



Tax Expenditure Estimation in the Direct Tax of Bangladesh

Financial Year 2021-22

National Board of Revenue, Bangladesh

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Disclaimer

This report has been prepared as a useful reference for the readers and stakeholders as well as for the policy makers for proper apprehension of the tax policy implications of tax expenditure. In case of any conflict, the original erstwhile Income Tax Ordinance, 1984 and the Income Tax Act, 2023 shall prevail.

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TABLE OF CONTENTS

PREFACE	3
ACRONYMS	5
EXECUTIVE SUMMARY	6
CHAPTER 1. INTRODUCTION	9
CHAPTER 2. COUNTRY EXPERIENCES	11
CHAPTER 3: TAX EXPENDITURE ESTIMATION	
3.1 Benchmark and Methodology	14
3.2 Estimation Results	15
3.2.1 Corporate Income Tax	15
3.2.2 Personal Income Tax	17
3.3 Total Tax Expenditure in Direct Taxes	19
CHAPTER 4. CONCLUDING REMARKS	22
REFERENCES	24
APPENDIX	25

PREFACE

Taxation plays a crucial role in funding public goods, such as infrastructure development, and driving economic growth. It is the primary source of government revenue and plays a central role in defining the relationship between the state and its citizens. A strong tax system not only supports revenue generation but also promotes wealth distribution, helping to reduce income inequality and foster a more equitable society. The government of Bangladesh has prioritized taxation and domestic resource mobilization as key pillars of its economic policies, recognizing their essential role in the nation's economic development.

Tax revenue is vital for meeting both the government's operational and development expenditures. To achieve economic self-reliance, sustainable growth, and long-term prosperity, it is crucial that tax revenues continue to grow at a healthy rate. However, balancing tax expenditure with revenue collection presents a challenge for any government. Tax expenditures—such as exemptions, deductions, and credits—represent a significant loss of potential revenue, especially in developing economies like Bangladesh. As such, it is important to evaluate the impact of tax expenditures on overall revenue generation. A clear understanding of revenue forgone due to these expenditures is necessary for effective tax administration and policymaking. This analysis helps identify tax incentives that are still beneficial for the economy and those that may no longer serve their intended purpose.

In this context, the National Board of Revenue (NBR) has prepared a report on tax expenditure for second time. The report estimates the fiscal cost of tax expenditures related to direct taxes for the fiscal year 2021-2022 and is expected to enhance fiscal transparency and budgetary accountability. The NBR's tax expenditure report adheres to international best practices in fiscal governance, utilizing established methodologies to provide a comprehensive inventory of tax expenditures. This initiative is a significant step forward, not only strengthening policy design but also positioning the country to achieve its target tax-to-GDP ratio. It marks an important milestone in the ongoing improvement of Bangladesh's tax administration, bringing greater precision and effectiveness to the system.

I would like to express my deep appreciation for the efforts of the project supervisor and all the team members involved in the preparation of this report. Moving forward, it is expected that this report will be updated annually, offering valuable data and insights that will inform sound policymaking and strengthen internal resource mobilization in the area of direct taxes in Bangladesh.

(Md. Abdur Rahman Khan FCMA)

Secretary, Internal Resources Division

and

Chairman, National Board of Revenue

Bangladesh.

ACRONYMS

ATO	Australian Taxation Office
AY	Assessment Year
FI	Financial Institution
FY	Financial/Fiscal Year
GDP	Gross Domestic Product
GTED	The Global Tax Expenditures Database
IT	Information Technology
ITO	Income Tax Ordinance
NBR	National Board of Revenue
NGO	Non-Government Organizations
PIT	Personal Income Tax
SEZ	Special Economic Zone
SRO	Statutory Regulatory Order
TE	Tax Expenditure

EXECUTIVE SUMMARY

To fund the necessary infrastructure projects and to cover various essential public expenditures, the Government of Bangladesh heavily depends on revenue collected by the National Board of Revenue (NBR). The revenue collected by NBR is split into two main categories: direct taxes and indirect taxes. Indirect taxes primarily include Customs Duty and Value Added Tax (VAT), while direct taxes mainly consist of personal and corporate income taxes. Around 33% of the total NBR revenue is derived from direct taxes.

However, the income tax system in Bangladesh includes various preferential treatments or incentives aimed at stimulating growth in specific sectors of the economy. These incentives are often in the form of rebates, concessional tax rates, exemptions, tax holidays, and other similar measures. These provisions are intended to encourage savings, boost exports, foster balanced regional development, promote scientific research and development, stimulate infrastructure growth, and support the cooperative sector, among others. The tax incentives provided through these preferential treatments are collectively referred to as "tax expenditures."

Tax expenditure reports serve as an important tool for policymakers, tax administrators, and taxpayers to assess the fiscal impact of these incentives and to understand their broader economic implications. These reports are particularly valuable for promoting transparency, accountability, and informed decision-making within the domain of taxation. The Direct Tax Wing of the NBR, adhering to international best practices, has conducted an estimate of tax expenditures for the fiscal year 2021-22, which was based on extensive field-level data.

This report provides an in-depth analysis of tax expenditures associated with direct taxes, specifically focusing on corporate income taxes (CIT) and personal income taxes (PIT) for the fiscal year 2021-2022 (assessment year 2022-2023). The aim is to describe the detailed process of estimating tax expenditures and to assess their impact on government revenue, as well as on Bangladesh's broader economic structure. The estimation focused on identifying the revenue foregone in specific sectors, while also considering sector-specific and geographic factors. The

analysis allowed for a comprehensive breakdown of tax expenditures in various sectors, using the available data as the basis for calculations.

The estimates reveal that a significant portion of the corporate income tax (CIT) tax expenditure is concentrated in a small number of businesses. Approximately 35% of the total estimated CIT tax expenditure is accounted for by just a few industries. Specifically, tax expenditures were estimated to be Taka 11,134 crore for the microcredit and social welfare sector, Taka 7,611 crore for the power and energy companies, Taka 4,646 crore for the garment, textiles, and accessories industries, Taka 1,008 crore for IT and software businesses, and Taka 168 crore for the poultry and fisheries sectors. Additionally, the tax expenditure for economic zones and hi-tech industries was estimated to be Taka 4,022 crore, excluding companies in these zones that are already counted in the other sectors.

For personal income taxes, the total estimated tax expenditure amounted to Taka 43,662 crore. A detailed analysis of the tax expenditures for individuals revealed that significant amounts were attributed to exemptions and preferential tax treatments for remittances (Taka 11,709 crore), share capital gains (Taka 877 crore), and poultry and fisheries income (Taka 2,414 crore). The total estimated tax expenditure for both individual and corporate poultry and fisheries businesses was Taka 2,582 crore.

The total tax expenditure in direct taxes for FY2021-2022 was estimated at Taka 1,15,056 crore, representing approximately 2.9% of Bangladesh's GDP. Of this, CIT accounted for 62%, amounting to Taka 71,394 crore, while CIT contributed 70% of the total income tax collection in Bangladesh. Further analysis identified that 13 sectors were responsible for 57% of the total estimated tax expenditure in direct taxes, with 7 key sectors alone accounting for 49% of the total. The remaining 43% of tax expenditures were spread across a range of other sectors.

To further enhance the effectiveness and efficiency of the tax system, the report presents several policy recommendations for the consideration of the government. These recommendations include eliminating or capping ineffective expenditures, refining eligibility criteria, reviewing and adjusting tax credit rates, enhancing transparency and reporting mechanisms, and conducting

periodic evaluations of tax incentive schemes. The report also suggests introducing new tax incentives, evaluating their distributional impact, and assessing their revenue implications.

The report also advocates for a deeper review of the tax expenditure measures across various sectors. It compares these measures with international best practices, particularly in countries with similar economic structures, to identify areas for policy restructuring. The report provides detailed policy recommendations for specific sectors, including share capital gains, financial inclusion, remittances, power and energy, tax amnesty, economic zones, and high-tech industries, among others.

