

Bangladesh offers generous opportunities for investment under its liberalised Industrial Policy and export-oriented, private sector-led growth strategy. All but four sectors (i.e. (1) arms and ammunition and other defence equipment and machinery, (2) forest plantation and mechanised extraction within the bounds of reserved forests, (3) production of nuclear energy, and (4) security printing and mining) are open for private investment in Bangladesh. The government's role is that of a facilitator which helps create an enabling environment for expanding private investment, both domestic and foreign. The Board of Investment (BOI), established by the government for accelerating private investment, provides institutional support services to intending investors.

GENERAL FACILITIES/ INCENTIVES

Tax holiday

Tax holiday facilities will be available for 5 or 7 years depending on the location of the industrial enterprise. For industrial enterprises located in Dhaka and Chittagong Divisions (excluding Hill Tract districts of Chittagong Division) the tax holiday facility is for 5 years while it is 7 years for locations in Khulna, Sylhet, Barisal, and Rajshahi, Divisions and the 3 Chittagong hill districts.

Tax holiday facilities are provided in accordance with existing laws. The period of tax holiday will be calculated from the month of commencement of commercial production. Tax holiday certificate will be issued by NBR (National Board of Revenue) for the total period within 90 days of submission of application.

Tax exemption

Tax exemptions are allowed in the following cases:

- * Tax exemption on royalties, technical know-how fees received by any foreign collaborator, firm, company and expert.
- * Exemption of income tax up to 3 years for foreign technicians employed in industries specified in the relevant schedule of the income tax ordinance.
- * Tax exemption on income of the private sector power generation company for 15 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.

Accelerated depreciation

Industrial undertakings not enjoying tax holiday will enjoy accelerated depreciation allowance. Such allowance is available at the rate of 100 per cent of the cost of the machinery or plant if the industrial undertaking is set up in the areas falling within the cities of Dhaka, Narayangonj, Chittagong and Khulna and areas within a radius of 10 miles from the municipal limits of those cities. If the industrial undertaking is set up elsewhere in the country, accelerated depreciation is allowed at the rate of 80 per cent in the first year and 20 per cent in the second year.

Concessionary duty on imported capital machinery

Import duty, at the rate of 5% 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 C & F value of the machinery. For 100% export oriented industries, no import duty is charged in case of capital machinery and spares. However, import duty @ 5% is secured in the form of bank guarantee or an indemnity bond will be returned after installation of the machinery. Value added Tax (Vat) is not payable for imported capital machinery and spares.

Foreign Investment

Private investment from overseas sources is welcome in all areas of the economy with the exception of the four reserved sectors (mentioned earlier). Such investments can be made either independently or through venture on mutually beneficial terms and conditions. Foreign investment is, however, especially desired in the following major categories of industries:

- * Export oriented industries
- * Industries in the Export Processing Zones (EPZs)
- * High technology products that will be either import substitute or export oriented.

Facilities/Incentives

(a) For foreign direct investment, there is no limitation pertaining to foreign equity participation, i.e. 100 percent foreign equity is allowed. Non-resident institutional or individual investors can make portfolio investments in stock exchanges in Bangladesh. Foreign investors or companies may obtain full working loans from local banks. The terms of such loans will be determined on the basis of bank-client relationship.

(b) A foreign technician employed in foreign companies will not be subjected to personal tax up to 3 (three) years , and beyond that period his/ her personal income tax payment will be governed by the existence or non-existence of agreement on avoidance of double taxation with country of citizenship.

(c) Full repatriation of capital invested from foreign sources will be allowed. Similarly, profits and dividend accruing to foreign investment may be transferred in full. If foreign investors reinvest their repatriable dividends and or retained earnings, those will be treated as new investment. Foreigners employed in Bangladesh are entitled to remit up to 50 percent of their salary and will enjoy facilities for full repatriation of their savings and retirement benefits.

(d) Foreign entrepreneurs are, therefore, entitled to the same facilities as domestic entrepreneurs with respect to tax holiday, payment of royalty, technical know-how fees etc.

(e) The process of issuing work permits to foreign experts on the recommendation of investing foreign companies or joint ventures will operate without any hindrance or restriction. Multiple entry visa" will be issued to prospective foreign investors for 3 years. In the case of experts," multiple entry visa" will be issued for the whole tenure of their assignments.

Other Incentives

- Citizenship by investing a minimum of US \$ 500,000 or by transferring US\$ 1,000,000 to any recognised financial institution (Non-repatriable).
- Permanent residentship by investing a minimum of US\$ 75,000 (non-repatriable).
- Special facilities and venture capital support will be provided to export-oriented industries under "Thrust sectors" . Thrust Sectors include Agro-based industries, Artificial flower-making, Computer software and information technology, Electronics, Frozen food, Floriculture, Gift items, Infrastructure, Jute goods, Jewellery and diamond cutting and polishing, leather, Oil and gas, Sericulture and silk industry, Stuffed toys, Textiles, Tourism.

