Report On

Tax Incentives and Transfer Pricing Regulations as Determinants of Foreign Direct Investment: A Comparative Study of Bangladesh, India, and Indonesia

Submitted By:

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22104075

An internship report proposal submitted to the BRAC Business School in partial fulfillment of the requirements for the degree of Bachelor of Business Administration

BRAC Business School

BRAC University

June 10, 2026

DECLARATION

It is hereby declared that,

I. The internship report submitted is my own original work while completing my undergraduate study at BRAC University.

II. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.

III. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.

IV. I have acknowledged all main sources of help.

Student's Full Name & Signature:

Moumita Debnath Nidhi

22104075

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Supervisor's Full Name & Signature:

Mohammad Mujibul Haque, PhD

Professor and Dean

BRAC Business School, BRAC University

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LETTER OF TRANSMITTAL

Mohammad Mujibul Haque, PhD
Professor and Dean
BRAC Business School
BRAC University
Kha 224, Bir Uttam Rafiqul Islam Ave, Dhaka 1212

Subject: Tax Incentives and Transfer Pricing Regulations as Determinants of Foreign Direct Investment: A Comparative Study of Bangladesh, India, and Indonesia

Dear Sir,

It is my honor to present the internship report entitled as "Tax Incentives and Transfer Pricing Regulations as Determinants of Foreign Direct Investment: A Comparative Study of Bangladesh, India, and Indonesia," in accordance with your directive.

In this report, I have made my best to present pertinent data, rational analysis and reasonable recommendations in a manner that would be concise and exhaustive. I do feel that the report is up to the mark in both academics and professional standards.

Sincerely yours,
Moumita Debnath Nidhi
22104075
BRAC Business School
BRAC University
June 10, 2026

NON-DISCLOSURE AGREEMENT

This contract is deliberated and signed by Chevron Bangladesh, and the undersigned student of BRAC University.

Moumita Debnath Nidhi

22104075

ACKNOWLEDGEMENT

I want to take this time to sincerely appreciate Chevron Bangladesh for offering me the opportunity to have my internship with them. This experience not only allowed me to apply what I studied in class in a real workplace but also taught me numerous new skills and concepts.

I am so grateful to my industry supervisor, Syed Ryan Musa, ACA, the Accounts Payable and Tax Team Supervisor at Chevron Bangladesh, who has always guided and supported me. He made me learn about the tax incentive systems of Bangladesh, India, and Indonesia, which was very significant in my education. I would also like to thank Mr Asif Reza Akash, CMA, Team Lead of the Tax team at Chevron Bangladesh. I learnt the basics of taxation from him, including withholding tax, advance income tax, corporate tax, transfer pricing regulation, and tax incentives. He always encouraged me and gave me valuable lessons from his life, which made my experience even better. I would like to express my appreciation to the Team Lead of the Accounts Payable team at Chevron Bangladesh, Mrs Sumayea Mahmuda, who gave me a lot of advice, guidance and support throughout my internship period. The support and guidance she provided enabled me to develop professionally and personally.

I am grateful to all the members of the Business Performance and Finance team and other departments of Chevron Bangladesh. They were very welcoming and helpful, and they treated me as part of the team, not just an intern.

Moreover, I would like to express my sincere gratitude to my academic supervisor, Mr Mohammad Mujibul Haque, PhD, Professor and Dean at BRAC Business School. He assisted me in choosing the right topic for this report and in motivating me to give my best.

Lastly, I am very thankful for the support and encouragement of my family. Their presence strengthened and comforted me, helping me to overcome all obstacles and difficulties and complete this journey with confidence.

EXECUTIVE SUMMARY

This report is based on my internship experience at Chevron Bangladesh. It demonstrates to a student how an internship facilitates the process of bridging the gap between classroom learning and the workplace. It aids in developing hands-on abilities and preparing for future employment.

Chapter One gives an overview of my internship. It contains student information, company information, supervisor information, and the scope of the job in the workplace. It also clarifies my duties and responsibilities in the office, for instance, what I helped them with, what I learned, what the issues I came across are, and a few recommendations that I made for improvement.

Chapter Two is an organizational study of Chevron Corporation and Chevron Bangladesh. It examines the company's management of people, marketing, operations, information systems, finances, and accounting. It also analyzes the industry with Porter's Five Forces and Chevron Bangladesh using the SWOT framework.

Chapter Three is the main research project. The name of this chapter is "Tax Incentives and Transfer Pricing Regulations as Determinants of Foreign Direct Investment: A Comparative Study of Bangladesh, India, and Indonesia." In this chapter, it is demonstrated that tax incentives and transfer pricing rules are important determinants of the investment location of multinationals. The conclusions are that countries achieve the greatest benefits with clear, well-targeted, and regularly reviewed tax incentives and when transfer pricing rules are transparent, practical, and well understood by all.

Overall, my internship experience at Chevron Bangladesh was great. I got real professional exposure, learned a lot about the industry, and saw how academic knowledge actually works in a real company.

Keyword: Tax Incentives, Transfer Pricing Regulations, Foreign Direct Investment, Porter's Five Forces, and SWOT analysis.

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LIST OF ACRONYMS

Abbreviation	Definition
AI	Artificial Intelligence
AIT	Advance Income Tax
ANN	Annual
APA	Advance Pricing Agreement
BEPZA	Bangladesh Export Processing Zones Authority
BEZA	Bangladesh Economic Zones Authority
BCF	Billion Cubic Feet
BKPM	Badan Koordinasi Penanaman Modal
BL	Bill of Lading
BP	British Petroleum
BEPS	Base Erosion and Profit Shifting
BIDA	Bangladesh Investment Development Authority
CEO	Chief Executive Officer
C&F Agent	Clearing and Forwarding Agent
CGST	Central Goods and Services Tax
COD	Cash on Delivery
CUP	Comparable Uncontrolled Price
CV	Curriculum Vitae
DGT	Directorate General of Taxes
EPF	Employees' Provident Fund
EPZ	Export Processing Zone
EPS	Earnings Per Share
ERP	Enterprise Resource Planning
EV	Electric Vehicle
EZ	Economic Zone
FDI	Foreign Direct Investment
FOB	Free On Board

GAAR	General Anti-Avoidance Rules
GDP	Gross Domestic Product
GST	Goods and Services Tax
HR	Human Resource
IFSC	International Financial Services Centre
IGST	Integrated Goods and Services Tax
IKN	Ibu Kota Nusantara
IMF	International Monetary Fund
INvIT	Infrastructure Investment Trusts
IPS	Industrial Promotion Subsidy
IT	Information Technology
ITES	Information Technology Enabled Services
ICT	Information and Communication Technology
JSTOR	Journal Storage
JV	Joint Venture
KAPET	Kawasan Pengembangan Ekonomi Terpadu
LNG	Liquefied Natural Gas
MAP	Mutual Agreement Procedure
MAT	Minimum Alternate Tax
MNC	Multinational Corporation
MRQ	Most Recent Quarter
MSE	Medium and Small Enterprise
MSME	Micro, Small and Medium Enterprise
NBR	National Board of Revenue
NYSE	New York Stock Exchange
OE	Operational Excellence
OECD	Organisation for Economic Co-operation and Development
OLS	Ordinary Least Squares
OEMS	Operational Excellence Management System
P/E	Price-to-Earnings ratio

PLI	Production-linked Incentive
PPP	Public-Private Partnership
PSC	Production Sharing Contract
PSI	Package Scheme of Incentives
R&D	Research and Development
REIT	Real Estate Investment Trusts
ROA	Return on Assets
ROE	Return on Equity
SSRN	Social Science Research Network
SRO	Statutory Regulatory Order
SEZ	Special Economic Zone
SGST	State Goods and Services Tax
TNMM	Transactional Net Margin Method
TCF	Trillion Cubic Feet
TTM	Trailing Twelve Months
UNCTAD	United Nations Conference on Trade and Development
UP	Uttar Pradesh
VAT	Value Added Tax

Chapter 1: Overview of Internship

1.1 STUDENT INFORMATION

Name: Moumita Debnath Nidhi
ID: 22104075
Program: Bachelor of Business Administration
Major: Finance

1.2 INTERNSHIP INFORMATION

1.2.1 Company Information

Period: February 16, 2026 - June 14, 2026
Company Name: Chevron Bangladesh
Department: Business Performance & Finance
Address: Gulshan Centre Point, Dhaka 1212

1.2.2 Internship Company Supervisor's Information

Name: Syed Ryan Musa
Position: Supervisor, Accounts Payable & Tax Team

1.2.3 Job Scope

1.2.3.1 Job Description

I was in the Business Performance and Finance department as an intern. To be more precise, I worked in Financial Accounting Services, the team, which takes care of accounts payable and tax. I was primarily engaged in assisting the team in daily work, which was associated with indirect tax, advance income tax (AIT), and financial reconciliations. This implied that I needed to deal with original documents such as invoices, payment challans, bank statements, and tax returns. I then compiled all the data contained in these documents into Excel schedules and other support documents. These records could then be used by the company to report, audit and comply with the statutory requirement. I had to be very attentive to details in the work. I needed to know a few simple tax regulations as well. I needed to always liaise with internal employees and refer to outside papers to ensure that all was correct, comprehensive, and systematic.

1.2.3.2 Duties & Responsibilities

- Assist the tax and finance department in the processing, organisation, and reconciliation of high amounts of financial and tax data with a high level of accuracy.
- Calculate and use appropriate VAT/tax rates to charge invoice line items according to the product properties (perishable or processed) and tax regulations.
- Prepare AIT schedules in Excel by listing data on various challan forms, such as challenge numbers, regular AIT amounts, custom AIT amounts and other block-specific references in Chevron Bangladesh.
- Bundle AIT data on invoices issued by different C&F agents, capturing important information (agent name, BL number, customs references, AIT amounts), comparing it with assessment notices, and creating reconciled schedules.
- To make sure that tax payments recorded are valid and have been appropriately recognized, retrieve and confirm the existence of challan forms through the intermediation of online government systems of tracking challenged forms.
- Reconcile significant items in the financial statement, including cash and cash equivalents and accounts receivable, and identify and correct discrepancies in records.
- Retrieve and store important information on the income tax return certificates of expatriate workers (filing dates, serial numbers, circle/zone/unit) to facilitate the tracking of compliance.
- Check and reconcile AIT deduction records of large vendors by comparing vendor summaries with internal tax deposit files, and preparing supporting documents as evidence of tax payments they made on their behalf.

- Prepare and maintain excel schedules to track yearly payments of taxes on vehicles in various functional blocks, and ensure that all the amount of taxes paid and the breakdowns are properly reported.

1.3 INTERNSHIP OUTCOME

1.3.1 Student's Contribution to the Company

Throughout my internship, I served the Business Performance and Finance department and the Financial Accounting Services section, which deals with accounts payable and tax. I was primarily involved in providing the correct assistance in daily tax and accounts payable tasks. These involved preparation and verification of AIT and customs AIT schedules, verification of VAT/tax rates on invoices, arrangement of data on challans and bank statements, maintenance of Excel tracking files and assembly of documents to comply with taxation requirements of vendors and expatriates.

1.3.2 Benefits to the Student

My internship was highly educational on the practical tax work within a large multinational company especially in VAT, AIT and withholding tax. I developed a lot of skills in using Excel, completing reconciliations, working with documents, and paying attention to details. At a personal level, having a highly qualified and supportive team to work with in Chevron Bangladesh enabled me to grow more confident, disciplined and responsible. The interns were made to feel that they were full members of the team and we were given great mentor and life advice.

1.3.3 Difficulties Faced During the Internship Period

I did not experience any significant issues since the work was discussed properly and internal organization was quite well-structured. Strict data-access rules were the only real challenge.

Permanent staff could access some of the confidential documents and systems. This curtailed my view and even complicated to perceive the overall picture behind some tasks.

1.3.4 Recommendation

Overall, the operations at Chevron Bangladesh appeared to be highly effective and under control thus I do not feel like offering any advice. The only suggestion I can make is a little access, under supervision, to non-critical internal data by interns. Or at least give more high-level process maps and overviews. This would not jeopardize data security but would assist interns to learn how various departments, sub-teams and workflows are integrated in the bigger business. Then, the learning process would be even improved.

Chapter 2: Organization Part

2.1 INTRODUCTION

This chapter presents a detailed organizational study of Chevron Corporation and Chevron Bangladesh. All the information here comes from two sources: my own observations during my internship, which lasted about four months from February 16, 2026, to June 15, 2026, and information that is publicly available.

This chapter discusses the management practices, marketing practices, accounting practices, and information system practices of Chevron Bangladesh. It further examines the marketing practices, operations management system, and financial outlook of Chevron Corporation over the period 2021-2025. Additionally, the paper discusses the competitiveness of the oil and gas industry based on Porter's Five Forces and the competitive advantage of Chevron Bangladesh based on the SWOT framework. Finally, the study will provide a terse knowledge of how the company operates and its role in the larger energy market.

2.1.1 Objective of the Study

The objective of this chapter is to provide an in-depth analysis of Chevron Corporation and Chevron Bangladesh, highlight the strengths and weaknesses of the company, and recommend a few points for improvement.

2.1.2 Methodology

This chapter has used both qualitative and quantitative methodologies for discussion and analysis. Primary data were gathered by direct interactions and discussions with the employees of Chevron Bangladesh, especially on management practices, marketing practices, accounting practices, and information systems practices.

Secondary data were collected from the annual reports of Chevron Corporation, its official website, and online articles. The financial performance, marketing practices, operations management, industry, and company analysis were conducted using secondary data sources.

2.1.3 Scope of the Study

This chapter centers on Chevron Bangladesh and its parent company Chevron Corporation in the following areas: management practices, marketing practices, financial performance accounting practices, and operations management and information systems. It provides an insight into the oil and gas industry: what is the current market condition and what are the potential threats, how much is the bargaining power of the buyers and suppliers, and what are the future prospects of this industry? Lastly, it provides an understanding of Chevron Bangladesh's operations, business plan, opportunities, and overall strengths and weaknesses.

2.1.4 Significance of the Study

This chapter enhanced my understanding of Chevron Corporation and Chevron Bangladesh. It provided a better picture of the company's financial health, accounting practices, management and marketing operations, operations management, and information system practices. It also helped me to sharpen my research ability while conducting industry analysis using Porter's Five Forces and company analysis using the SWOT model. Finally, it pushed me to utilize my analytical skill to assess the company and make strategic recommendations for it.

2.1.5 Limitations of the Study

Due to strict confidentiality and compliance policies of Chevron Corporation, access to detailed internal data was limited. Chevron Bangladesh's operations management and financial health could not be discussed; however, Chevron Corporation's were. Additionally, as Chevron Bangladesh is not publicly listed, its financial data is not publicly available. Therefore, financial analysis was conducted using Chevron Corporation's data instead.

2.2 OVERVIEW OF THE COMPANY

Chevron Corporation is the world's third biggest energy company by market capitalization. It explores, produces, and sells oil and natural gas. The company is based in California, USA, and operates in over 180 countries. Chevron also makes fuels, lubricants, and is slowly moving into renewable energy. Chevron Bangladesh is a subsidiary of the larger Chevron Corporation. Now it is headed by Eric M. Walker, an experienced and accomplished leader who has extensive technical knowledge and experience in running operations. Chevron Bangladesh has been a major contributor to the natural gas supply in Bangladesh. The fields that it operates yield 61 percent of the domestic gas in the country (T. Report, 2020). Chevron Bangladesh has remained in the limelight in recent times by participating in top-level negotiations with the government leaders. The purpose of these discussions is to enhance long-term energy cooperation and make sure that investment is maintained. Other than this, the company continues to conduct social activities, such as community health, education, and other development programs (Chevron Policy, Government and Public Affairs, n.d.). This indicates that Chevron Bangladesh is not merely involved in the production of gas and oil but is also engaged in the wider development.

