receipts of insurance, salvage, or compensation in respect of any assets that have been discarded, demolished, or destroyed as per prescribed calculation.
- Any benefit derived in respect of any trading liability, loss, or bad debts.
- Unpaid trading liability for expenses more than three years after the income year in which they were incurred. If it is paid subsequently, the payment will be deducted from taxable income in the year of payment.
- Interest deducted as an expense but not settled within three years following the income year. If it is paid subsequently, the payment will be deducted from taxable income in the year of payment.

Interest on loans from associated entities

Interest earned from loans to associated enterprises (other than banks, finance, and leasing companies) must be at least 12% annually. Any shortfall below this threshold is added back as taxable business income. Moreover, if this condition is met, interest on borrowed funds pass through to associated enterprises for business purposes remains tax deductible expense. Interest paid by a taxpayer (excluding banks, finance, and leasing companies) on loans from associated enterprises is deductible as a business expense.

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Non-deduction of tax on expenses do not necessarily disallow the expenses provided shortfall of withholding income tax is paid along with 50% penalty. ”

Set-off and carry forward rules

Set-off

- Any loss from a head of income during an income year can be set off against income from other heads of income, unless it is restricted.
- Any losses that cannot be fully set-off can be carried forward for a maximum of six successive years.

Loss set-off is highly restrictive.

Carried forward loss is to be adjusted before adjusting for any depreciation allowance for a specified income year and unabsorbed depreciation from prior income years.

Carry-forward

Heads of income	Adjustment of loss
Capital loss	Only with capital gain
Business loss	Only with the income from business
Loss from speculation business	Only with income from speculation business
Loss on tobacco business	Only with income from tobacco business
Loss from sources of income which is subject to tax exemption, reduced tax rate or final tax.	No set-off and carried forward of loss
Amalgamation and demerger	Accumulated business loss and unabsorbed depreciation of amalgamating or demerged company can be used by amalgamated company and resulting company, respectively.



Types of tax

Income Tax Act 2023 imposes tax through various mechanisms. Businesses need to be aware of the complex intertwining of tax regimes to ensure both tax compliance and effective tax planning.

Regular tax

Tax as computed on the basis of taxable income using the applicable corporate tax rate.

Advance income tax

Taxpayers are required to pay advance income tax on quarterly basis as per their last assessed income.

Other taxes

ITA 2023 imposes various additional taxes under certain circumstances.



Tax deducted at source

ITA 2023 extensively requires tax to be deducted on payment for supplies and services. Such tax deductions are considered as advance payments of tax.

Surcharge and rebates

ITA 2023 also imposes surcharges and rebates on wealth, environmental impact, social contributions,.

Turnover tax

Turnover tax provisions apply on the basis of gross receipts from sale of goods or providing any services.

Corporate tax rates AY2026/27 to AY2030/31



Mobile Phone Operators

40% Listed*

45% Others

* Listed mobile phone operators who transferred 10% shares through the stock exchanges of which up to 5% may be through Pre-initial Public Offering
10% corporate tax rebate in the year of listing can be availed if 20% paid-up capital is transferred through IPO



Banks, insurance and finance companies

37.5% Listed

40% Others



Tobacco manufacturers

45%

Additional 2.5% surcharge is applicable on the above business income



General companies

22.5% Listed*

25% Listed**

27.5% Others

* Listed general companies who transferred at least 10% of its paid-up capital through IPO, Direct Listing or RPO.

** Listed general companies who transferred less than 10% of its paid-up capital through IPO, Direct Listing or RPO.
2.5% reduction in tax rates if all transaction are made through bank transfers.



Other taxpayers

27.5% Trust, firm, AoP and artificial juridical person

5% Private universities and medical, dental, engineering or IT based colleges

FA 2026 changes



- Cashless operation provisions now require all transaction to be conducted through bank transfers.
- This benefit can be availed by both listed and non-listed general companies.

Advance income tax

Advance income tax in Bangladesh is the pre-payment of income tax that taxpayers are required to make throughout the year. This system ensures that the Government receives a steady flow of revenue and helps taxpayers spread their tax payments over the year, rather than paying a lump sum at the end. Advance income tax includes any income tax paid in advance (e.g. at the time of imports), on a periodic basis (e.g. quarterly advance income tax) and withholding tax/tax deducted at source.

Quarterly advance income tax

**New
taxpayers**

If estimated income is likely to exceed Taka 600,000

**Existing
taxpayers**

If last assessed income exceeds Taka 1 million

Exclusion

Taxpayer only has income from agriculture income up to Taka 800,000



Timeline for quarterly advance income tax payment

15 September

15 December

15 March

15 June

- If a taxpayer fails to pay any instalment, the outstanding amount can be paid with the next instalment.
- Cigarette manufacturers are required to pay 5% advance in income tax on gross sales excluding VAT and SD on monthly basis.

Taxpayers can adjust all advance income tax paid and withholding tax/tax at source deducted by customers against their quarterly advance income tax payable amount.

Tax at source or withholding tax

Withholding tax in Bangladesh is the deduction or collection of tax at source from various types of payments, including salaries, interests, dividends, and payments to contractors, service providers and suppliers.

In Bangladesh, withholding tax rates vary depending on the type of services or supplies and the recipient's residency status. The tax is deducted by the payer at the time of making the payment and is subsequently deposited to the Government exchequer.

Certain payments, such as dividends, interests, royalties and technical service fees, may be subject to specific withholding tax rates as outlined in double tax treaties between Bangladesh and other countries. To benefit from reduced tax rates or tax exemptions under these treaties, taxpayers must obtain a certificate from NBR.

Withholding tax/collection of tax is a form of advance payment of tax of the person against whom tax is being withheld or collected. Such person can take a credit of such tax against their tax liability. Withholding tax should be taken as credit for only the income year in which deduction or collection is made.

Refer to Appendix for currently effective withholding tax rates.

General guidance

Recipients of supplies and services need to ensure the following:

- 1. Proof of submission of return (PSR):** Suppliers and service providers must provide PSR. Otherwise, the withholding tax rate will be increased by 50%. Exclusion applies for non-residents, persons not required to submit a tax return or persons exempted from submission of PSR.
- 2. Bank transfer:** Withholding tax rate will be 50% higher if payment is not made by bank transfer.
- 3. Gross up:** If the payment is made without deduction of tax based on any contract or arrangement, tax is required to be deducted by applying gross-up method.
- 4. Tax certificate:** Withholding or deducting persons must issue prescribed tax certificate to the payee for the tax withheld.

5. Exemptions or reduction in withholding tax:

Person making payment should not pro-actively apply the exception or reduced tax benefit without obtaining tax certificates from NBR. NBR is expected to respond to applications within 30 days.

Withholding tax deposition

Any deduction/collection made under withholding tax legislation is to be deposited to Government exchequer within due time stated as follows:

Time of deduction/collection	Due date
July to May	Within 2 weeks from the end of the month
1 June to 20 June	Within 7 days from the date
21 June to 29 June	Following day from the date
30 June	Same date

Withholding tax returns

Persons stated below must file withholding tax return in prescribed forms within 25 days of the month following end of each quarter without opportunity for time extension:

1. company excluding ministry, departments, any government authority, any MPO based educational institution;
2. firm;
3. association of person;
4. private hospital;
5. clinic;
6. diagnostic centre;
7. Public-Private Partnerships;
8. non-farmer tobacco producers and manufacturers;
9. e-commerce and online marketplaces having turnover exceeding Taka 10 million;
10. hospitality and transport businesses having turnover exceeding Taka 10 million; and
11. individuals having business turnover exceeding Taka 100 million.

Turnover tax

Turnover based taxation system replaces earlier minimum tax regime. Under this framework, tax is computed on gross receipts or turnover of any business or profession, irrespective of profit or loss, ensuring a base level tax contribution from all taxpayers.

Gross receipts or turnover includes following receipts:

- + Receipts against sale of goods or provision of services excluding VAT and supplementary duties.
- + Receipts of commission, discount, fees, charges or any benefit against provision of any services
- Excludes any other receipts in connection with any other heads of income.

Applicability

Turnover tax applies where tax payable under normal computation is lower than the prescribed turnover tax. It is charged on gross receipts, regardless of the nature of income or profitability of the entity, other than the taxpayers fall under the exclusion list stated below.

Exclusions from turnover tax

Certain transactions or businesses are excluded from the application of turnover tax, including:

- Import, trading in open market or distribution of essential commodities, fertiliser, seeds by government entities
- Commission business
- Delivery order business
- Money exchange business
- Business of purchase and sale of gold, silver, gold ornaments, silver ornaments, precious stones, diamonds, or platinum

Rates of turnover tax

Turnover tax is imposed at differentiated rates depending on the category of taxpayers:

For businesses enjoying tax exemption or reduced rate of tax, the turnover tax calculated on the overall gross receipts is adjusted in proportion to the tax exemption or reduced rate of tax.

Treatment of excess withholding income tax

Where withholding tax or advance income tax exceeds taxpayers' computed tax liability, such excess tax shall be refundable. In addition, any excess turnover tax paid may be carried forward and adjusted against future tax liabilities.

Final discharge of tax liability

Withholding income tax deducted from the following sources of income will be considered as final tax liability.

- Any income on which tax has been withheld as per ITA 2023, but the taxpayer is not mandatorily required to submit income tax return;
- Collection of tax from motor vehicles operated commercially;
- Collection of tax from inland ships.

In case of collection of tax from such motor vehicles and inland ships, tax liability shall be determined by comparing tax computed under normal income computations and tax collection, and the higher of the two shall be payable. Furthermore, as per section 119 of ITA 2023, tax deducted from a non-resident taxpayer having no permanent establishment shall be deemed to be the final tax without opportunity of adjustment.

Manufacturer of cigarette, bidi, chewing tobacco, smokeless tobacco or any other tobacco products	3% of the gross receipts
Manufacturer of sweetened beverage, carbonated beverage	2.5% of the gross receipts
Mobile phone operator and NTTN	1.5% of the gross receipts
All other taxpayers*	1% of the gross receipts

* In case of industrial undertakings engaged in manufacturing goods, turnover tax on gross receipts will be 0.2% for the first three income years from commencement of commercial production.

Surcharge, rebates and other taxes

Additional tax

Taxpayers are subject to additional taxes under certain circumstances. Certain major items are reflected below.

1. **Unauthorised employment:** Employing a foreign individual without prior approval of Bangladesh Investment Development Authority (BIDA) or any other competent Government authority will be subject to an additional tax which is higher of 50% of the tax payable on income or Taka 500,000.
2. **Tax on retained earnings:** If a listed company, other than bank, insurance, leasing and finance company, pays dividend less than 30% in an income year, it will have to pay tax at the rate of 10% on the differential amount between 30% of net profit after tax and the dividend distributed. Such tax cannot be adjusted with any other tax liability of the company.
3. **Tax on stock dividend:** If a listed company, other than bank, insurance, leasing and finance company, declares or distributes stock exceeding the amount of cash dividend in an income year, it will have to pay tax at the rate of 10% on the total amount of stock dividend. Such tax cannot be adjusted with any other tax liability of the company.
4. **Tax treatment for non-deduction of tax on expenses and assets:** Taxpayer must pay the entire amount of withholding tax not deducted along with a penalty of 50% on such amount. Otherwise, the tax authority will require payment of entire amount withholding tax not deducted, charge delay interest at 2% per month (up to 24 months) and further impose 50% penalty on the amount by which delay interest falls short of the 50% penalty that would have been payable by the taxpayer.

In case of failure to pay above tax, the DCT may determine tax upon giving the opportunity of hearing through a notice.

Surcharge

Cigarette, bidi, zarda, and all other tobacco product manufacturers are required to pay surcharge of 2.5% on their taxable income.

A surcharge of 2.5% is payable on the income earned from any educational institution including schools, colleges, universities, if appropriate arrangements are not made for the accessibility of persons with disabilities.

Rebates

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.

A company is eligible for a tax rebate at 10% of allowable limit incurred in connection with corporate social responsibility (CSR) in prescribed sectors. For this purpose, CSR is capped at the higher of 20% of income of the company or Taka 120 million.

Certain tax exemptions (1/3)

Industry	Tax Exemption	Commercial operation start
Technology goods <i>Production of motherboard, casing, UPS, speaker, sound system, power supply, USB cable, CCTV and pen-drive</i>	10 year business income	Before 30 June 2030
Hospital <i>Specified hospitals for providing health care services</i>	10 year business income	1 July 2021 to 30 June 2030
Home appliances <i>Production of home appliances including washing machines, blenders, microwave ovens, electric sewing machines, induction cookers, kitchen-hood and kitchen knives</i>	10 year business income	1 July 2021 to 30 June 2030
Agricultural goods <i>Processing of fruits, vegetables, production of dairy and dairy products, child foods and production of agricultural machineries</i>	10 year business income	1 July 2021 to 30 June 2030
Automobiles <i>Production of automobile (3-wheeler and 4-wheeler)</i>	10 year business income (followed by 10 year reduced tax rate of 10%)	Before 30 June 2030
Light engineering goods	10 year business income	1 July 2021 to 30 June 2030
Software development or ITES <i>Certain software development or Information Technology Enabled Services (ITES) by a resident person or non-resident Bangladeshi individual taxpayer</i>	Business income exempted up to 30 June 2027	N/A
Human resource development <i>Providing career orientated education and training on certain specialised sectors</i>	10 year business income	

All exemptions mentioned above are subject to fulfilment of certain prescribed conditions

Certain tax exemptions (2/3)

Exporters of goods

50% income

is exempted from tax for individual, firm and Hindu undivided family

12% tax rate

on export income for other exporters

10% tax rate

on export income for other exporters having LEED certificate and jute products

** Exporter's benefit will not be considered for the purpose of availing reduced withholding tax certificate.*

If applicable rate for any taxpayer is less than 12%, taxpayers will continue to enjoy the same on account of export of goods.

A prescribed mechanism needs to be complied with to compute the withholding tax rate for the purpose of availing reduced withholding tax certificate.

Start-up Sandbox

Start-ups can register themselves with NBR and obtain various benefits during its growth years, i.e. nine years after incorporation of the registered start-up. Currently, deep tech start-ups and standard start-ups can avail this opportunity.

- **Deep Tech Start-up** means an entity engaged in artificial intelligence (AI), fintech, scientific research, engineering-based innovation, or any entity possessing significant intellectual property (IP).
- **Standard Start-up** means an enterprise engaged in innovation, development, or improvement of products, services, processes, business models, or technology, or operating under a new business model with potential for employment or wealth creation.

Eligibility conditions:

- A Bangladeshi company;
- Annual turnover not exceeding Taka 1 billion;
- Not a company resulting from a scheme of amalgamation or demerger;
- Registered with NBR as start-up sandbox.

Benefits available in growth years:

- No turnover tax on gross receipt;
- No expense disallowances;
- No additional 50% tax for non-compliance of withholding income tax
- Losses to be carried forward for subsequent 9 years, even if new investments are obtained or changes of shareholding have happened;

Moreover, no reporting requirement except for filing income tax return and withholding tax return, provided read only digital access to information system or books of accounts is allowed to tax authority.

Certain tax exemptions (3/3)

Certain income exemptions

Income of solar power projects

Solar power projects under internal financing and management will enjoy tax exemption on income from supply of power between 1 July 2026 to 30 June 2036.

Income of edible oil sector.

Production of locally grown oil seeds will enjoy 100% tax exemption for the first five years, 50% tax exemption for the next three years and 25% for the remaining two years.

The exemption applies for the period between 1 July 2026 to 30 June 2036.

Income derived from any SME

Income derived by any Small and Medium Enterprise (SME) registered with SME Foundation engaged in production of any goods is exempted from tax if:

- Generally, annual turnover is not more than Taka 5 million; or
- In case of SME owned by women and disabled person, annual turnover is not more than Taka 7 million.

Income of an educational institution

Income received other than bank interest or dividend by any educational institution is exempted from tax subject to meeting conditions.

Income of fund, public university etc.

Income other than from financial assets of fund, public university or international educational institute which is not a private university, ICAB, ICMA, ICSB is exempted from tax.

Certain bond income

Income received from Wage Earners Development Fund, US Dollar Premium Bond, US Dollar Investment Bond, Euro Premium Bond, Euro Investment Bond, Pound Sterling Investment Bond and Pound Sterling Premium Bond is exempted from tax.

