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QUEST™

# Foreign Investment in Bangladesh: The Legal Framework



LEGAL COUNSEL



## Foreign Investment in Bangladesh: The Legal Framework



**Legal Counsel**

BARRISTERS • ADVOCATES • LEGAL CONSULTANTS

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*“Foreign direct investment is a key driver  
of economic development, bringing not  
only capital but also technology, skills,  
and access to global markets.”*

— Kofi Annan (1938-2018)



## *Note from the Head of the Chambers*



Bangladesh, on the brink of graduating from a Least Developed Country to a Developing Country, is actively positioning itself as an attractive destination for foreign investment. Emphasizing “Trade, not aid,” the country seeks increased global business engagement.

This booklet provides foreign investors with a comprehensive overview of Bangladesh’s legal framework for trade, commerce, and investment. It outlines key procedures for establishing and managing businesses, covering labor laws, taxation, foreign exchange regulations, intellectual property rights, real estate laws, contract enforcement, and data privacy. It also explores business structures such as locally incorporated companies, branch offices, and liaison offices, along with dispute resolution mechanisms.

Legal Counsel, having supported numerous businesses in establishment and operations, recognized the need for a structured guide. This booklet, the third in our pro-bono ‘Quest’ series, serves as a practical resource for those entering the Bangladeshi market or already operating here.

I extend my sincere gratitude to our associates for their dedication in bringing this publication to life. We look forward to your valuable feedback to enhance this initiative further.

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07 April 2025 | Dhaka, Bangladesh

Facts	Data/Statistics
Official name and capital	People's Republic of Bangladesh Dhaka
Location and area	Riverine country located in the Indian subcontinent. 148,460 sq km
Religion (2022)	91.04% Islam 7.95% Hinduism 0.61% Buddhism 0.30% Christianity 0.12% Others
Official Language	Bengali
Time	GMT +6
GDP Per Capita (2025)	(PPP)2025 estimate Total \$1.801 trillion (24 <sup>th</sup> ) Per capita \$10,367(126 <sup>th</sup> ) (Nominal)2025 estimate Total \$481.86 billion (34 <sup>th</sup> ) Per capita \$2,773(139 <sup>th</sup> )
Foreign Direct Investment (FDI)	USD\$ 1.65 billion (2023) USD\$ 2.90 billion (2022) USD\$2.89 billion (2021) USD\$2.56 billion (2020)
Foreign direct investment, net inflows (% of GDP)	0.3
Total Import (2021)	USD \$ 71.02 B
Total Export (2024)	USD \$ 50.00 B
Literacy Rate % (2020)	75.272.9 (women) 77.4 (men)
Independence/ Foundation Day	26 <sup>th</sup> March (Independence Day)
Population (2023)	171,466,990
Life expectancy at Birth (2020)	74.5 (women) 71.2 (men) years
Access to electricity % (2022)	99.4
Individuals using the Internet % (2023)	45
Poverty Rate % (2021)	11.9
Unemployment rate % (2021)	5.2
Inflation Rate (January, 2025)	9.32
Exchange Rate against US Dollar (As of end -March 2025)	USD\$ 1 = Bangladeshi Taka (BDT) 122 (approx)

Sources: Bangladesh Bureau of Statistics, BIDA, Wikipedia, World Bank  
and other reliable open sources.



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# INTRODUCTION

The objective of this Booklet is to enlighten the potential and existing foreign investors about the basic legal regime of Bangladesh in relation to FDI so that the information may facilitate their investment decisions. The Booklet only focuses on the prevailing legal structure relevant to FDI and related matters as of the date of publication. Other factors relevant for FDI decision-making, such as, market analysis, sectoral analysis, infrastructure and transportation, political and economic climate, demography etc. are not incorporated within the scope of this Booklet.





# INVESTMENT CLIMATE (KEY POINTS)



Bangladesh maintains an open and welcoming policy in terms of private investors investing into diverse sectors without any limitation or restriction at large. Private investment is possible in almost every sector, save as only 4 (four) 'reserved sectors,' reserved for government. As per the National Industrial Policy 2022, the said reserved sectors in Bangladesh are mentioned below:

1. Arms and ammunition and other military equipment and machineries
2. Nuclear power
3. Security printing and minting
4. Forestation and Mechanized Extraction within the boundary of reserved forest

Besides, there are some sectors, which are 'controlled'. It is possible to invest into the controlled sector by any private enterprise. However, in order to invest into such controlled sectors, NOC (No Objection Certificate) from the relevant government ministry needs to be obtained.

As per the National Industrial Policy 2022, the Controlled Sectors are mentioned below for your reference:

1. Fishing in the deep sea
2. Bank/financial institution in the private sector
3. Insurance Company in the private sector
4. Generation, supply and distribution of power in the private sector
5. Exploration, extraction and supply of Natural gas/oil
6. Exploration, extraction and supply of coal
7. Exploration, extraction and supply of other mineral resources
8. Large-scale infrastructural project (e.g. flyover, elevated expressway, monorail, economic zone, inland container depot/container freight station)
9. Crude oil refinery (used as fuel)/ used lube oil for recycling/refining
10. Medium and large industry using natural gas/condensate and other minerals as raw material
11. Telecommunication Service (mobile/cellular and land phone)
12. Satellite channel
13. Cargo/passenger aviator
14. Sea bound ship transport
15. Sea-port/deep sea-port
16. VOIP (Voice Over Internet Protocol) & IP (Internet Protocol) Telephone
17. Industries using heavy minerals accumulated from sea beach
18. Industries manufacturing any kind of explosive goods, including explosives
19. Industries producing acid

20. Chemical fertilizer manufacturing industry
21. All types of industrial sludge and fertilizer manufactured from sludge and any related product manufacturing/producing industry
22. Stone crusher industry

### Advantages of investing in Bangladesh

- ✔ Invested capital, profit and dividends may be fully repatriated
- ✔ Foreign technicians in certain industries are exempted from income tax for up to 03 (three) years
- ✔ Capital gains from the transfer of shares of public limited companies are tax exempted
- ✔ Double Taxation Avoidance Agreements (DTAAs) signed with 36 (thirty-six) countries
- ✔ Tax incentives including tax holidays to certain industrial sectors and certain exemptions for Special Economic Zones (SEZ)
- ✔ Member of organizations such as WAIPA, WIPO and WTO
- ✔ Availability of bonded warehousing facility
- ✔ Skilled low-cost labour force and professionals
- ✔ Strategic location, regional connectivity and worldwide access
- ✔ Movement of capital to emerging markets like the ones represented by countries of south Asia is likely to be profitable with no added risks
- ✔ Strong local market and growing middleclass consumer base
- ✔ Low cost of energy
- ✔ Competitive incentives
- ✔ Bangladesh is one of the top exporters of readymade garments to the US and Europe.
- ✔ Bangladesh has an open market based economy.
- ✔ Growing infrastructure
- ✔ Bilateral Investment Treaties

Bilateral Investment Treaties or BITs offer a set of guarantees to investors of either contracting parties, including fair and equitable treatment, protection from expropriation, free transfer of means and full protection and security. So far, Bangladesh has signed BITs with 33 countries including United Kingdom, Austria, Bahrain, Belarus, Belgium-Luxembourg Economic Union (BLEU), Cambodia, Canada, China, Denmark, France, Germany, India, Indonesia, Iran, Japan, Kuwait, Malaysia, Netherlands, Pakistan, Philippines, Poland, Republic of Korea (South Korea), Romania, Singapore, Switzerland, Thailand, The Democratic People's Republic of Korea (DPRK or North Korea), Turkey, United Arab Emirates, United States of America, Vietnam,

Bangladesh has ratified the BITs with most of the countries apart from Belarus, Cambodia, Denmark, Korea (Republic of Korea/South Korea), Kuwait, Singapore, The Democratic People's Republic of Korea (DPRK or North Korea), Turkey,



# THE FOREIGN PRIVATE INVESTMENT (PROMOTION AND PROTECTION) ACT, 1980

This Act was enacted with a view to safeguard the interests of foreign investors, provide statutory protection to the foreign investment and to facilitate foreign investment in Bangladesh.

Some key features are as follows:

- ✔ The Act guarantees non-discriminatory treatment between foreign and local investments.
- ✔ Empowers the Government to approve industrial undertakings with foreign capital.
- ✔ It states that fair and equitable treatment is to be accorded by the Government to foreign private investment, which shall enjoy full protection and security in Bangladesh.
- ✔ The Act states that the terms of any sanction, permission or license granted by Government to an industrial undertaking having foreign private investment shall not be unilaterally changed.
- ✔ Foreign private investments are to be accorded as favourable treatment as is accorded to similar private investments by the citizens of Bangladesh.
- ✔ Ensures legal protection to foreign investment in Bangladesh against nationalisation and expropriation.
- ✔ Guarantees repatriation of proceeds from sales of shares and profit and proceeds from liquidation.





# SETTING UP BUSINESS ESTABLISHMENT IN BANGLADESH

A foreign investor can establish places of business in Bangladesh in several ways. Based on the nature and purpose, the appropriate type needs to be determined.