While there are some limitations in the data and methodology, the report provides a critical foundation for making informed decisions regarding tax policy and fiscal planning. It allows policymakers to strike a balance between promoting economic growth, achieving social goals, and ensuring fiscal responsibility. It also lays the groundwork for future analysis and refinement of the tax expenditure system, paving the way for more effective tax rationalization in the years to come.

In conclusion, this tax expenditure report serves as an essential tool for the government, enabling it to better understand the fiscal impact of tax incentives and to plan for the future. It emphasizes the need for a holistic and long-term approach to tax expenditure management, with an eye toward continuous improvement in the country's tax system.

INTRODUCTION

Tax expenditure reporting aids the fiscal management of any government by offering valuable insights into the revenue impact of tax incentives. Bangladesh published its first Direct Tax Expenditure Report in 2023 and continues to publish this report annually. Direct tax contributes about 35% of the total revenue collected by the National Board of Revenue in Bangladesh. The revenue generation is dependent on the tax base and effective tax rate. However, there exists some deviation from the normal tax code in the form of exemptions, deductions, rebates, credits, and special rates. The tax incentives provided are often perceived as an indirect subsidy to the intended taxpayers to pursue some social and economic objectives. The revenue that would otherwise have been collected, if there had been no such preferential measures, is termed as tax expenditure. The OECD defines tax expenditures as reductions in tax liabilities in comparison with a benchmark tax system and explains that they may take different forms such as exemptions, allowances, credits, rate relief and deferral.

To maintain transparency and efficiency, it is imperative to analyze the tax incentives and their effectiveness in the policy goal of the government. In line with that, the National Board of Revenue estimated the tax expenditures from the direct taxes for the financial year 2020-2021 to be Taka 1,25,813 crore which was 3.56% of the GDP. For the financial year 2021-2022, the tax expenditure was estimated at Taka 1,15,056 crore, the ratio with GDP being reduced to 2.9%. For identifying

tax expenditures, the *legal approach* was opted which takes the current tax legislation as a basis for defining the benchmark. The revenue forgone method was adopted to estimate the tax expenditure of the direct taxes. By quantifying the revenue forgone due to these tax incentives, policymakers gain insights into the true cost of incentivizing specific activities and sectors. The integration of the tax expenditure estimation and several propositions to rationalize tax expenditure into the Budget Speech 2024-2025 has been a significant step towards informed policy design.

This report presents an analysis of tax expenditures within the scope of Income Tax (Personal and Corporate) for the financial year 2021-2022. It intends to describe the several steps of tax expenditure estimation and to report the revenue impact of tax expenditures in the existing tax structures of Bangladesh. Once the benchmark is defined, this report proceeds to identify, estimate and analyze tax expenditures in terms of their efficiency, effectiveness in terms of their policy goals. The objectives of this Tax Expenditure Report are:

Estimation: To quantify and assess the extent of tax expenditures in Direct taxes over the specified period.

Monitoring and Evaluation: To establish a framework for continuous monitoring and evaluation of tax expenditures, ensuring alignment with fiscal goals.

Informed Policy Design: To furnish valuable data and insights that can guide the formulation of well-informed tax policies and structures.

Transparency Enhancement: To bolster transparency by making information on national tax expenditures readily accessible to stakeholders and the public.

This report is organized as follows. Chapter 2 provides country experiences on tax expenditure reporting and designing tax incentives, Chapter 3 presents the estimation results. Chapter 4 provides concluding remarks. A detailed tax expenditure inventory is attached to the Appendix of the report.

COUNTRY EXPERIENCES

In the global context, it is considered to be part of the government's responsibilities to periodically report and review tax expenditures which is now an integral part of public finance management. Tax expenditure reporting has been recognized as a tool for determining and prioritizing political and economic objectives, shaping market economy and making most effective, efficient and appropriate policy decisions. USA have been reporting on their tax expenditure since 1968 and they were the first to do so. However, at present almost all OECD countries are required to publish tax expenditure report and the same is practiced in many parts of the world.

In Bhutan, detailed tax expenditure assessment was conducted for the very first time for the year 2021 for five major revenue streams with the aid provided by Asian Development Bank from July 2022 to March 2023. Bhutan provides tax incentives through both Fiscal Incentives Acts 2017 and 2021 and Income Tax Act 2000. Revenue forgone for personal income tax was estimated to be around 1.25% of GDP out of which individual tax-free threshold accounted for 0.83% of GDP.

The Philippines conducts ex-ante cost benefit analysis before granting tax incentives and periodically monitor performance commitments. They enacted CREATE act codified fiscal prudence to create an effective and transparent tax incentive framework. They also included a Fiscal Incentives Registration and Monitoring System (FIRMS) which acts as a central portal for

administering tax expenditures. FIRMS is focused on ensuring data quality through data validation and seamless data navigation.

In India, tax exemption allowable to charitable entities accounts for 72% of the revenue forgone which was Rs 706,236.40 crores for FY 2020-2021. However, India have designed their tax returns to capture data on tax incentives provided for significant sectors like charitable entities, Special Economic Zones (SEZs), savings instruments etc. They made it mandatory for the corporate taxpayers to file their returns online which has increased the number of online submitted returns from 1689 to 961,279 up to 31 March 2022 and this in turn has enhanced efficiency in monitoring and evaluation of tax incentives provided.

Maldives have set tax expenditure reporting as a priority in modernizing tax administration where the Ministry of Finance is the responsible authority for estimation of revenue implications of prevailing tax incentives. Through coordination between Maldives Inland Revenue Authority and Ministry of Finance and a prior cost benefit analysis, the tax returns have been redesigned to make data available for tax expenditure reporting by capturing detailed exemptions and deductions.

Nepal has initiated tax expenditure reporting for financial year 2021-2022 based on the guidelines outlined by IMF and OECD. Total federal tax expenditure was estimated to be 27.79% of total tax revenue and 6.01% of GDP. Income tax expenditure alone contributed to 1.55% of GDP. Nepal's economy is largely dependent on agriculture which is mostly non-commercialized and contributes to 25-26% of GDP and this particular sector enjoys a marked tax exemption in Nepal.

Pakistan has mandated the requirement of submission of an annual statement of tax expenditure of Federal Government before the parliament as part of the Finance Bill through "Public Finance Management Act 2019". The responsible authority in this regard is Directorate General of Revenue Analysis. Pakistan has been doing tax expenditure reporting since financial year 2020 where 'Revenue Forgone' approach was adopted. In financial year 2022, Pakistan's tax expenditure was 3.4% of its GDP compared to global average of 4.3% and South Asian average of 3.6% (Source: Global Tax Expenditure Database available at <https://gted.taxexpenditures.org/>). They have

formulated a tax expenditure manual to streamline the reporting and to establish a standard guideline for current and future officials working on tax expenditure reporting.

Various approaches have been adopted by countries to provide tax incentives in line with different policy objectives. However, Revenue Forgone method has been adopted as international standard practice for tax expenditure reporting.

TAX EXPENDITURE ESTIMATION

3.1 Benchmark and Methodology

This report corresponds to:

- Financial year 2021-22 (July 01, 2021-June 30, 2022)
- Assessment year 2022-23.

The benchmark tax system is followed as detailed in the Tax Expenditure Report 2020-2021 except for the other company tax rates. Following the change in the corporate tax rate for the AY2022-23, the benchmark CIT rate is considered 27.5%, which was 30% in the previous year.

The sampling and estimation methodology is followed as detailed in the Tax Expenditure Report 2020-2021. The tax return data have been received on random basis from the circle offices, according to the questionnaire provided. After necessary cleaning for duplicate and inconsistent data, the final sample consists of 32905 individuals, 702 firms and 3044 companies.

