

Enhancing Competitiveness through Duty-Free Import for Non-Bonded Exporters



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By Business Initiative Leading Development (BUILD)

Export Performance Summary

Category	Period	Export Value (USD bn)	Comparison on Period	Comparison on Value (USD bn)	Change
Total Exports	July-June 2024-25	48.28	July-June 2023-24	44.47	+8.58% growth
Total Exports	July-Dec 2025-26	24	July-Dec 2024-25	24.53	-2.19% decline
RMG Exports	July-Dec 2025-26	19.37	July-Dec 2024-25	19.89	-2.63% decline

Key Observations

Aspect	Status
Product-wise exports	Decline in a number of products
Major destinations	Exports declined particularly in EU and USA
Policy implication	SRO 384 is important and may help diversify exports under the current situation

Outline of the Study

Introduction & Objective

Overview of Bonded Warehouse System in Bangladesh- Bond Policy for RMG & Other Export-Oriented Sectors

Policy for Partial Exporters - IPO 2021-24 and Recent BWH Policies to Boost Export Competitiveness

New Policy for Non-Bond Exporters - SRO 384/AIN/2025/106/Customs

Overview of Bonded Warehouse System of Vietnam, India etc

Gap Analysis - Bangladesh Duty-Free Import System

Way Forward

Introduction and Objective

Recent SRO (No.384/Ain/ 2024/106/ Customs) has opened a new window for Non-Bonded exporters to use the duty-free raw-material import facility against 100% bank guarantee against applicable duty.

Objectives:

- To analyze newly announced policy instruments (e.g., SRO 384/2025) for non-bond exporters and their practical impact.
- Reviewing international best practices from Vietnam and India's duty-suspension systems.
- Identifying operational, regulatory, and digital gaps in Bangladesh's current duty-free import regime.
- Propose actionable policy recommendations to expand access, simplify procedures, and support export diversification.

Overview of Bonded Warehouse System in Bangladesh

- BWH were located in the incumbent police stations before 1983, later on it has been established in the BSCIC, EPZ and eventually to the premises of export oriented industries
- The present principal policy for BWH is based on Customs Act 2023 (Clause; 12(Providing License to Private Entities) and Chapter-XVI (Wire housing Management))
- NBR announces different policies, rules, SROs for regulating BWH
- The Customs Bond Comissionarates(CBC) in Dhaka & Chittagong are incumbent offices executing bond related activities from both ends.
- BWH mainly facilitates E/O industries importing inputs and packaging materials without paying any import duty or taxes to enhance export competitiveness

BWH Policies to Boost Export Competitiveness through Budget 2024-25

BWH Licensing Rules 2024 (SRO 209-AIN/ 2024/61/ Customs)

Yearly Entitlement policy for Direct & deemed export rules 2024 (SRO 235-AIN/ 2025/57/ Customs)

Direct or Deemed export of RMG Industry (Temporary Import and BWH operation and working process) rules 2024 (SRO 213-AIN/ 2024/65/ Customs)

Direct or Deemed export of Industry except RMG (Temporary Import and BWH operation & working process) rules 2024 (SRO 212-AIN/ 2024/64/ Customs)

Raw material storage Duration under BWH rules 2024 (SRO 211-AIN/ 2024/63/ Customs)

General Bond rules 2024 (SRO 210-AIN/ 2025/62/ Customs)

There were about 300 BWH Policies(SROs, GO, Instructions, office orders etc. announced by NBR till 2024 referring the Rules of BWH of 2008 . It is not clear that whether the earlier BWH policies still in existence to govern BWH system

BWH License Status of Bangladesh

<i>Category</i>	<i>Active licenses</i>	<i>Inactive Licenses</i>	<i>Total*</i>
Dhaka CBC	1565	2550	4,115
Chittagong CBC	899	969	1,868
Total BWH license	2464	3519	5,983

In the year 2021, the number of active bond licenses was 3600; a significant drop in active bond license is observed.

