GLOBAL TAX SERIES

Global Corporate Tax Handbook 2021

Global Corporate Tax Handbook 2021

Why this book?
Covering 101 tax jurisdictions worldwide, these books provide the largest, most authoritative survey of tax systems throughout the world. The Global Corporate Tax Handbook and the Global Individual Tax Handbook are designed to be used as a set – buy these two books as a set. The titles complement each other to provide the reader with a complete overview of the tax system in each country.

Similar to the other titles in the Global Tax Series, the country chapters follow a common layout that allows rapid and accurate access to precise information and enables direct comparison between countries. The country chapters have been updated to reflect the laws applicable in 2021.

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Preface

IBFD is pleased to present the 2021 edition of the *Global Corporate Tax Handbook*. Together with the *Global Individual Tax Handbook*, these titles provide the reader with a complete overview of the tax systems in 101 countries throughout the world.

All of the country surveys have been compiled to contain the most up-to-date information possible. In addition to the country level surveys, a chapter on the European Union is included, as well as descriptions of the seven most important Swiss cantons.

The chapters of this book are also available in the online collection Country Surveys of the IBFD Tax Research Platform, which contains descriptions of the tax systems of over 200 countries and, in addition, descriptions of the tax systems of all Swiss cantons, US states and Canadian provinces, and selected Mexican states. The online titles are *Global Tax Surveys* and *Global Tax Explorer*. The latter includes the texts of income tax treaties concluded by all countries worldwide.

More comprehensive coverage of the majority of the jurisdictions can be found in the online collection Country Analyses. A combination of Country Surveys, Country Analyses and the texts of income tax treaties concluded by countries worldwide is offered via the online title *Global Tax Explorer Plus* and regional subsets of this title on Africa, Asia-Pacific, Europe, Latin America and the Caribbean, and the Middle East. Countries in North America can easily be ordered via the online title *Tax Explorer – Country Select*, which enables you to choose the exact countries for which you need coverage on the essentials on international tax. It also offers the possibility to extend this with the very detailed Country Analyses on major economies like Canada and the United States.

For the latest tax developments, see IBFD's daily *Tax News Service* online. More information about IBFD, and its various activities and products is available at www.ibfd.org.

The Editors

April 2021

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Bangladesh

This chapter is based on information available up to 26 January 2021.

Introduction

Companies are subject to income tax on corporate profits. Value added tax (VAT) is also imposed. There are no social security taxes.

The main tax legislation on income tax is the Income Tax Ordinance 1984 (ITO), which is amended by annual finance ordinances and/or acts. The tax administration agency is the National Board of Revenue (NBR).

The currency is the Bangladeshi taka (BDT).

1. Corporate Income Tax

1.1. *Type of tax system*

Corporate income tax in Bangladesh is generally levied on worldwide income. Companies are subject to corporate income tax, which is levied on corporate profits and on other forms of income, as well as on chargeable gains accruing to companies.

Bangladesh operates a classical system of taxation. Profits are first taxed at the corporate level, and dividends distributed from the profits are taxed in the hands of shareholders with no applicable credits. Corporate shareholders are subject to a reduced income tax rate on dividends of 20%.

1.2. *Taxable persons*

Corporate income tax is levied on companies and associations of persons. A company is defined for tax purposes to mean a company incorporated or registered in Bangladesh, a body corporate, an association or combination of persons which includes at least one company, any association or body corporate formed outside Bangladesh under foreign laws, or any unincorporated foreign association or body which the NBR may declare to be a company for the purposes of the ITO.

This survey is restricted to Bangladeshi-incorporated public limited companies and private limited companies, as well as foreign-incorporated entities of a similar description, whether resident or non-resident. These entities will be referred to as companies.

Partnerships are separate taxable persons and are assessed at individual tax rates. A partner's share of income of a partnership is not subject to tax, but included for the purposes of determining the applicable tax rate.

Permanent establishments of non-residents are subject to the same tax as non-resident companies, *see* section 6.2.

Pension funds, trusts, investment funds and investment companies are generally exempt from corporate income tax.

1.2.1. Residence

A company is a resident in Bangladesh if it is registered and has its office in Bangladesh, or its control and management is situated wholly in Bangladesh.

The control and management of a Hindu undivided family, firm, an association of persons, a trust, a fund or an entity has to be wholly situated in Bangladesh, in order for it to be a tax resident.

1.3. *Taxable income*

1.3.1. General

Resident companies are subject to income tax on their worldwide income, including capital gains.

Income is only taxed if it falls under a specified category and is not excluded. The heads of income are:
- salaries;
- interest on securities;
- income from house property;
- agricultural income;
- income from business or professions;
- capital gains; and
- income from other sources.

Income from real property is taxed as income from house property, on an imputed basis calculated by using the annual value of the property consisting of buildings, appurtenant land and the letting out value of furniture, fixtures, fittings, etc. Income is not imputed to owners-occupiers or to property used by the owner for a taxable business or profession.

The following are taxed as income from other sources:
- the excess of tax-exempted income or income subject to a reduced tax rate, as disclosed in a revised return, over the amount of such income shown in the original return;
- where the value of a motor car or a jeep purchased or taken on lease exceeds 10% of the paid-up capital of a company, 50% of its value will be considered "income from other sources" for that company;
- any loan received by a company from another company, other than by a crossed cheque, will be considered "income from other sources" of the first-mentioned company;
- transfer of initial capital disclosed in an income tax return under the universal self-assessment system, within the year of investment or within 5 years from the end of that income year;

- receipt of paid-up capital in an income year from any shareholder by a company not listed with any of the stock exchanges in Bangladesh, otherwise than by crossed cheque or bank transfer;
- any advance or deposit received by an assessee other than by a bank transfer shall be considered “income from other sources” for that company; and
- any payment made in acquiring any asset whereby income tax has not been deducted shall be considered “income from other sources” for that company.

The heads of income, after deductions for allowable expenses specific to each head, are aggregated to arrive at total income. The total income is reduced by deductions available against total income (such as losses and approved donations) to arrive at taxable income, to which the applicable tax rates are applied.

Certain income is subject to a presumptive taxation regime (*see* section 1.6.2.).

Income is taxed when received or accrued. Once income is taxed as accrued, it is not taxed again when received, and vice versa. Income is brought to account in accordance with the accounting method used by the taxpayer.

1.3.2. Exempt income

The following types of income are exempt:
- income derived from property held in trust wholly for religious or charitable purposes, subject to conditions, including notification and accumulation rules;
- income of provident funds, subject to conditions;
- dividends received from a company listed on any stock exchange in Bangladesh, not exceeding BDT 50,000;
- service charges paid by recipients of loans on the amount borrowed under microcredit programmes from non-governmental organizations (NGOs) registered with the NGO Affairs Bureau (previously, tax exemption was applicable on any income of an NGO registered with the NGO Affairs Bureau);
- income from export of handicrafts, up to 30 June 2024;
- income taxes paid by the government on behalf of natural gas and petroleum exploration companies engaged under production sharing contracts;
- small and medium-scale enterprises engaged in the production of any goods whose annual turnover does not exceed BDT 50 million (however, such enterprises will still be required to file their annual income tax returns);
- income of any person other than a bank, insurance and other financial institution from zero coupon bonds issued by (i) a bank, insurance or financial institution approved by the Bangladesh Bank and Securities and Exchange Commission, and (ii) any institution other than a bank, insurance or financial institution approved by the Securities and Exchange Commission;
- income donated by crossed cheque to any vocational or technical institute, girls’ school or college approved by the Ministry of Education, or any national-level institution engaged in research and development of agriculture, science or technology, and industrial development;
- income from 22 different types of software development or IT-enabled services of a resident or a non-resident is tax exempt up to 30 June 2024;
- income from an alternative investment fund recognized by the Bangladesh Security and Exchange Commission, any honorarium or allowance from Bangladesh Freedom Fighters’ Welfare Trust or any welfare allowance received from the government, any reward received by any person from the government and any income derived from the operation of a care home for the elderly people;
- 50% of the income of foreign technicians employed in any of the listed 14 project companies set up and approved under the Public Private Partnership (PPP) Act 2015 for 3 years from the date of appointment;
- income derived from business operations of any of the listed PPP projects for 10 years from the date of commencement of commercial operation;
- allowances, benefits, including lump-sum grants allowed to government employees on retiring from service, other than basic salary, festival allowances, bonuses, etc.;
- income of the Bangladesh Securities and Exchange Commission from 1 July 2017 to 30 June 2022;
- income derived from the operations of elderly home care or children day care;
- income of an educational or training institution, which operates exclusively for persons with disabilities;
- distribution of taxed dividend to a resident or non-resident company provided that the distributing company maintains separate accounts for taxed dividend; and
- income derived from a rice bran oil-producing industrial, up to 30 June 2024.