A locally registered company or subsidiary

Branch Office

Liaison Office

## LOCALLY INCORPORATED COMPANY

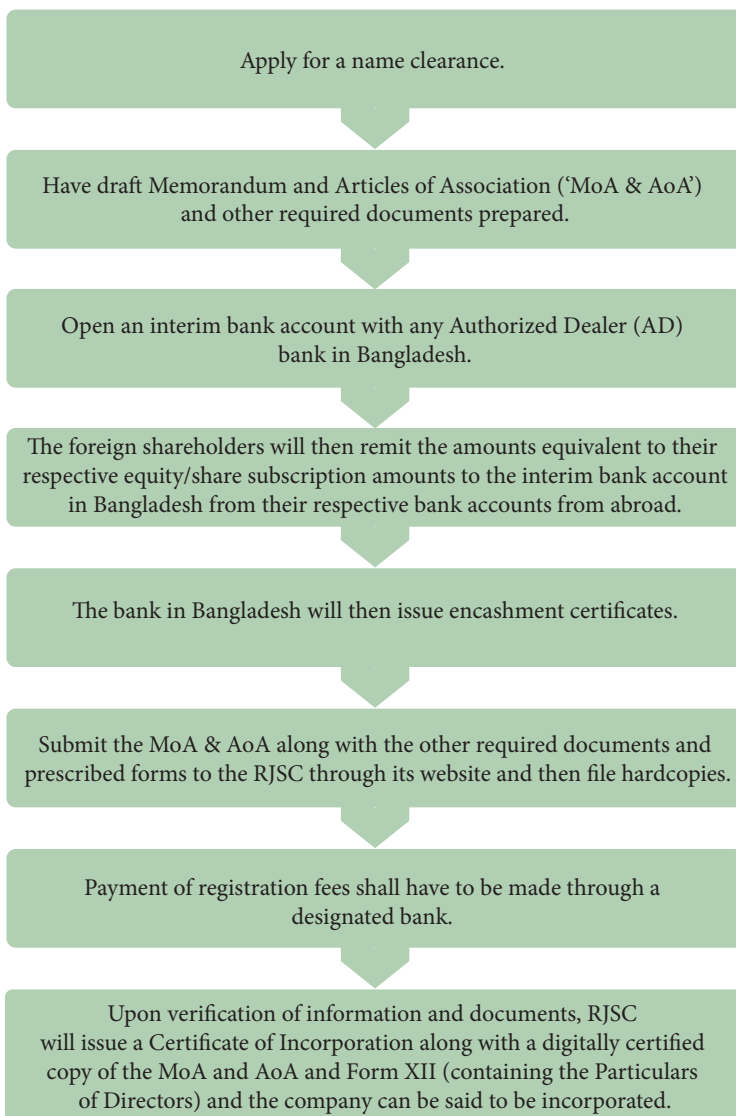
A locally incorporated company limited by shares is the most flexible vehicle for foreign investors aiming to generate profit in Bangladesh with a relatively long-term business plan.

### Key Features:

- No minimum paid-up capital requirement, in general
- For a private limited company, the maximum number of shareholder is 50 (fifty) and minimum number is 2 (two)
- For a public limited company the minimum number of shareholder is 7 (seven)
- Shareholders can be human beings, company/entity and/or a combination of the same
- For most of the sectors, it can be 100% foreign-owned without the need to have any local shareholder, i.e. the shareholders can be all foreign (from same country or different countries) or a combination of foreign and Bangladeshi
- Need to have at least 2 (two) directors
- A company is considered as a legal entity on its own
- Foreign investors may also establish a joint venture company with either a local or other foreign investors



### **Incorporation Procedure of a Locally Incorporated Company:**





After incorporation, the company shall have to obtain Tax Identification Number (TIN), VAT registration, Trade License from the regulatory authority, project registration with Bangladesh Investment Development Authority ('BIDA'), if applicable and any other sector-based license/permits (if applicable).

## **INVESTMENT IN EXISTING COMPANIES**

A foreign investor may invest in an existing company in Bangladesh by way of buying shares in the same, whether from an existing shareholder or through newly allotted shares in the company. In order to effectuate the investment in this manner, a share transfer or a share allotment filing with the RJSC needs to be carried out with relevant documents, and in accordance with the memorandum and articles of association of the company and the applicable laws. Similarly, foreign investors may also acquire an existing company in Bangladesh. An acquisition generally occurs when a larger company acquires a smaller company, thereby absorbing the business of the smaller company or to give effect to a global M&A deal. An acquisition entails a procedure similar to a share transfer.

## **BRANCH OFFICE**

A foreign investor may establish its place of business in Bangladesh in the form of a branch office. A branch office, as the name suggests, is essentially a branch office of a company incorporated outside of Bangladesh. Branch offices, unlike locally incorporated companies, are not separate legal entities. The establishment of a branch office is regulated by BIDA under its specific regulatory scheme. The branch office activities are restricted to those allowed under the BIDA terms and conditions, these are usually service based and trading activities. However, upon obtaining a waiver from BIDA by providing proper justification, branch offices may earn profit locally.

The foreign company has to make an application to BIDA seeking permission to open a branch office in Bangladesh, specifying the activities it shall engage into and also the timeline, after which the permission needs to be renewed. If approved, BIDA shall issue a permission letter that shall include the terms and conditions that the branch office must comply with on a continuing basis. The foreign investor will have to remit a minimum sum of USD\$ 50,000.00 to the branch office's bank account to meet initial expenditures of the branch office, within two to three months from the date of the permission. Usually the bank account is primarily only allowed to receive funds from the head office for the purposes of operational, functional and establishment costs, including the salaries of the employees, rents etc. Outward remittances are usually not

allowed. However, provided the branch office is permitted by BIDA to generate revenue, they may remit post-tax profit outside of Bangladesh. The branch office is usually a suitable option if the investors are looking for project-based establishment.

## **LIAISON OR REPRESENTATIVE OFFICE**

A liaison office in Bangladesh may only engage in non-revenue generating activities such as promotional activities and maintaining relationship/liaison with clients. They also act as a communication channel between the foreign company and the Bangladesh market. Similar to a branch office, in order to set up a liaison office a foreign investor is required to obtain prior approval from BIDA. In addition, a foreign investor will have to remit a minimum sum of USD 50,000.00 to the liaison office's bank account with an Authorised Dealer ('AD') bank, within two months from the date of the permission, to meet initial expenditures of the liaison office. Outward remittances are not permitted through a liaison office's bank account. All expenditures of the liaison office must be paid through inwards remittances by the head office. Liaison offices, unlike incorporated companies, are not separate legal entities.

Procedure of establishing a Branch or Liaison Office:

An application has to be submitted by the foreign company with supporting documents such as particulars of proposed activities, Memorandum and Articles of Association of the foreign company, latest audit report of the parent company etc. The documents are required to be attested by the respective Bangladesh Embassy in the country of origin of the foreign company. BIDA may request for further documents or information as part of the application process. Upon satisfaction of requirements and verification, BIDA will issue an approval letter. The approval is usually valid for 3 (three) years and is perpetually renewable for 2 years on each occasion.

After the permission letter is provided, the branch/liaison office needs to submit the same to Registrar of Joint Stock Companies and Firms (RJSC) and subsequently receive a certified copy of filing from RJSC. The branch/liaison office needs to obtain Tax Identification Number (TIN) and other licenses as may be required. It is important to note that, unlike a limited liability company or branch office, a trade license is not required for a liaison office.

## **EXIT OPTIONS**

### **Closing a Branch/Liaison Office**

In order to close the branch/liaison office, the board of directors of the parent company of the branch/liaison office needs to approve the same in a board meeting.

Following this approval, a public notice must be issued in a daily newspaper in Bangladesh, at least three months prior to the intended closure date of the branch/liaison office. This notice serves to inform the public and relevant authorities about the closure, ensuring compliance with regulatory requirements and providing adequate time for any necessary procedural steps to be completed before the office is officially closed.

The applicant is then required to apply to BIDA for the closure of the branch/liaison office through the online portal with the required documents. All the documents (except the documents which are being attested by the respective Bangladeshi Embassy), needs to be attested/signed by the Country Manager or any other authorized representative of the branch office. Upon verification of the required documents, BIDA shall issue a certified copy confirming the closure of the branch/liaison Office.

### **Winding up of a Company**

The process of winding up is covered under Companies Act 1994 and can be generally divided in two categories as mentioned below:

1. Winding up by the Court
2. Voluntary winding up

#### **1. Winding up by Court:**

In this category of winding up the process of winding up is initiated when the Company itself or creditors or RJSC, files the petition to court for winding up and subsequently official gazette is published in the newspaper by the order of the court. The Court appoints receiver and can also appoint liquidator for the purpose of conducting the winding up process.

#### **2. Voluntary winding up:**

In the category the process is initiated usually by the members of the Company through a special or extraordinary general meeting and the liquidator is appointed to conduct the process of the liquidation. It is important to note that at any stage of the voluntary liquidation the Court may make an order, based on the petition filed by any member of the Company or creditors of the Company, that the voluntary winding up shall continue subject to the supervision of the Court.

## **Sale of shares by the foreign Investor**

The first step of share transfer/sale for both foreign and local shareholders is to offer the same to the existing shareholders of the company, if any and to check if there is any restriction on the shareholding ratio of the Foreign and Local shareholder which is to be maintained as per any existing the laws. For eg. in the freight forwarding industry a company needs to have at least 60% local shareholders. Thereby, while making any share transfer/sale, the company and the foreign shareholder have to check that whether any such restriction applies to their company and if yes, then the proposed transaction shall not violate the same.

