



Setting up Liaison, Branch or Project office in Bangladesh

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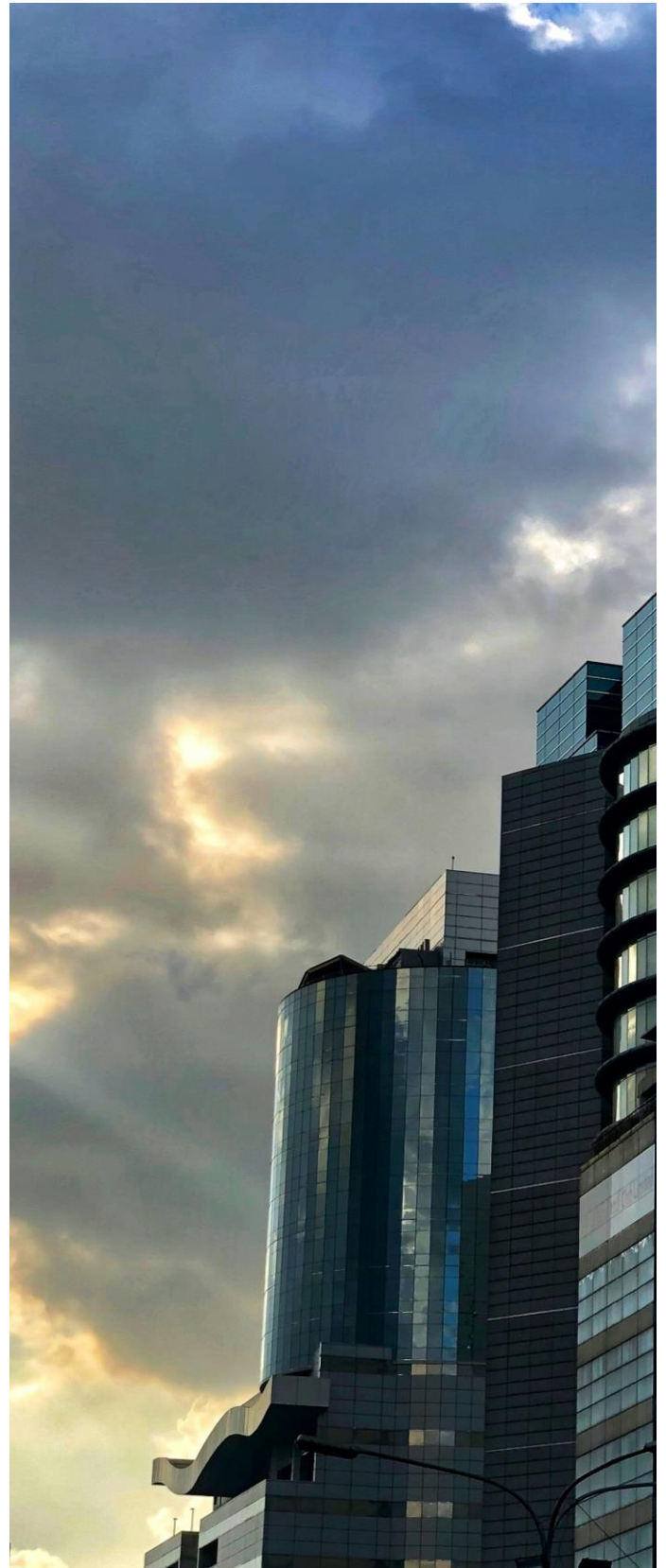
Introduction

Welcome to our comprehensive guide on setting up a Branch, Liaison or Project Office in Bangladesh. This guide aims to provide you with detailed insights into the requirements, procedures, and timelines involved in setting up your office in Bangladesh, ensuring compliance with the country's regulatory framework.

Branch, Liaison or Project Office is one of the two options for foreign investors wishing to setup their presence in Bangladesh. The other option is incorporating a Bangladeshi subsidiary company.

Branch, Liaison or Project Office are often established by companies as a short-term and temporary setup. They are typically extensions of the parent company and are not separate legal entities. They are often used for specific projects or to explore a new market. On the other hand, while a limited company is a more permanent business structure with more flexibility and protection for its shareholders.

In the subsequent sections, we'll discuss the intricacies of Branch, Liaison or Project Office setup, outlining the steps involved, necessary documentation, and the regulatory landscape to ensure a smooth and compliant establishment of your business presence in Bangladesh.



Key Information

Key Considerations for Liaison, Branch and Project Office

Liaison Office

- Liaison office and Representative office are same in Bangladesh.
- A Liaison/Representative Office of a foreign Company can perform very limited activities, which includes:
 - a) maintain liaison/ coordination between principal and local agents, distributors/ exporters' institutions through correspondences, personal contracts and other electronic media.
 - b) collect, compile analyze and disseminate business information related to its field of activities as mentioned in the approval letter.
- A Liaison/Representative office will have no local source of income in Bangladesh. All set-up and operational costs including salaries of the expatriates and local employees of the Liaison or Representative office will have to borne by the parent company aboard.
- No outward remittances of any kind from Bangladesh sources will be allowed except the amount brought in from abroad (the unspent part).