1.3.3. Deductions

1.3.3.1. Deductible expenses

In general, an expenditure is allowed as a deduction if it is of a revenue nature, incurred wholly for the purposes of deriving taxable income, incurred in the relevant period and not specifically disallowed.

Some deductions are only available in computing income under a particular head, whether under a general or specific rule, while others are available against total income. For example, the only deductions allowed against interest income are bank charges and interest on loans incurred in deriving the interest income, while approved donations are deductible against total income.

Generally, dividends are not deductible, whereas interest and royalties are deductible. Interest expenditure includes profit shares paid to an Islamic bank.

Scientific research expenses are specifically deductible against business income. The deductibility of expenses for head office expenses, royalties, technical services fees, technical know-how fees or technical assistance fees, entertainment, foreign travel of employees and distribution of free samples is restricted to prescribed limits. The allowance of head office expenses for branches of foreign companies, unless provided for in tax treaties, is limited to 10% of the net profit disclosed in the statement of accounts. The deductibility of royalties, technical services fees, technical know-how fees or technical assistance fees is limited to 10% of the net profit disclosed in the statement of accounts excluding any profit of subsidiary or associate or joint venture for the first 3 income years from the commencement of business or profession. For subsequent income years, the deductibility is limited to 8% of the net profit disclosed in the statements of accounts. Incentive bonuses will be allowable deductions without any limitations. Effective 1 July 2018, the deduction for perquisites provided by an employer is limited to BDT 550,000 (BDT 2.5 million for a person with disability). Deduction is not allowed where domestic withholding tax has not been deducted and accounted for as appropriate.

From 1 July 2012, a company is allowed a deduction for donations to a fund established under the Trust of the Prime Minister's Education Assistance Act 2012, equal to the lower of 20% of its income or BDT 80 million (the lower of 20% of income or BDT 10 million for a person other than a company).

From 1 July 2012, any payment by a person, except payment for purchase of raw materials, salary or remuneration, or on government obligation, exceeding BDT 50,000, otherwise than by a cheque or bank transfer, is not deductible.

House rental received from a house or its units used for commercial or residential purposes, where the aggregate exceeds BDT 25,000 per month, must be deposited in a separate bank account to be maintained by the landlord.

Valuation of inventory

Any valuation method may be used, as long as it reflects the true profit for the period. The first-in, first-out (FIFO) method is expected to be used as a cost method.

A change in methods is allowed, provided it is not intended to evade taxes and not done regularly.

1.3.3.2. Non-deductible expenses

Expenditure which is disallowed due to non-fulfilment of set conditions, in the hands of a tax-exempted person or a person subject to a reduced rate of tax, is considered as income and taxed at the prescribed rate.

No deduction is allowed for a payment made by way of salary to an employee, who is required to submit the return of income but failed to do so. The restriction on the overseas travelling expense allowance of up to 0.50% of the disclosed turnover is not applicable to an assessee who is providing a service to the government where overseas travelling is a key requirement of that service. Similarly, any promotional expense will be restricted and allowed of up to 0.50% of the disclosed turnover.

Any payment made to a person who is required by the law to obtain a 12-digit taxpayer's identification number but has failed to do so at the time of the payment, is not deductible as an admissible expenditure.

Other non-deductible expense includes capital expenditure, such as acquisition of rights in scientific research and construction of a building or property. Expenses related to exempt income are not allowed as deductions for computation of income tax.

1.3.4. Depreciation and amortization

In general, accounting depreciation is not allowable, as such depreciation for tax purposes is only allowed on a declining-balance method.

Depreciation is deductible only against income from business or professions. Special rules apply to depreciation of assets used in deriving agricultural income.

The restriction for allowing depreciation up to a maximum of BDT 2.5 million in the case of passenger vehicles or sedan cars not plying for hire, is not applicable to buses and minibuses of an educational institution used for transporting students, teachers or employees of an assessee carrying on any business or profession.

Depreciation rates are determined by the legislation and vary from 10% for buildings to 30% for aircraft and computers. Computer software framed in Bangladesh is eligible for depreciation at 50%. Depreciation is allowed at the rates of (i) 2% on physical infrastructure undertakings, such as bridges, roads or flyovers; (ii) 2.5% on pavement runways, taxiways, aprons and tarmacs; (iii) 10% on boarding bridges; and (iv) 5% on communication, navigation aid and other equipment. The cost of replacement of plant, with a useful life of not more than a year, is deductible in the year the cost was incurred.

No deduction is allowed for depreciation of acquired patents (except if they are part of scientific research expenditure (*see* section 1.3.3.) or goodwill. Deduction is allowed for depreciation on the cost of machinery, plant, vehicle or furniture on a finance lease.

Amortization of licence fees, i.e. spectrum assignment fees paid by a cellular mobile phone operator for obtaining a licence from any authority authorized by the government, with a validity of 2 or more years, will be allowed a proportionate deduction during the validity period.

The amortization of GSM licence fees, licence acquisition fees or licence renewal fees paid by a cellular mobile phone operator is proportionate to the periods for which such licence fees were paid.

Depreciation is compulsory. Depreciation expenditure that results in a loss is carried forward separately from other losses (*see* section 1.5.1.).

If a business asset is sold or disposed of at a price exceeding the current tax written-down value, the gain will be treated as an ordinary business income.

1.3.5. Reserves and provisions

Reserves and provisions are generally not deductible. However, a provision for the deduction of an amount not exceeding 5% of the total income of the year carried to any special reserve of a financial institution, approved by the government, is allowed. The aggregate amount of such reserves must not exceed the paid-up share capital of the institution.

1.4. *Capital gains*

Capital gains are taxed at 15% under a separate head of income (*see* section 1.3.1.) in the year when the transfer is made.

Capital gains from disposal of government securities are not subject to tax. Amounts received for goodwill and termination of contracts are not capital gains, but taxed under the "income from other sources" head (*see* section 1.3.1.).

Capital gains on the sale of securities other than government securities, and on the sale of stocks and shares of public companies listed with a stock exchange in Bangladesh, is subject to tax.

Income from the transfer of a business or undertaking in its entirety with all its assets and liabilities will be considered as capital gains of the assessee in respect of the year during which the transfer takes place.

Rollover relief is available in some circumstances, e.g. on replacements or rollovers of land and buildings of a partnership firm to a new company.

Capital gains from the transfer of shares and on royalty, technical know-how and technical assistance fees paid by any of the 14 listed project companies set up and approved under the PPP Act 2015 are exempted from income tax for 10 years from the dates of their commencement of commercial operations.

1.5. *Losses*

1.5.1. Ordinary losses

Losses are computed separately for each head of income (*see* section 1.3.1.). The main rules are as follows:
– losses arising from a business or profession can be offset against income of other categories (*see* section 1.3.1.), except capital gains, income from house property and income from speculative business. Unutilized losses can be carried forward for 6 years and set off against income from the same business as that in which the loss was incurred;
– losses from agricultural income can be set off against income of other categories in the same tax year. Any unutilized agricultural losses can be carried forward for up to 6 years and set off against income of the same category;
– losses from other income categories can be set off against income of such categories in the same tax year, but cannot be carried forward to offset income from other heads of income;
– losses from speculative transactions are quarantined and can only be offset against speculative income. Unutilized speculative losses continue to be quarantined and can be carried forward for 6 years;
– losses from exempt sources cannot be set off against taxable income; and
– losses from any head of income cannot be set off against income from the manufacturing of cigarettes, bidi, *zarda*, chewing tobacco, *gul* or any other smokeless tobacco or tobacco products.

A loss sustained by an association of persons may be set off against the income of that association under any other head but not against income of any of the members of that association. An association of persons' loss shall not be carried forward and set off against its members' own income.

Unabsorbed depreciation expense can be carried forward indefinitely, separately from other losses. Depreciation carried forward by one person cannot be deducted by another, thus such amounts are lost if there is a change in the owner of the business. Unabsorbed depreciation is deducted after other unutilized losses.

Losses may not be carried back.

See section 6.1.1. for foreign losses.

1.5.2. Capital losses

Capital losses can only be set off against capital gains. Net capital losses for a tax year in excess of BDT 5,000 can be carried forward for up to 6 years and set off against future capital gains.

1.6. *Rates*

1.6.1. Income and capital gains

The tax rates vary depending on the type of income received and the recipient.

