

RULES AND REGULATIONS FOR CUSTOMS OPERATIONS IN THE JOHN HAY SPECIAL ECONOMIC ZONE (JHSEZ)

BOC ADMINISTRATIVE ORDER NO. 2-98, June 26, 1998

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Pursuant to the provisions of the Revised Administrative Code of 1987 in relation to Section 15 of Republic Act No. 7227, Proclamation No. 66, as amended and the Tariff and Customs Code of the Philippines (TCCP), as amended, the following Rules and Regulations are hereby promulgated.

Chapter I

Definitions

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

1. ACT — Republic Act No. 7227 otherwise known as the Bases Conversion and Development Act of 1992.
2. PROCLAMATION — refers to Proclamation No. 420 creating and designating the area covered by the John Hay Special Economic Zone, pursuant to Republic Act No. 7227; defining the investment climate for John Hay and directing all heads of departments, bureaus, offices, and instrumentalities of government to support the program.
3. ARTICLES — 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.
4. CONTAINER — the outer container in which articles 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.
5. CUSTOMS — the Philippines Bureau of Customs.
6. TCCP — the Tariff and Customs Code of the Philippines as amended.
7. Customs Territory — the area of the Republic of the Philippines where the customs laws are in full force and effect, which is separate from the JHSEZ.
8. Domestic Articles — articles which are the growth, product or manufacture of the Philippines and upon 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 of duties or taxes.
9. Foreign Articles — articles of foreign origin on which duties and taxes have not been paid, or if paid upon which drawback or bounty has been allowed, or which have not been previously 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 bounty has been allowed.

10. Person — a natural person, and not a juridical person, who brings articles into, possesses articles in, or takes articles from the JHSEZ, whether or not the person is a resident of the JHSEZ.

11. Point Of Entry Or Exit — any place designated by JPDC and the Bureau of Customs, Department of Finance, where articles may be introduced into or removed from the Secured Area of the JHSEZ.

12. JHSEZ Enterprise — any sole proprietorship, partnership, corporation or entity registered with the JHSEZ to do business in the Secured Area of the JHSEZ, whether or not for profit.

13. Rules And Regulations — unless otherwise specified, the regulations issued by JPDC to implement Republic Act No. 7227, Proclamation Nos. 420 and 198 and Executive Order Nos. 62 and 103.

14. Resident — any person who by reason of domicile or employment, is registered and authorized by the JPDC 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 engage 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.

15. John Hay Poro Point Development Corporation (JPDC) — is the Zone Authority under Executive Order No. 103, to manage and operate the JHSEZ.

16. Secured Area — the area in the Zone which shall be designated by the JPDC, in consultation with the Department of Finance and the Bureau of Customs which shall be the only completely tax and duty-free area and within which there shall be free and unimpeded flow of goods and articles, 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 from 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 JPDC Zone Authority and the Department of Finance and the Bureau of Customs, as the requirements of the business in the Zone may demand or permit.

17. JHSEZ — The John Hay Special Economic Zone, (or the zone for brevity) referred to under Proclamation No. 420 and pursuant to Section 15 of the Act, which is outside the Customs Territory and the authority of the Customs Laws.

18. Customs Clearance Area (CCA) — as provided for under Administrative Order No. 296, this is an area, as shall be provided and delineated by the JPDC in consultation with the Bureau of Customs, and to be guarded and managed by Customs, which shall be the clearing and processing center for goods/cargoes entering and exiting the Zone.

Chapter II

General Provisions

A. Authorities and Responsibilities

1. Authority of JPDC

The JPDC is responsible for the operation and management of the secured area of the JHSEZ pursuant to Section 15 of the Act, Rules and Regulations; and the provisions of this Administrative Order;

2. Authority of Customs

Customs in the Secured Area of the JHSEZ, as a unit of the Bureau of Customs, Department of Finance working

in coordination with JPDC, shall be responsible for:

- a. supervising and administering Customs Operations involving the admission and removal of articles to and from the JHSEZ, and other Customs operations as determined by the Commissioner of Customs; and
- b. establishing and maintaining offices within the JHSEZ wherever necessary to efficiently conduct Customs operations.
- c. maintaining and keeping of true and updated records of goods entering into 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 the Commissioner of Customs.

To enable Customs to perform the above-functions, the bringing out of the articles from the Secured Area shall require the written permission from the Zone Authority and the Collector of Customs, which shall be monitored until the same is returned to the Secured Area.

