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Bangladesh: Law & Practice

Shahwar Nizam, Tarannum Tasnim, Mahboob Aziz, Saif Bhuiyan, Farhan Kabir, **and** Tanzim Ahmed
DFDL Bangladesh

BANGLADESH

Law and Practice

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DFDL Bangladesh

DFDL Bangladesh is a leading law firm in Bangladesh that offers both international and local expertise in various practice areas, such as energy projects and infrastructure, mergers and acquisitions (M&A), banking and finance, and general corporate and commercial matters including restructuring, employment, regulatory and compliance, and dispute advisory services. It has been involved in some of the most significant FDI and M&A transactions in the country, such as advising Japan Tobacco on a USD1.5 billion acquisition – the largest FDI in the country's history. It also advised SoftBank, a Japanese tech investment giant, on its first investment in bKash, the largest mobile financial services company in Bangladesh. DFDL is a pioneering legal and tax firm in South-East and South Asia, founded in 1994 by international lawyers intimately connected to the region. Today, it covers ten jurisdictions across 12 offices to form one regionally integrated firm with over 300 employees of 26 nationalities.

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1. Legal System and Regulatory Framework

1.1 Legal System

Bangladesh is a jurisdiction whose legal system is derived from English common law. Many of the basic civil and criminal laws of Bangladesh, such as the penal code, the civil and criminal procedural codes, contract law and company law, are influenced by English laws, and some of those laws date back to the time when Bangladesh (as part of India) was still part of the British Empire. The statutes are short, unlike a civil law system, and set out basic rights and responsibilities that are then interpreted by the courts in their application of those laws.

The Constitution of the People's Republic of Bangladesh is the primary source of all laws, and it is supported by legislations and ordinances enacted by Parliament. The Constitution provides for a single-house parliamentary system. The government is run by a cabinet of ministers headed by the Prime Minister, and the cabinet as a whole is responsible to the Parliament.

Statutory corporations or regulatory authorities of the government of Bangladesh (GOB) can also make rules, regulations, orders, circulars, notifications, policies and by-laws to the extent that it is authorised under relevant legislation. Further, where the law does not specifically cover a particular point or where there is no specific law, the courts decide the case on the principles of equity, justice and good conscience. The judgments of the superior courts of the country have binding effect on courts of lower level.

The Bangladesh Supreme Court is the apex court and has two divisions, namely the Appellate Division and the High Court Division. The Appellate Division is vested with the power to hear and determine appeals from judgments, decrees, orders or sentences of the High Court Division. The High Court Division has original, appellate and certain other jurisdictions and powers over the lower courts. These lower courts consist of civil courts at district level, criminal courts in the metropolitan area and at district level, and special courts and tribunals.

1.2 Regulatory Framework for FDI

Bangladesh has a very strict foreign exchange control regime. Any outward remittance requires prior approval from Bangladesh Bank, the central bank of Bangladesh. However, the foreign investment laws in Bangladesh are very pro-investor, and no approval is required for foreign direct investment (FDI). Foreign and private investment is prohibited for a few sectors only (eg, manufacturing of arms and ammunition or other defence equipment, forest plantation and mechanised extraction of reserved forests, production of nuclear energy, printing of currency notes and minting).

The GOB controls foreign investment in certain sectors by an administrative licensing process. Foreign investments are subject to government licensing in the logistics, banking, insurance, merchant banking and brokerage, aviation and broadcasting sectors. Regarding logistics businesses, foreigners are not allowed to own more than 40% of such businesses. Separately, there is a single shareholding limit (irrespective of whether foreign invested or locally invested) in some of the sectors mentioned in the foregoing. There are also some state monopoly businesses, such as transmission of electricity and railways, etc, where only government state-owned enterprises operate and exercise a monopoly.

2. Recent Developments and Market Trends

2.1 Current Economic, Political and Business Climate

Geopolitically, Bangladesh is in a very strategic position between China and India, attracting high levels of FDI for labour-intensive garments and footwear manufacturing. There has been a hike in foreign investment in the power, energy and infrastructure sectors in the last decade. The Foreign Private Investment (Promotion & Protection) Act 1980 (the "FPIP Act") protects investors against nationalisation and expropriation and guarantees non-discriminatory treatment between foreign and local investors. The World Bank has ranked Bangladesh ahead of India, China and Vietnam in protecting investors' interests.

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Bangladesh experienced civil unrest in July 2024, sparked by a student protest, followed by the ouster of the previous government. The demonstration by the students was against a quota system in the civil service sector that favoured family members of individuals who participated in the 1971 liberation war. What began as a peaceful student protest eventually escalated into a revolution against the ruling government and its policies, resulting in the ousting of the ruling party on 5 August 2024.

