



# Investment Guide

**Bangladesh**

KPMG Bangladesh

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1 October 2020



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# Bangladesh – key facts



## 1.1

## Country Overview (1/2)

## One of the fast growing economies in the world

## August 2020 INFLATION



5.7%

Source: Bangladesh Bank

## 2019 UNEMPLOYMENT RATE



4.19%

Source: World Bank

## GDP GROWTH FOR 2019-20



Source: Bangladesh Bureau of Statistics

## September 2020 BDT/USD



0.012

Source: Bangladesh Bank 06/10/2020

## FY 2019-20 EXPORT EARNINGS



USD 33.67 bn

Source: Export Promotion Bureau

- Slated to achieve **Middle Income Country** status by 2021.
- Classified as a "**Next Eleven**" emerging market and one of the "**Frontier Five**" emerging economies in the world by Goldman Sachs and JP Morgan respectively.
- Projected to become the **24th largest economy** by 2033.
- Although the country's economic growth has hampered due to Covid19 pandemic, it is expected the country will make a U-

shaped recovery

- Credit ratings: Ba3 (Moody's)
- **Foreign direct Investment (FDI)**: USD 2.88 billion in 2019-20 (USD 3.88 billion in 2018-19)
- **Export destinations (2020)**: United States (17.3%), Germany (15.1%), United Kingdom (10.2%), Spain (6.5%), France (5%), Italy, Canada, Belgium, China, Japan and India.

## 1.1

# Country Overview (2/2)

## Geography and climate

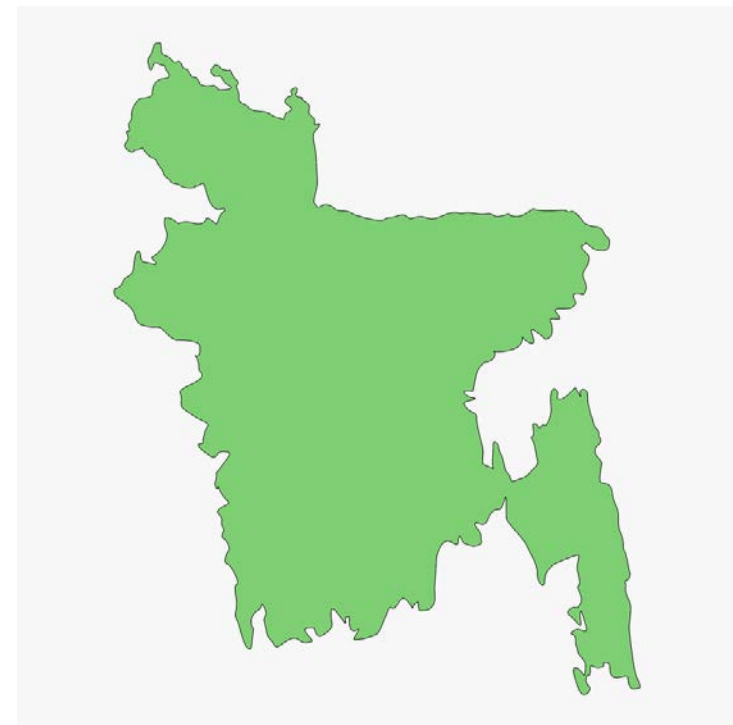
- **Location:** Southern Asia, bordering the Bay of Bengal, between Myanmar and India
- **Climate:** Tropical; mild winter (October to March), hot, humid summer (March to June); humid, warm monsoon (June to October)
- **Regions:** 8 divisions
- **Capital:** Dhaka
- **Major cities:** Dhaka, Chittagong and Sylhet

## Political system and demographics

- **Type of government:** Parliamentary democracy
- **Population:** 161.4 million people
- **Official language:** Bengali Prominent
- **Young population:** approx. 67% below the age of 35

## Financial sector

- **Central bank:** Bangladesh Bank
- **Local currency:** Bangladeshi taka (BDT)
- **Stock exchanges:** Dhaka Stock Exchange (DSE), Chittagong Stock Exchange (CSE)
- **Banks:** 60 scheduled banks, 5 non-scheduled banks and 34 non-banking financial institutions



# 1.2 Economy and infrastructure

## Key industry development



Consumer friendly economy



Growing service and industry sectors



Steady investment in digitisation

## Bangladesh Investment Development Authority



Support foreign investors

Provides one-stop services

## Infrastructure



Payra Port

Bangladesh is constructing its third sea port in addition to Mongla and Chittagong ports to expand its foreign trade



23,548

Installed power generation capacity of 22,787 MW



60 Banks

10,467

Number of bank branches across the country

Mobile banking  
Online/Internet banking  
Steady introduction of new financial products

55 + 11

55 Government owned economic zones and 11 private economic zones

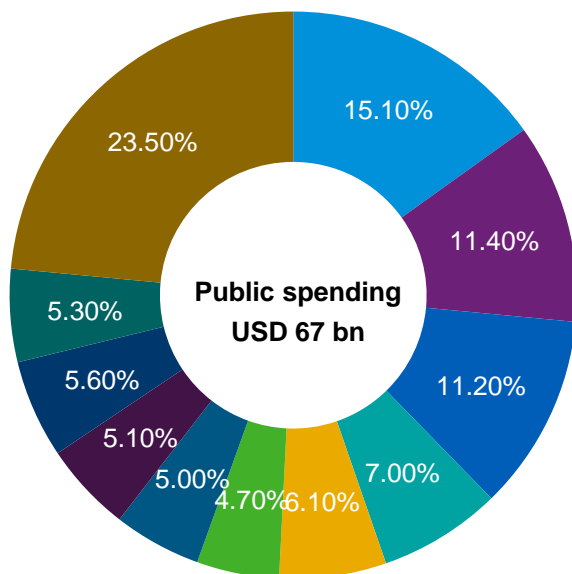
- 2.4 GWe Ruppur Nuclear Power Plant, 1.3 GWe Rampal Power Plant, 1.2 GWe Matarbari Power Plant and more are being constructed
- Dhaka metro rail project, expressway project and expansion of highways will

- improve transportation facilities
- Padma bridge and the Karnaphuli river tunnel construction projects have been undertaken to increase connectivity



