
Doing Business in Bangladesh

Country Profile

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1. Firm Profile

Who We Are

ACE Advisory is a leading provider of professional services in Bangladesh split into three core competencies:









ACE Advisory grew from a vision to create a world-class outsourcing and professional services firm that could service clients across the world and in Bangladesh. Started by two dynamic individuals, the firm has in almost a decade of operations, established a branch which is associated with high quality professional services and in-depth insight into regulatory matters. Led by some of the best minds in accounting, payroll, tax and consulting, ACE Advisory employs people with a diverse range of skills working collaboratively to put the client first. Our people are encouraged to think beyond the obvious and combines strategic thinking, innovative technology and rigorous research methods to provide advice that doesn't just solve problems but takes developments to the next level.

We focus on providing an integrated set of multidisciplinary services with our deep local and global knowledge. Whether a client wants to setup in Bangladesh or outsource its payroll function, we provide the support by combining deep sector expertise, local insight and technology. We provide a single point of contact to coordinate continuous management of outsourced operations across our three business services.



Why Choose Us

 <h3>INTEGRATED SOLUTIONS</h3> <p>Our teams are trained to advise clients on multi-dimensional areas to ensure compliance to all areas of regulations such as tax, accounting, audit and</p>	 <h3>TECHNOLOGY AS PART OF SERVICE</h3> <p>Each part of our service delivery model incorporates the use of cutting-edge technology to ensure efficiency, accuracy and data security.</p>	 <h3>ADAPTIVE SOLUTIONS</h3> <p>Our services are designed so that they can be tailored for clients of any size.</p>
 <h3>LOCATED CENTRALLY</h3> <p>Modern Office with an emphasis on openness and communication located in the heart of Dhaka – Banani.</p>	 <h3>COST EFFECTIVE</h3> <p>Our services are more cost effective than maintaining an in-house team.</p>	 <h3>IN-DEPTH RESEARCH</h3> <p>Clients get access to in-depth research, regular updates on changes in regulations and high-quality publications.</p>

Global Knowledge — Local Expertise



Our Vision

To be the most preferred business process outsourcing (BPO) and advisory firm for global and local clients in Bangladesh.



Our Mission

To enable our clients to maximize value by focusing on core business activities while we take care of the rest.

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This document has been updated for changes till 30 June 2021.

ACE Advisory



2. Country Summary

Geography

Bangladesh, a country in South Asia, covers an area of roughly 144,000 square kilometres. This area can be divided into two distinct areas – a broad deltaic plain and a small hilly region. Bangladesh is bordered on the west, north and east by land frontier with India, in the southeast with Myanmar. On the south is a highly irregular deltaic coastline of about 600 kilometres, is the Bay of Bengal. The borders of present-day Bangladesh were established during the British partition of Bengal and India in 1947, when the region became East Pakistan, as a part of Pakistan. Due to a desire for political, economic and linguistic self-determination, popular agitation and civil disobedience grew against the Pakistani state. Bangladesh gained Independence in the Bangladesh Liberation War of 1971.

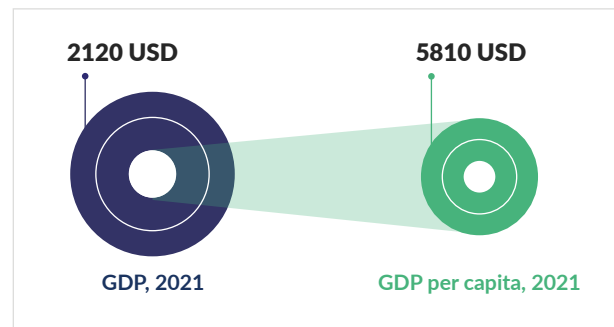


Population

Bangladesh has a very large population (166.303 million as of 2021) and is the 8th most populous country in the world with a density of 1,278 person per square kilometre in 2021. Bangladesh has a very homogenous population. The vast majority (about 98.5%) of Bangladeshis are of the Bengali ethno-linguistic group. Most of the population is young, with a median age of 27.6 years. This puts Bangladesh's population at peak productivity time with 67% of the working population aged between 15-64 years. Most of this adult/working population is literate, 94% of the adult population (Ages 15-24) is literate, 93% of the male and 96% of females. The religion of the majority is Islam (89%), followed by Hinduism (10%).

Economy

Bangladesh continues to be one of the fastest growing economies in the world, moving towards its graduation from a LDC to a middle-income country by 2024. Bangladesh's economy expanded by a remarkable 5% in 2021 and 6.4% in 2022 (IMF). Bangladesh has a GDP of USD 357.1 billion in 2021 and GDP of USD 396.54 billion in 2022 and was ranked 41st by IMF, GDP (PPP) of USD 1000.1 billion. It has a GDP per capita income of 2360 USD and GDP (PPP) per capita of 6630 USD.



The Spectator Index

Total GDP growth in ten years (%)

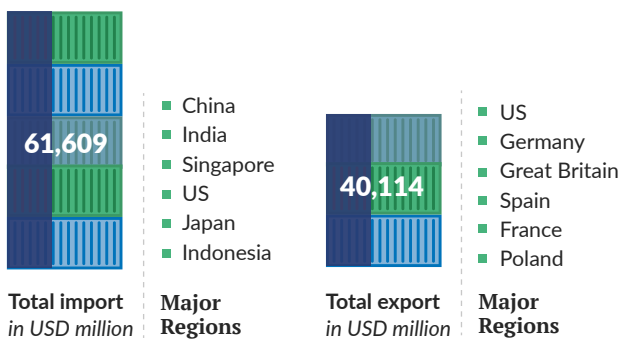
Countries	GDP Growth
Bangladesh	188
Ethiopia	180
China	177
India	177
Indonesia	90
Malaysia	78

Trade

The total amount of exports was USD 40,114 million as of 2021-22. The export scenario is dominated by RMG, with around 85% share (BGMEA). However, few other sectors have shown potential. Major exporting regions for RMG products were Europe (Germany, Spain, Italy,

Pharmaceutical remains promising because of the existing capacity to meet the global demand in generic drugs and TRIPS exemption, which the country will enjoy for a few more years. Bangladesh so far has exported to more than 127 countries.

