Doing business in Bangladesh
2016

In association with:

Grant Thornton
An instinct for growth

HSBC
This Guide has been prepared jointly by The Hongkong and Shanghai Banking Corporation Limited in Bangladesh and Grant Thornton for the purposes of providing a high-level general overview of the business environment in Bangladesh for the information of businesses who may be interested in transacting or investing in Bangladesh. Any transaction or investment in Bangladesh, however, should only be undertaken based on professional advice specific to such transaction or investment.
Introduction

This guide to doing business in Bangladesh will provide foreign investors with an insight into the key aspects of undertaking business and investing in Bangladesh. The country offers a competitive market, business-friendly environment and a growing population.

Bangladesh has a well-educated, highly adaptive and industrious workforce with the lowest wages and salaries in the region. Over 50 per cent of the population is under 25, providing foreign investors with a youthful group for recruitment.

Furthermore, Bangladesh’s location next to India, China and the ASEAN markets provides foreign investors with a strategic location to access these markets. Bangladesh has proved to be an attractive investment location with its population of 168.9 million and consistent economic growth substantiated by strong and growing domestic demand.

Bangladesh offers the most liberal FDI regime in South Asia, allowing 100 per cent foreign ownership with an unrestricted exit policy, easy remittance of royalties and repatriation of profits and incomes. Bangladesh also offers a number of export-oriented industrial enclaves with infrastructural facilities and logistical support for foreign investors.

In the past decade, Bangladesh’s economy has grown at nearly six per cent per year. Testament to the country’s continued growth, the OECD upgraded its rating for Bangladesh from a 6 to a 5 in July 2015. This means the OECD now categorises Bangladesh as a new frontier market, rather than a nation highly dependent on development aid. Bangladesh has set a target to be in the middle income group status by 2021. This is expected to be achieved through simultaneous improvement of the political, economic, social, technological, legal and environmental infrastructure. Bangladesh was recently promoted as a lower middle income country (LMIC) from a low income country (LIC) classification by the World Bank.

Bangladesh also has made substantial strides in improving the Human Assets Index (a measure of the level of human capital consisting of four indicators: two on health and nutrition and two on education) over the past few years and is only about 2.0 percentage points short of meeting the graduation criterion. If current trends can be maintained, it will be likely to meet this criterion in the 2018-2021 review.

While the economy is likely to retain its competitive advantage in producing clothing and apparel, rising incomes, better regulation and improved infrastructure will encourage a shift towards investment in higher value-added sectors. In the long term, rising Foreign Direct Investment (FDI) inflows will have a key role in supporting investment in Bangladesh. Growing household incomes will also open up a substantial market for consumer goods, including high-tech products.

While this guide makes reference to some of the most common issues investors might face, it must be noted that certain industries, such as the financial services sector, are subject to special regulation and therefore companies wishing to invest in this area should seek legal advice.

The information in this publication is current at January 2016.
## Country profile

<table>
<thead>
<tr>
<th>Capital City</th>
<th>Dhaka</th>
</tr>
</thead>
<tbody>
<tr>
<td>Area</td>
<td>148,460 sq.km</td>
</tr>
<tr>
<td>Population</td>
<td>168,957,745</td>
</tr>
<tr>
<td>Language</td>
<td>Official language is Bangla (Bengali). English though not having official status, is prevalent across government, law, business, media and education, and can be regarded as the de facto co-official language of Bangladesh.</td>
</tr>
<tr>
<td>Currency</td>
<td>Bangladeshi Taka (BDT)</td>
</tr>
<tr>
<td>International dialling code</td>
<td>+ 88</td>
</tr>
</tbody>
</table>

### National Holidays 2016

- 21 February – International Mother Language Day
- 17 March – Birthday of the Father of the Nation
- 26 March – Independence Day
- 14 April – Bengali New Year
- 1 May – May Day
- 21 May* – Buddha Purnima
- 23 May* – Shab e-Barat
- 1 July – Bank holiday
- 1 July – Jumatul Bidah
- 3 July* – Shab e Qadr
- 5 – 7* July – Eid ul-Fitr
- 15 August – National Mourning Day
- 25 August – Janmashtami
- 11 – 13* September – Eid ul-Adha
- 11 October – Durga Puja (Dashami)
- 12 October* – Ashura (Muharram)
- 12 December* – Eid e-Milad-un Nabi
- 16 December – Victory Day
- 25 December – Christmas 31 December – Bank Holiday

*Subject to the appearance of the moon

### Business and Banking hours

- Generally 09:00 to 17:00 from Sunday to Thursday
- Banking Transaction Hours: 10:00 to 16:00

### Stock exchanges

- Dhaka Stock Exchange
- Chittagong Stock Exchange

### Political structure

- Parliamentary representative democratic republic

### Doing Business rank 2016

- 174 (Dropped by two points from 2015 Rank 172)
### Ease of Doing Business

<table>
<thead>
<tr>
<th>Topics</th>
<th>2016 rank</th>
<th>2015 rank</th>
<th>Change in rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Starting a business</td>
<td>117</td>
<td>111</td>
<td>-6</td>
</tr>
<tr>
<td>Licenses and Permits</td>
<td>118</td>
<td>118</td>
<td>No change</td>
</tr>
<tr>
<td>Getting Electricity</td>
<td>189</td>
<td>189</td>
<td>No change</td>
</tr>
<tr>
<td>Registering property</td>
<td>185</td>
<td>184</td>
<td>-1</td>
</tr>
<tr>
<td>Financing</td>
<td>133</td>
<td>128</td>
<td>-5</td>
</tr>
<tr>
<td>Protecting Investors</td>
<td>88</td>
<td>87</td>
<td>-1</td>
</tr>
<tr>
<td>Paying Taxes</td>
<td>86</td>
<td>85</td>
<td>-1</td>
</tr>
<tr>
<td>Trading Across Borders</td>
<td>172</td>
<td>172</td>
<td>No change</td>
</tr>
<tr>
<td>Enforcing Contracts</td>
<td>188</td>
<td>188</td>
<td>No change</td>
</tr>
<tr>
<td>Resolving Insolvency</td>
<td>155</td>
<td>155</td>
<td>No change</td>
</tr>
</tbody>
</table>

*Source: World Bank Group (Doing Business)*
Legal overview

Political and legal system
Bangladesh is a constitutional republic with a multi-party parliamentary democracy. Elections in Bangladesh are held on the basis of universal suffrage. The Parliament of Bangladesh is a unicameral legislature consisting of 300 members, directly elected from each constituency on the basis of a first-past-the-post system and 50 women members elected by the aforesaid members on the basis of proportionate representation in the parliament. The President is the head of the state elected by the members of the parliament for a five-year term. Executive power of the Republic is, in accordance with the Constitution, exercised by or on the authority of the Prime Minister. The President is responsible for appointing the Prime Minister. The Cabinet shall be collectively responsible to Parliament.

The present structure of the local government in Bangladesh had its origin in the British colonial period. The first attempt at establishing a local government institution was made during the latter part of the nineteenth century. The structure, function and financial management of local government institutions have undergone many changes from the British colonial period to the present day. Currently, the rural/regional local government of Bangladesh has three tiers, namely ‘Zila Parishads’, ‘Upazila Parishads’ and ‘Union Parishads’. Due to the rapid growth of towns and cities, in sub-urban areas the ‘Union Parishad’ is frequently replaced by the Municipal Corporations (Pourashava) and City Corporations.

The Constitution of Bangladesh is the supreme law of the Republic. However, it can be amended by an ordinary law-making procedure; this amendment can only be passed through a vote of no less than two thirds of the members of Parliament. If any other law is inconsistent with the Constitution that other law shall, to the extent of the inconsistency, be void. Part III and Article 27 to 44 of the Constitution provide 18 fundamental rights such as equality before law, equality of opportunity in public employment, right to protection of law, protection of right to life and personal liberty, freedom of movement, freedom of thought, etc.

