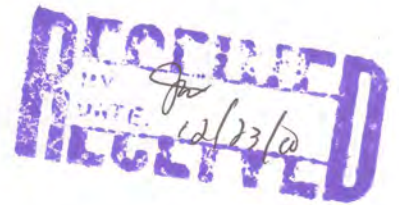


Republic of the Philippines
Bureau of Customs
Philippine Economic Zone Authority



22 December 2010

JOINT MEMORANDUM ORDER
NO. 5 - 2010

**SUBJECT: FULL IMPLEMENTATION OF THE ENHANCED AUTOMATED
CARGO TRANSFER SYSTEM (E-ACTS) FOR TRANSIT GOODS OF
ECONOMIC ZONE LOCATOR ENTERPRISES DISCHARGED IN
ALL PORTS AND AIRPORTS**

The following rules and regulations are hereby prescribed to govern the transfer of transit goods imported by economic zone locator enterprises discharged at airports and seaports where ACOS is operating, such as but not limited to the Ninoy Aquino International Airport (NAIA), Port of Manila (POM), Manila International Container Port (MICP), Port of Batangas (POB), Mactan International Airport (MIA), and Cebu International Port (CIP), Port of Subic (POS), Subic Bay International Airport (SBIA) and Diosdado Macapagal International Airport (DMIA).

For the purpose of this Order, the term "transit" shall refer to the customs procedure under which import shipments of economic zone locator enterprises are cleared, released tax and duty-free and transferred from the ports of discharge to their economic zone destinations.

1. General Objectives

- 1.1 To facilitate the conduct of business by providing an efficient, effective, less costly and simple automated system for documenting and processing clearance, release and transfer of import shipments of economic zone locator enterprises from ports of discharge to their economic zone destinations;
- 1.2 To provide a secure and reliable system for preventing smuggling and protecting government revenues;
- 1.3 To support an audit-based risk management system towards ensuring that transit goods are safely conducted in a timely manner from port of discharge to their economic zone destinations;
- 1.4 To simplify the documentary requirements for clearance, release and transfer of import shipments to their economic zone destinations, including the provision for a single submission of permits recognized by the BOC and PEZA and consistent with the NSW Program;
- 1.5 To allow direct and immediate delivery and use of transit goods by economic zone locator enterprises, upon arrival of the transit goods at their economic zone destinations, without the necessity of detaining the transit goods for inspection in the Customs Clearance Area (CCA),

when the BOC Automated Risk Management, and Selectivity Program is already operating in the ports of discharge..

2. Scope

- 2.1 This Order shall apply to import shipments of economic zone locator enterprises which are required for their PEZA-registered activities. The issuance by PEZA of an electronic Import Permit shall serve as proof of PEZA authorization to the BOC for the tax and duty-free clearance, release and transfer of an import shipment of an economic zone locator enterprise under the E-ACTS.
- 2.2 The initial implementation of this Order shall cover transit goods of economic zone locator enterprises discharged at the NAIA, POM, MICP, POB, MIA, CIP, DMIA, SIA, and POS, for transfer to their economic zone destinations.

3. General Provisions

PEZA shall implement the Electronic Import Permit System (e-IPS) for the issuance of Electronic Import Permits (e-IP) which shall grant economic zone locator enterprises the tax and duty-free importation privilege for foreign goods they require for their PEZA-registered activities. On the other hand, BOC shall implement the Enhanced Automated Cargo Transfer System (E-ACTS) for processing Transit Declarations (Transit SAD) for the tax and duty-free clearance, release and transfer of the foreign goods covered by PEZA e-IPs from the ports of discharge to their economic zone destinations.

