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Finance Bill **2023 Highlights**

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The Finance Bill 2023 has been introduced with the enactment of new legislation, Income Tax Act, 2023. Till the time the scripture is published in its entirety we look upon the significant changes proposed by the Finance Bill as summarized below. We will come up with a comprehensive summary of the changes introduced to the existing regulations with the introduction of the Income Tax Act, 2023. Till then, stay tuned with us.

Personal Income Tax

Rate of Income Tax

Rate of personal income tax is proposed to be updated as follows:

Amount of Taxable Income		Rate
Existing	Proposed	
First Tk. 300,000 or as applicable	First Tk. 350,000 or as applicable	Nil
Next Tk. 100,000	Next Tk. 100,000	5%
Next Tk. 300,000	Next Tk. 300,000	10%
Next Tk. 400,000	Next Tk. 400,000	15%
Next Tk. 500,000	Next Tk. 500,000	20%
On the balance	On the balance	25%

- Female taxpayers and taxpayers above the age of 65 years will enjoy tax exemption up to **Tk. 400,000**.
- Taxpayers of third gender and with disability will enjoy tax exemption up to **Tk. 475,000**.
- Gazetted freedom fighters will enjoy tax exemption up to **Tk. 500,000**.

- Parents or legal **guardians of disabled individuals** will enjoy a further exemption of BDT 50,000 in addition to their existing limit of tax exempted income. If both parents of a disabled individual are taxpayers then **one of them** will be eligible for this increased limit of exemption.
- Individuals obligated to file the income tax return must pay a **minimum of Tk. 2,000** even if their **total income falls under tax exempt limit**.

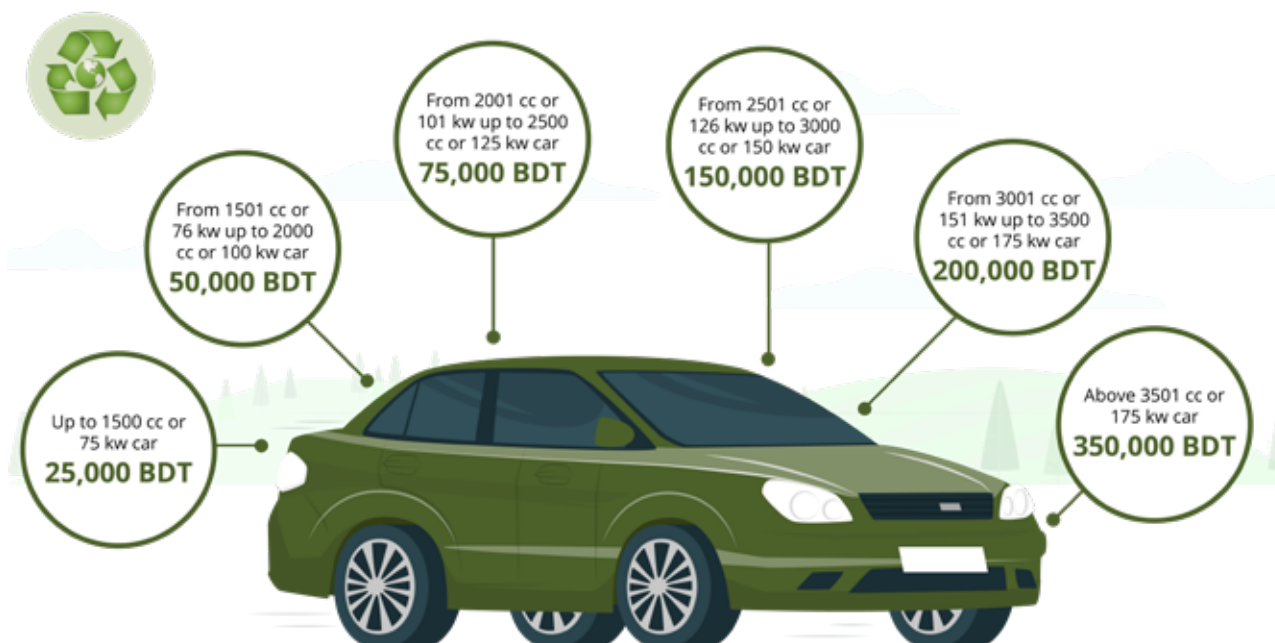
Surcharge

Any individual taxpayer whose total net worth as per their *Personal Balance Sheet and Lifestyle Statement* **exceeds** the permissible limit will be subject to surcharge on income tax in the following manner:

Net Worth		Rate of Surcharge
Existing	Proposed	
Up to Tk. 30,000,000	Up to Tk. 40,000,000	Nil
<ul style="list-style-type: none"> Tk. 30,000,001 to Tk. 100,000,000 or Owns more than one motor car in his/her name, or Owns property of more than 8,000 square feet in any city corporation area 	<ul style="list-style-type: none"> Tk. 40,000,001 to Tk. 100,000,000 or Owns more than one motor car in his/her name, or Owns property of more than 8,000 square feet in any city corporation area 	10%
Tk. 100,000,001 to Tk. 200,000,000	Tk. 100,000,001 to Tk. 200,000,000	20%
Tk. 200,000,001 to Tk. 500,000,000	Tk. 200,000,001 to Tk. 500,000,000	30%
Above Tk. 500,000,000	Above Tk. 500,000,000	35%

