



REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF FINANCE  
BUREAU OF CUSTOMS  
MANILA 1099

[DATE]

**CUSTOMS ADMINISTRATIVE ORDER (CAO)  
NO. \_\_\_\_\_**

**SUBJECT: CLEARANCE PROCESS FOR GOODS ENTERED UNDER CUSTOMS  
BONDED WAREHOUSING (CBW) SYSTEM**

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**Introduction.** This CAO implements Section 410, Chapter 1; Section 434, Chapter 3, Title IV, and Sections 801 to 813, Chapter 3, Title VIII, and other relevant sections of Republic Act No. 10863, otherwise known as the Customs Modernization and Tariff Act (CMTA).

**Section 1. Scope.** This Order covers all shipments bound for customs bonded warehouses, providing guidelines for the following:

- (i) Declaration of goods to be entered to CBWs;
- (ii) Assessment of duties and taxes, and the corresponding bonds;
- (iii) Delivery of goods to CBW;
- (iv) Requisition and withdrawal of bonded materials;
- (v) Transfer of goods from CBW to other CBWs and Free Zone Locators;
- (vi) Exportation of finished products;
- (vii) Treatment of unused raw materials and wastages;
- (viii) Liquidation of bonded materials and cancellation of the corresponding bonds;

**Section 2. Objectives.**

- 2.1.** To expedite the entry and clearance of bonded warehousing goods.
- 2.2.** To enable the Bureau of Customs (BOC) to effectively monitor and control the operations of CBWs from lodgement of goods declaration to liquidation of warehousing entry and cancellation of covering security.
- 2.3.** To ensure the proper and timely liquidation of bonded materials and covering security.
- 2.4.** To maximize the use of information and communication technology in the warehousing system and processes.

- 2.5. To align the customs bonded warehousing system with international customs standards and best practices.

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

- 3.1. Airway Bill (AWB)** — shall refer to a transport document for airfreight used by airlines and international freight forwarders which specifies the holder or consignee of the bill who has the right to claim delivery of the goods when they arrive at the port of destination. It is a contract of carriage that includes carrier conditions, such as limits of liability and claims procedures. In addition, it contains transport instructions to airlines and carriers, a description of the goods, and applicable transportation charges.<sup>1</sup>
- 3.2. Bill of Lading (BL)** — shall refer to a transport document issued by shipping lines, carriers and international freight forwarders or non-vessel operating common carrier for water-borne freight. The holder or consignee of the bill has the right to claim delivery of the goods at the port of destination. It is a contract of carriage that includes carrier conditions, such as limits of liability and claims procedures. In addition, it contains transport instructions to shipping lines and carriers, a description of the goods, and applicable transportation charges.<sup>2</sup>
- 3.3. Bonds Charge Slip** — shall refer to an accountable form (BC form no. 232) issued by the Bonds Division for every bond charge against a general bond.<sup>3</sup>
- 3.4. Bonds to Enter Goods for Storing in Customs Bonded Warehouse** — shall refer to a written undertaking of the CBW Operator that the goods to be stored in Customs Bonded Warehouse are covered by a general bond which the CBW operator and its heirs bind themselves to be jointly and severally liable thereto.
- 3.5. Customs Documentary Stamps (CDS)** — is a tax on documents, instruments, loan agreements and papers evidencing the acceptance, assignments, sale or transfer of an obligation, right or property incident thereto.<sup>4</sup>
- 3.6. Customs Common Bonded Warehouse (CCBW)** — shall refer to a warehouse facility established and duly authorized by the Bureau alone and jointly with Garments and Textiles Industry Development Office (GTIDO) or equivalent office, in case of

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<sup>1</sup> cf. Customs Modernization and Tariff Act (CMTA), Title I, Chapter 2, Section 102(d).

<sup>2</sup> CMTA, Title I, Chapter 2, Section 102(h).

