



# THE LEGAL CIRCLE

High Tower (9<sup>th</sup> Floor), 9 Mohakhali C/A, Dhaka-1212, Bangladesh

## **FAQ on Workers' Funds in Bangladesh**

### **1. What are the different types of workers' funds in Bangladesh?**

Bangladesh law recognizes provident fund, pension/ gratuity fund, workers participation fund and workers welfare fund in the private sector.

### **2. Which is the mandatory fund?**

- i. It is mandatory for an establishment to have provident fund if at least three-fourths of the total number of employees therein demand by an application in writing to the employer.
- ii. It is mandatory for an establishment to also set up/ contribute to workers' participatory fund, welfare fund and workers' welfare foundation fund if its paid-up capital is or crosses Tk. 10,000,000 (Taka One Crore) or its permanent assets is or crosses Tk. 20,000,000 (Taka Two Crore) in an accounting year

### **3. What are the mandatory workers' funds in establishments operating in EPZs?**

Employment of the workers working in any Export Processing Zone of Bangladesh is regulated by the EPZ Labour Act. According to the Act, Provident Fund and Employer-buyer-worker Participatory Fund are mandatory.

### **4. Status of pension funds in the private sector of Bangladesh.**

In the private sector, there is no specific law and regulation regarding pension funds.



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## 5. What is the calculation of each type of the fund?

<b>Fund Name</b>	<b>Calculation</b>
Pension Fund	In the private sector, there is no specific law and regulation regarding pension funds.
Provident Fund	A permanent worker who has completed 1 (one) year of service in an establishment, where the provident fund is constituted and the employee is subscribed to the provident fund, shall in every month contribute to, unless otherwise agreed upon, 7%-8% of his/her basic wage and the employer shall contribute to it an equal amount.
Gratuity Fund	An employee will be entitled to gratuity payment at the rate of at least 30 (thirty) days of recent wages, for every completed year of his/her service or for a period of his/her service exceeding 06(six) months, and in the case of his/her service of more than 10 (ten) years, at the rate of 45 (forty-five) days of recent wages. The gratuity payment is payable on the termination of the employment.
Participation Fund, the Welfare Fund (Funds) and Workers Welfare Foundation Fund.	An establishment shall pay, within 9 (nine) months of the close of every year, five percent (5%) of the net profit of the previous year at the proportion of 80:10:10 respectively to the participatory fund, welfare fund and worker's welfare foundation fund.



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## 6. Do the funds enjoy tax benefits?

<b>Fund Name</b>	<b>Tax Benefit Status</b>
Pension Fund	Income derived from investments or deposits of an approved pension fund and any capital gains arising from the transfer of capital assets of such a fund shall be exempt from payment of tax.
Provident Fund	An employee shall not be liable to pay tax on contribution to his/her individual account in a recognized provident fund, in so far as the aggregate of such contributions in any year does not exceed one-third of his/ her wages.
Gratuity Fund	Income derived from investments or deposits of an approved gratuity fund and any capital gains arising from the transfer of capital assets of such a fund shall be exempt from payment of tax.
Participation Fund and the Welfare Fund (Funds)	Income of the Funds including their capital gains and the sums paid out of the Funds to the workers are exempted from income tax.