The present legal and judicial system of Bangladesh owes its origin mainly to the two centuries of British rule in the Indian Sub-Continent, although some elements are remnants of the pre-British period tracing back to Hindu and Muslim administration. Most legislation in Bangladesh originates from English law and the legal system is based on English common law.

The term “law” has been defined in the Constitution of Bangladesh as any Act, ordinance, order, rule, regulation, bylaw, notification or other legal instrument, and any custom or usage, having the force of law in Bangladesh.

Besides, Article 111 of the Constitution of Bangladesh provides that the law declared by the Appellate Division shall be binding on the High Court Division and the law declared by either division of the Supreme Court shall be binding on all courts subordinate to it. Therefore, the statutory laws, secondary legislation and judgment laws or precedent, along with customs and usage, all form the sources of law in Bangladesh.

The judiciary of Bangladesh consists of a Supreme Court, subordinate courts and tribunals established under the provisions of different statutes. The Supreme Court of Bangladesh is the highest court of law in Bangladesh. It consists of two divisions, an Appellate Division and High Court Division. The Supreme Court is independent of the executive branch and is able to rule against the government.

Data protection
There is no specific privacy or data protection law in Bangladesh, except for the Information and Communication Technology Act, 2006.

Nevertheless, the right of privacy is a fundamental right in Bangladesh. Article 43 of The Constitution of Bangladesh declares that every citizen shall have the right to the privacy of his correspondence and other means of communication.

Under the Information and Communication Technology Act 2006 unauthorised entry into any computer system is a punishable offence. In addition, it is a punishable offence to disclose any record, book, register, message exchange, data or file to another person, even if authorised to view or process those materials without the permission of the concerned person(s).

The Information and Communication Technology Act, 2006 is related to the protection and legality of information and communication technology, Cyber Crimes and relevant issues therein. According to the Right to Information Act 2009, all individuals have the right to access information about state agencies apart from issues concerning national security or public interest. Nevertheless, no one has the right to intervene in one’s
Exchange controls

Bangladesh operates an exchange controlled economy under the Foreign Exchange Regulation Act, 1947. All inward and outward remittances are regulated by the Central Bank of Bangladesh (that is, Bangladesh Bank). Foreign investor rights are protected under the Foreign Private Investment (Promotion and Protection) Act, 1980 which ensures legal protection against nationalisation and expropriation. It also guarantees non-discriminatory treatment between foreign and local investment, and repatriation of proceeds from sales of shares and profits. Bangladesh Bank has outlined relevant procedures and formalities for all inward and outward remittance in its Guidelines for Foreign Exchange Transaction. The Guidelines cover the procedures for, among others:

- Foreign dealings in securities
- Remittance of royalty/technical assistance fees
- Foreign ownership
- Mergers and acquisitions
- Divestments
- Remittance of profit, dividends, capital gains
- Foreign and local borrowings
- Retention quota of exporters

Any transaction that has not been outlined in the Guidelines for Foreign Exchange Transactions must obtain specific approval from the Bangladesh Bank.

Bangladeshi ‘Taka’ (BDT) is convertible for current external transactions. Individuals or firms resident in Bangladesh may conduct all current external transactions, including trade and investment related transactions, through banks in Bangladesh authorised to deal in foreign exchange (Authorised Dealers) without prior approval from Bangladesh Bank.

Similarly, non-resident direct investment in industrial enterprise and non-resident portfolio investment through stock exchanges do not require prior approval of the Bangladesh Bank.

Remittance of post-tax dividends or profits on non-resident direct or portfolio investment does not require prior approval. Sales proceeds, including capital gains on non-resident portfolio investment, may also be remitted abroad without prior approval.

Prior approval from Bangladesh Bank is required for the repatriation of sale proceeds of non-resident equity investment in public limited companies that are not listed on the stock exchange, and private limited companies. In determining the repatriable amount, Bangladesh Bank works out the net asset value of the shares on the basis of audited financial statements as on the date of the sale and the net asset value is thus calculated is considered repatriable.

Money laundering regulations

In line with international initiatives and standards, Bangladesh promulgated the Money Laundering Prevention Act (MLPA), 2002. Subsequently, MLPA, 2009 was enacted to expand the definition of money laundering and coverage of the offence. To strengthen the AML/CFT regime of Bangladesh and meet the international standards, MLPA, 2012 was promulgated repealing the MLPA, 2009 and Anti-Terrorism Act (ATA), 2009 as amended in 2012 and 2013. Both Acts have empowered Bangladesh Bank (BB), thus Bangladesh Financial Intelligence Unit (BFIU) to perform an anchor role in combating money laundering and terrorist financing.

According to section 25 (2) of MLPA, 2012, if any reporting organisation violates the directions mentioned in sub-section (1) of section 25 of MLPA, 2012, Bangladesh Bank may impose a fine of at least BDT50,000 but not exceeding BDT2,500,000 on the reporting organisations. Additionally, Bangladesh Bank may cancel the license or the authorisation for carrying out commercial activities of the said organisation or any of its branches, service centres, booths or agents. Alternatively, the Central Bank shall inform the corresponding registration or licensing authority about the violation for the relevant authority to take appropriate measures against the organisation.

Intellectual Property Rights

Intellectual Property Rights are established in the Constitution of Bangladesh. Bangladesh’s main intellectual property laws comprise: the Trademarks Act, 2009, the Patents and Designs Act 1911 and the Copyright Act, 2000.

Further intellectual property provisions can be found in a number of sectorial specific regulations. Bangladesh is also a member of the World Intellectual Property Organization (WIPO) and signatory to the treaties administered by WIPO. Provisions with regard to protection of Intellectual Property Rights can be summarised as follows:
**COPYRIGHT**

Copyright in Bangladesh is a right given by the law to creators of literary, dramatic, musical and artistic works and producers of cinematography films and sound recordings etc. The rights given in the Copyright law include, *inter alia*, rights of reproduction, communication to the public, adaptation and translation of the work. However, there may be slight variations in the composition of the rights depending on the nature of the work. There is no copyright available for ideas. Copyright subsists only in the material form in which the ideas are expressed.

| Protection granted | Sections 14 and 15 of the Copyright Act, 2000 laydown the broad scope of copyright protection. Copyright provides the owner the right to do, and authorise the doing of, any of the following acts:
|                   | • Reproduce the work in any material form
|                   | • Publish the work
|                   | • Perform the work in public
|                   | • Produce, reproduce, perform or publish any translation of the work
|                   | • Make any cinematographic film or a record in respect of the work
|                   | • Communicate the work by broadcast or any other similar instrument
|                   | • Make any adaptation of work, etc

| Infringements     | Copyright subsists in the following works:
|                   | (a) original literary, dramatic, musical and artistic works
|                   | (b) cinematograph films
|                   | (c) sound recordings
|                   | Also for published works, whether in Bangladesh or abroad, the author has to be citizen/permanent resident of Bangladesh either at the time of publication or death.
|                   | Copyright is deemed to be infringed when any person other than the owner of the copyright, or an authorised licensee, performs any of the above listed acts, eg publishes, reproduces, distributes or imports any form of the copyrighted work.

| Duration          | In Bangladesh the term of copyright varies according to the nature of the work and whether the author is a natural person or a legal person. In the case of literary, dramatic, musical or artistic works, other than a photograph, the copyright lasts: the lifetime of the author plus 60 years from the beginning of the calendar year following the year in which the author dies.

