CUSTOMS ADMINISTRATIVE ORDER
NO. 9-2003

SUBJECT: RULES AND REGULATIONS GOVERNING CUSTOMS OPERATIONS IN CAGAYAN SPECIAL ECONOMIC ZONE AND FREEPORT

Pursuant to the Revised Administrative Code of 1987, in relation to Republic Act 7922 and the Tariff and Customs Code of the Philippines (TCCP), as amended, the following rules and regulations are hereby promulgated.

1. DEFINITIONS

The following terms used in these Rules and Regulations are hereby defined as follows:

1.1 ACT— refers to Republic Act No. 7922, otherwise known as the Cagayan Economic Zone Authority Act of 1995.

1.2 ARTICLES— any goods, wares, merchandise and, in general, anything that may, under the Tariff and Customs Code of the Philippines, as amended, be made the subject of importation or exportation.

1.3 CAGAYAN ECONOMIC ZONE AUTHORITY (CEZA)— is the Zone Authority authorized under Section 5 of the Act to manage and operate the CSEZF.

1.4 CONTAINER— the outer container in which merchandise is held for storage or transportation, not an inter-modal container covered by the Customs Convention on Containers done at Geneva on December 02, 1972, unless otherwise indicated.

1.5 CSEZF— the Cagayan Special Economic Zone and Freeport referred to under Section 3 of the Act.

1.6 CUSTOMS— means the Philippine Bureau of Customs.

1.7 CUSTOMS CLEARANCE AREA— an area provided and delineated, pursuant to Administrative Order 296, by the CEZA in consultation with Customs as the clearing and processing center for articles entering and exiting the CSEZF; guarded and managed by Customs.

1.8 CUSTOMS TERRITORY— the territory outside of CSEZF.
1.9 DOMESTIC ARTICLES – articles which are grown, produced or manufactured in the Philippines and upon which all national internal revenue taxes have been paid, if subject thereto, and upon which no drawback or bounty has been allowed; and articles of foreign origin on which all duties and taxes have been paid and upon which no drawback or bounty has been allowed, or which have previously been duly entered into Customs Territory free of duties or taxes.

1.10 FOREIGN ARTICLES – articles of foreign origin on which duties and taxes have not been paid, or, if paid, upon which drawback or a bounty has been allowed, or which have not been entered into Customs Territory; or articles which are grown, produced, or manufactured in the Philippines on which not all national internal revenue taxes have been paid, or upon which a drawback or bounty has been allowed.

1.11 IMPORT PERMIT – the authority issued by the CEZA to the locators/residents, allowing the importation of specific foreign articles into the CSEZF.

1.12 LOCATOR/ENTERPRISE – any sole proprietorship, partnership, corporation or entity duly registered with the CEZA, unless otherwise indicated, to do business in the secured area of CSEZF, whether or not for profit.

1.13 REGULATED ARTICLES – articles the importation of which requires authority of the concerned government agency(ies).

1.14 PERSON – a natural person who brings merchandise into, possesses merchandise in, or takes merchandise from the CSEZF, whether or not a resident of the CSEZF.

1.15 POINT OF ENTRY OR EXIT – refers to any place designated by the Cagayan Export Zone Authority (CEZA), the Department of Finance/Bureau of Customs, where articles may be lawfully introduced into or removed from the secured area of the CSEZF.

1.16 PROHIBITED ARTICLES – articles the importation of which is prohibited by law.

1.17 RESIDENT – refers to those individuals and members of their immediate family who: (a) are registered and authorized by CEZA to establish and maintain a personal residence in the secured area of the CSEZF and are actually residing on a permanent basis within the secured area of the CSEZF by virtue of domicile or employment; or (b) have qualified investments of at least US$ 150,000 or its equivalent in the CSEZF and have continuously stayed within the secured area of the CSEZF for a period of at least one hundred eighty (180) days.
1.18 RETAIL SALE – the sale of articles in the CSEZF in small non-commercial quantities to a person for his own personal use and account, not for resale.

