

Reducing penalty on false declarations will encourage smuggling: experts

MOHAMMAD SUMAN

In the Finance Ordinance 2025-26, presented on Monday, the government proposed amending the Customs Act 2023 and revising the penalty structure for tax evasion related to intentional false declarations during import clearance, reducing the minimum fine from twice the evaded amount to an equivalent sum.

"The intent behind reducing the penalty was to ease compliance for traders," said a senior official of the Ministry of Commerce, speaking on condition of anonymity.

However, while some importers have welcomed the change, experts caution that the policy shift may undermine transparency and regulatory discipline and encourage fraudulent practices among importers.

Analysts argue that sustainable economic development demands stringent

enforcement of rules against fraudulence. Without firm action, they warn, long-term revenue collection and market stability could be severely compromised.

Ittekharuzzaman, executive director of Transparency International Bangladesh (TIB), told The Daily Star, "This provision is going to further incentivise evasion of duties and taxes."

"Expanding the scope to manipulate invoices, which is a key channel of illicit financial transfers, will encourage money laundering," he said. "It also implies impunity rather than accountability for collusive corruption," he said.

This is disappointing and self-defeating for the interim government, entrusted with the task of state reform, at the core of which are control and prevention of corruption, tax evasion and money laundering," Ittekharuzzaman added.

Analysts argue that sustainable economic development demands stringent

SM Nazer Hossain, vice-president of the Consumers Association of Bangladesh, told The Daily Star, "If the government fails to take strong action against revenue evasion, fraudulent activities will rise, causing exponential losses."

"A reconsideration of the penalty framework is necessary," he added.

In June 2020, the NBR introduced a minimum fine for false declarations, set at twice the amount of revenue evaded. Depending on the extent of the irregularities, the penalty could go as high as four times the amount owed.

There was no minimum fine prior to this.

After the rule was implemented across all customs stations and houses in August 2020, customs revenue saw a marked increase as the number of such incidents dropped significantly.

According to Custom House,

Chattogram, the policy had a strong and immediate impact.

Revenue collection jumped by over 25 percent in FY21, shooting up from Tk 41,854 crore in FY20 to Tk 51,576 crore – breaking the trend of slow or stagnant growth.

Customs revenue rose from Tk 31,300 crore in FY16 to Tk 36,657 crore in FY17, Tk 42,344 crore in FY18 and Tk 43,577 crore in FY19. In the years since, revenue has continued to grow, hitting Tk 62,140 crore in FY22, Tk 62,658 crore in FY23, Tk 68,563 crore in FY24, and approximately Tk 69,000 crore by May of FY25.

This consistent upward momentum suggests stricter penalty measures discouraged false declarations and significantly boosted government revenue.

In total, the latest Finance Ordinance proposed changes to 15 sections of the Customs Act 2023.

Businesses decry turnover tax hike

FROM PAGE B1

"Genuine businesses are now paying salaries out of their own capital. This is not a sign of a healthy economy."

Ahmed questioned the logic behind taxing revenue regardless of profitability.

"If I run a business worth Tk 100 crore and make a loss, the government still demands Tk 1 crore in turnover tax."

How is that reasonable? Whether I profit or not, I am being forced to pay from my capital. Why punish those who already comply?"

Instead of repeatedly targeting the same set of taxpayers, the DCCI said.

Fahmida Khatun, president urged the government to broaden the tax base.

More than 80 percent of the country's taxpayers are concentrated in Dhaka and Chattogram, he said.

The Bangladesh Chamber of Industries (BCI) echoed similar concerns, saying the proposed hike would disproportionately affect the country's industries, especially the Cottage, Micro, Small and Medium Enterprises (CMSME) sector.

"We urge a reconsideration of this decision to increase the turnover tax," the chamber said.

Fahmida Khatun, executive director of the local think tank Centre for Policy Dialogue (CPD), said the government should adopt a more rational approach.

"It must be imposed rationally. Why should a company that incurs losses still be liable to pay turnover tax?"

Meanwhile, Snehasish Barua, managing director of SMAC Advisory Services Limited, said, "The 1 percent turnover tax is a big blow for companies that run on thin margins or are in the red."

The tax expert said some businesses may be forced to pay this tax from their capital. "Such arbitrary

policies may incentivise tax evasion and punish law-abiding companies."

The budget also includes a proposal to offer a reduced corporate tax rate of 22.5 percent to listed companies that raise more than 10 percent of their paid-up capital through an Initial Public Offering (IPO). Firms failing to meet this requirement would remain subject to the standard 27.5 percent rate.

