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Tax collection falls behind economic expansion

Finance Division sees structural weaknesses

STAR BUSINESS REPORT

Bangladesh's revenue collection has grown more slowly than the economy over the past decade, indicating substantial untapped revenue potential, according to a recent analysis by the Finance Division.

The analysis showed that the country's average revenue buoyancy -- a measure of how quickly government revenue grows relative to the economy -- stood at 0.93 between fiscal years 2014-15 and 2024-25.

A revenue buoyancy coefficient above 1 indicates that tax collection is outpacing economic growth, reflecting a highly efficient revenue system. Conversely, a coefficient below 1 suggests revenue growth is trailing economic expansion, often because of structural inefficiencies or a narrow tax base.

Nominal GDP grew by an average of 11.71 percent annually between FY21 and FY25. Over the same period, actual tax revenue expanded by an average of 11.4 percent

In its latest Medium-term Macroeconomic Policy Statement (MTMPS) for FY2026-27 to FY2028-29, published last week, the Finance Division said revenue buoyancy had been highly volatile, peaking at 2.10 in FY21 before plunging to 0.15 in FY22. The coefficient fell again to 0.60 in FY25.

"On average it stood at 0.93, indicating revenue growth has structurally lagged behind nominal GDP expansion," the MTMPS said.

According to the Bangladesh Bureau of Statistics, nominal GDP grew by an average of 11.71 percent annually between FY21 and FY25. Over the same period, actual tax revenue expanded by an average of 11.4 percent, the Finance Division said.

"This persistent trend indicates that revenue collection is not keeping pace with economic growth, revealing the existence of substantial untapped revenue potential," the Finance Division said.

The division suggested a strategic shift towards digital integration and administrative reforms to align revenue mobilisation more closely with the nation's trajectory towards a trillion-dollar economy.

The MTMPS also compared Bangladesh's performance with neighbouring and peer countries in South and Southeast Asia, highlighting the country's relatively weak revenue mobilisation.

While comparable emerging economies have expanded fiscal buffers alongside economic growth, Bangladesh continues to operate with a narrow revenue base and low collection efficiency, the report said.

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NBR to plug leakages, widen tax net to meet target

Chairman says

STAR BUSINESS REPORT

The National Board of Revenue (NBR) is counting on business expansion, a broader tax net, digitalisation and a harder crackdown on evasion to meet its proposed Tk 6.04 lakh crore revenue collection target for FY2026-27.

Speaking at an event on the proposed Finance Bill yesterday, NBR Chairman Abdur Rahman Khan said businesses are passing through a tough time due to lingering impacts of wars and the pandemic.

"The government wants to raise tax collection and create more jobs by stimulating the economy, so NBR tried to address the problems of entrepreneurs," he said at the programme organised by the Economic Reporters' Forum in Dhaka.

The proposed target for NBR is about 20 percent higher than the current year's original target of Tk 5.03 lakh crore, which was later revised to Tk 5.54 lakh crore.

The higher goal for FY27 arrives as the board is faced with a huge shortfall in the current year. Provisional NBR data shows the board collected Tk 3.27 lakh crore through April and needs another Tk 2.27 lakh crore by June 30 to meet its FY26 goal. NBR has failed to meet its goal for 14 consecutive years.

"We have taken many bold steps and we did not consider whether the step will reduce tax collection, but we thought whether it is justified," the NBR chief said in response to a question regarding how the board will meet its target next year, especially considering the government has proposed tax exemptions for several sectors.

He said if businesses grow as expected, tax collection will rise across all fronts.

The board will simultaneously intensify its drive against leakages to ensure lower evasion, not just higher rates, drives collection growth, he added.

He cited the tobacco sector, the NBR's single largest revenue source, as a concrete example.

The board plans to introduce "QR and AR codes" on every cigarette packet, allowing consumers to scan and verify whether tax has been paid.

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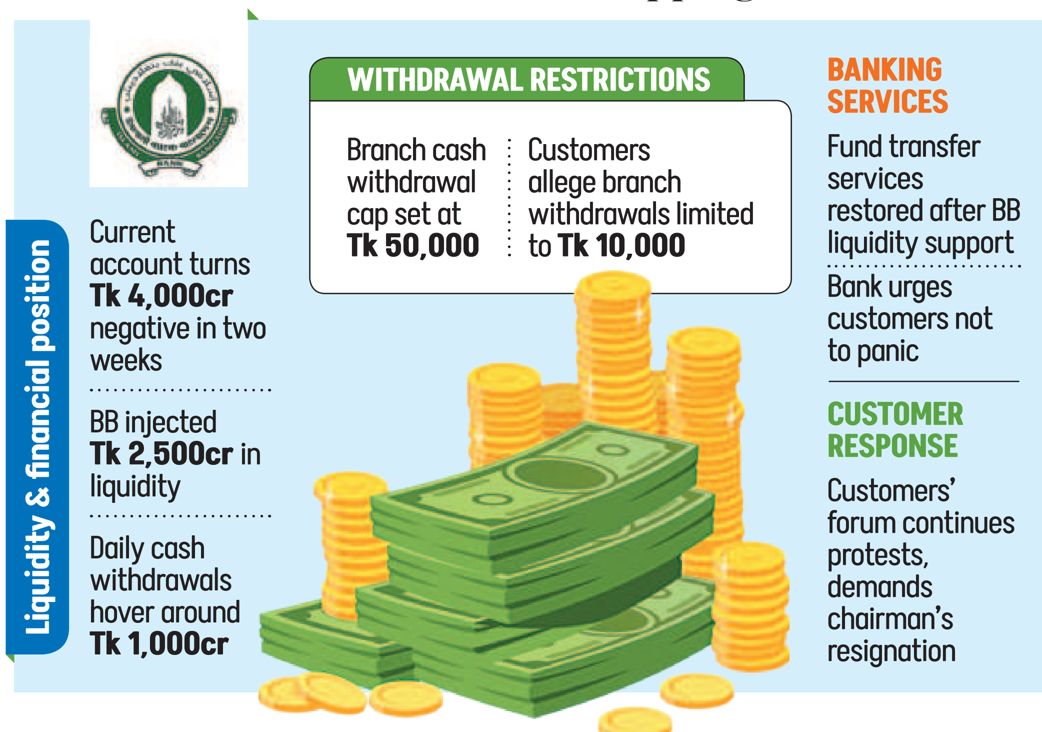
Appointment row leaves Islami Bank dry in just two weeks

