Finance Act, 2026: Key Amendments

Bangladesh

Stability, Reform, and Inclusive Prosperity

June 2026

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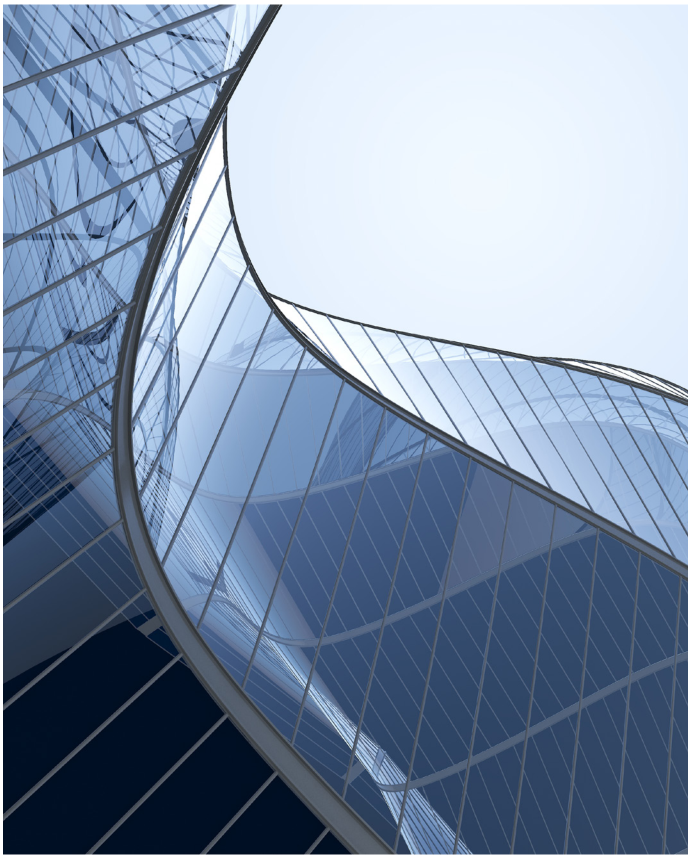
Reforms and announcements

Overview

Bangladesh's FY 2026–27 National Budget represents the administration's first comprehensive fiscal roadmap, which reflects a clear pivot towards economic stabilisation with a longer-term agenda focused on structural transformation and sustainable growth.

The policy framework seems oriented towards restoring macroeconomic equilibrium, strengthening institutional credibility and enabling a more competitive private sector. An equally important dimension is the government's renewed push to expand economic formalisation, supported by tighter compliance architecture and increased reliance on technology-enabled systems.



Policy Priorities

Stability: Rebuilding macroeconomic confidence

The government's Recovery–Restoration–Reconstruction (3R) framework outlines a phased approach to fiscal consolidation, inflation management and restoration of investor confidence. This provides a foundation for a more stable and investment-led growth trajectory.

Reform: Institutional and regulatory redesign

A key focus is the simplification of regulatory processes and reduction of compliance burdens to improve the business environment. Parallel measures to address financial sector vulnerabilities — particularly governance gaps and asset quality issues — highlight a broader commitment to institutional strengthening.

Inclusive prosperity: Expanding formal participation

The budget prioritises broadening the tax base through enhanced documentation requirements and mandatory registration linkages, bringing more economic activity within the formal system and supporting equitable revenue mobilisation.

Tax and Compliance Transformation

Digitalisation is central to the reform agenda, with end-to-end automation across VAT and income-tax systems. Initiatives such as electronic registration, digital documentation and system-driven monitoring are expected to improve efficiency and strengthen compliance outcomes.

Key withholding taxes are no longer treated as final tax, reinforcing transparency, income-based assessment and consistency across the tax framework. Changes in personal taxation, including incentives for timely filing and stricter treatment of delays, reflect a behavioural approach to compliance. Corporate tax policy remains broadly stable, with incentives linked to traceable financial transactions encouraging formalisation and transparency.

Indirect Tax and Trade Reforms

The VAT system is undergoing structural changes, including revised return frameworks and enhanced compliance provisions, aimed at improving enforceability and predictability. Mandatory BIN registration linked to business interactions is expected to significantly expand the formal tax base across economic activities.

Customs modernisation — through measures such as Free Trade Zones and greater automation — seeks to facilitate trade and reduce transaction costs, supporting competitiveness.

Sectoral Focus and Business Implications

Targeted incentives for digital, ICT and sustainability-linked sectors such as electric vehicles, renewable energy, electronics, semiconductors and energy-efficient products reflect a strategic shift toward future-ready industries. Together with selective indirect tax rationalisation, these measures aim to balance revenue mobilisation with industrial development priorities.

For businesses, the direction is clear — stronger compliance expectations, accelerated formalisation and increased reliance on digital systems.

Conclusion

The FY2026–27 Budget establishes a coherent reform narrative built around stability, reform and inclusive prosperity. Its success will hinge on effective implementation and the ability of businesses to adapt to a more transparent and compliance-driven operating environment.

02

Personal Tax

a. Basic Tax Rates

Finance Act 2026							
AY 2026–2027		**AY 2027–2028**		**AY 2028–2029 and AY 2029–2030**		**AY 2030–2031**	
Total income	Tax rate	Total income	Tax rate	Total income	Tax rate	Total income	Tax rate
Up to tax-free threshold*	Nil	Up to tax-free threshold**	Nil	Up to tax-free threshold***	Nil	Up to tax-free threshold****	Nil
Next BDT300,000	10%	Next BDT300,000	10%	Next BDT300,000	10%	Next BDT300,000	10%
Next BDT400,000	15%	Next BDT400,000	15%	Next BDT400,000	15%	Next BDT400,000	15%
Next BDT500,000	20%	Next BDT500,000	20%	Next BDT500,000	20%	Next BDT500,000	20%
Next BDT2,000,000	25%	Next BDT2,000,000	25%	Next BDT2,000,000	25%	Next BDT2,000,000	25%
Rest of total income	30%	Rest of total income	30%	Next BDT26,350,000	30%	Next BDT26,300,000	30%
				Rest of total income	35%	Rest of total income	35%

Notes

- Non-resident taxpayer in Bangladesh (excluding non–resident Bangladeshis) who is not a company, firm or AOP will be taxed at 30%.
- Dividend will be taxed at 15%

*Tax-free threshold
General taxpayers – BDT400,000
Women, senior citizens aged 65 years or above – BDT450,000
Persons with disabilities – BDT525,000
War-wounded gazette freedom fighters and July gazette fighters – BDT550,000
Third-gender taxpayers – BDT525,000

