E-NEWSLETTER

Volume: 1, Issue: 8 | November 2025

TUHIN & PARTNERS
NEXUS OF LAW & BUSINESS

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Taxing the Digital Frontier

Introduction:

The world economy has changed drastically in the 21st century. The expansion of digital platforms, e-commerce, and digital services has blurred the boundaries of traditional taxation. Companies can now generate profits from users in one country without maintaining any physical presence there. This digital revolution encourages innovation and convenience, but it has exposed a major gap in existing tax systems. The Government of Bangladesh grapple with taxing digital transactions and cross-border income.

Key Discussion:

"Digital frontier" refers to the ever-expanding and evolving boundary of digital technologies, encompassing the latest innovations and trends that shape the way individuals, businesses, and industries operate in the digital realm[1]. It includes business models and markets that are primarily or exclusively reliant on digital goods, services (such as online advertising and streaming), platforms, and data-driven processes emerging from the interconnected networks of individuals, enterprises, devices, and institutions[2]. The digital economy landscape of Bangladesh includes three key components: (i) the primarily domestic market-oriented sector, such as e-commerce, F-commerce, and IT-enabled services (ITES); (ii) engagement with the global market, including the export of digital services and freelancing; and (iii) the presence of digital-platform-based global business in Bangladesh, such as Meta, Microsoft, Google, etc[3].

The digital economy poses a broad challenge because it relates to nexus, data, and characterization for direct tax purposes[4]. Digital technologies reduce the need for an extensive physical presence for businesses, which questioning the appropriateness of current rules used to determine tax nexus[5]. Many Bangladeshi e-commerce firms, especially those operating on social media (F-commerce), are expected to engage in tax evasion[6].

Bangladesh has not yet joined the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS), unlike several regional countries. The OECD framework has the potential to change Bangladesh's tax system through implementation difficulties, pressures to align policies, and revenue opportunities. Bangladesh, as a consumer market for digital services like Netflix, Google Ads, or Meta Ads, could acquire the right to tax a portion of MNE profits, without requiring a physical nexus. An estimated $10–20 billion could be obtained annually by developing nations from Amount A of Pillar 1, with Bangladesh possibly obtaining 5–10% of the value of in-country digital sales from its 170 million+ internet users[7]. This would modernize its system by moving away from TDS/VAT and toward profit-based taxation, increasing revenues by 0.5–1% of GDP, if implemented.

Bangladesh government should invest in infrastructure is essential, including capacity-building initiatives such as training individuals in digital compliance through NBR-led programs. Third, the government should strengthen international cooperation by entering bilateral treaties on data sharing and tax information exchange. Finally, progress should be regularly monitored through annual audits and stakeholder consultations, which ensure that digital taxation is effectively aligned with the objectives of the Smart Bangladesh Vision.

Concluding Remarks:

Bangladesh, with its growing digital economy and active policy reform agenda, stands at an important crossroads. As economic activity increasingly moves online, traditional tax rules must evolve to ensure fairness and sustainability. Bangladesh is at a critical juncture with its expanding digital economy and active agenda for policy reform. The nation can establish itself as a proactive player in determining the direction of international taxation by modernizing its legal system, enhancing administrative capabilities, and coordinating with international tax initiatives.

Source: EY India

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Corporate Risk in the Age of Cyber Threats

Introduction

The financial sector of Bangladesh is entering an era of heightened regulatory intensity and digital transition. With the Bangladesh Bank (BB) implementing frameworks such as the Prompt Corrective Action (PCA) regime and issuing extensive digital-banking guidelines, corporate clients must rethink their risk, compliance and legal due diligence posture. For companies reliant on banking services and digital platforms, the convergence of credit risk, cyber-risk and regulatory enforcement means that a bank's governance or a third-party fintech vendor's vulnerability can directly impact the corporate's own exposure and liability[1].

These malpractices not only weaken contractual enforceability but also expose banks to litigation and reputational risk. Among the most vulnerable documents are Letters of Guarantee and Deeds of Mortgage, which, if improperly executed, can seriously hamper recovery proceedings through court. This write-up highlights key challenges faced in these areas, related regulatory guidance/directives, and effective solutions aligned with contemporary risk management standards.

