



Key Budget Proposals 2026

Bangladesh

Stability, Reform, and Inclusive Prosperity

June 2026



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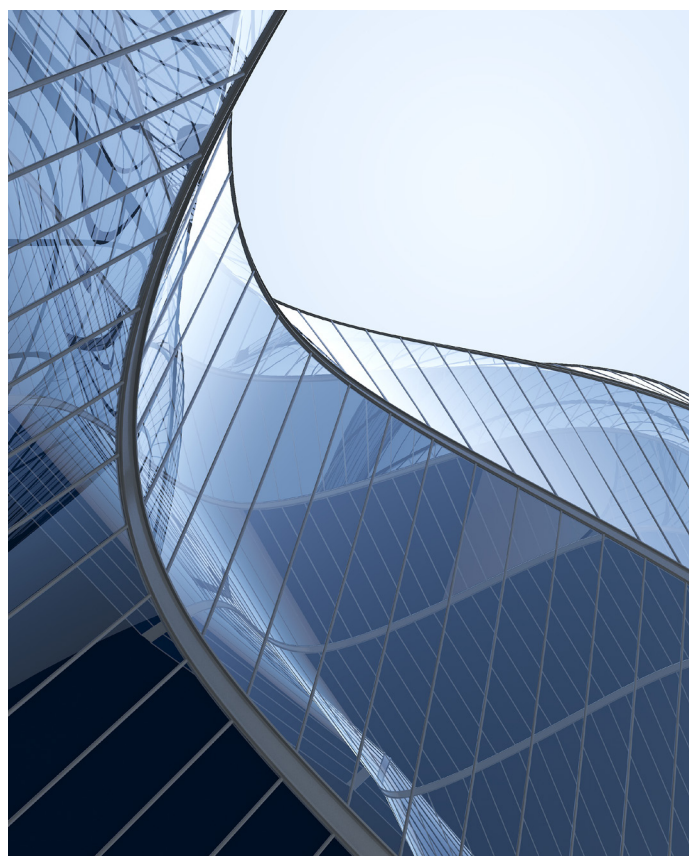
01

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.

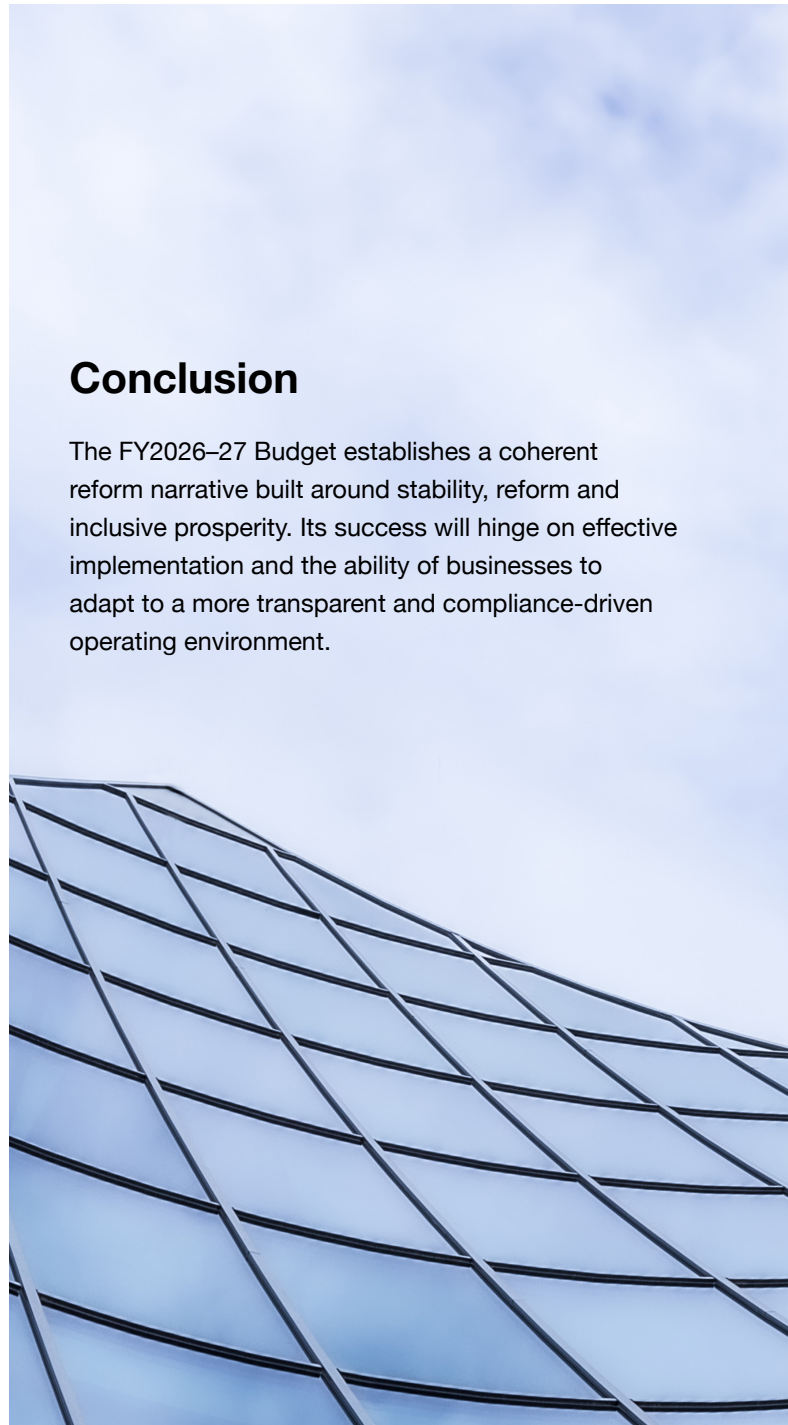
Sectoral Focus and Business Implications

