

FEID Circular No.-02

Date: November 20, 2024

All Authorized Dealers in
Foreign Exchange in Bangladesh.

Dear Sirs,

**Guidelines for Operations of Business in Bangladesh by
Joint Ventures/Consortiums/Associations (JVCA) having foreign partner(s).**

Please refer to section 18B(1) of the Foreign Exchange Regulation Act (FERA), 1947 and paragraph 3, chapter 17, section II of the Guidelines for Foreign Exchange Transactions-2018 (GFET) whereby it is mandatory for a non-resident person, a resident foreign national or a company not incorporated in Bangladesh to report to Bangladesh Bank regarding the establishment of a branch office or liaison office or representative office or any other place of business in Bangladesh for carrying out any activity of trading, commercial or industrial nature. Paragraph 31(i), chapter 10 of GFET, vol. 1 outlines the procedures for the Joint Ventures (JVs) to distribute and remit profit to their non-resident partner(s).

2. Joint Ventures/Consortiums/Associations (JVCA) with foreign partner(s) engaged in the implementation of development projects of Government of Bangladesh (GoB) in terms of contracts/sub-contracts signed with respective departments/divisions/employers etc., have shown diverse practices in their reporting activities and cross-border transactions, preparation of financials, transactions with their branch offices, outward remittances particularly profit remittances, tax payments and return submissions. In order to make the process more transparent and more accountable, guidelines have been outlined below. Authorized Dealers (ADs) shall adhere to these instructions for banking transactions and guide their relevant customers to ensure meticulous compliance.

A. Establishment & Reporting

- i. Entities having non-resident partner(s) after forming Joint Venture/Consortium /Association (JVCA) [hereinafter referred to as JVCA entity] shall have to obtain permission from Bangladesh Investment Development Authority (BIDA) as per section 6.4 of notification no: 03.219.344.00.00.1142.2019-849 issued by BIDA on May 29, 2023 and/or from any other competent authorities, if required otherwise.
- ii. A valid contract among the partners of respective JVCA entity or any entity of that nature under the concerned project office has to be signed accordingly.

- iii. JVCA entities shall notify Foreign Exchange Investment Department (FEID), Bangladesh Bank under the provision of section 18B of FERA, 1947 through their ADs within 30 (thirty) days of obtaining permission from BIDA or other competent authorities.
- iv. The activities of the JVCA shall be confined to those mentioned in the BIDA permission letter.
- v. JVCA entities shall have TIN/BIN/VAT certificates etc. as per rules of National Board of Revenue (NBR). Moreover, these entities shall submit income tax returns on regular basis.

B. Banking Transactions

- i. The JVCA entity shall maintain a bank account with any AD branch of any scheduled bank of Bangladesh in the name and title of the JVCA entity, in whose favor work order has been awarded. AD branch maintaining such account shall be treated as nominated AD.
- ii. All inward and outward remittances have to be executed and all payments payable abroad and receivable from abroad shall be monitored and reported to Bangladesh Bank through the nominated AD.
- iii. It may also open and operate one or more local currency accounts in different branches of same bank or any other bank by obtaining NOC from the nominated AD subject to observance of KYC and AML/CFT standards. Information related to opening, closure and dormant status of local currency accounts shall be notified to FEID and concerned office of Bangladesh Bank through the nominated AD bank.
- iv. All payments against work order shall be credited into the account of JVCA entity.
- v. Information related to change of nominated AD with proper NOC from former AD as well as change of local currency accounts shall be notified through nominated AD to FEID and concerned office of Bangladesh Bank.
- vi. If concerned project of the JVCA entity is funded by foreign/international agencies, ADs may open foreign currency (FC) accounts in the name of that JVCA entity as per the terms of the approved contract with the government authority, without prior permission of Bangladesh Bank. Only foreign exchange received from the foreign/international agencies shall be credited to these accounts. All expenses in foreign exchange, as per relevant contract may be met from these accounts. These accounts shall be closed as soon as the transactions relating to the project are concluded. Additionally, ADs are required to report transactions through such FC accounts in statement S-13 along with relevant schedule stated in paragraph 16(c), chapter-2, of GFET, 2018.
- vii. The JVCA entity may open bank accounts outside Bangladesh with prior approval of FEID, Bangladesh Bank. Transactions in such accounts must be conducted in accordance with the terms and conditions outlined in the permission letter.

- viii. Encashment certificates, along with other necessary documents, shall be preserved by the JVCA entities and nominated AD for future reference.
- ix. Inward remittance through existing branch office of any partner (if any) of that JVCA entity shall not be allowed.
- x. Deposit accounts maintained with nominated ADs and other banks shall be non-interest or non-profit bearing.
- xi. AD shall notify FEID upon the completion of the project and the closure of bank accounts, along with necessary documents. In case of repatriation of residual amount, the instructions outlined in E (v) shall be followed.

C. Financial Statements & Other Documents

- i. Separate Audited Financial Statements (Including Balance Sheet, Income Statement, Cash Flow Statement and Owner's Equity Statement with proper disclosure/notes) for the JVCA entity must be prepared in accordance with Bangladesh Financial Reporting Standards (BFRS) and global best practices. The JVCA entity and auditors must comply with regulations of Financial Reporting Council (FRC) and Document Verification Code (DVC) number shall be mentioned in the Financial Statements.
- ii. All income generated from local sources, whether credited to bank account in Bangladesh or bank account outside Bangladesh (subject to compliance with the provisions under SI.No. B (vii) of this guideline) shall be included in the books of accounts of the JVCA entity.
- iii. Any asset or liability shown in balance sheet of JVCA entity cannot be offset by another liability or asset.
- iv. No transfer or adjustment entries may be made under the account head of "Capital and Partners' Contributions". All transactions under this head shall be conducted in cash.
- v. Retained earnings shall be shown in the Balance Sheet under a separate account head.