Interest income/profit earned from Offshore Banking Units (OBU)

Interest income or profit earned from OBU operated under the Offshore Banking Act 2024 is exempted from tax in the hands of the depositor or non-resident lender.

Reduced tax rate on income earned as mutual fund management fees by asset management companies

- Tax rate is 15% on such income.
- Applicable till AY 2026-2027.

Reduced rate of tax for certain industries

Manufacturers of freezer including spare parts, refrigerators, motorcycles, air conditioners and compressors are eligible to enjoy a 20% tax rate until 30 June 2032 starting from assessment year 2025-2026 upon fulfilment of certain conditions.



The exemptions discussed the preceding pages are not meant to be comprehensive.

NBR from time to time issues various statutory orders, special orders or general orders which grant various exemptions to specific persons, industries or projects.

Types of tax returns (1/2)

01 Self assessment returns

All taxpayers are required to file return of income in compliance with the following conditions:

- File return of income in prescribed forms, schedules, and appendices along with audited financial statements and certified income computation sheet.
- Pay admitted tax liability if applicable within timeline of submission of tax return.
- Pay additional tax, if applicable.

Return must be filed within the last date of relevant assessment year subject to certain incentives and additional tax (refer to page 12).

Subject to conditions, self-assessment returns showing refund is automatically selected for assessment by DCT upon hearing.

02 Amended returns

Amended return can be filed for the following cases:

- rectifying an error in a filed self-assessment return;
- filing return during audit proceedings;
- filing return in response to assessment by DCT;
- filing return pursuant to a notice issued for tax escaping assessment; and
- filing return based on set-aside order of the appellate authorities

Amended return under self- assessment can be filed within:

- 180 days from the date of submission of self-assessment return; or
- after processing of a return by the DCT.

Key elements of amended return include:

- Tax as per return shall be paid before or at the time of filing amended return.
- Tax liability as per original return cannot be reduced by amended return.
- Income-assets-liabilities-expenses shown in the original return filed for the same tax year in the revised return cannot be changed or transferred without documentary evidence.
- No amended return can be filed after filing of first amended return or the initial return has been selected for audit.

03 Returns in special cases

The DCT may issue notice for filing returns due to:

- filed return considered as incomplete return;
- change in the constitution of a partnership firm;
- constitution of new successor firm;
- succession of business otherwise than death;
- discontinued business;
- person leaving Bangladesh;
- tax escaping assessment.

Types of tax returns (2/2)

04 Returns for DCT's assessment

Any taxpayer, other than individuals, can file returns for assessment by the DCT upon hearing.

Following returns would be taken into consideration for the assessment, upon DCT's notice:

- A return in response to audit proceedings;
- A return in response to assessment by the DCT;
- A return pursuant to a notice issued for tax escaping assessment;
- A return based on set-aside order of the appellate authorities

Filing tax returns beyond the last date of relevant assessment year shall be considered as '**Late return**' subject to penalty of:

- **if filed voluntarily:** 10% of tax payable or Taka 5,000, whichever is higher.
- **if filed in response to DCT's notice:** 15% of tax payable or Taka 10,000, whichever is higher.

For this purpose, tax payable shall be computed without considering general tax exemptions except certain cases.

05 Incomplete return

A return that does not meet the return filing requirements or NBR guidelines is treated as an incomplete return, which can result in the following consequences:

- a notice will be issued by the DCT mentioning the time limit to submit required documents;
- if the notice is not complied with respect to submissions of wealth statement or life-style statement, audited financial statement, certified income computation sheet and return without authorised signature, the submitted return will be considered as void or invalid as if these were not submitted;
- if the notice is not complied with and the submitted return is considered as void or invalid, the DCT shall issue notice for submission of return. However, after completion of the relevant assessment year, the DCT may issue notice for tax escaping assessment.
- receipts of acknowledgment does not render the return as complete.



Admitted tax liability refers to tax liability based on income tax returns submitted by the taxpayer (within or beyond the timeline of submission of tax return) and a tax liability as a result of processing of return by the DCT.

Tax return filing requirements



Mandatory filing obligations

Filing of tax return is compulsory for every person who:

1. earns income exceeding the minimum income exemption threshold;
2. was assessed for tax for any one of the three years immediately preceding that income year;
3. is a company;
4. is a shareholder director or shareholder employee of a company;
5. is a firm;
6. is a partner of a firm;
7. is an association of persons;
8. is an employee holding an executive or management position in a business or profession;
9. is a public servant;
10. is a non-resident having permanent establishment in Bangladesh;
11. is subject to tax exemption or lower tax rate;
12. is required to be registered as taxpayer; and
13. is required to furnish proof of submission of return.

Not mandatory

Tax return filing will not be mandatory for:

1. primary or pre-primary school providing education in Bengali version curriculum or a Government secondary or higher secondary school or an educational institute receiving Government benefits under Monthly Payment Order (MPO) which does not have English version curriculum;
2. public university;
3. Bangladesh Bank;
4. local authority;
5. Bangladesh Telecommunication Regulatory Authority;
6. Bangladesh Securities and Exchange Commissions;
7. Cantonment Board;
8. any body, authority, commission, institute, board, academy or similar entity established by any law or government order which does not carry on any commercial activity and those who received regular funds from the government to meet part or all of their operating expenses;
9. orphanage and any institution established for religious purposes;
10. fund;
11. non-resident individual having no permanent establishment in Bangladesh; and
12. any class of persons authorised by the NBR.

Key tax obligations at a glance

1

Tax registrations (TIN)

A person needs to obtain tax registration or a unique Tax Identification Number (TIN), if:

- the person is a taxpayer, is required to submit return, furnish proof of submission of return or is willing to pay tax or submit return;
- the person is eligible to be a registered taxpayer but failed to obtain TIN, tax authorities have the right to issue TIN; and
- the income tax authority has found the person to have taxable income during the year and has failed to obtain a TIN.

2

Withholding Identification Number (WIN)

Any person who is required to deduct or collect tax as per ITA 2023, is required to obtain Withholding Identification Number (WIN), and the respective Taxpayer's Identification Number (TIN) shall be considered as WIN.

Temporary WIN may be issued in the prescribed manner by NBR to a person who has been found eligible for having a WIN but fails to obtain the same.

3

Proof of submission of return (PSR)

Taxpayers are required to furnish proof of submission of tax returns for obtaining certain services or prior to embarking on certain activities. PSR can be:

- acknowledgement receipt of income tax return;
- system generated tax certificate; or
- tax certificate issued by the Deputy Commissioner of Taxes (DCT)

containing name, TIN and the assessment year for which the return has been submitted. However, for certain services, a system generated certificate (containing name and TIN) in lieu of PSR also can be submitted.

Exclusion applies for persons not required to submit tax returns.

4

Comply with withholding tax and advance income tax requirements

Key matters of compliances include:

- deduction and timely deposition of withholding tax and collection of tax on payments and also issue certificate of deduction or collection of tax;
- ensure quarterly advance income tax payment or compliance; and
- file applicable returns in due time.

Preparing for submission of tax return (1/2)

1

Audited Financial Statements

Tax return should be accompanied with audited financial statements prepared and reported in accordance with IFRS.

Submission of audited financial statements is mandatory for following persons:

- any company;
- any person having income from long-term contracts; and
- any firm, association of person, Hindu Undivided Family, Artificial Juridical Person having turnover over Taka 100 million or capital over Taka 50 million.

2

Computation of income and tax payment

Tax return has to be accompanied with 'Income Computation Sheet' along with supporting schedules and it should be certified by the authorised professionals.

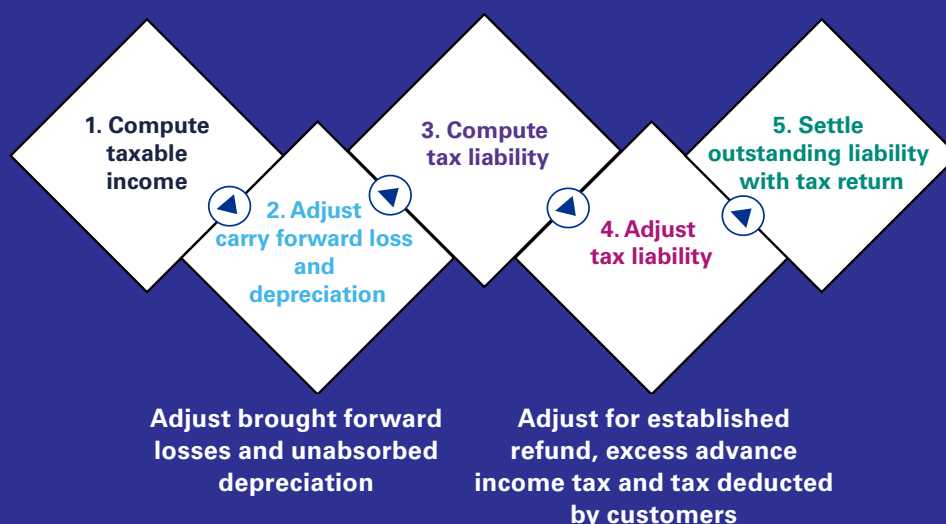
Submission of 'Income Computation Sheet' is mandatory for following persons:

- Any company;
- Any person having income from long-term contracts;
- Any firm, association of person, Hindu Undivided Family, Artificial Juridical Person;
- Any person engaged in trading or business of gold, silver, jewellery, gems, diamond, platinum;
- All manufacturers, importers, suppliers or distributors or wholesalers who sell goods to the retail sellers.

Taxable income is computed in line with the provisions of ITA 2023

Tax liability is computed based on corporate tax rate

Net tax liability is determined and paid before filing tax returns



Preparing for submission of tax return (2/2)

3

Prepare Statement of International Transactions (TP Return)

Persons having international transactions with associated enterprises would need to prepare and submit statement of international transactions along with the tax return.

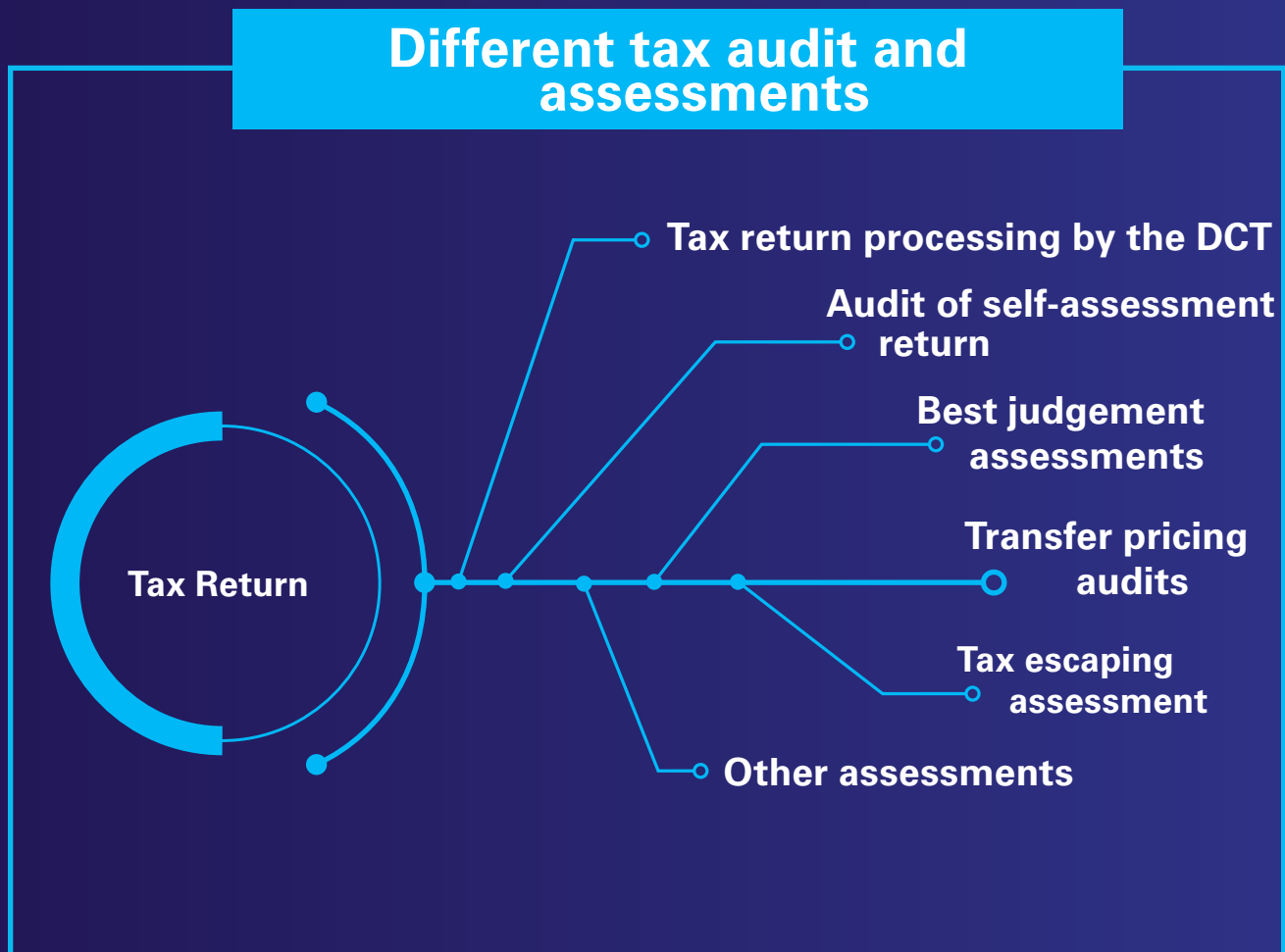
4

Prepare submission deck

Taxpayer needs to compile further documents for its tax filing, which includes:

1. bank statements;
2. proof of reduced tax rate or tax exemption, if any;
3. rental agreements;
4. tax payment documents; and
5. proof or copy of acknowledgement for filing withholding income tax returns.

Tax assessments (1/4)



Tax assessments (2/4)

Tax return processing by the DCT

After filing of income tax return by a taxpayer, the Deputy Commissioner of Tax (DCT) will process (i.e. check) the tax computation for arithmetical accuracy and incorrect claim.

After processing the filed income tax return, the DCT will send a notice to the taxpayer communicating any discrepancy in the computation of income, tax liability, refund or other related particulars and provide an opportunity to the taxpayer to submit justification in writing by filing an amended return within the time limit mentioned in the notice.

If the taxpayer files an amended return duly, the DCT will send a letter of acceptance within 90 days. In case the taxpayer does not respond to the notice, the DCT will send a demand notice within 6 months along with a computation specifying total income and tax payable or refundable.

Audit of self-assessment return

Tax authority with the approval of NBR can select a return of income for audit within two years immediately after the end of the assessment year.

Self-assessment return of taxpayers can now be selected for audit irrespective of whether the return shows higher income than preceding assessment year.

Self-assessment return showing refund shall be selected for assessment by the DCT upon hearing.

Time limitation for completion of audit process in case of self-assessment return or revised return is 12 months after the end of assessment year.



Tax assessments (3/4)

Best judgement assessment

The DCT may assess the tax on the basis of best judgement in case the taxpayer neither submits return or amended return nor complies with the notice for submission of such return or amended return and fails to attend the hearing.

Transfer pricing audit

1. **Selection:** The DCT with prior approval of NBR, may refer the determination of the arm's length price to the Transfer Pricing Officer (TPO).
2. **Initiation by TPO:** The TPO will proceed to determine the arm's length price in relation to any international transaction.
3. **Notice to taxpayer:** The TPO will serve a notice to the taxpayer to produce within specified date any evidence in support of computation of the arm's length price for the international transactions.
4. **Determine arm's length price:** The TPO, after considering the evidence, relevant materials and hearing from taxpayer, issues an order, in writing, determining the arm's length price in relation to the international transaction and sends a copy of the order to the DCT.
5. **Determine taxable income:** The DCT will then proceed to compute the total income of the taxpayer in conformity with the arm's length price as determined by the TPO.
For a taxpayer that is exempted from tax or is subject to a reduced rate of tax, any adjustment on the basis of arm's length price determined by TPO will be treated as income to be taxed at the regular rate.
6. **Rectification by TPO:** The TPO may rectify any order passed so as to correct any mistake apparent from the record.
7. **Review by DCT:** Where any rectification is made, the TPO informs the DCT who will thereafter proceed to amend the order of assessment of the taxpayer.

Tax escaping assessment

The DCT can issue a notice to the taxpayer if there is an indication that a taxpayer has evaded paying taxes based on an audit, tax assessment, or other information.

