

SEC. 424. *Duty of Customs Officer Tasked to Assess Imported Goods.* – For purposes of assessing duties and taxes on imported goods, the customs officer shall classify, value, and determine the duties and taxes to be paid. The customs officer shall prepare and submit an assessment report as established under this Act.

SEC. 425. *Tentative Assessment of Goods Subject to Dispute Settlement.* – Assessment shall be deemed tentative if the duties and taxes initially assessed are disputed by the importer. The assessment shall be completed upon final readjustment based on the tariff ruling in case of classification dispute, or the final resolution of the protest case involving valuation, rules of origin, and other customs issues.

The District Collector may allow the release of the imported goods under tentative assessment upon the posting of sufficient security to cover the applicable duties and taxes equivalent to the amount that is disputed.

SEC. 426. *Tentative Assessment of Provisional Goods Declaration.* – Assessment of a provisional goods declaration shall be deemed tentative and such assessment shall be completed upon final readjustment and submission by the declarant of the additional information or documentation required to complete the declaration within the period provided in Section 403 of this Act.

SEC. 427. *Readjustment of Appraisal, Classification or Return.* – Such appraisal, classification or return, as finally passed upon and approved or modified by the District Collector, shall not be altered or modified in any manner, except:

(1) Within one (1) year after payment of the duties, upon statement of error in conformity with Section 912 of this Act, as approved by the District Collector;

(2) Within fifteen (15) days after such payment, upon request for reappraisal or reclassification addressed to the Commissioner by the District Collector, if the appraisal or classification is deemed to be low;

(3) Upon request for reappraisal and/or reclassification, in the form of a timely protest addressed to the District Collector by the interested party if the latter should be dissatisfied with the appraisal or return; or

(4) Upon demand by the Commissioner after the completion of compliance audit in accordance with the provisions of this Act.

SEC. 428. *Assessment of Duty on Less Than Entered Value.* – Duty shall not be assessed in any case upon an amount less than the entered value, unless by direction of the Commissioner in cases when the importer certifies at the time of entry that the entered value is higher than the dutiable value and that the goods are so entered in order to meet increases made by the appraiser in similar cases then pending re-appraisal; and the lower assessment shall be allowed only when the importer's contention is sustained by a final decision, and shall appear that such action of the importer was taken in good faith after due diligence and inquiry.

SEC. 429. *Final Assessment.* – Assessment shall be deemed final fifteen (15) days after receipt of the notice of assessment by the importer or consignee.

SEC. 430. *Period of Limitation.* – In the absence of fraud and when the goods have been finally assessed and released, the assessment shall be conclusive upon all parties three (3) years from the date of final payment of duties and taxes, or upon completion of the post clearance audit.

SEC. 431. *Release of Goods after Payment of Duties and Taxes.* – Goods declared shall be released when duties and taxes and other lawful charges have been paid or secured and all the pertinent laws, rules and regulations have been complied with.

When the Bureau requires laboratory analysis of samples, detailed technical documents or expert advice, it may release the goods before the results of such examination are known after posting of sufficient security by the declarant.

SEC. 432. *Release of Goods to the Holder of Bill of Lading or Airway Bill.* — Any customs officer who releases goods to the consignee or lawful holder of the bill of lading or airway bill shall not be liable for any defect or irregularity in its negotiation unless the customs officer has notice of the defect or irregularity.

SEC. 433. *Release of Goods Without Production of Bill of Lading or Airway Bill.* — No customs officer shall release goods to any person without the submission of the bill of lading or airway bill covering the goods, except on written order of the carrier or agent of the vessel or aircraft, in which case neither the government nor the customs officer shall be held liable for any damage arising from wrongful release of the goods: *Provided*, That when the release of goods is made against such written order, the customs officer shall require the submission of a copy of the bill.

SEC. 434. *Release of Goods Upon Order of Importer.* — An importer may issue a written authorization for the release of goods stored in a bonded warehouse to another person. Such authorization shall not relieve the importer from liability for the duties, taxes and other charges due on the goods unless the person to whom the release was authorized assumes such liability.

SEC. 435. *Withholding Release Pending Satisfaction of Lien.* — When the District Collector is duly notified through a lawful order of a competent court of a lien for freight, lightage or general average upon any imported goods, the District Collector shall withhold the release of the goods unless the claim has been paid or secured. In case of disagreement, the District Collector may release the goods after payment of the freight and lightage due on the quantity or weight landed as actually determined.

SEC. 436. *Fine or Surcharge on Goods.* — Goods subject to any fine or surcharge shall be released only after the payment of the fine or surcharge.

## CHAPTER 4

### SPECIAL PROCEDURES

SEC. 437. *Traveler and Passenger Baggage.* — The Bureau shall provide simplified customs procedure for traveler and baggage processing based on international agreements and customs best practices.

Travelers shall be permitted to export goods for commercial purposes, subject to compliance with the necessary export formalities and payment of export duties, taxes and charges, if any.

SEC. 438. *Postal Item or Mail.* — Postal item or mail shall include letter-post and parcels, as described in international practices and agreements, such as the Acts of the Universal Postal Union (AUPU), currently in force.

A simplified procedure shall be used in the clearance of postal item or mail, including the collection of the applicable duties and taxes on such items or goods.

When all the information required by the customs are available in the special declaration form for postal items as provided in the AUPU or similar international agreements, the special declaration form and supporting documents shall be the goods declaration. However, a separate goods declaration shall be required for the following:

- (a) Goods whose value fall within the level that the Commissioner has determined to be taxable and thus must be covered by a goods declaration;
- (b) Prohibited and regulated goods;
- (c) Goods, the exportation of which must be certified; and
- (d) Imported goods under a customs procedure other than for consumption.

SEC. 439. *Express Shipment.* – The Bureau shall provide simplified customs procedures based on international standards and customs best practices for air shipments considered as time-sensitive and requiring pre-arrival clearance. Express shipments of accredited air express cargo operators may be released prior to the payment of the duty, tax and other charges upon posting of a sufficient security.

SEC. 440. *Establishment of Advance Customs Clearance and Control Program.* – The Bureau may establish and implement a voluntary program on advance customs clearance and control on containerized cargoes. The details of the voluntary advance customs clearance shall be subject to the rules and regulations to be issued by the Bureau after conducting the necessary public hearings and consultations with the concerned sectors.

## TITLE V

### EXPORT CLEARANCE AND FORMALITIES

#### CHAPTER 1

##### EXPORT CLEARANCE AND DECLARATION

SEC. 500. *Export Declaration.* – All goods exported from the Philippines, whether subject to export duty or not, shall be declared through a competent customs office through an export declaration, duly signed electronically or otherwise by the party making the declaration.

The description of the goods in the export declaration must contain sufficient and specific information for statistical purposes as well as for the proper valuation and classification of the goods.

SEC. 501. *Export Product to Conform to Standard Grades.* – If applicable, products shall conform to export standard grades established by the government. The packaging of the said goods shall likewise be labeled and marked in accordance with

related laws and regulations. Export declaration may not be granted for goods violating the aforementioned requirements.

SEC. 502. *Lodgement and Processing of Export Declaration.* – The Bureau shall promulgate rules and regulations to allow manual and electronic lodgement and processing of the export declaration.

SEC. 503. *Rules of Origin.* – Pursuant to the applicable rules of origin, the Bureau or any other designated government agency may determine the origin of goods for export and, if appropriate, issue the corresponding certificates of origin. However, the exporter may adopt a self-certification system: *Provided,* That it is duly accredited by the Bureau or any other authorized government agencies.