The student-led protest paved the way for a new interim government, with Nobel Laureate Professor Dr Muhammad Yunus being appointed as the Chief Advisor. Strict measures are being implemented to combat institutional corruption and improve Bangladesh's global image to attract foreign investment. Multiple reform commissions have been established to address the electoral system, police, judiciary, public administration, corruption and constitutional reform. The Election Commission has been reconstituted with a new Chief Election Commissioner. These reforms aim to restore public trust, strengthen institutions and improve Bangladesh's global standing by paving the way to an elected government – with the national parliamentary election tentatively scheduled in February 2026.

The Bangladesh economy, under the interim government, showed signs of recovery in the latter part of FY25, with strong exports making a substantial contribution to overall growth. Export growth remained robust in FY25, increasing by 8.8%, with ready-made garment exports (RMG) exports increasing by 8.9%, whilst non-RMG exports also strengthened. Remittances increased by 26.8% (year on year), reflecting the impact of exchange rate depreciation and a narrowing spread between formal and informal market rates that incentivised flows through official channels. the United States remained the largest remittance source, accounting for 15.6% of total inflows in FY25, followed by Saudi Arabia, the United Arab Emirates and the United Kingdom.

Foreign exchange reserves, which have been on a declining trajectory in recent years, have now stabilised, rising to as high as USD26.7 billion at the end of June 2025 following a significant disbursement of budget support from development partners and remaining stable at USD26.5 billion (approximately 3.5 months of imports) as of September 2025.

Pressures in the external sector have eased, as the exchange rate has remained broadly stable following the adoption of a more flexible, market-based regime in May 2025. The current account returned to surplus in FY25 for the first time in eight years, registering a surplus of USD149 million – a marked turnaround from the USD6.6 billion deficit recorded in FY24. In terms of infrastructure development, the World Bank approved USD850 million to help Bangladesh invest in infrastructure critical for developing the Bay Terminal deep seaport, which will significantly improve Bangladesh's global trade competitiveness and reduce import and export costs by increasing port operational efficiency and mobilising private investment.

Bangladesh has bilateral investment treaties (BITs) with 29 countries, including Austria, the Belgium-Luxembourg Economic Union, Cambodia, China, Denmark, France, Germany, India, Indonesia, Italy, Japan, the Republic of Korea, Malaysia, Netherlands, Pakistan, the Philippines, Poland, Romania, Singapore, Switzerland, Thailand, Turkey, the UAE, the UK, the USA, Uzbekistan and Vietnam.

Bangladesh has double-taxation treaties (DTTs) with 44 countries, including Bahrain, Belarus, Belgium, Canada, China, Denmark, France, Germany, India, Indonesia, Italy, Japan, the Republic of Korea, Kuwait, Malaysia, Mauritius, the Netherlands, Norway, the Philippines, Poland, Romania, Saudi Arabia, Singapore, Sweden, Switzerland, Thailand, Turkey, the UAE, the UK, the USA and Vietnam.

In cross-border transactions, the GOB accepts foreign governing laws and offshore dispute resolution, and it provides sovereign immunity waivers. Further, Bangladesh is a party to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, so foreign arbitration awards are directly enforceable in Bangladesh, as opposed to foreign court judgments.

Due to the strict foreign exchange control regime, foreign exchange transactions are highly regulated

by Bangladesh Bank. Remittance of money outside Bangladesh is allowed only for specific circumstances and is required to be supported by appropriate documentation. However, the foreign investment laws in Bangladesh are very pro-investor. Foreign investment and the rights of foreign investors are protected by the FPIP Act. There are both fiscal and non-fiscal incentives for investors, including corporate tax holidays for infrastructure projects under the public-private partnership (PPP) regime, and for the automobile industry, in export processing and special economic zones, and in power and energy IT and information technology-enabled services (ITES).

Bangladesh has also been impacted by the global hike in US dollar rates, as well as commodity and energy prices, resulting from the Russia-Ukraine war. As Bangladesh is a net importer of oil and gas, liquefied natural gas (LNG), and soft and hard commodities, the global price hike has adversely affected the economy. On top of this, the high US dollar price has also resulted in significant pressure on the local economy. This has resulted in slow government payments for projects and suppliers, and an overall reduction in ratings for government debts and the economy as a whole. However, as Bangladesh has a large consumer-based economy with around 170 million people, it is anticipated that after a period of adjustment the economy will start to make a recovery and is poised for growth in the next decade.

