



# BUREAU OF CUSTOMS

MAKABAGONG ADUANA, MATATAG NA EKONOMIYA

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PROFESSIONALISM

INTEGRITY

ACCOUNTABILITY

## CUSTOMS ADMINISTRATIVE ORDER (CAO)

NO. 03-2021

### SUBJECT: DIFFERENT TYPES OF STORES FOR INTERNATIONAL VESSELS AND AIRCRAFT

**INTRODUCTION.** This CAO implements Sections 818 to 821, Chapter 4, Title VIII, and other related provisions of Republic Act No. 10863, otherwise known as the Customs Modernization and Tariff Act (CMTA).

**Section 1. Scope.** This CAO covers the following:

- 1.1. Stores for use or consumption by the passengers and the Crew on board vessels or aircraft engaged in foreign trade, whether or not sold;<sup>1</sup>
- 1.2. Stores carried by vessels or aircraft docking or landing at one or more ports or airports in the Customs Territory, for use or consumption on board during the stay of said vessels or aircraft at such intermediate ports or airports and during her voyage or its flight between such ports or airports, or while the vessel is undergoing repairs in a dock or shipyard;<sup>2</sup>
- 1.3. Stores for sale to the passengers and the Crew of vessels or aircraft with a view to being landed, which are either on board upon arrival or are taken on board during the stay in the customs territory of vessels or aircraft used, or intended to be used, in international traffic for the transport of persons for remuneration or for the industrial or commercial transport of goods, whether or not for remuneration;<sup>3</sup> and
- 1.4. Supplies which are necessary for the reasonable requirements of vessels or aircraft in her voyage or its flight outside the Philippines, including those goods transferred from a Customs Bonded Warehouse (CBW) to an aircraft or vessel.

<sup>1</sup> CMTA, Title VIII, Chapter 4, Section 818 (a).

<sup>2</sup> CMTA, Title VIII, Chapter 4, Section 818 (a).

<sup>3</sup> CMTA, Title VIII, Chapter 4, Section 819.



**Section 2. Objectives.**

- 2.1. To expedite the clearance and delivery of Stores for Consumption and Stores to be Taken Away to vessels or aircraft engaged in foreign trade intended for the use or consumption of the passengers or its Crew and those goods deemed necessary for the operation and maintenance of said vessels or aircraft;
- 2.2. To establish an Information and Communication Technology (ICT)-enabled inventory system for monitoring of Stores;
- 2.3. To institute appropriate measures to prevent any unauthorized use of Stores; and
- 2.4. To implement uniformly the exemption from duties and taxes of Stores regardless of the country of registration or ownership of vessels or aircraft.

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

- 3.1. **Air Operator** — shall refer to any organization which undertakes to engage in domestic commercial air transport or international commercial air transport, whether directly or indirectly, or by a lease or any other arrangement.<sup>5</sup>
- 3.2. **Crew** — shall refer to person/s assigned by an operator to duty on an aircraft or vessel during a flight or voyage duty period.<sup>6</sup>
- 3.3. **Customs Bonded Warehouse** — shall refer to a facility established and authorized by the Bureau of Customs pursuant to Title VIII, Chapter 2 of the CMTA. This may include Customs Bonded Manufacturing Warehouse (CBMW), Miscellaneous Customs Bonded Warehouse (MMBW), Customs Common Bonded Warehouse (CCBW), Industry-Specific Customs Bonded Warehouse (ICBW), Bonded Non-Manufacturing Warehouse (BNMW), Public Bonded Warehouse and Private Bonded Warehouse as defined by regulation.<sup>7</sup>

<sup>5</sup> Republic Act No. 9497, Section 3 (s).

<sup>6</sup> cf. International Civil Aviation Organization, Annex 9, Chapter 1(A).

<sup>7</sup> CAO No. 5-2017, Section 3.5.



