

## LETTER OF INSTRUCTIONS NO. 595, September 06, 1977

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TO: The Secretary of Foreign Affairs,  
The Secretary of Finance,  
The Governor, Central Bank of the Philippines,  
The Commissioner of Internal Revenue,  
The Collector of Customs, Manila International Airport,  
The Collector of Customs, Bonded Warehouse Division,  
  
Manila International Airport,  
  
And concerned Customs, Central Bank and Internal Revenue  
officials and employees

WHEREAS, due to statutory limitations of existing Central Bank, Customs and Internal Revenue Laws, Rules and Regulations, it has become necessary for the Government to issue Presidential Decree No. 1193 authorizing and regulating the establishment and operations of Duty and Tax Free stores;

WHEREAS, the Tourist Duty-Free Shops, Inc., has during the past two and one-half years of operations, contributed substantially to the Nutrition Center of the Philippines besides paying taxes, thus helping accelerate our country's socio-economic development;

WHEREAS, existing duty and tax free stores have earned substantial amounts of foreign exchange, both for imported and locally produced merchandise have helped improve the country's balance of payments, have directly and indirectly created more job opportunities and have established the country's image as a new international shopping center of Asia and the Far East;

WHEREAS, there is a need to simplify procedures and coordinate the activities of different departments, bureaus, offices and agencies in order to ensure the effective and smooth implementation of Presidential Decree No. 1193 in relation to the implementation of different laws, rules and regulations affected thereby;

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 direct that the following rules, regulations and procedures be implemented immediately:

SECTION 1. Establishment of Duty and Tax Free Stores.— Duty and Tax Free Stores may be established and operated by Tourist Duty-Free Shops, inc. at International Ports, Airports of Entry and selected hotels, tourist resorts and commercial centers upon written application filed with the Collector of Customs; Provided, That a warehouse shall first be established pursuant to Section 1903 of the Tariff and Customs Code of the Philippines, as amended by Presidential Decree No. 34 under the jurisdiction of the Collector of Customs of the Manila International Airport;

The Bonded Warehouse so established shall be used for the storage and safekeeping of imported duty and tax free

merchandise; and all sales/display stores or counters for sales and/or promotional purposes established by Tourist Duty-Free Shops, Inc. in accordance with Section 1 shall be considered as extension of said Bonded Warehouse : Provided, That their operation shall be under the supervision of a Customs official specifically assigned for this purpose.

SEC. 2. Exemption from Duty and Tax.—Imported Duty and Tax-Free articles, shall be sold by the Tourist Duty Free Shops, Inc. only in readily convertible foreign currency or in local currency as may be provided by rules and regulations of the Central Bank to:

a)

Travellers, tourists and passengers immediately departing from International Ports and Airports of Entry;

b)

Arriving international passengers who are permanent residents of the Philippines to the extent allowed by Customs Rules and Regulations;

c)

Bonafide tourists, temporary visitors and non-residents upon presentation of passport and confirmed ticket for departure from the country;

d)

Foreign delegates, participants and/or observers to government accredited international conferences/conventions at the Philippine International Convention Center; provided a list of such delegates, participants and/or observers duly certified by the Philippine International Convention Center General Manager shall be submitted to the Collector of Customs;

e)

Foreign embassies, legations, consular offices and other foreign government and/or international agencies, institutions, associations or organizations, entitled to exemptions pursuant to agreements or special laws, upon presentation of diplomatic identification card;

f)

International airlines and shipping companies for the normal supply requirements of their air or sea stores for their 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.

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. 3. Sale of Duty and Tax Paid Articles.— Hotel and/or restaurants duly licensed by the Central Bank of the Philippines to 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 as in the case of withdrawal entries for consumption.

SEC. 4. Importation of Articles.—Importation of articles to be sold at Duty and Tax Free Stores shall be made only upon prior approval by the Central Bank of the Philippines.

SEC. 5. Bonds.—Before the transfer of articles from International Ports and Airports of Entry to the bonded

warehouses of Tourist Duty-Free Shops, Inc., a bond in an amount equal to one hundred per cent of the ascertained duties, taxes and other charges due thereon shall be required unless sufficient warehousing bonds have been filed. The bond or bonds shall guarantee the sale of the articles, which is equivalent to their exportation.