Based on the availability of data, the tax expenditures are estimated for the sectors, *viz.*, IT or software, Garments, textiles or accessories, Power and energy, Poultry and fisheries, Microcredit/Social welfare, Economic zones and Hi-Tech industries. The estimated sectoral tax

expenditures are further divided among several expenditure items through intra-sector revisit, based on the availability of the data. The rest of the companies are categorized as others.

As in FY2020-2021, the weighted sample mean is estimated using appropriate weight based on the distribution of income groups in the individual and firm level taxpayers and through separate estimate for each zone. Based on the availability of data, a further item-wise estimation is also calculated for the tax expenditure in PIT.

3.2 Estimation Results

3.2.1 Corporate Income Tax

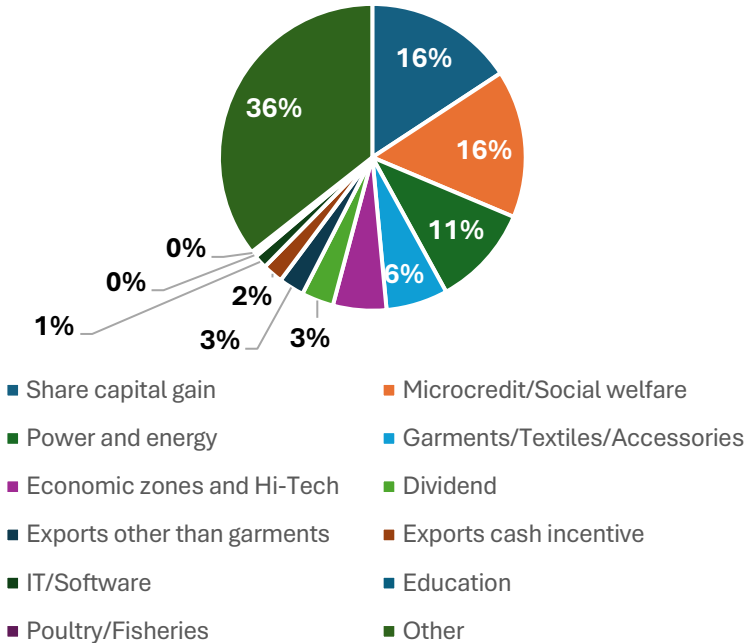
Table 3.2.1.1, Figure 3.2.1.1 and Figure 3.2.1.2 show the distribution of estimated corporate tax expenditures across various sectors both in Crore Bangladeshi Taka (BDT) and as percentages of the aggregate corporate income tax (CIT) expenditure.

Table 3.2.1.1: Estimated corporate tax expenditures across various sectors

Sector	Estimated Tax Expenditure (in Crore BDT)	Estimated Tax Expenditure
Share capital gain	11,246	16%
Microcredit/Social welfare	11,134	16%
Power and energy	7,611	11%
Garments/Textiles/Accessories	4,646	7%
Economic zones and Hi-Tech	4,022	6%
Dividend	2,414	3%
Exports other than garments	1,910	3%
Exports cash incentive	1,537	2%
IT/Software	1,008	1%
Education	284	0%
Poultry/Fisheries	168	0%
Other	25,414	36%
Total Estimated Tax Expenditure in CIT	71,394	100%

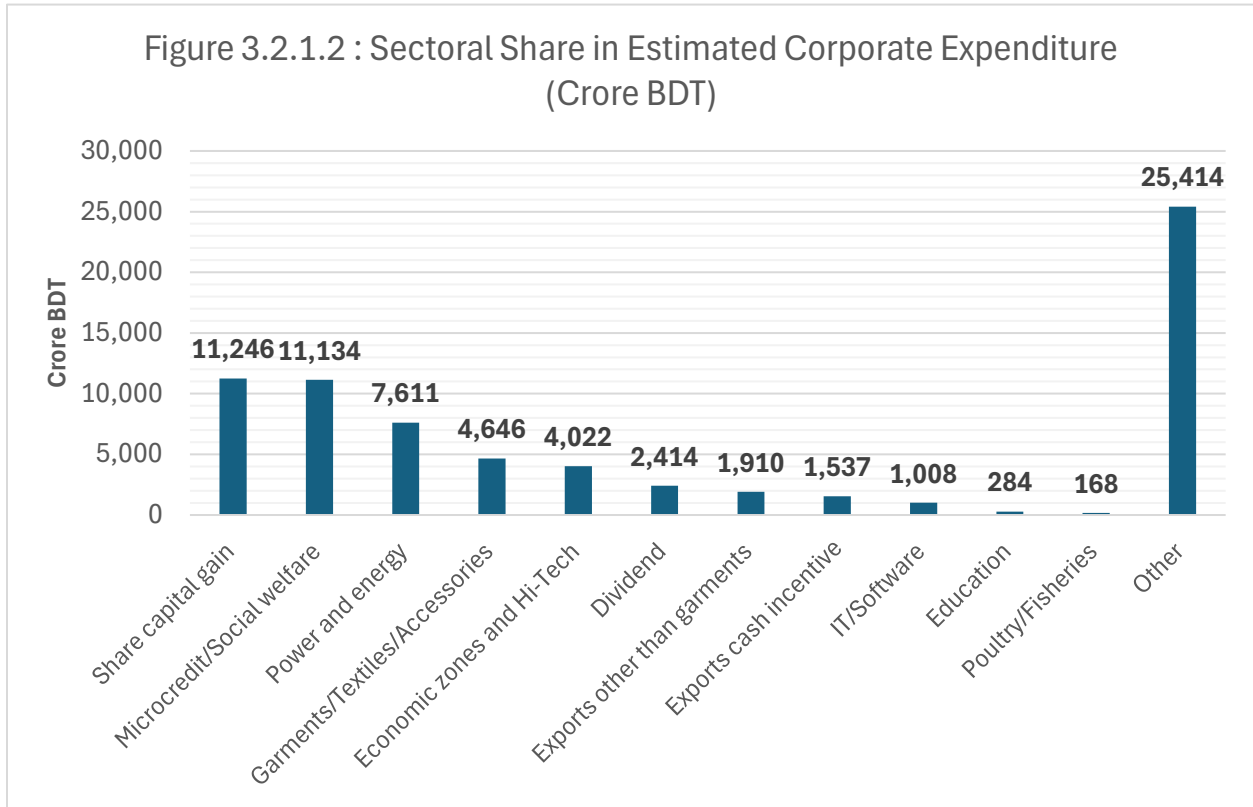
Notably, the CIT associated with share capital gain commands the preeminent share, comprising 11,246 Crore BDT, which represents 16% of the total corporate tax expenditure. This is succeeded closely by the microcredit and social welfare sector, accounting for 11,134 Crore BDT or 15% of the total. Furthermore, the power and energy sector yielded in 7,611 Crore BDT, constituting 11% of the total CIT expenditure. Both the garments, textiles, and accessories sector and the economic zones and high-tech sector receive 4,646 Crore BDT and 4,022 Crore BDT respectively, each representing approximately 7% and 6%, respectively of the total tax expenditure. Dividend and exports excluding garments sector each contributes approximately 3% to the total tax expenditure, which translates to 2,414 Crore BDT and 1,910 Crore BDT, respectively. Expenditure on export cash incentives amounts BDT 1,537 crore, which is calculated based on the actual disbursement data of export cash incentives, accounts for 2% of the estimated total tax expenditure.

Figure 3.2.1.1 : Sectoral Share in Estimated Corporate Expenditure (in Percentage)



In addition, sectors such as information technology and software, and education are apportioned minimal shares, with the IT/software sector rendering into 1,008 Crore BDT or 1%, and the education sector amounting 284 Crore BDT, the poultry and fisheries sector amounting 168 Crore

BDT. Significantly, the "other" category, encompassing various unspecified sectors, constitutes the most substantial single allocation, amounting to 25,414 Crore BDT or 36% of the total CIT expenditure.



In summation, the overall estimated tax expenditure in CIT aggregates to 71,394 Crore BDT.

