

FISCAL ISSUES FOR NATIONAL BUDGET 2025–2026 TO FOSTER ECONOMIC AND BUSINESS GROWTH



Table of contents

- **Key numbers for 2025-26**
- **How tax and VAT net can be increased? - Short terms measures**
- **How tax and VAT net can be increased? – Mid and long term measures**
- **Fundamentals to be addressed (Neutrality, Efficiency, Effectiveness & Fairness, Flexibility, Certainty & Simplicity)**
- **Expectation on Income Tax**
- **Expectation on VAT**
- **Expectation on Customs**

Key numbers for 2025-26

Particulars	Amount in Cr Taka	
	2024-25	2023-2024
Original Target	480,000	450,000
Revised Target	463,500	410,000
Actual Revenue from July to March	256,486	249,592
Actual Revenue from July to June		383,000
Expected Collection (Same amount in 3m of last year)	389,894	
Expected Deficit	(73,606)	

It was 259,958 as per
Mar 24 NBR statistics

Target for 2025-26
Growth

499,000
28%

How tax and VAT net can be increased? - Short terms measures

- ✓ Partner with Local government (City Corporation, Pourasava) and ensure submission of PSR. Bring similar provision in the VAT Act 2012.
- ✓ Advertising campaigns on digital platforms like Facebook and YouTube
- ✓ Establishing strong collaboration with market committees on tax and VAT compliances.
- ✓ Comparative report based on each circle showing registered taxpayers and return filings. Coordination and integration of circle-based reports. Encouraging non-filing taxpayers through SMS to submit returns
- ✓ Making online income tax return filing mandatory for all Personnel taxpayers. Bring CIT online too!
- ✓ Assess performance of tax and VAT official excluding Tax and VAT paid by assessee (92% IT is paid by assessee)
- ✓ Allocate budget (500 crore) for cash back to consumers instead of Lottery.

How the tax net can be expanded? – Mid and Long term

- ✓ Inclusion of the basic concept of the tax system in the national curriculum can raise awareness among students about civic responsibility and the importance of taxes
- Collaborate with local government and security agency so that one does business with valid license only.
- It should be mandatory to provide e-TIN/NID information on the receipt of holding tax payment and during the land revenue payment process.
- City corporations and other government agencies should send e-TIN/NID-based asset information to the National Board of Revenue.
- In the long term, integration (inter-connection) should be done through API.
- Integrating private online tax return filing companies with the National Board of Revenue's online system

Reducing the size of the informal economy and expanding the size of the formal economy.

To foster a cashless economy, the National Board of Revenue (NBR) needs to collaborate with Bangladesh Bank and invest in technological infrastructure. **A Unified Payment Interface (UPI)** should be established to facilitate seamless transactions across banks and MFS on a single platform, and digital transaction fees should be minimized.

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- The diagram illustrates the process of issuing a Land Revenue Certificate (LRC) by the Land Revenue Department (LRD) based on a TIN Certificate issued by the National Board of Revenue (NBR). The flow is as follows:
- National Board of Revenue (NBR):** Issues a TIN Certificate to the Taxpayer's Particulars.
 - Taxpayer's Particulars:** Provides the TIN Certificate to the Land Revenue Department.
 - Land Revenue Department (LRD):** Issues a Land Revenue Certificate (LRC) based on the TIN Certificate.
 - Ministry of Land, Urban Planning and Construction:** Receives the LRC and issues a Land Revenue Certificate (LRC) to the Land Revenue Department.
- The diagram includes the following logos and text:
- National Board of Revenue (NBR):** Logo with text "জাতীয় রাজস্ব বোর্ড, বাংলাদেশ" and "National Board of Revenue, Bangladesh".
 - Land Revenue Department (LRD):** Logo with text "স্বত্ত্ব আপনার ও জাতির সমৃদ্ধি আনে" and "জাতীয় স্বত্ত্ব অধিদপ্তর, বাংলাদেশ, ঢাকা".
 - Ministry of Land, Urban Planning and Construction:** Logo with text "কম্পিউরাইজেশন" and "MINISTRY OF LAND, URBAN PLANNING AND CONSTRUCTION".
 - Land Revenue Certificate (LRC):** Certificate with text "ভূমি মন্ত্রণালয়" and "গণপ্রজাতন্ত্রী বাংলাদেশ সরকার".

