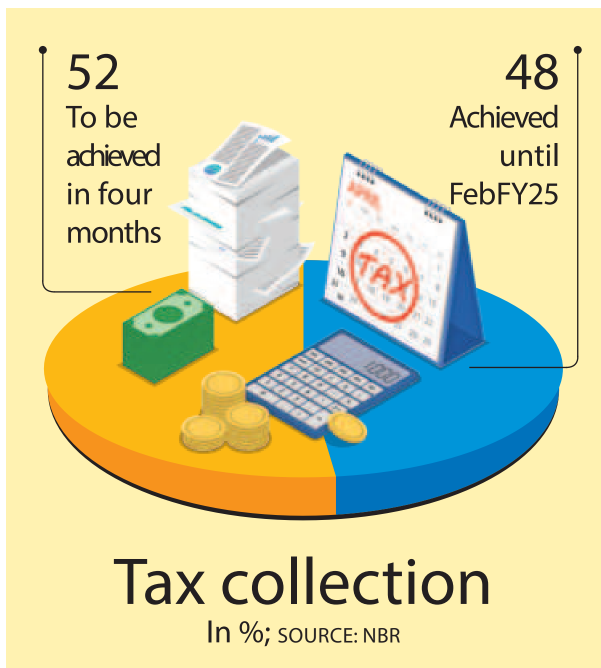
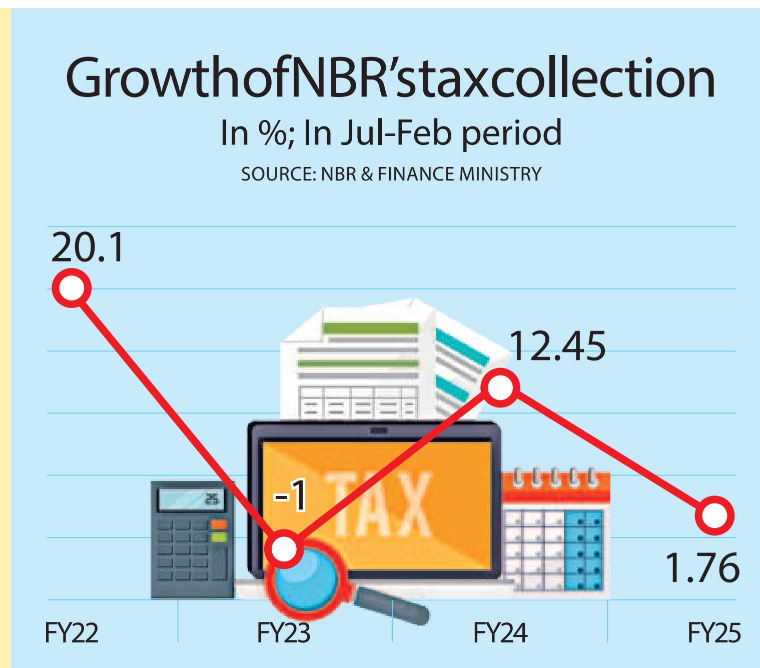
Star BUSINESS

With four months left, tax target remains elusive

Collection grew only 1.76% in July-February

MD ASADUZ ZAMAN *and* SOHEL PARVEZ





The tax target for the National Board of Revenue (NBR) has become more daunting against the backdrop of slowing collection as the economy continues to grapple with worsening consumer purchasing power due to stubbornly high inflation and declining private and public investment.

February's data, released by the NBR, showed that revenue collection grew by roughly one percent year-on-year for the month and 1.76 percent in the eight months since the beginning of the fiscal year 2024-25.

Until February, the NBR, which mobilises 86 percent of the state's total revenue, collected Tk 221,817 crore, meeting roughly 80 percent of its target of Tk 280,059 crore for the eight-month period.

With only four months remaining in the fiscal year, the onus is now on the tax authority to collect a further Tk 241,683 crore in order to meet the revised target of Tk 463,500 crore -- a herculean task given the sluggish nature of the economy and looming political uncertainty.

The weak revenue performance has raised concerns that the government will be more reliant on domestic borrowing to finance the national budget as foreign funding declines and debt repayment obligations rise.

