



Bangladesh Tax

Your guide to Bangladesh tax framework



KPMG. Make the Difference.

KPMG in Bangladesh

2025-2026

Contents

| | |
|--|-----------|
| Preface | 2 |
| <hr/> | |
| 01. Finance Ordinance 2025 at a glance | 3 |
| <hr/> | |
| 02. Corporation tax | 7 |
| <hr/> | |
| 03. International tax | 39 |
| <hr/> | |
| 04. Personal tax | 43 |
| <hr/> | |
| 05. Other income matters | 51 |
| <hr/> | |
| 06. Value Added Tax | 59 |
| <hr/> | |
| Appendices | 73 |
| About KPMG in Bangladesh | 86 |

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 Ordinance 2025.

Finance Ordinance 2025 and regulatory orders caused a shift in tax policy. These changes are aimed at modernizing the tax system, promoting digital tax services and most importantly enhancing revenue collection. While proposals for separation of the National Board of Revenue's policy and management functions are considered, the policymakers are also striving to increase tax to GDP ratio to 15% by 2025 from current share of 7.5%. These measures signal a concerted effort to create a more efficient and equitable tax environment, which necessitates that businesses and individuals stay abreast of the evolving tax landscape to ensure compliance.

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 Ordinance 2025.

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.



Adeeb H Khan

Senior Partner
KPMG in Bangladesh



01

Finance Ordinance 2025 at a glance

Key changes of Finance Ordinance 2025

Tax cost for disallowances

The relief from being taxed separately under special business income for various disallowed expenses has been removed. Now these disallowed expenses are now subject to tax separately under the Special Business Income category as before.

Tax audit mechanism

The extensive audit methodology that involved both inspection and audit teams under an audit curator has now been discontinued. Tax audits will be conducted by the Deputy Commissioner of Taxes (DCT), who has the authority to select tax returns for audit. Exemption criteria for audit selection have also been removed.

Minimum tax carry forward

Any amount of minimum tax paid exceeding the regular tax liability in an income year can be carried forward and adjusted in subsequent income years, subject to the fulfilment of certain conditions.

Relief for funds

Funds are no longer required to submit tax returns, audited financial statements, or proof of submission of tax returns (PSR).

All income other than income from financial assets is tax exempted. No tax rate is specified for funds.

Withholding VAT mechanism

Separate deposition of withholding VAT amount is not required. Rather, it will be settled through an increasing adjustment in the relevant month's VAT return as part of the calculation of Net VAT liability.

Semi-annual VAT returns

Construction firms, procurement providers, and clearing and forwarding (C&F) agents, if they are not withholding entities, can file VAT returns for a six-month period ending 30 June and 31 December.

VAT zero-rated services

The conditions requiring services to be delivered outside the geographical limits of Bangladesh is now removed for export of service.

This will simplify the application of VAT zero-rate on exported services.

Issuance of VAT Mushak 6.6

Mushak 6.6 (withholding VAT certificate) can be issued within three working days from the date of submission of the VAT return by the withholding entity. Previously, the certificate had to be issued within three working days from the date of deposit of the withheld VAT.

Key changes of Finance Ordinance 2025



Changes in withholding tax rates

Payments to residents for manufacturing, processing, conversion, and construction works are now subject to withholding tax at 5% instead of 7%.

Payments to resident individuals and other persons for advisory, consultancy, and professional services are now subject to withholding tax at 15% and 7.5%, respectively, instead of 10%.

For non-resident other than individuals providing similar services, the rate has been reduced to 10% from 20%.

Several other changes in withholding tax rates have been made through FO2025.



Change in tax rate (AY 2026-2027 and 2027-2028)

Only general listed companies will be eligible for a reduced tax rate if all income is received through bank transfer (cashless operations).

The corporate tax rate for general non-listed companies will increase to 27.5% from 25%.

There is no longer a separate corporate tax rate for one-person companies, merchant banks, and funds.

The 5% tax bracket for individuals has been withdrawn.

The tax rate for private educational institutions has been reduced from 15% to 10%.



Special business income

Expenses disallowed under section 55 (except depreciation and finance expense on ROU assets and provision for impairment loss) are again considered as special business income, subject to separate tax at the regular rate.

For income subject to a reduced tax rate, special business income (excluding disallowances for non-deduction of tax) is determined by applying the reduced tax rate.



Proof of Submission of Return (PSR)

The requirement to obtain Proof of Submission of Return (PSR) has now been relaxed for certain specified services. For these services, a system-generated certificate containing the taxpayer's name and Taxpayer Identification Number (TIN) will now be accepted as valid evidence of return submission.

- Individuals who are not legally required to file an income tax return are also exempt from submitting a PSR. In such cases, the 50% additional tax deduction for not providing a PSR does not apply.
- Where a PSR is generally required at the time of making certain payments, expenses will not be disallowed if the payer deducts an additional 50% tax at source.



Removal of tax holidays and increase in tax exemption

The tax holiday for industrial undertakings has not been extended beyond June 2025.

The tax exemption limit of Taka 500,000 has been introduced for the agriculture, poultry and livestock, fisheries, and aquaculture sectors under the general tax rate. Previously, the tax rate was on a slab basis with a maximum of 15%.

VAT exemptions have been introduced for medical bed, lithium and graphene battery and electric bikes.



Time extension for VAT credits and compliances

Time limits to claim input VAT credit, adjustment of Advance Tax (VAT) and withholding VAT has been increased.



Scope of VAT exemption for exporters

Certain procurements of by goods manufactured by 100% exporters, deemed exporters and EPZ enterprises were exempted from VAT. Now, all exporters would be entitled to such VAT exemption on those procurements.



Preservation of books and records through ERP

Company's own ERP (Enterprise Resource Planning) system can be considered as a medium for maintaining books and records (e.g. purchase registers – Mushak 6.1, Sales register – Mushak 6.2, Combined purchase and sales register – 6.2.1).

Earlier ERP software can only be allowed for maintaining books and records based on the permission from NBR (National Board of Revenue). Now the permission from NBR is not required to maintain books and records in the company's ERP software.



02

Corporate tax

Contents

Imposition of tax

11-12

Chargeability of tax, Scope of taxable income, Residency, Assessment year, Income year, Specified date of submission of tax return

Computation of taxable income

13-16

Allowable deductions, Tax depreciation, Disallowed expenses, Special business income, Special areas of business income, Loss set-off and carry-forward

Types of tax

18-24

Corporate tax rates, Advance income tax, Tax deducted at source, Minimum tax, Surcharge, Other taxes

Income exclusions, tax exemptions and holidays

25-27

Tax holidays, Exemption on certain businesses, Start-up Sandbox

Tax returns

28-32

Tax return filing requirements, Types of tax returns, Tax obligations

Tax assessments and appeals

33-38

Tax return processing by DCT, Audit of tax returns, Spot assessment, Tax escaping assessment, Transfer pricing audit, Tax appeal procedures

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 applies a hybrid taxation system of source-based and residency-based principles. Residents are taxed on their global income, while non-residents are taxed on their income generated in Bangladesh. To ensure proper taxation of non-residents, the legislation incorporates concepts of permanent establishment and indirect transfer of shares.

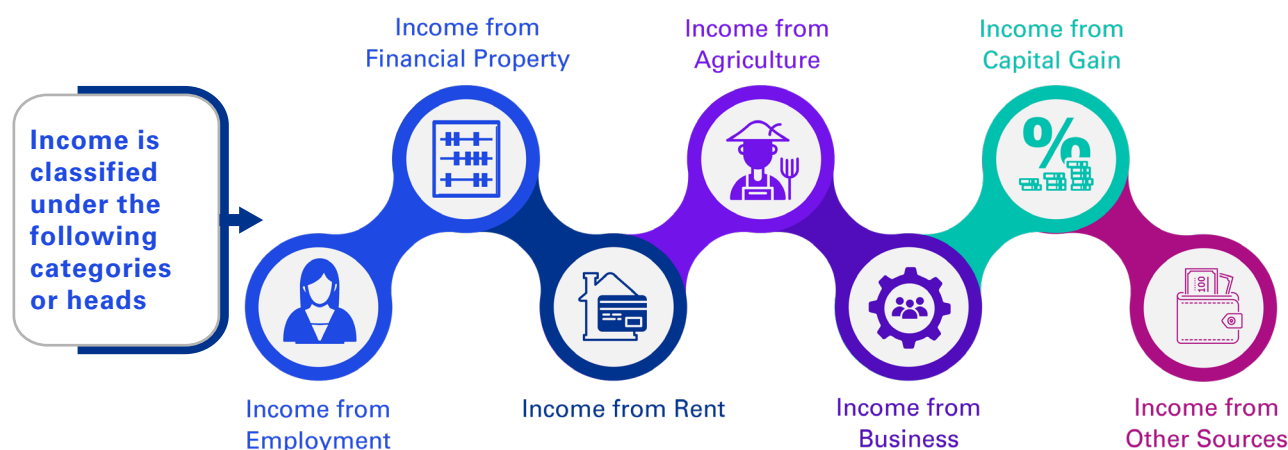
Tax collection is driven by a tax-at-source approach, also referred to as advance income tax or withholding tax. This extensive and often complex tax-at-source regime requires significant attention from businesses.

