



A GLIMPSE OF THE ACTUAL EXPENDITURE: WHERE WILL PUBLIC MONEY BE SPENT IN FY26?



LDC GRADUATION

Govt proposes duty cut, change in trade rules

Experts think measures insufficient

REFAYET ULLAH MIRDHA

In the budget for FY26, the government has proposed reducing import duties on certain goods and amending trade rules to enhance competitiveness in preparation for the country's impending graduation from the list of least developed countries (LDCs).

However, economists and industry leaders argue that the measures are insufficient to tackle the multifaceted challenges that lie ahead.

Beyond the implications of LDC graduation, global disruptions such as the Russia-Ukraine war, instability in the Middle East, and retaliatory tariffs from the US, demand a thorough reassessment of Bangladesh's existing tariff structure.

To this end, the government has proposed reorganising the current six-tier customs duty system by introducing a new 3 percent tier and adding a 40 percent supplementary duty slab to the existing twelve-tier structure.

As part of broader trade reforms and in preparation for tariff negotiations with the US, import duties on 110 products are proposed to be eliminated, while duties on 65 products are to be reduced.

Additionally, supplementary duties on nine products will be fully withdrawn and those on 442 others will be reduced. These measures aim to ease the tax burden and minimise anti-export bias.

Essential goods will remain unaffected, with zero tariff rates retained for 52 items, including food staples, fertilisers, seeds, life-saving medicines, cotton, and key industrial raw materials.

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Education, health allocations see slight rise

Experts slam meagre increases, call for efficient spending

TUHIN SHUBHIRA ADHIKARY and ARAFAT RAHAMAN

Despite pledging special attention to education and health, the government has proposed only slight increases in allocations for both sectors in the national budget for fiscal year (FY) 2025-26.

While presenting the budget yesterday, Finance Adviser Dr Salehuddin Ahmed said the government was prioritising people over physical infrastructure.

Yet, education and health — two key social sectors — saw only marginal budget hikes, leaving both educators and public health experts frustrated.

Speaking on the proposed budget, educationists expressed disappointment not just over the low allocation but also over the lack of strategic planning for execution.

Meanwhile, health experts called for fully utilising the funds, citing the health ministry's consistently poor record in spending its allocated budget.

In the FY26 budget, Salehuddin announced some tax relief on the import of pharmaceutical raw materials and medical equipment.

Public health specialists believe this could eventually lead to reduced medicine prices.

"We have prioritised people over

traditional infrastructure in this year's budget," said Salehuddin. "Special emphasis has been laid on education, health, good governance, civic facilities, and employment."

EDUCATION

For FY 2025-26, the adviser proposed Tk 95,644 crore for the Ministry of Education's two divisions and the Ministry of Primary and Mass Education.

Educationists expressed disappointment not just over the low allocation but also over the lack of strategic planning for execution

This amounts to 12.1 percent of the total budget — which is only 0.23 percentage points higher than FY25 — and just 1.72 percent of the gross domestic product (GDP). The figure falls well below the UNESCO recommendation of allocating 4 to 6 percent of GDP, or 15 to 20 percent of the national budget, to education.

In the next fiscal year, the Primary and Mass Education Ministry will receive Tk 35,403 crore, down from Tk 38,819 crore in

the current fiscal year.

The Secondary and Higher Education Division will see a slight increase, with Tk 47,563 crore allocated in FY26 compared to Tk 44,108 crore in FY25.

The Technical and Madrasa Education Division's allocation has also risen slightly, from Tk 11,783 crore to Tk 12,678 crore.

In the budget speech, Salehuddin said steps would be taken to raise enrolment in technical education from the current 19 percent. For madrasa students, Tk 728 crore has been proposed in stipends.

A new school feeding programme is set to launch in 150 upazilas with a proposed budget of Tk 2,164 crore.

Rasheda K Choudhury, executive director of Campaign for Popular Education (CAMPE) and a former adviser to the caretaker government, said, "The interim government is caught in a tangle, overwhelmed by challenges."

"While there seems to be political will, the government lacks a roadmap. It is difficult to see how this will translate into results," she added.

Prof Manzoor Ahmed, emeritus professor at BRAC University, echoed similar concerns.

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BUDGET SNIPPETS

TAX-FREE INCOME LIMIT TO GO UP

Individual taxpayers will see their tax free income limit go up to Tk 375,000 from the fiscal year 2026-27. However, the rates in the corresponding slabs will be higher. And for the assessment year 2025-26, the tax-exempted threshold has been kept at Tk 350,000 of annual income.

MINIMUM TAX FOR NEWBIES IS TK 1,000

Individuals who will file a tax return for the first time in the assessment year 2025-26 will get a discount in the payment of minimum tax. New taxpayers will pay Tk 1,000 tax if their annual taxable income falls below Tk 450,000. Minimum tax for regular taxpayers will be Tk 3,000-Tk 5,000, depending on the area.

AGRI INCOME UP TO TK 5 LAKH TAX-FREE

In order to encourage farming and meet the growing demand for food for an increasing population, the interim government has kept up to Tk 500,000 annual income from agricultural activities tax-free. The benefit will be available from the fiscal year 2025-26.

NO SURCHARGE ON ELECTRIC CARS

A taxpayer having more than one car has to pay an environmental surcharge for the second car. From the fiscal year 2025-26, the surcharge will not be applicable for owners who possess electric vehicles.

DUTY-FREE IMPORT OF CEREALS, VITAL DRUGS TO STAY

The government is going to continue allowing duty-free import of essential foods, agricultural inputs, and life-saving drugs for the next fiscal year. Imports of fertiliser, seed, and cotton will also get zero-duty benefit next year.

JULY WARRIOR'S TAX-FREE LIMIT TK 5.25 LAKH FROM FY27

The government has introduced a new category, July Warriors, under personal income tax and offers tax relief on incomes up to Tk 525,000 for two years, beginning from the 2026-27 fiscal year. The tax-free income limit for war-wounded freedom fighters has been increased to Tk 525,000 from FY27 from Tk 500,000 at present.

ADVANCE TAX ON INDUSTRIAL RAW MATERIALS CUT

The government has cut advance tax, a kind of value-added tax, to 2 percent from FY26 on the import of raw materials by manufacturers. However, commercial importers will face 2.5 percent to 7.5 percent.



The efforts to combat inflation are inadequate, somewhat on an ad hoc basis. The measures taken so far are mostly on the demand side. The government is concentrating only on policy measures, not on institutional issues.

Selim Jahan
Former director at UNDP USA



We have not seen any significant initiative to reform the education sector from this government so far. The education sector has remained stagnant for long. This budget offers no real way out. I must say we are deeply disappointed.

Manzoor Ahmed
Professor emeritus at BRAC University



Budget does not offer a conducive environment for investment and lacks direction needed to drive industrial growth. It can't be considered investment friendly. Revenue measures rely on increasing both corporate and individual taxes.

Anwar-Ul-Alam Chowdhury (Parvez)
President of BCI



Despite cuts in import duty for some goods and few other measures, the budget lacks preparation to face LDC graduation challenges. An uncertainty is noticed in investment climate and business environment which needs to be addressed.

Selim Raihan
Executive director of Sanem



Health ministry must focus on spending its entire allocation. They should identify the reasons behind underutilisation and make efforts to ensure that 100 percent of the fund is spent. Not a single taka should be slashed from original outlay.

Syed Abdul Hamid
Professor of DU