## TITLE VI

### CUSTOMS TRANSIT AND TRANSSHIPMENT

#### CHAPTER 1

##### CUSTOMS TRANSIT

SEC. 600. *Customs Transit in the Customs Territory.* – Customs transit within the customs territory shall be allowed for goods except those intended for consumption, to be transported as follows:

(a) From port of entry to another port of entry as exit point for outright exportation;

(b) From port of entry to another port of entry or inland customs office;

(c) From inland customs office to a port of entry as exit point for outright exportation; and

(d) From one port of entry or inland customs office to another port of entry or inland customs office.

A transit permit is required for goods transported under customs transit. However, transfer of goods in customs transit from one means of transport to another shall be allowed: *Provided*, That any customs seal or fastening is not broken or tampered.

The party responsible for the compliance of the obligations imposed on customs transit shall ensure that the goods are presented intact and in due course at the customs office of destination. Failure to comply with the aforementioned obligations or likewise failure to follow a prescribed itinerary or period for delivery of the goods may immediately subject the goods to the corresponding duties, taxes and other applicable fines, penalties, and surcharges.

SEC. 601. *Duty and Tax on Goods Intended for Transit.* – Transit goods admitted for storage in a customs bonded warehouse, or for outright exportation at the port of destination or inland customs office, and goods intended for transit covered by Republic Act No. 10668, otherwise known as "An Act Allowing Foreign Vessels to Transport and Co-Load Foreign Cargoes for Domestic Transshipment and for Other Purposes", shall not be subject to the payment of duties and taxes at the port of entry: *Provided*, That any conditions and security required by the Bureau are complied with.

Goods for consumption and other goods intended for customs transit not covered by the immediately preceding paragraph shall be subject to the payment of duties and taxes at the port of discharge.

SEC. 602. *Carrier's Security.* – Carriers that transport imported goods that shall be placed under customs transit from a port of entry to other ports, shall post a general transportation security amounting to at least fifty thousand pesos (P50,000.00). Such security shall ensure the complete and immediate delivery of goods to the customs officer at the port of destination and the payment of pertinent customs charges and expenses and other transfer costs. The amount of the security may be adjusted by the Commissioner, upon approval of the Secretary of Finance.

## CHAPTER 2

### CUSTOMS TRANSSHIPMENT

SEC. 603. *Customs Transshipment.* – Goods admitted for transshipment shall not be subject to the payment of duties and taxes: *Provided*, That the goods declaration for customs transshipment particularly indicates such nature of the goods, duly supported by commercial or transport documents or evidence as required by the Bureau.

Goods for transshipment must be exported from the Philippines within thirty (30) days from arrival thereof. The Commissioner may allow an extension of such period after the establishment of valid reasons.

SEC. 604. *Goods Entered for Immediate Reexportation.* – Where an intent of reexportation of the goods is shown by the bill of lading, invoice, manifest, or other satisfactory evidence, the whole or a part of a bill comprising not less than one package may be entered for immediate reexportation under security. The District Collector shall designate the vessel or aircraft in which the goods are loaded constructively as a warehouse to facilitate the direct transfer of the goods to the exporting vessel or aircraft.

Unless it shall appear in the bill of lading, airway bill, invoice, manifest, or other satisfactory evidence, that goods arriving in the Philippines are destined for transshipment, no exportation thereof will be permitted except under entry for immediate reexportation under sufficient security in an amount equal to the ascertained duties, taxes and other charges.

Upon the reexportation of the goods, and the production of proof of landing beyond the limits of the Philippines, the security shall be released.

TITLE VII  
IMPORT DUTY AND TAX  
CHAPTER 1  
BASIS OF VALUATION

SEC. 700. *Sequential Application of Valuation Methods.*  
– Imported goods shall be valued in accordance with the provisions of Section 701 of this Act whenever the conditions prescribed therein are fulfilled.

Where the customs value cannot be determined under the provisions of Section 701 of this Act, it is to be determined by proceeding sequentially through the succeeding sections hereof to the first such section under which the customs value can be determined. Except as provided in Section 704 of this Act, it is only when the customs value cannot be determined under the provisions of a particular section that the provisions of the next section in the sequence can be used.

If the importer does not request that the order of Sections 704 and 705 of this Act be reversed, the normal order of the sequence is to be followed. If the importer so requests but it is impossible to determine the customs value under Section 705 of this Act, the customs value shall be determined under Section 704.

When the customs value cannot be determined under Sections 701 through 705, it may be determined under Section 706 of this Act.

SEC. 701. *Transaction Value System – Method One.* – The transaction value shall be the price actually paid or payable for the goods when sold for export to the Philippines adjusted in accordance with the provisions of this section: *Provided, That:*

(a) There are no restrictions as to the disposition or use of the goods by the buyer other than restrictions which:

(i) Are imposed or required by law or by Philippine authorities;

(ii) Limit the geographical area in which the goods may be resold; or

(iii) Do not substantially affect the value of the goods;

(b) The sale or price is not subject to some condition or consideration for which a value cannot be determined with respect to the goods being valued; and

(c) The buyer and the seller are not related, or where the buyer and the seller are related, that the transaction value is acceptable for customs purposes under the provisions hereof.

For purposes of this Act, persons shall be deemed related only if:

(i) They are officers or directors of one another's business;

(ii) They are legally recognized partners in business;

(iii) There exists an employer-employee relationship between them;

(iv) Any person directly or indirectly owns, controls or holds five percent (5%) or more of the outstanding voting stocks or shares of both seller and buyer;

(v) One of them directly or indirectly controls the other;

(vi) Both of them are directly or indirectly controlled by a third person;

(vii) Together they directly or indirectly control a third person; or

(viii) They are members of the same family, including those related by affinity or consanguinity up to the fourth civil degree.

Persons who are associated in business with one another in that one is the sole agent, sole distributor or sole concessionaire, however described, of the other shall be deemed to be related for the purposes of this Act if they fall within any of the eight (8) cases cited in the preceding paragraph.

In a sale between related persons, the transaction value shall be accepted as basis for customs valuation whenever the importer demonstrates that such value closely approximates one of the following occurring at or about the same time:

(a) The transaction value in sales to unrelated buyers of identical or similar goods for export to the same country of importation;

(b) The customs value of identical or similar goods as determined under the provisions of Section 704 of this Act; or

(c) The customs value of identical or similar goods are determined under the provisions of Section 705 of this Act.

In determining the transaction value, the following shall be added to the price actually paid or payable for the imported goods:

(1) To the extent that they are incurred by the buyer but are not included in the price actually paid or payable for the imported goods:

(a) Commissions and brokerage fees except buying commissions;

(b) Cost of containers;

(c) Cost of packing, whether for labor or materials;

(d) Value, apportioned as appropriate, of the following goods and services: materials, components, parts and similar items incorporated in the imported goods; tools; dies; moulds and similar

items used in the production of imported goods; materials consumed in the production of the imported goods; and engineering, development, artwork, design work and plans and sketches undertaken elsewhere than in the Philippines and necessary for the production of imported goods, where such goods and services are supplied directly or indirectly by the buyer free of charge or at a reduced cost for use in connection with the production and sale for export of the imported goods; and

(e) Amount of royalties and license fees related to the goods being valued that the buyer must pay either directly or indirectly, as a condition of sale of the goods to the buyer.

