



BANGLADESH

KEY CHANGES IN FINANCE BILL 2024



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Disclaimer:

The information provided here is for information purposes only and is not intended to constitute legal advice. Legal advice should be obtained from qualified legal counsel for all specific situations.

Policy and Reforms:

- The budget for FY 2024-25 is focused on accelerating growth, job creation, GDP expansion, and promoting products labeled as "Made in Bangladesh."
- The "Smart Bangladesh" initiative aims to develop smart citizens, improve the economy, upgrade the government, and enhance society.
- New income tax rates are set for FY 2023-24, with confirmed future rates for FY 2024-25, allowing taxpayers to plan and optimize their tax liabilities.
- The goal is to transform Bangladesh into a developed, smart country by 2041 through economic stability, scientific education, and innovation.
- The National Pension Authority will be launched to facilitate a digital Universal Pension Management System.
- The development of 100 economic zones will continue under the Bangladesh Economic Zone Authority.
- Bangabandhu Sheikh Mujib Industrial City and other international economic zones will be established.
- Introduction of Digital Banks to offer technology-based banking services.
- The 2023 Offshore Model Production Sharing Contract aims to attract international oil and gas companies.

A 25-year Tourism Master Plan aims to contribute \$4.77 billion to the Bangladesh economy by 2041.

Personal Income Tax:

i. Tax rates for individuals:

Current slabs of total income (Finance Act 2023)	Proposed slabs of total income (Finance Bill 2024)	Tax rates
Up to tax-free threshold	Up to tax-free threshold	Nil
Next BDT 100,000	Next BDT 100,000	5%
Next BDT 300,000	Next BDT 400,000	10%
Next BDT 400,000	Next BDT 500,000	15%
Next BDT 500,000	Next BDT 500,000	20%
Remaining amount	Next BDT 2,000,000	25%
	Remaining amount	30%

The tax-free threshold:

- *For male tax payers – BDT 350,000*
- *For women, senior citizens aged 65 years or more – BDT400,000*
- *For physically challenged persons - BDT475,000*
- *For war-wounded gazette freedom fighters – BDT500,000*
- *For third-gender taxpayers – BDT475,000*
- *For parent of physically challenged person – Additional BDT50,000*

ii. Definitions:

- “Employee” includes all employees earning income under the “income from employment” category, and does not cover tea garden workers and daily laborers;
- “Income” includes assets earned or obtained other than natural acquisition, self-generation, debt foreclosure, hypothecation, inheritance, wills, funds, trusts, or barter exchanges; and
- “Transfer” excludes donations from parents, spouses, or children;

iii. Expansion of tax base:

- Transfers of capital assets through a gift will now be considered within the scope of 'transfer'.
- Capital gains from the transfer of listed shares or units, exceeding BDT 5 million, will be taxable (excluding sponsor shares, director’s shares, or placement shares).

iv. Others:

- The computation of income from rent will be revised;
- Threshold limit for the mandatory submission of statements of assets and liabilities has been raised from BDT 4 million to BDT 5 million;
- Government employees will now be required to mandatorily submit statement of assets and liabilities with their tax returns, regardless of the threshold limit; and
- Individuals engaged in the development of their own or others' land, homes, flats, or floor spaces will be categorized as developers or real estate developers and taxed accordingly.

Corporate Income Tax:

i. Corporate tax rates:

Description	Current rates (Finance Act 2023)		Proposed rates (Finance Bill 2024)	
	Tax Rate	Non-compliance with conditions	Tax Rate	Complying with conditions
Private limited company	27.5%	30%	27.5%	25%
One Person Company (OPC)	22.5%	25%	22.5%	20%
Listed companies transferring more than 10% of paid-up capital through IPO	20%	22.5%	22.5%	20%
Listed companies transferring 10% or less of its paid-up capital through IPO	22.5%	25%	25%	22.5%
Listed mobile operator	40%	N/A	45%	N/A
Co-operative society	15%	N/A	20%	N/A

Condition: All receipts and income must be transacted through bank transfer, and all expenses and investments over BDT0.5m individually (BDT3.6m, if aggregated annually) must be made through bank transfer.

ii. Definition:

- The term “Specified person” will now include resorts, motels, restaurants, and convention centers.

iii. Expansion of tax base:

- Hotels, motels, restaurants, hospitals and clinics will be required to furnish Proof of Return Submission (**PSR**) for obtaining or renewing licenses. Also, availing services from community centers, convention halls, etc., will require furnishing of PSR;
- Loans, advances, or other benefits disbursed to shareholders (or on their behalf) from retained earnings will be classified as dividends;
- Starting from AY 2025–26, the minimum tax scope will include withholding taxes (**WHT**) from specified supply by oil companies, oil marketing companies, oil refineries, and gas transmission and distribution firms, as well as advance income tax (**AIT**) collected on raw material imports by powder milk, aluminum, and ceramics manufacturers for their own use;
- Minimum tax provisions will be expanded to encompass the gross receipts of any trust;
- Depletion allowance will no longer be applicable in computing profits for companies engaged in petroleum exploration and production;
- A 20% tax rate will be applied to the gross income of companies exempted from return submission, excluding certain types of income like donations, taxes, rates, and duties. This tax will not apply to companies without a permanent establishment in Bangladesh;
- Certain location-based exemptions will be withdrawn from 1 July 2024. Exemptions include those on dividends, fees for technical services, and royalty payable by a company in an economic zone or

hi-tech park, as well as capital gains arising from share transfers and income of expatriates employed in such zones or parks;

- The tax holiday/reduced corporate tax rates previously granted to developers of economic zones and hi-tech parks through relevant SROs has been repealed. However, developers currently benefiting from the now repealed SRO will retain their respective tax privileges;
- Determination of minimum tax liability will be based on the amount eligible for tax deduction at source. This means that regardless of actual deduction/collection, applicable AIT should be considered the minimum tax liability.

iv. Incentives and eased regulations:

- Certain inadmissible expenses to no longer be separately taxed as special business income at the regular tax rate. These include disallowed expenses such as excess perquisites, royalties and fees for technical services, head office expenditure, foreign travel, entertainment, free samples, promotional expenses, unascertained liabilities, and impairment losses;
- The additional tax imposed for late filing of return to be reduced from 4% to 2%;
- Deadline for submitting WHT returns will be extended by 10 days, shifting from the 15th to the 25th day of each month. Additionally, the option to request an extension for filing WHT returns will be repealed;
- A reduced corporate tax rate of 5% will apply for a period of 12 years from the start of operations for industrial enterprises manufacturing motorcycles, freezers, air-conditioners, and refrigerators, provided they meet the specified criteria;
- Donations received by persons approved by the NGO Affairs Bureau will not be subject to taxation;

- The exemption for information-technology-enabled services (the list has been revised) will be for three more years until 30 June 2027. To qualify for the exemption, all income, expenses, and investments of the company must be conducted through banking channels;

v. Withholding tax rates:

- The WHT rate on income remitted from abroad for services, revenue sharing, etc., will be decreased from 10% to 7.5%;
- The WHT rate on income earned by freight forwarders will be lowered from 15% on the commission to 10%, and for gross billings the WHT rate will be 2.5%;
- The WHT rate for payments or loans by banks or financial institutions related to local letters of credit or financing agreements for purchasing specified food items and raw materials will be reduced from 2% to 1%;
- A 10% tax will be collected on the sale of listed securities by sponsor-shareholders, director-shareholders, and placement shareholders;
- A 6% WHT will be applicable on the purchase of power from captive power plants;
- A 20% WHT will be deducted on payments of fees, charges, license fees, or revenue sharing by telecom operators;
- A flat WHT rate of 7% will be applied to the contract value for manufacturing, processing or conversion, construction, or similar services;
- A flat WHT rate of 5% will be applied to the supply of goods, excluding specified cases, replacing the previous slab rates, replacing the previous 3% to 7% slabs;
- A WHT rate of 3% to be introduced for the supply of recycled lead;

- WHT on air and water transport for non-resident airlines and shipping will be waived;
- WHT will not apply to certain payments to non-residents, subject to conditions, including payments to any authority of a foreign state, subscription fees to professional bodies, liaison office expenses, international marketing and product development expenses, tuition fees, or any kind of security deposit.

vi. Compliances:

- Firms, Trusts, AOPs, Societies, and Foundations having gross turnover exceeding BDT 50 million (previously 30 million) will be required to submit their audited financial statements to NBR;
- Penalty for not displaying proof of submission of return will be BDT 20,000 – BDT 50,000 (previously 5,000 – 20,000);

vii. Others:

- Contributions to the Worker Profit Participation Fund, Welfare Fund, and Worker Welfare Foundation Fund will be considered allowable deductions;
- Expenses for rent, development, and maintenance related to any 'property' will now be allowed as deductions, previously this was restricted to land and premises;
- The deadline for submitting applications for a specified tax holiday will be extended to six months from the commencement of commercial activities;
- The Deputy Commissioner of Taxes will need prior approval from the Inspecting Joint Commissioner before deeming a return of income or amended return of income incomplete;
- Receipts exceeding BDT 0.5 million, including advances, loans, and deposits of any nature, from spouses, parents, or children, not routed

through banking channels, will be taxed under 'income from other sources' unless reported in both the payer and payee's tax returns;

- Capital gains from the sale of shares on a recognized stock exchange will be taxed at a rate of 15%, as per the applicable SRO;
- Contributions to any unapproved fund, which are mandated to be approved according to the income tax law, will be disallowed;
- Income tax returns must now be filed on a "self-assessment" basis, as the option to file under the "normal" basis has been repealed;
- Incomplete returns, amended returns filed under audit procedure, and returns filed under reassessment proceedings may be treated as regular returns under certain circumstances;
- Any additional claims for tax exemption in amended returns, even with supporting information, will not be considered if filed after the tax-day and will be taxed at normal rates.
- Timelines for return processing and audit have been specified:
 - Returns will be processed within two years from the end of the relevant assessment year.
 - Audit selections will be completed within the same timeframe. Additionally, audit proceedings are expected to conclude within two years from the end of the year in which the audit is initiated.
- Assessment of normal returns must be completed within one year from the end of the year in which the return is categorized as normal.