3.2.2 Personal Income Tax

Table 3.2.2.1, Figure 3.2.2.1 and Figure 3.2.2.2 show the distribution of estimated corporate tax expenditures across various sectors both in Crore Bangladeshi Taka (BDT) and as percentages of the aggregate corporate income tax (CIT) expenditure.

Table 3.2.2.1: Estimated personal tax expenditures across various sectors

Sector	Estimated Tax Expenditure (in Crore BDT)	Estimated Tax Expenditure
Remittance	11,709	27%
Salary	5,010	11%
Poultry/Fisheries	2,414	6%
Share capital gain	877	2%
Other	23,652	54%
Total Estimated Tax Expenditure in PIT	43,662	100%

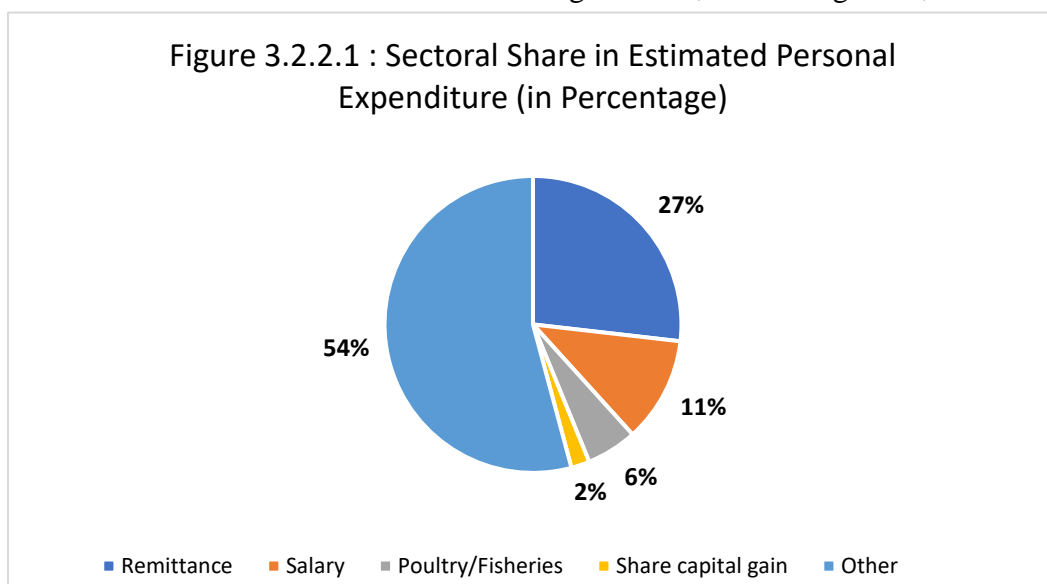
The distribution of estimated personal tax expenditures across various sectors, expressed in Crore Bangladeshi Taka (BDT) and as percentages of the total personal income tax (PIT) expenditure, is outlined as follows: the remittance sector commands the largest share, amounting to 11,709 Crore

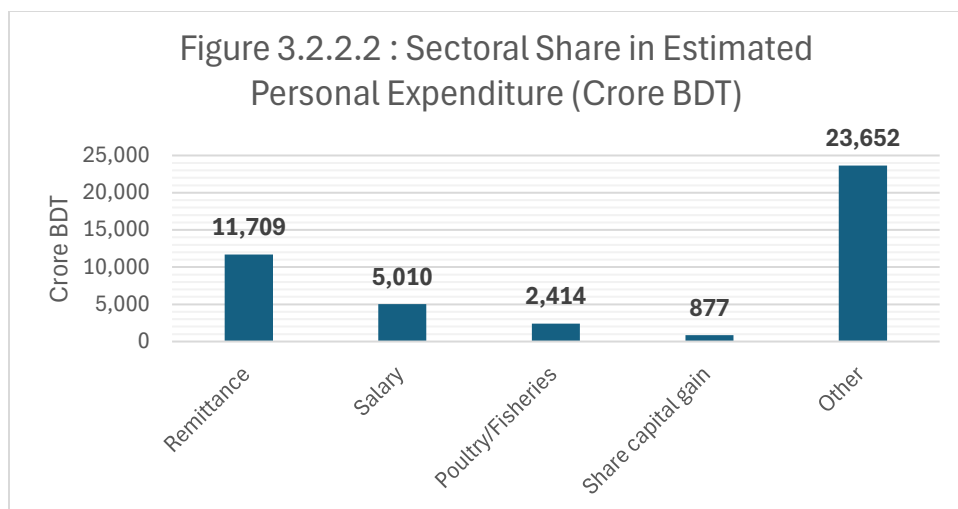
BDT, which constitutes 27% of the total personal tax expenditure. Following this, salary rendering in 5,010 Crore BDT,

representing 11% of the total expenditure. The poultry and fisheries sector receives 2,414 Crore BDT, making up 6% of the total PIT expenditure.

Additionally, the share capital gain sector is assigned 877 Crore BDT, equating to 2% of the total. The "other" category, encompassing various unspecified sectors, constitutes the most substantial portion, amounting to 23,652 Crore BDT or 54% of the total personal income tax expenditure.

To conclude, the overall estimated personal tax expenditure in PIT aggregates to 43,662 Crore BDT.





3.3 Total Tax Expenditure in Direct Taxes

The total direct revenue forgone in direct taxes in Bangladesh during fiscal year 2021-2022 is shown in the tables and figures below:

Table 3.3.1: Estimated total tax expenditures in the direct taxes

Category	Estimated Tax Expenditure (in Crore BDT)	% of Total Estimated Tax Expenditure	% of Direct Tax Collection	% of GDP
Corporate Income Tax	71,394	62	70	1.8
Personal Income Tax	43,662	38	43	1.1
Total TE	115,056	100	113	2.9

The study estimates a tax expenditure of BDT 115,056 crore in direct taxes during the fiscal year 2021-2022. The estimated tax expenditure is higher than the total direct tax collection in FY2021-2022, amounting BDT 102337 crore). Corporate Income Tax Expenditure accounts for 62% (BDT 71,394 Crore) where the share in Personal Income Tax is 38% (BDT 43,662 Crore) of the estimated total tax expenditure. The estimated total tax expenditure for the direct tax amounts to 2.9% of FY2021-22 GDP in Bangladesh (BDT 3971716 crore). This indicates a huge tax expenditure, with the share of direct taxes to GDP being 2.58% in FY2021-22. However, the estimated tax expenditure has decreased as compared to previous year, which was 3.56% of GDP in FY2020-21.

Figure 3.3.1: Estimated Tax Expenditure -
Corporate Income Tax and Personal Income Tax
Share

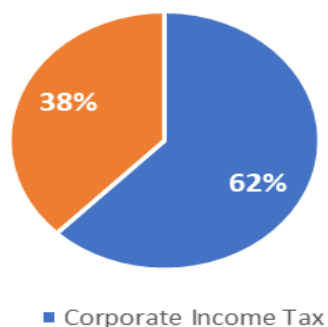


Table 3.3.2: Estimated tax expenditures in the direct taxes: Sectoral TE

Sector	Estimated Tax Expenditure (in Crore BDT)	Estimated Tax Expenditure
Share capital gain	12,123	11%
Remittance	11,709	10%
Microcredit/Social welfare	11,134	10%
Power and energy	7,611	7%
Salary	5,010	4%
Garments/Textiles/Accessories	4,646	4%
Economic zones and Hi-Tech	4,022	3%
Poultry/Fisheries	2,582	2%
Dividend	2,414	2%
Exports other than garments	1,910	2%
Export cash incentive	1,537	1%
IT/Software	1,008	1%
Education	284	--
Other	49,066	43%
<i>CIT & PIT Combined Tax Expenditure</i>	<i>115,056</i>	<i>100%</i>

Figure 3.3.2: Sectoral Share in Estimated Total Tax Expenditure (in Percentage)

