

Introduction of Income  
Tax Act 2023 and Impact  
of Finance Act 2023  
Bangladesh

August 2023

# Preface

The Finance Act, 2023 has been published by the Government of Bangladesh.

New “Income Tax Act 2023”, replacing “Income-tax Ordinance, 1984,” has been passed by the Parliament and is effective now. It is pertinent to note here that Income Tax Rules, 1984, is in force even after the introduction of the new Income Tax Act 2023. However, some provisions of the Rules and SROs are withdrawn.

This publication summarises the key changes brought to income tax, Value Added Tax (VAT), and Customs Duty (CD) law provisions through the Finance Act, 2023, Income Tax Act, 2023, and the relevant legislation. It captures the major changes that have a high-level impact.

The information contained in this publication is generic. Although our endeavour is to provide accurate information at the time of preparation, there can be no assurance of the accuracy of this information in the future. One should only act on such information with appropriate professional advice.





# Direct tax



# Corporate tax rates

Income tax rates remain unchanged for this assessment year (AY) across industry sectors:

Company type	Tax rate for AY 2023-24	
	If conditions* are met	If conditions* are NOT met
Non-listed companies (e.g., <b>private limited companies</b> in general)	27.5%	30%
Listed companies with more than 10% paid-up capital issued via Initial Public Offering (IPO)	20%	22.5%
Listed companies with equal to or less than 10% paid-up capital issued via Initial Public Offering (IPO)	22.5%	25%
Trust, Fund, Association of Persons (AOP) and artificial juridical person	27.5%	30%
One Person Company (OPC)	22.5%	25%
Listed banks, insurance companies, and NBFIs (except merchant banks)	37.5%	37.5%
Non-listed banks, insurance companies, and NBFIs (except merchant banks)	40%	40%
Listed mobile companies	40%	40%
Non-listed mobile companies	45%	45%
Tobacco/cigarette companies	45%	45%
Private universities, private medical/dental colleges, private engineering colleges, and private colleges providing information technology education	15%	15%

## \* Conditions

- Receipts and income must be received via a banking channel.
- Individual transactions (exceeding BDT 0.5 million) regarding expenses and investment must be done through a banking channel.
- Annual total expenses and investment above BDT 3.6 million must be done through a banking channel.

# Enactment of new Income Tax Act (ITA)

The new Income Tax Act (ITA), 2023 is effective now replacing the previous Income Tax Ordinance (ITO), 1984. Many provisions of the earlier tax law has continued. Several provisions have been revised and new provisions have been inserted to achieve better alignment with international best practices. The contents of the new Act is in Bengali as opposed to the previous ordinance that was in English.

The Income Tax Rules, 1984 is in force even after the introduction of the new Income Tax Act 2023. However, some provisions of the Rules and SROs are withdrawn.

Many new concepts have been inserted in the new law. A few are outlined below:



# New concepts introduced in ITA, 2023

## Employee share scheme

The concept of “employee share scheme” has been recently introduced via ITA, 2023. The shares received will be treated as “income from salary” that can be issued by a company to:

- own employee or associated entities’ employee; and
- a trustee of the trust governed by a trust deed.

### Calculation of “income from salary”

#### If shares are received by employee

Income from salary = **Fair market value** of shares – cost of acquiring shares

#### If the share rights are sold or transferred by the employee

Income from salary = Sale value of **share right** – cost of acquiring share rights



**Impact:** As income is recognised on the date of share received or right is sold/transferred tax will be payable by an individual at that point in time. Thus, there will be additional tax burden on employees on exercise of share option.

## Merger and amalgamation (business restructuring)

A specific definition has been provided for “amalgamation” and “de-merger” in the ITA, 2023. In both cases, there will be a “resulting company”. Relevant key provisions are mentioned below:

- Shareholders of amalgamating or demerged company holding more than 75 percent shares, shall become shareholders of the resulting company.
- The resulting company can claim any accumulated loss or unabsorbed depreciation allowance directly related to the “amalgamating” and “de-merged” companies
- The resulting company cannot consider the value of capital assets more than WDV of those assets of the demerged company.
- In case of revaluation of capital assets, no depreciation or amortisation allowance shall be claimed on the revaluation surplus.

### Tax on transfer of capital assets:

- If consideration is settled through shares – tax free
- If consideration through other than shares (for example, cash) – 15 percent capital gain tax



**Impact:** The impact of “business restructuring” from the tax perspective has been explained. A separate schedule has been added in the tax law highlighting details.

# New concepts introduced in ITA, 2023

## Provision(s) related to tax registration and de-registration

New sections on “tax registration” and “deregistration” have been inserted in ITA, 2023. The regulation specifies a list (as provided below) where tax registration is required:

- i. for a taxpayer;
- ii. who required to file tax return;
- iii. who required to furnish Proof of Submission of Return (PSR); and
- iv. who wish to submit tax return or pay tax voluntarily.

Under certain specified conditions, individuals or entities have the option to apply for deregistration for income tax purposes.

## Withholder Identification Number (WIN)

Bangladesh tax law has the concept of “withholding entity” that is required to deduct tax while making payments. Such withholding entities now need to obtain Withholder Identification Number (WIN). This is an additional requirement on top of obtaining an Electronic Taxpayer’s Identification Number (i.e., ETIN).

