No clear roadmap for investment

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transport, and finance are pushing many firms to the edge.

He questioned the government's inflation targets, pointing to rising market prices and declining private investment amid uncertainty over gas, electricity, law enforcement, and political stability.

Taskeen Ahmed, president of the Dhaka Chamber of Commerce and Industry (DCCI), acknowledged that the budget includes some positive steps, such as efforts to curb inflation, align minimum tax provisions, expand allowable deductions, and automate tax return systems.

However, he said the absence of specific policy directions for attracting investment and improving the ease of doing business may undercut the budget's long-term effectiveness.

"Despite encouraging moves in tax automation and compliance, higher turnover taxes and ambitious revenue targets could hurt small businesses and reduce liquidity," Ahmed said.

He also warned that higher taxes on import-substitute industries and essential inputs could lead to inflationary pressures and discourage local manufacturing.

Asif Ibrahim, vice chairman of Newage Group of Industries, said increasing advance tax for commercial importers from 5 percent to 7.5 percent would hurt small and medium enterprises, which often rely on these importers to source raw materials.

He also flagged the VAT hike on plastic manufacturing, from 7.5 percent to 15 percent, and on essential raw materials like cotton thread and man-made fibre used in the textile and RMG sectors.

"These measures contradict the goal of promoting domestic manufacturing and attracting investment," he said.

The pharmaceutical sector, however, welcomed one of the proposals. Md Zakir Hossain, secretary general of the Bangladesh Association of Pharmaceutical Industries (BAPI), praised the government's decision to extend VAT exemptions on Active Pharmaceutical Ingredients (API) until 2030.

"It's a timely and strategic move," he told The Daily Star. "Our industry is still developing capacity for API production. This gives us critical breathing space as we anticipate the entry of multinationals and patent laws while preparing for LDC graduation."

Rupali Chowdhury, managing director of Berger Paints Bangladesh, supported the proposed requirements for transparency, such as mandatory cashless sales and a 10 percent public share float.

She, however, cautioned that these measures may be difficult to implement in areas with weak digital infrastructure, and the listed firms unable to meet these requirements could see their tax rates rise from 22.5 percent to 27 percent — a measure she called "punitive."

Kamruzzaman Kamal, marketing director of Pran-RFL Group, said the proposed VAT and tax hikes would significantly increase production costs and discourage local industries. "It's a challenging budget for manufacturers," he said.

Syed Ershad Ahmed, president of the American Chamber of Commerce in Bangladesh, said the interim government's target of 5.5 percent GDP growth would require more than just a large Tk 7,90,000 crore budget. He stressed the need for immediate focus on inflation control and policy reforms.

He recommended prioritising crisis management, fiscal discipline, and key policy reforms to navigate current challenges effectively.

The Foreign Investors' Chamber of Commerce and Industry (FICCI) expressed concern that several provisions in the Finance Ordinance 2025 could undermine investor confidence and hinder Bangladesh's competitiveness in attracting foreign direct investment.

In a statement, FICCI warned that the imposition of an additional 7.5 percent corporate tax on publicly traded companies with less than 10 percent IPO float appears discriminatory and may discourage capital market participation.

It also criticised the withdrawal of reduced tax rates for banking channel transactions, calling it counterproductive to Bangladesh's vision of a cashless economy.

Furthermore, the steep increase in VAT on online sales from 5 percent to 15 percent could significantly hurt the country's growing e-commerce sector, FICCI added.

Business Initiative Leading Development (BUILD) welcomed the government's long-term outlook in the budget but cautioned that several measures could undermine the sustainability of private investment.

"While projections up to 2030 show optimism, the declining agriculture growth, lower investment-to-GDP ratio, and rising cost pressures present serious concerns," BUILD said in a statement.

The organisation flagged energy supply insecurity, high interest rates, VAT hikes on key sectors, and complex tax provisions as major disincentives for businesses.

BUILD urged the government to ensure policy coherence and stronger institutional capacity to maintain investor confidence during Bangladesh's critical transition toward LDC graduation.

Bangladesh Garment Manufacturers and Exporters Association (BGMEA) welcomed the proposed budget for keeping the source tax unchanged at 1 percent.

In a statement, the BGMEA said it expects the government to address the US tariff issue, suspension of the Indian land-air transshipment facility, fallouts from the Russia-Ukraine war and impact of LDC graduation in the garment sector.

Maria Howlader, president of the Institute of Chartered Accountants of Bangladesh (ICAB), described the proposed budget as "strategic and timely".

She also urged the government to reconsider certain measures, including the increase in turnover tax and VAT on online sales commissions.

Govt proposes duty cut, change in trade rules

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Duty concessions are also proposed to be expanded for the import of raw materials used in all types of pharmaceutical production, including cancer drugs and active pharmaceutical ingredients.

To support local manufacture of agricultural machinery, tariffs on parts used to manufacture combined harvesters will be reduced.

