

# A Guide to Government Incentives for Solar Manufacturing in Bangladesh

A factual, analytical guide for investors and policymakers

**Content Partner: J. v. G. technology GmbH**

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# Technical Overview: Government Incentives for Solar Manufacturing in Bangladesh



Created as part of the PVKnowHow Knowledge Network



Prepared by J.v.G. Technology GmbH



European specialists in turnkey solar module production lines

# Bangladesh Renewable Energy Ambitions

## 1 4,100 MW target by 2030

Solar: 2,277 MW · Hydro: 1,000 MW · Wind: 597 MW — outlined in Bangladesh's updated NDC

## 2 20% renewables share by 2030 · 30% by 2040

Draft Renewable Energy Policy (June 2025) formalises these targets

## 3 Demand growing at 7% annually

Peak demand projected to surpass 25,000 MW by 2030 — solar is the primary near-term solution

**i** Current installed renewable capacity: ~1,559 MW · Solar leads at 1,265 MW (81% of renewable mix). Solar market projected to reach 3.9 GW by 2030 at a CAGR of 38.6% (2025–2030).

# Why Solar Manufacturing Matters Nationally

## Supply-Side Imperative

- Domestic solar manufacturing capacity: ~500–700 MW/year
- Minimum ~760 MW/year of new RE deployment required (2026–2030)
- Import dependency creates cost and supply chain risk
- Local production directly reduces technology import costs

## Industrial & Economic Case

- Textiles dominate — government actively diversifying into high-technology sectors
- Solar manufacturing creates skilled industrial employment
- High solar irradiance (5 kWh/m<sup>2</sup>/day) supports both deployment and manufacturing viability
- FDI in energy sector reached \$3.48 billion in 2022

# Government Strategic Priorities



## Energy Independence

Reducing reliance on imported fossil fuels is a declared national objective. Domestic solar manufacturing is fundamental to achieving this goal.



## Economic Diversification

Policy actively incentivises growth in high-technology manufacturing sectors to broaden the economic base beyond traditional industries.



## Skilled Job Creation

Solar module production facilities create upstream and downstream industrial employment, supporting broader economic development goals.



## Policy-Driven Ramp-Up

Incentive frameworks are codified in national regulation — not informal preferences — providing investors with a structured, predictable support environment.


# Tax Holiday Incentives

## Structure of the Tax Holiday

- **100% corporate income tax exemption** — first 5 years of commercial production
- **50% exemption** — years 6–8
- **25% exemption** — years 9–10
- 10-year total exemption period (S.R.O No. 400-Act/IT-54/2024)
- Applicable until 30 June 2030 for qualifying projects

## Eligibility & Conditions

- Newly established companies in priority manufacturing sectors
- Registration with BIDA (or BEZA/BEPZA) required
- Approval from National Board of Revenue (NBR)
- Minimum investment levels and job creation targets may apply
- Enhanced periods possible for projects in less-developed regions
- Foreign personnel: income tax exempt for 3 years post-arrival

 A tax holiday dramatically improves early cash flow and can shorten the investment payback period on a solar module production line by several years. (Source: PVKnowHow / J.v.G. Technology GmbH)

# Import Duty Exemptions

## Capital Machinery & Equipment

- High-precision manufacturing equipment is largely imported — a major share of initial capex
- Approved projects: significant exemptions from customs duties on capital machinery and spare parts
- In many cases, a 100% exemption is granted (SRO-155 of 2004 for Solar Panel Manufacturing Plants)
- VAT also exempted on machinery and spare parts for solar panel manufacturing plants

## Raw Materials

- Exemption can extend to raw materials required for production for a set number of years
- Raw materials, machinery and spare parts of Solar Panel Manufacturing Plants exempted from customs duty (SRO-155 of 2004)
- Regulatory duty and other duties also exempted (S.R.O No. 181-Act/2024/33/customs)

## Export-Oriented Incentive

- 100% export-oriented industries: no import duty on capital machinery and spare parts
- Spare parts value must not exceed 10% of total C&F value of machinery
- Approval required from Office of the Chief Controller of Import and Export

# Accelerated Depreciation Benefits

## How It Works

- Applies beyond the tax holiday period as additional fiscal support
- Allows a larger deduction of capital asset cost in early years of operation
- For projects set up outside metropolitan areas: 80% depreciation in year 1, 20% in year 2
- Alternative to standard straight-line depreciation over 10–15 years

## Financial Mechanism

- 50–80% of asset value may be deducted in the first 2–3 years of operation
- Reduces taxable income in years immediately following the tax holiday
- Eases transition from full tax exemption to standard tax liability
- Supports continued financial stability during factory ramp-up phase

## Strategic Value

- Works in sequence with the tax holiday — not a standalone benefit
- Reduces net cost of capital assets over the critical first years of production
- Particularly relevant for capital-intensive automated production lines
- Can be a deciding factor in overall project financial viability

# Financial Impact on Investors

## Improved Early Cash Flow

- Combined incentives significantly reduce outflows in years 1-10
- Tax holiday directly reduces corporate tax burden to zero for 5 years
- Duty-free machinery import reduces initial capex substantially

## Shorter Payback Period

- Tax holiday can shorten payback period on a production line by several years
- Accelerated depreciation amplifies this effect post-holiday
- Combined package materially de-risks the investment case