# 1.3 Public spending and GDP

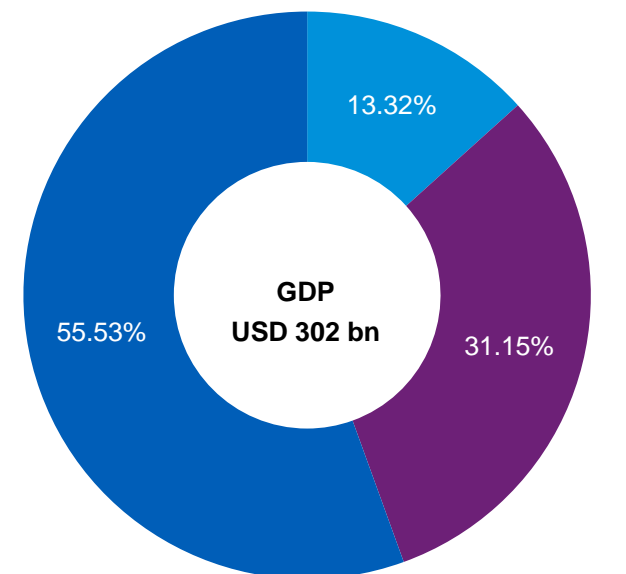
Public spending for 2020-21 (planned)



- Education & technology
- Debt interest
- Defence
- Public order & security
- Social security & welfare
- Others
- Transport & communication
- Local govt. & rural development
- Energy & power
- Health
- Agriculture

Source: Bangladesh Ministry of Finance (2020).

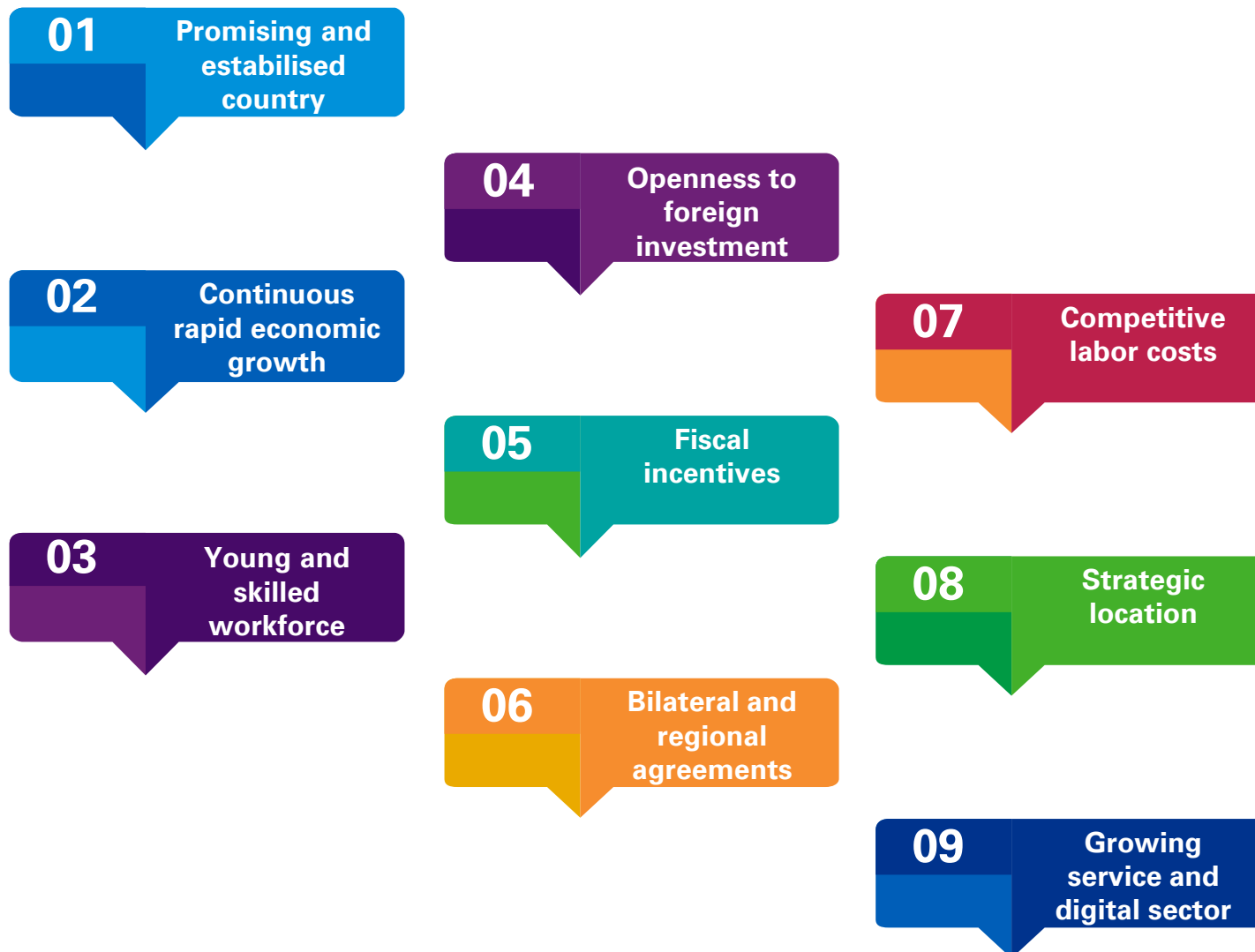
Shares of GDP (current prices) in 2019



- Agriculture
- Industry
- Service

Source: Bangladesh Bureau of Statistics

# 1.4 Why invest in Bangladesh





## 1.5 Investment conditions (1/3)

FDI is a potent resource for developing the Bangladesh economy and can play an important role in achieving the country's socio-economic objectives including poverty reduction goals. Generally, foreign investors are free to make investment in Bangladesh excepting a few restricted sectors.



# 1.5 Investment conditions (2/3)

## Protected industries

Furthermore, investment in certain industries also require prior approval of the relevant ministry/authority.

Fishing in the deep sea

Bank, insurance and other financial institution

Generation, supply and distribution of power

Exploration, extraction and supply of natural resources

Large-scale infrastructure project

Crude oil refinery (recycling/refining of lube oil used as fuel)

Medium and large industry using natural mineral as raw materials

Telecommunication service (mobile/cellular and land phone)

Satellite channel

Cargo/passenger aviation

Sea-bound ship transport

Sea-port/Deep sea-port

VOIP/IP telephone

Industries using heavy minerals accumulated from sea beach

## 1.5 Investment conditions (3/3)

Foreign investment and 100% foreign ownership is permitted in general, with a limited number of business activities which require ownership from Bangladeshi companies or individuals.