**Tax-free threshold
General taxpayers – BDT400,000
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***Tax-free threshold
General taxpayers – BDT450,000
Women, senior citizens aged 65 years or above – BDT500,000
Persons with disabilities – BDT575,000
War-wounded gazette freedom fighters and July gazette fighters – BDT600,000
Third-gender taxpayers – BDT575,000

****Tax-free threshold
General taxpayers – BDT500,000
Women, senior citizens aged 65 years or above – BDT550,000
Persons with disabilities – BDT625,000
War-wounded gazette freedom fighters and July gazette fighters – BDT650,000
Third-gender taxpayers – BDT625,000

b. Rationalisation and Compliance aspects

- Methodology for computation of 'income from rent' revised.
- Recognition of PF to be required for investment tax rebate on PF contributions. Premature withdrawals from eligible investments to be subject to pro-rated additional tax.
- Post-tax profits distributed by a joint venture will be taxed under 'Income from other sources'.
- A non-resident individual without a PE in Bangladesh will not be required to file a tax return in Bangladesh
- Automated refund introduced for eligible individuals (salary, financial asset and agricultural income only). Return will be processed by the DCT within 120 days from the date of filing of self-assessment income tax return, and refund will be electronically paid within 60 days from the date of application of refund.
- Income tax return for specified Bangladeshi individuals returning from abroad need to be filed within 90 days of return.
- Individuals having business turnover above BDT100m will be considered as specified person for the purpose of withholding tax.

c. Widening of tax base or scope

- Definition of 'Capital Asset' expanded to inter-alia include specified personal assets such as gold, jewellery, antiques and club memberships not being inventory of business
- The scope of income from 'rent' broadened to cover warehouse rent, selami or premium
- References to 'Income from Business' across the Act expanded to 'Income form Business or Profession' so that the provisions uniformly apply to both business and professional activities
- Loan, advance and any deposit received by individuals aggregating over BDT0.5m taxable as 'Income from other sources':
  - When received outside banking channels;
  - If received by banking channels from any person other than a bank, finance or leasing company but remains unpaid for six years.
- Qualifying amount for investment rebate reduced from 15% to 10% of actual investment or from BDT1m to BDT0.75m
- Collection of tax will be applied at the rate of 10% on membership fees paid to registered clubs
- WHT on profit earned from sanchaypatra, capital gains earned on compensation against acquisition of property and capital gains earned on transfer of property no longer will be regarded as final tax

d. Incentives and relaxations

Return filing incentives and penalties (Individuals and HUFs)

- Income-tax return can be filed anytime during the tax year. Rebates and additional tax introduced for early and late filing of returns as outlined below

Filing period (from Income year ended as on 30 June)	Impact
July 1 – September 30	Rebate of 5% of tax liability (max BDT25,000)
October 1 – December 31	No rebate/ additional tax
January 1 – March 31	Additional tax of 2% (min BDT3,000)
April 1 – June 30	Additional tax of 5% (min BDT5,000)

Note: Power of the NBR to extend return filing date by one month is repealed.

- Donation to Centre for Zakat Management will be eligible for deduction.
- Medical expenses reimbursed under group insurance policies will be exempted from the tax ambit.
- Loans from close relatives subsequently waived or converted to gift will be exempt if reported in the returns of both parties
- Advance tax increased for specified non-electric vehicles and relaxed for electric vehicles.
- Investment in unit certificate, mutual fund exchange-traded fund or Collective Investment Scheme unit certificate is no longer limited to BDT0.5m.
- Individual taxpayers donating to eleven specified charitable organizations (including cancer, diabetes, autism, and humanitarian causes etc.) to be eligible for income tax rebate upto 30 June 2030.

03

Corporate Income Tax

a. Tax Rates

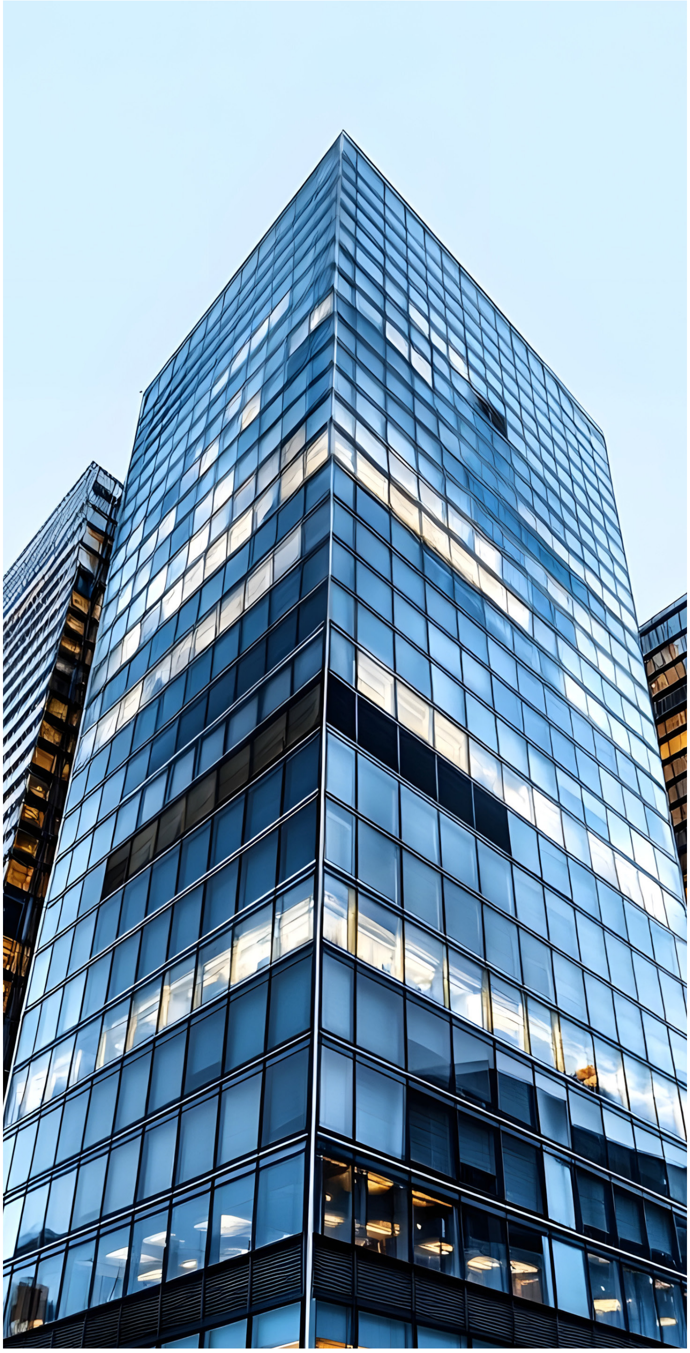
Sl. No.	Category/ Condition	Amended (AY 2026–2027 till AY 2030–2031)
1	Publicly traded company (where at least 10% of the paid-up capital is transferred through IPO, direct listing, right issue or RPO)	22.5% If all transactions are through bank transfer: 20%
2	Publicly traded companies (where less than 10% of the paid-up capital is transferred through IPO, direct listing, right issue or RPO)	25%; If all transactions are through bank transfer: 22.5%
3	Other companies excluding the above categories	27.5% If all transactions are through bank transfer: 25%
4	Banks/ Insurance/ Finance companies – publicly traded (excluding merchant banks)	37.5%
5	Banks/ Insurance/ Finance companies – not publicly traded	40%
6	Companies manufacturing tobacco products	45%
7	**Mobile Phone Operator Companies:**	
	Base rate	45%
	Companies offering 10% shares of its paid-up capital through an IPO (with pre-IPO placement not exceeding 5%) to become a publicly traded company after conversion	40%
	Companies transferring minimum 20% of paid-up capital through IPO	10% rebate on applicable income tax in the year of transfer
8	Taxpayer who is not a company but manufactures tobacco products	45%
9	Trust/ AOP/ Firm/ AP	27.5%
10	Cooperative Society registered under the Cooperative Societies Act, 2001	20%
11	Private University/ Private Medical College/ Private Dental College/ Private Engineering College/ Specified IT college	5%

