

International Tax Bangladesh Highlights 2023

Updated January 2023



Investment basics

Currency: Bangladesh Taka (BDT)

Foreign exchange control: Foreign participation of up to 100% is permitted for investments in all but a few restricted areas. The remittance of dividends is allowed upon application to the Bangladesh Bank (central bank).

Accounting principles/financial statements: Accounting Standards adopted by the Institute of Chartered Accountants of Bangladesh largely are based on Bangladesh Financial Reporting Standards. Financial statements must be filed annually by all public and private limited companies.

Principal business entities: These are the public and private limited liability company, partnership, and branch of a foreign entity.

Corporate taxation

Rates	
Corporate income tax rate	Generally 20%/22.5% (publicly listed companies) or 27.5% (private companies)
Branch tax rate	27.5%, plus a 20% tax on remitted profits
Capital gains tax rate	15%

Residence: An entity is resident if it is registered in Bangladesh or its management and control is in Bangladesh.

Basis: Resident entities are taxed on worldwide business income; nonresidents are taxed only on Bangladesh-source income. A branch of a foreign entity is treated as a foreign entity and is taxed accordingly. Any income accruing or arising directly or indirectly through or from a permanent establishment (PE) in Bangladesh is deemed to accrue or arise in Bangladesh. A PE includes a place of business such as a branch, office, warehouse, etc., as well as a construction and supervision PE, and a service PE without any threshold for the duration of the activities. Income from intangible property used in Bangladesh is deemed to accrue or arise in Bangladesh.

Taxable income: Income is taxed under the following “heads” of income: business income, capital gains, and other income. Net taxable income is computed on the basis of specific rules and principles, and expenses generally may be deducted from gross income unless specifically disallowed. Expenses specifically disallowed are taxed separately under

the head “income from business or profession” at the regular tax rate. Amortization and depreciation are available and pre-commencement expenditure, including in respect of feasibility studies, modeling, prototype creation, and experimental production, may be amortized at the rate of 20% using the straight line method. No depreciation may be claimed by lessors of assets under a finance lease.

Salary expenses for an employee are not deductible when computing the employer’s income where the employer fails to provide mandatory information regarding that employee’s tax return filing.

Rate: A 22.5% rate generally applies to publicly traded companies. Publicly traded companies that issue shares worth more than 10% of the paid-up capital via an initial public offering are taxed at a rate of 20%. Banks, insurance companies, and financial institutions (except merchant banks) are taxed at a 40% rate, with a lower rate of 37.5% available if the company is publicly traded or received specific approval from the government in 2013. Listed mobile phone companies are taxed at a rate of 40%; non-listed mobile phone companies and cigarette and other tobacco manufacturing companies are taxed at a rate of 45%. All other companies (including private limited companies and branches of foreign companies) are taxed at a rate of 27.5%.

All income, receipts, and any individual transaction exceeding BDT 500,000, and all types of expenses and investments exceeding BDT 3.6 million annually must be transferred by bank transfer, otherwise the applicable corporate income tax rate on a taxpayer’s total income is increased by 2.5 percentage points.

Where a person employs or allows a non-Bangladeshi individual to work in its business or profession at any time during the income year without prior approval of the appropriate governmental authority, the employer will be charged additional tax at a rate of 50% of the tax payable on the total annual income or BDT 500,000, whichever is higher.

Surtax: There is no surtax.

Alternative minimum tax: A minimum tax is imposed at 0.6% on gross receipts from all sources for a company or a firm that has gross receipts of more than BDT 5 million, irrespective of profit or loss, where the minimum tax is higher than the corporate tax liability. For manufacturers of cigarettes and other tobacco products, and mobile phone operators, the applicable rates are 1% and 2%, respectively. The rate of tax is 0.1% on gross receipts for an industrial undertaking engaged in the manufacturing of goods for the first three income years from the commencement of commercial production, and for a startup in its growth years (see “Incentives,” below).

The minimum tax applicable to taxpayers that have income from any source that is exempt or subject to tax at a reduced rate is calculated based on a prescribed method.

Taxation of dividends: Dividends received from resident companies generally are taxed as income at a rate of 20%. Relief from multi-tier taxation of dividend income is granted both to resident and nonresident shareholders.

An additional 10% tax is imposed on listed companies on the full amount of a stock dividend (interim or otherwise) declared or distributed in an income year, if the stock dividend exceeds the amount of any cash dividend.