1.19 RULES AND REGULATIONS – unless otherwise specified, the regulations issued by CEZA to implement the Act.

1.20 SELECTIVITY – an automated system for the risk profiling/assessment of shipments discharged at the CSEZF based on previously determined risk criteria. The system automatically assigns the risk level of a particular shipment by color codes, as follows:

1.20.1 Green Lane – low risk where shipments can be admitted without any kind of inspection.

1.20.2 Yellow Lane – medium risk where documentary inspection is required prior to the admission of shipments.

1.20.3 Red Lane – high-risk where inspection of documents and physical examination of goods are required.

1.21 SECURED AREA – the area in the CSEZF designated by the CEZA, in consultation with the Department of Finance/Bureau of Customs, within which there shall be unimpeded, tax/duty-free flow of goods and articles; may be expanded jointly by the CEZA, the Department of Finance/Bureau of Customs and the Department of Interior and Local Government from time to time, with a resolution of concurrence of the affected local government units, as the requirements of the business in the CSEZF may demand or permit.

1.22 TCCP – the Tariff and Customs Code of the Philippines, as amended.

1.23 WITHDRAWAL PERMIT – the authority signed/issued by BoC/CEZA allowing the removal of specified foreign articles from the CSEZF into Customs Territory.

2. **SCOPE**

This Order shall cover all foreign shipments/articles entered into or removed from the secured area of the CSEZF.

3. **AUTHORITIES AND RESPONSIBILITIES**

3.1 CEZA

3.1.1 Operates/manages the CSEZF, pursuant to Section 6 of the Act and its implementing rules and regulations, as well as to the provisions of this Order.
3.1.2 Implements its own procedures to ensure the free flow and movement of articles into, within, and out of the CSEZF secured area, provided that the foreign articles shall be entered into/removed from the CSEZF secured area in accordance with this Order;

3.1.3 Issues Import Permits and Withdrawal Permits as prescribed in this Order;

3.1.4 Maintains/keeps true and updated records of articles entering into and leaving the CSEZF secured area and of all customs transactions made with regard to the activities in the CSEZF, for submission, periodically or as required, to the Commissioner of Customs.

3.2 CUSTOMS

3.2.1 Supervises and administers Customs operations involving the admission/removal of articles into/from the CSEZF secured area.

3.2.2 Applies the Selectivity scheme in the processing of foreign shipments/articles brought into the CSEZF secured area and issues Alert/Hold Orders and/or Warrant of Seizure and Detention (WSD) on said shipments/articles, as may be warranted, in accordance with existing rules and regulations.

3.2.3 In coordination with the CEZA, establishes and maintains Customs offices within the secured area; and to efficiently conduct Customs operations therein.

3.2.4 In coordination with the CEZA, sets up/operates the Customs Clearance Area (CCA) and the Customs checkpoint(s) at the point of entry/exit of the CSEZF secured area.

4. SEARCH, SEIZURE AND ARRESTS

Customs, in coordination with the CEZA, shall enforce all customs laws, rules and regulations within the CSEZF, as follows:

4.1 Persons, baggage, vehicles and cargoes entering or leaving the CSEZF secured area shall be subject to search by Customs. For this purpose, the point(s) of entry/exit at the CSEZF secured area shall be equipped with adequate facilities to pull aside vehicles/passengers, to hold/store seized or entering/leaving articles and/or to assess and collect taxes and duties.
4.2 Upon specific authority of the Commissioner of Customs, or of the Collector of Customs who has jurisdiction over the CSEZF, the designated customs officials, in the presence and with the assistance of CEZA officials/representatives, may at any time:

4.2.1 Pass through, search or enter any land or inclosure, or warehouse, store or building, except a dwelling house inside the CSEZF;

4.2.2 Go on board any vessel or aircraft within the CSEZF; and to inspect, search and examine said vessel/aircraft and any trunk, package, box or envelope on board; and to search any person on board the said vessel or aircraft if under way; to use all necessary force to compel compliance; and if it shall appear that any breach or violation of the customs and tariff laws of the Philippines has been committed, whereby or in consequence of which such vessels or aircraft, or the article or any part thereof on board of or imported by such vessel/aircraft has become subject to forfeiture, to make seizure of the same or any part thereof.

4.3 Prohibited articles and those not covered by Import Permit during the search or any examination, audit or check of articles by Customs may be seized by the Customs for violation of the tariff/customs laws, rules and regulations.