b. Simplifications and clarifications

- Residential status and PE of a person of foreign country will be determined as per the provisions of the DTAA and domestic law in the absence of DTAA.
- Transfer of mortgaged assets with the owner having unpaid tax liability can be undertaken if the concerned bank or finance company pledges to pay the unpaid tax liability
- For the purpose of exclusions from TCS on property transfer, SPV explained to mean a company, trust, fund or separate legal entity approved by the government or BSEC, formed solely for Sukuk or similar financing arrangements, with activities limited to asset management and investor protection
- WHT verification permissible only for the current income year and preceding two income years.
- Ambit of gross receipts for the purpose of computation of turnover tax restricted to the following:
    - Receipts earned through the sale of goods or provision of services, excluding value-added tax and supplementary duty, or all commissions, discounts, fees, charges or any benefits received for providing services or facilities, including commissions and discounts
- TIN to serve as WIN, except for persons not required to obtain TIN.
- PSR for the latest tax year to be displayed.
- Agent and representative to have the right to recover taxes paid on behalf of another person.
- Additional interest at the rate of 50% on the shortfall of advance tax to trigger only if the return of income is filed after the end of the assessment year.
- Specific definition of 'raw material' introduced to inter-alia cover items directly consumed, transformed or converted into a final product
- 'Private Institute' defined to inter-alia include private educational, vocational, training, professional-skills and similar institutions, including schools, colleges and institutes across multiple disciplines.
- AOP specifically defined to cover entities or arrangements of two or more persons formed for a common purpose of earning income, while explicitly excluding companies, firms, HUFs and APs.
- 'Export' to include supply of locally manufactured raw materials to export-oriented industries under a local LC in foreign currency.
- Definition of 'associate enterprise' amended to lower the cumulative debt threshold for entities classifying as related parties from 50% to 35% of the book value of total assets, while also providing clarification of what constitutes the book value of total assets.
- 'Surcharge' specifically defined and included in the overall definition of 'tax', carving out from 'income tax'.
- Sale through electronic means defined to cover any offer or acceptance of purchase or sale made via an online platform irrespective of whether delivery and payment are made online or offline.

c. Widening of tax base or scope

- Post-tax profits distributed by a joint venture taxed under 'Income from other sources'.
- WHT return filing requirement extended to also cover specified non-corporate deductors. WHT applied on rent payments for godowns.
- WHT at the rate of 0.5% applied on purchase of gold, silver, gold or silver jewellery, precious stones or platinum.
- WHT at the rate of 25% applied on income from lottery, crossword, card game, online game or similar game.
- Any manufacturer, importer or supplier/ distributor/ arotdar will collect 0.2% advance tax on the value of goods sold to retail traders, claimable as tax credit in the hands of retailers. Where any such tax is borne by the manufacturer, importer or supplier/ distributor/ arotdar, it will be treated as an allowable expense.
- Collection of tax at source will be applied on civilian helicopters or choppers at the time of registration or renewal of fitness.
- Scope of 'representative assessee' is widened.
- Ambit of 'agents' extended to cover resident taxpayers who are unable to file a return or are untraceable.
- Scope of PE expanded to include a significant 'digital' or 'online' activity or presence of a non-resident entity in Bangladesh, with 100,000 or more digital or online customers or subscribers.
- Interest or profit, claimed as an expense and remaining outstanding for more than three years, considered as taxable income. The same may be claimed in the year of payment.



d. Incentives and relaxations

- Rebates and additional tax introduced for early or late filing of returns as outlined below:

Filing period (from income year end)	Impact
Within 2 months before the expiry of the due date for filing of the return	Rebate of 5% of tax liability (max BDT25,000)
Within the due date but after the time period specified above	No rebate/ additional tax
Within the remaining period of the relevant tax year after the due date specified above	Additional tax of 2% (min BDT25,000)

Note: Power of the NBR to extend the return filing date by one month repealed.

