



Tax Update

December 2024



The tax environment in Bangladesh is undergoing significant changes with introduction of the several Acts in the last year, which are going through some interesting transformations in this year. This newsletter presents some of our picks from the major updates which any professional should be aware of.

Income Tax

1. Amendment to the First Schedule of the Income Tax Act 2023 (ITA 2023)

The opportunity to report previously undisclosed income via deposition in assets such as securities, cash, financial schemes & instruments and others (except the flat, apartment, establishments and land as specified in the first table) by paying 15% tax has been revoked.

2. Investment rebate granted for donation in Center for Zakat Management (CZM) and removed for donation to national institution established in the name of the Father of the Nation.

From now onwards any grant or donation to CZM will be eligible for investment rebate in the hands of individuals. This incentive is valid up to 30 June 2029.

On the other hand, donation to national institution established in the name of the Father of the nation will no longer be eligible for such rebate in the hands of the individuals.

3. Online Income Tax Return filing made mandatory for certain taxpayers

The National Board of Revenue (NBR) has issued a general order making it mandatory for the following taxpayers to file their income tax returns online

- Government employees in Dhaka North, South, Gazipur, and Narayanganj city corporations
- Employees of all scheduled banks
- Employees of all mobile telecom service providers
- Employees/workers of Unilever, Marico, Nestlé, Berger Paints, Bata, and BAT

4. Changes in Capital gain tax rates in the Seventh Schedule of the Income Tax Act, 2023

The key change is that effective from 1 July 2025, for taxpayers other than companies, funds and trusts, a 15% tax will be applicable on capital gains from transfer of listed securities regardless of holding period.

5. Exclusion from taxable income, donation to As-Sunnah Foundation and July Martyr Memorial Foundation

From now on donations through bank transfer to As-Sunnah Foundation and July Martyr Memorial Foundation will be excluded from taxable income subject to the fulfilment of certain conditions. This primarily benefits the entity providing the donations.

6. Tax exemption of Grameen Bank

From now on all income earned by Grameen Bank will be exempted from tax subject to the fulfilment of certain conditions as per section 76 of the ITA 2023. This exemption will be effective immediately and will stay effective till 31 December 2029.

7. Provision for Tax exemption at reducing rates for companies producing electricity with renewable energy sources

Companies or other persons involved in power generation from renewable energy sources that begin commercial operations between 1 July 2025 and 30 June 2030, will be eligible for a 15-year tax exemption at reducing tax rates from commencement of commercial production, subject to fulfilment of specific conditions.

Tax exemption period	Tax exemption rate
First ten years	100%
The next three years	50%
The next two years	25%

8. Removal of exemption on income of certain institution, trusts, foundations.

Exemption on income of certain Institution, trusts and foundations have been removed.

9. Tax Exemption for ICB Unit Fund

Tax exemption has been introduced for all income earned by the **Investment Corporation of Bangladesh (ICB) Unit Fund** subject to the fulfilment of certain specified conditions.

10. Withdrawal of tax exemption of foreign remittance earned by Bangladesh flag carrier ocean going ships

The previously available tax exemption facility for foreign remittance earned by Bangladeshi flag carrier ocean going ships, applicable until 30 June 2030 has been withdrawn.

1. Introduction of new procedures for exporting sub-contracted goods

In a bid to modernise warehouse management and boost export trade, the government has outlined updated procedures for the export of contract-based (sub-contracted) goods for direct export-oriented entities, excluding the apparel industry. These measures facilitate the inter-bond transfer of raw materials between manufacturers, provided that some key conditions are met.

2. Exemption of Advance Tax (AT) for solar panel and certain other manufacturers

Solar panel manufacturers have been granted exemption on the AT payable at import stage for items like photovoltaic cells, converters, wire, aluminum structure etc. However, for enjoying this exemption, the manufacturer must declare that the manufactured solar panels would only be used for renewable power generation.

Further, CPP Films, BOPP Film and/or BOPET Film manufacturers are also offered exemption on AT, provided that these items are reported in the Input-Output Coefficient (Mushak 4.3) as raw materials.

3. VAT exemption for inter- bonded warehouse transfers of capital machinery and parts

The NBR has announced a VAT exemption on the transfer or sale (at local supply stage) of capital machinery and parts—imported at a concessional rate—between bonded warehouse-licensed entities. Under Section 23 of the VAT and SD Act 2012, goods supplied for export purposes are zero-rated. Since these entities primarily produce for export, this exemption simplifies business operations and promotes export growth.

4. Withdrawal of VAT exemption facility on import of ocean-going ships

VAT exemption facility on import of ocean-going ships have been withdrawn by amending GO No. 10/VAT/2019 dated 13 June 2019. Now 7.5% VAT rate is imposed on the import of ocean-going ships.

5. VAT and Advance Tax exemption on import of capital machinery for upgrading ship recycling yards to Green Ship Recycling Yards

The government has ratified the Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships (HKC) in June 2023, which will be enforced from 26 June 2025. By this deadline, all ship recycling yards must be upgraded to green ship recycling yards.

Post-deadline, ship recycling in Bangladesh will only be allowed if the yard meets green ship recycling standards. The NBR, under the VAT and SD Act 2012, grants an exemption from VAT and AT on the import of capital machinery needed for this upgrade, subject to specified conditions.

6. Amendment to VAT exemption for USAID-funded projects

Special Order No. 17/Mushak/2019 regarding VAT exemptions for USAID-funded projects in Bangladesh has been amended. The amendment involves the replacement of Annexure A-17 with the updated Annexure A-18. All other conditions from the previous order remain unchanged. After the expiration of any scheme listed in Annexure A-18, the corresponding exemption Coupon will no longer be attested. This update is effective from 4 November 2024.

7. VAT exemption granted to the July Martyr Memorial Foundation

The NBR has granted a VAT exemption for the activities of the July Martyr Memorial Foundation, a non-profit organisation funded by grants from the Chief Adviser's Relief Fund and donations from local and international sources.

Additionally, the Foundation is now exempt from VAT deduction at source on procurement provider services on its input side.

[This newsletter is a periodic publication of KPMG Bangladesh. If you need more detailed explanation, please feel free to contact us.](#)

If you have any query or need more information about our services, we will be happy to assist.



Nahidul Islam

Director,
Rahman Rahman Huq
T: +880 2 2222 86450-2
E: nahidulislam@kpmg.com



Fuad Khan

Director,
Rahman Rahman Huq
T: +880 2 2222 86450-2
E: khanfuad@kpmg.com

Connect with us

 dhaka@kpmg.com

 <https://kpmg.com/bd/>



Disclaimer

The information contained herein 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 and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2024 Rahman Rahman Huq and KPMG Advisory Services Limited are entities registered in Bangladesh, and member firms of the KPMG global organisation of independent member firms affiliated with KPMG International Limited ("KPMG International"), a private English company limited by guarantee. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no services to clients. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved. Printed in Bangladesh.

The KPMG name and logo are trademarks used under licence by the independent member firms of the KPMG global organisation.