



REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF CUSTOMS
MANILA 1099

CUSTOMS ADMINISTRATIVE ORDER

NO. 7-2003

SUBJECT: ESTABLISHMENT OF INDUSTRY-SPECIFIC CUSTOMS BONDED WAREHOUSE (ICBW) SERVICING THE SEMICONDUCTOR AND ELECTRONICS INDUSTRY AND THE RULES AND REGULATIONS GOVERNING ITS OPERATIONS

1. OBJECTIVES

- 1.1 To enhance efficiency in the delivery of materials and supplies to the Semiconductor and Electronics industry.
- 1.2 To rationalize and simplify existing procedures to enhance the competitiveness of the industry in the global market and sustain its standing as the top export earner of the country.
- 1.3 To strengthen the role of ICBWs as a strategic support base for the industry.
- 1.4 To ensure a high level of integrity for ICBWs catering to the Semiconductor and Electronics industry.

2. SCOPE

The provisions of this ORDER shall apply only to ICBWs exclusively servicing the needs of the Semiconductor and Electronics industry group.

3. DEFINITION OF TERMS

- For the purpose of this ORDER, the following definitions shall apply as follows:

- 3.1 Industry-Specific Customs Bonded Warehouse - refers to a facility duly licensed by the Bureau of Customs to import under its name and account, directly or indirectly under bond, by direct purchase or on consignment basis, for sale or transfer to its Semiconductor and Electronics customers, such materials and supplies as may be required for the manufacture, assembly, testing or packaging of goods intended for export or for repacking and distribution to foreign markets.

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- 3.2 "To import indirectly" as adverted to above, refers to the constructive importation, made by the ICBW under its name and account, of materials and supplies under bond from PEZA/Ecozone/Freeport locators, Bonded Manufacturing Warehouses for eventual sale or transfer to the Semiconductor and Electronics industry.
- 3.3 Materials and supplies shall refer to those materials and supplies in their raw, semi-finished and finished form except tools and spare parts.

4. General Provisions

- 4.1 An Industry-Specific Customs Bonded Warehouse shall be licensed exclusively to address and service the needs of the Semiconductor and Electronics industry.
- 4.2 Applications to establish and operate ICBW for the industry shall be submitted along with a written certification by a duly recognized industry group that the applicant will exclusively service the Semiconductor and Electronics industry. Such certification shall be signed by its duly authorized representative and officially endorsed to the District Collector having jurisdiction over the application.
- 4.3 The application shall be accompanied by the following documents:
 - 4.3.1 List of materials and supplies to be imported directly or indirectly as certified to by a duly recognized industry group, if necessary.
 - 4.3.2 Projected semi-annual volume/quantity of materials and supplies to be imported;
 - 4.3.3 List of customers who belong to the Semiconductor and Electronics industry and attaching thereto, if necessary, certificates of registration or other documents to prove that they are either PEZA/Ecozone/Freeports locators or operators of Customs Bonded Manufacturing Warehouses;
 - 4.3.4 Sworn Statement by the ICBW operator that the materials and supplies imported are destined to and for the use of the Semiconductor and Electronics industry based on the list of customers required to be submitted under par. 4.3.3; *Am*

4.3.5 Certification issued by a duly recognized industry group stating that the materials and supplies will be sourced by its members from applicant company.

