

# DOING BUSINESS

IN BANGLADESH



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for doing  
business

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# 1 – INTRODUCTION

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UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in over 80 countries throughout the world.

Business partners work together through the network to conduct transnational operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operations in Bangladesh has been provided by the office of UHY representatives:

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Information in the following pages has been updated so that they are effective at the date shown, but inevitably they are both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at August 2015.

We look forward to helping you do business in Bangladesh.

## 2 – BUSINESS ENVIRONMENT

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### GEOGRAPHY

Bangladesh is a country in south Asia.

Bangladesh covers an area of approximately 147,570 square kilometres. It is bordered by India on all sides except for a small border with Burma (Myanmar) to the far southeast and by the Bay of Bengal to the south. Saint Martin's Island in the Bay of Bengal is a part of the territory of Bangladesh.

### POPULATION

Bangladesh is the Eighth most populous country and is among the most densely populated nations in the world.

Bangladesh has a current population of approximately 168.28 million.

### LANGUAGE

The official and most widely used language in Bangladesh is Bengali or Bangla, an Indo-Aryan language of Magadhi Parakrit origin with its own script.

English is used as second language among the middle and upper classes and in higher education. Since a President Order in 1987, Bengali is used for all official correspondence except those sent to foreign recipients.

### POLITICAL SYSTEM

Bangladesh is a moderate, democratic and ethnically homogeneous country. It is a constitutional republic with a multi-party parliamentary democracy.

Elections are held on the basis of universal suffrage. The president is the head of state elected by the members of the parliament for a five-year term. Executive power is exercised by the cabinet headed by the prime minister, who is the leader of the house in the parliament. The president appoints the prime minister and, on his/her recommendation, other ministers. He/she also appoints members of the judiciary.

### INDUSTRIAL POLICY – KEY FEATURES

The government has initiated various policy initiatives to promote socio-economic development in Bangladesh.

Key aims of the country's industrial policy are cited below:

- To expand the production base of the economy by accelerating the level of industrial investment
- To promote the private sector for growth of industrial production and investment
- To focus the role of the government as the facilitator in creating an enabling environment for expanding private investment
- To permit public undertakings only in those industrial activities where public sector involvement is essential to facilitate the growth of the private sector and / or where there are overriding social concerns to be accommodated

- To attract foreign direct investment in both export and domestic market-oriented industries to make up for deficient domestic investment resources, and to acquire evolving technology and gain access to export markets
- To ensure rapid growth of industrial employment by encouraging investment in labour-intensive manufacturing industries including investment in efficient small and cottage industries
- To generate female employment in higher-skill categories through special emphasis on skill development
- To raise industrial productivity and to move progressively to higher value-added products through the upgrading of skills and technology
- To enhance operational efficiency in all remaining public manufacturing enterprises through appropriate management restructuring and pursuit of market-oriented policies
- To diversify and rapidly increase manufacturing exports
- To encourage the competitive strength of import-substituting industries for catering to a growing domestic market
- To ensure a process of industrialisation which is environmentally sound and consistent with the resource endowment of the economy
- To encourage balanced industrial development throughout the country by introducing suitable measures and incentives
- To effectively utilise the existing production capacity
- To coordinate with trade and fiscal policies
- To develop indigenous technology and to expand production based on domestic raw materials
- To rehabilitate deserving sick industries.

## THE ECONOMY

Bangladesh's economy has seen vast improvements in the years following independence in 1971.

Agriculture is one of the main sectors in the country's economy and production has been increasing. The government has also made efforts to create an 'investor-friendly' environment so as to attract foreign trade. The contribution of the Agriculture & Forestry sector to the GDP is 12.64% for the last financial year 2015-2016.

Sadly, natural disasters have had a negative impact on Bangladesh's economy. Despite this, the country is showing greater self-reliance as foreign aid has declined.

There has also been great growth in Bangladesh's exports. All-in-all, Bangladesh's economic situation is set to continue improving.

## WHAT IS FUELLING BANGLADESH'S ECONOMY?

The garment industry is massive and one of the most impressive in the world. This industry has created extensive numbers of jobs for the population and particularly for women. Large numbers of garments and knitwear are exported to the United States and Europe. Bangladesh's ready-made garment industry now accounts for approximately 78% of total exports, second only to China as the world's largest apparel exporter.

Bangladesh is also the world's fourth biggest rice producer. Much of the country's agricultural land is set aside for the cultivation of rice, as well as jute and some wheat. This agricultural economy is, however, very dependent on the monsoonal cycle where the country experiences cyclic flooding and drought. Other exports include leather, ceramics, pharmaceuticals and shrimp.

Bangladesh has received near about USD 60 Billion in the form of Foreign aid till to date. Ironically, poverty is still a huge problem in the country and social services are sadly lacking.

Encouraging foreign investment in Bangladesh has had significant success –particularly in power generation, gas production, pharmaceutical, textile and cellular telephony sectors. A Board of Investment was created in 1989. Its role was to make approval and start-up easier for foreign investors in Bangladesh.

Far more foreign investment still needs to be made in Bangladesh if the country's economy is to see even greater improvements. With increased foreign investment and efforts to reduce poverty, Bangladesh's economy will go from strength to strength.

The highlights of Bangladesh's economy are as follows:

- A steady average annual GDP growth of 5% over the last decade
- Inflation has been kept in single-digit figures
- Key exports include the following major items:
  - Raw jute, jute goods
  - Tea
  - Leather
  - Frozen food/fish
  - Handicrafts
  - Readymade garments
  - Chemicals
  - Medicines
- Exports have gradually shifted from traditional goods to more value-added items
- Emphasis has been placed on manufacturing and the IT sector
- Bangladesh is in the process of transition from a predominantly agrarian economy to an industrial and service economy. The private sector is playing an increasingly active role in the economic life of the country, while the public sector concentrates more on the physical and social infrastructure like Padma Bridge, Four-lane Dhaka-Chittagong Highway road, Deep sea port in Kutubdia & Patuakhali.

#### INTERNATIONAL TIME

The international time of Bangladesh is Greenwich Mean Time +6.

#### CURRENCY

The currency of Bangladesh is the taka, which is referred to by the acronym BDT.

## 3 – FOREIGN INVESTMENT

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Bangladesh is now trying to establish itself as the next rising star in South Asia for foreign investment. The government has implemented a number of policy reforms designed to create a more open and competitive climate for private investment, both foreign and local.

The country has a genuine democratic system of government and enjoys political stability seen as a 'sine qua non' for ensuring a favourable climate for investment and sustained development.

Bangladesh has been quick to undertake major restructuring for establishing a market economy, with the major thrust coming from the private sector. The country enjoys modest but steady economic growth. Its current development strategy is based on the premise that the creation and distribution of wealth occurs through the acceleration of growth driven by competitive market forces, with the government facilitating growth and making a clean break from the practices of a controlled economy where private investment is constrained. The government has been gradually withdrawing its involvement in industrial and infrastructure sectors and promoting private sector participation.

The government has moved speedily to translate its policy pronouncements into specific reforms. It has been consistently pursuing an open-door investment policy and playing a catalytic rather than a regulatory role.

Regulatory controls and constraints have been reduced to a minimum. The government has steadily liberalised its trade regime. Significant progress has been achieved in reducing non-tariff restrictions on trade, rationalising tariff rates and improving export incentives. The introduction of VAT has helped rationalisation of the import tariff and domestic tax structures. The tariff structure and the import policy are kept under constant review to identify areas where further improvements are needed.

On the legal and administrative front, the government has initiated measures to give greater autonomy and independence to the judiciary – a pre-requisite, as viewed by investors, for the restoration of confidence in the judicial system.

A permanent Law Reform Commission has already been set up to ensure greater transparency and predictability in the way rules and regulations are made and implemented.

Motivated by the simple realisation that state-owned enterprises are a drain on its scarce resources and that these are generally inefficient, costly and slow in responding to changing markets and consumer desires, the country has embarked on a privatisation program, offering substantial opportunities for international investors.

Foreign investment is particularly welcome in the export-oriented industries such as textiles, leather goods, electronic products and components, chemicals and petrochemicals, agro-based industries, green jute pulp, paper, rayon products, frozen foods (dominated by shrimp farming), tourism, agriculture, light industries, software and data processing.