B. Audit, Search, Seizure and Arrest in JHSEZ

1. Audit

Officials of JPDC and Customs are authorized to jointly conduct, at any time during office hours, any audit, check or inventory count of all articles for the verification and reconciliation of the accounts or records of any JHSEZ Enterprise.

2. Search

Persons, baggages, vehicles and cargoes entering or leaving the JHSEZ may be subject to search by Customs officials may, only upon specific authority of the Commissioner of Customs or the District Collector designated by him and with the assistance and in the presence of JPDC officials or representatives, examine any articles held in the JHSEZ by any JHSEZ Enterprise, or by any resident if the latter or any of his household is at home, for possible violations of Section 101 of the Tariff and Customs Code of the Philippines and the 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 JHSEZ by Customs may be seized for violation of the TCCP, as amended, and be disposed of in accordance with law.

4. Arrest

The JPDC 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

JHSEZ Enterprises bringing articles into the JHSEZ are responsible for retaining and maintaining accounts and records of permits, receipts, sales, transfer, deliveries, and removals from JHSEZ of articles received by the Enterprises, and for maintaining accounts and inventory records of articles brought into the JHSEZ on a current

basis 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 their receipt by the JHSEZ Enterprise to the time the JHSEZ Enterprise 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. If the recordkeeping system of the JHSEZ Enterprise has become impaired to the point where no effective check, audit or account of the inventory of the enterprise can be made by the JPDC, Customs, Bureau of Internal Revenue, Economic Intelligence and Investigation Bureau (EIIB), or other authorized office, the JPDC may order a suspension of permit of the Enterprise. For its part, the Enterprise shall provide access to articles in its premises and possession in the JHSEZ, and all records pertaining thereto, which it is responsible for maintaining under the Rules and Regulations, and the provisions of this Administrative Order by authorized officials of the JPDC, Bureau of Internal Revenue, or any other government agency to which access is authorized by law and regulation.

D. Bonding of Carriers

Carriers who undertake to transship foreign articles from the JHSEZ to a Customs Bonded Warehouse within the Customs Territory shall be bonded in an amount to be determined by the JPDC which in no case shall be less than Fifty Thousand Pesos (P 50,000.00), conditioned that the carrier shall transport and deliver, without delay, and in accordance with the rules and regulations in effect in the Customs Territory to the Collector of Customs at the point of entry/destination. The provisions of the Tariff and Customs Code, as amended, and its implementing regulations shall govern the transshipment of foreign articles to and/or from the JHSEZ.

E. Importation of Raw Materials, Capital Goods, and Equipment into the Secured Area of the JHSEZ

Registered Enterprises are free to import raw materials, capital goods, equipment tax and duty-free provided that they shall be covered by the corresponding Permit to Import issued by the JPDC Authority. Removal of raw materials, capital goods and/or equipment out of the Secured Area of the JHSEZ shall be subject to the usual taxes and duties. 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 subject to the existing guidelines and regulations on the matter.

F. Exportation to Zone and Importation from Zone

Articles which are admitted to the Secured Area of the Zone from the Customs Territory, which in turn are to be re-exported, under proper permit shall be considered exported.

Articles which are transferred to the Customs Territory from the Secured Area of the Zone, shall, unless, proven otherwise, be considered imported and, therefore subject to all laws, rules and regulations regarding importations.

Chapter III

Admission and Receipt into JHSEZ

A. Prohibited Merchandise

1. General

Any kind or class of articles may be admitted into the JHSEZ from a foreign country, the Customs Territory or a Customs Bonded Warehouse, Export Processing Zone or Special Economic Zone, except articles prohibited under the laws of the Republic of the Philippines, executive orders, and proclamation which may hereafter be enacted.

2. Articles Not in Accordance With Permit to Import

Articles brought into JHSEZ which are not in accordance with the permit to import issued by the JPDC to a Registered Enterprise shall be proceeded against pursuant to the provisions of the TCCP and this Administrative Order.

B. Importation of Articles Destined for Customs Territory

Goods may be unladen in the Zone for transshipment into the Customs Territory, and shall be transshipped under Customs supervision and control.

C. Importation and Transshipment of JHSEZ-Destined Foreign Merchandise

1. Tax and Duty Exemption

Importations destined for the Secured Area of the Zone, either for direct unloading or through a port in the Customs Territory shall be exempt from the payment of duties and taxes.

