



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

**CUSTOMS ADMINISTRATIVE ORDER (CAO)**  
**NO. \_\_\_\_\_**

**SUBJECT: RULES, REGULATIONS AND PROCEDURES GOVERNING THE ESTABLISHMENT AND OPERATION OF DUTY AND TAX-FREE STORES AND WAREHOUSES OPERATED BY DUTY FREE PHILIPPINES CORPORATION**

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**Introduction.** This CAO implements Chapter 2, Title VIII, in relation to Section 204, Section 1226 and other relevant sections of Republic Act No. 10863, otherwise known as the Customs Modernization and Tariff Act (CMTA) and Chapter VI of the Republic Act No. 9593 also known as the Tourism Act of 2009.

**Section 1. Scope.** This CAO applies to all Duty and Tax-Free Stores and warehouses operated by the Government under Republic Act No. 9593.

**Section 2. Objectives.**

- 2.1.** To protect government revenue through the institution of safeguards and controls over Duty Free Philippines Corporation (DFPC) Stores and Warehouses;
- 2.2.** To provide guidelines for the establishment, operation, supervision, and control of DFPC Stores and Warehouses;
- 2.3.** To define the responsibilities and corresponding obligations of DFPC as CBW operator;
- 2.4.** To ensure DFPC's compliance with customs warehousing laws and regulations;
- 2.5.** To ensure operational control systems in order to detect and prevent abuses of the privileges granted under the law; and
- 2.6.** To establish, develop and implement warehousing and store management systems making full use of Information and Communications Technology (ICT).

**Section 3. Definition of Terms.** For purposes of this CAO, the following terms are defined accordingly:

- 3.1. Authority to Operate** – shall refer to permit issued by the District Collector authorizing the DFPC warehouse to operate as customs bonded warehouse.
- 3.2. Balikbayan Traveler** - shall refer to a Filipino citizen who has been continuously out of the Philippines for a period of at least one (1) year, a Filipino overseas worker, or former Filipino citizen and his or her family, as defined under Republic Act No. 9174, who had been naturalized in a foreign country and comes or returns to the Philippines.<sup>1</sup>
- 3.3. Bring-In Permit** – shall refer to a document issued by DFPC operator authorizing the entry to DFPC stores of locally manufactured articles as stipulated in Republic Act No. 9593, Section 90(b).
- 3.4. Customs Clearance for Warehousing Entry** – shall refer to the procedure of filing of goods declaration and the duties and taxes has been secured to be paid and the legal permit for withdrawal has been granted.<sup>2</sup>
- 3.5. Duty Free Philippines Corporation (DFPC)** – shall refer to the corporate entity created out of DFP pursuant to Republic Act No. 9593.<sup>3</sup>
- 3.6. Main Bonded Warehouse** – shall refer to a warehouse accredited by the Bureau operated by DFPC which shall be used exclusively for receiving, storing and safekeeping for imported duty and tax-free articles and as the principal transfer and distribution point of all articles for sale in all duty-free stores throughout the country.<sup>4</sup>
- 3.7. Security** – shall refer to any form of guaranty, such as a surety bond, cash bond, standby letter of credit or irrevocable letter of

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<sup>1</sup> cf. Republic Act No. 9174 "An Act Amending Republic Act Numbered 6768, Entitled, "An Act Instituting a Balikbayan Program" by Providing Additional Benefits and Privileges to Balikbayan and for Other Purposes", Section 2 (a).

<sup>2</sup> cf. CMTA, Title I, Chapter 2, Section 103 (a).

<sup>3</sup> Republic Act No. 9593 "Tourism Act of 2009", Chapter 1, Section 4 (d).

<sup>4</sup> cf. CAO No. 03-1987 "Rules, Regulations, and Procedures Governing the Establishment, Operation and Control of Duty and Tax-Free Stores and Warehouses", Section 1.2.

credit, which ensures the satisfaction of an obligation to the Bureau.<sup>5</sup>

**3.8. Transit Single Administrative Document (TSAD)** – shall refer to an electronic document wherein goods, in its original form, are transported under customs control from one customs office to another, or to a free zone.