Bangladesh is also a minimum tax regime which encompasses most of the different sources of income and is a driver for effective tax rate.

Taxpayers are required to obtain a unique tax identification number (TIN) from NBR to register for tax and comply with due tax obligations.

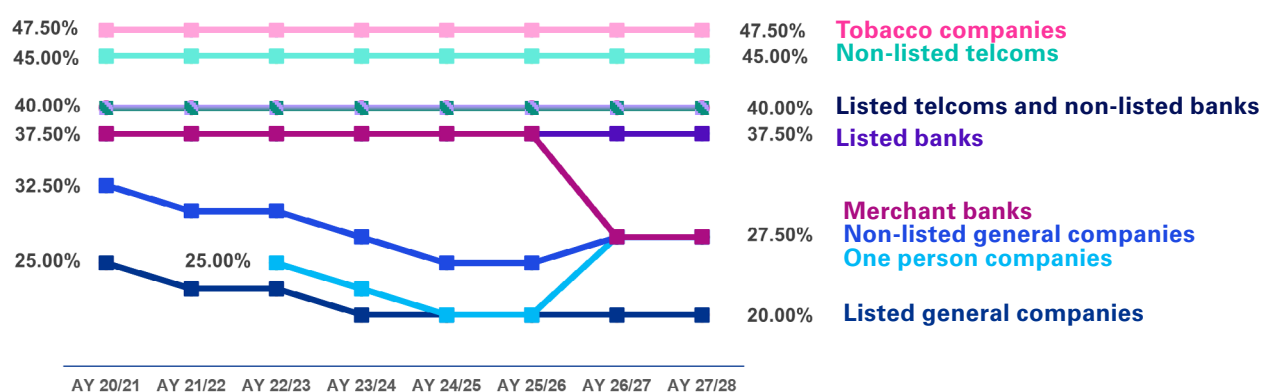
Taxpayers are required to self-assess their tax liability and file tax returns within the specified date of submission of tax return. Tax return must be accompanied with audited financial statements (for companies and other business exceeding prescribed limit), and computations of total income along with supporting schedules.

Bangladesh's tax administration is undergoing commendable digital transformation with key services such as online tax payments and electronic filing of tax returns already operational.





Corporate tax trend



Bangladesh's corporate tax structure includes a general tax rate applicable to all corporate taxpayers with the exception of certain industries such as banks, mobile network operators, and tobacco companies for whom specific rates apply. Listed general companies, banks, insurance companies, financial companies and mobile network operators enjoy reduced corporate tax rates.

Additionally, various reduced tax rates, tax holidays and tax exemptions are made available for certain specialised industries.

Over the years, non-listed general companies have experienced significant tax cuts, with their tax rate decreasing from 32.5% in FY2019–20 to 25% in FY2024–25. However, the corporate tax rate will increase to 27.5% in FY2025-26 and FY2026-27.

The tax rates for banks, mobile operators, and tobacco companies have remained unchanged during this period and no changes have yet been proposed.

Despite the reduction in nominal tax rates, effective tax rates remain high for many taxpayers. This is due to several contributing factors, including expense disallowances, minimum tax provisions, and sector-specific surcharges.

Imposition of tax

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 under any laws in Bangladesh 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

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.

Specified date for submission of tax return

For companies, tax returns must be filed later of:

1. 15th day of the ninth month following the end of the income year; and
2. 15th September following the end of the income year.

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

| | Income Year | Assessment Year | Specified date for 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 |
| Examples | 1 October 2023 to 30 September 2024 | 1 July 2025 to 30 June 2026 (AY 2025-26) | 15 September 2025 |
| | 1 January 2024 to 31 December 2024 | AY 2025-26 | 15 September 2025 |
| | 1 April 2024 to 31 March 2025 | AY 2025-26 | 15 December 2025 |
| | 1 July 2024 to 30 June 2025 | AY 2025-26 | 15 March 2026 |

Computation of taxable income

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

Taxable income =

| | |
|---|---|
| Accounting profit | <ul style="list-style-type: none">➤ 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 | <ul style="list-style-type: none">➤ ITA 2023 also specifies a list of expenses which are deductible up to certain limits or methods. |
| + Special business income | <ul style="list-style-type: none">➤ Certain disallowed expenses are deemed as special business income, subject to tax at regular rate or reduced rate, as prescribed, with no opportunity for deduction, loss set-off or carry forward and tax depreciation. |
| + Special areas of business income | <ul style="list-style-type: none">➤ 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, with no opportunity for deduction, loss set-off or carry forward. |
| - Income treated separately | <ul style="list-style-type: none">➤ Non-business income (e.g. dividend, interest, 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. |

Computation of taxable income

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.

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**

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.

Computation of taxable income

Disallowed expenses

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

- **Non-compliance of withholding tax:** Expenses or payments where withholding tax guidelines have not been followed.
- **Excess perquisites:** Perquisites exceeding Taka 2 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 0.50% of disclosed turnover, excluding advertisements.
- **Free samples and entertainment expenses:** Exceeding prescribed range or threshold.
- **Cash transfers:** Payments for raw materials, salary, or rent not made by bank transfer. For other payments, 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.
- **Interest expenses:** Exceeding Taka 1.5 million by a resident company (excluding banks and financial institutions) for loans from associated enterprises.

Special business income

All disallowed expenses except depreciation and finance expenses of RoU assets under IFRS 16 and provision of impairment loss will be treated as 'special business income'. Special business income are subject to tax separately at regular rate without any opportunity of deduction, loss set-off, carry forward and tax depreciation.

However, for business subject to reduced tax rate, special business income is subject to reduced rate except for any disallowances of expenses for non-deduction of tax.

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. However, the liability amount would be allowed as a deduction in the year when the payments are made.



While FO2025 enhances the thresholds for disallowances on excess perquisites, royalties, cash transfer and PSR, the widening of the scope of special business income would increase tax burden.

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 minimum 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. |

Revenue

Product 1



23



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,.

Minimum tax

Minimum tax provisions apply on the basis of gross receipts from a business and for specified sources of income.



Corporate tax rates AY2025/26



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

* Merchant banks were subjected to tax rate at 37.5%



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 more than 10% of its paid-up capital through IPO

** Listed general companies who transferred 10% or less of its paid-up capital through IPO
2.5% reduction in tax rates for cashless operations



Other taxpayers

22.5% One Person Company
27.5% Trust, fund, association of persons and other

2.5% reduction in tax rates for all for cashless operations



Conditions for cashless operations

require business to conduct following transaction through banking channel:

- > All income and receipts
- > All expenses and investments over Taka 0.5 million for a single transaction and total Taka 3.6 million in a year

Corporate tax rates AY2026/27 & AY2027/28



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*
27.5% Others

* Listed general companies who transferred at least 10% of its paid-up capital through IPO
2.5% reduction in tax rates for only listed entities for cashless operations
Merchant banks and one person companies would be taxed as general companies.



Other taxpayers

27.5% Trust, firm and association of persons

FY2025 changes



Specific corporate tax rates for merchant banks and one person company have been removed

Listed companies having transferred less than 10% of its paid-up capital through IPO will be taxed at 27.5%

Cashless operation benefit is significantly curtailed

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 600,000

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.

Applying exemption from tax or reduced withholding tax

Any payee entitled to exemption from tax or reduced withholding tax benefit must provide a certificate issued by NBR. NBR is expected to respond to applications within 30 days.

Person making payment should not pro-actively apply the benefit without such certificates being furnished by the payee.

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 25th day of the month following end of each quarter without opportunity for time extension:

1. a 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

Withholding tax returns may be selected for audit within four years from the month of submission of the return.

Minimum tax

Minimum tax

A key aspect of Bangladesh tax regulation is the minimum tax regime. Minimum tax is the higher of:

- **Tax computed on a regular basis** on the taxable income as per provisions of ITA 2023 by applying the taxpayer's regular income tax rate;
- **Withholding income tax** applicable on specified sources of income; and
- **Minimum tax calculated on overall gross receipts** regardless of sources of income.

Essentially, withholding income tax on sources of income under minimum tax bracket can never be refunded.

Any established refund of earlier years can be adjusted only when regular tax of a particular year is higher than withholding income tax.

Furthermore, if the regular tax exceeds the minimum tax, the regular tax amount will be payable. However, if the regular tax is lower than the minimum tax, the difference can be carried forward and used to offset future tax liabilities in subsequent assessment years where the regular tax surpasses the minimum tax.

Final discharge of tax liability

Withholding tax deducted from the following sources of income will be considered as final tax liability, meaning regular tax liability is not assessed for these incomes:

- Interest on savings instruments (only individual taxpayers);
- Capital gain arising from compensation given for acquisition of assets (only individual taxpayers);
- Export cash subsidy;
- Capital gain from transfer of immovable property (only individual taxpayers); and
- Any income on which tax has been withheld as per ITA 2023 but the taxpayer is not mandatorily required to submit income tax return.

Minimum tax calculated on overall gross receipts

- Every company,
- trust,
- firm and association of persons having gross receipts of more than Taka 5 million, and
- individuals having gross receipts of more than Taka 40 million

will be liable to pay minimum tax calculated on overall gross receipts.