4.4 Where authorized under the law, Customs may arrest persons entering/leaving the CSEZF secured area. Arrests within the CSEZF shall be made with the assistance/in the presence of CEZA officials/representatives.

5. INVENTORY, AUDIT AND RECORD-KEEPING

5.1 At the end of its business year, each locator/enterprise shall conduct an annual physical inventory of all articles in its premises and possession within the CSEZF, and reconcile any discrepancies, if any. Such reconciliation shall be made and reported to the CEZA on a CEZA-prescribed form, copy furnished the Collector of Customs, within ninety (90) days after the end of the business year, along with any payment of duty/tax shortages or for excess importations/deliveries.

5.2 Authorized officials of CEZA and Customs shall, at any time during office hours, jointly check or conduct an audit or inventory count of the accounts or records of any locator/enterprise for purposes of verification and/or reconciliation.
5.3 Locator/enterprises bringing articles into the CSEZF secured area are responsible for keeping records of the permits, receipts, sales transfers, deliveries, and removals from CSEZF secured area of said articles, and for maintaining on a current basis the accounts and inventory records of the articles brought into the CSEZF secured area in accordance with the generally-recognized accounting principles and standards of the Republic of the Philippines.

5.4 The records shall provide an audit trail of the articles from the time of their receipt by the locator/enterprise in CSEZF to the time the locator/enterprise is relieved of responsibility over the articles pursuant to existing rules and regulations.

5.5 Such records shall be kept for five (5) years. If the record-keeping system of a locator/enterprise has been impaired to the point where no effective check, audit or inventory can be made by the CEZA, Customs, Bureau of Internal Revenue, or other authorized office, the CEZA may order the suspension of that enterprise’s Certificate of Registration. For its part, the locator/enterprise shall provide authorized officials of the CEZA, Bureau of Internal Revenue, or any other government agency access to articles in the CSEZF that are in its premises and possession, and to records pertaining thereto.

6. ADMINISTRATIVE PROVISIONS

6.1 Boarding Formalities. Regulations and procedures for the arrival formalities and clearance of aircraft/vehicles calling directly at the CSEZF shall be the same as those observed in the Customs Territory.

6.2 Importable Articles. Any kind or class of articles, except those prohibited under the Philippine laws, may be admitted into the CSEZF in accordance with this Order.

6.3 Prohibited Articles. Prohibited articles and those not covered by an Import Permit, shall be proceeded against pursuant to the pertinent TCCP provisions and this Order.

6.4 Import Permit Required. Except as herein provided, raw materials, capital goods, consumer items and other foreign articles may be brought, free of tax and duty, into the CSEZF by locator/enterprises/residents, either by direct unloading at CSEZF from abroad, or through a Port of Discharge/Unloading in Customs Territory, or from a CBW, PEZA locator or other special economic zones; provided that said articles are not prohibited and are covered by the corresponding Import Permit duly issued by the CEZA.
6.5 **No Import Permit Required.** No Import Permit shall be required for the admission of foreign articles to the CSEZF secured area for the following:

6.5.1 Any article of foreign origin valued at less than Five US Dollars (US$5.00);

6.5.2 Any personal effect of residents or of CSEZF locators valued at less than One Hundred Dollars (US $100.00);

6.5.3 Articles for delivery to a vessel or aircraft for loading and exportation to a foreign country;

6.5.4 Articles being returned to the CSEZF secured area after their temporary transfer from said area to the Customs Territory under the procedures allowed herein;

6.5.5 Domestic articles, subject however to the presentation to Customs the covering commercial invoice or similar document describing the articles in commercial items, along with a declaration that the articles are domestic articles as per Customs regulations in force in the Customs Territory.

7. **APPLICATION FOR ADMISSION INTO CSEZF**

7.1 Applicant(s). The application for admission of foreign articles to the CSEZF secured area shall be made by or on behalf of the locator/enterprise or its duly authorized representative.

7.2 **Applicant Other Than Consignee.** If the applicant is not the person/enterprise shown as the consignee in the Import Permit or in the other shipping documents, the admission application shall be accompanied by evidence satisfactorily showing that the applicant is filing the application on behalf of the consignee/importer.

7.3 **Customs Broker.** Customs brokers that are engaged to represent a locator/enterprise/resident must be duly licensed by the Collection District which has jurisdiction over the CSEZF.

