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Govt plans tax relief for middle class

MD ASADUZ ZAMAN

The government is planning to ease the tax burden on lower- and middle-income taxpayers in the 2026-27 budget by gradually raising the tax-free income limit and introducing multi-year tax declarations to provide greater certainty for individuals.

It is also considering incentives for electric vehicles and other environment-friendly transport as part of efforts to support climate goals and address the ongoing energy crisis.

In addition, authorities are planning to reintroduce wealth tax and introduce advance income tax for the first time on motorbikes and battery-run rickshaws.

Officials said the proposals received in-principle approval from Prime Minister Tarique Rahman at a high-level meeting at the Secretariat yesterday, where the National Board of Revenue presented several tax measures.

Officials said the tax-free income threshold, currently set at Tk 3.75 lakh for the next two fiscal years for individual taxpayers, may be gradually increased over the coming years.

"There is a plan to increase it further over time to Tk 4 lakh," a finance ministry official said, adding that the proposal is part of a longer-term roadmap extending up to 2030.

Officials also said the government is considering extending the validity of tax declarations for multiple years to ensure more stability for taxpayers.

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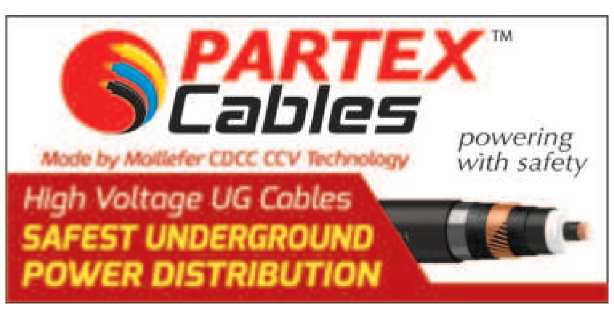

BB eases lending limits for big businesses

Exposure cap raised to 25%, non-funded exposure weights cut and large loan ceilings adjusted based on banks' classified loan ratios

POLICY CHANGES

- Banks' funded exposure limit raised to 25% from 15%
- Total amount of funded and non-funded exposure must not exceed 25%
- Non-funded exposure conversion factor cut to 25% from 50%
- Relaxed rules to remain effective until June 2028

SUPPORTIVE VIEWS

- BB says move will ease international trade finance
- Business leaders welcome the central bank move

CONCERNS

- Bankers say the move sends a wrong signal
- Economists warn of higher credit concentration risks

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The Bangladesh Bank (BB) has temporarily loosened the rules so commercial banks can lend more to big borrowers, treat trade guarantees more lightly, and adjust large loan limits based on how healthy their loan books are.

In a circular issued yesterday, the banking regulator said commercial lenders may lend up to 25 percent of their capital to a single client or group until June 2028. This is 10 percentage points higher than the existing ceiling of 15 percent.

Besides, non-funded exposures, such as letters of credit (LCs), will be weighted at just 25 percent until mid-2027, down from the current 50 percent.

At the same time, banks will be allowed to extend higher large-loan limits depending on their classified loan ratios.

In the circular, the central bank said the changes are meant for easing international trade finance for businesses and industries.

However, several BB officials said the facility came after a few large industrial groups exceeded their exposure limits at a number of banks.

Business leaders welcomed the decision by the BB, but economists and bankers were critical of the move. They said that looser rules could concentrate credit further in the hands of a small number of large conglomerates and politically connected economic actors.

NEW EXPOSURE LIMITS

Under the relaxed rules, banks will be allowed to extend funded loans of up to 25 percent of their total capital to a single borrower, up from the existing limit of 15 percent.

However, the combined exposure of funded and non-funded facilities must not exceed 25 percent under any circumstances, the central bank said.

Under the new rules, the conversion factor for non-funded exposure has been reduced to 25 percent from 50 percent. This means banks will now count only 25 percent of their total non-funded exposure when calculating large loan limits.

The facility will remain in place until June 30, 2027. The conversion factor will then increase in phases, rising to 30 percent by December 31, 2027; 40 percent by December 31, 2028; and 50 percent by December 31, 2029.

As per the single borrower exposure rules, a borrower may take up to 25 percent of a bank's capital in total exposure, including both funded and non-funded facilities. Of this, 15 percent may be funded exposure and 10 percent non-funded exposure.

Previously, funded loans were capped at 15 percent of a bank's capital. Under the new rules, banks may extend funded loans of up to 25 percent, but only if no non-funded exposure is provided. If funded exposure stands at 20 percent, a further 5 percent may be non-funded exposure.