In response, the MCCI said the benefit should not be confined to IPOs alone.

"It would be more reasonable to include transfers through Public Offerings (POs) as well," the chamber noted.

Inflation to drop below 7% within September

FROM PAGE B1

begin to gradually ease inflation falls below 7 percent.

He also said stabilising the exchange rate was their main challenge in tackling inflationary pressure.

"The main challenge we had, we have largely overcome it," he said, adding, "Our main challenge was to stabilise the exchange rate because as long as we couldn't stabilise the exchange rate, we couldn't win the battle against inflation."

"If we could not stabilise the exchange rate, the prices of imported goods would rise, and that would push up prices in our domestic economy," he said.

Now the exchange rate has become relatively stable, hovering at around Tk 122 to Tk 123 per US dollar for the past seven to eight months, said the BB governor, adding that they were now feeling some relief.

"And since it has

remained stable even after being left to the market, we have gained confidence

VAT hike deals

FROM PAGE B1

would be hampered by the move.

The VAT hike comes at a time when Bangladesh's mobile phone industry is already under pressure from rising taxes and policy uncertainty, which has contributed to a sharp drop in legal phone sales and a ballooning grey market.

The country made significant progress in mobile phone manufacturing following major tax incentives introduced in FY18. Since then, 17 local factories have been established, creating jobs for approximately 15,000 people.

Before FY22, the total tax on imported smartphones hovered at around 58 percent, while locally produced handsets enjoyed a lower tax burden of 15 to 20 percent.

However, this advantage is set to be eroded further.

Under the proposed terms, the cumulative tax burden on local manufacturing is estimated to exceed 40 percent, due to a 7.5 percent VAT applied at every stage – from production to distribution to retail – on top of the new production-stage VAT.

This policy environment is in sharp contrast to regional trends.

While India has capped total taxes on local production of handsets at around 25 percent and Pakistan at 20 percent, Bangladesh's tax rate remains the highest in South Asia.

Unsurprisingly, the smartphone market in Pakistan is now nearly twice the size of Bangladesh's, while India aggressively expands its "Make in India" initiative.

As a result, Bangladesh has seen a sharp decline in sales of locally manufactured handsets.

This can be seen by comparing FY21 to FY24. Over the period, smartphone sales dropped by 34 percent,

feature phone sales fell by 42 percent, and the overall mobile market shrank by 39 percent, according to the MPIOAB data. The vacuum created by declining legal sales is being filled rapidly by illegal imports. These smuggled handsets, which bypass taxes and VAT, are sold at significantly lower prices.

The grey market now accounts for nearly 50 percent of all phone sales. And with the latest VAT hike, it could easily surpass 60 percent," warned Rizwanul Haque, vice-president of the MPIOAB.

He urged the government to reconsider the VAT hike and instead explore ways to support the industry and safeguard investor confidence.

Haque proposed a five-

point policy to ensure long term stability and growth.

First, he called for stable policies with at least a five-year horizon to reassure investors.

Second, he urged the government to allow locally manufactured accessories such as batteries, chargers, and cables to be sold freely in the open market to build backward linkages due to lack of customs policy.

Third, he demanded the immediate removal of the 7.5 percent VAT at the sales stage to make legally manufactured phones more competitive. He also emphasised the need for swift implementation of the National Equipment Identity Register to block illegal phones from accessing mobile networks.

Finally, he recommended prioritising completely knocked down manufacturing over semi knocked down production to deepen local value addition and create more jobs.

If the government fails to act, Haque warned, the damage to local manufacturing could become irreversible – pushing Bangladesh further away from its digital and economic development goals.

Chambers warn

FROM PAGE B1

"Given the current context, implementing the budget will be highly challenging," it added.

The chamber also expressed disappointment over the proposed increase in turnover tax from 0.60 percent to up to 3 percent, depending on the sector, especially since no initiative has been taken to reduce the effective corporate tax rate.

The MCCI said a minimum tax being levied on turnover is contrary to sound tax policy.

Although the chamber

said the increase in the allowable perquisite limit from Tk 10 lakh to Tk 20 lakh for employees will slightly reduce corporate tax expenses, it added.

"The MCCI believes that there should be no cap on perquisites at all."

It also urged the interim government to expand the tax base through proper tax management and modern, inclusive tax policies.

It said the increase in the tax free income threshold for individual taxpayers to Tk 375,000 for the assessment years 2026-2027 and 2027-2028 is welcome in view of the proposed budget for FY26.

"Too much dependence has been placed on personal and corporate tax," he said. "Tax collection is low because of procedural limitations, and there is no direction to address this issue."