Listed companies also are subject to an additional 10% tax on the total amount transferred to retained earnings, reserves, or surplus, where the amount transferred exceeds 70% of the net income after tax.

Capital gains: Capital gains are taxed at a rate of 15%, although there are some exemptions.

Losses: Business losses may be carried forward for up to six years. The carryback of losses is not permitted.

Foreign tax relief: A resident entity may credit income tax paid on foreign-source income against its Bangladesh tax liability. The amount of the credit is the lesser of the income tax paid abroad or the Bangladesh tax payable on the foreign-source income.

Participation exemption: There is no participation exemption.

Holding company regime: There is no holding company regime.

Incentives: Incentives are available for certain income, such as income from an infrastructure facility or industrial undertaking set up in Bangladesh, the business of information technology-enabled services (ITES), and exports of handicrafts and industries established in an export promotion zone, provided certain requirements are met. Area-based tax incentives are available to industrial undertakings set up in specified regions.

A 10-year 100% corporate income tax holiday applies to newly established manufacturing companies in the following sectors, provided certain requirements are met:

- Information and communications technology products;
- Manufacture of cars (three- and four-wheelers);
- Agricultural and dairy products;
- Home appliances and lighting;
- General and specialist hospitals; and
- Professional or vocational education and training.

The 100% corporate income tax exemption for income derived from information technology services and ITES provided by companies engaged in cloud services, e-learning platforms, e-book publications, mobile application development services, etc. has been extended through 30 June 2024.

A company that works towards deployment or commercialization of new products, and uses processes or services driven by innovation, development and technology, or intellectual property, may be classified as a “startup” and eligible for a preferential tax regime. In order to qualify, the annual turnover of the company must not exceed BDT 1 billion in a given financial year, and the startup must not be a subsidiary of another company holding 50% or more of its shares, or the result of an amalgamation or demerger. Startups enjoy various tax benefits, including the following:

- No disallowance of expenses;
- Losses can be carried forward for an extended period of up to nine years;
- No compliance obligations other than filing an income tax return, subject to the company fulfilling the tax registration requirements; and
- A minimum tax at a rate of 0.1% on gross receipts.

Companies incorporated prior to 1 July 2017, and companies incorporated between 1 July 2017 and 30 June 2022 that fail to obtain tax registration before 30 June 2023, are not eligible for the startup regime. Newly incorporated companies must register for tax before 30 June of the year following the year of incorporation to be eligible.

Other

Indirect transfer

The transfer of shares in a nonresident company is deemed to be the transfer of an asset situated in Bangladesh to the extent the value of the shares transferred is directly or indirectly attributable to the value of assets in Bangladesh.

Specific rules for indirect transfers may apply, such as those providing for a valuation mechanism, the determination of income taxable in Bangladesh, specific carve outs, and filing and reporting obligations.

A person responsible for effecting a share transfer may not do so until any capital gains tax due in respect of the transfer has been paid.

Any profits and gains arising from the transfer of a business or undertaking in its entirety with all of its assets and liabilities is taxable under the head “capital gains,” as income of the transferor for the income year during which the transfer takes place.

Amalgamation

An amalgamation is the merger of one or more companies with another company or the merger of two or more companies to form one company where all the assets and liabilities of the amalgamating companies become the property of the amalgamated company, and shareholders holding 75% or more of the value of the shares in the amalgamating companies become shareholders of the amalgamated company.

Accumulated losses or unabsorbed depreciation of an amalgamating company are transferred to the new amalgamated company in the year of amalgamation and may be carried forward.

No capital gains tax liability arises from the transfer of capital assets on an amalgamation, provided that any consideration received by the shareholders of the amalgamating companies other than shares in the amalgamated company is subject to the applicable tax.

Compliance for corporations

Tax year: The standard tax year is 1 July to 30 June, except for banks, insurance companies, and financial institutions, which may use the calendar year as their income year. The tax authorities may allow a different financial year for a company that is a subsidiary or holding company of a parent company incorporated outside Bangladesh, or a branch or liaison office, where the foreign company is required to follow a different financial year for the purpose of consolidation of its accounts with the parent company.

Consolidated returns: Consolidated returns are not permitted; each entity must file a separate return.

Filing and payment: All resident companies and foreign companies with Bangladesh-source income are required to file an annual income tax return. This includes companies engaged in selling goods or rendering services through digital platforms to recipients in Bangladesh.

