

AN ACT CREATING AN EMBROIDERY AND APPAREL CONTROL AND INSPECTION BOARD COVERING CONTROL, ISSUANCE OF ENTRY PERMITS, AND INSPECTION OF CONDITIONALLY TAX-FREE RAW MATERIAL IMPORTA...

REPUBLIC ACT NO. 3137, June 17, 1961

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Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

SECTION 1. No textile, leather gloves raw materials and/or supplies, of any kind relative thereto, may be imported into the Philippines as consigned goods to duly registered and organized Philippine embroidery and apparel firms without the necessary license issued in accordance with the provisions of this Act.

SEC. 2. This license required hereof under Section One of this Act shall be duly issued by an Embroidery and Apparel Control and Inspection Board which is hereby created and hereinafter referred to as the Board, composed of: (1) A representative from the Bureau of Customs, to act as Chairman, to be designated by the Secretary of Finance; (2) A representative from the Central Bank to be designated by its Governor; (3) A representative from the Department of Commerce and Industry to be designated by the Secretary of Commerce and Industry; (4) A representative from the National Economic Council to be designated by its Chairman; and (5) A representative from the private sector coming from the Association of Embroidery and Apparel Exporters of the Philippines. The Board shall have the over-all control and shall administer the checks and counter-checks of consigned textile, leather gloves raw materials and/or supplies to embroidery and apparel manufacturers and corresponding counterchecks for liquidators of said goods prior to re-exportations. No other government instrumentality or agency shall be authorized to qualify or question the validity of license so issued by this Board. Questions of legality and interpretation of any license so issued shall be decided exclusively by the Board subject to appeal to courts of competent jurisdiction.

SEC. 3. For carrying out the purposes and objectives in the preceding Section, the Board shall have the following powers:

- (a) To promulgate rules and regulations for the control and supervision of the embroidery and apparel industry, other than those provided for in Section 4 of this Act;
- (b) To set up a system to simplify all procedural matters for the convenience of all concerned;
- (c) To do all such other things and perform such functions directly or indirectly, that are necessary, incidental or conducive to the attainment of the purposes and objectives of this Act.
- (d) Generally, to exercise all the powers of control, inspection and supervision in the issuance of licenses to import, manufacture and/or export embroidered materials; and
- (e) To hold meetings twice a month and not more than eight special meetings every month as shall be necessary for the transaction of business. Three members of the Board shall constitute a quorum for the transaction of business. The members of the Board shall receive a per diem of twenty-five pesos for each day of meeting actually attended by them.

SEC. 4. The following rules and regulations shall govern the establishment, suspension, control and operation of bonded manufacturing warehouses with respect to the importation of embroidery and apparel raw materials to be processed and re-exported:

I. Establishment of Bonded Manufacturing Warehouse for Embroidery and Apparel.—All articles manufactured in whole or in part of imported material and intended for exportation maybe made and manufactured in a bonded manufacturing warehouse under stipulated rules and regulations, provided the manufacturer of such articles shall file first a satisfactory bond from reputable bonding companies acceptable to the Bureau of Customs for faithful compliance with all laws, rules and regulations applicable thereto.

II. Bonds or Payments on Estimated Duties, Taxes and other Charges.—(a) Any imported materials and/or supplies used in the manufacture of embroidery and apparel for export inclusive of any package, coverings, brands, labels used in putting up same, may be released from the Bureau of Customs for transfer to any bonded manufacturing warehouse for embroidery only upon filing a corresponding bond in an amount equivalent to one and one-half (1-1/2) times of the ascertained duties and taxes and other charges thereon.

III. Application for Permission.—(a) Any person who intends to establish a bonded manufacturing warehouse for embroidery shall make applications in writing to the Board for permission to establish such warehouse. The application must be accompanied by a plan showing and describing the size, construction, lay out and location of the premises. It shall state the manufacture proposed to be carried on and the kind of raw material intended to be stored and used in the warehouse factory, (b) The application shall be accompanied by, among others, the following documents: (1) Certificate of Registration from the Securities and Exchange Commission; (2) Certified or photostatic copies of the orders, agreements or contracts with the foreign suppliers of raw materials, (c) Operators of bonded manufacturing warehouse for embroidery shall file with the Board such Powers of Attorney in favor of the person or person authorized to sign in their behalf all entries in the official register books and auxiliary register books, the entries in transcript sheets and other papers pertaining to customs matters.

