

Tax Highlights

Finance Bill 2024 | Bangladesh



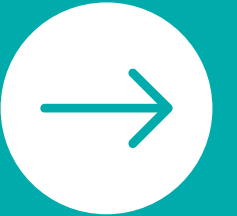
Contents

- 01 Key Budget Announcements
- 02 Corporate Taxation
- 03 International Taxation
- 04 Income Tax Exemptions
- 05 Individual Taxation
- 06 Indirect Taxation



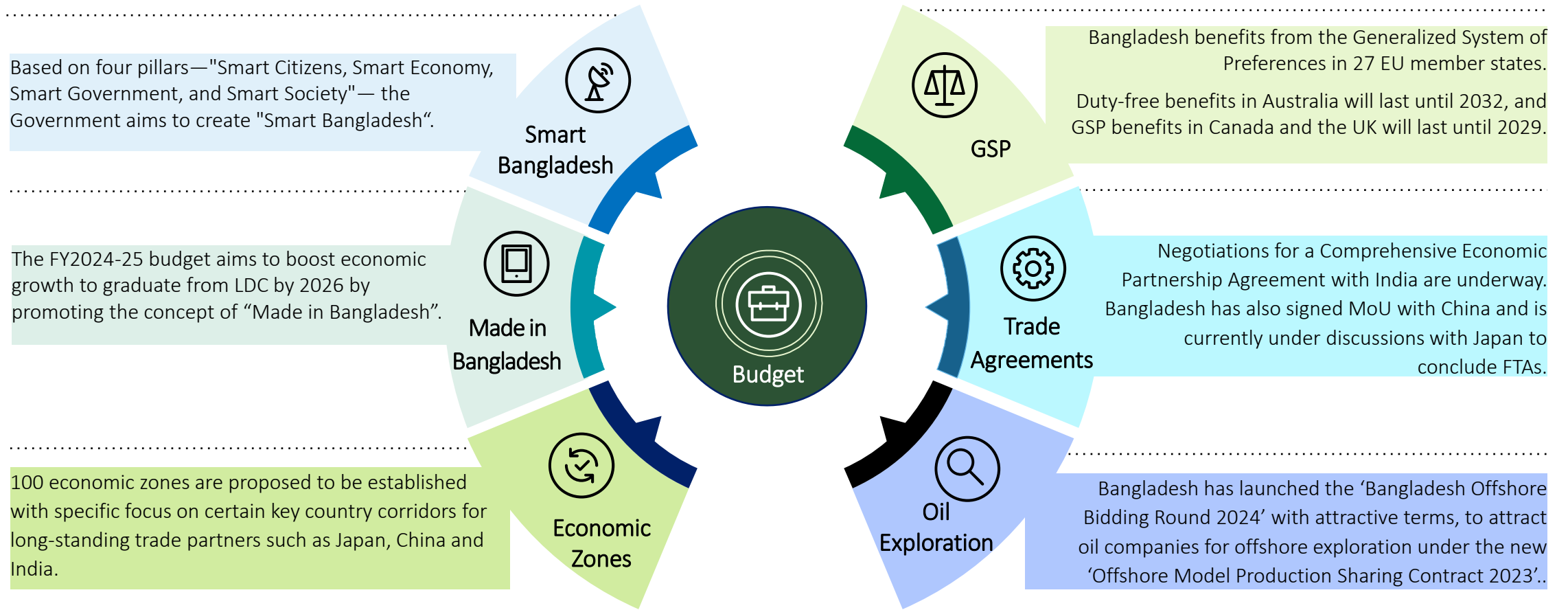
01

Key Budget Announcements



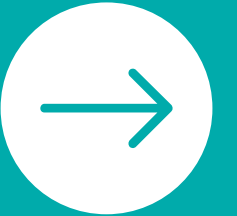
Key Budget Announcements

The Hon'ble Finance Minister of Bangladesh presented the budget in the parliament on 06 Jun 2024, thereafter, proposed amendments in direct and indirect tax matters were published via Finance Bill 2024



02

Corporate Taxation



Corporate Taxation

Tax Rates

Description of Taxpayers	Existing Rates	Proposed Rates
Publicly traded companies		
- Issues shares worth > 10% of paid-up capital via IPO	20.00%	20.00%
- Issues shares worth < 10% of paid-up capital via IPO	22.50%	22.50%
Non-publicly traded companies	27.50%	25.00%
Foreign companies (including branch office)	27.50%	25.00%
One person company	22.50%	20.00%
Association of persons	27.50%	27.50%
Publicly traded mobile operator company*	40.00%	45.00%
Co-operative societies*	15.00%	20.00%

Headline corporate tax rates for private limited and foreign companies has been proposed to be reduced by 2.5%.

