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CHARTERED ACCOUNTANTS

Renewable Energy: Solar Tax, VAT & Customs Exemption & Licensing Regulations

Presented by

Hadee Lutful & Co.
Chartered Accountants

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SRO 400-Aain/Aikor-54/2024 dated 26 November 2024

Exemption from Income Tax

Effective Date of SRO:

- 01 July 2025

Applicable to:

- Renewable energy projects or power plants of **any person or company** and
- Commercial production of **such projects or plants** commences **from 01 July 2025 to 30 June 2030**

Exemption Period

- **15 Years** from commencement of commercial production

Exemption Rates

- Presented on a separate slide

Conditions:

- Must comply with all the provisions of the **ITA, 2023**
- **NOC** for every renewable energy-based project or power plant from the **Power Division** of the Ministry of Power, Energy and Mineral Resources.

Exemption Rates:

Period of Exemption	% of Exemption
• 1st 10 Years from commercial production	**100%**
• Next 3 Years	**50%**
• Next 2 Years	**25%**

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SRO 137-Aain/2024/243-Mushak dated 27 May 2024

Exemption from VAT

VAT Exemption

Table - 2 (Import & Manufacturing Stage)

Heading No.	H.S. Code	Description
85.41	8541.42.00	Photovoltaic cells not assembled in modules or made up into panels
	8541.43.00	Photovoltaic cells assembled in modules or made up into panels

Table - 3 (Manufacturing Stage)

Heading No.	H.S. Code	Description
27.16	2716.00.00	Electricity
85.07	Related HS Code	Solar Battery (Up to 60 ampere) [in the case of battery purchases by IDCOL-registered solar panel manufacturing companies and partner organizations of IDCOL]

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SRO 146-Aain/2022/94/Customs dated 01 June 2022
&
SRO 151-Aain/2021/148-Mushak dated 03 June 2021

Exemption from Customs Duty, VAT, SD & AT on Import of Machinery, Spare Parts, and Inputs for the Solar Panel Manufacturing Plants

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Exemption for Machinery, Spare Parts, and Inputs used in Manufacturing Solar Panels

Heading No.	HS Code	Description
32.14	3214.10.00	RTV Seelant
38.10	3810.90.10	Soldering flux
39.20	3920.10.90	Ethylene Vinyl acelate (EVA)
	3920.10.90	Black EVA
	3920.62.90	Bus Insulator
39.21	3921.19.90	Plastic sheet for solar module back side and/or front side
39.26	3926.90.99	Junction box
	3926.90.99	Tedlar
70.07	7007.19.00	Glass cover of Solar Panel of different size and thickness required for manufacturing Solar Panel
70.20	7020.00.90	Glass Washers (Glass Cover of Solar Cell Module)
76.10	7610.90.90	Aluminum frame for solar module

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Exemption for Machinery, Spare Parts, and Inputs used in Manufacturing Solar Panels

Heading No.	HS Code	Description
84.22	8422.40.00	Laminating Machine for Inter-connected Solar Cell Lamination
84.28	8428.90.00	Vacuum pick-up machine
84.84	8484.90.00	Edge gasket
84.68	8468.80.00	Solar Cell Stringer
85.41	8541.42.00	Photovoltaic cells not assembled in modules or made up into panels
	8541.43.00	Photovoltaic cells assembled in modules or made up into panels
85.44	8544.49.00	Inter Connect Ribbon For Inter-connecting Solar Cells
90.30	9030.33.00	Sun Simulator
	9030.39.00	
	9030.89.00	
	9030.89.00	Module testing machine
	9031.80.00	

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RENEWABLE ENERGY POLICY OF BANGLADESH

Power Division
18 December 2008

RENEWABLE ENERGY POLICY OF BANGLADESH

Power Division, 18 December 2008

Clause 6.1 (License from BERC)

Power generation license from BERC by renewable energy project(s) with capacity of **5 MW or more** for selling electricity from plants.