- 3.4. Customs Control** — shall refer to the measures applied to ensure compliance with the laws and regulation which Customs are responsible for enforcing.<sup>8</sup>
- 3.5. Customs Territory** — shall refer to areas in the Philippines where customs and tariff laws may be enforced.<sup>9</sup>
- 3.6. Prohibited Goods** — shall refer to the following goods, the importation and exportation of which are prohibited:
- a. Written or printed goods in any form containing any matter advocating or inciting treason, rebellion, insurrection, sedition against the government of the Philippines, or forcible resistance to any law of the Philippines, or written or printed goods containing any threat to take the life of, or inflict bodily harm upon any person in the Philippines;
  - b. Goods, instruments, drugs and substances designed, intended or adapted for producing unlawful abortion, or any printed matter which advertises, describes or gives direct or indirect information where, how or by whom unlawful abortion is committed;
  - c. Written or printed goods, negatives or cinematographic films, photographs, engravings, lithographs, objects, paintings, drawings or other representation of an obscene or immoral character;
  - d. Any goods manufactured in whole or in part of gold, silver or other precious metals or alloys and the stamp, brand or mark does not indicate the actual fineness of quality of the metals or alloy;
  - e. Any adulterated or misbranded food or goods for human consumption or any adulterated or misbranded drug in violation of relevant laws and regulations;
  - f. Infringing goods as defined under the Intellectual Property Code and related laws; and
  - g. All other goods or parts thereof which importation are explicitly prohibited by law or rules and regulations issued by the competent authority.<sup>10</sup>

<sup>8</sup> CAO No. 3-2019 citing WCO Glossary of Customs Terms.

<sup>9</sup> CMTA, Title I, Chapter 2, Section 102 (q)

<sup>10</sup> cf. CMTA, Title I, Chapter 3, Section 118.



- 3.7. Regulated Goods** — shall refer to goods, the importation and exportation of which are subject to regulation and shall only be allowed after securing the necessary clearances, licenses, and any other requirements, prior to importation or exportation. In case of importation, submission of requirements after arrival of the goods but prior to release from customs custody shall be allowed but only in cases provided for by governing laws or regulations.<sup>11</sup>
- 3.8. Restricted Goods** — shall refer to the following goods, the importation and exportation of which are prohibited, except when authorized by law or regulation:
- a. Dynamite, gunpowder, ammunitions and other explosives, firearms and weapons of war, or parts thereof;
  - b. Roulette wheels, gambling outfits, loaded dice, marked cards, machines, apparatus or mechanical devices used in gambling or the distribution of money, cigars, cigarettes or other goods when such distribution is dependent on chance, including jackpot and pinball machines or similar contrivances, or parts thereof;
  - c. Lottery and sweepstakes tickets, except advertisements thereof and lists of drawings therein;
  - d. Marijuana, opium, poppies, coca leaves, heroin or other narcotics or synthetic drugs which are or may hereafter be declared habit forming by the President of the Philippines, or any compound, manufactured salt, derivative, or preparation thereof, except when imported by the government of the Philippines or any person duly authorized by the Dangerous Drugs Board, for medicinal purposes;
  - e. Opium pipes or parts thereof, of whatever material;
  - f. Weapons of Mass Destruction and goods included in the National Strategic Goods List (NSGL) as provided under Republic Act No. 10697 or the Strategic Trade Management Act (STMA);
  - g. Toxic and hazardous goods under Republic Act No. 6969 or the "Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990"; and

<sup>11</sup> cf. CMTA, Title I, Chapter 3, Section 117.



h. Any other goods whose importation and exportation are restricted.<sup>12</sup>

The restriction to import or export the above stated goods shall include the restriction on their transit.

**3.9. Seal** — shall refer to a piece of metal or other material used to join together two ends of a fastening in a secure manner.<sup>13</sup>

**3.10. Security** — shall refer to a form of a deposit or of a legal obligation, e.g., a bond which ensures to the satisfaction of the Customs that an obligation to the Customs will be fulfilled.<sup>15</sup>

**3.11. Stores** — shall refer to Stores for Consumption and Stores to be Taken Away.<sup>17</sup>

**3.12. Stores List** — shall refer to the goods declaration for stores providing the particulars concerning stores carried on board the means of transport, to be presented as required by the Bureau.<sup>18</sup>

**3.13. Transfer Note** — shall refer to a document that accompanies the transfer of imported articles from the terminal facility to a Customs Bonded Warehouse<sup>19</sup> or vice versa, including transfers of Stores to another vessels or aircraft, and serves as proof of delivery or receipt of the articles at its intended destination duly acknowledged on its face by the customs officer stationed thereat. It is also commonly referred to as "boat note".<sup>20</sup>

**3.14. Transit/Transfer Permit** — shall refer to customs document authorizing the transport of imported Goods from the port of exit to the point of destination. This is previously called "special permit to transfer".<sup>21</sup>

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

**4.1.** Customs treatment of Stores should apply uniformly, regardless of the country of registration or ownership of vessels or aircraft.

<sup>12</sup> cf. CMTA, Title I, Chapter 3, Section 119; CAO No. 6-2016.

<sup>13</sup> Definition of Terms, WCO.

<sup>15</sup> Definition of Terms, WCO.