2. Container Marking Requirement

Foreign articles destined for the JHSEZ may be imported through any port in the Customs Territory through which importations may be lawfully made. Except for foreign articles arriving by mail or accompanying persons upon their arrival, the container bearing the foreign articles shall be marked "SHIP TO JHSEZ, REPUBLIC OF THE PHILIPPINES" or with similar wordings to show the Zone destination of the articles.

3. Transshipment Procedures

If the foreign articles were imported at a port in the Customs Territory, the Registered Enterprises or its authorized agent will present the **ADMISSION DOCUMENTATION** to the Customs Office at the port of importation. No other authorization or approval will be necessary for the release of articles for transshipment to the Secured Area of the Zone.

a. Processing of Documentation

When the Registered Enterprise submits the admission documentation before arrival of the articles, officials of Customs will accept, review and approve the documentation in advance of the arrival. The Customs Office shall review the same and authorize the release of the articles within one (1) work day after receipt of the required documentation, and provide rapid release privileges equivalent to those provided to perishable and other articles which are normally allowed to be removed from the port as soon as they are unloaded from the arriving carrier. Release of the articles for transportation to the JHSEZ shall be documented by an authorized official of Customs in writing on the admission documentation.

b. Examination at Port of Importation

Except in unusual circumstances, the Customs Officials will not inspect the articles at the port of importation. The articles will remain unopened in the original packing containers and under customs or the original shipper's seal. Customs will deviate from this policy only when there is a clear threat of loss of revenue or other serious law violations, and will document and explain its reason for inspection to the JPDC and the Registered Enterprises.

D. Admission Procedure

1. Right to Apply for Admission

The application for admission of articles to the Secured Area of the JHSEZ shall be made by or on behalf of the owner or purchaser of the articles. The consignee shown on the bill of lading or airway bill, or the addressee shown on mail packages, will be considered to be the owner or purchaser, unless another person or firm present

evidence satisfactory to Customs that it is the true owner or purchaser, or that it is requesting admission on behalf of and at the specific request of the owner or purchaser. The application may be prepared by a person who has the authority to sign the documents on behalf of the owner or purchaser. A resident of the Secured Area or other person having possession of articles accompanying them upon arrival in the Secured Area of the Zone shall be considered the owner or purchaser of the articles.

2. Admission Form

The admission application of JHSEZ Registered Enterprise shall be made on forms provided for and required by JPDC. The forms shall provide for description of the articles following the convention provided under CMO 46-94. The admission application shall be presented at the location designated by Customs, normally the Customs office nearest to the point of arrival of the carrier or person bringing the articles at the Secured Area of the Zone.

3. Accompanying Documents

The admission application to be prepared by JHSEZ Enterprises shall be accompanied by the permit to import, a commercial invoice, packing list, or other itemized statement which describes the articles precisely and in commercial terms and serves as an audit trail into the records and accounts of the applicant. If the applicant is not the person or enterprise shown as the consignee in the permit to import or in other shipping documents, the admission application shall also be accompanied by evidence satisfactory to demonstrate that the applicant is making the application on behalf of the eligible owner/purchaser.

4. Customs Review Procedure

Customs officials shall review the admission documentation and, if necessary, examine the articles, to verify the correctness of the information in the documentation.

a. Customs will review the admission documentation for completeness and accuracy. A copy of the admission application shall be retained by Customs for compilation of statistics.

b. Customs will examine the articles as a condition of approving admission only:

(1) when the Commissioner or Collector of Customs has reason to believe that the information in the admission documentation is incorrect;

(2) when the Commissioner or Collector of Customs has reason to believe that there has been a violation of the law, regulations, or the provisions of this Administrative Order; or

(3) under a program of random checks to test the quality of admission documentation furnished to Customs.

c. If Customs decides to examine the articles, the examination will be conducted in the Customs Clearance Area, unless the Applicant requests that the examination be conducted in his premises for justifiable reasons and subject to the approval of the Collector of Customs.

5. Customs Release of Articles

If no irregularities are discovered through review of the documentation and any examination conducted by Customs that require detention of the articles, Customs will issue a permit to release the articles for delivery to the applicant's premises in the Secured Area of the JHSEZ. The articles may be delivered by:

a. the vehicle which brought the articles to the Secured Area of the JHSEZ;

b. a vehicle owned or leased by the applicant; or

c. a vehicle of a firm licensed by the JPDC Authority for the purpose of carriage of articles within the Secured

Area of the JHSEZ.

