

Tax-GDP ratio: Parties promise the moon



MD ASADUZ ZAMAN

After many years, Bangladesh's 13th Parliamentary Election has injected a rare festive mood into public life. Political parties have unveiled their manifestos with unusual care, and voters appear genuinely engaged, scrutinising promises rather than merely consuming slogans.

Among the lofty pledges on social spending, one commitment stands out for both its ambition and ubiquity: raising the tax-to-GDP ratio.

Almost every major party has set a numerical target, ranging from 12 percent to 15 percent. This is no small feat in a country whose tax effort has long been one of its gravest structural weaknesses.

LOFTY PLEDGES

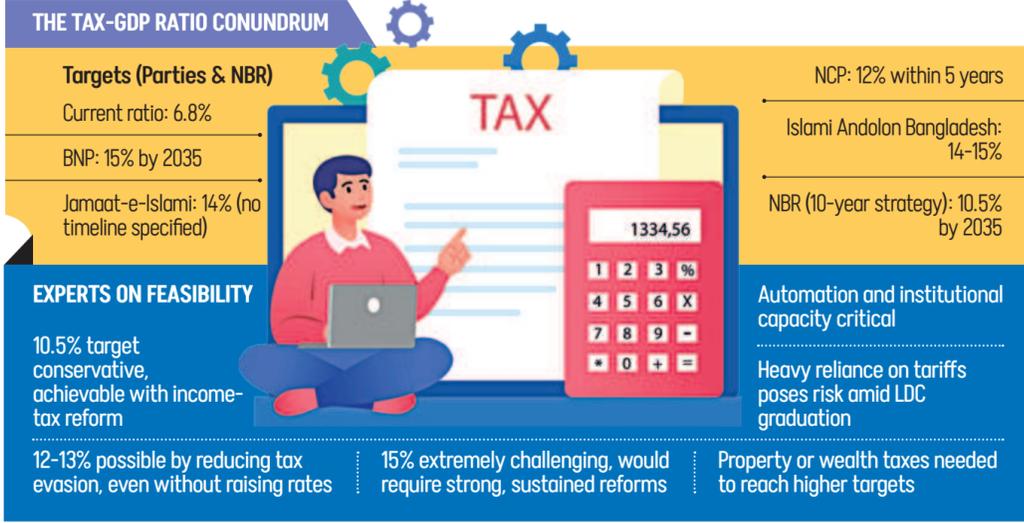
At 6.8 percent, Bangladesh's tax-to-GDP ratio ranks among the world's lowest, well below that of peer economies.

The Bangladesh Nationalist Party (BNP) pledges to raise it to 15 percent by 2035; Bangladesh Jamaat-e-Islami proposes 14 percent, without specifying a timeline; the National Citizen Party (NCP) commits to 12 percent within five years; and Islami Andolon Bangladesh sets a target range of 14-15 percent.

These pronouncements arrive just as the National Board of Revenue (NBR) has formulated its own ten-year strategy, aiming for 10.5 percent by fiscal year 2034-35 under its new 10-year plan integrated into the Medium- and Long-Term Revenue strategy.

The plan seeks to bolster domestic resource mobilisation, strengthen fiscal foundations and support sustainable growth, while also preparing Bangladesh for graduation from the list of least-developed countries (LDCs) and helping meet its Sustainable Development Goals by 2030.

The revenue board's strategy comes amid pressure from the International Monetary Fund (IMF), reflecting conditions attached to the multilateral lender's ongoing \$4.7 billion loan programme.



NEEDS "SERIOUS WORK"

According to Md Deen Islam, research director at Research and Policy Integration for Development (RAPID), the NBR's 10.5 percent target is "actually quite conservative."

"Even without raising tax or VAT rates, simply controlling tax evasion could push the tax-to-GDP ratio to 12-13 percent," he argues.

Achieving 15 percent or more within the next decade, however, would be extremely challenging without strong and sustained commitment to reform.

"What political parties are saying is technically possible," Islam observes, "but it would require serious work."

The key, according to him, lies in strengthening the NBR's capacity, particularly through accelerated automation.

"Going beyond 10.5 percent is achievable," he says, "but reaching 15 percent will prove difficult without introducing property or wealth taxes."

The RAPID research director noted that while the tax base is expanding, many individuals still file zero-income returns.

A property tax, stronger enforcement and automation could boost revenue and

curb evasion, though VAT will remain constrained by the informal sector, he opines.

