



PEZA

Philippine Economic Zone Authority

MEMORANDUM CIRCULAR NO. 2002 002

TO : Economic Zone Locator Enterprises
Other Parties Involved in the Transfer of Import Cargoes
of Economic Zone Locator Enterprises

FROM : Director General LILIA B. DE LIMA

SUBJECT : Preparation for the Implementation of BOC-PEZA Joint-Memorandum Order No. 01- 2001 on the New BOC-PEZA Import Cargo Transfer System

DATE : 09 January 2002

The BOC-PEZA Joint Memorandum Order No. 01-2001 (JMO No. 01-2001) on the new BOC-PEZA Import Cargo Transfer System (System), which will involve primarily the replacement of PEZA Police Transshipment Services with the posting of Surety Bonds to cover import duties and taxes due on import shipments of economic zone locator enterprises during the transshipment period, is scheduled to start on 14 January 2002.

The exact name of the Surety Bond is "**SURETY BOND (Pursuant to BOC-PEZA Joint Memorandum Order No. 01-2001)**". (A sample copy of the Surety Bond document is herewith attached as Annex A)

It is essential economic zone locator enterprises, semi-conductor and electronics export-producer enterprises which will be involved in the initial implementation of the new System, clearly understand the important features, requirements and procedures of the new System to ensure its effective and efficient implementation.

The PEZA-EAD in the economic zones have copies of the following documents pertaining to the implementation of the new System:

- BOC-PEZA Joint Memorandum Order No. 01-2001 dated 24 August 2001;
- Supplemental Instructions Relative to BOC-PEZA Joint Memorandum Order No. 01-2001 dated 16 October 2001;
- NAIA Customs Memorandum Order dated 17 October 2001; and

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- Memorandum of BOC Commissioner Titus B. Villanueva to the District Collector of Customs dated 06 November 2001, providing for the collection of a one-time BOC Cargo Transfer Fee.

The following are the important features of the new System:

1. JMO No. 01-2001 governs the transfer of import cargoes of economic zone locator enterprises from the ports of discharge (under BOC jurisdiction) to locator enterprises operating inside economic zones (under PEZA jurisdiction).

JMO No. 01-2001 indicates that the new System shall apply to "... all imports destined for the Eco-zones... discharged at ports of entry where the Automated Customs System (ACOS) is in place and functioning."

However, the Task Force on the Implementation of BOC-PEZA Joint Memorandum Order No. 01-2001 (Task Force) agreed that the new System will initially be implemented only for import shipments of economic zone locator enterprises in the semi-conductors and electronics product sectors entering the country through the Ninoy Aquino International Airport (Customs Collection District III)

2. The new System has five (5) basic components, as follows:
 - **Legally Binding Full Declaration** [i.e., Import Entry and Internal Revenue Declaration-Transit Document (IEIRD-TD) converted to the ASYCUDA-Transit Document (ASYCUDA-TD)] which will be filed with the use of remote electronic lodgement facilities.
Initially, electronic lodgment of applications for transfers of their import cargoes or IEIRD-TDs will be undertaken at the Entry Encoding Center (EEC) of the Customs-PEZA Clearance Office (CPCO). Eventually, economic zone locator enterprises will be able to lodge their IEIRD-TDs at their premises after establishment of the necessary computer/telecommunications network with the BOC;
 - **Surety Bond** which will serve as security for payment of taxes and duties due on import shipments and, therefore, eliminate the need for PEZA Police Transshipment Services;
 - **ASYCUDA Transit System** which will immediately process and transmit information on import cargo clearing, transfer and other related Customs- PEZA transactions;
 - **Electronic Broadcasting** which will provide economic zone locator enterprises with information on all import cargoes attributed to them, as well as the status of such cargoes with the BOC (e.g., shipment has arrived at the port of entry/discharge, application for release and transfer has been filed with the BOC, cargo has been released for transshipment, etc.). This facility will enable economic zone locator

transactions falsely attributed to them; and

- **Electronic Import Permit System** which will integrate the PEZA Import Permit issuance requirements and procedures at the economic zones with the over-all import processing system.

~~Only the Legally Binding F~~ ~~transition of the new System starting on 14 January 2002. The Electronic~~
Broadcasting and Electronic Import Permit System are expected to become operational on or before 15 February 2002.

Until the Electronic Import Permit System component becomes operational, the PEZA Enterprise Assistance Divisions (EADs) in the economic zones shall continue issuing Import Permits to locator enterprises.

3. ~~Economic zone locator enterprises are required to officially register~~
~~under the Office of Customs Deputy Commissioner Alexander M.~~
Arevalo (Customs Computer Center, Port Area, Manila) to qualify them to have their applications for Cargo Transfer processed using the ACOS.

Registration with the BOC-MISTG requires accomplishment and submission of the BOC Tax Identification Number (TIN) Form No. 2. (Annex B)

4. Economic zone locator enterprises are also required to officially register ~~their Authorized Representatives (company employees) or the~~
~~Authority for the Cargo Handover Process" (for Authorized Representatives~~
who are employees of Customs Brokers). Sample copies of these documents are herewith attached as Annexes C and D, respectively.

