



Republic of the Philippines
Department of Finance
BUREAU OF CUSTOMS
1099 Manila

11 January 2008

Customs Memorandum Order

No. 1-2008

**To: All Collectors of Customs/Service Directors
Division Chiefs/Others Concerned**

**Subject: Customs Regulations to Implement the Bureau of Customs
(BOC) Ruling dated March 16, 2007 on the Operations of a
Regional Storage Warehouse for Tobacco Leaf in the Subic
Bay Freeport Zone (SBFZ)**

I. Objectives:

1. To properly implement subject customs ruling on the treatment of tobacco leaf brought into the SBFZ by the Authorized Subic Locator (ASL) for storage thereat.
2. To enhance international trade and generate additional customs revenue for the government.
3. To facilitate border clearance processes and at the same time protect government revenue.

II. Administrative Provisions:

1. The Office of the Deputy Commissioner for Assessment and Operations Coordinating Group (AOCG) or his duly designated unit or office shall handle the submission and utilization of the Certificate of Origin (CO), e.g. Form D, issued to tobacco leaf admitted into the SBFZ and eventually delivered to customs territory. Other offices involved in the processing of the CO are the District Collector, Deputy Collector for Operations, Chief Formal Entry Division or equivalent unit, of the Port of Subic; the Chief, Export-Coordination Division, Office of the Commissioner; the Export Division, Port of Manila (POM); the Common Customs Bonded Warehouse Division, Manila International Container Port (MICP); and the concerned port of arrival of the tobacco leaf shipment.

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2. Specifically, the AOCG office shall manage, monitor, and liquidate the CO (e.g. Form D) of tobacco leaf fully or partially withdrawn from SBFZ for "same goods" re-export, for manufacturing for local consumption or for export production through CBW. The term "same goods" shall refer to tobacco leaf not subjected to further repacking, processing or manufacturing.
3. This Order shall apply to the bringing in of tobacco leaf into the SBFZ by the ASL in behalf of Philip Morris International Management (PMIM) for storage purposes and later on to be directly re-exported to a third country, or delivered into the customs territory for manufacturing into finished product for local consumption or for export production through CBW.
4. It is understood that the tobacco leaf shall not undergo any significant processing while warehoused or stored at the SBFZ.
5. All the applicable rules of the Subic Bay Metropolitan Authority (SBMA) and BOC on the movement of goods into, within, and out of SBFZ in general, including the specific conditions laid down in the subject customs ruling concerning the admission and withdrawal of tobacco leaf into and from SBFZ, shall be strictly complied with.
6. The treatment of the CO covering tobacco leaf sourced from the ASEAN region shall be governed by the ASEAN Free Trade Area - Common Effective Preferential Tariff (AFTA-CEPT) Rules of Origin as circularized under Customs Memorandum Circular (CMC) No. 13-2005 and as applied in the subject customs ruling.
7. Full or partial withdrawal of tobacco leaf, particularly those covered by a CO (e.g. Form D), shall be allowed, subject to compliance with such processes as the appropriate documentation, recording, monitoring and liquidation of said partial withdrawals as defined in this Order. For the purpose, a "CO Monitoring Sheet" with control number and "Tobacco Lot Number Monitoring Sheet" attached hereto as Annex "A" and Annex "B" shall be accomplished accordingly.

III. Operational Provisions:

A. Admission into Subic Bay Freeport Zone

1. Tobacco leaf brought into SBFZ through the regular ports outside of Subic shall observe the same set of procedure governing the transshipment of goods into SBFZ. In particular, tobacco leaf shall be under-guarded and accompanied by a Transshipment Permit and a Boat Note duly issued by the Port of Arrival together with the Supplier's Invoice, Bill of Lading,

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Packing List, and such documentary clearance(s) as may be required by customs and other government regulatory agencies.

2. Upon arrival at SBFZ, the tobacco leaf shall be transported to the Customs Clearance Area (CCA) or such designated area for joint inspection by the Subic customs and SBMA authorities. Once the cargo is inspected and cleared by Subic customs and SBMA, the same shall be transferred to the warehouse of the ASI for storage.
3. For tobacco leaf shipped directly to the SBFZ port, the SBFZ and customs admission formalities shall be duly observed. Particularly, the tobacco leaf shall be transported to the Naval Supply Depot (NSD) or such designated area for joint inspection by Subic customs and SBMA authorities.
4. For tobacco leaf sourced from the ASEAN region with covering CO (e.g. Form D), the original certificate if already available shall be surrendered to the AOCG office for recordation, monitoring, and full utilization. The surrender shall be accompanied by a covering letter in the standard format attached hereto as **Annex "C"**. It shall be addressed to the AOCG office together with other documents necessary to properly identify the goods covered by said CO. The process of recording, monitoring and utilization of CO -shall be dealt with separately in Section IV of this Order.