This notice will require the taxpayer to file amended return and relevant documents for the specified income year/s and payment of the evaded tax amount.

The DCT will send an acceptance letter if the taxpayer files an amended tax return within the specified period, pays the evaded amount, and provide explanations for tax avoidance. If these conditions are not met, the DCT will proceed with best judgement tax assessment.

Other manners of tax assessment

Spot assessment

The DCT may assess the tax liability on the spot of a person, other than company, whose tax has not been determined earlier and such person is found to have taxable income from business or is required to submit tax return or is required to comply with any provision of ITA 2023, and such person has failed to perform or comply with requirements of the Act.

Assessment of return by the DCT

The DCT can assess income if any return or amended return is filed or considered under this manner.

If the DCT deems the taxpayer's presence or evidence necessary, he/she will issue notice for hearing. The taxpayer or any representative on his behalf is required to attend the hearing and submit documents in support of the return as required by the DCT.

If the taxpayer fails to comply with the notice of hearing, the DCT may assess the tax based on *best judgement assessment*.

Tax assessments (4/4)

Assessment in case of discontinued business

Period of income covers the 1st day of income year in which the business ceased to the closing date of business.

A notice along with return of the above period needs to be submitted to the DCT within 15 days of such discontinuance.

The DCT may also issue notice allowing at least seven days to submit return, accounts, documents etc.

Income year and assessment year are same.

Assessment in case of person leaving Bangladesh

If any person having work permit leaves and there is no intention of returning, assessment is required.

The assessment period would be:

- **if assessed earlier** - end of previous assessed income year up to date of departure; and
- **if not assessed earlier** - entire period of his stay in Bangladesh.

The DCT will issue notice allowing at least seven days to submit return, accounts, documents, etc.

Income year and assessment year are the same.

Audit for erroneous order of the DCT

The Inspecting Joint Commissioner may re-examine any erroneous order of the DCT within the expiry of four years from the date of DCT's order.

Audit of withholding tax returns

Withholding tax returns may be selected for audit within four years from the month of submission of the return. Inspection for confirming the income tax deduction or collection is restricted to the current financial year plus up to two prior years.

Statute of limitations

Statute of limitations of issuing notice for assessment is:

- any time, if no return is filed or no tax is assessed, or
- within six preceding tax years in other cases.

If a taxpayer conceals any income, expense, assets acquired before 6 years, the DCT will deem the assets to be acquired within such six years and will deem income accordingly.

Tenure of completion of assessment

Return processing	within 12 months of return submission
Return processing for instances of refund of individuals	within 4 months of selection of audit
Self assessment return	within 12 months of return submission
Assessment by the DCT upon hearing	within 12 months of return submission
Income escaping assessment	within 12 months of notice
TP returns	within 5 years of assessment year
Set aside assessment orders	within 90 days of communication to the DCT
Revised orders	within 45 days of communication to DCT

Tax appeals (1/2)

Tax authority level

A taxpayer being aggrieved on the order of any tax authorities may file appeal on following matters before the appellate authorities

Assessment of income	Computation of tax liability	Tax credit	Imposition of any penalty or interest
Charge and surcharge or any other sum	Computation of refund	Set off or carry forward of loss	Regarding any refund

Appeal stages

1

First Appeal: Within 45 days from the date of receiving of assessment order, the first appeal is to be filed before the **Commissioner of Taxes (Appeal)**.

To be disposed of within 150 days from the month of filing of appeal.

→ Taxpayer pays **1% of disputed tax** before filing first appeal.

2

Second Appeal: If aggrieved against the first appeal order, the second appeal is to be filed within 60 days from the date of receiving of first appeal order to the **Taxes Appellate Tribunal**.

To be disposed of within 180 days from the month of filing of appeal.

→ Taxpayer pays **3% of disputed tax** before filing second appeal.

A taxpayer has the opportunity for submitting an application for rectification of error where the appellate authority or tribunal has not provided a reasonable opportunity to show cause, and the appeal order fails to specify the issues for determination, the decision taken, and the reasons supporting that decision.

Tax appeals (2/2)

High Court

Aggrieved taxpayer can further apply to

High Court

Reference application to the High Court Division of the Supreme Court can be filed within 90 days from the date of receiving Tribunal order, but only in the areas of law and not for reducing the disputed tax.

Applicant must pay 10% of disputed tax.

No opportunity to submit application for reducing disputed tax

Appellate Division

No time limit for disposal of appeal to the Appellate Division is mentioned in the tax law.

Alternative Dispute Resolution (ADR)

A taxpayer may choose ADR route if the case is disputed with any appellate authorities and an appeal filed by the DCT at Tribunal or reference application made by the Commissioner of Taxes (Appeals) at High Court, will be stayed until disposal of the ADR application.

However, any dispute which has already been filed in the form of a writ petition will not be subject of ADR. A taxpayer would not be eligible for application to ADR if they fail to pay admitted tax liability, where the return of income for relevant year or years has been submitted.

In cases of disputed legal interpretation, the opinion of NBR may be sought to ensure alignment with regulatory intent.

ADR settlement record must comprehensively capture the agreed terms, including the nature of the settlement, tax payable or refundable, payment timeline and method. The maximum payment period is capped at 6 months in case of settlement.

In case of ADR, time limit for the facilitator to make an agreement is 3 months from the end of the month in which the application was made, unless no agreement is deemed to have been reached.

Taxpayer needs to comply with Income Tax Alternative Dispute Resolution Rule 2024.

The background is a solid purple color. It features several overlapping circles of different shades of purple. A large, lighter purple circle is on the left side. A smaller, darker purple circle is on the right side. In the center, there is a dark blue rectangular box with a gradient, containing the text '03' and 'International tax' in white.

03

International tax

Tax treaties

Double Tax Avoidance Agreements (DTAAs) are agreements between Bangladesh and contracted country aiming to avoid double taxation by defining the taxing rights of each country concerning cross-border flows of income.

The Government of Bangladesh has the authority to enter into agreements with other countries (treaty countries) to address various tax-related matters. These agreements can cover tax reductions, determination of income sources within and outside Bangladesh, prevention of double taxation and tax evasion, exchange of information to prevent tax evasion, and recovery of taxes. Internal Resources Division, Ministry of Finance may issue regulations for implementing these tax agreements.

Additionally, such agreements may include provisions for tax reductions prior to the enactment of the agreement and adjustments for foreign taxes paid under the laws of the concerned country.

The NBR incorporates the DTAAs into the tax regulations by issuing official Gazettes necessary for their implementation.

Foreign tax credit in Bangladesh

Bangladeshi resident taxpayers can avail foreign tax credit against tax payable in Bangladesh up to the following limits:

- If foreign tax is paid in a treaty country, foreign tax credit can be taken up to *average rate of tax*.
- If foreign tax is paid in a non-treaty country, foreign tax credit can be taken up to the lower of *average rate of tax* in Bangladesh and *average rate of tax* in the foreign country.

Tax applicable on total income (including foreign income) divided by such total income is defined as average rate of tax.

Applying tax treaty benefits

For non-residents, it is pertinent to consider withholding tax regulations as it requires payment parties to obtain tax exemption or reduced tax certificates from the NBR prior to exercising the benefits under tax treaties. NBR is expected to respond to applications within 30 days.

Residency

Residency is determined as per tax treaties for foreign entities residing in treaty countries. Otherwise, residency provisions of ITA 2023 will apply.

Treaty countries

Sl.	Country	Sl.	Country
1	Bahrain	23	Norway
2	Belgium	24	Oman (air traffic only)
3	Bhutan	25	Pakistan
4	Canada	26	Philippines
5	China	27	Poland
6	Czech Republic	28	Qatar
7	Denmark	29	Republic of Belarus
8	France	30	Republic of Korea
9	Germany	31	Romania
10	Hong Kong	32	Saudi Arabia
11	India	33	Singapore
12	Indonesia	34	Sri Lanka
13	Iran	35	Sweden
14	Italy	36	Switzerland
15	Japan	37	Thailand
16	Kuwait	38	The Netherlands
17	Malaysia	39	Turkey
18	Maldives	40	United Arab Emirates
19	Mauritius	41	United Kingdom
20	Morocco	42	United States of America
21	Myanmar	43	Vietnam
22	Nepal		

Foreign entities doing business in Bangladesh

Permanent establishments

Foreign or non-resident enterprises constitute a permanent establishment in Bangladesh if they generate business income through a fixed place or place of business from which its business operations are wholly or partly carried on. This includes:

- any place of management;
- any branch;
- any agency;
- any office;
- any warehouse
- any factory;
- any workshop;
- any mine, oil or gas well, quarry or any other place for exploration, extraction or extraction of natural resources;
- any farm or plantation;
- any construction site, any construction, installation or addition project or any supervisory activity related thereto;
- furnishing of services either by itself or through any manpower engaged for such purpose, if such activities continue in Bangladesh (in the same work or in any other work connected with the said work);
- any associated entity or any person commercially dependent on the non-resident person who carries on any activity connected with any sale made by the non-resident person in Bangladesh;
- digital or online platforms having 100,000 Bangladeshi subscribers.

Digital services

Transactions initiated online are now classified as electronic sales, irrespective of payment or delivery mode.



Withholding taxes

Specific withholding taxes apply for non-residents. Withholding taxes are deducted against on non-resident unilaterally unless an exemption applies.

Withholding tax is considered final tax for non-residents having no permanent establishments in Bangladesh.

Transaction with non-residents

DCT can determine a reasonable amount to be included in a resident's total income for tax purposes if it is found that the resident has entered into a transaction with a non-resident and due to their close relationship, the transaction resulted in no profit or less than a reasonable profit.

Transfer of assets to non-resident

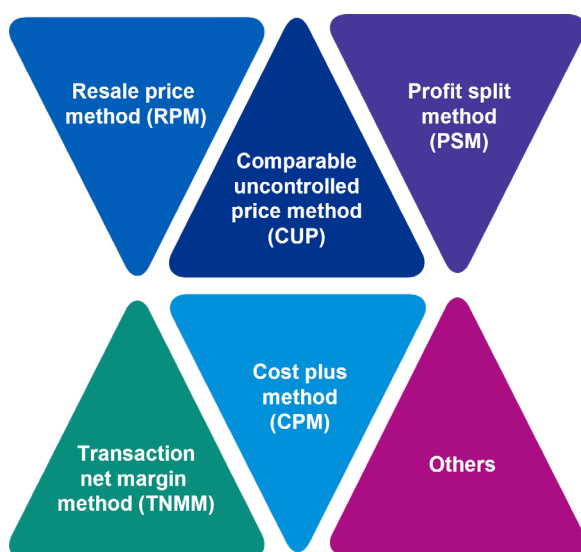
If tax is evaded by way of transfer of any asset or any reason thereof, whether jointly or severally with associated enterprises, tax would be recovered from the person who acquires the right to enjoy that income or receives money related to the transaction.

Transfer pricing regulations

Transactions considered under transfer pricing regulation are those transactions between associated enterprises, either or both of whom are non-residents, relating to transfer of tangible or intangible goods, provision of services or any other transactions that have a bearing on the profits, income, losses, assets, financial position or economic value of such enterprises, etc.

Arm's length pricing

“Arm's length price” means a transaction price the terms of which (such as price, margin or profit sharing) do not differ from those prevailing in a comparable uncontrolled transaction between two independent parties under comparable situations



- Arm's length price for an international transaction is determined by applying the most appropriate method based on the nature of transaction, the availability of reliable information, functions performed, assets employed, risks assumed, or such other factors as may be prescribed.
- Any adjustment made in determining arm's length price will be treated as income taxable at the regular rate, irrespective of whether income is exempted from tax or subject to reduced rate of tax.
- Downward adjustment to gross income from international transactions is not permitted through transfer pricing adjustments.



04

Personal tax

Imposition of tax on salary

Scope of taxable income

Taxable income in Bangladesh is defined on the basis of tax residency of the taxpayer. Scope of personal income generally includes income from employment excluding, exempted income.

Residency

For individuals, residency depends on the period of stay in Bangladesh.

An individual is a resident if the individual resides in Bangladesh for:

- 183 days or more in any income year; or
- 90 days or more in an income year and that person has also previously resided in Bangladesh for a period of 365 or more days during the four preceding years.

An individual not meeting the above conditions is a non-resident.

Assessment year

Assessment year is a twelve-month period commencing from the first day of July of a calendar year unless specific rules apply.

Income year

Income year is a period not more than twelve-months preceding the assessment year.

For individuals, income year is 1 July to 30 June.

Timeline of submission of tax returns

File tax returns between...	Incentive or additional tax
1 July to 30 September	Incentive: Lower of 5% of tax payable or Taka 25,000
1 October to 31 December	No incentive or additional tax
1 January to 31 March	Additional Tax: Higher of 2% of tax payable or Taka 3,000
1 April to 30 June	Additional Tax: Higher of 5% of tax payable or Taka 5,000

For following cases:

- 30 June following the end of income year if filing tax returns for the first time.
- within 90 days from the date of return to Bangladesh for individuals who stay outside Bangladesh for higher education, or on deputation, lien for employment with valid visa and work permit.

Proof of submission of return (PSR)

Individual taxpayers are required to show PSR or a system generated certificate containing name and TIN for obtaining certain services or prior to embarking on certain activities.

Refer to page 30.

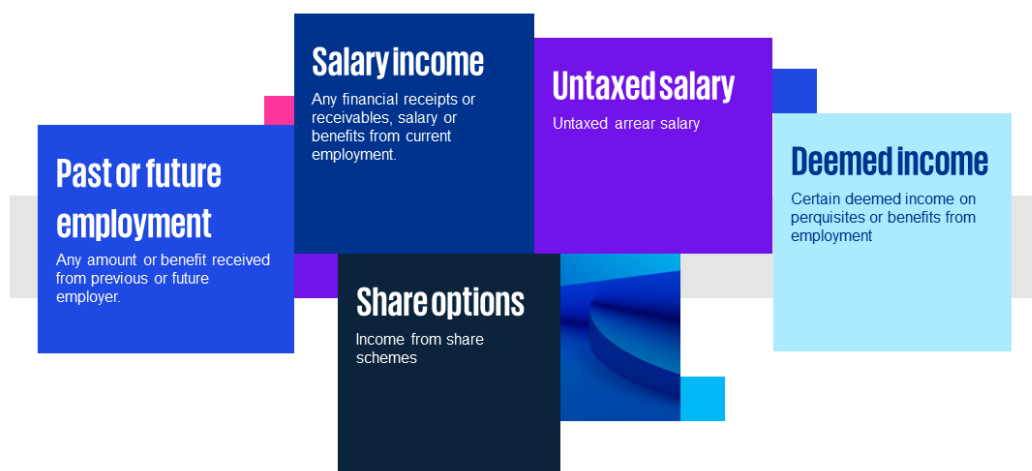
Tax registration

Individuals need to obtain TIN under the conditions specified in page 29.

Expatriate employees working in Bangladesh require work permits issued from appropriate authority to obtain tax registration in Bangladesh.

Computing income from employment

Income from employment includes all income from employment, excluding exempted income.



Exclusions

- **Medical benefits** related to heart, kidney, eye, liver, brain operation, artificial organ transplant and cancer operations expenses, except for shareholder directors.
- **Transportation, travelling, daily allowances** received and expended wholly and solely for performance of duties.
- **Group insurance premium paid by the employer and reimbursements under the group insurance policy**
- **Tax free allowances** up to one-third of total income from employment or Taka 500,000, whichever is lower.
- Exemptions as per Sixth Schedule Part 1.

Inclusions or deemed income

Housing benefits

- + Annual value if the accommodation is provided free.
- + Differential amount of annual value and rent paid by the employee for concessionary arrangement.

Car benefits

- + Taka 15,000 per month for vehicles up to 1500 cc.
- + Taka 20,000 per month for vehicles of 1500 cc to 2500 cc.
- + Taka 30,000 per month for vehicles of 2000 cc to 2500 cc.
- + Taka 50,000 per month for vehicles above 2500 cc.

Employee share options

- + Where share is received or right to obtain share is received, fair market value of the shares less cost of acquisition of shares.
- + Where share is transferred, sale price or transfer value of right to share less price paid for entitlement of right to shares.

Other benefits at monetary value or fair market value.

Types of taxes (1/3)

General rates

Tax is applicable on income from employment on the basis of a slab rate tax structure for resident individual taxpayers and Bangladeshi citizens.