Foreign investment is also desired in high-technology products which will help import substitution or industries which will be labour-, as well as technology intensive.

#### FOREIGN DIRECT INVESTMENT ANALYSIS:

	2015(US\$ million)	2014 (US\$ million)
FDI Inflow into Bangladesh	1,700	1,432
FDI Outflow from Bangladesh	52.8	32.3

#### Key Facts:

- The total FDI inflow into Bangladesh increased by 18.71% in 2015.
- The total FDI outflow from Bangladesh decreased by 63.5% in 2015.

Source: UNCTAD, FDI-TNC-GVC Information System, FDI database



In order to entice investors, the government has put in place an extensive programme of incentives, which include:

- No ceiling on investment
- Tax holidays
- Tax exemption and duty-free importation of capital machinery and spare parts of 100% for export-oriented industries
- Residency permits for foreign nationals
- Capital, profit and dividend repatriation facilities
- 100% foreign equity allowance
- Exemption on income tax for up to three years for expatriate employees
- Term loans and working capital loans from local banks allowed
- Re-investment of repatriable dividends treated as new investment
- Double-taxation avoidance, as per bilateral agreements already concluded
- Tax exemption on the interest payable on foreign loans and on royalties and technical know-how fees
- Open exchange controls
- Multiple-entry visas for foreign investors
- Investors can take advantage of the generalised system of preference, which allows duty-free access to American, European and Japanese markets
- The taka is convertible for current account transactions.

The country also offers:

- Extremely competitive labour costs, perhaps the lowest in Asia
- An easily trainable workforce of more than 30 million
- A large domestic market, with disposable income growing especially among the middle class
- A strategic location as the bridge between the South and East-Asian high-growth regions, as well as links with other markets e.g. India, Pakistan, Malaysia, Singapore etc.
- Low land and energy costs
- Good road/bridge/rail infrastructure, which are being improved, as well as two sea-ports being further developed
- 'Most Favoured Nations' status
- Legal protection for foreign investment against nationalisation and expropriation
- Equitable treatment with local investors regarding indemnification, compensation etc.

#### IMMIGRATION PROCEDURE

Business travellers may request visas with a year's duration and multiple entries. Bangladesh issues the following categories of business visa:

- Single-entry for three months
- Multiple-entry for three months
- Multiple-entry for six months
- Multiple-entry for one year.

Extensions for each type of visa are also permitted.

### MODIFIED RULES OF LANDING PERMIT / VISA ON ARRIVAL

The Government of Bangladesh issued a circular on 18 April 2002 updating the provisions of the Landing Permit (LP) / Visa On Arrival (VOA) for travellers without a valid visa. Foreign investors and businesspersons could avail themselves of the LP/VOA from Shahjalal International Airport for 30 days at most under the following conditions:

- The foreign investors shall be identified on the basis of certification from the Board of Investment (BOI)/ BEPZA / Ministry of Industries. Officials from the BOI will be on duty round-the-clock to facilitate certification of the relevant documents for VOAs / LPs
- The foreign businesspersons who are directly associated with import of Bangladeshi products shall be identified on the basis of the certificate by the relevant associations of export-oriented commercial/industrial organisations or the Federation of Bangladesh Chamber of Commerce and Industries (FBCCI) or the Bangladesh Garments Manufacturing and Exporting Association (BGMEA). The certificate shall include the Tax Identification Number (TIN) of the respective local commercial/industrial organisations.

The conditions of issuing LP/VOAs include the following:

- a) In no circumstances shall the period of the LP/VOA be extended
- b) The LP/VOA applicant shall have endorsement of USD 500 in their passport / in cash
- c) The LP/VOA Fee will be determined by the Reciprocity Policy with respective countries
- d) The applicant shall have a return air ticket
- e) The applicant shall utilise the same port for entry and departure.

Applicants should contact the Bangladesh mission in their own country.

All sectors of industry (except six) are open for private investment. The six sectors reserved for public investment only are:

- Defence and defence production
- Nuclear energy
- Extraction from reserved forests
- Security printing and mint
- Air transportation (some domestic routes and international air cargo have already opened for private investment)
- Railways.

### FOREIGN PRIVATE INVESTMENT OPPORTUNITIES

Investment opportunities include:

- Direct (100%) foreign investment or joint venture investment in the Export Processing Zones (EPZs) or outside the EPZs (with the exception of the five industries mentioned above)
- Portfolio investment by purchasing shares in publicly listed companies through the stock exchange
- Investment in infrastructure projects such as power generation (a private power generation policy has been announced), oil, gas and mineral exploration, telecommunications, ports, roads and highways
- Outright purchase or purchase of shares of state-owned enterprises, which are undergoing the process of privatisation
- Investment in private EPZs (a Private EPZ Act was recently passed).

As already stated, foreign investment is particularly welcome in export-oriented industries and high-technology products or industries which are labour- as well as technology intensive. The country's drive for foreign investment is being spearheaded by the Board of Investment, which was created to facilitate the setting up of manufacturing and other industries in the private sector, both local and foreign. It is a promotional organisation dedicated towards providing investment assistance to all investors.

The Board is headed by the prime minister and includes ministers and secretaries from the concerned ministries, as well as representatives from the private sector. The Board has launched an investment promotion drive at home and abroad to attract investors. The BOI has been assisting in the implementation of new projects as well as providing services.

Bangladesh is on the verge of a significant breakthrough in terms of both international investor confidence and significant inflow of new investment funds.

## 4 – SETTING UP A BUSINESS

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Implementing a wholly owned or joint venture industrial project in Bangladesh is a fairly simple process.

The entire process is presented in the following section.

### **INCORPORATING A COMPANY**

Business in Bangladesh may be carried on by a company formed and incorporated locally or by a company incorporated abroad but registered in Bangladesh.

The incorporation or registration is carried out by the Registrar of Joint Stock Companies and Firms under the provisions of the Companies Act 1994.

To start a business in Bangladesh, the procedures to be followed are as set out below.

#### **STEP ONE**

Verify the uniqueness of the proposed company name with the Registrar of Joint Stock Companies and Firms.

To file the company name, a hardcopy application on plain paper is required, along with the resolution approved by the promoters or sponsors of the proposed company about the proposed corporate name, authorised share capital to be paid in, and the names of the proposed chairs/directors/shareholders who have agreed to subscribe to shares in the proposed company.

The application is submitted by any person authorised by the promoters or sponsors of the proposed company to the Registrar of the Joint Stock Companies and Firms (RJSC), which verifies and confirms the availability of the proposed name for a new registration. The Registrar publishes reserved and rejected company names on a daily basis. Application forms can be downloaded from the Registrar's web site (<http://roc.gov.bd>), which also provides fee schedules and model forms for the memorandum and articles of association. The search for a company name was computerised in 2003.

#### **STEP TWO**

Buy an adhesive stamp from the Treasury for the memorandum and articles of association.

Special adhesive stamps of the value BDT 500 must be affixed to the memorandum of association regardless of the company's authorised capital. For the articles of association, the value of the stamps is BDT 1,500, 4,000 and 10,000 for authorised capital of BDT 1 million, BDT 30 million and above BDT 30 million respectively.

Special adhesive stamps are available from the Treasury for the production of receipt of payment to the Bangladesh Bank. Since 2006, the time required to obtain adhesive stamps from the Treasury has increased owing to stronger enforcement of the stamp verification procedure. According to internal processes, once the applicant requests the stamps, the Treasury checks with the Accountant General, who sends notice to the RJSC.

**STEP THREE**

File documents with the RJSC for registration.

For filing the memorandum and articles of association, the company pays fees based on the company's authorised capital. For example, for a company with capital of BDT 318,320 the cost is BDT 3,315 (BDT 2,115 in registration fees + BDT 1,200 in registration filing fees). There are different slabs of fees for different capital.

Fees are paid at the Registrar and submitted along with the following documents:

- a) Name clearance certificate
- b) Three copies of the memorandum of association
- c) Three copies of the articles of association
- d) Forms I, VI, IX, X, and XII
- e) Encashment certificate (for non-resident subscribers)
- f) Tax identification number (for resident subscribers).

**STEP FOUR**

Make a company seal.

**STEP FIVE**

Register with the tax authority.