3. Mergers and Acquisitions

3.1 Transaction Structures

Share acquisition or subscription is the most commonly used structure in Bangladesh since there is no concept of a slump sale in this jurisdiction. It is not easy to transfer assets in Bangladesh as the documentation and perfection requirements for each type of asset are different, and the transfer costs also differ; moreover, for most assets the cost is substantially higher than share acquisition. Therefore, share acquisition is the most preferred structure for any investment, be it a majority or minority investment.

There is hardly any difference between the rules and regulations for public and private companies. The principal legislation for all types of companies is the Companies Act 1994 (as amended in 2020) (the "Companies Act"). Only listed companies have additional regulations; therefore, there are additional requirements for acquiring shares in listed companies. Shares can be acquired through the secondary market in respect of listed companies. There are only a handful of instances where a listed company divested one or more of its business lines to its wholly owned subsidiary through a demerger scheme to onboard investors as majority shareholders.

As discussed in **2.1 Recent Developments and Market Trends**, Bangladesh has the most liberal FDI laws in South Asia. Most sectors in Bangladesh are open to foreign investment. Foreign investors can set up wholly-owned subsidiaries to undertake those businesses in Bangladesh. Given that any outward remittances (other than dividends) are restricted without special approval from the appropriate regulatory authority, foreign investors should consider the restrictions under the foreign exchange control laws in order to structure their investment. Investors should also consider the tax laws, as certain sectors and certain types of investment are subject to incentives that ensure greater returns for investors. Please refer to **9. Tax** for further details. Investors should additionally consider the requirements for availing financing from local and foreign sources. There is a debt-to-equity ratio to consider in both cases.

In addition to the foregoing, there are challenges related to land acquisition due to the scarcity of land in Bangladesh. Land titles must be verified carefully because land records are often archaic and manually maintained.

3.2 Regulation of Domestic M&A Transactions

There are a handful of regulated sectors in Bangladesh where foreign investment is subject to certain shareholding thresholds and regulatory approvals. Those sectors, and their shareholding restrictions, are covered in **1.2 Regulatory Framework for FDI** and **2. Recent Developments and Market Trends**. In addition, please refer to **5. Capital Markets** and **6. Antitrust/Competitio** n for other regulatory requirements relating to competition and listed securities.

4. Corporate Governance and Disclosure/Reporting

4.1 Corporate Governance Framework

Foreign investors can establish their presence in Bangladesh by opening up liaison or branch offices and incorporating companies.

A liaison office in Bangladesh can only undertake liaison, marketing and promotional activities; it is not allowed to generate local income. However, a branch office can obtain waivers from the Bangladesh Investment Development Authority (BIDA) to generate local income and to remit the post-tax profit to the head office. Branch offices usually undertake service-based business activities, trading business and construction business. However, they can operate for a maximum of ten years in Bangladesh.

Both a liaison office and a branch office operate in Bangladesh pursuant to approvals granted by BIDA upon application made by the foreign company. The BIDA approvals contain terms and conditions that the liaison office/branch office is required to comply with on a continuing basis.

In its recently published guidelines, BIDA has introduced the concept of project offices. These are designed for foreign entities that need a short-term presence to work on government-commissioned projects, such as EPC (engineering, procurement and construction) projects.

The Companies Act, on the other hand, provides for different forms of legal vehicles for undertaking businesses. The most popular legal form of project vehicle is a limited liability company. A limited liability company can either be a private or public company, but private companies limited by shares are the most common form of vehicle for setting up a business in Bangladesh.

Companies can be incorporated as subsidiaries of foreign companies or joint ventures with local or other foreign partners. Such a company can engage in business, earn in local currency and remit post-tax profits to its foreign parent company without Bangladesh Bank approval. In addition, the Bangladeshi entity can remit its annual revenue as royalties, technical know-how or technical assistance fees, operational services fees, marketing commissions, etc, with regulatory endorsement from BIDA.

The Companies Act further requires private limited companies to have a minimum of two directors, irrespective of their nationality, who can either be in their individual capacity or as nominee of the corporate shareholders. In relation to equity investment, there is no minimum paid-up capital requirement for companies in Bangladesh, so a company can be incorporated with as little as USD100 in paid-up capital.

4.2 Relationship Between Companies and Minority Investors

Shareholders having at least a 10% stake in a company may challenge in the court any decision of the company, the board of directors or its shareholders if such decision is prejudicial or discriminatory to such minority shareholders.

4.3 Disclosure and Reporting Obligations

The reporting obligation to Bangladesh Bank lies with the relevant local bank handling the inward FDI remittance of the foreign subsidiary in Bangladesh. The bank is also required to report to Bangladesh Bank further allotment of shares, dividend repatriation and share transfer transactions. Further, prior approval is mandatory for transferring the shares of a foreign shareholder to a local shareholder as this involves outward remittance of purchase consideration from Bangladesh.