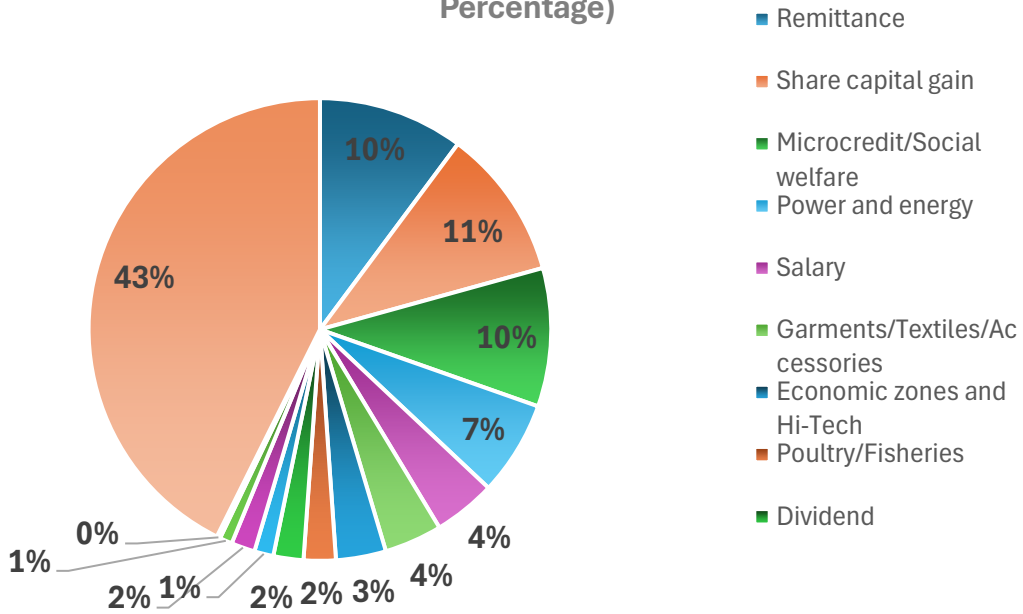
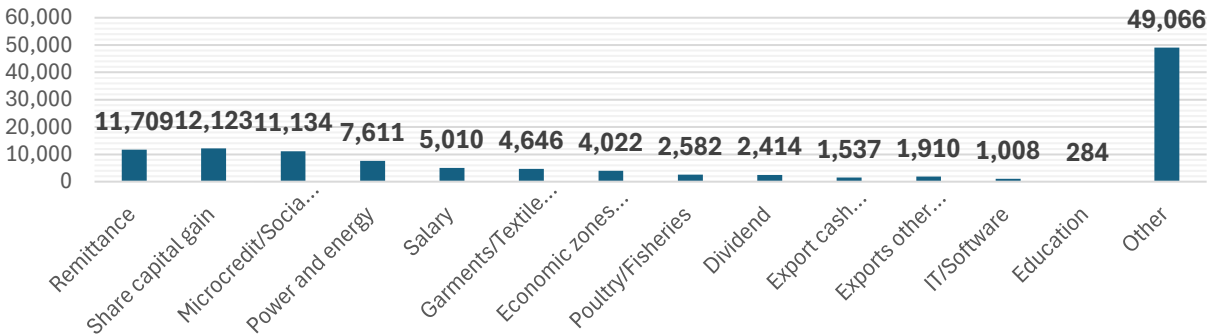


Figure 3.3.3: Sectoral Share in Estimated Total Tax Expenditure (in Crore BDT)



CONCLUDING REMARKS

According to budget 2024-2025, out of tk. 541,000 crore BDT revenue to be collected, NBR will be collecting tk. 480,000 crore BDT which is 88.72% of estimated total revenue for the running financial year. In FY 2023-2024, NBR contributed to 85.77% of revised revenue budget. These reflect how tax collection plays a fundamental role in economic development. However, the increasing gap between tax collection and government expenditure is posing a major fiscal threat which can in the long run interfere with achieving developmental milestones. However, to achieve an aspirational target and alleviate varieties of socio-economic challenges, a big volume budget will be required. For developing our capacity to reduce fiscal deficit, excessive tax expenditures need to be tailored according to our needs.

Tax expenditure is often used as a policy tool to provide with socio-economic welfare of vulnerable citizens and to stabilize market economy. Tax expenditure is identified as an indicator of the government's transparency in budget management in accordance with World Bank, IMF and OECD's frameworks for budget transparency. Therefore, it is an international practice to publish an annual tax expenditure report to ensure accountability. Bangladesh is now following the same standard since last year.

A proper analysis and critical evaluation of the tax expenditure report can help improve progressivity of tax system, overall efficiency and regional and sectoral investments. Tax

expenditure needs to be meticulously analyzed in the context of market, economy and society as a whole. Administrative limitations, distortionary effects and regressivity of tax expenditure measures should also be considered. Periodic review of tax expenditure through distributional analysis can help mend the fiscal gap.

Tax expenditure has already been introduced as a part of budgetary speech. Although it is recommended to follow international best practice, cultural and local aspects should be carefully considered while evaluating any expenditure policy measures. Adequately trained human resources equipped with technical knowledge need to be created to increase capacity regarding tax expenditure reporting. A tax expenditure manual can be developed for better delineation of the objectives, methodology and implications of tax expenditure reporting. Engagement with civil society and other stakeholders needs to be undertaken for more effective reporting in the future.

The estimated tax expenditure is reduced to 2.9% of GDP in FY 2021-2022 according to NBR which was 3.56% in the previous financial year. Several proposals were made for rationalizing tax expenditure in the budgetary speech like limiting facilities enjoyed by Hi-Tech parks, disallowance of depletion allowances in petroleum and mineral extraction industries, revision of capital gain taxation etc. Therefore, a rational tax expenditure review is mandated for Bangladesh for efficient domestic revenue mobilization.

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APPENDIX

TAX EXPENDITURES INVENTORY: DIRECT TAXES OF BANGLADESH

Title	Category	Description	Type	Objective	Legislative reference
Initial exemption for third gender, women and senior citizens (over 65 years)	PIT	The initial exemption is increased for third gender, women and senior citizens aged 65 years or above to Taka 350,000.	Tax free limit	Social welfare	Finance Act
Initial exemption for physically challenged persons	PIT	The initial exemption is increased for physically challenged persons to Taka 450,000.	Tax free limit	Social welfare	Finance Act
Initial exemption for war wounded freedom fighters	PIT	The initial exemption is increased for gazetted war-wounded freedom fighters is Taka 475,000.	Tax free limit	Social welfare	Finance Act
Initial exemption for parents of physically challenged persons	PIT	Initial exemption is Taka 50,000 for a parent/legal guardian of a physically challenged person. Only one exemption increase is permitted where both parents are taxpayers.	Exemption	Social welfare	Finance Act
Rebate for owners of small or cottage industry	PIT	If an individual is the owner of a small or cottage industry situated in a less or least developed area, is engaged in manufacturing products and derives income from such industries then they are entitled to a rebate on income derived. Rate varies between 5-10% depending on change in production levels.	Rebate	Protect small & cottage Industry	Finance Act
Additional tax if proper arrangements not made for disable people	CIT	An additional tax of 5% is levied on schools, colleges, universities and NGOs if disabled persons are not provided with proper arrangements for movement.	Tax rate	Social welfare	Finance Act