Bangladesh had a total import USD 61,609.1 million as of 2021-22, and major commodities imported were cotton, sugar, refined petroleum, palm oil, wheat and machines. According to Bangladesh Bank, major import regions in FY 2021-22 were: China (25.3%), India (16.9%), Singapore (4.8%), USA (4.4%), Japan (3.9%) and Indonesia (3.6%).



Foreign Remittance

Total remittance inflow was USD 21.03 billion as of 2022-22 and major countries were Saudi Arabia (22%), USA (16%), UAE (10%), UK (10%), Malaysia (8%), Kuwait (6%) and Oman (5%) (BB). Remittance is a major source of earnings for the country and is in 7th position globally based on amount.

Infrastructure

Bangladesh has shown improvements in electrification rate and is currently providing electricity to 100% of the population (Dhaka Tribune), and produced a record high amount of electricity (12500 MW). Daily load shedding has dropped down to almost 0% between July 2019 to June 2021 (CPD). Despite high levels of improvement in access to water supply across the country, the quality of the water supplied still remains substandard. The trend, however, according report is towards improvement, with the score increasing from 2.9 out of 7 in 2017 to 3.1 in 2019.

Bangladesh has undertaken multiple infrastructure projects to help improve the situation. Work of the Padma Bridge is being carried out as well as the metro rail, to help improve connectivity and traffic. Other ongoing projects include the Padma Rail link project, Chattogram-Cox's Bazar Rail line, Rampal Power Project, Matarbari Coal Power Plant and Rooppur Nuclear Power plant.

Debt

Bangladesh government is committed to keeping fiscal deficit at below 5% of GDP and has so far been successful (IMF). Total central government's debt levels were at 41.4% of GDP at 2021 and 42.5% at 2022. Bangladesh remains at low risk of debt distress with public and publicly guaranteed external debt at about 15% of GDP. External Debt stood at 12.15% of GDP. Foreign Reserve levels were kept fairly high, at USD 33 billion. Current account deficit is generally low, an average of 0.086% of GDP over the last five years. According to IMF, over the medium term, the CAD will remain broadly stable at around 2% of GDP with lower remittances to GDP, imports of capital, and imports of liquified natural gas counteracting strong export

Country	Bangladesh
Capital	Dhaka
Population	164,689,383 (World Bank, 2020)
Language	Bengali. Business is mostly conducted in English
Currency	Taka (Sign: ট, Code: BDT, Short Form: Tk.)
GDP	324.24 billion USD (World Bank, 2020)
GNI Per Capita	USD 5,310 (World Bank, 2020)
Accounting Principles	International Financial Reporting Standards as adopted by the Institute of Chartered Accountants of Bangladesh.

2.1. Legal Structures

A private limited company is the most common form of business entity for foreign investors. Other than that, they can set-up branch or liaison offices.

2.2. Foreign Investment Overview

- There is no general restriction on equity participation or acquisition of property for a foreign entity.
- There is no limitation on equity participation for foreign companies in Bangladesh; wholly owned investment is allowed in all industries except reserved ones.
- Foreign investors may invest in shares and securities quoted on local stock exchanges with foreign currency sent or brought into Bangladesh.

2.3. Incorporation Procedures

- Private limited companies must register with:
 - The Registrar of Joint Stock Companies & Firms (Company House)
 - The National Board of Revenue (Income Tax, VAT & Customs Authority)
 - A City Corporation (Trade Licensing Authority)



- Branch/liaison offices must register with:
 - Bangladesh Investment Development Authority (BIDA)
 - The National Board of Revenue (Income Tax, VAT & Customs Authority)
 - A City Corporation (Trade Licensing Authority)
 - Bangladesh Bank (notification only)

2.4. On-going Obligations

All private limited companies (*regardless of turnover or size*) are required to prepare financial statements as per International Financial Reporting Standards (IFRS) on an annual basis and have them audited. All branch/liaison offices are required to prepare annual audited financial statements on a cash basis.



2.5. Tax Implications*

- Corporate Income Tax ————— 27.5%
- Capital Gains Tax – 15% (for companies. For individuals, this is taxed at personal income tax rate) — 15%
- VAT ————— 15%

*Refers to general tax rates. Actual rates may vary.

2.6. Labour Environment

- Employment of workers are governed by the Bangladesh Labour Law 2006 and Bangladesh Labour Rules 2015.
- Employment of staff engaged in a managerial, administrative or supervisory capacity is governed by contract.





3. Legal Structures

3. LEGAL STRUCTURES

Foreign investors can choose from the following forms of business enterprise in Bangladesh:

3.1. Limited Liability Company

- Foreign investors will have to incorporate a “Private Limited Company” in Bangladesh.

- There is no limitation on equity participation for foreign companies in Bangladesh; wholly owned investment is allowed in all industries except the

following reserved ones**:

Arms, ammunitions and other defence equipment and machinery.

Production of nuclear energy.

Forest plantation and mechanized extraction within bounds of reserved forests.

Security printing (currency notes) and minting.

Air transportation (including GSA services) and railways.

***Foreign investment in above industries may be possible with prior approval/clearance of the government.*

- The Foreign Private Investment (Promotion and Protection) Act of 1980 guarantees protection against expropriation. If a foreign investor becomes subject to a legal measure that has the effect of expropriation, adequate compensation will be paid, and it will be freely repatriable. The amount of the compensation will be determined



investment immediately before the measure went into effect. Since the passing of this Act, there has been **NO** instance of expropriation in Bangladesh.

- Companies are regulated by The Companies Act 1994 and The Registrar of Joint Stock Companies & Firms (RJSC).
- The company law restricts the maximum number of shareholders to 50 and the minimum number to 2 for a private limited company.