IV. Bonded Warehouse.—(a) The proposed location to be used as bonded manufacturing warehouse must be substantially built of strong materials, located on or adjacent to a main street or thoroughfare permitting ready inspection or supervision by the customs officer, and shall be used solely for the production and Storage of raw materials and/or supplies and processed goods. (b) The factory building or buildings must have all windows and other openings properly constructed to prevent the removal of dutiable articles from the factory building except by way of the main entrance, and all opening, except the main entrance must be furnished with substantial shutters that maybe securely locked or bolted in the inside when the warehouse is not in operation. The main entrance must be supplied with a substantial door, equipped for locking from the outside.

V. Submission of list of articles to be manufactured.—A list of articles intended to be manufactured shall be filed in triplicate with the Board, which shall transmit one (1) copy to the Commissioner of Customs and no other article shall be manufactured unless included in a list approved by the Board.

VI. Storage of Raw Materials, Supplies and Finished Products.—Every bonded manufacturing warehouse for embroidery and apparel shall have a portion separated from the remainder of the premises and secured by customs locks, to be used exclusively for the storage and safekeeping of all imported materials, or other materials transferred into such warehouse for manufacture subject to existing control measures.

A designated area shall be provided within the factory which shall be used exclusively for the storage and safekeeping of articles manufactured, packed and ready for export. The contents therein shall be so arranged as to give all practicable convenience to authorized inspectors making the required examination of imported materials and articles manufactured.

VII. Filing of Entry.—Imported materials and/or supplies or articles to be used in a bonded manufacturing warehouse shall be entered at the port at which such warehouse is located and in operation. The raw materials and/or supplies shall be entered under a warehouse entry and such entry shall be supported by the corresponding permit or Release Certificate from the Central Bank or other government agency having jurisdiction on the matter.

Machineries and equipments to be used in the operation of the business of any manufacturing bonded warehouse or in the construction or repair of such warehouse, shall be entered under consumption entry supported by Central Bank release certificate and other documents as in ordinary importation.

VIII. Time for Exportation.—The bonds as provided in Par. 2 of this Section shall guarantee the exportation of the materials and/or supplies imported or of the finished products, within two (2) years from the date of arrival of such materials and/or supplies. This period, may however, be extended by the Board, for not more than six (6) months upon written representations and whenever sufficient reasons for such extension are presented. Otherwise, the imported article or merchandise shall be subject to sale at auction.

IX. Examination and Delivery.—Importations of raw materials, supplies and equipment intended for use in bonded manufacturing warehouse for embroidery and apparel shall be delivered under guard, examined in the bonded warehouse like any other inserted merchandise before release to the importer. The Customs official concerned shall make a complete return on the face of the entry.

The Collector of Customs, however, may order examination in the piers upon representation by the Board to the effect that the importation is questionable.

X. Principal Books to be Kept.—Operators of bonded manufacturing warehouse for embroidery and apparel shall keep books in connection with their business. The official register book (ledger) is the record of raw materials and/or supplies imported and stored in the warehouse. The official register (ledger) book must first be registered in the Bureau of Customs before they can be used and shall be numbered consecutively.

All official register books (ledger) and other official records herein required of operators of bonded manufacturing warehouses shall be certified by a registered accountant, kept in the factory premises or warehouse and open to inspection by the Board.

All raw materials received in the factory or warehouse shall be debited and all removals thereof shall be entered in the credit side of the official register (ledger) book. The entry shall specify the Report Entry number and series, Airway Bill number, or Parcel Post Number covering the materials, and the description or specifications and values.

XI. Withdrawal of Raw Materials from Storeroom.—Withdrawals of raw materials and supplies from the storeroom shall be covered by the requisitions or invoices signed by the Manager or his authorized representative and countersigned by the Customs official concerned. The requisition or invoice shall specify, among others, the materials to be withdrawn, the quantities in yardage thereof, the number or numbers of import entry, Airway Bill or Parcel Post involved, and the purpose of the withdrawal. A record of the names and addresses of the contractors shall also be kept for inspection by the manufacturer and in no cases shall goods be released from the bonded manufacturing warehouse for embroidery unless it is previously stamped or cut in accordance with the pattern to be manufactured. A copy of such requisition shall be kept by the said Customs Officials.