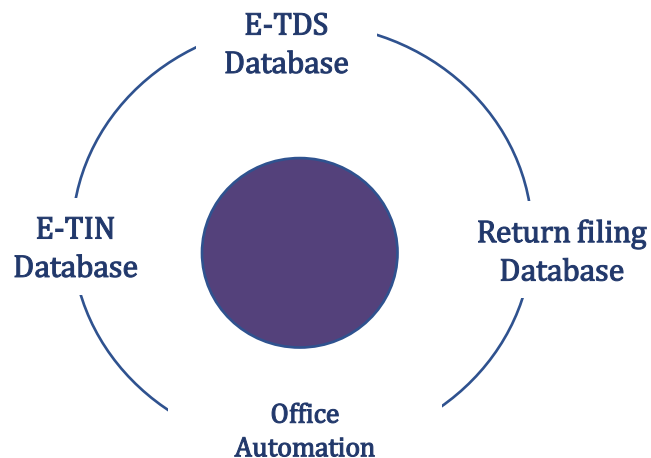


Diagram illustrating the flow of tax revenue:

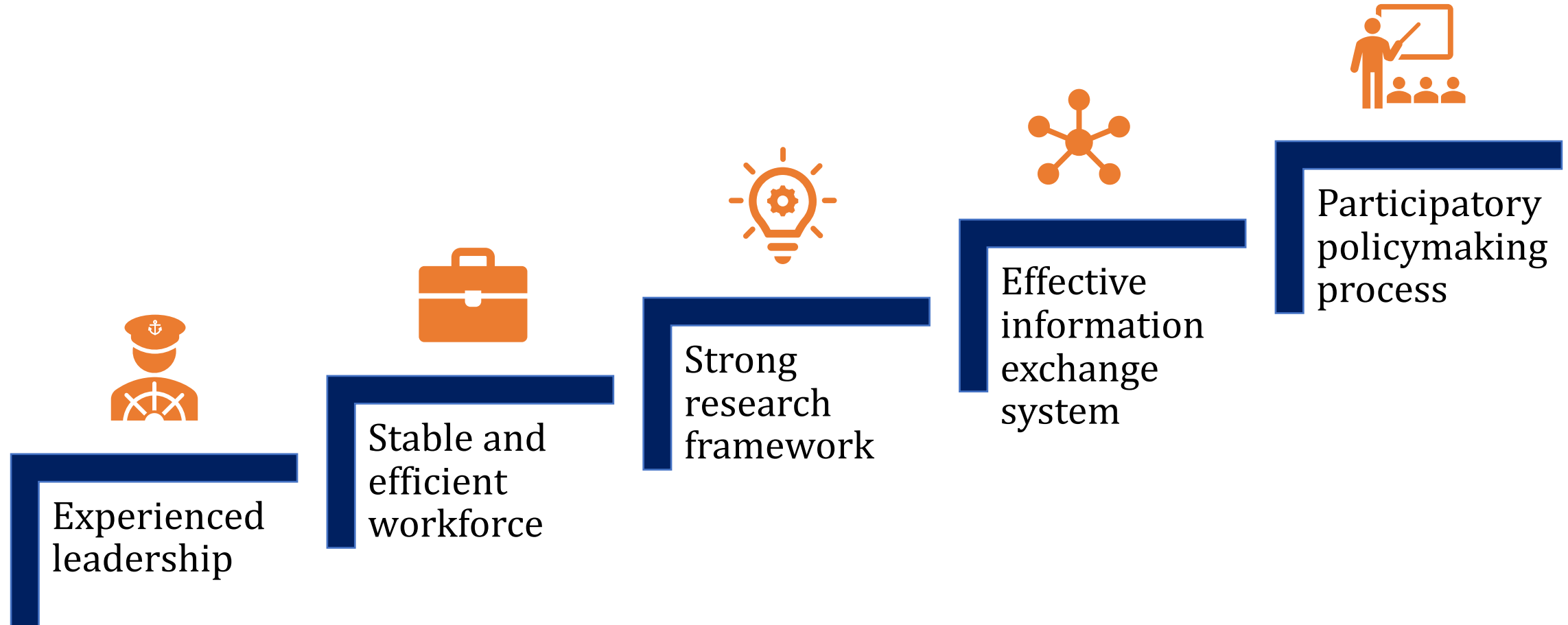
- Tax** (Left)
- Customs** (Top)
- VAT** (Bottom)