Foreign shareholders usually sign a share transfer/sale agreement with the buyer. In addition, a board resolution and Form 117 must be executed. If shares are sold to non-existing shareholders, a No Objection Certificate from existing shareholders is required.

Furthermore, since it is not convenient for foreign shareholders to travel to Bangladesh for signing the share transfer documents in front of the RJSC, which is a requirement for local shareholder for transferring/sale shares, the foreign shareholders can attest all the related documents from the respective Bangladesh Embassy and courier the same to Bangladesh which then needs to be re-verified by the Ministry of Foreign Affairs before submitting the same to the RJSC for their approval.

The share transfer/sale transaction may also require Form IX and Form XII to be submitted to RJSC if the specific share transfer/sale brings any change in the existing board of directors.

Once the share transfer/sale is completed and a certified document is obtained from the RJSC, RJSC needs to ensure that the said transfer/sale which are mentioned in share register are kept at their records.



# THE ONE STOP SERVICE ACT, 2018 & INVESTMENT AUTHORITIES



## **The One Stop Service Act, 2018**

There are four recognized bodies namely, Bangladesh Investment Development Authority (BIDA); Bangladesh Economic Zone Authority (BEZA); Bangladesh Export Processing Zone Authority (BEPZA) and Bangladesh Hi-Tech Park Authority, which are considered as the Central One Stop Service (OSS) centers. These authorities are empowered by the Act to grant registration, issue clearance, permits and other documents within their respective jurisdiction and the One Stop Service (OSS) centers under these bodies help to avoid bureaucracy and save time. The Operation of the OSS is expected to commence soon.

### **INTRODUCTION TO INVESTMENT RELATED AUTHORITIES**

#### **Bangladesh Investment Development Authority (BIDA)**

BIDA (formerly known as Board of Investment-BOI) is the apex investment promotion agency (IPA) of Bangladesh under the Chief Adviser's Office (formerly known as the Prime Minister's Office). BIDA promotes and facilitates private investment. BIDA also provides regulatory services for companies outside the EPZ/SEZ etc., including approval of branch/liaison office, project registration by companies, issuing recommendation letter for work permit and issuing work permit for expats etc.

#### **Bangladesh Export Processing Zone Authority (BEPZA)**

BEPZA is the official government agency responsible for promoting, attracting, and facilitating foreign investment in the Export Processing Zones (EPZs). Additionally, as the competent authority, BEPZA oversees and inspects compliance with regulations related to social and environmental concerns, workplace safety and security, and ensures the maintenance of harmonious labour-management and industrial relations within the EPZs.

#### **Incentives**

- ✔ Tax holiday;
- ✔ Duty free import of construction materials;
- ✔ Duty free import of machineries, office equipment & spare parts etc.;
- ✔ Duty free import and export of raw materials and finished goods;
- ✔ Relief from double taxation;
- ✔ Exemption from dividend tax;
- ✔ GSP facilities available;
- ✔ Accelerated depreciation on machinery or plant allowed;
- ✔ Remittance of royalty, technical and consultancy fees allowed;

## **Facilities**

- ✔ Work permits issued by BEPZA
- ✔ Secured and protected bonded area
- ✔ Off-shore banking available
- ✔ Import on Documentary Acceptance (DA) basis allowed
- ✔ Back to Back L/C
- ✔ Import and Export on CM basis allowed
- ✔ Import from DTA (Domestic Tariff Area)
- ✔ 10% sale to DTA (Domestic Tariff Area)
- ✔ Customs clearance at factory site

## **Bangladesh Economic Zone Authority (BEZA)**

BEZA is the central authority for economic zones empowered under Bangladesh Economic Zones Act, 2010. These economic zones offer different business and trade incentives than the rest of the country. A non-exhaustive list of incentives is provided as follows.

### **Incentives for developers:**

- ✔ Income Tax exemption for 12 years
- ✔ VAT exemption on electricity
- ✔ VAT exemption on local purchase excluding petroleum products
- ✔ Exemption from custom/excise duties
- ✔ Exemption of stamp duty and registration fees for land registration
- ✔ Exemption of stamp duty for registration of loan/credit document

### **Exemption from dividend tax Incentives for unit investors:**

- ✔ Income Tax exemption for 10 years
- ✔ Duty free import of raw materials etc
- ✔ Economic Zone declared as custom bonded area
- ✔ Exemption from dividend tax
- ✔ 100% backward linkage of raw-materials and accessories to sell for EOI in DTA
- ✔ 20% sale of finished product to DTA
- ✔ Sub-contracting with DTA allowed
- ✔ 50% exemption of stamp duty and registration fees for registration of leaseholder land/factory space
- ✔ Exemption of VAT on all utility services
- ✔ Duty exemption on export

### **Other Incentives:**

- ✔ Exemption of CD for import of vehicles
- ✔ Exemption of double taxation subject to the existence of double taxation agreement
- ✔ Exemption of salary income from IT for expatriates
- ✔ Foreign loan is allowed in compliance with existing laws
- ✔ FC Account for non-residents
- ✔ FC Account for both local and joint venture industry
- ✔ Foreign investors to be free to enter into JV
- ✔ Tax exemption on royalties, technical fees etc.
- ✔ Tax exemption on capital gains from transfer of shares
- ✔ Issuance of work permit to foreigners is allowed up to 5% of total officers/employees of an industrial unit
- ✔ Re-investment of remittable dividend to be treated as new foreign investment

### **Bangladesh Hi-Tech Park Authority (BHTPA)**

BHTPA is the authority that manages and develops technology business parks and in Bangladesh. Investing in hi-tech parks offers several incentives such as follows.

- ✔ Tax holidays and reduced corporate tax rates;
- ✔ Duty-free import of machinery, equipment, and raw materials;
- ✔ Exemption from VAT (Value Added Tax) on domestic sales and services;
- ✔ Access to subsidized utilities such as electricity, water and gas; and
- ✔ Simplified customs procedures and export facilitation.





# FOREIGN EXCHANGE REGULATIONS



Foreign Exchange transactions are highly regulated in Bangladesh by the central bank, namely, the Bangladesh Bank ('BB'). The key legislations in this regard are Foreign Exchange Regulation Act 1947, ('FERA'), and the regulations promulgated and circulars issued by BB from time to time.

**Inward Remittances:** There are generally no restrictions on inward remittances (Chapter 5, Section II, Guidelines for Foreign Exchange Transactions 2018 'GFET'). Foreign investors are free to invest and make remittances to Bangladesh through AD banks. Permission of BB is not required if the foreign investors use their own funds for equity investment. However, if such inward remittance is made using foreign loans, prior approval of BIDA shall have to be obtained. Prior approval is not required to be obtained for outward remittances of repayment of interest and principal installments, as per the approval, against such foreign loans. The application for foreign loan has to be submitted to BIDA in the prescribed form with supporting documents such as loan agreement, bank document, entity documents etc. to support credit worthiness.

**Outward Remittances:** Foreign owned companies may repatriate dividends to their foreign shareholders through their AD banks. No prior approval of BB is to be obtained by the foreign investor to repatriate dividends. However, ADs are subject to a number of guidelines by the BB while making outward remittances. Under Chapter 5, Section I, of GFET, 2018 Vol 1, ADs must exercise utmost caution to ensure that foreign currencies remitted or released by them are used only for the purposes for which they are released; they should also maintain proper records for submission of returns to BB as also for the latter's inspection from time to time. ADs are also required to ensure that the remittance is being made in BDT. Then the value in BDT is converted into the equivalent foreign currency using the conversion rate published by the Bangladesh Bank ('BB') on the date of remittance. While making an outward remittance of dividends, companies are required to submit relevant documents to the bank such as Audited Balance Sheet and Profit & Loss Account of the company for the year to which dividend relates, final income tax assessment order etc. While the timeline may vary from bank to bank, a remittance process through an AD usually takes about 2-3 (two-three) working days if all documents are duly provided.

**Shareholders' Loan:** As per FE Circular No. 32 dated August 22, 2019, foreign owned/controlled industrial enterprises engaged in manufacturing activities may avail and pay interest on short term loans extended by parent companies/shareholders abroad in their home currency subject to observance of the following instructions:

(a) Interest on Taka proceeds of short term loan shall be payable in Taka at prevailing 3-month interest rate for Taka term deposit applicable by AD on the date of encashment of loan received from parent companies/shareholders.

(b) Repayment of principal and accrued interest on maturity shall be repatriable after conversion of payable Taka into currency of sourced country at prevailing exchange rate.

(c) Repayment as mentioned in para b above is subject to deduction of applicable taxes/duties and payment thereof.

Short term interest bearing loan facility from parent companies/shareholders abroad under the above authorization shall be admissible for maximum 3 (three) years from the date of inception of manufacturing activities by the borrowing industrial enterprises. The short term loan so availed may be renewed/extended for further periods within the applicable period of 3 years. As per the Foreign Exchange Circular No.4 dated January 19, 2021 of Bangladesh Bank, short-term borrowing can be accessible by foreign owned companies engaged in service activities (except trading businesses). Such short-term borrowings can be admissible in convertible foreign currencies maximum for 6 (six) years from the date of inception of service activities, with options to renew/extend the tenure within these 6 (six) years. Borrowing companies may pay interest maximum at the rate of 3.0% per annum. Additionally, borrowing companies have to report to Bangladesh Bank about obtaining and repaying the loan.