The PEZA e-IPS and BOC E-ACTS shall have the following control and security features:

3.1 Electronic Import Permit System (e-IPS)

- 3.1.1 Electronic Import Permit (e-IP) - An electronic permit issued by PEZA granting economic zone locator enterprises the privilege to import tax and duty-free foreign goods they require for their registered activities, based on its PEZA-approved Lists of Importables. The e-IPs may be printed with the required system-generated encrypted Barcodes, which shall serve as the electronic signatures of the documents.
- 3.1.2 Electronic Lodgement of e-IP Applications. Economic zone locator enterprises, and/or their authorized representatives, shall lodge e-IP applications, through PEZA-accredited Value-Added Service Providers (VASP), using the minimum information and supporting documents provided in this Order.
- 3.1.3 Economic zone locator enterprises and/or their authorized customs brokers shall print approved e-IPs with the system-generated, encrypted Barcodes for submission to the BOC as a support document to the Transit Declaration (Transit SAD).
- 3.1.4 PEZA-accredited VASPs shall provide the front-end systems, which economic zone locator enterprises and/or their authorized representatives shall use to prepare and electronically lodge e-IP applications, and which BOC and

PEZA officials shall use to authenticate hard copies of e-IPs submitted as one of the supporting documents of Transit Declarations (Transit SADs).

- 3.1.5 PEZA shall operate and maintain, through accredited VASPs the back-end system and database for processing e-IP applications and documenting, with scanning of the e-IP Barcodes, use of e-IPs issued and delivery of transit goods at their economic zone destinations .

3.2 Enhanced Automated Cargo Transfer System (E-ACTS)

- 3.2.1 Transit-Single Administrative Document (Transit-SAD) - The Single Administrative Document (SAD) with Model of Declaration 8 – 8 supported by the Bill of Lading/Airway Bill, Invoice, Packing List and the PEZA e-IP shall be submitted by an economic zone locator enterprise or its authorized representative to the Customs PEZA Clearing Office/ PEZA Customs Documentation Unit (CPCO/PCDU) at the ports of discharge, in lieu of the Warehousing Entry filed at the Port of Destination, Transshipment Permit (BOC Form 199), Transit Cargo Manifest, Boat Note and other documents required under other Customs Orders. A license, authorization, clearance or permit issued by the designated government regulatory office must also be provided, following established procedures, for any regulated or controlled commodity included in an import shipment.

- 3.2.2 Electronic Lodgement of Transit Declaration and Printing of Transit-SADs. Authorized representatives of economic zone locator enterprises (i.e., BOC-accredited Customs brokers) shall lodge Transit Declaration applications with ACOS via the Internet, through BOC-accredited Value-Added Service Providers (VASP). Subsequently, authorized representatives of economic zone locator enterprises shall print the Transit-SADs, with the corresponding Assessment Notices bearing system-generated Customs Reference Numbers, which will confirm completion of lodgement of Transit Declaration applications. .

- 3.2.3 BOC-accredited VASPs shall provide the front-end system which authorized representatives of economic zone locator enterprises shall use to electronically lodge Transit Declaration applications and to print the resulting Transit SADs, with the corresponding Assessment Notices, after registration of the Transit Declaration applications with ACOS.

- 3.2.4 BOC shall operate and maintain the back-end system and database for processing Transit Declaration applications.

- 3.3 General Transportation Surety Bond (GTSB). The District Collector in a port of discharge shall allow economic zone locator enterprises to post GTSBs with BOC-accredited surety companies, to guarantee the direct and faithful delivery of transit goods to the locator enterprises' economic zone premises, as stated in the Transit-SADs.

The GTSB shall take the place of the Customs Boat Note and PEZA under-guarding requirement. Posting of the GTSB shall not be required per transit cargo discharged. It shall be sufficient that a GTSB is registered with the Bureau's Bonds Division, or equivalent office, in the port of discharge of the transit cargo and that the GTSB conforms with the following conditions:

- 3.3.1 An economic zone locator enterprise shall post a GTSB in each of the ports of discharge of its transit cargoes. The face value of the GTSB to be posted in a port of discharge shall be equivalent to the average taxes and duties due on three-day transit cargoes, based on all transit cargoes discharged in the port during the preceding 3-months of the current year, as computed using the formula indicated below, and provided that a GTSB shall have a minimum face value of P500,000.00:

$$\text{GTSB Amount} = \frac{3 \times \text{Total duties and taxes due on all transit cargoes discharged at the port during the 3 preceding months of the current year}}{91 \text{ or } 92 \text{ days of the preceding 3 months}}$$

- 3.3.2 Economic zone locator enterprises shall execute and submit to the PEZA an affidavit attesting to the completeness and accuracy of the (a) FOB values ; (b) determined taxes and import duties and (c) the computed average three-day taxes and import duties on its transit cargoes released in a port of discharge during the preceding 3-month period. PEZA, after verification of the accuracy of the computed amount of the GTSB for a port of discharge, shall endorse the same to the BOC Bonds Division or equivalent office in the port of discharge.