E. Exemption from Admission Procedure

Except upon special order of the JPDC but without any limitation on Customs Search Authority of vehicles, persons, baggages, or cargoes arriving in the Secured area of the JHSEZ, no declaration of admission or permit by either Customs or the JPDC is required for admission to the Secured Area of the JHSEZ of:

1. Any personal effects of residents of the Secured Area of the JHSEZ valued at less than One Hundred US Dollars (US\$100);
2. Any articles of foreign origin in any shipment valued at less than Five US Dollars (US\$5);
3. Articles for delivery to a vessel/aircraft for loading and exportation to a foreign country from the Zone.
4. Articles being returned to the Secured Area of the Zone after their temporary transfer from the Secured Area of the Zone to the Customs Territory under the procedures allowed herein.
5. Domestic articles not covered by any of the preceding exemptions when the person or enterprise presenting the articles for admission surrenders to Customs a commercial invoice or similar document describing the articles in commercial terms, along with a declaration that the articles are domestic articles as provided in the regulations of Customs in force in the Customs Territory.

F. Postal Importations

Articles arriving by mail or parcel post at a postal facility within the Secured Area of the JHSEZ shall be released by Customs after completion of the required admission procedure, for delivery by postal officials to the addressee.

G. Admission of Articles from Customs Bonded Warehouse or Export Processing Zones

Articles may be admitted into the Secured Area of the JHSEZ from a Customs Bonded Warehouse or Export Processing Zone within the Customs Territory. Containers of the said merchandise shall be clearly marked "SHIPPED FROM (NAME OF CBW OR EPZ ENTERPRISE/NAME OF CBW OR EPZ), DESTINED TO JHSEZ" or similar wordings to show both the origin and destination of the shipment. Acceptance and acknowledgment of authorized receipt by the JHSEZ Enterprise in the JHSEZ shall constitute fulfillment of the obligation for safe delivery from the sending Customs Bonded Warehouse or Export Processing Zone to the Secured Area of the JHSEZ.

H. Eligibility for Drawback, Bounty or Exemption

The signed permit and release order by Customs for the admission of foreign articles into the Secured Area of the JHSEZ and conclusive proof of actual exportation therefrom as required under pertinent customs laws, rules and regulation shall be the basis for consideration to prove exportation. The provisions of laws, rules and regulation implementing drawbacks or zero-rating, shall be complied with in case of claims therefor.

I. Customs Clearance Area

Pursuant to Administrative Order No. 226, there shall be provided and delineated by the JPDC and the Customs, a Customs Clearance Area to be operated and managed by the Customs. JPDC shall be responsible for the construction, maintenance and shall provide facilities and equipment necessary for the effective operation of the CCA. The CCA shall be strategically located within areas proximate to the path of inbound/outbound cargoes. (e.g. JHSEZ Entry/Exit Gates).

Customs shall, in the consultation with the JPDC, issue the governing rules and regulations for the operational

procedure of the CCA at the JHSEZ.

Chapter IV

Operation and Handling within the JHSEZ

A. Annual Inventory, Reconciliation and Report

Each JHSEZ Enterprise shall conduct an annual physical inventory at the end of each business year of all articles in its premises and in its possession in the JHSEZ, and reconcile any discrepancies found with its inventory. Such reconciliation shall be made to the JPDC on a form to be required by it, copy furnished the Bureau of Customs, within ninety (90) days after the end of the business year, along with any payment of duties and taxes for shortages and admission documents for overages.

B. Loss of Identity of Domestic Articles

Domestic articles which lost their identity as such in the JHSEZ shall be treated as foreign articles if they are transferred to the Customs Territory. They will be considered as having so lost their identity if they cannot be identified by Customs as domestic articles on the basis of an examination of the articles or consideration of any proof presented by the JHSEZ Enterprise, including the accounting and inventory records of the Enterprise.

CHAPTER V

Transfer of Articles from the Secured Area of the JHSEZ

A. Articles Eligible for Transfer from JHSEZ

Any article which has been admitted to or produced in the Secured Area of the JHSEZ may be transferred therefrom for exportation, transshipment through Customs Territory, transportation to a Customs Bonded Warehouse or an Export Processing Zone within the Customs Territory, or transfer to the Customs for consumption subject to existing rules and regulations.