<sup>17</sup> cf. CMTA, Title VIII, Chapter 4, Section 818 and 819.

<sup>18</sup> cf. Glossary of Customs and Trade Terms.

<sup>19</sup> cf. CAO No. 13-2019, Section 4.3.2 (c).

<sup>20</sup> cf. CAO No. 15-2019, Section 3.28.

<sup>21</sup> cf. CAO No. 15-2019, Section 3.30.

- 4.2. Stores classified as Regulated Goods must comply with the necessary requirements of the concerned regulatory agency.
- 4.3. Prohibited Goods and Restricted Goods shall not be allowed as Stores.
- 4.4. All transfers of Stores to another vessel or aircraft assigned to an international route shall be covered by a Transfer Note.
- 4.5. The Bureau shall require a carrier to take appropriate measures to prevent any unauthorized use of Stores including sealing of the Stores, when necessary.

It shall require the removal of Stores from the vessel or aircraft for transfer and storage in a CBW or elsewhere during its stay in the Customs Territory only when the Bureau considers it necessary and subject to continuous underguarding.<sup>22</sup>

- 4.6. Replenishment of Stores that are exempt from duties and taxes shall be allowed for vessels or aircraft which have arrived in the Customs Territory, and which need to replenish their Stores for the journey to their final destination in the Customs Territory, subject to the following conditions:
  - 4.6.1. Stores in such quantities as the Bureau deems reasonable with due regard to the number of the passengers and the crew, to the length of the voyage or flight, and to any quantity of such stores already on board; and
  - 4.6.2. Stores necessary for the operation and maintenance of a vessel or aircraft in such quantities as are deemed reasonable for operation and maintenance during the voyage or flight, after due regard of the quantity of such stores already on board.<sup>23</sup>

**Section 5. Types of Stores.** Stores which are either on board upon arrival or are taken on board during the stay in the Customs Territory of vessels or aircraft used, or intended to be used, in international traffic for the transport of persons for remuneration or for the industrial or commercial transport of goods, whether or not for remuneration, are classified as follows:

<sup>22</sup> CMTA, Title VIII, Chapter 4, Section 820, paragraph 4.

<sup>23</sup> CMTA, Title VIII, Chapter 4, Section 820, paragraph 6.



**5.1. Stores for Consumption.** Stores for consumption shall include:

**5.1.1.** Goods intended for use by the passengers and the crew on board vessels or aircraft, whether or not sold; and

**5.1.2.** Goods necessary for the operation and maintenance of vessels or aircraft including fuel and lubricants but excluding spare parts and equipment.<sup>24</sup>

**5.2. Stores to be Taken Away.** This type of Stores shall include goods for sale to the passengers and the crew of vessels and aircraft with a view to being landed.<sup>25</sup>

**Section 6. Duty and Tax Treatment of Stores.** The following Stores are exempt from duties and taxes:

**6.1.** Stores which are carried in a vessel or aircraft arriving in the Customs territory provided that they remain on board.<sup>26</sup>

**6.2.** Stores for consumption by the passengers and the Crew imported as provisions on international express vessels or aircraft. Provided, that such goods are purchased only in the countries crossed by the international vessels and aircraft in question, and any duties and taxes chargeable on such goods are paid in the country where they were purchased.<sup>27</sup>

**6.3.** Stores necessary for the operation and maintenance of vessels or aircraft which are on board these means of transport while in the Customs Territory.

Provided, that they remain on board while these means of transport are in the Customs Territory.

**6.4.** Stores for use during the stay of a vessel in the Customs Territory in such quantities as the customs authority deems reasonable with due regard to the number of the passengers and the Crew and to the length of the stay of the vessels or aircraft in the Customs Territory;<sup>28</sup>

<sup>24</sup> CMTA, Title VIII, Chapter 4, Section 820.

<sup>25</sup> CMTA, Title VIII, Chapter 4, Section 819

<sup>26</sup> CMTA, Title VIII, Chapter 4, Section 820, paragraph 1.

<sup>27</sup> CMTA, Title VIII, Chapter 4, Section 820, paragraph 1.

<sup>28</sup> CMTA, Title VIII, Chapter 4, Section 820, paragraph 2.