All businesses must pay minimum tax on the basis of overall gross receipts even if the business incurs loss. For businesses enjoying tax exemption or reduced rate of tax, the minimum tax calculated on the overall gross receipts is adjusted in proportion to the tax exemption or reduced rate of tax.

| | |
|--|----------------------------|
| Manufacturer of cigarette, bidi, chewing tobacco, smokeless tobacco or any other tobacco products | 3% of the gross receipts |
| Manufacturer of sweetened beverage, carbonated beverage | 3% of the gross receipts |
| Mobile phone operator | 1.5% of the gross receipts |
| Individual taxpayers other than above | 1% of the gross receipts |
| All other taxpayers* | 1% of the gross receipts |

** In case of industrial undertakings engaged in manufacturing of goods, minimum tax on gross receipts will be 0.1% for the first three income years from commencement of commercial production.*

F02025 changes



Minimum tax regime underwent a significant change as it is now permissible to carry forward excess minimum tax paid over regular tax liability in an assessment year.

Surcharge, rebates and other taxes

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.

Additional tax

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

Unauthorised employment

Employer who employs or allows a foreign individual to work at their business 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.

Tax on retained earnings

If a listed company transfers more than 70% of its net profit after tax to retained earnings or any fund, reserve or surplus in an income year, it will have to pay tax at the rate of 10% on the total amount transferred. Such tax cannot be adjusted with any other tax liability of the company.

Tax on stock dividend

If a listed 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.

Certain tax exemptions

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

15% tax rate

textile industries engaged in yarn/fabric production, dyeing, finishing, conning, and printing up to 30 June 2025

** 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.

Certain income exemptions

Income derived from any SME

Income derived by any Small and Medium Enterprise (SME) 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, 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, ICMAB, 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.

Certain tax exemptions

| 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 | |
| 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

Reduced tax benefits

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.

Start-up Sandbox

Eligibility conditions:

- A Bangladeshi company;
- Annual turnover not exceeding Taka 1 billion;
- Works towards deployment or commercialisation of new products, processes or services driven by innovation, development and technology or intellectual property;
- Not a company resulting from a scheme of amalgamation or demerger;
- Incorporated after 1 July 2017; and
- Registered with NBR by 30 June 2024.

Benefits available in growth years:

- No expense disallowances;
- Losses to be carried forward for subsequent 9 years;
- 0.1% minimum tax on gross receipt; and
- No reporting requirement except for filing tax return and withholding tax return, provided access to information system or books of accounts is allowed to tax authority.

Tax returns 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. a 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. a 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. a non-resident individual having no fixed base in Bangladesh; and
12. any class of persons authorised by the NBR.

Types of tax returns

Self assessment tax returns

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

- File return of income in prescribed forms, schedules, computations, appendices and records along with audited financial statements;
- Pay admitted tax liability if applicable within specified date of submission of tax return; and
- Pay additional tax in case of delay in filing.

Return must be filed within the last date of relevant assessment year.

Delay interest will be applicable for filing tax returns beyond the specified date of filing tax returns.

Amended returns

Amended return can be submitted within

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

No amended return can be submitted after submission of first amended tax return or after the initial return has been selected for audit.

No amended return can be submitted based on the order of the appellate authority, unless no return was submitted.

Amended return of a normal return resulting for time barred can be submitted before the assessment, however, without reducing the tax liability.

Normal returns

Upon DCT's notice in respect of tax audit and tax escaping payment, the returns would be considered as 'normal return'.

Any return filed after the end of the specified date of submission of tax return for a relevant assessment year.



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

Tax obligations at a glance

1

Tax registrations (TIN)

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

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

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 specified date of submission of tax return

1

Audited Financial Statements

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

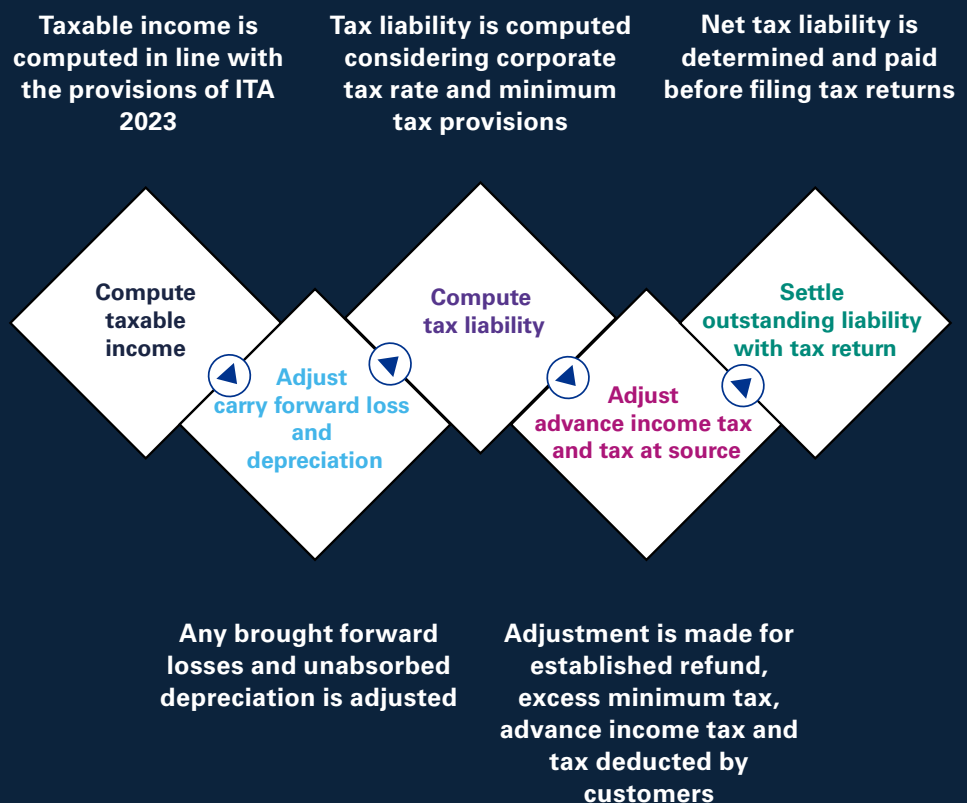
Submission of audited financial statements is not mandatory for following persons:

- natural person, i.e. Individual;
- Hindu undivided family;
- any firm, trust, fund, association of persons, foundation, society and cooperative society, having turnover not exceeding Taka 50 million; and
- any educational institution which provide pre-primary or primary education

2

Computation of income and tax payment

Tax return has to be accompanied by computation of total income along with supporting schedules.



Preparing for specified date of submission of tax return

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
5. copy of withholding tax returns