Environment Surcharge

Individual taxpayers having **more than one personal vehicle** will be subject to **environment surcharge** on the additional vehicle in the following manner:



- In case of **more than one vehicle**, surcharge will be exempted on the vehicle with the **lowest applicable surcharge**.
- Environment surcharge will be collected at source by the vehicle registration or fitness renewal authority during registration or fitness renewal of the vehicle.
- If registration or fitness renewal is done for more than one year then environment surcharge for the years subsequent to the effective year of renewal or registration will be charged as applicable for the concerned subsequent years.
- Failing to pay the surcharge** at source in the above manner will result to payment in the following manner:

Total surcharge payable = A + B

A = Total surcharge
unpaid for past year(s)

+

B = Surcharge applicable
for the year of payment

- If the registration or fitness renewal is done for more than one year then the environment surcharge for each applicable year will be collected by the Deputy Commissioner of Taxes during assessment of income tax return or determination of income tax for that year.
- Environment surcharge applicable under this section shall not be associated with any other tax or surcharge.
- "Motor Vehicles" specified under this section **shall not include** any bus, minibus, coaster, prime mover, truck, lorry, tank lorry, pickup van, human hauler, autorickshaw and motorcycle.

Travel Tax



Individuals **travelling inside or outside** Bangladesh will now be subjected to **travel tax** in the following manner:

Travel Type	Tax Amount (BDT)
North and South America, Europe, Africa, Australia, New Zealand, China, Japan, Hong Kong, North Korea, Vietnam, Laos and Cambodia, Taiwan by air	6,000
Any countries under SAARC by air	2,000
Any other countries by air	4,000
Inside Bangladesh by air	200
Any country by road	1,000
Any country by water	1,000

Exemption from travel tax on individuals is proposed to be applicable in the following manner:

- Children under the age of 5 years are proposed to be **fully exempted**.
- Children under the age of 12 years are proposed to be subject to travel tax at **half** the standard rate.
- Following individuals are proposed to be fully exempted:
 - Individuals travelling to Saudi Arabia to perform the Holy Hajj.
 - Individuals who are blind, cancer patient or disabled and requires a stretcher.
 - UN workers and their family members.
 - Diplomats residing in Bangladesh in diplomatic missions and their family members.

- Employees of World Bank, German Vocational Organization and Japan International Development Organization residing in Bangladesh and their family members.
- Flight crew members.
- Travelers in transit and without Bangladeshi VISA staying in Bangladesh for less than 72 hours.
- Employee of any airline who is a Bangladeshi citizen and travels outside the country for reduced or waived plane fare.

Corporate Income Tax

Rate of Income Tax

Description	Existing 2022-2023	Proposed 2023-2024	Applicable tax rate if fails to meet the condition
Publicly traded company that issues shares worth more than 10 percent of its paid-up capital through Initial Public Offering (IPO)	20%	Unchanged	22.5%
Publicly traded company that issues shares worth ten percent or less than ten percent of its paid-up capital through IPO	22.5%	Unchanged	25%
Non-publicly traded company	27.5%	Unchanged	30%
One Person Company (OPC)	22.5%	Unchanged	25%
Publicly traded bank, insurance and financial institution (except merchant bank)	37.5%	Unchanged	Condition not applicable
Non-publicly traded bank, insurance and financial institution	40%	Unchanged	Condition not applicable
Merchant bank	37.5%	Unchanged	Condition not applicable
Company producing all sorts of tobacco items including cigarette, bidi, chewing tobacco and gul	45% + 2.5% (surcharge)	Unchanged	Condition not applicable
Publicly traded mobile operator company	40%	Unchanged	Condition not applicable

Description	Existing 2022-2023	Proposed 2023-2024	Applicable tax rate if fails to meet the condition
Non-publicly traded mobile operator company	45%	Unchanged	Condition not applicable
Association of persons	27.5%	Unchanged	30%
Artificial juridical person and other taxable entity	27.5%	Unchanged	30%
Co-operative societies registered under Co-operative Societies Act, 2001	15%	Unchanged	Condition not applicable
Private university, private medical college, private dental college, private engineering college or private college solely dedicated to imparting education on ICT	15%	Unchanged	Condition not applicable
<p><i>*Condition: All receipts and income must be transacted through bank transfer and every single transaction above Tk. 5 lakhs and annual investment over Tk. 36 lakhs of expense and investment must be made through bank transfer.</i></p>			

Changes in Rate of Withholding Tax

- Rate of withholding tax on the supply of **tobacco items** including cigarette, bidi, chewing tobacco and gul has been proposed to be **increased from 7% to 10%**.
- Rate of withholding tax on the supply of **locally produced cable of 33 to 500 KV** has been proposed to be **decreased from 7% to 3%**.