# TAXATION LAWS

The National Board of Revenue (NBR) under the Ministry of Finance is the regulatory authority for all tax matters (Income Tax, VAT and Customs) in Bangladesh.

## Income Tax

The Income Tax Act, 2023 is the governing law for income tax related matters in Bangladesh. In accordance with the said Act, every company in Bangladesh (including branch and liaison offices) is required to submit an annual income tax return and return of tax deducted or collected at source using prescribed formats half yearly to the tax authorities.

The applicable income tax rates for companies are as follows:

Type	Rate
Publicly traded companies if more than 10% of paid up capital is issued through IPO	20%
Publicly traded companies if 10% or less of paid up capital is issued through IPO	22.5%
Non-listed companies	25%
Banks, insurance and financial institutions (except merchant banks) if not publicly listed	40%
Banks, insurance and financial institutions (except merchant banks) if publicly listed	37.5%
Merchant banks	37.5%
Cigarette, bidi, jorda, gul and all tobacco manufacturers	45%
Publicly traded mobile phone operating companies (At least 10% of paid-up capital transferred through stock exchange of which maximum 5% is transferred via pre-initial public offering)	40%
Private mobile phone operating companies	45%
Trust, fund, association of persons and other taxable entity	25%
Co-operative society registered under Co-operative Societies Act, 2001	20%
Private university, medical/dental/engineering college and colleges solely dedicated to providing education on ICT	15%
Export income except for individual, firm and HUF	12%
Export income except for individual, firm and HUF with LEED Certificate	10%
Dividend Income	20%

The tax rates (and tax governance mechanism) generally changes every year during the end of June through the national budget called the Finance Act. All companies incorporated in Bangladesh are required to obtain an e-TIN from NBR. Companies are required to file their tax returns using prescribed formats annually.

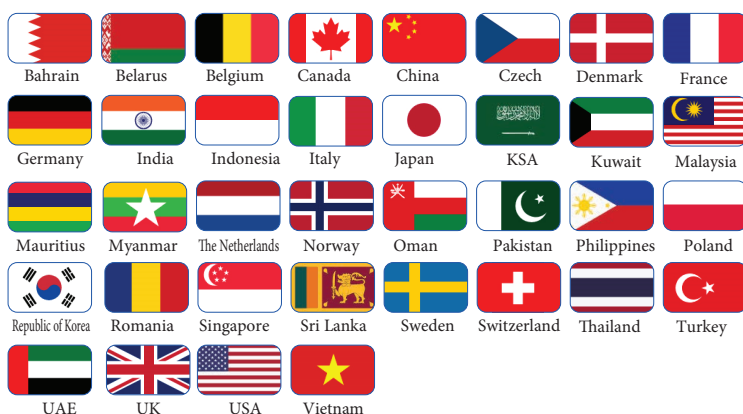
### Other filings:

The following entities are required to submit a return of tax deducted or collected at source using prescribed formats half yearly to the tax authorities:

- ✓ Company
- ✓ Co-operative society
- ✓ Non-government organization registered with NGO Affairs Bureau
- ✓ Micro Credit Organization having license with Micro Credit Regulatory Authority
- ✓ University, private hospital, a clinic, a diagnostic center
- ✓ English medium schools providing education following international curriculum, artificial juridical person, local authority
- ✓ firm or an association of persons
- ✓ Branch/liaison office

### Avoidance of Double Taxation

Bangladesh has signed Avoidance of Double Taxation Treaty (DTT) with 36 countries as shown below. Hence double tax impact can be avoided at the time of repatriation of fees and other payments to non-resident subject to taking approval from NBR.



## Value Added Tax (VAT)

VAT is a key component of Bangladesh's tax system, and understanding its structure is crucial for investors looking to do business in the country. Introduced in 1991, VAT is a consumption tax levied on goods and services at different stages of production and distribution. The standard VAT rate in Bangladesh is 15%, though certain goods and services, especially essential items, are be subject to different reduced rates or exemptions. Since VAT is applied at each step of the supply chain, companies must maintain proper documentation to ensure compliance with tax laws. This includes issuing VAT invoices, registering for VAT, and filing periodic returns. Non-compliance can result in penalties, which can impact profitability. The government has made strides in reforming the VAT system, including the introduction of the new VAT and Supplementary Duty Act in 2012. These reforms aim to streamline VAT procedures and encourage more transparent tax practices, which could benefit investors by reducing red tape. A VAT registration is done in the form of registering a BIN (Business Identification Number).



## Customs

Understanding customs laws is essential for any businessman involved in import or export activities. Bangladesh's customs law is governed by the Customs Act of 1969, along with various amendments and regulations, which aim to regulate the import and export of goods, safeguard the country's revenue, and prevent illegal trade. The Bangladesh Customs Department, under the National Board of Revenue (NBR), is responsible for implementing these laws and ensuring that all goods entering or leaving the country comply with applicable tariffs, duties, and documentation requirements. Bangladesh applies a system of customs duties based on the value of goods (ad valorem), with rates varying depending on the type of product. It is essential for business owners to maintain accurate documentation, understand the specific regulations applicable to their goods, and work closely with clearing agents who are familiar with the local customs procedures. In recent years, Bangladesh has taken steps to improve customs efficiency, such as implementing the Automated Customs Management System (ACMS) to streamline the clearance process. The government has also introduced various trade facilitation measures and initiatives aimed at reducing the cost and time of doing business, which is beneficial for both local and foreign investors.







# CONTRACT LAW & ENFORCEMENT OF CONTRACTS



The operation of any establishment requires it to deal with and perform under a various type of contracts, be it a procurement of goods/ services agreement, employment agreement, lease agreement, dealer/distributor agreement or any other types of agreement. Therefore, knowing the basic, albeit important matters, for a contract is very important to avoid future hassles, problems and disputes and for smooth operation of the organization.

- ❖ In Bangladesh, contracts are generally regulated by the Contract Act, 1872 along with other applicable laws and regulations relevant to the subject matter of the contract in question. The first important factor to consider regarding a valid contract is to see whether the performance stipulated under the contract is legally permissible or not in Bangladesh. It is also imperative to scrutinize whether the operation of the subject matter of the contract requires permission from any authority or whether it is regulated by any law. On the other hand, it is also necessary to check whether the contracting counter-part has the legal capacity to enter into the contract.
- ❖ There are certain other points that should be taken into consideration. For instance, the contract shall be executed on non-judicial stamp papers of appropriate value. The terms of the contracts should be drafted with clarity and precision. Particular focus shall be given in the areas such as the exclusion clauses, payment terms, income tax and VAT implications, time of performance, precious scope of performance, termination clauses, force majeure clauses, dispute resolution, governing law etc.
- ❖ One question that may dawn in the minds of the contracting parties is what would the remedies be if the other party does not perform or fails to perform in accordance with the terms of the contract or if there is breach of any terms of the contract. In this regard, there are 3 (three) remedies available to a contracting party not in breach, they are:

#### **a. Specific performance of contracts**

In the following circumstances the Court, if satisfied, may enforce specific performance of contracts:

- i. Where the act agreed to be performed forms part of a trust;
- ii. Where there exists no standard for ascertaining the actual damage caused by the act agreed to be performed;

- iii. Where the act agreed to be done is such that monetary compensation for its failure to perform would not be sufficient; or
- iv. When it is probable that monetary compensation cannot be obtained for the non-performance of the act agreed to be done.

There are instances where specific performance of contract is not available, which are:

- ✓ A contract for the non-performance of which monetary compensation is an adequate relief;
- ✓ A contract which runs into such minute or numerous details, or which is so dependent on the parties' personal qualifications, or otherwise by its nature, that the Court cannot endorse the specific performance of its material conditions;
- ✓ A contract the terms of which the Court cannot find with reasonable certainty;
- ✓ A contract made by trustees either in excess of their powers or in breach of their trust;
- ✓ A contract which is in its nature revocable;
- ✓ A contract concluded by or on behalf of a corporation or public company founded for special purposes or by the promoters of such a company which exceeds its powers;
- ✓ A contract whose performance involves the performance of a continuous duty extending over a period of more than 3 (three) years from its date; and
- ✓ A contract of which a material part of the subject-matter, supposed by both parties to exist, has, before it has been made, ceased to exist.

## **b. Compensation**

When a contract is violated, the non-defaulting party is entitled to receive compensation from the party violating the contract for any loss or damage resulting from such infringement, which inevitably resulted from such infringement in the ordinary course of events. Further, it is to be noted that such compensation is not to be given for any remote and indirect loss or damage sustained by reason of the breach.

Where a penalty has been levied for infringement of the contract, where a sum is specified in the contract as the amount to be paid in the event of such infringement, or where the contract includes any other clause by way of penalty, the party complaining of the infringement is entitled to receive the amount from the contract, whether or not the actual damage or loss has been found to have been incurred thereby.

### **c. Rescission of contracts**

Any person interested in a contract in writing may sue for having it rescinded, and such rescission may be permitted by the Court in the following cases–

- i. where the contract is voidable or terminable by the plaintiff;
- ii. where the contract is unlawful for reasons not apparent to the plaintiff and the defendant is more to blame than the plaintiff;
- iii. where a decree for specific performance of a contract of sale, or of a contract to take a lease, has been made, and the purchaser or lessee makes default in payment of the purchase-money or other sums which the Court has ordered him to pay.