**3.9. Traveler** – shall refer to any person who temporarily enters the territory of a country in which he or she does not normally resides (non-resident), or who leaves that territory, and any person who leaves the territory of a country in which he or she normally resides (departing resident) or who returns to that territory (returning resident).<sup>6</sup>

**3.10. Warehousing entry** – shall refer to the goods declaration lodged by the customs broker thru the Value-Added Service Provider.

**3.11. Transfer Note** - shall refer to a document that accompanies the transfer of cargo to a Customs Facility and Warehouse (CFW) and serves as proof of delivery or receipt of the article at its intended destination duly acknowledged on its face by the customs official stationed thereof. It is also commonly referred to as a "boat note".<sup>7</sup>

#### **Section 4. General Provisions.**

**4.1.** The DFPC established under RA No. 9593 has the exclusive authority to operate or franchise out Duty Free stores and shops that would sell, among others, duty and tax-free merchandise, goods and articles, in international airports and seaports, and in Tourism Enterprise Zones (TEZs) and ports of entry throughout the country in a manner that is competitive with international standards, efficiently showcases Philippine culture, craftsmanship and industry and efficiently generates foreign exchange.<sup>8</sup>

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<sup>5</sup> CMTA, Title I, Chapter 2, Section 102 (mm).

<sup>6</sup> CMTA, Title I, Chapter 2, Section 102 (tt).

<sup>7</sup> cf. CAO No. 01-2009 "Revised Rules and Regulations for the Establishment, Operation, Supervision and Control of Customs Bonded Warehouses, Title II, Section 2.29.

<sup>8</sup> Republic Act No. 9593 "Tourism Act of 2009", Section 90.

- 4.2.** The Customs bonded warehouse and all its extensions operated by DFPC, as defined in Section 801 of the CMTA, shall be under the jurisdiction of the District Collector of Customs of Ninoy Aquino International Airport (NAIA), Collection District III.<sup>9</sup>
- 4.3.** The DFPC's main bonded warehouse as authorized and established within the Metro Manila area shall be used exclusively for receiving, storing and safekeeping for imported duty and tax-free articles and as the principal transfer and distribution point of all articles for sale in all duty-free stores throughout the country.<sup>10</sup>
- 4.4.** Duty and tax-free articles purchased under these regulations may be subject to seizure and forfeiture in accordance with CMTA and NIRC if found in the possession of unauthorized person.<sup>11</sup>
- 4.5.** All other duty-free warehouse and sales or display or stores or counters to be established shall be considered extensions of the DFPC's main bonded warehouse irrespective of location; provided, that each branch or outlet shall be covered by separate and individual warehousing security.<sup>12</sup>
- 4.6.** The operation of all duty-free shops and all its extended warehouses and store counters shall be under the direct supervision and control of the District Collector of Customs concerned.<sup>13</sup>

**Section 5. Registration.** DFPC Main Bonded Warehouse and Stores Outlets as Extensions shall secure Authority to Operate from the Bureau and shall be registered with the BOC's Client Profile Registration System (CPRS).

**5.1. Renewal of Authority to Operate.** The application for renewal of Authority to Operate as CBW, shall be filed with the District Collector, NAIA, together with the documentary requirements.

**5.2. Validity of Authority to Operate.** The Authority to Operate a CBW, including warehouse extensions and additional facilities

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<sup>9</sup> cf. CAO No. 03-1987 "Rules, Regulations, and Procedures Governing the Establishment, Operation and Control of Duty and Tax-Free Stores and Warehouses", Section 1.1.

<sup>10</sup> cf. CAO No. 03-1987 "Rules, Regulations, and Procedures Governing the Establishment, Operation and Control of Duty and Tax-Free Stores and Warehouses", Section 1.2.

<sup>11</sup> cf. CAO No. 03-1987 "Rules, Regulations, and Procedures Governing the Establishment, Operation and Control of Duty and Tax-Free Stores and Warehouses", Section 12.2.

<sup>12</sup> CAO No. 03-1987 "Rules, Regulations, and Procedures Governing the Establishment, Operation and Control of Duty and Tax-Free Stores and Warehouses", Section 1.3.

<sup>13</sup> CAO No. 03-1987 "Rules, Regulations, and Procedures Governing the Establishment, Operation and Control of Duty and Tax-Free Stores and Warehouses", Section 1.4.

issued pursuant to this CAO shall be valid for three (3) years counted from the date of the approval of the application for establishment, as stated in the Certificate of Authority to Operate. If the term of the lease of contract submitted during the application is less than three (3) years, the validity of the Authority to Operate shall be coterminous with the lease contract unless a new contract of lease with a longer period is submitted. In such case, the Authority to Operate shall be amended to its maximum period of three (3) years counted from its date of original issuance.