To streamline business operations, new systems, namely the "Central Bonded Warehouse" and "Free Zone Bonded Warehouse", have been introduced to simplify bond management, cutting delays in raw material imports for export-oriented industries.

Recognising the need to rationalise the tariff regime post-graduation, the budget proposes the elimination of all existing tariff values.

Minimum values on 84 products will be withdrawn, while the minimum value for 23 products will be revised upward to bring them in line with realistic benchmarks, marking progress toward abolishing minimum value practices in the post-LDC era.

Despite these steps, Dhaka University economics Professor Selim Raihan said the proposed measures fall short of adequately preparing the country for LDC graduation.

"There is still uncertainty in the investment climate and overall business environment," he said. "Preparations remain uneven, and without stronger measures, the country may face significant challenges post-graduation."

Raihan, also executive director of the South Asian Network on Economic Modeling, added that the proposed budget lacks a roadmap for alternative support mechanisms for export-oriented sectors after the withdrawal of cash subsidies, even though the National Tariff Policy outlines potential alternatives. "Such support should not be limited to a few sectors that are already benefiting," he added.

Mahmud Hasan Khan, president-elect of the Bangladesh Garment Manufacturers and Exporters Association, echoed these concerns.

He said while the tariff adjustments are a step in the right direction, they are insufficient.

He urged the government to continue cash subsidies for export sectors through the transition and to extend them for three years beyond graduation. He also proposed reducing the source tax on exports from 1 percent to 0.75 percent to maintain competitiveness.

Bangladesh is scheduled to graduate to developing country status on November 24, 2026, having met all three criteria set by the United Nations Committee for Development Policy.

This will bring an end to LDC-related trade privileges, which currently cover 73 percent of Bangladesh's exports.

Studies estimate that without countermeasures, the country could lose up to 14 percent of its annual exports, amounting to nearly $8 billion.

To cushion the impact, the government is pursuing preferential trade deals, including free trade agreements, economic partnership agreements, preferential trade agreements, and Comprehensive Economic Partnership Agreements with key partners such as Japan, India, China, South Korea, and Indonesia.

Education, health outlays see slight rise

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Referring to a government-formed committee on primary education he led, Prof Manzoor said, "We have seen no real effort to reform education under the interim government."

"None of our submitted recommendations have been implemented in the last four months."

"This year's budget offers little more than a symbolic increase. The education sector has remained stagnant for far too long. This budget offers no real way out," he said.

"I must say we are deeply disappointed. Meaningful work must begin well in advance, and a national budget should reflect that. In this case, we are seeing neither preparatory work nor serious budgetary commitment," he added.

HEALTH

The adviser proposed Tk 41,908 crore for the health ministry's two divisions, which is a mere Tk 500 crore or 0.1 percent more than the current year's allocation.

Health will receive 5.3 percent of the total budget, ranking seventh among all sectors, and falling well short of the recommendations made by the Health Sector Reform Commission.

The commission, which submitted its report last month, had called for allocating 15 percent of the national budget or 5 percent of GDP to health.

But health experts say the more pressing issue is implementation. The ministry's dismal performance in utilising past allocations continues to delay progress.

As of April, the Medical Education and Family Welfare Division had spent just 2.34 percent of its revised Annual Development Programme (ADP) allocation of Tk 2,283.16 crore — the lowest among all ministries and divisions.

The Health Services Division did only slightly better, using 14.9 percent of its Tk 5,673.51 crore allocation. That figure places it fifth from the bottom and well below the national average of 41.31 percent.

Syed Abdul Hamid, professor at the Institute of Health Economics at Dhaka University, said full implementation of the allocated budget should be the top priority.

"The authorities must identify the causes behind under-utilisation and take action from day one to ensure every taka is spent," he told The Daily Star yesterday. "Not a single taka should be slashed in the name of a revised budget."

Apart from the budgetary allocation, the finance adviser proposed tax exemptions on import of 79 raw materials and medical equipment to ease pressure on drug manufacturers and make treatments more affordable.

This includes waivers on import duties for 23 new cancer drug ingredients, 36 for chronic disease medications such as those for diabetes, and 20 types of medical equipment. Currently, around 200 such items are already exempt.

To promote better healthcare, duty reductions on machinery imports will be extended to all hospitals with more than 50 beds, which was limited to just referral hospitals.

To bring all citizens under universal health coverage by 2030, the adviser said the budget focuses on expanding services, developing infrastructure, and recruiting skilled professionals.

He also proposed Tk 4,166 crore to provide free medical services for the poor and Tk 1,000 crore for the Expanded Programme on Immunisation.

Few steps to cut inflation-induced poverty

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"The government's efforts to combat inflation are inadequate, somewhat ad hoc, and not comprehensive. The measures taken so far are rather on a piece-meal basis; they are mostly on the demand side and they have been concentrating on policy measures and not on institutional issues."

Inflation will not be tamed unless the production of goods and services expands and the impeding blocks in the supply chains are removed.