D. Loans

- i. In case of borrowing from resident entities, the JVCA entity shall comply with the regulations outlined in paragraph 4(b), chapter 16 of GFET, 2018 and subsequent circulars in this regard. However, subject to approval from FEID, the existing branch office of any partner of the JVCA in Bangladesh can provide loans to the JVCA, if any unencumbered adequate surplus amount is available. Moreover, trade and commercial credits can be offered in compliance with regular business norms. In both cases, appropriate disclosure must be provided as related party transactions.
- ii. As per the recommendations of the Project Director/employer, the partner(s) of the JVCA entity may avail interest-free working capital loans from their head offices, subject to post facto reporting through their AD banks to FEID.

E. Outward Remittance

- i. Outward remittances on account of profits payable to foreign partners/collaborators are subject to approval from Bangladesh Bank. Nominated AD branch shall submit applications to FEID along with relevant documents as outlined in Annexure-A.
- ii. Any amount as profit repatriable in favor of foreign partner(s) or any cash lending cannot be made to a branch office, if any, in Bangladesh of that non-resident partner(s) without prior approval from Bangladesh Bank.
- iii. For payment of royalty, fees for technical knowhow or technical assistance and franchise fees, the instructions stipulated in Circular no.03.08.2680.224.165.1479.2017/59, dated 03.03.2021 issued by BIDA and subsequently notified to banks through FE Circular Letter No. 07, dated 11.04.2021 shall be followed.
- iv. Outward Remittance for purposes not mentioned in GFET, circular/circular letters, Import Policy Order (IPO), BIDA guidelines can be made with prior permission from FEID of Bangladesh Bank.
- v. Repatriation of residual amount and borrowing availed from Head Office of any partner of the JVCA entity is subject to prior approval from Bangladesh Bank. Nominated AD branch shall apply to FEID of Bangladesh Bank along with the documents outlined in Annexure-B.

F. Others

- i. In case of import of machineries as consideration of capital without payment from Bangladesh, relevant documents including but not limited to Bill of Entry need to be retained properly by ADs. Such imports are subject to compliance with the IPO in force.
- ii. AD bank shall verify the work permits of foreign nationals issued by BIDA or other competent authority working in said office, while making any payments in favor of foreign nationals. Salaries and benefits paid to them shall be disclosed in the notes of Audited Financial Statements.
- iii. The JVCA entity must ensure the Workers' Profit Participation Fund (WPPF) under the Labor Act, 2006 and the rules thereunder, where applicable.
- iv. Nominated AD and the JVCA entity need to ensure compliance of any other instructions provided by Bangladesh Bank from time to time.

Yours Faithfully



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**Applicable documents of the Joint Ventures/Consortiums/Associations
to be submitted along with application for repatriation of profit to foreign partner(s).**

1. Joint Venture Agreement copy;
2. Audited Financial Statements for the period to which remittance of profit is applied for;
3. Copy of the resolution declaring the profit certified by the auditor;
4. Calculation of the remittable amount, certified by auditors;
5. Encashment certificates or other documents in support of capital contributed by foreign partner(s);
6. Auditor's certificate:
 - i) Ensuring proper calculation of the taxes on profit payable to the foreign partners;
 - ii) Confirming that the provision for income tax and/or any additional liability in connection with such taxes made in the accounts of the Joint Venture is sufficient to meet all past and present tax liabilities in Bangladesh up to the period for which remittance of profit is applied for.
7. Final income tax assessment order;
8. Undertaking to the effect that in case of remittance of any ineligible amount, the amount so remitted will be repatriated to Bangladesh on demand by Bangladesh Bank/the AD;
9. Bank statement for the last 01 (one) year;
10. Any other document(s), specified by Bangladesh Bank while granting approval.

Applicable documents of the Joint Ventures/Consortiums/Associations (JVCA) having foreign partner(s) to be submitted along with application for repatriation of residual amount or borrowing availed from Head Office of any partner of the JVCA.

1. Approval letter from competent authorities for closing office in Bangladesh;
2. Project Completion Certificate from respective employer;
3. Approval of competent authorities waiving restrictions on outward remittance (if any);
4. Resolution regarding the decision to close office in Bangladesh;
5. Audited Financial Statements for the last 03 (three) years;
6. Auditor's certificate:
 - i) Indicating the calculation procedure through which the remittable amount has been arrived at supported by audited financial statements of the applicant, and indicating the manner of disposal of assets;
 - ii) Confirming that all liabilities in Bangladesh including arrears of gratuity and other benefits to employees etc., of the office have been either fully met or adequately provided for; and
 - iii) Confirming that no income accruing from sources outside Bangladesh (including proceeds of exports) has remained un-repatriated to Bangladesh.
7. Income tax clearance certificate;
8. Confirmation from the applicant that no legal proceedings in any Court in Bangladesh are pending and there is no legal impediment to the remittance;
9. Work permit cancellation and income tax clearance certificate of the foreign expatriate(s) working in the office (if any);
10. Encashment certificates for the funds received from abroad;
11. Public notice for office closure;
12. Document in support of final office rent settlement;
13. Bank statement of the JVCA entities (last one year);
14. If the JV availed any local loan, then CIB certificate;
15. Awards/Bills from work order giver/ employer;
16. Approval letter from competent authorities for borrowing from Head Office abroad of any partners' of the JVCA entity;
17. Any other document(s), specified by Bangladesh Bank while granting approval.