5. Capital Markets

5.1 Capital Markets Overview

As referred to in **1.1 Legal System**, Bangladesh is a common law-based jurisdiction, and company-related laws are derived from English law principles. Public companies may list their shares in the stock markets through IPOs and collect additional funding from the primary market. Also, companies may obtain financing from the local banking market, usually through corporate financings. Non-recourse or limited recourse project financings for power and other infrastructure projects in Bangladesh have also been seen.

By obtaining approval from BIDA, companies may also arrange cheaper financing from foreign sources. As per BIDA guidelines, to obtain foreign financing, companies are usually required to maintain a debt-to-equity ratio of 70:30. In this regard, companies may also offer preference shares to banks and institutional investors, which is considered as equity and does not affect the debt-to-equity ratio.

5.2 Securities Regulation

The major laws relating to securities and share markets in Bangladesh are the Securities and Exchange Ordinance 1969 (SEO) and the Securities and Exchange Commission Act 1993 (SECA). In Bangladesh, securities are primarily traded within the Dhaka Stock Exchange and the Chittagong Stock Exchange. The Bangladesh Securities and Exchange Commission (BSEC), established under SECA, is the regulatory authority responsible for regulating the trading of securities in Bangladesh. Bangladeshi companies are required to have the consent of BSEC before making any public offer of securities in Bangladesh. The BSEC issues and publishes rules and regulations from time to time regarding capital market requirements and restrictions. Foreign investors can freely transact in listed securities without establishing any presence in Bangladesh. Bangladesh Bank has allowed certain licensed banks to open and maintain special accounts, including a non-resident investor's taka account for foreign investors dealing in listed securities in Bangladesh.

5.3 Investment Funds

Foreign entities including foreign investment funds are generally not made subject to any regulatory review. However, there are certain regulated sectors where there are restrictions on having full or partial foreign shareholders. If a foreign investor, including a foreign investment fund, intends to invest in such sectors beyond the prescribed threshold, it will need to obtain prior permission through the local target company to make the investment. Under such circumstances, the relevant regulator can review its company profile to ascertain its suitability. There are no prescribed criteria that will be reviewed by the regulators, and the discretion of the regulators is depended upon.

6. Antitrust/Competition

6.1 Applicable Regulator and Process Overview

The competition law regime in Bangladesh is not fully yet developed. Although the Competition Act was enacted in 2012, the rules and regulations are still in the draft stage. The Bangladesh Competition Commission (BCC), formed under the Competition Act, is the major regulatory body responsible for preventing potential anti-competitive practices and for protecting the interests of consumers and competitors in the market.

The Competition Act restricts mergers that have an adverse effect on competition. In this regard, the BCC is empowered to approve mergers upon receiving applications from the relevant parties. However, the application and approval process is not provided for in the Competition Act, which was supposed to be addressed by separate regulations.

In this regard, after a long waiting period, it is understood that the BCC is in the final stages of drafting the Bangladesh Competition (Combination) Regulation under the Bangladesh Competition Act 2012, which aims to establish a legal framework for monitoring and controlling mergers, acquisitions and other business combinations that may affect market competition. It is further understood that the BCC has submitted the draft to the Ministry of Law, Justice and Parliamentary Affairs for vetting, but the timeline remains uncertain, particularly given the national election scheduled for February 2026, which creates further uncertainty as the current administration may choose not to finalise the regulation, leaving it for the next government to address.

6.2 Criteria for Antitrust/Competition Review

The issue of criteria for antitrust/competition review is not applicable in Bangladesh.

6.3 Remedies and Commitments

The issue of remedies and commitments is not applicable in Bangladesh.

6.4 Antitrust/Competition Enforcement

Pursuant to the Competition Act, the BCC has a quasi-judicial function. Either on its own motion or following any complaint received from any person or corporation, the BCC may inquire and decide in the relevant matter. Apart from delivering a final decision, it may also impose interim orders for retainment for up to 60 days against the person or body in question. A right of appeal against the decision of the BCC is available. The aggrieved party may file an appeal before the Court of Sessions Judge of the relevant district. Further, there is no express provision in the law for obtaining prior permission in this regard.