## **Section 6. Requirements to Operate.**

- 6.1. Customs Officers and Personnel.** In pursuit of the supervisory and control functions over DFPC main bonded warehouse, sales outlets, counters and stores by the District Collector, assigned customs officers and personnel shall monitor and implement control measures for customs purposes, in accordance with its existing organizational structure and staffing pattern.
- 6.2. Provision for a Suitable Working Space for Bureau Personnel.** The DFPC main bonded warehouse sales outlets, counters and stores shall provide customs personnel with suitable working areas complete with office equipment, supplies, internet connection and Closed-Circuit Television (CCTV) system, including office space needed by the Bureau of Customs personnel for the proper discharge of their functions.<sup>14</sup>
- 6.3. Work Hours.** Customs personnel assigned to DFPC main bonded warehouse, sales outlets, counters and stores shall strictly observe regular office hours and record their attendance in accordance with Civil Service Rules and Regulations. The DFPC shall promptly report to the District Collector any unauthorized absences. The services of the customs personnel requested by DFPC and approved by the District Collector which are performed outside the regular office hours, including Saturdays, Sundays and holidays, shall be considered overtime work compensated by the Bureau pursuant to Chapter 2, Title XV, Section 1508 of the CMTA.<sup>15</sup> However, the Bureau may charge additional customs service fees when applicable, subject to the range prescribed under existing rules and regulations.<sup>16</sup>

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<sup>14</sup> cf. CAO No. 1-2009 "Revised Rules and Regulations for the Establishment, Operation, Supervision and Control of Customs Bonded Warehouse", Title IV, Section 4.7.

<sup>15</sup> cf. CAO No. 1-2009 "Revised Rules and Regulations for the Establishment, Operation, Supervision and Control of Customs Bonded Warehouse, Title IV, Section 4.8.

<sup>16</sup> CMTA, Title XV, Chapter 2, Section 1508.

**6.4. Locks and Keys.** The door and entrance to the main DFPC CBW shall have a secured locking system which complies with the standard and specification set by the Bureau. Access to the areas shall be limited to personnel duly authorized by both the Bureau and the DFPC Operator.<sup>17</sup>

## **Section 7. Exemption from Duty and Tax.**

**7.1.** Importation of articles to be sold at DFPC's Duty and Tax-Free Stores shall be entered duty and tax free under Customs Clearance for Warehousing Entry covered by sufficient security as provided by the CMTA, to be filed at the NAIA, Collection District III, supported by pertinent documents and requirements. Provided, that importations by sea freight shall be transferred upon lodgment of TSAD from the port of discharge to the District Collector of Customs, NAIA with notice to the DFPC as the consignee or importer; and provided further, that such importation shall remain under customs supervision and control until sold, exported or otherwise disposed of as herein provided.<sup>18</sup>

**7.2. Benefits and Privileges.** The following individuals can avail of duty and tax-free articles at Duty Free Philippines stores and outlets:

**7.2.1. Travelers.** Within forty-eight (48) hours upon arrival from a foreign country at an international airport or seaport<sup>19</sup>:

- a.** Cigarettes of any brand not exceeding two (2) reams;
- b.** Wine and/or liquor of any brand not exceeding two (2) bottles; and
- c.** Other consumable articles all with a total value not exceeding \$1,000 payable only in acceptable foreign currency.

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<sup>17</sup> cf. CAO No. 1-2009 "Revised Rules and Regulations for the Establishment, Operation, Supervision and Control of Customs Bonded Warehouse, Title IV, Section 4.9.

<sup>18</sup> cf. CAO 03-1987 "Rules, Regulations, and Procedures Governing the Establishment, Operation and Control of Duty and Tax-Free Stores and Warehouses", Section 2.1.

<sup>19</sup> cf. Republic Act No. 6768 "An Act Instituting a Balikbayan Program", Section 4.