The current corporate tax rates for income other than dividends from Bangladeshi companies (from 2015 onwards) are:

Type of company	Rate (%)
Publicly traded companies	25
Other closely held companies	32.5
Merchant banks	37.5
Banks, insurance and financial institutions – publicly traded	37.5 (effective from 1 July 2019)
Other banks, insurance and financial institutions – not publicly traded	40 (effective from 1 July 2019)
Cigarette manufacturing company	45[1]
Non-company manufacturing of cigarettes, bidi, smokeless tobacco and other tobacco products	45
Mobile phone operating companies:	
– general	45[2]
– publicly traded	40[2]
Cooperative society	15
Association of persons	32.5

1. A surcharge of 2.5% on profit before tax will be applied to the manufacturers of cigarette, bidi, smokeless tobacco and other tobacco products.
2. Reduced to 40% if converted into publicly traded companies by issue of at least 10% of paid-up capital through a stock exchange in Bangladesh, of which the pre-initial public offering placement should not be more than 5%.

Contractors to an oil company or their sub-contractors may opt to be assessed at 15% deemed income of their gross earnings with prescribed adjustments.

A tax rebate of 5% will be allowed to an employer if 10% of his total working employees are people with intellectual disabilities.

Capital gains from the transfer of capital assets (not being securities listed on a stock exchange) are taxed at 15%.

Capital gains from the transfer of listed shares of the following are taxed at different rates (*see also* section 1.6.2.):

Type of company	Rate (%)
Shareholders of a stock exchange	15
A firm or company	10

Type of company	Rate (%)
A sponsor shareholder or shareholder-director of a bank, financial institution, merchant bank, insurance company, leasing company, portfolio management company, stock dealer or stock broker company	5
Other shareholders holding shares of more than 10% of the companies' paid-up capital	5
The Bangladesh Economic Zones Authority as an autonomous body engaged in providing public services	25

1.6.2. Withholding taxes on domestic payments

The rates of withholding tax depend on the tax residence status of the recipient and the type of income (*see* section 6.3. for rates for non-residents and Individual Taxation sections 1.9.2. and 6.3. for payments to individuals). The main rates are:

Income or activity	Rate of withholding tax (%)
Dividends[1]	20 (final)
Interest:	
– on securities	5
– on fixed deposits and savings deposits with banks, non-banking financial institutions, leasing companies or housing finance companies, or credited to customers' accounts or paid to residents, excluding interest or share of profits arising from a government deposit pension scheme, a scheduled bank approved by the government or of family savings certificates	10
– on any savings deposits, fixed deposits or any term deposits maintained by a tax-exempt fund	5
– on savings instruments (in the hands of an approved superannuation fund or pension fund or gratuity fund or a recognized provident fund or a workers' profit participation fund if the investor's cumulative investment at the end of the relevant income year exceeds BDT 0.5 million) and any payment from workers' participation fund	10 (final)
– on post office savings bank accounts	10
Payment of royalties,[2] franchise, or fee for using licence brand name, patent, design, pattern and technical know-how, copyright, trademark, survey, study, estimate, etc. (on base amount):[3]	
– where the amount has not exceeded BDT 2.5 million	10
– where it exceeds BDT 2.5 million	12
Payment to contractors, etc.: [3]	
(a) payments for execution of contracts:	
– where base amount does not exceed BDT 1.5 million	2
– where base amount exceeds BDT 1.5 million but does not exceed BDT 50 million	3
– where base amount exceeds BDT 50 million but does not exceed BDT 100 million	4
– where base amount exceeds BDT 100 million	5

1. Companies listed on any stock exchange in Bangladesh will be required to pay a cash dividend equal to the ratio of stock dividend. Stock dividend will be taxed at 10% if the ratio of stock dividend declared or distributed exceeds the cash dividend. A company registered and listed on any stock exchange in Bangladesh will furthermore be required to distribute 30% of its taxed income as cash and stock dividend. In case of default, tax will be imposed at 10% on the amount transferred as retained earnings or reserves.
2. Transfer of rights, importing any information and the use of any module design will qualify as royalty even if the right to license or patent a secret process or formula or information of a technical, industrial or commercial nature is not in the possession, under the control or directly used by the taxpayer.
3. The rate of withholding tax will be 50% higher if the payee does not hold a 12-digit online tax identification number (TIN).

No tax is to be deducted in respect of purchase of direct materials that constitute cost of sales or cost of goods sold of a trading company or a manufacturing company.

The rates for oil and gas activities are:

Income or activity	Rate of withholding tax (%)[1]
Oil supplied by oil marketing companies:	
– where the payment does not exceed BDT 0.2 million	Nil
– where the payment exceeds BDT 0.2 million	0.6
Oil supplied by dealer or agent (excluding petrol pump station) of oil marketing companies, on any amount	1
Supply of oil by any company engaged in oil refinery, on any amount	3
Company engaged in gas transmission, on any amount	3
Company engaged in gas distribution, on any amount	3

1. The rate of withholding tax will be 50% higher if the payee does not hold a 12-digit TIN.

Payments for certain services:

Description of service and payment	Rate of withholding tax (%)[1]	
	Where base amount does not exceed BDT 2.5 million	Where base amount exceeds BDT 2.5 million
Advisory or consultancy service	10	12
Professional services, technical services or technical assistance fee	10	12
Catering service, cleaning service, collection and recovery service, private security service, manpower supply service, creative media service, public relations service, event management service, training, workshop, etc. organization and management service, courier service, packing service and any other service of a similar nature:		
– on commission or fee	10	12
– on gross bill amount	1.5	2
Media buying agency service:		
– on commission or fee	10	12
– on gross bill amount	0.5	0.65
Commission received from indent sales	6	8
Meeting fees, training fees or honorarium	10	12
Mobile network operator, technical support service provider or service delivery agents engaged in mobile banking operations	10	12
Credit rating agency	10	12
Motor garage or workshop	6	8
Private container port or dockyard service	6	8
Shipping agency commission	6	8
Stevedoring/berth operation commission	10	12
Transport service, carrying service, or vehicle rental service or any other type of services under the sharing economy platform	3	4
Wheeling charge for electricity transmission	2	3
Any other service, other than those provided by bank, or insurance or financial institutions	10	12
Deduction of tax on payment, in applicable cases, may be made at a lower rate or at nil rate, if a certificate from the NBR to that effect is obtained. The rate of withholding tax is 50% higher if the payee does not hold a 12-digit tax identification number (TIN).		

1. The rate of withholding tax will be 50% higher if the payee does not hold a 12-digit TIN.

Other income or activities:

Income or activity	Rate of withholding tax
Sale of cigarettes by manufacturers	10%
Compensation against acquisition of property situated in:	
– any city corporation, municipality or cantonment board	6%
– outside any city corporation, municipality or cantonment board	3%
Commission on letters of credit	5%
Travel agent commission, discount, incentive bonus or any other benefits, etc. for selling tickets of an airline or for carrying cargo by air	0.30% on the total value of airline tickets or any charge for carrying cargo
Services from convention halls, conference centres, hotels, community centres, restaurants, etc., excluding direct payment to the government	5%
Inward remittance for services rendered to a foreign person, by way of fees, service charges, commission or remuneration, or revenue sharing or similar nature (except for the inward remittance of income earned abroad and proceeds from the sale of software or services by a resident if the income from such sale is exempted from tax)	10%
Commission, discount, fee, dealer promotional charge or any other payment for distribution or marketing of goods, or the difference between the sale price and the fixed retail price if goods are sold or distributed to any person or distributor at a price less than the retail price fixed by the company	10%

