Investment Incentives

In order to encourage the inflows of FDI the government of Bangladesh offers one of the most liberal investment policies and attractive packages of fiscal, financial and other incentives to foreign entrepreneurs in South Asia. Major incentives to stimulate private sector direct investment are listed below.

Tax Exemptions

Generally five to seven years' tax exemptions are available for many business investments. However, for electric power generation tax exemptions are provided for up to 15 years.

Duty

No import duty is applicable for export oriented industry. For other industries it is 5% ad valorem.

Income Tax

Double taxation can be avoided in most cases as the country (Bangladesh) benefits from many bilateral investment agreements. Exemptions of income tax up to three years for the expatriate employees in industries are specified in the relevant schedules of the income tax ordinance.

Remittances

Facilities for full repatriation of invested capital, profits and dividends are the norm in most situations

Exit

An investor can wind up an investment either through a decision of an annual or extraordinary general meeting. Once a foreign investor completes the formalities to exit the country, he or she can repatriate the net proceeds after securing proper authorization from the central bank (Bangladesh Bank).

Ownership

Foreign investors can set up ventures, either wholly owned or in joint collaboration, with local partners.

Investing in The Stock Market

Foreign investors are allowed to participate in initial primary offerings (IPOs) without any regulatory restrictions. Also, incomes from dividends are tax-exempt for investors.

Incentives and Facilities for the Investors

Industries are eligible for tax holidays for the following periods according to the location of the establishment.

- The period of tax holiday is calculated from the month of commencement of commercial production or operation of the industrial undertaking. The eligibility of a tax holiday is to be determined by the National Board of Revenue (NBR).
- The tax holiday facility is applicable to industries set up in Bangladesh before June 30, 2012.
- Accelerated depreciation in lieu of a tax holiday is allowed at the rate of 80% of actual cost of machinery or plant for the year in which the unit starts commercial production and 20% for the following years. The rate of depreciation is 100% for years specified by the NBR.

Concessionary Duty on Imported Capital Machinery

Import duty at the rate of 3% ad valorem is payable on capital machinery and spares imported for initial installation or BMR/BMRE* of the existing industries. The value of spare parts should not, however, exceed 10% of the total cost and freight value of the machinery. Out of this, 3% rate of duty payable, export-oriented industries and industries in the under developed areas, may enjoy a further concession of the import duty in the following manner:

100% export oriented industries :

No import duty is charged in case of capital machinery and spares listed in NBR's* relevant notification. However, import duty at 3% is secured in the form of a bank guarantee or an indemnity bond to be returned after installation of the machinery.

Minimum 70% export oriented industries in developed areas :

Import duty at 2.5% is charged in case of capital machinery and spares listed in NBR's relevant notification. Additional duty at 5% is secured in the form of a bank guarantee or cash deposit to be returned after installation of the machinery.

Minimum 70% export oriented industries in developed areas :

Import duty at 5% is charged in case of capital machinery and spares listed in NBR's relevant notification. Additional import duty at 2.5% is secured in the norm of a bank guarantee or cash deposit to be returned after installation of the machinery.

Other industries outside developed areas :

Import duty at 5% is charged in case of capital machinery and spares listed in NBR's relevant notification. Additional import duty at 2.5% is secured in the form of a bank guarantee or cash deposit to be returned after installation of the machinery.

Othe industries in developed areas :

Import duty at 3% is charged in case of capital machinery and spares listed in NBR's relevant notification.

Value Added Tax (VAT) is not payable for imported capital machinery and spares. Duties and taxes on import of goods which are produced locally will be higher than those applicable to import of raw materials for producing such goods.

Non-Resident Bangladeshis (NRBs)

Special incentives are provided to encourage non-resident Bangladeshis for investment in the country. Non-resident Bangladeshi investors will enjoy facilities similar to those of foreign investors. Moreover, they can buy newly issued shares/debentures of Bangladeshi companies. A quota of 10% has been fixed for non-resident Bangladeshis in primary shares. Furthermore, they can maintain foreign currency deposits in the Non-resident Foreign Currency Deposit (NFCD) account.

Other Incentives

- Tax exemptions on royalties, technical know-how fees received by any foreign collaborator, firm, company and expert.
- Tax exemption on the interest on foreign loans under certain conditions.
- Avoidance of double taxation in case of foreign investors on the basis of bilateral agreements.
- Exemption of income tax up of to three years for the foreign technicians employed in industries specified in the relevant schedule of the income tax ordinance.

