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Finance Act 2026

**Key changes from
Finance Bill 2026**



Increased tax-free income threshold

General Taxpayer's tax-free thresholds are:

- BDT 400,000 in AY2026-27 & AY2027-28
- BDT 450,000 in AY2028-29 & AY2029-30
- BDT 500,000 in AY2030-31

Similar threshold has been increased for other taxpayers' categories



Corporate tax for listed companies

Tax rates up to 30 June 2030 is 20% to 25% based on proportion of share offloads through IPO, direct listing, RPO or rights

- Listed $\geq 10\%$ offload: **20%**
- Listed $< 10\%$ offload: **22.5%**

A 2.5% higher rate applies across all categories if cash-based receipts.



Corporate tax for general companies

25% with incentive of
2.5% for cashless entities

Tax rate would be 27.5% if cash-based receipts.



Dividend rate

The Finance Act reinstated the dividend tax rates omitted in the Finance Bill, setting the rates at:

- **15%** for natural persons, and
- **20%** for persons other than natural persons (e.g., companies).



Proportionate Turnover tax

The Finance Act reinstates the proportionate exemption on turnover tax that was removed under the Finance Bill.

Businesses enjoying tax exemptions or reduced tax rates, the turnover tax on gross receipts will be reduced proportionately to the applicable tax exemption or concession



Withdrawal of bank transfer proposal

The proposed inclusion of “cash sales deposited into bank accounts” within the definition of bank transfer has been withdrawn.



Withdrawal of office consumable restriction

The proposed restriction on deductibility of
“office consumable expenses”
based on turnover has been omitted.



Revised consequence of WHT non-compliance

Any shortfall of WHT is subject to pay in addition to **50% of shortfall.**

If any shortfall of WHT paid with **2% interest per month**, found less than the applicable additional tax, further shortfall is payable together with **50%** of that amount.



Revised consequence of WHT non-compliance

Shortfall of WHT is payable with additional **50%** of shortfall. However, if the shortfall, along with **2% monthly interest** already paid, is found to be less than the required amount, further shortfall **plus 50%** needs to pay.



IFRS 15 compliance for developers

Real estate developers are now required to prepare financial statements in compliance with IFRS 15 for tax purposes.



Introducing 'individuals' for WHT

Individual having business turnover
over

BDT 100 million is now
responsible for WHT.



Relief in ADR proceedings

The proposed recovery exposure from
“authorised representatives” in
ADR settlements has been removed.



TIN for opening bank account

TIN requirement for opening bank account proposed in Finance Bill has not been enacted.



Withdrawal of investment disclosure facility

The proposed voluntary disclosure facility for undisclosed investments has been withdrawn.



Reverse Charge Mechanism

The Finance Act reinstates the reverse charge mechanism.

Imported services need to present as input VAT as well as output VAT, where eligible, claim the input VAT.



Input VAT credit

Where the sale price is lower than the total input cost, only the proportionate input VAT attributable to such sale shall be disallowed, instead of disallowing the entire input VAT.



Payment of VAT through VAT return

The requirement to pay one-third VAT as advance has been abolished. VAT is now payable only at the time of filing the quarterly return.



Withholding VAT on Advertisement

The Finance Act introduces **Online Advertising (S007.20)** to the mandatory VAT withholding list, subject to VAT at **5%**.



No requirement of withholding VAT

If contract manufacturers issue VAT invoices (Mushak-6.3) with 15% VAT on their service fee or commission, there is no requirement to withhold VAT at source.



New form introduced

A revised Input-Output Coefficient Declaration form (Mushak-4.3) has been introduced.





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