Figure 1

Chevron Bangladesh's partnership project "Integrated Support for Children with Disabilities" with Save the Children

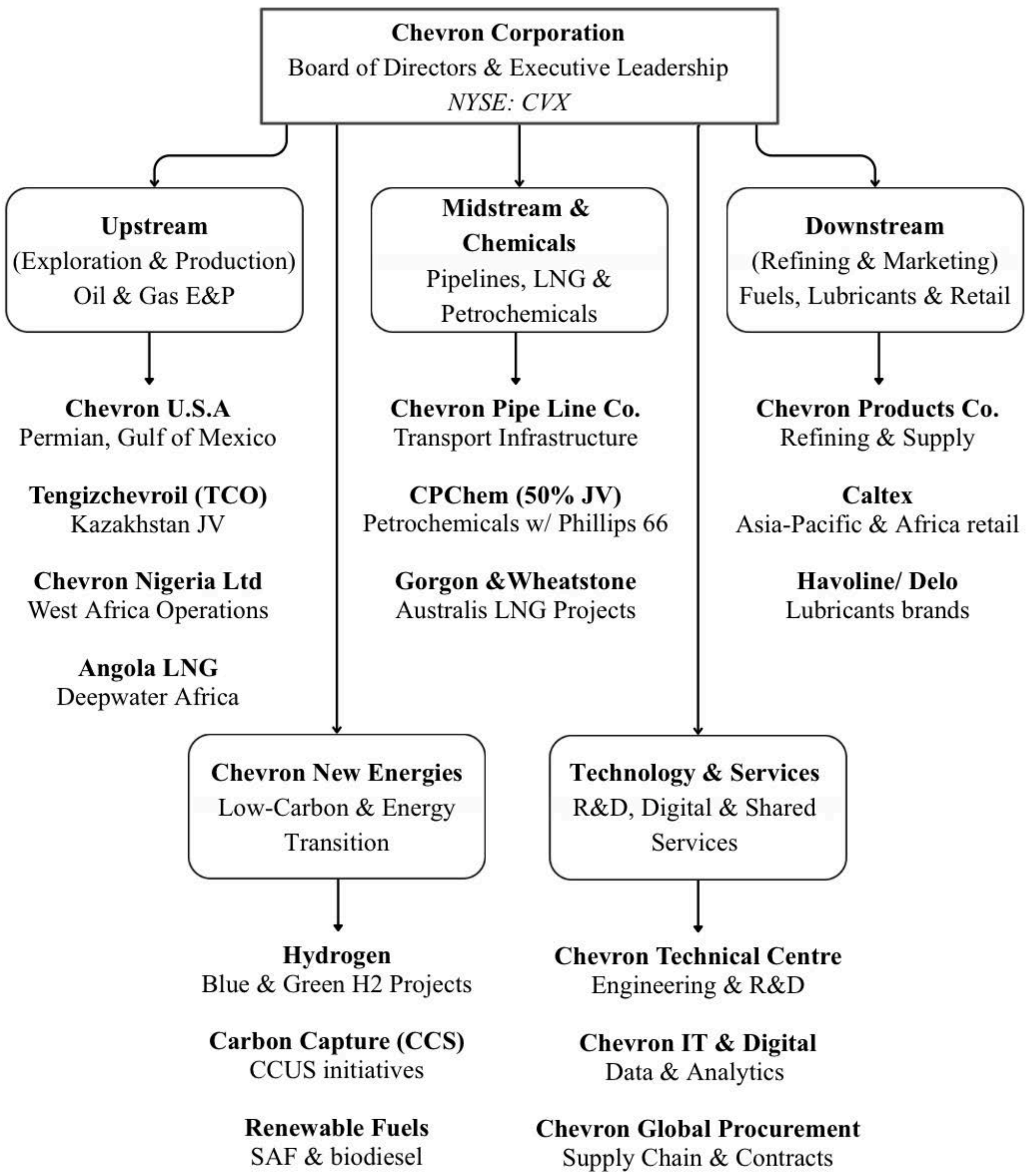
Note. The picture is collected from Chevron Corporation's official website.

2.3 MANAGEMENT PRACTICES

2.3.1 Company Organogram

Figure 2

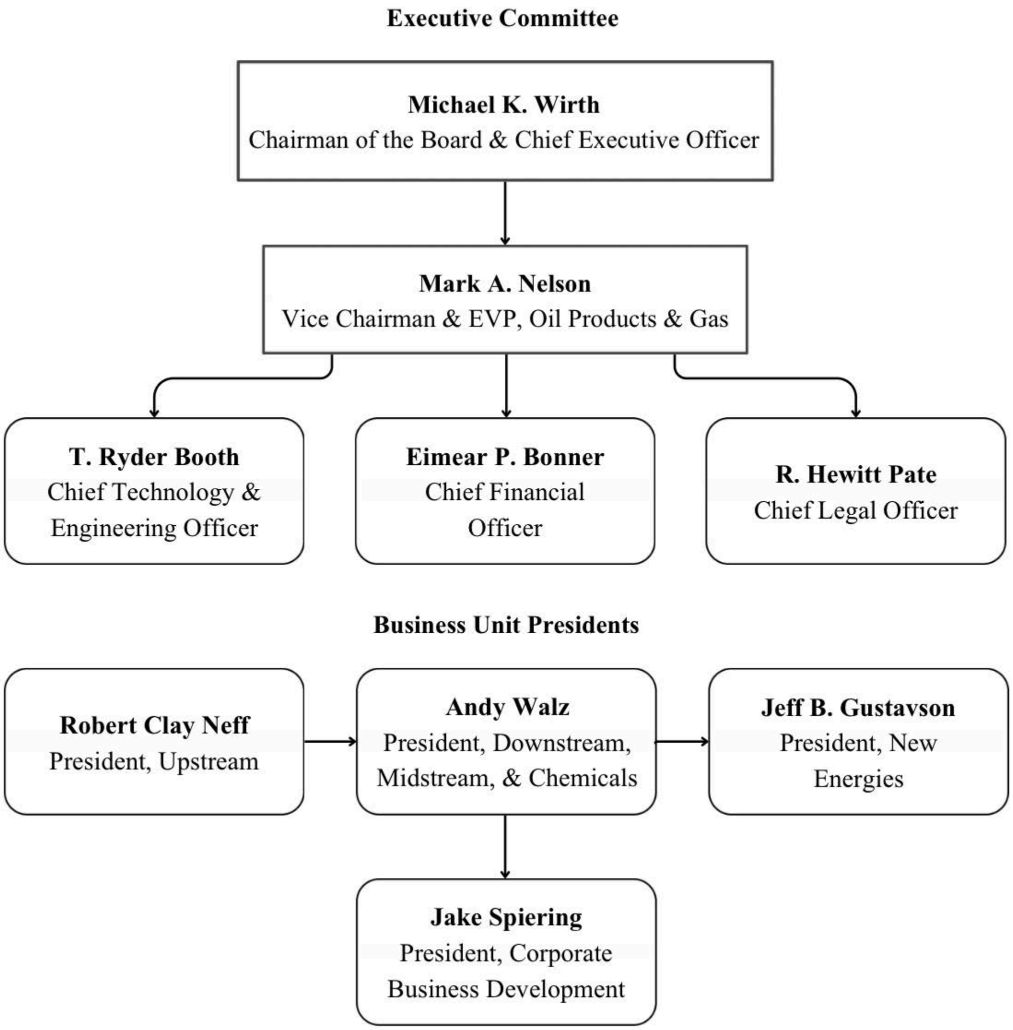
Chevron Corporation's Business Organogram



Note. Information is collected from Chevron Corporation's official website. Chevron operates in over 180 countries, but only the major business divisions and key subsidiaries are shown.

Figure 3

Chevron Corporation's Leadership Organogram



Note. Information is collected from Chevron Corporation's official website.

2.3.2 Leadership Style

The leadership style at Chevron Bangladesh cannot be referred to as one such as autocratic or democratic. Rather, it can best be defined as a participative and flexible style that varies according to the personal style of the leader. It certainly has a strict hierarchy with the CEO on top, and various departments such as HR, Legal, Finance, Operations and others below. The real working culture is however highly open and dialogue based. The departments have their leaders and, therefore, management styles differ based on the thoughts and values of the leader of the department. On the whole, the company promotes involvement. Any employee at any level can raise any issue of concern without fear and they are listened to appropriately.

This however alters within plant environments. Within plants, leadership tends to become predominantly autocratic. This has not been caused by poor management but due to the fact that oil and gas jobs are very risky. This industry is more prone to accidents. It is compulsory that rules are followed in high-risk situations. As an illustration, a new engineer with little experience will have to follow the instructions of the supervisor. Guess, arguing, and suggestion are all out of the question. In such environments, autocracy is not only acceptable, but it is required.

2.3.3 Human Resource Planning

I. Recruitment & Selection Process: Currently, Chevron Bangladesh is not recruiting a large number of individuals. The reason is that only a small number of employees turnover and there is not a lot of demand to recruit new employees. However, they advertise job openings on BD Jobs and LinkedIn when necessary. Internship recruitment occurs more frequently, between four-six times a year, based on the needs of the departments. Three steps are involved in the selection; the shortlisting of CVs; the second step is a written test and the third step is an interview. Multiple interview rounds are sometimes used, but most often only one. Those who pass are then subjected to rigorous medical examinations and security clearance. In case a candidate fails the medical test, he may still be hired to work in offices where he does not necessarily have to go to the gas plant. However, in the case of plant-based positions, medical clearance is unsuccessful and they cannot get the job. It is not until all this that they become officially joined. Coming to another point, in the case of plant-based jobs, the test can be conducted at Sylhet in cases where there are a lot of candidates within the particular area.

II. Compensation System: Salaries are fixed according to education, experience and role of job. These are approximately 17,000 BDT to over 90,000 BDT and additional benefits.

III. Training & Development Initiatives: All employees at Chevron Bangladesh including interns go through a number of training programs. The sessions are all about compliance, ethics, IT, cybersecurity, human rights, confidentiality, productivity, communication, change management, bias awareness, feedback skills, stress management, storytelling, and so forth.

IV. Performance Appraisal System: Chevron Bangladesh has a goal based system to review employees. Each employee is required to have at least four annual objectives. One of them has to be regarding the "Operational Excellence" (OE) objective. The rationale behind this objective is two fundamental principles: Do it safely or not at all, and There is always time to do it right. The OE goal is guided by ten tenets. In case an individual does an outstanding job and achieves all his or her annual targets, he or she ascends in an in-house ranking system. This has a direct influence on their salary increment and bonus. The performance review is therefore not only a check tool, but a means of promotion of excellence and to ensure that employees are not lost to the values and objectives of the company.

2.4 MARKETING PRACTICES

Chevron Bangladesh does not have a marketing department since it has only one customer, and that is the Government of Bangladesh. Hence, marketing practices are not necessary, and thus no marketing costs are incurred. The marketing activities are low-key, and there is no logo even at its Dhaka office. However, a few billboards are visible in Sylhet, where its gas facilities are located, mostly to promote corporate social responsibility initiatives. Therefore, this study has discussed Chevron Corporation's marketing practices instead.

2.4.1 Marketing Strategy

Chevron Corporation's marketing strategy focuses on brand image, online presence, sponsorships, community work, and B2B marketing. The company has a variety of products and is in different markets, so it requires a variety of approaches. It also seeks to be perceived as a sustainability partner. Chevron aims to maintain a balance in its traditional business of oil and gas with an expanding renewable energy initiative, all while remaining competitive globally (ProjectPractical, 2025).

2.4.2 Targeting, Target Customers, & Positioning Strategy

Chevron Corporation caters to two types of audiences. First, the regular customers who purchase fuel at their retail businesses. Second, by selling to industrial and corporate clients, B2B sales. Chevron is a company that is known for its innovative approach, sustainability, and environmental responsibility. This is a very broad target because the company is based in 180 countries. It is placed with the emphasis on reliability, quality, and working towards a responsible energy future (ProjectPractical, 2025).

2.4.3 Marketing Channels

Chevron Corporation has approximately 3,456 Chevron-branded convenience stores in the USA, as well as the Texaco and Caltex brands. While direct sales teams deal with industrial clients, wholesale distributors specialize in lubricant sales to clients on an international basis in the B2B market. Chevron enhances its messages and engages with people on sustainability through social media, content marketing, and data analytics (*Chevron Marketing Mix: Energy Leadership and Global Brand Strategy - Latterly.org*, n.d.).

2.4.4 Product/New Product Development & Competitive Practices

Chevron's products range from crude oil and natural gas to refined fuels, lubricants, petrochemicals, and renewable energy, such as 500 MW of solar energy (D. M. Team, n.d.). It is making a gradual move towards lower-carbon products as part of its sales strategy, in response to rivals such as ExxonMobil and BP (P.A. Team, 2025). Competitive practices include volume discounts, government partnerships, and charging premium prices for specialty lubricants.

2.4.5 Branding Activities, Advertising & Promotion Strategies

Traditional advertising on television, radio, and in print is how Chevron Corporation demonstrates its community engagement and social responsibility. In 2024, the new idea was the 'No Compromise' account-based marketing campaign, where a tailored approach was directed at key B2B decision makers. In 2023, Chevron's marketing expenses amounted to $175 million (P. A. Team, 2025). It also maintains its visibility through interactive online campaigns and sponsorships (*Chevron Marketing Mix: Energy Leadership and Global Brand Strategy - Latterly.org*, n.d.).

2.4.6 Critical Marketing Issues & Gaps

Criticism mounts against Chevron Corporation's climate pledges. Its investments in renewables are still not big enough relative to its fossil fuel profits, many say. Its consumer brand also doesn't do as well as the competition in communicating a compelling sustainability narrative. Chevron is also having a difficult time reaching young, environmentally inclined consumers. Relying too much on B2B channels and traditional media makes it harder to build a stronger public brand in a fast-changing energy world.

2.5 FINANCIAL PERFORMANCE

Chevron Bangladesh is not listed in Dhaka Stock Exchange or Chittagong Stock Exchange. Chevron Corporation has strict confidentiality and compliance regulations and thus we could not access the internal financial data of Chevron Bangladesh for this study. However, Chevron Corporation is listed on the New York Stock Exchange (NYSE) under the symbol CVX. So, for this study, we used the publicly available financial data of Chevron Corporation as a representative, since Chevron Bangladesh's own records cannot be shared.

Key Information of Chevron Corporation:

Share Price (As of Friday, 29 May 2026 at 4:02:38 PM EDT): $182.76

Shares Outstanding: 1.977 Billion

Market Capitalization (intraday): 363.387 Billion

Beta (5Y Monthly): 0.50

50-Day Moving Average: $ 192.15

200-Day Moving Average: $ 169.84

Table 1

Key Market Value Ratios of Chevron Corporation

Particulars	Company	Industry
Diluted Earnings Per Share (EPS)- ANN	6.63	4.15
Price-Earnings (P/E) Ratio- TTM	31.67	17.33
Price-Sales (P/S) Ratio- TTM	1.94	1.53
Price-Book (P/B) Ratio- MRQ	1.96	1.72
Dividend Yield- ANN	3.75%	3.71%

Note. Data from Investing.com website.