7.4 **Application Form.** The admission application shall be made on a CEZA-prescribed form that shall provide the name of the registered owner, the shipment's source of goods/country of origin, its value and description, which shall be accomplished according to the convention provided under CMO 46-94.
8. PRESENTATION AND REVIEW OF ADMISSION DOCUMENTS

8.1 Presentation to Customs. The admission application shall be presented at the Customs office at the CSEZF secured area along with the Import Permit duly issued by CEZA, and the pertinent commercial/shipping documents, such as, bill of lading/airway bill and packing list.

8.2 Review of Admission. Upon arrival of the foreign articles at the CSEZF, the pertinent/required admission documents shall be submitted to the Customs office for verification as to the authenticity, accuracy and completeness of the admission documents.

8.3 Stationing at CCA. While Customs is in the said verification process, the goods/articles being applied for admission into the CSEZF secured area shall be brought to the CCA.

9. EXAMINATION

9.1 When Subject to Examination. For purposes of admission into the CSEZF and for other purposes provided elsewhere in this order, all foreign articles including transshipments and return shipments destined for the CSEZF shall not be subject to examination except:

9.1.1 Under the automated Selectivity Scheme or, if not yet in place, under a program of random check which shall be established by Customs;

9.1.2 Under the Alert/Hold Order system issued in accordance with existing rules and regulations;

9.1.3 When the Commissioner has reason to believe that there has been a violation of this Order and other customs laws and regulations.

9.2 In Customs Clearance Area. If an examination is required, the same shall be conducted in the Customs Clearance Area, unless the applicant requests the examination to be conducted in its premises for justifiable reasons, subject to the approval of the Collector of Customs.

9.3 If Not Subject to Examination. If the articles are not subject to examination, or if no discrepancy/irregularity that would warrant their detention is discovered during the examination, Customs shall check the condition of the vehicle delivering the articles to the applicant’s premises and the seals affixed thereto. Irregularities, if any, shall be noted on the admission documents and the cargoes shall be proceeded against accordingly. If in order, Customs shall allow the delivery of the cargoes to the applicant’s premises inside the CSEZF.
10. REMOVAL OF ARTICLES FROM CSEZF

10.1 Various Types of Removal. Articles inside CSEZF secured area may be removed therefrom for any of the following purposes:

10.1.1 direct exportation abroad;

10.1.2 for exportation abroad through a port of loading/exportation within Customs Territory;

10.1.3 for transfer to a CBW, PEZA locator or other ecozones in Customs Territory;

10.1.4 for temporary transfer to Customs territory, in which case the same shall be returned to the CSEZF secured area as prescribed herein;

10.1.5 for consumption in Customs Territory.

10.2 Withdrawal Permit Required. Except as specified herein, articles, materials, capital goods, equipment and consumer items shall not be removed from the CSEZF secured area without the Withdrawal Permit issued by the CEZA and approved by BoC. The Withdrawal Permit shall be in the form prescribed by the CEZA and shall indicate the purpose of the removal as specified in 10.1.

10.3 No Withdrawal Permit Required. Domestic articles, including those manufactured, blended or combined with foreign articles outside CSEZF and thereafter admitted into the CSEZF, may be removed from the CSEZF without a Withdrawal Permit, provided the person or enterprise presenting such articles for removal from CSEZF surrenders to Customs the following:

10.3.1 a declaration that the articles are domestic articles and thus exempted from the permit requirements; and

10.3.2 a commercial invoice or similar document describing the articles in commercial terms.

10.4 Cancellation of Withdrawal Permit. Articles for which a Withdrawal Permit has been issued shall, within seven (7) calendar days from said issuance, be physically removed from the CSEZF, otherwise, said Withdrawal Permit shall be deemed cancelled, in which case the locator/enterprise concerned shall re-assume responsibility for said articles.
11. EXPORTATION

11.1 Various Types of Exportations. Articles may be exported from CSEZF in accordance with customs rules and regulations and this Order, as follows:

11.1.1 Direct from CSEZF unto the carrying vessels/aircraft at CSEF;
11.1.2 From CSEZF through a Port of Loading in Customs Territory;
11.1.3 From Customs Territory for loading onto vessels/aircraft at CSEZF.