Rebates or waivers associated with employing physically challenged or third gender persons	CIT	A rebate of 5% or a waiver of 75% of salary to physically challenged or third gender employees, whichever is lower, will be allowed for employing 10% of total employees or more than 25 persons from physically challenged or third gender persons.	Rebate	Social welfare	Finance Act
Reduced rates of tax	CIT	Various rates that differ from the benchmark rates of 20%, 30% and 45% exist depending on corporate structure and activities undertaken.	Concessional rate	Industry assistance	Finance Act
Charge of tax on retained earnings, reserves, surplus	CIT	If in an income year the total amount transferred to retained earnings or any fund, reserve or surplus, called by whatever name, by a registered company and listed on any stock exchange exceeds 70% of the net income after tax, tax shall be payable at the rate of 10% on the total amount so transferred in that income year.	Reduced rate	Motivation for stock market	Section 16G of the Income Tax Ordinance 1984
Special Tax Treatment in respect of investment in new industrial undertaking	PIT	Source of income will not be questioned if invested in new industrial undertaking between 1/7/21 and 30/6/22. The tax rate that applies is 10%.	Reduced rate	Compliance	Section 19AAAAA A of the Income Tax Ordinance 1984
Special tax treatment in respect of investment in building, apartments	PIT/ CIT	Area based tax rate below normal rate.	Reduced rate	Compliance	Section 19BBBBB of the Income Tax Ordinance 1984
Special tax treatment in respect of investment in the purchase of bonds under Bangladesh	CIT/ PIT	No questions will be raised as to source of funds invested by any person in the purchase of bonds issued under Bangladesh infrastructure	Reduced rate	Compliance	Section 19C of the Income Tax Ordinance 1984

Infrastructure Finance Fund		Finance Fund during period 1/7/10 and 30/6/12.			
Special tax treatment in respect of investment in Economic Zones and Hi-Tech Parks	CIT	No questions will be raised as to the source of any sum invested in any economic zone declared under section 5 of or any hi-tech park declared under section 22 of for setting up industrial undertaking engaged in producing goods and services within the period 1/7/19 to 30/6/24. The tax rate that applies is 10%.	Reduced rate	Compliance	Section 19DD of the Income Tax Ordinance 1984
Tax rebate on investments	PIT	A rebate of 15% applies to certain investments including life insurance premiums, contribution to approved provident funds, pension scheme deposits, certain national institutions and charitable funds and any sum invested in Bangladesh Government Treasury Bonds, stocks and shares of listed companies, mutual funds and debentures listed on any exchange in Bangladesh.	Rebate	Industry assistance	Section-44 of Income Tax Ordinance 1984 & Sixth schedule Part-B
Exemption from tax of newly established industrial undertakings set up between the period of July, 2011 and June 2019 in certain cases	CIT	Income profits and gains from an industrial undertaking are exempt from tax where set up between qualifying dates. Rates and duration of tax exemptions vary depending on location.	Exemption	Industry assistance	46B of the Income Tax Ordinance 1984
Exemption from tax of newly established industrial undertakings set up between the period of July, 2019 and June 2024 in certain cases	CIT	Income profits and gains from an industrial undertaking are exempt from tax where set up between qualifying dates. Rates and duration of tax exemptions vary depending on location.	Exemption	Industry assistance	Section 46BB of the Income Tax Ordinance 1984

Exemption from tax of newly established physical infrastructure facility set up between the period July 2011 and June 2019 in certain cases	CIT	Income profits and gain under section 28 from physical infrastructure facility set up in Bangladesh between July 2011 and June 2019 shall be exempted from tax payable for 10 years from commencement of commercial operations. The rate varies based on years since commencement.	Exemption	Industry assistance	Section 46C of the Income Tax Ordinance 1984
Exemption from tax of newly established physical infrastructure facility set up between the period July 2019 and June 2024 in certain cases	CIT	Income profits and gain under section 28 from physical infrastructure facility set up in Bangladesh between July 2019 and June 2024 shall be exempted from tax payable for 10 years from commencement of commercial operations. The rate varies based on years since commencement.	Exemption	Industry assistance	Section 46CC of the Income Tax Ordinance 1984
Exemption from tax for income from investments or deposits of an approved superannuation or pension fund	CIT	Exemption from tax for income from investments or deposits of an approved superannuation or pension fund.	Exemption	Retirement incomes	First Schedule Part-A para 5(1)
Special rate of capital gains tax	PIT/ CIT	Capital gains tax is payable at a rate of 15% on capital income by companies. Entities other than companies who dispose of assets held for more than 5 years pay tax at 15% or their applicable marginal rate whichever is lower.	Exemption	Assistance of business and land	Second Schedule para 2
Concessional tax on dividends received by companies	CIT	Tax payable on dividend income in the case of a company is 20%.	Reduced rate	Industry assistance	Second Schedule para-4
Exemption for income derived from house property held		Any income derived from house property held under trust or other legal obligation wholly for	Exemption	Social welfare	Sixth Schedule Part- A para-1

for religious or charitable purpose		religious or charitable purposes is excluded from income.			
Exemption for any service charge from operation of micro credit by NGO	CIT	Any service charge derived from operation of micro credit by a non-government organization registered with NGO Affairs Bureau or Microcredit Regulatory Authority.	Exemption	Social Welfare	Sixth Schedule Part- A para-1A
Exemption for income of Provident Funds	CIT	Any income accruing to or derived by a provident fund is exempt from tax.	Exemption	Social welfare	Sixth Schedule Part A para-4(1)
Exemption of income from Workers Profit Participation Fund	PIT	Income derived by workers participation funds are exempt from income tax.	Exemption	Social welfare	Sixth Schedule Part-A para 4(2)
Exemptions for some special allowances, benefits and perquisite	PIT	Any special allowance, benefits or perquisite specifically granted to meet expenses wholly and necessarily incurred in the performance of the duties of an office or employment of profit.	Exemption	Social welfare	Sixth Schedule Part A para- 5
Exemption for recognized provident fund, approved superannuation fund, pension fund and approved gratuity fund	PIT	Full tax exemption on income received by the trustees on behalf of recognized provident fund, approved superannuation fund, pension fund and approved gratuity fund	Exemption	Social welfare	Sixth schedule Part-A para-6
Exemption for pension income	PIT	Any pension due to or received by an assessee from the Government or an approved pension fund is exempt from income tax.	Exemption	Social welfare	Sixth Schedule Part A para-8
Exemption for dividend income from listed companies up to 50,000 taka	PIT	Dividend income received by an individual assessee from companies listed with either/both exchanges in Bangladesh are exempted from tax up to Taka 50,000.	Exemption	Industry assistance	Sixth Schedule Part-A para 11A

Exemption for gratuity income	PIT	Any income up to two crore fifty lakh received by an assessee as gratuity from the Government or an approved gratuity fund is exempt from income tax.	Exemption	Social welfare	Sixth Schedule Part-A para 20
Exemption of tax on payment made by Provident Fund, Approved superannuation Fund, WPPF	PIT	Any payment made by a Provident Fund, a recognized Provident Fund or an approved superannuation fund is exempted from tax. For Workers Participation Fund not exceeding fifty thousand taka.	Exemption	Social welfare	Sixth Schedule part-A para-21
Exemption for income from a mutual fund or a unit fund	PIT	An exemption from income tax is provided for mutual funds or a unit fund up to taka twenty-five thousand	Exemption	Social welfare	Sixth Schedule Part-A para- 22A
Exemption for certain interest income on Government issued securities	CIT/ PIT	Any interest classifiable under the head "Interest on securities" receivable by an assessee on any security of the Government which is issued with the condition that interest thereon shall not be liable to tax is provided an exemption.	Exemption	Motivation for investment & savings	Sixth Schedule Part-A para- 24
Exemption of certain bond income	PIT	Any income received by an assessee from Wage earners development bond, US dollar premium bond, US dollar investment bond, Euro premium bond, Euro investment bond, Pound sterling investment bond or Pound sterling premium bond is exempt.	Exemption	Assistance of foreign remittance	Sixth Schedule Part-A para 24A

