

Finance ministry to cut corporate tax for industries, consumer goods in upcoming budget

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Online Desk: The government plans to make corporate tax exemptions in the productive sector to encourage setting up of industries and paying more taxes.

In the proposed budget for the upcoming fiscal year 2024-25, the company tax rate may be cut by two and a half percent, an official source said.

On the other hand, the import of raw materials for consumer goods will be kept under tax exemption as much as possible considering the rising dollar price.

There have also been proposals in favour of keeping the tax exemption period for 27 digital services for another two years.

A source of Ministry of Finance told UNB on Monday that the tax exemptions were decided in a closed-door meeting between the finance minister Abul Hassan Mahmood Ali and NBR Chairman Abu Hena Md. Rahmatul Muneem.

The meeting was held on Sunday in the Ministry of Finance. State Minister for Finance Waseqa Ayesha Khan was also present at the meeting.

The finance minister and the state minister have agreed with most of the issues that have been discussed in favour of changing the budget. The final decision will be taken after a meeting with Prime Minister Sheikh Hasina, scheduled on May 14.

Senior officials of finance ministry told UNB on condition of anonymity, that there was discussion on reducing corporate tax. Only unlisted companies involved in the productive sector will come under the exemption. Currently, the tax rate of these companies is 27.5 percent. There may reduce 2.5 percent to 25 percent subject to conditions.

This tax rate will be reduced to encourage companies to pay more taxes, and increase transparency in tax payments.

However, other corporate taxes will remain unchanged. In the current financial year 2023-24, the corporate tax has been reduced to 27 and a half percent subject to conditions. Corporate tax was 35 percent in FY 2019-20. It was reduced to 32 and a half percent in FY 2020-21 and 30 percent in FY 2021-22.

Two conditions have to be fulfilled to avail the benefit of corporate tax exemption. First of this, all types of income and receipts and single transactions exceeding Tk5 lakh are mandated to go through the bank.

Secondly, expenditures and investments of more than Tk36 lakh per annum is committed through bank transfer. Companies failing to comply with this condition will be taxed at 30 percent.

Business associations say that corporate tax has been conditionally reduced by up to 7.5 per cent in the last few fiscal years. But due to the conditions, many traders are not able to take full advantage of the reduced tax rate. That is why it is proposed to reduce the effective corporate tax by avoiding the conditions.

Incidentally, the corporate tax rate is 20 percent for companies listed in the capital market that have issued more than 10 percent of the paid-up capital in the initial public offering or IPO. And for companies that have

issued less than 10 percent of the paid-up capital in the IPO, the corporate tax rate is 22.5 percent. Then, the corporate tax rate of companies that are not listed in the capital market is 27.5 percent. The corporate tax rate is fixed at 22.5 percent for single-person companies.

Besides, the corporate tax rate is currently set at 37.5 percent for banks, insurance, financial institutions and merchant banks listed in the capital market. Corporate tax is 40 percent for banks, insurance and financial institutions that are not listed in the capital market. Beyond this, corporate tax is 40 percent for listed mobile phone companies.

Currently, the highest corporate tax in the country is imposed on companies manufacturing tobacco products including cigarettes, bidis, jordas, guls, at 45 percent. Such companies have to pay a surcharge of 2.5 percent in addition to corporate tax.