Periodic Tax Returns

The return under section 75A has been updated to include the following returns abolishing the requirement of submission of these returns independently:

- Salary return under Section 50 (Rule 21)
- Monthly withholding tax return under Section 58 (Rule 18)
- Interest return under Section 109 (Rule 20)
- Dividend return under Section 110 (Rule 19)

VAT & Supplementary Duty

- VAT on the purchase of any vehicle cannot be considered as an input anymore.
- VAT consultants will now be eligible to represent any entity.
- Invoices issued by a digital payment gateway shall be considered as a tax invoice subject to fulfillment of certain conditions.
- To obtain a VAT refund without carrying the balance forward, Supplementary Duty (SD) at the import stage needs to be eligible for decreasing adjustment and goods subject to Supplementary Duty (SD) cannot be supplied at the stage of local supply by the concerned person.
- VAT rates have been proposed to be **increased** for the following products:

H.S. Code	Particulars	Existing Rate	Proposed Rate
19.05	Handmade biscuits	5% (Tk. 150 per kg)	5% (Tk. 200 per kg)
	Biscuits	5% (Tk. 250 per kg)	5% (Tk. 300 per kg)
39.24	All plastic tableware, kitchenware, household products, hygienic and toiletries products and other similar products.	5%	7.5%
48.18	Kitchen towel and toilet tissue	5%	7.5%
76.15	Aluminum and aluminum products	5%	7.5%
90.04	Sun glass	5%	7.5%

- Supplementary Duty (SD) rates have been proposed to be **increased** for the following products:

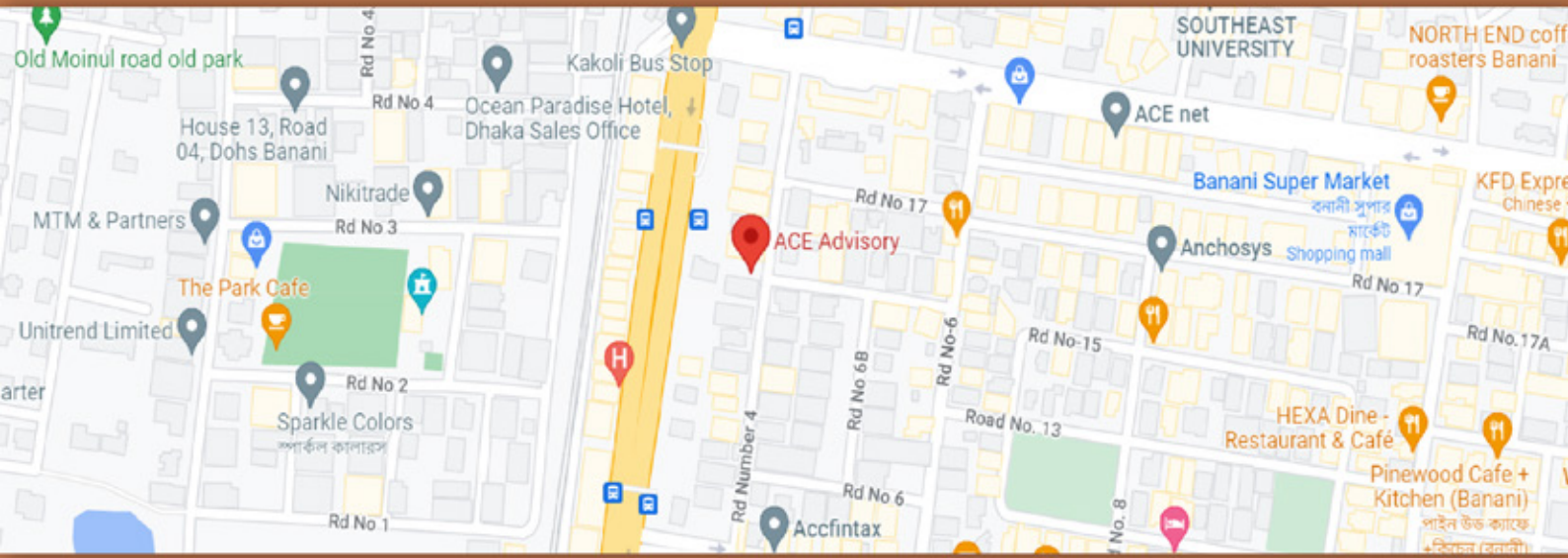
H.S. Code	Particulars	Existing Rate	Proposed Rate
24.04	Products containing tobacco, reconstituted tobacco, nicotine, or tobacco or nicotine substitutes, intended for inhalation without combustion; other nicotine containing products intended for the intake of nicotine into the human body	100%	150%
48.13	Cigarette paper imported by other importers	-	150%

- VAT rate for **confectionary stores** (Service code S022.00) has been proposed to be **reduced** from **15% to 7.5%**.
- The definitions of **“Online retail sale”** and **“Marketplace”** have been newly introduced under Service code S099.60 (e-commerce services).
- Exporters can now submit application to the Commissioner without submitting Process Realization Certificate (PRC) to **adjust the supplementary duty** in cases of export of goods through **Mushak 7.1**.
- If an entity fails to claim the VAT credit or make adjustments within the stipulated timeline, VAT returns **cannot subsequently be amended/updated** on a later date.
- Only supplies which are eligible for input rebate can be included in the computation of **partial input tax rebate**.

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