(2) Value of any part of the proceeds of any subsequent resale, disposal or use of the imported goods that accrues directly or indirectly to the seller;

(3) Cost of transport of the imported goods from the port of exportation to the port of entry in the Philippines;

(4) Loading, unloading and handling charges associated with the transport of the imported goods from the country of exportation to the port of entry in the Philippines; and

(5) Cost of insurance.

All additions to the price actually paid or payable shall be made only on the basis of objective and quantifiable data.

SEC. 702. *Transaction Value of Identical Goods – Method Two.* – Where the dutiable value cannot be determined under method one, the dutiable value shall be the transaction value of identical goods sold for export to the Philippines and exported at or about the same time as the goods being valued. For purposes of this section, "Identical goods" refer to goods which are the same in all respects, including physical characteristics, quality and reputation. Minor differences in appearances shall not preclude goods otherwise conforming to the definition from being regarded as identical.

If, in applying this section, more than one transaction value of identical goods are found, the lowest value shall be used to determine the customs value.

**SEC. 703. *Transaction Value of Similar Goods – Method Three.*** – Where the dutiable value cannot be determined under the preceding method, the dutiable value shall be the transaction value of similar goods sold for export to the Philippines and exported at or about the same time as the goods being valued. For purposes of this section, "Similar goods" refer to goods which, although not alike in all respects, have like characteristics and similar component materials which enable them to perform the same functions and to be commercially interchangeable. The quality of the goods, its reputation and the existence of a trademark shall be among the factors to be considered in determining whether goods are similar.

If, in applying this section, more than one transaction value of identical goods are found, the lowest such value shall be used to determine the customs value.

**SEC. 704. *Deductive Value – Method Four.*** – Where the dutiable value cannot be determined under the preceding method, the dutiable value shall be the deductive value unless otherwise requested by the importer as provided in Section 700 hereof. The deductive value which shall be based on the unit price at which the imported goods or identical or similar imported goods are sold in the Philippines, in the same condition as when imported, in the greatest aggregate quantity, at or about the time of the importation of the goods being valued, to persons not related to the persons from whom they buy such goods, subject to deductions for the following:

(1) Either the commissions usually paid or agreed to be paid or the additions usually made for profit and general expenses in connection with sales in such country of imported goods of the same class or kind;

(2) The usual costs of transport and insurance and associated costs incurred within the Philippines;

(3) Where appropriate, the costs of: (i) transport of the imported goods from the port of exportation to the port of entry in the Philippines; (ii) loading, unloading and handling charges associated with the transport of the imported goods from the country of exportation to the port of entry in the Philippines; and (iii) insurance; and

(4) The customs duties and other national taxes payable in the Philippines by reason of the importation or sale of the goods.

If neither the imported goods nor identical nor similar imported goods are sold at or about the time of importation of the goods being valued in the Philippines in the conditions they were imported, the customs value shall, subject to the conditions set forth in the preceding paragraph, be based on the unit price at which the imported goods or identical or similar imported goods sold in the Philippines in the condition they were imported and at the earliest date after the importation of the goods being valued, but before the expiration of ninety (90) days after such importation.

If neither the imported goods nor identical nor similar imported goods are sold in the Philippines in the condition as imported, then, if the importer so requests, the dutiable value shall be based on the unit price at which the imported goods, after further processing, are sold in the greatest aggregate quantity to persons in the Philippines who are not related to the persons from whom they buy such goods, subject to allowance for the value added by such processing and deductions provided under subsections (1), (2), (3) and (4) hereof.

**SEC. 705. *Computed Value – Method Five.*** – Where the dutiable value cannot be determined under the preceding method, the dutiable value shall be the computed value of the sum of:

(1) The cost or the value of materials and fabrication or other processing employed in producing the imported goods;

(2) The amount for profit and general expenses equal to that usually reflected in the sale of goods of the same class or

kind as the goods being valued which are made by producers in the country of exportation for export to the Philippines;

(3) The freight, insurance fees and other transportation expenses for the importation of the goods;

(4) Any assist, if its value is not included under paragraph (1) hereof; and

(5) The cost of containers and packing, if their values are not included under paragraph (1) hereof.

The Bureau shall not require or compel any person not residing in the Philippines to produce for examination, or to allow access to, any account or other record for the purpose of determining a computed value. However, information supplied by the producer of the goods for the purposes of determining the customs value may be verified in another country with the agreement of the producer and provided that said producer will give sufficient advance notice to the government of the country in question and that the latter does not object to the investigation.

SEC. 706. *Fallback Value – Method Six.* – If the dutiable value cannot be determined under the preceding methods described above, it shall be determined by using other reasonable means and on the basis of data available in the Philippines. If the importer so requests, the importer shall be informed in writing of the dutiable value determined under method six and the method used to determine such value.

No dutiable value shall be determined under method six on the basis of:

(1) The selling price in the Philippines of goods produced in the Philippines;

(2) A system that provides for the acceptance for customs purposes of the higher of two (2) alternative values;

(3) The price of goods in the domestic market of the country of exportation;

(4) The cost of production, other than computed values, that have been determined for identical or similar goods in accordance with method five hereof;

(5) The price of goods for export to a country other than the Philippines;

(6) Minimum customs values; or

(7) Arbitrary or fictitious values.

SEC. 707. *Ascertainment of the Accuracy of the Declared Value.* – Nothing in this section shall be construed as restricting or calling into question the right of the Bureau to ascertain the truth or accuracy of any statement, document or declaration presented for customs valuation purposes. When a declaration has been presented and when the Bureau has reason to doubt the truth or accuracy of the particulars or of documents produced in support of such declaration, it may ask the importer to provide further explanation, including documents or other evidence, that the declared value represents the total amount actually paid or payable for the imported goods, adjusted in accordance with the provisions of Section 701 of this Act.

If in the course of determining the dutiable value of imported goods, it becomes necessary to delay the final determination of such dutiable value, the importer shall nevertheless be able to secure the release of the imported goods upon posting of a sufficient security in an amount equivalent to the duties and taxes in dispute conditioned on the payment of additional duties and taxes, if any, as may be determined: *Provided*, That prohibited goods shall not be released under any circumstance.

If, after receiving further information, or in the absence of a response, the Bureau still has reasonable doubts on the truth or accuracy of the declared value, it may deem that the customs value of the imported goods cannot be determined under method



one, without prejudice to an importer's right to appeal pursuant to Section 1104 of this Act. Before taking a final decision, the District Collector shall communicate to the importer, in writing if requested, the grounds for doubting the truth or accuracy of the particulars or documents produced and give the importer a reasonable opportunity to respond. When a final decision is made, the Bureau shall communicate its decision and the grounds therefor in writing.

SEC. 708. *Exchange Rate.* – For the assessment and collection of import duty upon imported goods and for other purposes, the value and prices thereof quoted in foreign currency shall be converted into the currency of the Philippines at the current rate of exchange or value specified or published, from time to time, by the Bangko Sentral ng Pilipinas (BSP).

## CHAPTER 2

### SPECIAL DUTIES AND TRADE REMEDY MEASURES

SEC. 709. *Government's Right of Compulsory Acquisition.* – In order to protect government revenues against undervaluation of goods, the Commissioner may, *motu proprio* or upon the recommendation of the District Collector, acquire imported goods under question for a price equal to their declared customs value plus any duties already paid on the goods, payment for which shall be made within ten (10) working days from issuance of a warrant signed by the Commissioner for the acquisition of such goods.

