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Remittance jumps 32% in May

STAR BUSINESS REPORT

Bangladesh recorded a sharp rise in remittance inflows in May, as migrant workers sent more money home in the run-up to Eid-ul-Azha, which falls in early June.

Funds sent by migrant workers and non-resident Bangladeshis reached $2.97 billion last month, up 32 percent from the same period a year earlier, according to data released by the Bangladesh Bank yesterday.

With May's receipts included, total remittance inflows for the first 11 months of the current fiscal year, which began in July, have grown by 29 percent to 27.5 billion.

In comparison, the country received $21.37 billion during the same period last year.

Analysts see the steady rise as a reflection of growing confidence among migrant workers in using formal banking channels, especially in the lead-up to Eid-ul-Azha. Exchange rate incentives have also played a part.

Meanwhile, economists and bankers point to several drivers behind the surge, including a 2.5 percent government incentive for sending money through official channels, a stronger push from banks, greater exchange rate stability and a decline in the use of illegal money transfer networks.

With May's receipts, total remittance inflows for the first 11 months of the current fiscal year reached 27.5 billion

Md Shaneen Iqbal, head of remittance at BRAC Bank, said banks are increasingly delivering remittances through digital channels to speed up the process.

He added that banks have also introduced incentives for migrant workers, such as gifts, insurance coverage and loans tied to remittance amounts. These perks are helping to steer remitters away from informal routes such as hundi and hawla.

Birupaksha Paul, professor of economics at the State University of New York, said the recent shift towards a market-based exchange rate has made a key difference.

"The exchange rate of the US dollar is now nearly market-based, allowing remitters to receive a better price — one of the key reasons behind the increased inflow in May," he said.

Although the Bangladesh Bank removed the fixed exchange rate under pressure from the International Monetary Fund (IMF), Paul believes the move was ultimately beneficial.

Paul, a former chief economist at the central bank, said remittance flows have been boosted by a clampdown on informal transactions, especially through measures targeting money laundering.

"This shift is not due to patriotism. Remitters are choosing formal channels mainly for economic reasons.

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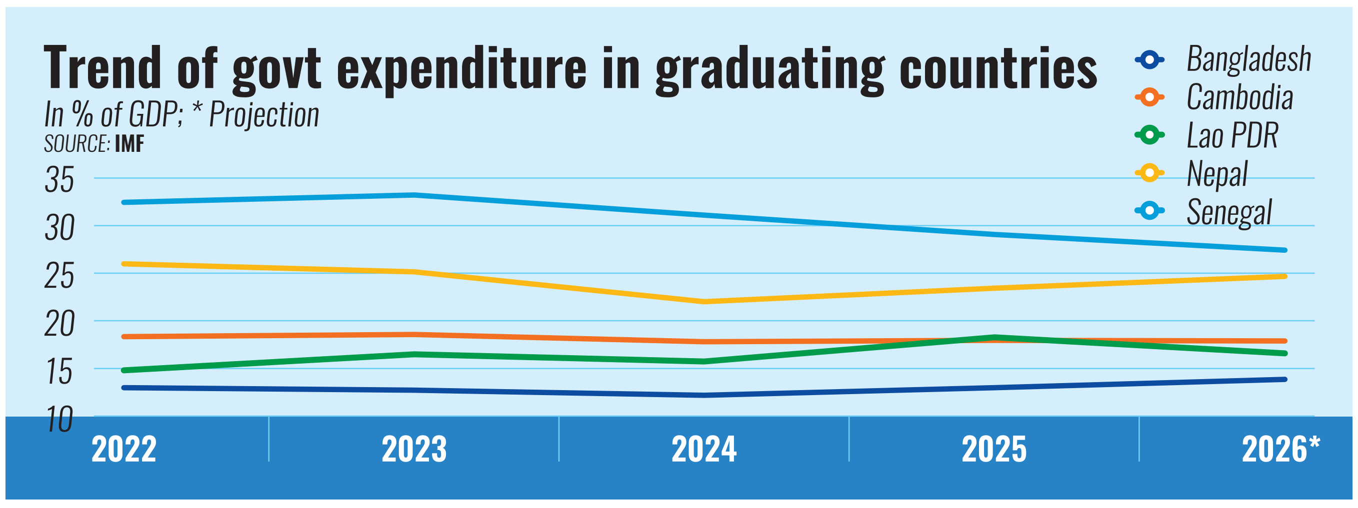
Govt spending in Bangladesh lowest among LDC graduating peers



AHSAN HABIB

Bangladesh's public spending as a share of gross domestic product (GDP) is the lowest among nations on course to graduate from the least developed country (LDC) club.

Economists say that this low level of expenditure, both operational costs and development outlays, could weaken the foundations of the country's transition and leave the economy vulnerable on several fronts once it loses LDC status.

Following graduation, Bangladesh will no longer enjoy preferential trade access in many global markets and will face tighter terms when seeking foreign loans.

To minimise these shocks, analysts say the government must strengthen the economy through higher investment in key sectors.

They say Bangladesh must ramp up spending on education, healthcare, infrastructure, and social protection to create the conditions typical of a developing economy.

In 2025, the country's public expenditure stood at just 13 percent of GDP, below the 23.4 percent in Nepal, 18.4 percent in Laos, and 17.9 percent in Cambodia.

