



Republic of the Philippines
Department of Finance
BUREAU OF CUSTOMS
1099 Manila

LAW CENTER
OFFICE of the NATIONAL ADMINISTRATIVE REGISTER
Administrative Rules and Regulations

CUSTOMS ADMINISTRATIVE ORDER (CAO)
NO. II - 2019

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SUBJECT: RULES AND REGULATIONS ON THE ADMISSION, MOVEMENT AND WITHDRAWAL OF GOODS IN FREE ZONES

Introduction. This CAO implements Sections 814 to 817, Chapter 3, Title VIII; Section 1003 (c) and other related provisions of Republic Act No. 10863, otherwise known as the Customs Modernization and Tariff Act (CMTA) in relation to pertinent laws and regulations governing Free Zones.

Section 1. Scope. This CAO shall be applicable to Goods admitted into Free Zones, withdrawn from Free Zones into Customs Territory and Goods transferred from one Free Zone to another Free Zone.

Section 2. Objectives.

- 2.1.** To provide the guidelines and institute safeguard measures to control and monitor the Admission, withdrawal and movement of Goods by Free Zones Locators.
- 2.2.** To adopt clear and transparent customs rules, regulations, policies and procedures on Free Zones, consistent with international standards and Customs best practices.¹
- 2.3.** To generate timely and accurate information on admitted Goods into the Free Zone through the full use of Information and Communications Technology (ICT) enabled system.
- 2.4.** To ensure proper collection of duties and taxes on withdrawal of Goods for consumption in the Customs Territory.

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

- 3.1. Admission** – shall refer to the act of bringing imported Goods directly² or through Transit into a Free Zone.³

¹cf. CMTA, Title I, Chapter 2, Section 101 (b).

²Direct admission applies when the Freeport is the port of discharge

³cf. Customs Modernization and Tariff Act (CMTA), Section 102 (c).

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- 3.2. Customs Territory** – shall refer to areas in the Philippines where customs and tariff laws are enforced.⁴
- 3.3. Entry** – shall refer to the act, documentation and process of bringing imported Goods into the Customs Territory, including Goods coming from Free Zones.⁵
- 3.4. Free Zone** – shall refer to special economic zones registered with the Philippine Economic Zone Authority (PEZA) under Republic Act No. 7916, as amended, duly chartered or legislated special economic zones and freeports such as Clark Freeport Zone, Clark Special Economic Zone, Clark Green City; Poro Point Freeport Zone; John Hay Special Economic Zone and Subic Bay Freeport Zone under Republic Act No. 7227, as amended by Republic Act No. 9400; the Aurora Pacific Economic Zone and Freeport Authority under Republic Act No. 9490; as amended by Republic Act 10083; the Cagayan Special Economic Zone and Freeport under Republic Act No. 7922; the Zamboanga City Special Economic Zone Authority under Republic Act No. 7903; the Freeport Area of Bataan under Republic Act No. 9728, Morong Special Economic Zone under Proclamation 984 s. 1997; and such other freeports as established or may be created by law.⁶
- 3.5. Free Zone Locator** — shall refer to a sole proprietorship, partnership, corporation or entity duly registered with the Free Zone Authorities and issued a Certificate of Registration and/or Tax Exemption that is not expired or has not been revoked, suspended or cancelled.
- 3.6. Goods** – shall refer to articles, wares, merchandise and any other items which are subject of importation or exportation.⁷
- 3.7. 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
- 3.8. Importation** – shall refer to the act of bringing in of Goods from a foreign territory into Philippine territory, whether for consumption, warehousing, or admission as defined in this CAO.⁹

⁴ CMTA, Section 102 (q)

⁵ CMTA, Section 102 (r)

⁶ CMTA, Section 102 (w)

⁷ CMTA, Section 102 (x)

⁸ CMTA, Section 102 (y)

⁹ CMTA, Section 102 (z)

3.9. Lodgement – shall refer to the electronic registration of a Goods Declaration with the Free Zone Authority and the Bureau.¹⁰

3.10. Multi-Purpose Declaration – shall refer to a customs single administrative document (SAD) accomplished by the importer, or his authorized representative, under oath and submitted to the Bureau for purposes of declaring and identifying among others the nature of the Goods being imported, its value, volume, weight, and any relevant description thereof, whether entered for consumption, Warehousing or by admission which will assist the Bureau in determining the true description of the Goods, the correct classification and the assessment of the duties and taxes due to the imported Goods, if any.¹¹

3.11. Port User – shall refer to a sole proprietorship, partnership, corporation or entity that is not a Free Zone Locator, as defined herein, who uses the seaport or airport facility of a Free Zone for customs clearance on their importation.

