



REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF CUSTOMS

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**CUSTOMS ADMINISTRATIVE ORDER (CAO)
NO. _____**

**SUBJECT: ESTABLISHMENT OF NONMANUFACTURING CUSTOMS BONDED
WAREHOUSE FOR INTERNATIONAL SHIPPING OR AIR TRANSPORT
OPERATIONS**

Introduction. This Customs Administrative Order (CAO) implements Sections 109 (U) and 135 of the National Internal Revenue Code of 1997, as amended by Republic Act No. 120661, or Create More, in relation to Title VIII of Republic Act No. 10863, otherwise known as the Customs Modernization and Tariff Act (CMTA).

Section 1. Scope. This CAO applies to importation of petroleum products, goods, and supplies used for international shipping or air transport operations for use or consumption outside the Philippines.

Section 2. Objectives.

- 2.1.** To establish a Nonmanufacturing Customs Bonded Warehouse (NCBW-ISAT) catering to international shipping or air transport operations;
- 2.2.** To qualify the scope and application of NCBW-ISAT pursuant to the Create More;
- 2.3.** To protect the revenue through the institution of safeguard and control measures over NCBWs catering to international shipping or air transport operations.

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 authority given by the Bureau allowing persons, natural or juridical, to establish and operate a NCBW .



- 3.2. Bureau** — shall refer to the Bureau of Customs.
- 3.3. Goods Declaration** — shall refer to a statement made in the manner prescribed by the Bureau and other appropriate agencies, by which the persons concerned indicate the procedure to be observed in the application for the entry or admission of imported goods and the particulars of which the customs administration shall require.⁸
- 3.4. Importation** — shall refer to the act of bringing in goods from a foreign territory into Philippine territory, whether for consumption, warehousing, or admission.⁹
- 3.5. Petroleum Products** - shall refer to products formed in the course of refining crude petroleum through distillation, cracking, solvent refining and chemical treatment coming out as primary stocks from the refinery such as, but not limited to: LPG, naphtha, gasolines, solvents, kerosenes, aviation fuels, diesel oils, fuel oils, waxes and petrolatums, asphalt, bitumens, coke and refinery sludges, or other such refinery petroleum fractions which have not undergone any process or treatment as to produce separate chemically-defined compounds in a pure or commercially pure state and to which various substances may have been added to render them suitable for particular uses: Provided, That the resultant product contains not less than fifty percent (50%) by weight of such petroleum products.¹⁰

Section 4. Establishment of Nonmanufacturing Customs Bonded Warehouse Catering to International Shipping or Air Transport Operations (NCBW-ISAT). Pursuant to Sections 109 (U) and 135 of the National Internal Revenue Code of 1997, as amended by Republic Act No. 120661, an NCBW-ISAT is hereby created.

- 4.1.** The NCBW-ISAT shall have the following distinct characteristics:
- 4.1.1.** It is a species of a Nonmanufacturing CBW¹⁵ but the imported goods are not destined for domestic consumption. The petroleum products, goods, and supplies shall be used for international shipping or air transport operations.

⁸ cf. CMTA, Title I, Chapter 2, Section 102(y)

⁹ cf. CMTA, Title I, Chapter 2, Section 102(z)

¹⁰ RR No. 4-2022, Section 2.

¹⁵ CAO No. 1-2022, Section 4.3.3.



- 4.1.2.** It is a species of an Industry-Specific Customs Bonded Warehouse¹⁶ but the importation covers finished goods which are not for manufacturing or production of finished products. The petroleum products is for direct supply or sale to international shipping or air transport operations.
- 4.1.3.** The NCBW-ISAT shall be an exception to the general rule that finished products are not allowed to be imported if the same are not used as a component in the manufacture/production of another finished product for export.¹⁷
- 4.1.4.** Petroleum products directly imported by international carriers of Philippine or foreign registry on their use or consumption outside the Philippines are exempt from excise tax and Value Added Tax (VAT);¹⁸ By direct importation, the international carriers of Philippine or foreign registry shall be the sole, direct and exclusive importer of the petroleum products, including ancillary activities related to the importation.
- 4.1.5.** Petroleum products, goods, and supplies imported by NCBW-ISAT to international shipping or air transport operators shall be exempt from VAT, and refund for excise tax paid on such products is allowed, upon presenting proof that the petroleum products were sold to client international carriers of Philippine or foreign registry, for their use or consumption outside the Philippines.¹⁹
- 4.1.6.** Customs duties, if applicable, shall be subject to payment upon importation, but the direct importer or supplier shall be allowed for a refund in accordance with Republic Act 10863 or the CMTA.²⁰