Key Discussion:

The BB's enhanced supervisory regime is material for corporate lenders and borrowers alike. The PCA framework triggers regulatory intervention when key indicators such as CRAR, Tier-1 capital or NPL level breach defined thresholds, meaning that banks, regardless of size, may face governance restrictions or heightened scrutiny[2]. Meanwhile, business borrowers should understand that when their banking partner is placed under PCA, recovery mechanisms, loan restructuring or asset sales may accelerate. Non-performing loans (NPLs) remain a persistent challenge for the banking sector. BB's regulatory push to enforce stricter classification, higher provisioning and faster recovery places additional pressure on banks and, by extension, on corporate clients who may become the subject of recovery action or covenant breaches[3].

In parallel, digitalisation of banking via full digital banks, mobile financial services, and fintech integration brings opportunity and risk. BB's "Guidelines to Establish Digital Bank Version 2" set out infrastructure, governance and cybersecurity expectations for digital banks[4]. For corporate clients, this means contractual, operational and legal due diligence must now include digital-risk assessments, vendor liability clauses and contingency planning for cyber incidents.

Analysis

When viewed together, the regulatory reforms (PCA, NPL management) and the digital banking wave create a combined risk landscape. Companies must move beyond traditional credit-risk assessments to adopt a hybrid compliance-cyber model. For example, when assessing a bank's counterparty risk, one must review capital adequacy (via RBCA guidelines), NPL trend, governance (board composition, control weaknesses) and the bank's digital infrastructure/incident history[5].

Legal due diligence for corporates therefore needs to cover: loan documentation triggers (especially where banks may accelerate enforcement under PCA or NPL threat), digital-service agreements (including cyber-security obligations), vendor and fintech risk (third-party liability) and regulatory compliance (AML/CFT via the Money Laundering Prevention Act, 2012). Failure in any of these dimensions could expose a corporation to indirect bank supervisory enforcement, cyber-fraud losses or reputational/legal consequences6[vi].

Relevant Provisions

- Key regulatory provisions and frameworks applicable to corporate banking and digital risk include:
- PCA Framework (BB Circular – December 2023), which stipulates corrective actions for banks when capital, NPL or governance triggers are breached.
- Risk-Based Capital Adequacy guidelines (RBCA) implementing Basel II/III in Bangladesh banks, requiring minimum capital and disclosures.
- Digital Banking Guidelines (Jan 2024 version), which set licensing, cyber-security, vendor governance and operational continuity requirements for digital banks in Bangladesh.
- NPL resolution frameworks and recovery guidelines (via ADB Brief and BB circulars) that raise classification and provisioning standards.

Concluding Remarks:

In the evolving financial-regulatory landscape of Bangladesh, corporates cannot treat banking and digital services as passive utilities. The interplay of stricter bank regulation, accelerated non-performing loan recovery, and the digital-banking surge demands that risk management now spans three domains: credit, cyber, and regulatory. Legal teams and compliance professionals should work hand-in-hand with IT and treasury functions to re-evaluate banking relationships, digital service contracts, vendor risk and structural covenants.

Source: Ai Generated

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Personal Data Protection Ordinance, 2025

(Ordinance No. 61, 2025)
Gazetted: 6 November 2025

Introduction:

The Personal Data Protection Ordinance, 2025 (hereinafter 'the Ordinance'), is Bangladesh's inaugural comprehensive legislation that regulates personal data collection, processing, storage, and transfer to safeguard individual privacy in the digital era. The Ordinance was gazetted on November 6, 2025. Except for Sections 23 and 31 to 46, this Ordinance shall come into force immediately. The ordinance seeks to protect individuals' rights while ensuring that data processing by public and private entities remains transparent, fair, and accountable.

Key Discussion:

The Ordinance regulates the collection, use, and transfer of personal data both within and beyond Bangladesh. It includes definitions, principles, rights, obligations, and regulatory tools. It classifies personal data into four categories under section 29 of the Ordinance: public/open, internal, confidential, and restricted.

Section 2 of the Ordinance lays down the key definitions that form the foundation of the framework. It defines Personal Data as any information relating to an identified or identifiable individual, such as names, identification numbers, location data, financial information, or online identifiers. "Sensitive Personal Data" includes genetic data, biometric data, health data, religious or political beliefs, sexual orientation, and data revealing racial or ethnic origin, requiring stricter safeguards. "Data Fiduciary" refers to entities determining the purpose and means of processing, while "Data Processor" handles data on behalf of fiduciaries.

