



# Salient Features of Finance Bill 2024

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# Salient Features of Finance Bill 2024

## Introduction

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Dear Guests

Welcome to KPMG's Technical Seminar on Finance Bill 2024.

As you know, the Finance Bill will now be debated in Parliament, perhaps amended to an extent, and final version is expected to become law in July 2024. In our experience, however, most of the key provisions in such bills remain largely unchanged.

We have compiled today's presentation and this booklet for sharing the key provisions of Finance Bill 2024 with you. Errors and omissions, may happen, for which we seek your understanding. In any event, the contents of today's presentation and this booklet cannot be taken as a comprehensive analysis of either the Bill, or Income Tax and VAT proposals contained in the Bill. More importantly, no decision should be taken exclusively on the basis of today's presentation or this booklet; we recommend you obtain professional advice tailored to your specific circumstances.

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

Thank you.

Adeeb H. Khan  
*Senior Partner*

Dhaka, 9 June 2024



# Salient Features of Finance Bill 2024

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# Salient Features of Finance Bill 2024

## Proposals in connection with Income Tax

### 1. Tax rates for individual and firm are proposed to be updated as follows

Total annual income	Income tax rate
First Taka 350,000	Nil
Next Taka 100,000	5%
Next Taka 400,000	10%
Next Taka 500,000	15%
Next Taka 500,000	20%
Next Taka 2,000,000	25%
Balance amount	30%

Initial exemption limit for individual taxpayers: [remain unchanged]

Initial exemption limit for women and senior citizens aged 65 years or above it is Taka 400,000; for third gender and physically challenged persons it is Taka 475,000 and for gazetted war-wounded freedom fighters it is Taka 500,000.

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

### 2. Non-residents [remain unchanged]

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

### 3. Minimum tax payable [remain unchanged]

Minimum tax payable depending on location of the taxpayers are as follows:

Location	Minimum tax
Within Dhaka North City corporation, Dhaka South City Corporation and Chattogram City Corporation	Taka 5,000
Any other City Corporation	Taka 4,000
Other than City Corporation area	Taka 3,000

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## Proposals in connection with Income Tax (contd.)

#### 4. Charge of surcharge [remain unchanged]

Surcharge is payable by an individual assessee are as follows:

Total net worth	Rate
Up to Taka 40 million	Nil
Over Taka 40 million to Taka 100 million or owner of more than 1 motor car or owner of house property of more than 8,000 sft size	10%
Over Taka 100 million to Taka 200 million	20%
Over Taka 200 million to Taka 500 million	30%
Over Taka 500 million	35%

#### 5. Environment surcharge [remain unchanged]

Environment surcharge are as follows:

Engine capacity of motor car	Rate
Up to 1500cc or 75kw	Taka 25,000
Exceeding 1500cc or 75kw but not 2000cc or 100 kw	Taka 50,000
Exceeding 2000cc or 100 kw but not 2500cc or 125 kw	Taka 75,000
Exceeding 2500cc or 125 kw but not 3000cc or 150 kw	Taka 150,000
Exceeding 3000cc or 150 kw but not 3500cc or 175 kw	Taka 200,000
Exceeding 3500cc or 175 kw	Taka 350,000

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

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## Proposals in connection with Income Tax (contd.)

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### 6. Investment tax rebate [remain unchanged]

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

- a) 3% of total taxable income (other than tax exempted income and income on which reduced and minimum tax rate applicable), or
- b) 15% of actual investment as per Part 3 of 6<sup>th</sup> Schedule or
- c) Taka 1 million

### 7. Statement of assets, liabilities and lifestyle

An individual assessee must submit the statement of assets, liabilities and lifestyle, if he

- a) Has a gross wealth over **Taka 5 million** [earlier it was Taka 4 million];
- b) Owns a motor car; or
- c) Has made an investment in a house property or an apartment in the city corporation area.

If any individual, not being a shareholder director, has total income not exceeding Taka 0.5 million without from business, he may opt not to submit the statement of lifestyle. Non-resident Bangladeshi and non-Bangladeshi shall submit the assets and liabilities statements only in respect of assets located in Bangladesh.

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## Proposals in connection with Income Tax (contd.)