Islam points out another challenge. Nearly 30 percent of Bangladesh's revenue still derives from tariffs, which are set to decline owing to recent trade concessions and tariff rationalisation following LDC graduation. "Without sincere income tax reform," he warns, "even achieving the 10.5 percent target will be difficult."

ABUREAUCRATIC MUDDLE

The recent bifurcation of the NBR has become mired in bureaucratic wrangles, as the interim government failed to complete the process during its tenure.

This lack of completion has created frustration among revenue officials, who argue that delays and administrative hurdles are hampering efficiency and disrupting reform efforts.

Many fear that prolonged uncertainty may slow policy execution, weaken institutional capacity and undermine improvements in revenue collection.

Towfiqul Islam Khan, additional research director at the Centre for Policy Dialogue (CPD), argues that the NBR's reforms were largely instrumental, driven by IMF conditionalities.

"Political parties had no involvement in the process," he notes. "They now have their own ambitions and will act accordingly. But the interim government pushed the entire economic reform agenda without engaging political actors, and this is not an isolated case."

Khan adds that the interim government took major economic reform decisions while completely ignoring political parties. "As a result, the fate of these reform targets is now in question. Either the reform commission's reports and the efforts undertaken so far will lose relevance, or the political commitments being made will prove futile," he fears.

Even in terms of implementation, it remains unclear whether the existing NBR structure can absorb or sustain these reforms, he warns.

Stating that there has also been significant wastage of taxpayers' money in producing reform documents, Khan notes that the unfortunate reality is that no one from the interim government will remain to answer for it.

"If the reform agenda now has to be reworked to align with the priorities of the winning political party, there will be no accountability for the public money already spent," he says.

US TRADE DEAL Mandatory 50% reinsurance with SBC to be dropped

STAR BUSINESS REPORT

Bangladesh has agreed to abolish the requirement for non-life insurers to reinsure at least 50 percent of their business with the state-owned Sadharan Bima Corporation (SBC), under the newly signed US-Bangladesh agreement on reciprocal trade.

Simply put, reinsurance is "insurance for insurance companies." It allows insurance companies to share risks so they can pay large claims, such as factory fires or cargo losses.

Under the current law, at least half of such reinsurance must go to SBC, while the rest is handled by local or foreign companies.

In November last year, the Financial Institutions Division (FID) proposed removing a clause in the Insurance Corporation Act 2019 that requires non-life insurers to hand over half their reinsurance business to the lone state-owned insurer and reinsurer SBC.

The step was taken in line with the demand from the US as part of the conditions to cut reciprocal tariffs on Bangladesh's exports to the American market.

Washington initially threatened to slap a 37 percent tariff on products shipped to its market from Bangladesh. It later reduced the rate to 20 percent which came into effect from August.



In the deal signed on February 9, the rate was reduced to 19 percent from 20 percent.

At that time, FID officials were reluctant to disclose the reason behind the move, but a top official admitted this yesterday.

Private insurers earlier welcomed the move, with some saying they were frustrated by SBC's backlog of unsettled reinsurance claims, some dating back to 2020, which has delayed compensation for clients.

Just a few days later, SBC sent a letter to FID, expressing concerns over the removal of the mandatory reinsurance clause.

The state agency reported Tk 297.6 crore in net income after tax in the financial year ending in December 2024, up 13 percent from Tk 262.5 crore a year ago.

However, its total comprehensive income stood at a negative for the year when it took into account the unrealised losses on shares of Tk 862 crore. Its earnings per share slipped 37 percent to Tk 33.07 in 2024 from Tk 52.51 a year ago, according to Sadharan Bima's audited financial statements.

BRAC Bank opens relocated Motijheel branch

STAR BUSINESS DESK

BRAC Bank PLC has opened a relocated Motijheel branch to offer enhanced services and an improved banking experience to customers.

Located in the heart of the country's commercial and financial hub, the new branch features a spacious premium banking lounge, locker facilities and dedicated customer relationship management (CRM) services, ensuring greater convenience and comfort for clients.

Tareq Refat Ullah Khan, managing director and CEO of BRAC Bank PLC, inaugurated the branch at Rupayan Red Crescent Tower in Motijheel, Dhaka recently, according to a press release.

Sheikh Mohammad Ashfaque, deputy managing director and head of branch distribution network, attended the inauguration ceremony. With 310 branches and sub-



Tareq Refat Ullah Khan, managing director and CEO of BRAC Bank PLC, inaugurates the relocated branch at Rupayan Red Crescent Tower in Motijheel, Dhaka recently.