B. JPDC Permit for Transfer

1. Except as specified below, articles shall not be transferred from the Secured Area of the JHSEZ without the permit of the JPDC. Forms and procedures used for transfer from the Secured Area of the JHSEZ shall provide therein for the permit of the JPDC. The following articles are exempted from the permit requirement and from Customs entry procedures after examination and verification conducted by Customs and if allowed under the pertinent provisions of the TCCP, except where such a permit is required under special order of the JPDC.

- a. Domestic articles which have not been manufactured, blended or otherwise combined in the JHSEZ with foreign articles, when the person or enterprise presenting the articles for removal from the JHSEZ surrenders to Customs a commercial invoice or similar document describing the articles in commercial terms along with a declaration that the articles are domestic articles as provided in the provisions of this Administrative Order.
- b. Foreign articles, or articles which contain foreign article components, which are exempted from entry requirements under the laws and regulations in effect in the Customs Territory; and
- c. Articles or substances which are not subject to the Tariff and Customs Code of the Philippines.

2. Carriers containing such articles are nevertheless subject to search by Customs upon removal from the JHSEZ, and JHSEZ Enterprises shall maintain and produce records of the transfer and removal of exempted articles.

C. Transfer for Consumption in Customs Territory

Foreign articles, articles containing foreign article components, in the Secured Area of the JHSEZ may be

transferred to Customs Territory under the laws, regulations and procedures applicable in the Customs Territory, except as provided in the JPDC's Rules and Regulations as well as the provisions of this Administrative Order.

1. Assessment of Duties and Taxes

Customs and import duties and taxes shall be assessed, where authorized and required by law, as provided in this subsection:

a. Tariff Classification

The classification under the Tariff and Customs Code of the Philippines of foreign articles, whether or not they have been manufactured, blended or otherwise combined with domestic articles, shall be determined according to the conditions, nature and character of the entire article at the time of its transfer from the JHSEZ to Customs Territory.

b. Valuation of Articles

The value of foreign articles, or articles containing foreign article components, on which ad valorem duties and taxes are assessed shall be the price actually paid or payable for the entire article in the transaction that caused the article to be transferred to Customs Territory, minus the cost of any domestic article components of the entire article.

D. Temporary Transfer to Customs Territory

1. Eligible Purposes

Foreign articles which have been admitted to the JHSEZ may be removed temporarily from the Secured Area of the JHSEZ for services which are not available in the Secured Area of the JHSEZ, such as repair, restoration, testing and similar operations. These procedures shall not be used for any operation outside the Secured Area of the Zone which adds any articles or value to the temporarily removed articles; or for any operation which is part of a production process.

2. Application

A person or enterprise which has received a permit from the JPDC for temporary transfer shall present to Customs the articles and an application on a form to be required by the latter, for review and examination.

3. Time and Geographic Limits

Upon issuance of a Customs permit, the articles may be transferred from the Secured Area of the JHSEZ for a period of not more than four (4) months, unless the period is extended for another four (4) months by the JPDC and for a valid business reason. The articles may be transported to any place within the Customs Territory for the conduct of the service or operation. The article may not be entered for consumption or exported while it is in temporary transfer status in the Customs Territory, unless duties and taxes are paid where applicable.

4. Return to JHSEZ and Enforcement Measures

Upon its return to the Secured Area of the JHSEZ, the original permit and the articles shall be presented to Customs for examination and review. If the articles are not returned within the 4-months period; plus any extension granted by the JPDC, or not handled in accordance with the provisions of this section, the articles will be considered to have been transferred to the Customs Territory without proper permit, and will be subject to duties and taxes and any enforcement action authorized under the provisions of this Administrative Order.

E. Exportation from the JHSEZ

1. Transshipment Through Customs Territory for Exportation

Foreign articles, or articles containing foreign article components, in the Secured Area of the Zone may be transshipped to other ports in the Customs Territory for delivery to vessels and aircrafts for exportation under the supervision of Customs using the forms and procedures applicable for the exportation in the Customs Territory.

2. Marking of Containers for Exportation

Except in the case of exportation from the Secured Area of the JHSEZ by mail or accompanying persons, containers or articles destined for exportation, whether directly from the JHSEZ or transshipped through the Customs Territory, shall be clearly marked, "SHIPPED FROM JHSEZ, REPUBLIC OF THE PHILIPPINES", or similar wordings to show the Zone origin of the shipment.

3. Exportation with Subsequent Re-Importation

All articles which have been exported from the Secured Area of the Zone to foreign country and which are subsequently re-imported may be admitted into the Secured Area of the Zone as foreign articles in the manner provided in this Administrative Order. Foreign articles, or articles containing foreign article components which are exported and subsequently re-imported directly into Customs Territory for consumption shall be treated in the same manner as like articles from the country of exportation.