Country's largest shariah-based lender sees its current account with central bank slipping into deficit



MD MEHEDI HASAN

In just fourteen days, Islami Bank Bangladesh PLC has moved from a stable liquidity position into a severe cash crunch, following disruption around the appointment of its new chairman by the Bangladesh Bank.

In the face of mounting withdrawal pressure, the central bank yesterday dissolved the bank's entire board and appointed an administrator. But much of the liquidity damage had already been done.

The country's largest private-sector bank, which had begun to recover under the interim government after years of massive loan irregularities and financial misconduct linked to the S Alam Group, is now under renewed liquidity pressure as deposit outflows accelerate.

The bank's current account with the central bank was in a positive position until May 31. But within the past two weeks, it has moved into a deficit of about Tk 4,000 crore, show data.

A current account with the central bank is a master reserve account held by commercial banks and financial institutions. It acts as the clearing mechanism for interbank transactions and allows institutions to settle daily obligations.

When the balance falls into deficit, banks can face difficulties in fund transfers and clearing operations, which can disrupt services for customers.

Md Altaf Hossain, managing director (current charge), acknowledged the pressure. He told The Daily Star yesterday that the deficit had widened due to the bank's reliance on liquidity support from the central bank.

Hossain said fund transfer services and other clearing operations resumed after the bank received liquidity assistance from the banking regulator.

The acting managing director also said customers are withdrawing around Tk 1,000 crore a day on average. Deposits are coming in at a similar level, but the scale of withdrawals is putting pressure on the bank.

As a result, the bank has imposed a Tk 50,000 cash withdrawal limit per customer at the branch level, he added.

However, some customers said branches in Dhaka were allowing withdrawals of only Tk 10,000 amid the ongoing pressure.

The Bangladesh Bank yesterday injected Tk 2,500 crore in special liquidity support to help the country's largest shariah-based lender address the acute cash shortage. Bangladesh Bank Executive Director and Spokesperson Arief Hossain Khan confirmed the development to The Daily Star.

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Govt offers tax breaks to develop semiconductor sector

JAGARAN CHAKMA

The government has announced a series of tax incentives for semiconductor and chip-related activities in a bid to develop a domestic ecosystem for the high-tech industry and create skilled jobs.

In his budget speech for FY2026-27 on Thursday, Finance Minister Amir Khosru Mahmud Chowdhury proposed exempting regulatory duty, supplementary duty, value added tax (VAT) and advance tax on raw materials used in semiconductor or chip design, testing and packaging until June 30, 2031. A 1 percent import duty will still apply on such imports.

The proposal is a part of a broader effort to strengthen the country's capacity in advanced technologies and diversify its export base.

The finance minister said Bangladesh produces a large number of engineering graduates each year, and that many Bangladeshi professionals already work in the global semiconductor industry.

He said the government has proposed the incentives for the sector "to harness their talent, create high-skilled employment and promote export-oriented growth".

The budget also set out plans to establish specialist laboratories for artificial intelligence (AI),

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Kamal elected president of AmCham

STAR BUSINESS REPORT

Syed Mohammad Kamal, vice-president of Mastercard Bangladesh, has been elected president of the American Chamber of Commerce in Bangladesh (AmCham) for a two-year term beginning in 2026.

The election was held at the Sheraton Dhaka in Banani yesterday.

Kamal brings 35 years of leadership experience across financial services, fast-moving consumer goods, remittances, and digital payments, according to a press release issued by AmCham.

He previously held senior roles at Western Union, Berger Paints Bangladesh, and ACI Limited.

Kamal also served AmCham Bangladesh as vice-president and the Foreign Investors' Chamber of Commerce and Industry (FICCI) as a director.

At the same time, Ala Uddin Ahmad, chief executive officer of MetLife Bangladesh, and Reza Ur Rahman Mahmud, managing director of Philip Morris International Bangladesh, have been elected vice-president and treasurer, respectively, of the American Chamber of Commerce in Bangladesh.

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Asset recovery key to bank bailout success: BAB

STAR BUSINESS REPORT

The Bangladesh Association of Banks (BAB) has welcomed the government's effort to recapitalise banks by spending over Tk 40,000 crore in the current fiscal year, but said the move needs to be matched by swift legal recovery of misappropriated assets for lasting effects.

Finance Minister Amir Khosru Mahmud Chowdhury disclosed the figure in his budget speech on Thursday, saying the government had committed the funds to restore the financial health of weak banks.

In a statement on the proposed budget, the BAB, which represents bank sponsors, demanded

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