- 4.4 The list of importable materials and supplies may be revised, as well as their semi-annual volume/quantity, provided such application for revision has been approved by the Customs Bonded Warehouse Committee upon the recommendation of the District Collector concerned and provided further, that the revision made shall not be construed to effect an extension of the authority to operate an ICBW.
- 4.5 An ICBW established to service the Semiconductor and Electronics industry shall be allowed to operate for a period of three (3) years, renewable for the same period thereafter, provided that the application for renewal shall be filed at least three (3) months prior to the expiration of its license otherwise, the ICBW shall be deemed closed at the expiry of the license;
- 4.6 Expansion of an ICBW may be allowed upon application in writing to and approved by the District Collector concerned, provided that this shall be construed to refer to the expansion of its facility's original structure within the same land area covered by the original approved application. Expansion under this definition, shall be exempt from payment of the annual warehouse supervision fee.
- 4.7 Extension of an ICBW may be permitted upon application in writing to, and approved by the Bonded Warehouse Committee; provided that such extension/s shall service the Semiconductor and Electronics Industry and located within the same collection district where the main ICBW is registered; and provided further, that its lifespan is coterminous with that of the latter. An approved ICBW extension shall be subject to the payment of the corresponding annual warehouse supervision fee.
- 4.8 An application for the establishment of an extension located outside the collection district where the main ICBW is registered shall be treated as a new and original application and, upon approval, issued a separate license.
- 4.9 Unless otherwise provided herein, all existing regulations pertaining to the application and other documents required for the evaluation of applications, responsibilities of the operator and all other provisions governing the operation of other types of CBWs, shall

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remain in force, insofar as they are applicable to ICBWs established under this Order.

5. Specific Provisions

5.1 Warehousing Importations

5.1.1 Importations of ICBWs established under this Order shall be made within the limits applied for and in accordance with ICBW license approved by the Customs Bonded Warehouse Committee.

5.1.2 Imported warehousing articles may be stored at the ICBW for a period of nine (9) months counted from the date of transfer to the licensed warehouse. Said articles shall be withdrawn within this period which may be extended for another three (3) months by the District Collector, provided that the application for extension shall be filed at least one (1) month before the expiration of the original period.

5.2 Prohibited Warehousing Shipments

5.2.1 Fibers, yarns, fabrics and accessories for the manufacture of garments

5.2.2 Finished articles, except when such articles are required by the industry for the manufacture, assembly, testing and packaging/repackaging of its export products, as certified by a duly recognized industry group pursuant to paragraph 4.3.1

5.2.3 Articles not included in the approved list of importable materials and supplies or in excess of the approved volume/quantity for importation

5.2.4 Prohibited articles

5.2.5 Regulated articles, except when covered by a corresponding clearance and/or import authority duly issued by a competent authority, and the same is required by the industry for the manufacture, assembly, testing and packaging/repackaging of its export products as certified by a duly recognized industry group pursuant to paragraph 4.3.1.

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5.3 Sanctions for Importing Excluded Articles

5.3.1 Except for those covered under pars. 5.2.4 and 5.2.5, which shall be subject to seizure/forfeiture proceedings and such other applicable sanctions, importations made in violation of the Section 5.2 hereof shall be penalized as follows:

5.3.1.1 First offense - full payment of correct duties and taxes due on the imported articles that are subject of the violation with a stern warning

5.3.1.2 Second offense - full payment of correct duties and taxes as described in letter (a) above; and one-month suspension of operations

5.3.1.3 Third offense - full payment of correct duties and taxes as described in letter (a) above; and closure of its warehouse

The violation shall be reckoned within the 3-year lifetime of the license.

5.3.2 The imposition of the above penalties shall be without prejudice to the authority of the Warehouse Audit and Monitoring Unit (WAMU), Post Entry Audit Unit, or any other unit authorized by the Commissioner of Customs, to conduct an audit on the importations/operations of the erring ICBW. In case other units have derogatory information, they shall forward the same to the Commissioner of Customs for appropriate action.

5.4 Databank

The concerned Customs operating division shall maintain a databank of all articles imported by the ICBWs, which databank shall at all times be made accessible to the WAMU, and such other units as may be authorized by the Commissioner of Customs for monitoring and/or audit purposes.

5.5 Transfer from Customs Zone to ICBW *Ab*

5.5.1 Transfer of warehousing articles from the customs zone to the ICBWs may be effected upon filing of their corresponding warehousing entry, which shall be processed in accordance with the existing selectivity scheme, and upon the proper posting of bond. Hence, cargoes shall not be subject to examination when channeled "green"; but shall undergo documentary examination if channeled "yellow"; and physical inspection if channeled "red".