7. Foreign Investment/National Security

7.1 Applicable Regulator and Process Overview

As referred to in **1.2 Regulatory Framework for FDI**, Bangladesh has a liberal FDI regime in place. Companies can be incorporated as subsidiaries of foreign companies and be 100% foreign owned, as there are generally no restrictions on foreign ownership, save for certain specific prohibited and regulated sectors. Foreign or private investment is prohibited for certain sectors reserved only for the government, including manufacturing of arms and ammunition or other defence equipment, forest plantation and mechanised extraction of reserved forests, production of nuclear energy, printing of currency notes and minting. Additionally, foreign ownership is regulated in certain other sectors through an administrative licensing process, such as logistics, banking, insurance, merchant banking and brokerage, aviation and broadcasting. For example, foreigners are not allowed to own more than 40% in freight forwarding businesses. Separately, there is a single shareholding limit (irrespective of whether foreign invested or locally invested) in some of the sectors mentioned in the foregoing. There are also some state monopoly businesses, such as transmission of electricity and railways, etc, where only state-owned enterprises operate and exercise a monopoly.

Additionally, Bangladesh has a strict foreign exchange regime, which controls and monitors the outflow and inflow of foreign funds. As the central bank, Bangladesh Bank is the primary regulator in charge of controlling and monitoring foreign investment in Bangladesh. Bangladesh Bank regulates and enforces the foreign exchange regime in Bangladesh. The principal legislation in this regard is the Foreign Exchange Regulation Act 1947 (FERA) and the Guidelines for Foreign Exchange Transactions 2018 (GFET) promulgated and enforced by Bangladesh Bank. Under the foreign exchange regime, specific or general Bangladesh Bank approval is required to remit monies outside Bangladesh. Also, there are post facto reporting obligations for foreign investment/share allotment, share transfer and dividend repatriation, among others. For transfer of shares from non-resident to resident, which involves remittance of monies outside Bangladesh, prior Bangladesh Bank approval will be required. However, generally, no prior regulatory approvals are required for foreign investments into Bangladesh.

7.2 Criteria for National Security Review

The criteria for investment usually do not differ depending on the nature of the investment or of the investors. As mentioned in **7.1 Applicable Regulator and Process Overview**, Bangladesh has a liberal FDI regime, where 100% foreign investment and ownership is allowed in most sectors, save for certain regulated or prohibited sectors. The criteria do not change depending on the nature of the investor, such as private investors or foreign government-owned or affiliated investors. Investors in general are required to comply with the foreign exchange regulations, the Companies Act and BIDA rules and guidelines.

7.3 Remedies and Commitments

As Bangladesh is a developing nation, the foreign exchange restrictions are more relaxed in terms of foreign investment coming into Bangladesh. The requirement is that foreign investment is made through appropriate banking channels and is properly reported to Bangladesh Bank through authorised dealers/local banks. Also, when profits are repatriated outside Bangladesh, investors must repatriate such profit after tax from retained earnings and comply with the post-transfer notification requirements to Bangladesh Bank. Save for the foregoing, there are no additional requirements or remedies required from foreign investors for investing into Bangladesh.

7.4 National Security Review Enforcement

Bangladesh does not recognise investments from countries with which it has no diplomatic relationship or which are declared as enemy states by Bangladesh. Other than this, Bangladesh has no restriction upon FDI. However, if any particular person is found to be a potential security threat for Bangladesh, the Ministry of Home Affairs and Ministry of Defence, in collaboration with the Ministry of Foreign Affairs, will conduct a background search and necessary investigation. After concluding the necessary investigation, a visa and work permit will be issued by the relevant department of the Ministry of Home Affairs. Other than this, work permit and visa services are provided through BIDA. Also, Bangladesh Bank has certain KYC policies that are mandatory for inward remittances into Bangladesh in order to avoid any terrorism funding coming into the country.

8. Other Review/Approvals

8.1 Other Regimes

The FPIP Act is the principal legislation that provides protection for foreign private investments in Bangladesh. The FPIP Act defines "foreign private investment" as "investment of foreign capital by a person who is not a citizen of Bangladesh or by a company incorporated outside Bangladesh, but does not include investment by a foreign government or an agency of a foreign government".

The FPIP Act further defines "foreign capital" as "any industrial undertaking by a citizen of any foreign country or by a company incorporated outside Bangladesh, in the form of foreign exchange, imported machinery and equipment, or in such other form as the GOB may approve for the purpose of such investment". On this basis, it is likely that a project company having foreign private investment will fall within the FPIP Act.

The FPIP Act stipulates "fair and equitable treatment to foreign private investment" with "full protection and security in Bangladesh". Further, the FPIP Act also ensures that foreign private investment is afforded the "same favourable treatment" that is afforded to similar private investment by citizens of Bangladesh.

In addition, foreign investments are also provided with "adequate compensation" in the event of any expropriation or nationalisation. "Adequate compensation" is defined under the FPIP Act as the "amount equivalent to the market value of investment expropriated or nationalised immediately before the expropriation or nationalisation". The FPIP Act also guarantees repatriation of liquidation proceeds in respect of foreign private investment, transfer of capital and the returns therefrom. However, please note that there are no precedents as of yet of foreign investments being nationalised by the GOB.