## Tax audit

- Extensive regulation regarding the tax audit process has been incorporated in the new Act.
- Roles and responsibilities of the “investigation team” have been specified.
- Tax return filed shall not be selected for audit where:
  - the total income is 15 percent higher than the last assessed income (except for the return of income of a bank and financial institution); while calculating higher income, only common source of income amongst the years shall be considered;
  - return has to be submitted with corroborative evidence; and
  - return does not claim any refund, show any gift and tax-exempted income.
- The proceedings related to audit shall be completed within 24 months from the month of issue of notice.
- The audit team shall be separate from the tax circle regular team. This means that Deputy Commissioner of Taxes and Inspector of Tax of a particular tax circle (where the taxpayer is registered) shall not be part of the audit/investigation team.
- An audit team may seek assistance from external experts or professional resources, if considers appropriate.



# New/updated definitions

New definitions have been inserted (including some amendments) in ITA, 2023. A few important ones are mentioned below.

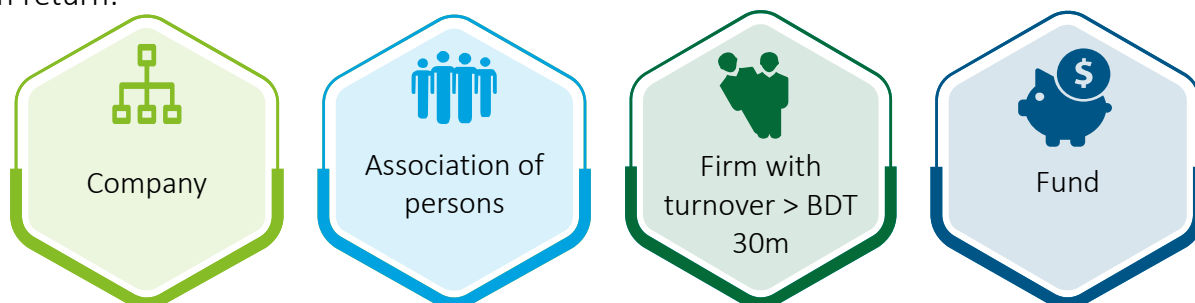
- ‘Goods’ are defined to include tangible movable property other than securities and money.
- ‘Service’ means any service but does not include goods, immovable property, and money.
- “Bank transfer” to include payment of fees, charges, duties or any other amount prescribed by the Government or any authority of the Government by way of challan in favour of the Government or any authority of the Government.
- ‘Scientific research expenditure’ to include donations made to any university, college, technical school or other institution approved by the board with certain exclusions.
- ‘Tax day’ for individuals staying outside Bangladesh for higher education, or on deputation, lien for employment, or with valid visa and work permit would be the 90th day from the date of his or her return to Bangladesh.
- “Trust” to mean registered trust under the Trust Act, 1882 or Specific Relief Act, 1877 ‘
- Definition of “perquisite” includes “incentive bonus”. Earlier, it was excluded.
- Any person who stays in Bangladesh for less than 183 days, will be considered as non-resident. Earlier, the threshold was “182 days”.



# Changes - Corporate tax regime

## Change in tax return filing

- It is mandatory for OPC (one person company), banks, and financial institutions to submit annual income tax return under “Self Assessment” (earlier named as universal self assessment) scheme.
- Companies (other than banks and financial institutions) and persons leaving Bangladesh can also submit tax return under “normal assessment.”
- There is no provision to apply for the time extension for tax return submission. Therefore, interest will be applicable on the tax payable for late return submission.
- It is now mandatory for the following entities to submit audited financial statements along with return:



**Impact:** Funds, including recognised/approved provident, gratuity, pension, and superannuation funds, are now required to file income tax returns per the new regulations. Earlier those funds were not subject to submit tax return.

## Withholding tax reporting

- According to new Act, the reporting/filings on “Return of Withholding Taxes” compliance will change. In principle, single reporting to tax authority has to be done each month. A new format has been prescribed by the tax authority. The filing timeline is 15th day of the following month of deduction.

Income Tax Ordinance, 1984 To be discontinued		Income Tax Act, 2023 To continue
Statement of tax deducted and collected u/r 18 - Monthly		 Return of withholding Taxes – Monthly
Statement of salary tax deducted u/r 21 - Monthly		
Statement of withholding tax u/s 75A - half yearly		
<b>Total</b>		<b>12 filings</b>
	<b>26 filings</b>	

## Minimum tax

- Bangladesh has a minimum tax regime. One of the benchmarks is gross receipts/turnover. Minimum tax benchmark on gross receipt has increased in some cases.

Particulars of taxpayer	Previous rate	New rate
Carbonated beverages	0.6%	5%
Tobacco manufacturing (cigarette, bidi, chewing tobacco, smokeless tobacco or any other)	1%	3%
Mobile phone operator	2%	2%
Manufacturing business [First 3 (three) years]	0.1%	0.1%
General taxpayer	0.25%	0.25%
Other cases	0.6%	0.6%

## Transfer pricing

- Transactions with an associated entity (whether domestic or international) enjoying tax holiday or relief are required to be at arm's length.
- Tax deductibility of Interest expense exceeding BDT 1.5 million on loan from associated entities is subject to approval from NBR tax authority.
- The difference between the transaction value and the arm's length value leading to under-valuation of income for the associated enterprise, will be taxable.