"Revenue mobilisation has remained lukewarm, and this chronic underperformance is increasing our dependence on domestic borrowing to finance development expenditure," said Ashikur Rahman, a senior economist at the Policy Research Institute (PRI) of Bangladesh.

"Unfortunately, this is also amplifying our interest payments each year, crowding out private investments.

"It is also essential to note that the IMF is expecting noticeable improvements in revenue mobilisation capacity. Weak reforms on this front will become a point of contention between the Ministry of Finance and the IMF," he added.

The Bangladesh Bank data showed that government borrowing from the banking sector increased by Tk 15,605 crore between July 1 and February 13 this year, an increase compared to the same period a year ago.

Referring to the revenue collection in the first half of FY25, the Centre for Policy Dialogue (CPD) projected earlier this week that total collection would need to increase by a staggering 55.5 percent in the second half of FY25 for the target to be met.

"This is indeed a highly unlikely prospect," the CPD noted, adding that if the current trend of revenue mobilisation continues, the shortfall could reach Tk 105,000 crore by the end of FY25.

Preliminary NBR data showed that customs revenue fell during the July-February period of this year, as Bangladesh's imports, despite recovering from a downturn, still remained low.

Overall imports grew by 3.32 percent year-on-year to $38.11 billion in the July-January period of this fiscal year.

Value-Added Tax (VAT), the largest source of tax revenue, accounting for 38 percent of total NBR tax, also declined. In the eight months to February, VAT collection fell 3 percent year-on-year to Tk 83,383 crore.

Income tax provided some relief for NBR officials, edging up 4.44 percent in the July-February period.

The revenue board collected Tk 71,914 crore in income tax until February, up from Tk 68,855 crore the year prior.

However, direct tax revenue fell well short of the target.

Selim Raihan, executive director of the South Asian Network on Economic Modeling, said sluggish tax collection in Bangladesh has significant implications for the economy.

"It limits the government's ability to generate revenue for essential public services such as healthcare, education, and various development projects. Without adequate tax income, the government may struggle to meet its spending needs, potentially leading to increased borrowing or a rise in public debt.

"This can harm the country's fiscal stability. Additionally, slower tax collection affects the government's ability to implement social welfare programmes and reduce poverty, hindering efforts to achieve inclusive growth.

"It may also exacerbate income inequality, as the wealthiest individuals and large corporations, who often evade taxes, remain unaffected, while ordinary citizens bear a disproportionate burden."

Raihan, also a professor of economics at Dhaka University, noted that reduced tax revenue can lead to budget shortfalls, resulting in delays or cancellations of critical infrastructure projects that are key drivers of long-term economic development.

"Ultimately, sluggish tax collection can stifle both short-term economic progress and long-term prosperity, affecting the overall stability of the economy."

Eid windfall: Remittance soars 78% in 19 days

STAR BUSINESS REPORT

Remittance inflows surged by around 78 percent year-on-year in the first 19 days of March as migrant workers sent more money home to relatives ahead of Eid-ul-Fitr, the largest religious occasion in the country.

Remittance inflow soared to $2.25 billion in the 19 days of the month, providing additional relief to the interim government, which faced serious challenges when it came to power amid turbulence in macroeconomic indicators and the depletion of foreign exchange reserves.

On March 19 alone, $132 million in remittance flowed into Bangladesh, according to Bangladesh Bank (BB) data.

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Between July last year and March 19 of this year, Bangladesh received $20.74 billion in remittance, 27 percent higher than the $16.33 billion that flowed in during the same period of the year prior.

According to economists, the rise in remittance is a common scenario ahead of any major festival. They added that low demand for hundi ensured that such transactions were now being made through formal channels.

"Remittance rose as Eid is knocking on the door. This is a common scenario every year," said Towfiqul Islam Khan, a senior research fellow at the Centre for Policy Dialogue (CPD).

"People send money ahead of time to ensure their relatives can complete their shopping as the banking sector will remain closed for around one week centring Eid," he said.

"Generally, our remittance has been low as people send money through informal channels. However, after the change in government, the demand for hundi has fallen as the pressure of money laundering fell. As a result, inward remittance rose after the change."