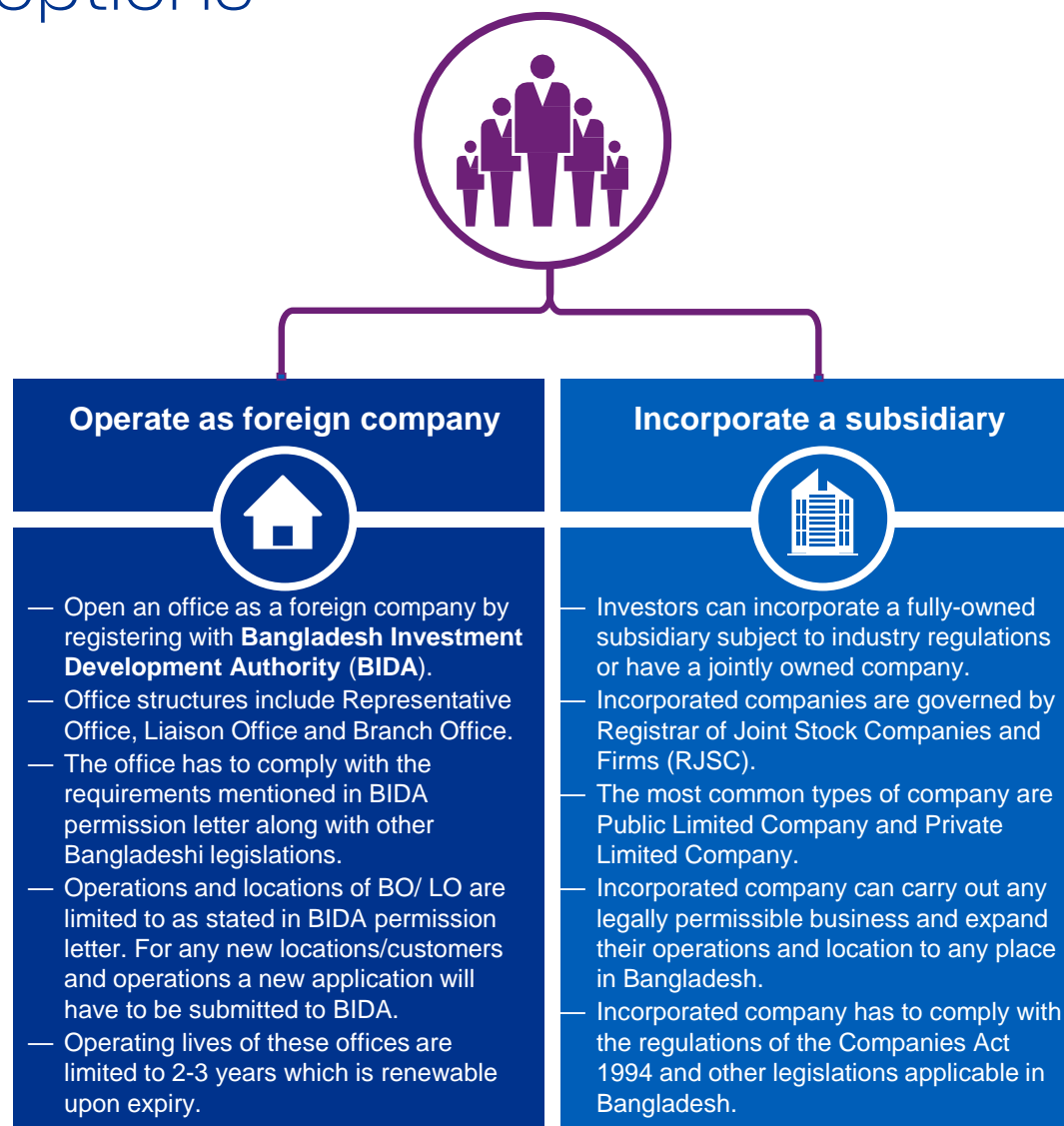


# Mode of entry

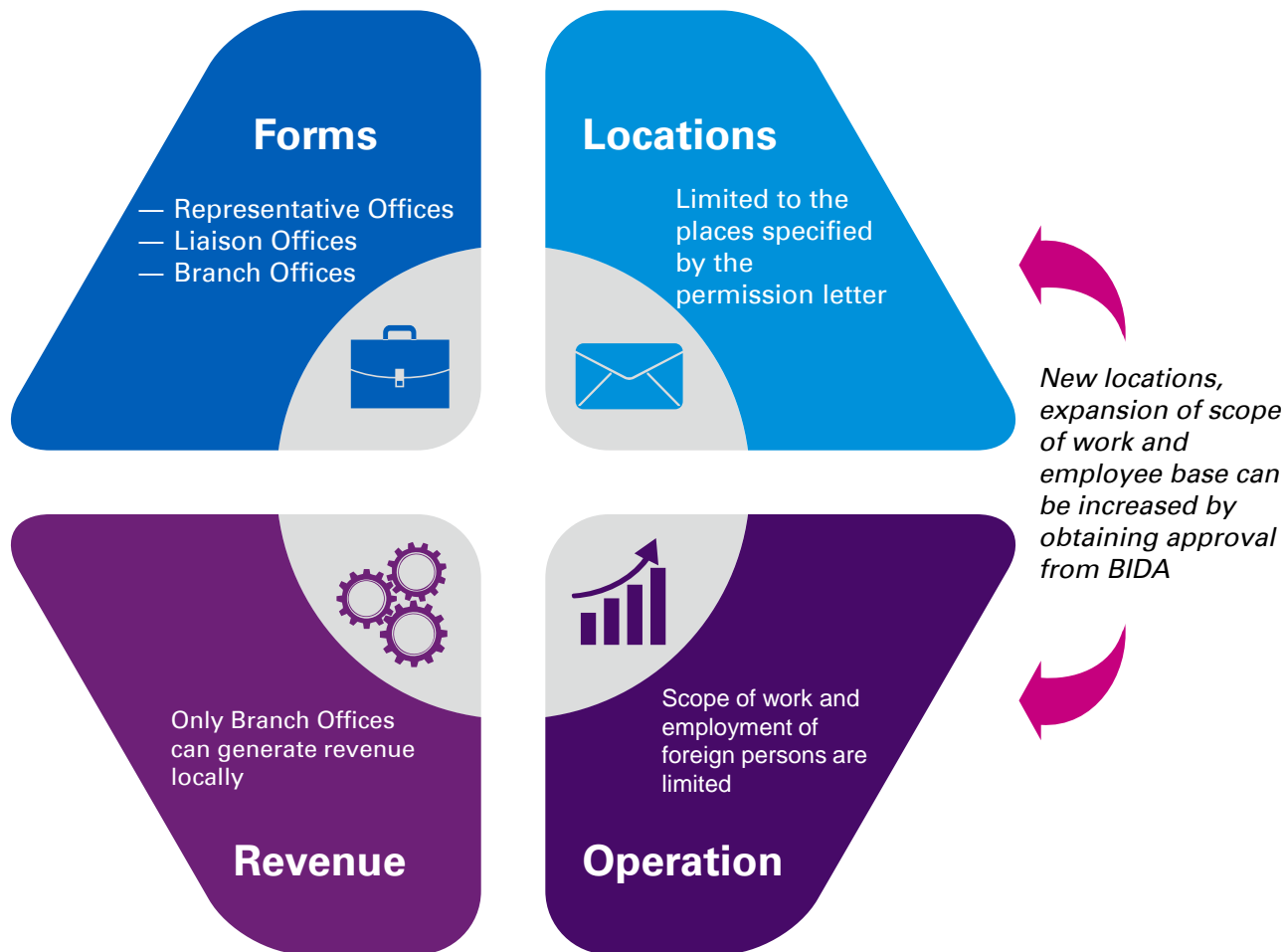


## 2.1 Investment options

- Social development institutions and not-for-profit organisations working with foreign donations operate under specific regulations of NGO Affairs Bureau of Bangladesh.
- Although not common, a general partnership may be formed with local individual or other registered entities under the Partnership Act, 1932. Its formation is easier than both office or a company. It has no legal entity and registration is not mandatory. There is only an agreemental relationship among the partners detailing the share of capital, profit and liability. The minimum number of partners is 2 and the maximum number is 20 in ordinary cases and 10 in case of banking business. Its member's liability is unlimited for such formation.



## 2.2 Registered offices



## 2.3 Incorporated companies

### Public limited company



- The minimum number of members of a Public Limited Company is minimum (using minimum in the beginning sounds better) 7 and the maximum number is limited by share according to share capital described in Memorandum of Association. The liability of a member is limited by his/her share capital.
- The special significance of a Public Limited Company is that such a company is permitted to offer shares and securities to the public. The shares of this company can be transferred without any restriction.
- Public Limited Companies are regulated by the Bangladesh Securities and Exchange Commission (BSEC).

### Private limited company



- The number of members of a Private Limited Company is limited and this limit is minimum 2 and maximum 50. The liability of a member is limited by his/her share capital.
- It cannot invite the public to subscribe for its shares or debentures. The liabilities of the members is limited by their share capital.
- Private Limited Companies are not primarily regulated by the BSEC, but certain regulations of BSEC still apply.

- *Company legislation also allows One Person Company to be formed by having one natural person as a shareholder.*