For example, an LC worth Tk 100 was previously converted into funded exposure at Tk 50. Under the new framework, only Tk 25 will be counted.

The central bank has also revised limits on large loans based on banks' classified loan ratios.

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Nigeria's Jiji acquires Bikroy.com

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Jiji, a Nigerian classifieds marketplace, has acquired Bikroy.com, expanding into Bangladesh's digital commerce sector just over a year after entering the local market.

A Bikroy official confirmed the development to The Daily Star and said a formal statement would be issued soon.

Jiji launched in Bangladesh in March 2025, targeting a market similar to several African economies where it already operates: a large young population, rising internet penetration, growing smartphone use and increasing adoption of online commerce, according to Business Insider Africa.

Founded in 2014, Jiji has grown into one of Africa's largest online classifieds platforms, operating in Nigeria, Ghana, Kenya, Uganda, Tanzania and Ethiopia. The company says it serves more than 90 million users a year and processes about $70 billion in annual gross merchandise value across its platforms.

The acquisition marks Jiji's first expansion outside Africa. It comes little more than a year after the Nigerian-founded company entered Bangladesh as a direct competitor to Bikroy.

Founded in 2012, Bikroy has become one of Bangladesh's largest online marketplaces, allowing users to buy and sell goods and services in more than 50 categories. A subsidiary of Saltside Technologies, it focuses on local commerce by connecting buyers and sellers within cities and communities.

The company says it has more than 3.5 million active buyers. Its largest categories include mobile phones, electronics, vehicles and property. Second-hand goods remain one of its strongest segments, driven by affordability and faster upgrade cycles.

Backed by investors such as Kinnevik, Hillhouse Capital and Brummer & Partners, Bikroy has expanded through mobile apps, online job portals, digital property fairs and automotive platforms.

In 2015, it introduced Bangladesh's first online cattle marketplace for Eid-ul-Azha. During the Covid-19 pandemic, it launched initiatives to support small businesses, blue-collar recruitment and online trade.

Bikroy says it reviews advertisements before publication to maintain quality and reduce fraud. The company plans to integrate artificial intelligence tools to automate product descriptions and strengthen fraud detection.

PPP solar plant planned in economic zone

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Bangladesh has moved to build its first public-private partnership (PPP)-based solar power project in a special economic zone, as the government seeks to ease pressure from costly fuel imports and attract private investment into renewable energy.

The proposed project, planned at Sonagazi in Feni, aims to generate 130-140 megawatts (MW) of grid-tied solar electricity along with battery storage facilities on 412 acres of land owned by the Bangladesh Economic Zones Authority (Beza).

Officials unveiled the plan at a workshop in Dhaka yesterday, attended by representatives from the power division, Bangladesh Power Development Board (BPDB), Power Grid Bangladesh PLC (PGCB), development partners, and private investors.

Joining a workshop at the project site the same day, Power, Energy and Mineral Resources Minister Iqbal Hassan Mahmood said the government could announce an investment-friendly policy for the solar sector by June, expressing hope that the renewable energy sector could witness growth similar to the country's garment industry.

The minister said the government will act as a facilitator and will provide support to do profitable business in this sector by formulating an investment-friendly policy very soon.

"The government may waive taxes on frames, photocells, batteries, and more, to reduce the business cost, enhance storage capacity and facilitate the solar energy business," he said.

Bangladesh must now move toward a more balanced power generation mix, the ministry's state minister Aninda Islam Amit said.

"Imported fuel will continue to have a role, but excessive dependence on imported energy exposes the country to international price shocks, foreign exchange pressure, and fiscal burden." "The Sonagazi project is an important test case," he said, adding that the project is also forward-looking because of the potential inclusion of battery energy storage.

It is located at the National Special Economic Zone, where Beza-owned land can be used for clean energy generation. The proposed project structure brings together the key institutions: Beza as land owner and project sponsor, BPDB as the offtaker, PGCB for grid evacuation, Power Division for policy support, Sustainable and Renewable Energy Development Authority (Sreda) for renewable energy policy coordination, and Public-Private Partnership Authority (PPPA) for PPP structuring and procurement support.

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Govt seeks to end 'June syndrome' in project execution

Titumir says

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The government wants to end hasty spending on development projects in June every year, which Rashed Al Mahmud Titumir, finance and planning adviser to the prime minister, termed the "June syndrome".