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Garment exports to EU surged 53% in January

STAR BUSINESS REPORT

Garment shipments from Bangladesh to the European Union (EU) surged by 52.56 percent year-on-year to $1.97 billion in January this year, according to data from Eurostat.

The shipment was worth $1.29 billion in January last year, said the EU's statistical office.

In terms of volume, the apparel export to the EU rose by 58.08 percent. Meanwhile, average unit prices decreased by 3.49 percent.

In January 2025, apparel imports by the EU surged by 25.12 percent, reaching $8.57 billion, accompanied by a notable 41.10 percent spike in volume and an 11.33 percent decrease in average unit prices.

Various factors contributed to this positive export trend, said Mohiuddin Rubel, former director of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), in a WhatsApp message.

The factors include a rise in value added garment production, benefits from the new US tariffs, duty-free market access, adherence to safety standards, and collaborative efforts of manufacturers and workers, he said.

These developments enhanced buyer confidence, solidifying Bangladesh's position in the export landscape, he added.

He was optimistic about future projections, anticipating a rise in work orders throughout 2025, sustaining growth momentum. As buyers expand sourcing activities in Bangladesh, the growth trajectory is set to continue, he said.

Comparatively, China experienced a 33.55 percent growth in garment exports to the EU in January 2025 while India, Pakistan, and Cambodia also posted substantial growth rates of 36.99 percent, 25.12 percent, and 63.54 percent respectively.

China's apparel exports to the EU totalled $2.46 billion in January 2025, up from $1.84 billion in January 2024.

Conversely, Turkey saw a marginal 0.03 percent decrease in apparel imports to the EU, amounting to $904 million in January 2025, while Vietnam recorded a 27.35 percent growth, reaching $412 million.

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BCI calls for tax reforms to support industrial growth

STAR BUSINESS REPORT

The Bangladesh Chamber of Industries (BCI) has called for urgent reforms to enhance industrial competitiveness in the rapidly evolving global market, saying they would subsequently ensure sustainable growth.

The reforms were sought through proposals for the national budget for the fiscal year 2025-26, submitted to the National Board of Revenue (NBR) by BCI President Anwar-ul Alam Chowdhury Parvez yesterday.

The proposals highlighted the challenges of Bangladesh's upcoming graduation from a least developed country to a developing one, along with ongoing issues such as rising energy costs, inflation, and slow infrastructure development.

While the graduation will usher in significant economic progress, it also means the country will lose vital trade privileges, particularly the benefits of the Generalised System of Preferences for exports, said Parvez.

The BCI urged the NBR to address these challenges by implementing policies that would support industries during this transition, ensuring they remain competitive in global markets despite losing preferential access.

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Should BSEC hire govt officials?

ANALYSIS

AHSAN HABIB

The Bangladesh Securities and Exchange Commission (BSEC) has sent a letter to the government requesting the appointment of 19 officials with degrees in economics, finance, commerce, accounting, statistics, mathematics, law, and information technology.

Among these officials, three will be executive directors, three will be directors, one will be the commission secretary, and 12 will hold joint or additional director positions.

The BSEC's rationale for seeking these officials is to reduce complete reliance on its own staff, improve the quality of its work, speed up processes, and maintain confidentiality.

However, the request has sparked mixed opinions among BSEC officials and stakeholders. While the top leadership of the BSEC strongly justifies the need, others have raised concerns.

Faruq Ahmad Siddiqi, a former chairman of the regulatory body, stated that securities law is one of the most complex legal frameworks in the country, clarified through numerous directives and circulars.

Therefore, it is not easy for officials from different government cadres to implement the rules and regulations. They would need two to three years to understand them and might have to rely on their subordinates.

He pointed out that the BSEC is a unique, independent body with the authority to frame its own rules, setting it apart from other regulatory bodies such as the central bank and Anti-Corruption Commission.

