

# Star BUSINESS



## Salehuddin defends budget, says a 'highway is born out of an old road'

STAR BUSINESS REPORT

Finance Adviser Salehuddin Ahmed has defended the interim government's conservative budget strategy, pushing back against economists' criticism that it follows an "old road".

"A highway is born out of the old road. Every new highway begins as a rural path," Ahmed said yesterday, after the advisory council approved the Tk 790,000 crore budget for fiscal year 2025-26.

Ahmed acknowledged the

launching any new large-scale infrastructure projects in the coming year. "We're not taking up any new megaprojects worth \$12 billion or \$13 billion," Ahmed said. "Some medium-scale efforts, like metro extensions or the Bay Terminal, may proceed, but the days of announcing big-ticket projects without delivery discipline are over."

Several dormant or underperforming projects have also been scrapped to rationalise the Annual Development Programme. "We've cleaned up the project pipeline. The development budget is

### KEY POINTS

- » Govt expects \$7.4b in new commitment in FY26
- » Social safety net allocation raised by Tk 10,000cr
- » Export subsidy phaseout delayed by six months to Jan 2026
- » Minimum incentive for govt staff raised from Tk 1,000 to Tk 1,500
- » Minimum pension for govt staff increased from Tk 500 to Tk 750

criticisms that the budget did not offer bold departures. "Many economists have said, 'This could have been done better,' or 'That would've been a better choice.' But we made our decisions based on what is implementable. This isn't a dream budget. We're not serving pulao with ghee. We're focusing on what's real and achievable."

A key feature of the budget is the government's decision to avoid

now aligned with actual capacity to execute," he added.

Although the overall size of the budget remains unchanged from the original proposal tabled on June 2, three significant changes were introduced during its final approval.

First, the government increased social protection spending by Tk 10,000 crore, raising the total allocation to Tk 91,297 crore.

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## Deep uncertainty stalls businesses

Economists say at CPD dialogue, urge govt action to break investment freeze

STAR BUSINESS REPORT

The country's business climate is weighed down by a deep shadow of uncertainty, economist Hossain Zillur Rahman said yesterday, warning that the stagnation is slowing economic progress.

"We have draped the society under a blanket of suspicion. In such conditions, people are left idle and suffer," Rahman said at a post-budget dialogue organised by the Centre for Policy Dialogue (CPD) in Dhaka.

He explained this suspicion as distrust directed at many because of the actions of a few. Rahman blamed this on false or fabricated cases filed after the Awami League government was ousted in a mass uprising in August last year.

He said overcoming investment stagnation would require the entire government machinery to function properly. "If ministries, from home affairs to the judiciary, fail to perform their duties, the problem will remain unresolved," he said.

The economist called for what he termed "sacred anger" to push for change. "There is a peculiar syndrome in this government. They listen but do not respond."

He pointed to other major challenges, including a shortage of skilled workers, corruption, poor progress in youth skills, an education system failing to build human capital, and widespread corruption.

Rahman also said political will is needed for bold budget decisions.

"Many ask why the budget is so conventional despite four economists in the advisory council. Even if all its members were economists, nothing exceptional would happen without political courage," he

### FIVE MAJOR CHALLENGES

Education not translating into human capital

Investment stagnation

Lack of progress in youth skills development

Poverty and inequality

Corruption

To overcome investment stagnation, finance ministry and the entire government machinery must function properly

Hossain Zillur Rahman  
Economist

### WHAT BUSINESSES SAY

They suffer from high interest rates while defaulters go unpunished

No clear plan in the budget to tackle LDC graduation challenges

Healthcare facilities needed in industrial zones

### CPD warns ...

➤ Middle East tensions may push up fuel prices and inflation

➤ Tax changes will hurt middle-income groups the most



commented.

Business leaders at the programme echoed similar concerns.

Showkat Aziz Russell, president of the Bangladesh Textile Mills Association, said firms are in a painful situation as they are going through a very uncomfortable time under high interest rates.

"We see beautiful economic models being prepared, but when someone loots money, we are the ones who compensate for it. Those of us who do business with honesty have to bear the burden of high interest rates," Russell added. "Identify those who looted public money and punish them. No bank official has faced jail so far," he added.

"The government cannot increase interest rates to subsidise the stolen money. That is unacceptable," commented the business leader. "Previous

governments distorted facts and misled the public in various ways. The current government seems to be heading in the same direction."