Condition: Subject to the condition that all types of income and receipts and every individual transaction above BDT 500,000 and all types of expenses and investments exceeding BDT 3,600,000 in total annually should be executed through bank transfer, otherwise, the tax rate shall be increased by 2.5%.

- The aforementioned condition shall not be applicable.

Corporate Taxation

Key Amendments Proposed

1

Corporate income tax rates have been proposed to be applied prospectively from Jul 2024 onwards.

2

The scope of deemed dividend proposed to be expanded to mean loan, advance, or any other benefit to shareholders out of the retained earnings of any company , whether private or public.

3

“Specified person” for the purpose of withholding taxes proposed to include resort, motel, restaurant, etc., and will now be considered as withholding entities.

4

"Raw material" for WHT proposed to denote imported goods that will be altered or converted via manufacture and the same is relevant for industrial undertakings importing such goods which shall not be covered under minimum tax clauses.

5

The term “accepted tax liability” has been proposed to mean tax as admitted in the ITR filed, amended or processed.

Corporate Taxation

Minimum Tax Proposals

1

Taxes withheld on specified income of oil marketing companies, oil refineries, gas transmission and distribution companies shall be considered as “minimum tax” and will not be subject to refund or adjustment.

2

Advance income tax on import of raw materials for production powder milk, aluminum and ceramic for captive consumption shall also be considered as minimum tax.

3

Where the minimum tax liability for the given IY is lower than the regular tax liability, the difference may be adjusted with the assessed tax refund of any prior IY or IYs.

4

The minimum tax rate on gross receipts for mobile phone operator remains unchanged.

5

The minimum tax rate on gross receipts for sweetened beverages has been proposed to be increased from 0.6% to 3%.

Corporate Taxation

Changes in compliances proposed

Withholding tax return

Due date for filing of the WHT return proposed to be extended from 15 days to 25 days of the following and provision for availing time extension of WHT return has been deleted.

Income tax return ("ITR")

All tax-payers shall have to mandatorily file their ITR under self-assessment scheme the due date of which may be extended by a maximum period of one month by the National Board of Revenue.

Proof of submission of return ("PSR")

It has been proposed that PSR shall have to be furnished when obtaining/renewing licenses by hotels, restaurants, motels, hospitals, clinics, or availing services from community centres and convention halls.

Filing of audited financials with the ITR







All companies along with any firm, fund, AOP, society, trust etc., whose turnover exceeds BDT 50m shall have to mandatorily furnish their audited financial statements at the time of submission of ITR.

Processing of ITR

It has been proposed that ITR once filed ought to be processed within 2 years. Further, it has been also proposed to complete audit assessment procedures within 2 years of relevant assessment year.

Corporate Taxation

Withholding Tax – Major Proposals

Purchase of power		Purchases of power from captive power plants will be subject to WHT @ 6%.
Manufacturing and EPC contracts		WHT @ 7% on contract value shall be applicable for residents engaged in manufacturing, construction, engineering or similar work.
WHT in local LC		The WHT on local LC or essential commodities has been reduced to 1% from 2% .
Rationalization of the WHT rates		WHT @ 5% proposed for suppliers from slab rates earlier of 3-7%
Applicable WHT on resale by distributor		WHT rate applicable for resale of goods by distributor has been enhanced to 0.50% from 0.35%, subject to certain other conditions
License fee for telecom operator		WHT on revenue sharing/ license fee to a telecom operator proposed to be increased to 20% from 10%.

Corporate Taxation

Proposals regarding admissible expenses

Special business income

'Special business income' was not allowed to be set-off against normal business income. Proposal for relaxation of certain disallowed expenses have been inserted, such as perquisites, royalties, head office costs, travel, entertainment, and promotional expenses beyond specified threshold will no longer be considered as 'special business income'.

Deduction against liability

Any deduction or deduction made against an unascertained liability proposed to be considered an inadmissible expense.

Deduction for social security contribution

Contribution payable to Workers Participation Fund, Welfare Fund and Worker Welfare Foundation Fund proposed to be eligible for deduction against business income.

Contribution to unapproved funds

In case any payment is made to any fund which is required to obtain approval, from the Commissioner of Taxes/relevant authority, such contribution shall be disallowed in absence of approval.

Depletion Allowance

Petroleum exploration and production companies will no longer be able to factor in the depletion allowance into their profit calculations.

Corporate Taxation

Other Notable Proposals



Reduction of interest for delay filing of ITR

Penal interest for filing of ITR post due date has been proposed to be **reduced to 2% from 4% earlier**.

