

CHAPTER 20

FOREIGN EXCHANGE TRANSACTIONS BY THE ENTERPRISES OF ECONOMIC ZONES (EZs) IN BANGLADESH.

1. Introduction

By an Act of the Parliament, namely 'The Bangladesh Economic Zones Act, 2010 (Act No. 42 of 2010), Economic Zones (EZs) are being established in different areas of Bangladesh including backward and underdeveloped regions under the supervision of the Bangladesh Economic Zones Authority (BEZA). The broad features relating to the operations of the enterprises in the zones will be published by BEZA. Broad features of foreign exchange regulations relating to the operations of enterprises of EZs are being enumerated in the following paras :

2. Enterprises of EZs and their Category

Throughout this chapter, enterprises of EZs will mean industrial enterprises established in different EZs and will also include developers and other service providing enterprises exclusively formed and registered to serve a particular EZ. For foreign exchange regulatory purpose, enterprises of EZs shall be categorised in three types as follows:

- (a) 'Type A': 100(hundred) percent foreign owned including those owned by Bangladeshi nationals ordinarily resident abroad;
- (b) 'Type B': Joint venture between foreign investors and Bangladeshi entrepreneurs resident in Bangladesh;
- (c) 'Type C': 100(hundred) percent owned by Bangladeshi entrepreneurs resident in Bangladesh.

3.(i) Foreign Investment in EZs

Foreign investors are free to invest in EZs, subject to registration with BEZA. Foreign investment in EZs (in 'Type A' and 'Type B' Units) shall have to be reported to FEID, Bangladesh Bank within 14 (fourteen) days of issuance of shares favoring non-resident investors as per instructions mentioned in Para 2, Chapter 9 of this Guidelines. Such investment shall have to be reported to Statistics Department, Bangladesh Bank also as mentioned in Para 25, Chapter 2, GFET (Volume 2) and subsequent circulars/circular letters. Similarly, transfer of shares of the companies not listed in the stock exchanges, from resident to non-resident, non-resident to resident and non-resident to non-resident shall have to be reported to Bangladesh Bank including additional documents mentioned in Para 2 (B), Chapter 9 of this Guidelines.

(ii) Temporary Non-Resident Taka Account for foreign investors : ADs may open Non-Resident Taka Account (NRTA) in the name of the proposed company/enterprise of foreign investors contemplating to invest in Bangladesh without prior approval of Bangladesh Bank as mentioned in Para 2(C), Chapter 9 of this Guidelines.

4. Maintaining FC Accounts and Taka Accounts by Enterprises of EZs

Enterprises of EZs shall maintain FC accounts without prior permission of Bangladesh Bank as mentioned in Section V, Chapter 13 of this Guidelines with ADs. 'Type A' enterprises may also open and maintain such accounts with Offshore Banking Units (OBUs) of scheduled banks of Bangladesh. Proceeds from exports of goods or providing services by enterprises of EZs shall be retained and used through such FC accounts in accordance with instructions as mentioned in Section V, Chapter 13 of this Guidelines. Besides, equity from foreign shareholders and loan received in foreign currency from authorised sources may be credited in such FC accounts of 'Type A' and 'Type B' enterprises of EZs. In case of inward remittance on account of equity, ADs may issue a certificate (Appendix 5/39 or 5/40 as the case may be) with the amount credited in FC account mentioning equivalent Taka as mentioned in Para 2, Chapter 9. Moreover, authorised external loan proceeds may be credited in FC accounts of 'Type C' units of EZs. Enterprises of EZs may open and maintain Taka accounts in the same manner as mentioned in Section V, Chapter 13 of this Guidelines. However, developers and other service providing enterprises as mentioned in Para 2 of this Chapter may, at the request of the industrial enterprises, receive service charges/fees either in FC or BDT (subject to authorisation by BEZA) for crediting the concerned accounts as the case may be as mentioned above. This is to mention here that all foreign currency and local currency payment obligations of EZ enterprises shall be met from FC accounts and BDT accounts of the enterprise concern respectively as mentioned above. Balances of such FC accounts may be used through International Cards as mentioned in Para 2(b), Chapter 19.

5. Export/Selling of goods from EZs

Selling of goods from EZ to abroad and to other places of Bangladesh through LC or contract (including sales within EZ, to other EZs, to EPZs, to other areas of Bangladesh) shall be treated as exports. Exports from EZs (abroad/within Bangladesh) are subject to the usual requirement of declaration of exports in 'EXP Form' and repatriation of export proceeds mentioned in Chapter 8 of this Guidelines. For identification, EXP Forms for these exports should be rubber stamped or over printed with words "EXPORT FROM EZ" in bold letters. Portion of proceeds in FC received from export of goods or providing services may be retained in FC accounts in the name of the EZ units in the same manner as mentioned in Section V, Chapter 13, of this Guidelines.