The "Special Power of Attorney" and/or "Authority for Cargo Handover Process" must be signed by the Chairman of the Board, President or General Manager of the economic zone locator enterprise. Copies of these documents should be submitted to the BOC Law Division (for recording purposes) and the CPCO. ~~Authorized Representatives~~ of the economic zone locator enterprises shall be held fully responsible for the security of the import cargoes during the transshipment process from the ports of entry/discharge to the economic zones. The Authorized Representatives shall officially acknowledge receipt of import cargoes from the CPCO and ensure their safe and speedy/timely delivery to the premises of the economic zone locator enterprises.

4. Economic zone locator enterprises shall apply for transfer of their import cargoes (from the ports of entry/ discharge to the economic zones) by accomplishing and submitting the IEIRD-TD. The IEIRD-TD eliminates the need for the Transshipment Permit and the Customs-EPZA Warehousing Entry (CEWE) and also replaces the Delivery Permit and Boatnote.

The mandatory fields of the IEIRD-TD are exactly the same as those in the CEWE.

Presentation of the corresponding PEZA Import Permit, Air Waybill, Commercial Invoice and regulatory commodity clearances issued by specific government agencies will continue to be required as supporting documents to the IEIRD-TD.

6. The CPCO-EEC Section shall convert the manually filed IEIRD-TD of the economic zone locator enterprise into an electronic **full entry declaration/ application** called the **ASYCUDA-Transit Document (ASYCUDA-TD)**, an electronic document (i.e., a virtual, non-physical "document") that serves as proof of withdrawal of an import cargo by an economic zone locator enterprise, through its Authorized Representative and confirmation of the subsequent delivery of the same import cargo to the economic zone locator enterprise.
7. Economic zone locator enterprises shall post a **one-time Surety Bond equivalent to taxes and import duties due on the total import shipments for three days**, based on the average actual daily imports during the Fourth Quarter of Year 2001, per JMO No. 01-2001, based on the following formula:

$$\begin{array}{lcl} \text{Taxes and duties due} & & 3 \times \text{Total taxes and duties due on imports} \\ \text{on average imports} & = & \text{from 01 October to 31 December 2001} \\ \text{for three days} & & \hline & & 90 \text{ days} \end{array}$$

However, the Task Force agreed during its 08 January 2002 Meeting that, notwithstanding the Fourth Quarter 2001 having been specified as the reference period, the Total Three-Day Import Level shall be based on the total imports of an economic zone locator enterprise during the Third Quarter 2000, if greater than the import level during the Fourth Quarter 2001, in order to ensure sufficient coverage of taxes and duties due on import shipments in Year 2002.

The Task Force further agreed that the Surety Bond shall also cover taxes and duties due on machinery and equipment, spare parts, supplies and other production inputs imported by economic zone locator enterprises, which are considered included in the term "direct materials" in Item 5.2.2 of JMO No. 01-2001.

8. The BOC shall accept, as true and accurate, the total amount of taxes and duties due on the average three-day imports determined and declared by an economic zone locator enterprise, provided it is covered by a Certification executed under oath by its Import/Export Manager or any other responsible official.

An economic zone locator enterprise proven guilty of intentionally understating the total amount of taxes and duties due on its average three-day imports shall be subject to appropriate penalties as may be jointly determined by the BOC and PEZA.

9. The List of Insurance Companies Accredited by the BOC for the Issuance of the Surety Bond, as of 08 January 2002, is herewith attached as Annex E.

The BOC-NAIA Bonds Division (Attention: Director Dina Viernes) is continuing with the accreditation of other Insurance Companies and shall make the appropriate announcements on additional accredited insurance companies.

10. PEZA Economic Zone Administrators / Managers or the Officers-in-Charge shall confirm actual delivery of import cargoes at the economic zone by signing (and indicating the time and date) the Return Copies of the corresponding IEIRD-TDs issued by the CPCO to the Authorized Representatives of economic zone locator enterprises.

Authorized Representatives shall arrange for the duly signed Return Copies of IEIRD-TDs to be submitted to the CPCO within 24 hours after release of import cargoes destined for economic zones in the CALABARZON, Metro Manila, Pampanga and Bataan; and within 48 hours for import cargoes destined for the Baguio City Economic Zone and other economic zones.

11. PEZA informed the Task Force that the Authority is suspending collection of Transshipment Fees for import cargoes processed under the new System, without prejudice to the imposition of a reasonable PEZA Cargo Transfer Fee, which shall not exceed the existing PEZA Transshipment Fee, retroactive to the start of the implementation of the new System.

The implementation of the new BOC-PEZA Import Cargo Transfer System is a very important milestone in the efforts of the Philippine Government in simplifying and reducing the cost of doing business in the country. BOC and PEZA intends, after a brief pilot implementation phase, to roll out the new System to cover not only other economic zone locator enterprises but also other export producers operating outside of economic zones.

For clarification and additional information on the implementation of the new BOC-PEZA Import Cargo Transfer System, please feel free to contact the following:

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For your information and guidance