Decoding Bangladesh's ambitious budget for startups

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For much of the past decade, Bangladesh's startup ecosystem has grown despite policy rather than because of it. Entrepreneurs have attracted foreign investment, created thousands of jobs, and introduced new services across sectors from fintech to logistics. Yet they have largely operated within a regulatory framework designed for conventional businesses. A loss-making startup pursuing product-market fit has often faced many of the same fiscal obligations as a mature company with steady profits.

The proposed national budget for the 2026-27 financial year appears to challenge that approach. It does more than offer a handful of incentives: it recognises that startups create value differently and therefore require a distinct policy framework. Judged by the breadth of its proposals, it is arguably the most startup-friendly budget Bangladesh has presented. Its significance lies not in any single measure, but in the way several interventions reinforce one another.

Previous budgets have offered selective tax holidays or concessions for parts of the technology sector. This proposal presents a more coordinated package: zero turnover tax, extended income tax exemptions, broad VAT relief, and a Tk500 crore Startup Fund. Implemented effectively, these measures could materially reduce the cost of building an early-stage company in Bangladesh.

The most consequential proposal may be the extension of zero per cent turnover tax for eligible startups and technology-based businesses until 30 June 2035. Unlike conventional companies, startups are rarely designed to maximise short-term profit. Their early years are typically marked by heavy spending on product development, recruitment, and customer acquisition, often while operating at a loss. Taxing revenue rather than profit therefore places pressure on companies when they are at their most vulnerable.

Removing turnover tax would allow more capital to remain inside a business. Founders could use that money to hire engineers, improve products, expand into new markets, or strengthen their technology, rather than prioritising short-term cash generation to meet tax obligations.

The proposed continuation of income tax exemptions until 2035 follows the same logic. When startups become profitable, they often face a choice between meeting tax liabilities and reinvesting earnings to accelerate growth. Extending the exemption would encourage reinvestment and allow young companies to consolidate early commercial gains.

As Mustafizur R Khan, partner at IDLC Venture Capital, notes, this shift also changes how early-stage risk is priced by investors: "Turnover tax was a quiet killer for early-stage companies. A startup losing money still paid tax on revenue, so investor capital ended up funding tax bills instead of product." He added, "The proposed zero turnover tax and VAT exemption until 2035 puts that money back into the runway. If these provisions hold through the final Finance Act, it changes the math on every deal we underwrite."

One of the budget's most overlooked but potentially transformative elements is its treatment of VAT. Eligible startups are expected to receive VAT exemptions on locally supplied services, imported digital services, and office rents until 2035. The proposal reflects a clearer understanding of how modern technology companies operate.

IMAGE: UNSPLASH

Startups increasingly depend on subscription-based digital infrastructure. Cloud computing, cybersecurity services, customer relationship management systems, artificial intelligence tools, and collaborative development platforms are no longer optional expenses. They are essential inputs. Applying VAT to these services effectively raises the cost of innovation. Exempting them would reduce the expense of experimentation and help Bangladeshi companies compete on more equal terms with regional rivals.

Relief on office rents could also make a difference. Remote working has become more common, but many growing companies still depend on shared physical spaces for collaboration, recruitment, and operations. Lower occupancy costs may appear modest in isolation, but alongside lower technology expenses and tax liabilities, they could produce a meaningful reduction in overheads. The effects may extend beyond technology companies themselves.

Shahir Chowdhury, founder and chief executive of the education technology company Shikho, said the VAT exemption for locally delivered digital education services could bring both commercial and social benefits. "In Bangladesh, affordability often determines access to opportunity," he said. "By making high-quality digital learning more accessible, this policy has the potential to reduce inequality, expand opportunity beyond major cities, and democratise access to great teachers, content, and technology." He described the measure as an investment in human capital and in enabling more learners to reach their potential.

The proposed Tk 500 crore Startup Fund targets another persistent weakness in Bangladesh's entrepreneurial ecosystem: access to capital.

Although the country has produced several prominent venture-backed companies, investment remains concentrated among a relatively small number of startups. Many promising founders continue to struggle to secure financing at critical stages of development. Professionally managed, the fund could help address that gap. It also signals a change in how the state views entrepreneurship: not merely as a future source of tax revenue, but as a strategic economic asset worthy of public investment. International experience suggests that public funds are most effective when they attract private capital rather than attempt to replace it. A well-designed government initiative could encourage institutional and venture investors to invest alongside the state. That signalling effect may ultimately prove as important as the money itself.

Rahat Ahmed, founder and managing partner of Anchorless Bangladesh, argues that the budget fundamentally changes the risk calculus for entrepreneurs and investors alike. "By legally recognising startups and offering a decade of tax relief, this is the first budget that really de-risks building a company here. That is a great signal to investors, including foreign VCs." His observation points to a broader feature of successful startup ecosystems. Venture capital does not flow only towards markets with talented founders. Investors also favour jurisdictions that demonstrate regulatory stability and a sustained commitment to innovation.