The flow is indicated by arrows: Tax → Customs → VAT → Tax.

Central text: National Board of Revenue, Bangladesh
জাতীয় রাজস্ব বোর্ড, বাংলাদেশ

Efficiency

Effective separation of Policy vs Administration



Tax expenditure and sunset clause

Source of Tax	Exemption rate on GDP of the relevant fiscal year (%)
Income Tax (2020-2021)	3.28%
VAT & SD (2021-2022)	3.26%
Customs and Excise Duty (2021-2022)	0.71%

- Set out Tax Expenditure policy. There must be something for FDI.
- Exemptions only be granted by the parliament/advisory committee
- Time limit for all tax exemptions (currently, a time limit applies to high-tech parks and economic zones)
- New industrial establishments must be established to obtain exemption (currently, this condition applies to high-tech parks and economic zones)

Industry Research

Industry vs contribution		UBL	Others
Soap (Bar and Liquid)	Market share (*)	53%	47%
	VAT on Sales (Taka in Cr)	199	176
Detergent powder	Market share (*)	66%	34%
	VAT on Sales (Taka in Cr)	270	139
Industry vs contribution		LH	Others
Cement	Market share (**)	7.18%	92.82%
	VAT on Sales (Taka in Cr)_2024	360	5,019
Industry vs contribution		Metlife	Others
Insurance	Market share (GWP) (***)	27.08	72.92
	Income tax (Taka in Cr)_2022	238	643

Are we getting these?

* Luminaries Research Ltd. <https://luminariesresearch.com>

** BCMA *** Annual accounts and IDRA

Analysis of the Overall Impact on Revenue Income Before Formulating Tax Rate Policy

Particulars	0.6% Minimum Tax`	3% Minimum Tax	Impact
Selling Price	100	120	
Selling Units	100	75	
Revenue	10,000	9,000	
VAT & Supplementary Duty (43%)	4,375	3,938	-438
Profit before Tax	200	180	
Income Tax @ 27.5%	55	50	
Minimum Income Tax (0.6%) / (3%)	60	270	210
Income Tax Liability	60	270	
Total Revenue Income of NBR	4,435	4,208	-228

Although NBR's income tax has increased by Tk. 210, the overall revenue has decreased by Tk. 228.

Discrimination between Govt. & non-Govt. employee

Govt. Employee	
Particulars	Taxable/non-taxable
Basic Salary	Taxable
Bonus & Festival Bonus	Taxable
Perquisites	non-taxable
GPF, Pension Fund	non-taxable

Non-Govt. Employee	
Particulars	Taxable/non-taxable
Basic Salary	Taxable
Bonus & Festival Bonus	Taxable
Perquisites	Taxable
PF, GF, WPPF, Pension Fund	Taxable

The tax structure is contributing to income inequality between government and non-government employees due to varying tax benefits.

Prospective Tax Law

Description	Previous			New			
	Introduced in	Effective from	Impact	Introduced in	Effective from	Impact	
Income Tax rates for individual, companies and other than companies	FB 2023	AY 2023-2024	Retrospectively	FB 2024	AY 2024-2025 AY 2025-2026	Retrospectively Prospectively	✓
WHT rates	FB 2023	AY 2024-2025	Prospectively	FB 2024	AY 2025-2026	Prospectively	✓
Provision of ITA 2023							
Consideration of AIT at the import stage as a minimum tax [Section 163(3)]	FB 2023	AY 2023-2024	Retrospectively	FB 2024	AY 2024-2025	Retrospectively	✗

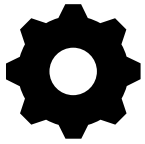
Risk Based tax and VAT Audit

Tax and VAT audit process is mostly conducted randomly, which creates an unnecessary burden on certain taxpayers and increases the administrative costs for businesses.