## Business loss set-off

Regulations regarding “set off and carry forward of losses” have been simplified and specified. Major changes include the following:

- Business loss can only be set off against business income only. Earlier, business losses were allowed to be set-off with other heads of income also.
- Depreciation should be adjusted after “set off current year business loss and adjustment of carried forward of business losses”. Any remaining balance will be “unabsorbed depreciation”.



### Impact:

- Business losses can no longer be offset against any other head of income. Therefore, adjustment of business loss with any other “source of income” can not be done, even in the first year.
- The company will be more cautious in case of taking inter-company loan and charging related interest expense.
- Business costs of carbonated beverage products may increase.

# Changes – Corporate income tax calculation

## Modified provisions relating to expense deductibility

Changes have been introduced regarding tax deductibility of certain expenses as below:

Type of expense	New allowable limit per ITA 2023	Previous allowable limit as per ITO, 1984
Royalty, technical services fee, technical know-how fee or technical assistance fee or any other fee of similar nature	10% of net profit	For first three years since commencement of operation: 10% of net profit  For subsequent years: 8% of net profit
Overseas travel expense	0.5% of turnover; the allowable threshold may be increased if the commercial rationality of the said expense can be proven	0.5% of turnover
Advertising expense	Fully allowed  No longer falls under “promotional” expense	Included under “promotional” expense; allowable limit was 0.5% of turnover
Salary expense	No cash payment is allowed	Salary expense is allowed as cash payment up to BDT 20,000

## Modified provisions relating to expense deductibility

Changes have been introduced concerning the allowability of certain expenses as tax deductions:

Type of expense	New allowable limit per ITA 2023	V.S.	Previous allowable limit as per ITO, 1984
Capital expenditure (i.e., CAPEX)	Amortisation of capital expenditure will be allowed at the rate of 10% on an annual basis.		No clear provision
Right-of-use assets	Depreciation and interest expense charged under IFRS 16 will be allowed per actual payment.		No specific provision
Impairment loss	Impairment loss (e.g., IAS 36) will be disallowed.		No specific provision
Provisions under IAS 37	Any estimated liability (e.g., provision under IAS 37) will be disallowed.		No specific provision
Realised foreign exchange loss	Allowed/ tax deductible		No specific provision
Workers' Profit Participation Fund (WPPF) expense	Contribution paid by employer up to 5% of net profit will be allowed.		No specific provision



**Impact:** Some IFRS implications have been specified in local tax law, particularly, IFRS 16 (Leases) and IAS 37 (Provisions, Contingent liabilities/assets).



# Tax Deduction at Source (TDS)

## TDS on supply of goods

For regular supply of goods (section 89)	TDS rate
Where base amount does not exceed BDT 50 lakh	3%
Where base amount exceeds BDT 50 lakh but does not exceed BDT 2 crore	5%
Where base amount exceeds BDT 2 crore	7%

For other than regular supply of goods	TDS rate
Supply of books to a person other than government bodies	3%
Supply of trading goods to a trader/retailer	5%
Supply of industrial raw materials to a manufacturer	4%
Supply of cigarette, biri, and any kind of tobacco products	10%

## Collection of tax from share transfer

In case of transfer of shares of any private/public limited companies not listed with stock exchanges by a resident assessee, 15 percent tax on the difference between fair value and cost of acquisition (as shown in the tax return) has to be deposited by such resident assessee (seller) before the registration of such transfer. If such deposit has not been made, the responsible person will not register the transfer. The fair value for this purpose has to be determined by a professional valuer.

## TDS on service payments

Description of service	New rate
Advisory or consultancy service	10%
Professional service; technical services fee or technical assistance fee	10%
(i) Catering service; (ii) cleaning service; (iii) collection and recovery service; (iv) private security service; (v) manpower supply service; (vi) creative media service; (vii) public relations service; (viii) event management service; (ix) training, workshops, etc., organisation and management service; (x) courier service; (xi) packing and shifting service; (xii) any other service of similar nature on:	10% 2%
a) Commission or fee	
b) Gross bill amount	
Media buying agency service on:	
a) Commission or fee	10%
b) Gross bill amount	0.65%
Indenting commission	8%
Meeting fees, training fees, or honorarium	10%
Mobile network operator, technical support service provider	12%
Credit rating agency	10%
Motor garage or workshop	8%
Private container port or dockyard service	8%
Shipping agency commission	8%
i. Transport service and vehicle rental service	
ii. Any other service under any sharing economy platform, including ride-sharing service, and coworking space and accommodation providing service	5%
Wheeling charge for electricity transmission	3%
Internet service	10%
Service delivery agents engaged in mobile financial services or channel partners of mobile financial services	10%
Any other service not mentioned above and is not provided by any bank, insurance, mobile financial services, or financial institutions	10%



# Changes related to individual tax

## Individual tax-free income threshold

Tax free income thresholds have been increased as follows:

Type of taxpayer	Previous threshold	New threshold
For general taxpayer	300,000	350,000
Female and senior citizen (above the age of 65)	350,000	400,000
Physically challenged person	450,000	475,000
Third gender	350,000	475,000
War wounded gazette freedom fighter	475,000	500,000

Tax-free income threshold, for parents or legal guardians of physically challenged children or dependent, will increase by BDT 50,000/per child or dependent.