- Tax exemption on income of private sector power generation company for 15 years from the date of commercial production.
- Facilities for repatriation of invested capital, profits and dividends.
- Six months multiple entry visa for investors.
- Citizenship by investing a minimum of US$ 500,000 or by transferring US$ 1,000,000 to any recognized financial institution (non repatriable).
- Permanent residency by investing a minimum of US$ 75,000 (non-repatriable).
- Tax exemption on dividend income of non-resilient shareholders during tax exemption period of an industry set up in export. processing zone and also after the expiry of tax exemption period if the dividend is re-investment in the same project.
- Exemption of tax on income from industrial undertakings set up in export processing zone for ten years from the date of start of commercial production.
- Tax exemption on capital gains from the transfer of shares of public limited companies listed with a stock exchange.

Additional Incentives to Export Oriented and Export Linkage Industries

Encouraging export oriented industries is one of the major objectives of the Industrial Policy in place, and as such the government ensures all support and co-operation to the exporter as per the export policy. Some of the facilities and incentives offered are as follows:

- Concessionary duty as per SRO* is allowed on the import of capital machinery and spare parts for setting up export-oriented industries or BMRE of existing industries. For 100% export-oriented industries no import duty is payable.
- Facilities such as special bonded warehouse against back-to-back letters of credit or notional import duty and non payment of Value Added Tax (VAT) facilities are available as per SRO of the government.
- System for duty drawback is being simplified and concise. The exporter will be able to get back the duty draw-back directly from the concerned commercial bank.
- Bank loans, of up to 90% if the value against irrevocable and confirmed letters of credit/sales agreement, are available.
- For granting export performance benefits, the list of export products and the rate of export performance benefit (XPB) are reviewed from time to time.

- With the intention of encouraging backward linkages, export-oriented industries including export-oriented ready made garment industries using indigenous raw materials instead of imported materials, are given additional facilities and benefits at prescribed rates. Similar incentives are extended to the suppliers of raw materials to export-oriented industries.
- Export-oriented industries are allocated foreign exchange for publicity campaigns and for opening offices abroad.
- Entire export earnings from handicrafts and cottage industries are exempted from income tax. In case of other industries, proportional income tax rebates on export earnings is given between 30% and 100%. Industries which export 100% of their products are given tax exemption up to 100%.
- Facilities for importing raw materials are given for manufacturing exportable commodities under banned/restricted list.
- Import of specified quantities of duty-free samples for manufacturing exportable products is allowed. The quantity and value of samples is determined jointly by the concerned sponsoring agency and the NBR.
- Local products supplied to local projects against foreign exchange under international tender are treated as indirect exports and the producer is entitled to avail of all export facilities.
- Export oriented industries like toys, luggage and fashion articles, electronic goods, leather goods, diamond cutting and polishing, jewellery, stationery goods, silk cloth, gift items, cut and artificial flowers and orchid, vegetable processing and engineering consultancy services identified by the government as thrust sectors are provided special facilities in the form of cash incentives, venture capital and other facilities.
- Export oriented industries are exempted from paying local taxes (such as municipal taxes).
- Leather industries exporting at least 80% manufactured products will be treated as 100% export oriented industries.
- Manufactures of indigenous fabrics (such as woven, knit, hosiery, grey, printed, dyed, garment check, hand loom, silk and specialized fabrics) supplying their products to 100% export oriented garment industries are entitled to avail a cash subsidy equivalent to 25% of the value of the fabrics provided the manufacturers of the fabrics do not enjoy duty draw back or duty free bonded warehouse facility.

- Apart from the above mentioned facilities, other facilities as announced and provided in the export policy are also applicable for export-oriented and export-linkage industries.
- Tax exemption on dividend income of non-resident shareholders during tax exemption period of an industry set up in an export processing zone and also after the expiry of tax exemption period if the dividend is re-invested in the same project.
- Exemption of tax on income from industrial undertakings set up in an export processing zone for ten years from the date of commercial production.
- Tax exemption on capital gains from the transfer of shares of public limited companies listed with a stock exchange.

*SRO=Special revenue order

*NBR=National Board of Revenue

BMR/BMRE=Balancing, Modernisation, Rehabiliation and Expansion