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 2025 | | Finance Bill 2026 (Proposed) | | | | | |
|---------------------------|----------|------------------------------|----------|-------------------------------|----------|------------------------------|----------|
| 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 BDT26,400,000 | 30% | Next BDT26,350,000 | 30% |
| | | | | Rest of total income | 35% | Rest of total income | 35% |

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

*Tax-free threshold

General taxpayers – BDT375,000

Women, senior citizens aged 65 years or above – BDT425,000

Persons with disabilities – BDT500,000

War-wounded gazette freedom fighters and July gazette fighters – BDT525,000

Third-gender taxpayers – BDT500,000

**Tax-free threshold

General taxpayers – BDT375,000

Women, senior citizens aged 65 years or above – BDT425,000

Persons with disabilities – BDT500,000

War-wounded gazette freedom fighters and July gazette fighters – BDT525,000

Third-gender taxpayers – BDT500,000

***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 – 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

b. Rationalisation and Compliance aspects

- Methodology for computation of 'income from rent' to be 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 to be taxed under 'Income from other sources'.
 - A non-resident individual without a PE in Bangladesh not to be required to file a tax return in Bangladesh.
 - Automated refund introduced for eligible individuals (salary, financial asset and agricultural income only). Return to be processed by the DCT within 120 days from the date of filing of self-assessment income tax return, and refund to be electronically paid within 60 days from the date of application of refund.
 - Income tax return for specified Bangladeshi individuals returning from abroad to be filed within 90 days of return.
- If received by banking channels but remains unpaid for six years
 - Qualifying amount for investment rebate to be reduced from 15% to 10% of actual investment or from BDT1m to BDT0.75m.
 - Collection of tax to 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 to be regarded as final tax
 - Exemption on income from zero coupon bonds to be removed.

c. Widening of tax base or scope

- Definition of 'Capital Asset' to be expanded to inter-alia include specified personal assets such as gold, jewellery, digital currency, antiques and club memberships not being inventory of business.
- Money received from, housie, betting, and horse racing to be taxed at 25%.
- The scope of income from 'rent' to be broadened to cover warehouse rent, selami or premium.
- References to 'Income from Business' across the Act are to be expanded to 'Income from Business or Profession' so that the provisions uniformly apply to both business and professional activities.
- Loans, advances etc. received by individuals aggregating over BDT0.5m, to be taxable as 'Income from other sources':
 - When received outside banking channels;



d. Incentives and relaxations

- Income-tax return (Individuals and HUFs) can be filed anytime during the tax year. Rebate and additional tax to be 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) |

- Donation to Centre for Zakat Management to be eligible for deduction.
- Medical expenses reimbursed under group insurance policies to be exempted from the tax ambit.
- Loans from close relatives subsequently waived or converted to gift to be exempt if reported in the returns of both parties.
- Advance tax to be increased for specified non-electric vehicles and to be relaxed for electric vehicles.



