



Tax Newsflash

Exemptions for Economic Zone

August 2024

Dear all,

Economic Zones (EZ) have been established in order to encourage rapid economic development through increase and diversification of industry, employment, production and export. BEZA provides multiple incentives, to the developers of the EZs as well as to the manufacturing unit investors. It also provides one-stop services and establishes dedicated branches of banks, courier, post office, shipping agent, customs office, police station etc. for these investors. We have curated the notable regulatory orders issued by NBR in relation to EZ outlining the following incentives.

Income tax

- **Investors:** income generated from business operation (manufacturing of goods and rendering of service) is exempted from starting of their commercial operation within 30 June 2035 in the following manner, subject to fulfilment of prescribed conditions.

Tax exemption period	Tax exemption rate
First three years	100%
4 th year	80%
5 th year	70%
6 th year	60%
7 th year	50%
8 th year	40%
9 th year	30%
10 th year	20%

- **Developers:** income generated from business operation is exempted from starting of their commercial operation in the following manner, subject to fulfilment of prescribed condition:

Tax exemption period	Tax exemption rate
First ten years	100%
11 th year	70%
12 th year	30%

Value Added Tax (VAT)

- Companies established in EZs will enjoy certain VAT exemptions on the following:
 - Natural Gas
 - WASA
 - Procurement provider (excluding petroleum products)

- Electricity Provider

Customs

- Industrial companies operating in EZ will receive exemption on import of capital machines and equipment on the import of machinery and parts on the payment of CD, RD, SD, and VAT.
- Developers operating for the establishment of EZs will receive an exemption on the import of goods used for development on the payment of CD, RD, SD, and VAT.

Provided that this exemption shall not apply to the import of construction materials readily available in Bangladesh such as MS rod/bar, cement, prefabricated building, iron/steel sheet. In addition, this exemption shall not apply to the import of any goods not directly related to the development and construction of EZ such as office equipment, air conditioners, refrigerators, passenger vehicles, household appliances and similar products.

- Industrial companies operating in EZs will also receive an exemption on CD on the import of vehicles, subject to prescribed conditions.

If you require any support, we will be happy to discuss further.

Best Regards

KPMG Bangladesh team

This newsletter is a periodic publication of KPMG Bangladesh. If you need more detailed explanation, please feel free to contact us.

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