The processing of personal data must adhere to the lawful bases outlined in Section 5. However, in certain circumstances, personal data may be processed without the individual's consent under section 5(3). According to section 7 of the Ordinance, Sensitive data may be processed only with consent or when necessary for contracts, legal duties, employment, medical treatment, or if publicly disclosed. Personal data of children or persons unable to consent must be processed only with guardian consent, ensuring their rights and interests are protected, and cannot be used for tracking, profiling, or targeted advertising, under section 9 of the Ordinance.

Under this ordinance, data subjects are granted enforceable rights including access, correction, erasure, portability, objection to processing, and withdrawal of consent (Sections 10–14). Data fiduciaries and processors must maintain transparency, inform data subjects about collection, risks, purposes, rights, and contact details before significant processing under section 15. Data retention is limited to the duration necessary for processing, except for public interest, research, or protection of rights as per section 18. Data fiduciaries must maintain updated records for at least five years, as mentioned in section 19.

According to section 31 of the Ordinance, data subjects may file complaints with the authority if they believe their rights under the Ordinance have been violated. Non-compliance may result in administrative fines ranging from 1–2% of the fiduciary's annual turnover under section 32.

The Ordinance criminalizes unauthorized processing, disclosure, or misuse of personal data. Section 36 penalizes processing without consent or legal basis with up to 5 years' imprisonment and fines up to BDT 10 Lakh, while Section 37 imposes penalties up to 7 years and BDT 20 Lakh for unauthorized handling of sensitive personal data. Illegally collecting or using children's personal data without verified guardian consent is punishable by up to 3 years' imprisonment, a fine up to BDT 5 Lakh, or both as per section 38. Unauthorized access, interception, or extraction of data carries penalties up to 5 years and BDT 10 Lakh under section 39.

Obtaining consent fraudulently can lead to imprisonment and fines of up to 5 years and BDT 10 Lakh or both, as per section 40. Misuse or disclosure of personal data collected during official or professional duties is punishable by up to 5 years' imprisonment, a fine up to BDT 15 Lakh, or both under section 41 of the Ordinance. Unauthorized tampering, destruction, or misrepresentation of personal data, including creating misleading outcomes, and continuing to use or disclose data after consent withdrawal or the authorized retention period, is punishable by up to 3 years and BDT 5 Lakh under section 42 and 43 of the Ordinance.

Pros & Cons:

The Ordinance enhances data security through encryption, audits, and tailored protections, and empowers individuals with rights such as erasure and data portability.

However, broad exemptions for national security and public order could enable surveillance without judicial oversight, potentially stifling free expression for journalists and activists. Heavy penalties, including up to 5% of turnover and 7-year imprisonment, may burden Small and Medium-sized Enterprises and discourage tech innovation.

Conclusion

The Personal Data Protection Ordinance, 2025, represents a significant step in Bangladesh's data governance. It addresses vulnerabilities through security obligations, oversight mechanisms, and localized safeguards.

Chevron Bangladesh Employees' Union and Ors. Vs. Government of the People's Republic of Bangladesh and Ors

IN THE SUPREME COURT OF BANGLADESH (HIGH COURT DIVISION)
Writ Petition No. 6085 of 2021

Summary:
This writ petition deals with the taxability of Workers' Profit Participation Fund (WPPF) payments owed to employees of Chevron Bangladesh for the period 2006-2013. The petitioners challenged the National Board of Revenue (NBR) memo dated 26 August 2021, which stated that these payments were subject to deduction of tax at source under section 52DD of the Income-tax Ordinance, 1984. The key legal issue concerned whether income that accrued before the Finance Act 2016 when tax on WPPF was first introduced, could be subjected to the amended tax regime when the payments were made years later. The Court had to determine how the Labour Act 2006 and the Income-tax Ordinance should be read together, and whether any tax exemption could be claimed for the disputed years.