B. Pull-Out of Tobacco Leaf from SBFZ for Manufacturing for Local Consumption

5. To withdraw the tobacco leaf from SBFZ for manufacturing for local consumption, an import entry shall be filed by PMPMI (as buyer) in accordance with current entry lodgment rules, in addition to the formalities as may be required under the applicable SBMA rules and regulations on goods removed from the SBFZ.
6. However, for tobacco leaf with covering CO (e.g. Form D) and availing of the AFTA-CEPT and other special preferential rate, the ASI or the authorized representative shall secure approval from the AOCG office for full or partial usage of said CO (e.g. Form D). Upon approval, the pertinent information on the identity and quantity of the leaf to be withdrawn shall be entered and acknowledged in the "CO Monitoring Sheet" (Annex A). After accomplishing the sheet, the AOCG office shall issue a CO Debit Memo, copy of which is hereto attached as **Annex "D"** for full or partial usage, as the case may be. Said CO Debit Memo (Annex D), together with a photocopy(ies) of the original CO, shall be presented

in lieu of the original CO for purposes of filing the import entry for the intended full or partial withdrawal of tobacco leaf from SBFZ.

- 7. The import entry for manufacturing local consumption shall be filed by or in behalf of PMPMI with the Formal Entry Division or equivalent unit of Subic customs together with the pertinent supporting import documents such as the seller's (PMIM) invoice, the delivery note/packing list prepared by ASL, the corresponding CO Debit Memo (full or partial, as the case may be), SBMA request for pull-out, copy of other admission documents such as the supplier's invoice, packing list, bill of lading, copy of CO Form D, and such other documents as may be required under existing import clearance rules and regulations.
- 8. Goods shall not be removed from the SBFZ into the customs territory without payment of duties and taxes and other charges due and compliance with all other rules and regulations applicable in the premises. The commercial shipping container to be used in the transport of the inspected tobacco leaf shall be properly sealed prior to actual removal of the tobacco leaf into the customs territory.

C. Pull-Out of Tobacco Leaf from SBFZ for CCBW Manufacturing for Export

- 9. Prior to withdrawal of tobacco leaf for customs bonded manufacturing, PMPMI, as an accredited member of a duly licensed Customs Common Bonded Warehousing (CCBW) operator, or its authorized representative, shall secure a CCBW Authority to Transfer from the appropriate customs office, a copy of which is attached as Annex "E".
- 10. The physical withdrawal of the tobacco leaf shall be effected upon presentation / submission of the following:
 - 10.1 CCBW Authority to Transfer
 - 10.2 CO Debit Memo (Full or Partial Usage), as applicable
 - 10.3 SBMA Local Transshipment Declaration
 - 10.4 BoC Transshipment Permit
- 11. For items 10.1 to 10.4, the current regulations governing the documentation, application, and approval thereof shall be complied with. For the issuance of the Subic customs transshipment permit, certified copies of the following shall be submitted:
 - 11.1 Invoice
 - 11.2 Packing List / Delivery Note
 - 11.3 CCBW Authority to Transfer

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12. Upon approval and issuance of a transshipment permit, Subic customs shall conduct a joint inspection with SBMA authorities to ensure the physical integrity of the goods to be pulled out as against the description in the transshipment permit. After inspection and the goods are found in order, Subic customs shall issue a "Boat Note" authorizing the transfer under guard of the tobacco leaf to be withdrawn to the authorized CCBW operator.
13. The commercial transport containers containing the inspected tobacco leaf shall be properly sealed prior to actual transfer.
14. For the full or partial usage as indicated in the CO Debit Memo provided for in item 10.2 above, the procedure for the recording (in the CO Monitoring Sheet), tracking, and utilization of COs (e.g. Form D) covering the full or partial withdrawal of tobacco leaf from Subic as laid down in Sections III.2 and III.6 above, and Section IV below, shall be observed.
15. PMPMI, or its authorized representative, shall file the appropriate warehousing entry with the Manila International Container Port (MICP), or appropriate port having jurisdiction over the CCBW, together with all the pertinent supporting import documents as follows:
 - 15.1 CCBW Operator's Authority to Release
 - 15.2 PMIM (Seller) Invoice to PMPMI
 - 15.3 Delivery Note/Packing List Prepared by ASI.
 - 15.4 CO Debit Memo (full or partial usage)
 - 15.6 Subic BOC Transshipment Permit
 - 15.7 SBMA Transshipment Declaration
 - 15.8 Subic Admission Documents (Supplier's invoice, packing List; B/L; copy of CO (e.g. Form D); documentary clearance/s as may be required by other regulatory agencies)
16. The tobacco leaf withdrawn shall then be moved from the CCBW operator's custody to PMPMI's manufacturing plant in Batangas under a covering CCBW Requisition Slip and Boat Note.

