

Capital Machinery

Bangladesh offers substantial opportunities for investment under its liberalized Industrial Policy for export-oriented companies. The aim is to increase the growth of private sectors. The government's role is that of a facilitator which helps create an enabling environment for expanding private investment, both domestic and foreign. The Bangladesh Investment Development Authority (BIDA), established by the government for accelerating private investment, provides institutional support services to intending investors. However, to enjoy tax exemption, the imported capital machineries should be listed under the National Board of Revenue (NBR) SRO.

There are some tax slabs according to NBR against **Capital Machinery** import:

1. **For 100 percent export-oriented Industries:** No import duty or any other tax is payable.
2. **Export-oriented industries in developed areas:** Effective rate of duty 5 percent (Industries exporting minimum 70 percent of the total annual production may submit a bank guarantee to the customs authority for 33.33 percent of the total import duty payable at the rate of 7.5 percent ad valorem. This bank guarantee will be returned after installation of the machinery and fulfilling the conditions of export. In this case, effective rate of import duty payable is 5 percent ad valorem).
3. **Other industries in developed areas:** Effective rate of duty 7.5 percent. Export oriented industries outside developed areas: effective rate of duty 2.5 percent (Export-oriented industries, as mentioned above, located in under-developed areas may also submit a bank guarantee to the customs authority for 33.33 percent of the total import duty. In addition to this, they may submit another bank guarantee for 33.33 percent of the total import duty payable at the rate of 7.5 percent ad valorem for being located in an under-developed area. These bank guarantees (33.33 percent plus 33.33 percent) will be returned after installation of the machinery and fulfilling the condition of export. In this case, effective rate of import duty payable is 2.5 percent.
4. **Other industries outside developed areas:** effective rate of duty 5 percent (all other industries located in under developed areas other than export-oriented, may submit a bank guarantee to the customs authority for 33.33 percent of the total import duty payable at the rate of 7.5 percent ad valorem. This bank guarantee will also be returned after installation of the machinery. In this case, the effective rate of import duty is 5 percent ad valorem).

Recommendation from LFMEAB

LFMEAB issues a recommendation letter for its member factories to enjoy tax exemption on capital machineries. You need to submit the following documents to get a recommendation letter from LFMEAB:

- Commercial Invoice
- Packing List
- Bill of Lading
- LC Copy
- Proforma Invoice
- BOE/Shipping Bill
- Insurance Coverage Letter
- Indemnity
- Brochure/ Catalogue of Machineries.

Issuing time: 2-3 business days.

Cost: BDT. 2000/=