In addition, dealing in foreign currency is strictly regulated by Bangladesh Bank, and only certain authorised dealers' (ie, licensed banks') branches are allowed to remit foreign currency outside Bangladesh. Furthermore, no other person may deal in foreign exchange without the prior consent of Bangladesh Bank. Remittance of money outside Bangladesh is allowed only in specific circumstances and is required to be supported by appropriate documentation.

The foreign exchange laws generally apply to any transaction that involves foreign currency or remittance of funds inside or outside of Bangladesh. A summary of the foreign exchange controls in Bangladesh follows.

Restrictions in Dealing With Foreign Currency

FERA and the GFET stipulate that, without obtaining general or special permission from Bangladesh Bank, Bangladeshi residents cannot make any payment to or for the credit of any person who is a resident outside Bangladesh, or draw, issue or negotiate any bill of exchange or promissory note, or acknowledge any debt, so that a right to receive a payment is created or transferred in favour of any person residing outside Bangladesh. FERA also restricts the creation or transfer of security interest to any place outside of Bangladesh without a general or special permission from Bangladesh Bank.

Inward Remittance Must Be Used for Its Particular Purpose

Under FERA and the GFET, any foreign currency that is acquired by any person other than an authorised dealer for any particular purpose must be utilised for

that purpose and also reported to Bangladesh Bank with the applicable form (Form C).

Repatriation of Sales Proceeds

There are also specific requirements for remittance of sale proceeds, depending on the valuation of the shares in the company and whether they are sold to a local person or entity in Bangladesh. As prescribed by Bangladesh Bank, the valuation can be based on the (i) net asset value, (ii) market value or (iii) discounted cash flow, depending on the nature of the company. Also, such valuation must be conducted by a merchant banker licensed by the BSEC, or by an experienced chartered accountant, and a valuation certificate should be submitted by him or her to Bangladesh Bank for its approval before the shares are transferred.

Dividends and Distributions

Following a recommendation by its directors, a Bangladeshi company may, in a general meeting, declare dividends to its shareholders or pay interim dividends from time to time if such dividends are justified by the profits of the company.

Under the GFET, certain steps must be taken in order to remit dividends (both final and interim) to non-resident shareholders, although there is no need to obtain Bangladesh Bank approval in this regard. The authorised dealer must ensure that the remittance is being made in Bangladeshi taka (BDT). The value in BDT is then converted into its equivalent in foreign currency using the conversion rate published by Bangladesh Bank on the date of remittance.

All remittances in BDT from Bangladesh to a foreign country, credited to non-resident BDT accounts or convertible BDT accounts of foreign banks, constitute outward remittances of foreign currency.

Royalty and Technical Know-How Fees

In addition to the foregoing, any remittance of royalty fees or technical know-how fees abroad requires prior approval from BIDA. In this regard, BIDA has the authority to determine the amount of royalty fees or technical know-how fees that can be payable or remitted abroad by the relevant company.

In relation to land assets, please note that foreign persons or entities are not allowed to directly own land in Bangladesh. They can take lease (not perpetual) or rent over land only. However, certain legal structures allow foreign nationals to indirectly enjoy either freehold or leasehold title to land. They may do so by incorporating 100% (or less than 100%) foreign-owned local companies in Bangladesh and having that foreign-owned local company own or lease land in Bangladesh. Foreigners can also own shares of a local company that owns land.

9. Tax

9.1 Taxation of Business Activities

Businesses operating in Bangladesh are subject to a range of taxes, including corporate income tax, value added tax (VAT), supplementary duties and customs duties.

Corporate income tax rates vary based on the legal structure of companies and their business characteristics. For example, One Person Companies, private limited companies and branches of foreign companies are subject to a 27.5% conditional tax rate, while public limited companies faces a tax rate of 22.5% to 27.5% depending on the proportion of shares from the paid-up capital floated in the IPO.

The aforementioned entities meeting certain conditions are entitled to a reduction in income tax. For example, the corporate income of companies will be reduced by 2.5% if all income is received through banking channels.

Banks and financial institutions are subject to corporate income tax ranging from 37.5% to 40%, contingent on their classification as public or private entities. On the other hand, to promote exports, the GOB endows export-oriented companies with a range of benefits. Among others, this includes a reduced tax rate of 12% for companies on their income derived from export-related activities. There is no difference in corporate tax rates for foreign-owned companies in Bangladesh.

Unless eligible for exemptions, VAT is imposed on all taxable goods and services, and the standard rate is 15%. However, certain goods and services are subject to reduced rates, such as 5%, 7.5%, 10% or other specific rates depending on the quantity of goods. Goods and services that are considered luxury items under the VAT law are also subject to supplementary duties. Depending on the nature of the goods and services, supplementary duties can range from 10% to 350%.

