NBR Withdraws 2% Advance Tax on Cotton and Fibre Imports

Collected picture

The National Board of Revenue (NBR) has withdrawn the 2% Advance Income Tax (AIT) on imports of cotton and man-made fibres, following strong opposition from the textile industry.

A gazette issued on July 17 confirmed the decision is effective immediately. However, the exemption applies only to industrial importers with an Import Registration Certificate (IRC), not to commercial traders.

The AIT was initially introduced in the FY 2024–25 budget on over 150 raw materials, including cotton and synthetic fibres, with a revenue target of Tk 900 crore. Industry leaders argued the tax would increase production costs and threaten the competitiveness of local spinning mills.

Bangladesh imports around 99% of its cotton needs—over 8.3 million bales in 2024—mostly from Africa, India, the U.S., and others. Man-made fibres like polyester and nylon, mainly from China, are also widely used.

BTMA Vice President Saleud Zaman Khan said the combined tax burden could have reached 64%, putting factories under serious financial pressure. “Just for cotton imports, we’d be paying Tk 32 crore annually—unbearable for any mill,” he said.

While NBR argued the tax could be adjusted at year-end, mill owners said the refund process is slow and complex. BTMA President Shawkot Aziz Russell added that taxing cotton while yarn imports remain duty-free would harm local industries.

NBR sources said the withdrawal followed discussions with the International Monetary Fund (IMF).