- Loans or advances disbursed by any company from its accumulated profits to be treated as dividends only in case of distribution to individual shareholders.
- Tax neutrality on conversion of firm to company to be rationalised with specified conditions and eligibility to carry forward business losses and unabsorbed depreciation.
- Motor car purchases by car rental companies above specified threshold to no longer be taxable under 'Income from other sources'.
- Ambit of reduced rate of tax withholding in case of purchase of essential commodities through local letter of credit to be extended to cotton, paddy kernel, eggs, vegetables etc.
- Expenses on account of the share of profit on any capital borrowed for the purpose of business will also be admissible on an accrual basis.
- WHT at the rate of 2% to be applied on amounts paid or borrowed through local letters of credit or any other financing agreement for the sale of cement, iron and iron products, and ferro alloy products other than MS billets.
- WHT no longer applied on payment of revenue share or any license fee or any fee or charge made by a cellular mobile phone operator, tower sharing company, etc.
- WHT rate to be reduced:
  - to 5% from 10% on export cash subsidy.
  - to 3% from 4% on purchase of electricity.
  - to 5% from 7.5% on inward remittances on account of fee, service charge or consideration or any other receipt.
- The threshold limit for the compulsory payment of advance income tax increased from BDT0.6m to BDT1m of the estimated tax liability.
- Tax deducted/ collected/ deposited in excess of tax calculated on regular basis will be eligible for refund or adjustment with prior/ subsequent years' tax liabilities.
- Turnover tax not to be applied to persons having income from business or profession from the following:
  - Import, distribution or open market sale of fertiliser, seed or daily essential consumable goods by government or state-owned organisations or corporations
  - Commission business
  - DO business
  - Money exchange business
  - Trade of gold, silver, jewellery, precious stones or platinum
- Excess turnover tax paid over regular tax can be carried forward and adjusted against regular tax liabilities.
- Maximum depreciable value of motor vehicles to be enhanced from BDT3m to BDT6m.
- Accelerated depreciation applicable to plant and machinery used in the manufacturing industry, tourism or sports outside Dhaka and Chittagong City Corporation to be considered at 60% and 40% for two years. Time limit for application to the NBR to be extended from six months to 12 months.

- Income from freelancing and content creation to be exempted.
- Exemption of income from small or medium industries extended to businesses owned by persons with disabilities.
- Additional condition on SME registration to be imposed.
- Growth period for a startup to be enhanced to nine years. Losses incurred during the growth period to be carried forward and set off regardless of change of shareholding. Turnover tax rate to be nil during the growth period.
- Banks, insurance, leasing and finance companies listed on the Bangladesh Stock Exchange will be excluded from levy of additional tax on declaration or distribution of stock dividend exceeding cash dividends.
- Interest payments on loans from associated entities exceeding BDT 1.5 million are no longer subject to any approval mechanism.

e. Rationalisation and Compliance aspects

- Income tax return to be considered incomplete if not accompanied by acknowledgement copy of the WHT return.
- Levy of additional tax on retained earnings of listed companies will be computed at 10% on the shortfall between 30% of the net profit after tax and actual dividend distributed. Banks, insurance, leasing and finance companies specifically excluded from such levy.
- Definition of company rationalised to include SOE engaged in commercial activities as well as AP.
- The definition of ‘person’ rationalised to include a residuary clause under APs.
- Refund claims by any taxpayer, other than the individual taxpayers eligible for automated refund, to be subject to assessment by the tax authority.
- Default in tax withholding or deposit in case of a business or profession and agriculture will result in:
  - Additional tax liability of 150% of such tax default
  - No disallowance of related expenditure
- Default in tax withholding or deposit in case of payment for acquisition of capital assets related to business or profession will result in additional tax liability of 150% of such tax default.
- WHT rate increased to 25% from 20% on lottery, crossword puzzle, card games, online games and any other similar games.
- Rate of tax collection at source on the registration or renewal of fitness of motor vehicles run commercially, will be increased.
- WHT on cash incentives received against export will no longer be regarded as final tax.
- Income from royalties, license fee, technical know-how fees etc. in the course of regular business activities will be considered as income from business or profession as against Income from other sources as the existing law.
- Taxpayers need to maintain records such as agreement, bill vouchers, statements, invoices or any evidence related to books of accounts either in analogue or digital form as per the ICT Act, 2006:
  - Companies – for the period as prescribed in Companies Act 1994
  - Other than companies– six years.
- WHT suffered by non-residents not having any permanent establishment in Bangladesh to be considered as final tax.
- WHT rate on account of inward remittance in case of freight forward agents or shipping agents revised as follows:
  - In case of gross bill (without showing commission) – 1% on gross bill
  - In case commission is shown separately – 10% of commission or 1% of gross bill, whichever is higher
- Tax deducted or collected from commercial motor vehicles and boats considered as final tax liability from the respective sources. However, if tax calculated on a regular basis is higher than the final tax, the higher amount will be payable.
- Turnover tax:
  - Reduced to 2.5% from 3% in case of carbonated or sweetened beverage manufacturers;

- Applied at the rate of 1.5% in the case of NTTN;
- Increased to 0.2% from 0.1% in case of industrial undertakings (other than specified industries) engaged in manufacturing for the first three years of commencement of commercial production.

- Specified inadmissible expenses considered as 'income from business or profession'
- Expense disallowance threshold revision:

Nature of expenditure	Previous	Amended
Excess perquisite	BDT2m	BDT2.5m
Entertainment expense	a. 4% of the first BDT1m of the computed business income before deducting entertainment expenses; b. 2% excluding the first BDT1m of the computed business income before deduction of entertainment expenses	4% of the first BDT1m of the computed business income before deducting entertainment expenses;
Sample expense for pharmaceuticals company	(a) For a turnover up to BDT50m, at the rate of 2%; (b) for a turnover in excess of BDT50m up to BDT100m, at the rate of 1%; (c) for a turnover in excess of BDT100m, at the rate of 0.5%;	(a) For a turnover up to BDT100m, at the rate of 2%; (b) for a turnover in excess of BDT100m but up to BDT200m, at the rate of 1.5%; (c) for a turnover in excess of BDT200m, at the rate of 1%
Promotional expenses other than advertisement	0.5% of business turnover	1% of business turnover

- Any company, or any person having income from long term contracts or any firm, AOP, HUF or AP with turnover exceeding BDT 10m or capital exceeding BDT 5m, to furnish, along with their return of income, financial statements audited by a chartered accountant and a income computation statement prepared and certified by a chartered accountant or a cost and management accountant or an income tax practitioner.
- Any firm, AOP, HUF, AP, any individual engaged in specified business activities to furnish, along with their return of income an income computation statement prepared and certified by a chartered accountant or a cost and management accountant or an income tax practitioner.
- Taxpayer may file a revised return pursuant to a set-aside order issued by the Tax Appellate Authority or the TAT. "Set-aside" is now specifically defined.
- The DCT may, any time after July 1 following a financial year, summarily assess a taxpayer's provisional tax based on the filed return and supporting documents, or, if no return is filed, based on the last tax assessment.
- Non-compliance with notices requiring submission of SOAL and SOLE to render the tax return incomplete.
- In case interest on loans to AEs is charged at less than 12% p.a., the difference to be taxed as business income. Banks, finance and leasing companies are outside the ambit of this provision.