Maximum Shareholders: **50**

Minimum Shareholders: **2**

- Institutions (local and foreign) and associations are eligible to subscribe to shares of private limited companies.
- Invitation to public to subscribe to shares or debentures is prohibited unless public limited conversion is affected.
- Must have its registered office in Bangladesh.
- Must have a minimum of 2 (two) directors. Directors can be both resident and non-resident. Directors must be individuals.
- No minimum paid up or authorized capital requirement. Investors are free to choose their desired authorized capital limit and paid up capital amounts and the government fees payable on incorporation will be calculated accordingly.



No Minimum

3.2. Branch/Liaison Office

Overview

- Foreign entities not registered (with no legal presence) in Bangladesh can set-up in the form of a Branch or Liaison Office.
- Regulated by Bangladesh Investment Development Authority (BIDA) of Bangladesh and by Bangladesh Bank.
- Activities of Branch and Liaison offices are restricted to those stated in the Bangladesh Investment Development Authority permission.
- Such offices can carry out principal business activities of the parent entity.
- Inward remittance of minimum US\$ 50,000 must be brought in within 2 months to meet operational expenses.
- Permission given for 3 years and subject to renewal.
- Security clearance is required from the Ministry of Home Affairs for a liaison office working on government projects.
- Needs to inform Bangladesh Bank for opening a bank account.
- Allowed to maintain a foreign currency account.
- Local revenue earning is prohibited. However branch offices can apply for a special waiver and earn local revenue.
- Outward remittance is prohibited.
- No separate legal status from parent company which will be the legal representative of BO/LO. All responsibilities will lie with the Parent Company for the operations of the branch/liaison office.
- For industrial undertakings, the ratio of local and foreign employee should not be less than 20:1 respectively. For commercial offices, the ratio of local to foreign employee is 5:1.

“Branch/Liaison offices are generally used as cost centers for the purposes of marketing, business development etc.



4. Incorporation Procedures

4. INCORPORATION PROCEDURES

4.1. Private Limited Company

#	Procedure	Comments	
1	Obtain Name Clearance	The proposed name of the company must be cleared from the RJSC. Certain words in a name are restricted and require prior approval such as “bank”, “investments”, “telecommunication” etc. Name clearance is valid for 30 days during which company must be incorporated or extension sought.	
2	Address	A valid “commercial address” must be provided as a registered address. A commercial address is a purchased or rented space in a building which has commercial approval. Virtual offices are allowed.	
3	Decide Shareholders	If institution, the following information/documents will be required: <ul style="list-style-type: none"> • Name • Address • Date of Incorporation • Registration number of the organization • Copy of Memorandum of Association & Articles of Association (if in any language other than English, certified translated copy must be provided) 	If individual: <ul style="list-style-type: none"> • Name • Address • Father’s name • Mother’s name • Date of Birth • Occupation • National ID/Passport • E-TIN (If Local) • Nationality • E-mail address • Phone number • Two copies PP sized photo
4	Decide Authorized and Paid up Capital	No minimum paid up or authorized capital requirement. Investors are free to choose their desired authorized capital limit and paid up capital amounts and the government fees payable on incorporation will be calculated accordingly.	
5	Form IX – Consent to Act as Director	The first directors must be decided at the time of incorporation through this form.	
6	Form XII – Particulars of Directors	Director particulars need to be provided in this form, specifically: <ul style="list-style-type: none"> • Name • Address • Father’s name • Mother’s name • Date of Birth • Occupation • National ID/Passport • E-TIN (If Local) • Nationality • E-mail address • Phone number 	

7	Opening of Bank Account	A bank account must be opened with any scheduled bank in Bangladesh. At this point in time this account can only be used for remittance of paid up capital. Documents to be submitted: <ul style="list-style-type: none"> • Name clearance document • Promoter's resolution for account opening and deciding signatories. • Draft Memorandum & Articles of Association • Declaration by Directors that all mandatory documents/registrations will be provided post incorporation. • Account opening form and associated documents.
8	Remittance of Paid up Capital	Each shareholder must remit exact or more than the amount of paid up capital he/she is subscribing for in Bangladesh Taka to above bank account opened in name of the Company.
9	Obtain Encashment Certificate	Bank will provide encashment certificate as proof of remittance of paid up capital.
10	Filing with the Registrar of Joint Stock Companies & Firms for incorporation.	

4.2. Branch/Liaison Office

#	Procedure	Required Info/Documents
1	Prescribed application form duly filled in	
2	Proposed organizational set-up	
3	Details of activities performed through the proposed office in Bangladesh	
4	Registered Address	A valid "commercial address" must be provided as a registered address. A commercial address is a purchased or rented space in a building which has commercial approval.
5	Necessary submission from parent company	<ul style="list-style-type: none"> • Memorandum & Articles of Association • Certificate of Incorporation • Board resolution to open branch/liaison office in Bangladesh • Particulars of Directors i.e., name, nationality and address • Audited statement of accounts for the last financial year

Aforementioned documents will be submitted to BIDA along with the application for incorporation. BIDA's permission for setting up a BO/LO will include a condition to remit at least USD 50,000 to the BO/LO's Bank account from Parent within 2 (two) months as establishment cost and operational expenses for six months. Failing to remit the amount within the deadline will result in the company having to remit 5% (five percent) additional amount for each month.

**Certain items in the list are required to be attested by the Bangladesh Embassy in the parent company's home country.*

**The above is a brief outline. Please refer to us for more detailed advice at the time of incorporation.*

4.3. Mandatory Registrations *(all entities)*

Name	Comments	Required Info/Documents
Electronic Tax Identification Number (e-TIN)	All entities are required to register with the National Board of Revenue and obtain a TIN number.	<ul style="list-style-type: none"> • Registration of an e-TIN requires a valid Bangladeshi mobile number • Company incorporation number • Registered address
VAT/BIN Registration	All entities are required to register with the National Board of Revenue and obtain a BIN number/VAT Registration.	<ul style="list-style-type: none"> • Bank certificate • Company Incorporation Number • Directors Information • All other company information
Trade License	<ul style="list-style-type: none"> • A trade license must be obtained from the local City Corporation for conduct of business in Bangladesh. • Trade licenses are issued either in the name of a “Managing Director” or a “Director”. For incorporation, a local resident must be the trade license holder. This can be an employee of the Company or a representative providing Directorship Services. • Trade licenses are renewable every year in June. 	<ul style="list-style-type: none"> • Copy of the Memorandum of Association & Articles of Association • Copy of the Certificate of Incorporation • E-TIN Certificate • Rental Agreement • Name of the Director/Managing Director & address • If employee, appointment letter and authorization letter • Two copies of passport size photograph



