



**CUSTOMS ADMINISTRATIVE ORDER (CAO)**  
NO. 11-2020

**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, 801, 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 and ensure its compliance with customs warehousing laws and regulations;
- 2.3. To define the responsibilities and corresponding obligations of DFPC as CBW operator;
- 2.4. To ensure operational control systems are in place in order to detect and prevent abuses of the privileges granted under the law; and
- 2.5. 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 the permit issued by the District Collector authorizing the DFPC warehouse to operate as a customs bonded warehouse.
- 3.2. **Balikbayan** – 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 the DFPC operator authorizing the entry to DFPC stores of locally manufactured goods as stipulated in Section 90(b) of Republic Act No. 9593.
- 3.4. **Foreign Individual Traveler** – shall refer to a person who does not normally reside in the Philippines either as a tourist or visitor.
- 3.5. **Goods Declaration for Warehousing** – shall refer to the statements made in the Single Administrative Document (SAD) covering goods to be entered under warehousing procedures where a security is posted to secure the payment of the duties and taxes due and the legal permit for withdrawal has been granted.<sup>2</sup> The DFPC shall lodge goods declaration thru the Value-Added Service Provider.
- 3.6. **Duty Free Philippines Corporation (DFPC)** – shall refer to the corporate entity created out of DFP pursuant to Republic Act No. 9593.<sup>3</sup>
- 3.7. **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 of imported duty and tax-free goods and as the principal transfer and distribution point of all goods for sale in all duty-free stores throughout the country.<sup>4</sup>

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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.



- 3.8. Regular Filipino Traveler** – shall refer to a Filipino citizen who regularly goes out of the Philippines as a tourist or visitor of another country for less than a year and always returns back to the Philippines.
- 3.9. Security** – shall refer to any form of guaranty, such as a surety bond, cash bond, standby letter of credit or irrevocable letter of credit, which ensures the satisfaction of an obligation to the Bureau.<sup>5</sup>
- 3.10. 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.
- 3.11. 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>
- 3.12. Transfer Note** – shall refer to a document that accompanies the transfer of cargo to a Customs Bonded Warehouse (CBW) 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 Bureau shall exercise supervision and control over warehouses operated by the DFPC and the same shall, for all intents and purposes, be considered as special type of Customs Bonded Warehouses (CBWs) and are deemed extension of the customs premises insofar as the dutiable goods stored and introduced are concerned. The Bureau however, shall not be liable for any loss or damage of the goods stored in any CBW.<sup>8</sup>
- 4.2.** The Collection District III – Ninoy Aquino International Airport (NAIA) shall exercise jurisdiction over the existing DFPC Customs Main Bonded Warehouse. However, the operation of all DFPC sales,

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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> CMTA, Title VIII, Chapter 2, Section 806.



display or store counters outside Metro Manila, including the deployment of customs personnel shall be under the direct supervision and control of the concerned Collection District.<sup>9</sup>

- 4.3. The DFPC's Main Bonded Warehouse shall be used exclusively for receiving, storing and safekeeping of imported duty and tax-free goods and shall serve as the principal transfer and distribution point of all goods for sale in all duty-free stores in international airports and seaports, in Tourism Enterprise Zones (TEZs) and other ports of entry throughout the country.
- 4.4. Duty-free warehouses and sales, display or store 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>10</sup>The Bureau shall promulgate the rules for the establishment and operation of online duty-free stores which shall be extensions of physical sales, display or store counters.
- 4.5. Duty and tax-free goods purchased under these regulations may be subject to seizure and forfeiture in accordance with the provisions of the CMTA and the National Internal Revenue Code (NIRC) if found in the possession of unauthorized person.<sup>11</sup>

**Section 5. Action on the Application.** The District Collector shall recommend approval of the application within seven (7) working days from submission of complete documents as enumerated under Section 8 of this Order and inspection report. The Commissioner shall act on the recommendation within seven (7) working days from its receipt.