Tax incentives alone rarely determine investment decisions. But they shape perceptions of whether a government understands the economics of venture-backed companies and intends to support them over the long term. In this respect, Bangladesh appears to be drawing lessons from countries such as Singapore, Estonia, and Ireland, where entrepreneurship has been encouraged through a combination of regulatory reform, targeted incentives, and public investment. These countries did not build thriving startup sectors through tax breaks alone. They reduced friction across company formation, investment, recruitment, and expansion, improving the chances that young businesses would survive long enough to generate wider economic returns. The strength of Bangladesh's proposed package lies in a similar attempt at joined-up policymaking.

Zero turnover tax addresses one constraint. VAT exemptions reduce recurring costs. Income tax relief encourages reinvestment. The Startup Fund seeks to improve access to finance. Rather than targeting a single problem, the budget attempts to ease pressure at several points in a startup's life cycle. That approach is particularly relevant in a more difficult global funding environment. Venture capital investors have become more selective, demanding clearer routes to profitability and placing greater pressure on companies to pursue sustainable growth. In such conditions, reducing operating costs can be almost as valuable as expanding access to capital.

The budget should, however, be regarded as the beginning of a policy shift rather than its completion. Bangladesh's startup ecosystem has repeatedly encountered implementation failures that have weakened otherwise promising initiatives. Administrative complexity, inconsistent interpretations of regulations, and lengthy approval processes have often made incentives difficult to obtain in practice. The effectiveness of the proposed package will depend on transparent eligibility rules, streamlined certification, and consistent implementation across government agencies.

Several structural problems also remain unresolved. Venture capital regulations, employee share ownership schemes, foreign exchange rules, cross-border investment procedures, and viable exit routes will continue to influence whether Bangladesh can become a competitive destination for innovation-led businesses. Fiscal policy can reduce costs, but it cannot replace regulatory certainty.

Even with those caveats, the proposed 2026-27 budget represents a meaningful evolution in policy thinking. Startups are being treated not as an afterthought or a small corner of the technology sector, but as a distinct category of economic actor requiring tailored support. Execution will determine whether the proposals deliver their intended benefits. But if implemented as envisioned, they could substantially change the incentives for building and financing companies in Bangladesh. For a generation of founders accustomed to navigating policy blind spots, that recognition alone marks a significant shift.

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What the FY 2026-27 budget means for young professionals

MAISHA ISLAM MONAMEE

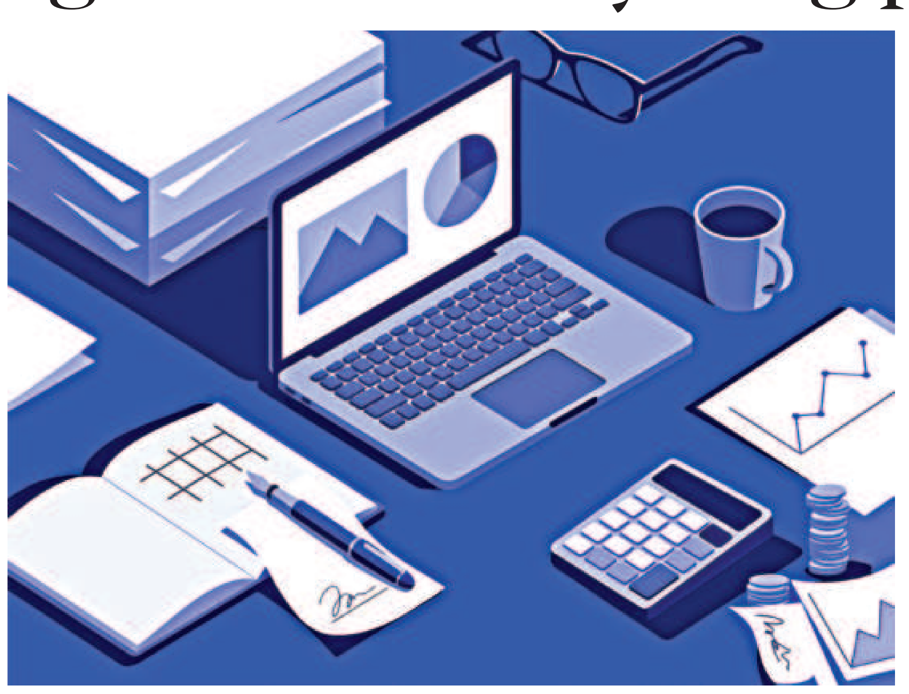
When Bangladesh's national budget is announced each year, headlines are usually dominated by figures running into lakhs of crores, fiscal deficits, and ambitious revenue targets. For most young professionals, however, the question is much more personal. Will my salary stretch a little further this year? Will my grocery bill go down? Will buying a laptop become easier? If I am outside the conventional workforce, will the government make my life simpler or more complicated? Viewed through that lens, the proposed budget for fiscal year 2026-27 offers a picture that is neither revolutionary nor disappointing. It provides measured relief in some areas, quietly nudges citizens towards greater financial formalisation, and reveals where policymakers believe Bangladesh's future workforce is headed.