The tax return must be filed on or before the “tax day,” i.e., by the 15th day of the seventh month following the end of the income year, or by 15 September following the end of the income year where the 15th day of the seventh month falls before 15 September. Advance tax must be paid quarterly, and any remaining tax due must be paid before the income tax return is filed.

Penalties: Penalties are imposed for late filing, failure to file a return, or failure to pay tax; concealment of income; failure to maintain proper records; and failure to provide required documents or data.

Rulings: Tax rulings are possible in certain cases but generally are not publicly available.

Other: The employer must provide information relating to tax returns filed by employees to the tax authorities by 30 April of each income year. The company must file half-yearly withholding tax returns as well as monthly withholding tax statements that report payments made to vendors and employees.

Individual taxation

Rates		
Individual income tax rate	Taxable income (BDT)	Rate
	Up to 300,000	0%
	300,001—400,000	5%
	400,001—700,000	10%
	700,001—1,100,000	15%
	1,100,001—1,600,000	20%
	Over 1,600,000	25%
Capital gains tax rate		Applicable individual income tax rate/15%

Residence: Individuals are resident for tax purposes if they are present in Bangladesh for more than 182 days in the income year, or if during the preceding four years they were present in Bangladesh for at least 365 days and they are present in Bangladesh during the income year for at least 90 days.

Basis: Residents are taxed on worldwide income; nonresidents are taxed only on Bangladesh-source income.

Taxable income: Taxable income is divided into “heads” of income, which include income from employment, income from the exercise of a profession, income from property, agricultural income, interest on securities, capital gains, and other income.

The basic exemption for men under 65 years of age is BDT 300,000. For women, and men above 65 years of age, the exemption is BDT 350,000. The basic exemptions for individuals with disabilities and freedom fighters are BDT 450,000 and BDT 475,000, respectively.

Rates: Individual income tax rates for residents are progressive from 0% to 25%, and nonresidents are taxed at a flat rate of 30%. A minimum tax is imposed at a rate of 0.25% on gross receipts from all sources where an individual has gross receipts of at least BDT 30 million in an income year if this is higher than the tax liability calculated at the progressive rates.

Capital gains: Capital gains are one of the heads of income and generally are taxed at the applicable personal income tax rate. Gains from the sale of an asset that has been held for more than five years are taxed at the lesser of the applicable individual tax rate or 15%.

Deductions and allowances: Various personal allowances are granted. Deductions are possible where expenses are incurred in deriving taxable income.

An investment allowance of 15% of the eligible amount is available for contributions to certain pension, provident, and superannuation funds; and investments in national savings certificates, treasury bonds, and similar securities, capped at the lowest of (i) the actual investment made, (ii) 20% of total income (less income that is exempt or subject to tax at a reduced rate), or (iii) BDT 10 million.

Foreign tax relief: A resident individual may credit income tax paid on foreign-source income against their Bangladesh tax liability. The amount of the credit is the lesser of the income tax paid abroad or the Bangladesh tax payable on the foreign-source income.

Compliance for individuals

Tax year: The assessment year is a period of 12 months commencing on 1 July of each year.

Filing status: Joint returns are not permitted; each individual must file a separate return.

Filing and payment: Individuals must file a tax return on or before the “tax day,” i.e., by 30 November following the financial year, unless an extension is obtained. For individuals filing for the first time, the deadline is 30 June of the following financial year. A nonresident individual without a fixed base in Bangladesh is not required to file a tax return. Advance tax is required to be paid quarterly, and any remaining tax due must be paid before the income tax return is filed.

A Bangladeshi resident individual with gross wealth exceeding BDT 4 million who owns a car or has invested in a house or an apartment in a city corporation area is required to submit a “statement of assets, liabilities, and lifestyle” with the tax return. The statement is not mandatory for nonresidents and, if filed voluntarily, is required only to include details of assets located in Bangladesh.

A resident or nonresident individual with total income exceeding BDT 400,000 is required to submit a “statement of expenses relating to lifestyle” with the tax return.

Penalties: Penalties are imposed for late filing, failure to file a return, or failure to pay tax; concealment of income; failure to maintain proper records; and failure to provide required documents or data.

Other: Information relating to a tax return filed by an employee must be provided to the employer by 15 April each year.

Rulings: Tax rulings are possible in certain cases but generally are not publicly available.