## 2.4 Steps to setting up a registered office



**Step 1:**  
Apply to BIDA



**Step 2:**  
Notify Bangladesh Bank after obtaining registration.



**Step 3:**  
Register with Income Tax Authority



**Step 4:**  
Register with RJSC

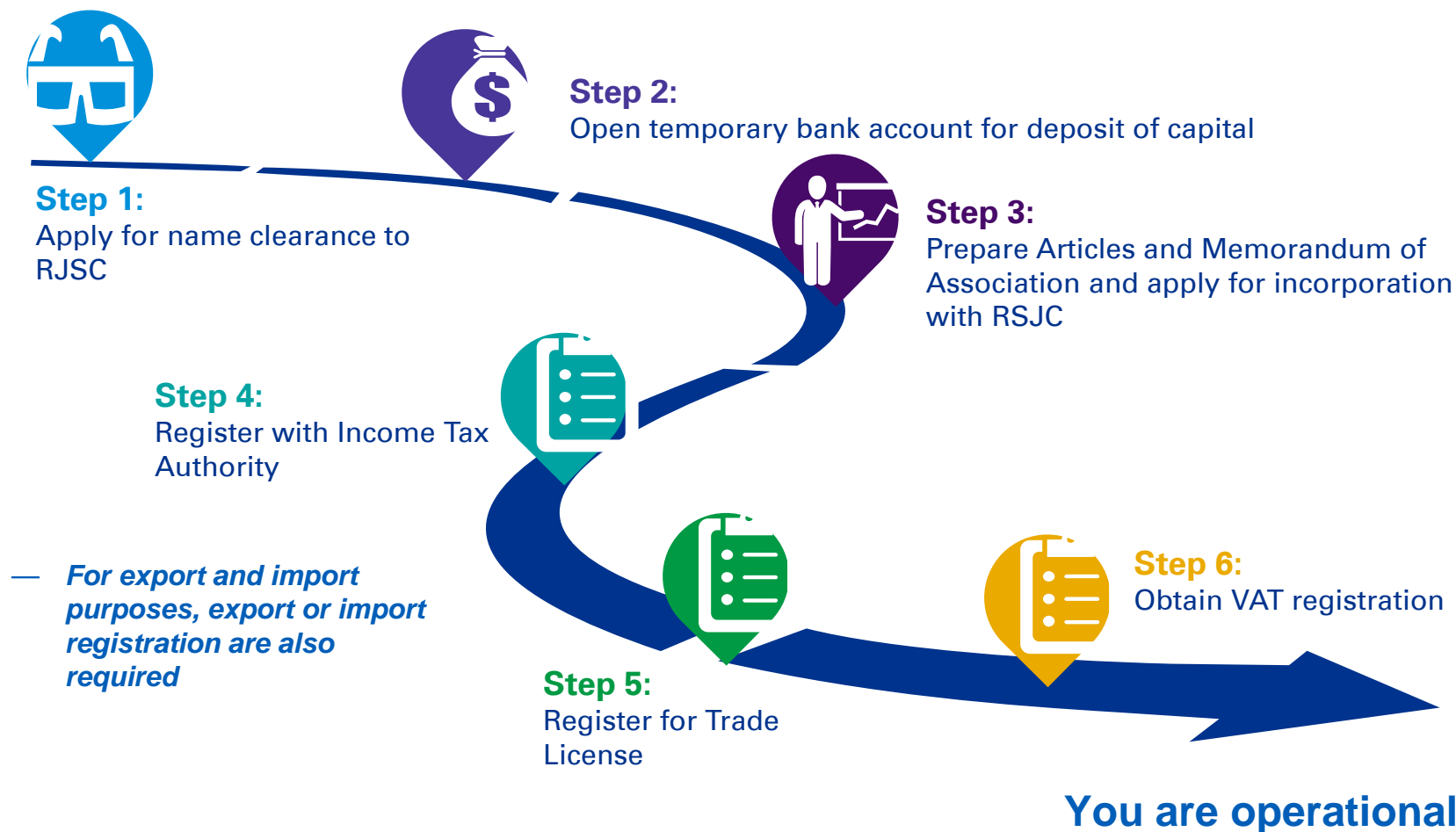


**Step 5:**  
Obtain Trade License

- *If Bangladesh office wish to generate and receive revenue locally, approval from BIDA is required along with VAT registration, if applicable.*
- *For export and import purposes, export or import registration are also required.*

**You are operational**

## 2.5 Steps for incorporating a company



## 2.6 Timeline

SL	Set-up process	Timeline (weeks)							
		1	2	3	4	5	6	7	8
<b>Office registration procedures</b>									
1	Apply permission from BIDA								
2	Letter to Bangladesh Bank under section 18B of Foreign Exchange Regulation Act 1947								
3	Registration with Income Tax Authority								
4	Registration with Registrar of Joint Stock Companies								
5	Trade license								
6	Clause 7 waiver from the permission letter of BIDA if the branch office raises invoice locally								
7	Registration with VAT authority								
<b>Company incorporation procedures</b>									
1	Obtaining name clearance								
2	Opening temporary bank account for deposit of capital								
3	Obtaining registration from RJSC								
4	Registration with Income Tax Authority								
5	Obtaining Trade license								
6	Obtaining online VAT registration								

*Import Registration Certificate (IRC) or Obtaining Export Registration Certificate (ERC) (If required) can be obtained within 2-3 weeks, however, chamber membership is required to be obtained beforehand which can take time depending on the relevant chamber.*