To commence business, every company must register itself with the appropriate taxation authority (the Deputy Commission of Taxes of Company Circle, Zonal Taxation Department) under the National Board of Revenue (NBR) and procure a tax identification number for the new company.

**STEP SIX**

Register with the VAT authority.

For VAT purposes, companies may be registered separately with the Customs, Excise, and VAT Commission (under the NBR). The various VATs incurred while operating the business will be regulated by the NBR Customs Department and VAT and Excise Department.

**STEP SEVEN**

Obtain a trading licence.

Companies may obtain a trading licence from the City Corporation. The trading licence application must be accompanied by the following documents:

- 1) A certified copy of the company's articles and memorandum of association
- 2) A copy of the certificate of incorporation
- 3) The company's statement of bank solvency
- 4) The company's tax identification number certificate
- 5) A copy of the rent agreement for the company's office
- 6) Three photographs (copies)
- 7) Particulars of the person in charge of the main corporate functions.

## COMPANY CLASSIFICATIONS

Companies can be classified into the following categories:

- Limited Companies
  - Company limited by shares
    - i) Public limited company
    - ii) Private limited company
  - Company limited by guarantees
- Unlimited companies.

Unlimited companies and companies limited by guarantees may or may not have share capital.

### PRIVATE LIMITED COMPANY

Forming a private limited company:

- Restricts the rights to transfer the shares
- Limits the number of its members to a minimum of two and maximum 50 excluding the persons employed in the company
- Prohibits any invitation to the public to subscribe for the shares or debentures of the company, and
- Entitles the company to commence business from the date of its incorporation.

### PUBLIC LIMITED COMPANY

A public limited company:

- May issue invitations to members of the public to subscribe to the shares and debentures of the company through a prospectus which complies with the requirements of the Companies Act 1994 and the Securities and Exchange Commission Act 1993 (as amended from time to time)
- Has a minimum of seven members but there is no maximum limit
- Has at least three directors.

A private company may be converted into a public company.

Necessary forms for incorporation and registration are available with the Office of the Registrar of Joint Stock Companies and Firms. Nominal fees are charged for registering the memorandum and articles of association.

### MEMORANDUM OF ASSOCIATION

The Memorandum of Association of the company shall state the name of the company, whether it is public limited or private limited and the location of the registered office of the company. The memorandum should clearly spell out the main objectives of the company, the authorised division of capital into shares of fixed amounts and the liability of its members.

### ARTICLES OF ASSOCIATION

The articles of association are the regulations governing the internal management of the affairs of the company and the conduct of its business.

## REGISTRATION AND APPROVALS

### REGISTRATION WITH THE BOI

Business in Bangladesh may be carried out by a company formed and incorporated locally or by a company incorporated abroad but registered in Bangladesh. The incorporation or registration is done by the Registrar of Joint Stock Companies and Firms under the provisions of the Companies Act 1994.

Companies can be classified in the following categories:

- 1) Joint venture/100% foreign investment proposals in the private sector—no prior approval or objection certificate is required for setting up a joint venture / 100% foreign direct investment. To avail of facilities and the institutional support services provided by the government, entrepreneurs/investors are advised to apply for registration to BOI in a simple prescribed form
- 2) Self-financed local investment proposals including industries sanctioned/ financed by financial institutions or commercial banks –entrepreneurs of such projects must fill in a simple prescribed application form and submit this to the BOI for registration. After first-hand scrutiny of the information, BOI issues a registration letter
- 3) Permission for setting up joint venture industrial units with a public sector corporation—any individual entrepreneur, either local or foreign, can set up an industry with a public sector corporation. Such a joint venture is required to be registered with the BOI if the private sector's contribution is more than 50% of the project cost, where in such cases it is treated as private-sector project. Any public sector industry making a contribution out of their own funds needs approval from the relevant ministry. If this contribution is 50% or above, the venture is treated as a public-sector project. The public sector project is processed by the concerned ministry for approval of the Planning Commission.

### REGISTRATION WITH FACTORIES ACT

Any manufacturing company employing ten or more workers is required to be registered under the Factories Act 1965 with the office of the Chief Inspector of Factories and Establishment. The act is primarily to regulate working conditions and to ensure safety in the factory.

### OBTAINING WORK PERMITS

Work permits for foreign nationals are a pre-requisite for employment in Bangladesh. Private sector industrial enterprises desiring to employ foreign nationals are required to apply in advance using the prescribed form of the BOI.

For expatriate employment the guidelines are as follows:

- Nationals of the countries recognised by Bangladesh are considered for employment
- Employment of expatriate personnel is considered only in industrial establishments which are sanctioned / registered by the appropriate authority
- Employment of foreign nationals is normally considered for any job where local experts / technicians are not available and persons below 18 years of age are not eligible for employment
- The decision of the Board of Directors of the concerned company for new employment/ extensions is to be furnished
- The number of foreign employees should not exceed 5% of total employees including top management personnel

- Initially, employment of any foreign national is considered for a term of two years which may be extended on the basis of merit of each individual case
- Necessary security clearance has to be obtained from the Ministry of Home Affairs.

#### REGISTRATION/APPROVAL FOR FOREIGN LOANS, SUPPLIERS' CREDIT, PAYE SCHEME ETC

Entrepreneurs in a private industrial sector arranging foreign credit in the form of loan, suppliers' credit, PAYE scheme etc. which fall within the following guidelines are not required to obtain prior approval from the BOI for contracting such credit:

- The effective rate of interest should not exceed LIBOR+4% (effective interest is the sum of the stated annual rate of interest and the annualised fees such as commitment fee, syndication fee, front-end fee, project appraisal fee etc.)
- The down payment, if any, in cases of the suppliers' credit should not exceed 10% of the credit amount
- The repayment period should not be less than seven years.

A copy of the foreign loan agreement signed by both parties should be submitted to the BOI for registration. Prior approval of the BOI is required for proposals which do not fall within the aforementioned guidelines.

#### OBTAINING INDUSTRIAL PLOTS

Entrepreneurs requiring an industrial plot for the setting up of industry in any industrial areas / estates apart from the BEPZA and BSCIC, may approach the BOI mentioning the size of plot required along with copies of the sanction / registration letter and industrial layout plan for justifying the actual requirement. After receiving the application, the BOI provides assistance for companies to obtain the industrial plot.

Most of the industrial areas/ estates are owned / controlled by city development authorities in three divisional headquarters – the RAJUK in Dhaka, CDA in Chittagong and KDA in Khulna. Besides these, there are a few industrial estates owned and controlled by some other government agencies namely (a) the Public Works Department and (b) the Housing and Settlement Directorate.

The BOI also recommends the acquisition of land to the concerned party if this is required by industrial units. In such cases, entrepreneurs are required to submit relevant papers and information in connection with the land to be acquired by the Deputy Commissioners (D.C.) concerned.

#### ENVIRONMENTAL LEGISLATION

Under the Environment Conservation Act 1995, all industrial projects shall obtain environmental clearance from the Department of Environment. The main criteria for obtaining clearance are set out in the Environment Conservation Rules 1997 which was established under the Act. Different levels of assessment are required depending on the particular industry concerned.

#### OBTAINING UTILITY CONNECTIONS

Entrepreneurs may apply either directly to the concerned authority for obtaining utility services or approach the BOI for assistance along with a copy of the registration/ sanction letter. The Utility Service Cell is specifically responsible within the BOI to help investors in obtaining the necessary utility services.



## EXCHANGE CONTROL & REMITTANCE

### REMITTANCE OF ROYALTY, TECHNICAL KNOW-HOW AND TECHNICAL ASSISTANCE FEES

No prior permission of the BOI is required for entering into agreements for remitting fees for the purpose of royalty, technical know-how and technical assistance if the total fees and other expenses connected with technology transfer (service fees, marketing commission etc.) are within the following prescribed limits:

- For new projects such fees and other expenses should not exceed an aggregated limit of 6% of the cost, insurance and freight (CIF) value of imported machinery
- Recurrent annual fees for royalties and other expenses, such as fees for technical know-how, technical assistance, operational services, marketing of products etc. should not exceed an aggregated limit of 6% of the previous year's sales of the firm declared in the tax return.

Once the technical transfer agreements falling within the above limits are signed, these must be furnished to the BOI for registration.