<sup>3</sup> cf. CMO 1-1985

<sup>4</sup> cf. BIR Tax information.

garments industry, to import, receive, and store, duty free and under bond, raw materials, spare parts, supplies, accessories, packaging and packing materials for the account of its accredited members for manufacture into finished products for export <sup>5</sup>

**3.7. Free Zones** — 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; 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 Special Economic Zone under Republic Act No. 9490, as amended; the Cagayan Special Economic Zone and Freeport under Republic Act No. 7922; the Zamboanga City Special Economic Zone under Republic Act No. 7903; the Freeport Area of Bataan under Republic Act No. 9728; and such other freeports as established or may be created by law.<sup>6</sup>

**3.8. List of Importable Goods (LIG) or Statement of Raw Material Importation Requirement (SRMIR)**— shall refer to the document which specifies the goods or raw materials including the corresponding volume, tariff heading and other details based on the formula of manufacture, that are authorized or approved by the Bureau to be imported.

**3.9. Multi-Purpose Declaration** — shall refer to customs single administrative document (SAD) accomplished by the importer, or his authorized representative, under oath and submitted to the BoC 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 through consumption or through warehousing which will assist the BoC in assessing the duties and taxes due to the imported goods.<sup>7</sup>

**3.10. Provisional Goods** — shall refer to the lodgment of goods by a declarant who does not have all the information or supporting documents required to complete the goods declaration. Provided, that it substantially contains the necessary information required by the Bureau and the declarant undertakes to complete the information or submit the supporting documents within forty five (45) calendar days from the filling of the Provisional Goods declaration, which period may extended by the Bureau for another forty five (45) calendar days for valid reasons.<sup>8</sup>

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<sup>5</sup> cf. CAO No. 1-2009, Title III, Section 3.3.3.

<sup>6</sup> cf. CMTA, Section 102 (w)

<sup>7</sup> cf. CAO 1-2009

<sup>8</sup> cf. CMTA, Title IV, Chapter 1, Section 403

**3.11. Raw Materials Liquidation System (RMLS)** — shall refer to an automated system to be adopted and utilized by the BOC in determining the volume and value of the raw material exported and subject for liquidation, including the duties and taxes due on the allowable residues, wastages, by-products and other portion of the imported goods entered through warehousing, no longer usable for the manufacture of the goods to be exported.<sup>9</sup>

**3.12. Statement of Liquidation** — shall refer to a report indicating the summary of bonded materials entered, stored, used, withdrawn or exported.

**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.<sup>10</sup>

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

**4.1. Bonded Goods Importation.** CBWs may import goods as authorized by the BoC and/or other government regulatory agencies.<sup>11</sup>

**4.2. Qualification of Surety Company.** The bonds referred to herein are those issued by surety companies accredited by the BoC to guarantee the export of goods or manufacture of raw materials into finished products for export, or the payment of taxes or duties due thereon.

**4.3. Account in Electronic Format.** The Bureau of Customs shall keep an account in electronic form of all goods delivered to and withdrawn from 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 shall require electronic submission by CBW Operator.

**4.4. Requisition and Withdrawal of Bonded Goods.** The Bureau shall prescribe the procedures including the specific form to be used in the requisition of bonded goods from the stores to production and from CCBW to its members and withdrawal of goods from the CBW.

**4.5. Transfer of Bonded Goods.** The Bureau shall prescribe specific goods declaration for the following:

**4.5.1.** Transfer of bonded goods from CBW to another CBW.

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<sup>9</sup> cf. CAO 1-2009

<sup>10</sup> cf. CMTA, Title I, Chapter 2, Section 102 (rr)