Risk Based Audit Methodology should be adopted and automated process should be introduced

Setting tier by tier import duties and imposing minimum import duties for domestic producers

To analyse demand of goods vs current production capacity to protect local industry.

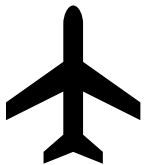


1%-3%

For manufacturing organizations for import of raw materials and capital goods



Quantity-based mixed duty on listed products where necessary (e.g. food grains, vehicles, iron and steel, electricity and fuel, gold, etc.)



5% - 7%

on imported raw materials for domestically produced machinery and parts



25%

for products that can be consumed or used directly without any changes

High Total Tax Incidence



Cashless and IPO condition



Increase of ETR due to inadmissibility



Rationalization of TDS and Gradually Withdraw 163



Business burdensome with TDS and PSR

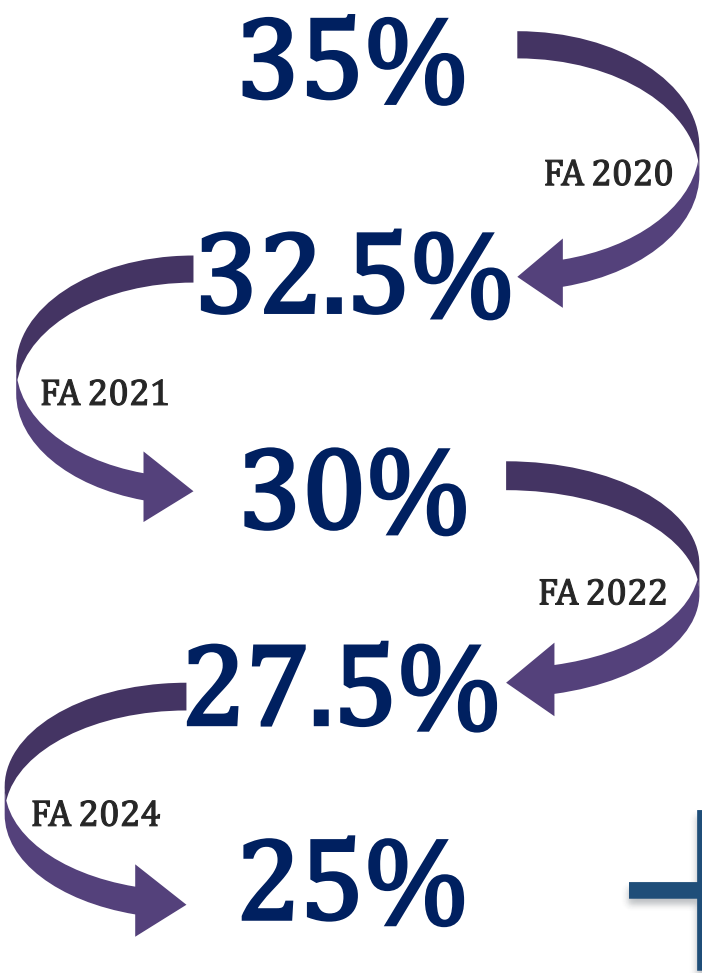


Restrictions on Setting-off Losses



Increase of ETR due to cashless/IPO condition

Corporate Tax Rate

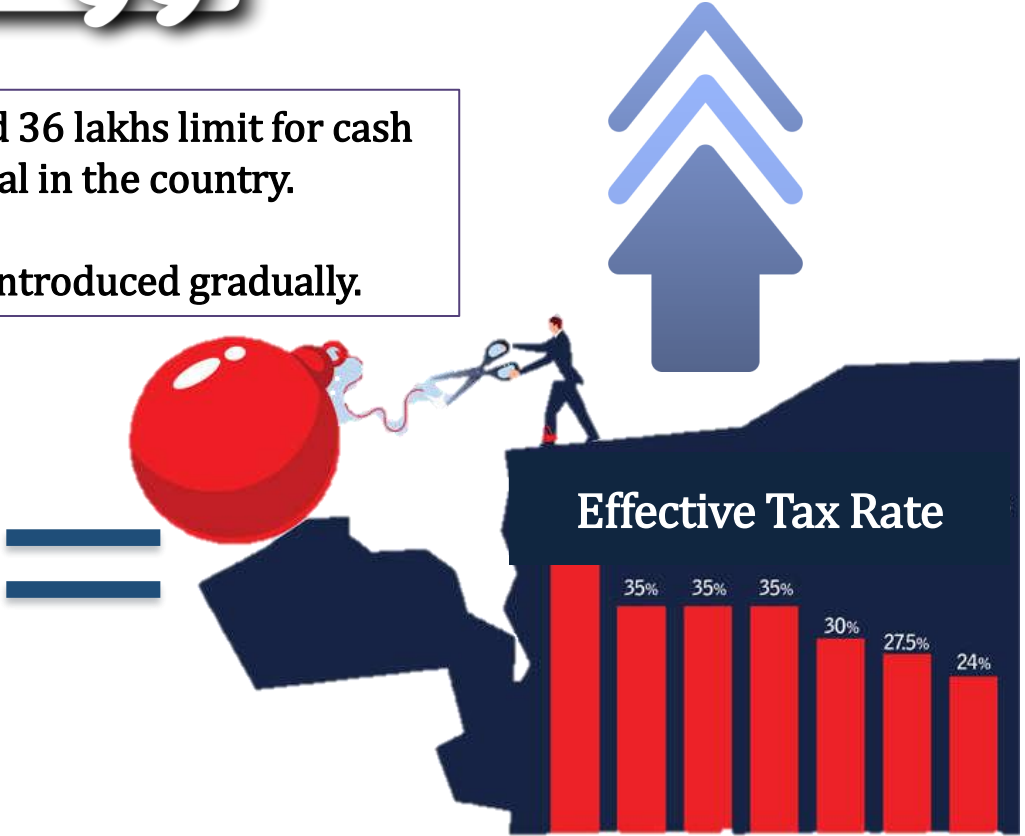


FPO/RPO clause should be introduced for the tax rate of publicly listed companies

100% cashless revenue and 36 lakhs limit for cash expense is impractical in the country.