Income or activity	Rate of withholding tax
Commission, discount, fees, etc.: – payment in relation to promotion of a company or its goods supplied to any person engaged in their distribution or marketing – payment or benefit to a distributor, or any other person by away of commission, discount, fee, incentive or any performance bonus or any other payment of similar nature for distribution or marketing of goods – payment for promotional services for distribution or marketing of goods – any company, other than an oil marketing company which sells goods to any distributor or any other person under a contract at a price lower than the retail price fixed by that company, will collect tax from such distributor or any other person at the rate of 5% on the amount equal to the selling price of the company to the distributor × 5%	 1.5% 10% 1.5% 5%
Commission or remuneration paid to agent of foreign buyer	10%
Purchase of power from power rental company	6%
Rent paid for: – real property, hotel accommodation – rental value of vacant land or plant and/or machinery	 5% 5%
Transfer of immovable property: – commercial area, land or land and building – land or land and building in other areas (not commercial) – sale of mortgaged property by bank or financial institution, mortgage of property to any bank or financial institution, for loan and mortgage of any property to any bank or financial institution	 Higher of 4% of the deed value or BDT 1.08 million per *katha* (720 square feet), depending on location. Additional tax at higher of 4% of deed value or BDT 600 per square metre is charged for transfer of land with structures Higher of 4% of the deed value or one of the ten slabs between BDT 30,000 and BDT 300,000, depending on location Nil
Lease of immovable property for 10 years or more by Rajdhani Unnayan Kartripakkha, Chittagong Development Authority, Rajshahi Development Authority, Khulna Development Authority or National Housing Authority	4% on the lease amount from the lessor
Payment to newspapers, magazines, private television channels or private radio stations or any website or person on account of advertisements or purchasing airtime on a private television channel or radio station or website	4%
Any payment for purchasing a film, drama, or television or radio programme, or payment to any person for performing in a film, drama, advertisement, or television or radio programme over BDT 10,000	10%
Commission payments on manpower exports	10%
Purchase of goods by public auction	5%
Commission income for procuring insurance business	5%
Insurance premium	–
Fees of surveyors of general insurance companies	10%
Renewal of trade licence (based on location)	BDT 500 – 3,000
Clearing and freight forwarding agency commission	15%
International gateway services related to phone calls	1.5%
Payment by international gateway services operator related to international phone calls to an international exchange, access network services, the Bangladesh Telecommunication Regulatory Commission, etc., under an agreement with that Commission	7.5%
Payment made in excess of premium paid for life insurance policy	5% on the excess payment
Payment for local letter of credit (L/C) exceeding BDT 500,000	3%
Purchase or procurement of rice, wheat, potato, onion, garlic, peas, ginger, dried chillies, pulses, coarse flour, edible oil, sugar, clove, dates, computer/computer accessories, jute, cotton, etc., through local letter of credit or any other financial agreement earlier exempt from WHIT, is subject to WHIT at 2%, but not considered as supply	2%
Payment made by a cellular mobile phone operator on account of revenue sharing or licence fees or any other fees or charges to the regularity authority	10%
Export cash subsidy	10%

Income or activity	Rate of withholding tax
Export proceeds of: – knitwear and woven garments, terry towels, cartons and accessories of garment industries, jute goods, frozen foods, vegetables, leather goods and packed foods – other goods	 0.5% 0.5%
Courier business of a non-resident	15%
Gain from transfer of securities or mutual fund units by sponsor shareholder or director or placement holder of a company listed on any stock exchange in Bangladesh	5%
Capital gains in the hands of a company or firm arising from the transfer of securities listed on any stock exchange in Bangladesh	10%
Value of shares, debentures, mutual funds or securities transacted by a member of any stock exchange in Bangladesh	0.05%
Commission received or receivable by a member of a stock exchange for the transaction of securities, other than shares and mutual funds	10%
Payments by a real estate developer to a land owner	15%

The withholding tax rates for persons engaged in real estate business are as follows (residents only; there is no tax on non-residents):

Income	Rate of withholding tax
(a) Transfer of buildings or apartments:	
(1) for residential buildings or apartments, situated:	
(i) in Gulshan Model Town, Banani, Baridhara, Motijheel Commercial Area or Dilkusha Commercial Area of Dhaka	BDT 1,600 per square metre
(ii) in Dhanmandi Residential Area, DOHS, Mahakhali, Lalmatia Housing Society, Uttara Model Town, Bashundhara Residential Area, Dhaka Cantonment Area, Karwan Bazar of Dhaka and Panchlaish Residential Area, Kulshi Residential Area, Agrabad and Nasirabad of Chittagong	BDT 1,500 per square metre
(iii) in areas other than some posh residential and commercial areas of Dhaka and Chittagong City Corporations mentioned in (i) and (ii) above:	
(A) for areas, within Dhaka North and South City Corporations, and Chittagong City Corporation	BDT 1,000 per square metre
(B) for areas within other City Corporations	BDT 700 per square metre
(C) any other area	BDT 300 per square metre
(2) not for residential purposes, situated:	
(i) in Gulshan Model Town, Banani, Baridhara, Motijheel Commercial Area or Dilkusha Commercial Area of Dhaka	BDT 6,500 per square metre
(ii) in Dhanmandi Residential Area, DOHS, Mahakhali, Lalmatia Housing Society, Uttara Model Town, Bashundhara Residential Area, Dhaka Cantonment Area, Karwan Bazar of Dhaka and Panchlaish Residential Area, Kulshi Residential Area, Agrabad and Nasirabad of Chittagong	BDT 5,000 per square metre
(iii) outside important commercial and residential areas of Dhaka and Chittagong City Corporations:	
(A) for areas within Dhaka North and South City Corporations, and Chittagong City Corporation	BDT 3,500 per square metre
(B) for areas within other City Corporations	BDT 2,500 per square metre
(C) any other area	BDT 1,500 per square metre
(b) Transfer of land for land development business:	
(i) land situated in Dhaka, Gazipur, Narayanganj, Munshiganj, Manikganj, Narsingdi and Chittagong districts	5% of deed value
(ii) any other district	3%

1.7. *Incentives*

1.7.1. Private power generation companies

Private power generation companies (not based on coal) established under the policy framed by the government (Private Sector Power Generation Policy of Bangladesh 1996), the commercial production of which had commenced by 30 June 2013 or by 31 December 2014, is exempted from income tax for 15 years from the date of commencement of its commercial operations. Interest on foreign loans, royalties, technical know-how and technical assistance fees payable by such companies and capital gains on the transfer of shares of such companies are also exempted for 15 years. Expatriates employed in such companies are exempted from income tax for 3 years from the date of their arrival in Bangladesh.

Private power generation companies, subject to the conditions of the Private Sector Power Generation Policy of Bangladesh, which commence commercial production on or after 1 January 2015 will be exempted from tax for 10 years from the commencement of commercial production, at the following rates:

Exemption year	Rate of tax exemption (%)
First 5 years	100
Next 3 years	50
Next 2 years	25

Coal-based private power generation companies, subject to the conditions of the Private Sector Power Generation Policy of Bangladesh, entering into an agreement to set up a power plant by 30 June 2020, will be entitled to tax exemptions on the following classes of income:

- income of such companies for 15 years from the date of commencement of commercial production;
- income of foreign persons working in such companies for 3 years from the date of their arrival in Bangladesh;
- interest payable on foreign loans by such companies;
- royalties, technical know-how and technical assistance fees payable by such companies; and
- capital gains arising from transfer of shares of such companies.

Companies whose commercial production will commence after 30 June 2023 will not be entitled to the above benefits.

The companies enjoying these benefits are required to maintain proper books of accounts and file their income tax returns as scheduled.

1.7.2. Income from buildings in specified areas

Income from a building with at least five stories and at least 10 flats, which is constructed by 30 June 2014 in specified areas other than those covered by city corporations, cantonment boards, or in the Dhaka district, etc., will be exempt from income tax for a period of 10 years from the date of completion of construction of the building.

1.7.3. Industrial or infrastructure undertaking

The income of an industrial or infrastructure undertaking may be exempt from tax, subject to conditions. Additional exemptions are available to capital market participants, e.g. income up to BDT 25,000 of mutual funds accruing to issuing companies is exempt from tax.

Tax holiday benefits will continue for industrial undertakings set up between the period 1 July 2014 to 30 June 2019, for 5 or 10 years from the month of commencement of commercial production, depending on their location, at the following rates:

<table>
<tr><th>Location</th><th>Exemption year</th><th>Rate of exemption (% of income)</th></tr>
<tr><td rowspan="4">Dhaka, Mymensingh and Chittagong divisions (excluding Dhaka, Narayanganj, Gazipur, Chittagong, Rangamati, Bandarban and Khagrachari districts), for a period of 5 years</td><td>First 2 years</td><td>100</td></tr>
<tr><td>Third year</td><td>60</td></tr>
<tr><td>Fourth year</td><td>40</td></tr>
<tr><td>Fifth (last) year</td><td>20</td></tr>
<tr><td rowspan="6">Rajshahi, Khulna, Sylhet, Barisal and Rangpur divisions (excluding City Corporation) and Rangamati, Bandarban and Khagrachari districts, for a period of 10 years</td><td>First 2 years</td><td>100</td></tr>
<tr><td>Third year</td><td>70</td></tr>
<tr><td>Fourth year</td><td>55</td></tr>
<tr><td>Fifth year</td><td>40</td></tr>
<tr><td>Sixth year</td><td>25</td></tr>
<tr><td>Seventh to tenth years</td><td>20</td></tr>
</table>

Bio-fertilizer, petro-chemical or Hybrid Hoffmann kiln technology brick industries set up in Dhaka, Gazipur, Narayanganj, and Chittagong districts will also be eligible for the above tax exemption for 10 years.