An importer who is dissatisfied with a decision of the Commissioner pertaining to this section may, within twenty (20) working days after the date on which notice of the decision is given, appeal to the Secretary of Finance, and thereafter if still dissatisfied, to the CTA as provided for in Section 1136 of this Act.

Where no appeal is made by the importer, or upon reaffirmation of the Commissioner's decision during the appeals

process, the Bureau or its agents shall sell the acquired goods pursuant to existing laws and regulations.

Nothing in this section limits or affects any other powers of the Bureau with respect to the disposition of the goods or any liability of the importer or any other person with respect to an offense committed in the importation of the goods.

SEC. 710. *Marking of Imported Goods and Containers.* – (A) Marking of Goods. – Except as hereinafter provided, all goods of foreign origin imported into the Philippines or their containers, as provided in subsection (B) hereof shall be conspicuously marked in any official language of the Philippines as legibly, indelibly and permanently as the nature of the goods or container will permit and in such manner as to indicate to an ultimate purchaser in the Philippines the name of the country of origin of the goods. Pursuant thereto, the Commissioner shall, with the approval of the Secretary of Finance:

- (1) Determine the character of words and phrases or abbreviation thereof which shall be acceptable as indicating the country of origin and prescribe any reasonable method of marking, whether by printing, stenciling, stamping, branding, labeling or by any other reasonable method, and in a conspicuous place on the goods or container where the marking shall appear;
- (2) Require the addition of other words or symbols which may be appropriate to prevent deception or mistake as to the origin of the goods or as to the origin of any other goods with which such imported goods is usually combined subsequent to importation but before delivery to an ultimate purchaser; and
- (3) Authorize the exception of any goods from the requirements of marking if:
  - (i) Such goods are incapable of being marked;
  - (ii) Such goods cannot be marked prior to shipment to the Philippines without injury;

(iii) Such goods cannot be marked prior to shipment to the Philippines, except at an expense economically prohibitive of their importation;

(iv) The marking of a container of such goods will reasonably indicate the origin of such goods;

(v) Such goods are crude substances;

(vi) Such goods are imported for use by the importer and not intended for sale in their imported or any other form;

(vii) Such goods are to be processed in the Philippines by the importer or for the importer's account other than for the purpose of concealing the origin of such goods and in such manner that any mark contemplated by this section would necessarily be obliterated, destroyed, or permanently concealed;

(viii) An ultimate purchaser, by reason of the character of such goods or by reason of the circumstances of their importation, must necessarily know the country of origin of such goods even though they are not marked to indicate their origin;

(ix) Such goods were produced more than twenty (20) years prior to their importation into the Philippines; or

(x) Such goods cannot be marked after importation except at an expense which is economically prohibitive, and the failure to mark the goods before importation was not due to any purpose of the importer, producer, seller or shipper to avoid compliance with this section.

(B) Marking of Containers. — Whenever goods are exempt under paragraph (3) of subsection (A) of this section from the requirements of marking, the immediate container, if any, of such goods, or such other container or containers of such goods, shall be marked in such manner as to indicate to an ultimate purchaser in the Philippines the name of the country of origin of such goods in any official language of the Philippines, subject to

all provisions of this section, including the same exceptions as are applicable to goods under paragraph (3) of subsection (A).

(C) Fine for Failure to Mark. — If, at the time of importation any good or its container, as provided in subsection (B) hereof, is not marked in accordance with the requirements of this section, there shall be levied, collected, and paid upon such good a marking duty of five percent (5%) of dutiable value, which shall be deemed to have accrued at the time of importation.

(D) Release Withheld Until Marked. — No imported goods held in customs custody for inspection, examination, or assessment shall be released until such goods or their containers shall have been marked in accordance with the requirements of this section and until the amount of duty estimated to be payable under subsection (C) of this section shall have been deposited.

(E) The failure or refusal of the owner or importer to mark the goods as herein required within a period of thirty (30) days after due notice shall constitute as an act of abandonment of said goods and their disposition shall be governed by the provisions of this Act relative to abandonment of imported goods.

#### SEC. 711. *Dumping Duty.* —

The provisions of Republic Act No. 8752, otherwise known as the "Anti-Dumping Act of 1999", are hereby adopted.

#### SEC. 712. *Safeguard Duty.* —

The provisions of Republic Act No. 8800, otherwise known as the "Safeguard Measures Act", are hereby adopted.

#### SEC. 713. *Countervailing Duty.* —

The provisions of Republic Act No. 8751, otherwise known as "An Act Strengthening the Mechanisms for the Imposition of Countervailing Duties on Imported Subsidized Products, Commodities or Articles of Commerce in Order to Protect Domestic Industries from Unfair Trade Competition, Amending for the

Purpose Section 302, Part 2, Title II, Book I of Presidential Decree No. 1464", otherwise known as the "Tariff and Customs Code of the Philippines, as Amended", are hereby adopted.

SEC. 714. *Discrimination by Foreign Countries.* – Without prejudice to the Philippine commitment in any ratified international agreements or treaty, the following recourse shall be applicable in case of discrimination by foreign countries:

(a) When the President finds that the public interest will be served thereby, the President shall, by proclamation, specify and declare new or additional duties in an amount not exceeding one hundred percent (100%) *ad valorem* upon goods wholly or in part the growth or product of, or imported in a vessel of any foreign country whenever the President shall find as a fact that such country:

(1) Imposes, directly or indirectly, upon the disposition or transportation in transit or through reexportation from such country of any goods wholly or in part the growth or product of the Philippines, any unreasonable charge, exaction, regulation or limitation which is not equally enforced upon the like goods of every foreign country; or

(2) Discriminates in fact against the commerce of the Philippines, directly or indirectly, by law or administrative regulation or practice, by or in respect to any customs, tonnage, or port duty, fee, charge, exaction, classification, regulation, condition, restriction or prohibition, in such manner as to place the commerce of the Philippines at a disadvantage compared with the commerce of any foreign country.

(b) If at any time the President shall find it to be a fact that any foreign country has not only discriminated against the commerce of the Philippines, as aforesaid, but has, after the issuance of a proclamation as authorized in subsection (a) of this section, maintained or increased its said discrimination against the commerce of the Philippines, the President is hereby authorized, if deemed consistent with the interests of the Philippines and of public interest, to issue a further proclamation

directing that such product of said country or such goods imported in their vessels be excluded from importation into the Philippines.

(c) Any proclamation issued by the President under this section shall, if the President deems it consistent with the interest of the Philippines, extend to the whole of any foreign country or may be confined to any subdivision or subdivisions thereof: *Provided*, That the President may, whenever the public interest requires, suspend, revoke, supplement or amend any such proclamation.

(d) All goods imported contrary to the provisions of this section shall be forfeited to the government of the Philippines and shall be liable to be seized, prosecuted and condemned in like manner and under the same regulations, restrictions, and provisions as may from time to time be established for the recovery, collection, distribution, and remission or forfeiture to the government by the tariff and customs laws. Whenever the provision of this section shall be applicable to importations into the Philippines of goods wholly or in part the growth or product of any foreign country, it shall be applicable thereto, whether such goods are imported directly or indirectly.

(e) It shall be the duty of the Commission to ascertain and at all times be informed whether any of the discriminations against the commerce of the Philippines enumerated in subsections (a) and (b) of this section are practiced by any country; and if and when such discriminatory acts are disclosed, it shall be the duty of the Commission to bring the matter to the attention of the President, and to recommend measures to address such discriminatory acts.