3.12. Single Administrative Document (SAD) — shall refer to an internationally accepted form as customs declaration or Goods Declaration, designed to standardize customs documents, harmonize codification and simplify procedures in international trade exchanges.

3.13. Transit – shall refer to the customs procedure under which Goods, in its original form, are transported under customs control from one customs office to another, or to a Free Zone.¹²

3.14. Transit Permit – shall refer to a document authorizing the transfer of Goods from one Free Zone into another Free Zone in such form and guidelines as prescribed by the Bureau and the Zone Authorities.

Section 4. General Provisions.

4.1. Exemption from Duty and Tax of Goods in Free Zones. Unless otherwise provided by law and in accordance with the respective laws, rules and regulations of the Free Zone authorities, Goods admitted into a Free Zone shall not be subject to duty and tax.¹³

¹⁰ CMTA, Section 102 (dd)

¹¹ cf. Customs Administrative Order 1-2009

¹² CMTA, Section 102 (rr)

¹³ CMTA, Title VIII, Chapter 3, Section 815

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4.2. Admission of Goods into Free Zones.

- 4.2.1.** Imported Goods shall be admitted into a Free Zone when the Goods Declaration, together with all documents as may be required by existing laws and regulations, are electronically lodged with the Bureau and other relevant Free Zone Authorities at the time of Admission.¹⁴
- 4.2.2.** The Bureau and the Free Zone Authority shall ensure that their respective ICT systems are capable of interfacing to allow the single Lodgement of Goods Declaration for Admission with the Bureau and the Free Zone Authority.
- 4.2.3.** The Entry of Goods into a Free Zone, whether directly or through the Customs Territory, shall be covered by the necessary Goods Declaration for Admission or Transit, respectively,¹⁵
 - a.** Goods directly admitted into Free Zones by a Free Zone Locator shall be covered by a Goods Declaration for Admission together with required documents pursuant to existing laws and regulations.
 - b.** Goods directly admitted into Free Zones by a Port User shall be covered by a Goods Declaration for Consumption.
 - c.** Goods transited through a Customs Territory and admitted into Free Zones shall be covered by a Goods Declaration for Transit which shall be accepted by the Bureau and Free Zone Authorities as Goods Declaration for Transit and Admission whenever appropriate.

4.3. Movement of Goods.

- 4.3.1. Within the Zone.** Free Zone Authorities shall have the responsibility to monitor the movement of Goods within the Free Zone where the Goods are admitted. The Free Zone Authorities shall provide the Bureau copies of the report for the purpose of monitoring the location of the admitted Goods.
- 4.3.2. From One Free Zone to another Free Zone.** Transfer of Goods from one Free Zone into another Free Zone shall be covered by

¹⁴ cf. CMTA, Title VIII, Chapter 3, Section 814

¹⁵ CMTA, Title VIII, Chapter 3, Section 816

the necessary Transit Permit¹⁶ which shall be accepted by the Bureau and Free Zone Authorities as Goods Declaration for Transit and Admission, whenever appropriate, under such guidelines issued and prescribed jointly by Bureau and the Free Zone Authorities.