5. On-Going Obligations

5. ON-GOING OBLIGATIONS

5.1. Accounting & Reporting

	Activity	Relevant Authority	Frequency	Due date	Comments
Private Limited Company	Filing of Audited Financial Statements	Registrar of Joint Stock Companies & Firms	Annual	Within 21 days of Annual General Meeting	
	Foreign Direct Investment Return	Bangladesh Bank	Quarterly	1 month from end of each calendar quarter	Must be submitted through the local bank
	Interest Return	National Board of Revenue (NBR)	Annual	31 August of each year	Provided interest payment exceeds BDT 15,000
	Dividend Return	National Board of Revenue (NBR)	Annual	31 August of each year	
Branch/Liaison Office	Receipts & Payments Accounts	NBR, BIDA & Central Bank	Quarterly	Within 30th day of month following end of calendar quarter	
	Audited Receipts & Payments Accounts	For tax filing purposes	Annual	Linked to tax filing due date	

5.2. Payroll Management (*all entities*)

Activity	Relevant Authority	Frequency	Comments
Employer must ensure all employees have an e-TIN number			
Employer must ensure all employees file their annual tax return by 30 November			
Employer must ensure monthly deduction of tax from salary as per applicable laws	National Board of Revenue (NBR)	Monthly	Within two weeks from the end of the month of deduction
Salary Return Under Section 50 (Rule 21)	NBR	Monthly	Within 20 days of next calendar month
Salary Return Under Section 108	NBR	Annually	31 August of each year
Salary Return Under Section 108A	NBR	Annually	30 April of each year

5.3. Tax Compliance – Direct Tax (*all entities*)

Activity	Relevant Authority	Frequency	Due date	
Tax Deduction at Source from Payments	National Board of Revenue (NBR)	Regular	Deduction in July to May	Within two weeks from the end of the month of deduction
			Deduction in the first twenty days of June	Within seven days from the day of deduction
			Deduction in any other days of June except last 2 working days	On the next following day
			Deduction made on last 2 working days of	On the same day
Monthly Withholding Tax Return	NBR	Monthly	Within 20 days of next calendar month	
Return of Withholding Income Tax u/s 75A	NBR	Half yearly	Within 31 January and 31 July of each year	
Corporate Income Tax Return	NBR	Annual	Within the fifteenth day of the seventh month following the end of the income year or the fifteen day of September following the end of the income year where the said fifteenth day falls before the fifteenth day of September	

5.4. Tax Compliance – Indirect Tax (*all entities*)

Activity	Relevant Authority	Frequency	Due date	
VAT Deduction at Source from Payments	National Board of Revenue (NBR)	Regular	Within 7 days from the end of VAT period (the month of deduction)	
VAT Deduction Certificate	NBR	Regular	Within 3 days of submission of VAT to Govt. treasury	
VAT Return	NBR	Monthly	Within 15 days of next calendar month	

5.5. Secretarial Compliance

	Activity	Relevant Authority	Frequency	Due date
Private Limited Company	Board Meetings	Registrar of Joint Stock Companies & Firms	Quarterly	As per the Companies Act 1994, a company must hold minimum one Board Meeting each calendar quarter.
	Authentication of Balance Sheet and Profit & Loss accounts	Registrar of Joint Stock Companies & Firms	Annual	The balance sheet and the profit & loss account shall be approved by the board of directors before they are signed on behalf of the Board and are submitted to the auditors for their report.
	Annual General Meeting	Registrar of Joint Stock Companies & Firms	Annual	Within 18 months from the date of incorporation. The time gap between one AGM and the next shall, in no case, exceed 15 months.
	Balance Sheet and Profit & Loss	Registrar of Joint Stock Companies & Firms	Annual	Within 30 days from the end of each AGM
	Annual Company Return (Schedule X) Filing	Registrar of Joint Stock Companies & Firms	Annual	Within 21 days of holding the Annual General Meeting
	Trade License Renewal	City Corporation	Annual	After 30 June each year
Branch/Liaison Office	BIDA Permission Renewal	Bangladesh Investment Development Authority (BIDA)	Upon expiry	Within two months prior to expiry
	Trade License Renewal	City Corporation	Annual	After 30 June each year

There are other internal compliances such as maintenance of registers etc.



6. Foreign Exchange Implications

6. FOREIGN EXCHANGE IMPLICATIONS

6.1. FOREX Overview

- On March 24, 1994 the Bangladesh Taka was declared convertible for current account transactions in terms of Article VIII of the IMF Articles of Agreement.
- Other than a few reserved sectors foreign investors are free to make investments in Bangladesh in industrial enterprises either wholly owned or in collaboration with local investors.
- Non-residents (individual & institutions) are free to invest in shares listed on local stock exchanges with foreign exchange brought into Bangladesh.
- Shares in private limited companies may also be allotted to foreign investors.
- Non-resident shareholders can freely transfer shares to other non-residents.
- There are strict controls on outward remittance from Bangladesh and most outward remittance is restricted other than a few routes as listed below.

6.2. Dividends/Profits

- Companies can freely remit post-tax dividends to non-resident (foreign) shareholders subject to application to be made to local bank with all documents/information as stipulated by Bangladesh Bank.
- Branches of foreign firms and companies can also freely remit profits to the parent company subject to application to be made to local bank with all documents/information as stipulated by Bangladesh Bank and the BIDA.
- Dividend income and capital gains on shares listed on a stock exchange can be freely remitted if such investment was made through a Non-Resident Investors Taka Account.
- Remittance of sale proceeds of private limited companies require prior central bank approval. Dividend remittance to foreign shareholder does not require prior approval.

