TUHIN & PARTNERS
NEXUS OF LAW & BUSINESS

E-NEWSLETTER

Volume: 2, Issue: 7 | July 2026

WWW.TNP.LEGAL

TUHIN & PARTNERS
NEXUS OF LAW & BUSINESS

TABLE OF CONTENTS

Team Members

Name	Designation
Fouzia Fariha	Research Editor
Md.Kowshik Shahriar	Research Associate
Abdullah Al Motrood Yeasir	Research Intern & Graphics Designer
Tabassum Hasnat	Research Intern
Md Tanvir Ahmed Sarker	Research Intern
Achia Akter	Research Intern
Satirtha Chakma	Research Intern

Fiscal Consolidation and Its Implications for Public Sector Investments

Introduction:

Bangladesh's national budget for the fiscal year 2026–27 (FY27) has been introduced at a time when the country is facing several economic challenges, including high inflation, fluctuations in foreign exchange reserves, and the need to implement structural reforms under international financial support programmes. To address these challenges, the government has proposed a budget of BDT 9.38 trillion based on a tighter fiscal policy[1]. The main objectives are to reduce the fiscal deficit to 3.6 per cent of GDP and to control domestic demand to support economic stability[2].

Key Discussion:

The FY2026–27 budget represents a shift from the government's previous approach to increasing public spending. Instead, it focuses on better allocation of resources and stronger fiscal discipline.[3] The Annual Development Programme (ADP) has been set at BDT 3.00 trillion, with greater emphasis on social sectors rather than large infrastructure projects financed through borrowing. As a result, the share of funding for the transport sector has been reduced to 16.70 per cent, while the power and energy sector now receives 10.90 per cent of the total ADP. At the same time, the government has increased investment in human capital by allocating 15.86 per cent of the ADP to education and 11.84 per cent to healthcare[4].

Although this spending strategy supports long-term social development, it also creates challenges for ongoing infrastructure projects. Due to tighter budget limits, many projects that are considered lower priority or have experienced delays may be suspended, reduced in scope, or terminated. However, such decisions must comply with the Public Procurement Act 2006 (PPA 2006) and the Public Procurement Rules 2008 (PPR 2008).

If a government agency decides to reduce the scope of a contract or extend its completion period because of budget constraints, it must follow the requirements for variation orders under Rule 125 of the PPR 2008. Significant changes that alter the original terms of a competitively awarded contract may violate the principles of transparency and equal treatment. In such cases, affected contractors may challenge the decision through administrative review procedures or by filing a writ petition under Article 102 of the Constitution. If the government terminates a contract for public interest, it may also have to compensate contractors for costs already incurred, mobilisation expenses, and, in some cases, expected profits. These compensation claims could reduce the financial benefits that the government hopes to achieve through spending cuts.

To reduce the funding gap for infrastructure without increasing public debt, the FY2026–27 budget encourages greater private sector participation through Public-Private Partnerships (PPPs).[5] The Public-Private Partnership Act 2015 provides the legal framework for attracting private investment into major infrastructure and public service projects. However, because the banking sector is currently under financial pressure, private investors often require government support before committing such projects. This support may include sovereign guarantees, minimum revenue guarantees, or Viability Gap Funding (VGF). Under the Public Money and Budget Management Act 2009, these financial commitments must be carefully monitored and properly recorded to ensure that they do not undermine the government's debt management or long-term fiscal stability[6].

Concluding Remarks:

The FY2026–27 budget reflects the government's effort to balance economic stability with continued national development. By shifting more resources from large infrastructure projects to the health and education sectors, the government aims to address important social needs. However, reducing funding for infrastructure projects may lead to contractual and legal disputes under the Public Procurement Act 2006 (PPA 2006). To meet future infrastructure needs without significantly increasing public debt, the government plans to expand the use of Public-Private Partnerships (PPPs) under the Public-Private Partnership Act 2015. At the same time, it is important that these projects are closely monitored under the Public Money and Budget Management Act 2009 to ensure that government financial commitments are properly managed and do not create hidden liabilities or threaten long-term fiscal stability.

Source: AI Generated

1. Ministry of Finance, National Budget Speech FY2026-27 (Government of the People's Republic of Bangladesh 2026) 3–9
2. Ibid s 36
3. BRAC EPL, Budget Analysis FY2026-27 (June 2026) 2–4.
4. Planning Commission, Annual Development Programme FY2026-27 (Ministry of Planning 2026).
5. Public-Private Partnership Act 2015
6. Public Money and Budget Management Act 2009.