03

Corporate Income Tax

a. Tax Rates

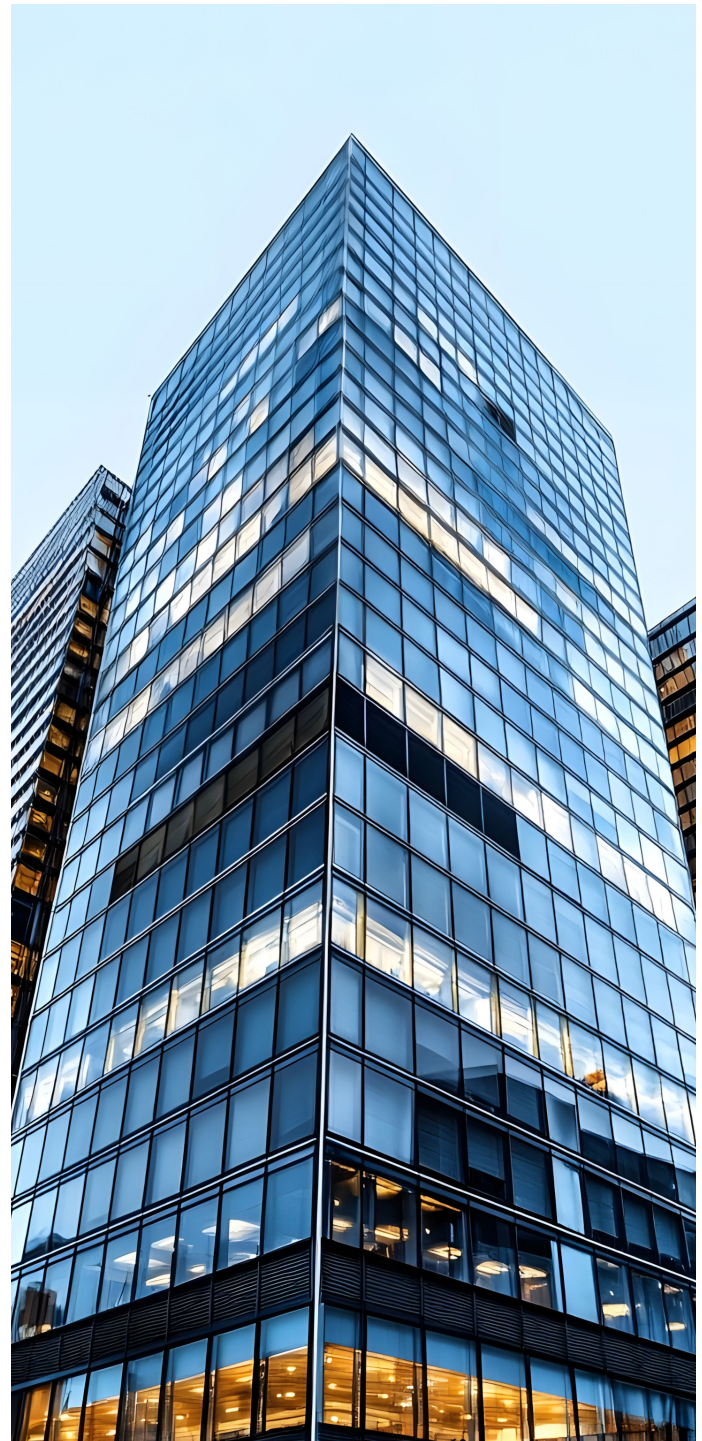
| Sl. No. | Category/ Condition | Proposed (AY 2026–2027 till AY 2030–2031) |
|----------|--|---|
| 1 | Publicly traded company (where at least 10% of the paid-up capital is transferred through IPO or direct listing) | - 22.5% - If all income is through bank transfer: 20% |
| 2 | Other publicly traded companies | - 27.5%; - If all income is through bank transfer: 25% |
| 3 | Other companies excluding the above categories | 27.5% |
| 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 | 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 | 10% |

b. Simplifications and clarifications

- Residential status and PE of a person of foreign country to 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 to be 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.
- Specific definition of 'raw material' to be 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 to be 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 AJPs created by law.
- 'Export' to include supply of locally manufactured raw materials to export-oriented industries under a local LC in foreign currency.
- Definition of 'associate enterprise' to be amended to lower the cumulative debt threshold for entities qualifying as associate enterprises 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' to be specifically defined and included in the overall definition of 'tax', carving out from 'income tax'.
- Sale through electronic means to be 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 to be taxed under 'Income from other sources'.
- WHT return filing requirement to be extended to also cover specified non-corporate deductors. WHT to be applied on rent payments for godowns.
- WHT at the rate of 0.5% to be applied on purchase of gold, silver, gold or silver jewellery, precious stones or platinum.
- WHT at the rate of 25% to be applied on income from housie, betting and horse racing.
- Any manufacturer, importer, supplier/ distributor/ arottdar to 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, supplier/ distributor/ arottdar, it is to be treated as an allowable expense.
- Collection of tax at source to be applied on civilian helicopters or choppers at the time of registration or renewal of fitness.
- Scope of 'representative assessee' to be widened.
- Ambit of 'agents' to be extended to cover resident taxpayers who are unable to file a return or are untraceable.
- Special tax rate on dividend to be withdrawn.
- Scope of PE to be 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, to be considered as taxable income. The same may be claimed in the year of payment.