XII. Transfer of Imported Raw Materials to Other Factory.—Operators of bonded manufacturing warehouse who desire to transfer imported raw materials to other factories shall first make a written application for permit from the Board stating therein the nature and quantity of the raw materials, mark, if any, the number of Import

Entry involved, the articles to be manufactured, and the name and address of the factory or contractor to which the transfer is made. Upon issuance of the permit by the Board, the transfer shall be made in the presence of a

Customs official who shall check the materials to be so transferred.

XIII. Completion of Register Books.—When all the pages of the register books shall have been filled, the balance of the completed register shall be carried forward to the new register book. The operators of the bonded manufacturing warehouse will be held responsible for the proper preservation of register books (ledger) and auxiliary register book and other supporting records, and shall hold the same subject to call of any Customs Officer duly authorized.

XIV. Filing of Export Entry as Proof of Exportation.—Every exportation of finished products shall be effected by filing the corresponding Export Entry supported by the Certificate of Inspection and Identification issued by the Customs official and pertinent shipping-documents such as Commercial Invoice, Bill of Lading, all of which should contain information on the styles, quantity, yardage used, value and net weight of the articles to be exported.

XV. Monthly Report of Materials, Imported and Exported.—A careful account shall be kept by the Board of all articles delivered to any bonded manufacturing-warehouse. A sworn monthly return, verified by the Customs official in charge shall be made by the manufacturer containing a detailed statement of all imported articles used by him in the manufacture of the exported articles.

XVI. Notice of Export Shipments.—Every manufacturer who intends to remove manufactured products for export shall make a written requests to the Board for exportation of the articles intended for removal, giving the kinds, quantity of yardage, used gross and net weights, and the value of the articles to be exported and the number or numbers of Import Entry or entries involved. The Customs official assigned in the bonded manufacturing warehouse shall undertake the sampling, inspection and classification of the embroidery in accordance with the rules on inspection and control promulgated by the Board. A certificate of inspection shall be issued for every lot of embroidered articles inspected. The certificate of inspection shall be attached to the application to be approved by the Board. The discovery of any such article in transit, in regards to which no notification has been received by the Board on goods packed without the presence of the detailed Customs official shall be deemed prima facie evidence of the illegal removal of same and shall subject them to seizure and forfeiture proceedings under the Customs laws.

A special assessment shall be levied upon all persons, corporations, or firms engaged in the embroidery and apparel manufacturing industry in an amount to be fixed by the Board not exceeding one percent of the value of the labor, processing or finishing costs realized from the processed or finished goods exported. The funds collected hereunder shall accrue to the Board and shall be used exclusively for carrying out its functions and duties.

XVII. Export Stamp and Standard Markings.—Every container after the manufactured products have been packed for export to foreign countries shall be stamped with standard markings substantially in the following form:

Exporter: _____

Importer: _____

Destination: _____

Bonded Warehouse No. _____

Weight: _____

XVIII. Disposition of Wastes and Products.—The wastes and products of manufacture in the bonded manufacturing warehouse for embroidery may be withdrawn for domestic consumption upon securing a permit from the Board and upon payment of duty equal to the duty which should be assessed and collected, pursuant to law as if such waste or products were imported from a foreign country. All waste materials not withdrawn for consumption shall be disposed of to charitable institutions under the supervision of a Customs official duly approved by the Board.

XIX. Submission of Annual Inventory and/or Statements.—At the end of every calendar year but not later than the end of February of the succeeding year, every operator shall submit to the Board the following annual statements duly certified by a registered accountant as follows: (1) Statement showing the specification and value of materials and/or supplies received; the names of carrying vessel and registry numbers; the dates the materials were received; the name and addresses of suppliers; and the number of the Import Entries involved; (2) Statement based on monthly report as required under Paragraph IV of this Section; (3) the names and addresses of the consignees; and the numbers of the corresponding Import and Export entries; and (4) Statement showing the kinds, quantities or weight of waste or defective materials, or the products and the disposal of intended disposal thereof.