Table 2

Key Financial Ratios of Chevron Corporation (2021-2025)

Particulars	2021	2022	2023	2024	2025
Liquidity Ratio					
Current Ratio	1.26	1.47	1.27	1.06	1.15
Quick Ratio	1.01	1.23	1.01	0.83	0.86
Cash Ratio	0.21	0.52	0.25	0.18	0.19
Solvency Ratio					
Debt Ratio	0.42	0.38	0.38	0.40	0.41
Debt-Equity Ratio	0.25	0.17	0.16	0.19	0.24
Interest Coverage Ratio	22.59	81.41	57.49	37.57	14.49
Efficiency Ratio					
Asset Turnover	0.65	0.92	0.74	0.76	0.57
Inventory Turnover	13.46	17.49	13.73	13.03	11.05
Profitability Ratio					
Gross Profit Margin	0.41	0.39	0.39	0.40	0.42
Net Profit Margin	0.10	0.15	0.11	0.09	0.07
Return on Asset (ROA)	0.07	0.14	0.08	0.07	0.04
Return on Equity (ROE)	0.11	0.22	0.13	0.12	0.06

Leverage Ratio					
Equity Multiplier	1.71	1.61	1.62	1.68	1.69
DuPont Analysis	0.11	0.22	0.13	0.12	0.06
Net Profit Margin	0.10	0.15	0.11	0.09	0.07
Asset Turnover	0.65	0.92	0.74	0.76	0.57
Financial Leverage Ratio	1.71	1.61	1.62	1.68	1.69

Note. Calculations were done using Excel..

Over the years, 2021-2025, Chevron Corporation demonstrated a rather steady, though slightly deteriorated, financial position. Its liquidity is satisfactory, as the current and quick ratios are mostly more than 1, although there is a slight decrease in 2024 and a slight improvement in 2025, whereas the cash ratio is low, which means that there is no substantial cash buffer. The company seems to have relatively solid solvency with low debt-equity and moderate debt ratios that imply conservative leverage. In addition, it has maintained a strong interest coverage ratio throughout the five years. However, after the rise in 2022, the ratio dropped sharply, which indicates declining operating earnings or maybe increasing interest expense. Efficiency is also performed inconsistently, with the improvement in asset turnover in 2022 followed by a decrease and the subsequent improvement in inventory turnover, which is gradually decreasing, indicating inefficiency in operations. The highest profitability was observed in 2022, but it has since deteriorated with falling net profit margin, ROA, and ROE, although gross margins are relatively unchanged. The equity multiplier shows low financial risk, as there is low leverage. Finally, the whole financial scenario of the company has also been reflected on its DuPont numbers. The company worked best in 2022, but from 2023 onward, its shareholder returns dropped due to its declining profitability and poor efficiency.

On the whole, Chevron is a large and financially sound company with good market valuation, but the recent developments are indicative of declining profitability and efficiency even as the structural fundamentals remain stable.

2.6 ACCOUNTING PRACTICES

As mentioned before, Chevron Corporation maintains strict confidentiality protocols. Hence, only limited information about its accounting practices can be discussed. Chevron Bangladesh follows the accrual basis accounting method. The company follows all of the 8 steps of the accounting cycle: identifying transactions, journalizing, ledger posting, calculating unadjusted trial balance, analysing worksheets and identifying errors, fixing journal entry errors, creating final statements, and closing the books. Furthermore, Chevron Bangladesh's external auditor is KPMG. Finally, Chevron Bangladesh does not use the conventional methods to calculate depreciation; it uses a different method that is applicable for the gas and oil industry only. This method calculates depreciation based on the proven reserve ratio.

2.7 OPERATIONS MANAGEMENT AND INFORMATION SYSTEM PRACTICES

2.7.1 Operations Management of Chevron Corporation

Chevron Corporation is one of the biggest energy companies in the world. Its headquarters are in San Ramon, California. As of 2023, it is the second-largest oil company in the United States. Chevron produces over 3 million barrels of oil-equivalent every day and has about 44,000 employees (Anderson, 2023).

Operations management is simply about how a company takes inputs like raw materials, labor, and capital, runs them through processes, and turns them into outputs like goods and services. Chevron is a good example of this on a very large industrial scale.

I. Inputs:

- **Natural Resources:** The main raw materials used by Chevron are crude oil and natural gas (Chevron (Corporation) - Overview | StudyGuides.com, 2026).
- **Physical Infrastructure:** Chevron runs about 11,000 wells in the Permian Basin, covering 4 million acres. It is able to refine 1.9 million barrels per day, and it has

approximately 19,550 retail locations under its Chevron, Texaco, and Caltex (Chevron (Corporation) - Overview | StudyGuides.com, 2026) brand names.

- **Human Capital:** The company has approximately 44,000 employees globally, including geoscientists, engineers, refinery personnel, and office personnel (Anderson, 2023).
- **Technology:** Chevron is developing an AI-based alarm system to assist operators in decision-making during problems. They also worked with Honeywell to add AI to their control systems. This allowed Chevron to identify serious problems up to 45 days sooner than previously (Energies Media Staff, 2025).
- **Financial Capital:** More than $15 billion in Chevron shares were repurchased in 2024, as a testament to the amount of capital the company manages in its operations (Chevron Corporation, 2025).

II. Operations:

- **Upstream Operations:** "Upstream" refers to the discovery, development, and production of crude oil and natural gas. Chevron also operates liquefied natural gas (LNG) facilities, such as transport, liquefaction, and regasification. It is operated by pipelines and other pipelines or systems for carrying energy from the production areas to a refinery or an energy export facility (The Editors of Encyclopaedia Britannica, 2026).
- **Midstream Operations:** Crude oil and natural gas are transported and stored in midstream operations. Chevron made strategic acquisitions, such as Noble Midstream Partners, to back it up (Chevron (Corporation) - Overview | StudyGuides.com, 2026). Chevron Shipping Company is a wholly owned subsidiary that provides marine transport, consulting, and risk management services for Chevron.
- **Downstream Operations:** Chevron's refineries convert crude oil into useful products in three general processes: Separation (separating crude oil into different parts based on the size of molecules), Treatment (removing natural impurities from the crude oil with hydrogen and catalysts), and Cracking (breaking apart the molecules in crude oil to make smaller molecules that can be used to make fuels). Less than 40% of crude oil is naturally made up of ingredients that can be used to make high-quality fuels. The rest should be broken to make it usable. The final blends of over 200 hydrocarbons and additives are

placed in tanks, from where the blends are transported to customers by tanker, truck, and/or pipeline (Chevron Policy, Government and Public Affairs, n.d.).

- **Quality & Process Management:** Chevron has a formal system in place for quality & process management, called Operational Excellence Management System (OEMS). It is a joint process developed for Chevron's worldwide business. The Chevron OEMS is used to manage safety, health, and environmental initiatives and to continually improve reliability and efficiency (Chevron Operational Excellence Management System, n.d.).

III. Outputs:

- **Energy Products:** Chevron is involved in the production of crude oil and natural gas. It also produces transportation fuels, lubricants, petrochemicals, and additives (Chevron Corporation, 2025). The company invents new technologies to enhance its business and the industry. Other specialty products include benzene, ethylbenzene, propylene, and premium base oils (Chevron Policy, Government and Public Affairs, n.d.).
- **Production Volume:** In 2024, Chevron's worldwide production went up by 7% compared to the previous year.
- **Services & Information:** Chevron also generates power and invests in power-producing assets. It commercializes new technologies as an additional output stream (Cuello, 2023).

IV. Feedback & Continuous Improvement: Operations management is not a one-way process. Feedback loops help drive improvement. The oil and gas industry is always looking for new ways to increase efficiency and reduce costs. Taking inspiration from Toyota, Chevron created "The Chevron Way." This approach is built on operational excellence, making sure workers don't take shortcuts that could hurt operations. It also means all employees have the knowledge, training, and information they need to do their jobs safely (*How Chevron, Marathon, and ExxonMobil Embed Operational Excellence*, 2022).

2.7.2 Information System Practices at Chevron Bangladesh

Chevron Bangladesh, uses enterprise resource planning (ERP) software to process financial data; e-procurement software, which is integrated with the ERP software, to manage procurements and contracts; and HR software to process payroll data. Chevron also uses other software programs, which we cannot disclose due to confidentiality and compliance policies of the company.

2.8 INDUSTRY AND COMPANY ANALYSIS

2.8.1 Oil & Gas Industry Analysis using Porter's Five Forces

I. Competitive Rivalry: High

The level of competition in the oil and gas industry is high. Large multinationals such as Chevron, ExxonMobil, Shell, BP, and TotalEnergies are all vying with each other. The national oil companies too are getting stronger. The industry has too much supply, which compounds the competition since the products such as oil and gas are mostly similar regardless of the company offering them. Big deals and mergers such as the prospective Shell-BP merger or Chevron acquiring Hess imply that more and more of the market is dominated by a small number of giant companies (Team, n.d.).

II. Bargaining Power of Buyers: Moderate to High

Big industrial consumers demand long-term contracts in which the prices depend on international indexes. Approximately 60-70 percent of the world's heavy fuel oil and LNG are sold on such contracts. Large, intelligent purchasers leverage their bulk to compel stringent service contracts, fines in case of shortages in supplies and quality conditions. In other countries such as Bangladesh, this is even worse as there is a single buyer being a government agency known as Petrobangla. This puts the buyer almost at full control.

III. Bargaining Power of Suppliers: High

By the end of 2025, the industry has been consolidated to the point that only 5-7 deepwater and Arctic capable major contractors were left. Because of this, their daily rates increased by an approximate of 12-18 percent relative to that of 2022. Special equipment such as subsea valves and high-pressure pumps are only produced by 4-6 suppliers worldwide. These suppliers possess high power as their designs are exclusive, and an average of 18-36 months is required to deliver them (MatrixBCG, n. d.).

IV. Threat of Substitutes: High and Increasing

The threat of substitutes is large and increasing rapidly. This is pushed by government policies and emerging technology. By the first quarter of 2025, electric vehicles (battery EVs, plug-in hybrids, and regular hybrids together) constituted 43 percent of all new automobile sales worldwide- a phenomenal increase of only 9 percent in 2019. Plug-in electric cars will represent a quarter of all cars sold globally in 2025. In addition, sources such as solar and wind energy are becoming more popular as a substitute to fossil fuels in the production of electricity (Team, n.d.).

V. Threat of New Entrants: Low

New companies can hardly come into this industry. The required sum of money is enormous and this scares away most potential entrants. The oil and gas business is dominated by a few strong companies. New entrants have massive initial expenses, extensive geological expertise is required, licensing by the government is required, and project development timelines are extremely long. All this renders any new entry into upstream oil and gas virtually impossible.

2.8.2 Chevron Bangladesh's Analysis using SWOT Framework

I. Strengths: Bangladesh has Chevron as its dominant and largest producer of natural gas with an average of 1,050-1,100 mmcfd of the total productions of its three onshore gas fields (Hossen, 2025). It has an established infrastructure, pipelines, and field operations, which cannot be easily replicated. It holds long-term Production Sharing Contracts (PSC) with the government, which provides regulatory and revenue protection. Moreover, Chevron Bangladesh has strong financial backing from Chevron Corporation with $384.656 million in market capitalization and $13.20 billion in free cash flow.

II. Weaknesses: Chevron Bangladesh has no downstream business in Bangladesh. Its revenue is solely from upstream gas sales. In addition, Petrobangla is the sole buyer of the company, so there is a risk of delayed or unpaid payments. Previously, there was an overdue payment of $280 million from Petrobangla which led to the postponement of $65million Jalalabad compression station investment (Rahman, 2025). Moreover, at the Bibiyana gas field, the remaining reserves are only 1.25 TCF, which is enough for about four more years of production. At the Jalalabad field, reserves are less than 700 BCF (Mohiuddin & Mohiuddin, 2025).

III. Opportunities: A new domestic gas discovery by Chevron Bangladesh would also seal a major gap since Bangladesh relies heavily on imported LNG to satisfy its energy requirements and put the company in a better bargaining position. Chevron has already been given a green light by the government to drill additional exploratory wells in the extensive areas north of the Bibiyana field that may assist in discovering more reserves (Rahman, 2022). Should these new wells be successful, Chevron might be able to produce up to 1.35 billion cubic feet per day under the current processing plant with the existing wells of Bibiyana (Rahman, 2025). Besides, the extension of the contracts of fields such as Moulvibazar that are operating until 2038 implies that Chevron can continue generating revenue several more years.

IV. Threats: With the present production rate, Bibiyana has a remaining of only one or two more years of gas unless they discover more reserves (Post, 2024). Besides, payments are frequently delayed in Petrobangla and this has a direct impact on the decisions of Chevron Bangladesh to invest additional money. Moreover, Chevron Bangladesh had renewed the Bibiyana agreement to 2034 and wished to renew it up to 2039 but the government did not assent (Mohiuddin & Mohiuddin, 2025). Moreover, alteration in the government policies, the need to renegotiate production sharing contracts, or even resource nationalism may damage the activities of the company. Finally, with the growth of renewable energy worldwide, the demand in natural gas in the long term will decrease, and Chevron will have fewer incentives to spend additional funds.

2.9 SUMMARY & CONCLUSION

Chevron Corporation is a multinational energy company that is financially very robust. It has a total market value of $379.68 billion and it has a high amount of free cash. But its subsidiary in Bangladesh is in a dire situation.

Chevron Bangladesh is a large producer of natural gas in the country, producing 63 percent of the natural gas. It possesses a good infrastructure and government backed PSCs. Its gas reserves are however depleting at a very rapid pace. The main gas field, Bibiyana, will run out of supply in a year or two at the current production rate. Two principal problems also keep the company back on the way to its functioning. To begin with, Petrobangla is prone to payment delays. Second, Chevron has delayed making investments in key infrastructure such as the compression station in Jalalabad. When considering the industry in its entirety, the industry is very competitive, substitutes such as renewables and electric vehicles are increasingly threatening, and the number of firms supplying the specialized services is very low, which means that they have a high level of power. In the case of Chevron Bangladesh, the single buyer poses the risk of delays in payment and renegotiation of the contract. Simultaneously, the trend of de-carbonization of the world is rendering the future of gas consumption under a somewhat more unsure perspective.

2.10 RECOMMENDATION

Based on our conclusion, the following are some of our recommendations:

I. Chevron Bangladesh should drill faster in the newly approved areas near the Bibiyana gas plant. Finding new reserves is now the most important thing. Only then can the company extend its contract beyond 2034 and keep running.

II. Chevron Bangladesh needs to consider taking another share of midstream infrastructure or working with LNG sellers. This will help curtail its reliance on Petrobangla, which is the sole customer of the company.

III. Chevron Corporation can also expand its business in Bangladesh by starting its downstream business here. It currently has a very strong position in gas production in Bangladesh. Hence, they should try to capture more value out of the entire flow of energy and exploit that position.

IV. Low-carbon tech and renewable energy have become imperative now. The demand for fossil fuels is no longer increasing as more and more people are purchasing electric cars. So Chevron Corporation needs to invest more in biofuels, carbon capture, and hydrogen to stay in the game.

V. Buying Hess shows Chevron is on the right path, getting high-profit reserves that will last a long time. Chevron Corporation needs to continue to purchase such assets to extend the life of their reserves but not go into debt more than they can afford.

VI. Chevron Corporation needs to build or improve an in-house stock management and corporate treasury team. This will facilitate their financial management, hedging, and investor payouts as they expand globally.

Chapter 3: Project Part

Tax Incentives and Transfer Pricing Regulations as Determinants of Foreign Direct Investment: A Comparative Study of Bangladesh, India, and Indonesia

3.1 INTRODUCTION

Foreign direct investment (FDI) has an important role in the economic growth of developing nations such as Bangladesh, India and Indonesia. The governments of these countries usually offer tax breaks in the form of tax holidays, lower tax rates to lure the multinational corporations (MNCs) to invest in their economies. Such incentives simplify and entice more foreign firms into the market. Nevertheless, simultaneously, there are also issues regarding the pricing of transfers, as MNCs can transfer their profits to other countries, with reduced taxes. This has the potential of diminishing the tax revenue of the host country. Such practices are much more likely to occur in the context of lax regulations and absence of stringent control in most developing countries. Thus, tax incentives as well as transfer pricing regulations are significant in impacting FDI and this research paper seeks to compare that in relation to Bangladesh, India, and Indonesia.