Exemption for certain interest income in a recognized provident fund	PIT	An exemption is provided for any sum representing interest credited on the accumulated balance of an employee in a recognized provident fund, in so far as it does not exceed one-third of the salary of the employee for the year concerned and in so far as it is allowed at a rate not exceeding such rate as the Board may, by notification in the Official Gazette, fix in this behalf	Exemption	Social welfare	Sixth Schedule Part-A para- 25
Exemption for certain retirement benefits	PIT	An exemption is provided for any amount received by an employee of a government organization, a local authority, or an autonomous or semi-autonomous body including the units or enterprises controlled by it, at the time of his voluntary retirement in accordance with any scheme approved by the Government in this behalf	Exemption	Retirement incomes.	Sixth Schedule Part-A para 26
Exemption for indigenous individuals of the hills districts	PIT	Income of individuals who are indigenous hill-man of any of the hill districts of Rangamati, Bandarban and Khagrachari which is derived solely from economic activities undertaken within the said hill districts is exempt.	Exemption	Social welfare	Sixth Schedule Part-A para 27
Exemption for individuals who derive only agricultural income	PIT	An individual having only agricultural income not exceeding taka two lakh are exempted.	Exemption	Agricultural assistance	Sixth Schedule Part-A para 29

Exemption for interest on pensioner saving certificates	PIT	Any sum or aggregate of sums received as interest from pensioners' savings certificates where the total accumulated investment at the end of the relevant income year in such certificate does not exceed taka five lakh is exempt.	Exemption	Social welfare	Sixth Schedule Part-A para 32A
Exemption of income from production of specified ICT products or activities	CIT	Income derived in relation to certain ICT related activities such as software development, digital content, web site development, data analytics, IT support, call center service and cloud services is exempt from income tax until 30 June 2024.	Exemption	ICT Industry assistance	Sixth Schedule Part-A para-33
Exemption of income from production of handicrafts	CIT	Any income derived from the export of handicrafts is exempt from income tax until 30 June 2024.	Exemption	Industry assistance	Sixth Schedule Part-A para- 35
Exemption for private Agricultural Colleges and Universities	CIT	The income of any private Agricultural College or private Agricultural University derived from agricultural education is exempt from tax.	Exemption	Education	Sixth Schedule Part-A para 37
Exemption for certain building income	CIT/ PIT	An exemption is provided for income derived from any building situated in any area of Bangladesh, not less than 5 stories and having at least 10 flats constructed between 1/7/2009 and 30/6/2014 for ten years from the date of completion of construction of the building, except for buildings situated in any area of City Corporation, Cantonment Board, Tongi Upazila, Narayanganj Paurashava, Gazipur Paurashava and any	Exemption	Industry assistance	Sixth Schedule Part-A para-38

		Paurashava under Dhaka district.			
Exemption of income derived from any SME	CIT	An exemption is provided for income derived by an SME engaged in the production of goods have an annual turnover less than 5 million taka, or 7 million taka where owned by women.	Exemption	Industry assistance	Sixth schedule Part-A para-39
Exemption for income from Zero Coupon Bonds	CIT	An exemption is provided for income derived from zero coupon bonds received by a person other than a Bank, Insurance or Financial Institution subject to certain conditions about issuing entity.	Exemption	Increase Investment propensity	Sixth Schedule Part-A para-40
Tax exemptions for income of Cinema Halls and Cineplex	CIT	An exemption from income tax is provided for income derived from the operation of cinema hall or cineplex with rates varying according to years of operation and location.	Exemption	Industry assistance	Sixth Schedule Part-A para-44
Exemption of income from production of rice bran oil	CIT	An exemption is provided for income derived from an industrial undertaking engaged in the production of rice bran oil. Rates vary according to years of operation and location.	Exemption	Industry assistance	Sixth Schedule Part-A para-45
Partial exemption for certain agricultural products	CIT/ PIT	An exemption of 50% of income derived from the production of corn/maize or sugar beet.	Exemption	Agricultural assistance	Sixth Schedule Part-A para 46
Deductions for donations to various institutions	CIT	An exemption is provided in relation to income of an assessee donated to various charitable institutions. Limits apply in some instances.	Deduction	Social welfare	Sixth Schedule Part-A para- 47, 49, 50, 51
Exemption for income earned in abroad as foreign remittance	PIT	Any income earned in abroad by an individual assessee being a Bangladeshi citizen and brought any such income into Bangladesh as per	Exemption	Foreign reserve increase for Balance of Payment capability	Sixth Schedule Part-A para-48

		existing laws applicable in respect of foreign remittance.			
Exemption for income from other sources received by educational institutions	CIT	An exemption is provided for income not being interest or dividends classifiable as income from other sources received by educational institutions subject to conditions.	Exemption	Education assistance	Sixth Schedule Part-A para-52
Exemption for income from other sources received by public universities or professional institute	CIT	An exemption is provided for income not being interest or dividends classifiable under the head "income from other sources" received by any public university or any professional institute established under any law and run by professional body of Chartered Accountants or Cost and Management Accountants or Chartered Secretaries.	Exemption	Education	Sixth Schedule Part-A para- 53
Exemption for income for alternative investment funds	CIT	An exemption is provided for income earned by an alternative investment fund recognized by the Bangladesh Securities and Exchange Commission.	Exemption	Industry assistance	Sixth Schedule Part-A para-54
Exemption from income tax for the Bangladesh Securities and Exchange Commission	CIT	An exemption is provided on any income earned by the Bangladesh Securities and Exchange Commission for assessment years commencing July 2017 to June 2022.	Exemption	Industry assistance	Sixth Schedule Part-A para- 55
Exemption from income tax for certain payments from government	PIT	An exemption is provided for various honorariums, allowances or any welfare allowances received by any person from the Government.	Exemption	Social welfare	Sixth Schedule Part-A para-56
Exemption for rewards	PIT	An exemption is provided for any reward received by any person from the Government.	Exemption	Public administration	Sixth Schedule Part-A para-57

Exemption for aged care and child care operations	CIT	An exemption is provided for any income derived from the operation of an elderly care home or a day care home for children.	Exemption	Social welfare	Sixth Schedule Part-A para- 58
Exemption for institutions providing education and training to persons with a disability	CIT	An exemption is provided to an educational or training institution run exclusively for persons with a disability.	Exemption	Social welfare	Sixth Schedule Part-A para-59
Exemption on taxed dividend	CIT	Any distribution of taxed dividend to a company [being resident in Bangladesh] if the company distributing such taxed dividend has maintained separate account for the taxed dividend.	Exemption	Maintaining proper & fair Accounting	Sixth Schedule Part-A para-60
Income derived by ocean going ship	CIT	Any business income derived by an ocean going ship being Bangladeshi flag carried if it received in foreign currency are fully exempted.	Exemption	In respect of foreign remittance	Sixth Schedule Part-A para-61
Deposit Pension Scheme (DPS)	PIT	Government Approved DPS	Exemption	Investment	89/Law/income tax/2003
Renewable Energy	CIT	Exempted for first 5 years	Exemption	Energy & Environment	228/Law/income tax/2009
Private University	CIT	Private Medical/Engineering/Dental/University Tax Rate 15%.	Concessional Rate	Education	268/Law/income tax/2010
Rebate for CSR activities	CIT	Company will get 10% rebate on its expense for CSR activities.	Rebate	Social welfare	229/law/income tax/2011
Tax exemptions for export processing zones	CIT	Industrial undertaking of EPZ based on Dhaka and Chittagong division will have 25%-100% tax exemption on income up to 5th year. whereas industrial undertaking of EPZ based on divisions other than Dhaka and	Exemption	Industry assistance	219/Law/Income tax/2012

		Chittagong division will have 25%-100% tax exemption on income up to 7th year.			
Investment in EPZ	CIT	Dhaka & Chittagong (Except Bandarban, Rangamati & Khagrachari First 2 years @100% Next 2 year @ 50% Next 1 Year @25% Other Area First 3 year @100% Next 2 year @ 50% Next 1 Year @25%	Exemption	Investment	219/Law/Income tax/2012
Shipbuilding Company	CIT	Income from Export Business: Publicly Traded@5% Non-publicly Traded@10%	Exemption & Concessional Rate	Investment	132/Law/Income tax/2013
Incentives for private sector power generation	CIT/ PIT	Power generation company running under "Private sector Power Generation Policy of Bangladesh" will get full tax exemption on its income varying from 10 to 15 years and the foreign employees of this company will enjoy full tax exemption on their income for 3 years.	Exemption	Power Sector Development	211,212,213/ Law/income tax/2013
Private Power Generation	CIT	Exempted for first 15 years from power generation income, Foreign employees' income exempted for three years Foreign loan interest, technical know-how, royalty, capital gain on share transfer	Exemption	Energy	213/Law/income tax/2013
Reduced rates for certain autonomous bodies	CIT	A 25% tax rate is provided to various local bodies	Concessional rate	Public administration	158/Law/Income tax/2014