F. Transfer to Customs Bonded Warehouse, Export Processing Zone or Special Economic Zone

Foreign or domestic articles may be transferred from the Secured Area of the JHSEZ for transshipment to a Customs Bonded Warehouse, Export Processing Zone or Special Economic Zone in the Customs Territory, and receipt therein, under the laws, regulations and procedures in effect in the Customs Territory. However, containers of such articles shall be clearly marked "SHIPPED FROM JHSEZ, DESTINED FOR (NAME OF CBW, EPZ OR SEZ ENTERPRISE/NAME OF CBW, EPZ OR SEZ)" or with similar wordings to show both the origin and destination of the shipment.

G. Delivery and Removal from the JHSEZ

Articles shall be delivered to carriers and removed from the Secured Area of the JHSEZ in accordance with the provisions of this section.

1. Customs shall require that vehicles containing shipments of foreign articles or articles containing foreign article components, transshipped through Customs Territory be sealed with the Customs seal, or with a shipper's seal approved by Customs, and transferred under guard so as to prevent or make evident any diversion of articles into the commerce of the Republic of the Philippines or any tampering with the articles.

2. The articles may transferred from the premise of the JHSEZ Enterprise by the carrier which is to transport the articles to the Customs Territory, a vehicle of the JHSEZ Enterprise, or a carrier licensed by the JPDC for carriage within the JHSEZ.

3. Passenger vehicles, including buses, taxicabs, or other vehicles carrying persons for hire shall be subject to Customs Inspection and search to allow persons to properly declare articles brought out of the Zone for transfer to Customs Territory. Points of exit or Customs Clearance Area shall contain adequate facilities to pull aside vehicles for Customs search, hold or store detained or seized articles, assess and collect duties and taxes.

4. When foreign articles, or articles containing foreign components, are examined and given a permit to transfer the articles from the Secured Area of the Zone, or in other situations where the permit is given at location other than the point of exit or Customs Clearance Area, Customs shall establish controls, such as escort, gate passes,

sealing, or other devices, to assure that the articles for which a permit to transfer has been issued are duly and properly removed from the Secured Area of the JHSEZ, and that articles without such a permit are not removed from the Secured Area of the JHSEZ.

5. A person or Enterprise which has received a Customs permit for transfer of articles from the Secured Area of the JHSEZ shall see to it that the articles are physically removed from the Secured Area of the JHSEZ within seven (7) calendar days after the permit issued, or request the withdrawal or cancellation of the application for transfer. Except by special order of JPDC, foreign articles, or articles containing foreign components, shall not be entered for consumption in the Customs Territory but retained in the JHSEZ. If the request for transfer is withdrawn or cancelled, the JHSEZ Enterprise shall reassume responsibility for the articles and any duty or tax paid will be refunded by Customs. If the request for transfer is not withdrawn or cancelled and there has been no special permit by the JPDC for retention of the articles in the Secured Area of the JHSEZ, any duty and tax paid will be treated as unclaimed and turned over to Customs for disposal.

H. Return to JHSEZ Without Entry Into Commerce

If foreign articles or articles containing foreign article components are transferred to the Customs Territory with the intent of returning them to the JHSEZ without having entered the commerce of the Republic of the Philippines or circumventing the removal requirements provided in the provisions of this Administrative Order, and the articles are so returned to the JHSEZ, the original permit to transfer and entry shall be canceled, and duties and taxes paid shall be refunded by Customs, and the JHSEZ Enterprise which transferred the articles from the JHSEZ shall reassume responsibility for the articles as foreign articles.

CHAPTER VI

Enforcement of Regulations

A. Penalties

Any person or enterprise found to have violated any provision of the Act or this Administrative Order shall be subject to the pertinent penal provisions of the Tariff and Customs Code of the Philippines.

B. Effectivity

This Administrative Order shall take effect fifteen (15) days after publication in the Official Gazette or in any newspaper of general circulation. Certified copies of this Customs Administrative Order shall be submitted to the U.P. Law Center pursuant to Book VII, Chapter II, Section 3 and 4 of the Revised Administrative Code of 1987.

Adopted: 26 June 1998

(SGD.) GUILLERMO L. PARAYNO, JR.
Commissioner

APPROVED BY:

(SGD.) SALVADOR S. ENRIQUEZ
Secretary Finance

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