3.1.1 Background & Problem Statement

FDI has gained much significance in the present world economy, especially in the developing nations such as Bangladesh, India and Indonesia since it introduces capital, technology, and job opportunities. Tax incentives commonly used by governments to attract MNCs include tax holidays, lowered corporate taxes and investment allowances. These incentives are geared towards making a country more appealing than the other, particularly when countries are competing to attract the same investors (Agrawal, 2022; Kumar & Chandel, 2024). Nevertheless, there is evidence that these tax incentives do not always have a direct impact and in most instances, it only affects investment choices when other economic factors are already positive (Sudianna et al., 2026; Prabhakaran et al., 2025).

Meanwhile, one more significant problem is transfer pricing that enables MNCs to determine prices of transactions between their associated companies in other nations. This gives possibilities of profit shifting where companies transfer profits in low-tax countries to high-tax countries to lower their total tax liability (Choi et al., 2024). Although it is legal as long as it is regulated well, in the developing world, laxity in carrying out the practice can result in avoiding taxes and revenue loss to the government.

In Bangladesh, though disputes are less documented, researchers point out that institutional capacity and enforcement are weak, which makes it hard to adequately monitor MNCs, and are concerned with loss of revenue despite tax incentives being offered (Shahabuddin et al., 2013). There is a growing trend in tax related controversies of MNCs in India particularly in the field of transfer pricing. Difficulty in controlling multinational taxation has been demonstrated by the huge battles between companies and the taxation departments due to the complexity of tax regulations and variation in understanding. Equally, research indicates that both transfer pricing and tax incentives are significant in influencing investment decisions in Indonesia, however, in a weak regulations environment, they may result in tax avoidance (Bella & Yudianto, 2022; Sudianna et al., 2026).

Thus, there is an evident conflict between foreign investment attraction and defence of the tax base. On the one hand, the governments offer tax incentives to investments, but on the other hand, inefficient transfer pricing regulations can make firms evade paying taxes. This forms a significant research gap in the realization of how the two factors operate synergistically as determinants towards attraction of MNCs.

On this, the primary issue that this study will focus on is to know whether tax incentives and transfer pricing controls are indeed important determinants of FDI in the developing world. The paper also seeks to draw a comparison between the taxation policies and regulations of these countries with the aim of gaining an improved understanding of their contribution towards the multinational investment decision.

3.1.2 Research Objective

I. To evaluate the impact of tax incentives and transfer pricing regulations on FDI in developing countries like Bangladesh, India, and Indonesia.

II. To analyze and compare the tax incentives and transfer pricing regulations of Bangladesh, India, and Indonesia, and assess whether these determinants influence FDI.

3.1.3 Scope of the Study

The study focuses on the relationship between tax policy and FDI in three emerging economies: Bangladesh, India and Indonesia. The reason behind choosing these three countries is they are major developing economies in Asia. Bangladesh is still a growing economy and constantly focusing on acquiring more foreign investment. India and Indonesia are good countries to compare with, as they have large markets, well-established systems of tax breaks, and established rules on transfer pricing. By examining all three countries together, we can gain a better understanding of the impact that policies can have on foreign investments, although they are in similar policy categories and are in a similar stage of development.

The study focuses on two specific determinants of the level and the nature of FDI inflows, namely tax incentives and transfer pricing regulation. The time period covered in this study is from 2005 to 2024. It is the timeframe during which there is reliable data for foreign investment in the three countries from the International Monetary Fund’s (IMF) Balance of Payments database and during which large tax and transfer pricing changes took place in the three countries. Analysis is conducted on the national level. This means it makes comparisons on the national policies, corporate tax rates, and overall FDI trends of the three countries. It doesn’t delve deeper into the behavior of individual companies, specific industries, the political risk, the quality of the infrastructure, the trade policies, and other factors that influence investments.

3.1.4 Significance of the Study

Tax policy does indeed play a significant role in a business's investment decisions. For example, in Indonesia, Asian Agri was a company that sold its crude palm oil product to the other companies in its group in a country at very low prices, which it sold again to the other overseas companies in the group at normal prices (Huda et al., 2017). The money from the profit was not where it belonged in Indonesia, which caused the country to lose Rp 1.3 trillion in tax revenue. Again, according to Ta et al. (2020), most of the investment projects that Korean companies continue to invest in Vietnam are driven by tax concessions. Vietnam cut taxes and imported more Korean capital, particularly in manufacturing where businesses are always seeking to save money. However, it's not consistent across countries. However, Peters and Kiabel (2014) examined the influence of tax incentives on Nigeria and concluded that foreign investors would come to invest in oil, regardless of the tax incentives. Therefore, knowing when tax rules and incentives are working and when they are not is important. And also bolstering transfer pricing regulation can help countries prevent revenue leakage and begin to draw the correct sort of investment.

3.2 LITERATURE REVIEW

The MNCs invest in other countries by setting up or extending their business operations abroad, typically via FDI. These investments can involve the establishment of manufacturing plants or subsidiaries or the purchase of local companies. The emerging markets in developing nations like Bangladesh, India, and Indonesia present an attractive opportunity for investment due to the markets and comparatively low production costs.

3.2.1 Tax Incentive & Foreign Direct Investment

Many studies have identified several determinants influencing MNCs' investment decisions, including market size, labour cost, political stability, infrastructure, and openness to trade. However, tax incentives such as tax holidays, reductions in the statutory corporate income tax rate, enhanced or accelerated write-offs for capital expenditures, general or targeted investment tax credits, and reductions in dividend withholding tax rates, remains a key policy tool used by developing countries to attract FDI (OECD, 2001). Morisset and Pirnia (2000) has stated that when political and economic stability, as well as infrastructure and transport costs, are quite similar between potential locations for a company to establish a subsidiary, taxation becomes a significant determinant in the selection of the location. Another study by Zee (2002) has stated that the primary motivation for granting tax incentives is to attract FDIs. There could be some other objective alongside it which is to reduce unemployment and promote specific economic sectors. However, the author has focused on the cost effectiveness of granting such tax incentives. In other words, the author is implying that only the positive aspects associated with certain types of investment projects is not sufficient for providing such incentives. Rather, tax incentives should only be granted if its benefits to the economy can outweigh the total costs of the tax incentives granted.

The relationship between tax incentive and FDI varies widely from nation to nation. There are studies which show compelling evidence that tax incentives do matter and again there are studies which argue otherwise. For instance, Tung and Cho's (2000) paper reveals that concessionary tax rates in special economic zones led to FDI increasing from an average of US$10.27 million to US$74.89 million after implementation. They further stated that when tax laws favored equity joint ventures over other forms before 1991, these ventures grew significantly compared to contractual joint ventures and wholly foreign-owned enterprises. Similarly, Ta et al. (2020) found that in Vietnam, tax gap factors positively influenced Korean FDI. They also found that financing for FDI inflows into Korea increases by 0.24% with a 1% rise in tax incentives using their autoregressive distributed lag model. In addition, Kransdorff (2010) studied that South Africa was behind 103rd in the ranking of FDI performance, although it was rated 72nd in investment potential, due to its relatively high corporate tax rate of 38% compared to its competitors and the conservative approach it takes to tax incentives.

In contrast, Peters and Kiabel (2014) have revealed a negative relationship between tax incentives and FDI for Nigeria between 1980 and 2012, with their error correction model suggesting that tax incentives do not result in an increase in FDI, as this is driven by Nigeria's natural resource endowment (particularly oil) and is more about non-fiscal factors. Kandpal and Kavidayal (2014) doubt whether the tax holiday and tax allowances in India are effectively working. They have found that India has just 0.01% of global FDI inflows, compared to the much higher Indian share of FDI inflows in China, and that foreign investors in the Indian context are more interested in market size, availability of a skilled workforce, and political stability than tax considerations, especially for market-seeking investments for which fiscal incentives are less significant.

3.2.2 Transfer Pricing Regulation & Foreign Direct Investment

The success of the transfer pricing rules in terms of attracting FDI will differ across countries, with some countries building efficient rules and others facing challenges in implementation. The authors, Chan and Chow (2001), have good evidence from China about the effectiveness of institutional arrangements as an indirect regulatory mechanism: They examined 64 foreign investment enterprises in China and found that those companies with local Chinese managers were much more likely to use market-based transfer pricing methods than to practice "manipulable" cost-based methods, which indicates that local participation leads to better monitoring and less profit shifting. Chugan (2007), on the other hand, states that India's regulatory regime remains incomplete even with comprehensive transfer pricing legislation enacted in 2001 under the Finance Act, as there are no provisions for Advance Pricing Agreements (APAs); China, which introduced APAs in 1998, therefore has a competitive advantage in terms of the uncertainty surrounding India's regulatory regime. Pengchan and Chow (1997) also enrich the picture by their findings that aggregate data from China does not reflect the industry-level data; although the overall foreign firms pay a lower import price and charge a higher export price than domestic firms in certain industries such as audio/video equipment, garments and textiles, and plastic raw materials, the broad regulations may mask industry-specific vulnerabilities by simultaneously overpricing imports and underpricing exports.

In Indonesia, a picture emerges in which the regulations live but don't necessarily work. Even with all the regulations, for instance, the Income Tax Law and VAT provisions, Double Tax Avoidance Agreements (DTAs), and DGT-specific rules such as PER-32/PJ/2011, MNCs still manage to take advantage of transfer pricing loopholes, as the Asian Agri case alone cost Indonesia some Rp 1.3 trillion in lost revenue from the export of under-priced crude palm oil to affiliated overseas companies. Depari, Ramadhan, and Firmansyah (2020) looked at the

Indonesian manufacturing sector and concluded that higher tax costs make firms more cautious about transfer pricing because tax authorities are more aware of the issue and that transfer pricing decisions are influenced by intangible assets and not by ownership, implying that regulatory enforcement is more important than ownership. An econometric study by Gupta (2012) on the Indian import data for nine different countries for the period 2001 to 2008 quantifies the extent of price manipulation despite the regulations and indicates that a 1% decrease in the home country's corporate tax rate would result in a 0.248% to 0.389% increase in the transfer price of multinationals' imports overall, with a 1.20% increase in industries where transfer prices are more difficult to verify, such as miscellaneous chemical products. Choi, Furusawa, and Ishikawa's (2017) theoretical research shows that there are unintended consequences arising from the imposition of transfer pricing policies. They show that, under certain circumstances, the same 'uncontrolled price' approach under the arm's-length principle would apply to the price of sourcing from two suppliers and that multinationals can circumvent this approach by adopting pure internal sourcing, which can result in less efficient FDI than in the absence of regulation.

3.3 METHODOLOGY

3.3.1 Research Design & Data Sources

A literature-based and qualitative study is applied in this study. We didn't conduct any survey or interview. Only secondary sources have been used: data and information collected and compared from three countries, Bangladesh, India, and Indonesia.

We used two main types of secondary sources for collecting data and information. The first step in the process was searching for research papers and reports on the following databases: Google Scholar, JSTOR, SSRN, and OECD iLibrary. Only those that were recent in terms of time and relevant to Bangladesh, India, and Indonesia were used. Reports from international organizations such as the OECD, UNCTAD, World Bank, and the IMF were also utilized. Second, we collected yearly data from two places:

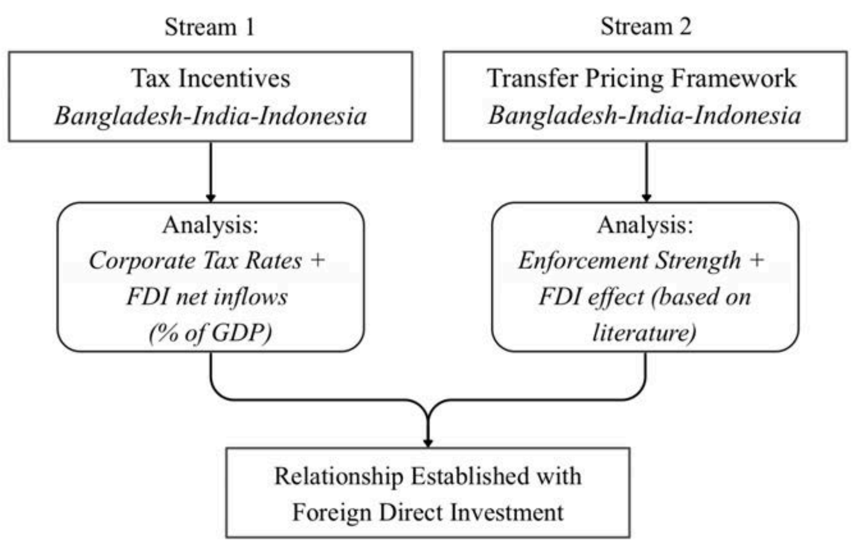
- We got the historical corporate tax rates of each country from the Finance Act announcements.
- Foreign investment data was from the IMF's Balance of Payments database. We have used the rate of FDI as a percentage of GDP; otherwise a large country like India would always be better than a small country like Bangladesh. This can be done fairly by using a percentage of GDP.

3.3.2 Analytical Framework

The analytical process adopted in this study is carried out in two tracks as shown in the below figure 3. The framework outlines two parallel investigative streams: the Tax Incentives and Transfer Pricing Framework and walks through the independent and combined contributions of these different streams to understand the link between fiscal policy and FDI.

Figure 4

Analytical Framework of the Study



Note. Self-generated image.

The research process began with a systematic examination of the current literature on tax incentives, transfer pricing laws and regulations, and their relationship with foreign investment. The study then provided a summary of the major tax incentives offered by the governments of

Bangladesh, India, and Indonesia as presented in stream 1 of Figure 4. It then analyzed the relationship between the corporate tax rates and the net inflows of FDI into the three countries from 2005 to 2024 using a regression test and year-by-year comparison to see if such a connection exists and to conclude what connection, if any, exists between the tax incentives provided by the governments and the impact these incentives will have on attracting FDI. Stream 2 of Figure 4 illustrates the same steps for transfer pricing. The key features of each country's transfer pricing system were summarized, and then, based on each country's regulation enforcement strength and FDI effect, the relationship between transfer pricing rules and their potential influence on attracting FDI was established.

Throughout the study, the patterns and arguments found in earlier research were compared with the current policies and investment trends of the three countries. The goal was to confirm, adjust, or build upon what earlier studies had found. No original surveys or interviews were conducted. All conclusions come from carefully interpreting secondary data and previous research.

3.4 FINDINGS AND ANALYSIS

3.4.1 Tax Incentive Frameworks: A Country-by-Country Analysis

3.4.1.1 Bangladesh

The government of Bangladesh has decreed the Income Tax Act of 2023, which lays the framework for Bangladesh's income tax legislation. This act establishes the overall tax rules, and the annual changes to these rules are contained in the Finance Act (or Ordinance). In June 2025, the latest Finance Ordinance 2025 was issued (Bangladesh-Corporate-Significant Developments, n.d.). Statutory Regulatory Orders (SROs) also provide detail of how tax benefits apply in practice. Furthermore, there is also a tax expenditure report published by the government that indicates the amount of revenue that is lost due to tax incentives.

The National Board of Revenue (NBR) is in charge of tax collection and issuing detailed rules and exemptions. A number of government agencies and international institutions are playing important roles in encouraging investment and the development of the economy. These include:

I. Bangladesh Investment Development Authority (BIDA): It facilitates foreign as well as domestic investments by easing the process of business setup and providing incentives.

II. Bangladesh Export Processing Zones Authority (BEPZA): It is responsible for the administration of export processing zones and offers tax and other incentives to export-oriented industries.

III. Bangladesh Economic Zones Authority (BEZA): It develops economic zones and offers facilities and incentives to attract investment in Bangladesh.

