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BUSINESS ENVIRONMENT

THE CONSUMER

Consumer Profile

Bangladesh is one of the poorest countries in the world and its population – the eighth-largest in the world – is very young and mostly rural. According to the IMF, the GDP per capita is around USD 2,120 in 2021, so still at a sub-Saharan Africa level. Although the number of middle-class and affluent consumers in Bangladesh remains small compared with those of other big emerging markets in Asia, Bangladesh is one of the fastest-growing markets worldwide. In 2015, the Boston Consulting Group projected that, by 2025, the annual income of around 2 million additional Bangladeshis will reach USD 5,000 or more. That means that they will be earning enough to afford goods that offer convenience and luxury, cosmetics and imported products. As of 2020, 22% of the population can be classified as a middle and affluent class, but the ratio is projected to reach 25% by 2025. In regional terms, forecasts indicate that by 2025, 63 cities in Bangladesh will have a middle and affluent class population of at least 100,000.

Consumers traditionally prefer to cook with fresh ingredients, but these habits have changed due to urbanization, decreasing family size, education and employment of women. The urban middle-class and upper-class consumers are buying more and more processed products and are gradually adopting a more consumerist lifestyle.

Consumer Behaviour

For the majority of Bangladeshi consumers, the main factor determining purchase decisions is price. However, compared to other consumers in Southeast Asian emerging markets, far fewer Bangladeshis say that price discounts can sway their decisions.

The social strata with the highest levels of education and students are paying increasing attention to the quality of products, their variety and hygiene. Consumers are highly loyal to brands, but they are also budget and quality conscious. Middle-class and upper-class consumers also take into account the appearance of products, as well as the ambience and comfort when making a purchase. Bangladeshi consumers intend to spend but are wary of debt: even though the majority of them expect their incomes to rise over the next future, they are restrained by concerns—due perhaps to social taboos or to a lack of familiarity with debt instruments—that they will run up debt that they won't be able to repay.

Bangladeshis are increasingly purchasing online, though the e-commerce market is still not as big as in other neighbouring countries.

Consumers Associations

[Consumers Association of Bangladesh](#)

IMPORTING & DISTRIBUTING

Import Procedures

Documents required for importation include a letter of credit authorisation form, a bill of lading or airway bill, a commercial invoice or packing list, and a certificate of origin. For certain imported items or services, additional certifications or import permits related to health, security or other matters are required by the relevant government agencies. Reduced documentation requirements apply to the public sector.

Foreign companies must obtain authorization from the Chief Controller of Imports and Exports and provide the following documents: photocopy of an import registration certificate; photocopies of invoices, bills of lading, and import permit duly certified by the bank; a copy of the certificate of the General Index Register (GIR); certified copy of the last tax order; name and description of each imported item with the quantity and approximate CIF value.

Private sector importers must provide the following documents: certificate of affiliation to a chamber of commerce and local industry recorded or professional association established in Bangladesh; proof of payment of renewal fees for an import registration certificate (IRC) for the tax year; copy of a certificate of tax identification number (TIN); three copies of the proof of payment of the previous year's income tax.

Distribution market players

There is a wide variety of retail stores in Bangladesh, ranging from temporary outdoor stores to modern supermarkets.

Below is a classification by type of store:

1. Independent grocery stores (about 75% of the market share - including village markets). No imported food products are available, with the exception of first-price products from India.
2. Stalls of city markets (around 20% of market share), selling one type of product (fish, meat, vegetables, fruits, etc.). These stores usually exist in semi-urban and urban areas. Imported foods and processed foods are available but limited to those purchased by the middle class.
3. Convenience stores (about 5% market share) located mainly in affluent urban areas, with a clientele made up of wealthy people and foreigners. The offer includes imported food products and high-end local products.
4. Supermarkets: They entered the Bengali consumer market in the early 2000s. There are about 200 supermarkets, with the first ones opening more than ten years ago. Major supermarkets include Agora, Meena Bazar, Nandan, PQS, Shwapno, Kulshi Mart, etc.

OPERATING A BUSINESS

Type of companies

Limited liability company or LLC

Number of partners: Minimum 2 partners.

Capital (max/min): No minimum required.

Shareholders and liability: For limited liability companies, the liability of shareholders is limited to the amount of capital subscribed by them or held on their behalf. For unlimited companies, shareholder liability is not limited.

Public limited company or PLC

Number of partners: Minimum 7 partners (with 3 directors).

Capital (max/min): No minimum required.

Shareholders and liability: For limited liability companies, the liability of shareholders is limited to the amount of capital subscribed by them or held on their behalf. For unlimited companies, shareholder liability is not limited.

Business establishment (a branch or subsidiary of a foreign company)

Number of partners: 1 person.

Capital (max/min): No minimum required.

Shareholders and liability: An establishment is not a legal entity separate from the parent company abroad and therefore has no limited liability of its own.

Setting Up a Company	Bangladesh	South Asia
Procedures (number)	9.0	7.1
Time (days)	19.5	14.6

Source: Doing Business - Latest available data.