Bond Policy for RMG & other E/O Sectors

RMG	Other E/O Sectors
Specialized Bonded Warehouse License management policy for RMG.	Under General Bonded Warehouse
Automatic renewal of licenses with less documentation requirement (Maximum 5)	Renewal is not automatic needs 11 documents for renewal and more time consuming than Specialized bonded warehouse
UD is used for this category provided by BGMEA and BKMEA	UP and Requisition of Raw materials are used for importing raw materials, these permit or approvals are given by CBC
Yearly bond entitlement policy is wide & open and easy to use	Yearly bond entitlement policy is stringent, it changes time to time
Customs authorities audit the bond license every 3 years.	Two consecutive are required for BWH renewal
SRO, GO, Office Order or Notice regarding BWH mentions “তৈরী পোশাক শিল্প ব্যতীত” which gives RMG sector indemnity of any policy change regarding BWH.	The BWH policy changes very frequently which confuses and makes BWH activities cumbersome. It can be easily depicted in the office order no 52/2020 and 56/2020 circulated recently.
Direct exporters exempt from annual entitlement process for accessing imported inputs.	Annual entitlement process for imported input is based on the assessment of production of each machinery and production of previous year
Extended Bonded Warehouse facilities allowed for four sectors (BGMEA, BKMEA, BTTLMEA, BTMA, LFMEAB, BTA and Bangladesh Shipbuilders Association)	This facility is not available for other export oriented sector like Furniture, Food processing etc
100% E/O garments industries are getting 24 months storage/warehousing facilities for imported material and in case need be, another 6 months extension.	The period for RM storage for other industries is maximum 12 month including extended three month period.

Recent Policy for Non-Bond Exporters (SRO-384/AIN/2025/106/Customs)

Pre-conditions for Availing the Facility

Bank Guarantee against 100% applicable duty and taxes for Importing Raw Material

Allowed Sectors: Furniture, Electronics, Plastic product, Food Processing, Light Engineering, Steel product and leather Goods

Sectors Not-Allowed: MS Rod, pre-fabricated Building, Cement, cable, paint, lubricant oil, office appliance & furniture, Air-condition, Home appliances, Particle Board

Buy and sells contract, Letter of credit of advance TT must be approved through iVAS (VAT form 2.1)

Value Addition must be at least 30%

Input-output coefficient must be submitted to customs Commissionerate

Input -output coefficient can be sent to University or specialized organization, cost would need to be born by exporter

Recent Policy for Non-Bond Exporters (SRO-384/AIN/2025/106/Customs)

Pre-conditions for Availing the Facility

- VAT clearance certificate (18.4) is must for every invoice
- VAT compliant manufacturer with ERC and IRC
- Raw-material for export and domestic production can not be in same invoice
- Regular Online VAT return submission is mandatory

Policy for Partial exporters (IPO 2021-24; Chapter: 4, section: 8)

Subject	Provisions	Gaps of Present Policy(SRO 384)
Bank Guarantee	100% bank guarantee against applicable Duty and Taxes on raw material for export	Same
UP and UD	Both UP and UD is applicable to import RM	No mention, will reduce procedural complexity
Input output Coefficient	Not required	Required with further check
Sponsoring Authority	Export Promotion Bureau(EPB)	Not mentioned
Value addition Determining Authority	BTTC	Value Addition is fixed at least 30%

Policy for Partial exporters (Import Policy Order 2021-24; Chapter: 4, section: 8)

Subject	Provisions	Gaps of Present Policy(SRO 384)
Entitlement providing authority	Export Promotion Bureau or sponsoring authority	Entitlement will be based on Coefficient (maximum 80% of the capacity)
Time Duration For storing RM	Not mentioned	Maximum 12 months
Approving authority	Bangladesh Customs (Bond Commissionerate)	Bangladesh Customs
License Requirement	Bonded warehouse license is required for this purpose	Not required, IRC and ERC will serve the purpose

It seems that the SRO 384 has simplified some of the policies which is appeared in the gap analysis, this could ultimately help export diversification

Comparison of Facilities for Partial exporters in different policies

Subject	Import Policy Order 2021-24(Partial Exporters)	(Non-Bonded Exporters, SRO, 384 of September, 2025)	Option for SMEs
Duty free import of RM	Available	Available	Not available due to non-compliance status
UD, UP	Both Required	Not Required	Not Required
Coefficient	By EPB	Not Mentioned (May be rechecked with the University Professor)	Not compliable for SMEs
Entitlement Authority	By Govt sponsoring authority	Not mentioned	Not mentioned
VAT return compliance	Not Mandatory	Mandatory	Contradicts with VAT exemption provision(yearly transaction BDT 30 lakh was 50 lakh earlier)
Bank Guarantee	100% bank guarantee	100% bank guarantee	For SMEs would be difficult as the banks asks collaterals (FDR, Fixed asset etc.) before providing bank guarantee
Separate Invoice for export & local Consumption	Not Mentioned	Applicable	Complicate the process for SMEs

Limitations of Recent Policy for Non-Bond exporters (Sro-384/AIN/2025/106/Customs)

Export process must be completed by 9 month, a 3-month extra period needed Valid reason, not clarified

Bank guarantee release by customs after completion of export process, this would create a problem for small & micro entrepreneurs if the level of export process is not clear to them specifically.

