

**Chandrawat
& Partners**

Guide to do business in

BANGLADESH





ABOUT BANGLADESH

Bordered by the Indian states of West Bengal to the west and north, Assam to the north, Meghalaya to the north and northeast, and Tripura and Mizoram to the east, Bangladesh officially known as People's Republic of Bangladesh, is a country in South Asia. It is the eighth-most populous country in the world. A middle power in the Indo-Pacific, Bangladesh is the second largest economy in South Asia. It maintains the third-largest military in the region and is a major contributor to UN peacekeeping operations. Bangladesh is considered a middle power in global politics. It plays an important role in the geopolitical affairs of the Indo-Pacific, due to its strategic location between South and Southeast Asia. Bangladesh joined the Commonwealth of Nations in 1972 and the United Nations in 1974. Inland waterways are important, providing low-cost transport and access to areas where land transport would be costly. They carry most of the domestic and foreign cargo. Bangladesh has been a WTO member since 1 January 1995 and a member of GATT since 16 December 1972.

ADVANTAGES

As Bangladesh is continued to be an attractive destination for foreign companies, there are some benefits to starting a business here.

Constantly rapid economic growth

Bangladesh's rapid economic development is its surging GDP is one of the most notable indicators. In 2017, the GDP of Bangladesh continued to increase at 7.3%. The average GDP Growth for emerging and developing countries is 4.9% according to the IMF reports. As a result, the GDP growth of Bangladesh has been outstanding compared to other emerging markets.

Strategic location

The capital is the largest economic center of Eastern South Asia and the commercial and financial hub of the country. Because of situated on the coast of Bay of Bengal, it offers good conditions for doing trading business within Asian and Middle Eastern markets.

Vast, Young and skilled workforce

Every year more than 15,000 Bangladeshi fresh graduates get into top IT firms such as IBM, Microsoft, and Google. Moreover, Bangladesh is listed as an ideal destination for outsourcing by the European Commission. Promoting the progress of the IT sector to create Digital Bangladesh with the Tech Parks situated in Dhaka and Jessore.

Sincerity to foreign investment

While allowing foreign investment in most sectors and providing favourable conditions for doing business, Bangladesh has shown a very welcoming attitude towards foreign investors. Foreign investors are getting various incentives; some of them are as below:

- They get tax holidays and exemptions;
- Easy to the import of raw materials and machinery;and
- Simple facilitation of utility connections.

Different Trade agreements

Not only the member of the World Trade Organization but Bangladesh has signed memberships and agreements including:

- BIMSTEC Free Trade Area
- Free Trade Agreement of Pakistan-Bangladesh
- The Islamic Conference agreement of the Trade Preferential System of the Organization of
- APTA - Asia-Pacific Trade Agreement
- Group of Eight Developing Countries' Preferential Tariff Arrangement
- SAFTA agreement
- Moreover, there are main trading partners of Bangladesh has been the European Union. It offers duty-free exports for the European Union - Bangladesh Cooperation Agreement.

SIMPLE TAX REGIME

Individual Income Taxes

In Bangladesh, the principal taxes are Customs duties, Value-Added-Tax (VAT), supplementary duty, income tax and corporation tax.

The history of income tax in Bangladesh dates back to 1860 when it was introduced by the British Raj under the title Income Tax Act. Since then various changes have taken place.

Income Tax Rate

- Income up to (Bangladeshi Taka) ₳3,00,000 is liable to tax at a rate of 0%;
- Income from ₳4,00,000 to ₳7,00,000 is liable to tax at a rate of 10%;
- Income from ₳7,00,000 to ₳11,00,000 is liable to tax at a rate of 15%;
- Income from ₳11,00,000 to ₳16,00,000 is liable to tax at a rate of 20%; and
- Income Above ₳16,00,000 is liable to tax at a rate of 25%.

Value Added Tax

The standard rate of VAT is 15% levied on transaction value of most of the imports and supplies of goods and services.

Corporate Income Taxes

The tax law imposes corporate income tax at a rate of 25% on listed entities and 32.5% for non-listed entities. Corporate tax rate changes announced this year include:

- an additional surcharge of 2.5% on income of companies in the tobacco sector.
- a reduction of the corporate income tax rate for companies in the ready made garments sector to 15% (from 20%).
- a further 1% rate reduction (to 14 %) for companies in the ready made garments sector that have an internationally recognized green building certificate.

Certain companies remain taxed at different rates. For example:

- Banking companies, insurance companies and non-banking financial institutions are taxed at a rate of 40% if they are listed and 42.5% if non-listed.
- Cigarette manufacturers and mobile phone operator are taxed at a rate of 45% .
- Companies engaged in production and export of knitwear and woven garments enjoy a reduced corporate tax rates of 20%, and
- Companies that produce or export jute products are taxed at a rate of 10%.