- 3.3.3 For the initial mandated full implementation of E-ACTS for transit goods of economic zone locator enterprises, to facilitate computation of the face-value of the required GTSB, the total taxes and duties on import shipments of an economic zone locator enterprise during the preceding three-month period may be approximated using the FOB values of the import shipments in U.S. Dollars, converted into Pesos based on the average Peso-US Dollar exchange rate during the preceding three-month period and multiplied by 14%, representing the average ratio of taxes and duties to the FOB values of import shipments.

- 3.3.4 The required GTSB shall be registered with the BOC Bonds Division, or equivalent office, in the port of discharge. An economic zone locator enterprise shall also submit to PEZA certified true copies of all GTSBs it has posted in all ports of discharge of its transit cargoes.

- 3.3.5 The District Collector, or the Deputy Collector for Operations or his duly authorized representative may require an economic zone locator enterprise to increase the face value of its existing GTSB, where the GTSB is insufficient to cover the assessed tax and import duty of high- risk or high-value import shipment. Alternatively, instead of increasing the face value of its existing GTSB, the economic zone locator enterprise may opt to arrange for PEZA under-guarding of the import shipment during its transfer from the port of discharge to its economic zone destination.
- 3.3.6 The Commissioner of Customs, with prior consultation with PEZA, may require additional security measures using the latest technology (e.g. Global Positioning System (GPS), Radio Frequency Identification (RFID) etc.) to ensure that transit goods are delivered to their economic zone destination.

4. Administrative Provisions

- 4.1 An economic zone locator enterprise shall enroll with PEZA to qualify for using the e-IPS to secure e-IPs for the tax and duty-free importation of foreign goods it requires for its PEZA-registered activity, by submitting the following information and documents:
- 4.1.1 List of Importables it requires for its PEZA-registered activity, for PEZA approval;
- 4.1.2 List and contact information (i.e., name; title or position; telephone, mobile phone and facsimile numbers; and e-mail address) of responsible company officials/ personnel and authorized representatives;
- 4.1.3 List and contact information of customs brokers it is authorizing to secure e-IPs and arrange for the clearance, release and transfer of its transit goods from the ports of discharge to its economic zone location, as well as other information and/or documents PEZA may require; ;
- 4.1.4 Proof(s) of enrollment with one or more PEZA-accredited VASP(s).
- 4.2 Economic zone locator enterprises shall be fully responsible for the actions of their designated responsible officials/personnel and authorized representatives and shall provide them appropriate ID cards and written authorizations to act and sign official documents on behalf of the company, as well as pay the required BOC and PEZA fees, in connection with the clearance, release and transfer of their transit goods from the ports of discharge to their economic zone destinations.
- 4.3 Economic zone locator enterprises and their authorized representatives shall enroll with PEZA -accredited VASPs for the electronic lodgement of e-IP applications and shall provide, among others, numbers of mobile phones and e-mail addresses to which

system-generated SMS (text) and/or e-mail alert messages shall be sent to inform them of e-IP applications lodged in their names.

4.3.1 Payment of the PEZA Processing Fee for an e-IP application lodged through a PEZA-accredited triggers the sending of a system-generated SMS (text) message to mobile phones and/or an e-mail message to e-mail addresses specified by the economic zone locator enterprise in its enrollment with the PEZA-accredited VASP

4.3.2 Upon receipt of an SMS (text) and/or e-mail message indicating lodgement of an e-IP application for transit cargo, the economic zone locator enterprise shall immediately acknowledge or deny whether it is the consignee and/or whether it has authorized the lodgement of the e-IP application. In cases where it has not authorized lodgement of the e-IP application and/or where it is not the consignee of the import shipment, the economic zone locator enterprise shall immediately call the attention of PEZA so that a Hold and Alert Order can be issued on the transit cargo falsely attributed to it.