Inamul Haq Khan, senior vice-president of the Bangladesh Garment Manufacturers and Exporters Association, said the budget offers no guidance on coping with challenges after graduation from the least developed country club next year.

He also criticised the lack of talks with businesses on recent US tariffs.

"The government has not held any discussions with us regarding it, and the business situation will worsen if we fail to handle the inflated duties to the American market," he mentioned.

Khan also said that simply increasing labour wages will not solve all the problems amid high inflation.

"The government could build

a hospital in the Ashulia Gazipur industrial belt for the workers. This would allow them to receive healthcare services at affordable costs," he added.

Barrister Rumeen Farhana, a former lawmaker and BNP's assistant secretary for international affairs, said the budget for the upcoming fiscal year shows no fresh ideas despite input from respected economists.

"This is extremely unfortunate," she added.

Fahmida Khatun, executive director of the CPD, warned of rising inflation due to the Middle East conflict, which is likely to drive up fuel prices and import costs.

She also criticised the changes to the income tax threshold.

"This will disproportionately raise the burden on low- and middle-income earners over

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## CHANGES IN CORPORATE TAX IN BUDGET

Lower tax benefit offered to firms listed through IPO or direct listing

Listed companies that offload less than 10% of shares will be taxed at 27.5%

The rate can be reduced to 25% if all transactions are conducted through banking channels

### CORPORATE TAX CUT FROM 15% TO 10% FOR ...

Private universities

Medical colleges

Engineering colleges

Institutions that exclusively offer ICT education



### ANALYSTS SAY ...

Higher corporate tax for non-listed firms may discourage investment

New corporate tax system could promote growth of informal economy

## Stocks drop 1.6% amid global tensions

STAR BUSINESS REPORT

The stock market in Bangladesh plunged by over 1.6 percent yesterday, mainly due to investor apprehensions over news of the US joining Israel in bombing Iran.

The DSEX, the benchmark index of the Dhaka Stock Exchange (DSE), plummeted 76 points to 4,677 from the preceding day.

The DS30, the index that tracks blue-chip companies, fell 24 points, or 1.34 percent, to 1,758.

The DSES, the stock index of shariah-based companies, eroded by 2 percent to 1,016.

Due to the banking sector's high interest rates and the poor

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### Movement of DSEX

In points; SOURCE: DSE



## No cut in corporate tax for non-listed firms

STAR BUSINESS REPORT

The interim government has kept the corporate tax rate for non-listed firms unchanged at 27.5 percent for fiscal year 2025-26, despite repeated demands from entrepreneurs and business chambers to reduce the tax, especially for those transacting through banking channels.

Currently, non-listed companies are taxed at 27.5 percent, but the rate drops to 25 percent if they conduct all transactions via banking channels.

This conditional benefit was previously welcomed by entrepreneurs and analysts, as it was seen as a measure to incentivise the formalisation of the economy.

However, the government has omitted the benefit and made it a flat 27.5 percent from the next fiscal year.

If the government wants higher investment, it will have to ensure a preferable environment where corporate tax is also a tool for attracting investors, said

Kamran T Rahman, president of the Metropolitan Chamber of Commerce and Industry (MCCI).

When investors invest, they consider the regional corporate tax rate, and if they find that the rate is lower in other regional competitors, then there is no reason for them to invest in Bangladesh, he said.

The corporate tax rate in Bangladesh is "certainly" high, which is one of the factors discouraging investors from investing in the country, he said.

The corporate tax rate is 22 percent in Vietnam, 20 percent in Thailand, and 17 percent in Singapore. The average corporate tax rate in Asian countries is 21 percent.

Although the cost of labour is low in Bangladesh, efficiency is also low, for which labour might not draw them here, said Rahman.

To ensure that there are enough decent jobs in the country for youths, the government should focus on ensuring higher investment, be it foreign or domestic, he added.

In its budget proposal, the government had earlier recommended a 22.5 percent corporate tax rate for listed companies that have offloaded at least 10 percent of shares through an initial public offering (IPO).

The rate could go down to 20 percent if all financial transactions were processed through banking channels.

Now, the 20 percent rate will be applicable for companies that have offloaded at least 10 percent of shares through direct listing, according to a press release from the finance ministry.

However, companies listed via direct listing or IPOs that have offloaded less than 10 percent of shares, such as Berger Paints and Walton Hi-Tech Industries, will not qualify for the reduced rate and will instead face the 27.5 percent tax.

But the rate may be reduced to 25 percent if all transactions are conducted through formal banking channels, the press release said.

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