- Ambit of PSR rationalised.
- New computation methodology for the income of real estate developers and land owners introduced.
- 'Developer' defined to cover persons and entities developing land or immovable property (whether owned or not) under joint development or similar arrangements and carrying out income-earning activities from such developed property.
- A tax clearance certificate issued by the DCT to be a pre-requisite before the dissolution of a firm.

f. Administration, Dispute resolution and Settlements

- Requirement for pre-deposit of tax on the difference between assessed tax and admitted tax liability to be rationalised as follows*:

Level of authority	Existing	Amended
CT(A)	No pre-deposit requirement	1%
TAT	10%	3%
HC division of SC	15%/ 25%	10%

*Waiver of pre-deposit to be discontinued.

- Powers of CT(A) for disposal of appeals will include setting aside of cases.
- Process for disposal and communication of orders by the TAT will be rationalised.
- ADR also possible against orders disposed off by TAT and not restricted to pending appeals.
- Mechanism to be introduced to involve the NBR to make the ADR process more inclusive.
- Stringent recovery mechanism for tax admitted in ADR.
- Any undisclosed income or expenditure detected during a reassessment proceeding even if older than six years can be assessed.
- Purview of reassessment to be extended to include assessment of discontinued business.
- Powers to be conferred upon the NBR to seek information in digital form.
- Procedure of search and seizure rationalised.
- Assessment of tax mandatory in case of delayed return and return filed after selection of audit.
- Period of limitation of assessment revised.
- 'Delayed return' to include returns filed in response to a notice from the DCT arising from reassessment under specified cases. Additional tax requirements:
  - Suo motu delayed return: 10% of tax payable or BDT5,000, whichever is higher.
  - Return filed under reassessment notice: 15% of tax payable or BDT10,000, whichever is higher.
- Specific dispensation to be introduced to approach the Commissioner of Taxes or the NBR in case of delay in payment of refund.
- The Tax Deducted at Source Rules, 2026 have been issued, prescribing certain changes in WHT rates and relevant forms for compliance purposes.

g. Statutory Regulatory Orders

- Solar energy producers operating their own solar power centres to receive a full income tax exemption on earned income up to 30 June 2035.
- Edible oil manufacturers using locally grown oilseeds as raw materials to avail a phased income tax exemption of 100%, 50%, and 25% over 10 years.

04

Indirect tax

Key amendments in the Customs Act, 2023

Introduction of Free Trade Zone: New provisions to be introduced to establish Free Trade Zones. Key features will include no requirement for a bonded warehouse license; permission for manufacturing, trading, and re-packing; and duty-free import of raw materials with deferred payment of duties for sale to the Domestic Tariff Area.

AEOs reforms: The requirement to submit an audit report with the AEOs application will be abolished. Minimum green channel automated clearance percentages to be significantly increased: Class (a) from 20% to 40%, Class (b) from 30% to 60% and Class (c) from 50% to 80%.

Key amendments in the Value Added Tax and Supplementary Duty Act, 2012, and the corresponding Value Added Tax and Supplementary Duty Rules, 2016

Key amendments in the Value Added Tax and Supplementary Duty Act, 2012

- The definition of 'input' to be widened by removing 'labour' from the negative list. This is expected to support ITC positions, including reducing disputes around human resource-supply service costs.
- The Finance Bill proposed removing the 'enlistment threshold' and linked turnover tax enlistment to annual turnover of up to BDT5m in the first 12 months. As this proposal is not enacted, the earlier provisions of BDT3m threshold continue to apply for turnover tax enlistment.
- BIN/ enlistment certificate to be mandatory for key business touchpoints, including bank/ non-banking financial institution accounts, loans, trade licence renewal, mobile financial service merchant accounts, trade association membership, utility connections and Bangladesh Road Transport Authority vehicle registration. This will significantly expand the registration net, including for businesses-making exempt supplies.
- The government may notify sector-specific turnover tax amounts, not exceeding BDT200,000, payable by registered persons; until such sector-specific turnover tax is notified, the existing 4% turnover tax continues to apply.
- The tax period for turnover-enlisted taxpayers is aligned with VAT-registered taxpayers as a Gregorian calendar month. The special tax period for specified non-withholding entities is abolished.
- Imported services remain subject to 15% reverse-charge VAT, payable by the importer and treated as output VAT in the hands of the importer. At the time of remittance, the bank, financial institution or authorised dealer must deposit the VAT through an a-challan using the importer's circle and economic codes; the challan will serve as the tax invoice and, where the service qualifies as an 'input', a valid ITC document for the importer.
- For locally manufactured goods fully or partly exempt at the manufacturing stage under SROs, subsequent supply will be subject to 15% VAT only on value addition,

provided purchase tax invoices and input–output coefficients are available. This will extend relief beyond manufacturing. However, it will carry a related ITC restriction for subsequent sellers.