4.3.3 An economic zone locator enterprise, which fails to inform PEZA that it is not the consignee of a transit-cargo shipment attributed to it in a lodged e-IP application, shall be deemed the owner of the transit-cargo shipment and shall be subject to penalties which may be imposed in case the transit-cargo shipment is found to be in violation of BOC and/ or PEZA rules and regulations or other laws.

4.4 Authorized representatives of economic zone locator enterprises shall enroll with BOC-accredited VASPs for electronic lodgement of Transit Declaration applications.

4.5 Economic zone locator enterprises shall establish and maintain Pre-Payment Accounts in the BOC In-House Banks in ports of discharge of their transit cargoes for payment of the BOC Cargo Transfer Fee (CTF) for transit-cargo processed and released from the ports of discharge. Alternatively, authorized customs brokers of economic zone locator enterprises may also establish and maintain Pre-Payment Accounts with the BOC In-House Banks in ports of discharge for payment of BOC Cargo Transfer Fees for transit cargoes of their economic and freeport zone locator enterprise-clients processed and released from the ports of discharge.

4.6 Deputy Collector for Operations. A CPCO in airports and PCPU in the seaports, shall be established in each port of discharge where this Order shall be implemented, which will initially include the NAIA, POM, MICP, POB, MIA, CIP, SIP, POS and DMIA. CPCO/PCDUs shall be headed by a senior BOC official and manned by PEZA and BOC officials and personnel as may required for in the performance of its functions.

- 
- 
- 4.6.1 CPCO/PCDU shall be responsible for the processing of Transit-SADs leading to the release of transit cargoes of economic zone locator enterprises for transfer to their economic zone destinations, as well as for monitoring and checking the direct and faithful transfer of the transit goods to their economic zone, destinations within a reasonable period of time [i.e., six (6) hours from the time of release from the port of discharge, subject to review].
- 4.6.2 Other functions of the CPCO/PCDU shall include the following:
- 4.6.2.1 Ensure that transit goods are released only to duly authorized officers/personnel and representatives of economic zone locator enterprises.
- 4.6.2.2 Coordinate with BOC Units in the economic zones to ensure that all transit cargoes released from the port of discharged goods are delivered to the economic zone within a reasonable period [benchmark with six (6) hours from the time of release from the port of discharge, subject to review].
- 4.6.2.3 On a daily basis, during regular office hours, undertake reconciliation between transit cargo released for transfer to the economic zone and transit cargo confirmed to have been delivered to the economic zones to identify transit cargoes released which may have possibly been diverted to the customs territory, so that appropriate measures can be undertaken to protect interests of the government.
- 4.6.2.4 The Deputy Collector for Operations of the port of discharge shall regularly audit transfers of transit goods and the system to ensure that there are no security breaches and to investigate, in conjunction with law enforcement agencies any such breach of security. In case of any breach of security, applicable BOC and PEZA rules shall apply.
- 4.6.3 PEZA-accredited VASPs shall provide CPCO/PCDU with access to the e-IPS and computer work-stations and related equipment required for validation of the authenticity of printed copies of approved e-IPs presented, as well as confirming delivery of transit goods released to their economic zone destinations. .
- 4.6.4 Similarly BOC-accredited VASPS shall provide CPCO/PCDUs with access to the E-ACTS and computer work-stations to verify authenticity and process Transit SADs leading to the clearance and release of transit goods for transfer to their economic zone destinations.

5. Operational Provisions

5.1 Lodgement and Printing of Electronic Import Permits (e-IP)

Economic zone locator enterprises and/or their authorized representatives shall prepare and electronically lodge e-IP applications, through PEZA-accredited VASPs and print approved e-IPs with the required Barcodes for submission to the BOC as a support document to Transit-SAD.

5.2 Lodgement and submission of Transit-SADs to the CPCO/PCDU

5.2.1 An authorized representative of an economic zone locator enterprise shall prepare and electronically lodge a Transit-Declaration application through a BOC-accredited VASP, and print the resulting Transit-SAD, with the corresponding Assessment Notice bearing the system-generated Customs Reference Number.