Tax Reforms in the 2026-27 Budget: What Businesses Need to Know

Introduction:

The enactment of the Finance Act 2026 to implement Bangladesh's national budget for the fiscal year 2026–27 (FY27) represents a defining shift from passive revenue collection to aggressive, technology-driven formalization[1]. Tasked with expanding one of the lowest tax-to-GDP ratios in South Asia, the National Board of Revenue (NBR) has deployed a fiscal framework aimed at broadening the domestic tax base, curtailing historical exemptions, and mandating end-to-end digitisation. For the corporate ecosystem, these structural reforms permanently change the compliance landscape, requiring businesses to quickly realign their financial operations with new statutory mandates.

Key Discussion:

The FY27 corporate tax policy shifts from lowering base rates to offering incentives tied to traceable financial transactions. While standard rates remain anchored under the Income Tax Act 2023, the Finance Act 2026 creates a clear tier based on banking formalization. Publicly traded companies transferring at least 10 per cent of their paid-up capital via an initial public offering (IPO) face a 22.50 per cent tax rate, which drops to 20.00 per cent if all income and transactions occur through formal banking channels.[2] Similarly, non-listed companies see their 27.50 per cent rate reduced to 25.00 per cent, conditional upon complete banking formalization. Conversely, failure to maintain fully documented financial trails forfeits these concessions, effectively penalizing cash-reliant entities.

Parallel to these corporate adjustments, indirect tax structures have been overhauled to maximize domestic revenue collection. The NBR has systematically expanded the indirect tax net by enforcing mandatory Business Identification Number (BIN) registration across all corporate interactions and significantly reducing the minimum VAT exemption thresholds. Supported by systemic automation, the state is rolling out electronic VAT (eVAT) frameworks and risk-based automated auditing systems, aiming to increase the active VAT-registered business pool past one million participants.[3]

These aggressive base-expansion strategies present acute challenges for Small and Medium Enterprises (SMEs), which historically operated on the periphery of the formal tax net. By making BIN and Tax Identification Number (TIN) linkages mandatory for opening and maintaining corporate bank accounts, the Finance Act 2026 eliminates informal loopholes.[4] For resource-constrained SMEs, transitioning to digital documentation, managing automated withholding tax deductions at source, and adapting to updated return frameworks involve significant administrative costs. Without structured transition periods, informal enterprises face severe cash flow friction and margin compression.

Furthermore, the compliance timeline under the new regime leaves little room for delay. The NBR has finalized preparations for completely online corporate tax return submissions and automated tax refund mechanisms. Under the Value Added Tax and Supplementary Duty Act 2012 (as amended by the Finance Act 2026), non-compliance, late filings, or inaccurate source tax deposits expose corporate officers to severe statutory penalties, asset surcharges, and the disallowance of legitimate business expense claims.[5]

Concluding Remarks:

The FY27 tax reforms signal a transparent, compliance-heavy operating environment for businesses in Bangladesh. By linking corporate tax reliefs directly to banking formalization and expanding automated eVAT networks, the Finance Act 2026 leaves little room for informal commerce. While these measures are essential to secure long-term macroeconomic stability and prevent tax evasion, they place an immediate compliance burden on the private sector. Navigating this transition successfully will depend on robust corporate governance and precise statutory guidance from legal professionals.

Source: AI Generated

1. The Finance Act 2026 (Act No 96 of 2026), Bangladesh Gazette, 30 June 2026
2. PricewaterhouseCoopers (PwC) Bangladesh, Finance Act 2026: Key Amendments (PwC Bangladesh 2026) 8.
3. BRAC EPL Stock Brokerage Ltd, Budget Analysis FY2026–27 (June 2026) 5
4. RECOM Consulting Ltd, 'Latest Income Tax Rates in Bangladesh' (RECOM Consulting Ltd) https://recombd.com/latest-income-tax-rates-in-bangladesh/ accessed 11 July 2026.
5. Value Added Tax and Supplementary Duty Act 2012, ch 9.

The Finance Act, 2026

Act No. 96 of 2026

Introduction:

The Finance Act, 2026 was enacted by the National Parliament on 30 June 2026 and came into force on 1 July 2026. The Act amends several key fiscal statutes, principally the Income Tax Act, 2023, the Value Added Tax and Supplementary Duty Act, 2012, and the Customs Act, 2023, to implement the Government's fiscal policy for the 2026–27 financial year. The reforms are aimed at broadening the tax base, strengthening revenue mobilisation, encouraging the use of formal banking channels, and accelerating the digital transformation of Bangladesh's tax administration.

