



Dubbed by some “an economic miracle”, even the global pandemic has not been able to stamp out Bangladesh’s upward development trajectory.

VDB Loi Bangladesh Private Limited exclusively performs non-regulated services in Bangladesh. For Bangladesh law or tax advice, we are represented by licensed Bangladesh advocates or tax professionals in association with VDB Loi.

For more information, get in touch with your regular client contact at VDB Loi or in Bangladesh as follows:



UTC Building, 19th Floor
Unit 1922, 8 Pantho Path
Karwanbazar, Dhaka 1215
bangladesh@vdb-Loi.com
T: +880 0 961 188 6739

WhatsApp: +880 (0) 131 742 2535

This client briefing note is not to be construed as legal advice or marketing. This is information made available to existing clients for their general understanding.

UPDATE ON INVESTMENT LICENSING IN BANGLADESH: NEW BIDA PRACTICES

Dubbed by some “an economic miracle”, even the global pandemic has not been able to stamp out Bangladesh’s upward development trajectory. It eked out its larger neighbor India in terms of GDP growth according to World Bank reporting, at least in 2021, and its projected GDP growth for 2022 is higher than that of Pakistan, Sri Lanka or Nepal. To sum it up, Bangladesh is poised to make one of Asia’s strongest comebacks in the post-COVID era.

The right moment, therefore, to provide an update on the practices of Bangladesh’s primary investment facilitator, the Bangladesh Investment Development Authority (“**BIDA**”). In this client note, rather than reciting the rules and processes, we zero in on some of the noteworthy practical and new things to know when it comes to licensing investment projects by BIDA.

Registration with BIDA (and why your application might not move forward)

Every foreign owned company will in one degree or another need BIDA to operate in Bangladesh, regardless if it will carry out an investment project with capital assets, land and construction, or if it will rather perform services or trading without much, or any, need for investment. Only BIDA can, to name but a few examples, deliver tax incentives to applicant industrial investors, issue work permits and visa recommendations, approve the payment of royalties and technical fees by companies and -together with the

Highlights of this note

- ▶ Registration with BIDA (and why your application might not move forward)
- ▶ Inward capital remittance
- ▶ How problematic is the land during a BIDA application?
- ▶ Practical solutions are sometimes needed during the BIDA process

Bangladesh bank, approve foreign loans.

Whereas in some countries the establishment of the company is only done after the investment licensing process, or during, in Bangladesh the corporate entity can be established, at least for a great number of sectors, as a first step and thus before the investment licensing. Typically, therefore, the company will have been incorporated before the investor applies to register with BIDA.

The application to BIDA is basically a collection of the corporate documents of the newly established entity, plus. After

the application, the hardworking BIDA team will begin vetting (see more on that below) and might ask some clarifications. Large meetings or committee hearings with the applicant are not part of the process

Inward capital remittance

In our day-to-day practice, we notice several potential pitfalls that might cause the BIDA application to encounter delays which might be avoidable. One example is the verification of the funds already remitted into Bangladesh. The practice is to open a temporary account with a bank as part of preparing the registration of the company. The investor will remit funds into that temporary account. As part of the BIDA vetting, the bank might be contacted to verify independently that the applicant indeed has an account and indeed has funds. This way BIDA curbs the potential entry of underfunded or sham companies into its market. The communication between the bank and BIDA might not always be easy. Within large financial institutions sometimes the right person cannot immediately be located. Normal postal services sometimes get misdirected. In our experience, it is worthwhile to maintain engaged with all stakeholders to see if any potential delays can be minimized.

How problematic is the land during a BIDA application?

Every applicant needs a location, and every project needs land. Foreign owned companies may purchase and own land that is needed for their project. SPA's and land leases (in excess of 1 year) are required to be registered with the Land Registry, which will also trigger fees and

stamp duties. The notoriously difficult legal environment of land rights in Bangladesh goes well beyond the BIDA process. The underlying weakness of the land title system itself can normally not really be remedied by BIDA. BIDA may, and normally should, do an actual site visit, mainly to verify if the site is vacant. This may in and of itself not bring land disputes to the surface. Studies show that one in five households in Bangladesh are involved in a land dispute of some kind, and combined with a land rights documentation system that is still in development, such an environment requires extraordinary preparatory steps for investors.

BIDA will expect the purchase deed, SPA or lease document as part of the application, but usually does not go as far as to require the ownership documents of, for example, the seller or the lessor to the applicant. However, a recent trend we have noticed, is related to the tax compliance aspects. BIDA has on occasion asked for the evidence of payment of land related taxes. The tax receipts will also be a good indication of who the rightful owner of the land is.

Practical solutions are sometimes needed during the BIDA process

Bangladesh has made great progress in recent years modernizing and improving its investment regulatory framework. But regulatory requirements for investors, even for companies without heavy capital investment, remain rather significant. Any type of investor will be required to apply for several dozen permits, licenses and approvals. It is not surprising that at times, some of the regulations concerning those many permits, do not match with

each other. This is the case with the fire safety approval, which, according to BIDA Rules is a required part and parcel of the application package. In practice, often the building the investor will be using for the project has not been constructed yet, and it is as a principle not actually possible to receive a fire safety approval from the relevant authorities until the building has been completed. BIDA officials are normally very reasonable in such situations and a practice has developed recently where the building plans of the to-be constructed buildings will be used to further the matter.

DOWNLOAD



<https://bit.ly/3Auz28U>

CONTACT

Bangladesh

UTC Building, 19th Floor
Unit 1922, 8 Pantho Path
Karwanbazar, Dhaka 1215
T: +880 0 961 188 6739
WhatsApp: +880 (0) 131 742 2535

Cambodia

No. 33, Street 294
(corner of Street 29)
Sangkat Tonle Bassac
Khan Chamkarmorn
Phnom Penh 120101
T: +855 23 964 430~434
F: +855 23 964 154

Indonesia

Plaza Bisnis Kemang
Suite 211, Jl. Kemang Raya
No. 2, Jakarta 12730
T: +62 21 718 3415

The Cityloft Sudirman
Suite 1119
Jalan K. H. Mas
Mansyur Kav. 121
Jakarta, 10220
T: +62 21 2555 6611

Laos

Level 4 Kolao Tower II
23 Singha Road, Nongbone Village
Saysettha District, Vientiane, Laos
T: +856 21 454 679
F: +856 21 454 674

Vietnam

Level 16, Unit 1638
Bitexco Financial Tower
2 Hai Trieu Street, Ben Nghe Ward
District 1, Ho Chi Minh City 700000
Vietnam
T: +84 708 283 668

Myanmar

Level 10, Unit 01-05
Junction City Office Tower
Corner of Bogyoke Aung San Road
and 27th Street
Pabedan Township
Yangon
T: +951 9253 752~756
F: +951 9253 758

ParkRoyal Hotel Nay Pyi Taw
Jade Villa No. 13/14
Hotel Zone
Dekhina Thiri Township
Nay Pyi Taw
T/F: +95 678 106 089