Proposals which are covered under the prescribed limits will require prior approval of the BOI for which applications have to be submitted along with necessary documents and a copy of the relevant draft agreement.

## OPENING A LIAISON/REPRESENTATIVE OR BRANCH OFFICE

To open a liaison/representative or branch office, a company must submit to the Board of Investment (BOI) the following items:

- The prescribed application form, duly completed, signed and stamped
- The memorandum of association (MOA) and articles of association (AOA) of the principal company
- Certificate of incorporation
- The name and nationalities of the directors/promoters of the principal company
- The Board resolution to open a liaison/representative or branch office in Bangladesh
- Audited accounts for the last financial year
- A proposed organogram of the office
- A list of the proposed offices activities.

All documents must be attested by the Bangladesh Embassy/High Commission in the applicant country of origin or the Apex Chamber of Commerce of the country of origin.

A liaison office cannot carry out business activities in Bangladesh.

A company, liaison office or branch office must obtain a trade licence from the City Corporation or municipality.

## LIVING IN BANGLADESH

### AN EXCITING PLACE WITH HARMONIOUS LIVING

Bangladesh is an exciting place to live and visit. Historical and archaeological sites dot the countryside, some dating as far back as the third century BC. The country is endowed with enchanting scenic beauty, mighty rivers, sunny beaches, historical relics and colourful tribal groups.

Today, Bangladesh is home to some of the major religions of the World. Islam, Hinduism, Buddhism and Christianity are all found here. Owing to a long tradition of tolerance, there is no communal animosity or ethnic controversy in Bangladesh. The constitution of the country also guarantees full freedom of religion and there is no discrimination based on race, religion, caste, sex or place of birth. Above all, the Bangladeshi people are by nature very polite, courteous, friendly and hospitable.

#### AFFORDABLE LIVING COSTS

For expatriates, Bangladesh is affordable and comfortable to live in. Expatriates' accommodation is available in centrally located apartments and houses. In several suburban areas, much quieter, more secluded houses are also available for rent.

For those visiting Bangladesh, Dhaka offers international five-star hotels such as the Pan Pacific Sonargaon Dhaka and the Westin Dhaka. Such hotels provide deluxe accommodation, restaurants, health clubs and entertainment facilities. In addition there are a number of high/medium standard hotels and guest houses in Dhaka and Chittagong to accommodate expatriates.

#### INTERNATIONAL SCHOOLING

An American International School for grades 1 to 12 is located near the high-class residential area of Gulshan in Dhaka. Here, professional teaching staff follow the American school curriculum. The school library maintains a substantial collection. Tuition charges are reasonable.

A Japanese school is located in the residential area of Baridhara in Dhaka. The school is managed by the Japanese Association in Bangladesh.

Other international schools in Bangladesh which follow the British curriculum include:

- International School Dhaka (ISD)
- Islamic International School (IISC), Dhaka
- Australian International School, Dhaka
- Scholastica
- Bangladesh International Tutorial
- Canadian International School.

#### ENTERTAINMENT AND RECREATION

For recreation, expatriates have access to three private clubs in Dhaka to play tennis, squash, golf and billiards, and to swim or dine. Local entertainment includes plays, art exhibitions, films and instrumental and vocal music groups. Special occasions are often marked by folk or dance festivals. Similar sports and recreational facilities are also available in Chittagong and Khulna.

## TOURS AND TRAVELS

Chittagong and Khulna have some special attractions for visitors. Chittagong, the second largest city, is the gateway to the Bay of Bengal with a picturesque hinterland of large hills and forests, broad sandy beaches and a fine temperate climate which attracts holidaymakers. The city combines the hum of a busy sea-port with the pleasure of a charming hill-town with undulating topography. Chittagong is the country's principal sea-port and is the main location for heavy, medium and light industries. Chittagong is also close to other unique tourist spots like Cox's Bazar, Kaptai and Rangamati.

Khulna, the country's third largest city, serves as the gateway to the port of Mongla and to the Sundarbans, the home of the Royal Bengal Tiger. A journey by paddle steamer from Dhaka to Khulna along the southern river system, which runs through the green countryside, is guaranteed to be an unforgettable experience for foreigners. Popular tourist attractions nearby are Saint Khan Jahan Ali's sixty-domed ancient mosque (1459 AD) and his mausoleum at Bagerhat about 32 kilometres from Khulna.

## HEALTHCARE

Basic health care needs can be met at any of the country's hospitals or clinics, or by foreign-trained registered physicians engaged in various state-owned and private hospitals and clinics. Most are highly qualified and experienced, and educated in the USA, the UK, Japan and other European countries. There are also some good hospitals and clinics with modern diagnostic equipment and facilities.

## WORKDAYS AND BUSINESS HOURS

Bangladesh observes Friday & Saturday as weekend. Business hours are 9.00–17:00 for all private and government offices. Banks operate 10:00–18:00, while industry has a 40-hour week.

## FLIGHT SCHEDULES

Travelling to Bangladesh from any country is simple and easy. For the latest flight schedules from major international hubs like London, Dubai, Bangkok, Singapore, please contact the relevant airlines' offices.

## 5 – LABOUR

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Bangladesh offers an abundant supply of disciplined, easily trainable and low-cost workers suitable for any labour-intensive industry.

Of late, there is an increasing supply of professionals, technologists and other middle- and low level skilled workers. They receive technical training from universities, college, technical training centres, polytechnic institutions etc.

### EMPLOYMENT CONDITIONS

The minimum age for workers in Bangladesh is 18 years in factories and establishments.

Contracts are made in the form of a letter of offer. Workers may also be engaged on verbal agreements.

In government organisations and in some private organisations as well, a probation period exists for skilled or semi-skilled workers varying between three months to one year. During this period either party may serve one month's notice for termination of the job. In the private sector, the dignity of labour is ensured in accordance with the principles enunciated by the International Labour Organisation's (ILO) conventions and recommendations.

### LABOUR LAWS

In Bangladesh 48 labour laws are now in operation. These relate to wages and employment, trade union & industrial disputes, working environments and labour administration and related matters.

The main labour laws are:

- Workmen's Compensation Act 1923
- Payment of Wages Act 1936
- Maternity Benefits Act 1936
- Employment of Labour (Standing Orders) Act 1965
- Shops & Establishments Act 1965
- Factories Act 1965
- Industrial Relations Ordinance 1969

### SETTLEMENT OF LABOUR DISPUTES

Contracts or agreements are usually made between the management and the Collective Bargaining Agent (CBA) for the settlement of industrial disputes as per provisions of the Industrial Relations Ordinance 1969.

In cases where a bipartite negotiation fails, the conciliation machinery of the government is requested by the aggrieved party to intervene and a conciliation process is undertaken. If this succeeds, an agreement is signed between the parties and the Conciliation Officer becomes a witness. If it fails, the party raising the dispute may go for a strike or lockout as the case may be. The government may, however, prohibit the same after one month in the interest of the public. In essential services such as electricity, gas, oil and water supply etc., hospital & ambulance services, fire brigades, railways and the Bangladesh Biman, and ports etc., strikes are prohibited.

### WAGES AND FRINGE BENEFITS

In the public sector, wages and fringe benefits of workers are determined by the government on the recommendation of the National Wages Commission, which is established from time to time. (Commissions were appointed in 1973, 1977, 1984, 1989 and 1992.) Wages and fringe benefits declared by the government in 1977 have 20 grades of wages. Public sector employees are, however, covered by the Pay Commission which is declared by the government from time to time.

In the private sector, the wages and fringes benefits of workers and employees are determined through a collective bargaining process. Sometimes, private industries follow the public sector wages and salary structure for their workers and employees respectively.

### LEAVE & HOLIDAYS

Leave and holidays of workers and employees are regulated by the Factories Act 1965 and the Shops Establishment Act 1965.

### SOCIAL SECURITY

The Workmen's Compensation, Maternity Benefit (Tea Estate) Act 1950, Maternity Benefit Act 1939 and Employment of Labour (standing orders) Act 1965 etc. deal with provident funds and gratuities.