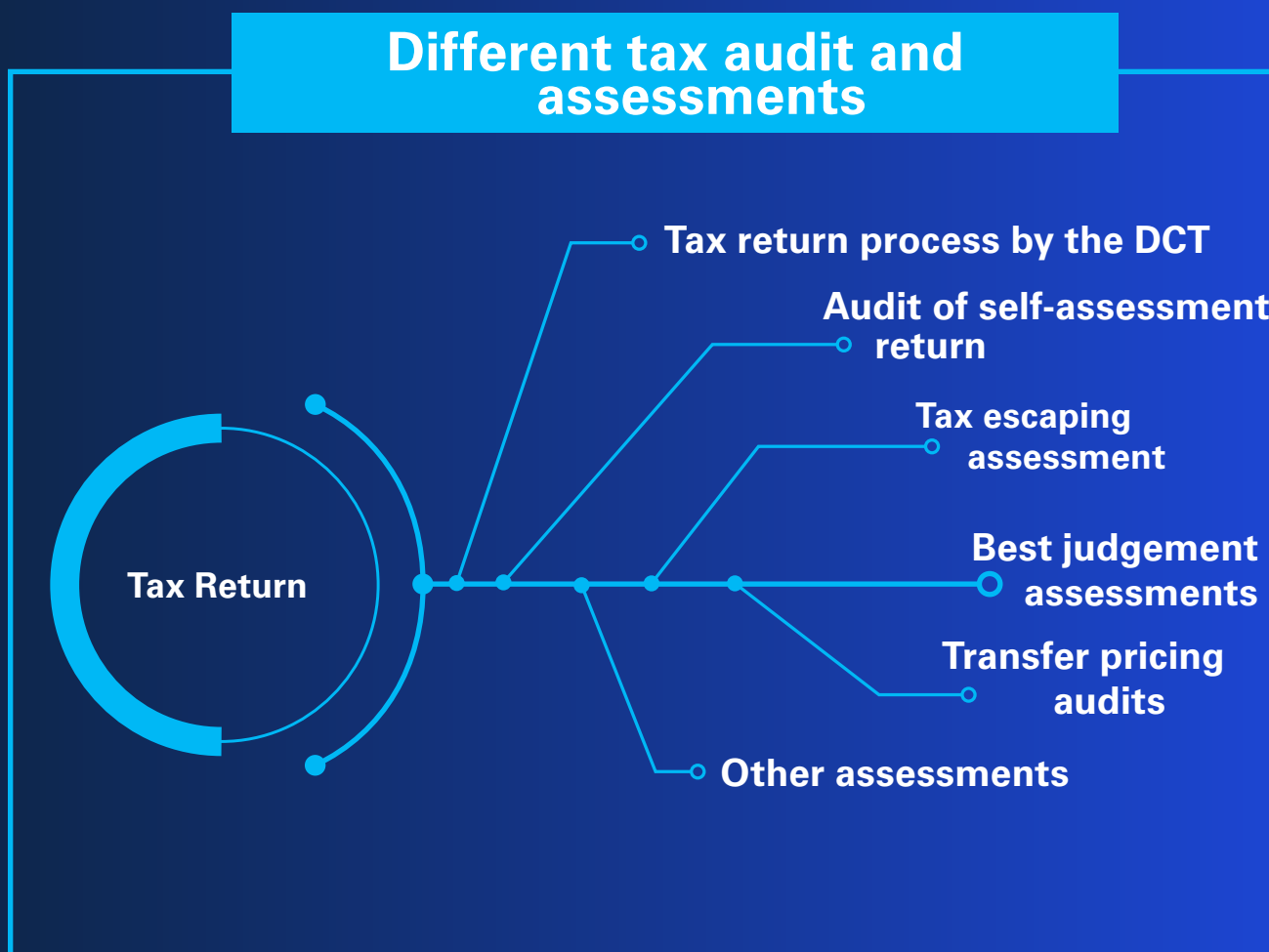
Incomplete return

If a person submits a return where the conditions of return submission or any guidance of NBR is not complied with, then the submitted return will be considered as incomplete return with following consequences:

- a notice will be issued by the DCT mentioning the time limit to submit required documents;
- if notice is not complied with, the submitted return will be considered as invalid or ineffective; and
- it can be selected for tax audit.

Receipts of acknowledgment does not render the return as complete.

Tax assessments



Tax assessments

Tax return process 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 2 years immediately after the end of the assessment year. The assessment needs to be completed within 2 years of such selection.

The tax audit process involves several steps with specific time lines to ensure thorough and efficient auditing. Audit team responsible for the tax audit of income tax return will be separated from the respective circle of the taxpayer.

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

Time limitation for completion of audit process in case of self-assessment return or revised return is 2 years after the end of assessment year.



Tax assessments

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

- Selection:** The DCT with prior approval of NBR, may refer the determination of the arm's length price to the Transfer Pricing Officer (TPO).
- Initiation by TPO:** The TPO will proceed to determine the arm's length price in relation to any international transaction.
- 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.
- 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.
- 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.
- Rectification by TPO:** The TPO may rectify any order passed so as to correct any mistake apparent from the record.
- 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 the income if any return or amended return considered as normal return.

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

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 7 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 7 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.

Statute of limitations

Notice for submission of return: within 1 year following the end of assessment year of issuance of notice.

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 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 processed by the DCT | within 2 years of return submission |
| Self assessment return | within 2 years of selection of audit |
| Normal return | within 2 years of consideration of normal return |
| Tax escaping payment | within 2 years of issuance of notice |
| TP return | within 3 years of submission |

Tax appeals

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.

Before filing appeal:

- **Pay admitted tax liability**, if income tax return is filed.
- **Pay 10% of tax liability**, if income tax return is not filed.
- Applicant must pay **10% of disputed tax for second 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.

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.

Applicant must pay

- **15% of disputed tax**, where tax demanded does not exceed Taka one million.
- **25% of disputed tax**, where tax demanded exceeds Taka one million.

Appellate Division

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

Tax appeals

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 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.

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. Recently, DTAA with Qatar has been signed.

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.

Treaty countries

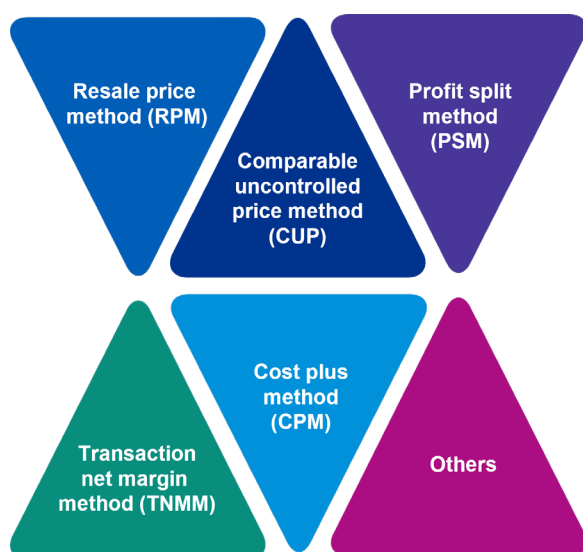
| Sl. | Country | Sl. | Country |
|-----|----------------|-----|--------------------------|
| 1 | Bahrain | 23 | Norway |
| 2 | Belgium | 24 | Oman (air traffic only) |
| 3 | Bhutan | 25 | Pakistan |
| 4 | Canada | 26 | Philippines |
| 5 | China | 27 | Poland |
| 6 | Czech Republic | 28 | Qatar |
| 7 | 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 | | |

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.

Specified date of submission of tax returns

For an individual, tax return must be filed within 30 November following the end of the income year.

- Individual who did not previously file return of income should file tax returns by 30 June following the end of income year.
- Individuals who stay outside Bangladesh for higher education, or on deputation, lien for employment, or with valid visa and work permit, should file tax returns within the 90th day from the date of his or her return to Bangladesh.

Proof of submission of return

Individual taxpayers are required to show proof of submission of tax returns (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.

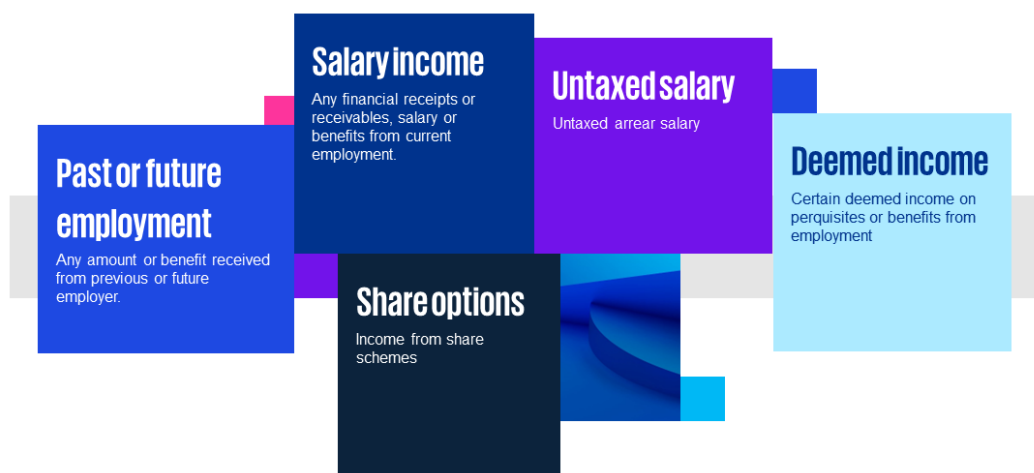
Tax registration

Individuals need to obtain tax registration or a unique Tax Identification Number (TIN) under the conditions specified in page 36.

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.** This is treated as income from other sources for the employee.
- **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

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%.

Total income Tax rate

| | |
|----------------------|-----|
| Up to exempted limit | 0% |
| 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% |
| Remaining amount | 30% |

Exempted income limits are as follows

- Generally, it is Taka 350,000.
- For women and senior citizens aged 65 years or above, it is Taka 400,000.
- For physically challenged and third gender persons, it is Taka 475,000.
- For gazetted war-wounded freedom fighters, it is Taka 500,000.

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.

Tax rates for AY 2025/26

Tax rates for AY 2026/27 & 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% |

Increased exempted income limits are as follows

- Generally, it is Taka 375,000.
- For women and senior citizens aged 65 years or above, it is Taka 425,000.
- For physically challenged and third gender persons, it is Taka 500,000.
- For gazetted war-wounded freedom fighters and July fighters, it is Taka 525,000.

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

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
- **15% of actual investment** as per Part 3 of 6th Schedule or
- **Taka one million**

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 a national level institution set up in memory of "Father of the Nation"
- + 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. up to Taka 500,000
- + Any new sum invested in shares of listed companies.

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.

| Net wealth | Tax rate |
|--|----------|
| <ul style="list-style-type: none"> • 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% |

Types of taxes

Minimum tax

Individual taxpayers
having taxable income
are subject to minimum
tax

Location Tax (AY2025/26)

| | |
|---------------------------------------|------------|
| Dhaka and Chattogram City Corporation | Taka 5,000 |
| Any other City Corporation | Taka 4,000 |
| Non-city corporation areas | Taka 3,000 |

Location Tax (AY2026/27) & (AY2027/28)

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

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.

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.