Newly set up industrial undertakings and physical infrastructure facilities between the period from 1 July 2015 to 30 June 2019 will be entitled to a tax holiday for 10 years from the month of commencement of commercial production, at the following rates:

Exemption year	Rate of exemption (% of income)
First 2 years	100
Third year	80
Fourth year	70
Fifth year	60
Sixth year	50
Seventh year	40
Eighth year	30
Ninth year	20
Tenth year	10

There is a minimum amount of paid-up capital required of BDT 2 million for industrial undertakings and physical infrastructure facilities.

1.7.4. Others

The tax holiday facility for the tourism industry was withdrawn from 1 July 2011. All other existing conditions for a tax holiday entity remain unchanged.

The tax holiday will be extended for specified industrial undertakings set up between 1 July 2019 and 30 June 2024 in different areas of Bangladesh that engaged in the production of listed goods and materials at specified rates for 5 or 10 years, depending on their location. This exemption will not be allowed in case of an expansion unit of an existing industrial undertaking, and will be subject to fulfilment of the conditions laid down.

For a newly-established specified physical infrastructure facility, owned by a company and set up between 1 July 2019 and 30 June 2024 in Bangladesh, will be exempted from tax for 10 years commencing from the month of commercial production at specified rates subject to fulfilment of conditions and approval by the NBR.

However, dividends paid to shareholders, capital gains from the transfer of capital assets of such companies and disallowance of expenses will still be taxed.

Export processing zones

Industries set up in an Export Processing Zone from 1 January 2012, and thereafter operating under the Bangladesh Export Processing Zones Authority Act 1980, are exempt from income tax for 5 and 7 years at the following rates:

Location	Exemption period	Rate of exemption (% of income)
Dhaka or Chittagong Divisions (excluding Rangamati, Bandarban and Khagrachari districts)	First and second years	100
	Third and fourth years	50
	Fifth year	25
Rangamati, Bandarban and Khagrachari districts	First, second and third years	100
	Fourth, fifth and sixth years	50
	Seventh year	25

Such industries are required to maintain proper books of accounts and file their income tax returns as scheduled.

Existing industries operating in the EPZs prior to 1 January 2012 will enjoy tax exemption benefits for 10 years, as allowed under the existing laws. After the expiry of the tax exemption period of 10 years, 50% of tax attributable to the export sales of the EPZ industry set up before 1 January 2012 is exempt. Also, stamp duty is reduced by 50% on the deeds of transfer of any plot or land in these zones effective from 9 November 1997. However, the income tax returns of such entities must be filed within the scheduled time.

Economic zones

A company set up in Bangladesh under the Bangladesh Economic Zones Act 2010 for the production of goods and provision of services will be exempt from tax for 10 years from the commencement of its commercial operations at the following rates:

Exemption year	Rate of tax exemption (% of income)
First, second and third years	100
Fourth year	80
Fifth year	70
Sixth year	60
Seventh year	50
Eighth year	40
Ninth year	30
Tenth year	20

Such companies set up in the Economic Zone are required to: (i) obtain a TIN certificate; (ii) maintain proper books of account and (iii) file their income tax returns as scheduled.

Dividends declared by such companies, and capital gains on the transfer of shares, royalties, technical know-how fees and technical assistance fees of such companies are also exempt from income tax for 10 years from the date of commencement of commercial operations.

Expatriate technicians employed in a company set up under the Bangladesh Economic Zones Act 2010 for the manufacturing goods and provision of services are allowed a 50% income tax exemption for 3 years. This exemption is available for up to 5 years from the date of commencement of commercial operations of the company.

An Economic Zone Developer, appointed under the Bangladesh Economic Zone Act 2010, is exempt from tax on its income from the commencement of commercial operations in the Economic Zone, for 12 years at the following rates:

Exemption year	Rate of tax exemption (% of income)
From the commencement of commercial operations up to the tenth year	100
Eleventh year	70
Twelfth year	30

Such companies set up in Economic Zones are required to (i) obtain a TIN certificate, (ii) maintain proper books of accounts and (iii) file their income tax returns as scheduled.

Hi-Tech Park

A company set up in any Bangladesh Hi-Tech Park under the Bangladesh Hi-Tech Park Authority Act 2010 for the production of goods or provision of services is allowed exemption from tax for 10 years from its business operations in a Hi-Tech Park at the following rates:

Exemption year	Rate of tax exemption (% of income)
First, second, third, fourth, fifth, sixth and seventh year	100
Eighth year	70
Ninth year	70
Tenth year	70

Dividends declared by such companies, and capital gains on the transfer of shares, royalties, technical know-how fees and technical assistance fees of such companies are also exempt from income tax for 10 years from the date of commencement of commercial operations.

Foreign technicians employed in a company set up under the Bangladesh Hi-Tech Park Authority Act 2010 are allowed a 50% income tax exemption for 3 years. This exemption is available for up to 5 years from the date of commencement of commercial operations of the company.

A developer appointed under the Bangladesh Hi-Tech Park Authority Act 2010 is exempt from tax for twelve years from the date of commencement of its commercial operations at the following rates:

Exemption year	Rate of tax exemption (% of income)
From the commencement of commercial operations up to the tenth year	100
Eleventh year	70
Twelfth year	30

Companies established in the Hi-Tech Parks are required to (i) obtain a TIN certificate, (ii) maintain proper books of account and (iii) file their income tax returns, as scheduled.

Dividends declared by a developer-company set up under Bangladesh Hi-Tech Park Authority Act 2010 will be exempt from tax for 10 years from the date of its commencement of commercial operations.

No explanation as to the source of investment in any industrial undertaking in any economic zone or any Hi-Tech park producing goods or services, from 1 July 2019 to 30 June 2024, is required if income tax at 10% on the investment made is paid before filing the relevant income tax year's return.

1.7.5. Capital market

A rebate of 10% on income tax is given if at least 20% of the shares of the paid-up capital of a company, not publicly traded, is transferred through initial public offering.

The value of stocks and shares of any company purchased by an assessee is valued at a fair market price.

Investment in the share market, if withdrawn within 1 year from the date of investment in securities, will be assessed as income from other sources (*see* section 1.3.1.).

Stock Exchanges

Income from stock exchanges are allowed a tax exemption for 5 years up to the following limits:

Exemption period	Tax exemption rate (% of income)
First year	100
Second year	80
Third year	60
Fourth year	40
Fifth year	20

The Bangladesh Securities and Exchange Commission is also exempt from tax for 5 years at the above rates.

1.7.6. Information Technology Industry

Income derived from any of the following businesses of a person, being a resident or a non-resident in Bangladesh, for the period from 1 July 2008 to 30 June 2024 is eligible for tax exemption on the condition that these companies file their income tax return in accordance with the ITO:
- software development;
- software or an application customization;
- nationwide telecommunication transmission network;
- digital content development and management;
- digital animation development;
- website development;
- website services;
- web listing;
- IT process outsourcing;
- website hosting;
- digital graphic design;
- digital data entry and processing;
- digital data analytics;
- geographic information services;
- IT support and software maintenance services;
- software test lab services;
- call centre services;
- overseas medical transcription;
- search engine optimization services;
- document conversion, imaging and digital archiving;
- robotics process outsourcing; and
- cyber security services.

It is to be noted that a tax return is required to be filed in order to be eligible for this exemption.

1.7.7. Health services

Newly established hospitals set up by companies registered under the Companies Act 1994 in the period between 1 July 2005 and 30 June 2008 are exempted from corporate income tax for a period of 5 years, on fulfilment of several specified conditions.

1.7.8. Rebate of income tax for manufacturing companies

Companies registered under the Companies Act 1994 and engaged in manufacturing goods, set up in areas outside any City Corporation, not enjoying a tax holiday facility or where the tax holiday period has not yet expired, not taxed at reduced rates, not listed with any of the stock exchanges or which are industrial undertakings with an up to date certificate from the Environment Directorate, are allowed an income tax rebate at the following rates:

Sl. No.	Condition	Rate of tax rebate
(a)	For commencement of commercial operations between 1 July 2014 and 30 June 2019	20% for 10 subsequent years of commercial operations
(b)	Transfer of any industrial undertaking which has started commercial operations, to areas outside the above-stated areas between 1 July 2014 and 30 June 2019 and commencement of commercial operations during that time	20% for 10 subsequent years of commercial operations after transfer
(c)	Industrial undertaking which has started commercial operations	10% up to 30 June 2019

1.7.9. Others

Various other specific incentives are available, such as accelerated depreciation (*see* section 1.3.4.). *See also* section 1.3.2. for exempt income.

1.8. *Administration*

1.8.1. Taxable period

The income year starts on 1 July and ends on 30 June. For banks, insurance, financial institutions and their subsidiaries, the income year is 12 months from January to December. The assessment year is the year starting on 1 July immediately after the income year. However, the Deputy Commissioner of Taxes may allow a different income year for a company that is a subsidiary or holding company of a foreign parent company, for the purpose of consolidation of its accounts with the parent company.

