



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

CUSTOMS ADMINISTRATIVE ORDER
NO. 7-2002

**SUBJECT: ESTABLISHMENT OF INDUSTRY-SPECIFIC
CBWs AND THE RULES AND REGULATIONS
GOVERNING ITS OPERATIONS**

I. OBJECTIVES

1. To rationalize the importations of the requirements of export producers such that export industry groups may be served by industry-specific Customs Bonded Warehouses (ICBW).
2. To ensure that the ICBWs shall not be used to delay or evade payment of proper taxes and duties.


II. SCOPE

This Order covers the operations of industry-specific Customs Bonded Warehouses duly registered with and authorized by the Bureau of Customs (BoC) to operate as such.

III. GENERAL PROVISIONS

1. For purposes of this Order, an "Industry-Specific Customs Bonded Warehouse" refers to a facility duly licensed with by BoC to import under bond and under its name and account raw materials – except fibers, yarns, fabrics and accessories for the manufacture of garments – for storage and subsequent sale/transfer to the following where these shall be manufactured into export products:
 - a. a Customs Bonded Manufacturing Warehouse;
 - b. an ecozone/PEZA locator; or
 - c. an export producer duly accredited by BoI/DTI
2. There shall be established industry-specific Customs Bonded Warehouses which shall be authorized to import under bond the raw *an*

material requirements of export producers in the industry groups identified and listed herein.

3. The following shall serve as the initial list of industry groupings for the purposes of this Order:
 - a. Microelectronics
 - b. Food Products
 - c. Motor Vehicle Parts and components
 - d. Raw Materials for Furniture and Home Furnishings
4. The Customs Bonded Warehouse Committee may change/modify the above list of industry groupings, or add to/remove from said list, subject to the approval of the Commissioner of Customs.
5. An ICBW 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.
6. The Customs Bonded Warehouse Committee, in issuing the ICBW license, shall specify therein the following:
 - a. the specific industry group the ICBW is licensed to service/support;
 - b. the specific raw materials, with their corresponding H.S. tariff lines it is allowed to import;
 - c. the volume/quantity of said raw materials, in the particular unit of measure (e.g. square meters, kilograms, liters), it is authorized to import, taking into account the storage capacity of the ICBW; and
 - d. the clients for whom said raw materials, identified according to their corresponding H.S. tariff lines, may be transferred/sold; and the quantities/volumes, in the particular unit of measure (e.g. square meters, kilograms, liters), allowed per client.
7. The Customs Bonded Warehousing Committee shall notify the industry association of the industry sector affected and sought to be serviced by an ICBW about the latter's application for an ICBW license.
8. The list of an ICBW's importable raw materials and/or their quantity/volume may be changed or adjusted from time to time upon the instance of the concerned ICBW, provided such adjustments have 

been determined and approved by the Customs Bonded Warehouse Committee to be within the requirements of the export industry being serviced by the applicant ICBW; provided further that the changes shall not be deemed to effect an extension of the lifespan of the ICBW license.

9. Unless otherwise provided herein, all existing regulations pertaining to the application, documentary requirements in the evaluation of applications, responsibilities of the operator and all other provisions governing the operations of other types of CBWs, shall apply to ICBWs.

IV. SPECIFIC PROVISIONS

A. Warehousing Importations


1. Importable Warehousing Articles

ICBW importations shall be made within the limits and period specified in their respective authority/license, as applied for and approved, to wit:

- a. the specific raw materials, according to their corresponding H.S. tariff lines;
- b. the volume/quantity of said raw materials, in the particular unit of measure (e.g. square meters, kilograms, liters), it is authorized to import; and
- c. the clients for whom said raw materials, identified according to their corresponding H.S. tariff lines, may be transferred/sold; and the quantities/volumes, in the particular unit of measure (e.g. square meters, kilograms, liters), allowed per client.

Imported warehousing articles may be stored at the ICBW authorized to import them, for a period of nine (9) months to be counted from the date of their arrival. Said articles shall be withdrawn within this period, which may be extended for another three (3) months by the District Collector.

2. Prohibited Warehousing Shipments

- a. Fibers, yarns, fabrics and accessories for the manufacture of garments.
- b. Finished articles, except when such articles are intended to be used as a component in the manufacture/ production of another 

- finished article for export as approved by the Customs Bonded Warehouse Committee.
- c. Articles not authorized for importation or in excess of the volume and quantity allowed under the ICBW's license.
 - d. Prohibited articles, and regulated articles without the corresponding clearance and/or import authority duly issued by a competent authority
3. Except for those covered under Section IV.A.2.d, which shall be subject for seizure/forfeiture proceedings and such other applicable sanctions, importations made in violation of the above provisions in this Section on Warehousing Importations shall be penalized thus:
 - a. First offense/violation - full payment of proper duties and taxes due on the imported articles that are subject of the violation;
 - b. Second offense/violation - full payment of proper duties and taxes as described in letter (a) above; and one-month suspension of operations;
 - c. Third offense/violation, full payment of proper 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.