Branch Office

- Branch office of a foreign company can engage in commercial activities with prior approval of BIDA, however those commercial activities are limited compared to a subsidiary company in Bangladesh.
- A Branch office may have local source of income from the approved field of business activities in Bangladesh and with the prior approval of BIDA.
- With prior approval of BIDA, outward remittance is allowed for Branch Office.

Project Office

- BIDA introduces this new option in 2023.
- A project office is supposed to be established for the implementation of activities of government, foreign development cooperatives or public and private funded development projects or parts thereof in Bangladesh.
- For the approval of the project office, a recommendation of the implementing agency will be required.

Branch, Liaison or Project Office (The “Office”)

- The duration of a Branch and Liaison and Project office shall remain confined to the period of time mentioned in the approval letter issued by BIDA. If a company intends to continue its Office beyond the period approval, they will have to apply for necessary renewal/ extension in the prescribed form with proper documents at least 2 (two) months before the expiry of the current term.
- The activities of a Branch and Liaison and Project office shall remain confined to the areas approved in the approval letter issued by BIDA. If a company intends to expand the activities beyond the approved list, they will have to apply for amendment for adding the new activities.
- If the company intends to employ any foreign national(s) in their Office, work permits should be obtained from the BIDA.
- An amount of foreign exchange equivalent to the sum of not less than US\$ 50,000 or equivalent must be brought in as inward remittance in Bangladesh within 02(two) months from the date of issuance of the BIDA permission letter. For this purpose, the Office shall have to open an account with any scheduled bank of Bangladesh as per the instructions contained in the Guidelines for Foreign Exchange transactions for receipt of remittances.
- Quarterly return of incomes and expenditures out of remittances received from abroad shall have to be submitted to the BIDA, concerned Bank, National Board of Revenue and Bangladesh Bank with documentary evidence.
- Any change(s) of present address shall be intimated to the BIDA for necessary action and approval before the proposed change is carried out.
- The permitted Office shall have to obtain clearances/ licenses from the concerned government agencies, as and where required, under the existing rules of the country.
- The permitted Office shall have to pay duty/ income tax/VAT/ revenues and other taxes payable to the government under the existing laws of Bangladesh.
- Deduction of taxes at source while paying office/house rent, salaries, and bills for purchased goods, services and contract work has to be made, and subsequently deposited to the designated government accounts as per provisions of Bangladesh Income Tax Act 2023. For the purpose of deduction of taxes at source &

VAT, enterprises shall have to obtain Taxpayer Identification Number (TIN) and Business Identification Number (BIN) from the National Board of Revenue.

- Approval of the Offices and work permit for foreign nationals will be made on the condition of security clearance from the Ministry of Home Affairs. Unless the security clearance is issued, the renewal of the Office and work permit will not be renewed.
- Expatriates working in the Offices must pay income tax, submit income tax return in Bangladesh. Later income tax clearance certificate must be submitted when cancelling work permit.
- Branch and Liaison Office under proprietorship companies is generally discouraged.
- For establishing more than one Office of the permitted Branch or Liaison Offices in Bangladesh, the foreign company shall have to take separate prior permission from the Bangladesh Investment Development Authority.

Legal status of the Office

A Branch or Liaison or Project Office is a proper legal entity once registered with the BIDA in Bangladesh. It is considered an

extension of the foreign company and not as a separate legal entity. Unlike a Bangladeshi subsidiary company, the parent company of a Branch or Liaison or Project Office is implicitly liable for all the debts and liabilities of the Branch or Liaison or Project Office.

Other Information

Name: The name of Bangladeshi Branch or Liaison or Project Office must correspond to the name of the foreign company.

Constitution and Activities: The shareholders, structure of company and its activities are directed by foreign company's Memorandum and Articles of Association. There is no separate Memorandum and Articles of Association for the Office.

Office Address: An Office must have an office address located in Bangladesh.

Directors and Shareholders: The Branch or Liaison or Project Office will not have any separate Board of Directors and Shareholders. The Directors and shareholders of the Company will be considered as the shareholders and Directors of the Office.

Government Fees: A fee of BDT 25.000 (Taka Twenty-five thousand) is required to be paid through bank Pay Order and the original copy of the Pay Order has to be submitted to the BIDA. 15% VAT will be added to the fees.