### LABOUR UNIONS

The Industrial Relations Ordinance 1969 deals with trade unions in Bangladesh. In any industrial and commercial establishment, a trade union may be formed with 30% of the total number of workers employed. If there is more than one union in any establishment, a collective bargaining agent is determined by the Registrar of the trade union through a sector ballot for a term of two years. Only the collective bargaining agent is authorised to raise industrial disputes and negotiate with the management. The Director of Labour of the government acts as the Registrar of Trade Unions in Bangladesh.

The Industrial Relations Ordinance 1969 provides that any worker or employer/ has the right to form a union/association without previous authorisation. But such a union/association cannot function as a trade union without being registered under the law.

### WORKING HOURS

Workers in the public or private sector remain at their job for 8 hours daily (including half an hour for meal or rest) with Friday & Saturday as a weekly holiday marking 40 working hours per week. Work in excess of these hours is paid as overtime. The rate of overtime is two hours pay for one hour of work.

## 6 – TAXATION

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### INCOME TAX

Income tax in Bangladesh is administered under the Income Tax Ordinance 1984 and the Income tax Rules 1984, as well as notifications made under the Ordinance.

### ADMINISTRATIVE SYSTEM

At the apex of the income tax department is the National Board of Revenue (NBR) which is a part of the Finance Ministry and administers direct tax laws.

### ASSESSMENTS

All taxpayers are required to file a return of income on or before specified dates for each income tax year. Tax on income is assessed for an income year commencing 1 July, at the rates in force for the relevant assessment year. The assessment year is the year commencing 1 July, immediately succeeding the income year.

### RESIDENCE

The liability to tax under the Income Tax Ordinance 1984 depends upon the residential status of the taxpayer, irrespective of his/her nationality or domicile.

A U/S 2(55) 'resident', in respect of any income year, refers to:

- An individual who has been in Bangladesh:
  - For a period of, or for periods amounting in all to, 182 days or more in that year, or
  - For a period of, or periods amounting in all to, 90 days or more in that year having previously been in Bangladesh for a period of, or periods amounting in all to, 365 days or more during four years preceding that year
- A Hindu undivided family, firm or other association of persons, the control and management of whose affairs is situated wholly or partly in Bangladesh in that year
- A Bangladeshi company or any other company the control and management of whose affairs is situated wholly in Bangladesh in that year.

### SCOPE OF TOTAL INCOME

The total income of a resident is chargeable for tax in Bangladesh.

For a non-resident, only Bangladesh income is chargeable for tax in Bangladesh. There are certain provisions in the Income Tax Ordinance 1984 which deem income to accrue or arise in Bangladesh as being sourced in Bangladesh.

### TAXABLE INCOME

The income of a taxpayer is determined under seven categories of income:

- Salary
- Interest on security
- House property
- Agriculture
- Business / profession
- Capital gains
- Other sources.

Specific deductions are available under each category and there are specific rules as to what constitutes income from each source. The tax charged is at the rates in force for the relevant income year.

The Income Tax Ordinance 1984 provides for the offsetting of losses and carrying forward of unabsorbed losses under various categories of income.

#### TAX HOLIDAYS– INDUSTRIAL UNDERTAKINGS

There are ‘tax holidays’ for newly established industrial undertakings set up in Bangladesh, where an ‘industrial undertaking’ means an industry engaged in the production of:

- a) Active pharmaceutical ingredients industry and radio pharmaceuticals industry
- b) Barrier contraceptives and rubber latex
- c) Basic chemicals or dyes and chemicals
- d) Basic components of the electronic industry (e.g. resistors, capacitors, transistors, integrator circuits)
- e) Bio-fertilizer
- f) Biotechnology
- g) Boilers
- h) Compressors
- i) Computer hardware
- j) Energy efficient appliances
- k) Insecticide or pesticide
- l) Petro-chemicals
- m) Pharmaceuticals
- n) Processing of locally produced fruits and vegetables
- o) Radio-active (diffusion) application industry (eg developing quality or decaying polymer or preservation of food or disinfecting medicinal equipment)
- p) Textile machinery
- q) Tissue grafting
- r) Any other category of industrial undertaking as the government may, by notification in the official Gazette, specify.

The above industrial undertakings are eligible for a tax holiday when they fulfil the following conditions set out below:-

- The undertaking is owned and managed by:
  - A body corporate established by or under any law for the time being in force with its head office in Bangladesh, or
  - A company as defined in the Companies Act 1994 with its registered office in Bangladesh and having a subscribed and paid up capital of not less than BDT 2 million on the date of commencement of commercial production
- That 30% of the exempted income is invested in the said undertaking or in any new industrial undertaking during the period of exemption or within one year from the end of the period and in addition to that, another 10% of the exempted income is invested in each year before the expiry of three months from the end of the income year in the purchase of shares of a company listed with any stock exchange, failing which the income so exempted shall be subject to tax in the assessment year for which the exemption was allowed:

- Provided that the quantum of investment referred to in this clause shall be reduced by the amount of dividend, if any, declared by the company enjoying tax exemption
- That the undertaking is not formed by splitting up or by reconstruction or reconstitution of a business already in existence or by transfer to a new business of any machinery or plant used in business which was being carried on in Bangladesh at any time before the commencement of the new business
- That the said undertaking is approved, during the relevant income year, and stands approved by the Board
- That application in the prescribed form for approval for the purposes of this section, as verified in the prescribed manner, is made to the Board within six months from the end of the month of commencement of commercial production
- That the undertaking obtained a clearance certificate for the relevant income year from the Directorate of Environment
- That the undertaking maintains books of accounts on a regular basis and submits return of its income
- That the Board shall give its decision on an application within 45 days from the date it receives the application, failing which the undertaking shall be deemed to have been approved for a tax holiday.

It is important to note that exemption once granted to an industrial undertaking may be cancelled by the Deputy Commissioner of Taxes if he finds that any of the conditions stipulated under the law for the purpose of granting an exemption under the tax holiday scheme has not been fulfilled.

Exemption once granted may also be withdrawn on an application made not later than one year from the date of approval to this effect by the assessee.

The Board may, in the public interest, cancel or suspend fully or partially any exemption mooted under this section.

#### PERIOD OF EXEMPTION

Periods of exemption for industrial undertakings set up in the different areas are shown in the tables below:

**TABLE 1**

*For undertakings set up in Dhaka and Chittagong Divisions, excluding Dhaka, Narayanganj, Gazipur, Chittagong, Rangamati, Bandarban, and Khagrachari districts, for a period of five years beginning with the month of commencement of commercial production of the said undertaking*

PERIOD OF EXEMPTION	RATE OF EXEMPTION
For the first two years (first and second year)	100% of income
For the third year	60% of income
For the fourth year	40% of income
For the fifth year	20% of income



TABLE 2

*For undertakings set up in Rajshahi, Khulna, Sylhet and Barisal divisions (excluding city corporations area) and Rangamati, Bandarban and Khagrachari districts, for a period of ten years beginning with the month of commencement of commercial production of the said undertaking*

PERIOD OF EXEMPTION	RATE OF EXEMPTION
For the first & second year	100% of income
For the third year	70% of income
For the fourth year	55% of income
For the fifth Year	40% of income
For the sixth Year	25% of income
For the seventh to tenth year	20% of income

Where an industry is engaged in the production of items referred to as bio-fertilizers and petro-chemicals, it shall be entitled to an exemption from tax under the provisions of this section, even if it is set up in the districts of Dhaka, Gazipur, Narayanganj or Chittagong.

#### TAX HOLIDAYS –PHYSICAL INFRASTRUCTURE

There are tax holidays for newly established physical infrastructure facilities set up in between 30 June 2015 to 30 June 2019 (inclusive).

Physical infrastructure refers to:

- a) Deep sea ports
- b) Elevated express ways
- c) Export processing zones
- d) Flyovers
- e) Gas pipe lines
- f) Hi tech parks
- g) Information and communication technology (ICT) villages or software technology zones
- h) Information technology (IT) parks
- i) Large water treatment plants and pipe lines
- j) Liquefied natural gas (LNG) terminals and transmission lines
- k) Mono rails
- l) Rapid transit
- m) Renewable energy (eg energy saving bulbs, solar energy plants, windmills)
- n) Sea or river ports
- o) Toll roads or bridges
- p) Underground rails
- q) Waste treatment plants
- r) Any other category of physical infrastructure facility as the government may, by notification in the official Gazette, specify.