Value Added Tax (VAT)

i. Key changes:

- The definition of “VAT withholding entity” to now include entities having annual turnover of BDT 100 million or more;
- The deposition of disputed VAT amount for the purpose of filing of an appeal to the Commissioner (Appeal) or the Tribunal to be reduced to 10% from 20%;
- For supplies exceeding BDT 25,000 in value, mentioning the VAT registration of the buyer on the tax invoice (Mushok-6.3) will now be optional (previously mandatory);
- The Chairman or the Member (VAT) of the NBR will now have the authority to exercise the NBR’s powers and functions;
- VAT exemption on tour operator services under service code S077.00 has been withdrawn, and a 15% VAT has been imposed effective from 6 June 2024.

ii. Changes in VAT rate:

Code	Category	Previous rate	Current rate
S060.00	Buyer of auctioned goods	7.5%	15%
S064.10	Amusement and Theme Parks	7.5%	15%
S009.00	Auctioneer Organization	10%	15%
S013.00	Mechanical Laundry	10%	15%
20.08	Mango Bar	5%	15%

Code	Category	Previous rate	Current rate
20.09	Mango Juice, pineapple juice, Guava juice, Tamarind Juice	5%	15%
8539.31.10	Energy Saving Bulb of more than 50 Watt	5%	15%
8539.31.10	Tube light (18 Watt & 50 Watt)	5%	15%
48.13	Cigarette/ Biri Paper	7.5%	15%
S012.20	E-SIM Supplier	BDT 200 per card	BDT 300 per card

iii. Extension of VAT exemptions:

Industry	Extended up to
Raw Materials of Diaper and Sanitary Napkin	30 June 2025
Refrigerator and Freezer Manufacturing	30 June 2025
Optical Fiber Cable	30 June 2027
LABSA & SLES (Soap and Shampoo Raw Materials)	30 June 2025
Locally Manufactured Mobile Phones	30 June 2025
L.P.G Cylinder	30 June 2025

Customs

The new “Customs Act 2023” effective from 6 June 2024 has replaced the old “Customs Act 1969”. This new law is in line with the Kyoto Convention and subsequently executed trade facilitation agreements and international best practices.

Some of the key features include:

- Electronic filing and online payment of duties will follow the ‘Rules under the Information and Communication Technology Act, 2006, as much as possible;
- Import declarations can be amended unless intended to evade tax or if physical inspection is ordered, with no penalties if the amendment is requested before inspection or audit selection;
- Alternate Dispute Resolution process will be specified in a new Rules, unlike its inclusion in the Customs Act of 1969;
- Importers must now file a declaration of import value in a prescribed format when submitting the Bill of Entry;
- Electronic scanning of import and export consignments by customs is mandatory;
- Import duties must be paid within 10 days of the assessment or demand notice;
- There is no time limit for issuing a demand notice for short payment of duties due to unintentional mis-declarations. Previously, demands could not be raised after five years;
- Refund applications for overpaid duties must be made within three years of payment, extended from the previous six-month deadline;

- Both the clearing agent and importer are jointly liable for submitting correct information and documents, with penalties for non-compliance;
- Tax and penalty payment required to admit an appeal has been reduced from 50% to 10% of the disputed amount; and
- Rules under the new Customs law must be published at least 30 days before taking effect, except in cases of emergencies.

Key Contacts



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Jack is a Partner and Tax Leader at DFDL. He specializes in providing advice on corporate and international tax planning, tax treaties, mergers and acquisitions, transfer pricing, and general tax advisory in Asia.

Jack is listed as a leading tax adviser by the Legal 500 and is a Highly Regarded Tax Adviser by the World Tax Guide. He regularly speaks and writes on tax matters in Asia and has delivered talks at several leading Universities, tax bodies, and business associations in Asia.

Jack holds a master's in Tax Law from Oxford University and is a Fellow of the Association of Chartered Certified Accountants.



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Shahwar, Partner and Managing Director at DFDL Bangladesh, brings over 20 years of experience in corporate and finance law to his role. He advises both local and international clients on matters spanning banking, finance, M&A, and various sectors like energy, infrastructure, and technology.

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He holds a bachelor's degree in applied accounting from Oxford Brookes University and is a member of the Association of Chartered Certified Accountants.

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