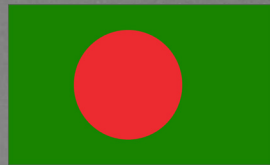




**PrimeGlobal**

*An Association of  
Independent Accounting Firms*

# DOING BUSINESS IN BANGLADESH





# COMPANY FORMATION IN BANGLADESH

## MAIN FORMS OF COMPANIES IN BANGLADESH

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In Bangladesh, there are three types of Companies:

- 1) Companies limited by shares
- 2) Companies limited by guarantees
- 3) Unlimited Companies

Maximum Companies are limited by share and these are of two categories, namely:

- 1) Private Limited Company
- 2) Public Limited Company

**Private Limited Company:** Two to fifty persons may constitute a private limited company. A private ltd. company shall have at least two directors.

**Public Limited Company:** Seven to unlimited numbers of persons may constitute a public limited company. A public limited company shall have at least three directors.

Public limited companies enjoy some income tax benefit over private limited companies for which large organization usually prefer to issue public shares.

## MAIN FORMS OF BUSINESSES IN BANGLADESH

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There are many types of businesses in Bangladesh such as trading, manufacturing, export, import, construction, contract and supply, professional and technical, consultancy services etc.

Private education and medical treatment businesses can also be done in Bangladesh. However, the private business facilities in Bangladesh may be classified into two broad categories; These are:

- 1) Trading business
- 2) Manufacturing business (Industrial/factories)

## SPECIFIC TAX CONCERNS RELATED TO ESTABLISHING A COMPANY

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For establishing a company in Bangladesh, a company should come under the income tax net through getting a Tax Identification Number (TIN). Deputy commissioner of tax of the concerned circle issues the TIN.

In order to obtain a TIN, the following documents are required to be submitted:

- 1) A prescribed application forms duly filled in
- 2) Memorandum and Articles of Association along with the certificate of incorporation
- 3) Bank Solvency certificate
- 4) Trade licence



## DOING BUSINESS IN BANGLADESH

Both direct and indirect taxes are in existence in Bangladesh. Income tax may be treated as direct tax while value added tax (VAT), excise duty etc. are indirect tax.

### LEGAL ISSUES RELATED TO ESTABLISHING A COMPANY

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For the purpose of establishing a company in Bangladesh, the following formalities need to be completed.

- 1) A trade license from the city corporation/Municipal authority.
- 2) A joint stock company must be registered by the registrar of joint stock companies and firms (R.J.S.C) and to get the certificate of incorporation or certificate of commencement.
- 3) Tax Identification Number (TIN).
- 4) VAT Registration Number issued by VAT authority of NBR.
- 5) Getting Registration under factories Act.
- 6) Getting clearance from the department of environment.
- 7) Getting fire license.
- 8) Getting membership of chamber of commerce of industries.
- 9) Getting Import & Export registration certificates.
- 10) Getting Export licence.

### CULTURAL CONCERNS RELATED TO ESTABLISHING A COMPANY

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Normally a consultant/legal advisor is appointed to complete the entire formalities in establishing a company in Bangladesh. He charges legal fees to be required to pay to the related authority to obtain certificate/license/clearance and in addition to this fee, he charges his consultancy fee to the client.

### OTHER COUNTRY-SPECIFIC ISSUES RELATED TO ESTABLISHING A COMPANY

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There is no specific issue related to establishing a company in Bangladesh. However, income tax has been exempted in the following cases:

- 1) income from computer software business
- 2) income from agro-processing industry
- 3) income from the exports of handicrafts
- 4) income from the business of poultry, fishery, dairy and horticulture farm

Industries in EPZ do not pay income tax for ten years from the commencement of business.



## PERMANENT ESTABLISHMENT IN BANGLADESH: BRANCH OR SUBSIDIARY?

### DEFINITION OF A PERMANENT ESTABLISHMENT

In Bangladesh, any locally incorporated company as well as foreign company incorporated outside but registered in Bangladesh may carry a business permanently. A Joint Stock Company is incorporated in Bangladesh by the Registrar of Joint Stock Companies and Firms under the companies ACT, 1994. Application for incorporation of a foreign company should accompany original company's Articles of Incorporation attested by Bangladeshi Diplomatic mission of that country.