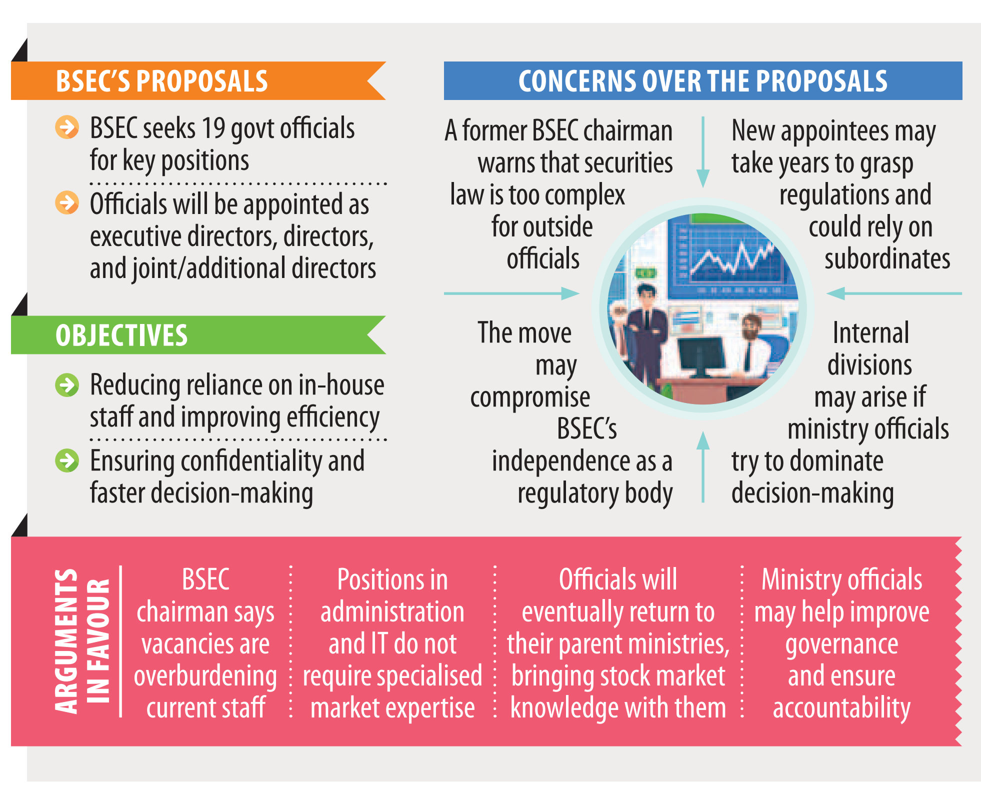
The government cannot appoint the BSEC chairman or commissioners from its own officials on deputation. Thus, the spirit of the law does not support appointing BSEC officials from other government cadres, Siddiqi said.

"Appointing government officials may impact the independence of the BSEC, regardless of their capacity and role," he added.

A mid-level BSEC official, speaking anonymously, said that including new officials from the ministry may create divisions within the regulatory body as they might attempt to dominate others.

Moreover, they may try to remain in the BSEC for an extended period, which could create problems for existing officials seeking promotions after gaining experience within the regulatory body.

BSEC Chairman Khondoker Rashed Maqsood stated that the BSEC does not have a long history like the central bank and has a significant number of vacancies, a fact acknowledged by BSEC officials.



It is not possible to fill these vacancies overnight. Due to this shortage, the existing officials are overburdened, leading to significant delays in completing tasks.

Since the BSEC is seeking officials with backgrounds in finance, economics, and related fields, integrating them into the regulatory body should not be difficult, Maqsood said.

Moreover, not all BSEC departments require technical expertise, he added.

For instance, the administration and information technology departments do not necessarily require technical specialists, making them suitable for these new officials.

He dismissed concerns that these officials would not return to their original roles, explaining that they would have to return for career advancement and promotions.

Additionally, when these officials return to the Ministry of Finance, they will serve as advocates for the stock market.

This will help change the perception that ministry officials do not understand or take ownership of the market, Maqsood said.

"In one instance, BSEC officials intentionally changed the minutes of a commission meeting. At the very least, such tasks can be handled more properly with these officials," he added.

Saiful Islam, president of the DSE Brokers Association, said he does not support the decision to bring in officials from the ministry for operational functions, except for the commission secretary and the chairman's personal secretary.

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