4. 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 on ICBWs, such unit shall request WAMU to investigate, and if appropriate, to conduct an audit of the concerned ICBW.
5. The concerned Customs operating division shall maintain a data bank of all articles imported by the ICBWs, which data bank shall at all times be made accessible to the WAMU, and such other units authorized by the Commissioner of Customs, for monitoring and/or audit purposes.

B. Transfer from Customs Zone to ICBW

1. Transfers from the Customs zone of warehousing articles imported by ICBWs may be effected upon filing of their corresponding warehousing entry, which shall be processed in accordance with

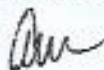
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the existing selectivity scheme, and upon the proper posting of bond.

2. In ports where the selectivity scheme for warehousing entries is not yet operational, the transfer of the imported warehousing articles from the Customs zone shall be made under a Transshipment Permit, in which case the warehousing entry shall be filed within five (5) days from date of transfer, which period may be extended for another five days by the District Collector as provided for under CMO 39-91. No transshipment permit/warehousing entry shall be granted/allowed to be filed if the warehousing entry of a previous shipment that has been granted a transshipment permit had not been filed.
3. Transfers effected under a transshipment permit shall be examined and appraised, and bonds therefor shall be posted, unless otherwise directed by the Commissioner of Customs.
4. 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.

C. Withdrawal of Articles from ICBW

1. Imported articles may be withdrawn from a ICBW, without payment of duties and taxes, either for sale to a manufacturing bonded warehouse, Ecozone/PEZA locator, or any other export producer for use in the manufacture of goods for export; or for repacking and distribution to foreign markets; provided that the sale/transfer is made only to any of the clients listed/specified in the license of that particular ICBW; provided further that the withdrawal shall be made within the original/extension period for re-exportation, otherwise said articles shall be subject to duties and taxes.
2. No withdrawals for domestic consumption shall be allowed, except upon approval by the Customs Bonded Warehouse Committee, as recommended by the operating division and District Collector, and upon payment of corresponding taxes and duties. In no way, however shall domestic sale exceed 30% of a particular shipment. Any violation of this provision shall be treated in accordance with Section 1V.A.3 of this Order.



3. With respect to ICBWs that have been allowed to make withdrawals for domestic consumption/sale, the Customs Bonded Warehouse Committee shall immediately/ automatically conduct a review of the concerned ICBW's license with the end view of removing from the list of articles or reducing the volume of authorized importation, taking into account its domestic sale.

D. Liquidations of Entry and Cancellation of Bonds

1. The liquidation of imported articles under bond, as well as their covering entries, shall be done within 30 days from such sale/transfer/withdrawal; provided that the 30-day period shall fall within the original 9-month period for re-exportation or within one year, in case the re-exportation period is given the 3-month extension herein allowed.
2. After the lapse of the original nine-month period for re-exportation, or one (1) year in the case of a grant of 3-month extension, the concerned ICBW shall have 30 days within which to pay the taxes and duties due on the remaining (not exported) Imported materials.
3. Only upon full liquidation of materials and their covering entries shall the bonds be cancelled.

V. TRANSITORY PROVISIONS

1. As part of the process of establishing the ICBWs, the license/authority of all existing Customs Bonded Trading Warehouses (CBTWs) shall, within the first three (3) months from the effectivity of this Order, be reviewed by the Customs Bonded Warehouse Committee for the purpose of clearly identifying the following:
 - a. the specific industry group for which the CBTW may be licensed to service/support as ICBW;
 - b. the specific raw materials, including their corresponding H.S. tariff lines, it is allowed to import;
 - c. the volume/quantity of said raw materials, in the particular unit of measure (e.g. square meters, kilograms, liters), it is authorized to import, taking into account the storage capacity of the ICBW; and
 - d. the clients for whom said raw materials, identified according to their corresponding H.S. tariff lines, may be transferred/sold,

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and the quantities/volumes, in the particular unit of measure (e.g. square meters, kilograms, liters), allowed per client.

2. Existing CBTWs shall have three months from the effectivity date of this Order to convert into an ICBW.
3. During the three-month transition period, existing CBTWs shall be governed by CAO 5-2002.
4. CBTWs which shall fail to qualify for or convert to an ICBW after the three-month transition period shall be subject to closure proceedings.

VI. REPEALING CLAUSE


All Customs Administrative Orders, Customs Memorandum Orders which are inconsistent herewith are hereby modified/amended accordingly.

VII. EFFECTIVITY CLAUSE

This Order shall take effect 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 November 29, 2002