6.3. Royalty/Technical Knowledge/Technical Assistance/ Franchise Fees

- Such fees can be remitted abroad by applying to BIDA.
- Companies wishing to affect such remittances will need to first be registered with BIDA.
- Local banks will allow payment upon furnishing BIDA approval on specific terms.

6.4. Training & Consultancy Costs

- Such fees may be remitted without prior approval of Bangladesh Bank
- The amount of remittance is restricted to 1% of annual sales as declared in the income tax return of the previous year.

6.5. Remittance facilities for IT/Software Firms

- IT/software firms can remit up to USD 40,000 in any calendar year for international alliance/software registration fee, domain registration/hosting fee, server maintenance fee, account verification/remittance test fee, etc. without prior approval.

6.6. Shipping Lines/Airlines/Courier Companies

- Such entities may remit funds collected in Bangladesh towards freight and passage after adjustment of local costs.

6.7. Expatriate Employees

- Foreigners employed in Bangladesh are allowed to remit upto 80% of earned net income at any time all over the year subject to availability of fund in the bank accounts. The term 'net income' in this context signify gross income of the applicant less all compulsory deductions such as income tax, provident fund and pension fund, house rent and other deductions which are of a fixed nature.
- The remaining 20% of foreign nationals' net income is remittable at the end of the financial year upon completion of income tax assessment, supported by certificate issued by tax authority concerned.

“Foreign exchange regulations are complex in Bangladesh.”



7. Tax Implications

7. TAX IMPLICATIONS

7.1. Basis

- Resident entities are taxed on their worldwide business income.
- Non-residents are taxed only on Bangladesh-source income.
- Income arising directly or indirectly through or from a Permanent Establishment (PE) in Bangladesh will be deemed to accrue or arise in Bangladesh.

7.2. Permanent Establishment

The definition of a “Permanent Establishment” in relation to income from business or profession includes:

- a place of management
- a branch
- an agency
- an office
- a warehouse
- a factory
- a workshop
- a mine, oil or gas well, quarry or any other place of exploration, exploitation or extraction of natural resources
- a farm or plantation
- a building site, a construction, assembly or installation project or supervisory activities in connection therewith
- the furnishing of services, including consultancy services, by a person through employees or other personnel engaged by the person for such purpose, if activities of that nature continue (for the same or a connected project) in Bangladesh; and
- any associated entity or person (hereinafter referred to as “Person A”) that is commercially dependent on a non-resident person where the associated entity or Person A carries out any activity in Bangladesh in connection with any sale made in Bangladesh by the non-resident person

7.3. Income Year

Income year is as follows:

- Newly set up business – date of incorporation to the following 30 June.
- Banks, insurance or financial institutions – from 1 January to 31 December.
- Other companies – 1 July to 30 June

Provided that the authorities may allow a different financial year for a company which is a Subsidiary/Branch Office/Liaison Office of a company incorporated outside Bangladesh if such company is required to follow a different financial year for the purpose of consolidation of its accounts with its parent.

7.4. Carry Forward of Losses

The rules for carry forward and set-off of losses for businesses are set out below:

Income Head	Current Year Set-Off	Carry Forward
Interest	Against income from any other head	Cannot be carried forward
House Property	Against income from any other head	Cannot be carried forward
Agricultural	Against income from any other head except capital gains	Can be carried forward for 6 successive years and set off against agricultural income
Income from Business	Against income from any other head except income from: <ul style="list-style-type: none"> ▪ House property ▪ Capital Gains 	Can be carried forward for 6 successive years and set off against income from business or same profession
Income from Speculation Business	Only against other income from speculation business and cannot be set off against any other head of income	Can be carried forward for 6 successive years and set off against income from speculation business
Capital Gains	Only against other income from capital gains and cannot be set off against any other head of income	Can be carried forward for 6 successive years and set off against income from capital gains
Income from Other Sources	Against income from any other head	Cannot be carried forward
Income from Tax Exempt Source	Cannot be set off against any other head of income	Cannot be carried forward

However, any loss in respect of any income from any head cannot be set off against income from manufacturing of cigarette, bidi, zarda, chewing tobacco, gul or any other smokeless tobacco or tobacco products.

“Carry forward losses are generally capped at 6 years in Bangladesh.”

7.5. Rates of Corporate Tax

The applicable rates of tax for companies are as follows:

Type	Rate	Applicable tax rate if fails to meet the condition
Publicly traded companies i.e., companies listed with any stock exchanges in Bangladesh other than banks, insurance and other financial institutions, merchant banks, mobile phone operating companies and cigarette manufacturing companies. If such a company transfers more than 10% shares through IPO.	20%	22.5%
Publicly traded companies i.e. companies listed with any stock exchanges in Bangladesh other than banks, insurance and other financial institutions, merchant banks, mobile phone operating companies and cigarette manufacturing companies. If such a company transfers equal to 10% or less than 10% shares through IPO	22.5%	25%
Non-listed companies	27.5%	30%
One-person companies	22.5%	25%
Banks, insurance, mobile financial services (MFS) and other financial institutions (except merchant banks) if not publicly listed.	40%	Condition not applicable
Banks, insurance, mobile financial services (MFS) and other financial institutions (except merchant banks) if publicly listed.	37.5%	Condition not applicable
Merchant banks	37.5%	Condition not applicable
Cigarette, bidi, zarda, gul and all tobacco manufacturers (companies, firms and individuals) irrespective of listing	45%	Condition not applicable
Mobile phone operating companies if publicly listed. At least 10% of paid-up capital transferred through stock exchange of which maximum 5% is transferred via pre-initial public offering	40%	Condition not applicable
Mobile phone operating companies if not publicly listed.	45%	Condition not applicable
Jute Industries (up to 30 June 2023)	10%	Condition not applicable
Knit wear and woven garments manufacturers and exporters	12%	Condition not applicable
Knit wear and woven garments manufacturers and exporters with “green building certification”	10%	Condition not applicable
Private university, private medical college, private dental college, private engineering college or private college solely dedicated to imparting education on ICT	15%	Condition not applicable
Co-operative societies registered under Co-operative Societies Act, 2001	15%	Condition not applicable
Dividend Income	20%	Condition not applicable
Association of persons	27.5%	30%
Artificial juridical person and other taxable entity	27.5%	30%
Yarn production, yarn dyeing, finishing, conning, fabric making, cloth dyeing, printing, or any such process (applicable from 1 July 2022 to 30 June 2025)	15%	Condition not applicable
*Condition: All receipts and income must be transacted through bank transfer and all expense and investment (single transactions over Tk. 500,000 and annual total Tk. 3,600,000) must be made through bank transfer.		