4.4. Withdrawal of Goods from Free Zones for Consumption in the Customs Territory.

- 4.4.1.** Imported Goods directly admitted into Free Zones then subsequently withdrawn for Entry into a Customs Territory shall be covered by a Goods Declaration for Consumption. This shall be lodged with the Bureau together with the copy of previously lodged Goods Declaration for Admission and other required documents pursuant to existing laws and regulations.¹⁷
- 4.4.2.** Imported Goods, whether in their original or advanced form, shall be withdrawn from the Free Zone for Entry to the Customs Territory when the Goods Declaration is lodged with the corresponding permit issued by the Free Zone Authority and upon posting of sufficient security as applicable, in accordance with systems, rules and regulations jointly issued and prescribed by the Bureau and the Free Zone Authorities. Withdrawal of Goods from the Free Zone into the Customs Territory shall be covered by the necessary Goods Declaration for Consumption.
- 4.4.3.** In case of withdrawal of imported Goods from Free Zones for introduction to the Customs Territory, the duty rate and exchange rate at the time of withdrawal shall be applicable on the Goods originally admitted, whether withdrawn in its original or advanced form.¹⁸
- 4.4.4.** Except in cases prescribed by existing laws, all applicable duties, taxes and other charges on Goods introduced into the Customs Territory from the Free Zones shall be paid to the Bureau before release from custody subject to the prior requirement of Authority to Release Imported Goods (ATRIG) for certain Goods.

In case of sale or auction of Goods by a Free Zone enterprise or locator to a buyer from the Customs Territory (i.e. domestic sales), all Value-Added Tax (VAT) due, if any, on Goods sold or auctioned

¹⁶ CMTA, Title VIII, Chapter 3, Section 816

¹⁷ cf. CMTA, Title VIII, Chapter 3, Section 814

¹⁸ CMTA, Title I, Chapter 2, Section 105, 1st par., 2nd sentence

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shall be payable to the Bureau of Customs (i.e., VAT due and collected on the imported Goods paid by the locator plus the VAT due on the actual selling or winning bid price of the Goods sold or auctioned, respectively, less the input VAT, if any).

4.5. Coordination with Free Zone Authority.

- 4.5.1.** The Admission, Transit, withdrawal and export of Goods from the Free Zone shall be governed by the rules and regulations jointly issued by the Bureau and the Free Zone Authorities. To ensure compliance with customs laws and regulations, the Bureau shall coordinate with the governing authority of the Free Zone.¹⁹
- 4.5.2.** The Bureau shall coordinate with Free Zone Authorities to establish a BOC-Free Zone inter-operability system, by making full use of Information and Communications Technology (ICT).

4.6. Requirement to Keep Importation Records.

- 4.6.1.** Locators and Port Users are subject to the post-clearance audit function of the Bureau. For this purpose, they are required to keep the records of all its activities, including, in whole or in part, records on imported Goods withdrawn from said Free Zones into the Customs Territory for a period of three (3) years from the date of filing of the Goods Declaration.²⁰ Failure to keep the records required by this CAO shall constitute a waiver of the right to contest the results of the audit based on records kept by the Bureau.²¹
- 4.6.2.** The rules and regulations on post clearance audit, including the imposition of penalties and fines, shall be applied suppletory to this CAO.²²

4.7. Free Zones Monitoring Office. The Bureau shall establish an office to monitor and coordinate with Free Zones Authorities for the Admission, Transit, withdrawal or any movement of Goods to and from the Free Zones.

Section 5. Operational Procedures. Joint Administrative Orders between the Bureau and the Free Zone Authorities shall be issued to outline the procedures in the Transit, Admission, withdrawal or any movement of Goods to and from the Free Zones.

¹⁹ CMTA, Title VIII, Chapter 3, Section 817

²⁰ cf. CMTA, Title IX, Section 1003 (c)

²¹ cf. CMTA, Title IX, Section 1003, last par.

²² CAO 1-2019 Post Clearance Audit and Prior Disclosure Program



Section 6. Data Management. The collection, recording, storage maintenance, processing, sharing of data and information; and maintenance of data information in the CAO shall be secured and consistent with the principles and policy of Republic Act 10173, also known as The Data Privacy Act.

Section 8. Periodic Review. To ensure compliance with customs laws and regulations, this CAO shall be reviewed every three (3) years and be amended or revised, if necessary by the Bureau in coordination with the Free Zone Authorities.

