



## Practical information

### Steps to take starting a business in Bangladesh

Starting a business in Bangladesh can be very rewarding, both economically and personally. The overview below offers a first insight into steps to take for setting up a commercial company (as opposed to an industrial company which follows a similar but slightly different process). 'Commercial' is for people who are doing importing and exporting and who are setting up branches in Bangladesh. 'Industrial' is mainly for garment manufacturers, but also includes tourism.

Please note with regard to the below that this is only an indication of the process. As such the step by step procedure (<http://www.boi.gov.bd/index.php/cost-of-doing-business/step-by-step-procedure>) of the Board of Investment (BOI) should be consulted for exact details. The BOI further provides the Roadmap to Investment service (<http://www.boi.gov.bd/index.php/cost-of-doing-business/roadmap-to-investment>) for new investors to facilitate the process from first enquiry through registration to implementation.

1. Decide on the structure of your company. There are only two types of company structures in Bangladesh:
  - Company: has shares, a board of directors, and shareholders, and can be either public or private. Profits are paid through dividends. Each company must have at least two owners and two board members. The owners can be either individuals or other companies.
  - Proprietorship: has only one owner and is private.
2. Select a name. Before you can register your company, you have to register the name. You must give three name options just in case your first choice is not available. Be sure that you clearly indicate what your first name choice is, because registrars might pick whatever name they like the best.
3. Decide on what the authorized share capital will be. Each company has to have an amount of authorized capital. This is the maximum value of the company. Your name, stamp, and registration fees will be based off of the amount that you select (and the fees are not insignificant), so it is best to be as accurate as you can with the number without going under. You can increase the authorized capital amount later on, but will have to get court approval (which means more legal fees) to do it.
4. Prepare the minutes of your first board meeting. You need to have a meeting with all of your board members (the initial investors) in order to decide to form a company. The meeting has to be in person and not over the phone or internet, which means that if you are a foreigner the passports of all of the board members must indicate that you were in the country at the same time. The minutes have to state that you decided that: you will form a company, what the name will be (the three choices), what the authorized capital will be, who the board members and shareholders will be (each person's name, title and number of shares), and that you authorize your attorney (or other agent) to form the company on your behalf.
5. Get encashment certificates. Every owner/ board member of the company has to invest some money in the company. You don't need to have all of the money up front. As a foreigner, you have to prove that you brought the money in legally to the country. This means that you have to get encashment certificates. There are a few ways to get these:



- Take dollars (or other foreign currency) to a reputable bank and have them change it into Taka (Bangladesh's currency). When you do this, you need to ask them to create an encashment certificate for you. They will have you fill out a form (and will charge you a fee) for this. On the form you must enter that the purpose of encashment is for the formation of (the name of your company).
  - When you come into the country, bring the cash that you need with you and exchange it into Taka at the airport. When you exchange the money, ask for the encashment certificate (again, you need to enter the purpose and pay a fee).
  - Wire money in to a local bank account. This is tricky because you can't form a company bank account in Bangladesh until you get your company registered and you can't register your company until you turn in encashment certificates.
6. Assemble the required paperwork. To form a company you must submit the following:
    - Names (including maiden names), addresses, parents' names (including your mother's maiden name), birthdays, and passport information (number, issue date, expiry date, etc.) for each of the owners.
    - Photocopies of the passports of each of the investors (the entire passport must be copied, not just the first page).
    - 10-20 passport photos for each investor. Bangladesh still doesn't have a national ID system, so photos are required for proof of identity.
    - Three name choices.
    - Minutes of the first board meeting.
    - Encashment certificates for all investors/owners/board members.
    - Initial fee.
  7. Submit the name registration and the company registration documents.
  8. Pick up your registration documents and make several copies of them (you will need them for bank accounts, VAT, etc.)
  9. Set up a meeting with the Board of Investment (BOI) and pick up the BOI Registration form, the investor visa checklist, and the work permit checklist.
  10. Get a corporate seal (this is just a rubber stamp that you order from a stationary store with your company name and address on it).
  11. Take your company formation documents, passport copy, etc. to the bank and set up a bank account. Be sure to tell them that you need a non-operating bank account so that you can transfer the initial money into the country if you need to get encashment certificates (important: your company bank account must be a Taka account, not a foreign currency account).
  12. Transfer at least \$50,000 into your company bank account and ask for encashment certificates (you can get permission from the BOI to only transfer in \$5,000 to start if you want, but you must transfer in the remaining \$45,000 before you are allowed to get your work permit).
  13. Purchase the land or sign the lease for the property where your business will be located (you need this in order to complete the Board of Investment Registration which you have to have to apply for many of the other steps).
  14. Apply for your tax ID number (TIN) in the division where your business will be operated. As a foreigner, you may also be able to apply for your TIN in Dhaka.
  15. Apply for your trade license in the upazila where your business will be operated.
  16. Submit the BOI Registration form to the BOI. With this you will have to submit (be sure to check with BOI before submitting, however, as the list and forms seem to change frequently. All documents need to be stamped with the corporate seal and signed by the Managing Director or Chairman):
    - BOI Application for Registration of a Foreign Investment Project Form (2 copies)
    - Background of Promoters (name, permanent address, mailing address, position in company, nationality, experience) (3 copies)
    - Résumé of officers (Managing Director at a minimum) (3 copies)
    - Machinery/ Equipment List (3 copies)