7.6. Income Tax Return Filing

All companies/Branch & Liaison Offices in Bangladesh are required to obtain an e-TIN from the authorities. Companies are required to file their tax returns on the later date of the following:

- 15th day of the seventh month following the end of the income year
- Following 15 September

Such tax returns must be accompanied by:

- Audited financial statements prepared in accordance with International Financial Reporting Standards.
- Computation of total income with supporting schedules
- Other supporting documents

7.7. Withholding Income Tax Requirements

Bangladesh has extensive withholding tax requirements on all local payments. Please contact us for exhaustive listing of such requirements. The withholding tax requirements from payments to non-residents (*unless reduced under a Double Taxation Avoidance Agreement*) are as follows:

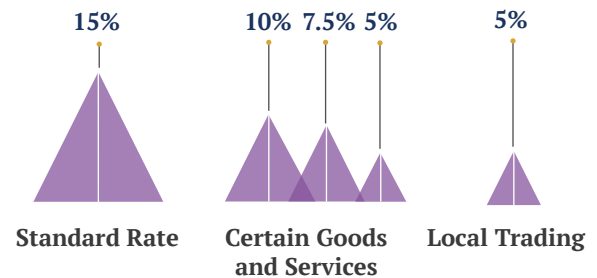
Nature of Payment	Rate
Advisory or consultancy service	20%
Pre-shipment inspection service	20%
Professional service, technical services, technical know-how or technical assistance	20%
Architecture, interior design or landscape design, fashion design or process design	20%
Certification, rating etc.	20%
Charge or rent for satellite, airtime or frequency, rent for channel broadcast	20%
Legal service	20%
Management service including event management	20%
Royalty, license fee or payments related to intangibles	20%
Interest	20%
Advertisement broadcasting	20%

Advertisement making or digital marketing	15%
Air transport or water transport except in certain circumstances.	7.5%
Contractor or sub-contractor of manufacturing, process or conversion, civil work, construction, engineering or works of similar nature.	7.5%
Supplier	7.5%
Capital gain	15%
Insurance premium	10%
Bandwidth payment	10%
Rental of machinery, equipment etc.	15%
Dividend:	
▪ Company	20%
▪ Any other person	30%
Artist, singer or player	30%
Salary or remuneration	30%
Exploration or drilling in petroleum operations	5.25%
Survey for coal, oil or gas exploration	5.25%
Any service for making connectivity between oil or gas field and its export point	5.25%
Any payments against any services not mentioned above	20%
Fees, etc. of surveyors of general insurance company	20%
Any other payments	20%

7.8. Value Added Tax (VAT)

VAT is levied on the supply of goods and the provisions of services, and on the import of goods and services. Supplies of goods and services without consideration are valued at their fair market price.

- The standard rate of VAT is 15% with certain exemptions for certain services.
- Reduced rates of 5%, 7.5% and 10% apply to certain goods and services.
- Local trader including commercial importers pay 5% VAT.
- Exports are zero rated for VAT.



Registration

- VAT registration is mandatory for suppliers having a turnover of more than BDT 30 million.
- Suppliers with turnover between BDT 5 million and BDT 30 million may opt for voluntary registration or pay turnover tax at 4%.
- Suppliers with turnover of less than BDT 5 million are not required to register.
- VAT registration is mandatory for:

 Importers	 Exporters	 All withholding entities	 Suppliers dealing in goods subject to supplementary duty
	 Branch, liaison or project office of foreign companies	 VAT agent	

- Centralized registration process can be applied where supplies of similar goods and services are made from multiple business locations.
- Companies with no physical presence in Bangladesh but subject to VAT-able supplies need to appoint a VAT agent.

Filing and Payment

- VAT returns must be filed within 15 calendar days from the end of the month.
- VAT deducted at source has to be deposited to government treasury within seven (7) days from the end of VAT period (the month of deduction).
- Entities exceeding turnover limit of BDT 50 million are required to use NBR designated VAT softwares.
- Registered limited companies need to submit Financial Statements to NBR within 6 (six) months from the end of the income year. Upon application, commissioner may further extend the period of submission up to

7.9. Double Taxation Avoidance Agreements

The Government of Bangladesh has entered into agreements (DTAA) with the Governments of other countries for avoiding double taxation. This treaty includes provision for relief from tax on income such as dividend, royalty, technical fees, business profits, etc. Bangladesh currently holds agreements on avoidance of double taxation with 36 countries:

- Belgium
- Canada
- China
- Denmark
- France
- Germany
- India
- Indonesia
- Italy
- Japan
- Kingdom of Bahrain
- Kingdom of Saudi Arabia
- Malaysia
- Mauritius
- Myanmar
- Norway
- Oman (air traffic only)
- Pakistan
- The Philippines
- Poland
- Republic of Belarus
- Republic of Korea
- Romania
- Vietnam
- Singapore
- Sri Lanka
- Sweden
- Switzerland
- Thailand
- The Netherlands
- Turkey
- United Kingdom
- United Arab Emirates
- United States of America

7.10. Transfer Pricing

OECD type transfer pricing provisions apply. The definition of “associated enterprise” extends beyond a shareholding or management relationship, as it includes some deeming clauses.

Every person/company who has entered into an international transaction shall furnish a statement of international transactions in the prescribed form along with their annual income tax return.

A taxpayer that engages in cross-border transactions exceeding BDT 30 million is required to maintain documentation and to provide a certificate (in a prescribed format) from a chartered accountant that sets out the details of related party transactions, as well as the methods used to determine an arm’s length price, provided a notice for filing the certificate is received from the tax authorities.