**Impact:** Individual taxpayers will enjoy the advantage of an increased tax-free income threshold.

## Income tax rate

Tax rates per income slab are as follows:

Residency status	Income threshold	Tax rate	Remarks
Resident	Up to tax-free income threshold	0%	Unchanged
	On next BDT 100,000	5%	
	On next BDT 300,000	10%	
	On next BDT 400,000	15%	
	On next BDT 500,000	20%	
	On rest of income	25%	
Non- resident	On total income	Flat 30%	

## Surcharge (based on individual net worth)

Previous threshold of total net worth	New threshold of total net worth	Tax rate
Up to BDT 30 million	Up to BDT 40 million	Nil
Above BDT 30 million to BDT 100 million/ individual with more than 1 motor vehicles/individual having a house property of more than 8,000 sft. in city corporation	Above BDT 40 million to BDT 100 million/ individual with more than 1 motor vehicles/individual with a house property of more than 8,000 sft. in city corporation	10%
Above BDT 100 million to TK. 200 million	Above BDT 100 million to TK. 200 million	20%
Above BDT 200 million to TK. 500 million	Above BDT 200 million to TK. 500 million	30%
Above BDT 500 million	Above BDT 500 million	35%

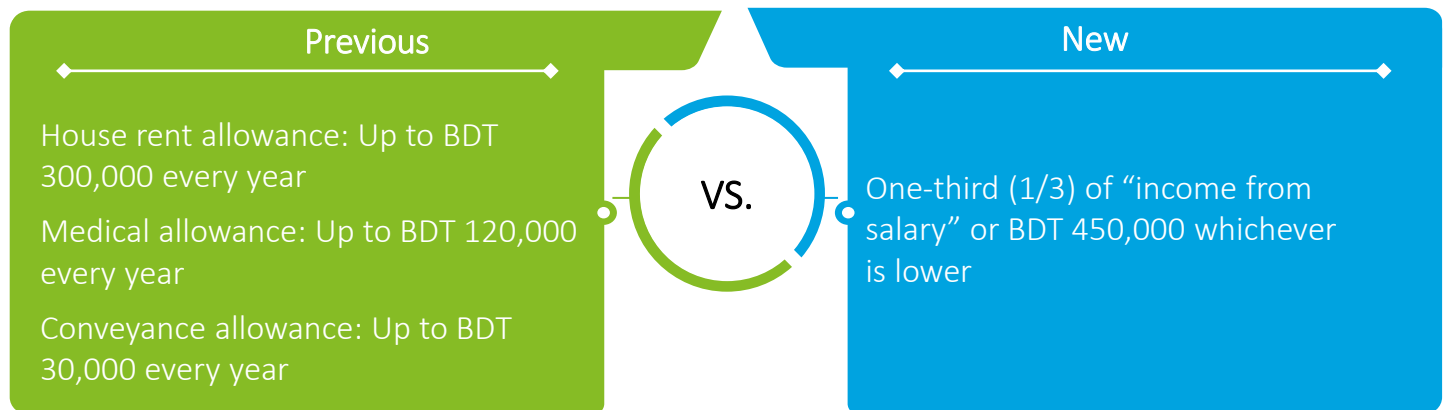


**Impact:** The new threshold should benefit wealthy individuals with net worth of up to BDT 40 million.



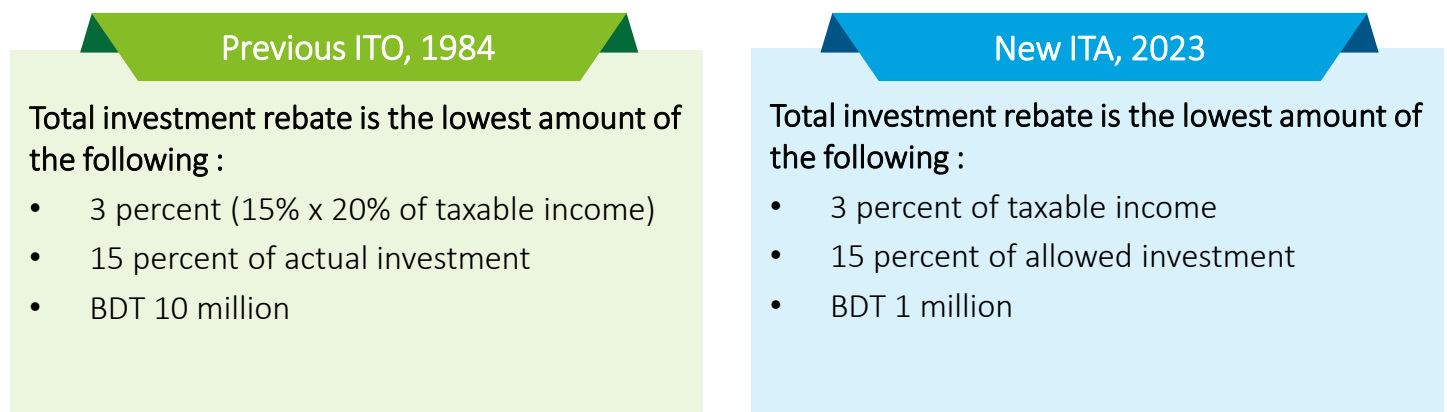
## Admissible allowance for individual

Earlier, an employee was entitled to certain allowances (that were tax deductible), such as house rent, medical, and conveyance allowance, up to a certain limit per year. Those provisions have been repealed and new provision has been inserted.