Provided, that any purchases in excess of \$1,000.00 shall be subject to payment of full duty and tax.<sup>20</sup>

Departing travelers with confirmed bookings destined to foreign countries immediately before boarding their flights or vessels at an international airport or seaport of entry, in any quantity and value; Provided, That all such purchases shall be delivered to the pre-designated claim counter/s at the airport or seaport of embarkation under customs supervision to ensure the exportation thereof; Provided, further that in case of flight delays or cancellation, articles purchased shall be returned to or placed under the custody and control of officers of the Bureau of Customs until the same are finally re-exported.<sup>21</sup>

### **7.2.2. Balikbayan Travelers.**

- a.** Tax-exempt maximum purchase in the amount of One Thousand Five Hundred United States dollars (US\$ 1,500.00) or its equivalent in Philippine peso and in other foreign currencies at all DFPC stores or outlets.<sup>22</sup>
- b.** Kabuhayan shopping privilege and additional tax-exempt purchase in the maximum amount of Two Thousand United States dollars (US\$ 2,000.00) or its equivalent in Philippine peso and other acceptable foreign currencies; exclusive for the purchase of livelihood tools at all government-owned and controlled/operated duty-free shops.<sup>23</sup>

### **7.3. Limitations on Tax-Free Purchases accorded to Balikbayan Travelers.** The tax-free purchases privilege

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<sup>20</sup> cf. CAO 04-1992 "Further Amending Sub-Section 2.2. of the Customs Administrative Order No. 3-87 Prescribing Rules, Regulations and Procedures Governing the Establishment of Duty and Tax-Free Stores and Warehouses, Section 2.2 (a).

<sup>21</sup> cf. CAO 03-1987 "Rules, Regulations, and Procedures Governing the Establishment, Operation and Control of Duty and Tax-Free Stores and Warehouses", Section 2.2. (b).

<sup>22</sup> Republic Act No. 9174 "An Act Amending Republic Act Numbered 6768, Entitled, "An Act Instituting a Balikbayan Program" by Providing Additional Benefits and Privileges to Balikbayan and for Other Purposes, Section 3(a).

<sup>23</sup> Republic Act No. 9174 "An Act Amending Republic Act Numbered 6768, Entitled, "An Act Instituting a Balikbayan Program" by Providing Additional Benefits and Privileges to Balikbayan and for Other Purposes, Section 3(g).

accorded to Balikbayan Travelers shall be subject to the following limitations:

**7.3.1.** Purchases shall be made within fifteen (15) calendar days from the date of arrival, provided that:

- a.** During the Christmas season, reckoned from November 15 to January 15, the privilege is extended to thirty (30) calendar days from the date of arrival;
- b.** The privilege shall be availed of on a one-time shopping basis only;
- c.** In the case of senior citizens and handicapped balikbayan, they shall be allowed to enjoy the privilege within one (1) year from date of arrival in the country.<sup>24</sup>

**7.3.2.** The privilege can be availed of by the balikbayan only once a year;<sup>25</sup>

**7.3.3.** The privilege is non-transferable; purchases shall be made personally by the balikbayan: Provided, That a balikbayan who has gone back abroad may still avail of the kabuhayan shopping within a maximum period of one (1) year from date of arrival in the country, and that immediate family members of the balikbayan shall be allowed to claim the kabuhayan tools purchased: Provided further, That an Overseas Filipino Worker (OFW), duly described as such by the Philippine Overseas Employment Administration (POEA), Philippine Overseas Labor Officer or by the embassy/consulate of the Philippines in the country where he or she had been deployed, taking into consideration the evidence of remittance, may opt to endorsed in writing the kabuhayan shopping privilege to his or her immediate family members within the second degree of

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<sup>24</sup> Republic Act No. 9174 "An Act Amending Republic Act Numbered 6768, Entitled, "An Act Instituting a Balikbayan Program" by Providing Additional Benefits and Privileges to Balikbayan and for Other Purposes, Section 4(a).