1.8.2. Tax returns and assessment

A tax return is due if the total income in a year exceeds exempted income or the taxpayer was assessed for any year within 3 years preceding that year. The income tax returns must include the 12-digit TIN.

The return filing date for a company, i.e. the "Tax Day" is the 15th day of the 7th month following the end of the income year. If the Tax Day falls on any public holiday, the next working day is considered as the Tax Day. In the case of a company, where the 15th day of the 7th month following the end of the income year falls before the 15th day of September, that date, is the "Tax Day".

The NBR is empowered to allow an extension of time of up to 4 months to file the return.

For default in filing an income tax return by the Tax Day, as required, interest at 2% per month is payable on the difference between the assessed tax and taxes paid in advance including taxes deducted at source, from the date following the Tax Day to the date the return is filed and if no return is filed, to the date of regular assessment but not exceeding 1 year.

Under the universal self-assessment procedure, when a taxpayer files a tax return mentioning its TIN and within the filing date, the Deputy Commissioner of Taxes (DCT) will issue an acknowledgement receipt which is deemed to be an order of assessment of the DCT. An income tax return filed by a financial institution under this procedure will not be selected for tax audit.

An amended income tax return filed, subsequently in response to a DCT's notice, agreeing with the differences and payment of additional tax, will be acknowledged by the DCT within 65 days. In the case of non-compliance with DCT's notice within the specified time, the DCT will serve a demand notice that includes the taxpayer's computation of income and tax payable and other related documents within 6 months from the date the DCT's notice was served.

Alternatively, an assessee, may also file an amended return specifying the nature and reasons for mistakes in the original return with payment of additional tax at an interest rate of 2% per month within 180 days from the date of filing the income tax return under the universal self-assessment procedure and before the return is selected for tax audit. The interest of 2% per month will be charged on the higher of tax assessed on total income as per the original return filed or the tax liability on the basis of a tax audit or the amended return filed. The DCT may accept the amended return, if satisfied that the conditions have been fulfilled.

One of the requirements for a return file or an amended return accepted not to be selected for audit is that such return or amended return shows at least 15% higher total income over the immediately preceding assessment year's income.

No inquiry is called for as to the source of investments made by a taxpayer filing a first-time tax return for income arising from a business or profession, if at least 20% of such capital is disclosed as profit, and income tax on such income is paid before filing the tax return.

No questions will be raised regarding the source of the initial capital of the business if the taxpayer declares in the tax return income which is not less than 20% of the initial capital invested. The taxpayer must maintain the amount equal to the initial capital at the end of the income year and for 4 subsequent income years. Any amount of shortfall of the capital in any income year will be deemed as "income from business" for that income year and included in the total income of the taxpayer.

Where a person files a revised return or an amended return and include in such returns any income that is subject to tax exemption or a reduced tax rate and such income that exceeds the amount in the original return will be deemed as "income from other sources" for that income year.

From 1 July 2012, a company is required to also file a computation of income or loss if the income or loss disclosed in the tax return differs from that of the audited accounts.

Irrespective of any profit or loss computed under the head "income from business or profession", the amount of disallowances made for non-compliance with the prescribed conditions will be taxed separately at the regular rate.

No appeal against an assessment is allowed if the declared tax liability on the basis of the income tax return has not been paid.

The Appellate Joint Commissioner or Commissioner of Taxes (Appeals) may now allow an appeal for non-payment of tax on the basis of a return filed if he is satisfied that the appellant was barred by sufficient reasons from paying the tax.

A non-government organization registered with the NGO Affairs Bureau or a cooperative society is also required to file a half-yearly withholding tax return. Filing of an income tax return and half-yearly withholding tax returns by a micro-credit organization licensed by the Microcredit Regulatory Authority, and a non-resident having a permanent establishment in Bangladesh, is mandatory. A private university, a private hospital, a clinic, a diagnostic centre, a firm or an association of persons will now be required to file half-yearly withholding income tax returns. Half-yearly returns for withholding income tax must be filed by 31 January of the fiscal year and 31 July of the following year.

With prior approval of the NBR, certain withholding returns filed may be examined if taxes were deducted or collected at the prescribed rates, credited to government and certificates of tax deduction were issued, as prescribed. For any non-compliance, the NBR may take necessary action including realization of the tax not deducted or deposited, etc. No return will be selected for audit after the end of 4 years from the end of the year in which the return was filed.

An Annual Information Return, in the prescribed form and manner, may be required in respect of a specified financial transaction from any person or group of persons responsible for registering or maintaining the books of accounts, etc. of specified financial transactions.

Any person carrying out international transactions is required to furnish a statement in the form prescribed by the NBR together with the tax return.

The NBR, in computing time limits prescribed in any provision of Income Tax Ordinance 1984, may condone and extend the time limit in consideration of the period of epidemic, pandemic, or any other acts of natural disaster and war, where necessary and required.

1.8.3. Payment of tax

Advance payments of tax are required for taxpayers with total income exceeding BDT 600,000, on the basis of the last completed assessment for a year (or estimated income for the current year if the taxpayer has not yet been assessed). Advance payments must be made on 15 September, 15 December, 15 March and 15 June of the financial year.

Simple interest on deficient amounts of advance tax is calculated at 10% from 1 July of the financial year following the fiscal year in which the advance tax was applicable. The rate of simple interest will be 50% higher if the return is not filed by the Tax Day. The final tax payment must be made at the time the tax return is lodged. A credit is given for advance payments and any non-final withholding tax deducted, and excess tax payments are refunded or adjusted.

1.8.4. Rulings

The NBR issues circulars, notifications and circular letters on specific points of tax law, which may be binding on the NBR if the interpretation results in a more beneficial assessment for the taxpayer.

There is no advance ruling system.

An alternative dispute resolution process is available to resolve any dispute pending with income tax authorities, the Taxes Appellate Tribunal or the Supreme Court with prior permission of the relevant tax authority. Application in a prescribed form will be accompanied with fees as prescribed by the NBR.

An assessee is eligible to file an application under the alternative dispute resolution even if income tax on the basis of the return filed for the relevant year is not paid.

The NBR has withdrawn its recognition to the Institute of Chartered Accountants in England and Wales, the Institute of Chartered Accountants in Scotland, the Society of Incorporated Accountants and Auditors, London and the Institution of Chartered Accountants and Cost and Management Accountants of Pakistan and India, as income tax practitioners for the purpose of appearing as authorized representatives in Bangladesh before any income tax assessing and appellate authority.

2. Transactions between Resident Companies

2.1. *Group treatment*

There are no provisions on group treatment or tax consolidation.

2.2. *Intercompany dividends*

There are no provisions on intercorporate dividends. Corporate shareholders are taxed at 20% on dividends received.

For foreign-source dividends, *see* section 6.1.1.

3. Other Taxes on Income

3.1. *Minimum tax*

A minimum tax is applicable to any firm with annual gross receipts of more than BDT 5 million and to every company irrespective of whether it has profits or losses in an assessment year, at the following rates:

Assessee	Rate of minimum tax on gross receipts (%)
Manufacturer of cigarettes, bidi, chewing tobacco, smokeless tobacco, or any other tobacco products	1
Mobile phone operator	2
Individual other than individual engaged in mobile phone operation or in the manufacturing of cigarettes, bidi, chewing tobacco, smokeless tobacco or any other tobacco products, having gross receipts of BDT 30 million or more	0.5
Any other cases	0.60

The rate is reduced to 0.1% for an industrial undertaking engaged in the manufacturing of goods for the first 3 income years from commencement of commercial production. Gross receipts are all receipts derived from the sale of goods, all fees or charges for rendering services or giving benefits including commissions or discounts, and all receipts derived from any type of income.

Where a taxpayer has income from any source that is exempt from tax, or subject to a reduced tax rate, the minimum tax on such income is calculated by applying the above rates (1% or 0.75%, or 0.60%) as reduced in proportion to the exemption or reduction.

For income subject to deduction of tax at source, the tax deducted or collected is deemed the minimum tax, with certain exceptions. Tax at the regular rate (*see* section 1.6.1.) is also calculated on such income, and the higher of the standard tax and the minimum tax will be the tax payable amount. In the case of income from compensation from acquisition of property, interest on savings instruments, cash subsidies, interest on savings, fixed deposits and term deposits of public universities, interest on fixed deposits, term deposits or savings deposits of any fund and transfer of property, the taxes deducted under the respective provisions are considered the taxes payable.

If a taxpayer is subject to minimum tax, both as tax deducted at source and at the rates stipulated in the table above, the higher minimum tax applies. Minimum tax paid cannot be refunded or adjusted against any refunds.