Withholding tax

Rates				
Type of payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
Dividends	20%	10%	20%	30%
Interest	0%	0%	20%	20%
Royalties	10%/12%	10%/12%	20%	20%
Fees for technical services	10%	10%	20%	20%

Dividends: Dividends paid to a resident company, or a nonresident company, trust, or fund are subject to a 20% withholding tax rate. Dividends paid to resident and nonresident individuals are subject to withholding tax rates of 10% and 30%, respectively. The withholding tax rate on dividends paid to residents is increased by 50% where the payee does not furnish an eTIN certificate (taxpayer identification number). The withholding tax rate on dividends paid to nonresidents may be reduced under a tax treaty or other provisions of domestic tax law, subject to the nonresident obtaining a reduced or nil withholding certificate from the tax authorities in advance.

Interest: There is no withholding tax on interest paid to residents. Interest paid to a nonresident company or individual is subject to a 20% withholding tax rate which may be reduced under a tax treaty or other provisions of domestic tax law, subject to the nonresident obtaining a reduced or nil withholding certificate from the tax authorities in advance.

Royalties: Royalties paid to residents are subject to a 10% withholding tax rate where the payment does not exceed BDT 2.5 million; otherwise, the rate is 12%. The withholding tax rate on royalties paid to residents is increased by 50% where the payee does not furnish an eTIN certificate. Royalties paid to a nonresident company or individual are subject to a 20% withholding tax rate. The withholding tax rate on royalties paid to nonresidents may be reduced under a tax treaty or other provisions of domestic tax law, subject to the nonresident obtaining a reduced or nil withholding certificate from the tax authorities in advance.

Fees for technical services: Fees for management services, technical services, technical know-how, or technical assistance paid to residents are subject to a 10% withholding tax rate. The withholding tax rate on such fees paid to residents is increased by 50% for payees that do not provide proof of submission of their income tax return, and do not receive payments by bank transfer. Fees paid to a nonresident company or individual are subject to a 20% withholding tax rate. The withholding tax rate on fees paid to nonresidents may be reduced under a tax treaty or other provisions of domestic tax law, subject to the nonresident obtaining a reduced or nil withholding certificate from the tax authorities in advance.

Branch remittance tax: The remittance of profits abroad by a branch of a foreign company is subject to a branch profits tax at a rate of 20%.

Other: Rental income on plant and machinery paid to a nonresident is subject to a withholding tax rate of 15%.

Payments made to a nonresident for advertising are subject to a 20% withholding tax rate. Payments made to a nonresident for creating advertising or digital marketing are subject to a withholding tax rate of 15%.

Payments made to a nonresident for conducting surveys in connection with coal, oil, or gas exploration are subject to a withholding tax rate of 5.25%.

Surveyors' fees for general insurance purposes paid to nonresidents are subject to a 20% withholding tax rate.

Payments to a nonresident for "bandwidth services" are subject to a 10% withholding tax rate (reduced from 20%) and other payments made to nonresidents are subject to a 20% withholding tax rate (reduced from 30%).

Any sums remitted from abroad to the account of a resident or nonresident for providing any service in Bangladesh, rendering any service by a resident in favor of a foreign person, or the use of any online platform for advertising are subject to a 10% withholding tax rate. Any sums remitted from abroad to the account of a resident as consideration in respect of contracts for manufacturing, processing or conversion, civil work, construction, engineering, or works of a similar nature are subject to a 7.5% withholding tax rate. The withheld tax amount is considered as a minimum tax and is not adjustable or refundable.

Anti-avoidance rules

Transfer pricing: OECD-type transfer pricing provisions apply. The definition of "associated enterprise" extends beyond a shareholding or management relationship, as it includes some deeming clauses. A taxpayer engaging in cross-border transactions exceeding BDT 30 million is required to maintain documentation and to provide a certificate (in a prescribed format) from a chartered accountant or a cost and management accountant that sets out the details of related party transactions, as well as the methods used to determine an arm's length price, provided a notice for filing the certificate is

received from the National Board of Revenue. Transfer pricing reporting and compliance obligations also may apply to certain transactions between the taxpayer and a resident related party.

Interest deduction limitations: There are no interest deduction limitation rules.

Controlled foreign companies: There are no controlled foreign company rules.

Hybrids: There are no anti-hybrid rules.

Economic substance requirements: There are no economic substance requirements.

Disclosure requirements: From a transfer pricing perspective, all transactions with associated enterprises must be reported on an annual statement of international transactions, which is required to be filed with the annual income tax return.

Exit tax: Capital gains tax applies to certain transfers of Bangladeshi holdings, including transfers by nonresidents of a business or an undertaking in its entirety with all of its assets and liabilities.