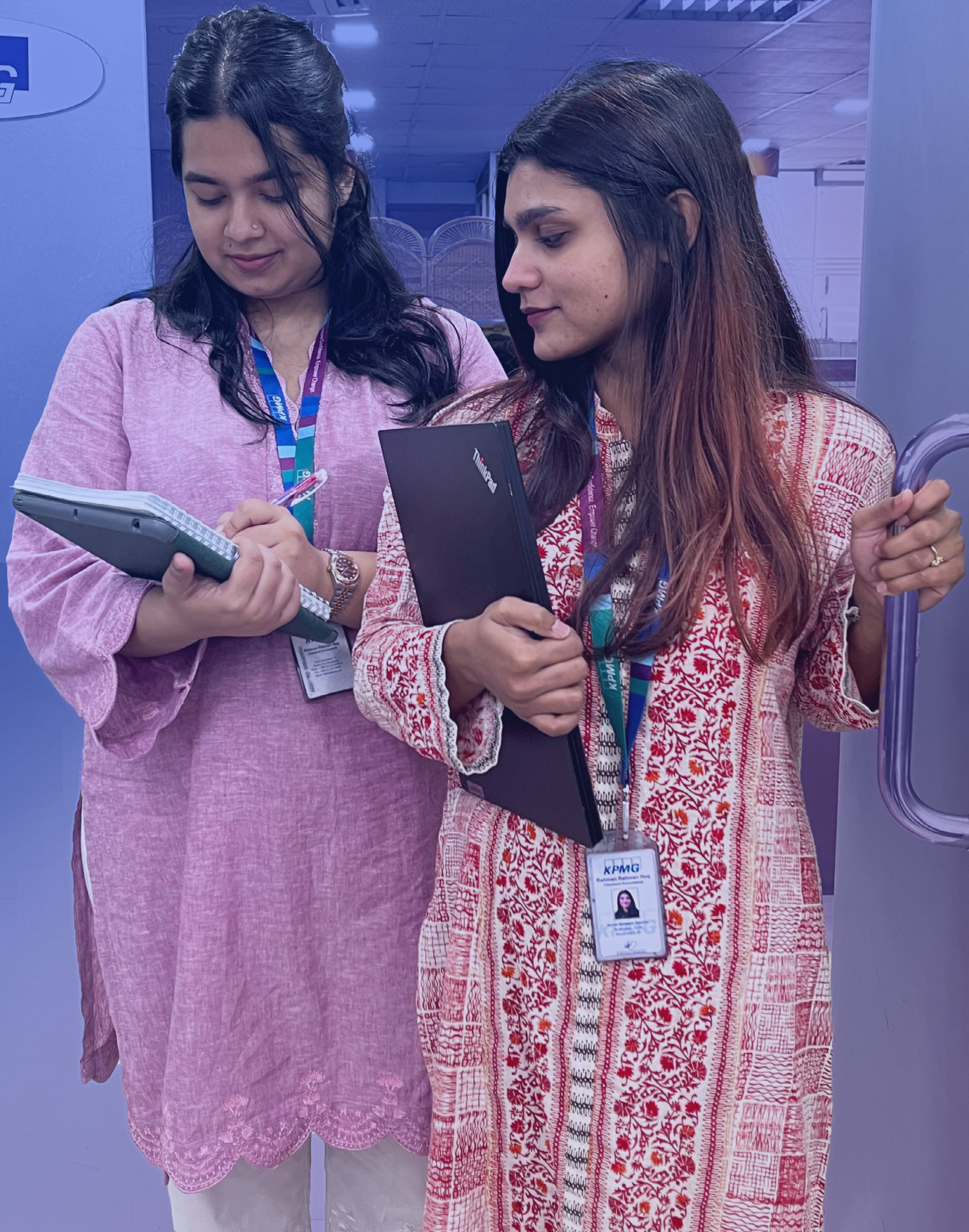
| Conditions | Wealth Statement | Lifestyle Statement |
|--|------------------|---------------------|
| Owens a motor car | ✓ | ✓ |
| Shareholder director of a company | ✓ | ✓ |
| Investment in a house property or an apartment | ✓ | ✓ |
| Business income | | ✓ |
| Gross wealth over Taka 5 million | ✓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

F02025 changes



Apart from increases in exempted income threshold and elimination of 5% slab for individuals, **firms are now subject to tax as general companies.**

KPMG





05

Other income matters

Transfer of assets

Capital assets



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

| | |
|---|---|
| Business Income ➡ CIT rate Capital Gain ➡ CGT rate | Business Income/Loss <ul style="list-style-type: none"> ➤ 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. |
| Capital gain tax rate for: > Companies - 15% > Others <ul style="list-style-type: none"> > 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 <ul style="list-style-type: none"> > Less acquisition cost, and > Less any transaction costs. |

“

Transfer of assets gives rise to business income and capital gain income. Segregation of business income and capital gain income is crucial as it will determine the tax rate and eligibility of respective set off of loss.

”

Business combinations

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)

Capital gain is computed as per the general method under ITA 2023 for the foreign shares being sold.

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

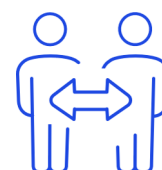
As business combinations become familiar, tax legislation has clarified the scope of amalgamation and demerger along with the tax treatments of the underlying transactions



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

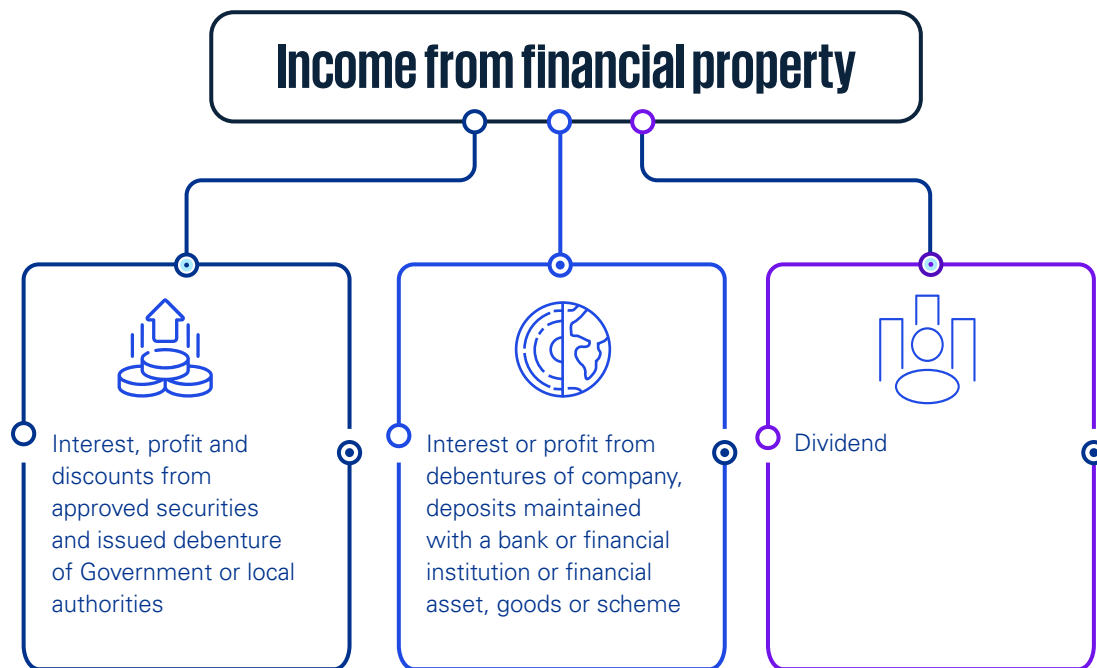
The key aspects of demergers includes:

- 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 in the income of the 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;
- Interest paid on money borrowed solely for the purpose of earning "income from financial assets";
- 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.

Tax rate

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

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 from hotel, hostel, motel, resort or business property.

Computation of income from house property

- + Annual value
- + Any additional amount, such as service charge or premium, refundable security deposit, advance rent
- + Any service charge 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.

Computation of income from other properties

- + Annual value
- + Any additional amount, such as service charge or premium, refundable security deposit, advance rent
- All admissible expenses allowed for income from business and
- All expenses except for admissible allowances as per Third Schedule of ITA 2023 to be paid through bank transfer

Special rent means:

1. Unspent expenses on account of income from rent.
2. All inadmissible expenses/deductions except for areas of accounting adjustment.
3. Total amount of adjustable advance money received by an individual for renting out their own property other than by bank transfer, exceeds Taka 0.5 million.

While computing income on account of special rent, no deductions, set off/carry forward of loss or any allowance of Third schedule can be made and tax on a regular rate will be paid separately thereof.

Tax rate

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

Income from other sources

Special areas of income from other sources

- **Unexplained credits:** Any unexplained credit in the taxpayer's books.
- **Asset growth mismatch:** If a company's asset growth and expenditures exceed its declared income and acceptable receipts.
- **Undervalued asset purchase:** If a company purchases an asset below fair market value.
- **Contract related receipts:** Compensation, fees, or benefits received due to cancellation or modification of a contract.
- **Salami or lease premium:** Any lump sum received as salami or premium for lease/rent.
- **Non-deduction of TDS on asset purchase:** If a taxpayer fails to deduct tax at source during asset acquisition.
- **Loan waiver:** Any benefit from a loan waiver, whether monetary or not.
- **Paid-up capital without bank transfer:** If an unlisted company receives paid-up capital without bank transfer.
- **Loans received without bank transfer:** Advance, deposits or loans taken other than bank transfer.
- **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.
- **Group insurance premium paid by employer:** treated as income from other sources of the employee and is excluded from perquisites of the employer.
- **Any form of donations**

Tax benefits on donations

Allowable deductions available on

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.