<sup>11</sup> Cf. CAO 1-2009, 4.13

- 4.5.2.** Transfer of bonded goods from CBW to Free Zone.
- 4.5.3.** Transfer of goods from Free Zone to CBW.
- 4.6. Bonded Goods Inventory.** In order to effectively monitor the bonded goods inventory of all CBWs, the CBWs shall establish and utilize an automated bonded goods inventory system with linkage to BoC's RMLS.<sup>12</sup>
- 4.7. Wastages.** Wastages, rejects and by-products in the manufacture of export products shall be properly accounted for and disposed of in accordance with existing rules and regulations.<sup>13</sup>
- 4.8. Unused Bonded Goods.** Unused bonded goods shall be subject to payment of duties and taxes.
- 4.9. Raw Materials Liquidation System (RMLS).** The BOC shall adopt and utilize an ICT-enabled system of liquidating raw materials to effectively monitor the liquidation of raw materials used in the manufacture of imported goods and the wastages derived therefrom. Also, a Wastage Value database shall be established for wastages, rejects and by-products.<sup>14</sup>
- 4.10. Automated Bonds Management System (ABMS).** The BOC shall adopt and utilize an ICT-enabled system of managing bonds transactions to assist in the posting, charging, ageing, monitoring and cancellation of bonds.<sup>15</sup>
- 4.11. Warehousing Information Database.** The BOC shall establish and maintain a comprehensive database of information related to warehousing activities and its support operations.
- 4.12. Performance of the Obligation.** The performance of the obligation by the importer may take the form of any of the following:
- 4.12.1.** Exportation, within the prescribed period, of imported goods or finished products manufactured from raw materials imported under bond as herein provided;
- 4.12.2.** Payment of duties and taxes on goods imported under bond, in accordance with existing or applicable laws, rules and regulations.<sup>16</sup>

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<sup>12</sup> cf. CAO 1-2009, 4.14

<sup>13</sup> cf. CAO 1-2009, 4.18

<sup>14</sup> cf. CAO 1-2009, 4.19

<sup>15</sup> cf. CAO 1-2009, 4.20

<sup>16</sup> cf. CAO 12-2003, Section 3.3

## **Section 5. Operational Provisions.**

**5.1. Goods Declaration for CBW.** Goods declaration under customs warehousing system must be lodged with the BOC's automated cargo clearance system within fifteen (15) calendar days from the date of discharge of the last package from the vessel or aircraft.

The following supporting documents shall be filed as part of the goods declaration:

- a) Bill of Lading (BL) or Airway Bill (AWB)
- b) Invoice
- c) Packing List
- d) Bonds to Enter Goods for Storing in Customs Bonded Warehouse (with CDS)
- e) Bonds Charged Slip Form (with CDS)
- f) Permits, licenses and clearances from regulatory agencies if applicable.

**5.1.1.** A goods declaration for warehousing shall be filed at the port where the goods for warehouse are discharged. In cases where the goods to be entered for warehousing are under the jurisdiction of another port of entry, a Transit declaration shall be used for the transfer of the goods from the port of discharge to the other port of entry and shall be transformed into warehousing entry declaration within forty eight (48) hours upon receipt of the goods at the warehouse.

Pending implementation of the use of Multi-Purpose Declaration, existing procedures on the filing of goods declaration shall govern the clearance procedures for goods entered under warehousing.

**5.1.2.** The Bureau may allow the lodgement of a Provisional Goods declaration for goods entered under warehousing in accordance with the rules and regulations on the filing of a Provisional Goods declaration.

**5.2. Posting of Security for Bonded Goods.** For goods declared and entered under the CBW scheme, the District Collector shall require the importer to post sufficient security equivalent to the assessed duties, taxes and other charges, as a condition for the storage and withdrawal of the bonded goods within the period prescribed by Section 811, Chapter 2, Title VIII of the CMTA, or the payment of duties, taxes and other charges upon compliance with all importation requirements.<sup>17</sup>

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<sup>17</sup> cf. CMTA, Section 808

**5.3. Examination and Assessment of Goods Declaration for Warehousing.** The concerned BOC office shall conduct assessment of duties and taxes based on the lodged goods declaration and the results of risk management system of the BOCs automated cargo clearance system.

If the covering goods declaration is placed under Alert Order or selected Red, the District Collector shall allow immediate transfer of bonded goods to the CBW where the examination shall be conducted. The Bureau shall establish a mechanism to ensure the integrity of the bonded goods during the transfer of shipment from the port of entry to the CBW.

**5.4. Treatment of Goods in CBW.** Treatment of goods in CBW shall be covered by the following rules:

**5.4.1.** Goods duly entered for warehousing in CBWs shall be conditionally free from payment of duties and taxes within the allowed period for storage unless withdrawn for consumption. Withdrawal for exportation or Transit to a Free Zone or another CBW shall be subject to applicable rules and regulation on the liquidation of the warehousing entry.<sup>18</sup>

**5.4.2.** Goods duly entered for warehousing in CBWs which are not included in the BOC approved LIG or SRMIR shall be subject to payment of duties and taxes.