Key Discussion:

The Finance Act, 2026 introduces one of the most significant structural reforms to Bangladesh's revenue system in recent years, with a strong emphasis on expanding the formal economy and improving tax compliance through digitalisation.

Under the revised income tax framework, the tax-free income threshold for individual taxpayers has been increased to BDT 400,000, while higher exemption limits ranging from BDT 450,000 to BDT 550,000 have been introduced for specified categories of taxpayers. At the same time, the previous 5% tax slab has been abolished, and the progressive tax structure now begins with a 10% tax rate, resulting in a comparatively higher tax burden for many middle-income taxpayers.

To encourage timely tax compliance, the Act provides a 5% tax rebate for taxpayers who submit their returns between July and September. Conversely, delayed filing may attract an additional tax ranging from 2% to 5%, depending on the period of delay. Furthermore, interest earned from Sanchayapatra (Savings Certificates) is no longer treated as final tax; instead, tax deducted at source is now considered an adjustable advance tax against the taxpayer's final tax liability. The maximum ceiling for claiming investment rebates has also been reduced from BDT 1,000,000 to BDT 750,000, while the qualifying investment limit has been lowered from 15% to 10% of the eligible investment amount.

To expand the tax base, the Act broadens the scope of taxable assets and transactions by including additional categories of property and digital assets within the applicable tax framework. It also introduces taxes on certain commercial transactions, including specified rental income and advance sales, in accordance with the amended provisions of the Income Tax Act, 2023.

The corporate tax regime has also been restructured. The standard corporate income tax rates remain 22.5% for listed companies and 27.5% for non-listed companies. However, companies that satisfy the prescribed banking formalisation requirements by conducting their business transactions through formal banking channels may qualify for a 2.5% reduction in the applicable tax rate. The Act also retains the 10% additional tax on dividend distributions, reinforcing the Government's policy of encouraging retained earnings and documented financial transactions.

Significant reforms have also been introduced under the VAT and customs regime. The National Board of Revenue (NBR) has expanded the use of Business Identification Numbers (BINs) by making BIN registration mandatory for a range of specified commercial activities, including opening business bank accounts, obtaining certain loans, renewing trade licences, and securing commercial gas and electricity connections, thereby strengthening taxpayer identification and expanding the formal tax network.

In addition, non-resident digital platforms with a substantial subscriber base in Bangladesh may now fall within the scope of Bangladesh's digital taxation framework. The Act also applies a 15% reverse-charge VAT on specified imported digital and cross-border services while continuing to provide targeted VAT and customs incentives for priority sectors such as information technology, freelancing, renewable energy, startups, and domestic automobile manufacturing.

Pros

The Finance Act, 2026 marks a significant step towards modernising Bangladesh's tax administration through digitalisation, improved compliance mechanisms, and a broader tax base. It also maintains targeted fiscal incentives for strategic sectors, including renewable energy, startups, information technology, and domestic manufacturing.

Cons

However, the reforms may impose additional compliance costs, particularly on small and medium-sized enterprises (SMEs), which may face challenges in adapting to mandatory digital documentation and formal banking requirements. Certain newly introduced provisions may also give rise to interpretative uncertainties and increased tax disputes during the initial implementation period. Moreover, the restructuring of individual tax rates is likely to increase the effective tax burden on sections of the middle-income population.

Concluding Remarks:

Overall, the Finance Act, 2026 represents one of the most comprehensive fiscal reform initiatives undertaken in Bangladesh in recent years. Rather than merely revising tax rates, the Act seeks to strengthen domestic revenue mobilisation through broader tax coverage, greater reliance on formal banking channels, and an increasingly digital tax administration. If implemented effectively, these reforms have the potential to improve fiscal sustainability, enhance transparency, and promote long-term economic formalisation.

Unilever Bangladesh Limited vs. Customs, Excise and VAT Appellate Tribunal, Dhaka and Others

Case No.: VAT Appeal No. 37 of 2011
Court: High Court Division, Supreme Court of Bangladesh
Date of Judgment: 29 April 2026

Overview of the Case:

This case concerns the legality of raising declared prices for imports by the VAT Authority, ignoring required steps under the Value Added Tax Act, 1991 (hereinafter "the VAT Act"), and the Value Added Tax Rules, 1991 (hereinafter "the VAT Rules"). Unilever Bangladesh Limited challenged some rulings by the VAT Authority, which voided declared costs for its imported Dove brand products and replaced them with mere guesses without any real proof. In its ruling, the High Court Division noted that the VAT Authority failed to perform the required investigation or market survey before changing the reported price.Consequently, the court declared the orders issued by the VAT authority null and void, reinstating the price declared by Unilever on account of adherence to legal procedure before amendment of the declared price.