Taxes withheld at the import stage on goods imported by other industrial undertakings as raw materials for their own consumption will not be considered as minimum taxes, except for those who are engaged in cement, iron or iron products industry.

4. Taxes on Payroll

4.1. *Payroll tax*

There is no payroll tax.

4.2. *Social security contributions*

There are no social security taxes.

5. Taxes on Capital

5.1. *Net worth tax*

There is no net worth tax.

5.2. *Real estate tax*

There is no real estate tax. However, land tax applies to residential and industrial land. Residential land is assessed at BDT 22 per decimal, while industrial land is assessed at BDT 125 per decimal.

6. International Aspects

6.1. *Resident companies*

A company is resident in Bangladesh if it is registered and has its office in Bangladesh, or its control and management is situated wholly in Bangladesh.

6.1.1. Foreign income and capital gains

Resident companies are subject to income tax on their worldwide income, and as such foreign income is also taxable. Foreign-source business income, interest, royalties and dividends are generally the same as for Bangladesh-sourced income (*see* sections 1.3. to 1.8.).

However, remittances through official channels of foreign income to Bangladesh by Bangladeshi citizens are exempt from tax. Further, 50% of all export income of residents is exempt from tax.

6.1.2. Foreign losses

Foreign losses attributable to a permanent establishment are usually not qualified for the corporate income tax purposes in Bangladesh.

Meanwhile, foreign losses for a resident company will be allowed to be set off against domestic income.

6.1.3. Foreign capital

There is no net worth tax. Property located abroad is not subject to land tax.

6.1.4. Double taxation relief

An ordinary tax credit is granted, both unilaterally and under tax treaties, in respect of tax paid on foreign income. The credit is granted on an overall basis, but limited to the lower of tax calculated at the average tax rate in Bangladesh, or in the foreign country. The average tax rate is the rate resulting from the division of the tax amount by the income base on which the tax arises.

Tax sparing relief is available under several tax treaties.

Tax treaties take precedence over domestic law. *See* section 6.3.5. for a list of tax treaties in force.

Bangladesh is a party to the SAARC Limited Multilateral Agreement on Avoidance of Double Taxation and Mutual Administrative Assistance in Tax Matters, which was concluded on 13 November 2005 and is effective in Bangladesh from 1 July 2011. The other parties to the treaty are Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka.

6.2. *Non-resident companies*

A non-resident company is a company that is not a resident of Bangladesh (*see* section 6.1.).

6.2.1. Taxes on income and capital gains

Non-residents are assessed only on income received or accrued in Bangladesh, including capital gains.

Business income and capital gains of non-residents are generally subject to tax under the normal rules for residents (*see* sections 1.3. to 1.7.). Non-resident companies are subject to tax at 35% on income other than dividends and capital gains, which are taxed at the same rates as for resident companies (*see* section 1.6.1.). Banks, insurance and financial institutions are taxed at 37.5% and cigarette manufacturing companies and mobile phone operating companies are taxed at 45%.

Business income is taxed when earned via a business connection in Bangladesh. Business connection is significantly wider in scope than a permanent establishment and also covers "real and intimate" connections between trading activities of a business in Bangladesh and income earned from that activity by a non-resident. There is a domestic definition of a permanent establishment.

Capital gains from disposals of property in Bangladesh are taxable even if the disposal agreement is entered into outside Bangladesh. Capital gains from a disposal of shares of a resident public limited company are taxable in the hands of a non-resident if a similar tax exemption is not available in the country of its residence.

Income from immovable property is deemed to accrue in Bangladesh if the property is located in Bangladesh.

Dividends from companies with a registered office in Bangladesh are taxed when credited to shareholders' accounts and subject to withholding tax (*see* section 6.3.).

Interest is generally taxable, but specific types of interest payments may be exempt from tax, e.g. interest on loans by the government or local authority, loans for industrial undertakings in Bangladesh, or loans by approved provident funds on the non-resident's foreign currency account. The exemption is limited to an amount calculated using the official interest rate. Payments to non-residents may be subject to withholding tax (*see* section 6.3.).

Royalties, fees for technical assistance and service fees are taxable if the payment is made by a resident of Bangladesh or by a non-resident in relation to a business or profession carried out in Bangladesh. The scope of taxing royalties, fees for technical assistance and services has been expanded effective 1 July 2019 and the location of such rights or property of information need not necessarily be located in Bangladesh. *See* section 6.3. for withholding tax.

6.2.2. Taxes on capital

There is no net worth tax. Non-residents may be subject to land tax on residential or industrial land located in Bangladesh (*see* section 5.2.).

6.2.3. Administration

If income received is subject to final withholding tax and the tax is properly withheld, there should be no filing requirements (*see* section 6.3.). Otherwise, the requirements for non-residents to file tax returns are the same as for residents. *See* section 1.8. for tax compliance and administration.

6.3. *Withholding taxes on payments to non-resident companies*

6.3.1. Dividends

Dividends paid to non-resident companies are subject to withholding tax at 20% on the gross amount; meanwhile dividends paid to non-resident funds and trusts will be subject to withholding tax at 30%.

6.3.2. Interest

Interest is subject to withholding tax at 20%.

6.3.3. Royalties

Royalties, licence fees or payments related to intangibles are subject to withholding tax at 20% on gross amount.

6.3.4. Other

Withholding tax for non-residents, depending on the nature of the services or payments, is effected under different types (heads) at the following rates:

Services or payments	Rate of deduction of tax (%) on gross amount
Advisory or consultancy service	20
Pre-shipment inspection service	20
Professional service, technical services, technical know-how or technical assistance	20
Architecture, interior design or landscape design, fashion design or process design	20
Certification rating, etc.	20
Charge or rent for satellite, airtime or frequency, rent for channel broadcast	20
Legal services	20
Management services including event management	20
Commission	20
Advertisement broadcasting	20
Advertising or digital marketing	15
Air transport or water transport other than air or shipping transport business carried on by non-residents	7.5
Contractor or sub-contractor of manufacturing, process or conversion, civil work, construction, engineering or works of a similar nature	7.5
Supplier	7.5
Capital gains (if not exempt in country of residence)	15
Insurance premium	10
Rental of machinery, equipment, etc.	15
Payments to artist, singer or player	30
Salary or remuneration	30
Exploration or drilling in petroleum operations (including survey fees for coal, oil or gas exploration)	5.25
Survey for general insurance company	20
Any service for connecting oil or gas fields to their export point	5.25
Any payments against any services not mentioned above	20
Any other payments	30

6.3.5. Withholding tax rates chart

The following chart contains the withholding tax rates that are applicable to dividend, interest and royalty payments from Bangladesh to non-residents under the tax treaties in force as at the date of review. Where, in a particular case, a treaty rate is higher than the domestic rate, the latter is applicable. If the treaty provides for a rate lower than the domestic rate, the reduced treaty rate may be applied at source.

	Dividends		Interest[1]	Royalties
	Individuals, companies	Qualifying companies		
	(%)	(%)	(%)	(%)
Domestic Rates				
Companies:	20	20	20	20
Individuals:	30	n/a	20	20
Treaty Rates				
Treaty With:				
Bahrain	15	10[2]	10	10
Belgium	15	15	15	10
Canada	15	15	15	10
China (People's Rep.)	10	10	10	10
Czech Republic[3]	15	10[4]	10	10
Denmark	15	10[2]	10	10
France	15	10[2]	10	10
Germany	15	15	10	10
India	15	10[4]	10	10
Indonesia	15	10[2]	10	10
Italy	15	10[2]	10/15[5]	10
Japan	15	10[6]	10	10
Korea (Rep.)	15	10[2]	10	10
Malaysia	15	15	15	15
Mauritius	10[7]	10[7]	–[8]	–[8]
Netherlands	15	10[2]	0/7.5/10[9]	10
Norway	15	10[2]	10	10
Pakistan	15	15	15	15
Philippines	15	10[4]	15	15
Poland	15	10[2]	10	10
Romania	15	10[2]	10	10
Saudi Arabia	10	10	7.5	10
Singapore	15	15	10	10
Sri Lanka	15	15	15	15
Sweden	15	10[2]	10/15[5]	10
Switzerland	15	10[10]	10	10[11]
Thailand	15	10[2]	10/15[5]	15
Turkey	10	10	10	100
United Arab Emirates	10	5[12]	10	10
United Kingdom	15	10[2]	10	10
United States	15	10[2]	5/10[13]	10
Vietnam	15	15	15	15