# Tax environment and incentives



## 3.1 Major tax legislations



**National Board of Revenue (NBR), the tax authority in Bangladesh.**

### Direct Tax



Income Tax Ordinance 1984

### Indirect Tax



VAT and Supplementary Duty Act 2012



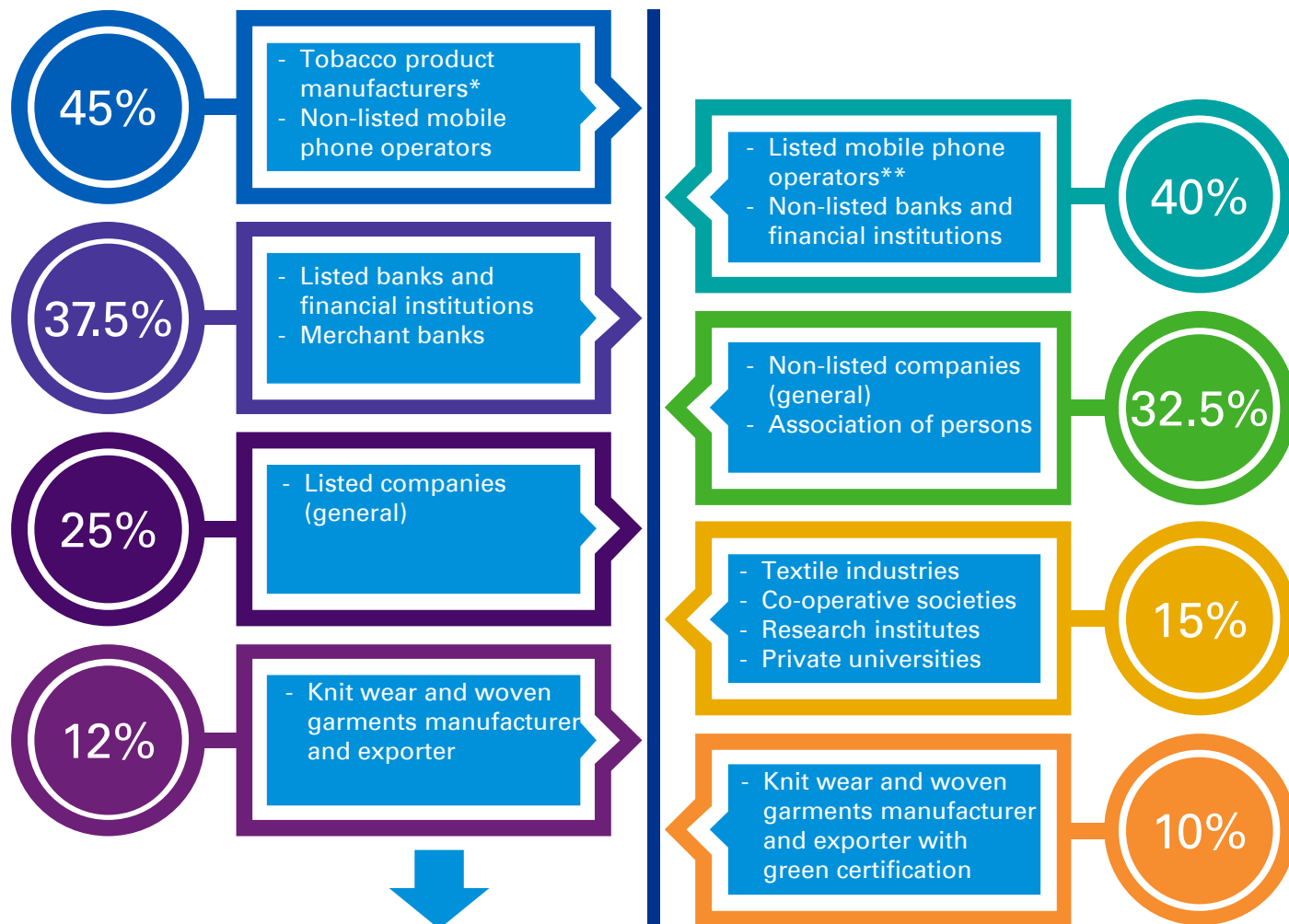
Customs Act 1969



Stamp Act 1899

***SROs, Clarifications and Interpretations are issued to support the main legislations.***

## 3.2 Corporate income tax structure



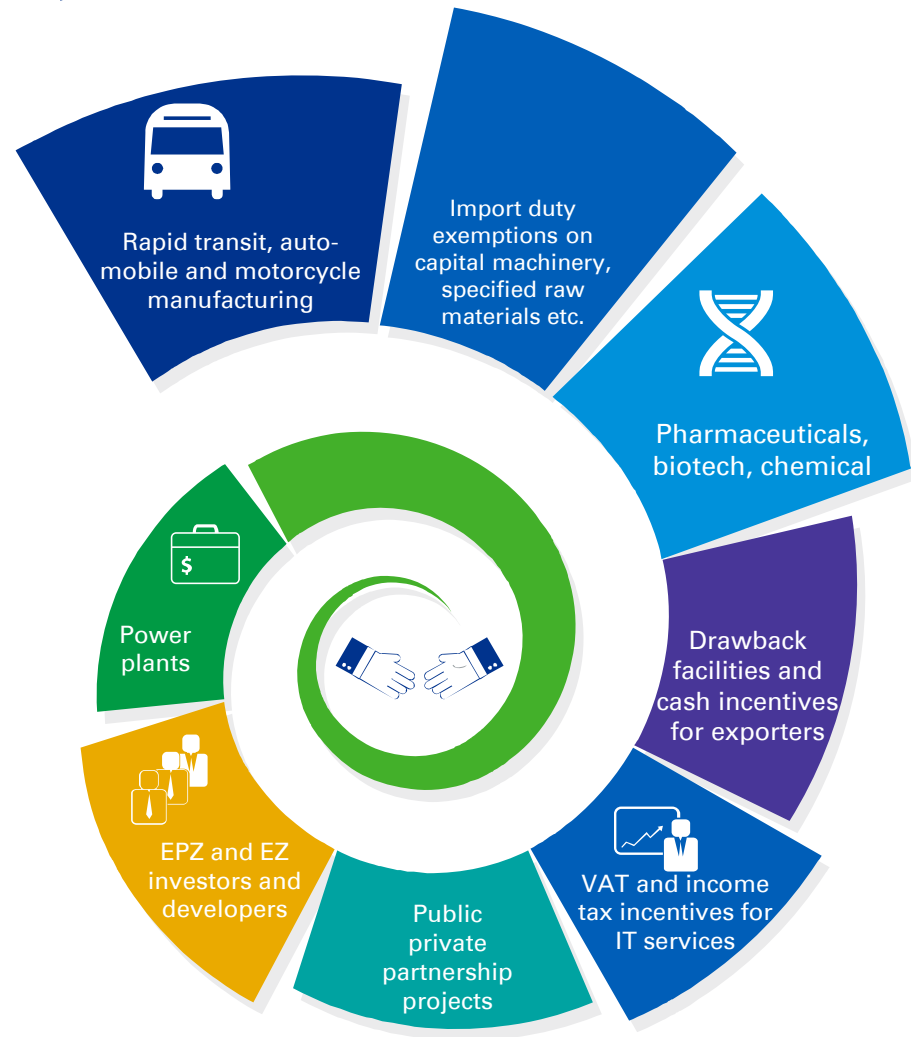
*Tax holiday and tax exemptions industries.*

*\* Additionally 2.5% surcharge is applicable*

*\*\* Specific conditions apply*





## 3.3 Tax incentives (1/2)

Several tax incentives have been issued for industrial enterprises, physical infrastructures, thrust sector industries and specialised sectors.