For non-resident individual taxpayers, applicable tax on income from employment is flat 30%.

AY 2026/27 and AY 2027/28

Total income Tax rate

Up to exempted limit	0%
Next Taka 300,000	10%
Next Taka 400,000	15%
Next Taka 500,000	20%
Next Taka 2,000,000	25%
Remaining amount	30%

AY 2028/29 and AY 2029/30

Total income Tax rate

Up to exempted limit	0%
Next Taka 300,000	10%
Next Taka 400,000	15%
Next Taka 500,000	20%
Next Taka 2,000,000	25%
Next Taka 26,350,000	30%
Remaining amount	35%

AY 2030/31

Total income Tax rate

Up to exempted limit	0%
Next Taka 300,000	10%
Next Taka 400,000	15%
Next Taka 500,000	20%
Next Taka 2,000,000	25%
Next Taka 26,300,000	30%
Remaining amount	35%

Exempted income limits:

General	400,000
Women and senior citizens aged 65+ above	450,000
Physically challenged and third gender persons	525,000
Gazetted war-wounded freedom fighters and July fighters	550,000

Parent/legal guardian (maximum one) of a physically challenged person will get a further initial exemption of Taka 50,000 in addition to above limit.

Exempted income limits:

General	450,000
Women and senior citizens aged 65+ above	500,000
Physically challenged and third gender persons	575,000
Gazetted war-wounded freedom fighters and July fighters	600,000

Parent/legal guardian (maximum one) of a physically challenged person will get a further initial exemption of Taka 50,000 in addition to above limit.

Exempted income limits:

General	500,000
Women and senior citizens aged 65+ above	550,000
Physically challenged and third gender persons	625,000
Gazetted war-wounded freedom fighters and July fighters	650,000

Parent/legal guardian (maximum one) of a physically challenged person will get a further initial exemption of Taka 50,000 in addition to above limit.

Types of taxes (2/3)

Investment rebate

Resident taxpayers and non-resident Bangladeshis may obtain credit on their investments

Lower of:

- **3% of total taxable income** (excluding income subject to exemption, reduced tax rate or final tax liability and income from firm or association of persons), or
- **10% of actual investment** as per Part 3 of 6th Schedule or
- **Taka 750,000**

FA 2026 changes

- Early encashment certain securities triggers clawback of investment rebate.
- Unit fund and mutual fund investment is uncapped.

Eligible investment

Allowable/eligible investment for investment rebate includes:

- + Life insurance premium
- + Contribution to approved Provident Fund (both by the employee and employer)
- + Contribution to deposit pension scheme or monthly savings scheme amounting to maximum Taka 120,000 sponsored by a scheduled bank or a financial institution
- + Donation to a national level institution set up in memory of the "Liberation War"
- + Donation to government approved public welfare or educational institution
- + Donation to Zakat Fund/charitable fund established by or under Zakat Fund
- + Any sum invested in Government securities up to Taka 500,000
- + Any sum invested in unit certificates and mutual funds, ETF or joint investment scheme, unit certificate issued by financial institution, Investment Corporation of Bangladesh (ICB), fund manager etc.
- + Any new sum invested in shares of listed companies.

Following investments from 1 July 2026 to 30 June 2030:

- + ASHIC, Foundation for Childhood Cancer;
- + Bangladesh Cancer Aid Trust (BANCAT);
- + Al-Markazul Islami;
- + Disabled Child Foundation (DCF);
- + Sherpur Diabetic Association;
- + Mawna Diabetic Association;
- + Bangladesh Thalassemia Society;
- + Autism Welfare Foundation;
- + BRAC;
- + Ramakrishna Math and Ramakrishna Mission, Dhaka; and
- + Chattogram Maa-O-Shishu Hospital.

Types of taxes (3/3)

Minimum tax

Individual taxpayers having taxable income are subject to minimum tax

Tax

General taxpayer	Taka 5,000
New taxpayer	Taka 1,000

Surcharge

Individuals are subject to wealth surcharge and environmental surcharges

Environment Surcharge

Environment surcharge is payable by individual taxpayers owning more than one motor car and is exempted from tax on the motor car with the lowest applicable surcharge.

Engine capacity of motor car	Surcharge
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

Wealth surcharge

Individuals are subject to surcharge on the basis of their net wealth.

New Wealth	Tax Rate
- over Taka 40 million to Taka 100 million, - owner of more than 1 motor car, or - owner of house property exceeding 8,000 sq. ft., within a city corporation area	10%
Over Taka 100 million to Taka 200 million	20%
Over Taka 200 million to Taka 500 million	30%
Over Taka 500 million	35%

Other key matters

General income exclusions

Properties/assets taken as gifts from spouse/parents/siblings or descendants

Properties/assets taken as gifts from spouse/parents/siblings or descendants are excluded from income, provided:

- it is disclosed in the respective tax returns of the benefactor and beneficiary;
- no disclosure in tax returns of benefactor is necessary, if the gift is received from abroad through banking channel.

Gratuity income

Gratuity income from the Government or NBR approved gratuity fund up to Taka 25 million is exempted from tax.

Receipt of capital gain not exceeding Taka 5 million

Capital gains up to Taka 5 million is excluded from income, if it is earned by:

- transfer of share or unit of any listed company or any fund or any fund approved by BSEC; and
- by persons other than sponsor, director or placement share of a company or fund.

Interest on pensioners' savings certificate

Income received by an individual by way of interest from pensioners' savings certificate is exempted from tax where the investment on such certificate does not exceed Taka 500,000 at the end of the relevant income year.

Foreign income by individuals

Income earned abroad by a Bangladeshi citizen is exempted from tax subject to the compliance with the applicable laws in respect of inward remittance.

Income earned from 'content creation' and 'freelancing'

Statement of wealth and lifestyle

Individual taxpayers must submit statements of wealth and lifestyle along with their tax returns.

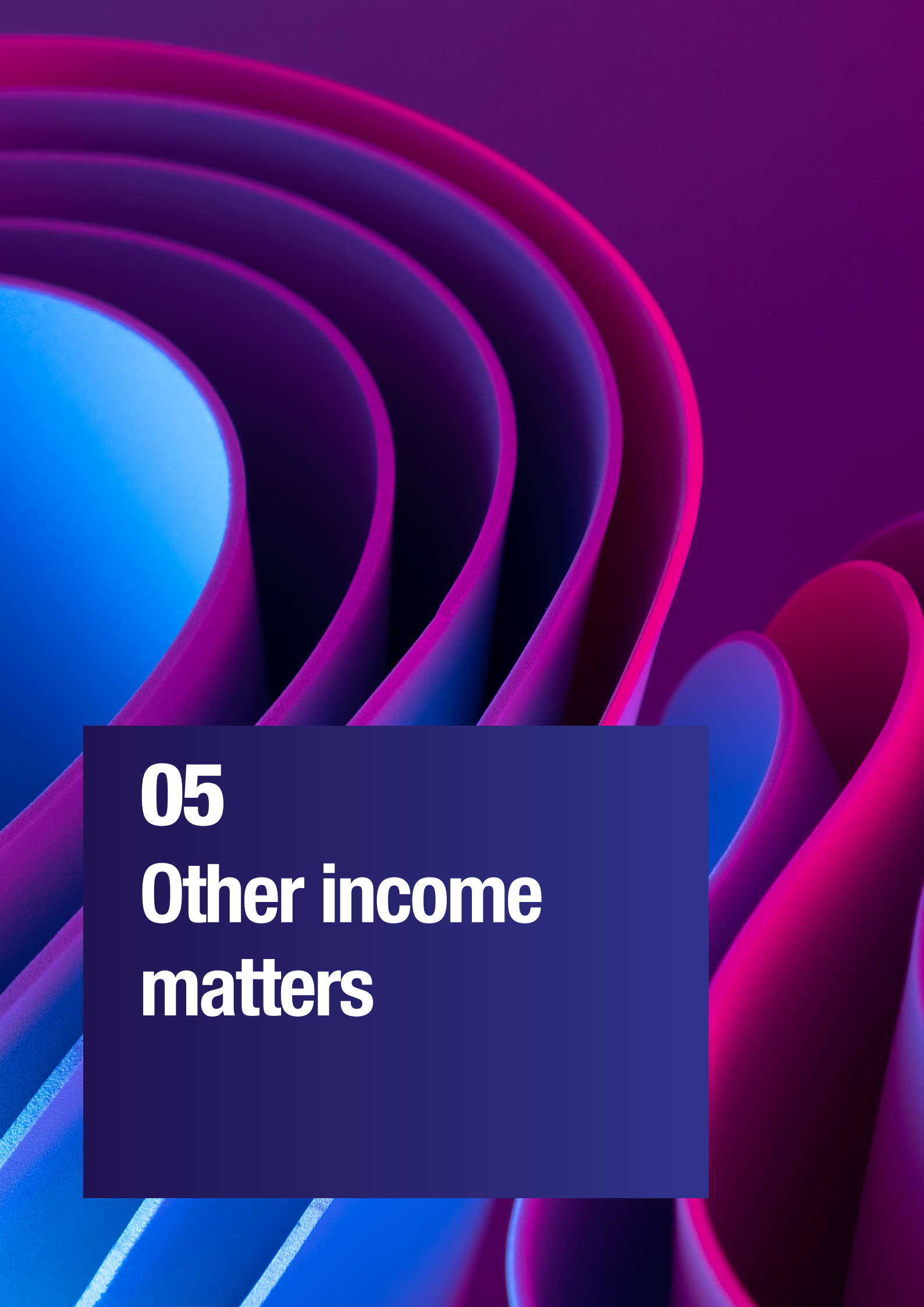
Resident Bangladeshis must disclose both their assets and liabilities in Bangladesh and outside Bangladesh.

Non-resident Bangladeshis and foreigners have to submit the assets and liabilities statements only in respect of assets located in Bangladesh.

Conditions	Wealth Statement	Lifestyle Statement
Owens a motor car	✓	✓
Shareholder director of a company	✓	✓
Investment in a house property or an apartment	✓	✓
Acquires foreign property	✓	
Business income		✓
Gross wealth over Taka 5 million	✓	
Total income over Taka 0.5 million		✓

The DCT may require a taxpayer to submit a wealth and lifestyle statement where such information is necessary for determining tax liability or where the submitted statements appear incomplete or defective. Failure to comply with such notice will result in the return being treated as incomplete.



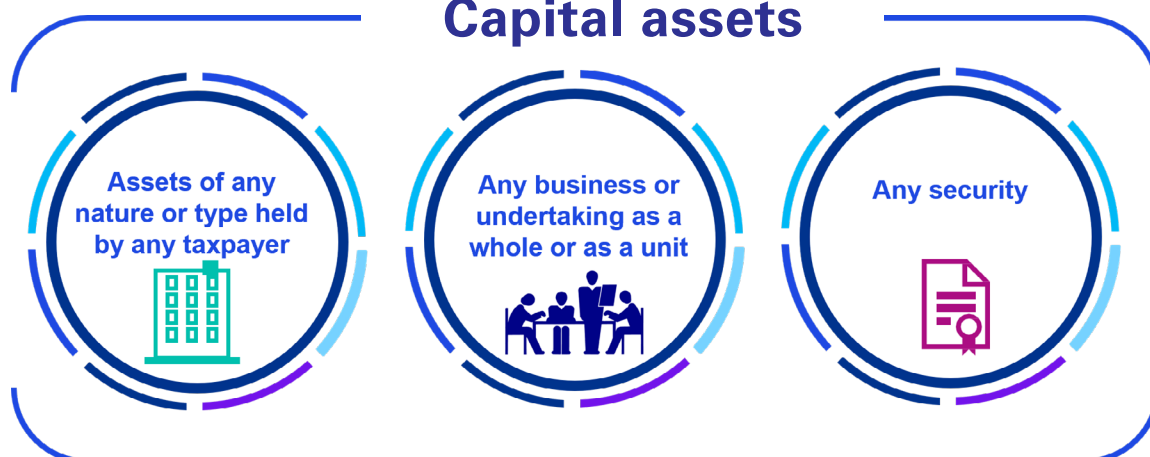


05

Other income matters

Transfer of assets

Capital assets



Excludes inventory and consumables for business use and vehicles for personal use

Business Income	▶	CIT rate	Business Income/Loss
Capital Gain	▶	CGT rate	
Capital gain tax rate for:			▶ Business income if selling price, insurance value, salvage value or compensation (up to acquisition cost) exceeds tax written down value; ▶ Business loss if selling price, insurance value, salvage value or compensation (up to acquisition cost) is less than tax written down value.
▶ Companies, trust, AoP - 15% ▶ Others ▶ 15% on shares of listed company ▶ 15% on other assets if held for more than 5 years, otherwise slab rate			Capital Gain/Loss Higher of selling price, fair market value, insurance value, salvage value or compensation, as applicable ▶ Less acquisition cost, ▶ Less any development cost, and ▶ Less any transaction costs.

“Personal belongings like gold, silver, diamonds, coins, antiques, paintings, digital coins and club memberships are now capital assets. Specifically, gold, silver, diamonds and coins are subject at reduced tax rate of 5%.”

Business combinations (1/2)

Direct transfer of shares

Capital gain tax on direct transfer of shares, i.e. transfer of shares in a company incorporated in Bangladesh is well regularised. General capital gain computation rules are applicable.

Indirect transfer of shares

Bangladesh tax legislation imposes capital gain tax on transfer of shares in a foreign company that directly or indirectly have interests in Bangladesh. Capital gain tax in Bangladesh is computed as a proportion of fair value of the assets in Bangladesh to the fair value of assets of the foreign company being sold.

Offshore Indirect Transfer Rules, 2022 was issued with an aim to provide clear guidance on computation of fair value of assets in Bangladesh and of the foreign company as well as filing obligations of the selling shareholders and Bangladesh interest/entity. Additionally, the rules also provide exemptions to non-controlling shareholders and de minimis investments.

01 Asset valuation method	02 Income attribution	03 Compliance requirements	04 Exemptions
Listed Bangladesh Companies: (Market Capitalization + Book Value of Liabilities) / Total Shares Non-listed Bangladesh Companies Valued by merchant banker or chartered accountant using accepted methods Foreign Companies Listed: Market capitalization + book value of liabilities Unlisted: Valued by merchant banker/accountant using accepted methods	Capital gain in Bangladesh: (Total Capital Gain) × (FMV of Bangladeshi assets) / (FMV of all assets of Foreign Company) <i>Capital gain is computed as per the general method under ITA 2023 for the foreign shares being sold.</i>	Transferor: ✓ File return of income ✓ Submit Form OIT-1, verified by an accountant Bangladeshi Entity: ✓ File return for the income year of the transferor ✓ Submit Form OIT-2 within 90 days ✓ Maintain specified documentation for 6 years	De minimis Threshold: - Bangladeshi assets exceed BDT 150 million and is at least 50% of all assets of foreign company Non-resident Transfers: No income deemed if: - No control over the foreign company. - Transferor holds < 5% voting power or share capital.

Business combinations (2/2)

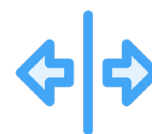
As business combinations become familiar, tax legislation has clarified the scope of amalgamation and demerger along with the tax treatments of the underlying transactions



Amalgamation

The key aspects of amalgamation or merger includes:

- All the property and liabilities of the amalgamating companies become those of the amalgamated company.
- For Bangladeshi amalgamated company, shareholders holding at least 75% of the shares in the amalgamating companies (excluding shares already held by the amalgamated company or its subsidiary) become shareholders of the amalgamated company.
- For foreign amalgamated company, shareholders holding at least 75% of the shares in the amalgamating foreign companies that hold shares in a Bangladeshi company (excluding shares already held by the amalgamated company or its subsidiary) become shareholders of the amalgamated company.