Section 9. Separability Clause. If any part of this CAO is declared by Courts as unconstitutional or contrary to existing laws, the other parts not so declared shall remain in full force and effect.

Section 10. Transitory Provision. Pending the issuance of a Joint Administrative Order between the Bureau of Customs and Free Zone Authorities, the existing clearance procedure relative to Admission and Transit being adopted by the Free Zone Authorities and the Bureau shall apply respectively.

Section 11. Effectivity. This CAO shall take effect thirty (30) days from publication at the Official Gazette or a newspaper of national circulation.

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

REY LEONARDO B. GUERRERO
Commissioner of Customs
JUL 23 2019

APPROVED:  BOC-02-00672

CARLOS G DOMINGUEZ
Secretary of Finance
AUG 08 2019



Informational Section. As the title denotes this only provide information and does not give rise to any substantive or formal rights or obligations.

1. History. Customs Adminisitrative Orders (CAO) 7-2010, CAO 9-2003, CAO 1-1998, CAO 2-1998, CAO 4-1993 were first enacted on September 15, 2010, October 13, 2003, January 29, 1998, June 26, 1998 and August 1, 1993, respectively.

2. Related Policies.

- Republic Act No. 7916 - An Act Providing For The Legal Framework And Mechanisms For The Creation, Operation, Administration, And Coordination Of Special Economic Zones In The Philippines, creating for this purpose, the Philippine Economic Zone Authority (PEZA), and for other purposes
- Implementing Rules and Regulations of Republic Act No. 7916 otherwise known as "The Special Economic Zone Act Of 1995"
- Clark Development Corporation Citizen's Charter
- Republic Act No. 9400 - An Act Amending Republic Act No. 7227, as amended, otherwise known as the Bases Conversion And Development Act of 1992, and for other purposes
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- Republic Act No. 7917 - An Act Amending Section 8 of Republic Act No. 7227
- Republic Act No. 7922 - An Act Establishing a Special Economic Zone and Free Port in the Municipality of Santa Ana and the neighboring islands in the Municipality of Aparri, province of Cagayan, providing funds therefor, and for other purposes
- Republic Act No. 9728 - An Act Converting The Bataan Economic Zone located in the Municipality Of Mariveles, Province Of Bataan, into the Freeport Area Of Bataan (FAB), Creating For This Purpose The Authority of the Freeport Area of Bataan (AFAB), Appropriating Funds therefor and for other purposes
- Republic Act No. 9490 - An Act Establishing the Aurora Special Economic Zone in the Province of Aurora, creating for the purpose the Aurora Special Economic Zone Authority, appropriating funds therefor and for other purposes
- Republic Act No. 10083 - An Act Amending Republic Act 9490, otherwise known as the "Aurora Special Economic Zone Act of 2007"
- Republic Act No. 9593 - An Act Declaring A National Policy For Tourism As An Engine Of Investment, Employment, Growth And National Development, And Strengthening The Department Of Tourism And Its Attached Agencies To Effectively And Efficiently Implement That Policy, And Appropriating Funds Therefor
- Republic Act No. 7903 - An Act Creating A Special Economic Zone And Free Port In The City Of Zamboanga Creating For This Purpose The Zamboanga City Special Economic Zone Authority, appropriating funds therefor, and for other purposes
- CAO 7-2010 - Rules and Regulations Governing Customs Operations in the Freeport area of Bataan