**PATENTS**

Patents protect inventions. An application for patent has to be made in a prescribed form to the Department of Patents, Designs and Trade Marks in the prescribed manner. In order to be patentable an invention should have the following characteristics: the invention should relate to a manner of manufacture, the manner of manufacture should be novel, it should be the outcome of inventive ingenuity, it should have utility and it should not be contrary to law or morality.

| Protection granted | A patent provides the owner with the exclusive right:
|                   | • To make the product
|                   | • To sell the product
|                   | • To use the product
|                   | • To authorise others to do the above acts in whole or in part

| Infringements     | The statute confers on the patentee exclusive monopoly rights to make, sell, use, exercise or distribute the invention and infringement occurs when such rights are violated.

| Duration          | Generally, the term of the patent 16 years from the application date; this may be extended further by application.
## TRADE MARKS

A trade mark must be a sign capable of distinguishing goods and services of one undertaking from those of another undertaking. Those signs can be: words, personal names, designs, letters, numeral slogans, sounds, smells, signs and distinctive colours.

<table>
<thead>
<tr>
<th>Protection granted</th>
<th>Trade marks are registered under the Trademark Act 2009 (as amended). A registered trade mark allows the entrepreneur to plan the marketing of the products or service for which it is to be used. One who has designed or used the trademark first is entitled to claim proprietorship thereof, unless he/she has subsequently abandoned this right and it is taken up by someone else.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infringements</td>
<td>When a person uses any trade mark in the course of trade, in relation to the same goods for which the mark is registered, without the authority of its proprietor, it will amount to an infringement of that trademark. A registered trade mark will be deemed to be infringed by a person (not being a registered proprietor or a person using by way of permitted use) where he uses same mark, similar mark or confusingly similar and such use is like to cause confusion on the part of the public, or which is likely to have an association with the registered trademark. Enforcement of a trademark right against any violation is undertaken through the courts; the right can be enforced by order of injunctions, seizure and confiscation and relevant damages.</td>
</tr>
<tr>
<td>Duration</td>
<td>A registered trade mark is valid for an initial period of seven years from the date of filing and renewable thereafter for successive periods of ten years.</td>
</tr>
</tbody>
</table>

## DESIGNS

The proprietor of a new or original design shall have the right to apply for registration of the said design under the Patents and Design Act 1911. While this is also called copyright, it is different from the copyright conferred under the Copyright Act 2000.

<table>
<thead>
<tr>
<th>Protection granted</th>
<th>When a design is registered, the proprietor of the design shall, subject to the provision of the Act, have exclusive copyright in the design.</th>
</tr>
</thead>
</table>
| Infringements      | During the existence of any copyright in a design it shall be unlawful for any person:  
  • To apply the design, or cause the design to be applied, to any article in any class of goods in which the design is registered or any fraudulent or obvious imitation thereof  
  • To import, for the purpose of sale, without consent of the proprietor, any article belonging to the class in which a design has been registered  
  • To publish or expose, or cause to be published or exposed, for sale any article in any class of goods in which a design has been registered  
  Enforcement of the design right against its violation is undertaken through the courts: the right can be enforced by order of injunctions, seizure and confiscation and relevant damages. |
| Duration           | Once obtained, a design right is protected for a period of five years from the date of filing of the application. It can then be renewed for one or two periods of five years each up to a total term of 15 years. |
Business entities

Any foreign company or individual wanting to do business in Bangladesh will need to decide under which form they want to operate. The various business entities available in Bangladesh are described below.

It is important to note that those that do not create a legal entity in Bangladesh in order to carry business in the country might still be subject to certain limitations and obligations under state law. Companies wanting to provide goods or services in Bangladesh need to carefully assess whether their activities establish a presence in Bangladesh which might make them liable to pay taxes in the country and oblige them to make public filings.

As per the relevant publications of the Board of Investment (BOI), local investors may setup a business under several organisational structures such as sole proprietorship, partnership and limited company. In the case of a foreign investor, only a limited company may be established.

Companies limited by shares

Business in Bangladesh may be led by an organisation framed and incorporated locally or by an organisation incorporated abroad, however enrolled in Bangladesh. The incorporation or enrolment is carried out by the Registrar of Joint Stock Companies and Firms (RJSC) under the provisions of the Companies Act 1994. The following corporate forms are available:

- Company Limited by Shares
  - Private Limited Company
  - Public Limited Company
- Company Limited by Guarantees
- Unlimited Company

Private Limited Company:
The main characteristics of a Private Limited Company are:

- Restricts the rights to transfer the shares
- Limits the number of its members to minimum two and maximum 50 excluding the persons employed in the company
- Prohibits any invitation to the public to subscribe for the shares or debentures of the company and
- Is entitled to commence business from the date of its incorporation

Public Limited Company:
A Private Limited Company may be converted into a Public Limited Company or a company can be incorporated as Public Limited Company.

Public limited company can be of two types: i) listed and ii) unlisted

The main characteristics of a Public Limited Company are:

- May issue invitation to the members of the public to subscribe the shares and debentures of the company through a prospectus which complies with the requirements of the Companies Act, 1994, Has a minimum of seven members with no maximum limit
- Has at least three directors
- Shall not commence any business until obtaining the Certificate of Commencement of Business

For listed public limited companies (which are listed with BSEC for trading shares in public), in addition to the above, they must also comply with the requirements of the Securities and Exchange Ordinance 1969 and the Securities and Exchange Commission Act 1993.
Formation
To establish a company in Bangladesh, the promoters must register with the Registrar of Joint Companies & Firms (RJSC&F). The following documents must be registered:

- **Name Clearance:** this involves submitting an application to the office of RJSC&F through the website alongside the applicable fees. The name cannot match or closely resemble any other name already taken.

- **Memorandum and Articles of Association:** the Memorandum and Articles of Association must be prepared and submitted, alongside a scanned copy of the encashment certificate received from a local bank. A registration fee must also be paid to the designated bank.

- **Registration:** the promoters of the new entity (having name clearance) apply for registration with necessary documents, prescribed forms & fees as appropriate to the type of entity with the office of the RJSC&F.

- **Certificate of Incorporation:** RJSC&F issues a Certificate of Incorporation upon satisfaction that the promoters submitted the above mentioned documents properly.

Following registration, companies must also obtain the following before commencing business:

- **Trade License from City Corporation/Municipality/ Union Council (Local Government Bodies)**
- **Taxpayer’s Identification Number (Twelve Digit TIN)**
- **VAT Registration (in the cases where applicable)**
- **Import Registration Certificate (in the case of business related to import)**

- **Export Registration Certificate** (in the case of business related to export)
- **License/Permission from the authorities according to the nature of business/profession**
- **Bank account**
- **Membership of trade body**

Foreign investors will also need to register with the Board of Investment. This comprises submitting an application form, alongside the MOA/AOA, attested copies of deed/documents in support of project land, background of the promoters, a project profile (if the total project cost exceeds BDT100 million) and a fee. Further information may also be required if the project is financed by a loan.

After receiving the application duly filled in, signed and with the required documents enclosed, the BOI reviews the application and, if found suitable, the registration certificate is issued. BOI registration makes the industrial unit eligible for all the incentives and facilities provided by the Government of Bangladesh.

Capital requirement
Companies do not have any minimum capital requirements unless they appoint expatriates as employees. In this case, the minimum capital requirement is USD50,000.

Constitution
The constitution of the company is set out in the Memorandum of Association (MOA) and Articles of Association (AOA).

The MOA states the name of the company, whether it is public, private or limited and the location of the registered office. The MOA should clearly spell out the main objectives, the authorised capital, the divisions of this capital into shares of fixed amount and liability of its members.

The AOA are the regulations governing the internal management of the affairs of the company and the conduct of its business. These articles are subordinate to and controlled by the MOA.