Demerger

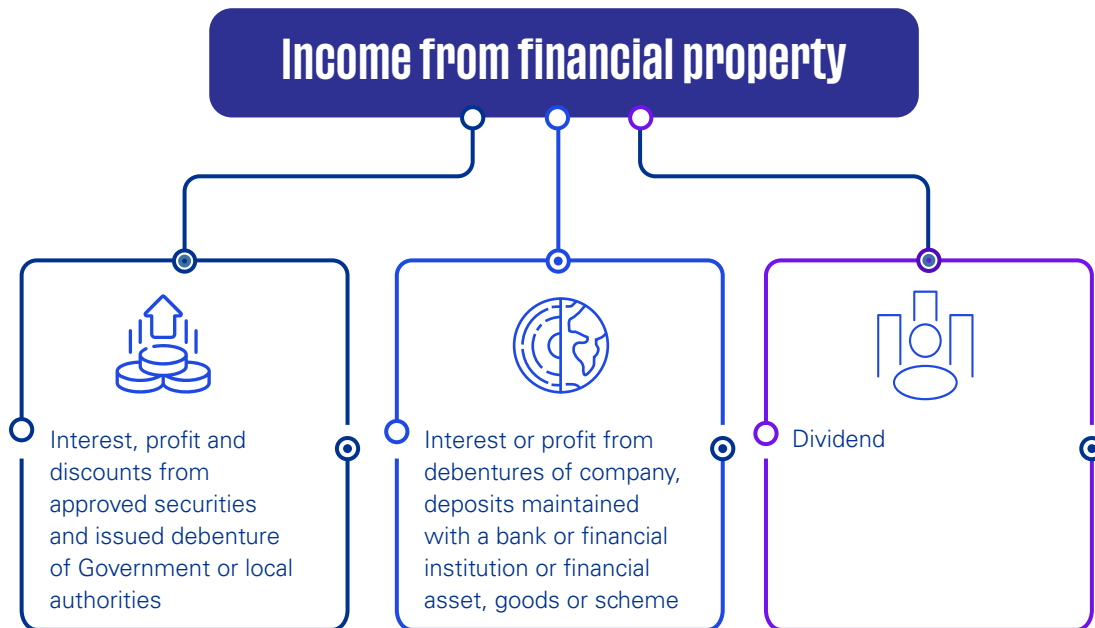
The key aspects of demergers includes:

- All the property and liabilities of the demerging company become those of the demerged company.
- For Bangladeshi demerged company, shareholders holding at least 75% of the shares in the demerged company become shareholders of the resulting company.
- For foreign demerged company, shareholders holding at least 75% of the shares in the demerged foreign company that hold shares in a Bangladeshi company become shareholders of the resultant company.

- **Qualified amalgamations and demergers are exempted from tax;**
- **Prior approval of NBR is not needed but VAT authority's approval is needed for any transfer of business undertaking; and**
- **Any disappearing company need to apply for cancellation of tax and VAT registration.**

Accumulated business loss and unabsorbed depreciation of amalgamating and demerged company can be used by amalgamated company and resulting company.

Income from financial property



Income inclusion

- Income from financial assets is included as include in the earlier of income year in which it is received or deposited with the taxpayer; and
- Accrual basis income from financial assets is not included in the computation of income.

Deductions

Expenses incurred only for the purpose of earning the relevant income are allowed as deductions including:

- Amount deducted from the receipts excluding any income tax by a bank or finance company;
- Interest paid on money borrowed solely for the purpose of earning "income from financial assets";

Following items are not allowed:

- Any interest payable outside Bangladesh on which withholding tax compliance has not been followed;
- Expenses against income from such financial assets that are exempted from tax; and
- Any expenditure of a capital or personal nature.
- Expense on which tax has not be deducted or deposited

Tax rate

Income from financial property is generally taxed at the applicable tax rate of the taxpayer, except for dividend income earned by which is subject tax at 15% for individuals and 20% for others.

Income from rent

Income from rent includes any rental income generated from any asset, irrespective of its rental nature, trade or business etc. excluding rental income from hotel, hostel, motel, resort or business property or land and building rented out by developers of Economic Zones and Hi-Tech Parks.

Computation of income from house property

- + Annual value
- + Special rent
- + Any service charge, repair or maintenance cost or similar costs paid by the tenant
- Vacancy allowance
- Insurance premium
- Interest on loan
- Repair and maintenance allowance (resident: 25%, commercial: 30%)
- Annual fee, levy, or charge and
- Proportionate expenses in case of partial rent out and partial tenure.

Special rent

- + Unspent repair and maintenance expenses on account of income from rent.
- + All inadmissible expenses/deductions except for areas of accounting adjustment
- + 10% of balance amount at fiscal year of refundable or adjustable deposit, security deposit or advanced rent;
- + Non-refundable or non-adjustable deposit, selami or premium or any amount of similar nature (can be spread out over the tenure of lease/rent period or 5 years, which ever is lower). Any repayment of this amount can be adjusted with income from rent.
- + Expenses against which withholding tax has not been deducted for properties other than house properties.

No deductions can be made against special rent on account of allowances for tax depreciation and amortisation under and tax at regular rate will be paid separately on special rent.

Tax rate

Income from rent is generally taxed at the applicable tax rate of the taxpayer.

Income from other sources

- **Unexplained credits:** Any unexplained credit in the taxpayer's books.
- **Asset growth mismatch:** If taxpayer's asset growth and expenditures exceed its declared income and acceptable receipts.
- **Undervalued asset purchase:** If taxpayer purchases an asset below fair market value.
- **Contract related receipts:** Compensation, fees, or benefits received due to cancellation or modification of a contract.
- **Loan waiver:** Any benefit from a loan waiver, whether monetary or not. Any waiver of borrowed funds from the family members shall not be treated as income, if converted to gift or disclosed in income tax returns of both parties.
- **Paid-up capital without bank transfer:** If an unlisted company receives paid-up capital without bank transfer.
- **Advance, deposits or loans:** If taken other than by bank transfer by an individual. If taken by bank transfer exceeding Taka 0.5 million remaining unpaid for 6 years. Subsequent repayment is deductible.
- **Purchase of vehicle:** If the cost of a company's motor car or jeep exceeds 10% of its paid-up capital (including reserves and retained earning), 50% of the excess amount. Not applicable for companies engaged in vehicle rental business.
- **Intangible and licensing income:** Includes royalties, licence fees, technical service fees, and income from granting rights over intangible property. However, if the above is a regular activity of a taxpayer, such income shall be considered as 'income from business or profession'.
- **Government support:** cash incentives received from the Government.
- **Asset transfer income:** Encompasses gains from transfer of self-created or natural assets, excluding specified resources and goodwill.
- **Joint-venture (JV) profit:** Profit distributed by a JV to its partners
- **Grants and donations:** Includes any form of donation, grant, or gift other than certain cases.

Income deductions on certain donations

Certain donations can be deducted from taxable income provided the amount and source is duly disclosed in the tax returns and donation amount does not exceed 10% of previous total income.

Donation to any fund established by "Trust of Prime Minister Education Assistance Act 2012"

Such donations are allowable up to the following limit:

- **Companies:** lower of 10% of income or Taka 80 million.
- **Other than companies** lower of 10% of income or Taka 10 million.

Donation to girls' school/college

Donation in an income year by bank transfer to any girls' school or girls' college approved by the Ministry of Education of the Government is exempted from tax.

Donation to technical and vocational institution

Donation in an income year by bank transfer to any technical and vocational training institute approved by the Ministry of Education of the Government is exempted from tax.

Donation to research and development

Donation in an income year by bank transfer to any national level institution engaged in the Research and Development (R&D) of agriculture, science, technology and industrial development is exempted from tax.

Exemption on donation of recipients

- Any donation received from abroad by any education or research institution.
- Any donation or grant received and spent on religious or charitable purposes by religious or charitable institution approved by the Commissioner of Taxes.
- Any donation or grant received by any person approved by NGO Affairs Bureau.
- Any donation or grant received by any company who is not mandatorily required to submit tax return..

Anti-tax avoidance

Abuse through tax arrangements

Misuse of tax arrangement is any arrangement, whether performed by the person affected or by any other person

- which creates one or more tax benefits, unless it is undertaken for a bona fide purpose; or
- which creates one or more tax benefits, unless the multiple arrangements or part thereof; are reasonably undertaken or created for a bona fide purpose.

ITA 2023 defines **Tax Benefit** as

- Income tax avoidance or reduction;
- Relieve any person from the liability to pay income tax, or from the potential or prospective liability of future income tax;
- Avoiding, deferring or reducing, any tax liability, or any potential or prospective liability for future income tax;
- Delay in payment of income tax; and
- Avoidance of requirement of deposit of tax deducted or collected at source.

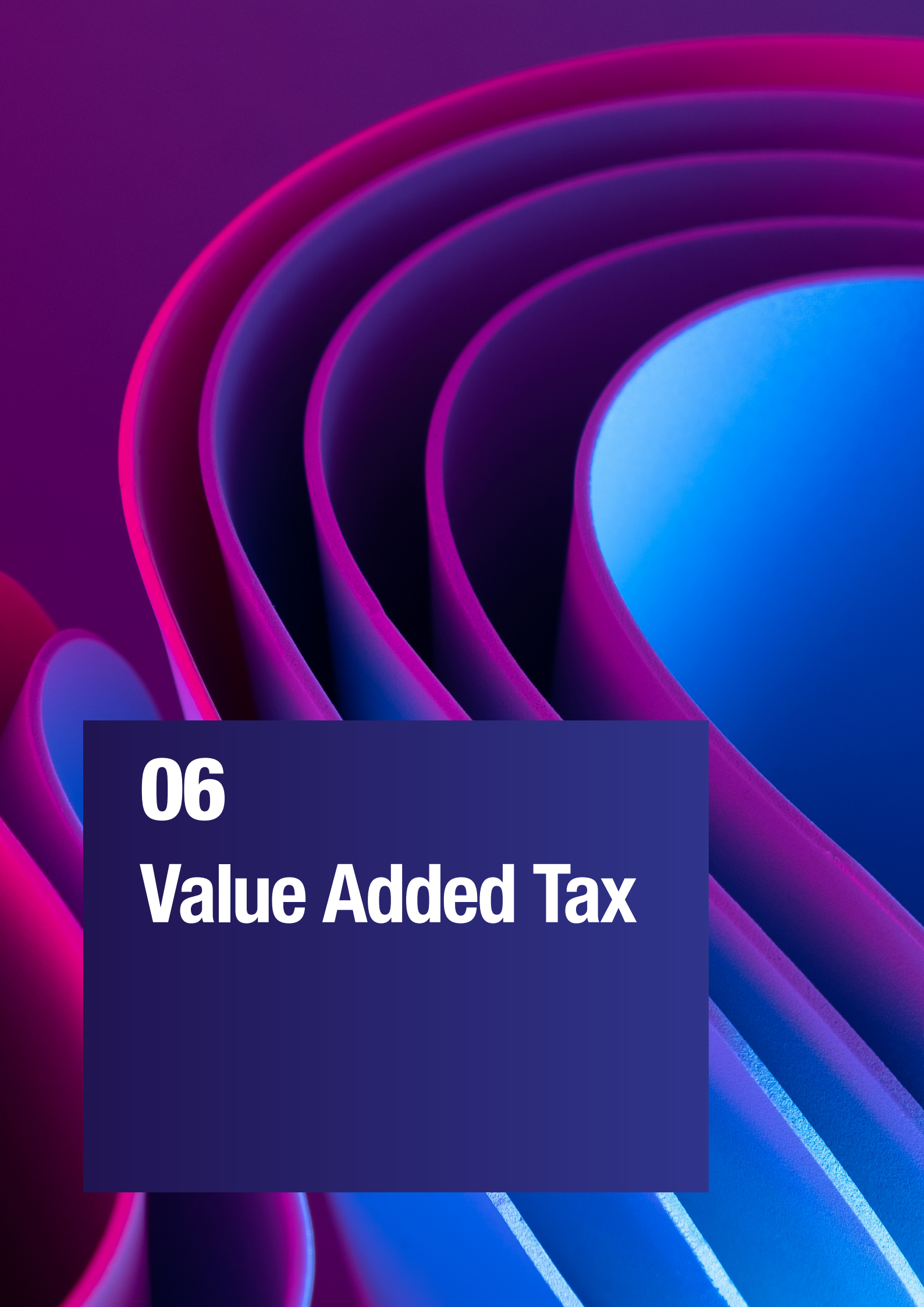
Arrangement is defined as all steps and transactions undertaken to affect a consent, agreement, planning, negotiation or memorandum of understanding.

The DCT is empowered to initiate proceedings for any misuse of tax arrangement by a taxpayer and recover tax through:

- Income enhancement
- Correction of tax liability
- Adjustment of tax refund
- Correction of allowance, rebates etc.
- Any other means

Tax recovery procedures by the DCT is executed by:

- Issuing notice to a taxpayer for misuse of tax stating reasons thereof, details of countermeasures, requesting to appear with relevant tax benefit documents;
- Taxpayer is given minimum 30 days to prepare for hearing; and
- Tax authority passes an order with necessary adjustment and notifies within 30 days of the order.



06

Value Added Tax

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Charge of VAT

Economic Activity

VAT and Supplementary Duty are imposed on activities carried on regularly or continuously for making supply of any goods, services or immovable property.

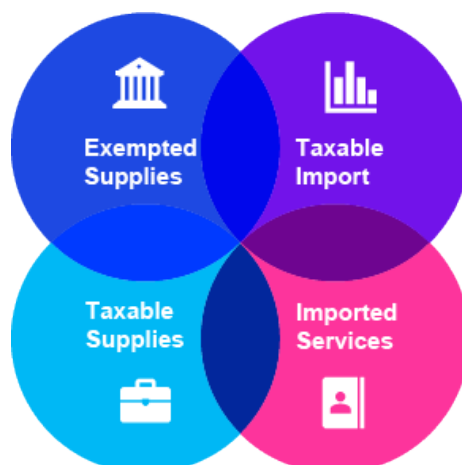
However, services rendered by an employee to his employer, general duties rendered by a director of a company, any recreational pursuit or hobby performed on a non-commercial basis, and any activities carried on by the Government without any commercial motive are excluded from the definition of economic activities.

Exempted Supplies

VAT & SD Act 2012 provides VAT exemption on certain goods and services in the First Schedule of the Act.

Taxable Supplies

Any supply, unless exempted, delivered through an economic activity which includes supply of goods, services and immovable property.



Taxable Import

Any goods, unless exempted, brought into the geographical territory of Bangladesh from outside Bangladesh.

Imported Services

Imported service means supply of any service from outside Bangladesh.

Place of supply

Destination of supply is crucial for VAT and compliance implications.

Supplies within Bangladesh

When supplies are made by resident persons, they are considered as local supplies.

Non-resident's supplies are also considered as local supplies in certain cases, especially:

1. Supplies through or from a fixed place of business,
2. Supplies of immovable property with respect to land in Bangladesh,
3. Supplies of goods that are transferred, conferred, installed or assembled in Bangladesh,
4. Supplies to a VAT unregistered person (B2C) given physically while located in Bangladesh or are of electronic services in nature or radio, television and telecommunication services (except global roaming services) to locations or persons in Bangladesh.

Types of VAT & SD

Structure of VAT & SD



Standard rate

The standard VAT rate under VAT & SD Act 2012 is 15%.

Businesses under Turnover Tax will be subject to tax at prescribe amount based on economic activity (up to Taka 2 million) annually.

Zero rate

Goods and services supplied outside the geographical territory and services provided to recipients outside of Bangladesh are generally zero-rated VAT.

Scope of zero-rated VAT services includes deemed exports, temporary imports and goods and services for ocean going ships and aircraft engaged in international transport.

Supplementary duty

Certain goods are subject to supplementary duty under Second Schedule of the VAT & SD Act 2012.

Generally, SD paid on purchase of goods and services cannot be taken as credit/adjustment. Only in case of exported goods, if any SD is paid on import of raw materials, a decreasing adjustment can be taken.

Reduced and specified rate

For certain supplies, VAT rates are lower than the standard VAT rate of 15%. Fixed amount or specified rates are prescribed in the VAT legislation.

Trade VAT

Generally, traders are subject to VAT at a rate of 7.5% on their supplies, unless it is provided to withholding entities.

Traders of medicine and petroleum products are subject to VAT at 2.4% and 2%, respectively and for some specific wholesale businesses (e.g. clothing business and paper business) applicable VAT rate is 1.5%, subject to fulfilment of certain conditions and procedures.