The specified physical infrastructure facilities are eligible for a tax holiday where the following conditions are met:

- That the physical infrastructure facility is owned and managed by:
  - A body corporate established by or under any law for the time being in force with its head office in Bangladesh

- A company as defined in the Companies Act 1994 with its registered office in Bangladesh and having a subscribed and paid up capital of not less than BDT 2 million on the date of commencement of commercial production
- That 30% of the exempted income is invested in the said physical infrastructure facility or in any new physical infrastructure facility during the period of exemption or within one year from the end of the period and in addition to that, another 10% of the exempted income is invested in each year before the expiry of three months from the end of the income year in the purchase of shares of a company listed with any stock exchange, failing which the income so exempted shall be subject to tax in the assessment year for which the exemption was allowed:
  - Provided that the quantum of investment referred to in this clause shall be reduced by the amount of dividend, if any, declared by the company enjoying tax exemption
- That the physical infrastructure facility is not formed by splitting up or by the reconstruction or reconstitution of business already in existence or by transfer to a new business of any machinery or plant used in business which was being carried on in Bangladesh at any time before the commencement of the new business
- That the physical infrastructure facility is approved during the relevant income year, and stands approved by the Board
- That application in the prescribed form for approval for the purposes of this section, as verified in the prescribed manner, is made to the Board within six months from the end of the month of commencement of commercial production
- That the physical infrastructure facility obtained a clearance certificate for the relevant income year from the Directorate of Environment
- That the physical infrastructure facility maintains books of accounts on a regular basis and submits return of its income
- That the Board shall give its decision on an application within 45 days from the date it receives the application, failing which the physical infrastructure facility shall be deemed to have been approved for tax holiday.

It is important to note that exemption once granted to a physical infrastructure facility may be cancelled by the Deputy Commissioner of Taxes if he finds that any of the conditions stipulated under the law for the purpose of granting an exemption under the tax holiday scheme has not been fulfilled.

Exemption once granted may also be withdrawn on an application made not later than one year from the date of approval to this effect by the assessee.

The Board may, in the public interest, cancel or suspend fully or partially any exemption mooted under this section

#### PERIOD OF EXEMPTION

The physical infrastructure facility which is set up in any area in the Bangladesh, shall be exempted from tax in the following manner:

**TABLE 3**  
*Exemptions for physical infrastructure*

PERIOD OF EXEMPTION	RATE OF EXEMPTION
For the first & second year	100% of income
For the third year	80% of income
For the fourth year	70% of income
For the fifth year	60% of income
For the sixth year	50% of income
For the seventh year	40% of income
For the eighth year	30% of income
For the ninth year	20% of income
For the tenth year	10% of income

#### OFFSET AND CARRYING FORWARD OF LOSSES

An assessee is entitled to offset losses against the income categories assessable and under other categories subject to some conditions.

A summary of the provisions for offsetting is shown in the following table:

**TABLE 4**  
*Offsetting of losses against tax by category*

LOSSES BY TAX CATEGORY	OFFSET IS POSSIBLE AGAINST
Salaries	Generally loss is not generated
Interest on securities	Income from any category
Income from house property	Income from any category
Agricultural Income	Income from any category except 'capital gains'
Income from business or profession	Income from any category except income from house property and capital gains, but if the loss is from speculation business, it can only be offset against income of any other speculation businesses
Capital gains	Any income under 'capital gains'
Income from other sources	Generally loss is not generated

As per provisions of the ITO 1984, losses from the following categories can be carried forwarded for the next six years:

- 1) Losses in the category 'Income from business or profession'
- 2) Losses in speculation businesses
- 3) Losses under 'capital gains'
- 4) Losses in the category of 'agricultural income'.

Unabsorbed depreciation can be carried forward for an unlimited time period.

## CAPITAL GAINS

Capital gains basically arise on the transfer of a capital asset if transferred at a value more than the original costs.

Any income in the category of 'capital gains' shall be taxed at the rate as specific below:

- In the case of a company:
  - i) Tax payable on the total income excluding capital gains as per the specific rate for being a company
  - ii) Tax at the rate of 15% on the whole amount of such capital gains.
- In the case of a person other than a company:
  - i) On disposal of capital assets within five years of acquisition, the amount of capital gain will be included with the total income and taxed accordingly at the regular rate
  - ii) On disposal of capital assets after five years of acquisition, tax payable on the capital gains at the rate applicable to the total income including the said capital gains, or taxed at the rate of 15% on the amount of the capital gains, whichever is lower.

Capital gains are exempted from taxes in the following cases:

- Capital gains arising to a non-resident assessee through transfer of stocks or shares of a public limited company provided that the assessee enjoys similar exemption in the country where he/she is a resident
- If the capital gain, arising out of a transfer of capital assets used in the business or profession, is used fully or in part to purchase new capital assets within a period of one year before or after the date of the transfer and if the assessee elects in writing before the assessment for rolling over the gain on the new asset
- If the capital gain arises from the transfer of a capital asset which takes the form of government securities and stocks and shares of public companies listed with a stock exchange in Bangladesh
- If the capital gain arises from the transfer of capital which takes the form of buildings or lands to a new company registered under the Companies Act 1994 for setting up of an industry, and if the whole amount of capital gain is invested in the equity of the said company, then the capital gain shall not be charged to tax as income of the year in which the transfer took place
- If the capital gain arises from the transfer of capital assets of a firm to a new company and if the whole amount of capital gain is invested in the equity of the said company by the partners of the said firm.

## TAX RATES

### NON CORPORATE / INDIVIDUAL TAX RATES

TABLE 5

*Rates of income tax for the assessment year 2015-2016*

TOTAL INCOME	RATE
First BDT 2,50,000 – For a male	Nil
First BDT 3,00,000 – For a female	
First BDT 3,00,000 – For individuals aged 65 + years	
First BDT 3,75,000 – For disabled individuals	
First BDT 4,25,000 – For freedom-fighters	

Next BDT 4,00,000	10%
Next BDT 5,00,000	15%
Next BDT 6,00,000	20%
Next BDT 3,000,000	25%
Balance income	30%
Minimum tax liability BDT 5,000	
Non-resident Individuals	30%

If the net wealth of an individual assessee within BDT 22.5-100 million (2.25 – 10 crore) then the surcharge shall be imposed on the tax payable at 10% in addition to the tax payable.

If the net wealth of an individual assessee within BDT 10 crore – 20 crore then the surcharge shall be imposed on the tax payable at 15% in addition to the tax payable .

If the net wealth of an individual assessee within BDT 20 crore – 30 crore then the surcharge shall be imposed on the tax payable at 20% in addition to the tax payable

If the net wealth of an individual assessee exceeds BDT 3 billion( thirty crore) then the surcharge shall be imposed on the tax payable at 25% in addition to the tax payable

## CORPORATE TAX RATES

TABLE 6

*Tax rates by type of company*

TYPES OF COMPANIES	RATE
Mobile phone operators	45% (40% if it is listed by issuing minimum 10% shares through an IPO)
Cigarette manufacturing companies	45% (non-public traded) 45% (publically traded)
Bank, insurance & financial Institutions	40% (non-public traded) 42.5%(publically traded)
Merchant banks	37.5%
Publicly traded companies (except banks, insurance & financial institutions)	10 % tax rebate offered to publicly traded companies declaring at least 30% cash dividend has been withdrawn. The provision of 35% tax rate applicable for publicly traded companies declaring less than 10% dividend or not paying dividend within the specified time (60 days) has also been withdrawn.
Private limited companies including non-publicly traded companies (except banks, insurance & financial institutions)	35%
Dividend income	20%
Minimum tax liability irrespective of profit or loss	At 0.3% on the gross receipts

## ADVANCE TAX

Advance tax is payable in four equal instalments during the financial year which is given below:

- 15 September
- 15 December
- 15 March
- 15 June

This applies where the total income of the assessee for the latest income year (in respect of which he/she has been assessed by way of regular assessment or has been provisionally assessed under this Ordinance) exceeds Tk 400,000 (four lakh).

