

ADVISORY ON CUSTOMS BONDED WAREHOUSES (CBWs)

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CUSTOMS ADMINISTRATIVE ORDER (CAO) NO. 01-2022	12
Implements relevant Sections of Republic Act No. 10863, or the Customs Modernization and Tariff Act (CMTA), relating to CBWs, and consolidates all existing CAOs dealing on CBWs	

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CUSTOMS ADMINISTRATIVE ORDER (CAO) NO. 01-2022

Implements the Customs Modernization and Tariff Act in relation to Customs Bonded Warehouses

Establishment of Customs Warehouses

Who may establish Customs Bonded Warehouses (CBW)

Businesses of the port and trade who require facilities for the storage of imported goods or for other special purposes.

What CBWs include

A CBW includes the *surrounding premises within its perimeter fence* per approved application, *rooms, compartments, and other areas necessary and exclusively used for storing, processing, repacking, and manufacturing imported raw materials and the finished product, by-products, wastages and rejects* incident to such activities as applied for and approved by the Bureau. No establishment shall be allowed thereat except upon proper approval of the Bureau and under such conditions as may be imposed by the Bureau.

Licensing, Supervision and Control over CBWs

<i>Designation and Approval</i>	It shall be the <u>District Collector</u> who shall designate Customs Warehouses, subject to the approval of the <u>Commissioner</u> .
<i>Licensing</i>	The <u>Bureau of Customs</u> is responsible for the licensing of all CBWs.
<i>Supervision and Control</i>	The <u>District Collector</u> shall have supervision and control of CBWs, including their expansion, extensions and additional facilities and the goods stored thereat. It also extends to the warehouse and facilities of duly authorized members, Client/End-Users, Client-Exporters, and sub-contractors of CBWs. <i>Where the Client Client/End-Users, Client-Exporters, and sub-contractor is also a Free Zone locator/enterprise, the exercise of supervision and control shall be made in coordination with the <u>government agency</u> concerned</i>

Non-Transferability of Authority

The Authority to Operate a CBW is personal to the warehouse operator and shall not be transferred or assigned for whatever reason.

Operation without a CBW Authority

Any person, natural or juridical, found to be operating as a bonded warehouse without a valid customs authority, shall be barred from being granted any warehousing privileges.

Misrepresentation of Material Information

Any misrepresentation, false statement or non-disclosure of any material information required in any application shall be a ground for its disapproval without prejudice to any administrative/criminal charge as may be deemed proper.

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Types of Customs Bonded Warehouses

MANUFACTURING CUSTOMS BONDED WAREHOUSE	
<ul style="list-style-type: none"> - A warehouse established for the manufacture of products utilizing raw materials for components that are imported duty and tax-free conditioned on the exportation of the finished products within the period prescribed herein or withdrawal for domestic consumption upon payment of duties and taxes. 	
<i>Miscellaneous Manufacturing Bonded Warehouse (MMBW)</i>	A warehouse established and duly authorized to import, receive, and store, duty and tax-free and under bond, raw materials, except garments and textile , for manufacture into finished products, including accessories, packaging and packing materials for export within a specified period.
<i>Garments and Textile Manufacturing Bonded Warehouse (GTMBW)</i>	A warehouse established and duly authorized by the Bureau and the GTIDO to import, receive and store duty and tax free and under bond, raw materials and accessories, for manufacture of garments and textiles , including packaging and packing materials.
<i>Customs Common Bonded Warehouse (CCBW)</i>	A warehouse established and duly authorized by the Bureau alone or jointly with GTIDO, in case of garments industry, to import, receive, and store, duty free and under bond, raw materials and accessories, for the account of its accredited members for manufacture into finished products for export including packaging and packing material.*
<i>Industry-Specific Customs Bonded Warehouse (ICBW)</i>	A warehouse duly authorized by the Bureau to import under bond and under its name and account, goods or raw materials (except fibers, yarns, fabrics and accessories for the manufacture of garments) for storage and subsequent sale and transfer to its accredited Client/End User either for export of the bonded goods or for manufacturing into export products, in case of raw materials.