Exclusions from income

- Any donation received by any education or research institution from abroad.
- Any donation or grant received and spent on religious or charitable purposes by religious institution, or any 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.

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 activities, tax would be recovered in the following manner:

Income attribution: Income payable to a non-resident due to asset transfer is deemed to be the income of the person who acquires the right to enjoy that income or receives money related to the transaction.

Taxability: This income is considered taxable, unless the DCT is satisfied that the transfer did not involve tax avoidance schemes and was a genuine business transaction.

Non-duplication of tax: Income treated and taxed under this provision will not be taxed again as part of any person's income.

Capacity to enjoy income: This section defines various scenarios where a person is deemed to have the capacity to enjoy the income, such as benefiting from the income, controlling its use, or receiving money related to the transaction.



06

Value Added Tax

Contents

Charge of VAT

61

Economic activity, place of supply

Types of VAT & SD

62

Standard rate VAT, Turnover Tax, Supplementary Duty, Zero-Rate VAT, Reduced Rate VAT, Specified/Fixed-based Rate VAT, Trade VAT, Advance Tax

VAT mechanism

63-65

Computing net VAT liability, input VAT and credit, VAT adjustments

Withholding VAT

66

Withholding entities, Scope of withholding supplies, general guidance

VAT filings, audits and appeals

67-70

Appeal to the Commissioner (Appeal), Appeal to Appellate Tribunal, VAT filings and key compliances

Other matters

71-72

VAT software, fair market value, central VAT registration, carry-forward and refunds, consequence of non-compliance, reverse charge, amended and late VAT return

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

01

Standard or
Zero-Rate02
SD

03

Reduced
and
Specified
Rate

04

Trade VAT

05

Advance Tax

Standard rate

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

Businesses under Turnover Tax would be required to pay 4% as Turnover Tax on their sales over each quarter.

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.

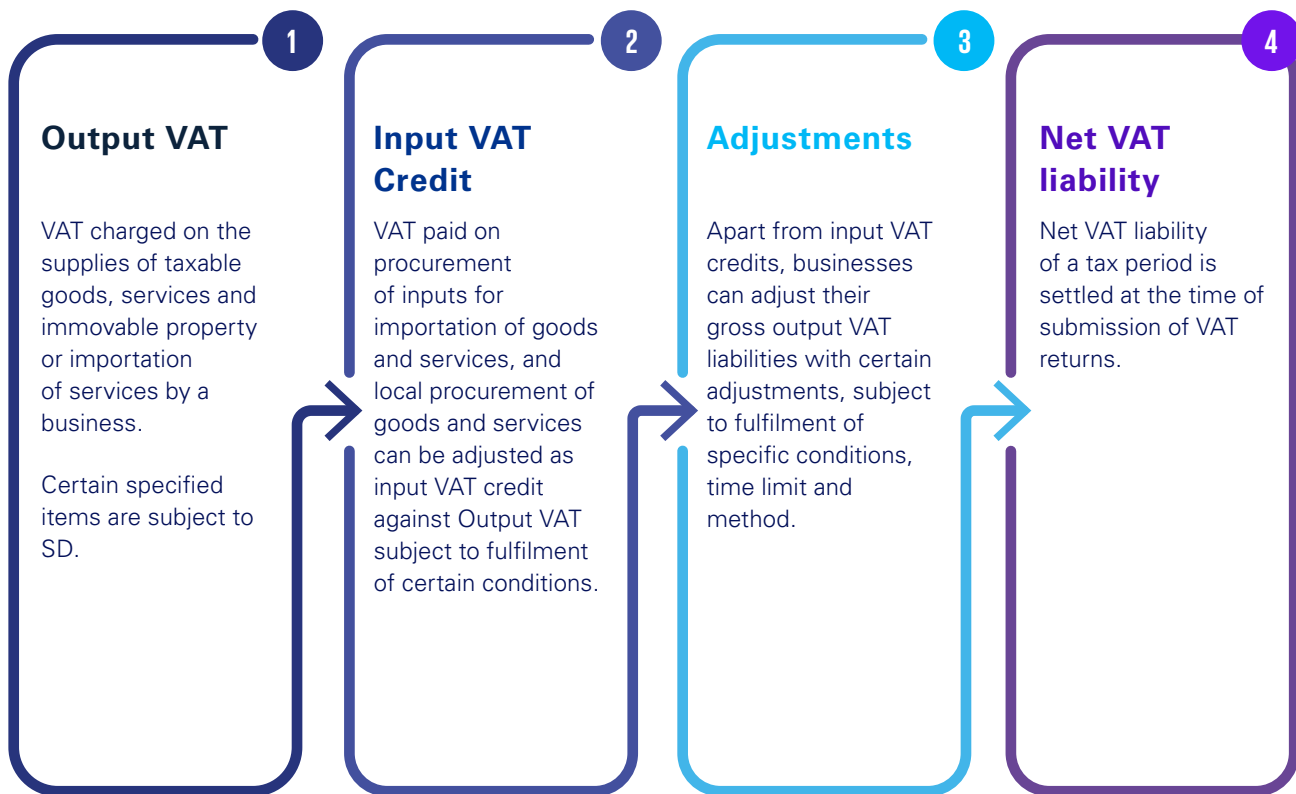
Advance tax

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

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.



Tax period is each calendar month for VAT registered persons and each quarter for Turnover Tax enlisted persons.

Construction firms, procurement providers and C&F agents can file semi-annual returns (on 30 June or 31 December) if they are not withholding entities.

VAT mechanism

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;
- Compute and record of output VAT in the VAT return on import of service for input VAT credit against imported services;
- 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%; and
- No input credit can be claimed against supplies subject to supplementary duty.

Partial input VAT credit

Input VAT credit is eligible partially only up to the amount of consideration paid or payable for the inputs. Partial input VAT credit is not considered if the sale price is less than the total input cost.

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.

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

VAT mechanism

Reverse charge of VAT

Banks which are responsible for sending money against importation of services from outside of Bangladesh will check whether applicable VAT on importation of services has been deposited to the Government exchequer. Based on the status of the importer's VAT registration, the control mechanism is as follows:

- **VAT unregistered recipient (B2C):** banks will collect VAT at 15% on the import price from the recipient at the time of making payment 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 challan 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 by itself.

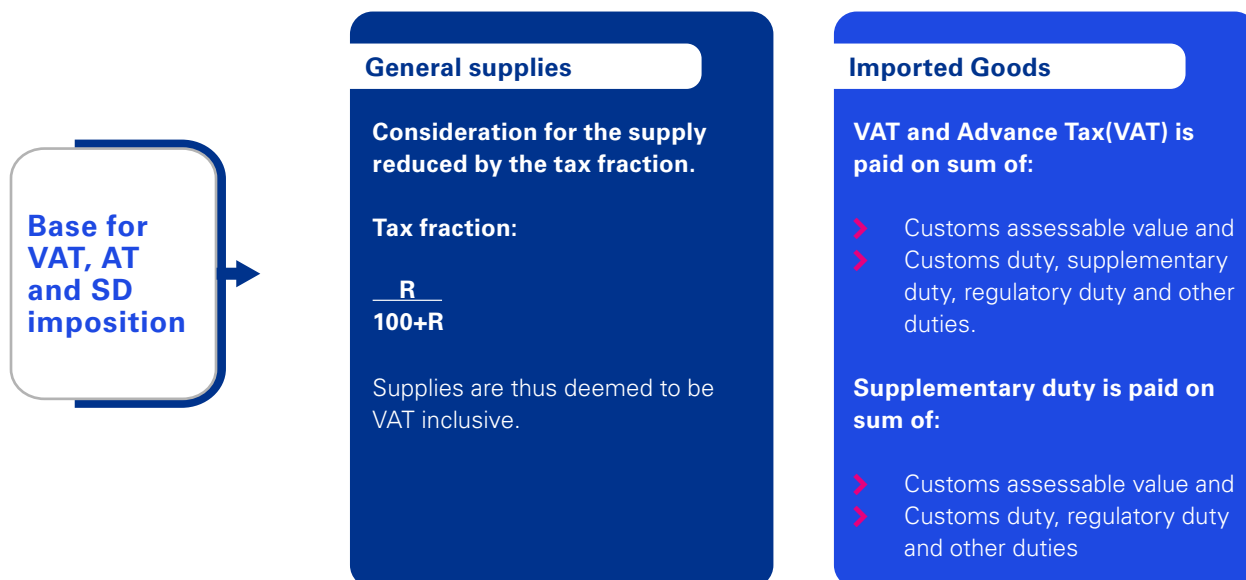
Carry forward and refund

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.