**5.5. Delivery of Imported Goods to CBW.** Imported goods shall be delivered to CBW when the goods declaration is already electronically lodged and cleared with the BoC's automated cargo clearance system.

Unless otherwise provided, the transfer of imported goods from the customs zone to the warehouse shall be under continuous guarding by customs guard(s) or other means of control and tracking system until delivery at the CBW is acknowledged in the covering transfer note by the customs personnel assigned thereat or by the duly designated accountable officer of the operator.<sup>19</sup>

**5.6. Period of Storage in CBWs.<sup>20</sup>**

**5.6.1.** Goods entered for warehousing may remain in a CBW for a maximum period of one (1) year from the time of its arrival at the warehouse, unless a longer period is pursuant to section 811 of the CMTA

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<sup>18</sup> CMTA, Title VIII, Chapter 2, Section 812.

<sup>19</sup> cf. CAO 1-2009, 4.14

<sup>20</sup> CMTA, Title VIII, Chapter 2, Section 811.

- 5.6.2.** For perishable goods, the storage period shall be three (3) months from the date of arrival at the warehouse, extendible for valid reasons, and upon written request, for another three (3) months.
- 5.6.3.** Imported goods shall be withdrawn from the CBWs when the necessary withdrawal permit has been filed, together with any related document as may be required by the Bureau.<sup>21</sup> Goods not withdrawn after the expiration of the prescribed period shall be deemed abandoned, as provided under paragraph (e), Section 1129, Chapter 6, Title XI of the CMTA<sup>22</sup>, unless the CBW operator expressly abandons the goods prior to the expiration of the period to withdraw the same within the prescribed storage period.
- 5.6.4.** Bonded raw materials withdrawn within the prescribed storage period shall be manufactured and exported within one (1) year from the time of arrival at the CBW. Goods withdrawn within the prescribed period of one (1) year but re-exported beyond the said period shall be subject to the applicable penalties under this CAO.
- 5.6.5.** The Commissioner shall, in consultation with the Secretary of Trade and Industry, establish a reasonable storage period limit beyond one (1) year for particular 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.

**5.7. Requisition of Goods.** Bonded Goods shall be withdrawn for production or for transfer from Common Bonded Warehouse to its member only upon approval of the authorized customs officer.

**5.8. 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.<sup>23</sup>

**5.9. Transfer of Bonded Goods.** The CBW operator may only transfer bonded goods from CBW to another CBW or Free Zones upon

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<sup>21</sup> cf. CMTA, Title VIII, Chapter 2, Section 809, 1<sup>st</sup> par.

<sup>22</sup> CMTA, Title VIII, Chapter 2, Section 811, 1<sup>st</sup> par., last sentence.

<sup>23</sup> Chapter 2, Section 809, CMTA

written request duly approved by the District Collector or his duly authorized representative.

Any of the foregoing transfers shall be construed as constructive exportation for purposes of liquidating the bonded goods from the originating source. Conversely, the transfer and receipt of the bonded goods by the Free Zone or another CBW shall be deemed as constructive warehousing importation.

**5.10. Exportation of CBW Products.** The CBW operator shall lodge an Export Declaration for finished products which are manufactured in CBWs.

**5.11. Identification of Bonded Goods for Export.** All goods for export shall be stuffed only upon prior examination by customs authority. For this purpose, it shall be the responsibility of the CBW operator to inform the BOC two (2) working days in advance before any actual stuffing shall be done.<sup>24</sup>

**5.12. Liquidation of Warehousing Entry and Cancellation of Bond.** The CBW operator shall cause the liquidation of the warehousing entry and apply for the cancellation of the bonds within 30 calendar days after full exportation of the bonded finished products.