Facts of the Case:

Unilever Bangladesh Limited imported seven Dove-branded finished products. On 17 December 2009, the company submitted a value declaration in MUSHAK Form-1, along with all required documents as per Section 5(2) of the VAT Act, including a cost analysis of the production or import of the products and the Bills of Entry. However, the concerned Divisional VAT Officer rejected the declared value, alleging that the company's value addition was unusually low. He then determined the enhanced assessable value of the products himself. In determining this enhanced value, he relied on certain previous alleged value declarations submitted before another VAT Division as a basis. However, he did not conduct any investigation, market survey, or verification of the facts as required under Rule 3(3) of the VAT Rules. Aggrieved by this unilateral decision, Unilever appealed to the Commissioner (LTU), but the Commissioner upheld the previous order. Later, when an appeal was filed before the Customs, Excise and VAT Appellate Tribunal, they also dismissed the matter and affirmed the decision of value enhancement. Further aggrieved by the decision of the Tribunal, Unilever Bangladesh Limited finally filed the present appeal before the High Court Division.

Issues:

- Whether the VAT authorities could enhance the declared value without conducting a proper investigation, market survey, or verification as mandatory under Rule 3(3) of the Value Added Tax Rules, 1991?
- Whether the reliance on unsupported, unverified, and hypothetical documents for determining the assessable value of the imported goods lawful and sustainable?
- Whether the concerned VAT authorities acted in clear violation of Section 5(2) of the VAT Act, read with Rule 3 of the VAT Rules, 1991?
- Whether the impugned orders passed by the Commissioner (LTU) and the Customs, Excise and VAT Appellate Tribunal were arbitrary, illegal, and unsustainable in the eyes of the law?

Relevant Provisions

The applicable legal framework is governed by Sections 5(2) and 42(1)(Ga) of the Value Added Tax Act, 1991, read in conjunction with Rules 3(1) and 3(3) of the Value Added Tax Rules, 1991. Additionally, this matter is subject to the National Board of Revenue (NBR) Order No. 1(38) Mushak Bastab Ponno/96(Ain-1)/03(8), dated January 13, 2010.

Judgment

The High Court Division observed that, as per Rule 3(3) of the VAT Rules, it is mandatory for the VAT authorities to conduct a proper investigation, market survey, or comparison with identical or similar goods before rejecting the declared price of a taxpayer. The Court found that none of these legal requirements were complied with in the present case. The Court further noted that the concerned Divisional Officer had taken a decision based on certain fictitious and undisclosed documents, without citing sources or verifying their authenticity. Such a step was considered arbitrary, unsubstantiated, and contrary to the legal framework relating to VAT assessment. The High Court Bench also referred to the order of the NBR dated January 13, 2010, which clearly directed that VAT officers cannot determine the price of the goods solely on the basis of the Maximum Retail Price unless it is ascertained through investigation that the supplier has actually received a higher price than the declared price. Since the authorities failed to follow both the legal process and the directions of the National Board of Revenue, their decision to increase the price was declared illegal.

TUHIN & PARTNERS
NEXUS OF LAW & BUSINESS

Our Services


BANKING & FINANCIAL


CAPITAL MARKET & CORPORATE FINANCE


COMMERCIAL & OPERATIONAL CONTRACT


CORPORATE AND COMMERCIAL


DISPUTE RESOLUTION


EMPLOYMENT & INDUSTRIAL RELATIONS


FOREIGN DIRECT INVESTMENT


IMMIGRATION


INTELLECTUAL PROPERTY


PROPERTY & CONVEYANCING


TAXATION


TRAINING

To read our e-newsletter please visit https://tnp.legal/enewsletter/ or Scan

Corporate Office:
Flat G2 (6th Floor), House # 94,
Road # 10,Block # D, Niketan,
Gulshan-1, Dhaka-1212

Registered Office
Office No. 305 (2nd floor),
3/B, Purana Paltan, Dhaka-1000

TUHIN & PARTNERS
NEXUS OF LAW & BUSINESS

E-mail Address:
hello@tnp.legal

Website:
www.tnp.legal