The International Monetary Fund (IMF) projects that Bangladesh will raise this figure only marginally to 14 percent in 2026.

Economist Mustafizur Rahman said low revenue collection has forced the government to curtail both its operating and development budgets.

"In developed countries, public spending usually accounts for 35 percent to 40 percent of GDP. In other South Asian nations, it is around 20 percent. But in Bangladesh, it has hovered around 12 percent historically," Rahman said, citing IMF data.

"If the government intends to spend more, it must either tolerate a higher budget deficit or increase revenue collection," added Rahman, a distinguished fellow at the local thin tank Centre for Policy Dialogue (CPD).

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Black money may still find its way into real estate

However, the tax may rise up to five-fold

MD ASADUZ ZAMAN

The interim government is likely to retain the opportunity to invest undeclared wealth, commonly known as black money, in the real estate sector, albeit with a sharp increase in associated tax rates.

Finance Adviser Salehuddin Ahmed is likely to announce the new rate, which may potentially see a five-fold rise from current levels, while unveiling the national budget for the fiscal year 2025-26 today.

"The government wants to discourage the investment of black money in real estate and bring tax rates closer to market values," a finance ministry official said, preferring anonymity.

The official added that the facility may continue with higher penalties, as realtors requested support for the struggling sector during the ongoing economic downturn.

BUDGET FOR FY26

Under the Income Tax Law 2023, the current tax on buying apartments with black money is calculated on a per-square metre basis.

At present, individuals investing black money in the real estate sector must pay the highest per-square-metre tax in Dhaka's upscale areas.

The rate is Tk 6,000 per square metre for any built property—such as a house, flat, or apartment—and Tk 15,000 per square metre for land in all mouzas under the jurisdictions of Gulshan, Banani, Dhanmondi, Motijheel, Tejgaon, Wari, Tejgaon Industrial Area, Ramna, Shahbagh, Kafrul, New Market, Paltan, and Kalabagan thanas.

Officials say the same method will continue, but with higher rates—ranging from 3 to 5 percent depending on the location.

The scope for whitening undisclosed money will also be limited to specific areas such as buildings, houses, flats, floor space, and land.

Last year, the Awami League government, which was toppled by the student-led uprising on August 5, proposed a provision stating that no authority could question whether a taxpayer pays tax at fixed rates for immovable properties such as flats and land, and 15 percent tax on other assets, including cash, irrespective of the existing laws of the country.

The scope to whiten black money was scheduled to end in June 2025.

Although the interim government scrapped the provision in September last year, the opportunity to whiten black money through real estate was retained.

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BUDGET FOR FY26

Import duty on rickshaw batteries likely to rise

TAHIRA SHAMSI UTSA

The government is expected to hike import duty on batteries, which in recent times have been used to run modified three-wheeler rickshaws, to discourage their use and contain the proliferation of the locally developed electric vehicle.

In the absence of specific safety and licensing rules and a lack of logistics required for seizing and sending such vehicles off to scrapyards, the number of battery-run rickshaws has mushroomed.

Currently, batteries exceeding 750 watts, typically ranging between 850 and 1,200 watts, are commonly used in these rickshaws thanks to a one percent customs duty on the battery.

The duty is quite low compared to the 15 percent import tariff imposed on batteries below 750 watts.

From fiscal year 2025-26, the customs duty on batteries of up to 1,200 watts is expected to go up to 20 percent, according to officials of the National Board of Revenue (NBR).

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OTT platforms may get costlier

SUKANTA HALDER

The interim government is likely to impose a 10 percent supplementary duty on over-the-top (OTT) platform services in the upcoming budget for the fiscal year 2025-26 — a move that is expected to raise consumer costs and increase spending on paid streaming services.

Swizee Islam, content head of Binge, told The Daily Star that the platform currently pays 2 percent advance income tax and 15 percent VAT.

"If an additional 10 percent supplementary duty is imposed in the upcoming budget, the overall cost of the product will rise significantly," she said.

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Forum panel wins BGMEA election

STAR BUSINESS REPORT

Mahmud Hasan Khan

The Forum panel has won the biennial election of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), according to the final results announced by the election commission.

The contest was held for 35 director posts, of which 26 were in the Dhaka region and 9 in Chattogram.

The Forum panel, led by Mahmud Hasan Khan, won 31 of the director posts in the election, while the Sammilito Parishad panel secured four.

The election was held simultaneously in polling centres in both the capital and the port city on May 31. Of the 31 posts won by the Forum panel, 25 were in Dhaka and six in Chattogram.

Of the four director posts won by the Sammilito Parishad panel, one was in Dhaka and three in Chattogram, said Md Anwar Hossain, administrator of the BGMEA.

Now, the elected directors will nominate the president, vice-presidents, and other office bearers for the 2025-27 tenure.

Earlier, the casting of votes began at 8:00am and continued until 5:00pm without any break.

In Dhaka, the polls took place at the Radisson hotel, where 1,528 out of 1,631 votes were cast, and 103 votes were declared invalid.

At the Chattogram centre, 248 out of 303 votes were cast, and six votes were found to be invalid.

The BGMEA election was held in March last year, but its president, SM Mannan Kochi, resigned in October following the fall of the Sheikh Hasina-led government in August.