**5.12.1.** Upon performance of obligation by way of exportation, within the prescribed period, of goods or finished products made of goods or raw materials imported under bond, the importer shall, within 30 calendar days from said exportation, liquidate the covering warehousing entry up to extent of exportation made by filing a Statement of Liquidation.<sup>25</sup>

**5.12.2.** The Statement of Liquidation shall be filed with the concerned Operating Division, specifying therein, among others, the warehousing entry number, including their quantity, volume and value that are subject of the liquidation applied for. The Statement of Liquidation shall be submitted together with other supporting documents showing the exportation of goods or finished products made of goods or raw materials covered by subject warehousing entry.<sup>26</sup>

**5.12.3.** If the liquidation of the warehousing entry is complete, the Operating Division shall, within fifteen (15) calendar days from the completion of the liquidation, forward to the Bonds Division the Statement of Liquidation for the

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<sup>24</sup> cf. CAO 1-2009, 4.15

<sup>25</sup> cf. CAO 12-2003, Section 4.1

<sup>26</sup> cf. CAO 12-2003, Section 4.2

cancellation of the corresponding bond and the warehousing entry, the Statement of Liquidation and the supporting documents, for the cancellation of the corresponding bond.<sup>27</sup>

**5.12.4.** Within five (5) calendar days from receipt of the above documents, the Chief, Bonds Division shall cancel the corresponding bond, notifying in writing the importer and the surety company of such cancellation.<sup>28</sup>

**Section 6. Penalties.**<sup>29</sup> Without prejudice to the criminal liability provided under the CMTA, the following administrative sanctions shall be imposed on the operator for the following offenses:

**6.1.** Diversion or Unauthorized Withdrawal or Repacking.

- a)** First Offense — Duties, taxes and charges due on the goods withdrawn; and Surcharge of fifty percent (50%) of duties, taxes, customs fees, and charges, found to be due and unpaid;<sup>30</sup>
- b)** Second Offense — Suspension of warehousing privileges for six (6) months; and
- c)** Third Offense — Closure.

**6.2.** Late re-exportation and late submission of documents such as proof of re-exportation or authority to cancel bonds issued by the Commissioner and such other documents required for reconciliation or liquidation of raw materials, liquidation of entries or cancellation of re-export or surety bonds, shall be subject to penalties in accordance with the existing rules and regulations.<sup>31</sup>

**6.3.** The penalties provided in this CAO shall be without prejudice to the criminal and other liabilities imposed under the CMTA and other laws.

**Section 7. Transitory Provision.** Existing systems and procedures intended to be replaced by the automated CBW process from lodgment of goods declaration to liquidation of warehousing entry and cancellation of bonds, existing systems and procedures shall remain in force and effect pending approval and implementation of such automated system.

**Section 8. Periodic Review.** Unless otherwise provided, this CAO shall be reviewed every three (3) years and be amended or revised if necessary.

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<sup>27</sup> cf. CAO 12-2003, Section 5.1

<sup>28</sup> cf. CAO 12-2003, Section 5.2

<sup>29</sup> cf. CAO No. 1-2009, Title V, Section 5.4.

<sup>30</sup> cf. CMTA, Title XIV, Chapter 1, Section 1422.

<sup>31</sup> cf. CAO No. 5-91, Section II, (2a).

**Section 9. Repealing Clause.** This CAO specifically amends or repeals previously issued CAOs and CMOs which are inconsistent with the provisions here stated.

**Section 10. Separability Clause.** If any part of this Order is declared unconstitutional or contrary to existing laws, the other parts not so declared shall remain in full force and effect.

**Section 11. Effectivity.** This CAO shall take effect fifteen (15) calendar days from publication at the Official Gazette or a newspaper of national circulation.

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

**NICANOR E. FAELDON**

Commissioner

Approved:

**CARLOS G. DOMINGUEZ III**

Secretary

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

- 1.** History. This is the first Customs Administrative Order covering the Clearance Process for Goods Entered under Customs Bonded Warehousing (CBW) System.
- 2.** 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".

**Related Policies.**

- CAO No. 01-2009. Revised Rules and Regulations for the Establishment, Operation, Supervision and Control of Customs Bonded Warehouses.
- CAO No. 12-2003. Performance of Obligation under Warehousing bond and Liquidation of the Warehousing Entry, Providing Penalties therefore

- CAO No. 05-1991. Amended Rate Schedule on the Imposition of Surcharges for Breach of Bond; CAO 8-80 dated August 12, 1980 is hereby amended
- CMO No. 01-1985. Adoption of a Credit Card System by Operators of Embroidery Firms and Manufacturing Bonded Warehouses for Bond Charging Purposes

**Webpage, Forms, Handbooks and other References.**

- BIR Tax Information