



Hussain Farhad & Co.

Chartered Accountants

Compliance Guidelines
for
Branch /Liaison Office of Foreign
Companies in Bangladesh
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Compliance Guidelines for Branch & liaison Office of Foreign companies in Bangladesh

Disclaimer:

Before taking any decision based on this article is subject to take related professional's advice.

Introduction:

A Branch Office is a setup as an extension of a foreign company in Bangladesh. Foreign companies may open branch offices to conduct business in Bangladesh. Unlike a Liaison Office, a Branch Office can perform broader scope of activities subject to prior approval of BIDA.

A Branch Office cannot undertake any activity in Bangladesh that is not explicitly permitted by BIDA. A Branch Office is also required to register itself with the Registrar of Joint Stock Companies and Firm and comply with certain procedural formalities prescribed under the Companies Act 1994.

A Branch Office provides the advantages of ease in operation and an uncomplicated closure. However, since the operations are strictly regulated by exchange control guidelines, a Branch May not provide a foreign company with the most optimum structure for its expansion/diversification plans.

A Branch office of a foreign company can engage in commercial activities with prior approval of BIDA. A Branch office may have local source of income from the approved field of business activities in Bangladesh and with the prior approval of the Inter-Ministerial Committee and with proper justification and sufficient supporting documents.

Liaison Office

Foreign companies may open their Liaison Offices in Bangladesh (subject to obtaining specific approval from Bangladesh Investment Development Authority) for undertaking liaison activities on their behalf. These Liaison Offices act as a communication channel between the foreign companies and the Bangladeshi customers. Such offices are normally established by foreign companies to promote their business interests in the country by spreading awareness of their services/products and exploring their opportunities for setting up a permanent presence. A Liaison Office also requires registration with the Registrar of Joint Stock Companies and Firms (RJSC).

A Liaison Office is not allowed to undertake any business activities therefore, cannot earn any income in Bangladesh, under the terms of approval granted by the Bangladesh Investment Development Authority (BIDA). All setup and operational costs including salaries of the expatriates and local employees of the Liaison Office will have to be borne by the parent company abroad through inward remittance of foreign exchange. No outward remittances of any kind from Bangladesh will be allowed except the amount brought in from abroad (the unspent part).

A Liaison Office in Bangladesh is permitted to undertake the following activities:

- Maintain liaison/ coordination between principal and local agents, distributors/exporters' institutions through correspondences, personal contracts and other electronic media.
- Collect, compile, analyze and disseminate business information related to its field of activities as mentioned in the approval letter.
- Just to avoid confusion, both Representative Office and Liaison Office refer to the same thing in Bangladesh.

Compliances:

The following actions need to do for staying complied as per laws and regulation:

- The activities of a Branch and Liaison office shall remain confined to the areas and for the period of time mentioned and approved in approval letter issued by BIDA. If the company intends to continue their 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.
- If the approved company intends to employ any foreign nationals(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 as estimated initial establishment cost and 6(six) months operational expenses of the Office 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 evidences under circular No 01/2009 amended circular No 03/2009 of 30th July, 2009.
- 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 Ordinance, 1984. For the purpose of deduction of taxes at source & VAT, enterprises shall

have to obtain Taxpayer Identification Number (TIN) from the National Board of Revenue.

- Approval of Branch and Liaison Offices and award of work permit for foreign nationals will be made on the condition of security clearance from the Ministry of Home Affairs. The Ministry of Home Affairs shall provide security clearance within 45 days of issuance of permission letter under the existing Visa policy. Otherwise it will be treated that the concerned agencies have no objection to the issuance of visa.
- Expatriates working in manufacturing industry, business organizations of private sector, educational institutions, Branch and Liaison Offices etc. in Bangladesh must submit income tax clearance certificate/income tax exemption certificate under section 107 of Income Tax Ordinance, 1984.
- 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.

A branch can follow the following table so that they can be complied.

SL.	Authority	Reporting Particulars	Reference	Last Date of Submission
01.	VAT	VAT Return (Mushak 9.1)	Section 64 (Rule No 47) of VAT and SD Act, 2012	Within 15 th day of the next month of the one month period.
02.	TAX	WHT Return	Section 75A of Income Tax Ordinance, 1984	The timeline for filing of return of withholding tax has been fixed semiannually first one by 31 January of the year of deduction / collection and second one by 31 July of the following year of deduction / collection.
		Statement of Tax Deducted or Collected	under Chapter VII of the Income Tax Ordinance, 1984 (XXXVI of 1984)	Within 20 th day of the next month of the one month period.
		Statement of Tax Deducted from Salaries	under section 50 of the Income Tax Ordinance, 1984	Within 20 th day of the next month of the one month period.
		Return of Income and Expenditure	As per the term stated in the permission letter issued by BIDA)	Quarterly
		Yearly Salary TDS deduction Statement	section 108 of the Income Tax Ordinance, 1984 (XXXVI of 1984)	Before 1 st day of September of each year.
		Annual Return.	Section 75 of Income Tax Ordinance, 1984	15 th day of the 7 th month following the end of the income year.
03.	BIDA	Return of Income and Expenditure	As per the term stated in the permission letter issued by BIDA	Quarterly

04.	Bangladesh Bank	Return of Income and Expenditure	As per the term stated in the permission letter issued by BIDA	Quarterly
05.	Audit	By Chartered Accounted Firm	Section 210 of Companies Act, 1994	Before the annual general meeting.
06.	RJSC	Annual Return	Section 380 of Companies Act, 1994	Within 21 days of the annual general meeting.

Should you require further information please feel free to contact us.

Thanking You

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