



# Tax Update

May 2024



The tax environment in Bangladesh is undergoing significant changes with introduction of the new Income Tax Act 2023, Customs Act 2023, etc. with extra emphasis on amendment of existing regulations. This newsletter presents some of our picks from the major updates which any professional should be aware of.

## Income Tax

### 1. Tax implication on compensation for acquisition of property by the Government

Previously, the tax deducted at source on the compensation paid on acquisition of immovable property by the Government was the final discharge of tax liability for the recipient (**all types** of taxpayers) as per ITO 1984. This has now been restored, but now such implication is applicable for only **individual** taxpayers.

### 2. Reduced tax rates for export income

Previously, reduced tax rates were applicable for **all exporters** on their export income subject to fulfilment of conditions such as having a TIN and complying with provisions of ITA 2023. However, now this facility is made applicable for *only* income from export of **goods**.

It should be mentioned that for obtaining a lesser **withholding certificate** under section 123 of ITA 2023, this reduced tax rate can no longer be used. Also, a separate mechanism for computing the applicable withholding tax rate is now prescribed using proportional method. For this purpose, all certificates issued till 3 March 2024 will now become invalid, and new certificate will need be obtained from NBR.

*For more details, please see our **Tax News Flash** on Export of Goods.*

### 3. Reduced tax rates for asset management companies

The corporate tax rate for management fee for asset management companies is reduced from 27.5%/30% to 15%.

### 4. Reduced TDS rates for leather and leather goods

The TDS rate has been reduced on export income from 1% to 0.5%, which is effective for up to 30 June 2025.

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#### **5. Exemption for receipts of research grants**

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Receipts of research grants from abroad by University, College and Research Institutions will now be excluded from the computation of income subject to obtaining a tax exemption certificate. This is applicable for Assessment Year 2026-27.

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#### **6. Exemption on income from OBU deposits and foreign borrowings**

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Interest income / profit earned from Offshore Banking Units operated under the Offshore Banking Act 2024 are exempted for the persons depositing money into the OBU and non-resident lenders to OBU. There is no time limit prescribed for this exemption.

*For more details, please see our **Tax News Flash** on Interest on deposits and foreign borrowings.*

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#### **7. Exemption on AIT for motor vehicles**

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Advance Income Tax is exempted if motor vehicle is owned by certain person/institutions being government entities, local authorities, foreign diplomats, etc. No exemption certificate is required to be obtained for this purpose from NBR.

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#### **8. Relaxation of charitable purpose approval**

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No NBR approval is required now for enjoying exemption on expenditures for charitable purpose for the Assessment Year 2023-24

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#### **9. Clarification on TDS rate on interest income for local authorities**

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A note was issued which clarifies certain aspects such as taxability of income of local authorities, applicability of TDS at 20% for the interest on deposits for these persons, etc.

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#### **10. Clarification on applicability of withholding provisions for property transfers**

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Clarifications provided include that TDS rates mentioned in Rule 6(1) & sub-rule 1 & 2 of Rule 6(Ka) (based on location) only are applicable on apartment purchased from land/real estate developers.

### **VAT and Customs**

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#### **1. Advance Tax on import of raw materials by manufacturers of computers and related accessories**

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Previously, there was an exemption applicable on VAT at the production stage for computers and accessories. The new SRO adds to the previous one providing an exemption on advance tax on import of raw materials by manufacturers of computers and related accessories.

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## 2. Customs Prearrival Processing Rules 2024

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Customs released the Customs Prearrival Processing Rules 2024 to provide clarification on the customs process of pre-arrival including the timeframe and documentation that will be required.

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