Moreover, a party to the contract who rightly rescinds a contract is entitled to compensation for any damage which he has sustained through the non-fulfillment of the contract.

It is important to have dispute resolution clause in the contracts so that the parties may first attempt to resolve the dispute without resorting to court proceedings. Formal negotiation may be included along with well-articulated provisions for arbitration.

### **Enforcing a contract:**

It is very important that a contract can be enforced efficiently by the innocent party against the party in breach. As per the last available data of World Bank Enforcing Contracts, Bangladesh scored poorly in the global index and also in comparison to its counterparts. The World Bank's enforcing contracts indicator measured the time and cost for resolving a commercial dispute through a local court of first instance, and the quality of judicial processes index, evaluating whether each economy had adopted a series of good practices that promote quality and efficiency in the court system. However, measures have been taken in the recent years to improve the efficiency in enforcing contracts in Bangladesh as well as by way of popularizing various methods of ADR, including commercial mediation and arbitration.

### **Digital Contract**

There is no specific definition of 'Digital Contracts' or 'Electronic Contracts' in the laws of Bangladesh. Generally, 'Digital Contract' or 'Electronic Contract' refers to a contract in which the parties reach an agreement electronically instead of in person. It is created when two or more parties negotiate using electronic tools, like email, when a person interacts with an electronic agent, like a computer program, or when two or more electronic agents interact and are programmed to identify the existence of a contract. As long as the essential elements of a contract are present, a digitally executed contract is also enforceable. Moreover, the recent amendment of the Evidence Act, 1872 in 2022 recognizes digital records as admissible in legal proceedings.

## Digital Signature

The use of electronic/digital signatures gained legal recognition in Bangladesh through the Information and Communication Technology Act 2006. Electronic signatures facilitate the execution of contracts remotely, eliminating the need for physical presence. This has made contract formation more efficient, particularly in e-commerce and online transactions. It is a legal requirement for an individual or an entity to execute a commercial contract by means of a certified electronic signature from a certifying authority (CA) in Bangladesh from which the parties, both local and foreign, shall obtain a digital certificate.

A digital certificate shall be issued by a CA according to law, standards and policies set by the Bangladeshi Government. To obtain the digital certificate, an applicant must apply to a CA for a digital certificate. The evidential value of documents signed by E-signature by following the above criteria has strong evidential value if there is any dispute in relation to the signatures in the documents.





# REAL ESTATE & PROPERTY LAW

In Bangladesh, if someone is desirous of purchasing, leasing, or renting a property, it is of absolute importance that they perform a due diligence of the property in terms of title and peaceful possession.

Practically, like other developing countries, real estate industry in Bangladesh is not free from scams and unscrupulous brokers. Due to such issues, it is very important to conduct professional due diligence of the property prior to taking lease or purchasing.

The due diligence in terms of title is popularly known as property vetting. It is a series of steps that one has to take to ensure that a property in question is safe from any sort of hassle and if anyone purchases/ leases it, s/he would become the rightful owner/lessee of the said property.

In the process of vetting, there are several steps to be followed:

- ✔ **Step 1: Gathering information about the property:** One has to find information about the plot number, khatiyan/survey record number, current possessor, mutation, ground rent receipt, holding number etc. These need to be collected to check the legitimacy of the property.
- ✔ **Step 2: Validate the authenticity of the Title Deed:** One has to verify the Title Deed(s). If the property in question has been inherited, then the Partition Deed (Bonton-nama) needs to be verified along with the Title Deed(s) of the predecessor.
- ✔ **Step 3: Establish the chain of ownership:** This is where the history of the last 25 (twenty-five) years of ownership of the property in questions needs to be established through Bia Deeds, i.e., the Title Deeds of the previous owners.
- ✔ **Step 4: Check the Mutation related documents:** This step is to check whether the existing owner's name is present in the latest Mutation Khatiyan as per the Title Deed(s). During this process, one has to check 3 (three) mutation documents; 1. the Mutation Proposal Letter, which is otherwise known as the Namjari Jomavag Prostabpotro, 2. the Duplicate Carbon Receipt 'DCR' and 3. Mutation Khatiyan.
- ✔ **Step 5: Verify the Jareep Khatiyans:** Khatiyans need to be verified as well. Khatiyan is also known as 'Porcha' or 'Record of Rights'. Generally, there are 4 (four) categories of Jareep Khatiyans: CS Khatiyan, SA Khatiyan, RS Khatiyan, BS Khatiyan/ City Jareep. These can be obtained from the local Land Office, Tahsildar Office, DC Office, AC Land Office and Land Survey Office.

- ✔ **Step 6: Analyze the Land Tax Receipts:** It is of utmost importance that all land development tax or Khajna records up to the latest Bengali year in relation to the particular piece of property are analyzed.
- ✔ **Step 7: Confirm the NOC and the NEC:** Once the above checking is completed, one has to check for No Objection Certificate (NOC) provided by banks/ financial institutions (if any) and Non-Encumbrance Certificate (NEC) of the property issued by the Tahsildar Office of the concerned area. This is done to ensure that there are no outstanding charges/mortgages against the property.
- ✔ **Step 8: Review the building plan and its approval:** In recent times, it has been found that numerous buildings have been constructed in violation of the plans approved by concerned local authority, for example, Rajdhani Unnayan Kartripakkha (RAJUK) in Dhaka City. Some of the buildings, unfortunately, do not have any approved plan at all. The owners of such buildings are facing legal charges, with some being asked to demolish their building. Mobile courts have the power to require demolition of such buildings or part thereof. So, to prevent such hassles, it is important to review the building plan and check whether the building actually matches the approved plan. One must also ensure that the plans have been approved by the concerned local authorities such as the RAJUK.

Note: The seller/lessor shall be able to provide the purchaser/lessee with all the documents stated above. In case of sale/purchase, original shall be collected. In case of lease, the landlord does not generally provide the originals and depending on the value and importance of the lease, such documents may also be verified with the land registry office for checking their authenticity.

- ✔ **Step 9: Physical Verification:** The final step in property vetting involves physically verifying the property in question. One has to check whether there is an issue with the state, ownership, or physical possession of the property. Based on the value, investment and nature of usage, local investigation may also be performed.

### **Property Ownership by Foreigner:**

A foreigner can own movable properties in Bangladesh, unless there is any specific restriction on any particular property. On the other hand, a foreign individual cannot own immovable property (real estate) in Bangladesh. However, if a company is incorporated in Bangladesh (whether as a joint venture or a fully foreign-owned company) it will be considered as a local entity and hence, such company can own both movable and immovable properties in its name.





# LABOUR & EMPLOYMENT LAWS



The Bangladesh Labour Act 2006 ('BLA') as well as the Bangladesh Labour Rules 2015 ('BLR') depict almost all matters associated with labour and workforce, including wage and salary, benefits and allowances, termination and grievances, work environment and health and safety, maternity, unionization, child labour and so on. The Act and Rules apply to most of the organizations including foreign-owned companies and organizations for their 'worker' category of staffs. Some salient features of the Act are discussed in brief below:

- ✔ **Establishment License:** Every organization needs to take 'Establishment License' against each of its establishments from the Ministry of Labour and Employment and need to do certain periodical filings.
- ✔ **Service Rules:** The Act further stipulates that any establishment can have its own internal service rules. The Service Rules must not have terms and conditions which are less beneficial than those in the Act/Rules. While appointing a worker under an establishment, s/he has to be given a letter of appointment along with a photo identity card. The Service Rules needs to be approved by the office of the Inspector General of Labour, Ministry of Labour and Employment.
- ✔ **Working Hours:** Generally, the Act provides for 8 (eight) hours of work in a day with an additional hour of break for rest and meal. No worker shall be allowed to work for more than 10 (ten) hours a day, 60 (sixty) hours per week and 56 (fifty-six) hours per week in a year, including overtime work. The Act also puts a restriction on the worker for double employment.
- ✔ **Separation:** Under the Act, the employment termination process can be performed by either the employer or the worker. A worker can be separated by the employer by way of dismissal, retrenchment, discharge or by termination simpliciter. In every case in this regard different procedures have to be followed by the employer. The Act also provides for a worker's termination of his/her employment by way of resignation. For termination simpliciter, the employer can terminate an employee at any time without assigning any reason by providing 120 (one hundred and twenty) days' notice or wages in lieu of notice.
- ✔ **Disappearance:** If a worker remains absent without notice or consent for more than 10 (ten) days, s/he can be given notice to resume office and explain his unauthorized absence in writing within next 10 (ten) days and if s/he fails to do so, s/he shall be given further 7 (seven) days to join and explain. If s/he fails yet again s/he shall be deemed to have resigned from service from the first date of such absence. This is a unique separation mode, popularly called 'resignation by conduct', added only in 2013, which comes handy to employers.

- ✔ **Salary:** There are no fixed unilateral national/local minimum wages in Bangladesh rather the same is sector based. As such, one need to see if the sector they are working has any prescribed minimum wage or not. Unless there is any minimum wages, the employer can freely determine their salary amount and salary structure including the salary components. However, following points are of importance:
- ✔ At least 50% of the total salary shall be basic salary;
  - ✔ 5% of the basic salary shall be minimum annual salary increment;
  - ✔ 2 (two) festival bonuses per year, each equal to 1 (one) month's basic salary
  - ✔ 1 (one) month's basic salary for each completed year of service as severance pay, except certain exceptions;
  - ✔ Annual sharing of 5% net profit, if applicable;
  - ✔ Provident Fund (not compulsory) to be created by equal monthly contribution by employer and worker;
  - ✔ No separate need for pension fund.