Cost of Labour

Minimum Wage

According to the Ministry of Labor and Employment of Bangladesh's **minimum wage** board the gross average monthly wage varies depending on the sector.

Average Wage

The gross average monthly wage is BDT 13,258 according to latest data available from the Bureau of Statistics of Bangladesh.

Social Contributions

Social Security Contributions Paid By Employers: There is no social security system in Bangladesh. However, companies of a certain size must contribute up to 5% of their profits to a fund (Workers Profit Participation Fund).
Social Security Contributions Paid By Employees: None

Intellectual Property

National Organisations

You can contact the Department of Patents, Designs and Trademarks (**DPDT**) by email at: registrar@dpdt.gov.bd or registrardpdt@yahoo.com.

Regional Organisations

None

International Membership

Member of the WIPO (World Intellectual Property Organization)

TAX RATES

Consumption Taxes

Nature of the Tax

Value-added tax (VAT)

Tax Rate

15%

Reduced Tax Rate

Certain products and services are zero-rated, including immovable property situated outside Bangladesh; goods for export; services directly related to land situated outside Bangladesh; services physically carried out on goods situated outside Bangladesh; supply of service outside Bangladesh; and services included in the customs value of imported goods.

Several reduced rates apply:

- 5%: specified fruits juice; pickles; information technology-enabled services (ITES); internet services
- 7.5%: packing paper; self-copy paper; non-AC hotels; construction firms
- 10%: electric poles; repair and servicing; transport contractor (except for petroleum goods); printing press.

Exempt items include certain basic food items for human consumption; supply of unprocessed agricultural, horticultural, or piscicultural products, if the supplier is the producer of the goods; public health and medical services provided by a government entity or an approved charitable institution; sale of land or transfer and its registration.

Other Consumption Taxes

Excise duties have been abolished on all products except on bank deposits and airline tickets (exemptions are provided for disabled soldiers). An additional duty of 20%, 35%, 65%, 100% or more is levied on certain products, the highest being on beer, alcohol and cigarettes.

Corporate Taxes

Company Tax

22.5% (reduced from 25% as from 1 July 2021)

Tax Rate For Foreign Companies

Bengali firms are taxed on their worldwide income whereas non-resident firms are only taxed on their Bangladesh-sourced income.

Capital Gains Taxation

Capital gains from the transfer of stocks and shares of public limited companies listed with the stock exchange except listed government securities are taxed at 10% for resident companies and 15% for non-resident shareholders. Income from capital gains is separated from total income and taxed at 15%, regardless of the period of holding of the asset from the date of its acquisition.

Capital losses can only be offset against capital gains.

Main Allowable Deductions and Tax Credits

All expenditures incurred to generate taxable income are generally tax-deductible. Amortisation of tangible and intangible assets is tax-deductible at rates ranging from 2% to 50%. The straight-line method allows for amortization and depreciation of pre-commencement expenses, such as feasibility studies, modelling, prototype creation, and experimental production, at a rate of 20%.

Goodwill cannot be amortised for tax purposes. Interest charges, including profit shares distributed to an Islamic bank, are also tax-deductible. Subject to conditions, the cost of free samples and entertainment expenses are allowed as deductions. Provision for bad debts is not allowed.

Service companies exporting at least 50% of their services, scientific research firms, companies investing in strategic sectors (outside the Grand Dhaka region) and suppliers of companies operating in a free trade area (at least 40% of their total sales) may be eligible for the free-trade area regime, benefiting from total or partial tax exemptions (corporation tax, VAT, stamp duty, capital gains).

Tax losses can be carried forward in full for up to six years. The carryback of losses is not permitted.

Other Corporate Taxes

No property tax is levied on real estate or land. Nevertheless, real estate transactions (sale, rent, transfer) are subject to stamp duty. Other types of stamp duty apply to most financial transactions. Rental income on plant and machinery paid to non-residents is subject to a 15% withholding tax.

Employers are not required to pay social security contributions and no salary tax is payable.

All enterprises with a gross income above BDT 5 million are subject to an alternative minimum tax of 0.6% on gross receipts if the amount due is higher than corporation tax. This rate is reduced to 0.1% for manufacturing companies in their first three years of operation. The rate for manufacturers of cigarettes and other tobacco products is 1%, and for mobile phone operators it is 2%. Suppliers with a turnover from BDT 5 million to BDT 30 million may opt for voluntary VAT registration or pay turnover tax at 4%.

Other Domestic Resources

[Consult the Doing Business website](#), to obtain a summary of the taxes and mandatory contributions.

Double Taxation Treaties

Countries With Whom a Double Taxation Treaty Have Been Signed

[Bangladesh Double Tax Treaties](#)

Withholding Taxes

Dividends: 20% (companies)/10% (resident individuals)/30% (non-resident individuals), Interests: 0 (residents)/20% (non-residents), Royalties: 10% (residents where the payment does not exceed BDT 2.5 million; otherwise, the rate is 12%)/20% (non-residents)