8. Labour Environment

8. LABOUR ENVIRONMENT

8.1. Labour Law

Bangladesh Labour Law 2006 (Amended 2013) and Bangladesh Labour Rules 2015 are the prevailing labour relation regulations currently. However, the Labour Law 2006 is mainly used to govern the relationship between employers and workers. Workers are defined in the law as:



“Worker” means any person including an apprentice employed in any establishment or industry, either directly or through a contractor, by whatever name he is called, to do any skilled, unskilled, manual, technical, trade promotional or clerical work for hire or reward, whether the terms of employment are expressed or implied, but does not include a person employed mainly in a managerial, administrative or supervisory capacity.

Considering this, there is ambiguity on whether management staff and employees in the service sector fall under this Act or that relationship can be simply governed through employment contracts. This area is being reviewed by the Bangladesh Courts and a new law is expected soon.

8.2. Social Security System

Bangladesh does not have a mandatory social security system for private sector employees and employers are not required to set-up or deduct any social security contributions.

8.3. Personal Income Tax

Residency

In Bangladesh an individual is treated as a resident if they have been in Bangladesh for:

- An aggregate period of 182 days or more in that tax year, or
- 90 days or more in that tax year provided he/she has previously been in Bangladesh for an aggregate period of 365 days or more during the 4 years preceding that tax year.
- Any company which is managed or controlled wholly in Bangladesh during that tax year.
- Any trusts, funds or entity controlled or managed from Bangladesh.

Short term visitors and dependents of expatriates not earning any income in Bangladesh are not taxable locally and do not have to file a tax return. Nationality has no impact on taxability.

Taxpayer’s Identification Number (e-TIN)

All individual taxpayers are required to obtain an e-TIN in order to file a tax return. This is relatively easy and can be obtained from <http://secure.incometax.gov.bd/TINHome>.

Deadline for Tax Return Filing

The last date for filing tax return is 30 November following the end of the income year which is now termed as Tax Day.

8.4. Taxability of Income from Salary

Employers are responsible for deducting taxes at source after providing for allowances from monthly salary. However, all employees are responsible for filing of their own returns at the end of the tax year. If, however, an individual has other sources of income such as house rent, interest income etc., he/she is responsible for filing accordingly and paying taxes at the time of filing.

Income from salary includes the following:

- Basic Salary
- Festival Bonus
- Incentive Bonus
- Arrear Salary
- Advance Salary
- Wages or any other payment
- Overtime
- Contribution to PF
- Pension Fund
- Gratuity Fund
- Superannuation Fund
- Project Pay
- Leave Encashment
- Compensation Pay
- Leave Fare Assistance

Individuals enjoying salary income are subject to tax on salary and all other benefits. A summary of taxability and allowances are as below:

Income Head	Taxability
Basic Salary	Fully taxed
House Rent Allowance (in cash/with salary)	Tk. 25,000 per month or 50% of basic salary, whichever is lower is exempt from tax.
Rent free accommodation	Actual rent paid by employer or 25% of basic salary, whichever is lower shall be added to total income and taxed.
Conveyance Allowance (in cash/with salary)	Tk. 30,000 per annum is exempt from tax where no conveyance facility is provided by employer.
Conveyance provided for personal/private use	If employer provides conveyance for personal or private use, 5% of the employee's basic salary or Tk. 60,000 whichever is higher, is added to total income and taxed.
Medical Expenses	Tk. 120,000 per annum or 10% of basic salary, whichever is lower is exempt from tax.
	Medical expenses up to Tk. 1,000,000 paid to a disabled employee shall not be included in his total income.
	Medical expenses paid to an employee (other than a shareholder director) for a surgery relating to heart, kidney, eye, liver and cancer of the employee, shall not be included in the total income of such employee.
Travel (local & foreign)	Amounts paid at actual against bills/receipts are tax free. Any benefit paid in addition to cash is taxable.
Festival Bonus	Fully taxable
Performance Bonus	Fully taxable

Income Head	Taxability
Utility expenses	Fully taxable
Telephone/Mobile allowance	Tax free as long as it is for official use.
Entertainment allowance	Fully taxable
Other allowances	Fully taxable
Any reimbursements	Tax free as long as it was incurred for official purposes.

Employers usually deduct taxes at source after providing for allowances from monthly salary. However, all employees are responsible for filing of their own returns at the end of the tax year. If, however, an individual has other sources of income such as house rent, interest income etc., he/she is responsible for filing accordingly and paying taxes at the time of filing.

8.5. Rates of Personal Tax

Income tax is charged to individuals on fixed slabs. The slabs of total income and corresponding tax rates are given below:

Amount of Taxable Income	Rate
First Tk. 300,000	Nil
First Tk. 350,000 (in case of female, senior taxpayers over the age of 65 and people of third gender)	Nil
First Tk. 450,000 (in case of disabled taxpayers)	Nil
First Tk. 475,000 (in case of Gazetted War-Founded Freedom Fighter Taxpayer)	Nil
Tk. 50,000 above their applicable total income floor (in case of any one parent/legal guardian of Disabled Individuals)	Nil
On the next Tk. 100,000	5%
On the next Tk. 300,000	10%
On the next Tk. 400,000	15%
On the next Tk. 500,000	20%
On the balance	25%
The tax rate for non-residents	Flat 30%

