

# Bangladesh income tax theory and practice

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**How does income tax work in Bangladesh?** i) Income Tax Rate for an individual:

a) Minimum Tax Rate: The business turnover tax rate for individual taxpayers is 0.25%. b) Investment Credit: Investment credit will be allowed a flat 15% of the eligible amount. The ceiling for calculation of eligible amount for investment credit is 20% of total income.

**What is the current tax year in Bangladesh?** Bangladeshi residents are taxed on their worldwide income while non-residents are taxed on income earned in Bangladesh irrespective of where the payment is made. Total income under tax laws are as follows<sup>1</sup>: The tax year in Bangladesh stretches from 1 July to 30 June<sup>2</sup>.

**How many types of taxes are there in Bangladesh?** In Bangladesh, the principal taxes are Customs duties, Value-Added-Tax (VAT), supplementary duty, income tax and corporation tax.

**What is the minimum salary to pay income tax in Bangladesh?** 1st Slab: If your income is 350,000 or less, you don't pay any tax; it's tax-free. But if you earn more, you'll only be taxed on the amount over 350,000. In this example, any income up to 350,000 is tax-free, and the rest, up to 600,000, isn't taxed.

**Who is eligible for an income tax return in Bangladesh?** In Bangladesh, individual income tax return filing is mandatory for both resident and non-resident Bangladeshi imposed by The National Board of Revenue (NBR). We, the LegalSeba.com, are providing services to both resident and non-resident to calculate the tax liability and file the return and submit the return.

**How to calculate income tax in Bangladesh?** Formula: Gross tax= Total Income X Rate - amount deducted Example: Let income is TK. 4,95,550, As it is within

2,20,001-5,20,000 range and rate is 10%, According to formula gross tax=4,95,550 X10% - 22,000= 49,555 – 22,000 = TK. 27,555.

**What is the income tax rate in Bangladesh for foreigners?** Rates: Individual income tax rates for residents are progressive from 0% to 25%, and nonresidents are taxed at a flat rate of 30%.

**What is the income tax slab in Bangladesh?** Following is the existing rates of personal income tax: First BDT 300,000 = Nil Next BDT 100,000 = 5% Next BDT 300,000 = 10% Next BDT 400,000 = 15% Next BDT 500,000 = 20% On balance = 25% Individuals can be entitled to investment tax rebates if they make eligible investments.

**What is the penalty for filing income tax in Bangladesh?** Penalty for Failure to File the Return The DCT may impose a fine of Tk 10% of the last assessed tax or Tk 1,000; whichever is higher and a further penalty of Tk 50 for every day during which the default continues.

**What is the problem with the tax system in Bangladesh?** Firstly, Bangladesh's taxation system is regressive, allowing it to collect more money from the poor than from the rich. It is necessary to create a tax system that is fair for all the citizens of this country. According to Global VAT Compliance (GVT), Bangladesh has a 15 per cent standard VAT.

**What is the income tax authority of Bangladesh?** The National Board of Revenue (NBR) is the apex authority for tax administration in Bangladesh. It was established by the father of the nation Bangabandhu Sheikh Mujibur Rahman under President's Order No. 76 of 1972. Administratively, it is under the Internal Resources Division (IRD) of the Ministry of Finance (MoF).

**How many people give income tax in Bangladesh?** Bangladeshis are highly averse towards taxes. In the financial year 2022, only 1.4% of people filed tax returns. The number is 5.8% in neighbouring India. Recently, under-invoicing by importers to avoid tariffs has been gaining traction while firms evading corporate taxes is almost an open secret.

**How to reduce taxes in Bangladesh?** Taxes can be differed by use of tax-deferred accounts. Majority of people invest in life insurance policies, Provident Fund, equity-linked savings schemes etc. According to National Board of Revenue (NBR) allowable investment is - actual investment or 30% of total (taxable) income or BDT 15 million whichever is less.

**What is the tax exempt income in Bangladesh?** The finance minister has maintained the maximum level of tax-free income at Tk 350,000, as it was last year, in the budget for the 2024-25 fiscal year he presented on Thursday. This means that people will pay no tax on income up to Tk 350,000.

**Do I have to pay tax on foreign income in Bangladesh?** Foreign source income of companies resident in Bangladesh is included in taxable income but credit is given for tax paid outside Bangladesh. Foreign source income of a non-resident company is not taxed in Bangladesh unless such income is brought into Bangladesh.

**What is the rule of income tax in Bangladesh?** No minimum tax In addition, the minimum tax of Tk 5,000 will remain in effect for individuals in the Dhaka and Chattogram city corporation areas if their taxable income exceeds the first slab (Tk 350,000). For individuals in other city corporations, the minimum tax amount is Tk 4,000.

**What is a zero tax return in Bangladesh?** By default, if your yearly income goes beyond TK 300000, you need to file your income tax. Even if your income is below any of the set thresholds, it's still necessary to file income tax. However, in such cases, you simply file it as a 'zero return' to avoid fines and penalties.

**Is pension taxable in Bangladesh?** The contribution towards pension will be treated as investment and eligible for tax concession and the monthly pension will be free from income tax.

**What is the income tax rate for expats in Bangladesh?** For non-residents other than Bangladeshi non-residents, tax rate is 30 percent (flat rate) on total taxable income. For the purposes of taxation, how is an individual defined as a resident of Bangladesh?

**What is TDS in Bangladesh?** Information about deduction of Income Tax at Source [TDS]

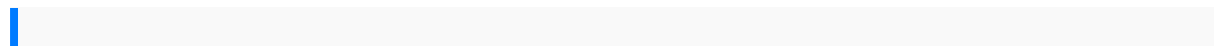
**What is the new tax slab for Bangladesh 2024 25?** For individuals, the income tax rates for the fiscal year 2024-2025 were as follows: For the first BDT 3,30,000: 0% tax. From BDT 3,30,001 to BDT 4,80,000: 10% tax. From BDT 4,80,001 to BDT 7,20,000: 15% tax.

**Do I have to pay tax on foreign income in Bangladesh?** Foreign source income of companies resident in Bangladesh is included in taxable income but credit is given for tax paid outside Bangladesh. Foreign source income of a non-resident company is not taxed in Bangladesh unless such income is brought into Bangladesh.

**What is the tax-free income limit in Bangladesh?** The finance minister has maintained the maximum level of tax-free income at Tk 350,000, as it was last year, in the budget for the 2024-25 fiscal year he presented on Thursday. This means that people will pay no tax on income up to Tk 350,000.

**How is income tax paid calculated?** How Income Taxes Are Calculated. First, we calculate your adjusted gross income (AGI) by taking your total household income and reducing it by certain items such as contributions to your 401(k). Next, from AGI we subtract exemptions and deductions (either itemized or standard) to get your taxable income.

**How many people pay income tax in Bangladesh?** Economists find it shocking that only 10 million people pay taxes or at the most 25 per cent of 40 million taxable people pay tax in Bangladesh to make it one of the lowest tax-GDP ratios in the region.



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