11.2 No Customs Examination. Except when subject of an Alert/Hold Order, articles in the process of/destined for exportation are not subject to Customs examination. While inside the CSEZF or at the port of exportation in Customs awaiting to be loaded on the exporting carrier, the holding containers shall be kept unopened, evidenced by the unbroken Customs and/or the CSEZF shipper’s seal.

11.3 Exportation from Customs Territory through CSEZF.

11.3.1 Foreign or domestic articles from Customs Territory may be brought into the CSEZF, provided the loading of said articles unto the exporting vessels/aircraft shall be supervised by Customs to ensure their exportation.

11.3.2 If not exported or returned to the Customs Territory within three (3) months from arrival at the CSEZF, said articles shall be deemed abandoned and shall be turned over to Customs for disposal in accordance with law. All expenses incurred by the CEZA in connection therewith shall be reimbursed from the proceeds of the disposed articles to the extent allowed by law, rules and regulations.

12. TRANSFER/TRANSSHIPMENT TO/FROM CSEZF

12.1 Various Types of Transshipment/Transfer. Movements of shipments/articles to/from CSEZF from/to the Ports of Discharge/Loading, CBWs, PEZA locators and other ecozones and other areas in Customs Territory, including temporary transfers as provided in this Order, shall be undertaken in accordance with existing transshipment procedures applicable in Customs Territory.

12.2 Customs Supervision and Control. Such transshipments shall be under Customs supervision and control as required by existing laws and regulations. For this purpose, Customs shall establish controls, such as escorts, gate passes, seals and/or other devices to ensure that the articles are duly and properly removed from the CSEZF and shall not be pilfered in transit or diverted into the domestic market.
12.3 **Examination of Transshipments.** Articles under transshipments shall, upon arrival at the CSEZF, be subject to the examination provision in 9.1. In case a transshipment to CSEZF from a Port of Discharge in Customs Territory has been subjected to examination pursuant to a Selectivity Scheme on Alert/Hold Order system in the Port of Discharge, said transshipment may no longer be subject to the examination provision in 9.1, unless there is a valid reason to the contrary.

12.4 **Markings.** Containers of articles subject of transfer/transshipment shall be marked to show both the origin and destination of the shipment, as follows.

12.4.1 To CSEZF: "SHIP TO CSEZF, FROM (name of PORT OF DISCHARGE/CBW/PEZA/OTHER ECOZONE/LOCATOR/OTHERS)";

12.4.2 From CSEZF: "SHIPPED FROM CSEZF, TO (name of PORT OF LOADING/CBW/PEZA/OTHER ECOZONE LOCATOR/OTHERS)";

12.4.3 Temporary transfers: "TEMPORARY TRANSFER FROM CSEZF TO (CBW/PEZA/OTHER ECOZONE LOCATORS/OTHERS)" or "RETURN TO CSEZF FROM (CBW/PEZA/OTHER ECOZONE LOCATORS/OTHERS)", whichever is appropriate and applicable.

12.5 **Registered Carriers.** Foreign articles inside the CSEZF may be transferred to the Customs Territory using the vehicle of the CSEZF Enterprise concerned or a carrier duly licensed by the CEZA for carriage within the CSEZF.

12.6 **Bonded Carriers.** Carriers who undertake to transship foreign articles from/to CSEZF shall be bonded in an amount to be determined by the CEZA which in no case shall be less than Fifty Thousand Pesos (P50,000.00).

12.7 **Proof of Exportation.** The admission into the CSEZF of articles transshipped from a CBW/PEZA/other ecozone/areas in Customs Territory other than the Port of Discharge as approved by Customs in the admission documents and the acceptance, receipt or acknowledgment thereof by a locator/enterprise shall serve as proof of exportation for purposes of determining/granting claims on drawbacks/zero-rating, subject to compliance with the applicable laws, rules and regulations.
13.8 **Markings.** The containers of articles subject of temporary transfers should be properly marked to show the origin and destination of the articles as provided in 12.4.3.