Below are the tax incentives provided by the government of Bangladesh to stimulate FDI:

I. Tax Holiday: Bangladesh's current tax holiday regime combines location‑based and slab‑based incentives. New industrial undertakings may receive holidays of 5, 7, 9 and 12 years when set up in developed, less‑developed, least‑developed areas and special economic zones respectively (*Tax Holiday Practice | Project Profile*, n.d.). Drawing on the same policy logic, recent rules also grant time‑bound, percentage "slab" exemptions to approved industrial undertakings starting production within specified years, for example, 10‑year holidays at 90%, 75%, 50% and 25% in successive blocks, or 5‑year holidays at 90%, 80%, 60%, 40% and 20% (Resource Portal, n.d.-b). Moreover, section 46BB of the Income‑tax Ordinance applies a similar declining‑exemption structure to qualifying new undertakings, provided they operate in approved sectors, are genuinely new businesses, and apply to NBR within the stipulated period after commencing commercial production (*The Income-tax Ordinance, 1984*, n.d.).

II. Sector-Specific Tax Exemption:

- **ICT/ Software/ ITES:** Through the Finance Act 2024, income derived from software and IT-enabled service businesses by resident or non-resident Bangladeshis is 100%

exempt from income tax for the period July 1, 2024 to June 30, 2027, provided the entity files a regular income tax return under the Income Tax Act 2023 (LegalSeba & LegalSeba, 2024).

- **Pharmaceuticals, Electronics, Bicycles:** Manufacturing industries in sectors such as pharmaceuticals, electronics and components, and bicycles are eligible for partial tax exemptions- 90% in initial years declining to 25% in later years, for a period of up to 10 years depending on geographical location (Sheehan & Kabir, 2025).
- **Automobile Production:** Eligible automobile manufacturers can receive 100% income tax exemption for 10 years, followed by a concessional corporate tax rate (around 10%) for another 10 years, subject to conditions on local manufacturing, minimum investment and regulatory registrations (Sheehan & Kabir, 2025).
- **Renewable Energy:** SRO No. 400‑Law/Income Tax‑54/2024 (26 Nov 2024) provides an income tax exemption for individuals and companies in renewable‑energy‑based electricity generation that start commercial production between 1 July 2025 and 30 June 2030, with a 15‑year benefit- 100% for 10 years, 50% for the next 3 years, and 25% for the following 2 years, subject to conditions (*Bangladesh - Announces Tax Exemption for Renewable Energy-Based Power Generation Projects | Investment Policy Monitor | UNCTAD Investment Policy Hub, n.d.*).
- **Non-Renewable/ Private Power Generation:** Non-coal-based power producing companies entering commercial operation after June 2024 but before July 2025 are eligible for a phased 10-year corporate tax exemption- 100% for the first 5 years, 50% for the next 3 years, and 25% for the last 2 years**,** strictly as per the 6th Schedule of the Income Tax Act 2023 and specific SROs for each technology/COD window (Sheehan & Kabir, 2025).
- **Public-Private Partnership (PPP) Infrastructure:** Income from physical infrastructure projects, such as, airports, seaports, subways, monorails, railways, tunnels, river bridges, flyovers, and highways, under the PPP model is exempt from corporate income tax for 10 years (Sheehan & Kabir, 2025).
- **High-Tech Parks:** S.R.O. No. 245‑Law/Income Tax‑39/2024 (dated 27 June 2024) provides hi‑tech parks, software technology parks and IT training & incubation centres, a 10‑year corporate income tax exemption from the year the company starts earning

income in the park- 100% for the first 7 years and 70% for the next 3 years, subject to conditions (Sheehan & Kabir, 2025).

III. Export Processing Zones (EPZ) Incentives: Bangladesh has eight public export processing zones- Chattogram, Dhaka (Savar), Mongla, Ishwardi, Cumilla, Uttara, Adamjee, and Karnaphuli (*Export Processing Zones (EPZ), Economic Zones (EZ) and Hi-Tech Parks | Bangladesh Export Processing Zones Authority (BEPZA)*, 2023). These zones operate under the Bangladesh Export Processing Zones Authority Act of 1980. Local, foreign, or joint-venture companies can set up export-focused factories there, and they get benefits like income tax holidays, breaks on certain local taxes, and big savings on customs and VAT when importing machinery, raw materials, and other supplies (*Bangladesh Customs, National Board of Revenue (NBR)*, n.d.).

IV. Special Economic Zones (SEZ) Incentives: Bangladesh has a network of special economic zones, set up under the SEZ Act of 2010. These zones may be government or private land and are in less developed and strategic areas. They're managed by an authority called BEZA. Businesses are able to manufacture products for export and local markets within these zones. They receive a variety of benefits, such as multi-year corporate tax incentives that gradually fade over time and reductions in customs and VAT. These incentives are akin to what EPZs provide but have distinct rules and notifications (LegalSeba, 2025).

V. Export Incentives & Cash Subsidies: Export-oriented businesses receive certain incentives, such as very low import tax on machinery and spare parts (80% of export-oriented businesses can import only 1% of machinery and spare parts), export credit guarantee scheme, etc., and they are also allowed to sell 20% of their products in the domestic market. Not to mention, the government also provides cash incentives and export subsidies on some products based on FOB value. They vary from 5% for the textile sector, shipbuilding, and small textile sector up to 20% for agro-processing, halal meat, and handicrafts. Between those, the prices are for jute products, leather, frozen seafood, bicycles, and a few other items (*Fiscal and Non-Fiscal Incentives | Bangladesh China Chamber of Commerce & Industry,* n.d.).

VI. Capital Machinery & Import Duty Exemption: In case of business investment in Bangladesh with the import of machinery and equipment, export-oriented industries are normally subjected to a lower customs duty rate (approx. 1%), and other qualifying industrial users are subjected to a lower customs duty rate (approx. 3%). There are also some spare parts and inputs that can get extra breaks, such as EPZ, SEZ, bonded warehouse, or any other schemes (Government of the People's Republic of Bangladesh & Ministry of Commerce, 2023).

The income tax legislation provides for accelerated depreciation of newly established industrial enterprises. This translates to a significant depreciation of the value of the equipment in the first few years, with the majority of it depreciated within the first three years. It can be used as a substitute for a tax holiday or alongside a tax holiday. The actual rates and rules are now specified in the Income Tax Act 2023 and the regulations (National Board of Revenue, n.d.).

VII. Remittance & Foreign Income Exemption: Foreign income (earned outside Bangladesh) of any Bangladeshi citizen, which is remitted to Bangladesh through legitimate legal channels, is exempt from taxation. Likewise, any earnings sourced outside India earned by a non-resident assessee are exempt if the individual in whose name they are earning in the country of residence is also allowed this exemption (National Board of Revenue, n.d.).

VIII. Double Taxation Avoidance: Bangladesh has established more than 32 double taxation avoidance agreements with countries. The agreements specify who gets the tax on business profits, dividends, interest, royalties, and capital gains. They also reduce or cap border payments, the rate of withholding tax, and provide provisions to prevent double taxation of income on qualifying border payments from the two countries. The terms of each treaty are different (National Board of Revenue, n.d.).

IX. Dividend Tax Reduction: Dividend tax is mainly provided on EPZ and SEZ companies' dividend tax packages in Bangladesh. Under some schemes and treaties, qualified investors in those areas are exempt from dividend tax and spared of double taxation. However, in all other areas the usual dividend withholding tax and corporate tax regimes apply (LegalSeba & LegalSeba, 2025).

X. Foreign Exchange Facilities: Foreign investors are allowed to withdraw all the invested money, along with after-tax profit and dividends from their investment in Bangladesh. They can also remit payments of royalties, technical fees, and management fees via approved banks. Previously, Bangladesh Bank's prior approval was not required unless the papers were not in order and taxes were not paid. And the rules are even more relaxed inside EPZs and economic zones (LegalSeba & LegalSeba, 2025).

3.4.1.2 India

In India, the Constitution says that no tax can be collected without the authority of law, Article 265 (Anushka, 2015). It also divides the power to make tax laws between the central government and state governments. This is done through Article 246 and a schedule called the Seventh Schedule, which has three lists (*PWOnlyIAS*, 2024):

I. Union List: Only the central government can make laws on these matters, including most major central taxes.

II. State List: Only state governments can make laws on these, including many state and local taxes.

III. Concurrent List: Both can make laws, but when it comes to taxes, the central government handles the main areas.

In practice, the central government controls the big business taxes mentioned in Cbga & Cbga (2020):

- Corporate income tax (on profits of both local and foreign companies)
- Personal income tax (on non-farm income)
- Customs duties on imports and exports
- Central GST (CGST) on sales within a state
- Integrated GST (IGST) on sales between states and on imports
- Various special cesses and surcharges

On the other hand, State governments focus on taxes that are more local in nature but still very important for businesses (*PWOnlyIAS*, 2024). These include:

- State GST (SGST), collected along with CGST on sales within the state
- Tax on agricultural income (though rarely used in practice)
- Registration fees and stamp duty on real estates
- State excise duty on alcohol
- Charges on motor vehicles, electricity duty and other similar charges

Smaller taxes, like property tax and some local taxes, are collected primarily by local entities like municipalities and village councils. They typically are not accompanied by significant tax benefits (Anushka, 2015).

States have many demands on their spending, but a limited number of taxes they can raise, so the central government also provides some tax revenues to them. This is done on the basis of the Finance Commission's recommendations (Article 280) (Anushka, 2015). The revenue is shared between the central and state governments under the GST law and an agreed-upon amount of compensation (PWOnlyIAS, 2024).

The central government sets the corporate income tax rate, most tax holidays for certain industries, and the income tax provisions for Special Economic Zones (SEZs). They are used throughout India (India Briefing, n.d.). States cannot change the corporate tax rate. But states can compete with each other by offering their own local incentives, such as:

- Refunds or subsidies on the state portion of GST
- Cash subsidies based on the amount invested
- Interest subsidies on loans
- Land at discounted prices or rebates on land costs
- Lower or no stamp duty and registration fees

These state-level tools are how states try to attract both multinational and local companies to invest in their region.

3.4.1.2.1 Central-level Tax Incentives

The following incentives are available to any company that qualifies, whether Indian or foreign, once it's registered and doing business in India. For the most part, it doesn't matter if it is an "MNC" or a "local company." What matters is what the company does, which sector it's in, where it's located, how big it is, and whether it follows the rules.

I. Corporate Tax Rate Regime: India has lower tax rates for domestic companies, 22% for existing ones and 15% for certain new manufacturing companies (plus a small surcharge and cess on top) (*India Corporate Tax Rate and Incentives Explained- Aspire Singapore*, n.d.). Foreign companies have a separate rate, which was recently cut from 40% to 35% to attract more multinationals (Chaudhary, 2024).

II. Export & IFSC-linked Incentives:

- **Export Businesses:** In the past, eligible export-oriented units could deduct 100% of their profits for the first 5 years, 50% for the next 5 years, and another 50% on reinvested export profits for 5 more years. Many of those old schemes have ended, but similar ideas still exist in different forms (DSRV India, 2024).
- **International Financial Services Centre (IFSC):** IFSC units can claim a 100% deduction under section 80LA on their profits for any 10 consecutive years out of the first 15 years (DSRV India, 2024). There are also exemptions on certain capital gains, on dividends paid by IFSC companies or mutual funds, and on some interest paid to non-residents (DSRV India, 2024).

III. Start-up Incentives: Recognized start-ups (under the government's scheme) can get 100% tax exemption on profits for any 3 consecutive years within the first 10 years from incorporation (subject to turnover and other conditions) and faster patent processing, with an 80% reduction in patent filing and processing fees (*Tax Incentives for Businesses in India - India Guide | Doing Business in India*, n.d.).

IV. Sector‑specific & Activity‑based Incentives: The central Income Tax Act offers deductions or exemptions for certain sectors and activities-

- **Infrastructure:** Tax holidays or profit‑linked deductions for eligible infrastructure projects. Some older sections have expired, but newer schemes have taken their place (*Tax Incentives for Businesses in India - India Guide | Doing Business in India*, n.d.).
- **Renewable Energy & Energy Efficiency:** Accelerated depreciation of up to around 80% on certain renewable energy assets, plus various incentives for electric vehicles and energy‑efficient equipment (*Tax Incentives for Businesses in India - India Guide | Doing .Business in India*, n.d.).
- **Food Processing, Cold Chains, Storage:** Deductions for businesses involved in processing, packaging, preserving fruits and vegetables, and handling, storing, or transporting food grains (*India Corporate Tax Rate and Incentives Explained - Aspire Singapore*, n.d.).
- **REITs & InvITs:** Certain exemptions on dividend income at the trust level to encourage investment in infrastructure and real estate (*Tax Incentives for Businesses in India - India Guide | Doing Business in India*, n.d.).

V. Capital Expenditure & Investment‑linked Deductions: Some “specified businesses” (like laying cross‑country natural gas pipelines, setting up cold chain facilities, or certain infrastructure projects) can claim a 100% deduction on their capital spending (except for land, goodwill, etc.) in the same year they spend it. This is termed as investment-linked deduction (*Tax Incentives for Businesses in India - India Guide | Doing Business in India*, n.d.).

VI. Other Concessions:

- Capital gains tax relief, if the capital gains proceeds are invested in certain assets such as start-ups, residential property, or some bonds (Tax Incentives for Businesses in India - India Guide | Doing Business in India, n.d.).
- Old dividend distribution tax rules relaxation coupled with Modified Minimum Alternate Tax (MAT) (DSRV India, 2024).

3.4.1.2.2 State-level Tax Incentives

India is a country of 28 states, and therefore it is not possible to discuss all the states' tax incentive schemes here. Hence, the study has selected five important states in terms of politics and commerce to talk about their tax incentive policies. The description of the selected states and their tax incentive policies is provided below:

I. West Bengal:

- The Banglashree scheme is a financial scheme that provides new and growing MSMEs throughout the state with financial assistance, such as subsidies, interest reimbursement, and capital investment promotion subsidies (*Banglashree for Micro, Small, and Medium Enterprises – WBXPress,* n.d.).
- Eligible MSMEs get capital investment subsidies under Banglashree, which is meant to spread industrial growth evenly across different zones (*Banglashree for Micro, Small and Medium Enterprises – WBXPress*, n.d.).
- The scheme also provides a waiver/reimbursement for electricity duty for power consumption for manufacturing. The extent and duration of the amount will be subject to the size of the business and the zone the business operates in (*Banglashree for Micro, Small, and Medium Enterprises—WBXPress,* n.d.).
- However, women-manufacturing MSEs will be eligible for a further 100% electricity duty waiver for 5 years with an annual limit to reduce their operating cost (46XX, 2025).
- In addition, West Bengal has also revised its policies to provide IT and ITeS units up to a 50% property-tax exemption on eligible land/buildings for 12 years. This will help to mitigate the recurring municipal tax burden (Nandi, 2025).

II. Maharashtra:

- The Maharashtra Package Scheme of Incentives (PSI) offers an Industrial Promotion Subsidy (IPS), which is primarily a reimbursement of SGST paid during the initial sale of the eligible product in Maharashtra (Shah, n.d.).

- The state provides reimbursement of 100% gross SGST for selected thrust area projects, as well as other benefits. This renders SGST essentially cost neutral within the incentive cap (Shah, n.d.).
- The PSI contains a stamp duty waiver (up to 100%) for the purchase or lease of qualifying units, thus reducing the cost of the initial transaction (Shah n.d.).
- For eligible projects, electricity duty waivers (up to approximately 15 years) and electricity tariff concessions can be obtained, thus cutting down long-term operating costs (Shah, n.d.).
- The scheme also provides interest subsidies (such as up to approximately 4-5% on the interest of the term loan per year) and partial reimbursement of EPF. This has a positive impact on both MSMEs and larger projects (Shah, n.d.).