D. Direct Re-export of Tobacco leaf from SBFZ

17. Tobacco leaf withdrawn from the ASI's warehouse for "same goods" re-export shall be supported by the following documents:
 - 17.1 Letter from the ASI filed in behalf of PMIM as the beneficial owner of the tobacco leaf addressed to Subic customs (attn: Deputy Collector for Operations) requesting for authority to export tobacco leaf originally admitted into SBFZ for storage.

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- 17.2 For tobacco leaf covered by a CO (e.g. Form D), a CO Debit Memo (full or partial usage) from the AOCG office.
 - 17.3 Export Declaration to be filed with Subic customs with attached PMIM's (as exporter) Invoice, Packing List, and CO Debit Memo (full or partial usage).
 - 17.4 SBMA Export Tally Sheet to be secured after conduct of joint inspection by Subic BOC and SBMA.
 - 17.5 Authority to Load after securing all appropriate customs clearances, as may be necessary.
 - 17.6 Export clearance or permit from other regulatory agencies as may be required.
18. When the Port of Loading for the intended "same goods" re-exportation is other than the Port of Subic, the tobacco leaf for re-export shall be transferred to the port of loading with a covering Boat Note and shall be under-guard. The accomplished Export Declaration and supporting documents shall be submitted to the appropriate office of the Port of Loading to secure a "Special Permit to Load". The commercial shipping container to be used in the transport of the tobacco leaf shall be properly scaled prior to actual transfer of the tobacco leaf from Subic to the Port of Loading.
 19. PMIM, as the exporter, may secure a Back-to-Back CO (e.g. Form D) from the AOCG or its designated office upon compliance with the requirements laid down in the AFTA-CEPT and other preferential rules of origin and as provided for in the subject customs ruling.

IV. CO Utilization and Monitoring Process

A. Surrender of Certificate of Origin (CO)

1. ASL or its authorized representative shall surrender the original CO (e.g. Form D) to the AOCG office after the same is admitted into SBFZ.
2. The surrender of the CO shall be accompanied by a covering letter (Annex C) from the ASL (making reference to the covered shipment as being for the account of PMIM) as well as the supplier's invoice, packing list, Bill of Lading and SBMA Admission Permit, as may be necessary to properly identify the goods.

3. The AOCG office shall acknowledge receipt of said letter in the receiving copy as well as provide the ASL or its authorized representative with a Certified True Copy of the CO (e.g. Form D) received by the office.
4. ASL or its authorized representative shall accomplish and submit the "CO Monitoring Sheet" (Annex A) and fill in the following information:
 - 4.1 CO Form D Serial Number (Reference Number issued)
 - 4.2 Date of Indorsement of CO by the authorized government agency of the country of origin
 - 4.3 Product Description (i.e., Unmanufactured Tobacco)
 - 4.4 Lot Number
 - 4.5 Quantity (net weight) and unit of measure
 - 4.6 HS/AHTN Code
 - 4.7 Country of Origin
 - 4.8 Supplier's Invoice Number
 - 4.9 Bill of lading Number
 - 4.10 SBFZ Admission Number
5. ASL or its authorized representative shall also accomplish and submit a "Tobacco Lot Number Monitoring Sheet" (Annex B) and fill in the following information:
 - 5.1 Company Name (applicant)
 - 5.2 Tobacco Lot Number
 - 5.3 Origin of Shipment
 - 5.4 Date Admitted/Delivered to AISL
 - 5.5 CO Serial Number (Reference Number issued)
 - 5.6 CO Monitoring Sheet Control Number
 - 5.7 SBFZ Admission Number
 - 5.8 Date Delivered to ASL
 - 5.8 Original CO Quantity (in kilograms)
 - 5.9 CO Debit Memo Number
 - 5.10 Date of Pull Out
 - 5.11 Pulled Out Quantity
 - 5.12 Balance Quantity
6. The "CO Monitoring Sheet" and the "Tobacco Lot Number Monitoring Sheet" shall be subject to review by the AOCG or its designated office. Any revision and change shall be manually recorded thereon.
7. The AOCG office shall maintain a separate logbook, the format of which is provided herein and attached hereto as **Annex "F"**, capturing the following CO (e.g. Form D) details:
 - 7.1. CO Serial Number

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- 7.2. CO Date of Indorsement
- 7.3. Control Number of the "CO Monitoring Sheet"
- 7.4 Date Shipment Delivered to ASL
- 7.5 Expiration Date (CO Utilization)
- 7.4. Date CO Surrendered
- 7.5. Date CO Fully Utilized

8. The AOCG shall take custody of the original COs (e.g. Form D), the CO Monitoring Sheets and the Tobacco Lot Number Monitoring Sheets which shall be kept in a secured storage area.