<sup>25</sup> Republic Act No. 9174 "An Act Amending Republic Act Numbered 6768, Entitled, "An Act Instituting a Balikbayan Program" by Providing Additional Benefits and Privileges to Balikbayan and for Other Purposes, Section 4(b).



consanguinity or affinity residing in the Philippines once within two (2) years from the date of effectivity of his or her contract and only during the duration of the same;<sup>26</sup>

- 7.3.4.** Only a balikbayan of majority age under Philippine laws can enjoy the privilege: Provided, however, That the family members who are minors shall continue to be entitled to purchase privilege not exceeding the allowable tax-exempt limit for Incoming Travelers;<sup>27</sup> and
- 7.3.5.** In addition to existing limitations on the number of consumables purchased, a balikbayan shall be entitled to buy only one (1) item of every product category of non-consumables whose selling price exceeds Two Hundred United States dollars (US\$ 200.00).<sup>28</sup>
- 7.3.6.** Purchases shall only be made in United States dollars or other acceptable foreign currencies within forty-eight (48) hours from date of arrival. The privilege is nontransferable and can be availed by the arriving traveler only once a year;
- 7.3.7.** Tourists and Filipinos traveling to or returning from foreign destinations-One thousand U.S. Dollar (US\$1,000) but not to exceed Ten Thousand U.S. Dollars (US\$10,000) in any given year; and
- 7.3.8.** Overseas Filipino Workers (OFW) and Balikbayans as defined under RA 9174;

**Section 8. Importation of Articles.** Pursuant to Section 95, Chapter IV of RA 9593, importations of articles to be sold at the DFPC's Duty and Tax-Free Stores are allowed; provided, that relevant goods declaration for warehousing shall be processed by the Warehousing Assessment Unit, NAIA, together with all supporting documents and requirements.

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<sup>26</sup> Republic Act No. 9174 "An Act Amending Republic Act Numbered 6768, Entitled, "An Act Instituting a Balikbayan Program" by Providing Additional Benefits and Privileges to Balikbayan and for Other Purposes, Section 4(c).

<sup>27</sup> Republic Act No. 9174 "An Act Amending Republic Act Numbered 6768, Entitled, "An Act Instituting a Balikbayan Program" by Providing Additional Benefits and Privileges to Balikbayan and for Other Purposes, Section 4(d).

<sup>28</sup> Republic Act No. 9174 "An Act Amending Republic Act Numbered 6768, Entitled, "An Act Instituting a Balikbayan Program" by Providing Additional Benefits and Privileges to Balikbayan and for Other Purposes, Section 4(e).

**Section 9. Security.** Before the transfer of newly arrived imported articles from the airport or seaport of entry to the DFPC main bonded warehouse, a sufficient security in amount equal to one hundred percent (100%) of the ascertained duties and taxes and other charges due thereon shall be required.<sup>29</sup>

The security shall guarantee the sale of the imported articles which shall be deemed equivalent to their exportation or to guarantee the payment of duties, taxes and other charges in other applicable cases.<sup>30</sup>

**Section 10. Examination and Delivery.**

**10.1.** Imported Goods shall be allowed for Transit only from Port of Manila and Manila International Container Port to DFPC main bonded warehouse, Port of NAIA for warehousing when the TSAD or permit to transfer together with the required documents as provided by the existing laws and regulations are electronically lodged at the concerned Office of departure. As in the case of transit cargoes, receipt of the articles shall be by DFPC authorized representative, supervised by the Customs Warehouseman assigned thereat.<sup>31</sup>

**10.2.** Upon arrival of all the duty and tax-free articles which is the subject of a Transit declaration to its final destination or point of exit, the Deputy Collector for Operations in the final destination or point of exit, his or her equivalent, or a person authorized by him or her, shall tag in the system the arrival of the Transit Goods. Immediately after the transfer of imported articles, DFPC shall file the corresponding warehousing entry pursuant to Section 808 of the CMTA.<sup>32</sup>

**10.3.** Transfer of imported articles shall be allowed from NAIA directly to the DFPC main bonded warehouse when the corresponding warehousing entry together with the required documents as provided by the existing laws and regulations are electronically lodged at the concerned office of departure.

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<sup>29</sup> cf. CAO No. 03-1987 "Rules, Regulations, and Procedures Governing the Establishment, Operation and Control of Duty and Tax-Free Stores and Warehouses", Section 4, 1<sup>st</sup> Paragraph.

<sup>30</sup> cf. CAO No. 03-1987 "Rules, Regulations, and Procedures Governing the Establishment, Operation and Control of Duty and Tax-Free Stores and Warehouses", Section 4, 2<sup>nd</sup> Paragraph.

<sup>31</sup> cf. CAO No. 03-1987 "Rules, Regulations, and Procedures Governing the Establishment, Operation and Control of Duty and Tax-Free Stores and Warehouses", Section 6.