### ✔ Minimum Wages:

Bangladesh does not have a general minimum wage, rather has industry-specific minimum wages for workers as set by the Bangladesh Minimum Wages Board. In majority of the sectors, there is no minimum wage and the employer is at the liberty to determine their own salary structure and wage based solely on their business case. The industries/-sectors having minimum wages are as follows:

- |  |   |
|--|---|
| 1. Aluminum and Enamel                                     | 24. Petrol Pump   |
| 2. Automobile Workshop                                     | 25. Plastic   |
| 3. Bakery, Biscuit and Confectionery                       | 26. Poultry Farm  |
| 4. Bangladesh Land Port                                    | 27. Private Companies Utilizing Unskilled and Child Workers |
| 5. Battery Manufacturer                                    | 28. Private Jute Mill                                       |
| 6. Bidi/Tobacco  | 29. Private Road and Transportation                         |
| 7. Cement Factory  | 30. Printing Press  |
| 8. Ceramics  | 31. Re-Rolling Mills  |
| 9. Cinema Hall   | 32. Rice Mill   |
| 10. Cold Storage   | 33. Rubber Industries                                       |
| 11. Cotton Textiles  | 34. Salt Crushing   |
| 12. Fishing Trawler Industries                             | 35. Saw Mills   |
| 13. Garments   | 36. Security Service  |
| 14. Hotel and Restaurant                                   | 37. Ship Breaking   |
| 15. Homeopathy Factory                                     | 38. Shrimp  |
| 16. Hosiery  | 39. Shop and Cosmetics                                      |
| 17. Ionizer Factory, Iron Foundry and Engineering Workshop | 40. Tannery   |
| 18. Jute Press and Bailing                                 | 41. Tailoring factory                                       |
| 19. Leather Goods and Shoe Factory                         | 42. Tea Garden  |
| 20. Match Industries                                       | 43. Tea Packaging   |
| 21. Manufacturing Wooden Products                          | 44. Type Foundry  |
| 22. Oil Mills and Vegetable                                |   |
| 23. Pharmaceutical   |   |

- ✔ **Leaves:** There are certain types of leaves for workers such as, casual leave, sick leave, festival holidays, annual leave, maternity leave, as well as miscarriage leave. For instance, a worker is entitled to 10 (ten) days of casual leave and 14 (fourteen) days of sick leave in a year. Over and above that, a worker shall be entitled to annual leave provided s/he has completed 1(one) year of continuous service in the organization at the rate of 1(one) day for every 18 (eighteen) days of work in the past year. All of the public holidays as published by the Government must not be observed, but a minimum of 11 (eleven) days of festival holidays in a year shall be allowed to workers. In a week, 1 (one) or 1.5 (one and half) days, depending on the type of establishment, of weekly holidays must be given to workers.
- ✔ **Maternity Benefits:** The BLA and BLR have comprehensible provisions on maternity leave and benefits for women workers who can benefit from them provided a woman worker has completed 6 (six) months of employment with the organization prior to giving notice of her pregnancy. Such female worker shall have 16 (sixteen) weeks of paid maternity leave along with the right to receive maternity benefit for the said period.
- ✔ **Miscarriage Leave:** A female worker shall be entitled to 4 (four) weeks of paid miscarriage leave, if applicable.
- ✔ **Freedom of Association and Collective Bargaining:** The BLA recognizes and guarantees freedom of association, formation of trade union and collective bargaining. Both the employer and the worker are restricted from exercising unfair labour practices under the applicable laws of Bangladesh.
- ✔ **Adjudication:** There are special courts, namely, Labour Court (with Labour Appellate Tribunal) to deal with any matter under the labour laws. Before, moving to the labour court, the BLA allows an internal grievance proceeding so that the employer and employee can try to settle the matters internally. Moreover, the Inspector General of Department and Inspection for Factories and Establishment under the Ministry of Labour and Employment has been empowered to do conciliation in relation to wage related disputes avoiding the need for a litigation.

- ✔ **Laws for management employees:** For the management level employees the BLA does not apply and there is no other employment law to regulate their terms of employment. As such, the employer is at liberty to determine their own terms and conditions of employment through the contract of employment/appointment letter along with their internal rules. For any violation of the terms of such contract, the parties resort to regular civil court as opposed to the Labour Court.
- ✔ **Other laws:** For the establishments operating under the economic zones, there is a similar but separate labour law, namely, the Bangladesh EPZ Labour Act, 2019.
- ✔ **Affiliation with the International Labour Organization:** Since 1919 the International Labour Organization (ILO), the only tripartite U.N. agency, brings together governments, employers and workers of 187 Member States with a view to foster labour standards, develop policies and devise programs for promotion of decent work for all women and men. Bangladesh has been an important and active Member State of the ILO since 22 June 1972, i.e. immediately after its independence. Out of 36 Conventions and 1 Protocol ratified by Bangladesh, of which 30 are in force, 1 Convention has been denounced; 4 instruments abrogated; 2 have been ratified in the recent years. Bangladesh has ratified 8 of 10 fundamental Conventions, 2 of 4 Governance Conventions and 26 of 176 technical Conventions. The BLA and other laws related to employment reflect such ILO Conventions. The relevant laws have also been amended from time to time in order to make them more consistent with International Labour Standards (ILS) and to meet the growing need for change and adaptation.

### **Appointment of expats:**

Work permit is a prerequisite for employment of a foreigner/expat in Bangladesh. BIDA is generally the relevant authority to issue work permits.

### **Procedure to obtain Work Permit**

Private sector industrial enterprises, outside Export Processing Zones (EPZ), branch/liaison/representative offices of foreign origin and local commercial enterprises desiring to employ foreign nationals are required to apply in advance to BIDA for work permits. For expatriate employees the guidelines are as follows:

- a. **Nationality:** Nationals of the countries recognized by Bangladesh are considered for employment.
- b. **Industrial Establishment:** Employments of expatriate personnel are considered only in industrial establishments and commercial enterprise duly sanctioned/registered by the appropriate authority.
- c. **Local Experts not available:** Employment of foreign nationals is normally considered for the job for which local experts/ technicians are not available.
- d. **Minimum Age:** Persons below 18 years of age are not eligible for employment.
- e. **Decision of Board of Directors:** A board resolution concerning the new employment/extension has to be furnished.
- f. **Duration:** Initially employment of any foreign national is considered for a term of two years, which may be extended on the basis of the merit of the case.
- g. **Security clearance:** Necessary security clearance has to be obtained from the Ministry of Home Affairs after issuance of work permit.
- h. **Type of Visa:** For obtaining a new work permit, the expatriate investors or employees must arrive in Bangladesh with PI or E/E1 type visa respectively obtainable from the concerned Bangladesh mission abroad. Recommendation from BIDA/ BEPZA is required for PI and E type visa.  
**Limit on expatriate employees:** Number of the expatriate employees in an industrial enterprise should not exceed 1:20 (foreign: local) ratio at any time during regular production and the ratio that commercial offices are to maintain is 1:5 (foreign: local).
- i.

#### **Process flow:**

- Step 01: Apply for E-Visa recommendation letter from BIDA with all supporting documents
- Step 02: Get the E-Visa from the concerned Bangladesh mission
- Step 03: Arrive in Bangladesh with the E-VISA
- Step 04: Apply for Work Permit to BIDA
- Step 05: Get visa stamping on the passport from the Immigration office

### **Documents requirement:**

The following documents must be submitted with the application of work permit:

- ✓ Permission letter of branch/ liaison/ representative office or BIDA registration certificate for industrial undertakings
- ✓ Memorandum and Articles of Association and Certificate of Incorporation (in case of industrial projects locally incorporated)
- ✓ Board resolution for employment of foreign national(s) mentioning expatriate's name, nationality, and passport number,
- ✓ Visa recommendation letter issued by BIDA in favor of the expatriate/ investor
- ✓ Copies of all academic qualification and professional experience certificates of the employee
- ✓ Service contract/ agreement and appointment letter/ transfer order,
- ✓ Passport of the employee/ expatriate/ investor (copy of the used parts)
- ✓ Statement of the manpower showing the list of local and expatriate employees with designation, salary break-up, nationality, and date of first appointment
- ✓ Encashment certificate of inward remittance of minimum USD 50,000 as initial establishment cost for branch/ liaison/ representative office and locally incorporated/ joint venture and 100% foreign owned companies (if any)
- ✓ Updated income tax clearance certificate of the organization: and
- ✓ Audit report of the company



