

[BOC ADMINISTRATIVE ORDER NO. 1-98, January 29, 1998]

RULES AND REGULATIONS FOR CUSTOMS OPERATIONS IN THE ZAMBOANGA CITY SPECIAL ECONOMIC ZONE AND FREEPORT (ZAMBOECOZONE)

By authority of the Revised Administrative Code of 1997 and Section 608 of the Tariff and Customs Code of the Philippines, as amended, in relation to Republic Act No. 7903 and other laws appurtenant thereto, the following Rules and Regulations are hereby promulgated:

**Chapter I
General Policy**

In the pursuit of accelerating and regulating the operations and other activities in the Zamboanga City Special Economic and Freeport Zone, otherwise known as "ZAMBOECOZONE" (or Zone, for brevity), it is deemed imperative to adopt specific rules and regulations in order to govern and facilitate the free flow, entry and movement of machinery, and other articles thereat without sacrificing effective customs control.

**Chapter II
Definition of Terms**

The following terms used in these Rules and Regulations are hereby defined as follows:

1. *Act* — shall refer to Republic Act No. 7903, otherwise known as the Zamboanga City Special Economic Zone Act of 1995.
2. *Articles* — refer to any goods, wares and articles and in general, anything that may, under the Tariff and Customs Code of the Philippines, as amended, be made the subject of importation or exportation.
3. *Container* — is the outer container in which merchandise is held for storage or transportation, and not an intermodal container covered by the Customs Convention on Containers done at Geneva on December 02, 1972, unless otherwise indicated.
4. *Customs* — shall refer to the Philippine Bureau of Customs.
5. *Customs Territory* — the area of the Republic of the Philippines where the customs laws are in force and effect, which is separate from the Zone.
6. *Domestic Articles* — articles which are the growth, product, or manufacture of the

Philippines on which all national internal revenue taxes have been paid, if subject thereto, and upon which no drawback or bounty has been allowed; and articles of foreign origin on which all duties and taxes have been paid and upon which no drawback or bounty has been allowed, or which have previously been entered into Customs Territory free duties or taxes.

7. *Foreign Articles* — articles of foreign origin on which duties and taxes have not been paid, or if paid, upon which drawback or a bounty has been allowed, or which have not previously been entered into Customs Territory; or articles which are the growth, product, or manufacture of the Philippines on which not all national internal revenue taxes have been paid, if subject thereto; or if paid, upon which drawback or a bounty has been allowed.

8. *Person* — a natural person, and not a juridical person, who brings articles into, possesses articles in, or takes articles from, the Secured Area of the Zone, whether or not the person is a resident of the Zone.

9. *Point of Entry or Exit* — any place designated by the ZAMBOECOZONE Authority and the Bureau of Customs, Department of Finance, where articles may be lawfully introduced into or removed from the Secured Area of the Zone, or any area to which duty and tax free benefits are limited by the ZAMBOECOZONE Authority pending the establishment of a secure perimeter around the Zone. However, the Port/Airport of Entry for the importation and exportation of foreign articles into or from the Zone in accordance with this Administrative Order shall be the premises declared by the President of the Philippines as international Port/Airport of Entry and where the Customs house, shall be located.

10. *Customs Clearance Area* — as provided for under Administrative Order No. 296, this is an area, as shall be provided and delineated by the ZAMBOECOZONE, and to be operated/managed by the Customs, which shall be the clearing and processing center for goods and cargoes entering the Zone from the Customs Territory, and for goods and cargoes which are to be transported from the Zone into the Customs Territory.

11. *Registered Enterprise* — any sole proprietorship, partnership, corporation or entity registered with the ZAMBOECOZONE Authority to do business in the Secured Area of the Zone, whether for profit or not.

12. *Rules and Regulations* — unless otherwise specified, the regulations issued by the ZAMBOECOZONE Authority to implement Republic Act No. 7903, otherwise known as the Zamboanga City Special Economic Zone Act of 1995.

13. *Resident* — any person who by reason of domicile or employment is registered and authorized by the ZAMBOECOZONE Authority to establish residence on a permanent basis in the Secured Area of the Zone. It excludes the following:

(1) Non-residents who enter into short or long term property lease inside the Secured Area of the Zone.

(2) Outsiders engaged in doing business within the Secured Area of the Zone.

(3) Members of Private clubs (e.g. yacht and golf clubs) located in the Secured Area of the Zone.

14. *Secured Area* — cognizant of the vast expanse of the Zone and the initial absence of a secured perimeter around it, this is an area designated by the ZAMBOECOZONE Authority in consultation with the Department of Finance and the Bureau of Customs which shall be the only completely tax and duty-free area in the Zone and within which there shall be free and unimpeded flow of goods and merchandise from one registered enterprise to another or to residents and, along the boundaries of the area, Customs Checkpoints and Clearance Areas shall be set up through which goods authorized to leave or enter the area for some destination inside or outside the Zone must pass; the boundaries of the Secured Area may be expanded from time to time jointly by the ZAMBOECOZONE Authority and the Department of Finance as the requirements of the business in the Zone may demand or permit. CDT

15. *Zamboanga City Special Economic Zone (ZAMBOECOZONE) Authority* — is the Authority established and authorized by Republic Act No. 7903 under which it was created as a body corporate to manage and operate the Zone.

16. *Zone* — as the Zamboanga City Special Economic and Freeport Zone, or ZAMBOECOZONE for brevity, which is outside the Customs Territory and the authority of the Customs laws, whose metes and bounds shall be more particularly defined in a proclamation to be issued by the President of the Republic of the Philippines.