Fact of the Case:
Chevron Bangladesh is involved in gas exploration and production under contracts with the Government. Under Chapter XV of the Bangladesh Labour Act 2006, companies must establish WPPF and Workers' Welfare Funds and deposit 5% of annual net profit. Chevron did not make these payments for the years 2006-2013. The employees then filed Writ Petition No. 15758 of 2016. During the pendency of that case, the High Court passed an order on 8 June 2017, directing Petrobangla to block 5% of Chevron's net profit.
After negotiations, Chevron and its employees entered a Memorandum of Settlement (MOS) on 26 August 2019. Chevron agreed to pay the outstanding WPPF amounts for 2006-2013. A Trust was formed under section 235 of the Labour Act to administer the fund. Clause 9 of the MOS stated that "applicable tax" would be withheld until a decision was obtained from the NBR or a competent court.
Seeking clarity, the petitioners wrote to NBR on 10 January 2021. The NBR replied on 26 August 2021, explaining that section 52DD introduced by the Finance Act 2016 applied to all WPPF disbursements and required deduction of tax at source. According to NBR, since the payments were to be made after 2016, the amended law applied regardless of the years for which profits were earned. The petitioners challenged this view, arguing that the imposition of tax could not operate retrospectively.

Issues
- Whether WPPF payments for 2006–2013 qualify for tax exemption under the relevant laws.
- Whether section 52DD applies to payments relating to periods prior to its introduction.
- Whether the NBR memo of 26 August 2021 was issued without lawful authority.
- Whether tax exemption provisions must be interpreted strictly or liberally.

Relevant Provisions
- Bangladesh Labour Act 2006: Sections 234, 235, 245, 246.
- Income-tax Ordinance 1984: Section 44(1), Sixth Schedule Part A Paragraph 21(d), and sections 52D and 52DD.
- Finance Act 2016: First legislation to impose withholding tax on WPPF disbursements.

Significance of the Judgment
The Court applied the principle that tax exemptions must be interpreted strictly. Relying on authorities such as Mahmudul Islam, Earl T. Crawford, and Novopan India Ltd., it held that the burden lies on the taxpayer to prove that an exemption applies clearly and unambiguously.
Although the Labour Act contains provisions indicating that WPPF benefits enjoy exemption, the Court emphasised that exemption from tax must come from the Income-tax Ordinance itself. The Labour Act's policy statements do not automatically modify the tax statute. Before 2014, the Income-tax Ordinance did not incorporate the Labour Act's WPPF exemption into the Sixth Schedule. Therefore, exemption could not be claimed for earlier years unless expressly recognised by tax law.
The Court further held that the taxable event for WPPF payments is the disbursement, not the accrual of profits. As the funds were to be paid out after 2016, the amended provisions particularly the Tk. 50,000 exemption cap under paragraph 21(d) and deduction obligations under section 52DD applied. The Court rejected the argument that applying section 52DD amounted to retroactive taxation, stating that the law did not tax past profits but only regulated the taxability of current payments made after the amendment.
Based on this interpretation, the Court found that the NBR's memo was lawful, reasonable, and aligned with the statutory framework.

Concluding Remarks:
The Court reaffirmed that exemptions must be explicit within tax legislation, and that ambiguity favours the revenue authority. Consequently, WPPF payments made after 2016 regardless of the years for which profits were earned are subject to section 52DD. Thus, the NBR memo was upheld, and the claim for full exemption was rejected.

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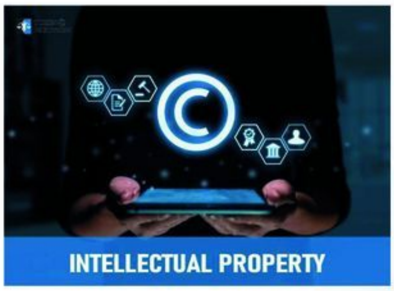

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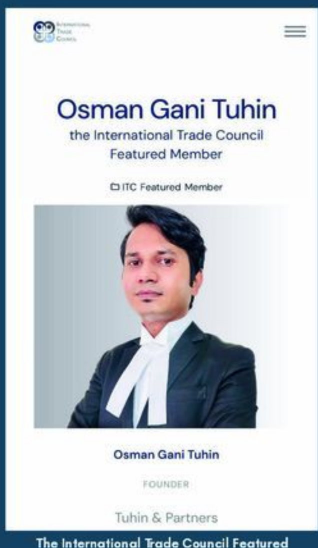

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Tuhin & Partners' e-Newsletter unveiling ceremony at Tuhin & Partners on 19th April 2025

Tuhin & Partners & Ain Sheba jointly conducted a workshop on Commercial Contract Drafting and Review at the North South University

Tuhin & Partners joined a high-level meeting at the Ministry of Textiles & Jute regarding the corporate restructuring of a key government project on 26th May 2025