**Impact:** Leave Fare Assistance (LFA) is no longer considered a deductible allowance for salary income purposes.

## Investment rebate



**Impact:** The maximum investment rebate is reduced to BDT 1 million. This will increase tax burden of individuals.

## Tax on transfer of property

Name of the commercial area	Rate of tax per katha (1.65 decimal) – higher of the following rates
Gulshan, Banani, Motijheel, Dilkusha, North South Road, Motijheel Expansion areas, and Mohakhali of Dhaka	8% of the deed value or Taka 20,00,000/-
Karwan Bazar of Dhaka	8% of the deed value or Taka 12,00,000/-
Agrabad and CDA Avenue of Chittagong	8% of the deed value or Taka 8,00,000/-
Narayanganj, Banga Bandhu Avenue, Badda, Sayedabad, Postogola, and Gandaria of Dhaka	8% of the deed value or Taka 8,00,000/-
Uttara, Sonargaon, Janapath, Shahbag, Panthapath, Banglamotor, and Kakrail of Dhaka	8% of the deed value or Taka 12,00,000/-
Nababpur and Fulbaria of Dhaka	8% of the deed value or Taka 6,00,000/-
Additional tax on any structure, building, flat, apartment or floor space	8% of the deed value or Taka 800 per square meter

Name of the residential area	Rate of tax per katha (1.65 decimal)
Uttara (Sector 1-9), Khilgaon rehabilitation area (beside 100 feet road), Azimpur, Rajarbagh rehabilitation area (beside Bishwa road) of Dhaka, Agrabad, Halishohar, Panchlaish, Nasirabad, and Mehedibag of Chittagong	8% of the deed value or Taka 3,00,000/-
Gulshan, Banani, Dhanmondi, Baridhara DOHS, Banani DOHS, Mohakhali DOHS, Basundhara, Niketon, and Baridhara of Dhaka	8% of the deed value or Taka 10,00,000/-
Rajuk Purbachal Residential Model Town, Basundhara (Block: K-P), and Jhilmil Area	8% of the deed value or Taka 3,00,000/-
Kakrail, Segunbagicha, Bijoy Nagar, Eskaton, Green Road, Elephant Road, Fakirapool, Arambagh, Maghbazar (within one hundred feet of main road), Tejgaon Industrial Area, Sher-e- Banglanagar Administrative Area, Agargaon Administrative Area, Lalmatia, Cantonment of Dhaka, and Khulshi of Chittagong	8% of the deed value or Taka 5,00,000/-
Kakrail, Segunbagicha, Bijoy Nagar, Eskaton, Green Road, and Elephant Road area (outside one hundred feet of main road) of Dhaka	8% of the deed value or Taka 2,50,000/-
Green Road (from Road 3 to 8 of Dhanmondi Residential Area of Dhaka)	8% of deed or Taka 5,00,000/-
Uttara (Sector 10 to 14), Nikunja (South), Nikunja (North), Badda Rehabilitation Area, Ganderia Rehabilitation Area, Syampur Rehabilitation Area, IG Bagan Rehabilitation Area, and Tongi Industrial Area of Dhaka	8% of the deed value or Taka 1,20,000/-
Syampur Industrial Area, Postagola Industrial Area, and Jurain Industrial Area	8% of the deed value or Taka 1,00,000/-
Khilgaon Rehabilitation Area (beside less than 100 feet road) and Rajarbagh Rehabilitation Area	8% of the deed value or Taka 1,50,000/-
Goran (beside 40 feet road) and Hajaribagh Tannery Area of Dhaka	8% of the deed value or Taka 60,000/-
Additional tax on any structure, building, flat, apartment, or floor space	Taka 800 per square meter or 8% of the deed value

Name of the area	Rate of tax per katha (1.65 decimal)
Within the jurisdiction of Rajdhani Unnayan Kartripakya (RAJUK) and Chittagong Development Authority (CDA) except areas specified in clauses (a) and (b)	8% of deed value
Within the jurisdiction of Gazipur, Narayanganj, Munshiganj, Manikganj, Narsingdi, Dhaka and Chittagong districts [excluding Rajdhani Unnayan Kartripakya (RAJUK) and Chittagong Development Authority (CDA)], and within any City Corporation (excluding Dhaka South City Corporation and Dhaka North City Corporation), and Cantonment Board	6% of deed value
Areas within the jurisdiction of a Pauroshova of any district headquarters	6% of deed value
Areas of any other Pauroshova	4% of deed value
Any other area not specified in clauses (a), (b), and (c)	2% of deed value

## Environmental surcharge

A taxpayer who owns more than one motor vehicle, will now be required to pay the environmental surcharge at the rate determined on the basis of CC and KW of motor vehicles. The surcharge will be payable during registration or fitness renewal. The rates are specified below.