**Section 6. Denial of Application.**

- 6.1. **Denial of the Application by the District Collector.** The District Collector may deny the application at any stage of the evaluation process in cases where the application is attended with fraud or material misrepresentation. For this purpose, the District Collector shall send a notice to the applicant stating clearly the grounds for the denial of the application.
- 6.2. **Notice of Denial.** In case of denial of application by the Commissioner, a notice shall be sent to the applicant stating clearly the grounds for the denial.

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<sup>9</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.

<sup>10</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>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.



**6.3. Appeal from the Denial of the Application by the District Collector.** The applicant may appeal the denial of the application to establish or renew a CBW by filing an appeal to the District Collector within fifteen (15) days from receipt of the notice of denial, copy furnished the Office of the Commissioner, stating clearly the grounds why the application should be approved.

**6.4. Action by the District Collector.** The District Collector shall recommend approval of the application within five (5) working days from completion of documents and inspection report.

**6.5. Action by the Commissioner.** The Commissioner shall act on the recommendation of the District Collector within five (5) working days from receipt.

**6.6. Records of Appeal.** The District Collector shall forward the complete records of the application to the Commissioner within five (5) days from receipt of the appeal.

**Section 7. Certificate of Authority.** The Certificate of Authority to Operate a CBW issued shall be conspicuously displayed at all times at the CBW and its extension offices.

**Section 8. Renewal of Authority to Operate.** The application for subsequent renewal of Authority to Operate shall be filed with the District Collector, NAIA not later than ninety (90) days but not earlier than one hundred twenty (120) days before its expiration, together with the following documents:

- 8.1.** Updated layout plan of DFPC Main Bonded Warehouse including the location or vicinity map;
- 8.2.** Updated layout plan of DFPC sales, display or store counters and provincial outlets including the location or vicinity map;
- 8.3.** Names and contact numbers of DFPC responsible officers;
- 8.4.** Names and contact numbers of concessionaires, including responsible officers, with corresponding list of importables;
- 8.5.** Layout plan of storage area of concessionaires, if any;
- 8.6.** Summary of importation and sales report for the past three (3) years;
- 8.7.** Audited Financial Statements for the last two (2) years immediately preceding the date of application;



**8.8.** Contract of lease, if any; and

**8.9.** Certificate of accreditation as importer or a copy of Client Profile Registration System (CPRS) of DFPC and its concessionaires.

The Authority to Operate is deemed extended after the lapse of the period to act on the application on the part of the District Collector. The automatic extension shall last until the regular Authority to Operate is issued. However, the effectivity of the renewed Authority to Operate shall retroact to the first day immediately after the expiration of the previous authority.

**Section 9. Validity of the Renewed Authority to Operate.** The Authority to Operate the DFPC Main Bonded Warehouse including its extensions and outlets issued pursuant to this CAO shall be valid for three (3) years from the date of the approval of the application. If the term of the lease 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 from the date of original issuance.

**Section 10. Late Filing of Application for Renewal of Authority to Operate.** Non-filing within the prescribed period shall cause the imposition of penalties, which may take the form of fines, suspension, or revocation of the Authority to Operate, as may be warranted, in accordance with existing rules and regulation on CBWs.

**Section 11. Requirements to Operate the DFPC Main Bonded Warehouse and store outlets.**

**11.1. Customs Officers and Personnel.** In pursuit of the supervisory and control functions of the District Collector over DFPC Main Bonded Warehouse, sales outlets, counters and stores, assigned customs officers and personnel shall monitor and implement control measures for customs purposes, in accordance with its existing organizational structure and staffing pattern.

**11.2. 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, furnishings, supplies, telephone, 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>12</sup>

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<sup>12</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.



**11.3. 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 pursuant to Chapter 2, Title XV, Section 1508 of the CMTA.<sup>13</sup> The Bureau may charge customs service fees under Section 1300 subject to the rates prescribed under existing rules and regulations.<sup>14</sup>

**11.4. 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>15</sup>

## **Section 12. Responsibilities of DFPC.**

**12.1.** DFPC shall comply with the requirements of the Bureau on establishment, security, suitability and management, including stock-keeping and accounting of goods;

**12.2.** 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;

**12.3.** 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>16</sup> and

**12.4.** 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

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<sup>13</sup> cf. to Chapter 2, Title XV, Section 1508 of the CMTA.