### DEFINITION AND MAIN DIFFERENCES BETWEEN A BRANCH AND A SUBSIDIARY

- 1) Branch can not be a limited company but a subsidiary may be either a public limited company or a private limited company.
- 2) Branch can not be listed in Bangladesh Capital Market. But a subsidiary may be listed in Capital Market of Bangladesh.
- 3) There is no Board of Directors for Branch operation in Bangladesh. But there is a Board of Directors for subsidiary operation in Bangladesh.
- 4) There is no AGM/EGM concept for Branch operation in Bangladesh. But AGM/EGM is mandatory as per Company Act 1994 for subsidiary operation in Bangladesh.
- 5) Branch is required to be registered with Board of Investment to avail government facilities and institutional support. But it is not mandatory for subsidiary company.
- 6) Branches of foreign firms/companies including foreign banks, insurance companies and financial institutional do not require any approval of central Bank of Bangladesh to remit their post-tax profit to their head office through Authorised dealers.

### TAX AND ACCOUNTING OBLIGATIONS

**Statutory Audit:** The financial statements should be audited at end of each year by a Chartered Accountants Firms. The audited Financial Statement should be submitted to a Registrar of Joint Stock Companies and firms within one month of AGM. In case of publicly listed company, the audited Financial Statements should be submitted to Bangladesh Securities and Exchange Commission, Dhaka Stock Exchange Ltd., Chittagong Stock Exchange Ltd. Unaudited quarterly Financial Statements are required to submit to Bangladesh Securities and Exchange Commission, Dhaka Stock Exchange Ltd., Chittagong Stock Exchange Ltd. within one month at the end of each quarter for publicly listed company.

**Tax:** Income tax return of a company shall be submitted along with a copy of the accounts certified by a Chartered Accountants to the Deputy Commissioner of Taxes of the respective circle by the 15th of July of each year or within six months of the closing day of the income year which comes later.

Admitted income tax is to be paid along with the tax return through Demand Draft (DD) or Pay-Order (PO) by the tax payers. However, tax deducted at source can be paid through challan of Bangladesh Bank or Sonali Bank.

### REGISTRATION FORMALITIES

A first the promoters of a company, having some common object or objects, associate to carry a business in order to make profit. The sponsors select a name of the company which should be new and identical and the last word should be "limited". The registrar of Joint Stock Companies and Firms (RJSC) gives the name clearance and for this purpose, an



## DOING BUSINESS IN BANGLADESH

application shall be submitted to RJSC along with required fee. After getting the name clearance, the sponsors prepare a Memorandum and Articles of Association and certain documents expressing their desire to form a company. The promoters then file three copies of the memorandum and Articles of Association along with the name clearance certificate with the Registrar of Joint Stock Companies and Firms. Required fees are to be deposited along with MA & AA. If there is any foreign sponsor, the encasement certificate in favour of deposits of foreign currency against share capital shall also be enclosed. If the documents are in order, they are registered and the company is incorporated. However, in order to carry out business in Bangladesh necessary trade license will also be required. The city corporation/Municipal Corporation issues such trade license. A company may be registered with the Board of Investment (BOI) for availing of institutional facilities and supports provided by the government in a silple prescribed form.

### STANDARD LEGAL OBLIGATIONS AND FORMALITIES FOR A BRANCH

Application for registration of a foreign Branch should accompany original company's Articles of Incorporation, decision of Board directors duly attested by Bangladeshi Diplomatic Mission of that country. Board of Investment will give registration certificate to operate a branch in Bangladesh if the documents are in order. After obtaining this registration, the branch is entitled for availing of institutional facilities and supports provided by the government. BOI provides all types of facilities and services that may be required for speedy setting up and operation of a branch in Bangladesh. It includes:

- 1) Trade license
- 2) Tax identification Number
- 3) VAT Registration
- 4) Environmental clearance certificate

Central Bank of Bangladesh permission is required for opening Bank account for operational purpose. Quarterly Receipt and Payment Accounts is required to be submitted to central Bank duly audited by a Chartered Accountants Firms.