The cashless should be introduced gradually.

New provisions within section 55, increases inadmissible expenses



Increase of ETR due to inadmissibility

There are 12 (Twelve) items in the negative list

Provision	Current
➤ Excess perquisite	Tk 1,000,000
➤ Head office expenses	10% of PBT
➤ Royalty	10% of PBT
➤ Promotional Expenses	0.5% of turnover
➤ Provision for Bad Debts	None
➤ Disallowed expenditure	55

Rationalization of TDS and Gradually Withdraw 163

ITA, 2023 includes various provisions of TDS from sections 89-151

AY 2024-2025	Rate
For the supply of raw materials used in industrial production	3%
In all other cases mentioned in section 89 except the table	5%

Import & Supply of goods		
Particulars	(Amount in Cr)	
	Actual Income	Deemed Income
Source tax	5	5
Revenue	100	100
Profit	15	20
Tax @25%	3.75	5
Effective tax rate		33.3%

Service Provider		
Particulars	(Amount in Cr)	
	Actual Income	Deemed Income
Source tax	10	10
Revenue	100	100
Profit	20	40
Tax @25%	5	10
Effective tax rate		50%

Proposed to amend

Section 89: 2% to 3%
Section 90: 7.5%
Section 120: 5% to 3%

Actual Business income of Tk. 15 crore becomes Tk. 20 crore to trade off the impact of source tax

Actual Business income of Tk. 20 crore becomes Tk. 40 crore to trade off the impact of source tax