Investment Protections / International Agreements

Legal Protection: The policy framework for foreign investment in Bangladesh is based on 'The Foreign Private Investment (Promotion & Protection) Act. 1980,' which ensures legal protection to foreign investment in Bangladesh against nationalisation and expropriation. It

also guarantees non-discriminatory treatment between foreign and local investment, and repatriation of proceeds from sales of shares and profit.

International Agreements: Bangladesh has concluded bilateral agreements for avoidance of double taxation and investment treaties for promotion and protection of investment with the following countries:

Bilateral agreements: Belgium, Canada, China, Denmark, France, Germany, India, Italy, Japan, Poland, Romania, Singapore, South Korea, Sri Lanka, Sweden, Thailand, The Netherlands, United Kingdom (including Northern Ireland). Negotiations are ongoing with U.S.A, Iran, Philippines, Qatar, Australia, Nepal, Turkey, Indonesia, Cyprus, Norway, Finland and Spain.

Investment treaty: Belgium, Canada, France, Germany, Iran, Italy, Japan, Malaysia, Pakistan, Philippines, Poland, Republic of Korea, Romania, Switzerland, Thailand, The Netherlands, Turkey, United Kingdom, USA, Indonesia. Negotiations are ongoing with India, Hungary, Oman, Moldova, DPRK, Egypt, Austria, Mauritius, Uzbekistan.

In addition, Bangladesh is a signatory to MIGA (Multilateral Investment Guarantee Agency), OPIC (Overseas Private Investment Corporation) of USA, ICSID (International Centre for Settlement of Investment Disputes) and a member of the WIPO (World Intellectual Property Organization) permanent committee on development co-operation related to industrial property.

Incentives to Non-Resident Bangladeshis (NRBs)

Investment of NRBs will be treated on par with FDI. Special incentives are provided to encourage NRBs to invest in the country. NRBs 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 NRBs in primary public shares. Furthermore, they can maintain foreign currency deposits in the Non-resident Foreign Currency Deposit (NFCD) account.

RELAXATION / LIBERALISATION OF EXCHANGE CONTROL REGULATIONS

Bangladesh 'Taka' is convertible for current external transactions. Individuals/firms resident in Bangladesh may conduct all current external transactions, including trade and investment related transaction, through banks in Bangladesh authorised to deal in foreign exchange (Authorised Dealers) without prior approval of the Bangladesh Bank. Non-resident direct investment in industrial enterprise in Bangladesh and non-resident portfolio investment through stock exchanges in Bangladesh also do not require prior approval of the Bangladesh Bank. Remittance of post-tax dividend/profit on non resident direct or portfolio investment do not require prior approval. Sale proceeds, including capital gains on non-resident portfolio investment may also be remitted abroad without prior approval. Repatriation of sale proceeds of non-resident investment in unlisted companies is allowed by Bangladesh Bank on the basis of the net asset value of the shares of the company. Investors may obtain relevant procedural details by contacting any Authorised Dealer bank in Bangladesh .

To facilitate investment, prior approval of the Bangladesh Bank is no longer required for :

- * remittance of profits to their head offices by foreign firms and companies operating in Bangladesh
- * issuance of shares to non-residents against investment for setting up industries in Bangladesh.
- * remittance of dividends on such shares to the non-resident investors.
- * portfolio investment by non-residents including foreign individuals/enterprises in shares and securities through stock exchanges in Bangladesh .
- * remittance of dividends on portfolio investment by non-residents through stock exchanges in Bangladesh .
- * remittance of sale proceeds, including capital gains of portfolio investments of non-residents through stock exchanges in Bangladesh

- * remittance of principal and interest instalments on loans/suppliers credits obtained by industrial units from foreign lenders with approval of the BOI. 100% foreign owned (Type A) industrial units in the EPZs (Export Processing Zone) do not require prior permission of BOI for such foreign borrowing.
- * remittance in repayment of principal and payment of interest of such loans.
- * remittance of technical fees and royalties against technical assistance/royalty agreements in conformity with BOI guidelines.
- * remittance of savings of expatriate personnel at the time of their leaving Bangladesh, out of the salaries and benefits stated in their employment contracts as approved by BOI.
- * extension of term loans by banks on normal banking considerations to foreign firms operating in Bangladesh
- * extension of working capital loans to all foreign owned/controlled industrial and trading firms/companies by banks on the basis of bank customer relationship and normal banking practice.
- * obtaining of interest-free repatriable short-term foreign currency loans by foreign firms investing in Bangladesh from their head offices or any other sources through any authorised dealer.