III. Karnataka:

- The Industrial Policy 2020-25 of Karnataka provides subsidies for the promotion of investments in MSMEs. They are formulated as turnover-dependent subsidies, for instance, 10% of the turnover over five years per annum, capped as a percentage of fixed assets (Cyrill, 2021).
- The policy exempts MSMEs from paying stamp duty and concessional registration fees on land or lease deals for approved projects (Cyrill, 2021).
- The land-conversion fees received may cover the costs of converting agricultural land to industrial use, thus reducing this expense for eligible units (Cyrill, 2021).
- For MSMEs, Karnataka offers a subsidy on electricity bills and also an electricity subsidy, thus reducing energy costs in the initial years (Cyrill, 2021).
- The new industrial policy gives investors an option of either paying a capital expenditure subsidy or opting for a production-linked incentive (PLI) as the base subsidy. The capex subsidy is typically 10-25% of the investments' fixed assets, based on the investment zone and project location (ETtech, 2025).

IV. Gujarat:

- The MSME and industrial policies of Gujarat provide duty credit of up to 100% for a period of 10 years to eligible MSMEs and industrial units, reducing their electricity expenses (Committee for MSME & Start-up & The Institute of Chartered Accountants of India, 2022).

- The state also waives the stamp duty and registration fee (in several schemes, 50-100%) on the sale/lease/transfer of land and office space in the case of qualifying projects (Committee for MSME & Start-up & The Institute of Chartered Accountants of India, 2022).
- Capital subsidy on eligible fixed capital investment for setting up new plants and/or expansions under industrial/MSME schemes to support new plants and expansions (Committee for MSME & Start-up & Institute of Chartered Accountants of India, 2022).
- Gujarat offers a stamp duty rebate for the developers of logistics parks or other industrial infrastructure for the private industry to promote industrial infrastructure (Committee for MSME & Startups & The Institute of Chartered Accountants of India, 2022).
- In reality, Gujarat provides an industrial promotion subsidy series of mechanisms that are similar to SGST refunds, through net SGST refunds, net gross SGST reimbursement, and interest subventions, to encourage new industrial investments in manufacturing (Shah, n.d.).

V. Uttar Pradesh:

- Eligible industrial units can avail themselves of investment promotion subsidies and financial assistance (Finraja, 2025) under the UP Industrial Investment & Employment Promotion Policy 2022.
- The policy provides for stamp duty exemptions: 100% exemption in Bundelkhand and Poorvanchal; 75% exemption in many districts of the central zone of Uttar Pradesh; and 50% in districts such as Ghaziabad and Gautam Buddha Nagar (*Uttar Pradesh Industrial Investment & Employment Promotion Policy 2022 | Official Website of Invest UP, Government of Uttar Pradesh, India,* n.d.).
- If the unit is approved, it may receive 100% reimbursement of the net SGST deposited in the state account subject to conditions and regional and overall financial limits (Finraja, 2025).
- In high-end and priority sectors, UP is providing a top-up subsidy on top of the central PLI scheme. This provides state incentives of up to 30% of the eligible capital

investment; however, there are caps overall (often 200-300% of the eligible capital investment over the benefit period) (Finraja, 2025).

- The policy also offers capital subsidies, employment-linked incentives, and R&D support, particularly for large projects, logistics parks, MSMEs, and those that generate significant local jobs (*Uttar Pradesh Industrial Investment & Employment Promotion Policy 2022 | Official Website of Invest UP, Government of Uttar Pradesh, India,* n.d.).

3.4.1.3 Indonesia

The tax incentive most often designed and distributed in Indonesia is done so by the central government. These are detailed in national legislation and rules derived from corporate income tax, VAT, and investment incentives. Local governments have little control over the issue, they typically lack the ability to establish their own corporate tax holiday or tax allowances. In summary, Indonesia has a centralized tax incentive system that is more similar to that of Bangladesh than to that of India, as they have powers to provide their own tax incentives (*Indonesia—Corporate—Tax Credits and Incentives*, n.d.).

The following are the major tax incentives provided in Indonesia. These incentives are applicable to applicants who are both local and foreign investors as long as they meet the requirements.

I. Tax Holiday (Corporate Income Tax Exemption):

- **What it means:** A company may save 100% of its corporate income tax for a fixed time, typically 5-20 years and perhaps longer for the new capital city. Thereafter a lower rate, such as 50% off for 2 years, applies (Untoro, 2025).
- **Who it's for:** Large investments in "pioneer industries" (big, high-tech projects that have a broad economic impact) and strategic sectors. Additionally, for investment in the new capital, Ibu Kota Nusantara (IKN), and some special economic zones (Medina, 2023).
- **Legal basis:** Based on Government Regulation No. 78/2019 and Minister of Finance Regulation No. 130/PMK.010/2020. Another regulation applies for a "mini tax holiday" for investments that range from 100 billion to 500 billion rupiah, which provides partial relief (Untoro, 2025).

II. Tax Allowance (Corporate Income Tax Reduction/ Extra Deductions):

- **What it includes:**
    - A 30% deduction on the investment amount, spread over 6 years (Iipclondon, 2024).
    - Faster depreciation of physical assets and faster amortization of intangible assets (Iipclondon, 2024).
    - Loss carryforward extended to 10 years instead of the normal 5 (Iipclondon, 2024).
    - A lower withholding tax on dividends (10%) for qualifying investments (Iipclondon, 2024).
- **Who it's for:** Investments in specific sectors and/or regions, such as manufacturing, energy, agriculture, fisheries, pharmaceuticals, and IT (Medina, 2023).
- **Legal basis:** Government Regulation No. 78/2019 and Minister of Finance Regulation No. 96/2020 (Iipclondon, 2024).

III. Super Deduction Schemes (Human Capital & R&D):

- **Labor‑intensive Industries:** Companies in labor‑heavy sectors can reduce their net income by up to 60% of the value of their investment in tangible fixed assets (including land) (Iipclondon, 2024). This is spread over 6 years
    - Legal basis: Government Regulation No. 45/2019 and MoF Regulation No. 16/2020.
- **Vocational Training/ Apprenticeships:** A 200% deduction from gross income for costs related to approved training, internships, and workforce education programs (Iipclondon, 2024).
    - Legal basis: MoF Regulation No. 128/2019.
- **Research & Development:** A 300% deduction from gross income for qualifying R&D activities done in Indonesia (Iipclondon, 2024).
    - Legal basis: MoF Regulation No. 153/2020.

These are available to domestic taxpayers, but foreign‑owned companies registered as Indonesian tax residents can also use them if they meet the requirements.

IV. Incentives in Special Economic Zones (SEZs), Free Trade Zones, & Priority Regions:

- **SEZs & Free Trade Zones:**
  - The exemption period for corporate income tax can be as long as 20-25 years, depending on the sector and size of investment (Untoro, 2025).
  - VAT and luxury goods tax exemption for goods/services provided within the zone (*Aspire Singapore: Indonesia Corporate Tax Rate and Incentives,* n.d.).
  - Exempt or lower import taxes for machinery, equipment, and raw materials for production (Untoro, 2025).
  - A number of sources also refer to the decrease of land and building taxes in certain areas (*Aspire Singapore: Indonesia Corporate Tax Rate and Incentives,* n.d.).
- **Kawasan Pengembangan Ekonomi Terpadu (KAPET):** Integrated Economic Development Zones in the Indonesian context. Businesses in KAPET can get corporate income tax reductions (10-100% for 5-15 years) and exemptions on VAT and import duties for machinery and equipment (*Indonesia - Corporate - Tax Credits and Incentives*, n.d.).
- **Regional/Eastern Indonesia incentives:** Additional corporate income tax relief, such as an additional 10-20%, is sometimes provided on an investment in some less developed areas, including eastern Indonesia (Dillon, 2026).
- **IKN & partner regions:** The government provides up to 100% corporate income tax exemption for 10-30 years (based on the industry), withholding tax relief and other incentives for investments in IKN & partner regions. This is particularly applicable to public services investments and financial sector investments, with some date of investment (e.g., 2035 or 2045) (Medina, 2023).

V. Import Duty & Indirect Tax Facilities:

- **Import Duty Exemptions for Capital Goods & Raw Materials:**
  - Inclusion of machinery and other capital equipment in the exemption list during the construction period (typically within 2 years) (IIPCLondon, 2024).

- Exemption for raw materials in the startup production stage (2-4 years; longer for local machines). These are usually granted for BKPM-approved investments and can be combined with other incentives (Iipclondon, 2024).

- **Bonded Zones/Bonded Warehouses:** Companies in bonded zones get a suspension or exemption from import duties, VAT, and other import-related taxes on goods that enter the bonded area for processing and export (*Indonesia - Corporate - Tax Credits and Incentives*, n.d.).

VI. Sector-Specific & Priority Sector Incentives: Indonesia has a "priority sectors" list comprising approximately 246 types of business (Medina, 2023). These include targeted corporate income tax cuts, tax incentives, and non-tax measures such as streamlined licensing, land and infrastructure support, and so on. Some of the priority sectors:

- Industries, including manufacturing and pioneer (upstream metal, petrochemicals, automotive including EVs, electronics, and machinery).
- Energy and infrastructure (power plants, low internal rate of return toll roads, and ports).
- Processing based on agriculture, plantations, and forestry.
- Pharmaceuticals, digital economy, data centers, and much more.

These sectoral incentives are given in the form of the tax holiday, tax allowance, and super-deduction, but not in isolation.

3.4.2 Relation between Tax Incentive & Foreign Direct Investment

To establish the relationship between tax incentives and FDI, I have decided to conduct a regression test between the corporate taxes and FDI net inflows as a percentage of GDP of Bangladesh, India, and Indonesia from the period 2005 to 2024. There are many tax incentives available; however, I have chosen only corporate tax data because its data are available on the three countries' websites. One more thing: the corporate tax rate does not include only the tax rate applicable for multinational companies, but it compromises the tax rate for both local and foreign companies. Therefore, we can consider this rate a proxy rate and carry on with the analysis. This is a limitation of this paper.

Table 3 shows the annual corporate tax rate and FDI net inflows as a percentage of GDP for Bangladesh, India, and Indonesia during 2005-2024.

Table 3

Historical Corporate Tax Rate and Foreign Direct Investment, Net Inflows (% of GDP) of Bangladesh, India, and Indonesia

	Corporate Tax Rate			**FDI, Net Inflows (% of GDP)**		
Year	**Bangladesh**	**India**	**Indonesia**	**Bangladesh**	**India**	**Indonesia**
2005	37.5%	30.0%	30.0%	1.2%	0.9%	2.9%
2006	37.5%	30.0%	30.0%	0.6%	2.1%	1.3%
2007	37.5%	30.0%	30.0%	0.8%	2.1%	1.6%
2008	37.5%	30.0%	30.0%	1.4%	3.6%	1.8%
2009	37.5%	30.0%	28.0%	0.9%	2.7%	0.9%
2010	37.5%	30.0%	25.0%	1.1%	1.6%	2.0%
2011	37.5%	30.0%	25.0%	1.0%	2.0%	2.3%
2012	37.5%	30.0%	25.0%	1.2%	1.3%	2.3%
2013	37.5%	30.0%	25.0%	1.7%	1.5%	2.6%
2014	37.5%	30.0%	25.0%	1.5%	1.7%	2.8%
2015	37.5%	30.0%	25.0%	1.5%	2.1%	2.3%
2016	37.5%	30.0%	25.0%	0.9%	1.9%	0.5%
2017	37.5%	30.0%	25.0%	0.6%	1.5%	2.0%
2018	35.0%	30%/25%	25.0%	0.8%	1.6%	1.8%
2019	35.0%	30%/22%	25.0%	0.5%	1.8%	2.2%
2020	35.0%	30%/22%	22.0%	0.4%	2.4%	1.8%
2021	32.5%	30%/22%	22.0%	0.4%	1.4%	1.8%
2022	30.0%	30%/22%	22.0%	0.3%	1.5%	1.9%

2023	27.5%	30%/22%	22.0%	0.3%	0.8%	1.6%
2024	27.5%	30%/22%	22.0%	0.3%	0.7%	1.7%

Note. Data from Finance Act announcements and Balance of Payments database, IMF.

Table 4 shows the summary of the ordinary least squares (OLS) regression test conducted between the corporate tax rate and FDI net inflows (% of GDP) across Bangladesh, India, and Indonesia from the period 2005 to 2024. The test was conducted considering FDI net inflows as the dependent variable and corporate tax rate as the independent variable. The calculation is shown in the appendix section of this paper.

Table 4

Summary of OLS Regression Results: Corporate Tax Rate and FDI Inflows (% of GDP) across Bangladesh, India, and Indonesia

	Bangladesh	**India**	**Indonesia**
Tax coefficient, β	0.09	0.06	-0.01
t-stat	4.22	1.56	-0.13
p-value	0.0005	0.1361	0.8998
R^2	0.4979	0.1191	0.0009
F (Sig. F)	17.8501 (0.0005)	2.4347 (0.1361)	0.0163 (0.8998)

Note. Calculations were done using Excel.

A fundamental question that has been much on the minds of policymakers and researchers for a long time is whether tax incentives attract additional foreign investment. If a country reduces taxes on foreign companies, do they not want to move to another country? This question is answered by the regression test that we conducted.

The result of the regression test varies highly across the three countries. In the case of Bangladesh, the relationship is statistically significant; however, the model explains almost 50% of the variation in the FDI net inflows (% of GDP). This means that there exists some sort of relation between the corporate tax rate and FDI inflows. Interestingly, in the case of India and

Indonesia, the relationship is not statistically significant. This means that there is no relationship between the corporate tax rate and foreign direct investment in these two countries. This might have happened because of many factors. Firstly, India and Indonesia are large, diversified economies where FDI mostly depends on market size, skilled laborers, technology, infrastructure, politics, and many other macroeconomic variables. Therefore, it considers tax only a secondary factor. Secondly, we have already established the corporate tax rate as a proxy of tax incentives because it is not the actual tax rate applicable for MNCs but an overall tax rate applied to all companies across the three countries. Thus, the broad tax rate might have failed to capture the incentives that genuinely matter to investors. Finally, we only have a dataset of 20 years, and the variation among the tax rates is very minimal, which has weakened the statistical power needed to detect any sort of relationship between these two factors.

Alternatively, we can look at the dataset from a different angle as well. So far, we have tried to establish a statistically significant relation between the corporate tax rate and FDI net inflows. Now, let's try to compare the dataset of tax rates year by year with the dataset of FDI net inflows for each of the countries and observe if any pattern is noticeable.

Let's first look at changes in corporate tax rates across the countries. Before the others, Indonesia began to reduce its tax rate. Between 2005 and 2008, their rate was 30%. Then in 2009 they dropped it to 28%, and by 2010 it was down to 25%. It remained there for nearly a decade, but then in 2020, it was reduced to 22%. Moving on, the 30% rate has been maintained by India throughout this period, but in 2018, they made a significant change and lowered their rate to 22% for domestic companies. What a turnaround. In contrast, Bangladesh has maintained a very high rate for a very long time, 37.5% from 2005 till 2017. Then they slowly started lowering it: 35% in 2018, 32.5% in 2021, 30% in 2022, and finally 27.5% by 2023-24. So it is evident how their methods were distinct.

Advancing towards the FDI figures in Table 3. The Indonesian narrative may be the most straightforward one of how tax cuts help. So it was in 2005, when their tax rate was 30%, that they had quite decent FDI at 2.9% of GDP. However, when they lowered the rate down to 25% in 2010, it got even better. The global financial crisis of 2009 caused a slight decline, but FDI continued to grow and reached 2.8% of GDP in 2014. It continued to be robust for a few years at 2.0% to 2.8%. It's a pretty good sign that those tax cuts, and other measures that made it easier for foreign companies to come and stay in Indonesia, did just that.