Imported goods are subject to import duties depending on their HS code classifications. Customs authorities collect applicable duties from importers before releasing the goods from the port of entry.

9.2 Withholding Taxes on Dividends, Interest, Etc

Bangladesh operates as a withholding tax jurisdiction. Unless exempted by the law or specific orders from the National Board of Revenue (NBR), all forms of payment are subject to withholding taxes. Under the local tax law, dividend and interest payments to non-resident entities are subject to 20% withholding taxes. However, if there is a DTT between the governments of Bangladesh and the country of the non-resident that is receiving the payment, there may be exemptions or reductions on the withholding taxes depending on the nature of payments.

Such reductions or exemptions are not automatic. The non-resident will have to apply to the NBR with reference to the applicable DTT and provide certain supporting documentation. It takes around 30 days for the regulator to grant an approval in this regard.

So far, Bangladesh has executed DTTs with 44 countries, the most recent being Hong Kong SAR.

9.3 Tax Mitigation Strategies

Foreign investors in Bangladesh commonly employ tax planning strategies such as cross-licensing and cost allocations. This involves charging their subsidiaries royalties and technical service fees for the utilisation of licences and specific technical services. Simultaneously, the head office costs are distributed among subsidiaries to lower their taxable income. However, local tax laws in Bangladesh impose caps on the deductibility of such expenditures, which cannot exceed 10% of Bangladeshi companies' pre-tax profits. Amounts exceeding the deductibility threshold are deemed inadmissible, and the company is required to pay corporate tax on this portion at the corporate tax rate applicable to the company.

9.4 Tax on Sale or Other Dispositions of FDI

Under the Bangladesh tax law, capital gains are subject to tax at 15%. Capital gains tax also applies to foreign investors that sell their investments in Bangladesh. Capital gains can be either direct gains or indirect gains. The latter occur when the sale transaction happens at the parent level of the Bangladeshi company where the parent is a non-resident. Until recently, there was no guidance on the taxation of indirect capital gains in Bangladesh. However, in 2022 the NBR issued the Offshore Indirect Transfer Rules. These rules establish a framework for taxing offshore indirect transfers in Bangladesh, to promote transparency and deter tax evasion.

In a strategic effort to stimulate investment in key sectors, the GOB provides investors with exemptions from capital gains taxes. Notably, these sectors include automobile manufacturing and physical infrastructure development (under the PPP regime), among others.

In addition to the foregoing exemptions from capital gains taxes, relief may also be available through a relevant DTT. In such instances, non-residents seeking the benefits of these exemptions must submit an application to the NBR along with certain specific documents.

9.5 Anti-Evasion Regimes

Bangladesh currently does not enforce specific anti-avoidance rules targeting foreign investors. However, the newly enacted income tax law, effective since July 2023, introduces general anti-avoidance provisions applicable to all taxpayers. Within this framework, tax authorities possess the authority to make adjustments if they identify undue benefits obtained through the misuse of a tax arrangement. These adjustments may encompass increasing income, amending tax liabilities, adjusting tax returns, and revising allowances and rebates, among other measures.

Bangladesh's transfer pricing rules align closely with the OECD Transfer Pricing Guidelines, aiming to guarantee that transactions between associated enterprises or related parties adhere to arm's length prices. These regulations encompass transactions involving services, intangible property and intercompany loans, applying to both subsidiaries and branches. The identification of associated enterprises or related parties is based on parent/subsidiary relationships, common ownership or control, and certain relationships where one company holds decision-making control.

Taxpayers engaged in international-related party transactions exceeding approximately USD245,000 within a financial year must maintain transfer pricing documentation. This documentation is subject to submission upon the NBR's request, facilitated through a report prepared by a chartered/cost and management accountant. Non-compliance, or failure to furnish the required report, may lead to penalties of up to approximately USD2,450.

10. Employment and Labour

10.1 Employment and Labour Framework

The main pieces of legislation that are relevant to the regulation of employment in Bangladesh are the Bangladesh Labour Act 2006 and the Bangladesh Labour Rules 2015 (collectively the "Labour Laws"), the Workers Welfare Foundation Act 2006 and the Workers Welfare Foundation Rules 2010. Further, from time to time the Ministry of Labour and Employment publishes policies and guidelines relating to employment by way of notification in the *Gazette of the Department of Inspection for Factories and Establishments* of the Ministry of Labour and Employment.

The Labour Laws do not apply with respect to industrial undertakings located in export processing zones and economic zones. Employment matters in these areas are governed by the EPZ Labour Act 2019.