Capacity of motor vehicle	Tax rate (in BDT amount)
Up to 1,500 CC/75 KW	25,000
Above 1,500 CC/75 KW and up to 2,000 CC/100 KW	50,000
Above 2,000 CC/100 KW and up to 2,500 CC/125KW	75,000
Above 2,500 CC/125 KW and up to 3,000 CC/150 KW	150,000
Above 3,000 CC/150 KW and up to 3,500 CC/175 KW	200,000
More than 3,500 CC/175 KW	350,000

## Travel tax

Rates of travel tax (per passenger) have been revised as follows:

Mode and destination of travel	Previous rate (in BDT amount)	New rate (in BDT amount)
<b>Air travel</b> to any country in North America, South America, Europe, Africa, Australia, New Zealand, or the Far East	2,500	6,000
<b>Air travel</b> to any SAARC country	1,200	2,000
<b>Air travel</b> to any other country	3,000	4,000
<b>Travel by land</b> to any country	500	1,000
<b>Travel by sea</b> to any country	800	1,000
<b>Air travel within Bangladesh</b>	Nil	200



**Impact:** Travelling will become more expensive

# Indirect tax

## VAT and customs duty





# VAT

## Changes/clarifications in definitions

- Definition of “export” has been amended. Only transactions made in exchange for foreign currency will be classified as “export”.
- “Purchase of vehicles” is no longer included within the definition of “inputs.” This means that no input VAT credit will be applicable on such purchase.
- Definition of “online sales” has been amended to bring more clarity. Online sales cover both “online retail sales” or “marketplace” – these two terms have been separately defined. The applicable rate of VAT is 5 percent in either case.



### Online retail sales

This means supply of goods/services by an online retailer via electronic networks, where such goods/services have been previously bought from a manufacturer or service provider or merchant with payment of VAT. VAT will be applicable on such supply and where the retailer does not have any sales centre.



### Marketplace

It is a digital commerce platform where sellers showcase their products and services and sales are made through the platform. The marketplace’s owner does not own the inventory or sell goods/services

## Changes regarding VAT registration

- Central registration can be obtained based on the “place” where books and records are centrally maintained, instead of “business units”.
- In a scenario where a manufacturing unit operates its own sales centre(s) and warehouse(s) and is centrally registered and produces goods that are exempt from VAT during the production stage but not during the trading stage, VAT will be payable when such goods are delivered from the sales centre(s).

## Input VAT rebate

- The formula to calculate partial input VAT credit has been amended as follows:

Previous	New	
Partial input tax credit = $I \times (T/A)$ where;	Partial input tax credit = $I \times (T/A)$ where;	
$I$ = Total input tax credit	$I$ = Total input tax credit	
$T$ = Value of taxable supplies	$T$ = Value of tax rebatable supplies (u/s 46)	The revised wording simplifies the formula, ensuring clear and straightforward application.
$A$ = Value paid by registered person for supplies	$A$ = Value paid by registered person for supplies	

- To claim input VAT credit on “import of service”, the applicable output VAT payable on supply of such “imported service” will need to be disclosed separately in the VAT return. Non-compliance with the law will lead to the cancellation of input VAT credit.
- Receipt of electricity bill paid through banks and digital payment gateway will be treated as a VAT invoice (i.e., Mushak 6.3). Such a receipt will suffice as a tax invoice when claiming the input VAT rebate.

## Streamlined process for exporters to claim Supplementary Duty (SD) refunds

Under the new regulations, exporters will now be eligible for a refund of the SD paid on imported raw materials used in the production of exported goods, without the requirement of carrying it forward for a period of six months.



**Impact:** The procedure of claiming decreasing adjustment and refund of additional SD payment has been simplified.



## Change in VAT rates

Types of goods/services	Stage	New rate	Previous rate
Petroleum oil and oil obtained from bituminous minerals	Import stage	Exempted	15%
Software and customisation	Production Stage	5%	Exempted
Cashew nuts, dates, basmati rice	Import stage	15%	Exempted
Database; operating systems; development tool productivity; communication or collaboration software for automatic data processing machines	Import stage	15%	Exempted
Optical fibre cable	Production stage	VAT exemption in excess of 5%	15%
Liquid petroleum gas cylinder	Production stage	7.5%	5%
Plastic tableware, kitchenware	Production stage	7.5%	5%
Aluminum products	Production stage	7.5%	5%
Polypropylene staple fibre	Production stage	0%	5%
Kitchen towel, tissue paper	Production stage	7.5%	5%



## Changes in Advance Tax (AT) for the purpose of VAT

Types of goods/services	Previous rate	New rate
Petroleum oil, bituminous minerals, crude, motor spirit, kerosene type jet fuels, diesel oil, and furnace oil	5%	Exempted
Aircraft engine and parts, and turbo jets	5%	Exempted
Rice transplanter, dryer, sprayer machine, and potato planter	5%	Exempted
All types of container	5%	Exempted
Solar power operated water distillation plant	5%	Exempted
Gold ores	5%	Exempted

## Increase in VAT rate on manufacturing and assembly of mobile phones

Type	Stage	Previous rate	New rate	Additional condition	Remarks
Manufacturer	Production stage	Exempted	2%	50% must be manufactured locally. Minimum value addition must be 30%	Price of mobile phones is likely to increase.
Assembler	Production stage	3%	5%	50% must be manufactured locally. Minimum value addition must be 20%	
Assembler	Production stage	5%	7.5%	50% must be manufactured locally. Minimum value addition must be 20%	