Documents Required

In general, the following documents/information is required for approval of a Branch, Liaison or Project Office in Bangladesh:

- 1) Principal Company's Board of Director's resolution regarding the opening of office in Bangladesh.
- 2) Audited Accounts of the last financial year of the principal company.
- 3) Proposed organogram of the office showing the posts to be occupied by both the expatriates and local personnels.
- 4) Detailed activities of the principal company.
- 5) Name and nationality of the Directors/owners of the principal company.
- 6) Memorandum and Articles of Association of the principal company and Certificate of Incorporation.
- 7) Detail of activities to be performed through the proposed branch/liaison/representative office in Bangladesh and future plan in industrial revolution.
- 8) Details of Project /copy of Agreement with EPC Contractor in case of project office.
- 9) Forwarding (i.e. Cover) Letter.
- 10) Letter of authorization signed by the management of the company for submitting the application.
- 11) Additional information with proper documents (if any).

Special Note:

- Documents shall have to be attested by the concern Bangladesh mission/mission of the respective country in Bangladesh/respective country's apex business chamber/local business chambers.
- Any documents not in English must be translated in English before submission.
- 4 copies of all the documents should be submitted to BIDA.
- BIDA might ask for more documents after reviewing the above-mentioned documents.

Registration Procedure

The process can be divided into 5 steps - i) document preparation; ii) attestation by Bangladesh Embassy; iii) submission of documents to BIDA; iv) bank accounting opening and notifying Bangladesh Bank; and v) registration with the Registrar of Joint Stock Companies and Firms.

Step 1: Document preparation

The process of establishing the Office in Bangladesh started with preparing the documents for the office. One key aspect is the approval of the board of the company through a board resolution. Apart from the resolution, the company will need to prepare the list of directors, proposed organogram for the Bangladesh office. You will find the list of documents above.

Some of the documents, specially government issued documents may need authentication/ notarization from the relevant government agency. For this, you will need to contact the local Bangladeshi Embassy.

Step 2: Embassy Attestation

Once the documents are prepared, the documents need to be submitted to the local Bangladeshi Embassy for its attestation. The practice of Bangladeshi Embassy varies from Embassy to Embassy. You should contact the

Embassy and enquire about their requirements. In some cases, the Embassy may require authentication or notarization from the document issuing authority.

Step 3: Submission of documents to BIDA

Once the documents are prepared, the scan copies of the documents need to be uploaded to BIDA's online portal. After that hard copies of the documents need to be submitted to BIDA physically.

BIDA officials will review the documents and if required, they may ask for clarification. Once they are satisfied, they will place the application before the Inter-Ministerial Committee. The Committee will review the documents and might ask for more documents or a physical presentation. If the committee is satisfied, they will provide the approval and a letter will be issued. The Inter-Ministerial Committee usually sits twice every month. The usual timeline for approval is one month.

Approval is usually provided to open a branch or liaison or project office initially for a period of 3(three) years which can be extended later.

For practical purposes, BIDA approval is the key approval that enable the office to start its operations in Bangladesh.

Step 4: Bank Account and Bangladesh Bank notification

After obtaining the approval for a Branch or Liaison or Project Office, a bank account must be opened in any bank in Bangladesh. An amount of foreign exchange equivalent to US\$ 50,000 or more must be brought in as inward remittance in Bangladesh within 02 (two) months from the date of issuance of the BIDA permission letter.

Afterwards, the newly approved Office will have to report to Bangladesh Bank within 30 (thirty) days of obtaining permission from BIDA. Bangladesh Bank does not allow the Office to directly submit this report to them. Rather, it should be done via the bank of the Office. As such, the newly approved Office must open a bank account without any delay after getting the approval from BIDA.

Step: 5 Registration with the Registrar of Joint Stock Companies and Firm (RJSC)

After obtaining approval from BIDA, registration with the RJSC is required. The

following documents will be required for this purpose:

- Approval letter of BIDA.
- Certified copy of the memorandum and articles of the company or other constitutional documents.
- Full address of the registered or principal office of the company.
- A list of the directors and secretary, if any, of the company.
- The name and address or the names and addresses of one or more persons resident in Bangladesh, authorized to accept on behalf of the company service of process and any notice or other document required to be served on the company.
- The full address of the office of the company in Bangladesh which to be deemed its principal place of business in Bangladesh.

RJSC will issue a Registration Certificate for the Office.

Post-Registration Formalities

TIN and BIN

Every Office after getting the approval from BIDA will have to get TIN (Tax Identification Number) and BIN (VAT Registration). Even though a Liaison Office is not supposed to have any local income, it must obtain the TIN and BIN, as this is required under the laws.

Trade License

The Office will need to obtain a Trade License from the local government. In the case of Dhaka, it will be either Dhaka North or South City Corporation.

Return Filing

The Office will be required to file regular return under:

- Income Tax Act 2023;
- The Value Added Tax and Supplementary Duty Act, 2012;
- Labour Act 2006; and
- Companies Act 1994.

In addition to these considerations, the office will need to file returns as required, with the frequency and specifics depending on its activities.



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Our experience with legal, regulatory and tax advice coupled with industry expertise in an integrated manner allows us to provide the complete strategy from the onset through to the full set up of the business and until the exits

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