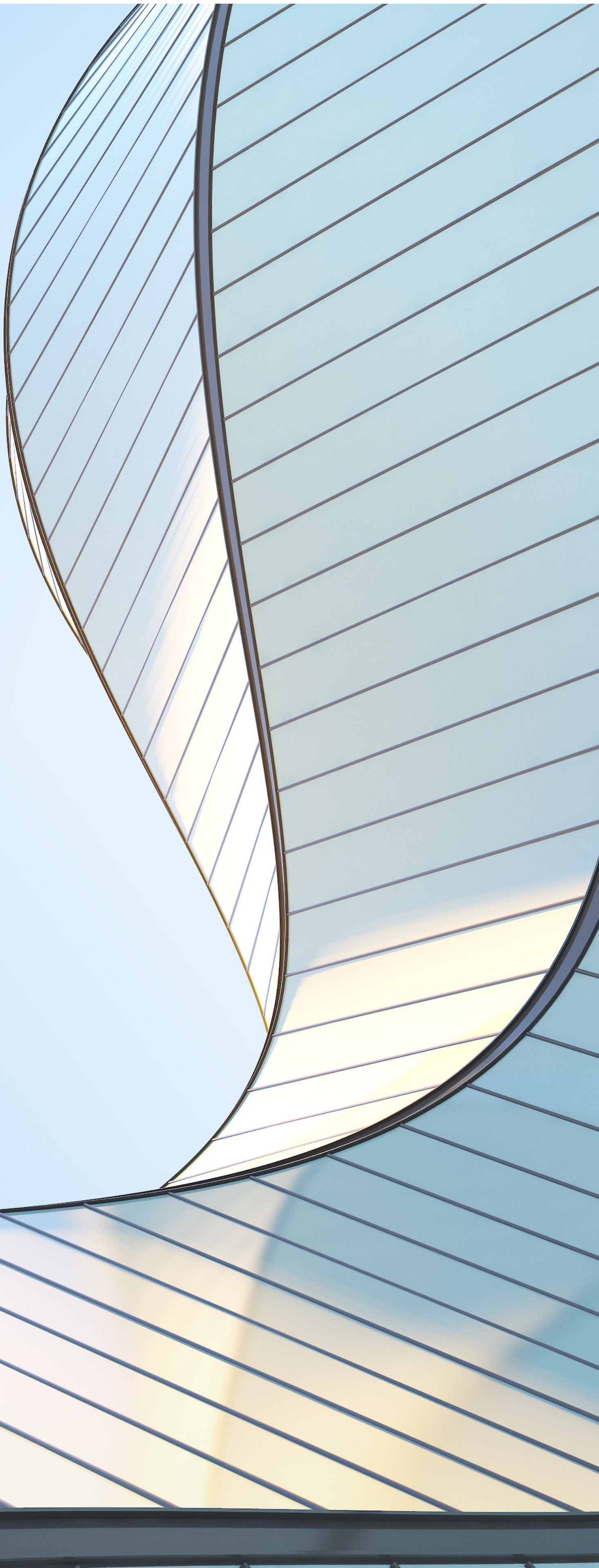
- Earlier, when goods or services were supplied below input cost, the entire ITC was disallowed; under the amended provision of section 46(1), now proportionate ITC will be available corresponding to the output VAT reported on that sale.
- The special schemes provision, formerly focused on tobacco and alcoholic goods, is set to be expanded. Thus, it may apply to any products notified by the Board, including use of security-related symbols. This enlarges the National Board of Revenue's authority to prescribe special control mechanisms and potentially determine maximum retail price-linked tax bases beyond traditional tobacco and alcohol sectors.
- Quarterly return filing for both VAT-registered and enlisted entities is to be the default position, with returns due by the 15th day following the quarter-end. Monthly return filing continues to be available as an optional alternative, with the return due date by the last day of next month. The Finance Bill's proposal to make monthly tax deposits based on prior-period liability is not enacted. Accordingly, due dates of VAT and VDS payable align with the above return filing deadlines.
- Penalties for irregular availment/ adjustment to be reduced from the previous higher range of minimum of 50% and maximum of 100% to a minimum of 30% and maximum of 50%, indicating a softer penalty framework in this area.
- New penalties to be introduced for storage of fake stamp/ band roll outside the registered area and for tampering with VAT software. Exposure will be extended to users as well as software providers in the latter case.
- Audit timelines to be codified more clearly: documents are to be submitted within two months of notice. A one-month extension may be available, and the audit should be concluded within one year from document submission. Otherwise, best judgment consequences may arise for non-compliance.
- Records maintained and supplied through ERP/ software systems will now be accepted as valid documents and may be submitted online, supporting digital compliance management.
- Appeal pre-deposit thresholds to be substantially reduced from 10% to 1% before the Commissioner (Appeals), from 10% to 1% before the Appellate Tribunal and from 10% to 2% before the High Court Division.
- A new section 137A will introduce a special interest-waiver scheme for specified legacy VAT demands, effective from 1 July 2026 for a six-month window. This new section will cover demands under the repealed VAT Act, 1991, and specified periods under the VAT Act, 2012.
- Content creator and freelancer services to be brought into the VAT exemption framework. Personal services to be exempt under the First Schedule, while certain non-personal service coverage will also be reflected through SRO-based exemption validity through 30 June 2029.
- For gold and silver jewellers falling under Service Code S026.00, the existing 5% ad valorem VAT is replaced with a fixed VAT per bhori, as tabulated below:

Item	**Fixed VAT (per bhori)**
Gold or gold ornaments	BDT2,500
Silver or silver jewellery	BDT100
Platinum or platinum jewellery	BDT2,500
Diamonds or diamond jewellery	BDT2,500

- Additional fixed VAT/ schedule amendments to include country-made foreign liquor at BDT500 per litre, unprocessed tobacco supplied from a processing unit at BDT50 per kg, increased fixed VAT on scrap under HSN 72.04 and withdrawal of VAT of BDT 300 per e-SIM.

Key amendments in the Value Added Tax and Supplementary Duty Rules, 2016

- VAT registration application and approval to be fully automated through the e-VAT system, with BIN issuance immediately upon submission of valid information to the registered email address.
- As clarification, the input–output coefficient in Mushak 4.3 is to be filed after manufacturing but before supply of goods.
- Mushak 4.3 is revised to replace the earlier input-output coefficient form.
- For traders supplying goods that are fully or partially exempt at the manufacturing stage, input–output coefficient declaration in Form Mushak 4.3.1 is to be filed in the e-VAT system.
- Manufacturers, service providers and traders availing ITC are to continue filing VAT returns in Form Mushak 9.1. All other VAT-registered persons, including traders not availing ITC, commercial importers supplying goods under final settlement and traders paying VAT on actual value addition, must file return in Form Mushak 9.1.1, which does not permit ITC claims.
- Rule 5 of the VDS Rules is amended in respect of VAT payable on rent. Under the amended rule, such VAT is now be deposited through e-payment and reported as an increasing adjustment in the VAT return.