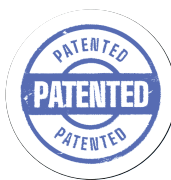




# PROTECTION OF INTELLECTUAL PROPERTY



- ✓ Intellectual property allows businesses to protect their ideas, brands, etc. and allows their goods and services to be distinguished from the goods of their competitors.
- ✓ The most common types of intellectual property are trademarks, copyrights, designs, patents.
- ✓ As per the Trademarks Act 2009, trademarks are words, letters, symbols, numerals, figurative elements, device, brand, heading, label, ticket, name, signature, combination of colors or any combination thereof.
- ✓ Under the Copyright Act 2023, a copyright is a type of legal right which allows the creator/owner of a creative work such as literary, artistic, dramatic works, digital works etc. to protect the same.
- ✓ In accordance with the Patents and Designs Act 2023, designs refer to the features of shape, configuration, pattern or ornament applied to any article by any industrial process. Moreover, Patent refers to an exclusive right granted for an invention.
- ✓ Protecting the IPR of a business is imperative in today's competitive world. It is also significant to have a robust IP strategy in place.
- ✓ Where the IP is already registered, subsequent actions (i.e. renewals, etc.) should be properly carried out by businesses.
- ✓ IP valuation is further all-important for businesses to identify their true worth.
- ✓ Protection of intellectual property rights (IPR) allows the right holder to have exclusive use of such intellectual property.
- ✓ IP may be licensed/assigned by the right holder.
- ✓ IP protection for all such intellectual property rights IPRs are territorial in nature.
- ✓ Where IPR is registered in Bangladesh, it is protected within Bangladesh and any action for infringement may be commenced in the applicable courts of Bangladesh.
- ✓ For registered and unregistered IPRs, civil and criminal remedies are available from the courts for infringement



For each type of IP, time taken for registration, period of protection, etc. vary and protection is granted as follows:

Type of IPR	Authority	Time of Registration	Period of Protection
Trademark	Department of Patents, Designs and Trademarks (DPDT)	Under the Act, where there are no defects in the application or the same is compliant with the conditions and has not been objected under any ground, the time taken for registration is 150 (one hundred and fifty) working days from the date of filing.	7 (seven) years, renewable thereafter.
Copyright	Bangladesh Copyright Office	No specific time is provided, however, it usually takes 6 (six) months.	<ul style="list-style-type: none"> <li>• Literary, dramatic, musical or artistic work: Lifetime of the author + 60 (sixty) years following the year in which the author dies.</li> <li>• Cinematograph films, sound recordings, photographs, digital works: 60 (sixty) years following the year in which the work was published.</li> </ul>
Patent	DPDT	If the application is not objected under any ground, the time of registration is usually within 24 (twenty-four) months from the date of filing.	16 (sixteen) years, renewable thereafter.
Design	DPDT	No specific date is provided, however, in practice, it usually takes 1 (one) - 2 (two) years.	5 (five) years, renewable thereafter.



# DATA PROTECTION & PRIVACY

Data protection refers to the legal and technical measures taken to safeguard personal information, whereas privacy pertains to individuals' rights to control their personal data. Bangladesh does not have any specific data protection laws yet. The only available laws in relation to data protection is the Information and Communication Technology Act 2006 (hereinafter referred to as the 'ICT ACT 2006') and the Cyber Security Act 2023 (hereinafter referred to as the 'CSA 2023') in Bangladesh. The Constitution of Bangladesh grants fundamental rights to individuals, including one for privacy. Even though this does not directly relate to data protection, it can still be interpreted to mean that individual information is somehow safeguarded through these rights.

One of the key features of The ICT Act 2006 and CSA 2023 is prohibition against disclosure of personal information belonging to an individual without the consent of that individual. This provision is critical in ensuring that individuals' privacy is safeguarded, particularly in the context of digital transactions and online interactions. For foreign investors seeking to invest in Bangladesh, this legal framework provides a strong assurance that their personal and sensitive information, stored in electronic records within the country, will be protected from unauthorized access or disclosure. Investors can thus have confidence that their data will be handled in compliance with the strict data protection standards set forth in these laws, ensuring that their business operations are not unduly compromised by data breaches or unlawful disclosures. This legal protection promotes a secure and transparent environment for foreign investments, fostering trust and encouraging further participation in Bangladesh's growing digital economy.

Additionally, the regulatory framework facilitates legal clarity with respect to data handling and processing, which aids investors in managing their data responsibilities and avoiding potential legal liabilities. By instituting strong safeguards against cyber threats and breaches, the laws further ensure the stability and continuity of business activities, providing investors with greater assurance in the security of their digital infrastructure.



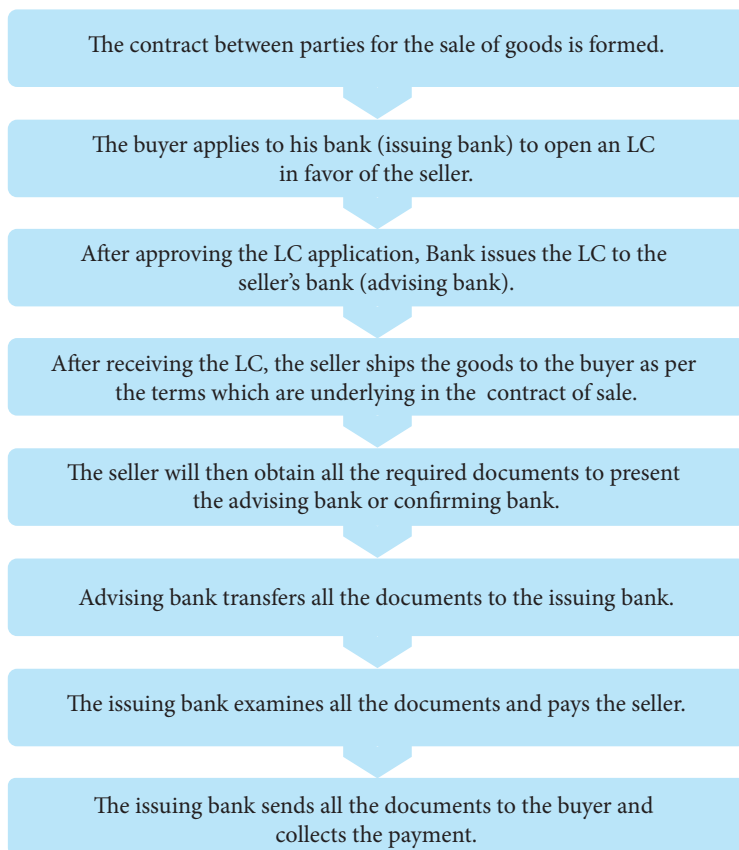
# IMPORTS, EXPORTS & LETTER OF CREDIT

Importation and Exportation of goods in Bangladesh are regulated by the Ministry of Commerce as per the Import and Export (Control) Act, 1950. Other rules, regulations include the Uniform Customs and Practice for Documentary Credits ('UCP') 600 (for Letter of Credit (LC)), Foreign Exchange Regulation Act, 1947, as amended, Bangladesh Bank Circulars & Guidelines and the Customs Act 1969.

According to the 1950 Act the importer is required to be registered with the licensing authority. Various documents are required for opening an LC for import, such as Import Registration Certificate (IRC), Trade License, valid membership certificate from local chamber of commerce of related association, TIN, VAT certificate, etc. For importation of goods, the importer must obtain other relevant documents such as the application of letter of credit, pro forma invoice/purchase order/contract/agreement, Letter of Credit Authorization Form (LCAF) duly sealed & signed, insurance cover note, certificate of origin etc. Moreover, the importer shall have to be a customer of the bank for opening the LC.

A Letter of Credit (LC) is a written document presented by the importer's bank on their behalf, assuring the exporter that the issuing bank will make the payment to the exporter for the international trade conducted. Types of LC include Revocable LC, Irrevocable LC, Standby LC, Confirmed LC, Unconfirmed LC, Transferable LC, Back-to-Back LC, Payment at Sight LC, Deferred Payment LC and Red Clause LC.





Nonetheless, various difficulties are faced by foreign traders/exporters, such as the terms of LC may not be honored if not in conformity (i.e. if there exists material discrepancy), payments may be delayed beyond reasonable time, LC confirmation costs are higher, existence of lack of strict regulations involving the methods of payment, existence of fraudulent risks or events amounting to force majeure and leading to frustration of contracts. Where the terms of the LC are not settled, this amounts to a violation of c34 of Guidelines for Foreign Exchange Transactions. The said clause states that the Authorized Dealer Category Banks (AD) shall make payment of import liabilities as per LC/contracts (both local and foreign) on maturity and failure in settlement of import liability as per credit/contract terms may result in punitive actions including revocation of AD license by Bangladesh Bank.



Moreover, non-payment further leads to the evitable consequence of breach of contract by the counter party and the aggrieved party may seek damages for the same.

Bearing the aforesaid difficulties in mind, certain steps may be adopted by a foreign exporter to mitigate the risks involved. This includes checking credit rating of banks, checking reputation of the local company in terms of promptness of making payments on time before entering into any form of legal relationship, carefully and critically reviewing all the requirements for the LC before moving forward with a deal, etc. Moreover, stipulation of relevant & stringent terms regarding consequences for non-payment into the Sales/Purchase Agreement between the parties may also be adopted by an investor to secure its own position.





# ALTERNATIVE DISPUTE RESOLUTION

In Bangladesh there are primarily two ways to resolve a dispute without seeking the assistance of a court, one being mediation and the other being arbitration. Alternative dispute resolutions have been gaining popularity in Bangladesh in the recent years due to the same consuming less time to settle disputes in contrast with courts, low costs and the flexibility and control these allow to parties to a dispute.

### **Mediation**

In mediation, a neutral third party is appointed by the parties to a dispute who assist them in reaching a satisfactory settlement through effective dialogue and negotiation. Mediation is confidential in nature. Once a settlement is reached, the terms of the same is recorded in an agreement between the parties. If, however, the parties to a dispute are unable to reach a settlement, the parties may opt for litigation.