PHOTO: BRAC BANK

branches across the country, BRAC Bank has one of the largest banking networks in Bangladesh.

Taher Hasan Al Mamun, senior zonal head for the South zone, and

AKM Tareq, senior zonal head for the North zone, along with other senior officials of the branch distribution network, were also present at the event.

ONE Bank opens CRM booth at Gulshan branch

STAR BUSINESS DESK

ONE Bank PLC has recently launched a new CRM booth at its Gulshan Islamic Banking Branch on Gulshan Avenue in Dhaka, reinforcing the bank's commitment to delivering convenient, modern and secure banking solutions for customers.

The CRM, or customer relationship management system, is designed specifically for the banking sector to manage customer data and interactions more efficiently, helping improve service quality and customer retention.

Anannya Das Gupta, director of ONE Bank PLC, inaugurated the CRM booth as the chief guest, according to a press release.

The launch underscores ONE Bank's ongoing strategy to modernise its service touchpoints, enhance customer experience and strengthen its brand presence across the country.



Anannya Das Gupta, a director of ONE Bank PLC, inaugurates the CRM booth at the bank's Gulshan Islamic banking branch on Gulshan Avenue in Dhaka recently.

PHOTO: ONE BANK

IFIC Bank, Swisscontact to develop export-oriented vegetable sector

STAR BUSINESS DESK

IFIC Bank PLC has signed a memorandum of understanding (MoU) with Switzerland-based international organisation Swisscontact for a project aimed at elevating the international standards of Bangladesh's export-oriented vegetable sector and strengthening safe food export capabilities.

Syed Mansur Mustafa, managing director of IFIC Bank PLC, and Helal Hussain, country director of Swisscontact Bangladesh, signed the MoU at IFIC Tower in Dhaka recently, according to a press release.

As the lead financial partner, IFIC Bank will use the project to expand sustainable financing in the agriculture and SME sectors, support export-oriented entrepreneurs, and develop risk-mitigated loan portfolios.

The initiative will also facilitate field-testing and innovation of the

bank's agriculture, SME, and green finance products.

The project is scheduled for a 27-month period, from January 2026 to March 2028.

Under the programme, 1,000 smallholder farmers across the country will receive training on Good Agricultural Practices (GAP),

climate-resilient farming, safe pesticide use, residue control, and advanced post-harvest management.

Cluster based production systems will also be established to ensure traceability, with at least 30 percent female participation in the programme.



Helal Hussain, country director of Swisscontact Bangladesh, and Syed Mansur Mustafa, managing director of IFIC Bank PLC, pose for a group photograph after signing the memorandum of understanding at IFIC Tower in Dhaka recently.

PHOTO: IFIC BANK

NCC Bank supports 'SeaSafe Lifeguard' initiative in Cox's Bazar

STAR BUSINESS DESK

NCC Bank PLC has extended support to the "SeaSafe Lifeguard" programme run by the Centre for Injury Prevention and Research, Bangladesh (CIPRB) at sea beach to help reduce drowning risks and raise public awareness.

M Shamsul Arefin, managing director of NCC Bank, inaugurated the programme at Sea Pearl Beach Resort in Cox's Bazar recently, according to a press release.

Speaking at the event, Arefin said drowning remains a silent but devastating crisis in Bangladesh, leaving a profound impact on affected families.

He said the bank's support for the initiative reflects its commitment to public safety and social well-being. Drowning claims nearly 18,000 lives annually in Bangladesh, many of them children, making it a major public health concern.

Since 2012, CIPRB has been implementing the SeaSafe Lifeguard programme through regular beach patrols, rescue operations and

awareness campaigns in Cox's Bazar.

The initiative has saved 1,052 lives so far and reached millions of people through drowning prevention efforts.

NCC Bank said its involvement is part of its corporate social responsibility activities aimed at promoting public safety and social welfare.

M Khurshed Alam, additional managing director of NCC Bank; Md Zakir Anam, Mohammed Mizanur Rahman and Md Habibur Rahman, deputy managing directors; and Nighat Mumtaz, executive vice-president and head of sustainable and women's banking as well as head of strategic brand management, attended the event.



M Shamsul Arefin, managing director of NCC Bank PLC, inaugurates the "SeaSafe Lifeguard" programme, run by the Centre for Injury Prevention and Research, Bangladesh, at Sea Pearl Beach Resort in Cox's Bazar recently.

PHOTO: NCC BANK