POLICY GUIDELINES ON THE ADMISSION OF DUTY-FREE AND TAX-EXEMPT AIRCRAFTS (TEAS)

CDC MEMORANDUM CIRCULAR NO. ERD-11-35, September 12, 2011

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Adopted: 12 September 2011
Date Filed: 03 February 2012

To ensure Tax Exempt Aircrafts (TEA's) are principally used in connection with Clark related flights, the CDC Board in its meeting held on 26[th] of August 2011 approved the following policy guidelines with regard to said subject matter.

A. Requirements for Approval of Importation of TEAs:

CFZ locators shall be allowed importation of TEAs on the premise that the units shall be used in relation to Clark activities. The threshold limit established by CDC that unit is principally based on Clark is that at least 51% of total flight hours of the TEA must have been connected with Clark, i.e., flights are made to/from Clark. If such threshold limit is not met, locators will have to pay duties and taxes for the particular TEA. Locators will not be allowed to import new TEA if duties and taxes have not been paid for previously imported TEAs not meeting the 51% threshold limit.

- Clark locators engaged in aviation and logistic activities are allowed TEA importation as long as they can justify the need for the importation of aircraft units in relation to their business operations in Clark. It must be established, however, that all TEAs previously imported through Clark were used with Clark as base of operations, that is, at least 51% of total flight hours were made to/from Clark.

- Non-aviation and non-logistics companies may be allowed to import TEAs as long as they can justify the need for the units and as long they are able to prove they have put up actual investment of P100 million for every TEA to be imported.

- Locators must have a valid Lease Agreement with CDC/CIAC, Certificate of Registration and Tax Exemption (CORTE), and clearance to fly aircraft units from the Civil Aviation Authority of the Philippines (CAAP).

- For locators with previous TEAs, they must submit to CDC within the period provided under Item B herein, a CAAP certification of TEAs previous year's flight schedules and total flight hours reflecting that at least 51% of total TEA flight hours are connected with Clark routes.

- Locators must submit invoice documents for the aircraft units.

- Locators must pay processing fee of US$500 per aircraft unit.

B. For the Yearly Monitoring of Use of TEAs

On an annual basis not later than the 15th of November of each year, locators must submit to CDC CAAP Certification of previous year's flight schedules and total flight hours of all previously imported TEAs, reflecting that at least 51% of total flight hours are connected with Clark routes.

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C. Sale, Transfer, Assignment of TEAs

Locators are prohibited from transferring ownership of TEAs within three years from importation. Subsequent transfer of ownership of TEAs shall be subject to the following conditions:

- Prior to actual sale, transfer, and assignment of TEAs, locators must first secure written approval from CDC, which shall be effective for a 30-day period.

- Locators should provide CDC an original notarized copy of the document perfecting the ownership transfer as approved by CDC, within 15 days from date of transaction.

- If vendee of locators' TEA is not entitled to duty free privileges, appropriate duties and taxes must be paid first to the BOC (Bureau of Customs) to effect transfer of ownership. If vendee is entitled to duty free incentives, vendee should first comply with the requirements listed in item A1-A5.

- Payment of US$500 transfer fee.

Any sale, transfer or assignment of any aircraft in violation of the foregoing conditions shall be subject to the payment of appropriate duties and taxes as provided in the amended Tariff and Customs Law.

D. Fines and Penalty for Non-Compliance

Offense	Penalty
Sale/transfer of aircraft units without CDC approval	US$5,000.00 and payment of duties and taxes if unit is sold to an entity not entitled to tax incentive privileges. This is without prejudice to administrative and criminal cases that CDC and BOC may opt to file later, as appropriate
51% threshold limit not met by Clark-related flights	US$5,000.00 penalty and payment of duties and taxes to BOC

This Policy Guidelines is effective immediately.

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President and Chief Executive Officer

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