# HOW TO HIRE MY FIRST EMPLOYEE IN BANGLADESH

## MAIN LEGAL STEPS TO FOLLOW TO HIRE A FIRST EMPLOYEE

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The following steps should be followed:

- 1) Application in prescribed form signed by the Authorised person (4 Copies)
- 2) Copy of permission letter for branch
- 3) Passport size photographs (4 copies) of the expatriate attested by the appropriate authority
- 4) Board resolution regarding employment of foreign national including honorarium and other benefit to be provided
- 5) Copy of passport with arrival stamp
- 6) Service agreement/Appointment letter/transfer order
- 7) Copies of all academic qualification and professional experience certificate
- 8) Paper clipping showing advertisement of copy of online advertisement made for recruitment of local personnel prior to appointment of the expatriate
- 9) Encasement certificate of inward remittance of minimum US\$ 50,000 as initial establishment cost for branch

All documents shall have to be attested by appropriate authority.

## DESIGN AND CONTENTS OF AN EMPLOYMENT CONTRACT

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- 1) Name
- 2) Designation
- 3) Honorarium
- 4) Other benefits
- 5) Service period
- 6) Other terms and conditions as per policy

## CAN SOMEBODY DO BUSINESS FOR ME AND NOT BE AN EMPLOYEE?

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A local shareholding partner/director can carryout business activities in Bangladesh in your favour without having an employee of yours.





## HOW TO READ FINANCIAL STATEMENTS IN BANGLADESH

The financial statements in Bangladesh are prepared complying company's Act, Bangladesh Financial Reporting Statements (BFRS) and applicable Laws and regulation such as Banking Companies Act, Insurance Act, etc. Basic Financial Statement Consist in:

- Statement of Financial Position / Balance Sheet
- Statement of Profit or Loss and Other Comprehensive Income / Profit and Loss Account/ Income Statement
- Statement of Cash Flows
- Statement of Change in Equity
- Notes to the Financial Statement (that give details on the accounting policies, rules, regulation and break downs of item of Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income and Statement of Cash Flows)

Find enclose here with the specimen of Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Cash Flows and Statement of Change in Equity.



XYZ Company Limited  
Statement of Financial Position  
As at 30 June, 2016

| PARTICULARS                        | Notes | Current<br>Year | Previous<br>Year |
|------------------------------------|-------|-----------------|------------------|
| <b><u>ASSETS</u></b>               |       |                 |                  |
| <b>NON-CURRENT ASSETS</b>          |       |                 |                  |
| Property, Plant and Equipment      |       |                 |                  |
| Investment                         |       |                 |                  |
| <b>CURRENT ASSETS</b>              |       |                 |                  |
| Inventory                          |       |                 |                  |
| Trade and Other Receivables        |       |                 |                  |
| Advance, deposits and pre-payments |       |                 |                  |
| Cash and cash equivalents          |       |                 |                  |
| <b>TOTAL ASSETS</b>                |       |                 |                  |
| <b>SHARE HOLDERS' EQUITY</b>       |       |                 |                  |
| Share Capital                      |       |                 |                  |
| Revaluation Reserve                |       |                 |                  |
| Retained Earnings                  |       |                 |                  |





**DOING BUSINESS IN  
BANGLADESH**

**Equity attributable to owners of the Company**

Non Controlling Interest

**NON-CURRENT LIABILITIES**

Long Term Borrowings

Deferred Tax Liabilities

**CURRENT LIABILITIES**

Short Term Borrowings

Current portion of Long Term Borrowings

Trade and Other Payables

Workers Profit Participation Fund

Unclaimed Dividend

Provision for Current Tax

Liabilities for expenses

**TOTAL LIABILITIES**

**TOTAL EQUITY AND LIABILITIES**

NAV PER SHARE-TAKA (INCLUDING REVALUATION)

..These financial statements should be read in conjunction with the annexed notes from .... to ..... and were approved by the Board of Directors on ..... and were signed on its behalf by:

Chairman

Managing Director

Executive Director

Chief Financial Officer

Signed in terms of our separate report of even date annexed.

Dhaka

Dated: .....

.....