<sup>32</sup> cf. CMTA, Title VIII, Chapter 2, Section 808.

- 10.4.** Imported duty-free articles shall be examined in the DFPC's principal or main bonded warehouse after filing of the warehousing entry.<sup>33</sup>

**Section 11. Books of Records to be Kept by the Duty Free Philippines Corporation.**

- 11.1.** The DFPC shall keep books of accounts and other records as may be necessary in connection with its or their operation to be registered with the Bureau of Internal Revenue (BIR) pursuant to Bookkeeping Rules and Regulations.<sup>34</sup>
- 11.2.** All entries and sales shall be properly recorded in chronological order and shall be opened to an authorized Commission on Audit (COA), Customs and BIR officials for periodic inspection and audit.<sup>35</sup>
- 11.3.** A monthly report of importation, sales and inventory shall be submitted by the DFPC operating the duty and tax-free shops to the Department of Tourism, COA, BIR and BOC with copy furnished the NAIA Collection District through the Duty Free Shops Division.<sup>36</sup>
- 11.4.** The DFPC shall periodically submits to the Bureau the list of its registered private suppliers and merchandisers.
- 11.5.** All DFPC stores shall establish effective ICT-enabled audit and inventory system specific on the storage, sale, and disposition of duty and tax-free articles. The District Collector concerned shall assign customs officer who shall account the said activities and the assigned customs officer shall submit periodic report as may be required.

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<sup>33</sup> cf. CAO No. 03-1987 "Rules, Regulations, and Procedures Governing the Establishment, Operation and Control of Duty and Tax-Free Stores and Warehouses", Section 6.3.

<sup>34</sup> Cf. CAO No. 03-1987 "Rules, Regulations, and Procedures Governing the Establishment, Operation and Control of Duty and Tax-Free Stores and Warehouses", Section 7.1.

<sup>35</sup> CAO No. 03-1987 "Rules, Regulations, and Procedures Governing the Establishment, Operation and Control of Duty and Tax-Free Stores and Warehouses", Section 7.2,

<sup>36</sup> Cf. CAO No. 03-1987 "Rules, Regulations, and Procedures Governing the Establishment, Operation and Control of Duty and Tax-Free Stores and Warehouses", Section 7.3,

## **Section 12. Withdrawals of Imported Duty and Tax-Free Articles.**

- 12.1.** Withdrawal from the DFPC's main bonded warehouse for transfer to any of all of the duty and tax-free shops/sales outlets and counters shall be made only upon prior application by the DFPC to the District Collector of Customs through the Duty-Free Shops Division, NAIA, who shall permit such withdrawal or transfers under withdrawal entries or transfer slips and the actual transfer shall be effected underguard by Customs Personnel concerned and to be covered by Transfer Note.<sup>37</sup>
- 12.2.** Withdrawals from the main bonded warehouse to other ports for transfer to other duty and tax-free shops/sale outlets and counters outside the Metro Manila area shall be made by requisition as approved by the NAIA District Collector through the Duty Free Shops Division and the transfer shall be effected under local transit complying with all the established requirements, procedures, rules and regulations for Transit Permits.<sup>38</sup>
- 12.3.** Withdrawals from other duty free extension warehouse established outside the Metro Manila area for transfer to duty and tax-free shops or sale outlets and counters situated within the jurisdiction of the collection district where the extension warehouse is located shall be made only upon prior application by the DFPC to the District Collector of Customs concerned who shall permit such withdrawals or transfers under withdrawal entries or transfer slips and the actual transfer shall be effected underguard by Customs Personnel concerned and to be covered by Transfer Note.<sup>39</sup>

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<sup>37</sup> cf. CAO No. 03-1987 "Rules, Regulations, and Procedures Governing the Establishment, Operation and Control of Duty and Tax-Free Stores and Warehouses", Section 8.1,

<sup>38</sup> cf. CAO No. 03-1987 "Rules, Regulations, and Procedures Governing the Establishment, Operation and Control of Duty and Tax-Free Stores and Warehouses", Section 8.2.

<sup>39</sup> cf. CMO 7-2015 On Tagging of the Arrival of Transshipments in e2m, Monitoring of Arrival of Transshipments and Filing of Entries for Transshipped Cargo.