Bank guarantee encashment by customs comissionarate may happen due to violation of conditions of this SRO

Allowed sectors are; Furniture, Electronics, Plastic product, Food Processing, Light Engineering, Steel product and leather Goods

Dis-allowed sectors are MS Rod, pre-fabricated Building, Cement, cable, paint, lubricant oil, office appliance & furniture, Air-condition, Home appliances, Particle Board

Bonded Warehouse Policy in Vietnam

(<https://vntr.moit.gov.vn/>THE VIET NAM Ministry of Industry and Trade)

Purpose and Scope: A duty-suspension/bonded warehouse allows duty/VAT suspension until goods are used for export

Physical & Security Standards: The facility must be physically separated from surrounding areas by fences or walls, & be subject to customs inspection/supervision.

IT & Accounting / Inventory Management: Must maintain an information system (IT-based accounting/inventory) to monitor goods received, stored, and dispatched.

Customs Procedures for Materials / Inputs: RM moved into or out of the duty-suspension warehouse must follow customs declaration procedures like other import

Use Restriction: Export-Only Production: Materials stored under duty suspension (in such warehouses) must be used for manufacturing goods for export only.

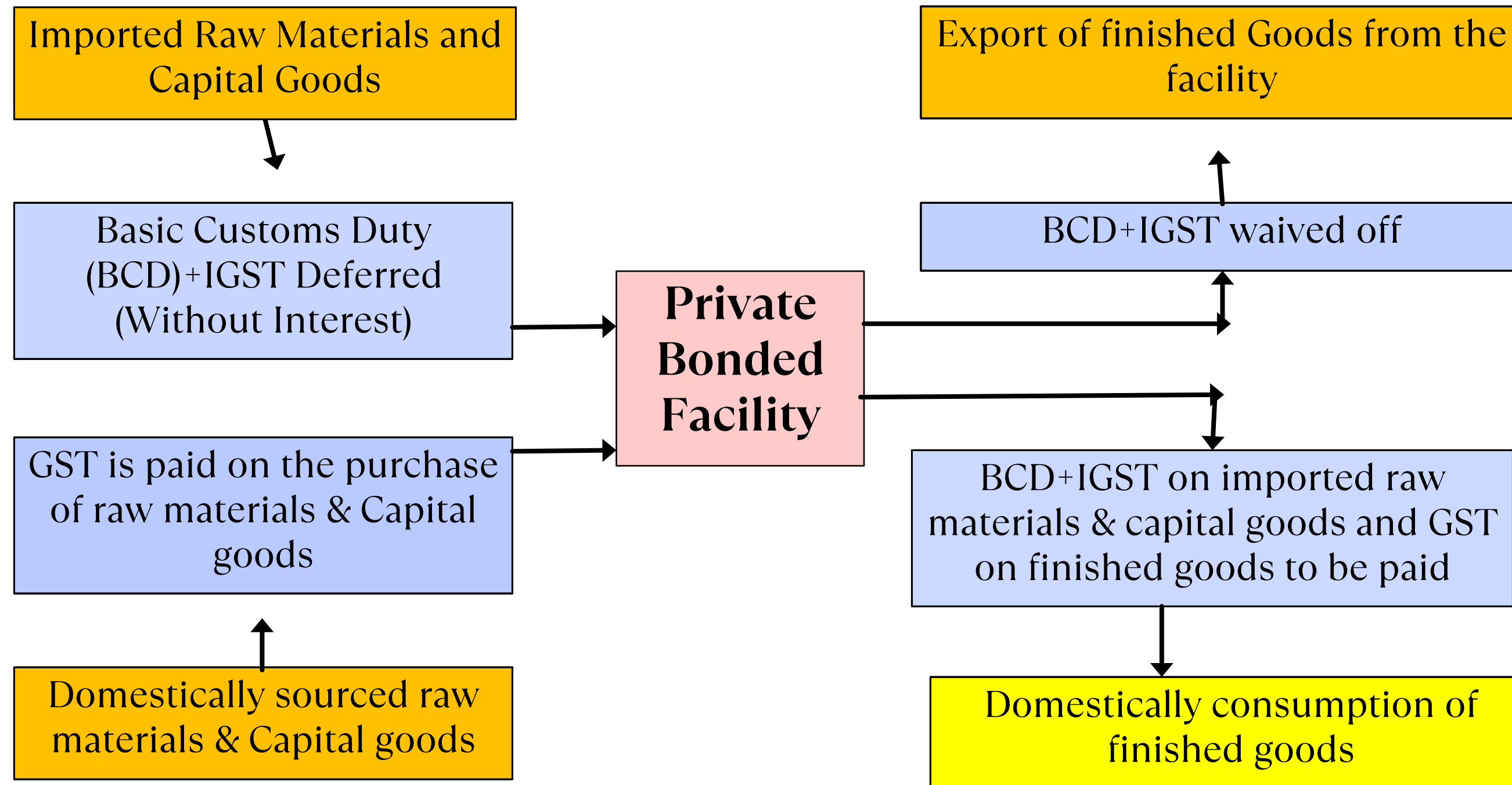
Customs Supervision & Annual Audits: Customs authorities retain supervisory rights