**14. REMOVAL/TRANSFER FOR CONSUMPTION**

14.1 **Subject to Taxes/Duties.** Foreign articles or domestic articles containing foreign components may be removed from CSEZF and brought to Customs Territory for consumption provided that they do not exceed the threshold allowed/permitted under existing laws, rules and regulations, and subject to payment of taxes/duties in accordance with Customs laws and regulations and with this Order. Thus, said articles shall also be subject to the examination provision in 9.1 hereof.

14.2 **Tariff Classification.** The classification of foreign articles, whether or not they have been manufactured, blended or otherwise combined with domestic articles, shall be determined according to the nature, condition or make up of such article at the time of the removal from the CSEZF secured area into the Customs Territory; and the corresponding tariff rate shall be applied accordingly.

14.3 **Valuation.** The value of foreign articles, or foreign article components, on which ad valorem duties and taxes are assessed, shall be determined on the basis of the transaction that brought such article from CSEZF to the Customs Territory applying the existing valuation system as per Sec. 201, TCCP, as amended by RA 9135 and implemented by CAO 5-2001 and CMO 37-2001 and their amendments.

**15. TREATMENT OF MOTOR VEHICLES/WATERCRAFT/AIRCRAFT**

15.1 **For Use by Locators/Residents.** The registration/use inside and outside CSEZF of motor vehicles, watercraft and aircraft brought, free of duties and taxes, by locators/residents into the CSEZF shall be subject to separate rules and guidelines, and such other rules and regulations as may hereafter be formulated by concerned agencies, including the CEZA and Customs, the Bureau of Internal Revenue (BIR) and the Land Transportation Office (LTO) of the Department of Transportation and Communication (DOTC) in case of vehicles, and the Civil Aeronautics Board and/or the Air Transportation Office in the case of aircraft.

15.2 **Removal/Transfer into Customs Territory.** Tax/duty-free motor vehicles, watercraft and aircraft brought into Customs Territory shall be subject to tax/duty payments when removed from CSEZF and shall be assessed on the basis of the transaction in the CSEZF, which brought the articles into the Customs Territory as prescribed hereunder:
15.2.1 When sold inside CSEZF, on the basis of:

15.2.1.1 Winning auction price per unit, if sold through public auction;

15.2.1.2 Selling price per unit, if sold through private sale.

15.2.2 When issued Withdrawal Permit for Consumption, prior to or when there is no auction/private sale, on the basis of the following, applied in sequential order:

15.2.2.1 Winning auction price/selling price per unit of same, like or similar item sold/bought in a public auction/private sale conducted/held inside CSEZF not more than three months ago;

15.2.2.2 In the absence of the above, the price at which the same, like or similar item was bought/sold in a public auction/private sale conducted/held inside CSEZF not more than six months ago;

15.2.2.3 In the absence of the prices referred to above, the market value of subject motor vehicles as indicated in motor vehicle reference books, such as the Japanese and US Red Book, Karo and World Car Book on automobile utility vehicles and other motor vehicles; US Red Book on motorcycles; US Truck Blue Book and Japanese Truck Blue Book on trucks and heavy equipment, subject to depreciation following the straight-line method of depreciation of 10% per year but not more than nine years or 90%.

15.3 Database to Serve as VRIS

15.3.1 The Collector of Customs shall build a databank/database on all auctions/sales involving subject motor vehicles under their respective jurisdiction, specifically the winning auction prices/sale prices and the values accepted by BoC as basis for the assessment of taxes/duties.

15.3.2 The auction/sale prices and accepted values stored in the abovementioned database shall serve the intents and purposes of the Value Reference Information System (VRIS) and, thus, the values declared on subject vehicles, which fall outside the valuation range in the database shall be treated in accordance with the applicable provisions in CMO 37-2001 providing for the "Revised Cargo Clearance Procedure" and its amendments.
15.4 **Supporting Documents**

The Customs entry filed on subject motor vehicle shall be supported by the following documents:

15.4.1 Withdrawal Permit for Consumption issued by CEZA allowing the removal/transfer of subject vehicle from CSEZF to customs territory;

15.4.2 When applicable, Notice of Award or equivalent document, in the case of public auction sale, or a Deed of Sale, in the case of private sale, indicating the auctioneer/seller and the winning bidder/buyer, as the case may be, and the price the motor vehicle was won or sold. Both Notice of Award and Deed of Sale shall be duly subscribed and sworn to.

