

Investment Incentives

The democratic government is highly keen to stimulate the economy and transform a poverty-stricken economy to NIE within short time. Government has liberalized the industrial and investment policies in recent years by reducing bureaucratic control over private investment and opening up many areas. Major incentives are as follows:

1. Tax Exemptions: Generally 5 to 7 years. However, for power generation exemption is allowed for 15 years.
2. Duty: No import duty for export oriented industry. For other industry it is @ 5% ad valorem.
3. Tax Law:
 - i. Double taxation can be avoided in case of foreign investors on the basis of bilateral agreements.
 - ii. Exemption of income tax upto 3 years for the expatriate employees in industries specified in the relevant schedule of Income Tax ordinance.
4. Remittance: Facilities for full repatriation of invested capital, profit and dividend.
5. Exit: An investor can wind up on investment either through a decision of the AGM or EGM. Once a foreign investor completes the formalities to exit the country, he or she can repatriate the sales proceeds after securing proper authorization from the Central Bank.
6. Ownership: Foreign investor can set up ventures either wholly owned or in joint collaboration with local partner.

Incentive Details

Tax Holiday

Tax holiday facilities will be available for 5 or 7 years depending on location of the industrial enterprise.

Dhaka and Chittagong Divisions (excluding 3 hill tract districts of Chittagong 5 years Division)

Khulna, Sylhet, Barisal and Rajshahi Divisions And 3 Chittagong hill tract districts 7 years

Tax holiday facilities will be provided in accordance with the 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 for the total period within 90 days of submission of application. This facility can be availed of by industries set up within June 30, 2000 AD.

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 setup 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.c.

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.

Rationalization of Import Duty

Duties and taxes on import of goods which are produced locally will be higher than those applicable to import of raw materials for producing such goods.

Incentives to Non-Resident Bangladeshis (NRBs)

Investment of NRBs will be treated at par with FDI. Special incentives are provided to encourage NRBs for investment 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.

Other Incentives

- Tax exemption on royalties, technical know-how fees received by any foreign collaborator, firm, company and expert.
- Tax exemption on the interest on foreign loans under certain conditions.
- Avoidance of double taxation in case of foreign investors on the basis of bilateral agreements.
- Exemption of income tax up to 3 years for the foreign technicians employed in industries specified in the relevant schedule of income tax ordinance.
- Tax exemption on income of the private sector power generation company for 15 years from the date of commercial production.

- Facilities for full repatriation of invested capital, profit & dividend.
- 6 months multiple entry visa for the prospective new investors.
- Re-investment of repatriable dividend treated as new investment.
- Citizenship by investing a minimum of US\$ 5,00,000 or by transferring US\$ 10,00,000 to any recognized financial institution (non-repatriable).
- Permanent residency by investing a minimum of US\$ 75,000 (non-repatriable).
- Tax exemption on capital gains from the transfer of shares of public limited companies listed with a stock exchange.
- Special facilities and venture capital support will be provided to export-oriented industries under "Thrust sectors"

There will be no discrimination in case of duties and taxes for the same type of industries set up by foreign and local investors and in the public and private sectors.

Incentives to Export-Oriented and Export-Linkage Industries

Export-oriented industrialization is one of the major objectives of the Industrial Policy 1999. Export-oriented industries will be given priority and public policy support will be ensured in this respect. An industry exporting at least 80% of its manufactured goods or an industry contributing at least 80% of its products as an input to finished exportables, and similarly, a business entity exporting at least 80% of services including information technology related products will be considered as an export-oriented industry. To make investment in 100 percent export-oriented industries attractive, the following incentives and facilities will be provided:

- a. Duty free import of capital machinery and spare parts up to 10 percent of the value of such capital machinery will continue.
- b. Existing facilities for Bonded Warehouse and back-to-back Letter of Credit will continue.
- c. The system for duty drawback will be further simplified and to this end, duty drawback will be fixed at a flat rate on exportable and potentially exportable goods. Exporter will receive duty drawback at a flat rate directly from the relevant commercial banks.
- d. The arrangement for providing loans up to 90 percent of the value against irrevocable and confirmed Letter of Credit/Sales Agreement will continue.
- e. To ensure backward linkage, incentives will be extended to the "deemed exporters" supplying indigenous raw materials to export-oriented industries. Export-oriented industries including export-oriented RMG industries, using indigenous raw materials will be given facilities and benefits at prescribed rates.
- f. The export-oriented industries, further to the provisions of Bangladesh Bank foreign exchange regulations, will be entitled to receive additional foreign exchange, on case to case basis, for publicity campaign, opening overseas offices and participating in international trade fairs.

- g. The entire export earning from handicrafts and cottage industries will be exempted from income tax. For all other industries, income tax rebate on export earning will be given at 50 percent.
- h. The facility for importing raw materials, which are included in the banned/restricted list, but required in the manufacture of exportable commodities, will continue.
- i. The import of specified quantities of duty-free samples for manufacturing exportable products will be allowed consistent with the prevailing relevant government policy.
- j. The local products supplied to local industries or projects against foreign exchange L/C will be treated as indirect exports and be entitled to all export facilities.
- k. The Export Credit Guarantee Scheme will be further expanded and strengthened.
- l. 10 percent products of the enterprises, located in both public and private EPZs will be allowed to be exported to domestic tariff area against foreign currency L/C on payment of applicable duties and taxes.
- m. 100% percent export-oriented industry outside EPZ will be allowed to sell 20% percent of their products in the domestic market on payment of applicable duties and taxes.
- n. The Export-oriented industries which are identified by the government as "Thrust Sector" will be provided special facilities and venture capital support.

Apart from the above-mentioned facilities, other facilities announced and provided in the Export Policy will be applicable to export-oriented and export-linkage industries.

Ref: BOI, BD