d. Incentives and relaxations

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

| Filing period (from income year end) | Impact |
|---|---|
| Within six months | Rebate of 5% of tax liability (max BDT25,000) |
| Next three months and 15 days | No rebate/ additional tax |
| Next two months and 15 days or upto end of tax year | Additional tax of 2% (min BDT25,000) |

*Power of the NBR to extend return filing date by one month to be withdrawn.

- 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.
- 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 to be 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 to be increased from BDT0.6m to BDT1m of the estimated tax liability.
- Tax deducted/ collected/ deposited in excess of tax calculated on regular basis to 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 to 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 to be excluded from levy of additional tax on declaration or distribution of stock dividend exceeding cash dividends.
- Definition of 'Bank Transfer' to include cash sales receipts duly accounted and deposited into the payee's bank account.

e. Rationalisation and Compliance aspects

- Income tax return to be considered incomplete if not accompanied by acknowledgement copy of WHT return.
- Levy of additional tax on retained earnings of listed companies to 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 to be specifically excluded from such levy.
- Definition of company to be rationalised to include SOE engaged in commercial activities as well as AJP.
- The definition of 'person' to be rationalised to include a residuary clause under AJPs.
- 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 to 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 to result in additional tax liability of 150% of such tax default, and income corresponding to the said tax to be considered as 'Income from other sources'.
- WHT rate to be 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 to be increased.
- WHT on cash incentives received against export to no longer be regarded as final tax.
- Income from royalties, license fee, technical know-how fees etc. in the course of regular business activities to be considered as income from business or profession as against income from other sources.
- Taxpayers 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 to be 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 to be 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 to be payable.
- Turnover tax:
 - To be reduced to 2.5% from 3% in case of carbonated or sweetened beverage manufacturers;
 - To be applied at the rate of 1.5% in the case of NTTN;

- To be 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 to be considered as ‘income from business or profession’
- Expense disallowance threshold revision:

| Nature of expenditure | Existing | Proposed |
|---|---|--|
| Cash expenses on account of cleaning, food, water, tea, biscuits, cookies, cakes, light snacks, newspapers and stationery | Covered within general disallowance | 0.1% of total turnover |
| 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 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 AJP 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, 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, AJP, any individual engaged in specified business activities to furnish, along with their return of income, 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 to be 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 to be outside the ambit of this provision.
- Ambit of PSR to be rationalised.
 - New computation methodology for the income of real-estate developers and land owners. ‘Developer’ to be 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 | Proposed |
|--------------------|----------------------------|----------|
| 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 to include setting aside of cases.
- Process for disposal and communication of orders by the TAT to be rationalised.
- ADR also possible against orders disposed off by the Income Tax Authority or 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 to 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 to be rationalised.
- Assessment of tax mandatory in case of delayed return and return filed after selection of audit.
- Period of limitation of assessment to be 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.



- No enquiry to be initiated on source of funds where the following applies:
 - The buyer of land, building or apartment discharges tax liability on the difference between the market value and value as per the sale deed.
 - The seller of land, building or apartment discharges capital gains tax on the difference between the market value and the value as per the sale deed.
 - Additional 20% tax to be payable if the voluntary disclosure is made after initiation of any proceedings.
- 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.
- 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.

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 concept of 'enlistment threshold' to be deleted. In parallel, turnover tax enlistment to be tied to annual turnover not exceeding BDT500,000 during the first 12-month period, reflecting a redesigned turnover tax regime.
- 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 turnover tax regime to be recast. The prior 4% turnover tax to be abolished and replaced with a NBR-notified fixed amount linked to the nature of economic activity/ area, capped at BDT200,000. The turnover ceiling for turnover tax is expected to extend up to BDT5m.
- For turnover taxpayers, the tax period will be a four-month cycle ending 30 April, 31 August and 31 December, with payments linked to prior-period liability and an annual return concept.
- Half-yearly VAT return filing previously available for certain construction contractors, procurement providers and clearing and forwarding agents to be abolished. These entities will now generally be covered into the regular return cycle, largely on a quarterly basis.
- Reverse charge VAT on imported services to be revised. All imported services, except First Schedule items, to be taxable at 15%; the paying bank or financial institution must withhold and deposit VAT, report it as VDS and issue a treasury challan for ITC purposes.

