

Bangladesh

Bangladesh Enacts Finance Act 2023, Adopts Various Tax Exemptions

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Report based on information provided by our correspondent Md. Mushtaque Ahmed, S. F. Ahmed & Co., Dhaka

The parliament has enacted the Finance Act 2023. The measures proposed in the National Budget for fiscal year 2023-2024 (see [Bangladesh Proposes to Increase Tax-Free Limit for Individuals in Budget 2023/24 \(2 June 2023\)](#)) have been adopted with some amendments.

The salient amendments brought about by the Finance Act 2023 are summarized below.

- The proposed minimum tax of BDT 2,000 for taxpayers with income below the taxable income threshold and who are required to file a tax return was not adopted.
- The initial exemption for female taxpayers and taxpayers over 65 years will be raised to BDT 400,000 (from BDT 350,000). The initial exemption limit for third gender individuals and individuals with intellectual disability will be increased to BDT 475,000, while those of parents or guardians of children with intellectual disability will be increased by BDT 50,000 over the normal eligible exemption. The initial exemption limit for gazetted war-wounded freedom fighters will be BDT 500,000.
- The rate of income tax for newly introduced trusts and funds, along with associations of persons and other taxable entities, other than companies, will be 27.5% on fulfilment of prescribed conditions.
- The Withholding Income Tax Rule 2023 that was passed by the parliament on 26 June 2023, which came into force from 1 July 2023, will remain in force until 30 June 2024.
- The withholding income tax (WHIT) rates for non-residents on various items remain unchanged. However, the WHIT rate for fees of surveyors of general insurance companies is reduced from 20% to 5.25%. In addition, courier service will be subject to WHIT at the rate of 15%.
- Private power generation companies (other than coal-based generation companies) that commence commercial production between January 2023 and June 2024 will be exempt from tax on their income from power generation from the start date of commercial production until 30 June 2036. Expatriate employees working in such companies will be exempt from income tax for 3 years from the date of their arrival.
- Interest on foreign loans will be exempt from income tax. Royalties, technical know-how and technical assistance fees will be exempt from income tax, and capital gains derived from the transfer of shares will also be exempt from income tax.
- Companies engaged in commercial production between 1 July 2024 and 30 June 2025 will be eligible for the following exemptions:

Exemption period	Rate of income tax exemption (%)
From date of commercial production until end of first 5 years	100
Next 3 years	50
Next 2 years (9th and 10th years)	25

- Income from exports may be exempt, or subject to reduced tax rate, subject to conditions, for the following:

- export income of individuals, firms and Hindu undivided families will be exempt up to 50% of their income;
- income tax at 12% will apply to export income of persons, other than individuals and Hindu undivided families; and
- income tax at 10% will apply to income of persons, other than individuals, Hindu undivided families and firms, earning from export of goods manufactured compliant with the Leadership in Energy and Environmental Design.

Details of the Finance Act 2023 are available [here](#) (as a PDF, in English and Bengali).

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