## Extension in validity of VAT exemption facilities

Types of goods/services	Stage	Extended validity
Computer and accessories	At manufacturing stage	30 June 2026
Home appliances, e.g., blender, juicer, electric kettle, washing machine, micro-oven, and electric oven		30 June 2025
Refrigerator and freezer		30 June 2024
LABSA and SLES (i.e., detergent chemicals)		30 June 2024
Raw materials used in the production of sanitary napkins and diapers		30 June 2024



**Impact:** This initiative is a positive step towards the promotion of products bearing the label "Made in Bangladesh."

## Change in Maximum Retail Price (MRP) of cigarettes

Type of cigarette	Previous price (packet of 10 sticks)	New price (packet of 10 sticks)	Previous SD rate	New SD rate
Low-tier cigarettes	BDT 40 and above	BDT 45 and above	57%	58%
Mid-tier cigarettes	BDT 65 and above	BDT 67 and above	65%	65%
High-tier cigarettes	BDT 111 and above	BDT 113 and above	65%	65%
Premium-tier cigarettes	BDT 142 and above	BDT 150 and above	65%	65%

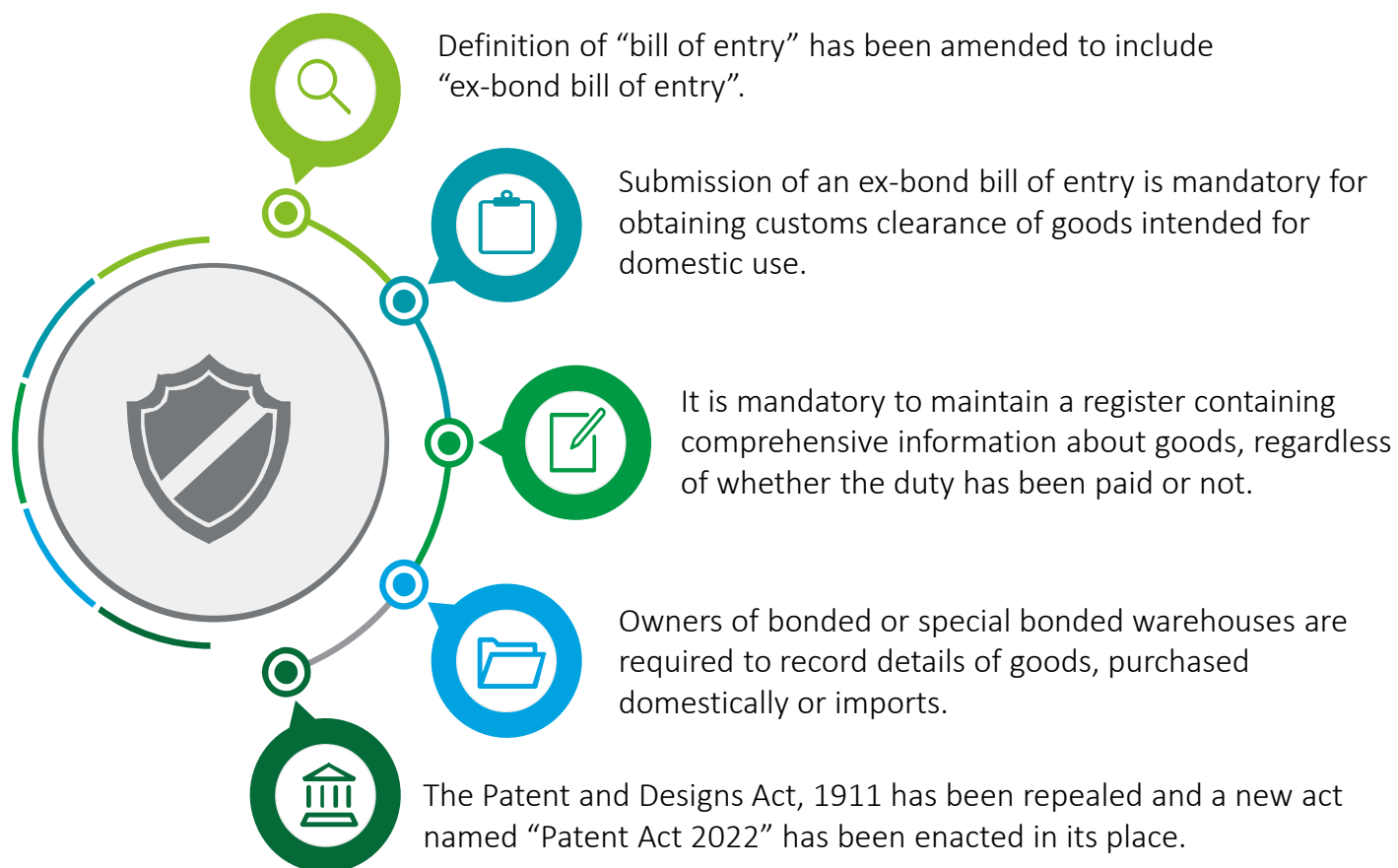
## Other key changes

- Amendments to VAT returns for input VAT credit adjustment are not permitted, if input VAT is not claimed within the timeframe, as specified in the law.
- Payment through the banking channel also includes payment through mobile banking.
- According to the previous provision, supply of service, in favour of an imported product with a warranty of repair or replacement, will be zero-rated i.e., 0 percent VAT, subject to the fulfilment of either of the two conditions stated below:
  - Warrantor must be a non-resident and unregistered
  - Service is provided without charge to the owner


Now both the above conditions need to be met to treat the supply of service as zero-rated.