### **Arbitration**

Arbitration has been one of the most preferred ADR modalities for amicably resolving disputes between parties. Arbitration allows the parties to submit their disputes to an independent and impartial arbitrator who decides the same and such decision becomes binding on the parties. Arbitration can be 'institutional' or 'ad hoc' and institutions like Bangladesh International Arbitration Centre (BIAC) and others chambers such as Bangladesh International Mediation Society (BIMS), Bangladesh Council for Arbitration (BCA) of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), Bangladesh International Chamber of Commerce (ICC) in Bangladesh are engaged in offering institutional arbitration services as well.

In order to submit a dispute to arbitration, it is necessary that parties have a valid arbitration clause in the pre-existing legal instrument which binds them or they may have a separate arbitration agreement between them. With regard to the place, venue, language, procedural/evidentiary rules and number of arbitrators to be involved in the process of arbitration, the parties have the liberty to decide on the same. Appointment of arbitrators may be challenged by any party on the grounds of lack of impartiality, independence and so forth. An arbitral award made by the arbitral tribunal is final and binding on both the parties, although it can further be challenged in the appropriate court of law in limited cases e.g. if the proper procedure of arbitration is not followed. Arbitration brings about varying advantages to the parties such as reduced cost, time, omission of a technically obscure process, hurdles which are inevitably faced by people who commence litigation.

### **Enforcement of foreign arbitral award:**

Section 45 of the Arbitration Act 2001 states that any foreign award which would be enforceable shall be treated as binding on the parties between whom it was made, and may accordingly be relied upon by those parties by way of defence, set-off or otherwise in any legal proceedings in Bangladesh. Please note that a foreign arbitral award shall, on the application being made to court by any party, be enforced by execution by the court under the Code of Civil Procedure 1908, in the same manner as if it were a decree (a decision) of the court under section 45(1)(b) of the Act. However, Section 46 of the Arbitration Act, 2001 also provides certain grounds for refusing recognition or execution of foreign arbitral award. In addition, under Section 48 of the Act, appeals shall lie to the Appellate Division of the Supreme Court of Bangladesh for court orders such as setting aside or refusing to set aside under Section 42(1), refuse to enforce the arbitral award under Section 44 and refusing to recognize or enforce any foreign arbitral award under Section 45 of the Act.





# COURT SYSTEM IN BANGLADESH (CIVIL)



The courts in Bangladesh possess jurisdiction over matters only to the extent granted to them by the Constitution of Bangladesh or any other legislation. The Supreme Court of Bangladesh is bifurcated into two divisions, namely the Appellate Division and the High Court Division. It is the apex court of the country. The Appellate Division hears and determines appeals from judgments, decrees, orders or sentences of the High Court Division. Whereas, the High Court Division has original, appellate and other jurisdictions, powers and functions as are conferred by the Constitution and other laws of Bangladesh.

The District Judge Court/ Additional District Judge Court mainly has appellate jurisdiction, i.e. the initial cases are not mainly filed in these courts. However, The District Judge Court/ Additional District Judge Court's pecuniary jurisdiction in relation to appeal is limited to suites where the total value of the suit does not exceed BDT 5,00,00,000. Anything beyond such value, falls under the appellate jurisdiction of the High Court Division. On the other hand, subordinate courts of District Judge Court/ Additional District Judge, as provided in the table below, have the original jurisdiction only.

The following table displays a brief of the pecuniary jurisdiction of the High Court's subordinate civil courts in Bangladesh:

Civil Courts	Appellate/Original Jurisdiction	Pecuniary Jurisdiction
District Judge Court/Additional District Judge Court	Appellate Jurisdiction	Up to BDT 5,00,00,000
Joint District Judge Court	Original Jurisdiction	BDT 25,000,001-Unlimited
Senior Assistant Judge Court	Original Jurisdiction	BDT 15,000,001-25,000,000
Assistant Judge Court	Original Jurisdiction	BDT 0-15,000,000

Essentially, the Court of Joint District Judge, Senior Assistant Judge and Assistant Judge are Courts of first instance with powers, functions and jurisdiction relating to subject matter, territory and pecuniary value determined by or under statutes. The remaining two are generally subordinate courts of Appeal in Civil matters. However, the Court of District Judge functions, to a limited extent, as a Court of first instance.

There are other specialized courts and tribunals which are established under the provisions of different statutes. For instances, Labour Courts are established under the Bangladesh Labour Act 2006 and Environment Courts are established under the Environment Court Act, 2010.



## SOME IMPORTANT LEGISLATIONS & AUTHORITIES



## **SOME IMPORTANT LEGISLATIONS:**

- › The Arbitration Act, 2001
- › The Bangladesh Labour Act, 2006
- › The Bangladesh EPZ Labour Act, 2019
- › The Code of Civil Procedure, 1908
- › The Companies Act, 1994
- › The Contract Act, 1872
- › The Consumer Protection Act, 2009
- › The Competition Act, 2012
- › The Customs Act, 1969
- › The Cyber Security Act, 2023
- › The Foreign Exchange Regulations Act, 1947
- › The Income Tax Act, 2023
- › The Information and Communication Technology Act, 2008
- › The VAT and Supplementary Duties Act, 2012
- › The One Stop Services Act, 2018

## **SOME IMPORTANT AUTHORITIES & ORGANIZATIONS:**

- › Bangladesh Bank (BB): Foreign exchange, banking etc.  
[\[https://www.bb.org.bd/\]](https://www.bb.org.bd/)
- › Chief Inspector of Labour: OHS and employment.  
[\[http://www.dife.gov.bd/ \]](http://www.dife.gov.bd/)
- › National Board of Revenue (NBR): Income tax, VAT, customs etc.  
[\[ https://nbr.gov.bd/ \]](https://nbr.gov.bd/)
- › Registrar of Joint Stock Companies and Firms (RJSC): Company Registrar.  
[\[https://roc.gov.bd/\]](https://roc.gov.bd/)
- › Bangladesh Investment Development Authority (BIDA): Foreign Direct Investment, Work Permit, Branch/liaison office etc.  
[\[https://bida.gov.bd/\]](https://bida.gov.bd/)
- › Bangladesh Export Processing Zone Authority (BEPZA) [EPZ]  
[\[https://www.bepza.gov.bd/\]](https://www.bepza.gov.bd/)
- › Bangladesh Economic Zone Authority  
[\[https://www.beza.gov.bd/\]](https://www.beza.gov.bd/)
- › Bangladesh High-tech Park Authority  
[\[https://bhtpa.gov.bd/\]](https://bhtpa.gov.bd/)
- › Directorate of National Consumers' Rights Protection  
[\[https://dnrcp.portal.gov.bd/\]](https://dnrcp.portal.gov.bd/)
- › Bangladesh Competition Commission  
[\[http://www.ccb.gov.bd/\]](http://www.ccb.gov.bd/)
- › Information Commission  
[\[http://www.infocom.gov.bd/\]](http://www.infocom.gov.bd/)
- › Foreign Investors' Chamber Of Commerce & Industry (FICCI)  
[\[https://www.ficci.org.bd/\]](https://www.ficci.org.bd/)
- › Dhaka Stock Exchange PLC [\[https://www.dsebd.org/\]](https://www.dsebd.org/)
- › Chittagong Stock Exchange PLC [\[https://www.cse.com.bd/\]](https://www.cse.com.bd/)



## **LEGAL COUNSEL: Excellence in Corporate Legal Services**

LEGAL COUNSEL is a premier law firm in Bangladesh, headquartered in the capital city of Dhaka with a branch office in the bustling port city of Chattogram. With an unwavering commitment to professionalism, efficiency, and innovative problem-solving, Legal Counsel has built a reputation for delivering exceptional legal solutions across a wide spectrum of practice areas. The firm's extensive network of allied law firms worldwide enables it to effectively handle complex cross-border legal matters and transactions.

Since its inception, Legal Counsel has been a trusted legal partner for Bangladesh's corporate sector, assisting numerous foreign investors and multinational corporations (MNCs) in establishing their presence in the country. The firm has played a pivotal role in structuring and formalizing the legal entities of hundreds of global companies, ensuring their operations align with local regulations while meeting their strategic business goals. Legal Counsel currently advises over 250 corporate clients on a broad range of legal matters, including foreign direct investment (FDI), corporate restructuring, contract management, company law, IP, property and real estate laws, employment laws including expatriate work permits, corporate-related criminal law and dispute resolution through negotiation, mediation, arbitration and litigation.

With over a decade of experience working with some of the world's leading MNCs, Legal Counsel has developed a profound understanding of corporate expectations, compliance requirements, and the fast-paced nature of global business operations. The firm is well-versed in responding to urgent legal challenges, whether arising from regulatory shifts, business disruptions, or unforeseen local or global events. Its sector-specific expertise and proactive approach have earned it numerous awards from both local and international institutions and legal ranking bodies.

Beyond its corporate practice, Legal Counsel is deeply committed to social responsibility. The firm actively contributes to community development through well-structured pro-bono initiatives, reinforcing its dedication to ethical legal practice and societal progress.

As the legal and regulatory landscape continues to evolve, Legal Counsel remains at the forefront, offering strategic, solution-driven legal services. By combining deep industry knowledge with a dynamic, client-focused approach, the firm continues to be a trusted advisor for businesses navigating the complexities of the modern legal environment.



# Foreign Investment in Bangladesh: The Legal Framework



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