Management
The business of a company is managed by the Board of Directors. The company may appoint or employ any individual as its Managing Director for a term not exceeding five years at a time. The business and all other affairs of the company are managed by the Managing Director who is in turn supervised by the Board of Directors. The Board of Directors may elect a Chairman and decide his/her tenure of service and his/her function. The Chairman shall preside all the meetings of the Board of Directors and other meeting(s) whether an Annual or Extra-Ordinary General Meeting of the Company. The Chairman and the managing director shall not be the same person.

Filing requirements
Companies must file annual reports and directors notes alongside audited accounts within 21 days of the annual general meeting. Other statutory returns may be required, eg tax and VAT returns.

Partnerships
A Partnership can be established with at least two and no more than 20 persons, with the aim of making and sharing profits among themselves. An organisation can emerge as an aftereffect of an agreement or contract, communicated or inferred between the partners. In Bangladesh, a partnership firm is to be structured under the provisions of the Partnership Act 1932.
Under the Partnership Act 1932, the deed of partnership does not need to be registered. Furthermore, the enrolment of such firm is not legally required. However, once registered, a partnership firm may receive some legitimate rights and facilities.

Branch/Liaison/Representative of Foreign Companies

For foreign investors that do not wish to incorporate a company in Bangladesh, a branch, liaison or representative office may be the most suitable forms.

A branch office is established to undertake the same business as its head office. The activities of a branch office must be clearly stated in its letter of endorsement. These offices can have local sources of finance and carry out business in approved foreign investment sectors.

A liaison office of a foreign organisation is only permitted to provide services of contact or coordination between its principal and local agents, distributors/exporters’ establishments through correspondences, individual contacts and other electronic media. The office is not allowed to earn income from Bangladesh sources. No outward remittance of any sort from Bangladesh sources will be permitted with the exception of the sum accumulated from abroad (the unspent part). The liaison office must acquire foreign currency in Bangladesh from the guardian company and all costs should be covered from that inward remittance. For this purpose, the office shall have to open an account with any scheduled bank of Bangladesh as per the instructions contained in the guidelines for foreign exchange transactions.

The activities of Branch/Liaison/Representative offices of foreign entities are restricted to those stated in the authorisation of the BOI.

Generally, no outward settlement of any sort from Bangladesh sources is permitted with the exception of the cases allowed by the foreign exchange regulations. The Branch/Liaison/Representative office of a foreign entity must submit an income tax return to the tax authority concerned. Security clearance may be needed from the Ministry of Home Affairs. Liaison Offices need to bring inward remittance of a minimum of USD50,000 within two months from the date of the issue authorisation letter as establishment expenses and six months’ operational costs.

Formation

Permission will be required from BOI in order to open up a Branch/Liaison/Representative Office. An application in the prescribed form along with the following documents must be submitted: MOA/AOA of principal company, certificate of incorporation, details of directors/promoters of principal company, board resolution to open the office, audited accounts of the principal company for the last year, organisational structure of the proposed office and list of activities of the proposed office.

All papers must be attested by the competent Bangladesh High Commission/Commission of the respective country in Bangladesh/respective country’s apex business chamber. Permission must be sought from Bangladesh Bank for the opening of a branch/liaison office in Bangladesh by foreign entities including airlines and firms under Section 18B of the Foreign Exchange Regulation Act, 1947. The permission is sought from Bangladesh through the Authorised Dealer.

Following the above processes, any foreign company which establishes a place of business in Bangladesh shall, within one month of the establishment, register the required documents at the Registrar of RJSC.
Corporate Income Tax (CIT)
Income tax in Bangladesh is administered under the Income Tax Ordinance, 1984 and the Income Tax Rules, 1984, as well as notifications made under said Ordinance.

Scope
For the purposes of CIT, no major distinction is made between foreign owned companies and Bangladeshi-owned companies; although some companies may qualify for certain tax incentives depending on the nature of their business. Companies incorporated in Bangladesh and foreign companies registered in Bangladesh (eg branch offices) are tax resident. Tax resident businesses are taxed on their worldwide income, subject to International Financial Reporting Standards and any double taxation avoidance agreements that may be in place. Non-tax resident businesses are subject to tax on any income accrued in Bangladesh.

Taxable income and tax rates:

<table>
<thead>
<tr>
<th>Nature of Company</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 General:</td>
<td></td>
</tr>
<tr>
<td>Publicly Traded Company</td>
<td>25%</td>
</tr>
<tr>
<td>Non-Publicly Traded Company</td>
<td>35%</td>
</tr>
<tr>
<td>2 Bank, Insurance and Financing Institution (Other than Merchant Bank):</td>
<td></td>
</tr>
<tr>
<td>Publicly Traded Company</td>
<td>40%</td>
</tr>
<tr>
<td>Non-Publicly Traded Company</td>
<td>42.5%</td>
</tr>
<tr>
<td>3 Merchant Bank</td>
<td>37.5%</td>
</tr>
<tr>
<td>4 Mobile phone operators:</td>
<td></td>
</tr>
<tr>
<td>Publicly Traded Company</td>
<td>40%</td>
</tr>
<tr>
<td>Non-Publicly Traded Company</td>
<td>45%</td>
</tr>
<tr>
<td>5 Cigarette Manufacturing Company</td>
<td>45%</td>
</tr>
<tr>
<td>6 Registered Cooperative Society</td>
<td>15%</td>
</tr>
<tr>
<td>7 Minimum tax</td>
<td></td>
</tr>
<tr>
<td>Minimum tax payable on Business Turnover</td>
<td>0.30% (0.10% for first 3 years for any manufacturing industrial undertaking)</td>
</tr>
</tbody>
</table>

Variation in rates:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Incentive/Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturer of Jute Products</td>
<td>15%</td>
</tr>
<tr>
<td>Textile and Yarn Manufacturing Industries</td>
<td>15%</td>
</tr>
<tr>
<td>Transfer of minimum 20% shares of paid-up capital of a non-publicly traded company through IPO</td>
<td>10% rebate on applicable income tax in the year of transfer</td>
</tr>
<tr>
<td>Capital Gain (General)</td>
<td>15%</td>
</tr>
<tr>
<td>Capital Gain from sale of shares traded in stock exchanges:</td>
<td></td>
</tr>
<tr>
<td>General Individual</td>
<td>Nil</td>
</tr>
<tr>
<td>Company</td>
<td>10%</td>
</tr>
<tr>
<td>Sponsor shareholder/ Sponsor director of specific type of companies</td>
<td>5%</td>
</tr>
<tr>
<td>Shareholders holding more than 10% share in the paid-up capital of any publicly traded companies except some specific type of companies</td>
<td>5%</td>
</tr>
</tbody>
</table>

Capital gains
Every company is liable to pay tax at the rate of 15 per cent on the capital gains derived from transfer of capital assets and at 10 per cent on the capital gain derived from the transfer of shares of listed company.

Groups
Bangladesh tax laws do not specifically address the issue relating to tax on group consolidation. In practice, the members of a group are taxed separately.

Thin capitalisation
All foreign borrowing by private sector industrial enterprises requires permission from the Board of Investment. Approval is subject to the fulfilment of a number of conditions namely:

- The debt-to-equity ratio must be within 70:30; this may vary as determined by BOI
- The fund cannot be used exclusively as working capital

Losses
The Income Tax Ordinance 1984 provides for the offsetting of losses and carrying forward of losses under
the relevant categories of income. Losses can be carried forward for six years. Unabsorbed depreciation can be carried forward for an unlimited time period.

Dividend income
Dividends paid to shareholders are subject to withholding taxes at the following rates:

- Resident/non-resident Bangladeshi company: 20 per cent
- Resident/non-resident Bangladeshi individual: 10 or 15 per cent (subject to having twelve digit TIN)
- Non-resident non-Bangladeshi individual: 30 per cent

The rate of deduction of tax at source from the remittance of dividends to foreign investors is determined upon the consideration of the provisions of the applicable double taxation avoidance agreement. Tax credits are available regarding tax deducted at source.