- Certificate of Incorporation along with Memorandum & Articles of Association (1 copy)
  - Copy of Trade License (1 copy)
  - Copy of TIN Certificate (1 copy)
  - Attested copy of lease agreement, deed of sale, or registered baina (1 copy)
  - Company profile or business plan with financial statements (if the company is greater than 50 million taka) (1 copy)
  - Pay order/ bank draft to: Executive Chairman and Member Secretary for the registration fee
17. Submit the documents on the investor visa checklist to BOI and have them prepare a letter to send to the Bangladesh embassy in the Netherlands (<http://www.bangladeshembassy.nl/>). You cannot change your visa category while in Bangladesh, but you can extend an existing visa in Bangladesh. You need a business visa or an investor visa to get a work permit (which you need to open your bank account and run your company).
  18. In the Netherlands, take the required visa documents and the BOI letter to the Bangladesh embassy (<http://www.bangladeshembassy.nl/>) and apply for your Investor Visa.
  19. Apply for your work permit (if you didn't transfer in the full \$50,000 when you applied for your investor visa, you will need to transfer in the rest of the money and get encashment certificates before you can apply for your work permit if you are a "commercial" investor).
  20. Go back to your bank with your work permit and have them make your bank account an operating account.
  21. Apply for your VAT tax ID.
  22. Apply for a tax holiday at the Tax Department at the National Board of Revenue (if your business is applicable for such a holiday).

## Salary norms

Regarding wage standards, the following is indicated by the Board of Investment (monthly salary). Small note here is that the averages are on the low side because it is based on the old Labor Act 2006 with minimum wage of BDT1662 (roughly €16,-). In 2011, the Act was revised and the minimum wage raised to BDT3000 (€ 30):

	Salary (US\$)	Benefits (US\$)	Total (US\$)
<i>Executive</i>			
Senior management	1000-2000	500-1000	1500-3000
Mid-level	400-600	200-300	600-900
Entry-level	200-400	100-200	300-600
<i>Non executive</i>			
Senior	50-70	25-30	75-100
Mid-level	40-55	20-25	60-80
Entry-level	30-40	20-25	50-65

## Profit repatriation and foreign loans

According to all organizations spoken to the following applies: a company wanting to make any type of investment, including investments in the realm of micro financing, has to register with the Board of Investment. In the registration process the foreign investor will have to sign a declaration form which includes, amongst others, the following:

1. Type of business
2. Type of partnership
3. Profit repatriation



Under no.3, the investor must indicate the percentage of profit that it intends to repatriate (please note, this is a request). The Board of Investment will submit this request to the Bangladesh Bank to obtain necessary permissions. In other words: it seems to be possible to repatriate profit if it is declared and notified from the start. According to the local banks as well as Bangladesh Bank, it is however unlikely that the investor will get permission for 100% profit repatriation. Usual percentages of profit repatriation lie in range of 40-60 percent.

#### *Capital into Bangladesh*

In order to transfer money into Bangladesh as a loan an 'Approval of Foreign Borrowing Agreement' must be issued by the Prime Minister's Office. The incumbent office for this is the Board of Investment (BOI).

The application for this approval as such starts with the BOI. The applicant must then undergo certain steps.

## Power

#### *Gas*

In 2011, Government of Bangladesh decided to stop providing new gas connection to the industries due to the shortage of gas in domestic use and electricity generation. This decision is still valid. Nowadays, most of the garment factories are running by their own power generation. There are rumors that few companies are able to get gas connection with their political influences.

#### *Trends in pricing of electricity*

Tariff of energy is often fixed without considering the realities like the need for internal revenue generation and economic operation of the concerned utilities. Often the pricing is such that the conversion facilities such as power plants of fertilizer factories can afford to install machinery with lower efficiency without sacrificing the profitability of the industry. The gas tariff of the energy sector may be mentioned here. According to tariff structure, the cost of gas per MCF was (Tk. 78.40) for the power sector, Tk. 68.15 for the fertilizer production, Tk. 243.67 for the commercial uses, Tk. 162.45 for the tea industry, Tk. 211.1817 for the brick manufacturing and Tk. 134.00 for the domestic burners. On the other hand, power and the fertilizer sector consume about 80% of total gas supplied annually and they have to pay about one third or less of the highest tariff. If willingness to pay is an indicator of economic price of gas, then the gas sector is being deprived of the desired revenue generation.