SEC. 6. Filing of Entry.—Imported articles to be stored and sold at the Duty and Tax-Free Stores shall be entered under a warehousing entry supported by all pertinent papers and release certificates or permits from the Central Bank of the Philippines.

SEC. 7. Examination and Delivery of Articles.— Importation of articles to be stored and sold at the Duty and Tax-Free Stores shall be examined in the Customs bonded warehouse of Tourist Duty-Free Shops, Inc. after filing of the corresponding warehousing entry. Transfer of the importations from the Port of Entry may be allowed as in the case of transit cargoes directly to Tourist Duty-Free Shops, Inc. bonded warehouses and shall always be under guarded until proper receipt of the articles by the representatives of Tourist Duty-Free Shops, Inc. under the supervision of Customs Storekeepers.

SEC. 8. Book or Records to be kept by Tourist Duty-Free Shops, Inc.—Tourist Duty-Free Shops, Inc. shall keep books of accounts and other records as may be necessary in connection with its operation to be registered with the Bureau of Internal Revenue, pursuant to Bookkeeping Rules and Regulations. All entries and sales shall be properly recorded in chronological order and shall be opened to authorized Customs and Internal Revenue officials for inspection and audit.

A monthly report of importation, sales and inventory shall be submitted by Tourist Duty-Free Shops, Inc. to the Governor of Central Bank of the Philippines, the Commissioners of Customs and Internal Revenue.

SEC. 9. Withdrawals.—Withdrawals from Bonded Warehouses to Duty and Tax-Free Stores, airlines and shipping companies operated bonded warehouses, aircrafts, vessels, etc. shall be made upon application by the Tourist Duty-Free Shops, Inc. to the Collector of Customs who shall permit such withdrawal or transfer under withdrawal entries or transfer slips.

SEC. 10. Sales and Delivery of Articles Purchased.—The sale and delivery of articles purchased by duly entitled persons shall be made by the Tourist Duty-Free Shops, Inc. only at designated sales outlets and arrival or pre-departure areas covered by duly registered sales invoices which shall indicate among others, the date, name of customer, nationality, quantity, value and description of articles, flight or voyage number, in the case of international travellers, tourists and passengers, airlines an shipping lines, and letter of advise submitted to the Department of Foreign Affairs, in case of foreign embassies, legations, institutions, organizations or associations.

SEC. 11. Stock-taking.—Inventory of stocks shall be made at the end of every six months by a committee composed of representatives of the Commission on Audit, and the Collector of Customs, a report on which shall be submitted to the Governor of the Central Bank of the Philippines and Commissioners of Customs and Internal Revenue.

SEC. 12. Liquidation of Entries.—When an importation has been subsequently exported, sold or disposed of in accordance with regulations, a request for the liquidation of entry shall be filed with the Collector of Customs who shall cause the liquidation of the corresponding entry.

However, in the event the prescribed storage period of 3 years has elapsed and there are still unexported articles, remaining, the Tourist Duty-Free Shops, Inc. shall have the option to export same; pay the duties, taxes and other charges due thereon or dispose thereof by destruction, and the Collector of Customs shall cause the liquidation of the corresponding entry.

Tourist Duty-Free Shops, Inc. may apply for the corresponding tax credit or refund on duties and taxes paid on any unwithdrawn and overstaying articles upon presentation of proof of sale or exportation thereof.

SEC. 13. Customs Personnel.—All expenses which may be incurred by the Bureau of Customs in the supervision of the operations of Tourist Duty-Free Shops, Inc. shall be paid by the latter including the salaries, wages, overtime pay, meals and transportation expenses of personnel appointed under Section 1903 of the Tariff and Customs Code of the Philippines as amended: Provided, That as soon as the government has made appropriations for salaries and wages of customs personnel, Tourist Duty-Free Shops, Inc. shall be liable only for expense for overtime pay and allowances allowed by Law.

SEC. 14. Franchise Tax.—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 thru the Bureau of Customs.

The authority herein granted in favor of the Tourist Duty-Free Shops, Inc. shall be exclusive for a period of 25 years from the date thereof unless sooner revoked or cancelled by the President of the Philippines.

SEC. 15. Effectivity.—This Letter of Instructions 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

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