Withholding tax
Interest payments are subject to a withholding tax at a rate of 20 per cent if paid to non-residents; the rates for companies are listed above.

Intellectual property royalties payable to non-residents are subject to a withholding tax at a rate of 20 per cent; this is the final tax settlement.

Administration
A company is obliged to submit an annual income tax return by 15 July following the income year or, where 15 July falls before the expiry of six months from the end of the income year, before the expiry of such six months.

Controlled foreign companies
The profits of a foreign subsidiary are not required to be imputed to a parent company that is tax resident in Bangladesh.

Transfer pricing
The transfer pricing regulations in Bangladesh were enacted on 1 July 2014 by the Finance Act, 2014. Under these regulations, the pricing of any income or expense arising from international transactions between associated enterprises will need to be determined with regard to the arm’s length price principle applying the appropriate method(s) prescribed in Section 107C of the Income Tax Ordinance, 1984.

The most appropriate method or methods will be selected from the prescribed methods on the basis of the nature of transaction, the availability of reliable information, functions performed, assets employed, risks assumed or such other factors as may be prescribed. Every person who has entered into an international transaction shall provide, along with the annual income tax return, a statement of international transactions in the

Bangladesh levies customs duty on imports using the Harmonised Tariff System for tariff classification.
form and manner as may be prescribed. The statement of international transactions, to be provided under section 107EE of the Income Tax Ordinance, 1984, shall be in the form specified in Rule 75A of the Income Tax Rules, 1984, and signed and verified by the person responsible for signing the return of income under Section 75 of the Income Tax Ordinance, 1984.

Tax incentives
The following tax incentives are available for companies:

- Newly established industrial undertakings and physical infrastructure facilities set up between the periods of July 2011 to June 2019 will enjoy exemption from tax at varying rates for certain periods
- Industrial undertakings engaged in the manufacturing of goods, not eligible for a tax holiday, set up between the periods of July 2014 to June 2019 outside the territory of City Corporation will enjoy exemption from tax at varying rates for certain periods
- Accelerated depreciation on the cost of machinery and plant is admissible for new industrial undertakings, set up between the periods of July 2014 to June 2019, in the first three years of commercial production at 50, 30 and 20 per cent respectively
- Exemption on income derived on the export of handicrafts for the period from July 2008 to June 2019
- 50 per cent exemption on income derived from export business
- Exemption on income derived from Information Technology Enabled Services or software development or Nationwide Telecommunication Transmission Network until 30 June 2024
- Exemption on income of Private Power Generation Companies
- Initial depreciation in addition to normal depreciation where any building has been newly constructed or any machinery or plant has been installed in Bangladesh after the thirtieth day of June, 2002
- Reduced tax rates are applicable for specific types of business and certain areas subject to conditions set forth in the relevant provisions of laws
- Rebate on the amount spent to perform specified CSR activities
- Avoidance of double taxation on the basis of bilateral Double Taxation Avoidance Agreements

Personal Income Tax (PIT)
Scope
Income tax provisions can be found in the Income Tax Ordinance 1984, the Income Tax Rules 1984 and all relevant notifications under the Ordinance.

The income liable to tax can be classified under the following seven categories: employment income, investment income, residential income, agriculture, business income, capital gains and other sources. Some categories of income are exempt.

Bangladesh has concluded double taxation treaties with over 30 countries to mitigate the effects of double taxation.

Individuals liable to Bangladesh income tax
An individual’s liability to income tax is dependent on their status of residency. Bangladesh-resident individuals must pay income tax on their worldwide income, while non-residents must pay on any income accrued in Bangladesh.

Individuals are considered resident if they have been in Bangladesh for a period of 182 days or more in the relevant year or 90 days or more in the relevant tax year and they have been in Bangladesh for a period of 365 days or more during the four years preceding the relevant tax year.

Individual responsibilities in relation to Bangladesh tax
All taxpayers must file annual tax returns by 30 September, following the end of the tax year (30 June). This date may be extended by up to three months by the Deputy Commissioner of Taxes by an individual undergoing assessment.

Tax rates – 2015

<table>
<thead>
<tr>
<th>Total Income</th>
<th>Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First BDT 250,000 – For Male</td>
<td>Nil</td>
</tr>
<tr>
<td>First BDT 300,000 – For Female</td>
<td></td>
</tr>
<tr>
<td>First BDT 300,000 – For Individuals aged 65+ years</td>
<td></td>
</tr>
<tr>
<td>First BDT 375,000 – For Disabled Individuals</td>
<td></td>
</tr>
<tr>
<td>First BDT 425,000 – For War-wounded gazetted freedom fighters War</td>
<td></td>
</tr>
<tr>
<td>Next BDT 400,000</td>
<td>10</td>
</tr>
<tr>
<td>Next BDT 500,000</td>
<td>15</td>
</tr>
<tr>
<td>Next BDT 600,000</td>
<td>20</td>
</tr>
<tr>
<td>Next BDT 3,000,000</td>
<td>25</td>
</tr>
<tr>
<td>Balance Income</td>
<td>30</td>
</tr>
</tbody>
</table>
Minimum Tax Payable for Individuals

<table>
<thead>
<tr>
<th>Location of taxpayers</th>
<th>Amount (BDT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dhaka City Corporation and Chittagong City Corporation</td>
<td>5,000</td>
</tr>
<tr>
<td>All other City Corporations</td>
<td>4,000</td>
</tr>
<tr>
<td>All areas/places other than City Corporations</td>
<td>3,000</td>
</tr>
</tbody>
</table>

In addition to payment of tax at the aforementioned rates, an individual is supposed to pay a surcharge if he/she has net wealth exceeding BDT22.5 million as shown in the statement of assets and liabilities. The surcharge is calculated on the amount of tax payable after deduction of investment rebate. An individual that has net wealth exceeding BDT22.5 million shall pay surcharge applying the following rates determined on the basis of following slab of net wealth:

<table>
<thead>
<tr>
<th>Net wealth</th>
<th>Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First BDT25,000,000</td>
<td>Nil</td>
</tr>
<tr>
<td>More than BDT25,000,000 but less than 100,000,000</td>
<td>10</td>
</tr>
<tr>
<td>More than BDT100,000,000 but less than 200,000,000</td>
<td>15</td>
</tr>
<tr>
<td>More than BDT200,000,000 but less than 300,000,000</td>
<td>20</td>
</tr>
<tr>
<td>More than BDT300,000,000</td>
<td>25</td>
</tr>
</tbody>
</table>

In accordance with budget 2015-16, the tax free limit for wealth tax will be raised from BDT20,000,000 to BDT22,500,000, and a minimum surcharge is to be paid of BDT3,000.

Other taxes

Value Added Tax

VAT is imposed on goods and services at the stages of import, manufacturing, supply, and trading. VAT is imposed on services provided in Bangladesh and also on the services rendered from outside Bangladesh. A uniform VAT rate of 15 per cent is applicable for both goods and services.

A registered VAT taxpayer is entitled to claim back the VAT paid on purchase of inputs subject to compliance with the provisions of VAT laws. 15 per cent VAT is applicable for all business or industrial units with an annual turnover of BDT8,000,000 and above, except in the cases specified in VAT laws.

Turnover tax at the rate of three per cent is levied where annual turnover is less than BDT8,000,000. Truncated rate also applies in the cases specified by VAT laws which have been determined on the basis of assumed percentage of value addition. A taxpayer paying VAT at the truncated rate will not be entitled to claim input VAT rebate. Under the 2015-16 budget, the tax is reduced to 0.1 per cent of turnover for the first three years for industrial undertakings.