B. Utilization of CO

9. To match the quantity of tobacco leaf pulled out as against the original balance indicated in the CO (e.g. Form D), a "Summary Sheet of CO Usage" is herein provided and attached hereto as **Annex "G"**. This sheet shall consolidate all CO Form D references covering tobacco leaf for pull out.

10. Annex G shall contain the following information which the export Division shall validate against its monitoring records:

- 10.1. PMIM Invoice Number
- 10.2. Date of Application for Usage
- 10.3. CO Serial Number
- 10.4. CO Date of Indorsement
- 10.5. Control Number of the CO Monitoring Sheet
- 10.6. SBFZ Admission Number
- 10.7. Product Description
- 10.8. Tobacco Lot Number
- 10.9. Original CO Quantity Admitted to SBFZ (per Lot Number)
- 10.10. Unit Measure
- 10.11. Pulled-out Quantity To-date (previously pulled out)
- 10.12. Total Quantity for Pull Out (current quantity applied for approval)
- 10.13. Balance Quantity

11. ASL or its authorized representative shall inform the AOCG office for any pull-out of tobacco leaf from SBFZ and submit the following:

- 10.1 Summary Sheet of CO Usage (Annex "G")
- 10.2 PMIM Invoice
- 10.3 Delivery Note/Packing List as prepared by ASL

12. The pulled out quantity shall be by lot number based on a "first in, first out" mode of utilization. The "first in, first out" mode in turn shall be based on the date of entry into the ASL warehouse by tobacco lot number.

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The term "Tobacco Lot Number" refers to the PM internally-generated unique alphanumeric code assigned for each tobacco leaf purchase representing such information as country of origin, supplier, price, type, quantity, etc. To illustrate:

Form D No.	Date	Lot No.	Original Qty in Kilos
D-0001	20-Sep-07	LJ0001	19800
D-0002	28-Sep-07	LJ0001	19800
D-0003	5-Oct-07	LJ0001	39600

PULL-OUT				LIQUIDATED AGAINST				
PMIM Invoice Number	Date	Lot No.	Qty in Kilos	Form D No.	Lot No.	Qty	Pull-out	Balance
Ref-0010	10-Nov-07	LJ0001	10000	D-0001	LJ0001	19800	10000	9800
Ref-0020	5-Dec-07	LJ0001	20000	D-0001	LJ0001	9800	9800	0
				D-0002	LJ0001	19800	10200	9600
Ref-0030	7-Jan-08	LJ0001	30000	D-0002	LJ0001	9600	9600	0
				D-0003	LJ0001	39600	20400	19200

13. The ASL or its authorized representative shall submit an updated CO Monitoring Sheet and Tobacco Lot Monitoring Number Sheet according to the quantity of tobacco leaf pulled out.
14. If the quantity for pull out is the same as the quantity indicated in the CO (e.g. Form D), then usage is complete and the AOCG office shall enter the date the CO is fully utilized and affix signature in the box allotted in the Sheet to indicate full usage. In such a case, a CO Debit Memo indicating full usage shall be issued by the AOCG office.
15. If the quantity for pull out is less than the quantity indicated in the CO, the AOCG office shall keep the CO Monitoring Sheet and update the remaining quantity balance for succeeding pull out. In such a case, a CO Debit Memo shall be issued for each partial pull out until the balance is fully utilized. In each partial pull out, as well as in the last complete usage of the balance, the AOCG shall indicate the respective dates when the partial and last utilization was made and affix signature accordingly.
16. Once all quantity in the CO (e.g. Form D) is utilized, through one-time or partial pull out, ASL or its authorized representative shall accomplish and submit a signed CO Monitoring Sheet to the AOCG and the Subic customs.

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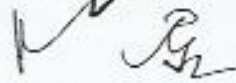
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17. The AOCG office shall update the logbook (Annex F) by indicating date when CO Form D was fully utilized and countersign the same to formally close the CO Form D usage entry.
18. The AOCG or its designated office shall conduct a periodic review and audit verification of the information provided in the CO Form D Monitoring Sheet, the Tobacco Lot Number Monitoring Sheet and other documents submitted.

V. Effectivity Clause

This Order shall take effect immediately upon signing hereof.

NAPOLEON D. MORALES
Commissioner



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Department of Agriculture