**Section 13. Sales and Delivery of Articles Purchased by Authorized Buyers.**

- 13.1.** Sales and delivery of articles by Incoming Travelers immediately upon arrival shall be made only at duly approved designated sales counters in the airport/seaport of arrival.<sup>40</sup>
- 13.2.** Proxy buying shall be allowed for Kabuhayan Shopping privilege only pursuant to Republic Act No. 9174 particularly Section 4 (c).
- 13.3.** Sales and delivery of articles purchased by Departing Travelers immediately before boarding the aircraft or vessel shall be made only at the designated sales counters within the airport or seaport of departure.<sup>41</sup>

**Section 14. Pull Out of Merchandise from Store Inventory.** Consumption or pull out of merchandise for authorized in-store activities or use in the operations of DFPC shall be exempted from full payment of duties and taxes as authorized by the Department of Finance.<sup>42</sup>

**Section 15. Stock Inventory Taking.** Inventory of all stocks-in-trade shall be made at the end of every six months by a joint committee composed of representatives of the COA, DFPC and the Bureau of Customs concerned after which report shall be submitted to Bureau of Internal Revenue and the Commissioner of Customs.<sup>43</sup>

**Section 16. Liquidation of Entries.**

- 16.1.** When an importation has been subsequently sold, exported or disposed of in accordance with regulations, a request for the liquidation of the entry shall be filed with the Collector of Customs concerned who shall cause the liquidation of the corresponding entry.
- 16.2.** In the event the prescribed one (1) year storage period has elapsed and there are still unsold, unexported or undisposed articles remaining, the DFPC shall have the option to either (1) export the same in accordance with the existing laws, rules and regulations; (2) pay the duties, taxes and other charges due

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<sup>40</sup> cf. CAO No. 03-1987, "Rules, Regulations, and Procedures Governing the Establishment, Operation and Control of Duty and Tax-Free Stores and Warehouses". Section 9.1.

<sup>41</sup> cf. CAO No. 03-1987, "Rules, Regulations, and Procedures Governing the Establishment, Operation and Control of Duty and Tax-Free Stores and Warehouses". Section 9.2.

<sup>42</sup> Republic Act No. 9593 "Tourism Act of 2009".

<sup>43</sup> cf. CAO No. 03-1987 "Rules, Regulations, and Procedures Governing the Establishment, Operation and Control of Duty and Tax-Free Stores and Warehouses", Section 10.

thereon; or (3) dispose the same by destruction or condemnation, and the Collector of Customs may then cause the liquidation of the covering warehousing entry.

**Section 17. Treatment of Goods and Products Made in the Philippines.** In order to support and to showcase Philippine culture, craftsmanship and industry as embodied in Section 5 of RA No. 9174, the following goods may be allowed entry and sale subject to customs clearance and procedure upon submission of a Bring-In Permit as supported by DFPC Purchase Order and other pertinent documents.

**Section 18. Responsibilities of DFPC.**

- 18.1.** DFPC shall comply with the requirements of the Bureau on establishment, security, suitability and management, including stock-keeping and accounting of goods;
- 18.2.** Upon lawful demand, the DFPC shall allow duly authorized representatives of the Bureau unhampered access to the premises at a reasonable time, and to inspect all documents, books and records of accounts pertaining to the operations of the DFPC;
- 18.3.** In case of loss of the goods stored in DFPC due to its gross negligence or willful misconduct, the DFPC shall be made liable for the payment of duties and taxes due. The Bureau of Customs assumes no legal responsibility over the safekeeping of goods stored in DFPC warehouses and stores;<sup>44</sup> and
- 18.4.** DFPC shall ensure a secured and safe environment for both persons and goods stored in warehouses and store outlets by implementing effective security measures, such as the employment of a 24-hour security scheme and the installation of Closed Circuit Television Camera (CCTV) and similar devices.

**Section 19. Customs Supervision and Control over DFPC.** The Bureau shall exercise supervision and control over DFPC as CBW and the same shall, for all intents and purposes, be considered as extension of the customs premises insofar as the dutiable goods stored and introduced are concerned.<sup>45</sup>

The Bureau however, shall not be liable for any loss or damage of the goods stored in any CBW.

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<sup>44</sup> cf. CMTA, Title VIII, Chapter 2, Section 805.