<sup>14</sup> cf. CMTA, Title XIII, Section 1300.

<sup>15</sup> cf. CAO No. 01-2009 "Revised Rules and Regulations for the Establishment, Operation, Supervision and Control of Customs Bonded Warehouse, Title IV, Section 4.9.

<sup>16</sup> cf. CMTA, Title VIII, Chapter 2, Section 805.

employment of a twenty-four (24) hour security scheme and the installation of Closed Circuit Television Camera (CCTV) and similar devices.

**Section 13. Importation of Goods.** Imported goods to be sold at DFPC's Duty and Tax-Free Stores shall be entered duty and tax free under Warehousing Entry covered by

sufficient security and pertinent documents as provided by the CMTA, to be filed at the NAIA, Collection District III, except for excisable goods which are subject to VAT and Excise Tax. Provided, that importations discharged from other ports of entry other than NAIA 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>17</sup>

**Section 14. Examination and Delivery.**

- 14.1.** Imported Goods shall be allowed for Transit from any collection district 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 goods shall be by DFPC authorized representative, supervised by the Customs Warehouseman assigned thereat.<sup>18</sup>
- 14.2.** Upon arrival of all the duty and tax-free goods which is the subject of a Transit declaration to its final destination or point of exit, the Deputy Collector for Operations or equivalent in the final destination or point of exit shall tag in the system the arrival of the Transit Goods. Immediately after the transfer of imported goods, DFPC shall file the corresponding warehousing entry pursuant to Section 808 of the CMTA.<sup>19</sup>
- 14.3.** Transfer of imported goods 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>17</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 2.1.

<sup>18</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>19</sup> cf. CMTA, Title VIII, Chapter 2, Section 808.





- 14.4. Imported duty-free goods shall be examined in the DFPC's principal or Main Bonded Warehouse after filing of the warehousing entry.<sup>20</sup>

**Section 15. Withdrawals of Imported Duty and Tax-Free Goods.**

- 15.1. 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 underguarded by Customs Personnel concerned and to be covered by Transfer Note.<sup>21</sup>
- 15.2. 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>22</sup>
- 15.3. 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. The actual transfer shall be underguarded by Customs Personnel concerned and covered by Transfer Note.<sup>23</sup>

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<sup>20</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>21</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>22</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>23</sup> cf. CMO No. 07-2015 "On Tagging of the Arrival of Transshipments in e2m, Monitoring of Arrival of Transshipments and Filing of Entries for Transshipped Cargo".

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**Section 16. Security.** Before the transfer of newly arrived imported goods 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>24</sup>

The security shall guarantee the sale of the imported goods which shall be deemed equivalent to their exportation or to guarantee the payment of duties, taxes and other charges in other applicable cases.<sup>25</sup>

**Section 17. Sale of Duty and Tax-Free Goods to Qualified Individuals.** Sale to the following individuals of duty and tax-free goods from Duty Free Philippines stores and outlets shall be allowed under the following conditions:

- 17.1. Travelers.** Within forty-eight (48) hours upon arrival from a foreign country at an international airport or seaport:<sup>26</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 goods with a total value not exceeding \$1,000 payable only in acceptable foreign currency.

Provided, that purchases in excess of \$1,000.00 shall be subject to payment of full duty and tax.<sup>27</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, goods 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>28</sup>

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<sup>24</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>25</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>26</sup> cf. Republic Act No. 6768 "An Act Instituting a Balikbayan Program", Section 4.

<sup>27</sup> cf. CAO No. 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>28</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 2.2. (b).

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## 17.2. Balikbayan.

- 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>29</sup>

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>30</sup>

**Section 18. Limitations on Tax-Free Purchases accorded to Balikbayan and Tourists and Returning Residents.** The tax-free purchases privilege accorded to Balikbayan shall be subject to the following limitations:

### 18.1. Balikbayan.

OFW and Balikbayans as defined under Republic Act No. 9174.

- a. Purchases shall be made within fifteen (15) calendar days from the date of arrival, provided that:
  - i. 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;
  - ii. The privilege shall be availed of on a one-time shopping basis only; and
  - iii. 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>31</sup>

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<sup>29</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>30</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).