Section 5. Accreditation of NCBW-ISAT. The existing rules and regulations on the accreditation of CBWs shall govern the processing of applications by international carriers and suppliers. However, to ensure proper inventory, monitoring and liquidation of petroleum products, goods, and supplies covered under this CAO, the Bureau shall set the following conditions in addition to those prescribed by the port as approved by the commissioner taking into consideration the peculiar condition of

¹⁶ CAO No. 1-2022, Section 4.3.2 (d).

¹⁷ CMO No. 3-2022, Section 2.1.4.

¹⁸ Republic Act No. 12066, Section 10 citing Section 135 (a).

¹⁹ Republic Act No. 12066, Section 10 citing Section 135 (a), 2nd par.

²⁰ Republic Act No. 11534, Section 295 (F).



individual applicant:

- 5.1.** For direct importers eligible for exemption from VAT and excise taxes:
 - 5.1.1.** The importer must be an international shipping or air transport operator;
 - 5.1.2.** The importer shall maintain a storage tank dedicated for VAT and excise-exempt goods;
 - 5.1.3.** The petroleum products, goods, and supplies shall be exclusively for the international operations, not domestic operations, of persons engaged in international shipping or air transport operations;
 - 5.1.4.** The importation of petroleum products, goods, and supplies to persons is limited to petroleum products, goods, and supplies that shall be used in the transport of goods and passengers from a port in the Philippines directly to a foreign port, or vice-versa;²²
 - 5.1.5.** The vessel or aircraft shall not dock or land at any other port in the Philippines unless the docking or landing at any other Philippine port is for the purpose of unloading passengers and/or cargoes that originated from abroad, or to load passenger and/or cargoes bound for abroad;²³
 - 5.1.6.** The vessel or aircraft shall not load goods or passengers for domestic destination;²⁴ and
 - 5.1.7.** The direct importer shall submit the projected volume of importations for one (1) year, and historical record of sale for the preceding calendar year, if available.
- 5.2.** For Suppliers eligible for exemption from VAT, and refund for excise taxes:
 - 5.2.1.** The person or entity shall be a supplier to international shipping or air transport operator;

²² cf. RR No. 10-2025, Section 5 citing Section 109 (u).

²³ cf. RR No. 10-2025, Section 5 citing Section 109 (u).

²⁴ cf. RR No. 10-2025, Section 5 citing Section 109 (u).



- 5.2.2.** The supplier shall maintain a storage tank dedicated for VAT-exempt goods
- 5.2.3.** The petroleum products, goods, and supplies shall be supplied to persons engaged in international shipping or air transport operations and used exclusively for the international operations, not domestic operations;
- 5.2.4.** The importation of petroleum products, goods, and supplies to persons is limited to petroleum products, goods, and supplies that shall be used in the transport of goods and passengers from a port in the Philippines directly to a foreign port, or vice versa;²⁶
- 5.2.5.** The vessel or aircraft shall not dock or stop at any other port in the Philippines unless the docking or stopping at any other Philippine port is for the purpose of unloading passengers and/or cargoes that originated from abroad, or to load passenger and/or cargoes bound for abroad;²⁷
- 5.2.6.** The vessel or aircraft shall not load goods or passengers for domestic destination;²⁸ and
- 5.2.7.** The supplier and the international shipping and air transport operator must have a supply agreement with clients with projected volume of importation for one (1) year, and historical record of sale for the preceding calendar year, if available.
- 5.3.** If any petroleum products, goods, and supplies is used for purposes other than those mentioned under this Section, such petroleum products, goods, and supplies shall be subject to payment of VAT and excise tax. For instance, where the ship or aircraft making domestic transit allows the loading or unloading of passengers and goods for domestic commercial purpose, the entire volume of petroleum products loaded to such ship or aircraft shall be subject to VAT and excise tax. Moreover, refund of the excise tax, if already paid, will not be granted.