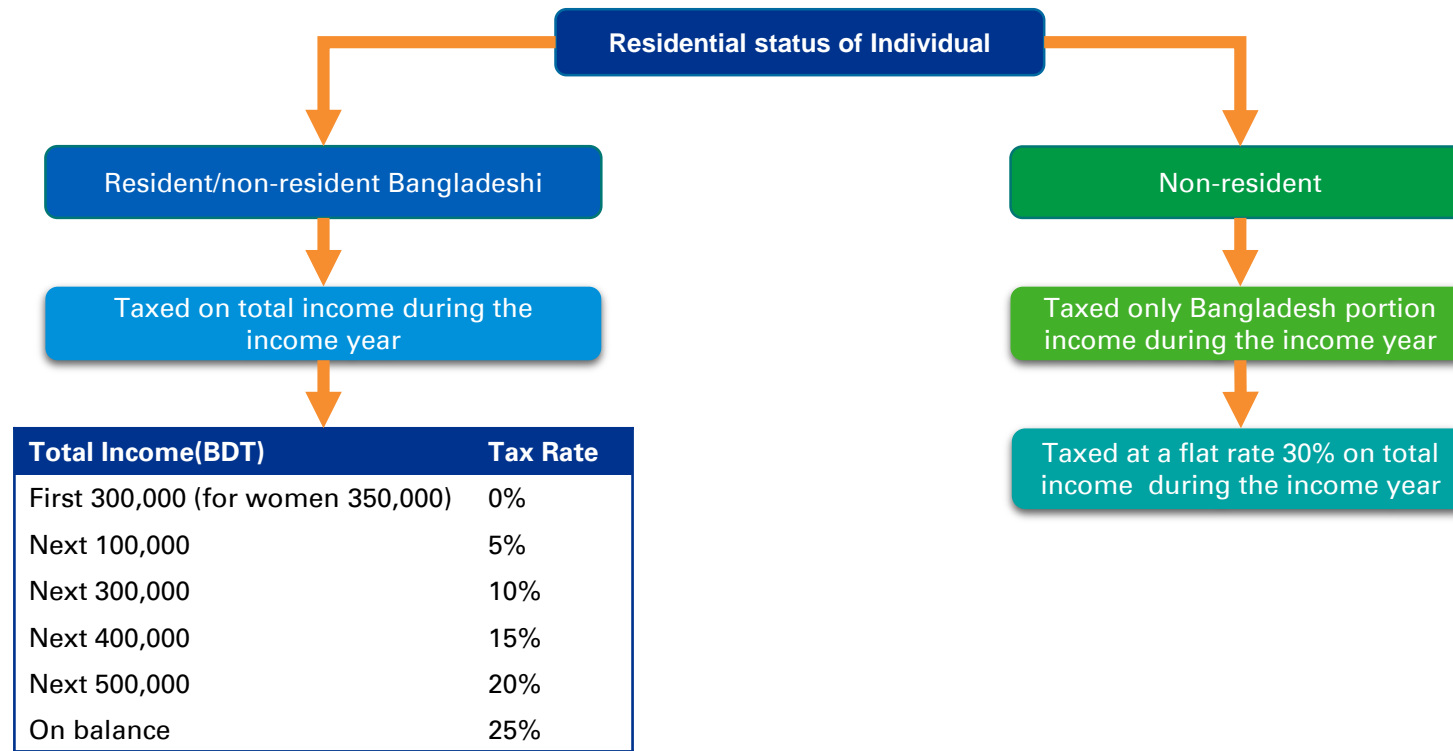




## 3.3 Tax incentives (2/2)

	Power generation entities	<ul style="list-style-type: none"><li>— Subject to commencement of operation up to 15 years income tax exemption if given.</li><li>— Royalty, technical fees, capital gains on transfer of shares are also exempted.</li><li>— Expatriates working in power plants also enjoy 3 year tax exemption</li></ul>
	Industrial enterprises	<ul style="list-style-type: none"><li>— Subject to location of establishment, 5 or 10 year regressive tax exemption is given.</li><li>— Includes computer hardware, pharmaceuticals, biotech, chemical manufacturer, auto-mobile and motorcycle</li></ul>
	Physical infrastructure	<ul style="list-style-type: none"><li>— 10 year regressive tax exemption is given.</li><li>— Includes renewable energy, IT parks, highway, ports, rapid transit, expressway, etc.</li></ul>
	EZ and EPZ investors	<ul style="list-style-type: none"><li>— Subject to location of establishment, 5 or 7 year regressive tax exemption is given for companies setup in Export Processing Zones.</li><li>— 10 year regressive tax exemption is given for companies setup in Economic Zones.</li></ul>

## 3.4 Personal income tax structure



**Resident:** (i) Presence in Bangladesh for 182 days or more in the related fiscal year or  
(ii) Presence for 90 days or more in the related fiscal year + 365 days or more in preceding 4 years.

- Surcharge is applicable based on the amount of wealth of the individual
- Employers are required to deduct withholding tax at the time of payment to their employees.
- Return filing deadline is 30 November.

## 3.5 Capital gain tax

### General CAPITAL GAINS TAX RATE

 15%

Capital gains tax other than sale of shares of listed companies:

- Company - 15%
- Others – 15% or marginal tax rate based on the holding period of the asset

Transfer of capital assets are subject to capital gains tax in Bangladesh

Transfer of shares of a non-resident company might be subject to capital gain tax in Bangladesh under certain circumstances.

### CAPITAL GAIN TAX RATES FOR LISTED SECURITY TRANSFERS

15%

Non-resident shareholders

10%

Resident firms, and companies

5%

Sponsor shareholders and shareholder directors of financial institutions

5%

Shareholders with at least 10% shareholding excluding sponsor shareholders and shareholder directors

0%

General individuals

*\* Tax rates may vary due to specific conditions*

### EXEMPTION FOR NON-RESIDENTS



Non-resident shareholders are exempted from capital gain tax on their transfer of listed securities of Bangladesh companies if they enjoy similar tax exemption in their resident countries

## 3.6 Value added tax (VAT) (1/2)

**New VAT legislation has been implemented from 1 July 2019 with a view to modernising the VAT system, ease VAT compliance and reduce VAT complexities**

Nature of Activities	VAT Rate
Standard VAT rate	15%
— Businesses having turnover between BDT 5m to BDT 30m will be subject to turnover VAT	4%
Supply of goods	Zero rated
<ul style="list-style-type: none"> <li>— Supply of any goods from inside to outside Bangladesh;</li> <li>— Temporarily imported goods;</li> <li>— Deemed export;</li> <li>— Supply of goods for repair, maintenance or modification and supply of stores or spare parts for ocean-going ship and aircraft engaged in international transport;</li> </ul>	
Supply of services	Zero rated
<ul style="list-style-type: none"> <li>— Services given physically on goods situated outside Bangladesh at the time of supply of the service,</li> <li>— Services given relating to temporarily imported goods under the Customs Act;</li> <li>— Services given to a recipient situated outside Bangladesh at the time of supply;</li> <li>— Supply of telecommunication services by a telco supplier to a non-resident telco supplier.</li> </ul>	
Trade VAT	5%
Specifically for	
— Manufacturers	4%
— Medicine	2.4%
— Petroleum products	2%
Certain prescribed goods and services	Lesser Rate
Business entities whose supplies are subject to Truncated VAT can choose to exercise the standard VAT rate of 15% and claim input VAT credit against their purchase.	(2-10%)

## 3.6 Value added tax (VAT) (2/2)

**Goods and services subject to lesser VAT rate and trade VAT rate will not be eligible for input VAT credit.**

**However, they can choose to exercise standard VAT rate of 15% and claim input VAT credit against their purchase.**

VAT on specific goods and service procurement can be taken as credit



- Rent and expenditures for construction and maintenance of building,
- Infrastructure,
- Office equipment and fixtures,
- Immovable properties



- Entertainment expenses,
- Transportation services.

## 3.7 Import duties

### Imports duties are paid by the importer of record

Following import duties are recoverable or adjustable:

- VAT
- Advance income tax (*subject to minimum tax regulations and taxable profit*)
- Advance Tax

**Bangladesh has a well developed Cost and Freight (CnF) sector who provides comprehensive support to importers.**

Duty Type	Duty rate
Customs Duty (CD)	0% to 25%
Regulatory Duty (RD)	0% to 3%
Supplementary Duty (SD)	0% to 500%
Value Added Tax	0% to 15%
Advance Income Tax	0% to 5%
Advance Tax (VAT)	0% to 5%



## 3.8 Stamp duties

### Stamp duties are paid by the executors of legal documents

Stamp duty is levied on legal documents, but the rates vary depending on the nature of documents. Major stamp duties include:

- For the transfer of shares of unlisted companies, stamp duty is imposed at the rate of 1.5% on the transfer price.
- The duty on transfer of immovable property is 1.5%.
- Stamp duty for contracts and agreement is BDT 300.
- Stamp duty for incorporate of a company is up to BDT 10,000.
- For all other documents, the stamp duty varies.