## Repatriation Rights

- Bangladesh law permits foreign investors to repatriate profits, dividends, and capital gains
- No prior approval required from Bangladesh Bank for post-tax dividend remittance
- Bilateral Investment Treaties (BITs) active with 29 countries including Germany, France, Japan

✔ This combination of tax holidays, duty exemptions, and accelerated depreciation significantly de-risks the investment and enhances potential returns. (Source: PVKnowHow / J.v.G. Technology GmbH)

# Role of BIDA

## What BIDA Is

- Bangladesh Investment Development Authority
- Apex investment promotion agency under the Chief Adviser's Office
- Designated one-stop shop for registration, approval, and incentive applications
- Covers all domestic and foreign investments outside economic zones and export processing zones
- Both manufacturing and service industries can register with BIDA

## What BIDA Provides

- BIDA OSS (One-Stop Service Portal) — digitised, e-payment enabled, time-bound services
- Facilitation of capital machinery and raw material imports
- Recommendation to NBR for CIT exemption approval
- Recommendation to CCI&E for import duty exemption
- Support for matchmaking, land access, and regulatory liaison
- Aftercare and investor facilitation services post-registration

# Investment Process Overview

- 1 – Project Registration**

Register the proposed project with BIDA via the BIDA OSS portal

Upload necessary documents; physical submission at BIDA (initial approval: 3 years)
- 2 – Incentive Application**

Submit detailed application: business plan, financial projections, and specific incentives sought

BIDA OSS tracks progress; services are e-payment enabled and time-bound under OSS Rules, 2020
- 3 – Regulatory Approvals**

NBR approval for CIT (corporate income tax) exemption

CCI&E approval for import duty exemption on capital machinery and raw materials
- 4 – Approval and Gazetting**

BIDA approves the project and incentive package; formally gazetted by official government notification

Open bank account in Bangladesh; bring foreign exchange equivalent to USD 50,000+ within 2 months
- 5 – Commercial Operation**

Tax holiday period commences from the date of commercial production

Import duty exemptions and accelerated depreciation activated per approved incentive package

# FAQ Highlights

## Who is eligible?

Both local and foreign investors are eligible for the same set of incentives, provided the project is registered with BIDA and falls within a designated priority sector such as renewable energy manufacturing.

## Are there geographical considerations?

Yes. Bangladesh provides enhanced incentives — including longer tax holiday periods — for projects located in less-developed regions, to encourage balanced economic development across the country.

## What conditions are attached?

Incentives are typically conditional on minimum investment levels, job creation targets, and commencing commercial operation within a specified timeframe after registration.

## Can profits and dividends be repatriated?

Bangladesh law permits foreign investors to repatriate profits, dividends, and capital gains. Post-tax dividends on direct investment do not require prior Bangladesh Bank approval.

# Strategic Investment Outlook

1

## Policy Momentum

Renewable Energy Policy 2025 reinforces and extends the manufacturing incentive framework – policy direction is stable and long-term oriented

2

## Market Gap

Current domestic solar manufacturing capacity (~500–700 MW/yr) falls short of the ~760 MW/yr deployment needed to meet 2030 targets – structural demand for new production capacity is clear

3

## First-Mover Advantage

Incentive windows have defined end dates (e.g., 30 June 2028–2030). Investors who establish production now capture the full benefit duration and early-market positioning

📄 A thorough feasibility study and a detailed business plan are essential tools for translating this policy opportunity into an industrial reality. Engaging an experienced European turnkey provider with proven emerging-market factory experience reduces execution risk significantly. (Source: PVKnowHow / J.v.G. Technology GmbH)

# Key Project Data

## Solar

Scale

Solar module manufacturing facility — automated PV production line

## 10yr

Tax Holiday

Up to 10-year corporate income tax exemption for qualifying solar manufacturing projects

## 100%


Import Duty

Up to 100% exemption on capital machinery, equipment, and spare parts for solar manufacturing

## 80%

Accelerated Depreciation

Up to 80% of asset value deductible in year 1 (for qualifying locations)

 **Scale:** Solar module manufacturing facility · **Incentives:** Tax holidays + import duty exemptions · **Line type:** Automated solar module production · **Ramp-up:** Policy-driven industrial development · **Region:** Bangladesh · **Source:** PVKnowHow / J.v.G. Technology GmbH

# Final Conclusion

## Government Is an Active Partner

The incentive framework is codified in national regulation — not policy preference. Tax holidays, duty exemptions, and accelerated depreciation are legally available and structured for industrial deployment.

## Structural Demand Is Real

Bangladesh's 2030 renewable targets create a calculable, non-speculative demand for solar module production capacity. The supply gap is documented and policy-supported.

## Time-Sensitive Windows

Key incentive deadlines (2028–2030) mean early-movers capture the maximum benefit duration. Investors who act now secure both financial incentives and first-mover market positioning.

*Source: PVKnowHow / J.v.G. Technology GmbH · [www.pvknowhow.com](http://www.pvknowhow.com) · [www.jvg-thoma.com](http://www.jvg-thoma.com)*



# About the Content Partner

## **J. v. G. technology GmbH** – The DESERT Company

Founded in 1997 in Bavaria, Germany. Family-owned engineering company specializing in turnkey solar module production lines.

More than 90 factory projects delivered worldwide.

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### **Key areas:**

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