



Building blocks for tomorrow

Bangladesh

Key Budget Proposals 2023



Table of contents

1. Reforms and policy announcements.....	3
2. Income tax.....	5
• Highlights of Finance Minister’s speech	6
• Personal tax	6
• Corporate tax	7
3. Other Taxes	8
4. Indirect Tax	10
5. Abbreviations.....	15



1

Reforms and policy announcements



- New Income-tax Act, 2023 to replace the existing Ordinance inter-alia intending to simplify and clarify the provisions relating to accounting methods, depreciation and amortisation rules, earnings stripping rules, capital gains, income from intangible assets, transfer pricing, alternative dispute resolution, etc. in addition to ease of compliance burden and to reduce discretionary power of officials.
- Rationalisation of tariff structures and gradual phasing out of cash assistance in export accounts to meet the challenges of graduating from least developed country status after 2026.
- Continued focus on investment-friendly and business-friendly environment by –
 - expanding the 'One-stop service' to provide information on investment-related services from one platform;
 - establishing 100 economic zones for domestic and foreign investments.
- Reforms to encourage 'Cashless Bangladesh' with an aim to reduce the cash usage by 75% in the next four years.
- Initiatives towards the shift from 'Digital Bangladesh' to 'Smart Bangladesh'.
- Continued impetus on skill development to prepare for the Fourth Industrial Revolution and upskilling of expatriate workers for enhancing inward remittances.
- Focus on social sector transformation with the roll out of the 'Universal Pension Scheme'.
- Focused approach towards achieving the United Nations Sustainable Development Goals by 2030.
- Bangladesh Investment Development Authority recently approved the 'Guidelines for providing permission for establishment of foreign commercial offices, providing visa recommendations to foreign workers and issuing work permits to foreign workers in Bangladesh 2023'.
- Bangladesh Systemic Risk Dashboard to be conceptualised to facilitate the identification and management of systemic and other risks in the financial sector.
- Digital Commerce Act, 2023 is being formulated to establish a Digital Commerce Authority for the promotion of e-commerce.



2

Income-tax



- New Income-tax Act, 2023 to replace the existing Ordinance.
- Surcharges to be introduced to reduce environmental pollution.
- Initiatives taken to bring more taxpayers in the tax net, reform tax policy, expand tax base, encourage e-TIN holders to file returns and encourage voluntary compliance.
- Automation and digitisation of the income-tax, customs and VAT wings of the Board is emphasised.

Proposals

Individual taxpayer – Tax-free income threshold

Tax-exempted income	Current (in BDT)	Proposed (in BDT)
General taxpayers	300,000	350,000
Women and senior citizens aged above 65 years	350,000	400,000
Physically challenged persons	450,000	475,000
War-wounded gazette freedom fighters	475,000	500,000
Third-gender taxpayers	350,000	475,000

- Tax rates on subsequent tax slabs to remain unchanged.
- Minimum tax of BDT2,000 to be introduced on individuals who are below the threshold of taxable income and are obligated to submit an income-tax return.
- Rules pertaining to perquisite valuation, allowances and benefits with respect to computation of the salary of an individual to be repealed by an SRO.
- Resident taxpayer may get the return under section 75 of the Ordinance prepared and filed by the TRP through the online method as prescribed by the Board.
- Surcharge
 - The threshold of levy of surcharge to increase from BDT30m to BDT40m.
 - Surcharges on subsequent slabs of net wealth to remain unchanged.
 - 10% surcharge to be levied on individuals owning house property having an aggregate area of more than 8,000 sq ft irrespective of the location of the property.
 - Environment surcharge to be introduced on taxpayers owning more than one 'motor car' based on the CC or KW of the motor cars.
 - 'Motor car' definition to be widened.

Statutory Regulatory Orders

- If any benefit of tax at reduced rate is availed under any provision of the Ordinance or SRO by any individual or Hindu Undivided Family, tax exemption of 50% of export income would not be applicable.

Proposals

- Trust and fund clarified to be covered within a specific category of taxpayer to be subject to a prescribed rate of tax.
- Resident taxpayers may get the return under section 75 of the Ordinance prepared and filed by the TRP through the online method as prescribed by the Board.
- New monthly return form introduced replacing erstwhile filing of below noted statements/returns:
 - Monthly statement of tax deducted on salary and vendor payments
 - Half-yearly withholding tax return
 - Annual statement regarding payment of dividend
 - Annual statement regarding payment of interest (other than interest on securities)
- TDS at 10% to be specified for supply of tobacco leaves in any form and tobacco products including cigarettes, bidi, zarda and gul.
- TDS at 3% to be specified for supply of Extra High Voltage Power Cable of 33KV to 500KV by local manufacturers having their own Vertical Continuous Vulcanisation line.
- Rates for collection of tax on transfer of property to be enhanced.