Rationalization of TDS and Gradually Withdraw 163

TDS from Income of Non-residents

Particulars	Current Rates	Proposed Rates
Advising or Consultancy Service	20%	10% to 15%
Professional Service, Technical Service, Technical Know-how, Technical Support Service	20%	10% to 15%
Architecture, Interior Design, Fashion Design, Process Design	20%	10% to 15%
Management Service including Event Management	20%	10% to 15%
Advertisement Broadcasting	20%	10% to 15%
Preparing Advertisement or Digital Marketing Broadcasting	20%	10% to 15%

Bangladesh's high tax rates for non-resident companies, significantly exceeding those of Asian and OECD nations, discourage foreign investment (FDI), hindering economic growth and technological advancement.

Business burdensome with TDS and PSR

Payer Deducts tax and deposit to the Govt. Exchequer

Payer Submit withholding return

Payer need to collect PSR. TDS will increase due to lack of PSR



Now a company will be required to collect PSR from eight categories of supplier and service providers failing to which expenses will be disallowed for the lack of PSR. It will be a double blow for a company

(গ) ধারা ২৬৪ এর উপ-ধারা (৩) এর দফা ২৫, ২৬, ২৮, ২৯, ৩৬, ৩৭, ৪২ ও ৪৩ অনুযায়ী রিটার্ন দাখিলের প্রমাণ দাখিলে বাধ্য এইরূপ কোনো ব্যক্তিকে পরিশোধিত কোনো অঙ্ক, যদি অর্থ পরিশোধের সময় উক্ত ব্যক্তি রিটার্ন দাখিলের প্রমাণ দাখিলে ব্যর্থ হয়;

Restrictions on Setting-off Losses

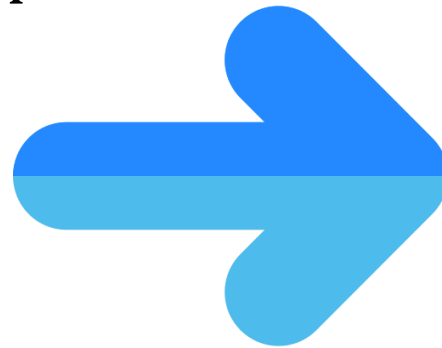
Particulars	ITO 1984	ITA 2023
Income from business	(500,000)	(500,000)
Other Income	700,000	700,000
Taxable Income	200,000	700,000
Net Tax Payable @ 25%	50,000	175,000
Additional tax payment in current Year		125,000
Carry forward business loss	-	(500,000)

Increasing tax burden of loss making companies ie: loss-making companies will still have to pay taxes on interest income, dividend income, etc

Amendments Turning Us Back To Origin

Original version of VAT & SD Act, 2012

- No Price declaration
- No specific definition of input
- Net VAT payable
- No VDS amongst BTB
- Easy VAT return