# Customs

## Major changes in the Customs Act, 1969



## Change in Regulatory Duty (RD) rates

H.S. code	Types of goods/services	Previous rate	New rate	Remarks
H.S. codes under 34.01	Soaps and other surface-active products (both liquid or cream form)	3%	20%	 This will eventually lead to an increase in the price of these products
3506.91.10 and 3506.91.90	Elastic/construction glue imported by industrial IRC holder VAT-compliant hygienic products manufacturing industry; and other adhesives	3%	15%	

## Change in CD rates

H.S. codes	Types of goods/services	Previous rate	New rate	Remarks
0801.32.90	Cashew nuts	5%	15%	
0804.10.11	Dates	0%	25%	
8428.10.00	Lifts and skip hoists	5%	15%	
8428.40.00	Escalators and moving walkways	1%	15%	
8503.00.91	Electric motor parts with winding wire	1%	15%	
8523.29.12; 8523.49.21; 8523.51.21; 8523.80.10	Database; operating system, development tools, security software used for only data or information protection; word processing, spreadsheet, internet collaboration, and presentation tools	5%	25%	
8537.10.20	Electric panel	1%	10%	
8543.90.10	E-cigarettes	5%	25%	
8714.93.11	Free-wheel sprocket wheels of bicycle	10%	15%	

## Change in CD rates

H.S. code	Types of goods/services	Previous rate	New rate
2523.10.20	Cement clinkers imported by industrial IRC holder VAT compliant manufacturers of cement	BDT 500 per metric ton	BDT 700 per metric ton
2523.10.80	Cement clinkers imported by other importers	BDT 750 per metric ton	BDT 950 per metric ton

## Change in Supplementary Duty (SD) rates

H.S. code	Types of goods/services	Previous rate	New rate
H.S. codes under 20.08	Fruit, nuts, and other edible parts of plants, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included	0%	20%
H.S. codes under 24.04	Products containing tobacco, reconstituted tobacco, nicotine, or tobacco or nicotine substitutes, intended for inhalation without combustion; other nicotine containing products intended for the intake of nicotine into the human body	100%	150%
8543.90.10	Parts of electronic cigarettes and similar personal electric vaporising devices	0%	100%
4813.10.90; 4813.20.90; 4813.90.90	Cigarette paper imported by other importers	100%	150%
8516.50.00	Microwave oven	0%	20%

## Change in description of H.S. codes

H.S. code	Previous description	New description
4202.10.00	Travelling bags, insulated food or beverages bags, toilet bags, rucksacks, handbags, shopping bags, wallets, purses, map cases, cigarette cases, tobacco pouches, tool bags, sports bags, bottle cases, jewellery boxes, powder boxes, cutlery cases, and similar containers, of leather or composition leather, sheeting of plastics, textile materials, vulcanized fiber or paperboard, or wholly or mainly covered with such materials or with paper:	Trunks, suitcases, vanity cases, executive cases, briefcases, school satchels, and similar containers:
4811.90.11	Imported by industrial IRC holder, VAT-compliant ceramic/melamine/transfers (decalcomania) manufacturing industry	Imported by Industrial IRC holder, VAT-compliant ceramic/melamine/transfers (decalcomania)/opal glassware manufacturing industry
4908.10.10	Transfers (decalcomanias) imported by industrial IRC holder, VAT-compliant ceramic or melamine Industry	Transfers (decalcomanias) imported by Industrial IRC holder VAT compliant ceramic or melamine or opal glassware Industry
7606.11.10	Imported by the industrial IRC holder, VAT-compliant LED lamp or electric fan manufacturing Industry	Imported by industrial IRC holder, VAT-compliant electric fan manufacturing industry
8437.80.10	Rice huller and wheat crusher	Rice huller and rice/wheat crusher



# Connect with us

**Nurul Haque**

Managing Partner

Nurul Faruk Hasan & Co

M: +88 01819 237 333

[nhaque@deloitte.com](mailto:nhaque@deloitte.com)

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee (“DTTL”), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as “Deloitte Global”) does not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) for a more detailed description of DTTL and its member firms.

This material is prepared by Nurul Faruk Hasan & Co, a Deloitte network entity. This material (including any information contained in it) is intended to provide general information on a particular subject(s) and is not an exhaustive treatment of such subject(s) or a substitute to obtaining professional services or advice. This material may contain information sourced from publicly available information or other third party sources. Deloitte does not independently verify any such sources and is not responsible for any loss whatsoever caused due to reliance placed on information sourced from such sources. Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the “Deloitte Network”) is, by means of this material, rendering any kind of investment, legal or other professional advice or services. You should seek specific advice of the relevant professional(s) for these kind of services. This material or information is not intended to be relied upon as the sole basis for any decision which may affect you or your business. Before making any decision or taking any action that might affect your personal finances or business, you should consult a qualified professional adviser.

No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person or entity by reason of access to, use of or reliance on, this material. By using this material or any information contained in it, the user accepts this entire notice and terms of use.