<sup>31</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).



- b. The privilege can be availed of by the balikbayan only once a year;<sup>32</sup>
- c. The privilege is non-transferable and purchases must 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 endorse in writing the kabuhayan shopping privilege to his or her immediate family members within the second degree of 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>33</sup>
- d. 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>34</sup> and
- e. 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>35</sup>

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<sup>32</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).

<sup>33</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>34</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>35</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).



**18.2. Tourists and Returning Residents.** The following privileges shall be availed by tourists and returning residents categorized as Regular Filipino Travelers and Foreign Individual Travelers.

- a. 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 non-transferable and can be availed of by the arriving traveler only once a year<sup>36</sup>; and

- b. Purchases of One Thousand United States dollars (US\$1,000) but not to exceed Ten Thousand United States dollars (US\$10,000) in any given year for Tourists and Filipinos traveling to or returning from foreign destinations.<sup>37</sup>

**Section 19. Sales and Delivery of Goods Purchased by Authorized Buyers.**

**19.1.** Sales and delivery of goods by Incoming Travelers immediately upon arrival shall be made only at duly approved designated sales counters in the airport/seaport of arrival.<sup>38</sup>

**19.2.** Proxy buying shall be allowed only for Kabuhayan Shopping privilege pursuant to Section 18.1 (c) of this CAO.<sup>39</sup>

**19.3.** Sales and delivery of goods 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>40</sup>

**Section 20. Liquidation of Entries.**

**20.1.** 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

<sup>36</sup> Implementing Rules and Regulations of Republic Act No. 9593, Rule VII Chapter IV Section 110(a) in relation to Section 90 of Republic Act No. 9593, Entitled, Tourism Act of 2009.

<sup>37</sup> cf. 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", Section 3-A.

<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 9.1.

<sup>39</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>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 9.2.



concerned who shall cause the liquidation of the corresponding entry.<sup>41</sup>

- 20.2.** In the event the prescribed one (1) year storage period has elapsed and there are still unsold or undisposed goods remaining, the DFPC shall have the option to either (1) pay the duties, taxes and other charges due thereon or (2) dispose the same by destruction or condemnation, and the Collector of Customs may then cause the liquidation of the covering warehousing entry.<sup>42</sup>

**Section 21. 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 22. Books of Records to be Kept by the Duty Free Philippines Corporation.**

- 22.1.** 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>44</sup>
- 22.2.** 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>45</sup>
- 22.3.** 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>46</sup>
- 22.4.** The DFPC shall periodically submit to the Bureau the list of its registered private suppliers and merchandisers.

<sup>41</sup> CAO No. 03-1987 "Rules, Regulations, and Procedures Governing the Establishment, Operation and Control of Duty and Tax-Free Stores and Warehouses", Section 11.

<sup>42</sup> cf. CMTA, Title VIII, Chapter 2, Section 811.

<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.

<sup>44</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>45</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>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 7.3.

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All DFPC stores shall establish effective ICT-enabled audit and inventory system specific on the storage, sale, and disposition of duty and tax-free goods. 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.

**Section 23. 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, 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 24. Penalties for Violations.**

- 24.1.** 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 practice committed against customs revenue as defined in the CMTA, shall subject the violator to the administrative and penal provision provided for under the CMTA.<sup>47</sup>
- 24.2.** 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>48</sup>
- 24.3.** 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>49</sup>

**Section 25. Periodic Review.** Unless otherwise provided, this CAO shall be reviewed every three (3) years and be amended or revised if necessary.

**Section 26. Repealing Clause.** This CAO specifically amends or repeals previously issued CAOs and CMOs which are inconsistent with the provisions herein stated.

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<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 14.1.

<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 14.2.

<sup>49</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.

**Section 27. 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 28. Effectivity.** This CAO shall take effect thirty (30) days after its complete publication at the Official Gazette or a newspaper of general circulation.

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



**REY LEONARDO B. GUERRERO**  
Commissioner, BOC MAR 10 2020



BOC-02-00986

Approved:



**CARLOS G DOMINGUEZ**  
Secretary of Finance

APR 28 2020

