

Foreign Exchange Policy Department
Bangladesh Bank
Head Office
Dhaka
www.bb.org.bd

FE Circular No.12

Date: February 19, 2025

All Authorized Dealers in
Foreign Exchange in Bangladesh

Dear Sirs,

Outward remittances on account of service payments
by subsidiaries of foreign companies

Authorized Dealers (ADs) are permitted to effect outward remittances for transactions under current account as prescribed in the Guidelines for Foreign Exchange Transactions- 2019 (GFET), Vol-1. Bangladesh Bank considers requests for outward remittance on current transactions not specifically included in GFET and its subsequent circulars upon establishing the bonafides of the expenses.

02. Service trade is a complex transaction since it is executed in non-physical form. Purchases of recurrent services by subsidiaries from or through overseas parent/group firms or their associates comparable to those available locally enable related party transactions. It is observed that resident companies operating in Bangladesh as subsidiaries of foreign companies avail different services from their parents/group companies abroad. In view of the situation and to facilitate transactions between subsidiaries and parent/group companies, it has been decided that ADs may allow remittances on behalf of local subsidiaries against services from or through parent/group companies or their associates provided that:

- (a) The services are not locally available;
- (b) The subsidies are controlled by parent/group companies by holding shares exceeding 50 percent;
- (c) Gross remittable amount (before deduction of source tax) shall not exceed 10 percent of net profit in an accounting year.

03. Before allowing remittances, ADs shall observe following instructions:

- (a) ADs shall obtain underlying contracts including invoices;
- (b) The price of services is competitive;
- (c) The remittance is subject to compliance of taxes regulations like deduction and payment of applicable source tax and VAT, including transfer pricing;.
- (d) Periodical payments shall be admissible based on reasonable estimation of profit certified by auditors;
- (e) Undertaking from remitter-subsiaries is to be received to the effect that necessary adjustments shall be made in the following year in case of excess payment due to non-achievement of profit as per estimation.

04. The facility under this authorization will be inadmissible for remittances requiring permission from competent authorities; and this will be mutually exclusive for transactions with parent/group companies if granted generally or specifically.

05. The facility shall be available through a branch of an AD designated by the applicant. For any intended change in this respect, the relevant file shall be transferred direct to the concerned new AD branch on written request by the applicant.

06. As usual, ADs shall report the transactions to Bangladesh Bank in the online reporting module and usual monthly returns/statements.

07. In case of service payments requiring more than the limit set above, subsidiaries should send applications, through their designated ADs, to Bangladesh Bank accompanied by following documents:

- (a) Draft copies of agreements or Memorandum of Understanding (MoU) to be signed between subsidiaries and parent/group companies abroad;
- (b) Documents as evidence of price competitiveness of services;
- (c) Documents or statement(s) justifying the unavoidable necessity of obtaining services from parent/group companies abroad or that such services cannot be provided by local service providers;
- (d) Certificate from auditors regarding sources tax and VAT, base of calculation of source tax and obligatory of taxes with reference to relevant provisions of tax laws, rules and regulations.

Please bring the contents of this circular to the notice of all concerned.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Monoar Uddin Ahmed', with a long horizontal flourish extending to the right.

(Monoar Uddin Ahmed)
Director (FEPD)
Phone: 9530119