Trade unions are common in the industrial sector. Under the Labour Laws, either employees or employers have the right to form a trade union for the purpose of regulating the relations between workers and employers, or amongst the workers themselves.

The trade union, through its leaders, negotiates with the employer on behalf of its members on matters such as wages, work rules, complaint procedures, the rules governing hiring, firing and promotion of workers, benefits, workplace safety and policies. If an establishment has only one trade union, then that trade union will be considered as the collective bargaining agent of the establishment. However, if the establishment has more than one trade union, then the trade unions may conduct an election to elect the collective bargaining agent. Details of the election process are provided in the Labour Laws.

10.2 Employee Compensation

Employees are entitled to receive a gratuity payment during the termination of their employment service (ie, termination on notice without any reason, or for discharge from employment due to a mental or physical incapability or for redundancy or retrenchment). The amount of gratuity to be paid is 30 days' salary for every completed year of service, or for any part thereof in excess of six months. Employees with more than ten years' service will be entitled to gratuity pay calculated at the rate of 45 days' salary for every completed year of service, or any part thereof in excess of six months. In addition to this gratuity payment, employees are also entitled to receive notice pay, annual leave, bonus, provident funds and any other due.

10.3 Employment Protection

In the event of an acquisition, change of control or other investment transaction, the employer is required to notify its employees and is also required to provide two options from which the employees can choose, namely either to (i) continue their service upon express written consent or (ii) resign from their service upon express written consent. The employer also has the option either to retain the employees or terminate them through retrenchment. In such a case, the employer has to pay off the amounts that are due to the employees upon their termination or wilful resignation from the company.

During the acquisition, if any disputes are raised regarding the payment of employees, then both the previous and new employers are required to consult with the trade union in relation to such payment.

11. Intellectual Property and Data Protection

11.1 Intellectual Property Considerations for Approval of FDI

Intellectual property (IP) is an important aspect in screening FDI in Bangladesh. Recently, investors have been seen to consider IP while investing in Bangladesh. Under Bangladesh laws, several categories of IP are recognised and protected. IP such as copyright, trade marks, designs, patents and geographical indications of goods are governed by different rules and regulations, which recognise, protect and facilitate IP by setting out procedures for registration and transfer and remedies for infringement of IP. Therefore, foreigners who intend to register their IP in Bangladesh would have protection therefor in the country.

In Bangladesh, the registration authority is different for each category of IP. For instance, patents, designs and trade marks are registered with the Department of Patents, Designs and Trademarks, while the Copyright Office deals with copyright matters. Please note that each of aforementioned authorities has different processes for registering IP, which usually begins with reviewing the IP usage and ownership documents.

11.2 Intellectual Property Protections

The compulsory registration requirement for IP ensures strong protection of IP rights. There is a public registry where IP right holders can easily be identified. Also, courts are accessible to protect an IP right against any infringement.

Regarding the protection of AI-generated works, there is currently no legislation explicitly addressing whether such works are entitled to the same IP rights and protections as those created by humans. Existing laws primarily grant IP rights exclusively to human-created works. However, the draft National Artificial Intelligence Policy 2024 proposes establishing a legal framework that includes ownership rights, patents and copyright regulations for AI-generated models, works, data and more.

11.3 Data Protection and Privacy Considerations

The Bangladesh data protection regime is still underdeveloped, and Bangladesh does not have any comprehensive set of data protection/privacy rules in place. The present data protection regime is mainly governed under the Information and Communication Technology Act 2006 (ICTA) and the Cyber Security Act 2023 (CSA). There is a restriction under the ICTA on disclosing information found in any electronic record, book, register, correspondence, data, document or other material without the consent of the data owner. Disclosure of such information without consent of the data owner is regarded as an offence under the ICTA and is punishable by imprisonment for a term not exceeding two years or a fine not exceeding BDT200,000, or both.

Conversely, the CSA protects the collection, transfer, use, processing, etc of personal data. The CSA does not explicitly define “personal data”. Instead, the CSA defines “identity information”, which includes any external, biological or physical information, or any other information, that singly or jointly can identify a person or a system. Under the CSA, if any person collects, sells, takes possession of, supplies or uses any person’s identity information” without “lawful authority”, then such act of the person will be treated as an offence.

Please note that the CSA does not provide any definition for the term “lawful authority”. However, based on unofficial enquiries with the ICT Division, “lawful authority” can be understood to mean written consent. Both the ICTA and CSA have extraterritorial application. Any violation of the aforementioned restriction is considered an offence punishable by imprisonment not exceeding two years or a fine not exceeding BDT500,000, or both. Since data privacy is still a new concept, there is no strong enforcement.

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