XX. Liquidation of Import Entries.—When the manufacturer finds, through his records, that all the raw materials covered by any Import Entry has been manufactured and re-exported, he shall submit to the Board a "Statement of Liquidation". The statement shall contain a list of all export entries under which a particular Import Entry has been so liquidated and shall be accompanied by copies of as many "Certificates of Inspection" as there are export entries involved. The Customs official upon finding that the statement of liquidation submitted for any particular Import Entry is correct, he shall certify to the closing and liquidation of that particular entry on the face of the certificate. This certificate shall be submitted to the Collector of Customs as proof for the cancellation of the bond on that corresponding Import Entry.

XXI. Customs Personnel.—The Collector of Customs at the port where the warehouse is located shall appoint Customs Officials to be assigned thereat for the purpose of protecting the interest of the government, and the owner or operator of the establishment shall provide such personnel with suitable space and such equipment and office supplies as maybe necessary in the performance of his duties.

No person shall be appointed Customs Official representing the Bureau of Customs, unless he has a good working knowledge of bookkeeping and accounting and if possible, he should be a Commerce graduate. He shall be regarded by the operator or owner of the establishment as Customs personnel representing the Bureau of Customs in the premises. His salary, which shall be fixed by the Collector, and overtime pay, if any, shall be paid by the Bureau of Customs from the assessments collected by the Board.

XXII. Powers and Duties of Customs Official.—(a) To keep the keys of the Customs locks and personally open and lock the compartments of the warehouse mentioned in Paragraph VI of these regulations; (b) to supervise the receipt and withdrawal of goods and materials entered in the compartments of the manufacturing warehouse, and to keep records of such goods or materials in a manner that same could easily be identified; (c) To supervise the receipt and withdrawal of the finished goods and to keep complete records thereof. The records should show the goods withdrawn for exportation and those for local consumption; (d) To keep records of all materials received and released, indicating the covering entry numbers, the quantity, description, date entered, date withdrawn, name of importing vessel, registry number and balance, if any; (e) To supervise the proper piling and arrangement of the materials received by him; (f) To require evidence of payment of duties, taxes and other charges in case of withdrawals for local consumption; (g) To notify the Collector in case waste materials are to be destroyed; (k) To report to the Collector in any violation of these and other customs regulations; (i) To perform such other duties as

maybe assigned to him by the Collector of Customs and/or the Board.

XXIII. Working Hours.—Customs employees in bonded manufacturing warehouses shall observe strictly regular office hours set by the respective firms in which they are assigned, and shall record their office attendance in the same manner as those of other employees thereof. They shall not go on leave without the permission of the Collector and their absence shall be promptly reported to the Collector and the Customs cashier.

(b) Overtime Hours.—Overtime pay shall be observed by the manufacturer for services rendered by the government employees assigned in accordance with existing labor laws.

The Collector of Customs may assign any competent customs employees to work overtime in an acting capacity in case of emergency or at the request of the Operator.

Any duly authorized Officer of the Board or its authorized representative may, in the discharge of his official duties, enter any such manufacturing warehouse for the purpose of inspection and/or examination of their procedure and methods of operation, or verification of their books and other records pertaining to the operation of such warehouse.

All the books and records required to be kept by the operators of bonded manufacturing warehouses shall be kept at all times in the place of business.

SEC. 5. Penalties for Violations. (a) It shall be unlawful for any person to make any fraudulent material misrepresentation in any report or document required by Paragraph III, Section two of this Act, or by the rules and regulations promulgated thereunder. (b) Any person violating any provisions of this Act, or any of the rules and regulations promulgated pursuant thereto shall upon conviction be sentenced to pay a fine not less than Three thousand pesos nor more than Thirty thousand pesos or imprisonment for a period not less than one year nor more than three years or both at the discretion of the court: Provided, however, That if the offender is a corporation, association or partnership, the penalty shall be imposed upon the president, managing directors, managers, managing partners, as the case maybe and/or the person in charge with the Administration who have direct participation thereof; and if he is an alien, in addition to the penalties therein prescribed, he shall be deported without further proceedings on the part of the Deportation Board.

SEC. 6. All Acts, Executive Orders, Administrative Orders, and Proclamations or parts thereof inconsistent with any of the provisions of this Act are hereby repealed or modified accordingly.

SEC. 7. Effectivity.—This Act shall take effect upon its approval.

Approved June 17, 1961.

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