Key impacts on the domestic industry

Positive

- VAT exemption on manufacture and assembling of mobile phones to be extended until 30 June 2030.
- VAT exemption to be granted on manufacture of electric cooker, induction cooker, infrared cooker, water purifier and water heater until 30 June 2030.
- VAT exemption on manufacture of computer and technology-based goods to be extended until 30 June 2030.
- Manufacture and assembly of e-vehicles will enjoy 100% VAT exemption or VAT in excess of 5%, together with exemption of VAT, advance tax and supplementary duty on import and local procurement of parts and spares, valid until 30 June 2030.
- Local manufacture of refrigerator, freezer, air conditioner and compressor will enjoy VAT exemption in excess of 7.5%, along with exemption on local purchase of inputs and spares, valid until 30 June 2030.
- All supplies made by a startup organisation as defined in the Income-tax Act, 2023 to be exempt from VAT. This exemption will also extend to VAT on imported services and VAT on rent, effective from 1 July 2026. Moreover, supply made by a registered startup are exempt from VDS by the buyer.
- Supply of water to industries located in Export Processing Zones to be exempted from VAT.
- VAT exemption to be granted on generation and supply of natural gas used for electricity generation to be supplied to 100% EOU, valid until 30 June 2027.
- VAT exemption on metro rail service has been extended to 30 June 2028.
- Renewable energy imports to benefit from exemption of customs duty, regulatory duty, supplementary duty, AT and advance income-tax in excess of 2%, effective from 1 July 2026 and valid till 30 June 2031.
- Parts and spares for four- and three-wheeler electric vehicles and electric buses/ trucks to enjoy extensive customs concessions, valid through 30 June 2031.
- Raw materials for lithium and sodium-ion batteries, e-bikes and e-bike accessories, digital devices, semiconductors, effluent treatment plant chemicals, fire-fighting equipment, motorcycles and medical devices to benefit from customs relief under newly issued or amended SROs, with varying validity periods.
- Additional 10 industries without bonded warehouse facilities to be allowed to import raw materials without payment of duty against bank guarantee.
- Deemed completion of audit to be introduced in the temporary import/ warehouse regime for direct export-oriented garment industries upon fulfilment of specified conditions.
- International valuation reports from reputed notified sources to be considered in customs valuation; the reasons should be stated where transaction value is rejected. Moreover, ISO-certified private laboratories may be used for chemical examination of imported goods.

Negative

- Subsequent sellers of fully or partially exempt goods may lose ITC, even though VAT on onward supply is limited to value addition. Businesses in such supply chains will need to reassess pricing and margin models.
- Import duty exemptions to be withdrawn for generator parts, compressed natural gas/ LPG station equipment, air purifiers and vehicles for public–private partnership projects.
- Certain items previously exempt under the VAT master exemption SRO have become taxable, including iron ore, LPG, tractor tyres/ tubes, diamonds, printer ribbon, ion-exchangers, certain LPG cylinder-related goods, rubber bearing, wood pulp and specified telecom equipment.

Exemption of VAT and import duties on the local manufacture of goods

Sl. No.	Name of good/ sector	Previous exemption	Proposed/ amended exemption
1	Mobile phone	Available	VAT exemption to be extended until 30 June 2030; effective 11 June 2026
2	Electric cooker, induction cooker, infrared cooker, water purifier, water heater	Not available	VAT exemption to be granted until 30 June 2030; effective 1 July 2026
3	Computer and technology-based goods	Available	VAT exemption to be extended until 30 June 2030; effective 1 July 2026
4	E-vehicle manufacture/ assembly	Limited prior relief under older regime	100% VAT exemption or exemption of VAT in excess of 5%; VAT, AT and SD on import and local procurement of parts/ spares exempt; valid until 30 June 2030; effective 1 July 2026
5	Refrigerator, freezer, air conditioner and compressor	Not available	VAT exemption in excess of 7.5% on local manufacture; VAT exemption on local purchase of inputs and spares; valid until 30 June 2030; effective 11 June 2026
6	Lithium/ sodium-ion battery manufacturing	Available only on Lithium battery	Customs exemption on raw materials: CD in excess of 1%/ 15%, plus RD, SD and VAT; valid until 30 June 2030
7	E-bike and accessories	Available	Customs exemption on import of notified goods: CD in excess of 1%/ 5%, plus RD, SD, VAT and AT; valid until 30 June 2030
8	Medical devices/ semiconductors/ digital devices/ motorcycles/ effluent treatment plant chemicals	Sector-specific customs relief available	Customs concessions continued/ expanded through amended and new SROs; validity differs by sector, including ongoing relief or relief through 30 June 2027/ 2030/ 2031
9	LED lamp and energy-saving lamp	Not available	Customs exemption on specified goods: CD in excess of 5% or 10%, plus VAT; valid until 30 June 2030
10	Local manufacture of pre-fabricated buildings	Not available	Customs exemption on specified goods: CD in excess of 5%, 10% or 15%, plus RD and CD in excess of 0% or 20%; valid until 30 June 2030

Amendments in respect of excise duty

Excise duty on bank or financial institution balances to be amended with effect from 1 July 2026 as follows:

Sl. No.	Existing position	Proposed/ amended position	Impact
1	Excise duty applied once balance exceeded BDT300,000	Threshold to be increased to BDT400,000	Relief for smaller account holders
2	No specific clarification noted for Islamic banking deal accounts	Excise duty to be deducted only once annually against the main loan account even if multiple deal accounts exist	Clarificatory/ easing measure for Islamic banking structures

Ease of doing business

- VAT registration application and approval to be fully automated in the e-VAT system, enabling immediate BIN issuance on submission of valid information.
- ERP-based records to be recognised as acceptable documents and will be submittable online.
- Audit process timelines to be more structured, which should improve predictability of proceedings.
- AEO rules to be relaxed by removing the need to submit a commissionerate audit report with the application. Green-channel automation entitlements to be materially enhanced for all AEO classes.
- New customs operating rules to be introduced for private port and terminal operators, private container depot/ container freight station/ off-dock operators, procurement by 100% EOU from bonded warehouse licence holders, air cargo operator stations and gold import/ export jewellery operations. One particular note, the new container depot/ container freight station rules will permit 100% foreign direct investment by waiving the earlier 51% Bangladeshi shareholding requirement.
- Under amended warehouse licensing rules, one-time bonding capacity will be withdrawn, warehouse capacity will be treated as bonding capacity and the general bond for central bonded warehouses will be increased from BDT10m to BDT50m. This is an operationally significant change and may increase security costs for some operators.
- VAT is exempted on the import of service and AT on import of capital goods, imported under any SRO under the Customs Act, 2023, for any PPP project constructed on vacant land after 1 July 2026. The exemption is valid until 30 June 2028.
- Requirement for the minimum value for synthetic and semi-synthetic lubricating oil under HSN code 34.03 is deleted.

Other specific amendments

- Semi-conductor assembly, testing and packaging services to be introduced as a taxable service under service code S083.00 and included in the mandatory VDS list at 15%.
- Online advertisement is introduced as a separate service under Service Code S007.20, attracting VAT at 5%. The service is also brought within the mandatory VDS list, with VDS at 5%.
- VDS exemption is granted to BTRC in respect of the revenue Telcos has shared with it.
- Mandatory BIN/ enlistment linkage to banking, financing, licensing, utilities, association membership and vehicle registration will substantially broaden the compliance perimeter, including for low-turnover or exempt businesses.
- Health surcharge at 1% to be introduced on manufacture and supply of nicotine pouch and heated tobacco.
- Detailed procedural guidance to be introduced for collection and deposit of VAT and supplementary duty in respect of Direct Operator Billing arrangements involving mobile operators, foreign and local service providers, VAT agents, banks and collection agents.
- In customs valuation, manufacturer invoice value for import of brand-new EVs is to be accepted as transaction value for duty assessment.
- Supply of garment waste, heart ring/ stent and eye intra-ocular lens by the procurement provider are exempt from VAT.