The same is true in the case of India, particularly in the last few years. Their tax rate was fixed at 30% from 2005 to 2017, and FDI was not making much headway. It had some good moments, but there was no steady increase. However, that lower 22% rate introduced in 2018 saw an uptick in FDI. By 2020, it rose to 2.4% of GDP, the highest it's ever been in India in 20 years. Of course, other factors played their part as well, such as improving the ease of doing business and developing improved roads and ports. But the time is ripe.

Finally, it's an interesting and disturbing story from Bangladesh. What it is, is a reflection of what happens when tax changes take so long to pass parliament or when rates remain too high for too long. From 2005 to 2017, their corporate tax rate was 37.5%, much higher than India's and Indonesia's. It has some low and flat FDI as well, rarely exceeding 1.5% of GDP, and sometimes even less than 1%. This is despite the fact that Bangladesh has cheap labor and a large domestic market. So it does seem that foreign investors were repelled by that high tax load. Things got even worse after 2016; FDI kept falling, all the way down to just 0.3% of GDP in 2022, 2023, and 2024.

In conclusion, from the evidence in 20 years from three very different developing countries, it seems quite convincing. Lowering corporate tax rates and expanding concession packages, in particular, did work to attract foreign investment. Indonesia and India demonstrated smart and timely tax measures that can lure regular investments. And Bangladesh proved the price of waiting too long: you miss out. So tax incentives aren't some bit of side equipment. Tax reform is a key priority for governments if they are to strive to attract foreign investment.

3.4.3 Transfer Pricing Regulation Frameworks: A Country-by-Country Analysis

I. Bangladesh: The formal transfer pricing provisions were implemented in Bangladesh in 2012 by the Finance Act. The rules will come into effect from 1st July 2014. They have been incorporated in the new Income Tax Act 2023 under the group taxation provisions. The rules mostly follow the Organisation for Economic Co-operation and Development (OECD) Transfer Pricing Guidelines. They embrace common approaches for determining whether prices are fair, such as using the open market, resale price method, cost-plus method, profit split method, and Transactional Net Margin Method (TNMM).

Companies engaged in international transactions with affiliated companies (sister companies or parent companies) are required to file a Statement of International Transactions. The company requires a detailed record and needs to obtain a certificate from a chartered accountant if the total value of these transactions exceeds about BDT 3 crore. They can face a fine up to 1% of each transaction if they don't adhere to these rules. Special cells are in place in the income tax department and the customs department for handling transfer pricing. This is indicative that the government is aware that many companies trick customers by listing incorrect prices for the products and services they sell in the group. It's a significant tax danger to the growing economic system of Bangladesh.

But the issue is the enforcement. Despite the rules, over the last more than a decade, the tax department has not examined most of the documents of MNCs properly. The transfer pricing cells are continually changing, and there is no consistent group of specialists to form. Tax officers also lack good data access to be able to compare prices, in particular for export transactions, management fees, royalties, or digital services. So most MNCs simply impose any price that they want and tax officers simply take it. Businesses also discover strategies to stay clear of profound checking. They can split their related party transactions among their sister companies or contracts so that each transaction will be under the BDT 3 crore cap. They can also establish liaison offices or promotion offices in Bangladesh, regard it as low-risk, and only cover costs. Although these offices are doing important work, they are not sufficiently subject to transfer pricing rules. All this makes Bangladesh vulnerable to profit shifting, fictitious payments for services, over-inflated royalty payments, and even money laundering via trade. Although the law is good in principle, it is weak in practice.

II. India: Transfer pricing regulations are part of the Income Tax Act 1961, Chapter X, and they have been in existence since 2001 (Khandelwal, 2025). These rules are among the most advanced in Asia. They span all types of international deals between related companies. They also apply to certain domestic transactions between related parties in India in certain circumstances. The rules are based on the commonly used OECD approaches to confirm the fairness of prices, such as the comparable price method, the resale price method, the cost-plus method, the profit split method, and the TNMM.

India has been adding more features with time. Transfer Pricing in India: A Critical Analysis (n.d.) reports that they launched an APA programme in 2012, which is an agreement on prices made in advance. In 2013 they implemented safe harbour rules, which provide fixed margins for some firms. They also began to use multi-year data and ranges to compare prices. Later, they came up with a three-tier documentation framework: Master File, Local File, and Country-by-Country Reporting. This is in line with BEPS Action 13.

There are numerous audits performed by transfer pricing officers every year. If companies don't keep proper documents, they can be fined around 2% of the value of the affected transactions (Khandelwal, 2025). Not only that, but they also have to pay additional tax and interest. Further, under India's tax treaties, the country also participates in the Mutual Agreement Procedure (MAP) and has provided guidance to clear up tax disputes, Khandelwal (2025) states. They want to be equal to the international standards; they also want the tax to be created on the value that is created within India.

But despite this highly effective organization, there are still some areas that could be improved. These rules can be leveraged by companies in savvy ways to lower their taxes. For instance, numerous organizations are operating TNMM. They select a carefully crafted company to be tested and the companies to be compared (Khandelwal, 2025). This will give them the opportunity to report low profits in India even if their operations in India do a lot of good things. The remainder of the profit is then passed on to group companies in countries with lower taxes. There are also concerns that there are too many fees (excess payments, management fees, interest, and royalties). Businesses say that risks lie elsewhere in the contract and valuable assets such as brands or tech are owned by foreign group entities. So the Indian company is a mere "limited-risk" service provider, and it should claim only a small and routine profit, they say. This enables them to syphon profits out of India.

APAs and safe harbours provide certainty but can also be an issue. It is important to note that a margin once locked in does not change if economic conditions change (Transfer Pricing—India, 2025). They can also be employed to prevent challenges to aggressive structures later. India has general anti-avoidance rules (GAAR). These are designed to prevent the creation of what are primarily tax avoidance schemes but are technically legal (Dhawan & Nagpal, 2025). However, GAAR has been utilized in a very limited fashion. That, of course, doesn't deter savvy tax planners. Finally, there are numerous cases and gaps in information. Only a limited number of structures can be attacked by tax authorities. The complexity is a good thing for well-advised multinationals, who can go ahead with profit-shifting plans.

III. Indonesia: The Directorate General of Taxes (DGT) is in charge of Indonesia's transfer pricing regulations. These rules are based on the arm's-length principle; that is, related companies should be dealt with as if they were not related companies. Indonesia adopts OECD standards and uses standard techniques, such as Comparable Uncontrolled Price (CUP), resale price, cost-plus, profit split, and TNMM (*Transfer Pricing Risks in Indonesia: Key Challenges, Regulations, and Mitigation Strategies*, n.d.).

Large related-party transactions must be documented properly by companies that conduct such transactions. This is particularly relevant when the deals include low-tax countries and when they will have significant impact on Indonesia's tax base (Eldwen, 2025). The rules require a detailed functional analysis, benchmarking, and economic explanations. The DGT focuses on commodity trade, such as that of oil, gas, or minerals. They are more inclined to use the CUP method and prices quoted to the international market. Indonesia also has more stringent provisions on arrangements with foreign affiliates for those countries with lower tax rates than in Indonesia, which stands at 22% (Transfer Pricing Risks in Indonesia: Key Challenges, Regulations, and Mitigation Strategies, n.d.). Additionally, Indonesia has provisions for unilateral or bilateral APAs and has the document 'APAs in Indonesia (Indonesia Transfer Pricing: Key Risks, Regulations, and Mitigation Strategies)' to assist companies in applying for APAs. This is proof that Indonesia would like to resolve disputes at an early stage. New guidance: Transfer pricing is not a price calculation exercise. It should include the actual economic activities, such as the type of activities performed by a business, assets utilized by a business, and the risk undertaken within the boundaries of Indonesia (Eldwen, 2025).

But, in reality, Indonesia has weaknesses. There is still the possibility for companies to move profits out of the country. The studies indicate that many multinationals exist that pay royalties and management fees from their Indonesian subsidiaries to their foreign parent companies (Kamilah, 2019). This will decrease the tax that is collected in Indonesia. They sometimes change their company names or even change their companies, only to gain the tax benefits again. A key challenge for commodities is the application of the rules, which are restricted to CUP (Transfer Pricing Risks in Indonesia: Key Challenges, Regulations, and Mitigation Strategies, n.d.). However, the international prices are subject to frequent fluctuations. There are also various discussions regarding the date to take the price from, quality differences, and contract terms. This provides companies with free space to implement price manipulation strategies in which most of the profit is layered to trading hubs outside of Indonesia. The remaining margins are small in the entity in Indonesia (Transfer Pricing Risks in Indonesia: Key Challenges, Regulations, and Mitigation Strategies, n.d.).

Documentation thresholds can cause issues, too. Some support services are acceptable for a company to have "low value added." They also have the ability to maintain each charge just below the point at which it would be subjected to a deep audit (Acclime_Admin, 2026). This restricts the auditor's access to information. Last but not least, the rules on transfer pricing in Indonesia are very complex and constantly evolving (Transfer Pricing Risks in Indonesia: Key Challenges, Regulations, and Mitigation Strategies, n.d.). This only leads to additional confusion and tax department work. Smart, multinational companies with good advisors can keep a few steps ahead of enforcement, however. They keep finding ways to shift their income to lower-tax countries.

3.4.4 Relation between Transfer Pricing Regulation & Foreign Direct Investment

The purpose of transfer pricing rules is to prevent multinationals from shifting profits between their own "sister" companies. Yet on the other hand, the rules make it more expensive to adhere to all of the paperwork and compliance. Thus, it can affect investment decisions as to where and how companies invest their funds.

Table 5

Transfer Pricing Regimes and Foreign Direct Investment Impact

Country	Key Information	Enforcement Strength (Qualitative)	FDI effect (Based on literature)
Bangladesh	Chapter XIA, effective 1 July 2014; arm's-length principle and documentation thresholds.	Weak	Some room for tax-motivated FDI exploiting gaps; provides basic certainty for genuine investors.
India	Detailed rules in Income Tax Act; long-standing documentation, APAs and active audits.	Strong	Discourages aggressive profit-shifting structures but coexists with high real FDI inflows.
Indonesia	Income Tax Law 2008; three-tier documentation under PMK-213/2016; consolidated by PMK-172/2023.	Moderate	Reduces purely tax-driven arrangements while remaining attractive for resource- and market-seeking FDI.

Transfer pricing provisions are quite recent in Bangladesh. Chapter XIA was also incorporated in the Income Tax Ordinance under the Finance Act 2012, and the tax regime became effective from 1st July 2014 (Customs of Bangladesh, National Board of Revenue, n.d.). Since Bangladesh's transfer pricing system is still new and the government's ability to enforce it is still growing, the rules look good on paper but are weaker in practice compared to bigger emerging economies. In terms of foreign investments, it has two implications. Firstly, Bangladesh could still continue to see some investors interested in tax advantages and believe they can exploit the weak enforcement. Second, real investors who are serious about generating products acquire at least some degree of confidence regarding how their cross-border investments will be managed.

On the flip side, India is on the complete opposite side. It is one of the oldest and best-enforced transfer pricing systems in the region. The rules are part of the Income Tax Act, and detailed regulations have been around for more than twenty years. These rules include aspects of acceptable methods, detailed documentation, real-time benchmarking, safe harbors, and APA. According to international surveys, India is known for conducting extensive transfer price audits and is having a lot of disputes with companies. This indicates that the tax department puts in a lot of effort to safeguard the nation's tax base (Reeves, 2022). Despite all this, India has been able to draw in massive foreign capital inflows. That means investors are willing to take harsh scrutiny from the tax man as long as they are given entry to India's huge domestic market and a well-defined set of rules. What India's case illustrates is that investments that are made only for tax reasons can be reduced due to strong transfer pricing enforcement but not deter genuine investors who wish to do business with Indian customers, provided the basic strengths of the country are good.

Indonesia is in the middle. It has transfer pricing provisions based on the 2008 Income Tax Law. Subsequently, a regulation (PMK-213/2016) was introduced that implemented a three-tier documentation system that largely adheres to OECD and BEPS principles (Nugroho, 2026). The Minister of Finance Regulation 172/2023 recently unified and updated Indonesia's transfer pricing rules, including the documentation, the mutual agreement procedure, and the arm's-length principle, and became the main framework for tax year 2024 (Nugroho, 2026). These changes are evidence of a conscious effort to increase oversight in Indonesia. Its foreign investment has fluctuated over the years but in recent years is definitely higher than in the mid-2000s. This is consistent with the notion that stricter transfer pricing regulations have not deterred investors. Instead, they have likely cut down on the most aggressive profit-shifting practices while still permitting investments based on infrastructure tied to natural resource extraction and access to the Indonesian market.

An understanding of these patterns can be gained from research that examines the differences between countries. According to a study done by Mooij and Liu (2018), the investment of multinational company affiliates in the country in which transfer pricing rules are introduced is reduced by over a decade on average. However, the overall investment of the entire group remains more or less unchanged. What happens is that the company simply moves its capital to other countries where profit-shifting opportunities are still better. This implies that lax or poorly enforced transfer pricing regulations may lure some foreign investment, primarily for tax advantages, and be readily transferrable to a different location. Meanwhile, low-income countries lack the ability to enforce these rules effectively. If the rules are implemented in OECD style, but there is not enough skilled population and the necessary systems, then there is no possibility of generating additional tax revenues. Rather, it can contribute to the confusion and uncertainty for investors.

If we combine all the evidence, it can tell us that every country sends out different signals to investors. However, Bangladesh has a relatively new system, which has not been tried extensively. India has a good system with a lot of cases and conflicts in the courts. It is a progressive system in Indonesia. The various systems provide investors with an idea of the amount of tax planning that is allowed or the level of tax predictability they will have. As a result, the rules do not only impact the amount of foreign investment a country receives but also the type of foreign investment a country receives.

3.5 SUMMARY & CONCLUSION

From this study, it can be concluded that apart from tax incentives and transfer pricing rules, other factors are also important for foreign investment. Both quantitative and qualitative methods were applied in this research, as it involved analysis of existing studies and literature and conducting regression tests between corporate tax rates and FDI net inflows. It indicates that foreign investments in Bangladesh, India, and Indonesia have tended to follow changes in the tax laws. Other studies, however, have emphasized that MNCs also pay attention to numerous factors other than tax. They include market size, economic stability, good roads and ports, labor costs and skills, political conditions, and overall quality of rules and regulations. In simple terms, tax policy influences the tax climate in which investment decisions are made yet is part of a broader range of economic and institutional factors.

The analysis of tax incentives has shown that the reduction of the real tax load with the help of tax holidays, reduction of tax rates, accelerated depreciation, special economic zones, and other measures can positively affect the volume of foreign investments. This is particularly effective if rules are clear and the tax department is believable and efficient. Despite the fact that Indonesia and India have grown and instituted broader, more organized economic reform, including increased incentives, they have experienced higher long-term growth of foreign investment compared to Bangladesh. Incentives are generous in Bangladesh, as are deeper issues such as weak administration or poor infrastructure. This result is consistent with previous studies that showed that tax concessions have a positive and moderate effect on foreign investment. This effect is strongest in the case of fairly favorable other basic conditions in the country. Moreover, statistically speaking, there exists a strong relationship between corporate tax rates and FDI inflows in the case of Bangladesh, but not for India and Indonesia. Therefore, the final decision is that the tax incentives can only be a supporting tool. They can be a catalyst to a marginal investment decision in your favor, but they cannot create deep structural weaknesses independently.