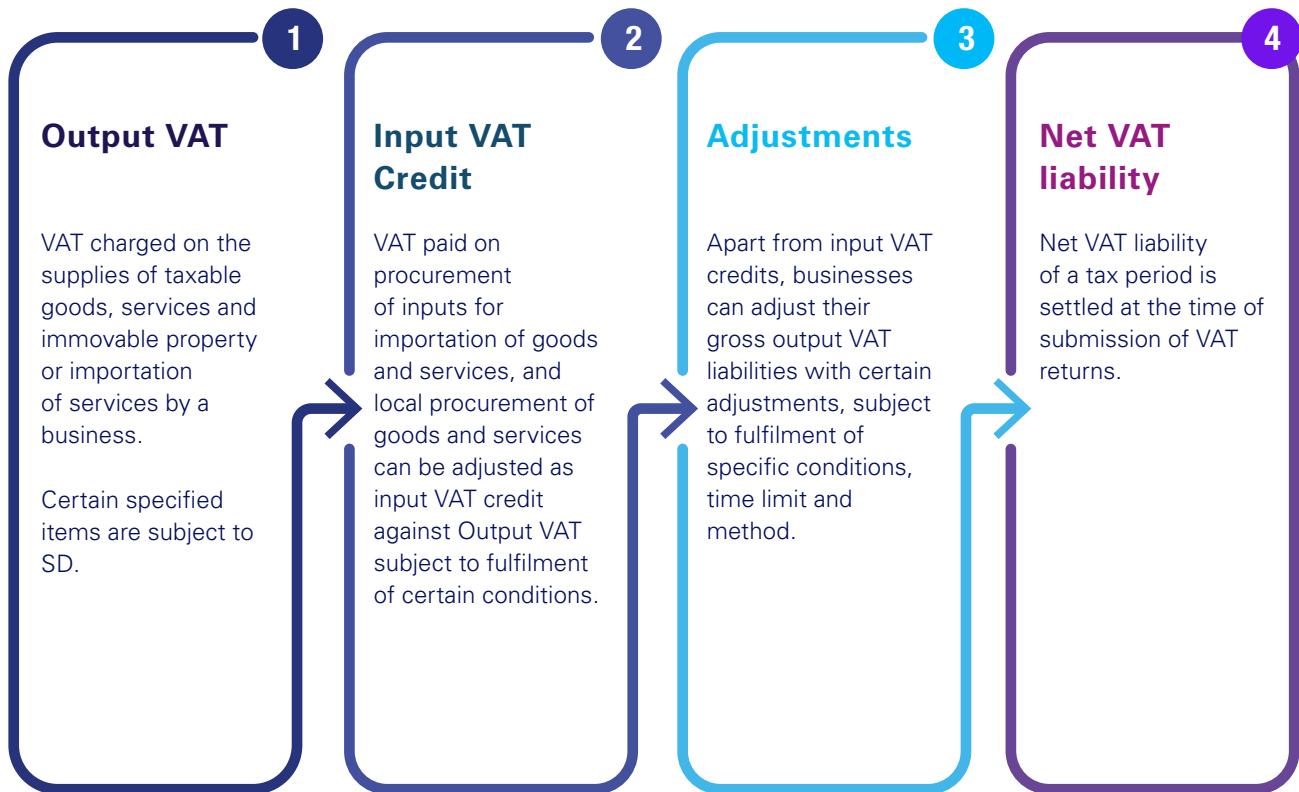
Advance tax

Importers are required to pay Advance Tax at 7.5% on taxable imports.

Advance Tax (AT) for import of raw materials to be consumed in the production/manufacture of goods is 2%, subject to fulfilment of prescribed conditions.

VAT mechanism (1/3)

Businesses are required to compute its net VAT payable upon consideration of input VAT credit, if any, and necessary increasing/decreasing adjustments with output VAT.



VAT mechanism (2/3)

Output VAT

Output VAT on supplies made by business is structured under 15% standard VAT, Zero-Rated VAT and reduced/specified rate VAT.

Input VAT and credit

Input VAT credit is only obtainable against standard rated and zero-rated VAT supplies.

Business entities whose supplies are subject to VAT rates other than Standard and Zero rates can choose to exercise the standard VAT rate of 15% and claim input VAT credit.

Input VAT credit is allowed subject to certain conditions, for instance:

- payments by banking channel for any supply exceeding Taka 100,000 except for inter-company raw material purchases;
- report imported services as output VAT in the VAT return of relevant tax period;
- input tax credit should be taken within the next six months from the end of month of purchase or invoice date or goods declaration;
- recording purchase in the prescribed purchase register;
- obtain VAT invoice (Mushak 6.3) against supplies;
- inputs must be declared in Input Output Coefficient by manufacturers/suppliers of goods. Revised declaration must be submitted if total input cost changes by more than 7.5%;
- no input credit can be claimed against supplies subject to supplementary duty; and
- input VAT credit up to output VAT amount if sale price is less than the total input cost; and
- VAT paid against supplies subject to 15% VAT based on actual value addition.

Partial input VAT credit

Input VAT credit is eligible partially only up to the amount of consideration paid or payable for the inputs.

When businesses supplying goods or service applying different applicable VAT rates (such as standard rate, zero rate, reduced rate or specified rate), input VAT credit is to be calculated in proportion (partial input VAT credit) against those supply of goods or service delivered at standard rate or zero rate.

Documentation for input VAT credit

Businesses should preserve the following documents against claim of input VAT credit at the time of submission of VAT return:

- a. For imported goods, goods declaration;
- b. For local procurement, VAT invoice (Mushak 6.3);
- c. For imported services, treasury deposit copy for payments of VAT; and
- d. For utilities, invoice issued for gas, water, electricity, banking, insurance, port and telephone services by authorised entity.
- e. Invoice raised by banks, mobile financial service providers and digital payment gateways against electricity bill paid by the customer will be considered as VAT invoice (i.e. Mushak – 6.3).

Adjustments of VAT

Apart from input VAT credits, businesses can also take certain adjustments, for instance:

- a. Increasing adjustment for VAT withheld by the business;
- b. Decreasing adjustment for VAT withheld by the customer upon collection of withholding VAT certificate (Mushak 6.6) within stipulated time;
- c. Decreasing adjustment for advance VAT;
- d. Increasing or decreasing adjustment of under-payment or over-payment of VAT amount of any previous tax period;
- e. Increasing adjustment of interest, penalty, fine, fee and outstanding VAT;
- f. Increasing or decreasing adjustment of annual recalculation or change in the VAT rate;
- g. Increasing adjustment of goods used for private purposes;
- h. Increasing adjustment of VAT on supplies not made through banking channels;

VAT mechanism (3/3)

- i. Decreasing adjustment of issuing credit note;
- j. Any other prescribed increasing or decreasing adjustment
- k. Decreasing adjustment for obtaining VAT registration.

Carry forward and refund

Negative net tax payable (refund) for a tax period can be carried forward for six tax periods.

If the refund is not fully adjusted and the refund amount is greater than Taka 50,000, it can be claimed as cash refund within three months after making an application. Otherwise, refund can be carried forward until it becomes nil.

Refund can be claimed only after submission of all VAT returns up to the current tax period.

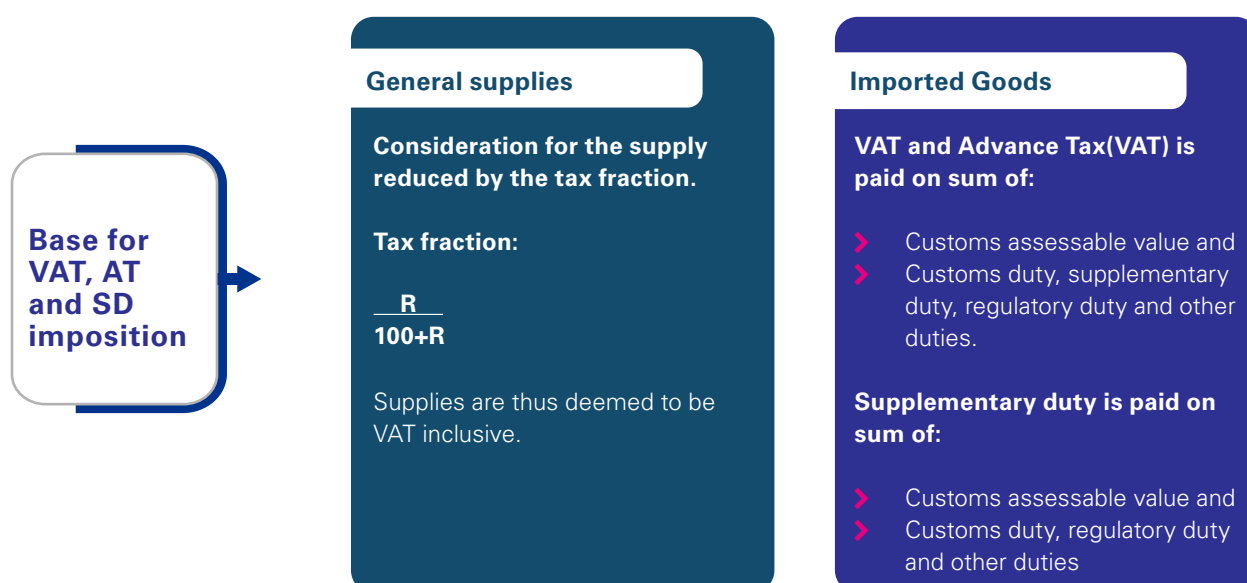
Exporters can claim cash refund of supplementary duty paid on raw materials import (not applicable for local supplies) immediately.

VAT on imported services

Banks remitting payments against importation of services from outside of Bangladesh ensures deposition of applicable VAT to the Government exchequer based on service recipient's VAT registration status.

- **VAT unregistered recipient (B2C):** banks will collect VAT at 15% on the import price from the service recipient at the time of making payment to outside Bangladesh and deposit it to Government exchequer.
- **VAT registered recipient (B2B):** recipient will deposit the VAT to Government exchequer and submit a copy of the treasury receipts to the bank. Otherwise, the bank will collect the required amount of VAT from the service recipient to deposit the VAT to the Government Exchequer in favour of the service recipient.

Treasury receipt of VAT deposition by banks are considered as VAT invoice (Mushak 6.3) for the service recipient who will present this along with their VAT return.



Withholding VAT

Scope of withholding supplies

Withholding requirement apply on specified 45 service categories as per the VAT Deduction and Collection Rules, 2025. Certain supplies are exempted from VAT deduction requirements.

- **Supply of goods by a manufacturer:** No withholding requirement regardless of the VAT rate.
- **Supply of goods by traders:** The entire VAT amount must be withheld, unless the goods are supplied at 15% VAT along with Mushak 6.3 and VAT honour card.
- **Services not subject to withholding VAT:** No withholding requirement on services not included in the list of mandatory withholding VAT if Mushak 6.3 is provided.
- **Supply of certain utilities:** No withholding requirement on fuel, gas, water (WASA), electricity, telephone, mobile bill.
- **Registered start-ups:** No withholding requirement on supplies by registered start-ups.
- **Contract manufacturers:** No withholding requirement provided VAT Invoice (Mushak 6.3) is raised by applying 15% VAT.
- **Supply of furniture by manufacturer:** No withholding requirement from furniture manufacturer if supplied at 15% VAT by issuing Mushak 6.3 attested by revenue officers.
- **Supply of goods through Electronic Fiscal Device (EFD):** No withholding requirement if invoice has been issued through EFD/Sales data controller (SDC) mentioning the name and VAT registration number of the customer/buyer.

General guidance

- Unregistered withholding entities must deposit withholding VAT to the government treasury within 15 days of the deduction.
- Registered withholding entities are not required to deposit withholding VAT. Rather, withholding VAT can be adjusted through an "Increasing Adjustment" in the relevant month's VAT return.
- VAT on office rent must be paid separately.
- All withholding entities must issue withholding VAT certificate (i.e. Mushak- 6.6) in three copies within three working days from either date of deposit of withholding VAT or filing of VAT return, as applicable.
- Submit withholding documents (original copies of the certificate and the treasury receipts) to the concerned VAT office during VAT Return submission and one copy to the supplier.
- Preserve or maintain withholding documents for at least 5 years.
- Applicable VAT needs to be paid by the withholding entity if it procures goods or services from an unregistered or non-enlisted person.
- Businesses must claim decreasing adjustment on the withheld VAT by customers within the next six months following the end of the month of receiving payment upon receipt of withholding VAT certificate (i.e. Mushak- 6.6).

Withholding entities

- + Any Government entity (ministry, board, authority, semi-government, autonomous body, state owned entity, local authority or similar types of institutes);
- + Any non-government organisation approved by the NGO Affairs Bureau or the Directorate-General of Social Welfare;
- + Any bank, insurance company or a similar financial institution;
- + Any secondary or higher educational institution;
- + Any limited company; and
- + Any individual or organisation whose turnover exceeds Taka 100 million.

VAT filings



VAT returns should be filed within 15 days following the end of every three month period (20 days for certain persons).

Amended VAT Returns

Businesses can file Amended VAT Return for clerical or computational errors. Amended VAT Return can be submitted before the completion of 4 years from the date of filing of the relevant return or before commencement of audit by VAT Authority.

Any failure in taking decreasing adjustment or input VAT credit within stipulated time frame cannot be rectified by amended return.

The taxpayer will have to pay interest on the difference between the amount of tax payable as per the amended return and the amount of tax initially paid.

Late VAT Returns

VAT authority will issue a notice if a business fails to submit the VAT return in due time and require filing of a Late VAT Return.

If any business remains non-compliant after 21 days of the notice, VAT official will issue an assessment order. NBR may further temporarily lock the BIN including suspension of import and export activities through automatic VAT online system. With submission of VAT return, BIN (VAT registration) will automatically be unlocked within two days of the submission.



Input-output co-efficient

- All registered persons engaged in the supply of taxable goods are required to submit an input-output coefficient declaration to the relevant divisional VAT office within 15 days of making their first taxable supply.
- Changes of total input cost more than 7.5% required the registered entity to resubmit the revised input-output co-efficient declaration. If not submitted, additional input VAT above 7.5% of input VAT is to be cancelled.
- Service providers, 100% exporter/deemed exporters, super shops, online goods sellers and traders supplying at 15% VAT with more than 50% value addition are not required to submit input-output co-efficient declaration.
- For supply based on actual value addition basis of exempted or reduced rate manufactured goods, new input-output co-efficient (Mushak 4.3.1) must be submitted.

VAT audit and appeals

VAT Investigations

VAT audits are performed through frequent inquiries and investigations on matters such as reconciling VAT returns with audited financial statements and focusing on expenses for withholding VAT obligations. Thus, audited financial statements are also key documents for VAT audits. VAT audits are usually conducted for 5 years at a time. Upon completing their inspections, the VAT authority issue notices of demand.

Notable VAT authorities that conduct audits and investigations are Customs, Excise and VAT Commissionerate office, VAT Audit, Investigation, and Intelligence department, Central Intelligence Cell (CIC) and Auditor General (AG) through the concerned VAT circle or divisional office.

VAT audits and investigations are also specially initiated for e.g. closure of business, requesting a No Objection Certificate (NOC) for any business purpose, changing address from one Commissionerate office to another, transfer of business or claiming a VAT refund through an application.

All relevant documents need to be submitted within two months (which can be extended for one month under reasonable grounds) of appeal. Failure to do so can result in best judgment assessment.



Appeal to the Commissioner (Appeal)

Applicant: Any person or any VAT officer who is aggrieved by a decision taken or order issued under the VAT regulation by any Additional Commissioner or any VAT officer below the rank of an Additional Commissioner.

Timeline: Appeal must be made within 90 days from the date of the service of such decision. It can be extended another 60 days subject to certain conditions.

Deposit of tax at the time of filing: 1% of the tax specified in the impugned order (excluding any fines) must be paid at the time of filing.

Disposal of the case: The Commissioner (Appeal) will dispose of the appeal within a period not exceeding one year.

Appeal to Appellate Tribunal

Applicant: Any person or any VAT officer who is aggrieved by a decision taken or order issued under the VAT regulation by any Commissioner or Commissioner (Appeal) or Director-General or by any VAT officer holding the same rank.

Timeline: Appeal must be made within 90 days from the date of the service of such decision. It can be further extended another 60 days subject to certain conditions.

Deposit of tax at the time of filing: 1% of the tax specified in the impugned order **excluding any fines** must be paid at the time of filing.

Disposal of the case: If the Appellate Tribunal will dispose of the appeal within a period of two years.

ADR: Businesses can apply to ADR during Appeal to Commissioner (Appeals) Tribunal or High Court. Decisions of ADR cannot be appealed.

High Court: Taxpayer can file a reference petition in cases of interpretation of the law by depositing 2% of VAT demand.

VAT obligations (1/2)

01.

Registration

Businesses need to assess their registration requirements prior to commencing operations.