Chapter III General Provisions

A. Authorities and Responsibilities:

1. As to the ZAMBOECOZONE Authority —

The ZAMBOECOZONE Authority is responsible for the operation and management of the Secured Area of the Zone, in accordance with the principles laid down under Section 4 of the Act, the Rules and Regulations, its Manual of Operations and the provisions of this Administrative Order; and is authorized to carry out powers and functions enumerated in Section 7 of the Act, its Rules and Regulations, its Manual of Operations and the provisions of this Administrative Order.

2. As to the Customs —

The Customs in the Secured Area of the Zone shall, as a unit of the Bureau of Customs, Department of Finance working in coordination with the ZAMBOECOZONE Authority, be responsible for:

a. supervising and administering Customs operations involving the admission of articles to or the removal of articles from the Secured Area of the Zone, and other Customs operations as determined by the Commissioner of Customs in coordination with the Chairman/Administrator of the ZAMBOECOZONE Authority.

b. establishing and maintaining offices within the Secured Area of the Zone

wherever necessary to efficiently conduct customs operations; and;

c. maintaining and keeping of true and updated records of goods entering to and exiting from the Secured Area of the Zone and all customs transactions made with regard to the activities in the Zone, and for submission periodically or whenever required, to the Office of Commissioner of Customs.

In order that the above customs functions may be properly performed, the bringing out of goods from the Secured Area to a registered enterprises/subcontractor located within the Zone shall require WRITTEN PERMISSION from the Collector of Customs assigned to the Zone, which shall be monitored until the same shall have been returned to the Secured Area. The Bureau of Customs shall set up checkpoints at the boundaries of the Secured Area and in conjunction with the ZAMBOECOZONE Authority, establish Customs Clearance Areas, as mandated and defined under Administrative Order No. 296.

B. Audit, Search, Seizure and Arrest in the Zone.

1. Audit —

Officials of the ZAMBOECOZONE Authority and the Customs are authorized to JOINTLY conduct, at anytime during office hours, any audit, check or inventory count of all articles for the verification and reconciliation of the accounts or records of any Registered Enterprises in the Zone.

2. Search —

Persons, baggages, vehicles and cargoes entering or leaving the Secured Area of the Zone are subject to search by Customs as a requirement of the exercise of police power to deter and prevent the commission of any violation against the customs laws, rules and regulations. Customs officials may, upon specific authority of the Commissioner of Customs or the District Collector designated by him, and with the assistance and in the presence of ZAMBOECOZONE officials or authorized representatives, examine articles held in the Secured Area of the Zone by any Registered Enterprise, or by any Zone resident, if the latter or any of his household member is at home, for possible violation of Section 101 of the Tariff and Customs Code of the Philippines and pertinent provisions of this Administrative Order; Provided that: the constitutional requirements for search are met.

3. Seizure

Any prohibited or excluded articles found upon search or through any examination, audit or check of articles in the Zone by Customs may be seized for violations of the Tariff and Customs Code of the Philippines, as amended, and be disposed of in accordance with law.

4. Arrest

The ZAMBOECOZONE Authority shall, in coordination with or upon the assistance of Customs Officers in the Zone, arrest persons in the Zone for violations of the Tariff and Customs Code, as amended, for which arrest is empowered under the law. Provided however, that Customs may arrest persons who violate the Tariff and

Customs Code upon entering or leaving the Secured Area of the Zone. It shall be the duty of the arresting officers to make known their official character, the authority of exercising such power and to inform the person arrested the cause of his arrest. Moreover, the arrested person must be afforded with all rights prescribed by law and to avail the demands of due process for the determination of his case.

C. Records Keeping.

1. Responsibility of Registered Enterprises —

Registered Enterprises bringing articles into the Secured Area of the Zone are responsible for retaining and maintaining accounts and records of permits, receipts, sales, transfers, deliveries, and removals from the Zone of articles received by the Enterprises, and for maintaining records of articles brought into the Zone on a current basis, and according to the regulations and the generally recognized accounting principles and standards of the Republic of the Philippines. The records shall provide an audit trail of the articles from the time of the receipt by the Registered Enterprises to the time the registered enterprises is relieved of responsibility for the articles, according to the Rules and Regulations and the provisions of this Administrative Order. Such records shall be retained for FIVE (5) YEARS after the removal of the articles from the Secured Area of the Zone.

2. Suspension of Permit for Impairment of Records

If the records keeping system of the Registered Enterprises has become impaired to the point where no effective check, audit or count of the inventory of the Enterprises can be made by the ZAMBOECOZONE Authority, Customs, Bureau of Internal Revenue (BIR), Economic Intelligence and Investigation Bureau (EIIB), or other authorized government office, the Authority, may order the suspension of permit of the Enterprises, which shall provide access to articles in their premises and in their possession in the Zone, and to records pertaining thereto, which they are responsible for maintaining under the Rules and Regulations, ZAMBOECOZONE Manual of Operations and the provisions of this Administrative Order, by the Authorized officials of the ZAMBOECOZONE, BIR, or any other government agency to which access is authorized by law and regulations.

D. Vessels, Aircrafts and Vehicles Arriving in the Zone.

1. In General —

Regulations and procedures for the arrival formalities and clearance of vessels and aircrafts in the Zone shall be the same as those observed in the Customs Territory. Vehicles which are brought into the Zone free of duties and taxes for use in the Zone shall become subject to duties and taxes upon transfer to Customs Territory for consumption subject to the existing guidelines and regulations on the matter.

2. Bonding of Carriers —

Carriers who undertake to transship foreign articles from the Secured Area of the Zone to a Customs Bonded Warehouse within the Customs Territory shall be bonded in the amount to be determined by the ZAMBOECOZONE Authority which in no case shall be less than FIFTY THOUSAND PESOS (P 50,000.00), Philippines Currency,