Supplementary Duty (SD) is applicable as per the 3rd Schedule of the VAT Act, 1991, at the rates specified for particular goods or services.

Exemption of VAT or imposition of VAT at zero per cent is regulated by Section 3 (Export or Deemed Export), Section 14 (goods/service declared by the government), 1st and 2nd Schedule of the VAT Act, 1991.

Customs duty

Bangladesh levies customs duty on imports using the Harmonised Tariff System for tariff classification. Imports are generally taxed at the following rates, unless specifically exempted:

- Capital machinery: one per cent
- Basic raw materials: five per cent
- Intermediate raw materials and semi-finished products: 10 per cent
- Finished products: 25 per cent

Exports are generally exempt from customs duties.

Supplementary Duty

Supplementary duty is levied on luxury goods imported into Bangladesh as well as non-essential or socially undesirable goods produced and supplied in the country. The rates vary from 10 to 500 per cent depending on the nature of the goods.
Labour

In Bangladesh, employment is regulated by the contractual agreement between employer and employee. Other than the contract, the Bangladesh Labour Act 2006 (as amended in 2013) and Bangladesh Labour Rules 2015 govern the employment of ‘workers’. ‘Worker’ is defined under Section 2(65) of the Bangladesh Labour Act 2006 to mean “any person including an apprentice employed in any establishment or industry, either directly or through a contractor in whatever name referred to, to do any skilled, unskilled, manual, technical, trade promotional or clerical work for hire or reward, whether the terms of employment be expressed or implied, but does not include a person employed mainly in a managerial or administrative, supervisory role or managerial capacity.” The main issues covered in the Act include:

- Conditions of service and employment
- Employment of adolescents
- Provisions relating to health, hygiene
- Employee welfare
- Working hours and leave
- Wages and payment
- Wages boards
- Workers compensation for injury by accident
- Trade union and industrial relations
- Disputes, labour court, labour appellate
- Tribunals, legal proceedings
- Workers participation in companies’ profits
- Regulation of employment and safety of dock workers
- Provident funds
- Apprenticeship
- Penalties and procedure

Moreover, as per the Bangladesh Labour Act 2006, organisations which do not fall within the scope of the Act, cannot have any employee rules, regulations and benefits less favourable than those provided under the Act.

Under the Bangladesh Labour Act 2006, read with Bangladesh Labour Rules 2015, any contracting agency which, on contract, supplies workers to different organisations in different posts has to obtain a license from the Chief Inspector.

Employment contract

In Bangladesh, a letter of appointment is mandatory in the absence of a written contract. The terms of the contract are binding between the employee and employer, providing they do not contravene the provisions of the Labour Act.

Typically, the letter of appointment or written contract will include:

- Working hours
- Salary
- Role title
- Nature of work
- Working time and leave
- Procedures for dismissal

Minimum wage

Wages and benefits of public sector employees are, determined by the government on recommendation from the Pay Service Commission. For the private sector, in certain sectors such as for workers in trade and industry the government through the Minimum Wages Board fixes the minimum wages. Otherwise, there is no regulatory body for the private sector to determine the wages and benefits.

On 5 December 2013, the government of Bangladesh issued the Gazette on Minimum Wages which defined a new wage structure for the readymade garment (RMG) industry with an increase of the gross monthly minimum wage from BDT3,000 to BDT5,300. No increases have been announced since.

Working time and leave

As per the Bangladesh Labour Act 2006 (amended in 2013), no adult shall ordinarily be required or allowed to work in an establishment for more than eight hours in any day and more than 48 hours in any week.

No women shall, without her consent, be allowed to work in an establishment between the hours of 10.00 PM and 6.00 AM. Consent must be given in a prescribed form, as per the Bangladesh Labour Rules 2015.

Where an employee works in an establishment on any day or week for more than the hours fixed under Bangladesh Labour Act 2006, he shall, in respect of overtime worked, be entitled to an allowance at the rate of twice his ordinary rate of basic wage and dearness allowance and ad-hoc or interim pay, if any.

The Bangladesh Labour Act 2006 (as amended in 2013) stipulates that any worker employed in a shop, commercial establishment or industrial establishment is entitled to one and a half days of rest per working week. Those employed in a factory are entitled to one day. Those employed in an establishment which is a road transport service are entitled to 24 consecutive hours of rest in each working week. This should not have any effect on wage allowances.
Annual leave
As per Bangladesh Labour Act 2006 (amended in 2013), every adult, who has completed one year of continuous service in an establishment, shall be allowed fully paid annual leave calculated as follows:

- In the case of a shop or commercial or industrial establishment or factory or road transport service, one day for every 18 days of work
- In the case of a tea plantation, one day for every 22 days of work
- In the case of a newspaper worker, one day for every 11 days of work

Healthcare and benefits
Large local and multinational companies typically provide employees with private health care, car facilities, subsidised meals and other fringe benefits. Employers must also pay compensation to employees who suffer a personal injury arising out of and in the course of his employment.

Most of the companies in Bangladesh provide provident and gratuity benefits to permanent employees. Provident funds are generally built through the contribution of both the employees and employers. Provident funds for ‘workers’ within the meaning of the Bangladesh Labour Act 2006 have to be as per the requirements set out in the said Act.

Maternity benefit
A woman is entitled to maternity leave of eight weeks before and eight weeks after the delivery provided she has worked with the employer for a minimum of six months prior to the delivery. No maternity benefit shall be payable to any woman if at the time of her confinement she has two or more surviving children. However, she will get leave if she is entitled to sick and/or annual leave. Thereafter, if further leave is required, the employer can grant further leave without pay. A government female employee is entitled to maternity leave of six months, twice during her job-life.

Probation
The maximum probationary period in Bangladesh is six months for workers operating in a role of a clerical nature and three months for other workers. The period of probation for skilled workers can be extended by an additional three months if it has not been possible to determine the quality of the work within the first three months.

Dismissal
The termination of employment contracts can be done through discretionary termination, discharge, disciplinary termination or collective redundancies.

Typically, to terminate a permanent employment contract unilaterally, a period of notice must be given. The employer must give 120 days’ notice, while the employee is required to give only 60 days’ notice. The period is shortened for temporary workers, whereby both employee and employer must only give 30 days’ notice.

Notice does not need to be given in the case of disciplinary termination on the basis of conviction for a criminal offence. For other disciplinary reasons, eg theft, fraud, habitual late attendance, negligent work or disorderly behaviour, the employee is given seven days to justify his misconduct. If the employee is unsuccessful in this, the employer is then obliged to call a hearing to determine whether the employee should be dismissed.
Prospective employers must be registered with the appropriate authorities (BOI) before they can employ expatriates.

**Social security**
Employees in Bangladesh are not obliged to contribute towards any social security funds. Companies satisfying the criteria set out in the Bangladesh Labour Act 2006 (as amended in 2013) must pay five per cent of their profits into a Workers Profit Participation Fund which is provided to all employees except those who are the owner, partner or directors who have been in employment with the said employer for a minimum of nine months.

**Employment of non-resident employees**
Non-residents require a work permit to take up employment contracts in Bangladesh. This is subject to a number of conditions. Only residents of countries specified by the Bangladesh government can apply for work permits. Furthermore, employers cannot employ expatriates if there is a local expert available for the position. The number of expatriate employees in an industrial enterprise should not exceed 1:20 (foreign: local) ratio at any time during regular production. The ratio for commercial offices is 1:5 (foreign: local).

Prospective employers must be registered with the appropriate authorities (BOI) before they can employ expatriates. An initial work permit can be obtained for two years; this may be extended as reviewed by the relevant authorities.

