

Star **BUSINESS**



Top earners face 30% tax again as inequality rises

MD ASADUZ ZAMAN

After five years, the income tax rate for the highest bracket is likely to revert to 30 percent in the upcoming fiscal year as part of the government's efforts to address growing inequality — an issue that is among the country's major economic concerns.

According to the white paper on the state of the economy that was penned following the political changeover in August last year, the Gini coefficient, a way of measuring inequality, increased from 0.48 in 2016 to 0.499 in 2022 for income inequality in Bangladesh.



BUDGET FOR FY26

Finance ministry sources said that the top income tax rate would be raised by five percent to 30 percent for the upcoming fiscal year after a similar decision was foiled in the current fiscal year.

Although the then government said the move would “ease the tax burden”, according to the amended Finance Act, it had to backtrack from its plan to increase the rate for the highest earners to 30 percent in FY25 amid pressure from various stakeholders.

Now it is returning to that idea, meaning the highest tax rate will be applicable on annual incomes of more than Tk 38.50 lakh.

The move is likely to be taken five years after FY21, when the government gave some relief to people following the Covid-19 pandemic and lowered the rate from 30 percent to 25 percent.

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Fareast Islami Life sells vehicles, cuts jobs to reduce costs

SUKANTA HALDER

Fareast Islami Life Insurance Company Limited is selling its vehicles and slashing its workforce in a desperate effort to cut costs and counter a deepening financial crisis.

As of December 2024, the company had outstanding insurance claims worth Tk 2,946 crore, of which it has settled only Tk 194 crore, according to data from the Insurance Development and Regulatory Authority (Idra).

In other words, the company has managed to clear around 6 percent of the claims.

The company, which currently has assets worth Tk 3,374 crore, has been mired in a financial crisis due to corruption and irregularities, which were unearthed through a regulatory audit in 2021.

However, the regulator has not taken any effective measures to resolve the situation.

Saifunnahar Sumi, the Idra's consultant for media and communication, recently said that the regulator had asked the company for a specific plan to settle claims, but they did not provide it.

Subsequently, the regulator instructed the company to start selling assets as soon as possible to settle the claims. Otherwise, further regulatory measures will be taken, she said.

Sumi also said the company has been instructed to expand its business and, given the current situation, this was an important issue for them.

By selling vehicles, relieving officials from their jobs, merging underperforming offices, and paying commissions as per regulations, the company has saved Tk 7.13 crore, as per company documents.

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London property freeze encouraging Governor says

STAR BUSINESS REPORT

The freezing of nearly £90 million worth of luxury property in London, linked to two associates of the country's deposed prime minister, has offered a sense of accomplishment to Bangladesh authorities.

The Bangladesh Bank governor sees the development as a significant boost to the country's ongoing efforts to recover wealth laundered abroad.

“There is growing international pressure to return money laundered from Bangladesh. The Financial Times, The Times (London), and Al Jazeera have run news on this issue, and more reports are expected,” Bangladesh Bank Governor Ahsan H Mansur said yesterday.

He added that British Members of Parliament and non-governmental organisations were also showing support. “I believe the UK's National Crime Agency's freezing of the assets [came] due to this pressure.”

Welcoming the development as “highly encouraging”, he called for sustained momentum in the asset recovery drive.

Mansur was speaking at the launch of the “Credit Enhancement Scheme” under the Microenterprise Financing and Credit Enhancement Project of the Palli Karma-Sahayak Foundation (PKSF) in Dhaka's Agargaon area.

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CHANGES IN PUBLIC PROCUREMENT

TRANSPARENCY & OVERSIGHT

Price range in bidding removed to curb manipulation

Beneficial ownership disclosure made mandatory for all bidders

Bangladesh Public Procurement Authority now empowered to regulate, not just advise

EFFICIENCY & MODERNISATION

- E-procurement made mandatory for all public procurement
- Reverse auctions introduced for bulk and repeat purchases
- Standard tender documents made flexible for complex projects

ALIGNMENT & ELIGIBILITY

Procurement planning must align with national development goals

NGOs now eligible to participate in public tenders

Physical and intellectual services now clearly defined and separated

SUSTAINABILITY

Social and environmental impact criteria added to procurement rules

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Procurement law revised to cut graft, boost transparency

JAGARAN CHAKMA

Scrapping the price range cap for bids, making e-GP mandatory for all public procurement and allowing NGOs to compete for tenders, the government has overhauled the public procurement law.

The new law, titled “Public Procurement (Amendment) Ordinance-2025”, has withdrawn the provision which used to allow tender bid prices to vary by 10 percent from government estimates in project budgets.

“This move is intended to curb project cost overruns and avoid price manipulation during implementation,” said Shah Eyamin-Ul Islam, director of Bangladesh Public Procurement Authority (BPPA),



which was formerly known as Central Procurement Technical Unit.