²⁶ cf. RR No. 10-2025, Section 5 citing Section 109 (u).

²⁷ cf. RR No. 10-2025, Section 5 citing Section 109 (u).

²⁸ cf. RR No. 10-2025, Section 5 citing Section 109 (u).



Section 6. Posting of Security for Goods Stored in NCBW-ISAT. All NCBW-ISATs shall be required to post the following bonds:

6.1. Performance bond in the amount of Php 10,000,000.00. This bond shall cover any penalties for violations of this CAO, the CMTA and other applicable rules and regulations. Should the bond become outstanding in case of violations, the Performance Bond shall be replenished before any importation of petroleum products, goods, and supplies are granted VAT and/or excise tax exemption.

6.2. General Warehousing Bond (GWB).

6.2.1. For direct importers: The bond shall cover the VAT and excise taxes of the goods.

6.2.2. For suppliers: The bond shall cover the VAT of the goods.

Existing rules on the posting of GWB shall apply.²⁹ Provided, that, the amount of bond shall sufficient to cover every importation. Provided further, that the minimum amount shall not be less than the average duties and taxes payable for three (3) months based on projections or historical record as provide for under Sections 5.1.7 and 5.2.7.

6.3. General Transport Security Bond. This Bond shall ensure the complete and immediate delivery of goods and the payment of pertinent customs charges and expenses and other transfer costs.³⁰

Section 7. Underguarding for Transfers. Transfer from the port of discharge to the client/end-user or extension NCBW-ISAT shall be subject to continuous underguarding, unless the transfer is carried out through a pipeline.

Section 8. Liquidation of Goods Declaration for Warehousing and Cancellation of Bonds. All transfers from the NCBW-ISAT to the vessel or aircraft shall be covered by sufficient documents which shall be utilized for liquidation purposes, including cancellation of bonds. The liquidation and cancellation shall be made at the port where the warehousing goods declaration was filed.

²⁹ cf. CAO No. 1-2022, Section 4.12.9, Section 8.5 and Section 11.

³⁰ cf. CMTA, Title VI, Chapter 6, Section 602; CAO No. 1-2022, Section 4.12.9; cf. CAO No. 1-2021, Section 5.6.



Section 9. Penalties. Without prejudice to the criminal and other administrative liability provided under the CAO No. 1-2022, the following administrative sanctions shall be imposed on the NCBW-ISAT for the following offenses:

- 8.1.** Any violation of Section 5 hereof shall be subject to the following penalties:
 - 8.2.** Payment of VAT, and excise taxes, computed per flight/voyage subject of the violation, covering the full volume of supplied petroleum products.
 - 8.3.** If the violator is the client, the client and the Supplier shall be jointly and severally liable.
- 8.4.** Payment of interests and surcharges.
 - 8.4.1.** First offense – plus 10% of the amount due
 - 8.4.2.** Second offense – plus 30% of the amount due
 - 8.4.3.** Third offense – plus 100% of the amount due and suspension of warehousing privilege for three (3) months
 - 8.4.4.** Fourth offense – plus 100% of the amount due and revocation of Authority to Operate NCBW-ISAT
- 8.5.** Other penalties. Penalties under CAO No. 1-2022 shall likewise be imposed in case of violation, if applicable.

Section 10. Repealing Clause. All other rules and regulations issued by the Bureau which are inconsistent with this CAO are deemed repealed or modified accordingly.

Section 11. 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.

Section 12. Effectivity Clause. This CAO shall take effect take effect fifteen (15) days after publication at the Official Gazette website or a newspaper of national circulation.

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



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Commissioner of Customs

Approved:

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