**Chartered Accountants**





**XYZ Company Limited**  
**Statement of Profit or Loss and Other Comprehensive Income**  
**For the year ended 30 June .....**

| Particulars                             | Notes | Amount in Taka |               |
|---|-------|----------------|---------------|
|   |       | Current Year   | Previous Year |
| Sales Revenue                           |       |                |               |
| Cost of Sales                           |       |                |               |
| <b>Gross Profit</b>                     |       |                |               |
| <b>Operating Expenses:</b>              |       |                |               |
| Administrative and selling Expenses     |       |                |               |
| Financial Expenses                      |       |                |               |
| <b>Net Profit from Operation</b>        |       |                |               |
| Non Operating Income                    |       |                |               |
| <b>Net Profit Before Provisions</b>     |       |                |               |
| Contribution to WPP Fund                |       |                |               |
| <b>Net Profit before tax</b>            |       |                |               |
| Provision for tax: Current Tax          |       |                |               |
| Deferred Tax (Expenses) / Income        |       |                |               |
| <b>Net profit after tax</b>             |       |                |               |
| <b>Non-Controlling Interest</b>         |       |                |               |
| <b>Profit for Ordinary Shareholders</b> |       |                |               |
| <b>EPS</b>                              |       |                |               |

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Chairman

Managing Director

Company Secretary

Chief Financial Officer

Signed in terms of our separate report of even date annexed.

Dhaka

Dated: .....

.....

**Chartered Accountants**



**XYZ Company Limited**  
**STATEMENT OF CHANGES IN SHARE HOLDERS' EQUITY**  
**For the year ended 30 June .....**

| Particulars                       | Share<br>Capital | Revaluati<br>on<br>Reserve | Non-<br>Controlling<br>Interest | Retained<br>Earnings | Total |
|-----------------------------------|------------------|----------------------------|---------------------------------|----------------------|-------|
| Opening Balance                   |                  |                            |                                 |                      |       |
| Net profit after tax for the year |                  |                            |                                 |                      |       |
| Transferred to Retained Earnings  |                  |                            |                                 |                      |       |
| Issue of Right share              |                  |                            |                                 |                      |       |
| Dividend for the year .....       |                  |                            |                                 |                      |       |
| <b>AS AT 30 JUNE, ..... TK.</b>   |                  |                            |                                 |                      |       |

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Chairman

Managing Director

Chief Financial Officer

Company Secretary

Signed in terms of our separate report of even date annexed.

Dhaka

Date : .....

.....  
**Chartered Accountants**



**XYZ Company Limited  
Statement of Cash Flows  
For the year ended 30 June .....**

|   | Amount in taka |               |
|---|----------------|---------------|
|   | Current Year   | Previous Year |
| <b>Cash Flow from Operating Activities</b>      |                |               |
| Collection from Customers                       |                |               |
| Non Operating Income                            |                |               |
| Payment for Cost and Expenses                   |                |               |
| Income tax paid                                 |                |               |
| WPP Fund Paid during the Year                   |                |               |
| <b>Net Cash Flow from Operating Activities</b>  |                |               |
| <b>Cash Flow from Investing Activities</b>      |                |               |
| Acquisition of property, plant and equipment    |                |               |
| Investment in Delta Ceramics Ltd.               |                |               |
| <b>Net Cash Flow from Investing Activities</b>  |                |               |
| <b>Cash Flow From Financing Activities</b>      |                |               |
| Short Term Loan Increase/(Decrease)             |                |               |
| Long Term loan Increase/(Decrease)              |                |               |
| Issue of Right Share                            |                |               |
| Working Capital                                 |                |               |
| Financial Expenses                              |                |               |
| Dividend Paid                                   |                |               |
| <b>Net Cash Flow from Financing Activities</b>  |                |               |
| Increase/(Decrease) in Cash and Cash Equivalent |                |               |
| <b>Opening Cash and Cash Equivalents</b>        |                |               |
| <b>Closing Cash and Cash Equivalents</b>        |                |               |

**Operating Cash flow per share (Taka)**

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Chairman

Managing Director

Chief Financial Officer

Company Secretary

Signed in terms of our separate report of even date annexed.

Dhaka

Dated: .....

.....  
**Chartered Accountants**