**6.5.** Stores for use by the Crew while the vessel is undergoing repairs in a dock or shipyard.

Provided that, the duration of stay in a dock or shipyard is considered to be reasonable.<sup>29</sup>

**Section 7. Stores List.**

**7.1. Uniform Stores List.** The Bureau shall devise a uniform format for the Stores List to be provided by airline and shipping line operators which shall be accomplished and signed by the latter and submitted to the Customs Officer upon entry and departure of the vessels or aircraft and shall contain the following information:

<b>Vessel</b> 1. Name of Ship 2. Voyage Number 3. Registry Number 4. Port of Origin 5. Date of Arrival/Departure 6. Port of Arrival/Departure 7. Port of Destination 8. Nationality of Ship 9. Number of Persons On-Board	<b>Aircraft</b> 1. Aircraft Configuration 2. Flight Number 3. Registry Number 4. Port of Origin/Destination 5. Date of Arrival/Departure 6. Passenger Load 7. Aircraft Type 8. Control Number 9. Description of Articles 10. Unit of Measure
<b>Vessel</b> 10. Period of Stay 11. Place of Stay 12. Name of Articles 13. Type of Stores 14. Quantity of Stores 15. Place of Storage 16. Name of the Master 17. Date and signature by master, authorized agent or officer	<b>Aircraft</b> 11. Quantity Loaded 12. Total Consumed 13. Unconsumed 14. Outgoing Bonded Set-Up 14.1. Prepared By/Date 14.2. Customs Officer/Date 14.3. Released By/Date 15. Aircraft Turn-Over 15.1. Account Officer 15.2. Departure Cabin Attendant

<sup>29</sup> CMTA, Title VIII, Chapter 4, Section 820, paragraph 3





	15.3. Arriving Cabin Attendant/Caterer Destination 16. Incoming Bonded Set-Up 16.1. Turn-Over By/Date 16.2. Received By/Date 16.3. Inventoried By/Date 17. Cabin Attendant-ID No. 18. Purser 19. Remarks
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- 7.2. Submission of Stores List.** Upon arrival of the vessel or aircraft, the Bureau shall require the submission of the Stores List to the Piers and Inspection Division (PID) or equivalent office or to the Aircraft Operations Division (AOD), as the case may be, indicating therein the list of inflight commissary items including the duty free bonded items arriving in the Customs Territory. Upon departure, no separate Stores List should be required from the vessels or aircraft.
- 7.3.** Duty-free items and Stores for use or consumption by passengers or Crew delivered from a CBW to aircraft shall also be included in the uniform Stores List.

**Section 8. Importations by Philippine-Registered or Foreign Shipping Lines or Airlines.**

- 8.1.** The following are conditionally-free importations by persons engaged in international shipping or air transport operations:
- 8.1.1.** Supplies for use or consumption of the passengers or its crew on board the vessel or aircraft as sea or air stores in its voyage or flight outside the Philippines including goods transferred from a CBW in any Customs District to any vessel or aircraft engaged in foreign trade; or
  - 8.1.2.** Goods purchased abroad for sale on board a vessel or aircraft as saloon stores or air store supplies.

Provided that, any surplus or excess of such vessel or aircraft supplies arriving from foreign ports or airports shall be dutiable.<sup>30</sup>

<sup>30</sup> cf. CMTA, Title VIII, Chapter 1, Section 800 (o); cf. National Internal Revenue Code (NIRC) as amended by RA No. 10963, Section 109 (U).



- 8.2. Conditionally-free importations made by Philippine-registered or foreign shipping lines or airlines engaged in international shipping or air transport operations which do not operate a CBW may be exempt from payment of duties and taxes, provided that a TEI, together with other required documentary requirements shall be filed with the Bureau.
- 8.3. Conditionally-free importations made by Philippine-registered or foreign shipping lines or airlines engaged in international shipping or air transport operations that operate a CBW shall no longer need a TEI.
- 8.4. Stores unconsumed by the passengers of vessels or aircraft during the voyage or flight shall be returned to CBW for inventory and/or final exportation. Unconsumed stores remaining in the CBW beyond the period prescribed for storage shall be deemed abandoned and be disposed of in accordance with the rules on abandonment.<sup>31</sup>
- 8.5. ICT-enabled inventory system shall be established and maintained by the operator of the CBW and made accessible on-line to the Customs Officer for Customs Control.

**Section 9. Stores On Board.**

- 9.1. **Checking and Inventory Stores during Boarding Formalities.**  
Upon arrival of the vessel or aircraft, the Bureau shall ensure that checking and inventory of remaining Stores are conducted.
- 9.2. **Sealing of Containers or Storage Areas for Stores.**
  - 9.2.1. The Bureau shall ensure that containers or storage areas for Stores are properly closed, locked and sealed for arriving and departing vessels and aircraft engaged in international traffic for the transport of persons for remuneration or for the industrial or commercial transport of goods, whether or not for remuneration.