(f) The Secretary of Finance shall make such rules and regulations as are necessary for the execution of a proclamation that the President may issue in accordance with the provisions of this section.

## TITLE VIII

## TAX AND DUTY DEFERMENT, PREFERENCE AND EXEMPTION

## CHAPTER 1

## CONDITIONALLY TAX AND/OR DUTY-EXEMPT IMPORTATION

SEC. 800. *Conditionally Tax and/or Duty-Exempt Importation.* - The following goods shall be exempt from the payment of import duties upon compliance with the formalities prescribed in the regulations which shall be promulgated by the Commissioner with the approval of the Secretary of Finance: *Provided*, That goods sold, bartered, hired or used for purposes other than what they were intended for and without prior payment of the duty, tax or other charges which would have been due and payable at the time of entry if the goods had been entered without the benefit of this section, shall be subject to forfeiture and the importation shall constitute a fraudulent practice against customs laws: *Provided, however*, That a sale pursuant to a judicial order or in liquidation of the estate of a deceased person shall not be subject to the preceding proviso, without prejudice to the payment of duties, taxes and other charges: *Provided, further*, That the President may, upon the recommendation of the Secretary of Finance, suspend, disallow or completely withdraw, in whole or in part, any conditionally free importation under this section:

(a) Aquatic products such as fishes, crustaceans, mollusks, marine animals, seaweeds, fish oil, roe, caught or gathered by fishing vessels of Philippine registry: *Provided*, That they are imported in such vessels or in crafts attached thereto: *Provided, however*, That they have not been landed in any foreign territory or, if so landed, that they have been landed solely for transshipment without having been advanced in condition;

(b) Equipment for use in the salvage of vessels or aircrafts, not available locally, upon identification and the giving of a security in an amount equal to one hundred percent (100%) of the ascertained duties, taxes and other charges thereon, conditioned for the exportation thereof or payment of corresponding duties,

taxes and other charges within six (6) months from the date of acceptance of the goods declaration: *Provided*, That the Bureau may extend the time for exportation or payment of duties, taxes and other charges for a term not exceeding six (6) months from the expiration of the original period;

(c) Cost of repairs, excluding the value of the goods used, made in foreign countries upon vessels or aircraft documented, registered or licensed in the Philippines, upon proof satisfactory to the Bureau: (1) that adequate facilities for such repairs are not afforded in the Philippines; or (2) that such vessels or aircrafts, while in the regular course of their voyage or flight, were compelled by stress of weather or other casualty to put into a foreign port to make such repairs in order to secure the safety, seaworthiness, or airworthiness of the vessels or aircrafts to enable them to reach their port of destination;

(d) Goods brought into the Philippines for repair, processing or reconditioning to be reexported upon completion of the repair, processing or reconditioning: *Provided*, That the Bureau shall require security equal to one hundred percent (100%) of the duties, taxes and other charges thereon, conditioned for the exportation thereof or payment of the corresponding duties, taxes and other charges within six (6) months from the date of acceptance of the goods declaration;

(e) Medals, badges, cups, and other small goods bestowed as trophies or prizes, or those received or accepted as honorary distinction;

(f) Personal and household effects belonging to returning residents including household appliances, jewelry, precious stones, and other goods of luxury which were formally declared and listed before departure and identified under oath before the District Collector when exported from the Philippines by such returning residents upon their departure therefrom or during their stay abroad; personal and household effects including wearing apparel, goods of personal adornment, toilet goods, instruments related to one's profession and analogous personal or household effects, excluding luxury items, vehicles, watercrafts, aircrafts and animals purchased in foreign countries by residents of the

Philippines which were necessary, appropriate, and normally used for their comfort and convenience during their stay abroad, accompanying them on their return, or arriving within a reasonable time which, barring unforeseen and fortuitous events, in no case shall exceed sixty (60) days after the owner's return.

For purposes of this section, the phrase "returning residents" shall refer to nationals who have stayed in a foreign country for a period of at least six (6) months. Returning residents shall have tax and duty exemption on personal and household effects: *Provided, That:*

- (1) It shall not be in commercial quantities;
- (2) It is not intended for barter, sale or for hire; and
- (3) Limited to the FCA or FOB value of:
  - (i) Three hundred fifty thousand pesos (P350,000.00) for those who have stayed in a foreign country for at least ten (10) years and have not availed of this privilege within ten (10) years prior to returning resident's arrival;
  - (ii) Two hundred fifty thousand pesos (P250,000.00) for those who have stayed in a foreign country for a period of at least five (5) but not more than ten (10) years and have not availed of this privilege within five (5) years prior to returning resident's arrival; or
  - (iii) One hundred fifty thousand pesos (P150,000.00) for those who have stayed in a foreign country for a period of less than five (5) years and have not availed of this privilege within six (6) months prior to returning resident's arrival.

Any amount in excess of the above-stated threshold shall be subject to the corresponding duties and taxes under this Act.

Every three (3) years after the effectivity of this Act, the Secretary of Finance shall adjust the amount herein stated to its present value using the CPI as published by the PSA.

In addition to the privileges granted under the immediately preceding paragraph, returning Overseas Filipino Workers (OFWs) shall have the privilege to bring in, tax and duty-free, home appliances and other durables, limited to one of every kind once in a given calendar year accompanying them on their return, or arriving within a reasonable time which, barring unforeseen and fortuitous events, in no case shall exceed sixty (60) days after every returning OFW's return upon presentation of their original passport at the port of entry: *Provided, That* any amount in excess of FCA value of one hundred fifty thousand pesos (P150,000.00) for personal and household effects or of the number of duty-free appliances as provided for under this section, shall be subject to the corresponding taxes and duties: *Provided, further, That* every three (3) years after the effectivity of this Act, the Secretary of Finance shall adjust the amount herein stated to its present value using the CPI as published by the PSA;

(g) Residents of the Philippines, OFWs or other Filipinos while residing abroad or upon their return to the Philippines shall be allowed to bring in or send to their families or relatives in the Philippines balikbayan boxes which shall be exempt from applicable duties and taxes imposed under the NIRC of 1997, as amended: *Provided, That* balikbayan boxes shall contain personal and household effects only and shall neither be in commercial quantities nor intended for barter, sale or for hire and that the FCA value of which shall not exceed one hundred fifty thousand pesos (P150,000.00): *Provided, further, That* every three (3) years after the effectivity of this Act, the Secretary of Finance shall adjust the amount herein stated to its present value using the CPI as published by the PSA: *Provided, finally, That* residents of the Philippines, OFWs or other Filipinos can only avail of this privilege up to three (3) times in a calendar year. Any amount in excess of the allowable non-dutiable value shall be subject to the applicable duties and taxes;

(1) For purposes of this Act, OFWs refer to holders of valid passports duly issued by the Department of Foreign Affairs (DFA) and certified by the Department of Labor and Employment (DOLE) or the Philippine Overseas Employment Administration (POEA) for overseas employment purposes. They cover all Filipinos, working in a foreign country under employment contracts,

regardless of their professions, skills or employment status in a foreign country; and (2) Calendar Year refers to the period from January 1 to December 31.