## 3.9 Double taxation avoidance treaty

Sl.	Country	Sl.	Country
1	Bahrain	20	Norway
2	Belgium	21	Oman ( air traffic only)
3	Bhutan	22	Pakistan
4	Canada	23	Philippines
5	China	24	Poland
6	Czech Republic	25	Republic of Belarus
7	Denmark	26	Republic of Korea
8	Germany	27	Romania
9	France	28	Saudi Arabia
10	India	29	Singapore
11	Indonesia	30	Sri Lanka
12	Italy	31	Sweden
13	Japan	32	Switzerland
14	Kuwait	33	Thailand
15	Malaysia	34	Turkey
16	Mauritius	35	United Arab Emirates
17	Myanmar	36	United Kingdom
18	Nepal	37	United States of America
19	Netherlands	38	Vietnam



## 3.10 Export processing zones (EPZ)

### Currents 8 EPZs are operational across Bangladesh

EPZs have been established by the Bangladesh Export Processing Zones Authority (BEPZA) under the Bangladesh Export Processing Zones Act of 1980 in order to invigorate industrialization and boost employment through promotion of trade and investment.

BEPZA is responsible for attracting foreign investment, facilitating fiscal and operational benefits and thus, providing a special customs bonded areas for investors to set up their infrastructure in Bangladesh in a congenial investment climate.

- BEPZA provides various one stop services to expedite and ease setup and operational requirements,
- Dedicated branches of banks, courier, post office, shipping agent, customs office, police station etc. are setup in EPZ areas to provide access or essential services,

### Fiscal benefits

- ✓ Tax exemption up to 7 and 5 years depending upon location of EPZ,
- ✓ Tax exemption on dividend during tax exemption period,
- ✓ Import tariff exemptions and duty draw back-back facilities on import of raw materials, machinery, equipment and construction materials,
- ✓ 100% foreign investment is permissible,
- ✓ Medium/long term foreign borrowing facilities,
- ✓ Operation of foreign currency accounts,
- ✓ Bonded warehousing facilities.

## 3.11 Economic zones (EZ)

**Currently there are 55 Government owned economic zones and 11 private economic zones**

EZs have been established by the Bangladesh Economic Zones Authority (BEZA) under the Bangladesh Economic Zones Authority Act of 2010 in order to encourage rapid economic development through increase and diversification of industry, employment, production and export.

BEZA provided multiple incentives, to the developers of the Economic Zones as well as to the manufacturing unit investors.

### **Fiscal benefits**

- ✓ Tax exemption up to 10 years,
- ✓ Tax exemption on dividend during tax exemption period,
- ✓ Tax exemption on capital gains from transfer of shares for 10 years,
- ✓ Tax exemption on royalties, technical know-how and technical assistance fees, etc. for 10 years,
- ✓ Tax exemption on salary of expatriate employees for 3 years,
- ✓ Exemption of VAT on all utility services
- ✓ Duty free import of goods to be used for the development of Zones
- ✓ 100% foreign investment is permissible,
- ✓ Medium/long term foreign borrowing facilities,
- ✓ Operation of foreign currency accounts,
- ✓ Bonded warehousing facilities.



# Foreign exchange regulations



## 4.1 Foreign exchange regulations (1/2)

### **Bangladesh Bank is the central bank and regulator of the financial market**

Foreigners can invest in Bangladesh through equity contribution or loans.

Equity funding by the foreign investors is always encouraged in Bangladesh for the following reasons:

- The Government shall accord fair and equitable treatment to foreign private investment which shall enjoy full protection and security in Bangladesh.
- Government ensures foreign private investment shall not be expropriated, nationalised or be subject to any similar effect except for a public purpose against adequate compensation which shall be paid expeditiously and be freely transferable.
- Full repatriation of capital is ensured.

Injection of equity does not require prior approval but certain formalities need to be maintained.

Any foreign loan is subject to prior approval of BIDA and Bangladesh Bank.



**Bangladesh Bank**

# 4.1 Foreign exchange regulations (2/2)

## Bangladesh is a highly regulated country with respect to foreign exchange controls

Outward remittances are highly restricted. Few outward remittances can be made without prior approval of Bangladesh Bank, e.g.



Dividend



Import payments under L/C mechanism



Training and consultancy fees



Repayment of approved foreign loans

For few outward remittances, specific guidance and conditions have been prescribed or practiced e.g.



Transfer of shares and securities



Royalty and technical fees

- **Specific foreign exchange regulations are present for shipping agents, freight forwarding agents, courier companies and airline companies**
- **For remittances which are not given specific guidance, special permission from Bangladesh Bank is required**



# KPMG Bangladesh





# KPMG at a glance

KPMG is a global network of professional service firms providing Audit, Tax and Advisory services. KPMG is one of the 'Big Four' accounting firms in the world today. KPMG firms collaborate across the globe, addressing the needs of clients, making bold decisions on investing together and serving the needs of KPMG professionals, wherever they work.

## Our People



Globally we are over  
**219,000**  
Our largest headcount

In Bangladesh  
we have around  
**425 people**

**5**  
Partners & Directors

**Robust Training**  
Skill-building programs, and  
international trainings ensure  
professional competency

## Our Presence



Present in over  
**147**  
Countries and territories

In Bangladesh we have  
**2**  
offices: Dhaka & Chattogram

## Our Clients



**250+**  
Clients across several  
industries both in  
Bangladesh and  
globally

### Industry Presence



## Our Achievements



**1st**  
KPMG Bangladesh has been  
a "Member Firm" of KPMG  
International (KPMG) since  
January 2006. It is the first  
Member Firm in Bangladesh  
of any of the 'Big Four'.

KPMG Bangladesh  
celebrates over  
**50 years**  
of service

## 5.1 About KPMG Bangladesh

KPMG is a global network of professional services firms providing Audit, Tax and Advisory services. We operate in 147 countries and territories and have 219,000 people working in member firms around the world. The independent member firms of the KPMG network are affiliated with KPMG International Limited ("KPMG International"), a private English company limited by guarantee. Each KPMG firm is a legally distinct and separate entity and describes itself as such.

KPMG Bangladesh operates through Rahman Rahman Huq, Chartered Accountants and KPMG Advisory Services Limited. Operating from offices in Dhaka and Chattogram, we are a team of around 425 people.

KPMG Bangladesh's Advisory Services include IT Advisory, Deal Advisory and Risk & Management Consulting Services, which are manned by professionals with the qualification and experience necessary to meet the diverse needs of clients.

Our ambition is to continue to recruit the best talent, train them in an environment of technical and ethical excellence to meet the highest expectations of clients in this age of continually evolving multi-dimensional challenges.



## 5.2 KPMG Bangladesh Leadership



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