License Validity: No fixed expiry, suspended or revoked for non compliance

Storage Duration: up to 12 months with an extension of another 12 months

Bonded Warehouse Introduced in Invest India

Bond Automation Steps Taken By India



NB:

1. Single online application form for all (Exporters, partial exporters and home consumption)
2. The deferred duty and taxes on Capital goods and raw-materials are only paid for Home consumption whether it is partial or whole
3. Custom duty and GST is fully waived on raw-materials used for export items

Duty Free Import of Raw Material for Partial Export policy Comparison Among Peering countries

Heads	Vietnam	India	Bangladesh
Scope of Facility	Deferred import duty / VAT payments, taxes payable when goods are released for domestic use	Deferred import duty /IGST, partial export gets duty exemption of imported raw materials	A Bank Guarantee equivalent to applicable duty & taxes is required. Only the export related raw materials are allowed tax free import
Applicability	Needs an application for private BWH	Single online application form for all (Exporters, partial exporters and home consumption)	The new SRO 384/AIN/2025/106/ Customs requires VAT compliance with IRC and ERC certificate
Category	Private Bonded Warehouse	Bonded warehouse	Duty free import of Raw material for Bond and Non- bond exporter are allowed against 100% bank Guarantee
License Validity	Unlimited	Unlimited	3 years
Entitlement	As the exporter requires	As the exporter requires	30% to 80% of production capacity
UD or UP	Not Required	Not required	Utilization Declaration is for RMG Utilization Permit for all other sectors Under SRO-384 export it is not required, but Import policy order mention both as requirement for partial export
Coefficient	Not Required	input-output norm / ratio / norm(s) is applicable	input-output coefficient is mandatory as per attachment-2 of SRO- 384

Duty Free Import of Raw Material for Partial Export policy Comparison Among Peering countries

Wastage	No limit for wastage mentioned Everything is dutiable except export	wastage must be justified and documented	Wastage must be mentioned as per attachment-1 of SRO- 384
IT & Accounting / Inventory Management	Mandatory	Mandatory with regular GST return	Not- Mandatory, VAT return is must
Customs Procedures for Materials / Inputs	Gets immediate release against BWH facility, it takes two to three days	Gets priority as export concerns, it takes 5-8 days for BWH item release	Takes more than 10 days for getting the RM to exporters premise
Customs Supervision & Annual Audits	Supervises in real time through company Export dashboard and BWH data	Supervision through IGST return	Provision for Continuous supervision through VAT return statement and attachments 1,2 and 3 submission for export
Storage Duration	12 month	12 month	9 month (12 months with extended 3 month)

Findings

100% bank guarantee (collateral instruments(FDR/ Fixed asset) from exporters for a certain time

Allowed only 8 sectors for duty free import against 100% Bank guarantee, narrowed Scope of export diversification

Same consignment cannot include RM for export & domestic production

Mandatory VAT clearance certificate (18.4) is a must for every invoice even for the VAT compliant entities will create complexity

Entitlement and Input out-put coefficient is complicated

Export process must be completed by 9 month, a 3-month extra period mentioning **Valid reason**, not clarified

Bank guarantee release after completion of **export process**, could create problem for small entrepreneurs -export process differs because of several reasons

Way Forward

Policy Alignment : SRO 384 regarding the duty-free import of RM for export needs to be aligned with the new IPO 2025-28.

Policy for Alternative of Bank Guarantee: Small exporters to benefit from the policy:

- An alternative instrument against a 100% bank guarantee, like a sponsor's guarantee, can be initiated.
- 100% bank guarantee can be replaced with a monthly VAT return and final VAT certification before exporting the item.
- Duty free import of RM can be additional based on the earlier year's export (20-30%).

Input-output coefficients endorsed by the concerned association(s) can be included in both SRO and IPO in a similar fashion. **Implement Automated Input-Output Coefficient Monitoring**

Sectoral restrictions should be withdrawn: instead of only 8 sectors, it could be opened for all, for all. There are 1208 products with export potential. To make this facility available, Schedule One of SRO 384 needs to be revisited.

Clarification of Export Process: There is a mention of “Bank Guarantee Encashment after the export process,” but what would be the end-to-end process (shipment or repatriation point) needs to be cleared in the SRO 384.

Expediting the Bond automation process and full automatic operationalization of DEDO is required to increase export competitiveness

The Duty-Suspension Model working in Vietnam and the Deferred Duty Model in India can help exporters to import raw material duty-free without hassles, ensuring a supply of raw materials for export competitiveness. A full-fledged automation and integration of ASUCUDA and iVAS would need to be in place.

Thank you,
Questions?