Clause 6.3 (Tariff approval by BERC)

BERC shall approve the energy tariff in consultation with Power Division if the capacity of renewable energy project(s) is **5 MW or more**.

Clause 4.4 (Capacity less than 5 MW)

Electricity generated from renewable energy projects with a capacity of **less than 5 MW** may be purchased by power utilities or any consumer through mutual agreement.

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PRIVATE SECTOR POWER GENERATION POLICY OF BANGLADESH 1996 (Revised 2004)

MPEMR

PRIVATE SECTOR POWER GENERATION POLICY OF BANGLADESH 1996 (Revised 2004)
MPEMR

Clause 3.2

Independent Power Producers' **(IPP) projects** will be implemented on Build-own-operate **(BOO) basis**.

Clause 4.1

The **power produced by the IPP shall be purchased under Power Purchase Agreement by BPDB/DESA/REB** or any other transmission or distribution company which may be established in future, or any large consumer.

Clause 4.5

The power will be **purchased from the IPP** at a specified voltage at the outgoing terminal (interconnection point) of the sub-station of the power plant. The **transmission line for interconnection with the national grid** will be provided by the appropriate agency.

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THE BANGLADESH ENERGY REGULATORY COMMISSION ACT, 2003

THE BANGLADESH ENERGY REGULATORY COMMISSION ACT, 2003

Section 27: Licence

No person shall engage himself in the following business **unless he is empowered by a licence or exempted from having it** under this Act or any other Act, such as:-

- power generation;
- energy transmission;
- energy distribution and marketing;
- energy supply; and
- energy storage.

Section 29: Exemption from the requirement of licence

- BERC may, make regulations for giving **exemption from the requirement of licence** subject to the fulfillment of the specified conditions.
- Person exempted by BERC shall have to **observe those conditions** which a licencee shall have to observe under the licence, or this Act, or the regulation.

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Guidelines for the Implementation of Solar Power Development Program 2013

Power Division

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Guidelines for the Implementation of Solar Power Development Program 2013
Power Division

Type	Clause	License
Solar Park	2.8	• **No license upto 5 MW**, but **waiver certificate/license** from BERC. • License issued for **20 years** with a condition requiring annual renewal.
Solar Mini-grid	3.8	• **No license upto 5 MW**, but **waiver certificate** from BERC. • **Exemption** from obtaining waiver certificate/license **upto 250KW**, but must inform BERC. • License issued for **20 years** with a condition requiring annual renewal.

Guidelines for the Implementation of Solar Power Development Program 2013
Power Division

Type	Clause	License
Rooftop Solar System	4.2.6	• Since the rooftop solar system **not installed for business purposes** by the building owner or user, **no need to obtain a license from BERC**. • **Inform the relevant electricity distribution authority** and **obtain approval of the design** for the connection of electricity **to the inter-grid or external grid**. • **Submit a certificate** to the relevant electricity distribution authority stating that the installed project or any of its components **will not cause any environmental damage**.

Guidelines for the Implementation of Solar Power Development Program 2013
Power Division

Type	Clause	License
Rooftop Solar System under IPP model on the Basis of BOO	4.3.10	• **No license from BERC for 5MW** Rooftop solar system established **under IPP model on the basis of BOO** with private investment. • **No waiver certificate** from BERC for capacity of **250 MW (KW) or less**.
Solar Irrigation Pump	5.5	• **No license from BERC** for Solar irrigation pump. • For Solar irrigation projects **under IDCOL**, policy of IDCOL to be followed. • **Submit a certificate** to the effect that the installed project or any of its components **will not cause any environmental damage**.

Type	Clause	License
Social-type solar projects	6.5	• **No license from BERC** for Social-type solar projects. • Social-type solar projects will be implemented entirely on a social basis and **will not be operated for commercial purposes in any manner**.