Changes in VAT exemption

Goods moving from exempt to taxable under SRO 127-AIN/2026/332-Musak dated 7 June 2026 replacing SRO 160-AIN/2025/288-Musak dated 27 May 2025 and amended vide SRO No-255-Ain/2026/355-Mushak dated 30-06-2026:

Stage	HS Code	Description	Existing position	Amended position
Import	2601.11.00 etc.	Iron ore	Exempt	Taxable
Import	2711.12.00/ 2711.13.00	LP gas	Exempt	Taxable
Import	3914.00.00	Ion-exchangers	Exempt	Taxable
Import	3917.29.10	Hoses for gas cylinder	Exempt	Taxable
Import	3926.90.92	Composite LPG cylinder (plastic)	Exempt	Taxable
Import	4011.70.10	Tractor tyres	Exempt	Taxable
Import	4013.90.10	Tractor inner tubes	Exempt	Taxable
Import	4016.99.20	Rubber bearing	Exempt	Taxable
Import	4703.29.00	Wood pulp (moulding compound industry)	Exempt	Taxable
Import	7019.90.20	Composite LPG cylinder (glass fibre)	Exempt	Taxable
Import	7102.21.00	Diamonds, unworked	Exempt	Taxable
Import	8517.62.40	Grandmaster clock, modulator, multiplexer, optical fibre platform	Exempt	Taxable
Production & import	9612.10.10	Computer printer ribbon	Exempt	Taxable

Goods moving from taxable to exempt under SRO 127-AIN/2026/332-Musak dated 7 June 2026 replacing SRO 160-AIN/2025/288-Musak dated 27 May 2025 and amended vide SRO No-255-Ain/2026/355-Mushak dated 30-06-2026:

Stage	HS Code	Description	Existing position	Amended position
Import	6902.10.00	Refractory bricks, blocks, tiles and similar refractory ceramics	Taxable	Exempt
Import	69.02.2020		Taxable	Exempt
Import	8421.29.30	Dialysis filter	Taxable	Exempt
Import	8443.32.10	Computer printer	Taxable	Exempt
Import	8504.40.50	Electric charger/ charging station	Taxable	Exempt
Import	8523.51.10	Flash memory card, unrecorded	Taxable	Exempt
Production	All HS Codes	Lac; natural gums and resins	Taxable	Exempt

Supplementary duty changes at import and supply stages

Import stage supplementary duty changes:

Sr.No	Heading	HS code	Description	Previous SD rate	Amended SD rate
1	03.04	0304.62.10	Catfish fillet	Nil	20%
2	03.05	0305.59.90	Other dry fish	20%	10%
3	04.09	All HS codes	Natural honey	Nil	10%
4	23.09	2309.10.00	Dog or cat food, retail pack	Nil	10%
5	32.08	3208.10.20	Insulating varnish for copper wire	Nil	30%
6	32.08	3208.20.91	Cover coat/ medium	Nil	30%
7	32.08	3208.90.30	Coating materials	Nil	30%
8	40.11	4011.20.10	Bus/ lorry tyres of rim size up to 16 inch	Nil	20%
9	55.02	5502.10.00	Acetate tow	Nil	300%
10	56.01	5601.22.00	Filter rod	Nil	300%
11	62.14	6214.10.00/ 6214.20.00/ 6214.40.00	Certain shawls/ scarves/ mufflers/ mantillas/ veils	Nil	40%
12	84.50	All HS codes except 8450.20.90 and 8450.90.00	Washing machine	Nil	20%
13	94.04	All HS codes except 9404.21.00	Mattresses	20%	10%
14	96.13	All HS codes	Cigarette/ other lighters	10%	20%

Supply stage supplementary duty changes:

Sr.No	Heading	HS code	Description	Previous SD rate	Amended SD rate
1	33.04	3304.10.00	Lip make-up	10%	5%
2	33.04	3304.20.00	Eye make-up	10%	5%
3	33.04	3304.30.00	Manicure/ pedicure	10%	5%
4	33.04	3304.91.00	Powder	10%	5%
5	33.04	3304.99.00	Other cosmetics	10%	10%
6	24.04	All HS codes	Nicotine pouch	Nil	40%
7	24.04	All HS codes	Heated tobacco	Nil	67%

05

Abbreviations

Act	The Income-tax Act, 2023
ADR	Alternative Dispute Resolution
AEOs	Authorized Economic Operators
AP	Artificial Person
AOP	Association of Persons
AT	Advance tax
AY	Assessment Year
BDT	Bangladeshi Taka
BIN	Business Identification Number
BRTA	Bangladesh Road Transport Authority
BTRC	Bangladesh Telecommunication Regulatory Commission
BSEC	Bangladesh Securities and Exchange Commission
CD	Customs duty
CT(A)	Commissioner of Taxes (Appeal)
DCT	Deputy Commissioner of Taxes
DO	Direct Order
EOU	Export-oriented unit
ERP	Enterprise Resource Planning
FS	Financial Statement
FY	Financial Year
HC	High Court
HSN	Harmonized System of Nomenclature
HUF	Hindu Undivided Family
ICT Act	Information and Communication Technology Act, 2006

ITC	Input tax credit
IPO	Initial Public Offering
LPG	Liquefied Petroleum Gas
NBR	National Board of Revenue
NTTN	Nationwide Telecommunication Transmission Network
PE	Permanent Establishment
PPP	Public-Private Partnership
PSR	Proof of Submission of Return
RD	Regulatory duty
RPO	Repeat Public Offer
SC	Supreme Court
SD	Supplementary duty
SOAL	Statement of Assets and Liabilities
SOE	State-Owned Enterprise
SOLE	Statement of Lifestyle and Expenses
SPV	Special Purpose Vehicle
SRO	Statutory Regulatory Order
TAT	Tax Appellate Tribunal
TCS	Tax Collected at Source
TIN	Taxpayer Identification Number
VAT	Value-added tax
VDS	VAT deduction at source
WHT	Withholding Tax
WIN	Withholder Identification Number

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