- Imported services may involve an interpretational inconsistency: section 20 will shift VAT payment to bank withholding, while section 46(1)(b) and the amended VDS Rules may still require importer output VAT disclosure. This implementation point needs clarification.
- 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.
- 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 NBR, 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 to be made the default position, with return filing due by the 15th following the quarter-end. Monthly return filing to remain optional. However, the monthly tax deposit obligations will continue. Monthly deposits will now be based on prior periods, which could create excess or short payments and associated working capital implications.
- 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.
- Gold and silver jewellers under service code S026.00 will move from ad valorem VAT to a fixed VAT of BDT2,500 per bhorī (11.66 grams).
- 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.
- 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 and service providers will continue to use Form Mushak 9.1 for filing of VAT return, whereas other VAT-registered traders will use Form Mushak 9.1.1 which does not provide an option to claim ITC.
- Rule 5 of the VDS Rules to be amended for VAT on rent, requiring e-payment instead of adjustment as increasing adjustment in the VAT return. There is a possible contradiction with section 45 of the VAT Act, which should be monitored in implementation.
- Rule 3A, inserted in the VDS Rules, will require that a registered importer of services deposit VAT in the treasury and report it in the VAT return both as output VAT and ITC. This appears to conflict with the amended section 20 which will require a bank to withhold VAT and deposit to the Government treasury.

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.
- 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% EOUs, 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.
- 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

- The requirement of quarterly return filing with monthly payment obligations may create cash-flow distortions and administrative burden where deposits are benchmarked to prior periods rather than actual current liability.
- 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.
- Supplementary duty to be increased or newly imposed on multiple imported and domestically supplied items, including acetate tow, filter rod, selected textiles, washing machines, certain tyres, cigarette lighters, nicotine pouch and heated tobacco.

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 |

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. Of 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 BDT5m. This is an operationally significant change and may increase security costs for some operators.
- 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.

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%.
- 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.



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:

| 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:

| Stage | HS Code | Description | Existing position | Amended position |
|------------|--------------|------------------------------------|-------------------|------------------|
| 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:

| Heading | HS code | Description | Previous SD rate | Amended SD rate |
|---------|---|--|------------------|-----------------|
| 03.04 | 0304.62.10 | Catfish fillet | Nil | 20% |
| 03.05 | 0305.59.90 | Other dry fish | 20% | 10% |
| 04.09 | All HS codes | Natural honey | Nil | 10% |
| 23.09 | 2309.10.00 | Dog or cat food, retail pack | Nil | 10% |
| 32.08 | 3208.10.20 | Insulating varnish for copper wire | Nil | 30% |
| 32.08 | 3208.20.91 | Cover coat/ medium | Nil | 30% |
| 32.08 | 3208.90.30 | Coating materials | Nil | 30% |
| 40.11 | 4011.20.10 | Bus/ lorry tyres of rim size up to 16 inch | Nil | 20% |
| 55.02 | 5502.10.00 | Acetate tow | Nil | 300% |
| 56.01 | 5601.22.00 | Filter rod | Nil | 300% |
| 62.14 | 6214.10.00/ 6214.20.00/ 6214.40.00 | Certain shawls/ scarves/ mufflers/ mantillas/ veils | Nil | 40% |
| 84.50 | All HS codes except 8450.20.90 and 8450.90.00 | Washing machine | Nil | 20% |
| 94.04 | All HS codes except 9404.21.00 | Mattresses | 20% | 10% |
| 96.13 | All HS codes | Cigarette/ other lighters | 10% | 20% |

Supply stage supplementary duty changes:

| Heading | HS code | Description | Previous SD rate | Amended SD rate |
|---------|--------------|--------------------|------------------|-----------------|
| 33.04 | 3304.10.00 | Lip make-up | 10% | 5% |
| 33.04 | 3304.20.00 | Eye make-up | 10% | 5% |
| 33.04 | 3304.30.00 | Manicure/ pedicure | 10% | 5% |
| 33.04 | 3304.91.00 | Powder | 10% | 5% |
| 33.04 | 3304.99.00 | Other cosmetics | 10% | 10% |
| 24.04 | All HS codes | Nicotine pouch | Nil | 40% |
| 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 |
| AJP | Artificial Juridical Person |
| AOP | Association of Persons |
| AT | Advance tax |
| AY | Assessment Year |
| BDT | Bangladeshi Taka |
| BIN | Business Identification Number |
| BRTA | Bangladesh Road Transport Authority |
| 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 |

| | |
|-------------|---|
| 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 |
| 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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