Statutory Regulatory Orders

- If any benefit of tax at reduced rate is availed under any provision of the Ordinance or SRO, reduced tax rates of 12% or 10% on export income not to be applicable.
- Tax exemption for interest payable on money borrowed from outside Bangladesh to be withdrawn.
- Withdrawal of specific tax exemption on income of the unit fund and mutual funds of Investment Corporation of Bangladesh.
- Withdrawal of specific tax exemption on income from mutual fund of the person issuing such mutual fund.



3

Other taxes



Travel tax Act, 2003

- Air travel within Bangladesh to be brought within the ambit of travel tax.
- 'Travel tax Authority' to be notified.
- Revised rates of travel taxes to range from BDT200 to BDT6,000 per passenger depending upon the mode of travel and destination.
- Mode of tax collection to be notified.
- List of persons eligible for waiver from travel taxes modified.



4

Indirect tax



- Section 104 of the Customs Act to be amended to incorporate 'ex-bond' bill of entry for clearance of bonded goods for home consumption.
- Section 114 of the Customs Act to be amended, whereby any owner of a bonded warehouse is required to maintain records of duty paid locally for purchased or imported goods in the bond register.

Key impacts on the domestic industry

Positive

- Exemption of VAT in excess of 5% on local manufacture of refrigerators or freezers to be extended till 30 June 2024. Moreover, VAT, AT and SD payable on import and local purchase of raw materials and spares used in the manufacture of refrigerators or freezers to also be extended till 30 June 2024.
- VAT exemption on local manufacture of washing machines, microwave ovens and electric ovens as well as VAT, AT and SD on import and local purchase of raw materials and spares to be extended till 30 June 2025.
- VAT exemption on local manufacture of blenders, juicers, mixtures, grinders, electric kettles, irons, rice cookers, multi-cookers and pressure cookers as well as VAT, AT and SD on import and local purchase of raw materials and spares to be extended till 30 June 2025.
- VAT exemption on local manufacture of computers and computer equipment to be extended till 30 June 2026.
- VAT and AT exemption to be granted on import of aircraft engines, turbo jets and aircraft parts imported by VAT-registered airlines.
- 'Software customisation' to be subject to 5% output VAT, levy of which had not been clarified earlier.
- VAT rate on sweet shop covered under Service Code S022.00 to be reduced from 15% to 7.5%.
- Customs duty in excess of 1% and 5%, Regulatory Duty, VAT and SD on import of raw materials by a VAT-registered lift manufacturer to be extended till 30 June 2025.



Negative

- VAT rate on the manufacture or assembly of mobile handsets covered under the following table to be increased with the inclusion of additional conditions.

Particulars	Existing output VAT rate	New output VAT rate	Additional condition imposed
Manufacturer (Table-1)	0%	2%	Minimum 50% of PCB, chargers, batteries, housing and casings to be manufactured.
Assembler category-1 (Table-2)	3%	5%	<ul style="list-style-type: none"> Minimum 50% of PCBs, chargers and batteries to be manufactured. Minimum value addition to be 20%.
Assembler category-2 (Table-3)	5%	7.5%	<ul style="list-style-type: none"> Minimum 50% of PCBs to be manufactured. Minimum value addition to be 20%.

The validity of the above exemption to be extended till 30 June 2024.

- VAT rate on manufacture of Liquid Petroleum Gas cylinders to be increased from 5% to 7.5%, and validity of such exemption to be extended till 30 June 2024.
- Manufacturing of 'software', which was exempted so far, to be subject to 5% output VAT.
- 'Stevedoring activities' to be excluded from the First Schedule of the Act, and hence to be taxable @15%.
- SD @5% to be imposed on Primer (Paints) covered under HS codes 32.08 to 32.10.
- VAT rate on kitchenware and household goods made of plastic and aluminium covered under HS codes 39.24 and 76.15, respectively, to be increased from 5% to 7.5%.
- VAT rate on various types of tissue paper covered under HS code 48.18 to be increased from 5% to 7.5%.
- Customs duty on escalators and moving walkways to be increased from 1% to 15%.
- Specific import duty on cement clinkers imported by cement manufacturers who are industrial Import Registration Certificate holders and VAT compliant to be increased from BDT500 to BDT700 per MT.
- Regulatory duty on soaps covered under HS code 34.01 put up for retail sale to be increased from 3% to 20%.
- Regulatory duty on products containing tobacco covered under HS code 24.04 to be increased from 100% to 150%.
- Import duties on database operating systems to be increased as follows.

HS code	Previous rate	Present rate
8523.29.12	10.25%	53.6%
8523.49.21	10.25%	53.6%
8523.51.21	31%	58.6%
8523.80.10	15.25%	58.6%

- Import duty exemption on capital goods imported by VAT-registered hotels to be withdrawn.