### 8. Tax rates for corporate

Applicable tax rates for companies are as follows:

Companies	proposed Rate
Publicly traded companies listed more than 10% of their paid-up capital through IPO	20%*
<i>Publicly traded companies listed 10% or less of their paid-up capital through IPO</i>	22.5%*
One-person company	<b>20%*</b>
Non-listed companies other than below	<b>25%*</b>
Banks, insurance and other financial institutions (except merchant banks):	
- if publicly listed	37.5%
- if not publicly listed	40%
Merchant banks	37.5%
Cigarette, zarda, bidi, gul or any other tobacco product manufacturer (companies and any other assessee)	45%
Surcharge in addition to above tax is applicable on business income.	2.5%
Mobile phone operator companies [opportunity to apply tax rate at 40% for listing with stock exchange has been eliminated]	<b>45%</b>
Trust, Fund, Association of persons, and other taxable entities	27.5%
Co-operative society	<b>20%</b>
Private university, private medical college, private dental college, private engineering college or private college engaged in information technology education	15%
Recognised provident fund, approved gratuity fund, approved superannuation fund or pension fund	15%

\* All income and receipts, and all expenses and investments over Taka 0.5 million for a single transaction and over Taka 3.6 million in a year shall be made through bank transfer.

Surcharge has been proposed to decrease at 2.5% in place of earlier of 5% for educational institutions if these entities fail to ensure proper arrangement for movement of disabled person.

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

# Salient Features of Finance Bill 2024

## Proposals in connection with Income Tax (contd.)

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### 9. Capital gains tax

- Trust and funds: flat 15% instead of earlier 15% or slab rate.
- Company and firm: flat 15% instead of earlier 10%.
- Individuals: transfer of sponsor, director or placement share or unit is 15% instead of earlier 5%.
- Individuals: transfer of listed share or unit (other than sponsor, director or placement share or unit) is 15% or slab rate unless the gain exceeded Taka 5 million [earlier full amount was exempted].

### 10. Income from rent

- The scope of rental income has been broadened and segregated into house property and other than house property.
- Allowable deductions will also be separately accounted for.
- Renting of hostel, hotel, motel or resort will not be considered as rental income.
- Repair maintenance deduction at 10% for other assets has been proposed to be deleted. However, deductions of business income will be applicable for renting of other than house property.

### 11. Special business income

Inadmissible expenses in respect of perquisite, royalty/license fee/technical-know-how fees, head office expense of branch, foreign travel, entertainment, free sample, promotional expense, expense calculated without precise calculation (provision), impairment loss will not be considered as special business income in addition to earlier amortisation of RoU assets.

### 12. Corporate income tax return

Every person is required to submit income tax return under section 180 i.e. 'Self-assessment'. NBR can extend the due date of submission up to one month.

### 13. Normal return and revised return

- Upon DCT's notice in respect of incomplete return, tax audit, income escaping payment, the return would be considered as 'normal return'.
- Tax exemption not shown in original return cannot be reported in revised return if filed after due date.
- No revised return can be submitted based on the order of the appellate authority. However, if any return was not submitted, it can be possible.
- The time limit for submission of revised return has been withdrawn.



# Salient Features of Finance Bill 2024

## Proposals in connection with Income Tax (contd.)

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### 14. Withholding tax return

Withholding income tax return needs to be submitted on monthly basis within 25<sup>th</sup> instead of 15<sup>th</sup> of the following month with no time extension facility.

### 15. List of specified persons for withholding of tax extended

Resort, motel, restaurant, convention centres are also be considered as specified persons.

### 16. Payment to contractors and suppliers

Supply of service against contracts executed for manufacturing, process or conversion, civil work, construction, engineering or works of similar nature will be at flat rate of 7% instead of existing slab rate of 3% to 7%.

Description	Existing WHT rate	Proposed WHT rate
Supply of grocery items	2%	1%
Supply of oil by oil refinery company	3%	2%
Supply of recycled lead	3%-7%	3%
Supply of industrial raw materials to an industrial manufacturer	4%	3%
Supply of goods not specified and any other areas	3%-7%	5%

### 17. Payment to participation fund, welfare fund and worker's welfare fund

The responsible person will be required to withhold tax at 10% at the time of making payment to or crediting the fund.

### 18. Payment against local LC

Fruits and computer and computer accessories will be 2% instead of existing 1%.

### 19. Payment made by cellular mobile phone operator

Tax deduction rate has been proposed to increase at 20% from existing 10%.

# Salient Features of Finance Bill 2024

## Proposals in connection with Income Tax (contd.)

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### 20. Interest on saving deposit, fixed deposit and other deposits

Types of interest receiver	Rate
Company	20%
Education institution under MPO	20%
Trust, Association of person and	20%
Primary school, ICAB, ICMAB, ICSB	10%
Recognised Funds	10%
Persons not mentioned above	10%

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

Fees, service charges, commission or remuneration called by whatever name, or revenue sharing of any name and nature: 7.5% instead of existing 10%.

Freight forwarding agent:

- Commission – 10%
- Gross bill (including commission) – 2.5%

Services in respect of contracts manufacturing, process or conversion, civil work, construction, engineering or works of similar nature have been deleted from section 124.