- CAO 7-2010 - Rules and Regulations Governing Customs Operations in the Freeport area of Bataan
- CAO 9-2003 - Rules and regulation Governing Customs Operations in Cagayan Special Economic zone and Freeport
- CAO 1-1998 - Rules and regulation for customs operation in Zamboanga city special economic zone and Freeport (ZAMBOECO)
- CAO 2-1998 - Rules and Regulations for customs operations in the John Hay Special Economic Zone JHSEZ
- CAO 4-1993 - Rules and Regulations for Customs Operations in the Subic Special Economic and Freeport Zone
- CMO 13-2015 - BOC-PEZA JMO1-2015A entitled "Clarification on Section 7 of BOC-PEZA JMO 1-2015A"
- CMO 8-2015 - Mandatory Electronic Processing of Transshipments of PEZA Locators to PEZA Zones and Other Procedures/BOC-PEZA JMO 01-2015
- CMO-8-2011 - BOC-AFAB JMO 06-2010
- CMO-7-2011 - BOC-PEZA JMO 04-2010
- CMO-6-2011 - E-ACTS for Import Shipments Consigned to Economic Zone Locators (JMO 5-2010)
- CMO 13-2012 - Clarification on the Rate of Cargo Transfer Fees for the Domestic Transit using the Customs e2m Transit System of Imports Discharged at All Ports of Entries with PEZA or FREEPORT/SPECIAL ECONOMIC ZONES/Areas as Final Destinations
- CMO-15-2011- Amendment to NAIA CMO 03-2001 dated 17 October 2001, CMO 36-2008/A dated 05 March 2009 and CMO 32-2010 dated 23 August 2010 on the Guidelines for the Implementation of the Enhanced Automated Cargo Transfer System (E-ACTS) for Goods Discharged at the Ninoy Aquino International Airport (NAIA) with Economic and Freeport Zones as Final Destinations
- CMO No. 40-2015 - Customs Rules and Regulations Implementing BOC-PEZA JMO No.2 - 2015 on the Transfer of Goods from the Ecozone Logistics Service Enterprise (ELSE) to its partner Ecozone Locator
- CMO 28-2010 - Client Registration under ACOS of PEZA-Registered / Economic Zone Locator / Enterprises and CDC / SBMA / AFAB-Registered Freeport Zone Locator / Enterprises
- CMO 32-2010- Enhanced Automated Cargo Transfer System (E-ACTS) for Transit Goods Consigned to Freeport Area at Bataan Locator Enterprises Discharged at Ports and Airports with Operating ACOS and with the Freeport Area of Bataan as Final Destination.
- CMO 36-2008 - Interim Enhanced Cargo Transfer System For Transit Goods Consigned To Freeport Zone Locators, Which Are Discharged At Ports And Airports With Operating E2m Customs System And With Subic And Clark Freeport Zones As Final Destinations.

- CMO 36-2008-A - Amendments to CMO 36-2008 Implementation of the Enhanced Automated Cargo Transfer System for Transit Goods Consigned to Locators of Clark and Subic SBFZ
- CMO 8-2005 - Guidelines on the Implementation of the Automated Collection of Cargo Transfer Fees for PEZA Shipments under JMO 01-2000
- CMO 17-1997 - Guidelines in the clearance shipments destined for Subic and Clark special economic zone Shipments of duty free shops and trading warehouse located at Subic and Clark special economic zones shall be covered by warehousing entries and shall be filed or processed at the port of discharge POM or MICP using the automated customs operation system
- CMO 17-1997 - Amendments on CMO 19-97 regarding guidelines in the clearance of shipments destined for Subic and Clark special economic zone
- CMO 18-1997 - Guidelines in the processing of withdrawal permits for duty free goods at Subic and Clark Freeport special economic zone
- CMO 35-1997 - Addendum to paragraph 1 of CMO 35-97 implementing paragraph 3 of CAO 4-97 implementing executive order no. 444 on pre shipment inspection PSI of duty free shop imports DFS goods
- CMC 308-2007 - OP Executive Order No. 675 /Subic Special Economic and Free Zone
- CMC 60-2009 - New operational guidelines for all goods and cargoes directly discharged inside Subic and Clark Freeport zones pursuant to joint SBMA circular 1-09
- CMC 199-2008 -MOA & JMO between the BOC, Subic Clark alliance for development council (SCADC), Clark Development Corp. (CDC) & Subic Bay Metropolitan Authority (SBMA)

3. Webpage, Forms, Handbooks and other References. Unit webpage or other information relating to the regulations, such as guidelines, forms, charts, and handbooks, should not be incorporated into the body of the CAO but should be listed and hyperlinked in the additional information section after the text of the CAO. Hyperlinks should refer to the title of the document not the https address.

- Clark Development Corporation Citizen's Charter