(h) Wearing apparel, goods of personal adornment, toilet goods, portable tools and instruments, theatrical costumes and similar effects accompanying travelers, or tourists, or arriving within a reasonable time before or after their arrival in the Philippines, which are necessary and appropriate for the wear and use of such persons according to the nature of the journey, their comfort and convenience: *Provided*, That this exemption shall not apply to goods intended for other persons or for barter, sale or hire: *Provided, however*, That the Bureau may require either a written commitment or a security in an amount equal to one hundred percent (100%) of the ascertained duties, taxes and other charges thereon, conditioned for the exportation thereof or payment of the corresponding duties, taxes and other charges within three (3) months from the date of acceptance of the goods declaration: *Provided, further*, That the Bureau may extend the time for exportation or payment of duties, taxes and other charges for a term not exceeding three (3) months from the expiration of the original period.

Personal and household effects and vehicles belonging to foreign consultants and experts hired by, or rendering service to, the government, and their staff or personnel and families accompanying them or arriving within a reasonable time before or after their arrival in the Philippines, in quantities and of the kind necessary and suitable to the profession, rank or position of the person importing said items, for their own use and not for barter, sale or hire: *Provided*, That the Bureau may require either a written commitment or a security in an amount equal to one hundred percent (100%) of the ascertained duties, taxes and other charges thereon, upon the goods classified under this subsection; conditioned for the exportation thereof or payment of the corresponding duties, taxes and other charges within three (3) months after the expiration of their term or contract: *Provided, however*, That the Bureau may extend the time for exportation or payment of duties, taxes and other charges for a term not exceeding three (3) months from the expiration of the original period;

(i) Professional instruments and implements, tools of trade, occupation or employment, wearing apparel, domestic animals, and personal and household effects belonging to persons coming to settle in the Philippines or Filipinos or their families and descendants who are now residents or citizens of other countries, such parties hereinafter referred to as overseas Filipinos, in quantities and of the class suitable to the profession, rank or position of the persons importing said items, for their own use and not for barter or sale, accompanying such persons, or arriving within a reasonable time: *Provided*, That the Bureau may, upon the production of satisfactory evidence that such persons are actually coming to settle in the Philippines and that the goods are brought from their former place of abode, exempt such goods from the payment of duties and taxes: *Provided, further*, That vehicles, vessels, aircrafts, machineries and other similar goods for use in manufacture, shall not fall within this classification and shall therefore be subject to duties, taxes and other charges;

(j) Goods used exclusively for public entertainment, and for display in public expositions, or for exhibition or competition for prizes, and devices for projecting pictures and parts and appurtenances thereof, upon identification, examination, and appraisal and the giving of a security in an amount equal to one hundred percent (100%) of the ascertained duties, taxes and other charges thereon, conditioned for exportation thereof or payment of the corresponding duties, taxes and other charges within three (3) months from the date of acceptance of the goods declaration: *Provided*, That the Bureau may extend the time for exportation or payment of duties, taxes and other charges for a term not exceeding three (3) months from the expiration of the original period; and technical and scientific films when imported by technical, cultural and scientific institutions, and not to be exhibited for profit: *Provided, further*, That if any of the films is exhibited for profit, the proceeds therefrom shall be subject to confiscation, in addition to the penalty provided under this Act;

(k) Goods brought by foreign film producers directly and exclusively used for making or recording motion picture films on location in the Philippines, upon their identification, examination and appraisal and the giving of a security in an amount equal to

one hundred percent (100%) of the ascertained duties, taxes and other charges thereon, conditioned for exportation thereof or payment of the corresponding duties, taxes and other charges within three (3) months from the date of acceptance of the goods declaration, unless extended by the District Collector for another three (3) months; photographic and cinematographic films, underdeveloped, exposed outside the Philippines by resident Filipino citizens or by producing companies of Philippine registry where the principal actors and artists employed for the production are Filipinos, upon affidavit by the importer and identification that such exposed films are the same films previously exported from the Philippines. As used in this paragraph, the terms "actors" and "artists" include the persons operating the photographic camera or other photographic and sound recording apparatus by which the film is made;

(l) Importations for the official use of foreign embassies, legations and other agencies of foreign governments: *Provided*, That those foreign countries accord like privileges to corresponding agencies of the Philippines. Goods imported for the personal or family use of members and attachés of foreign embassies, legations, consular officers and other representatives of foreign governments: *Provided, however*, That such privilege shall be accorded under special agreements between the Philippines and the countries which they represent: *Provided, further*, That the privilege may be granted only upon specific instructions of the Secretary of Finance pursuant to an official request of the DFA on behalf of members or attachés of foreign embassies, legations, consular officers and other representatives of foreign governments.

(m) Imported goods donated to or, for the account of the Philippine government or any duly registered relief organization, not operated for profit, for free distribution among the needy, upon certification by the DSWD or the Department of Education (DepED), or the Department of Health (DOH), as the case may be;

(n) Containers, holders and other similar receptacles of any material including kraft paper bags for locally manufactured cement for export, including corrugated boxes for bananas, mangoes, pineapples and other fresh fruits for export, except other

containers made of paper, paperboard and textile fabrics, which are of such character as to be readily identifiable and/or reusable for shipment or transportation of goods shall be delivered to the importer thereof upon identification, examination and appraisal and the giving of a security in an amount equal to one hundred percent (100%) of the ascertained duties, taxes and other charges thereon, within six (6) months from the date of acceptance of the goods declaration;

(o) Supplies which are necessary for the reasonable requirements of the vessel or aircraft in its voyage or flight outside the Philippines, including goods transferred from a bonded warehouse in any Customs District to any vessel or aircraft engaged in foreign trade, for use or consumption of the passengers or its crew on board such vessel or aircraft as sea or air stores; or 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;

(p) Goods and salvage from vessels recovered after a period of two (2) years from the date of filing the marine protest or the time when the vessel was wrecked or abandoned, or parts of a foreign vessel or its equipment, wrecked or abandoned in Philippine waters or elsewhere: *Provided*, That goods and salvage recovered within the said period of two (2) years shall be dutiable;

(q) Coffins or urns containing human remains, bones or ashes, used personal and household effects (not merchandise) of the deceased person, except vehicles, the FCA value of which does not exceed one hundred fifty thousand pesos (P150,000.00), upon identification as such: *Provided*, That every three (3) years after the effectivity of this Act, the value herein stated shall be adjusted to its present value using the CPI as published by the PSA;

(r) Samples of the kind, in such quantity and of such dimension or construction as to render them unsaleable or of no commercial value; models not adapted for practical use; and samples of medicines, properly marked "sample-sale punishable by law", for the purpose of introducing new goods in the Philippine market and imported only once in a quantity sufficient for such

purpose by a person duly registered and identified to be engaged in that trade: *Provided*, That importations under this subsection shall be previously authorized by the Secretary of Finance: *Provided, however*, That importation of sample medicines shall have been previously authorized by the Secretary of Health, and that such samples are new medicines not available in the Philippines: *Provided, further*, That samples not previously authorized or properly marked in accordance with this section shall be levied the corresponding tariff duty.

Commercial samples, except those that are not readily and easily identifiable as in the case of precious and semi-precious stones, cut or uncut, and jewelry set with precious or semi-precious stones, the value of any single importation of which does not exceed FCA value of fifty thousand pesos (P50,000.00) upon the giving of a security in an amount equal to the ascertained duties, taxes and other charges thereon, conditioned for the exportation of said samples within three (3) months from the date of the acceptance of the goods declaration or in default thereof, the payment of the corresponding duties, taxes and other charges: *Provided*, That if the FCA value of any single consignment of such commercial samples exceeds fifty thousand pesos (P50,000.00), the importer thereof may select any portion of the same not exceeding the FCA value of fifty thousand pesos (P50,000.00) for entry under the provision of this subsection, and the excess of the consignment may be entered in bond, or for consumption, as the importer may elect: *Provided, further*, That every three (3) years after the effectivity of this Act, the Secretary of Finance shall adjust the amount herein stated to its present value using the CPI as published by the PSA.