Moreover, **additional 5% monthly interest on taxes underpaid which have been via amended return has proposed to be rescinded**.



Enhancement of PSR penal provision

Taxpayers have to mandatorily display their PSR at a prominent place in the place of business else there shall be penal consequences which have been proposed to be **enhanced to BDT 20k-50k from BDT 5k-20k earlier**.



'Income from other sources' amended for transfer of certain assets

Income from arising from the transfer of mineral deposits, hydrocarbons or goodwill proposed not to be included in "income from other sources"



Exemption to be not considered

It has been proposed that, if an amended return is filed after the ITR filing due date, any claim additional tax exemption will not be considered, even with supporting documentation, and will be taxed at normal rates.

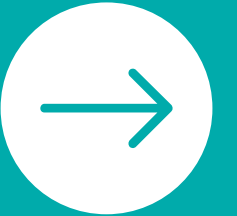


Withdrawal of tax incidence on unpaid interest

Earlier, interest which was claimed as a deduction but remained unpaid for three income years was considered as special business income and subject to tax separately. The said provision has now been proposed to be deleted.

03

International Taxation



International Taxation



Tax rate @ 15% on capital gains arising on sale of listed shares have been rationalized vis-à-vis 10% through a defunct notification earlier.



Rate of WHT for income remitted from abroad for services, commission, fees, etc. proposed to be reduced **from 10% to 7.5%**



Losses incurred by non-residents (for e.g., branch offices) can be carried forward and set-off for 6 AYs, despite taxes on such sources of income being considered as minimum tax.



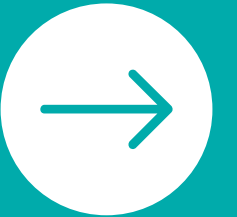
If an entity with a WHT exemption certificate participates in a tender or enters into a contract which is inclusive of WHT in its quoted tender price or contract, it will not be eligible for the WHT exemption.



No WHT shall be applicable on payments made to non-residents being in the nature of statutory fees and charges, liaison office expenses, product development and marketing expenses.

04

Income Tax Exemptions



Income Tax Exemptions

Economic Zone and Hi-tech park

- Graded income tax exemption for manufacturing of goods and rendering services (specified) in notified Economic Zones and Hi-Tech Parks.
- Exemption of capital gains/FTS/royalty/dividend proposed to be removed.

On manufacture of certain goods

Reduced corporate tax of 5% applicable for 12 years on manufacturing motorcycles, freezers, air conditioners and refrigerators, subject to satisfaction of prescribed conditions.

IT and ITES

- Income tax exemption for specified IT and ITES proposed till 30 Jun 2027.
- AI, blockchain, SaaS added to the list.
- IT process outsourcing, system. integration, NTTN etc. have been excluded from the list.

Physical Infrastructure

- The sunset for establishing and operation of a physical infrastructure proposed not to be extended beyond 30 Jun 2027.
- Such exemption was available to renewable energy producers, water suppliers, deep seaport operators etc.

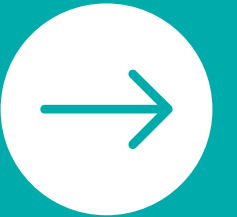
Other important aspects

- Exempted taxpayers may choose to pay tax at regular rates.
- The taxpayer cannot claim an exemption under any other section once it has been availed, regardless of whether the exemption is claimed via amalgamation or demerger.
- An entity may apply for tax exemption within 6 months from commencement of commercial operations.



05

Individual Taxation



Individual Taxation

Tax Rates

Tax rate for resident and non-resident Bangladeshi individuals

Income	Existing Rate	Income	Proposed Rate
Income up to BDT 350,000*	Nil	Income up to BDT 350,000*	Nil
BDT 350,001 to BDT 450,000	5%	BDT 350,001 to BDT 450,000	5%
BDT 450,001 to BDT 750,000	10%	BDT 450,001 to BDT 850,000	10%
BDT 750,001 to BDT 1,150,000	15%	BDT 850,001 to BDT 1,350,000	15%
BDT 1,150,001 to BDT 1,650,000	20%	BDT 1,350,001 to BDT 1,850,000	20%
Above BDT 1,650,001	25%	BDT 1,850,001 to BDT 38,500,000	25%
		Above BDT 38,500,000	30%

Note: Tax rate for non-resident foreigner is 30%.

* Exempt income for women and senior citizens will be BDT 400,000.

* Rate of surcharge payable by individual assessee remains unchanged.