The design and specifications of the serialized Seal to be placed on containers or storage areas for Stores shall be devised and pre-approved by the Bureau and provided by the airlines or shipping lines concerned.

<sup>31</sup> cf. CAO No. 13-2019, Section 5.14.



The Bureau shall establish a system for the color-coding of the Seals to be placed on containers or storage areas for Stores, in accordance with international standards.

**9.2.2.** In case of aircraft, the Bureau shall likewise conduct the following:

**a.** Ensure that the containers are secured on board until departure for quick turn-around flights where the unconsumed Stores may remain on board until departure; and

**b.** Ensure the secure removal of the locked and cleared containers to the bonded warehouse for terminating flights.

**9.2.3.** In case of vessels, the containers or storage areas for sea stores shall be sealed in the presence of ship's officer and the Customs Inspector assigned on board. Only the Customs Senior Boarding Officer, in the presence of the Customs Inspector, may break the Seal and allow the withdrawal of such quantities as may be authorized, and re-seal the sea store compartment after such withdrawal.<sup>32</sup>

**Section 10. Stores for Vessel or Aircraft with Multiple Ports of Call.** For international aircraft or vessel with intent to call at one or more ports in the Customs Territory, the operator shall provide an accurate Stores List for all the food and supplies needed during the stay of such aircraft or vessel at such intermediate ports and during its transit between such ports.

The Bureau shall allow the transport and delivery of Stores from one port to another upon request of the CBW Operator.

**Section 11. Reportorial System.** A reportorial system shall be established by the Bureau for statistical purposes and monitoring of different types of Stores.

**Section 12. Penal Provision.** Violations of this CAO committed by any person, officer or employee shall be penalized in accordance with Title XIV of the CMTA and other applicable penal provisions.

**12.1. Penalty for Breaking of Seal.** If any Seal placed by a Customs Officer upon any vessel or aircraft or compartment thereof, or upon

<sup>32</sup> cf. CMO No. 22-2010, Section 3, A (3).

any box, trunk or other package of goods on board is broken, the owner, operator, or agent of the vessel or aircraft shall be liable with the following fines:

- 12.1.1. First Offense — PhP100,000.00 for each broken or destroyed Seal
- 12.1.2. Second Offense — PhP200,000.00 for each broken or destroyed Seal
- 12.1.3. Third Offense or more — PhP300,000.00 for each broken or destroyed Seal.<sup>33</sup>

**12.2. Breaking of Lock or Fastening Placed by Customs Officer.** If any lock or other fastening device placed by a customs officer upon any hatch door, or other means of communication in the hold of a vessel or aircraft, or other part thereof for the security of the same during the night time, is unlawfully opened, broken or removed, or if any of the goods contained in the hold or in the other compartments so secured is illegally removed or clandestinely abstracted and landed, the owner, operator, or agent of the vessel or aircraft, shall be liable for a fine of Three Hundred Thousand Pesos (Php300,000.00) for each broken or destroyed lock or other fastening device.<sup>34</sup>

**12.3. Sanctions for Unauthorized Breaking of Seals on CBW.** Unauthorized breaking of Seals or taking away of stores shall subject the CBW Operator to suspension or closure pursuant to existing rules and regulations,<sup>35</sup> including a fine of Three Hundred Thousand Pesos (Php300,000.00) for each broken or removed Customs Seal or other fastening or mark.<sup>36</sup>

**Section 13. Periodic Review.** Unless otherwise provided, this CAO shall be reviewed every three (3) years and be amended or revised, if necessary.

**Section 14. Repealing Clause.** This CAO specifically amends or repeals previously issued CAOs and CMOs which are inconsistent with the provisions herein stated.

**Section 15. Separability Clause.** If any part of this CAO is declared unconstitutional or contrary to existing laws, the other parts not so declared shall remain in full force and effect.

<sup>33</sup> CMTA, Title XIV, Chapter 1, Section 1419.

<sup>34</sup> CMTA, Title XIV, Chapter 1, Section 1420.

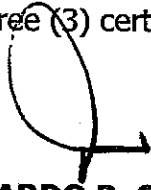
<sup>35</sup> cf. CAO No. 13-2019, Section 8.7.

<sup>36</sup> CMTA, Title XIV, Chapter 1, Section 1421.



**Section 16. Effectivity.** This CAO shall take effect thirty (30) days after its 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.



**REY LEONARDO B. GUERRERO**

Commissioner of Customs



BOC-02-05711

Approved:



**CARLOS G DOMINGUEZ**

Secretary of Finance

MAY 31 2021