(s) Animals, except race horses, and plants for scientific, experimental propagation or breeding, and for other botanical, zoological and national defense purposes: *Provided*, That no live trees, shoots, plants, moss and bulbs, tubers and seeds for propagation purposes may be imported under this section, except by order of the government or other duly authorized institutions: *Provided, however*, That the free entry of animals for breeding purposes shall be restricted to animals of recognized breed, duly registered in the record or registry established for that breed, and certified as such by the Bureau of Animal Industry (BAI):

*Provided, further*, That the certification of such record, and pedigree of such animal duly authenticated by the proper custodian of such record or registry, shall be submitted to the District Collector, together with the affidavit of the owner or importer that such animal is the animal described in said certificate of record and pedigree: *Provided, finally*, That the animals and plants are certified by the NEDA as necessary for economic development;

(t) Economic, technical, vocational, scientific, philosophical, historical and cultural books or publications, and religious books like Bibles, missals, prayer books, the Koran, Ahadith and other religious books of similar nature and extracts therefrom, hymnal and hymns for religious uses: *Provided*, That those which may have already been imported but are yet to be released by the Bureau at the effectivity of this Act may still enjoy the privilege herein provided upon certification by the DepED that such imported books and/or publications are for economic, technical, vocational, scientific, philosophical, historical or cultural purposes or that the same are educational, scientific or cultural materials covered by the International Agreement on Importation of Educational Scientific and Cultural Materials (IAESCM) signed by the President of the Philippines on August 2, 1952, or other agreements binding upon the Philippines. Educational, scientific and cultural materials covered by international agreements or commitments binding upon the Philippine government so certified by the DepED.

(u) Philippine goods previously exported from the Philippines and returned without having been advanced in value or improved in condition by any process of manufacturing or other means, and upon which no drawback or bounty has been allowed, including instruments and implements, tools of trade, machinery and equipment, used abroad by Filipino citizens in the pursuit of their business, occupation or profession; and foreign goods previously imported when returned after having been exported and loaned for use temporarily abroad solely for exhibition, testing and experimentation, for scientific or educational purposes; and foreign containers previously imported which have been used in packing exported Philippine goods and returned empty if imported by or for the account of the person or institution who exported



them from the Philippines and not for sale, barter or hire subject to identification: *Provided*, That Philippine goods falling under this subsection upon which drawback or bounty have been allowed shall, upon reimportation thereof, be subject to a duty under this subsection equal to the amount of such drawback or bounty;

(v) Aircraft, equipment and machinery, spare parts, commissary and catering supplies, aviation gas, fuel and oil, whether crude or refined except when directly or indirectly used for domestic operations, and such other goods or supplies imported by and for the use of scheduled airlines operating under congressional franchise: *Provided*, That such goods or supplies are not locally available in reasonable quantity, quality and price and are necessary or incidental to the proper operation of the scheduled airline importing the same;

(w) Machineries, equipment, tools for production, plans to convert mineral ores into saleable form, spare parts, supplies, materials, accessories, explosives, chemicals, and transportation and communications facilities imported by and for the use of new mines and old mines which resume operations, when certified to as such by the Secretary of the Department of Environment and Natural Resources (DENR), upon the recommendation of the Director of Mines and Geosciences Bureau, for a period ending five (5) years from the first date of actual commercial production of saleable mineral products: *Provided*, That such goods are not locally available in reasonable quantity, quality and price and are necessary or incidental in the proper operation of the mine; and aircrafts imported by agro-industrial companies to be used by them in their agriculture and industrial operations or activities, spare parts and accessories thereof, when certified to as such by the Secretary of the Department of Agriculture (DA) or the Secretary of the Department of Trade and Industry (DTI), as the case may be;

(x) Spare parts of vessels or aircraft of foreign registry engaged in foreign trade when brought into the Philippines exclusively as replacements or for the emergency repair thereof, upon proof satisfactory to the District Collector that such spare parts shall be utilized to secure the safety, seaworthiness or

airworthiness of the vessel or aircraft, to enable it to continue its voyage or flight;

(y) Goods exported from the Philippines for repair, processing or reconditioning without having been substantially advanced in value, and subsequently reimported in its original form and in the same state: *Provided*, That in case the reimported goods advanced in value, whether or not in their original state, the value added shall be subject to the applicable duty rate of the tariff heading of the reimported goods; and

(z) Trailer chassis when imported by shipping companies for their exclusive use in handling containerized cargo, upon posting a security in an amount equal to one hundred percent (100%) of the ascertained duties, taxes and other charges due thereon, to cover a period of one (1) year from the date of acceptance of the entry, which period, for meritorious reasons, may be extended by the Commissioner from year to year, subject to the following conditions:

(1) That they shall be properly identified and registered with the Land Transportation Office (LTO);

(2) That they shall be subject to customs supervision fee to be fixed by the District Collector and subject to the approval of the Commissioner;

(3) That they shall be deposited in the customs territory when not in use; and

(4) That upon the expiration of the period prescribed above, duties and taxes shall be paid unless otherwise reexported.

(aa) Any officer or employee of the DEA, including any attaché, civil or military or member of the staff assigned to a Philippine diplomatic mission abroad by the Department or any similar officer or employee of other departments assigned to any Philippine consular office abroad, or any AFP military personnel accorded assimilated diplomatic rank or on duty abroad who is returning from a regular assignment abroad, for reassignment

to the home office, or who dies, resigns, or is retired from the service, after the approval of this Act, shall be exempt from the payment of all duties and taxes on personal and household effects, including one (1) motor car which must have been ordered or purchased prior to the receipt by the mission or consulate of the order of recall, and which must be registered in the name of the officer or employee: *Provided*, That this exemption shall apply only to the value of the motor car and to the aggregate assessed value of the personal and household effects, the latter not to exceed thirty percent (30%) of the total amount received by the officer or employee in salary and allowances during the latest assignment abroad, but not to exceed four (4) years: *Provided, however*, That this exemption shall not be availed of more than once every four (4) years: *Provided, further*, That the officer or employee concerned must have served abroad for not less than two (2) years.

The provisions of general and special laws, to the contrary notwithstanding, including those granting franchises, there shall be no exemption whatsoever from the payment of duties except as provided for in this Act; those granted to government agencies, instrumentalities or government-owned or -controlled corporations (GOCCs) with existing contracts, commitments, agreements, or obligations with foreign countries requiring such exemption; those granted to international institutions, associations or organizations entitled to exemption pursuant to agreements or special laws; and those that may be granted by the President upon prior recommendation of the NEDA in the interest of national economic development.

## CHAPTER 2

### CUSTOMS WAREHOUSES

SEC. 801. *Establishment and Supervision of Customs Bonded Warehouses.* – When the business of the port requires such facilities, the District Collector, subject to the approval of the Commissioner, shall designate and establish warehouses for use as public and private bonded warehouses, yards, or for other special purposes. All such warehouses and premises shall be subject to the supervision of the District Collector who shall impose such conditions as may be deemed necessary for the

protection of the revenue, and of the goods stored therein. In the exercise of the District Collector's supervisory functions herein and in the Bureau's implementation of this chapter, existing contracts of private operators with appropriate government agency or regulator, such as, but not limited to, the Philippine Ports Authority (PPA), Subic Bay Metropolitan Authority (SBMA) and Phividec Industrial Authority (PIA) and their respective authorities and powers already granted by law pertinent to such contracts, shall not be impaired or adversely affected.

