



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

CUSTOMS ADMINISTRATIVE ORDER (CAO)
NO. _____

**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 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 This CAO shall be applicable to goods admitted into, withdrawn from and moved from one Free Zone to another by Free Zone Locators.

Section 2. Objectives.

- 2.1.** To effectively implement the provisions of the CMTA on Free Zones.
- 2.2.** To provide the guidelines for the admission, movement and withdrawal of imported goods in Free Zones by Free Zone Locators.
- 2.3.** To institute level of monitoring, control and safeguard measures goods admitted into, withdrawn from and moved from one Free Zone to another.
- 2.4.** To adopt clear and transparent customs rules, regulations, policies and procedures on Free Zones, consistent with international standards and Customs best practices.¹

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

- 3.1. Admission** – refers to the act of bringing imported goods directly or through transit into a free zone.²
- 3.2. Admission Declaration** – refers to Goods Declaration lodged by Free Zone Locators with the Bureau and Free Zone Authorities for goods that are directly admitted in the Free Zone.
- 3.3. Customs Territory** – refers to areas in the Philippines where customs and tariff laws are enforced.³

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

² *cf* Customs Modernization and Tariff Act (CMTA), Section 102 (c).

³ CMTA, Section 102 (q)

- 3.4. Entry** – refers to the act, documentation and process of bringing imported goods into the customs territory, including goods coming from free zones.⁴
- 3.5. Free Zone** – refers 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.⁵
- 3.6. Free Zone Locator** — refers 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.
- 3.7. Goods** – refers to articles, wares, merchandise and any other items which are subject of importation or exportation.⁶
- 3.8. Goods Declaration** – refers 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.⁷ This shall include admission and transit declaration for Free Zones.
- 3.9. Importation** – refers 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.⁸
- 3.10. Lodgement** – refers to the electronic registration of a goods declaration with the Free Zone Authority and the Bureau.⁹

⁴ CMTA, Section 102 (r)

⁵ CMTA, Section 102 (w)

⁶ CMTA, Section 102 (x)

⁷ CMTA, Section 102 (y)

⁸ CMTA, Section 102 (z)

⁹ CMTA, Section 102 (dd)

- 3.11. Transit** – refers 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.¹⁰

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.¹¹

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 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.¹²

- 4.2.2.** 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.

4.3. Movement of Goods.

- 4.3.1. Within the Zone.** Free Zones shall have the responsibility to monitor the movement of goods within the Free Zone where the goods were admitted, provided that the Free Zones shall share such information with the Bureau.

- 4.3.2. Into and From Free Zones.** Transfer of Goods from one Free Zone into another Free Zone shall be covered by the necessary Transit permit.¹³

4.4. Withdrawal of Goods from Free Zones.

- 4.4.1.** Imported Goods shall be withdrawn from the Free Zone for Entry to the Customs Territory when the Goods Declaration is electronically lodged, together with required documents at the time of the withdrawal from the Free Zone¹⁴ upon payment of appropriate duties and taxes, if any.

¹⁰ CMTA, Section 102 (rr)

¹¹ CMTA, Title VIII, Chapter 3, Section 815

¹² CMTA, Title VIII, Chapter 3, Section 814

¹³ CMTA, Title VIII, Chapter 3, Section 816

¹⁴ CMTA, Title VIII, Chapter 3, Section 814

4.4.2. If the goods declaration is not lodged electronically or manually, the imported goods shall not be transferred to the warehouse of the Free Zone Locators.

4.4.3. In case of withdrawal of imported goods from Free Zones for introduction to the Customs Territory, the duty rate at the time of withdrawal shall be applicable on the goods originally admitted, whether withdrawn in its original or advanced form.¹⁵ However, the Value-Added Tax (VAT) due shall be computed based on the selling price at the time of withdrawal from Free Zones to be paid by the locator, importer or the buyer.

4.4.4. Withdrawal from the Free Zone into the Customs Territory shall be covered by the necessary Goods Declaration for consumption or warehousing.¹⁶

4.5. Coordination with Free Zone Authority.

4.5.1. To ensure compliance with customs laws and regulations, the Bureau shall coordinate with the governing authority of the Free Zone.¹⁷

4.5.2. The implementing rules and regulations on the Transit of Goods admitted into, exported from, withdrawn into the Customs Territory, and moved between Free Zones shall be formulated and issued jointly by the Bureau and the Free Zone authorities.¹⁸

4.5.3. The Bureau shall coordinate with Free Zones 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 Records for Purposes of Post-Clearance Audit.

4.6.1. Locators or persons authorized to bring imported goods into Free Zones, such as the special economic zones and free ports, are subject to the post-clearance audit function of the

¹⁵ CMTA, Title I, Chapter 2, Section 105, 1st par., 2nd sentence

¹⁶ CMTA, Title VIII, Chapter 3, Section 816

¹⁷ CMTA, Title VIII, Chapter 3, Section 817

¹⁸ CMTA, Title VIII, Chapter 3, Section 816

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 zones into the Customs Territory for a period of three (3) years from the date of filing of the Goods Declaration.¹⁹

4.6.2. 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.²⁰

4.7. Operational Procedures. A CMO shall be issued to outline the procedures in the admission, movement, withdrawal and audit in Free Zones.

Section 5. 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 6. Authority of the Commissioner to Issue Supplementary Rules and Regulations. The Commissioner may issue supplementary rules and regulations to effectively implement the provisions of this CAO.

Section 7. Periodic Review. Unless otherwise provided, this CAO shall be reviewed every three (3) years and be amended or revised, if necessary.

Section 8. 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 9. Repealing Clause. Customs Administrative Order (CAO) 7-2010, CAO 9-2003, CAO 1-1998, CAO 2-1998, CAO 4-1993 are deemed revoked, amended and/or modified accordingly.

Section 10. Effectivity. This CAO shall take effect fifteen (15) 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.

¹⁹ cf. CMTA, Title IX, Section 1003 (c)

²⁰ cf. CMTA, Title IX, Section 1003, last par.

NICANOR E. FAELDON

Commissioner

CARLOS G. DOMINGUEZ III

Secretary

Infomational 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 Adminsitratve 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. It was revised by CAO- _____.

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
- Republic Act No. 7227- The Bases Conversion and Development Act of 1992
- 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 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 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