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500 MW SOLAR PROGRAMME 2012-2016

Power Division

6.1.5. Installation of Roof Top Solar Solutions at Industries:

Implementation Arrangement

Solar roof top system **following IPP model on BOO basis** can be **developed in government and semi government buildings**. Any individual or ESCOs may develop these projects. SREDA will extend their assistance to identify and design the project and select the investor. Project Company will identify through competitive bidding process. Capacity of each system will not be less than 10 watt pick. Energy Service Companies (**ESCOs) will procure license from BERC before starting business**. Electricity generated from these systems may use by building owner for own consumption or may sale to the respective distribution companies. In case of selling electricity to the distribution companies prior consents need to be taken by the ESCOs from distribution companies. **Tariff for these stations will be determined by the BERC** considering the tariff estimation made and forwarded by SREDA.

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DRAFT NATIONAL SOLAR ENERGY ROADMAP 2021 – 2041

Recommended Actions for 2021-2030

4. Action: Expand the policy implementation scope for incentivizing distributed generation

Rationale: The potential of distributed generation should be tapped properly. The small-scale yet numerous interested power producers should be sufficiently incentivized by formulating favorable policies.

Details: GOB has already **launched the net metering guidelines and incorporated an OPEX model** in the first revision. Payment security of the OPEX investor is mentioned in it, but it can be made more effective in terms of the regulatory bindings. NEM OPEX investors, i.e., **any RE generating plants licensing waiver ceiling capacity may be increased up to 10 MW**. Also, central electronic application procedure, processing, permission, and contract signing, etc. can be introduced for all the electricity distribution utilities. Billing software of each distribution utility can be developed accordingly and be connected with an automated meter reading facility. Financial models can be made more investor friendly. These actions can make the program more stakeholder-friendly and can yield better results.

Section 7.6 Solar-powered Telecom Towers

In Bangladesh, telecom towers are present in both off-grid and on-grid areas. **In off-grid areas, especially char land, islands and hilly areas, telecom towers are completely dependent on solar energy**. **In on-grid areas, telecom towers are commercial category consumers**. They are eligible to get the net metering facilities, as with rooftop solar systems.

Section 3.5 Net Energy Metering for Rooftop Solar PV Systems

The Net Metering Guidelines-2018 has been launched by the GOB on 28 July 2018 with an aim to motivate consumers to install **solar PV systems on ro**oftops, integrate with the main grid and thus become active prosumers. Public utilities have been mandated with capacity limits to installation under this scheme. As private organizations and industries are **increasingly showing interest to invest in solar rooftop under net metering scheme**, the programme has started to gain momentum recently.

National Policy Landscape

- The Electricity Act, 2018;
- The Bangladesh Energy Regulatory Commission Act, 2003;
- The Sustainable and Renewable Energy Development Authority Act, 2012;
- The Bangladesh Energy and Power Research Council Act, 2015;
- The Private Sector Power Generation Policy of Bangladesh 1996;
- The Bangladesh Renewable Energy Policy 2008;
- The Policy Guideline for Enhancement of Private Participation 2008;
- The Policy Guideline for Power Purchase from Captive Power Plant 2007;
- The Policy Guideline for Small Power Plant (SPP) in Private Sector 2008;

National Policy Landscape

- The Guidelines for the Implementation of Solar Power Development Program 2013;
- Nationally Determined Contribution of Bangladesh 2015;
- Energy Efficiency and Conservation Master Plan up to 2030 (2015);
- Power System Master Plan 2016;
- The Net Metering Guidelines 2018;
- The Bangladesh Environment Conservation Act, 1995
- Bangladesh Delta Plan 2100 (2018);
- Perspective Plan of Bangladesh 2021–2041 (2020); and
- Draft Eight Five Year Plan FY 2021 – FY 2025.

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Thank You

Contact Information

For further information, please contact:

Lutful Hadee

LLB LLM MCom FCA

Proprietor & CEO

M +880 1711500142
E hadee@hadeelutful.com

Md. Raisul Islam

LL.B MAT(DU) ITP

Director

M +880 1913997273
E raisul@hadeelutful.com