"As soon as the month of June arrives, a major jump in expenditure is seen," he told the media after a meeting of the panel on economic strategy formulation at the Planning Ministry in Dhaka yesterday.

To avoid this, the document includes provisions for year-round monitoring and evaluation of development project implementation.

Titumir said that past plans effectively became dead the day after they were adopted.

"That is to say, the strategies outlined in those plans and the targets that were set were never implemented," he said, adding that the new planning document will clearly state both the vision and the method for achieving the targets.

He criticised the selection of projects based on nepotism and patronage, noting that the current government is reviewing projects with high expenditure.

Titumir further explained that flaws in the past planning process led to low implementation rates, delayed appointments of project directors, and repeated time extensions.

"Even in some projects, revisions have been made up to the fourth time. In some cases, even after approval in the ECNEC (Executive Committee of the National Economic Council), a project director was not appointed."

"For that very reason, we want to prepare a realistic and effective planning document. For this purpose, several issues have been included in the document in the form of separate chapters."

"This is a major reform and undoubtedly a milestone in the history of Bangladesh's plan formulation," he said.

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FDI rose in 2025, but fresh equity stayed weak

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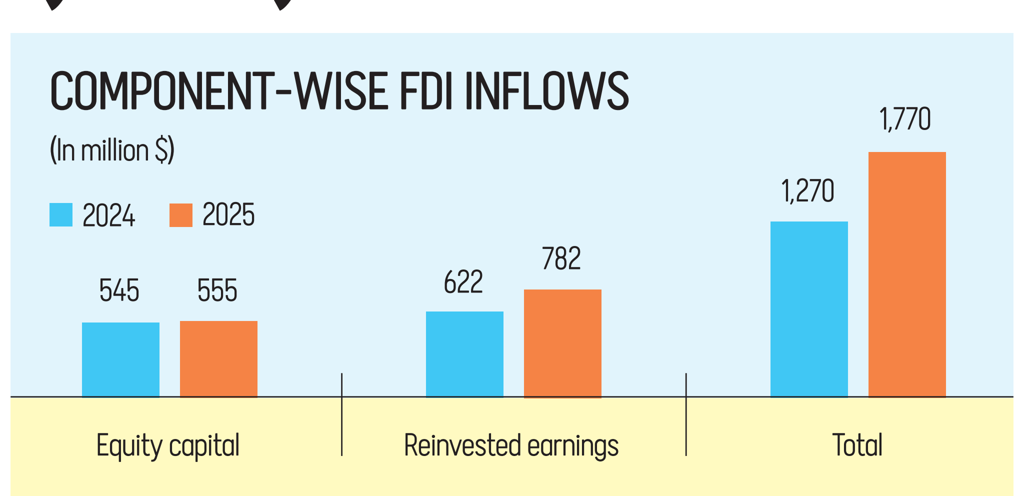

Bangladesh's net foreign direct investment (FDI) inflows rose 39.36 percent year-on-year to $1.77 billion in 2025, according to a press release issued by the Bangladesh Investment Development Authority (Bida) yesterday.

However, the increase was driven mainly by higher reinvested earnings and intra-company loans, while fresh equity investment remained largely stagnant.

Net FDI inflows stood at $1.27 billion in 2024, according to the latest Bangladesh Bank data in the release.

The latest figures suggest Bangladesh is still struggling to attract major new foreign investors despite signs of recovery in overall investment inflows.

Equity capital -- widely considered the clearest indicator of fresh foreign investment -- rose only 1.84 percent year-on-year to $554.64 million in 2025.

In contrast, reinvested earnings surged 318.25 percent to $434.10 million from just $103.79 million in 2024, while intra-company loans increased 25.68 percent to $781.68 million.

The sharp rise in reinvested earnings came partly from a low base effect after foreign investors sharply reduced retained earnings in 2024 amid foreign exchange shortages, import restrictions and broader economic uncertainty.

The data indicate that existing foreign firms continued to maintain or selectively expand their operations in Bangladesh, but new investment appetite remained subdued.

The recovery also came against a difficult global backdrop.

According to the United Nations Conference on Trade and Development (UNCTAD), global greenfield project announcements fell 16 percent in 2025 as developing economies faced mounting pressure from weaker investor sentiment and slowing global growth.

In a report released on April 28, the UN body said foreign direct investment into Bangladesh rose to $1.77 billion in 2025 "after several difficult years marked by foreign exchange pressures, global shocks and domestic uncertainty".

It added that the rebound showed "that investors remain engaged even under tighter conditions".

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