Generally, a company's export earnings are 50% exempted.

Listed and explained below are the main types of businesses that can be set up in Bangladesh:

Sole Proprietorship

As the name indicates when a business is owned and operated by a single individual, it will be deemed to be a sole proprietorship firm. In terms of formalities and compliance requirements, it imposes the minimum obligations. A sole proprietorship can be set up simply by obtaining a trade license from the local City Corporation or Paurashava. However, this form of business entity will not cater to businesses having two or more owners.

Company

A company is a separate legal entity established by way of registration with Registrar and Joint Stock Companies and Firms (RJSC). The process of setting up a company is known as 'incorporation'. At least two (2) shareholders are necessary for setting up a private company in Bangladesh. For a public company, the minimum number of shareholders is seven (7).

Partnership

A partnership can be formed by two or more people by executing a Deed of Partnership. Unlike a company, the partnership is not treated as an entity separate from its founders; as such, each partner is jointly and severally liable for the actions, including the debts, of the partnership business or other partners.

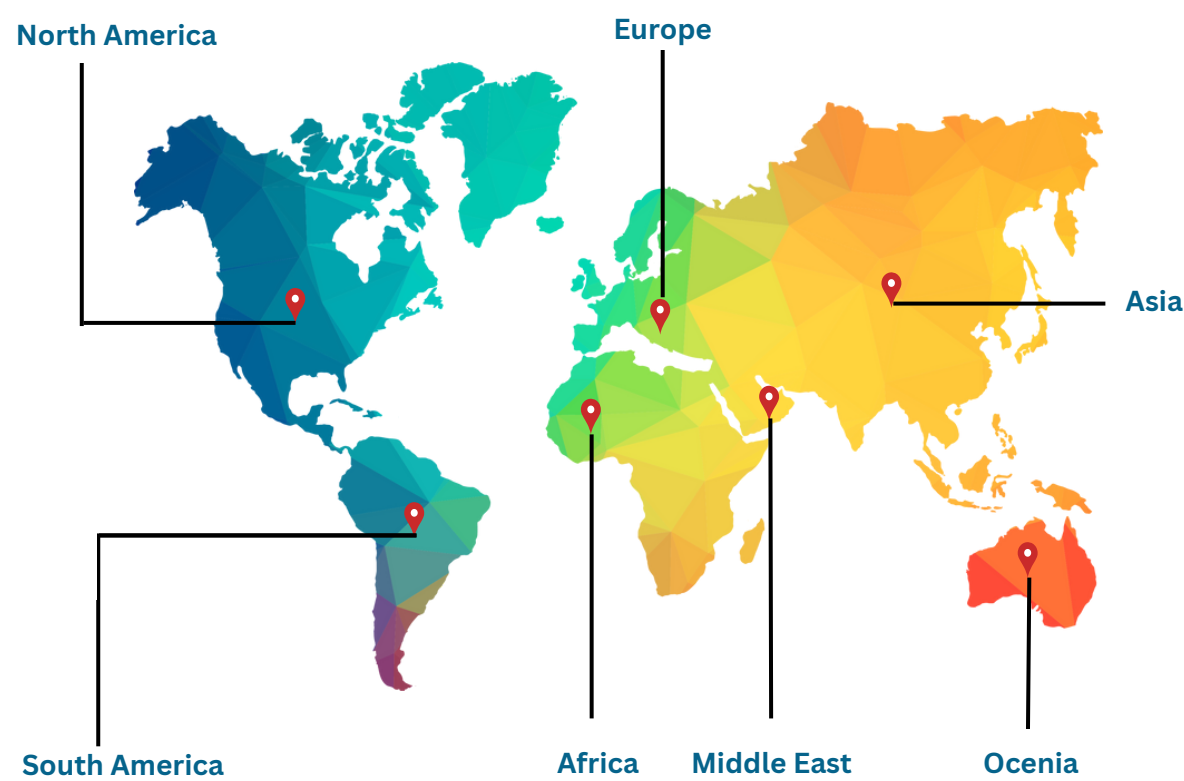
One Person Company

As the name suggests, this type of company is formed by only one person who wishes to carry out business activities and has only one natural shareholder, who is also ought to be the director of such a company. The memorandum of such company must state the name of the nominee, with his/her consent, who would become the shareholder of the company upon death or incapacity of the shareholder.

Branch Office In Bangladesh

A registered branch office in Bangladesh is an extension of its foreign parent company registered outside of Bangladesh. The status of branch is similar to liaison (representative) office, only exception branch can engage in commercial or revenue generating activities in a limited area with the permission of Bangladesh Development Authority (BIDA).

SERVING CLIENTS WORLDWIDE



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