Withholding VAT

Scope of withholding supplies

- **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.
- **Supply of services:** Applicable on all 44 service categories prescribed for withholding VAT.
- **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.
- **Supplies of medicine:** No withholding requirement for the purchase of local medicine from traders/procurement provider.
- **Supply of exempted goods and services:** No withholding requirement on supplies exempted under the First Schedule of the VAT and SD Act 2012.
- **Supply of zero-rated goods:** No withholding requirement on supplies which are considered zero-rated as per Section 21 of the VAT and SD Act, 2012.
- **Supply of furniture by manufacturer:** No withholding requirement from furniture manufacturer if it supplies at 15% VAT and issues 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

- The unregistered withholding entity must deposit the withholding VAT to the government treasury within 15 days of the deduction and issue withholding VAT certificate (i.e. Mushak- 6.6) in three copies within 3 working days from the date of deposit withholding VAT.
- The registered withholding entity is not required to deposit withholding VAT separately. Rather, withholding VAT including VAT on office rent is to be adjusted through an "Increasing Adjustment" in the relevant month VAT return. Upon adjustment in the VAT return, withholding VAT certificate (i.e. Mushak- 6.6) will be issued in three copies within 3 working days from the date of submission of VAT return.
- Submit withholding documents (original copies of the certificate and the treasury challan) 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.
- Suppliers can claim decreasing adjustment on the withheld VAT within the next six months following the end of the month of receiving payment.

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 post-secondary 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 the tax 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.
- Service provider and 100% exporter/deemed exporter are exempted from the submission of input-output co-efficient declaration.
- 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.

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 the address from one Commissionerate office to another or claiming a VAT refund through an application.



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: The applicant other than VAT officer will be required to pay 10% of the tax specified in the impugned order at the time of filing. Fine will be excluded from the tax amount for the calculation of 10% disputed tax for appeal to the Commissioner (Appeal).

Disposal of the case: The Commissioner (Appeal) is to 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: The applicant other than VAT officer will be required to pay 10% of the tax specified in the impugned order at the time of filing. Fine will be excluded from the tax amount for the calculation of 10% disputed tax for appeal to the appellate Tribunal.

Provided that, this 10% tax will not be required to be paid if the appeal is made against the order issued by the Commissioner (Appeal).

Disposal of the case: If the Appellate Tribunal fails to dispose of the appeal within a period of two years, the appeal will be deemed to have been granted by the Appellate Tribunal.

VAT obligations

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;
- Annual turnover exceeds Taka 5 million;
- Supplies are subject to supplementary duty;
- Participating in contract, tender or work order;
- Importer or exporter;
- Any foreign branch, liaison or project office; or
- VAT agent.

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

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 by including all prescribed information in 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 monthly VAT returns

Businesses must file VAT returns within 15 days following the end of the month or tax period (for Turnover Tax—following the end of quarter)

Filing can be made within 20 days of following month for Government, semi-government and autonomous organisations, banks and insurance companies or in case of submission of zero/nil VAT return

If the last day (i.e. 15th 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.

Companies must submit their audited financial statements within 6 months after the end of each financial year.

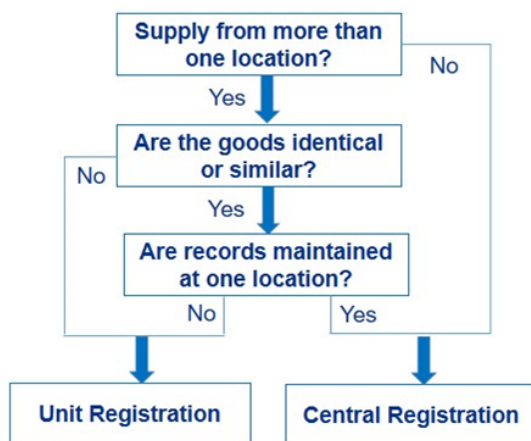
Other matters

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.

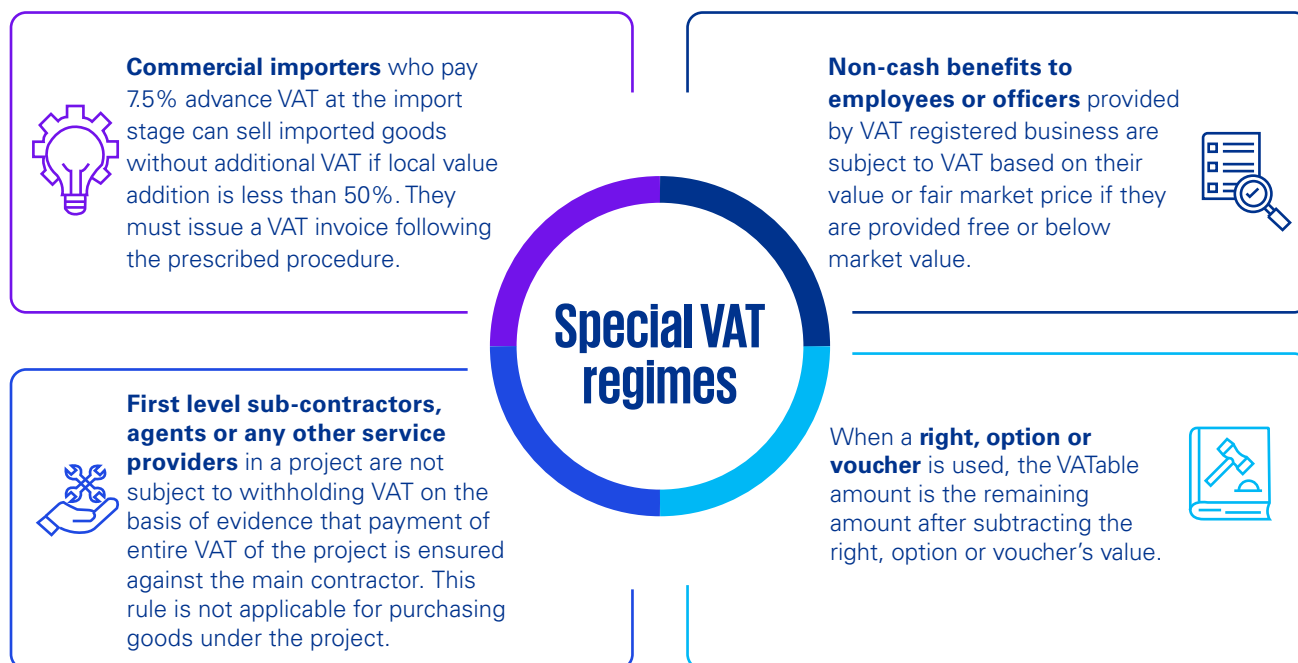
VAT registered entities can maintain Purchase Register (i.e. Mushak 6.1), Sales Register (i.e. Mushak 6.2) and Combined Purchase and Sales Register (i.e. Mushak-6.2.1) through the company's Enterprise Resource Planning software system without prior approval from the concerned authority.

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



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.

Appendices

| | | | |
|-------------|---|-------------------|---|
| 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 | | |

| Section | Description of service | Withholding tax rate | Minimum tax |
|---------|--|---|-------------|
| 86 | Salaries | Average rate | No |
| 88 | Any payment made or credited to beneficiary of Participation Fund, Welfare Fund and Worker's Welfare Foundation Fund | 10% | Yes |
| 91 | Payment for intangible property/asset | 10% | Yes |
| 92 | Advertising bill of media (newspaper or magazine, private television or private radio station) | 5% | Yes |
| 94 | Commission, discount, fees etc. | 10%, 1.5%, 3% and 5% 5% and 3% rates are applicable on the difference between selling price to distributor and retail price. | Yes |
| 95 | Travel agent | 0.30% | Yes |
| 96 | LC commission | 5% | No |
| 97 | Payment through local LC | 3% - purchasing goods for trading or processing 1.5% - extending the credit facility to any distributor 1% - purchasing cotton & yarn 2% - purchasing fruits and computer and computer accessories 0.5% - purchasing grocery items. | No |
| 98 | Payment by cellular mobile phone operator, tower sharing company | 20% | No |
| 99 | Payment in excess of premium paid on life insurance policy | 5% | No |
| 100 | Insurance commission | 5% | Yes |
| 101 | Fees, etc. of surveyors of general insurance company | 15% | Yes |
| 102 | Interest on savings deposit and fixed deposit, etc. | 20% - Trust, AOP, and company 10% - Others | Yes |
| 104 | Interest on loans, not received from bank and finance company | 10% | No |
| 105 | Interest earned on savings certificates | 10% | Yes |
| 106 | Interest earned from securities | 10% | Yes |
| 108 | IGW and ICX for international call | 1.5% and 7.5% | Yes |
| 109 | Rent payment | 10% | No |
| 110 | Payment to convention hall, conference centre | 10% | Yes |
| 111 | Compensation against acquisition of property | 6% for property reside in city corporation, pourashava, cantonment board or 3% for other area | Yes |
| 112 | Export cash subsidy | 10% | Yes |
| 114 | Purchase of power/electricity | 4% | Yes |