### 22. Transfer of securities by Sponsor, Director, Placement shareholder

Capital gains tax for sponsor, director, placement shareholders has been proposed to increase at 10% from existing 5%.

### 23. Submission of audited financial statement

Excluded from submission of audited financial statement:

- Individual
- Hindu undivided family
- Having turnover more than Taka 50 million of any firm, trust, association of persons, foundation, society and cooperative society
- Any educational institution which provides primary education

# Salient Features of Finance Bill 2024

## Proposals in connection with Income Tax (contd.)

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### **24. Inclusion of the requirement of submission of PSR**

- Obtaining and renewal of license by hotel, restaurant, motel, hospital, clinic, diagnostic centre
- At the time of availing services from community centre, convention hall and similar nature

### **25. Display of PSR**

Failure to display the PSR in the business premises, a penalty of minimum of Taka 20,000 to Taka 50,000 will be charged.

### **26. Investment in economic zone or hi-tech park.**

Earlier incentives of no question on investment in these zones are now removed.

### **27. Displaying of undisclosed assets**

- No question shall be raised to the source of any sum invested in establishment, house, flat, apartment, floor space or land in the specific areas within the period between 1 July 2024 and 30 June 2025 (both days inclusive), if specified rate on invested amount is paid as tax before filing of the tax return.
- No question shall be raised to the source of securities, cash, bank deposits, financial scheme and instruments, any kind of deposit or saving deposit on any assets not mentioned above 15% of undisclosed assets is paid as tax before filing of the tax return.
- Undisclosed asset should be for income year 2022-2023 or earlier.

### **28. ITES exemption**

Timeline of exemption for 19 areas of ITES business has been proposed to be extended up to 30 June 2027.

### **29. Tax holiday facility for physical infrastructure**

Tax holiday benefit for physical infrastructure has been cancelled.

### **30. Special tax rate**

Entities having no mandatory requirement to submit income tax return will need to pay tax at 20% on gross income. Exclusions will be applied.

# Salient Features of Finance Bill 2024

## Proposals/Changes in connection with Value Added Tax (VAT)

### 1. Inclusion in the list of withholding entities

Any person or business entity whose turnover exceeds BDT 10 Crore has been proposed to be considered as withholding entity.

Existing list of withholding entity	Proposed list of withholding entity	New withholding entity
<ul style="list-style-type: none"> <li>Government Entity.</li> <li>A non-government organization approved by the NGO Affairs Bureau or the Director General of Social welfare.</li> <li>A bank, Insurance company or a similar financial institution.</li> <li>An educational institution of secondary level or above</li> <li>Any limited company.</li> </ul>	<ul style="list-style-type: none"> <li>Government Entity.</li> <li>A non-government organization approved by the NGO Affairs Bureau or the Director General of Social welfare.</li> <li>A bank, Insurance company or a similar financial institution.</li> <li>An educational institution of secondary level or above</li> <li>Any limited company.</li> <li><b>Person or business entity whose turn over exceeds more than BDT 10 crore</b></li> </ul>	<ul style="list-style-type: none"> <li><b>Person or business entity whose turn over exceeds more than BDT 10 crore</b></li> </ul>

### 2. Change in the percentage of VAT deposit at the time of filling to commissioner (Appeal) and Appellate Tribunal

Requirement of VAT payment (demand amount excluding penalty) has been reduced to 10% from existing 20% for appeal to the Commissioner appeal and Appellate Tribunal

Description	Current percentage of VAT deposit	Proposed percentage of VAT deposit	Comments
A fixed amount of disputed VAT needs to be deposited for appeal to the Commissioner (appeal) and Appellate Tribunal. The requirement of VAT payment has been reduced under this provision.	20% of the disputed VAT demand.	10% of the disputed VAT demand.	It is positive change for the taxpayer.

# Salient Features of Finance Bill 2024

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

### 3. Justifiable changes in the format of VAT invoice (Mushak- 6.3)

The wording of “if applicable” is embedded in the “field of customer’s BIN”. The comparative change in Mushak- 6.3 is given below.

Description	Existing	Proposed	Comments
The field of customer BIN is designed in Mushak- 6.3	BIN of Customer	BIN of customer (if applicable)	It is much justifiable and pragmatic changes to the business.