The government allocates around \$30 billion in the budget every year for public procurement.

The price range for tender bids was introduced in 2016 in the former Public Procurement Rules 2008, and it has been withdrawn over professional concerns, he said.

Although the ordinance does not specifically state that there is no such price range at present, it will be clarified through the issuance of rules which are being formulated, he said.

The ordinance was issued through a gazette on May 4. It also makes the use of the e-Government Procurement (e-GP) portal mandatory for all public procurement, aiming to increase transparency and efficiency.

Less than 65 percent of all government purchases are made through the e-GP, which was introduced in 2011.

According to Islam, the ordinance has also redefined the procurement categorisation system.

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Trade activities disrupted as taxmen abstain from work

STAR BUSINESS REPORT

The country's overseas trade activities have been severely disrupted as officials of the National Board of Revenue (NBR) continued their protest, which began on May 14 in response to an ordinance abolishing the revenue authority two days prior.

Yesterday, the protesting officials of the NBR began a work abstention across the country to press home a four-point demand, which includes the repeal of the tax reform ordinance and the resignation of NBR Chairman Abdur Rahman Khan.

The work abstention started after the platform NBR Reform Unity Council rejected the finance ministry's promise that it would amend the ordinance.

Since morning, officials and staff of all tax zones, customs houses, and VAT commissionerates in Dhaka and outside the capital have been abstaining from work to realise their demands, which also include turning the NBR into a separate and specialised agency instead of dissolving the entity.

They were seen chanting slogans and holding placards while law enforcement personnel took precautionary positions at the protest site.

Officials said similar demonstrations are being held at NBR offices across the country.

No work, except for export-related activities and services for international passengers, is being carried out at customs houses.



The Chattogram customs house in Agrabad was devoid of the usual hustle and bustle as officials and staff observed a work abstention since yesterday morning.

PHOTO: MD NAZRUL ISLAM

Officials at the field offices of VAT and taxes are also abstaining from work, they added.

The release of goods from Chattogram Port is also being disrupted due to the protest.

“We are unable to carry out any work as the customs house has halted all assessment procedures,” said Atiq Ullah, a customs agent from a clearing and forwarding firm.

All categories of officials and staff at the customs house are participating in the work abstention.

During a visit to the tax office in Agrabad, a correspondent of this newspaper observed that service seekers had been unable to access any services since Saturday morning. The hall room, where customs

assessments usually take place, remained silent due to the strike.

In Khulna, members of the Khulna Tax Lawyers Association and officials from the Khulna tax region held separate demonstrations.

“We support the NBR Reform Unity Council and are taking part in the movement across all 27 offices under the Khulna tax region in line with protests taking place nationwide,” said Delowara Jahan, deputy commissioner of taxes.

At around 4:30 pm, a visit to Tax Building 2 in the city's Mujgunni area revealed that it was locked and completely deserted. “No one was seen there,” the correspondent noted.

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Culture of impunity the main scourge of stock market

Debapriya Bhattacharya says

STAR BUSINESS REPORT

The primary crisis plaguing the stock market is a culture of impunity, which has severely affected numerous investors. As such, public confidence cannot be restored without enforcing punitive measures against manipulators and ensuring good governance, said Debapriya Bhattacharya, a distinguished fellow at the Centre for Policy Dialogue (CPD).

When the stock market crashed in 2010-2011, around Tk 20,000 crore exited the market. Of that, Tk 15,000 crore was laundered, he said while presenting the keynote presentation at an event titled “Capital Market in Bangladesh's Political Discourse: Philosophy and Practice,” organised by the DSE Brokers Association of Bangladesh (DBA) at the DSE Building in Nikunja yesterday.

“This led to thousands of people becoming destitute, but no justice was served. Without punishment, wrongdoing and corruption cannot be prevented,” Bhattacharya said.

EXPERTS SAY

- Primary crisis in stock market is the culture of impunity
- Public confidence cannot be restored without enforcing punitive measures
- Manipulators were afforded protection by political patronage
- Foreign investors are waiting for elections before investing

Irregularities were first unearthed in the modern capital market in 1996, but manipulators shielded themselves using the protection afforded by political patronage. Due to a lack of justice then, a similar scenario arose again in 2010.

Similarly, many companies whose performance is not up to the mark got listed on the market. “Moreover, stocks of these companies were manipulated,” Bhattacharya added.

However, most of these companies did not face the music either. Without fixing these problems and ensuring proper punitive steps, any “quack remedy” of reform will not work in reviving investors' confidence, the noted economist said.

BNP Standing Committee member Amir Khasru Mahmud Chowdhury said foreign investors want to invest in Bangladesh's stock market, especially in the manufacturing sector, service sector, and even in bonds, but they are waiting for the national elections.

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