Reduced rates of tax on capital gains on shares of listed companies	CIT/ PIT	A reduced rate of tax applies to capital gains from transfer of stocks and shares of public limited companies listed on stock exchanges. This does not apply to Government securities. Rates vary from 5%-10%.	Concessional rate	Industry assistance	196/Law/Income tax/2015
Capital Gain from Trade in Capital Market	PIT/ CIT	Individual -Tax free, Firm & Company@10%, Bank & NBFI, Stock broker, Stock dealer, Shareholder Director@ 5%, Shareholder Director with Condition of holding share of more than 10% of the paid-up capital @5%	Exemption & Concessional Rate	Investment	196/Law/income tax/2015
Developer in Economic Zone	CIT	Any Income derived in Exclusive Economic Zone: For first 10 years@100%, Next 1 year @70%, Next 1 year @30%	Exemption	Investment	227/Law/income tax/2015
Developer in Hi Tech Park	CIT	Any Income derived in Exclusive Economic Zone: For first 10 years@100%, Next 1 year @70%, Next 1 year @50%	Exemption	Investment	229/Law/income tax/2015
Employee in economic Zone	PIT	Foreign technical employee in economic Zone who has technical know-how income, 50% of the income is exempted	Exemption	Investment	298/Law/income tax/2015
Investment in Economic Zone	CIT	Income from the following is exempted for 10 years: Dividend, Capital Gain on Share Transfer, Royalties, Technical know-how, Technical Assistance fee	Exemption	Investment	299/Law/income tax/2015
Employee in Hitech Park	PIT	Foreign employee in economic Zone who has technical know-how income, 50% of the income is exempted	Exemption	Investment	300/Law/income tax/2015

Investment in Hitech Park	CIT	Income from the following is exempted for 10 years: Dividend, Capital Gain on Share Transfer (fully exempted) Royalties, Technical know-how, Technical Assistance fee (50% exempted)	Exemption	Investment	301/Law/income tax/2015
Developer in Hitech Park	CIT	Declared dividend exempted from income for 10 years	Exemption	Investment	302/Law/income tax/2015
Developer in Hitech Park		Dividend Income Tax free for 10 years	Exemption	Investment	302/Law/income tax/2015
Financial Instrument (Income from Sukuk)	CIT	Fully exempted from income	Exemption	Investment	317/Law/income tax/2015
Seed, Feed, milk, animal Husbandry	CIT	Tax Rate first 10 lac @10%, next 20lac 20% balance @15%	Concessional Rate	Agriculture	461/Law/income tax/2015
Tax exemptions for Public Private Partnerships	CIT	Public-Private partnership project will be fully exempted from tax on its income for ten years from the date of its commercial commencement	Exemption	Industry assistance	208/Law/Income tax/2017
Government Employee Salary	PIT	Lump grant and all allowances fully exempted	Exemption	Public administration	211/Law/income tax/2017
Hi Tech Park	CIT	Company operating in Hitech Park, first 7 years 100%, next 3year 70% Exempted	Exemption	Investment	352/Law/income tax/2018
Sanchaypatra (Savings certificate) Investment	PIT	Accumulated Investment below 500,000 is taxed at 5%	Concessional Rate	Investment	264/Law/income tax/2019
Jute Industry	PIT/CIT	Company Tax Rate 10% & Individual highest 10%	Concessional Rate	Jute Industry	314/Law/income tax/2019
Private Power Generation	CIT	Coal based Power Plant: First 5 year @100%, next 3 years @50%, next 2 years@25% Exempted	Exemption	Energy	4/Law/income tax/2020
Private Power Generation	CIT	Income from Power Generation is fully exempted Foreign employees' income exempted for	Exemption	Energy	5/Law/income tax/2020

		three years Foreign loan interest, technical know-how, royalty, capital gain on share transfer			
Investment in Economic Zone	CIT	Investment other than in Edible Oil, sugar, flour, cement, iron is exempted for: first 3 years 100%, next 1 year 80%, next 1 year 70%, next 1 year 60%, next, 50%, Next 40%, Next 30%, Next 20% Exempted	Exemption	Investment	104/Law/in come tax/2020
Exemptions for certain types of hospitals	CIT	Income of certain hospitals is fully exempted from tax for ten years	Exemption	Social welfare	169/Law/In come tax/2021
Investment in Manufacturing Computer Accessories	CIT	Exempted for 10 years	Exemption	Investment (IT)	163/Law/in come tax/2021
Fruit Processing, Vegetable, Dairy production, baby food Agricultural instrument production	PIT/ CIT	Income from these sectors is exempted for 10 years	Exemption	Agriculture	164/Law/in come tax/2021
Exemption of income from production of light engineering products	CIT	Fully exemption of income from production of light engineering products of a company for 10 years	Exemption	Industry assistance	166/Law/In come tax/2021
Light Engineering Industry	CIT	Full exemption for 10 years	Exemption	Investment	166/Law/in come tax/2021
Washing Machine, Blender, Microwave oven, electric swing machine, induction cooker, kitchen hood, kitchen knife manufacturing unit	CIT	Fully Exempted for 10 years	Exemption	Investment	167/Law/in come tax/2021
Exemption of income for providing training on human resource development	CIT	Full exemption of tax on income of company for providing training on human resource development for 10 years	Exemption	Human resource developmen t	168/Law/In come tax/2021

Agriculture, IT, Vocational, Food, Pharma, Medical, Fishery, Poultry related education and Training	CIT	Education and training related income fully exempted for 10 years	Exemption	Investment	168/Law/income tax/2021
Hospital	CIT	Location other than, Dhaka, Narayangonj, Gazipur & Chittagong: Exemption For 10 years on Diagnostic Income only	Exemption	Healthcare	169/Law/income tax/2021
Made in Bangladesh Automobile (3 & 4 wheelers)	CIT	Exempted for first 10 years, and next 10 years 10% concessional rate	Exemption	Investment	170/Law/income tax/2021
Active Pharmaceuticals Ingredients	CIT	Fully exempted from income tax	Exemption	Investment	316/Law/income tax/2021
Electronics Manufacturing of certain units	CIT	For, motorcycle, fridge, AC, compressor manufacturing company tax at concessional rate @ 10%	Exemption	Investment	325/Law/income tax/2021
AIT on import stage	PIT	AIT on Import stage for physical system, materials engaged in Ruppur power plants are exempted.	Exemption	Investment	255/Law/income tax/2021
Poultry, Fisheries & Hatchery Income	PIT/ CIT	up to 10 lac @ 0% next 10 lac @ 5% next 10 lac @ 10% rest of the amount @15%	Concessional Rate	Agriculture	157/Law/income tax/2022
Exemption on export income	CIT/ PIT	Income from export for different types taxpayers are exempted/ concessional rate- 1. An amount equal to fifty percent of the income of an assessee (Normal individual, Farm, Hindu undivided family) is exempted. 2. An income of an assessee (except Normal individual, Farm, Hindu undivided family) in 12% concessional tax rate. 3. An income of an assessee (except Normal individual, Farm, Hindu	Exemption	Export promotion	158/Law/income tax/2022

		undivided family) and product generated from LEED certified factory is in 10% concessional tax rate.			
Reduce rate for cotton production, cotton dying company	CIT	Income from the cotton production, cotton dying company enjoy the 10% reduce tax rate.	Reduce Rate	Industry assistance	159/Law/in come tax/2021