To obtain a work permit, the prospective employer must file an application with the Board of Investment for an E-visa recommendation. Once received, the Bangladesh Embassy provides the employee with an e-visa which lasts three months. Once the individual arrives in Bangladesh, the employer must apply to the BOI for the work permit on behalf of the expatriate. This application will be filed alongside a number of documents, including: copy of the employer’s incorporation certificate, board resolution for the position of employment, contract, a copy of the advertisement for local recruitment and an encashment certificate of inward remittance of a minimum of USD50,000.

**Trade unions**
The Bangladesh Labour Act 2006 (amended in 2013) contains a number of provisions regarding the establishment of trade unions.

Employees have the right to join and form a trade union primarily for the purpose of regulating the relations between employees and employers or between employees themselves. Employers shall have the right to form a trade union to regulate the relations between employers and workers or between employers. They are also free to join any trade unions of their choice.

Trade unions of employees and employers shall have the right to form and join federations and any such union and federation shall have the right to affiliate with any international organisation and confederation of employees’ or employers’ organisation.

Trade unions and employers’ associations shall have the right to draw up their constitutions and rules, to elect their representatives in full freedom, to organise their administration and activities and to formulate their programmes.

An application for the registration of a trade union shall be made to the Registrar of Trade Unions of the relevant area. A trade union of workers shall not be entitled to registration unless it has a minimum membership of 30 per cent of the total number of employees working in the establishment in which it is formed.
Audit

In Bangladesh, financial reporting is regulated under the Companies Act of 1994. Annual accounts of companies must be statutorily prepared, audited and presented to members in the annual general meeting.

International Accounting Standards and International Financial Reporting Standards are increasingly being adopted and practiced as Bangladesh Accounting Standards and Bangladesh Financial Reporting Standards.

As per the Companies Act 1994, annual auditing is compulsory for all the companies and must be conducted by independent qualified chartered accountants (certified by The Institute of Chartered Accountants of Bangladesh).

Accounting standards
The primary source of accounting principles is the series of approved accounting standards issued by the Institute of Chartered Accountants of Bangladesh (ICAB). The ICAB is a member of the International Federation of Accountants (IFAC) and adopts International Financial Reporting Standards and International Accounting Standards as Bangladesh Financial Reporting Standards (BFRS) and Bangladesh Accounting Standards (BAS).

Listed companies and financial institutions are required to follow the BAS and BFRS. Though not mandatory, private and non-listed public limited companies, and other government and non-government organisations, also follow the BFRS and BAS to the greatest possible extent.

The Companies Act 1994 sets forth some disclosure requirements, but does not promulgate any accounting standards. The Companies Act 1994 does not specify an applicable accounting convention.

As per the Stock Exchange Requirements and Securities and Exchange Rules, companies with shares listed on Dhaka & Chittagong Stock Exchange Limited must comply with additional requirements concerning disclosure and public announcements as set forth in the listing regulations. Such companies' financial statements must be drawn up and reported upon by auditors in accordance with requirements of Securities and Exchange Rules 1987. Additionally, auditors of such companies have to report whether or not the financial statements audited have been duly prepared in conformance with international accounting standards and have to conduct their audits strictly following the international standards of auditing.

Accounting records
To adequately explain its transactions and to facilitate an audit, a company must maintain sufficiently detailed accounting records. A company incorporated under Companies Act 1994 must keep proper books of accounts with respect to:

- All sums of money received and expended
- All sales and purchases
- Assets and liabilities of the company
- Particulars relating to the utilisation of materials, labour and other items of overhead cost

The books of accounts are to be kept at the registered office of the company.

Where a company has a branch office outside Bangladesh, the transactions at the branch office are to be kept at that office and a properly summarised return, made up to date at intervals of not more than three months must be sent to the company’s registered office.

The statutory registers a company must keep include:

- Register of Members to record the names, addresses and occupations, if any, their shareholdings, amounts paid for the shares and the dates on which they become or cease to be shareholders
- Register of Directors, Managers and Managing Agents to record their names, addresses, nationality, occupations; and, for directors, details of their other directorships of public companies and subsidiaries of public companies
- Register of Mortgages and Charges to record the assets mortgaged or charged, the amount of the charge, the date of creation and the parties entitled to the charge
- Register of Debentures to record details concerning debenture holders including their names and addresses and the debentures held

The registers are to be maintained at the company’s registered office in Bangladesh.

Filing and submission of statutory financial statements
Under the Companies Act 1994, a company must present its statutory accounts to its shareholders at the annual general meeting (AGM). This first AGM must be held no later than 18 months after incorporation.

The statutory accounts comprise an audited statement of

The financial statements must be filed with the Registrar of Joint Stock Companies (RJSC) within 30 days from the date of Annual General Meeting.

The financial statements of a company must be signed by at least two directors, one whom must be the Managing Director; if there are less than two directors, it must be signed by all directors. For banking companies, this report must be signed by at least three directors on behalf of the board.

**Audit requirements**

Under the Companies Act 1994, every company must appoint one or more auditors to report to shareholders on the accounts of the company. The auditors must express an opinion on the following:

- Whether or not they obtained all the information and explanations they required
- Whether or not, in their opinion, the balance sheet and the profit and loss account referred to in their report are drawn up in conformity with the law
- Whether or not such balance sheet exhibits a true and fair view of the state of the company’s affairs according to the best of their information and explanations given to them, and as shown by the books of the company
- Whether, in their opinion, books of accounts were kept by the company as required by section 181 of Companies Act 1994

The directors may appoint the first auditors of the company but the shareholders must approve all subsequent appointments at the annual general meetings. Auditors hold office until the conclusion of the next annual general meeting. An audit is conducted by a practicing member of the Institute of Chartered Accountants of Bangladesh following the Bangladesh standards on auditing as adopted by the ICAB from ISA.

The auditing profession in Bangladesh is regulated by The Institute of Chartered Accountants of Bangladesh (ICAB). ICAB was established under Bangladesh Accountants Order 1973 (President’s Order No. 2 of 1973). Only members of ICAB are eligible to apply for an audit (practicing) license, which authorises them to perform statutory audits.
Foreign Direct Investment
Thanks to its liberal investment policy, there are very few restrictions on foreign ownership of businesses or property in Bangladesh.

FDI comprises an overwhelming part of the economy of Bangladesh in its contribution to Gross Domestic Product (GDP), export and domestic investment as well as overall economic growth. FDI inflows have traditionally been in the form of equity, reinvestment and intra-organisation acquisitions. While there are generally very few restrictions on FDI, private sector investment is prohibited in the following sectors: arms and ammunition, defence, forest plantation, extraction of reserved forests, nuclear energy, security printing and mining.

Furthermore, the following sectors will require investors to obtain licenses before they are able to commence business: banking, finance, insurance, telecommunications, aviation and broadcasting.

Foreign investors that wish to acquire stakes in local companies will need to obtain approval from the Bangladesh Bank if the control of the business is subsequently transferred to foreign shareholders.

Government incentives
Alongside the incentives outlined in the tax section, the government provides cash assistance and other incentives for doing business in Bangladesh in certain export-oriented industries. Cash incentives are available in the following sectors, with different cash incentive rates:

- Textile
- Agro products
- Bicycle
- Crushed bone
- Poultry
- Light engineering products
- Liquid glucose used in agro product
- 100 per cent Halal meat
- Frozen shrimp & other fish
- Leather
- Ship export
- Finished leather
- Crushed leather
- Plastic pet bottle
- Jute products

Imports
Bangladesh’s imports mostly comprise petroleum and oil (11 per cent of the total imports), textile (10 per cent) and food items (nine per cent).

The import regime comprises: a banned list, a restricted list, freely importable items and certification requirements for all food products. All other permitted imports require a Letter of Credit Authorisation to be completed.