**WITHHOLDING TAXES**

Tax payable under this Ordinance shall be deducted or collected at source in respect of the following income as per the latest Finance Act 2009, shown in the table below:-

**TABLE 7***Withholding tax exemptions*

SECTION	TITLE	EXEMPTION	FINAL SETTLEMENT	RATE
50	Deduction at source from salaries Women and elderly (over 65)	BDT 250,000 BDT 225,000		Average rate
50 A	Deduction at source from discount of the real value of Bangladesh Bank bills			Maximum Rate
51	Deduction at source from interest on securities			5%
52 (R-16)	Deduction from payment to contractors etc. A) First BDT 200,000 BDT 200,001 – 500,000 BDT 500,001 – 1,500,000 BDT 1,500,001 – 2,500,000 BDT 2,500,001 –30,000,000 Above BDT 30,000,000	BDT 200,000	82 C	Nil 1% 2.5% 3.5% 4% 5%
	A) Oil marketing company First BDT 200,000 Above 200,000	BDT 200,000		Nil 0.60%
(R-17)	B) Deduction from Indenting Commission			7.5%
	C) Deduction from Shipping Agency Commission			5%
52A	Deduction from fees for professional or technical services : • Fees received from patients by doctors • Technical services • Professional services • Royalty or technical know-how fees • Actuarial Service		82 C	Varies by TIN NO.
52AA	Deduction from the payment of certain services (private security services, stevedoring agency) bank & inc.			10%
52AAA	Collection of tax from clearing & forwarding agents		82 C	10%
52 B	Collection of tax from cigarette manufacturers		82 C	10% of the value of the banderols
52 C	Deduction at source compensation against acquisition of property • immovable property situated within		82 C	2%

	City Corporations, Pourasava or Cantonment board <ul style="list-style-type: none"> <li>immovable property situated outside the jurisdiction of City Corporation, Pourasava or Cantonment board</li> </ul>			1%
52 D	Deduction at source from interest on savings Instruments (exempted for provident funds, gratuity funds)			Up to 5 Lakh- Nil Above-5%
52 F	Collection of tax from brick manufacturers: <ul style="list-style-type: none"> <li>One section</li> <li>Two sections</li> <li>Three sections</li> </ul>			BDT 30,000 BDT 45,000 BDT 60,000
52 I	Deduction from the commission of letters of credit			5%
52 JJ	Tax from Travel Agent			3%
52 K	Collection of tax by city corporation at the time of issuing & renewal of trade licences <ul style="list-style-type: none"> <li>Dhaka &amp; Chittagong city corporation</li> <li>Any city corporation, other than Dhaka &amp; chittagong City corporation</li> <li>Any local government at any district headquarter</li> <li>Other local government</li> </ul>			BDT 500 BDT 300  BDT 300  BDT 100
52 M	Collection of tax from freight forward agency commission			15%
52 N	Rental power company		82 C	6%
52 O	Foreign technician serving in diamond cutting industries		82 C	5%
52 P	Deduction of tax for services from convention halls, conference centres etc.			5%
52 Q	Deduction of tax from resident for any income in connection with any service provided to any foreign person			10%
52 R	Deduction of tax from international gateway service in respect of phone calls <ul style="list-style-type: none"> <li>The recipient Bank from IGW Service operator bill</li> <li>The recipient Bank from ICX, ANS bill</li> </ul>			1%  5%
52 S	Collection of tax from Manufacturer of soft drinks			3%
52 T	Payment in excess of premium paid			5%
52 U	Payment of Local LC			Up to 5 Lakh- Nil; above -3%
52 V	Mobile company: License fee, Revenue			10%



	sharing			
53	Collection of tax from importers		82 C	5%
53 A	Deduction at source from house properties			5%
53 AA	Collection of tax from shipping business of a resident of total freight receivable or received in Bangladesh Of total freight receivable or received from service rendered between two or more foreign countries in Bangladesh		82 C	5%  3%
53 B (R-17 C)	Deduction of tax from income derived on account of export of manpower		82 C	10%
53 BB	Collection of tax from export of Garments		82 C	0.30% of the total export proceeds
53 BBB	Collection of tax from member of stock exchange		82 C	0.05%
53 BBBB	Collection of tax from export of any goods other than Garments			0.60% of the total export proceeds
53 C (R -17D)	Collection of tax on sale price of goods or property sold by the public auction		82 C	5% of sales price
53 CC	Deduction or collection of tax at source from courier business of a non-resident		82 C	15% on the amount of service charge accrued.
53 D (R-17E)	Deduction of tax from the payment to actors & actresses	BDT 10,000		10%
53 DDD	Deduction of tax at source from export cash subsidies		82 C	3%
53 E(1)	Deduction or collection of tax from commission discount or fees			10%
53 E(2)	Sales of goods to a distributor at a price lower than the retail price fixed			5%
53 EE	Deduction of tax from commission or remuneration paid to an agent of foreign buyer			7.5%
53 F	Deduction of tax at source from interest on savings deposit & fixed deposit etc. <ul style="list-style-type: none"> <li>• TIN holder</li> <li>• Non-TIN holder</li> </ul>			10% 15%
53 FF	Collection of tax from persons engaged in real estate or land development business: <ul style="list-style-type: none"> <li>• Building or apartment constructed for residential purposes at Gulshan</li> </ul>		82 C	Tk. 1,600 per square metre

	<p>Model town, Banani, Baridhara, Motijheel commercial area, Dilkusha commercial area of Dhaka.</p> <ul style="list-style-type: none"> <li>• Building or apartment constructed for residential purposes at Dhanmondi residential Area, Defence Officers housing society (DOHS), Mahakhli, Lalmatia Housing Society, Uttara Model Town, Bashundhara residential Area, Dhaka Cantonment Area, Kawran Bazar commercial Area of Dhaka and pachlaish residential Area, Khulshi residential Area, Agrabad and Nasirabad of Chittagong.</li> <li>• Other areas</li> </ul> <p><b>Clause (B):</b></p> <ul style="list-style-type: none"> <li>• In the areas of Dhaka, Gazipur, naryangonj, Munshigonj, Manikgonj, Narshingdi &amp; Chittagong District.</li> <li>• In any other district</li> </ul>			<p>Tk. 1,500 per square metre</p> <p>Tk. 600 per square metre</p> <p>5% of deed value</p> <p>3% of deed value</p>
53 G	Deduction at source from insurance commission		82 C	5%
53 GG	Deduction at source from fees etc. of surveyors of general insurance company		82 C	15%
53H	<p>Collection of tax on transfer of property:</p> <ul style="list-style-type: none"> <li>• RAJUK, CDA</li> <li>• Dhaka &amp; Chittagong Districts other than RAJUK, CDA</li> <li>• Other areas</li> </ul>		82 C	10,800/per Khatha & TK 600/per Sft. for any structure on the land or 4% of deed whichever is higher.
53 HH	Lease of Property			4%
53 I	Deduction at sources from interest on deposit of Post office saving Bank	BDT 150,000		10%
53 J	Deduction at source from rental value of vacant land or plant or machinery			5%
53 K	Online Advertisement			3%
53 L	Collection of tax from sale of shares at a premium over face value			3%
53 M	Collection of tax from transfer of securities or mutual fund units by			5%

	sponsor shareholders of a company			
54	Deduction of tax from dividends: <ul style="list-style-type: none"> <li>• For individuals: <ul style="list-style-type: none"> <li>– Resident</li> <li>– Non-resident</li> </ul> </li> <li>• For companies</li> <li>• For non-resident persons other than companies</li> </ul>			10% if TIN provided ; otherwise 15%  20% 25%
55	Deduction from income from winning lottery etc.		82 C	20%
56	Deduction from income of non-resident: <ul style="list-style-type: none"> <li>• Non-resident company</li> <li>• Non-resident person other than a company</li> <li>• Non-resident Bangladeshi person other company</li> </ul>			25% 25% 25%

Taxes withheld must be deposited and returns for the same must be filed within the specified time limits. Full tax credit is granted to the payee of tax deducted at source upon production of a tax deduction certificate against the final tax liability of the payee.

### DOUBLE TAXATION RELIEF

According to the Income Tax Ordinance 1984, the government may enter into an agreement with the governments of various countries to avoid the double taxation of income.

The objectives of the Bangladesh Double Taxation Relief (DTA) are as follows:

- To obtain a more effective relief from double taxation compared to relief provided, under unilateral measures
- Create a favourable climate for the inflow of foreign investment into the country
- To prevent evasion and avoidance of tax
- To make special tax incentives provided by Bangladesh fully effective for taxpayers of capital exporting countries, and
- To enhance international relationships.