15.5 **Compliance with Other Customs Requirements**

The processing and release of subject motor vehicles shall comply with the requirements as provided by CMO 15-2003 issued on 03 June 2003, providing, among others, the issuance of "one unit one CP" guideline and the transmittal of the CP to the Vehicle Importation Compliance Monitoring Unit (VICMU), Office of the Commissioner prior to submission to Land Transportation Office (LTO), and such other processes.

16. **TREATMENT OF CONSUMER ITEMS**

16.1 **Retail Sale of Consumer Items.** The retail sale of tax/duty-free consumer items by duly authorized retail stores within the CSEZF to Overseas Filipino Workers, Balikbayan and local and foreign tourists shall be allowed in accordance with existing/applicable rules and regulations. Locators/residents and non-residents may be allowed to retail-purchase such items, provided these are consumed within the CSEZF. For this purpose, all packages shall be opened and duly marked at the point of purchase. Stores shall be subject to the joint regulation of Customs and CEZA to insure proper accounting of imports and sales.

16.2 **Exportation of Consumer Items.** Consumer items purchased by foreign tourists and CSEZF residents may be exported provided these are brought along by them upon their departure to a foreign country from a designated port of exit, on board on a vessel/aircraft in accordance with the following guidelines:

16.2.1 The itemized listing provided by the retail seller under the provision of this Administrative Order shall contain the CEZA Withdrawal Permit To Export and the customs export documentation for the articles.
16.2.2 Persons who board vessels/aircraft in the Customs Territory shall present to Customs at the point of exit:

- The articles to be exported from CSEZF;
- The itemized listing provided by seller; and
- A declaration of any foreign articles consumed in the CSEZF.

16.2.3 The articles to be exported shall be placed in a sealed container provided by the seller of the articles.

16.2.4 The seller will be responsible for the delivery of the merchandise, under the supervision of the Customs, to the purchaser in the Customs Territory up to the time of departure of the vessel/aircraft; and for the payment of any duties, taxes or penalties due on any merchandise that is not properly delivered and exported.

17. **SPECIAL PROVISIONS**

17.1 Mail Matters. Articles arriving by mail or parcel at a postal facility within the secured area of CSEZF shall be released by Customs after completion of the required admission procedure for delivery by postal officials to the addressee.

17.2 **Vessel Fuel, Equipment and Supplies.** Foreign articles or articles that are reasonably necessary for the use of the vessels/aircraft calling at the CSEZF or otherwise engage in foreign trade, may be delivered free of duties and taxes to said aircraft/vessels for consumption on board by the crew/passengers; or for use as fuel or as equipment; or for repair; in the quantity/volume as may be authorized under the laws and regulations currently in effect in Customs Territory. The articles shall be considered transferred/removed from the CSEZF upon signature or receipt of the articles by an authorized official of the aircraft/vessel intending to use them.

17.3 **Domestic Articles Treated as Foreign Articles.** Domestic articles that have lost their identity as such in the CSEZF shall be considered/treated as foreign articles if, at the time of transfer to the Customs Territory, they cannot be identified by Customs as domestic articles upon examination or after consideration of proof presented by the locator/enterprise, including accounting and inventory records.

17.4 **Re-imported Articles.** Foreign articles previously exported from the CSEZF to a foreign country and subsequently re-imported through a port of discharge, CBW, PEZA locator or another ecozone in Customs Territory, may be admitted into the CSEZF as foreign articles.
18. **PENALTIES**

Any person or enterprise found to have violated any provision of the act of this Administrative Order shall be subject to the pertinent penal provisions of the Tariff and Customs Code of the Philippines, as amended.

19. **REPEALING CLAUSE**

All orders, memoranda, issuances not consistent herewith are deemed repealed, modified or amended accordingly.

20. **EFFECTIVITY**

This Administrative Order shall take effect fifteen (15) days after publication in the Official Gazette or in any newspaper of general circulation. Certified copies of this Customs Administrative Order shall be submitted to the UP Law Center pursuant to Book VII, Chapter 11, Section 3 and 4 of the Revised Administrative Code of 1987.

ANTONIO M. BERNARDO
Commissioner

Approved:

JOSE ISIDRO N. CAMACHO
Secretary

Date signed

08/13/03