General anti-avoidance rule: The tax authorities are empowered to scrutinize any arrangement between a resident and a nonresident that results, for either party, in no profits or profits that are less than the amount that ordinarily would be expected. In such cases, the tax authorities may determine the amount of income to have accrued from the arrangement.

Other: Under the substance-over-form principle, the tax authorities may recharacterize a transaction that was entered into to avoid tax or that does not have substance, and may disregard a transaction that lacks economic substance.

Value added tax

Rates	
Standard rate	15%
Reduced rate	0%/5%/7.5%/10%

Taxable transactions: VAT is imposed on the supply of goods and the provision of services, and on the import of goods or services. Supplies of goods and services without consideration are valued at the fair market price.

Rates: The standard VAT rate is 15%, with certain exceptions for specified services. Exports are zero rated. Reduced rates of 5%, 7.5%, and 10% apply to certain goods and services.

Advance tax is payable on imports of goods at a rate of 3% by manufacturers and 5% by other importers. The concessional rate for manufacturers is subject to the production of certain documents at the time of releasing the goods.

VAT registration is mandatory for suppliers having turnover of more than BDT 30 million. Suppliers with turnover from BDT 5 million to BDT 30 million may opt for voluntary VAT registration or pay turnover tax at 4%. No registration under the VAT Act is required if annual turnover is less than BDT 5 million. VAT registration is mandatory for importers, exporters, all withholding entities, and suppliers dealing in goods subject to supplementary duty.

A centralized registration process may apply where supplies of similar types of goods and services are made from multiple business locations. Companies with no physical presence in Bangladesh must appoint a VAT agent.

Filing and payment: VAT returns must be filed and payments made online. VAT withheld must be deposited within seven days of the end of the month in which the deduction is made. The VAT return must be filed monthly, within 15 calendar

days from the beginning of the following month (or the next working day where the filing deadline falls on a government holiday).

VAT withholding tax (VAT Deduction at Source or VDS) is payable as follows:

- Goods subject to VAT at a rate of 15%: No VDS; payment is made with the VAT amount to the supplier on the receipt of the tax invoice (VAT-6.3);
- For goods listed in the third schedule and for listed services: Mandatory VDS of the full amount of VAT;
- For other services: No VDS; payment is made with the VAT amount to the supplier on receipt of the tax invoice (VAT-6.3); and
- Exempt and zero-rated goods and services: No VDS.

A foreign entity that performs work or services or makes supplies within Bangladesh may be required to register for VAT in Bangladesh. An application for registration may be made via a local VAT agent.

Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply both to companies and individuals and are imposed at the national level.

Social security: There are no mandatory social security contributions imposed on employers or employees.

Payroll tax: There is no separate payroll tax but employers are required to withhold tax on salaries.

Capital duty: There is no capital duty.

Real property tax: There is no real property tax, but see “Stamp duty,” below.

Transfer tax: There is no specific transfer tax, but transfers of immovable property are subject to stamp duty and registration fees, in addition to business income tax or capital gains tax (as appropriate), local government tax, advance income tax, etc.

Stamp duty: Financial instruments, real property, and other specified transactions in Bangladesh attract stamp duties that are imposed under the Stamp Act, 1899.

Net wealth/net worth tax: A surcharge is imposed based on total net worth at varying rates, on a progressive basis, for individuals (i) having a minimum net wealth exceeding BDT 30 million, (ii) owning more than one car, or (iii) owning residential property totaling more than 8,000 square feet in a city corporation area.

Inheritance/estate tax: There is no inheritance tax or estate tax.

Other: Gifts, grants, or leases of immovable property must be registered with the authorities.

Tax treaties: Bangladesh has concluded more than 35 tax treaties.

Tax authorities: National Board of Revenue

Contact us:

Himanshu Patel

Email: himanshupatel@deloitte.com

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte provides industry-leading audit and assurance, tax and legal, consulting, financial advisory, and risk advisory services to nearly 90% of the Fortune Global 500® and thousands of private companies. Our professionals deliver measurable and lasting results that help reinforce public trust in capital markets, enable clients to transform and thrive, and lead the way toward a stronger economy, a more equitable society and a sustainable world. Building on its 175-plus year history, Deloitte spans more than 150 countries and territories. Learn how Deloitte’s approximately 415,000 people worldwide make an impact that matters at www.deloitte.com.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms or their related entities (collectively, the “Deloitte organization”) is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.

© 2023. For information, contact Deloitte Global.