A business should register for VAT, if:

- mandatory registration rules apply (currently 175 specific goods and services are subject to this requirement) through general order;
- it's annual turnover exceeds Taka 5 million;
- supplies are subject to supplementary duty;
- it is participating in contract, tender or work order;
- it is an importer or exporter;
- it is a foreign branch, liaison or project office;
- it is a VAT agent; or
- it is required to submit proof of VAT registration.

Businesses falling outside the above scope needs to enlist for turnover tax if annual turnover exceeds Taka 3 million. Otherwise, no registration or enlistment requirements is applicable.

A non-resident having no fixed place of business in Bangladesh can appoint a VAT Agent who will carry out all VAT related responsibilities on behalf of the non-resident and obtain a VAT Registration. Only the non-resident will be liable for all payments including taxes, fines, penalties, and interests.

02.

VAT documentation

Businesses must maintain books and records as required by VAT legislation for a minimum of 5 years

Business can maintain all prescribed books and records at its own format or template covering all the prescribed information.

Businesses must prepare their financial statement under IFRS and have them audited as per ISA. For tax determination, all documents which depict the operation of business should be considered.

In case of unsettled VAT disputes, all the relevant documents and records must be kept until the settlement of such disputes.

All suppliers of goods are required to file Input-Output Co-efficient in Mushak 4.3 online and to the divisional VAT official within 15 working days from date of first supply.

VAT obligations (2/2)

03.

VAT invoices and certificates

Businesses must issue two copies of VAT compliant VAT Invoices (Mushak 6.3) against all its supplies

Businesses can design its commercial invoice to be treated as VAT invoice by including all prescribed information in Mushak 6.3.

VAT Invoice or Mushak 6.3 can be issued through registered entity's ERP system. Preservation of electronic VAT Invoice or Mushak 6.3 is allowed. In case of mobile financial services, online notifications or statements can be treated as VAT Invoice or Mushak 6.3.

Moreover NBR, by a notification in the official Gazette, can declare any Tax Invoice or bill issued by a registered person in his/her own format as a Tax Invoice (i.e. Mushak 6.3).

Withholding entities must issue withholding VAT certificate (Mushak 6.6) in prescribed format for any VAT withheld or deducted against its payments

Unregistered businesses must issue withholding VAT certificate (Mushak 6.6) within 3 working days from depositing withheld VAT to the Government exchequer.

Registered businesses must issue withholding VAT certificate (Mushak 6.6) within 3 working days from the date of submission of VAT returns.

04.

File quarterly returns

Businesses must file VAT or Turnover Tax returns within 15 days from the end a quarterly cycle

Returns can be filed within 20 days from the end of a quarterly cycle for Government, semi-government and autonomous organisations, banks and insurance companies or in case of submission of zero/nil VAT return.

Voluntarily monthly VAT return filing is allowed on any day following the end of month.

If the last day for the submission of VAT return is a "public holiday", the next working day will be considered as the deadline for the submission of VAT return.

An extension of up to one month can be taken for filing VAT return by paying delay interest of 1% per month on the net VAT payable after obtaining approval from the VAT authority (interest may be waived at the discretion of VAT authority).

Supplementary duty reporting is now integrated within the VAT return.

Companies must submit their audited financial statements within 6 months after the end of each financial year (6 month further extension subject to approval of Commissioner).

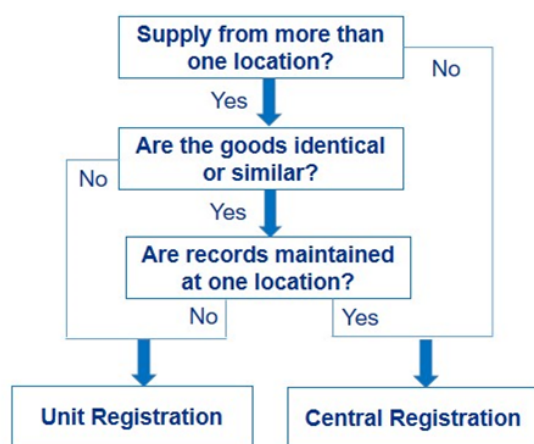
Other matters (1/3)

Operating from multiple locations

Businesses operating across multiple locations and offering a variety of goods and services may be subject to either central or unit-based VAT registration, depending on their specific circumstances.

The existence of separate business units is not the primary factor in determining eligibility for central VAT registration. Rather, the key consideration is whether the organisation maintains its books and records at a central location.

Where a business is centrally registered, supplies made between its units do not give rise to output VAT liabilities, nor do they generate entitlement to input VAT credits.



VAT on sale of business

Where any business or part thereof is purchased or transferred with an intention of continuing the economic activities, such transfer of ownership will not be regarded as a taxable supply.

Prior approval of the VAT authority is needed.

VAT software

VAT registered businesses with an annual turnover exceeding Taka 50 million in the preceding financial year are required to maintain their VAT related books and records using software prescribed by the VAT authority. To comply, businesses must either:

- Use software developed or supplied by NBR-approved vendors, or
- Use their own enterprise software, provided it meets the technical specifications prescribed by NBR.

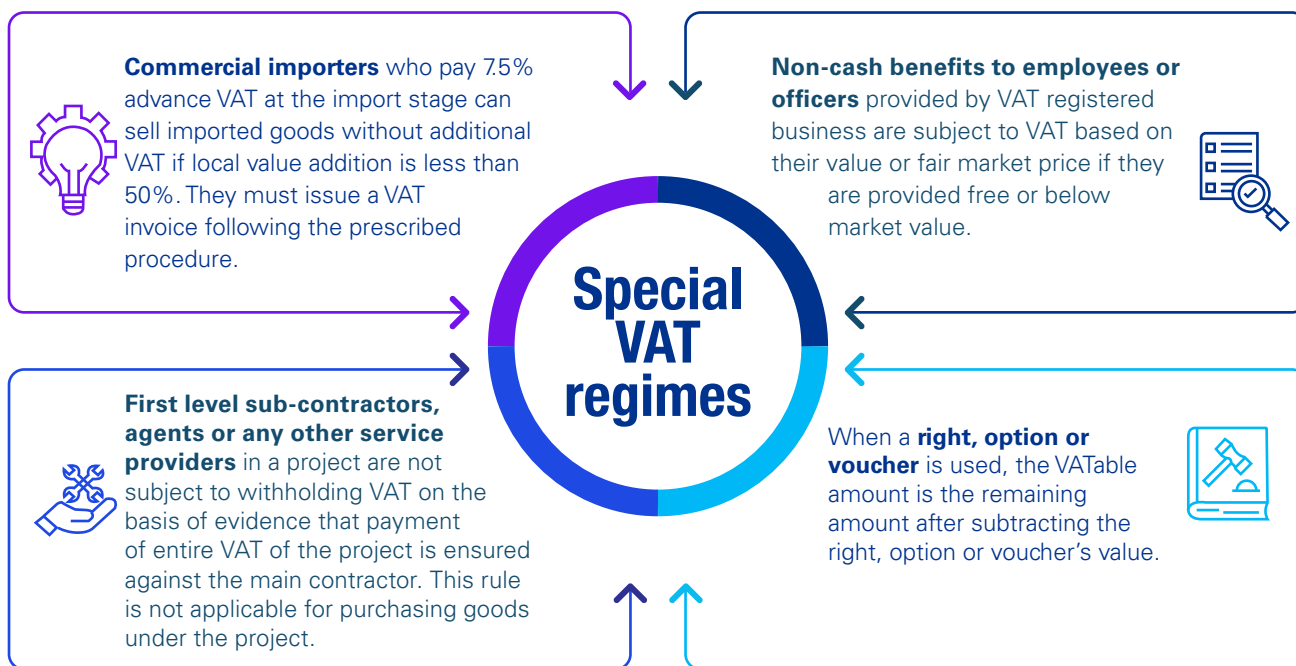
VAT registered entities can maintain VAT Invoice (Mushak 6.3), Purchase Register (i.e. Mushak 6.1), Sales Register (i.e. Mushak 6.2) and Combined Purchase and Sales Register (i.e. Mushak- 6.2.1) through the company's ERP software system without prior approval from the concerned authority.

Fair market price rules

Fair market price rules apply on supplies such as:

- Taxable supplies made without consideration or for inadequate consideration;
- Distribution of free samples exceeding Taka 50,000 in a fiscal year;
- In-kind benefits to any employee without a consideration or at a price less than the fair market price;
- Unaccounted quantity of goods subject to SD identified during a VAT audit;
- Transfer of immovable property by a property developer to the landowner;
- Transactions between associated entities will be based on the fair market value of the taxable supply or imported services if:
 1. The taxable supply or imported service is made without consideration or at a value below fair market value, and
 2. The recipient associated entity cannot claim input VAT credit on the taxable supply or imported service.

Other matters (2/2)



Supplies of exempted or reduced VAT goods

Business can supply of locally manufactured goods that are VAT exempted or reduced VAT rated, by applying 15% VAT on the value addition by it, provided VAT invoices of previous supply (i.e. purchases) is obtained and the business has duly filed new input-output co-efficient declaration form (Mushak 4.3.1) with the VAT authority..

- Obtaining or renewing membership of a trade organization;
- Obtaining electricity and gas connections in the name of an enterprise; and
- Obtaining vehicle registration from the BRTA in the name of a business enterprise.

Surcharges

Health development surcharge is imposed on imported and manufactured tobacco products at 1% on the value of the supply.

Environment protection surcharge is imposed on goods produced by environment polluting industrial enterprises at 1% on the value of the supply.

Information and communication development surcharge is imposed on imported and manufactured cellular mobile telephone devices at 1% on the value of the supply.

Development surcharge is imposed at 1% on mobile calls through SIM.

Proof of VAT registration

Businesses must submit valid proof of registration, i.e. VAT registration (BIN), for following activities:

- Opening and operating a current account or short-term deposit account with any bank, NBFI or any other financial institution;
- Obtaining a loan from any bank, NBFI or any other financial institution;
- Renewal of a trade license;
- Opening a merchant account for any mobile financial services (MFS);

Appendices

Abbreviations and terms

AoP	Association of Persons	ITA 2023	Income Tax Act 2023
AG	Auditor General	ITES	Information Technology Enabled Services
AIT	Advance Income Tax	IY	Income Year
AT	Advance Tax (VAT)	MoF	Ministry of Finance
AY	Assessment Year	MPO	Monthly Payment Order
ADR	Alternative Dispute Resolution	NBR	National Board of Revenue
BIDA	Bangladesh Investment Development Authority	NGO	Non-government Organisation
BIN	Business Identification Number	NOC	No Objection Certificate
B2B	Business to Business	OBU	Offshore Business Units
B2C	Business to Consumer	PSR	Proof of Submission of tax return
CIC	Central Intelligence Cell	R&D	Research and Development
CIT	Corporate Income Tax	ROU Assets	Right of Use Assets
CGT	Capital Gain Tax	SD	Supplementary Duty
CSR	Corporate Social Responsibility	SME	Small and Medium Enterprise
DCT	Deputy Commissioner of Taxes	TIN	Tax Identification Number
DTAA	Double Tax Avoidance Agreement	TPO	Transfer Pricing Officer
FY	Financial Year	VAT	Value Added Tax
IFRS	International Financial Reporting Standards	WIN	Withholding Identification Number
IPO	Initial Public Offering		

Withholding taxes from residents

(1/3)

Section	Description of service	Withholding tax rate
86	Salaries	Average rate
88	Beneficiary of Participation Fund, Welfare Fund, etc.	10%
91	Payment for intangible property/asset	10%
92	Advertising bill of media (Print/TV/Radio)	5%
94	Commission, discount, fees etc.	10%, 1.5%, 3% and 5%
95	Travel agent	0.30%
96	LC commission	5%
97	Payment through local LC	3% - purchasing goods for trading or processing 1.5% - extending the credit facility to any distributor 1% - purchasing yarn 2% - purchasing fruits and computer and computer accessories 0.5% - purchasing grocery items 2% - selling cement, iron/iron products, and ferro-alloy products (excluding MS billets)
99	Excess premium on life insurance policy	5%
100	Insurance commission	5%
101	Fees for surveyors of general insurance company	15%
102	Interest on savings deposit and fixed deposit, etc.	20% - Trust, AOP, and company 10% - Others
104	Interest on loans (non-bank/finance company)	10%
105	Interest earned on savings certificates	10%
106	Interest earned from securities	10%
108	IGW and ICX for international call	1.5% and 7.5%
109	Rent payment	10%
110	Payment to convention hall, conference centre	10%
111	Compensation against acquisition of property	6% for property reside in city corporation, pourashava, cantonment board or 3% for other area
112	Export cash subsidy	5%
112(A)	Payment for jewelry	0.5%
114	Purchase of power/electricity	3%

Withholding taxes from residents

(2/3)

Section	Description of service	Withholding tax rate
115	Real estate developer payment to landowner	15%
116	Commission or remuneration paid to agent of foreign buyer	7.5%
117	Dividends	20% - if the shareholder is a company. 15% - if the shareholder is a person other than a company
118	Income from lottery, etc.	25%
90	Payment for services	
	Advisory or consultancy	15% - For natural persons 7.5% - Other than natural person
	Professional service	15% - For natural persons 7.5% - Other than natural person
	Technical services fee, technical know-how or technical assistance fee	15% - For natural persons 7.5% - Other than natural person
	For below and any other service of similar nature- Catering service, Collection and recovery service, Public relations service, Event management service, Training, workshops, etc. organisation and management service, Packing and Shifting service, Other services in similar nature	2% on total bill
	Cleaning service, Private security service, Supply of manpower, Creative media service, Print and electronic media agency service	a) On commission or fee: 10% b) On gross bill amount: 1% Note: Where both gross bill and commission are shown, minimum withholding is based on 10% commission on gross bill.
	Indenting commission	7.5%
	Meeting fees, training fees or honorarium	20%
	Mobile network operator	10%
	Credit rating agency	10%
	Motor garage or workshop	5%
	Private container port or dockyard service	5%
	Shipping agency commission	a) On commission or fee: 10% b) On gross bill amount: 1%
	Stevedoring/berth operation	a) On commission or fee: 10% b) On gross bill amount: 5%

Withholding taxes from residents

(3/3)

Section	Description of service	Withholding tax rate
90	(i) Transport service, carrying service, vehicle rental service, repair and maintenance service	2%
	(ii) Any other service under any sharing economy platform including ride sharing service, coworking space providing service and accommodation providing service	2%
90	Wheeling charge for electricity transmission	3%
90	Internet service	5%
90	Service delivery agents engaged in mobile financial services or channel partners of mobile financial services	10%
90	Freight Forwarding Agent	a) On commission or fee: 10% b) On gross bill amount: 1%
90	Any other service which is not deductible as per any section of this act	10%

Withholding tax from resident contractors and suppliers

Sl.	Description of service	Withholding tax rates
1	In case of an industrial undertaking engaged in MS Billets and locally purchased of MS Scrap	0.5%
2	Supply of oil by marketing companies (petroleum oil and lubricants)	0.6%
3	Supply of oil by dealer or agent of petroleum oil market company	1%
4	Supply of paddy, rice, wheat, pulses, salt, edible oil, seeds, etc.	0.5%
5	Supply of gold, silver, jewelry	0.5%
6	For the supply of yarn	1%
7	Supply of all kinds of fruits	2%
8	Industrial establishments (iron, ferro alloy, ceramic, or cement)	2%
9	Sub-contracts for 100% export-oriented garment industries	1%
10	Supply of oil by oil refinery activities	1%
11	Company engaged in gas distribution	0.6%
12	Company engaged in gas transmission	3%
13	Supply of Extra High Voltage Power Cable (local manufacturer)	3%
14	Supply of books to a person other than the Govt.	3%
15	Supply of recycled lead	1%
16	Supply of industrial raw materials to a manufacturer	3%
17	In case of supply of (a) Supply of any goods not mentioned in serial no. 1 to 12 (b) In other cases mentioned in section 89	5%
18	For manufacturing, process or conversion, construction work, engineering or similar other works	5%
19	For the supply of Raw-Materials in cigarettes, bidi, chewing tobacco, gul, or any other tobacco industries	10%
20	For the supply of Raw-Materials used in recycling industries	1%

Withholding tax from non-residents

Sl.	Description of service	Withholding tax rate
1	Advisory or consultancy service (a) For natural persons (b) Other than natural person	20% 10%
2	Pre-shipment inspection service	20%
3	Professional service (a) For natural persons (b) Other than natural person	20% 10%
4	Technical services, technical know-how or technical assistance (a) For natural persons (b) Other than natural person	20% 10%
5	Architecture, interior design or landscape design, fashion design or process design	15%
6	Certification, rating etc.	15%
7	Charge or rent for satellite, airtime or frequency, rent for channel broadcast	20%
8	Legal service	20%
9	Management service including event management	20%
10	Commission	15%
11	Royalty, licence fee or payments related to intangible assets	20%
12	Interest	10%
13	Advertisement broadcasting	15%
14	Advertisement making or digital marketing	10%
15	Air transport or water transport excluding scope mentioned in section 259 and 260	6%
16	Contractor or sub-contractor or sub-sub-contractor services provided against manufacturing, processing, conversion, construction or service of similar nature	6%
17	Supply of goods	6%
18	Capital gain	15%
19	Insurance premium	5%
20	Rental of machinery, equipment etc.	7.5%
21	Dividend- (a) company, fund and trust (b) any other person not being a company, fund and trust	20% 25%
22	Artist, singer or player	30%
23	Salary or remuneration	30%
24	Exploration or drilling in petroleum operations	5.25%
25	Survey for coal, oil or gas exploration	15%
26	Fees, etc. of surveyors of general insurance company	5.25%
27	Any service for making connectivity between oil or gas field and its export point	5.25%
28	Bandwidth payment	10%
29	Courier service	10%
30	Any other payments	20%

Payments made to non-residents as stated above are considered final if the non-resident has no permanent establishment in Bangladesh.