The most immediate change for many salaried professionals is the revision of the income tax structure. The tax-free income threshold has been raised slightly, from Tk 3.5 lakh to Tk 3.75 lakh, allowing lower-income earners to keep a slightly larger portion of their earnings before entering the tax net. At the same time, the previous 5% slab has been removed, with taxation now beginning at 10% once the exemption limit is crossed. For someone in their first or second job, the practical benefit is unlikely to be dramatic. It is not the kind of policy that will suddenly make home ownership possible or substantially increase disposable income. Yet after several years in which inflation consistently outpaced salary growth for many early-career workers, even a modest reduction in tax liability matters. It signals an acknowledgement that the financial pressure on younger earners cannot be ignored indefinitely.

If taxation offers one source of relief, the budget's indirect effects on living costs could prove equally important over the coming months. Lower duties on selected medicines and healthcare-related imports may gradually reduce treatment costs, while tax exemptions on fertilisers and pesticides are intended to lower agricultural production expenses. If those savings are transmitted through the supply chain, consumers could eventually see some moderation in food prices. The emphasis, however, should be on the word "eventually." Bangladesh's retail markets are shaped by a complex web of logistics costs, exchange rate fluctuations, and intermediary mark-ups. Budgetary incentives do not automatically translate into cheaper products on supermarket shelves. Young professionals hoping for an immediate decline in monthly expenses are therefore likely to be disappointed, although the measures could ease inflationary pressures over time.

Technology users may find more reason for optimism. The reduction of duties on computers and certain electronic components has the potential to make digital devices more affordable. At a time when laptops have become essential tools rather than luxury purchases for software engineers, analysts, journalists, designers, and remote workers, lowering barriers to technology adoption carries significance beyond simple consumer spending. It is effectively an investment in productivity. The contrast becomes particularly interesting when viewed alongside changes affecting transportation. The government has increased taxes on many fossil fuel-powered vehicles while continuing to provide incentives for electric alternatives. Although electric cars remain financially out of reach for the vast majority of young Bangladeshis, the policy sends a clear signal about the country's long-term priorities and where future investment may be directed.

Perhaps the budget's most understated message concerns freelancers and the growing digital economy. Bangladesh has become home to hundreds of thousands of independent professionals earning through software development, graphic



design, writing, consulting, and other online services. Yet despite their growing contribution to export earnings, freelancers remain only loosely reflected in fiscal policy discussions. This year's budget largely preserves the existing framework rather than introducing sweeping new measures. Export-oriented technology services continue to benefit from available incentives, while foreign earnings remitted through formal channels retain favourable treatment. For many freelancers, stability itself may be welcome news. Content creators occupy a more uncertain position. As YouTubers, influencers, and digital educators increasingly monetise audiences through advertising revenue, sponsorships, and platform partnerships, questions surrounding taxation and compliance continue to grow. The budget offers little additional clarity for this emerging sector, suggesting that policy may still be catching up with changes in the digital economy.

At the same time, another provision hints at a broader transformation taking place beneath the surface. The proposal to require Taxpayer Identification Numbers (TIN) for opening bank accounts reflects the government's continued push towards formalising economic activity. Young professionals who previously viewed taxation as something relevant only to large corporations or senior executives may increasingly find themselves integrated into the formal financial system from the beginning of their careers. For freelancers and side-hustle entrepreneurs, this could mean maintaining cleaner financial records, filing annual tax returns, and treating independent work more like a business than an informal source of income. While additional compliance may appear burdensome, greater formalisation could also improve access to credit, investment opportunities, and institutional recognition in the long run.

Beyond individual finances, the budget reveals something about Bangladesh's evolving economic ambitions. Incentives for semiconductor manufacturing, continued investments in education and healthcare, and support for knowledge-intensive industries suggest that policymakers increasingly recognise the importance of human capital rather than relying solely on traditional manufacturing-led growth. Whether these measures succeed is another question entirely. Bangladesh has announced ambitious industrial policies before, only for implementation challenges to limit their impact. But for engineering graduates considering whether to stay in the country, or startup founders weighing local opportunities against overseas markets, the direction of policy matters almost as much as immediate outcomes. In many ways, the most significant takeaway from this budget is not any single tax change or customs duty reduction. It is the image of the ideal Bangladeshi worker that emerges between the lines: digitally connected, formally employed, formally registered, and technologically equipped and participating in higher-value sectors of the economy.

For young professionals, that vision comes with both opportunities and obligations. They may pay slightly less tax, eventually benefit from lower prices on selected essentials, and find technology marginally more accessible. In return, they are expected to become more visible within the formal economy and more integrated into the state's revenue framework. The FY 2026-27 budget is therefore unlikely to transform anyone's financial situation overnight. But it does offer a glimpse of the economic architecture Bangladesh is trying to build, and for the generation entering the workforce today, understanding that direction may be just as important as understanding next month's payslip.