"We do not see any steps to expand the tax net."

The value added tax on raw materials for the manufacturing sector has been increased, which will fuel production costs.

The MCCI also said it believes it is necessary to limit the discretionary power of tax collection authorities.

Meanwhile, the Foreign Investors' Chamber of Commerce and Industry

(FICCI) voiced significant concerns regarding several provisions of the proposed Finance Ordinance 2025, which could potentially impede business growth and increase the burden on compliant taxpayers.

A major concern lies with publicly traded companies that have less than 10 percent of their shares issued through an initial public offering, as they are slated to face an additional 7.5 percent corporate tax.

"The impact of this tax at a significantly increased rate appears to be discriminatory."

It said while the increase in the tax-exempt income threshold at the entry level is a positive step, the overall changes introduced in the tax structure are likely to impose an additional burden on middle-income earners when viewed in totality.

In another statement, Bangladesh Chamber of Industries (BCI) President Anwar-Ul-Alam Chowdhury (Parvez) said the government has made revenue collection the main goal in the proposed budget for FY26.

"However, because of changes in tax slabs and rates, the overall tax burden on taxpayers at all levels will increase."

"We do not see any steps to expand the tax net."

The value added tax on raw materials for the manufacturing sector has been increased, which will fuel production costs.

The MCCI also said it believes it is necessary to limit the discretionary power of tax collection authorities.

"All have been prepared in line with the formula of the International Monetary Fund," he said.

Government of the People's Republic of Bangladesh

Office of the Senior Jail Superintendent
Sylhet Central Jail-1, Badaghat
www.prison.sylhet.gov.bd

Memo No. 58.04.9100.156.03.017.2025-3482(6)

e-Tender Notice

This is to notify all concern that the following tender is invited in the National e-GP Portal:

SL No.	Tender ID No.	Name of work	Publishing, closing date & time
1	1123751	Goods, Procurement of Dietary Articles (Different Types of Animal Protein) to Sylhet Central Jail-2 of Package-1 for the period of July/2025 December/2025	03 June-2025 20:00:00 18 June 2025 12:00:00
2	1123757	Goods, Procurement of Dietary Articles (Different Types of Animal Protein) to Sylhet Central Jail-2 of Package-2 for the period of July/2025 December/2025	03 June-2025 20:00:00 18 June 2025 12:00:00
3	1123774	Goods, Procurement of Dietary Articles (Different Types of Animal Protein) to Sylhet Central Jail-2 of Package-3 for the period of July/2025 December/2025	03 June-2025 20:00:00 18 June 2025 12:00:00
4	1123798	Goods, Procurement of Dietary Articles (Different Types of Animal Protein) to Sylhet Central Jail-2 of Package-4 for the period of July/2025 December/2025	03 June-2025 20:00:00 18 June 2025 12:00:00
5	1123808	Goods, Procurement of Dietary Articles (Different Types of Animal Protein) to Sylhet Central Jail-2 of Package-5 for the period of July/2025 December/2025	03 June-2025 20:00:00 18 June 2025 12:00:00
6	1123833	Goods, Procurement of Dietary Articles (Different Types of Vegetables) to Sylhet Central Jail-2 of Package-1 for the period of July/2025 December/2025	03 June-2025 20:00:00 18 June 2025 12:00:00
7	1123837	Goods, Procurement of Dietary Articles (Different Types of Vegetables) to Sylhet Central Jail-2 of Package-2 for the period of July/2025 December/2025	03 June-2025 20:00:00 18 June 2025 12:00:00
8	1123839	Goods, Procurement of Dietary Articles (Different Types of Vegetables) to Sylhet Central Jail-2 of Package-3 for the period of July/2025 December/2025	03 June-2025 20:00:00 18 June 2025 12:00:00
9	1123842	Goods, Procurement of Dietary Articles (Different Types of Vegetables) to Sylhet Central Jail-2 of Package-4 for the period of July/2025 December/2025	03 June-2025 20:00:00 18 June 2025 12:00:00
10	1123845	Goods, Procurement of Dietary Articles (Different Types of Oils, Spices, food Ingredients and accessories) to Sylhet Central Jail-2 of Package-1 for the period of July/2025 December/2025	03 June-2025 20:00:00 18 June 2025 12:00:00
11	1123846	Goods, Procurement of Dietary Articles (Different Types of Oils, Spices, food Ingredients and accessories) to Sylhet Central Jail-2 of Package-2 for the period of July/2025 December/2025	03 June-2025 20:00:00 18 June 2025 12:00:00
12	1123847		