### 4. Meaningful changes in the formula of Tax Fraction

Tax Fraction =  $[R/(100+R)]$  here R = VAT rate as per section 15(3)

Existing	Proposed	Comments
Tax Fraction = $R/100+R$	Tax Fraction = $[R/ (100+R)]$	“Parenthesis” / “()” is embedded in the formula of tax fraction to eliminate mathematical confusion. But there is no impact in current VAT practice

### 5. Increase of VAT rates

#### A. Certain services

Nature of services	Service code	Existing	Proposed
Auction firm	S009.00	10%	15%
Security Service	S040.00	10%	15%
Buyer of auctioned goods	S060.00	7.5%	15%
Seller of lottery ticket	S066.00	10%	15%
Electronic laundry	S013.00	10%	15%
Amusement and Theme Park	S076.00	7.5%	15%
Tour operator	S077.00	Fully exempted	15%

#### B. Fixed-based VAT

Particular	Existing	New rate
VAT on SIM card or e-SIM	BDT 200 per SIM/e-SIM	BDT 300 per SIM/e-SIM

# Salient Features of Finance Bill 2024

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

### C. Production stage

Products	Existing	New
Mango Bar	5%	15%
Different Juice (Mango, Pineapple, Guava and Tamarind)	5%	15%
Energy Saving bulb (1 to 50 Watt)	5%	15%
Tube Light	5%	15%

### D. Certain Electronic products at production stage

Products	Existing	New rate
Air-condition (Manufacturer)	Exempted	7.5%
Refrigerator & Freezer (Manufacturer)	5%	7.5%

## 6. VAT Exemption

### A. Import Stage

Product	Earlier	Proposed
Ethylene glycol (ethanediol) imported by Industrial IRC holder VAT compliant PET chips manufacturing industry	15%	Exempted
Terephthalic acid imported by Industrial IRC holder VAT compliant PET chips manufacturing industry	15%	Exempted
Turbo-propellers	15%	Exempted
Parts of turbo-jets or turbo-propellers	15%	Exempted
Aircraft engines	15%	Exempted
Parts of aircraft engines	15%	Exempted
Chiller, capacity 50 tons or above	15%	Exempted
Portable automatic data processing machines	15%	Exempted

# Salient Features of Finance Bill 2024

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

### B. Exemption of Advance VAT (AT)

Products	Existing AT	New Status
Ethylene glycol(ethanediol) (HS code 2905.31.10) and Terephthalic acid (HS code 2917.36.10) imported by Industrial IRC holder VAT compliant PET chips manufacturing industry.	5%	Exempted
Chiller capacity 50 tons or above (HS code 8418.69.97)	5%	Exempted

### 7. Extension of VAT exemptions for certain manufacturers through different SRO

VAT exemption period under certain conditions for following manufacturers has been further been extended.

Industry	Exemption up to
Optical Fibers (exemption of VAT rate over 5% at manufacturing stage) is extended	30 June 2027
VAT exemption for Mobile/Telephone set manufacturer at following category is extended. <ul style="list-style-type: none"> <li>Component manufacturer (exemption of VAT rate over 2%)</li> <li>Assembler and component manufacturer (exemption of VAT rate over 5%)</li> <li>Assemble (exemption of VAT rate over 7.5%)</li> </ul>	30 June 2025
Certain raw-materials (import stage only) for manufacturing sanitary napkin and diaper (Main SRO 240-law/2019/76-Mushak)	30 June 2025
LPG cylinder (exemption of VAT rate over 5%) at production stage	30 June 2025
Chemical - LABSA and SLES (exemption of VAT rate over 5%) at production stage	30 June 2025

### 8. Extension of scope of VAT exemption for production of Computer and Computer Accessories

Scope of Exemption	Existing	New	Changing status
Output VAT for production of computer and computer accessories	Fully Exempted	Fully Exempted	No change
Advance VAT for import of necessary raw materials	Exempted	Exempted	No change
Input VAT for the procurement of raw-material and spare parts locally for the use in the production of computer and computer accessories	Subject to VAT	VAT exempted	Exemption extended

# Salient Features of Finance Bill 2024

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

### 9. Increase of supplementary duty (SD)

#### A. Local stage

Product	Existing	New
All kinds of Ice-cream	5%	10%
Carbonated Beverage	25%	30%
Cigarette containing Tabacco/Biri paper	65%	66%
Any service provided through use of Mobile phone SIM/RIM such as "talk-time"	15%	20%

#### B. Import stage

Product	Existing	New
Racks of a kind used in the pharmaceutical laboratory (HS code 9403.20.20)	0%	20%
Furniture of a kind used in pharmaceutical laboratory (HS code 9403.60.10)	0%	20%

### 10. Decrease of supplementary duty (SD)

#### Import stage

Product	Existing	New
Milk In powder form, in retail packing of up to 2.5 kg (HS code 0402.10.10)	20%	0%
Milk In powder form, in retail packing of up to 2.5 kg (HS code 0402.21.10)	20%	0%
Milk In powder form, in retail packing of up to 2.5 kg (HS code 0402.29.10)	20%	0%
Chocolate (HS code 1806.90.00)	45%	20%
Chiller, capacity 50 tons or above (HS code 8418.69.97)	30%	00%







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