(Note: E-ACTS automatically deducts the required BOC Cargo Transfer Fee from the Pre-Payment Account of the economic zone locator enterprise or its authorized representative at the time of assessment of the Transit Declaration.)

5.2.2 The authorized representative of an economic zone locator enterprise shall then submit to the CPCO/PCDU at the port of discharge of the transit cargo, the printed copy of the Transit-SAD, with the corresponding Assessment Notice bearing the system-generated Customs Reference Number, together with the printed e-IPS with the required barcode, Bill of lading/ Airway Bill, Invoice and packing List as supporting documents.

5.3 CPCO/PCDU Processing of Electronic Import Permits (e-IPs) and Transit-SADs

Upon submission by an economic zone locator enterprise or authorized representative of a printed copy of a Transit-SAD, with the corresponding Assessment Notice bearing the system-generated Customs Reference Number, together with all required supporting documents, the CPCO/PCDU shall undertake the following:

5.3.1 Receive and check completeness of the Transit-SAD, e-IP and other required supporting documents submitted.

5.3.2 Validate the printed copy of the e-IP submitted by scanning the Barcode and comparing the particulars in the printed copy with particulars of the copy of the e-IP which appears in the computer monitor in the CPCO/PCDU e-IPS workstation.

5.3.3 Validate the printed copy of the Transit-SAD submitted with the ACOS system by using the system-generated Customs Reference Number to retrieve the electronic Transit-SAD and visually comparing the printed copy of the Transit-SAD submitted to it.

5.3.4 Undertake ACOS processing of the Transit-SAD. CPCO/PCDU officials/ personnel shall indicate all necessary notes and markings on the printed copy of the Transit-SAD.

5.3.4.1 In ports of discharge where the BOC Entry processing unit (EPU) is in the same building as the CPCO/PCDU, the authorized representative of an economic zone registered enterprise shall undertake Manifest Clearance in the EPU prior to the submission of the Transit Declaration application, e-IP and other supporting documents to the CPCO/PCDU.

5.3.4.2 In ports of discharge where the BOC Composite Unit is housed in a separate Customs Transit Facility, Manifest Clearance shall be undertaken in the course of the release of the transit cargo at the EPU in the Customs Transit Facility. After business hours, when the EPU at the Customs Transit facility is closed, manifest Clearance shall revert back to the EPU at the BOC District Office.

5.3.5 Check for any Alert or Hold Order issued on the transit-cargo, pursuant to CMO 104-92 and, in the presence of one, notify the Alert or Hold Order-issuing office so that appropriate action can be undertaken.

5.3.6 In the presence of derogatory information from competent authorities, or on the basis of the Automated BOC Risk Management and Selectivity Program (ARMSP), and with written authority from the Commissioner, undertake physical examination of a transit cargo, per provisions of CMO No. 104-92 (Hold/Alert System) or alternatively through x-ray procedure/facility.

5.3.7 Present the Transit Declaration application to the Head of the CPCO/PCDU for approval of the release clearance for the transit cargo, where no Alert or Hold order has been filed, or where physical examination conducted on the basis of an Alert or Hold Order or Derogatory information received proves that the transit cargo is compliant with customs rules and regulations and other existing laws.

5.3.8 Head of the CPCO/PCDU approves the release by signing in Box 51 of the Transit-SAD.

5.3.9 Forward the signed Transit-SAD to the Transit Facility for release of the transit-cargo for transfer to the economic zone.

5.4 **Release of the Transit Cargo for Transfer to the Economic Zone**

5.4.1 The Customs Warehouseman or Wharfinger in the Transit Facility shall check and verify the identity of the person who will receive the transit cargo upon its release and ensure that the transit cargo is released only to duly authorized

official/personnel or representative of the economic zone locator enterprise.

- 5.4.2 The Customs Warehouseman or Wharfinger in the Transit Facility, shall check the number of packages, weight and markings on the package of loose transit-cargo and make sure that these match the particulars in the Transit-SAD.

Where they differ, the Customs Warehouseman or Wharfinger shall submit an Irregularity Report to the Deputy Collector for Operations, who shall cause the same to be subject of examination. Upon clearance from the Deputy Collector for Operations, the Customs Warehouseman/Wharfinger shall supervise loading of the transit-cargo on the carrier.