5.5.2 In ports where the selectivity scheme for warehousing entries is not yet operational, a system for random checking shall be developed and implemented, in which case the transfer of the imported warehousing articles from the Customs zone to the ICBWs shall be made under a Transshipment Permit, and the warehousing entry shall be filed within five (5) days from date of transfer, which period may be extended for another five (5) days by the District Collector as provided for under CM) 39-91.

5.5.3 The transfer of imported articles from the Customs zone to an ICBW shall be under continuous guarding by Customs guards until delivery at the warehouse is acknowledged in the covering boatnote by the Customs personnel assigned thereat.

5.6 Withdrawal of Articles from the ICBW

5.6.1 Imported articles may be withdrawn from an ICBW, without payment of duties and taxes, either for sale or transfer to the Semiconductor and Electronics industry that are PEZA/Ecozone/Freeport localities, Bonded Manufacturing Warehouses.

5.6.2 Withdrawal for sale or transfer to the Semiconductor and Electronics industry shall be approved by the Chief Operating Division on a per import entry basis. Partial deliveries shall be allowed based on the list provided for under par. 4.3 of this Order.

5.7 Penalties for Late/Unauthorized Withdrawal

5.7.1 The withdrawal of articles shall be made within the original/extension period for re-exportation, otherwise said articles shall be subject to the following penalties: *Am*

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- 5.7.1.1 First offense - a penalty equal to correct duties and taxes of the articles not withdrawn within the period with a stern warning.
 - 5.7.1.2 Second offense - a penalty equivalent to one and a half times the correct duties and taxes due on the articles. After the proper payment of the penalty, the ICBW may choose thereafter to re-export or sell subject articles to Semiconductor and Electronics export producers.
 - 5.7.1.3 Third offense - seizure/forfeiture of the articles not withdrawn and closure of the warehouse without prejudice to the filing of criminal and administrative against the operator.

The violation shall be reckoned within the 3-year lifetime of the license.

- 5.7.2 The penalties hereinabove imposed may, for highly justifiable and meritorious reasons, be reviewed and reconsidered by the Commissioner of Customs upon the recommendation of the Customs Bonded Warehouse Committee.

5.8 Liquidation of Entry and Cancellation of Bonds

- 5.8.1 The liquidation of imported articles under bond as well as their covering entries shall be done within thirty (30) days from the date the goods were delivered to the customer; provided that the 30-day period shall fall within the original 9-month period for re-exportation or within one (1) year, if extended for another three (3) months.

- 5.8.2 The ICBW operator may effect liquidation of materials and supplies and their covering entries by submitting the following:

- 5.8.2.1 Certificate of Identification
 - 5.8.2.2 Doabnote
 - 5.8.2.3 Packing List
- llv*

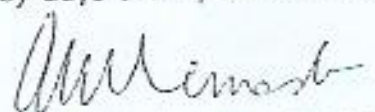
- 5.8.2.4 Copy of approved PEZA Form 8105 in case of delivery to PEZA or approved Admission Import/Permit in the case of an Ecozone/Freeport
- 5.8.2.5 Duly authenticated proof/evidence of delivery and receipt of subject articles by manufacturing CBW or PEZA/Ecozone locators.

6. Repealing Clause

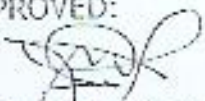
All ICBW-related CAOs, CMOs and memoranda inconsistent to or in conflict with the provisions of this Order are hereby deemed modified/amended accordingly.

7. Effectivity

This Order shall take effect within fifteen (15) days after publication in a newspaper of general circulation


ANTONIO M. BERNARDO
 Commissioner

APPROVED:


JOSE ISIDRO N. CAMACHO
 Secretary
 Department of Finance
 Date signed: 9/16/03