New Addition in VAT & SD Act, 2012

Introduced Mushak 4.3

Introduced definition of input

VDS need to be paid separately

Long list of VDS

Complicated VAT return

Graduation to Single VAT Rate

Lower Vat Rate

3%

FA 2025

5%

FA 2026

7.5%

FA 2027

10%

Higher VAT Rate

15%

FA 2025

12.5%

FA
2026

10%

Exemption and Single Rate

30 exemptions

FA 2025

Reduce to 20
exemptions

FA 2026

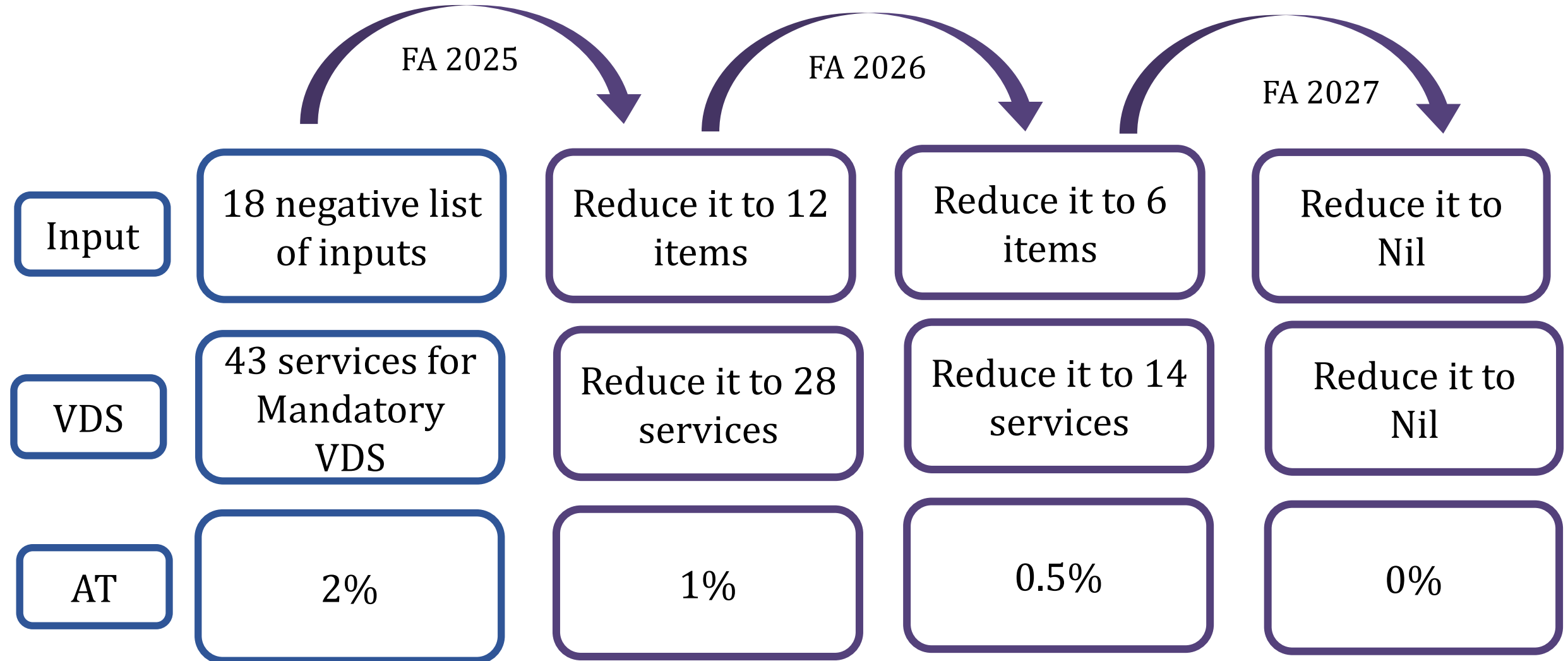
Reduce to 10
exemptions

FA 2027

Reduce to
Nil

Gradually reduce negative list of inputs

VDS and AT



Exemption from VAT forms and accounting books, and simplification of forms and accounting books.

If a registered and listed person maintains accounting books and prepares financial statements in accordance with IAS and IFRS, they will not be required to submit a input-output coefficient (Mushak-4.3) separately. Furthermore, they will not need to maintain purchase books, sales books, and purchase-sales books.

However, all registered and listed persons who do not maintain accounting books and do not prepare financial statements according to IAS and IFRS will be required to submit the materials-output coefficient. They must also maintain books as per the current laws and regulations.

Since the forms and books are complex, the new VAT forms 4.3, 6.1, 6.2, and 6.2.1 have been included.

Customs procedure simplification

- The following digital modules within the ASYCUDA system should be integrated (coordinated) and made self-sufficient within one year:
 - ❑ Documents Verification system through digital Integration with key Regulators and Facilitators,
 - ❑ Customs Valuation Management Module,
 - ❑ Modern Risk Management Module,
 - ❑ Litigation Module,
 - ❑ Auction Module
- Full fledged implementation of NSW project
- Current status of the key recommendations of TRS 2022
- Periodic TRS study to assess the current position and benchmarking
- Effective implementation of valuation Rules 2000

Presenter's Profile



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