Individual Taxation

Key Amendments

1

The definition of “employee” proposed to encompass, among other things, all individuals earning income categorized as “Income from Employment” while tea garden workers and daily wage earners.

2

Tax base for capital gains proposed to be expanded to include gains exceeding BDT 5m from transfer of listed shares/securities.

3

It is proposed that total income shall exclude advances, loans, or deposits in excess of BDT 0.5 million received from parents, spouses, or children through a banking channel, if appropriately reported in respective ITRs.

4

Any money paid to a beneficiary by Worker's Participation/Welfare Fund was subject to WHT @ 10%. It is proposed that person making contribution to the aforementioned fund shall WHT @ 10%.

5

The threshold mandating the submission of statement of asset and liabilities proposed to be increased from BDT 4m to BDT 5m.

Individual Taxation

Key Amendments

6

The mechanism for computation of rent has been proposed to be amended, wherein, rental income from house property and that of other than house property have been segregated.

7

Income derived from warehouses, hostel, hotel, motel, and resort has been proposed to be excluded from the definition of “rental income”, while service charge, repair and maintenance fees etc., have been included.

8

“Special rental income” to include unspent portion of repair and maintenance fees charged from tenant along with any other inadmissible expenditure from ‘income from house property’.

9

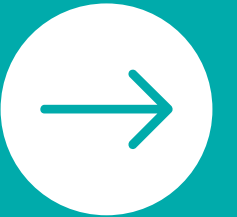
Income received by employee from accumulated balance of Recognized Provident Fund proposed to be exempted from WHT.

10

Minimum tax payable by individual assessee remains unchanged.

06

Indirect Taxation



Indirect Taxation

Key Amendments

1

Customs Act, 1969 has been replaced by Customs Act, 2023 w.e.f. 06 Jun 2024. The new Act is based on international best practices and tariff rates for various goods have been updated.

2

Withholding VAT entity has been expanded to include entities which have a turnover of BDT 100m or more.

3

Mandatory pre-deposit for filing of appeal with Commissioner of VAT (Appeals) and VAT Tribunal proposed to be reduced from 20% to 10% of the disputed demand.

4

The window for claiming refund for overpaid customs duty has been proposed to be extended to 3 years from 6 months.

5

The VAT deduction at source rates which were charged at 'truncated rates' have been increased to standard rate of 15% for e.g., security service, service by seller of lottery tickets etc.

Indirect Taxation

Rates and exemptions



VAT

- VAT rates on certain services like security services increased from 10% to 15%.
- VAT exemption for-
 - manufacture of mobile phones and exceeding 7.5% on manufacture of LPG cylinder extended till 30 Jun 2025.
 - manufacture of computer and accessories extended till 30 Jun 2026.
 - exceeding 5% on manufacture of optical fibre cables till 30 Jun 2025.
- VAT exemption for tour operator deleted.
- Output VAT on energy saving bulbs and tube lights increased from 5% to 15%.
- Output VAT exemption for manufacture and supply of air conditions deleted and VAT @ 7.5% introduced.
- Output VAT exemption for manufacture and supply of refrigerators increased from 5% to 7.5% .



Import Duty

- Customs duty (“CD”) @ 5% shall apply on permanent import of plant and equipment used in construction of public or private power generation plants. CD for import of medical equipment by hospitals increased from 1% to 10%.
- Imports of capital machinery, spares, and construction materials by industrial units in EZ or hi-tech parks, are subject to a 1% CD and regulatory duty.
- Duty exemption for import of vehicles into EZ/hi-tech has been withdrawn.
- Import duty shall be exempted on import of raw materials for manufacture of washing machines, LPG cylinders, mobile phones and refrigerators till 30 Jun 2026.
- CD more than 1% along with other duties shall continue to be exempt for import of raw materials for manufacturing of computer/equipment and electric motor and parts of electric motor till 30 Jun 2027.



Other aspects

- Manufacturers who hold an industrial import registration certificate and participate in international tenders for manufacturing goods in Bangladesh can import raw materials without paying import duties.
- Minimum value of import of certain goods modified/added as under:
 - Base oil imported by petroleum products manufacturing industry – increased from USD 700 per MT to USD 1,200 per MT
 - Lubrication oil – increased from USD 2,000 per MT to USD 3,000 per MT
 - Synthetic lubrication oil – USD 5,000 per MT
 - Compressor in refrigerators – USD 40 per unit
 - Compressor for AC – USD 50/85 per unit
- Import duty exemption for import of industrial raw materials and specified capital machinery (up to notified threshold) shall continue till 30 Jun 2025.
- Import duty exemption for import of specific spares used in local motorcycle manufacturing and assembly will remain in place.

Thank You