6. Selling of Bangladeshi goods or raw materials or non-physical contents to enterprises of EZs

Selling of permissible Bangladeshi goods or raw materials to enterprises of EZs through LC or contract shall be against convertible FC only to be received from FC accounts maintained by the enterprises of EZs with ADs (also OBUs for 'Type A' enterprises) as mentioned above subject to compliance with other relevant instructions issued by BEZA, National Board of Revenue and Ministry of Commerce. Selling of goods including non-physical contents to enterprises of EZs against payment in FC shall be treated as exports from Bangladesh within the purview of Foreign

Exchange Regulation Act, 1947 (as amended upto September 09, 2015). Therefore, normal foreign exchange regulations concerning declaration of exports on 'EXP Forms' in case of export in physical form and repatriation of proceeds shall be applicable for exports to EZs from other areas of Bangladesh.

7. Import by enterprises of EZs

For import from abroad by the enterprises of EZs through LC or contract, usual IMP Form reporting procedures will, however, be applicable as mentioned in Chapter 7 of this Guidelines. For using foreign exchange fund from AD, instructions as mentioned in Para 21, Section-II, Chapter 16 of this Guidelines shall be applicable for enterprises of EZs. However, 'Type C' enterprises of EZs shall be allowed to obtain foreign exchange from ADs to settle obligations for importing capital machinery by the conversion of equivalent amount of equity and/or authorised loan received in local currency. Similarly, 'Type B' enterprises may be allowed to convert their local equity/authorised loan received in local currency into foreign exchange to settle obligations for importing capital machinery if equity/authorised foreign loan received from abroad falls short to meet such obligations.

8. Credit Facilities

For obtaining short term credit facilities from abroad (including from parents, associates or shareholders), other associates in Bangladesh, other banks in Bangladesh (both long and short term, as the case may be) by the enterprises of EZs, instructions mentioned in Section-II, Chapter 16 of this Guidelines shall be applicable. However, for obtaining medium and long term debt from abroad/OBUs of scheduled banks in Bangladesh by the enterprises of EZs, applications for borrowing approvals shall have to be submitted to Bangladesh Bank through BEZA following the procedures as mentioned in Para 7, Chapter 15 of this Guidelines.

9. Repatriation of dividend to non-resident Shareholders of 'Type A' and 'Type B' enterprises of EZs

ADs (also OBUs for 'Type A' enterprises) may remit dividends favoring non-resident shareholders of 'Type A' and 'Type B' enterprises of EZs without prior permission of Bangladesh Bank subject to observance of the instructions stipulated in Para 31, Chapter 10 of this Guidelines. However, submission of documents to Bangladesh Bank as mentioned in 31(e), Chapter 10 for post facto checking will not be required though usual reporting, online returns etc. shall be submitted by ADs/OBUs.

10. Repatriation of disinvestment proceeds by non-resident shareholders

Sales proceeds of shares held by non-resident investors of EZ enterprises listed with the stock exchange(s) may be repatriated without prior approval of Bangladesh Bank following the

instructions mentioned in Para 3(A), Chapter 9. Repatriation of sales proceeds of shares held by non-resident investors of EZ enterprises not listed with the stock exchange(s) may be effected with prior permission of Bangladesh Bank as mentioned in Para 3(B), Chapter 9.

11. Repatriation of royalty, technical know-how and technical assistance fees

ADs (also OBUs for 'Type A' enterprises) may remit the royalty, technical know-how and technical assistance fees of enterprises of EZs from their FC accounts without prior permission from Bangladesh Bank or BEZA if the total fees and other expenses connected with above mentioned purposes do not exceed the following limits:

- (a) for new projects, not exceeding 6 (six) percent of the cost of imported machinery;
- (b) for ongoing concerns, not exceeding 6 (six) percent of the previous year's sales as declared in the income tax returns.

However, remittance of such fees in excess of the prescribed limit is subject to prior specific approval from BEZA. Besides usual reporting to Bangladesh Bank, each transaction shall have to be reported to BEZA also.

12. Working in EZs by foreign nationals

Foreign nationals working in EZs (with valid work permit issued by BEZA) and who have an income in Bangladesh are permitted to make monthly remittances to the country of their domicile out of their current savings upto 75 (seventy five) percent of their net income as mentioned in Para 8, Chapter 11. They are also permitted to remit 100 (hundred) percent of leave salary, actual savings and all pension benefits without prior Bangladesh Bank approval as mentioned in Chapter 11 of this publication.

13. Reporting

ADs shall report all foreign exchange transactions of enterprises of EZs through 'Online Foreign Exchange Transaction Monitoring System' of Bangladesh Bank. Such transactions are also to be reported in monthly returns to Statistics Department, FEOD and other concerned office of Bangladesh Bank in relevant Statements (S-10 and S-11), Schedules, etc. as mentioned in Para 14, Chapter 02, GFET (Volume 2).