- 5.4.3 Before releasing the transit cargo for transfer to the economic zone, the Customs Warehouseman or Wharfinger shall attach a numbered seal, to be provided by the Customs Public Warehouse/ CY-CFS Operator, on the back door of the container van or carrier.

- 5.4.4 For goods that will not be carried on board closed vans or similar transport units that can be secured by a customs seal, the packages shall be sealed in such a way that any tampering of the package can easily be detected.

5.5 Transfer and Delivery of the Transit-Cargo to the Economic Zone

- 5.5.1 The authorized representative of the economic zone locator enterprise shall receive the transit cargo and directly and faithfully transfer it to the economic zone within a reasonable period of time [benchmark with six (6) hours from the time of release from the port of discharge, subject to review].

(Note: PEZA-issued e-IPs and Transit-SADs shall be used in the clearance and transfer of transit goods from ports of discharge to the premises of the locator enterprises in the economic zone. Authorized cargo handlers and Customs brokers of economic zone locator enterprises shall, therefore, carry the Original Transit-SAD during the transfer of transit cargoes from the port of discharge, through the customs territory, to the premises of the locator enterprises in the economic zone, for presentation to and inspection by authorized government officials.)

- 5.5.2 Pending implementation of the BOC Automated Risk Management and Selectivity Program (ARMSP) indicated in Section 5.3.6, upon arrival at the economic zone, the authorized representative of the economic zone locator enterprise shall bring the transit-cargo to the Customs Clearance Area (CCA) for joint inspection by designated BOC and PEZA officials. The CCA shall have ample space and facility to be provided by PEZA for joint use with BOC. The

CCA shall be located before the point of entry/ after point of egress to and from the economic zone, respectively.

- 5.5.3 Upon arrival at the CCA, the authorized representative of the economic zone locator enterprise shall present the e-IP to the PEZA official/ personnel for scanning of the Barcode, to confirm delivery of the transit-cargo to the economic zone.

(Note: Scanning of the e-IP Barcode will cause the PEZA e-IPS to register in its database, real-time, an electronic confirmation of the delivery of the transit-cargo to the economic zone. PEZA shall allow the CPCO/PCDU in the port of discharge to have access to the e-IPS database to enable the CPCO/PCDU to verify released transit-cargoes have been actually delivered to the economic zone.)

- 5.5.4 The authorized representative of the economic zone locator enterprise shall then present the Transit-SAD in his possession and other documents accompanying the transit cargo, for the signature of the designated BOC official, also to confirm delivery of the transit-cargo to the economic zone. He shall provide the BOC official a copy of the Transit-SAD and retain a signed copy for the economic zone locator enterprise.
- 5.5.5 When BOC is already implementing the ARMSP in the ports of discharge, BOC and PEZA officials shall conduct scanning of the e-IP Barcodes and signing of the Transit-SAD in an area they will agree upon. In addition, BOC and PEZA shall allow transit cargoes, which do not bear any sign that they have been opened or tampered during its transfer from the port of discharge to the economic zone, to be directly delivered to the premises of the locator enterprise for immediate use.
- 5.5.6 Designated BOC and PEZA officials shall undertake joint inspection of a delivered transit-cargo where there are indications that the transit cargo may have been opened or tampered during its transfer from the port of discharge to the economic zone, provided that BOC official who performed the inspection shall prepare a formal report on the inspection conducted, which he will jointly sign with the designated PEZA official.
- 5.5.7 BOC and PEZA officials shall undertake appropriate action against an economic zone locator enterprise and/or its authorized representative in cases where customs rules and regulations and/or other existing laws are found to have been violated during the transfer of the transit-cargo from the port of discharge to the economic zone.

6. Repealing Clause

All rules and regulations inconsistent with this Order are hereby deemed repealed, suspended or modified accordingly.

7. Effectivity

This Order shall take effect immediately.

 12/27/18
ANGELITO A. ALVAREZ
Commissioner
Bureau of Customs


LILIA B. DE LIMA
Director General
Philippine Economic Zone Authority