Bangladesh has signed DTA with 32 countries which are as follows:

- |                |                  |                 |
|----------------|------------------|-----------------|
| 1. UK          | 12. Malaysia     | 23. Thailand    |
| 2. Singapore   | 13. Japan        | 24. Poland      |
| 3. Sweden      | 14. India        | 25. Philippines |
| 4. South Korea | 15. Germany      | 26. Vietnam     |
| 5. Canada      | 16. Netherlands  | 27. Turkey      |
| 6. Pakistan    | 17. Italy        | 28. Norway      |
| 7. Romania     | 18. Denmark      | 29. Indonesia   |
| 8. Sri Lanka   | 19. China        | 30. USA         |
| 9. France      | 20. Belgium      | 31. Oman        |
| 10. Mauritius  | 21. Saudi Arabia | 32. Switzerland |
| 11. Myanmar    | 22. UAE          |                 |

## GIFT TAX

In Bangladesh, gift tax is levied on taxable gifts at the rates specified in the schedule to the Gift Tax Act 1990.

A 'gift' means the transfer by one person to another of any immovable or movable property voluntarily and without consideration of any money's worth.

The value of the property under gift (other than cash) shall be the value which, in the opinion of the Deputy Commissioner of Taxes, the gift would fetch if sold in the open market on the date of gift. When a property is not saleable in the open market to determine its value this way, its value will be determined according to the rules prescribed for the purpose.

### EXEMPTION FROM GIFT TAX

Gift tax shall not be charged under this Act in respect of gifts made by any person:

- Of property situated outside Bangladesh
- To the government or any local authority
- To the following funds or institutions, for charitable purposes:
  - Any university established under the law in force in Bangladesh or any educational institution including polytechnic institutes, recognised by the Education Board or recognised or run by the government.
  - Any hospital recognised or run by the government or any local authority or any hospital aided by the government or any local authority
  - Any flood or disaster management fund established or approved by the government
  - Institutions or funds for religious or charitable purposes, except a private religious institution or fund which is not for the benefit of the public, as are established in Bangladesh and approved by the government for such purposes or to any institution established for religious or charitable purposes and registered under any law for the time being in force, up to 20% of the total income determined for the concerned year or BDT 100,000 (one lakh), whichever is less.
- To a dependent relative up to BDT 20,000 or on the occasion of a marriage
- By way of payment of policy of insurance or annuity for any person (other than a wife) dependent upon him/her for support and maintenance up to BDT 20,000
- From a will
- Under contemplation of death
- To sons, daughters, fathers, mothers, his/her spouse, own brothers and sisters.

In addition to the above exemptions, gifts made in any financial year up to value of BDT 20,000 are exempt from gift tax. The government may by notification exempt any class of gift or any class of person from gift tax.

The provisions of this Act shall not apply to gifts made by:

- A body corporate established or constituted by or under any law
- Any institution or fund, income whereof is exempt from income tax under Paragraph 1 and 2 of Part A of the Sixth Schedule of the Income Tax Ordinance 1984.

### SALARIES AND PREREQUISITES

Salaries include:

- Any wages

- Any annuity, pension or gratuity
- Any fees, commissions, allowances, 'perquisites' or profits in lieu of, or in addition to, salary or wages
- Any advance of salary
- Any leave encashment.

A 'perquisite' means:

- Any payment made to an employee by an employer in the form of cash or in any other form excluding basic salary, festival bonus, incentive bonus not exceeding 10% of disclosed profit of relevant income year, arrear salary, advance salary, leave encashment or leave fare assistance and overtime, and
- Any benefit, whether convertible into money or not, provided to an employee by an employer, called by whatever name, other than a contribution to a recognised provident fund, approved pension fund, approved gratuity fund and approved superannuation fund.

### VALUE ADDED TAX (VAT)

Value Added Tax (TAX) is one form of indirect tax. It is levied on expenditure rather than on income (as under the direct tax system).

Bangladesh introduced VAT in 1991 by supplementing the Sales Tax. It is charged on the value of consumption, applied at each point of transaction of goods or services from primary production to final consumption.

TABLE 8

VAT rates

SL. NO.	PARTICULARS	RATE
1	AC Restaurant	15%
2	Non-AC Restaurant	7.5%
3	Motor garages & workshops	7.5%
4	Dockyards	7.5%
5	Construction firms	5.5%
6	Land Development firm	03%
7	Building Development firm	03%
8	Photo makers	7.5%
9	Furniture Kiosk	06%
10	Procurement Providers	04%
11	Electricity distributors	15%
12	Transport Contractor (Petroleum/ Others )	2.25%/ 7.5%
13	Auctioneers	04%
14	Advertising firms	15%
15	Printing presses	15%
16	Immigration advisors	7.5%
17	English medium school	7.5%
18	Vacant land& Building	09%
19	Ready Garments Kiosk	05%

20	Land development firms	03%
21	Building construction firms	03%
22	Indenting firms	15%
23	Freight forwarders	15%
24	Travel agencies	15%
25	Film studios	15%
26	Survey firms	15%
27	Film distributors	15%
28	Furniture sellers	0 4%
29	Goldsmiths, silversmiths, jewellers	03%
30	Courier & EMS services	15%
31	Medical centres	15%
32	Dental clinics	15%
33	Pathological laboratories	15%
34	Consultancy & supervisory firms	15%
35	Audit & accounting firms	15%
36	AC bus services	15%
37	AC launch services	15%
38	AC rail services	15%
41	Security services	15%
42	Legal advisors	15%
43	Carrying contractors	2.25% or 4.5%
44	Rent-a-car companies	15%
45	Architects, interior designers / decorators	15%
46	Banking & non-banking service providers	15%
47	Auction purchasers	4%
48	Credit card issuers	15%
49	Immigration advisors	7.5%
50	Cleaning or maintenance service providers of building's floors and yards	15%
51	Coaching centres	4.5%
52	Rent of spaces	9%
53	Private medical & engineering colleges	4.5%
54	Events management companies	15%
55	Human resource management companies	15%
56	Manpower exporters	4.5%
57	Sales centres of own brand garments/clothes	5%
58	Information technology enabled services	4.5%
59	Other miscellaneous services (except mediation services)	15%
60	Sponsorship services	7.5%

#### SUPPLEMENTARY DUTY

The duty will be imposed at varying rate (10% to 500%) on luxury goods imported into Bangladesh, non-essential and socially undesirable goods produced and supplied in Bangladesh and similar service rendered in Bangladesh.

## 7 – ACCOUNTING & REPORTING

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### ACCOUNTING PROFESSIONALS

The Institute of Chartered Accountants of Bangladesh (ICAB) is the professional body which represents the accountancy profession at national and international levels.

The ICAB is also responsible for the continuous development of accounting professionals in the country.

### AUDITING REQUIREMENTS

The auditing of company accounts is compulsory under the Companies Act 1994.

Companies prepare their financial statements based on historical cost as per the provisions of the companies Act 1994. These financial statements are required to be audited by chartered accountants and an Annual Report must be circulated to members every year.

A financial statement consists of following components:

- Balance sheet
- Profit and loss account
- Cash flow statement
- Statement of changes in equity
- Notes on the account.

### ACCOUNTING STANDARDS AND PRINCIPALS

An audit is conducted by a practising member of the Institute of Chartered Accountants of Bangladesh following the Bangladesh standards on auditing as adopted by the ICAB from ISA.

The ICAB is a member of the International Federation of Accountants (IFAC) and adopts International Financial Reporting Standards and International Accounting Standards as Bangladesh Financial Reporting Standards (BFRS) and Bangladesh Accounting Standards (BAS). All the IFRS and IAS have been adopted by the ICAB.

Listed companies and financial Institutions are compulsorily required to follow the BFRS and BAS. Though not mandatory, private and non-listed public limited companies, and other government and non-government organisations should follow the BFRS and BAS to the greatest possible extent.



## 8 – UHY REPRESENTATION IN BANGLADESH

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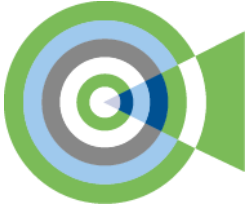
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