| Section | Description of service | Withholding tax rate | Minimum tax |
|---------|---|---|-------------|
| 115 | Sum paid by real estate developer to landowner | 15% | Yes |
| 116 | Commission or remuneration paid to agent of foreign buyer | 7.5% | Yes |
| 117 | Dividends | 20% - if the shareholder is a company. 10%/15% - if the shareholder is a person other than a company at 10% if TIN is furnished, otherwise 15% | Yes |
| 118 | Income from lottery, etc. | 20% | Yes |
| 90 | Payment for services | | |
| | Advisory or consultancy | 15% - For natural persons 7.5% - Other than natural person | Yes |
| | Professional service | 15% - For natural persons 7.5% - Other than natural person | Yes |
| | Technical services fee, technical know-how or technical assistance fee | 10% | Yes |
| | For below and any other service of similar nature: | | Yes |
| | a) On commission or fee | 10% | |
| | b) On gross bill amount | 2% | |
| | Catering service, Cleaning service, Collection and recovery service, Private security service, Supply of manpower, Creative media service, Public relations service, Event management service, Training, workshops, etc. organisation and management service, Courier service, Packing and Shifting service, Other services in similar nature | However, where both gross bill and commission are shown; minimum withholding tax will be based on 10% commission on gross bill amount. | |
| | Print and electronic media agency service: | | Yes |
| | a) On commission or fee | 10% | |
| | b) On gross bill amount | 0.65% | |
| | | However, where both gross bill and commission are shown; minimum withholding tax will be based on 2.5% commission on gross bill amount. | |
| | Indenting commission | 7.5% | Yes |
| | Meeting fees, training fees or honorarium | 10% | Yes |
| | Mobile network operator | 12% | Yes |
| | Credit rating agency | 10% | Yes |
| | Motor garage or workshop | 8% | Yes |
| | Private container port or dockyard service | 8% | Yes |
| | Shipping agency commission | 8% | Yes |
| | Stevedoring/berth operation | | Yes |
| | a) On commission or fee | 10% | |
| | b) On gross bill amount | 5% | |

| Section | Description of service | Withholding tax rate | Minimum tax |
|---------|--|----------------------|-------------|
| 90 | (i) Transport service, carrying service, vehicle rental service, repair and maintenance service (ii) Any other service under any sharing economy platform including ride sharing service, coworking space providing service and accommodation providing service | 5% | Yes |
| 90 | Wheeling charge for electricity transmission | 3% | Yes |
| 90 | Internet service | 5% | Yes |
| 90 | Service delivery agents engaged in mobile financial services or channel partners of mobile financial services | 10% | Yes |
| 90 | Freight forwarding agent | 1.5% | Yes |
| 90 | Any other service which is not deductible as per any section of this act | 10% | Yes |

| 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 | In case of supply of oil by oil marketing companies engaged in marketing of petroleum oil and lubricants | 0.6% |
| 3 | In case of supply of oil by dealer or agent of petroleum oil market company | 1% |
| 4 | For the supply of paddy, rice bran, rice, wheat, potato, cattle, fish, meat, onion, garlic, peas, chickpeas, lentils, ginger, turmeric, dried chillies, pulses, maize, flour, refined flour, salt, edible oil, sugar, seeds, jute sticks, mustard, sesame, raw tea leaves, black pepper, cinnamon, cardamom, cloves, bay leaves, jute | 0.5% |
| 5 | For the supply of cotton and yarn | 1% |
| 6 | Supply of all kinds of fruits | 2% |
| 7 | In case of industrial establishments engaged in manufacturing of iron or iron product, ferro alloy products, ceramic products or cement other than MS billet | 2% |
| 8 | For sub-contracts provided by 100% export-oriented garment industries | 1% |
| 9 | In case of supply of oil by any company engaged in oil refinery activities | 1.5% |
| 10 | In case of company engaged in gas distribution, on any amount | 0.6% |
| 11 | In case of company engaged in gas transmission, on any amount | 3% |
| 12 | Supply of Extra High Voltage Power Cable made by the companies which owns Vertical Continuous Vulcanisation line at local level | 3% |
| 13 | In case of supply of books to a person other than the Govt. including all of its attached and sub-ordinate offices | 3% |
| 14 | Supply of recycled lead | 3% |
| 15 | In case of supply of industrial raw materials to a manufacturer | 3% |
| 16 | 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% |
| 17 | For manufacturing, process or conversion, construction work, engineering or similar other works | 5% |
| 18 | For the supply of raw-materials in cigarettes, bidi, chewing tobacco, gul, or any other tobacco industries | 10% |
| 19 | For the supply of raw-materials used in recycling industries | 1.5% |

Payments made to resident contractors and suppliers as stated above are all subject to minimum tax.

| Sl. | Description of service | Withholding tax rate |
|-----|---|----------------------|
| 1 | Advisory or consultancy service | |
| | (a) For natural persons | 20% |
| | (b) Other than natural person | 10% |
| 2 | Pre-shipment inspection service | 20% |
| 3 | Professional service | |
| | (a) For natural persons | 20% |
| | (b) Other than natural person | 10% |
| 4 | Technical services, technical know-how or technical assistance | 20% |
| 5 | Architecture, interior design or landscape design, fashion design or process design | 20% |
| 6 | Certification, rating etc. | 20% |
| 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 | 20% |
| 11 | Royalty, licence fee or payments related to intangible assets | 20% |
| 12 | Interest | 20% |
| 13 | Advertisement broadcasting | 20% |
| 14 | Advertisement making or digital marketing | 15% |
| 15 | Air transport or water transport excluding scope mentioned in section 259 and 260 | 7.5% |
| 16 | Contractor or sub-contractor or sub-sub-contractor services provided against manufacturing, processing, conversion, construction or service of similar nature | 7.5% |
| 17 | Supply of goods | 7.5% |
| 18 | Capital gain | 15% |
| 19 | Insurance premium | 10% |
| 20 | Rental of machinery, equipment etc. | 15% |
| 21 | Dividend | |
| | (a) company, fund and trust | 20% |
| | (b) any other person not being a company, fund and trust | 30% |
| 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 | 20% |
| 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 | 15% |
| 30 | Any other payments | 20% |

Payments made to non-residents as stated above are all subject to minimum tax.

| Section | Description of service | Withholding tax rate | Minimum tax |
|---------|--|--|-------------|
| 120 | Imported goods | 0% to 20% or Taka 500 per ton based on specified H.S. Codes | Yes |
| 121 | Manpower export/ recruiting agents | 10% | Yes |
| 122 | Commission from Clearing & Forwarding | 10% | Yes |
| 123 | Export of goods | 1% | Yes |
| 124 | Remittance of: | | Yes |
| | a) Service charge, fees, commission, revenue sharing etc. | 7.5% | |
| | b) In case of freight forwarder | 1.5% - on gross bill or including commissions | |
| 125 | Transfer, etc. of property | Land – 12 lakh per decimal Flat, apartment, floor space – Taka 1,000 per sq. meter Or 10% of deed value whichever is higher | Yes |
| 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 | Yes |
| 127 | Commission on govt. stamp, court fee, cartridge paper etc. | 10% | Yes |
| 128 | Lease of property | 4% | Yes |
| 129 | Cigarette manufacturers | 10% | Yes |
| 132 | Shipping business of a resident | 5%/3% | Yes |
| 133 | Sale of goods or property by public auction | 10%; Sale of tea 1% | Yes |
| 134 | Transfer of non-listed share | 15% | Yes |
| 135 | Transfer of securities | 15% | Yes |
| 136 | Transfer of shares of shareholders of stock exchange | 15% | Yes |
| 137 | Member of Stock Exchanges | 0.03% | Yes |
| 138 | Commercially operated motor vehicles | Depend on type of vehicles | Yes |
| 139 | Shipping business | Depend on type of vessels | Yes |

| 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 | 10% |
| S007.00 | Advertising firm | 15% |
| 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 (if manufacturer directly delivers to consumer – VAT 15%) | 7.5% |
| | 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 | |
| | a) Transportation of petroleum products | 5% |
| | a) 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% |
| S054.00 | Advertisement through satellite channel | 15% |

| Service Code | Description of services | VAT rate |
|--------------|---|----------|
| 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% |
| S099.10 | Information technology enable services | 5% |
| S099.20 | Miscellaneous services | 15% |
| S099.30 | Sponsorship services | 15% |
| S099.50 | Credit rating agency | 15% |

| Nature of non-compliance | Monetary penalty |
|---|---|
| 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 | Half or equal amount of increased decreasing adjustment or Half or equal of the amount of decreased increasing adjustment |
| 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 |
| Interest for Late VAT Payment | Interest at a simple interest of 1% per month for failure to pay VAT on or before the due date of payment (2% semi-annually for withholding VAT). Maximum period for computing interest is 24 months. |
| Interest on Undue Input VAT Credit or Decreasing Adjustment | For the amount of undue input VAT credit and decreasing adjustment 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 |



About KPMG in Bangladesh

About KPMG

KPMG is a global organisation of independent professional services firms providing Audit, Tax and Advisory services. KPMG firms operate in 142 countries and territories with more than 275,000 partners and employees working in member firms around the world.

KPMG in Bangladesh operates through two locally owned entities: Rahman Rahman Huq and KPMG Advisory Services Limited collectively known as KPMG Bangladesh/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 KPMG, 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.

KPMG in Bangladesh at a glance



2 offices

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



525+ people

KPMG in Bangladesh 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, KPMG 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

KPMG in Bangladesh 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 KPMG in Bangladesh.

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.



Mohammad Shahabuddin

VAT Consultant

With over three decades of experience in revenue administration and international consultancy, Mr. Mohammed Shahabuddin has led transformative 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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