Bangladesh Bank has been pursuing a tight monetary policy, but the trade-off is that it depresses investment, which is essential to boost production, Jahan said. "Institutional issues like political uncertainty do impact investment."

If the free-market exchange rate leads to devaluation of the taka, imports will become more expensive, fuelling inflation further.

"The government should ask itself two questions: one, even if the commodity prices of many goods have come down in the world market, why are they not coming down in the domestic market? Second, if in two years, Sri Lanka can bring its inflation rate down from 70 per cent to less than 1 per cent, why can't Bangladesh?"

Food subsidies, in reality, are a kind of hand-out, which may provide some immediate relief.

"If the intention is to ensure sustainable relief to people in the short to medium-term, subsidies must be complemented with job creation."

EC outlay lower than last election year

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"The money allocated by the government will be spent on the election. If more is needed, the government will provide it again. There's no problem," Election Commission Senior Secretary Akhtar Ahmed said yesterday when asked whether any revisions to the allocation would be necessary if the elections are staged next year.

"A budget is just a projection, an estimate. If conducting the election requires more funds, so be it. And if it costs less, the remaining money will be returned," he added.

Of the proposed amount, Tk 2,727 crore has been earmarked for the revenue budget and Tk 229 crore for development activities.

In comparison, the EC's allocation in the last fiscal year was Tk 1,230 crore, which was later revised down slightly to Tk 1,142 crore.

Unveiling the Tk 790,000 crore national budget for FY26 on Sunday, Finance Adviser Salehuddin Ahmed said one of the key goals of the current administration is to ensure a free and fair election and restore the people's right to vote.

"Over the past one and a half decades, the country's electoral system has been completely dismantled," he said in his budget speech.

"Therefore, we have given the highest priority to reforming the electoral system and have undertaken initiatives to amend and revise various laws, policies, and orders to that end."

A total of Tk 1,927 crore was spent on the 12th national election — double the expenditure for the 11th polls held in 2018, according to a report from the Electoral Reform Commission.

In contrast, the 10th parliamentary election in 2014, where 153 candidates were elected unopposed, cost the state Tk 282 crore.

Budget targets ex-citizens' laundered assets

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money using real estate, albeit at a much steeper price.

For years, black-money holders could launder their money through real estate and land by paying an additional tax, with last year's tax rates for premium property going up to Tk 6,000 per square metre for real estate and Tk 15,000 per square metre for land.

This year, this amnesty will be restricted to only real estate; launderers will no longer be allowed to recycle black money using land.

In addition, the new budget makes a distinction between those choosing to launder money quickly by buying ready flats and those willing to invest in developing land.

The rates have been hiked by as much as 259 percent, with black wealth holders having to pay Tk 21,527.8 per square metre for buying ready-made flats, buildings, and apartments in prime locations like Gulshan, Banani, and Baridhara.

If they develop existing land, the additional tax per square metre will be Tk 9,687.51, a 61 percent hike from the flat rate for real estate last year.

While the percentage hike remains the same, the tax goes down depending on the area.

Additionally, while last year's budget allowed such investors indemnity from being questioned by any source, this year's budget makes no mention of that.

The budget last year also allowed this indemnity if black wealth holders paid a flat 15 percent tax on undeclared immovable properties – this year's budget skips that as well.

Additionally, black wealth holders can use this opportunity only for wealth that has not yet been flagged and investigated by tax authorities. Otherwise, penalties imposed by the latter will take precedence.

Transparency International Bangladesh slammed this move by the government, saying it would encourage corruption.

"Whatever way it may be interpreted, to undermine the core mandate of state reform in general and anti-corruption in particular, this shows how the interim government has surrendered to the real estate lobby power to facilitate corruption," said TIB Executive Director Dr Iftekharuzzaman in a press statement.

"In effect, the government is incentivising citizens to accumulate illegal and undisclosed wealth throughout the year with the assurance that such black money will be legitimised at year-end. The justification being offered – favouring the real estate sector – is deeply problematic, especially since that sector has been identified as one of the most corruption-prone in the country," he said.

SC clears way for the BB's administrator

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BB lawyer BM Elias Kachee told The Daily Star.

On May 7, the chamber judge of the SC had stayed the February 16 HC verdict that upheld BB's decision to appoint an administrator at Nagad and also rejected a writ petition filed by its Director Md Shafayet Alam, challenging the legality of the central bank's move.

The chamber judge also asked the writ petitioner to move a leave to appeal petition challenging the HC verdict.

On August 21 last year, the central bank appointed its Director Muhammad Badiuzzaman Dider as the administrator at Nagad for one year.

Six other officials from the central bank were also assigned to Nagad to assist the administrator.

The BB's decision to appoint Dider, a former director of its Chattogram office, came amid allegations of operational irregularities.

The move was subsequently challenged through a writ petition.

Barrister Jamir Uddin Sircar and Barrister Muhammad Nawshad Zamir appeared for the writ petitioner.