Key amendments in the VAT & SD Act, 2012 and the VAT & SD Rules, 2016

- Purchase of vehicles to be excluded from the definition of 'inputs'. Currently, purchase of vehicles used in passenger transport are being included in the negative list. Hence, ITC to not be available on purchase of any vehicle.
- Definition of 'export' to include requirement of receipt of foreign currency.
- Penalty under section 85 of the Act can be imposed along with assessment proceedings initiated under section 73 of the Act. Currently, separate proceedings are required to be initiated under section 85 of the Act for imposition of penalty.
- VAT return cannot be amended for failure to claim ITC or decreasing adjustment within the stipulated time.
- Definition of 'online sale of goods' to be reframed to differentiate between 'online sale of retail goods' and 'marketplace'. A trader of goods using an electronic network to be considered as an online seller of retail goods when such goods are purchased on payment of VAT and resold on payment of VAT. 'Marketplace' to be defined to mean the platform service provider who is not engaged in the sale of goods.

Increase in the base value of cigarettes

Present base price (in BDT)	Proposed base price (in BDT)	Present SD rate (%)	Proposed SD rate (%)
40 and above	45 and above	57	58
65 and above	67 and above	65	65
111 and above	113 and above	65	65
142 and above	150 and above	65	65

Ease of doing business

- Central VAT registration to be allowed at any place where books of accounts are maintained. This implies that central registration can be obtained for head offices instead of factories.
- Invoices issued by banks and digital payment gateways for payment of electricity to be considered as 'tax invoices' for the purpose of claiming ITC.
- SD paid on import of raw materials used in the manufacture of goods for export to be eligible for refund without carry forward for six months.

Incentives or exemptions granted on specified goods and services or other specific amendments

- Petroleum products covered under HS codes 2709.00, 2710.12 and 2710.19 to now be chargeable to a specific rate of import duty at BDT1117 per barrel, BDT13.75 per litre and BDT9108 per MT, respectively, instead of the ad valorem rate of duty. Additionally, advance income-tax to be levied at 2%.
- Passenger (Non-tourist) Baggage Rules, 2016 to be amended allowing a passenger to import gold bars weighing not more than 117g on payment of duty. Currently, passengers are being allowed to import 234g of gold bars. Customs duty on such import of gold bars to be increased from BDT2000 to BDT4000 per 11.664g.
- Minimum value on import of razors, toothbrushes and facewashes under HS codes 8212.10.00, 9603.21.00 and 3304.99.00, respectively, to be withdrawn and to be assessed ad valorem.
- Manufacturing of 'optical fibre cables' to be subject to 5% output VAT. Currently, these are being taxed at 15%.



Abbreviations

AT – Advance Tax

Board – National Board of Revenue

BDT – Bangladeshi Taka

Customs Act – Customs Act, 1969

HS – Harmonised System

IRC – Import Registration Certificate

ITC – Input Tax Credit

MT – Metric Tonne

Ordinance – Income-tax Ordinance, 1984

PCB – Printed Circuit Board

SD – Supplementary Duty

SRO – Statutory Regulatory Order

TDS – Tax Deducted at Source

TRP – Tax Return Preparer

VAT – Value-Added Tax

Act – Value Added Tax and Supplementary Duty Act, 2012

Rules – Value Added Tax and Supplementary Rules, 2016



About PwC

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 152 countries with over 328,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com.

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

© 2023 PwC. All rights reserved.

Contact us

**Mamun Rashid**

Managing Director, PwC Bangladesh

Cell: +8801711525428

Email: mamun.r.rashid@pwc.com

**Sushmita Basu**

Member of the Board of Directors, PwC Bangladesh

Leader, Bangladesh Tax and Regulatory practice, PwC Bangladesh

Cell: +8801622105174 | +919830051065

Email: sushmita.basu@pwc.com

**Kapil Basu**

Managing Director, PwC

Cell: +8801622105174 | +919830014397

Email: kapil.basu@pwc.com

Bangladesh office

11th Floor, Laila Tower, 8 Gulshan Avenue, Gulshan 1, Dhaka 1212, Bangladesh

[pwc.com/bd](https://www.pwc.com/bd)

Data Classification: DC0 (Public)

This document does not constitute professional advice. The information in this document has been obtained or derived from sources believed by PricewaterhouseCoopers Bangladesh Private Limited (PwCBPL) to be reliable but PwCBPL does not represent that this information is accurate or complete.

Any opinions or estimates contained in this document represent the judgment of PwCBPL at this time and are subject to change without notice. Readers of this publication are advised to seek their own professional advice before taking any course of action or decision, for which they are entirely responsible, based on the contents of this publication. PwC neither accepts nor assumes any responsibility or liability to any reader of this publication in respect of the information contained within it or for any decisions readers may take or decide not to or fail to take.

© 2023 PricewaterhouseCoopers Bangladesh Private Limited. All rights reserved. In this document, “PwC” refers to PricewaterhouseCoopers Bangladesh Private Limited (a limited liability company incorporated at Dhaka (Bangladesh) with registration number C-123560/15, which is a subsidiary of PricewaterhouseCoopers Private Limited (PwCPL), that is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.

SG/June 2023 - 28585