<sup>45</sup> CMTA, Title VIII, Chapter 2, Section 806.

## **Section 20. Penalties for Violations.**

- 20.1.** Any violation by the DFPC of any term and conditions hereof and such other regulations as may hereafter be promulgated will be sufficient cause for the cancellation of their authority to operate the duty and tax free bonded warehouse, store/outlets/sales counters. Any fraudulent practices committed against customs revenue as defined in the CMTA, shall subject the violator to the administrative and penal provision for under the CMTA.<sup>46</sup>
- 20.2.** If the violator is an employee of the Government, he shall, after proper hearing conducted by the Bureau of Customs, be suspended or summarily dismissed from the service in addition to other penalties prescribed in the CMTA and other special laws.<sup>47</sup>
- 20.3.** If the violator is a private individual he shall, after proper hearing conducted by the Bureau of Customs, be banned within the premises of the duty and tax-free areas in addition to other sanctions prescribed in the CMTA and other special laws.<sup>48</sup>

**Section 21. Periodic Review.** Unless otherwise provided, this CAO shall be reviewed every three (3) years and be amended or revised if necessary.

**Section 22. Repealing Clause.** This CAO specifically amends or repeals previously issued CAOs and CMOs which are inconsistent with the provisions here stated.

**Section 23. Separability Clause.** If any part of this Order is declared unconstitutional or contrary to existing laws, the other parts not so declared shall remain in full force and effect.

**Section 24. Effectivity.** This CAO shall take effect thirty (30) days from publication at the Official Gazette or a newspaper of national circulation.

The Office of National Administrative Register (ONAR) of the UP Law center shall be provided three (3) certified copies of this CAO.

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<sup>46</sup> cf. CAO No. 03-1987 "Rules, Regulations, and Procedures Governing the Establishment, Operation and Control of Duty and Tax-Free Stores and Warehouses", Section 14.1.

<sup>47</sup> Cf. CAO No. 03-1987 "Rules, Regulations, and Procedures Governing the Establishment, Operation and Control of Duty and Tax-Free Stores and Warehouses". Section 14.2.

<sup>48</sup> Cf. CAO No. 03-1987 "Rules, Regulations, and Procedures Governing the Establishment, Operation and Control of Duty and Tax-Free Stores and Warehouses". Section 14.3.

**ISIDRO S LAPEÑA, PhD, CSEE**

Commissioner

Approved:

**SEC CARLOS G DOMINGUEZ III**

Secretary, Department of Finance

**Informational Section.** As the title denotes this section only provides information and does not give rise to any substantive or formal rights or obligations.

**History.** This CAO is amendatory to all the previous issuances of the Bureau of Customs relating to Rules, Regulations and Procedures Governing the Establishment and Operation of Duty and Tax-Free Stores and Warehouses Operated by Duty Free Philippines Corporation.

**Related Policies.**

- CMO No. 07-2015 dated March 09, 2015 – On Tagging of the Arrival of Transshipment in e2m, Monitoring of Arrival of Transshipments and Filing of Entries for Transshipped Cargo
- CAO No. 01-2009 “Revised Rules and Regulations for the Establishment, Operation, Supervision and Control of Customs Bonded Warehouse
- CAO No. 04-1992 dated March 20, 1992 – Further Amending Sub-Section 2.2 of the Customs Administrative Order No. 3-87 Prescribing Rules, Regulations and Procedures Governing the Establishment of Duty and Tax-Free Stores and Warehouses.



- CAO No. 03-1987 dated March 28, 1987 - Rules, Regulations, and Procedures Governing the Establishment, Operation and Control of Duty and Tax-Free Stores and Warehouses

**Webpage, Forms, Handbooks and other References.**

- Republic Act No 10863 "Customs Modernization and Tariff Act of 2016"
- Republic Act No. 9593 "Tourism Act of 2009"
- Executive Order No. 250 series of 1995 "Implementing the Rationalization of Duty Free Stores/Outlets and their Operations in the Philippines Pursuant to Executive Order No. 140 and for Other Purposes"
- Republic Act No. 9174 "An Act Amending Republic Act Numbered 6768, Entitled, "An Act Instituting a Balikbayan Program" by Providing Additional Benefits and Privileges to Balikbayan and for Other Purposes"
- Republic Act No. 6768 "An Act Instituting a Balikbayan Program"