

AUTHORIZING THE TOURIST DUTY-FREE SHOPS INC. TO ESTABLISH AND OPERATE DUTY AND TAX FREE STORES AND REQUIRING IT TO PAY FRANCHISE TAX IN LIEU OF ALL OTHER TAXES.

PRESIDENTIAL DECREE NO. 1193, September 06, 1977

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WHEREAS, duty-free stores serve as an effective resource base for accelerated tourism development in our country;

WHEREAS, duty-free stores will earn for our country substantial amounts of foreign exchange which, in turn, will help accelerate our country's socio-economic development;

WHEREAS, the nature of the traditional items that are saleable in duty-free shops will not, in any way, offer competition to locally manufactured products;

WHEREAS, in order to stabilize and standardize the services of duty and tax free stores in qualified air and sea passenger terminals in the country and other authorized outlets and to assure continuous, efficient and satisfactory services, as well as the effective control of its operations, an exclusive authority in favor of the Tourist Duty-Free Shops, Inc. is deemed expedient and beneficial for the country; and

WHEREAS, existing laws do not specifically and expressly provide for the establishment of duty-free stores in our country; and

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby order and decree

SECTION 1. The Tourist Duty-free Shops, inc. is authorized to establish, operate and maintain duty and tax free stores at all international airports and seaports, as as at selected hotels, tourist resorts, and commercial or trading centers throughout the country;

SEC. 2. A customs bonded Warehouse shall first be established and operated by Tourist Duty-free Shops, Inc. in each port entry, to be used exclusively for the storage and safekeeping of imported duty and tax free merchandise; Provided, That each sales/display area or counter established by Tourist Duty-Free Shops, Inc. for sales or promotional purposes shall be considered as an extension of the Customs Bonded Warehouse; Provided further, That, the operation of such warehouse, sales and display areas/counters shall be under the control and supervision of the Bureau of Customs.

SEC. 3. Importations of articles/merchandise to be sold by Tourist Duty-Free Shops, Inc. shall be made only upon prior approval by the Central Bank of the Philippines.

SEC. 4. Imported articles to be stored and sold by Tourist Duty-Free Shops, Inc. shall be entered under warehousing entry supported by pertinent papers and documents and release certificates from the Central Bank of the Philippines; Provided, That such merchandise shall remain under customs control and supervision until sold, exported and/or disposed of as herein provided.

SEC. 5. The provisions of Section 1908 of the Tariff and Customs Code of the Philippines, as amended, shall not apply to the importations of Tourist Duty-Free Shops, Inc.; Provided, That imported goods/merchandise which have remained unsold at public auction, or destroyed in accordance with existing law, rules and regulations.

SEC. 6. Imported article/merchandise may be sold duty/tax free to:

a)

Foreign embassies, legations, consular offices, and other foreign governments and/or international agencies, institutions, associations, or organizations, entitled to exemptions pursuant to agreements or special laws, without the necessity of securing prior approval from the departments of foreign Affairs and Finance;

b)

Passengers of international flights seavoyages, arriving from or departing for foreign currency in accordance with rules and regulations and procedures promulgated by the Bureau of Customs and/or Central Bank of the Philippines;

c)

Foreign delegates, participants and/or observers to government accredited international Conference/Conventions during the conference or convention at the Philippine International Convention Center; and

d)

Airlines and shipping companies for the normal supply requirement of their air or sea stores for flights or voyages outside the Philippines; Provided, That all such duty/tax free merchandise shall remain under customs control and supervision while in the Philippine territory.

SEC. 7. The Tourist Duty-Free Shops, Inc. may sell and deliver imported articles/merchandise to persons authorized under Section 6 at stores located outside airports/seaports.

SEC. 8. The Tourist Duty-Free Shops, Inc.. is also hereby authorized to import duty and tax-free equipments, fixtures and other materials necessary for its operations.

SEC. 9. Hotels and/or restaurants duly licensed by the Central Bank of the Philippines accept/deal in foreign exchange may likewise purchase their normal food and beverages requirements from Tourist Duty Free-Shops, Inc. subject to prior Central Bank approval upon payment of full duties, taxes and other charges due thereon.

SEC. 10. The Tourist Duty-Free Shops, Inc. shall in lieu of the payment of all business and income taxes, whether imposed by the national or local governments, pay annually seven per centum (7%) of its annual net sales, to be apportioned as follows: five per centum (5%) thereof to the Nutrition Center of the Philippines and/or other similar projects as may be directed by the President, and the balance to the national government.

SEC. 11. The authority herein granted in favor of the Tourist Duty-Free Shops, Inc. shall be exclusive for a period of 25 years from date hereof.

SEC. 12. This Decree shall take effect immediately.

Done in the City of Manila, this 6th day of September, in the year of Our Lord, nineteen hundred and seventy-seven.

(Sgd.) FERDINAND E. MARCOS
President of the Philippines

By the President:
(Sgd.) JACOBO C. CLAVE
Presidential Executive Assistant

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