Collection of tax

Section	Description of service	Withholding tax rate
120	Imported goods	0% to 20% or Taka 600 per ton based on specified H.S. Codes
121	Manpower export/ recruiting agents	10%
122	Commission from Clearing & Forwarding	10%
123	Export of goods	1%
124	(a) Remittance of: service charge, fees, commission, revenue sharing etc.	5%
	(b) In case of freight forwarder	1% or 10% on commission - whichever is higher
125	Transfer, etc. of property(Land/Flat/Apartment)	Land: 12 lakh per decimal; Flat: Taka 1,000 per sq. meter; or 10% of deed value (whichever is higher)
126	Developer or real estate development business	Land 5% of Deed value - Residential building Taka 1,600 per square meter - Commercial building Taka 6,500 per square meter
127	Commission on govt. stamp, court fee, cartridge paper etc.	10%
128	Lease of property	4%
129	Cigarette manufacturers	10%
130	Brick manufacturers	Depends on number of sections/volumetric capacity
130A	Retailers	0.2%
131	Trade license issue/renewal	BDT 3,000 (Dhaka North, Dhaka South & Chattogram City Corporations) BDT 2,000 (other City Corporations) BDT 1,000 (District Headquarters Municipalities) BDT 500 (other Municipalities)
132	Shipping business of a resident	5% / 3%
133	Sale of goods or property by public auction	10%; (Sale of tea 1%)
134	Transfer of non-listed share	15%
135	Transfer of securities	15%
136	Transfer of shares of shareholders of stock exchange	15%
137	Member of Stock Exchanges	0.03%
137(A)	Members of registered clubs	10%
138*	Commercially operated motor vehicles	Depend on type of vehicles
139*	Shipping business	Depend on type of vessels

Tax deducted or collected under sections 138 and 139 treated as the final tax liability for the relevant income.

Withholding VAT (1/2)

Service Code	Description of services	VAT rate
S001.10	AC Hotel	15%
S001.10	Non-AC Hotel	10%
S001.20	Restaurant [Excluding those located in residential hotels rated three stars or above and listed by the Ministry of Civil Aviation and Tourism, restaurants located in hotels with bars, and restaurants that have bars]	5%
S002.00	Decorators and caterers	15%
S003.10	Motor car garage and workshop	10%
S003.20	Dockyard	15%
S004.00	Construction firm (7.5% on agreement signed prior to 1 July 2025)	10%
S007.10	Advertising firm	15%
S007.20	Online Advertising*	5%
S008.10	Printing press	15%
S009.00	Auction firm	15%
S010.10	Land developer	2%
S010.20	Building construction firm	
	Up to 1,6 00 square feet	2%
	Above 1,600 square feet	4.5%
	Reregistration irrespective of size	2%
S014.00	Indenting agency	15%
S015.10	Freight Forwarders	15%
S017.00	Community Center	15%
S020.00	Survey firm	15%
S021.00	Plant or capital machinery rental firm	15%
S024.00	Furniture distributors	
	a. Manufacturing stage	7.5%
	(if manufacturer directly delivers to consumer – VAT 15%)	
	b. Selling stage (showroom) (subject to 7.5% VAT challan at manufacturing stage, otherwise 15%)	7.5%
S028.00	Courier and express mail service	15%
S031.00	Repair and maintenance service firm	15%
S032.00	Consultancy and supervisory firm	15%
S033.00	Lessor	15%
S034.00	Audit and accounting firm	15%
S037.00	Procurement provider	10%
S040.00	Security service	15%
S043.00	Program aired through television or online platform	15%
S045.00	Legal advisor	15%
S048.00	Transport contractor:	
	i) Transportation of petroleum products	5%
	ii) Other goods	15%
S049.00	Rent-a-car service provider	15%
S050.10	Architect, interior designer or interior decorator	15%
S050.20	Graphic designer	15%
S051.00	Engineering firm	15%
S052.00	Sound and lighting accessories provider	15%
S053.00	Board meeting participants	15%

Withholding VAT (2/2)

Service Code	Description of services	VAT rate
S054.00	Advertisement through satellite channel	15%
S058.00	Chartered air or helicopter rental firm	15%
S060.00	Buyer of auctioned goods	15%
S065.00	Cleaning and maintenance services of floors, compounds etc.	15%
S066.00	Seller of lottery ticket	15%
S067.00	Immigration Advisor	15%
S071.00	Event management	15%
S072.00	Human resource supplier or management	15%
S083.00	Semiconductor assembly, testing and packaging services**	15%
S099.10	Information technology enable services	5%
S099.20	Miscellaneous services	15%
S099.30	Sponsorship services	15%
S099.50	Credit rating agency	15%

Income tax penalty, interest and imprisonment

Nature of non-compliance (Income Tax)	Monetary penalty	Imprisonment
Failure to file income tax returns	Higher of 10% of last assessed tax or Taka 1,000 In case the default continues, penalty of Taka 50 per day Individual taxpayer's penalty shall not exceed: a. Taka 5,000, if not assessed previously, or b. higher of Taka 1,000 or 50% of tax liability, if assessed previously	
Failure to file income tax return on or before the timeline of submission of tax returns	2% per month (up to 24 months) on balance tax payable applying standard rate	
Non-submission of withholding tax return	Higher of 10% of last assessed tax or Taka 5,000 In case the default continues, penalty of Taka 1,000 per month	
Non-furnishing of withholding income tax certificate	Taka 5,000 In case the default continues, penalty of Taka 1,000 per month	
Non-furnishing of information to the tax authority	Taka 50,000 In case the default continues, penalty of Taka 500 per day.	Up to one year
Failure to pay tax based on return	25% of tax liability or the short fall amount	
Using of fake TIN	Not exceeding Taka 20,000	3 month – 1 year
Improper use of TIN	Up to Taka 100,000	Up to one year
Obstructing income tax authority	Not exceeding Taka 5 million, in case of withholding tax verification	Up to one year
Furnishing incorrect or false audit report	Taka 50,000 to Taka 200,000 to Chartered Accountants	
Furnishing fake audit report	Taka 100,000	six months to five years
Non-compliance in calculating arm's length price of international transaction	1% on international transaction	
Failure to preserve records of international transactions exceeding Taka 30 million	1% on international transaction	
Failure to submit the statement of international transaction by the timeline of submission of tax returns	2% on international transaction	
Failure to submit report of a Chartered Accountant in relation to international transaction	Up to Taka 300,000	
Instigation for tax evasion		Up to two years
Concealment of income	If concealment and detection in same year – 10% of the evaded tax for that year including total year	Six months to five years
Underpayment of advance income tax (if less than 75% of assessed tax liability)	- Short fall amount - 10% interest per annum (max. 24 months) on the shortfall amount. Interest is 50% higher if tax return is not filed by timeline of submission of tax returns	

VAT penalty, interest and imprisonment

Nature of non-compliance (VAT)	Monetary penalty	Imprisonment
Non-compliance or irregularity for not applying for registration or enlistment within the prescribed time-limit	Taka 10,000 only	
Non-compliance or irregularity for not displaying the registration or turnover tax certificate in a visible place	Taka 10,000 only	
Non-compliance or irregularity for not informing the Commissioner of the change in the information of the economic activity	Taka 10,000 only	
Non-compliance or irregularity for not applying for cancellation of registration or enlistment within the prescribed time-limit	Taka 10,000 only	
Non-compliance or irregularity for not abiding by the provision of section 9(5)	Taka 10,000 only	
Non-compliance or irregularity for not filing the VAT or turnover tax return within the prescribed time period	Taka 2,000 only	
Non-compliance or irregularity for not making inclusion of the output tax in the return	Half or equal of the amount of output tax not included	
Irregularities for taking more input tax credit than entitlement in the return	30% or 50% of the amount of input tax irregularly taken	
Irregularity relating to making an increase of a decreasing adjustment or making a decrease of an increasing adjustment in the return	Minimum 30% maximum 50% of the tax evaded	
Non-compliance or irregularity for not issuing tax invoice, credit note, debit note, combined tax invoice and withholding certificate	Taka 10,000 only	
Non-compliance or irregularity for not keeping records in the prescribed manner	Taka 10,000 only	
Non-compliance or irregularity for not furnishing fixed security	Taka 10,000 only	
Irregularity for willingly evading or attempting to evade assessment and payment of taxes	Half or equal of the amount of taxes evaded	
Non-compliance or irregularity for not filing the input-output coefficient within the prescribed time period	Taka 10,000 only	
If a company claim exemption through SRO without complying the conditions said in the SRO, they will be penalized	Taka 25,000 only	
Non-Compliance with Withholding VAT	Taka 25,000 only (personal liability)	
Tobacco or tobacco products storage or possession without proper tax assessment or valid markings (stamps/banderoles/codes)	Minimum equal amount, maximum double of the evaded tax	
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	
Interest for late VAT Payment	1% per month (2% semi-annually for withholding VAT). (Max. 24 months).	
Interest on undue input VAT credit or decreasing adj	1% interest per month will be applicable.	
For other non-compliances, penalty can be up to the amount of VAT evaded in case of any evasion	Taka 10,000-100,000 only	
Offence and punishment related to VAT registration or turnover tax certificates and tax documents		Max. 1 year, fine equal to tax payable or both.
Offence and punishment for making false or misleading statements or descriptions		Max 6 months, fine equal to tax payable or both.
Offence and punishment for creating obstruction		Max 6 months, fine not exceeding BDT 10,000 or less than BDT 200,00 or both.

Our Tax Team





About RRH



About RRH

Rahman Rahman Huq (RRH) operates through two locally owned entities: Rahman Rahman Huq and KPMG Advisory Services Limited collectively known as RRH.

We take pride in being the first Member Firm in Bangladesh (2006) of any of the “Big 4” global professional service firms. This status is positioned on top of our reputation built over the last half a century by providing services to our clients with sound technical knowledge, combined with uncompromising integrity, objectivity and independence.

In 1962 Mr. Rezaur Rahman joined forces with two other Chartered Accountants Mr. M. Saifur Rahman and Mr. Tashfin I. Huq to form Rahman Rahman Huq,

Operating from offices in Dhaka and Chattogram, RRH is a team of over 525 people, majority being qualified and/or experienced professionals. The firm, the partners and personnel, and the processes under which it operates are governed not just by a strict code of ethics, but also by an elaborate risk management structure.

At RRH, we are committed to recruiting top talent and training them in an environment of technical and ethical excellence. Our goal is to meet the highest expectations of our clients in an ever-evolving landscape.

We attract, recruit, and train passionate and empowered individuals from diverse backgrounds. Our professionals bring valuable industry experience and advanced training, enabling them to understand your organisation, align with your goals, and uncover unexpected opportunities.

RRH at a glance



2 offices

2 offices in Bangladesh; one in Dhaka and one in Chattogram



525+ people

RRH is armed with a strong resource base of over 525 people



60+ years

Over 60 years of experience in Bangladesh



250+ client

We have over 250 clients including foreign and local entities across various industries

Audit

Our audit services include financial statement audits across various industries. We focus on delivering a better audit experience by increasing standardisation, leveraging technology, and maintaining quality control. Additionally, RRH offers assurance services in areas such as internal controls, regulatory reporting, and compliance reporting. Our goal is to help organisations build trust with stakeholders and maintain the integrity of their financial information.

Tax

We provide a wide range of tax services that combines people resources, years of deep industry experience, specialist skills and knowledge. Our services help businesses to navigate complex tax regulations and optimise their tax strategies. These services support businesses at every stage of their life cycle, ensuring compliance and optimising tax outcomes.

Transfer Pricing

Our Transfer Pricing services professionals help companies effectively and efficiently manage their transfer pricing compliances through a range of services. The transfer pricing team assists clients in developing and implementing economically supportable transfer prices, maintaining documentation as per regulation, and responding to tax authority's challenges.

Deal Advisory

Our Deal Advisory services are designed to help clients navigate the complexities of transactions and achieve their strategic goals. The services cover a wide range of areas, including transaction advisory services, financial due diligence, vendor due diligence/vendor assistance, and cyber due diligence.

IT Advisory

Our IT Advisory services are designed to help organisations navigate the complexities of technology drive business transformation and manage risks

to comply all standards. Our experts work closely with you to understand your unique needs and challenges. We provide tailored solutions that enhance operational efficiency, improve security, and support innovation. Our services include provide CBS review and post implementation review, SWIFT CSP review, information system audit, RAFM assessment , information technology audit, system process re-engineering, information strategy development, data lake implementation and other solutions.

Management Consultancy

Our Management Consulting services leverage industry best practices to enhance project management, optimise strategic initiatives, and drive operational efficiencies. Our suite of services encompasses comprehensive market research, in-depth market feasibility studies, rigorous commercial due diligence, robust policy framework support and targeted organisational capacity building. All services are meticulously tailored to align with specific business objectives. Our strategic expertise empowers organisations to navigate complexities and foster sustainable growth in a dynamic marketplace.

Valuation services

Our Valuation services team offers a full portfolio of services, including M&A valuations and modelling, financial reporting valuations, impairment and purchase price allocation (PPA) reviews, complex financial modelling and model audits, property plant and equipment valuation, real estate valuation, financial feasibility studies.

Risk Consultancy

Our Risk Consultancy services help organisations manage and mitigate risks through various specialised teams. We provide Internal Audit, Risk & Compliance Services (IARCS), Financial Risk Management (FRM), Forensic Services and Accounting Advisory Services (AAS). Our services are tailored to provide strategic solutions for sustained success, leveraging their global presence and expertise to serve the needs of businesses, governments, public-sector agencies, and not-for-profits.

About our Tax Team

RRH possess a diverse and well experienced team to deliver insights and relevant support to your business needs



M Mehedi Hasan

Partner

Mehedi is a tax and advisory partner at RRH.

With over 25 years of experience in home and abroad he provides tax and advisory services to foreign and Bangladeshi clients in matters of tax and related regulations with entry into Bangladesh, business structuring, tax compliance and deal advisory services.



Sarker Nahidul Islam

Partner - Designate

Nahid has more than 18 years of experience in tax, VAT, regulatory and foreign exchange matters including involvement of banking industry experience for more than 5 years in an executive role. He advises multinational and local clients across the banking, power, infrastructure, telecom and manufacturing sectors on corporate taxation, transaction structuring and regulatory compliance. He is also experienced in managing tax disputes and regulatory engagements.



Mohammad Shahabuddin

VAT Consultant

With over three decades of experience in revenue administration and international consultancy, Mr. Mohammed Shahabuddin has led transformation initiatives in VAT reform, customs modernization, and trade facilitation across Bangladesh and abroad. He has advised multilateral agencies including the World Bank, DFID, and UNDP, offering strategic insights on tax policy, automation, and institutional capacity building.



Syed Golam Kibria

Customs Consultant

With over three decades of distinguished service in customs and fiscal policy, Mr. Syed Golam Kibria has played a pivotal role in shaping Bangladesh's revenue landscape through leadership roles at the National Board of Revenue. His expertise spans customs modernization, VAT implementation, and international trade negotiations, with extensive experience representing Bangladesh in global forums and bilateral programs.



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