Customs duties are outlined in the tax section.
The financial system of Bangladesh is comprised of three broad fragmented sectors:

- Formal sector
- Semi-formal sector
- Informal sector

The sectors have been categorised in accordance with their degree of regulation.

The formal sector includes all regulated institutions, such as banks, non-bank financial institutions (FIs), insurance companies, capital market intermediaries such as brokerage houses, merchant banks and micro finance institutions (MFIs).

The semi-formal sector includes those institutions which are regulated but do not fall under the jurisdiction of the Central Bank, Insurance Authority, Securities and Exchange Commission or any other enacted financial regulator. This sector is mainly represented by specialised financial institutions, such as House Building Finance Corporation (HBFC), Palli Karma Sahayak Foundation (PKSF), Samabay Bank, Grameen Bank, Non-Governmental Organizations (NGOs) and discrete government programs.

The informal sector includes private intermediaries which are completely unregulated.

**Capital markets**
The Bangladesh Securities Exchange Commission (BSEC) is the primary regulator for all activities of the bourses and its members. The BSEC is a “Category A” member of International Organisation of Securities Commission (IOSCO).

With over 300 listed companies, the capital market of Bangladesh is considered to be one of the emerging markets in the context of the global financial system. The market has immense potential for the country’s industrialisation, development of infrastructure, in particular, and economic growth in general.

Bangladesh’s capital markets comprise the Dhaka Stock Exchange (DSE) and the Chittagong Stock Exchange (CSE), incorporated in 1954 and 1995, respectively. Some of main features of the market are as follows:

- Both Dhaka and Chittagong Stock Exchanges are members of South Asian Federation of Exchanges (SAFE), a forum in South Asia to promote the development of securities markets in the region
- Automated trading facilities have been available at both bourses since 1998
- The Central Depository Bangladesh Limited (CDBL) introduced its first electronic book entry in 2004
- Market intermediaries include 250 Trading Right Entitlement Certificate (TREC) holders of Dhaka Stock Exchange (DSE), 135 TREC holders of Chittagong Stock Exchange (CSE), 55 registered merchant banks, 17 asset management companies, and 10 custodians

**Banking system**
The banking system of Bangladesh consists of Bangladesh Bank (BB) as the Central Bank, six state owned commercial banks (SCB), two specialised banks (SDBs), 39 private commercial banks (PCBs) of which 31 are commercial PCBs, eight Islamic Sharia-based PCBs, nine foreign commercial banks (FCBs) and four non-scheduled banks.

With over 300 listed companies, the capital market of Bangladesh is considered to be one of the emerging markets in the context of the global financial system.
Bangladesh Bank, as the central bank, has legal authority to supervise and regulate all banks and non-bank financial institutions. It performs the traditional central banking roles of note issuance and of being the banker to the government and banks. Given some broad policy goals and objectives, it formulates and implements monetary policy, manages foreign exchange reserves and implements prudential regulations and conducts monitoring thereof as they are applied to the entire banking system. Its prudential regulations include, among others: minimum capital requirements, limits on loan concentration and insider borrowing and guidelines for asset classification and income recognition. Bangladesh Bank has the power to impose penalties for non-compliance and also to intervene in the management of a bank if serious problems arise. It also has the delegated authority of issuing policy directives regarding the foreign exchange regime.

Under the financial sector reform program, a flexible interest policy was formulated. According to that, banks are free to charge/fix their deposit and lending rates, other than those related to export credit. Banks can differentiate interest rates up to three per cent. With progressive deregulation of interest rates, banks have been advised to announce the mid-rate of the limit (if any) for different sectors and the banks may charge interest 1.5 per cent more or less than the announced mid-rate on the basis of the comparative credit risk. Banks upload their deposit and lending interest rate to their respective website.

Insurance industry
The insurance sector is regulated by the Insurance Act, 2010. The Insurance Development and Regulatory Authority (IDRA) was instituted on 26 January 2011 as the regulator of the insurance industry being empowered by Insurance Development and Regulatory Act, 2010 by replacing its predecessor, Chief Controller of Insurance. General insurance is provided by 45 companies and life insurance is provided by 30 companies. The industry is dominated by the two large, state-owned companies: SBC for general insurance and JBC for life insurance, which together command most of the total assets of the insurance sector.

Investment management industry
Bangladesh’s asset management industry is very immature. Nevertheless, a stable economic outlook, political stability and growing population have attracted a number of global fund managers.

The primary regulator for the industry is the BSEC which has, so far, licensed 17 asset management companies in the country. The asset management companies manage approximately BDT50 billion, comprising less than three per cent of the total market capitalisation. Asset management companies are authorised to act as issue and portfolio managers of the mutual funds which are issued under the SEC (Mutual Fund) Rules 2001.
The overall quality and reliability of infrastructure is a critical factor for businesses across all sectors.

ICT
The Government of Bangladesh has taken numerous steps to improve and strengthen the ICT sector in the country. Considerable improvement has been made in the past decade. Working in conjunction with industry affiliations (BCS, BCC, BASIS and BACCO) and international trade support institutions, the administration has taken both short and long-term measures (Vision 2021, Digital Bangladesh) to upgrade the country’s ICT infrastructure and increase the export of ICT products and services.

Transport
The transport sector of Bangladesh comprises a mixture of road, air, rail and waterways transport modes.

Road
In Bangladesh, road transport is the most commonly used. Bangladesh’s roads comprise a total length of 20,948 km. The Roads and Highways Department (RHD) controls 4,659 bridges and 6,122 culverts.

The 4.8 km long Bangabandhu Bridge, which was opened in 1998, is the eleventh longest on the planet. It has built a vital connection between the East and the West of Bangladesh. It is producing multifaceted profits to the individuals and increasing local trade. Besides ensuring the efficient movement of goods, the bridge facilitates the transmission of electricity and natural gas and has integrated telecommunication links.

Currently, a 6.15 km multipurpose road-rail bridge across the Padma River is planned to be constructed. When completed it will be the largest bridge in Bangladesh and the first fixed river crossing for road traffic. It will connect the South-West of the country to northern and eastern regions.

Air
The Civil Aviation Authority is public sector entity entrusted to develop, maintain and oversee air terminals and direct air movement.

The national airline, Biman Bangladesh Airlines flies to 26 international and eight national destinations. Currently, there are 13 operational air terminals and Short Take-off and Landing (STOL) ports in Bangladesh. These are: Dhaka, Barisal, Chittagong, Comilla, Cox’s Bazar, Ishordi, Jessore, Rajshahi, Syedpur, Sylhet and Thakurgaon. Of these, the air terminals at Dhaka, Chittagong and Sylhet have international flights. Air freight and STOL administrations have been handed over to the private sector by the Government of Bangladesh.

Rail
Around 32 per cent of the aggregate zone of Bangladesh is served by rail lines. Bangladesh railway has 2,835.04 km of railways and around 440 train stations.

Train services between Dhaka-Kolkata started on 14 April 2008 with a specific end goal to create communication between Bangladesh and India. With the incorporation of a track over the Jamuna Bridge, a line interface from the middle of east to the west zone was created.

Waterways
Locally made crafts are the most common mode of transport on the waterways. They normally transport travellers and merchandise on an extensive scale. Bangladesh’s waterways comprise 250 major waterways which stream from the North to the South.

The whole coast along the Bay of Bengal is 710 km long. There are two noteworthy ports in the nation: Chittagong, the most seasoned port, has been an entrance port for no less than 1,000 years. The Mongla port in Khulna area serves the western parts of Bangladesh.

The current government has a 20-year plan to invest in the country’s infrastructure. It is working to turn the Dhaka-Chittagong highway into four lanes, constructing elevated expressway from Shahjalal International airport to Kutubkhali. Additionally, to lessen the pressure on the general transport system, the government has taken an initiative for a metro rail project.