Another dimension is provided by transfer pricing rules since they influence not only the amount of foreign investment that enters into the country but also the nature of foreign investment. Enforceable strong rules tend to reduce profit-shifting opportunities. This makes it less attractive for people to invest for tax reasons and more predictable for true investors seeking to create. Each country has its own more recent system with less enforcement, a more established system with more disputes, and a tightening up of rules over time, respectively. Both together say that lax or inconsistent enforcement can bring in some “light-fingered” tax-fueled investment, which may be fleeing. But on the other hand, if enforcement is strong and predictable, then there can be lots of investment that comes for market access and real business opportunities. So the evidence we reviewed supports the notion that transfer pricing policy is partially determining the quality and type of foreign investment that a country receives.

The general findings of this study validate and expand upon previous studies. Transfer pricing and tax regimes are important components of the strategies countries employ in attracting foreign investment. But they play a significant role in many other aspects, and they alone do not assure regular investment inflows or broad-based development. Where multinationals choose to establish is not just a matter of tax. Tax is not the primary reason for the location of multinationals and seldom the only reason. However, the level and effect of tax incentives and the enforcement of transfer pricing rules are clearly having an impact on the quantity and quality of foreign investment. The principle is that if the tax benefits are well-defined, properly directed, and periodically reviewed, and if transfer pricing provisions are credible, feasible, and transparent to all parties, then Bangladesh, India, and Indonesia will gain the most.

3.6 RECOMMENDATION

I. Bangladesh: The government of Bangladesh cut the corporate tax rate from 37.5% to 27.5% in the period of 2018 to 2024. This is great, but foreign investment continued its downward trend. This dropped to 0.3% GDP in 2022 and remained constant. Clearly, only tax cuts will not suffice for Bangladesh. So, Bangladesh should not accept demands for tax exemption from any who request it. They should connect those breaks with some tangible outcomes such as job creation, new technological development, or export growth. Furthermore, it should be reviewed periodically every few years to determine if these tax breaks are worthwhile. If not, they should change the rules then.

The main problem is regarding the transfer pricing regulation. Bangladesh’s Tax Regulatory Body (TRB) has no adequate human resources and information to detect this at present. For things such as management fees, royalties, digital services, etc. So more training of officers is needed, more retention of officers (rather than turning them over every few months), and a better set of data tools for officers. Additionally, the rules should be fixed so that businesses can avoid getting audited by dividing up a large transaction into smaller transactions. Some sort of mechanism should be put in place in Bangladesh, such as APA, which fixes the price in advance based on a mutual agreement between the company and the tax department. That provides comfort to everyone.

II. India: In fact, India is not doing that badly when compared with Bangladesh. Their tax regime and transfer pricing guidelines are among the best in Asia. And here is the outcome: They reduced the corporate tax rate from 42% to 25% in 2018, and foreign investment grew to 2.4% of GDP in 2020. That's their highest in 20 years.

Even the smart problems are there in India. Large multinational corporations are very innovative in taking advantage of the loopholes in rules. The great thing the MNCs do is to utilize the TNNM. Simply, they select and select the segments of their business and the other companies they want to compare it with so it seems as though their Indian company didn't make much profit. They then move the actual profit to a low-tax country such as Singapore or Ireland. Thus, India's tax officers must become much more adept at discerning what is actually transpiring. Another frequent practice is overpayment for services, royalties, or brand fees to the foreign parent company.

India should continue to develop policies on the basis of the principle that if the value added is created in India, then the profit should remain in India. As stated above, India has the General Anti-Avoidance Rules, a potent weapon to prevent such a trick. The trouble is, there aren't enough tax auditors to catch all of them. Therefore, rather than going through random companies to check out every one of them, India should look at the largest and the highest risk cases first. Last but not least, even India should regularly review whether or not its tax incentives are achieving their goals. Are companies really making investments for the long term and providing job opportunities? Otherwise, giving the tax break is not worthwhile.

III. Indonesia: Until now, Indonesia has been able to attract foreign investment of more than 2% of GDP, even approaching 3%. But lately, it's dropped to 1.6% of GDP in 2023. So they have no time to take it easy. They must make some adjustments to their system.

The main issue in Indonesia is the royalty and management fees. Multinationals are fond of having their Indonesian arm pay a large sum of money to the head office in another country as "royalties" or "fees." It is merely a subterfuge to shift profits from Indonesia and to pay lower taxes. So, Indonesia should seek more robust evidence for these payments to be genuine and fair. It is not just the quantity but the actual business reason for it that they should consider.

Additionally, certain companies restructure or change their name in order to meet the criteria for tax incentives the next time. Therefore, it is suitable that Indonesia should set the rules that if a company wishes to get the benefit of the tax break, it must have the same structure for at least a certain number of years. The government should not only take into account the paper but also the meat of the company.

As in other countries, the hindrance for Indonesia is also the lack of skilled tax officers who are able to grasp the games of multinationals. The companies are just too smart right now, and tax officers lack tools and training. That has to change. Last but not least, Indonesia's tax incentives should be linked to a development plan over the long term. They should examine periodically whether or not these incentives are attracting good, stable investment or short-term investment that's "rushing off."

To conclude, all countries will continue to make efforts on non-tax fundamentals, such as infrastructure, good governance, a skilled workforce, and the quality of rules and regulations. These are important factors. In fact, tax incentives and transfer pricing rules can support and complement the efforts to attract and retain good-quality foreign investment once they are in place. They should not be solely depended on to fuel international investment.

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5. APPENDIX

5.1 Appendix A: Chevron Corporation Balance Sheet & Income Statement

CVX Balance Sheet					
	2021	**2022**	**2023**	**2024**	**2025**
Total Current Assets	**33,738**	**50,343**	**41,128**	**40,911**	**38,552**
Cash And Equivalents	5,640	17,678	8,178	6,781	6,293
Cash And Equivalents Growth	0.79%	213.44%	-53.74%	-17.08%	-7.20%
Short Term Investments	35	223	45	4	4
Total Receivables	18,168	20,281	19,770	20,562	17,884
Accounts Receivable, Total	18,168	20,281	19,770	20,562	17,884
Other Receivables	-	-	-	-	-
Inventory	6,795	8,247	8,612	9,074	9,711
Prepaid Expenses	2,516	3,109	4,097	4,087	4,295
Finance Division Loans and Leases Current	-	-	-	-	-
Finance Division Other Current Assets, Total	-	-	-	-	-
Other Current Assets	584	805	426	403	365
Restricted Cash	333	630	275	281	174
Other Current Assets, Total	251	175	151	122	191
Total Assets	**239,535**	**257,709**	**261,632**	**256,938**	**324,012**
Total Assets Growth	-0.11%	7.59%	1.52%	-1.79%	26.11%
Net Property Plant And Equipment	150,629	147,853	159,041	153,114	225,783
Gross Property Plant And Equipment	339,713	332,047	351,503	351,248	441,009
Accumulated Depreciation	-189,084	-184,194	-192,462	-198,134	-215,226
Long-term Investments	40,696	45,238	46,812	47,438	43,867
Intangible Assets	4,385	4,722	4,722	4,578	4,568
Goodwill	4,385	4,722	4,722	4,578	4,568
Other Intangibles, Total	-	-	-	-	-
Finance Division Loans and Leases Long-Term	-	-	-	-	-
Other Assets, Total	10,087	9,553	9,929	10,897	11,242
Loans Receivable Long-Term	-	-	-	-	-
Accounts Receivable Long-Term	-	-	-	-	-
Deferred Tax Assets Long-Term	5,659	4,505	4,169	3,516	2,862
Deferred Charges Long-Term	-	-	2,587	3,561	4,151
Other Long-Term Assets, Total	4,428	5,048	3,173	3,820	4,229
Total Current Liabilities	**26,791**	**34,208**	**32,258**	**38,558**	**33,387**
Accounts Payable, Total	16,454	18,955	20,423	22,079	19,280
Accrued Expenses, Total	7,386	7,797	7,905	8,682	10,455
Short-term Borrowings	62	328	469	131	96
Current Portion of Long-Term Debt / Leases	1,189	2,747	1,598	5,794	2,712
Current Portion of Long-Term Debt	146	1,591	-	4,217	95
Current Portion of Leases	1,043	1,156	1,598	1,577	2,617
Other Current Liabilities, Total	1,700	4,381	1,863	1,872	844
Current Income Taxes Payable	1,700	4,381	1,863	1,872	844
Unearned Revenue Current, Total	-	-	-	-	-
Other Current Liabilities	-	-	-	-	-
Total Liabilities	**99,595**	**97,467**	**99,703**	**103,781**	**131,836**
Total Liabilities Growth	-6.98%	-2.14%	2.29%	4.09%	27.03%
Long-Term Debt	30,664	20,972	19,733	19,589	39,122
Long-Term Leases	2,957	3,323	4,270	4,097	4,813
Other Liabilities, Total	39,183	38,964	43,442	41,537	54,514
Unearned Revenue Non Current	-	-	-	-	-
Pension & Other Post Retirement Benefits	6,248	4,357	4,082	3,857	4,111
Deferred Tax Liability Non Current	14,665	17,131	18,830	19,137	30,014
Other Non Current Liabilities	18,270	17,476	20,530	18,543	20,389

Total Equity	**139,940**	**160,242**	**161,929**	**153,157**	**192,176**
Total Preferred Equity	-	-	-	-	-
Preferred Stock Redeemable	-	-	-	-	-
Preferred Stock Non Redeemable	-	-	-	-	-
Preferred Stock Convertible	-	-	-	-	-
Common Stock & APIC	19,114	20,492	23,197	23,503	35,718
Common Stock, Total	1,832	1,832	1,832	1,832	1,832
Additional Paid In Capital	17,282	18,660	21,365	21,671	33,886
Retained Earnings	165,546	190,024	200,025	205,852	205,365
Treasury Stock & Other	-45,593	-51,234	-62,265	-77,037	-54,633
Treasury Stock	-41,464	-48,196	-59,065	-74,037	-51,929
Comprehensive Income and Other	-4,129	-3,038	-3,200	-3,000	-2,704
Minority Interest	873	960	972	839	5,726
Total Liabilities And Equity	**239,535**	**257,709**	**261,632**	**256,938**	**324,012**
Total Debt	**34,810**	**27,042**	**25,601**	**29,480**	**46,647**
Total Debt Growth	-27.79%	-22.32%	-5.33%	15.15%	58.23%
In Millions of USD (except for per share items)					
Source: Investing.com					

CVX Income Statement					
	2021	2022	2023	2024	2025
Total Revenues	155,067	235,916	194,799	195,568	184,654
Total Revenues Growth	64.96%	52.14%	-17.43%	0.39%	-5.58%
Cost Of Revenues	91,483	144,225	118,268	118,269	107,292
Gross Profit	63,584	91,691	76,531	77,299	77,362
Gross Profit Growth	50.50%	44.20%	-16.53%	1%	0.08%
Gross Profit Margin %	41%	38.87%	39.29%	39.53%	41.90%
Other Operating Expenses, Total	47,497	49,686	49,567	54,980	59,731
Other Operating Expenses, Total Growth	2.14%	4.61%	-0.24%	10.92%	8.64%
R&D Expenses	-	-	-	-	-
Selling General & Admin Expenses	25,943	30,222	30,087	33,488	34,494
Other Operating Expenses	4,009	4,022	4,267	4,710	5,237
Operating Income	16,087	42,005	26,964	22,319	17,631
Operating Income Growth	478.34%	161.11%	-35.81%	-17.23%	-21%
EBIT Margin %	10.37%	17.81%	13.84%	11.41%	9.55%
Net Interest Expenses	-712	-516	-469	-594	-1,217
Net Interest Expenses Growth	-2.15%	27.53%	9.11%	-26.65%	-104.88%
Interest Expense, Total	-712	-516	-469	-594	-1,217
Interest And Investment Income	-	-	-	-	-
Other Non Operating Expenses, Total	5,657	8,585	5,131	4,596	3,000
EBT, Excl. Unusual Items	21,032	50,074	31,626	26,321	19,414
Gain (Loss) On Sale Of Assets	1,021	550	138	1,685	462
Other Unusual Items, Total	-414	-950	-2,180	-500	-133
EBT, Incl. Unusual Items	21,639	49,674	29,584	27,506	19,743
EBT, Incl. Unusual Items Growth	390.34%	129.56%	-40.44%	-7.02%	-28.22%
EBT, Incl. Unusual Items Margin	13.95%	21.06%	15.19%	14.06%	10.69%
Income Tax Expense	5,950	14,066	8,173	9,757	7,258
Net Income to Company	15,689	35,608	21,411	17,749	12,485
Minority Interest	-64	-143	-42	-88	-186
Net Income	15,625	35,465	21,369	17,661	12,299
Net Income Growth	381.89%	126.98%	-39.75%	-17.35%	-30.36%
Net Income Margin %	10.08%	15.03%	10.97%	9.03%	6.66%
Preferred Dividend and Other Adjustments	-	-	-	-	-
Net Income to Common Excl. Extra Items	15,625	35,465	21,369	17,661	12,299
Basic EPS - Continuing Operations	8.16	18.37	11.41	9.76	6.65
Basic EPS - Continuing Operations Growth	375.12%	125.21%	-37.88%	-14.48%	-31.83%
Diluted EPS - Continuing Operations	8.14	18.28	11.36	9.72	6.63
Diluted EPS - Continuing Operations Growth	374.61%	124.57%	-37.86%	-14.44%	-31.79%
Basic Weighted Average Shares Outstanding	1,916	1,931	1,873	1,810	1,849
Diluted Weighted Average Shares Outstanding	1,920	1,940	1,880	1,817	1,856
Dividend Per Share	5.31	5.68	6.04	6.52	6.84
Dividend Per Share Growth	2.91%	6.97%	6.34%	7.95%	4.91%
EBITDA	33,632	57,447	42,177	39,101	37,631
EBITDA Growth	156.13%	70.81%	-26.58%	-7.29%	-3.76%
EBITDA Margin %	21.69%	24.35%	21.65%	19.99%	20.38%
EBIT	16,087	42,005	26,964	22,319	17,631
In Millions of USD (except for per share items)					
Source: Investing.com					

5.2 Appendix B: Regression Results from Excel

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.705627181
R Square	0.497909719
Adjusted R Square	0.470015815
Standard Error	0.003239396
Observations	20

ANOVA

	df	SS	MS	F	Significance F
Regression	1	0.000187314	0.000187314	17.85012634	0.000509216
Residual	18	0.000188886	1.04937E-05		
Total	19	0.0003762			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	-0.024056818	0.007786964	-3.08937048	0.006324635	-0.040416623	-0.007697013	-0.040416623	-0.007697013
Bangladesh, tax	0.092272727	0.021840004	4.224940986	0.000509216	0.046388582	0.138156873	0.046388582	0.138156873

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.345177074
R Square	0.119147213
Adjusted R Square	0.070210947
Standard Error	0.006444928
Observations	20

ANOVA

	df	SS	MS	F	Significance F
Regression	1	0.000101132	0.000101132	2.434742627	0.13608251
Residual	18	0.000747668	4.15371E-05		
Total	19	0.0008488			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	0.000816235	0.010852411	0.075212353	0.940875366	-0.021983833	0.023616304	-0.021983833	0.023616304
India, tax	0.061366598	0.039328331	1.560366184	0.13608251	-0.02125916	0.143992357	-0.02125916	0.143992357

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.030094825
R Square	0.000905698
Adjusted R Square	-0.05459954
Standard Error	0.005992421
Observations	20

ANOVA

	df	SS	MS	F	Significance F
Regression	1	5.85942E-07	5.85942E-07	0.016317352	0.899771511
Residual	18	0.000646364	3.59091E-05		
Total	19	0.00064695			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	0.020633289	0.0124669	1.655045666	0.115246044	-0.005558696	0.046825275	-0.005558696	0.046825275
Indonesia, tax	-0.006233422	0.048797961	-0.12773939	0.899771511	-0.108754134	0.09628729	-0.108754134	0.09628729