1. Some of the treaties provide for an exemption or a reduction for certain types of interest, e.g. interest paid to or by public bodies and financial institutions, including specified financial institutions, or in relation to sales on credit or approved transactions. Such exemptions are not considered in this column.
2. The rate applies to dividends paid to a beneficial owner which is a company holding directly at least 10% of the capital of the payer.
3. Effective from 1 July 2021 for Bangladesh and from 1 January 2022 for the Czech Republic.
4. The rate applies to dividends paid to a beneficial owner which is a company holding directly at least 25% of the capital of the payer.
5. The lower rate applies to interest derived by a bank or any other financial institution (including an insurance company), as the case may be.
6. The rate applies to dividends paid to a beneficial owner which is a company that owns at least 25% of the voting shares of the payer during the period of 6 months immediately before the end of the accounting period for which the distribution of profits takes place.
7. A most favoured nation clause applies whereby, if any tax treaty entered into between Bangladesh and any other country subsequent to this treaty with Mauritius provides for a lower rate for dividends than the rate of 10% specified under the treaty with Mauritius, Bangladesh agrees that such lower rate will apply to this treaty.
8. The domestic rate applies; there is no reduction under the treaty.
9. Interest related to the construction of industrial, commercial or scientific installations or public works is exempt. The rate of 7.5% applies to interest received by a bank or any other financial institution (including an insurance company), as long as the Netherlands does not levy a withholding tax on interest.
10. The rate applies to dividends paid to a beneficial owner which is a company holding directly at least 20% of the capital of the payer.
11. A most favoured nation clause may be applicable with respect to royalties.
12. The rate applies to dividends paid to a beneficial owner which is a company that owns at least 3% of the shares of the payer.
13. The lower rate applies to interest derived by a bank or any other financial institution (including an insurance company), or interest paid in connection with sale on credit of any industrial, commercial or scientific equipment or of any merchandise.

7. Anti-Avoidance

7.1. *General*

There is no general anti-avoidance rule, but the courts have consistently applied the principle of "substance over form".

Certain transactions, e.g. bond-washing, cum-dividend transfers and revocable transfers, may be subject to specific anti-avoidance rules. In addition, the Deputy Commissioner of Taxes is allowed to adjust the transfer price of assets if the transfer was not made at fair market value.

7.2. *Transfer pricing*

Finance Act 2012 inserted transfer pricing laws in the ITO for the determination of income from international transactions between associated enterprises, one or both of which are non-residents, for the purposes of purchase, sale or lease of tangible or intangible property, etc., having impact on profits, income, losses, assets, financial provision or economic value of such enterprises.

An associated enterprise is an enterprise that has any one of the following relationships with another enterprise:
– one enterprise participates, directly or indirectly, or through one or more intermediaries, in the management or control or capital of the other enterprise;
– the same person or persons participate(s), directly or indirectly, or through one or more intermediaries in the management or control or capital of both enterprises;

- one enterprise holds, directly or indirectly, shares carrying more than 25% of the voting power in the other enterprise;
- the same person or persons control(s) shares carrying more than 25% of the voting power in both enterprises;
- the cumulative borrowings of one enterprise from the other enterprise exceeds more than 50% of the book value of the total assets of that other enterprise;
- the cumulative guarantees provided by one enterprise in favour of the other enterprise exceeds more than 10% of the book value of the total borrowings of the other enterprises;
- more than 50% of the board of directors or governing board members of one enterprise are appointed by the other enterprise;
- any executive director or executive member of the governing board of one enterprise is appointed by, or is in common with the other enterprise;
- the same person or persons appoint more than 50% of the board of directors in both enterprises;
- the same person or persons appoint any executive director or executive member in both enterprises;
- one enterprise has the practical ability to control the decision of the other enterprise; or
- the two enterprise are bonded by such relationship of mutual interest as may be prescribed.

Rules related to transfer pricing are effective from 1 July 2014 and follow the arm's length methods prescribed by the OECD Transfer Pricing Guidelines, i.e. the comparable uncontrolled price method, the resale price method, the cost-plus method, the transactional profit split method and the transactional net margin method. A statement of international transactions in a prescribed form must be filed under the signature of the person responsible for signing the return.

Any adjustment made during an assessment by a Transfer Pricing Officer in the case of a person that is originally exempted from tax or is subject to a reduced rate of tax will be subject to tax at the regular rate (*see* section 1.6.1.).

A Chartered Accountant's certificate for international transactions between associated enterprises exceeding BDT 30 million is required only if requisitioned in writing by the tax authority.

A penalty up to 2% of the value of international transactions may be imposed for default in filing the prescribed statement.

A penalty may be imposed for failure to furnish a report from a Chartered Accountant, or a Cost and Management Accountant.

7.3. *Thin capitalization*

There are no thin capitalization rules.

7.4. *Controlled foreign company*

There are no controlled foreign company rules.

8. Value Added Tax

8.1. *General*

Value added tax (VAT) was introduced in Bangladesh in 1991 via the VAT Act 1991, replacing the previous sales tax regime. Subsequently, a new VAT Act (VAT Act 2012) was approved in 2012 and the implementation date took effect from 1 July 2019.

VAT is levied on the supply of goods and services, and on imports. Input tax paid on acquisitions is generally creditable against output tax.

8.2. *Taxable persons*

A person is required to register for VAT purposes if his annual turnover exceeds BDT 30 million within a period of 12 months. However, all persons engaged in the import and export business are subject to VAT registration.

8.3. *Taxable events*

As per the provisions under section 15 of the VAT and Supplementary Duty Act 2012, tax is levied on manufacturing and wholesale supplies of goods, services and importations. Selected retail sales are also subject to tax.

8.4. *Taxable amount*

VAT is computed on the sales price of goods plus all charges and commissions, and on gross receipts for services. For importations, VAT is levied on the value of goods plus customs duties, regulatory duties and supplementary duties.

8.5. *Rates*

The tax rate is 15%, with some exceptions for supplies of services. Supplies of luxury and "socially undesirable" goods are subject to supplementary tax at rates ranging from 10% to 500%.

Reduced rates are applicable on services, e.g. those provided by motor vehicle garages and workshops (10%); construction firms (7.5%); land development firms (2% and 4.5%); IT-enabled services (5%); procurement providers (7.5%); electricity distributors (5%) furniture sale centres (7.5%), and air-conditioned boating services (10%).

Generally, all exported goods and services are zero-rated.

8.6. *Exemptions*

Exempt services are primarily agriculture-related, social, cultural and personal services. The supply of live animals, raw fruit and vegetables, animal products and excisable goods is not subject to VAT. Certain items of machinery, listed under the First Schedule of the Customs Act 1969, imported for industrial use are also not subject to VAT.

Exports are zero rated and a credit for VAT paid on purchases related to these goods may be claimed.

8.7. *Non-residents*

Registration requirements for non-residents are the same as for residents. Under section 19 of the VAT and Supplementary Duty Act 2012, a non-resident person may appoint a local VAT representative to register and pay VAT on his behalf.

9. Miscellaneous Taxes

9.1. *Capital duty*

There is no capital duty, but stamp duty may apply (*see* section 9.3.).

9.2. *Transfer tax*

9.2.1. Immovable property

Tax may be levied on transfers of different kinds of immovable property at various rates (*see* section 1.6.2.).

9.2.2. Shares, bonds and other securities

See section 1.6.2.

9.3. *Stamp duty*

Stamp duty is imposed on a number of documents, including acknowledgements of debt, bonds, leases and transfers of shares, at rates ranging from 0.07% to 4%, or a fixed amount, depending on the dutiable transaction. The imposition of stamp duties is subject to a few exemptions in certain cases.

9.4. *Customs duty*

Generally, import duties are levied at various rates on a number of imported goods on an ad valorem basis. No import duties are payable on capital goods for industries located in an Export Processing Zone.

Customs duty rates are 0%, 1%, 2%, 5%, 10%, 15% and 25%.

9.5. *Excise duty*

Excise duty is levied on services provided by banks at varying rates, and on airline tickets.

9.6. *Other taxes*

9.6.1. Turnover tax

Turnover tax is levied on small-scale manufacturers and service providers, whose annual turnover does not exceed BDT 8 million, and thus falls outside the scope of VAT (*see* section 8.). No input credits are allowed. The tax rate is 4% on annual turnover.

Effective 1 July 2019, under section 2(48) of the VAT and Supplementary Duty Act 2012, a person whose annual turnover exceeds BDT 5 million will be required to register for turnover tax.

9.6.2. Gift tax

Gift tax is payable on gifts exceeding BDT 20,000 at rates ranging from 5% to 20%.

Gifts of certain assets are not subject to tax, including:
- assets situated outside Bangladesh;
- gifts made to a local or central government, or educational institutions; and
- gifts made to any hospital or any government-approved natural calamity management fund.

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