Goods manufactured in whole or in part of imported materials, and intended for exportation, may be made and manufactured in a bonded manufacturing warehouse subject to the following conditions:

- (1) The manufacturer shall file sufficient security for the faithful observance of all laws, rules and regulations applicable thereto;
- (2) The application for the establishment of bonded warehouses must be made in writing and filed with the customs officer, describing the premises, the location, and capacity of the same, and the purpose for which the building is to be used, pursuant to Section 804 of this Act;
- (3) From the receipt of the application, the customs officer shall examine the premises, evaluate its location, construction, and means provided for the safekeeping of the goods;
- (4) The customs officer may authorize the establishment of the customs bonded warehouse, and accept a bond for its operation and maintenance if the applicant was compliant with the prescribed requirements; and
- (5) The operator of the bonded warehouse shall pay an annual supervision fee in an amount to be fixed by the Commissioner.

SEC. 802. *Types of Customs Bonded Warehouses (CBWs).* – Customs bonded warehouses may be classified as either manufacturing or nonmanufacturing.

Manufacturing customs bonded warehouse may be of the following types: (a) miscellaneous customs bonded warehouse; (b) customs common bonded warehouse; or (c) industry-specific bonded warehouse.

Nonmanufacturing customs bonded warehouse include: (a) public bonded warehouse; (b) private bonded warehouse; or (c) other customs facilities.

SEC. 803. *Types of Customs Facilities and Warehouses (CFWs).* – Customs facilities and warehouses shall include:

- (a) Container yard;
- (b) Container freight station;
- (c) Seaport warehouses; and
- (d) Airport warehouses.

Subject to consultation with the NEDA and the DTI, and based on prevailing economic circumstances, the Secretary of Finance may, upon the recommendation of the Commissioner, create or dissolve certain types of warehouses.

SEC. 804. *Application for Operation of a Customs Warehouse.* – Application for the establishment of CBW and CFW shall be filed with the District Collector where the CBW or CFW is located, describing the premises, location, capacity and purpose thereof.

Upon receipt of such application, the District Collector shall examine the premises of such proposed warehouse, particularly its location, construction and storage facilities. The District Collector, with the approval of the Commissioner, may authorize the establishment of customs warehouses, and accept the required security for its operation and maintenance. The operator of such CBW and CFW shall pay an annual supervision fee, as determined by the Commissioner.

SEC. 805. *Responsibility of Operators.* – The operator of a CBW or CFW shall comply with the customs requirements on establishment, security, suitability and management, including stock-keeping and accounting of the goods, of the CBW or CFW.

Upon lawful demand, the operator of a CBW or CFW shall allow authorized representatives of the Bureau access to the premises at a reasonable time, and to all documents, books and records of accounts pertaining to the operations of the CBW or CFW.

In case of loss of the goods stored in a CBW or CFW due to operator's gross negligence or willful misconduct, the operator shall be liable for the payment of duties and taxes due thereof. The government assumes no legal responsibility over the safekeeping of goods stored in any customs warehouse, yard or premises.

SEC. 806. *Customs Control Over CBWs and CFWs.* – The Bureau shall, for customs purposes, exercise control over, direct and manage CBWs and CFWs pursuant to Section 303 of this Act and likewise over the goods thereat pursuant to Section 301 of this Act: *Provided*, That the Bureau shall not be liable for any loss or damage of the goods stored for safekeeping in any CBW, CFW, yard or premises.

SEC. 807. *Discontinuance of CBW and CFW.* – The use of any CBW and CFW may be discontinued by the District Collector when conditions so warrant, or upon receipt of a written request from the operator thereof: *Provided*, That all the requirements of the laws and regulations have been complied with by said operator. Where dutiable goods are stored in such premises, the same must be removed at the risk and expense of the operator: *Provided, however*, That the premises shall not be relinquished, and its use shall ~~not~~ be discontinued until after a careful examination of the account of the warehouse shall have been made. Discontinuance of the use of any warehouse shall be effective upon approval thereof by the District Collector who shall, within ten (10) days, inform the Commissioner of such action in writing.

Notice of discontinuance made by the operator shall not result in the discharge from any duties, taxes, fees and other charges imposed on dutiable goods in said warehouse.

SEC. 808. *Warehousing Security on Goods Stored in CBWs.* – For goods declared in the entry for warehousing in CBWs, the District Collector shall require the importer to post a sufficient security equivalent to the computed duties, taxes and other charges, conditioned upon the withdrawal of the goods within the period prescribed by Section 811 of this Act or the payment of duties, taxes and other charges and compliance with all importation requirements.

SEC. 809. *Withdrawal of Goods from CBWs.* – Imported goods shall be withdrawn from the CBWs when the necessary withdrawal permit has been filed, together with any related document required by any provision of this Act and other regulations.

Goods entered under sufficient security as provided in Section 1507 of this Act may be withdrawn at any time for consumption, transit, or exportation. The withdrawal must be made by the CBW operator or its duly authorized representative.

SEC. 810. *Release of Goods from CFWs.* – Imported goods shall be released when the goods declaration is electronically lodged, together with any related document required by any provision of this Act and other regulations. All goods entered into the CFWs shall be subject to the filing of a goods declaration within the period specified under Section 407 of this Act.

SEC. 811. *Period of Storage in CBWs.* – Goods entered for warehousing may remain in a CBW for a maximum period of one (1) year from the time of its arrival thereat. For perishable goods, the storage period shall be three (3) months from the date of arrival, extendible for valid reasons, and upon written request, to another three (3) months. Goods not withdrawn after the expiration of the prescribed period shall be deemed as abandoned, as provided under Section 1129 of this Act.

The Commissioner shall, in consultation with the Secretary of Trade and Industry, establish a reasonable storage period limit beyond one (1) year for bonded goods for manufacturing and intended for export, the processing into finished products of which requires a longer period based on industry standard and practice, subject to the approval of the Secretary of Finance.

SEC. 812. *Exemption from Duty of Goods in CBWs.* – Goods duly entered for warehousing in CBWs shall be exempt from duty and tax within the allowed period for storage unless withdrawn for consumption, exportation or transit to a free zone or another CBW, in which case, such withdrawal will be subject to the applicable rules and regulations on the liquidation of the warehousing entry.

SEC. 813. *Records to be Kept by CBW Operators.* – An account shall be kept by the Bureau of all goods delivered to a CBW, and a report shall be made by the CBW operator containing a detailed statement of all imported goods entered and withdrawn from the CBW. The Bureau shall specify the format of the report and may require electronic submission.

All documents, books, and records of accounts concerning the operation of any CBW shall, upon demand, be made available to the District Collector or the representative of the District Collector for examination or audit. For record purposes, all documents shall be kept for three (3) years.

## CHAPTER 3

### FREE ZONES

SEC. 814. *When Goods are Admitted and Withdrawn.* – Imported goods shall be admitted into a free zone when the goods declaration, together with required documents, as required by existing laws and regulations, are electronically lodged with the Bureau and other relevant government authorities at the time of admission.