8.6. Employment of Foreigners & Work Permit

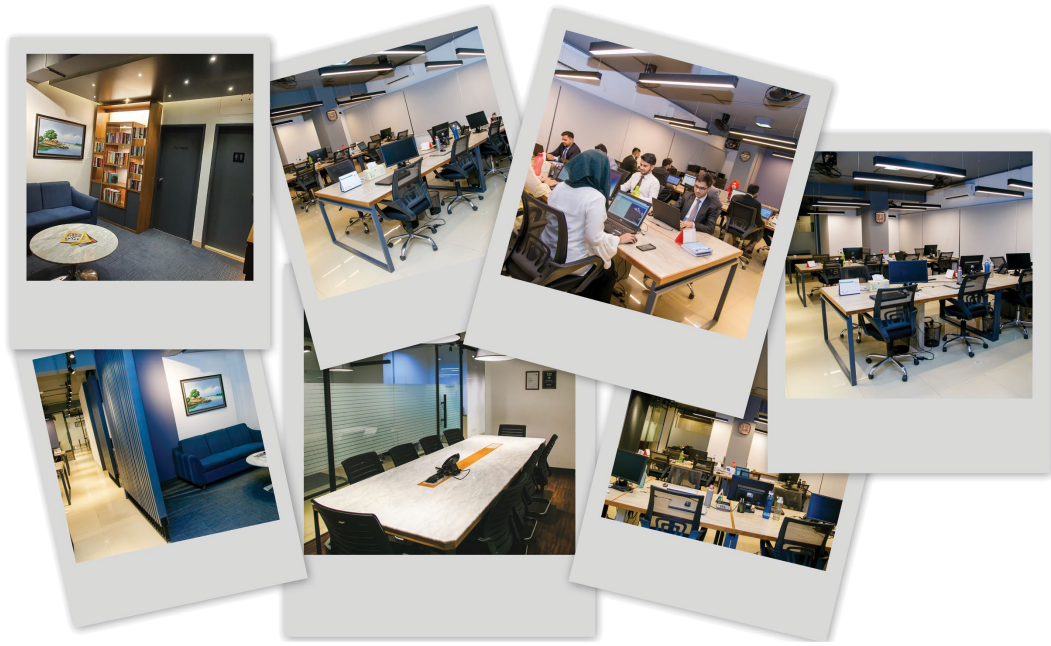
Work permit is mandatory for every foreign national seeking employment in Bangladesh. Three government authorities issue work permit in Bangladesh.

- For private sector industrial enterprise, branch office and liaison office, outside of Export Processing Zone (EPZ) – Bangladesh Investment Development Authority (BIDA).
- For employment of foreign national in the EPZ – Bangladesh Export Processing Zones Authority (BEPZA).
- For employment of foreign national in any NGO – NGO Affairs Bureau.
- Private sector industrial enterprises, branch office, liaison/representative office desiring to employ foreign nationals are required to apply to BIDA in their prescribed form. While issuing work permit, BIDA usually follows the following guidelines:
 - Only nationals of countries recognized by Bangladesh are considered for employment.
 - Employment of expatriate personnel is considered only in industrial/commercial establishments which are sanctioned/registered by the appropriate authority.
 - Employment of foreign nationals is normally considered for the job for which local experts/technicians are not available.
 - Persons below 18 years of age are not eligible for employment.
 - The number of foreign employees should not exceed 5% in the industrial sector and 20% in commercial sector of the total employees, including top management personnel.
 - Initially, employment of any foreign national is considered for a term of one year, which may be extended on the basis of merit of the case.
 - Security clearance will be required from Ministry of Home Affairs.

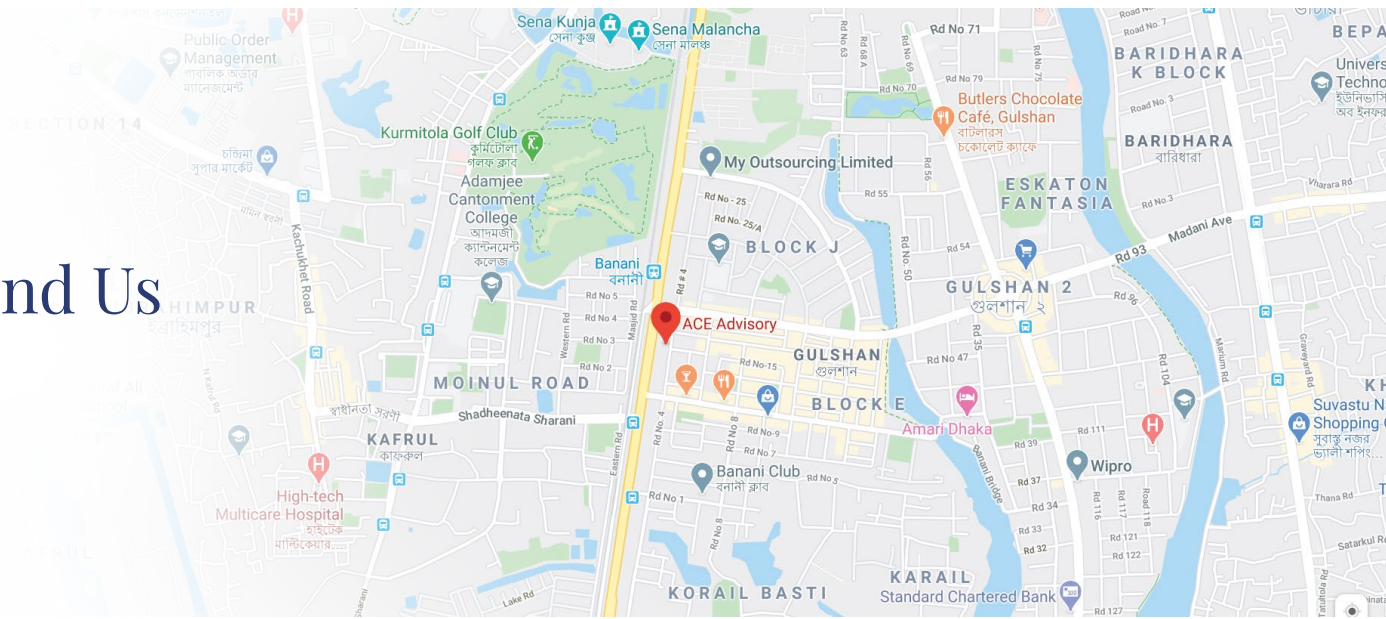
8.7. Working Hours & Holidays

- There are 14 public and religious holiday in Bangladesh.
- Bangladesh has a five-day working week. Weekdays are Sunday to Thursday. Friday and Saturday are weekends.
- Standard working hours are 40 hours a week. Government offices run from 9:00 a.m. to 5:00 p.m. and private sector businesses operate from 10:00 a.m. to 6:00 p.m. Banks and financial institutions also work from 10:00 a.m. to 6:00 p.m.

Our Office



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