* **Membership in a Customs Common Bonded Warehouse (CCBW)**

1. A company can apply as member of a CCBW if its projected duties and taxes for bonded goods importations does not exceed Three Hundred Million Pesos (PhP300,000,000.00) for one (1) year.
2. CCBW must have a membership of at least three (3) but not more than thirty (30) members.

NONMANUFACTURING CUSTOMS BONDED WAREHOUSE	
<ul style="list-style-type: none"> - A warehouse where goods are stored duty-and-tax-free conditioned on the eventual withdrawal of the goods for consumption and shall only be withdrawn within the period prescribed upon payment of the corresponding duties, taxes and other charges, whether or not the goods are in the same state as imported. 	
<i>Private Customs Bonded Warehouse (PCBW)</i>	A warehouse authorized by the Bureau to import, receive and store goods for their own accounts intended for domestic consumption.

Creation or Dissolution of Types of CBW

The SOF may, upon the recommendation of the Commissioner, create or dissolve certain types of warehouses subject to consultation with the National Economic and Development Authority (NEDA) and the Department of Trade and Industry (DTI) based on prevailing economic circumstances.

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Terms and Conditions of Authority to Operate a CBW

Exemption from Duty and Tax of Goods in CBWs	Exclusions from Exemptions
<p>Goods duly entered for warehousing in CBWs shall be <i>exempt from duty and tax</i> within the prescribed period for storage and must be withdrawn from the warehouse either:</p> <ol style="list-style-type: none"> 1. for the manufacture into export products; 2. for repacking; 3. for distribution to foreign markets; 4. for sale to MCBW; 5. for transfer to subcontractors or member of CBWs; or 6. transfer to accredited clients/end use. <p>Goods entered for warehousing shall include imported raw materials, accessories, spare parts, labels, hangers, cartons, packaging materials and the like <i>used in the manufacturing of goods</i>.</p>	<p>The exemption from payment of duties and taxes, however, shall not apply to:</p> <ol style="list-style-type: none"> 1. implements, 2. machineries, 3. spare-parts, and 4. apparatus, 5. supplies and 6. tools <p>to be used to construct, repair or operate any MCBW <i>unless</i> these supplies and spare parts are indispensably needed in the production of finished products for exports subject to presentation of a Certificate of Qualification from BOI and/or the corresponding exemption from the DOF.</p> <p>Withdrawals from <i>domestic consumption</i> shall be subject to payment of duties and taxes.</p>

Period to Liquidate



The importer shall, within a non-extendible period of *sixty (60) days* from the date of complete and full exportation, submit the complete documents required **for the liquidation of the entry**.



The same period of *sixty (60) days* shall likewise be given an importer for the submission of the complete documents required **for the liquidation of the warehousing entry** even in cases where complete exportation is made before the expiration of the period prescribed.

Notwithstanding the foregoing, **the maximum period within which to submit complete liquidation documents** is *thirty (30) days* from the expiration of the storage period.

NOTE: The imposition of periods herein prescribed shall be without prejudice to existing rules and regulations.

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Requirements Prior to Operation

Before the bonded warehouse shall be allowed to operate, the following pre-operating requirements must be complied:

<ul style="list-style-type: none"> ■ <i>Assignment of Customs Officers and Personnel</i> 	The assignment of Bureau personnel shall take into account the extent of operations of the CBW and the number of accredited members in case of CCBW.
<ul style="list-style-type: none"> ■ <i>Provision for a Suitable Working Space for Bureau Personnel</i> 	The CBW operator shall provide Bureau personnel with suitable working areas complete with office equipment and supplies necessary to perform their basic functions.
<ul style="list-style-type: none"> ■ <i>Locks and Keys</i> 	The door and entrance to a CBW and the designated compartments for new materials, finished goods and wastages, rejects and by-products shall have a secured locking system which complies with the standard and specification set by the Bureau. Access to the areas shall be limited to personnel duly authorized by both the Bureau and the CBW operator.
<ul style="list-style-type: none"> ■ <i>Assignment of Warehouse Number</i> 	Before the bonded warehouse shall be allowed to operate, the Warehousing Coordinating Division (WCD) under the Office of the Deputy Commissioner, AOCG shall assign a warehouse number for all CBWs including accredited members of CCBWs for all Authority to Operate granted after the effectivity of this CAO. All existing CBWs whose warehouse number were previously assigned by the District Collector having jurisdiction over the same shall be retained.
<ul style="list-style-type: none"> ■ <i>Payment of Warehouse Supervision Fee</i> 	Proof of payment of the Warehouse Supervision Fee in the amount prescribed by the Bureau must be copy furnished the CBWC for record purposes.
<ul style="list-style-type: none"> ■ <i>Installation of Required Signages</i> 	The Authority to Operate issued by the Commissioner must be posted or displayed in conspicuous places in the office of the CBW Operator and at the entrance to the CBW.
<ul style="list-style-type: none"> ■ <i>Conduct of Final Inspection for Compliance Check</i> 	The District Collector shall cause the final inspection of the CBW by the Warehousing Inspection Division or equivalent unit for compliance to the requirements before the CBW begins actual operations.
<ul style="list-style-type: none"> ■ <i>Registration in CPRS of CBW Operators including Members of CCBW</i> 	CBW Operators must register in the CPRS as warehouse operators. Members of CCBWs must, in addition to its accreditation as importer should also register in the CPRS as warehouse operators with its warehouse code.
<ul style="list-style-type: none"> ■ <i>Posting of the General Warehousing Bond, Performance Bond and General Transportation Surety Bond (GTSB)</i> 	The General Warehousing Bonds, Performance Bond and the GTSB must be filed with the Bonds Division or equivalent unit of the port concerned. The CBW operator should likewise create a Bond Account in the Bureau's ABMS for automatic debiting of the assessed duties and taxes to the bonds filed during the lodgment of the Warehousing Goods Declaration or Transit Goods Declaration.

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Application for Authority to Operate a CBW

Filing of Application

Where to File

The application shall be filed before the *District Collector (DC)* where the CBW is located.

For CCBWs, the Application to Establish and Operate must be filed jointly with the application for accreditation of its proposed members.

Documentary Requirements

- Certificate of Accreditation as importer;
- Lease contract or Certificate of Title to the real property where the proposed CBW is located;
- Warehouse location or vicinity map showing the area and means of access;
- Warehouse layout showing and describing the following: (i) Floor plan and building structure; (ii) Storage areas for raw materials, finished products and wastages; (iii) Production area; (iv) Office spaces for both CBW and customs personnel; and (v) Physical security feature;
- List of machineries and equipment;
- Feasibility study;
- Monthly requirement of the list of materials to be imported; and
- Formula of Manufacture or Conversion, if applicable.
- Other documentary requirements which have been submitted during the application for accreditation as importer may be dispensed with, unless otherwise required.

Evaluation of the Application

The District Collector of the port shall:

- ✓ Determine the completeness of the documents submitted in support of the application;
- ✓ Cause the conduct of physical inspection and taking of photographs of the premises;
- ✓ Evaluate and review the documents including the physical inspection report; and
- ✓ Recommend to the Commissioner the approval of the application upon compliance with all the requirements.

The District Collector may reject the application at any stage of the evaluation process in cases where the application is -

1. attended with fraud,
2. misrepresentation or non-disclosure of material information, or
3. the applicant does not meet the regulatory requirements to operate a CBW

This is without prejudice to any administrative/ criminal charge as may be deemed proper.

Action by the District Collector

Approval of the Application

The District Collector shall recommend to the Customs Bonded Warehouse Committee (CBWC) the approval of the application within five (5) working days from issuance of clearances and inspection report by concerned offices.

Rejection of Application

In case of rejection, the District Collector shall send a *Notice of Rejection* to the applicant stating clearly the grounds for the rejection of the application.

Action by the Commissioner

The Commissioner shall act on the application within *twenty (20) working days* from receipt of the recommendation by the CBWC.

Reconsideration from the Rejection of Application

The applicant may request for reconsideration of his/her application upon (1) completion of the lacking documents and/or (2) when the grounds for rejection has ceased to exist.

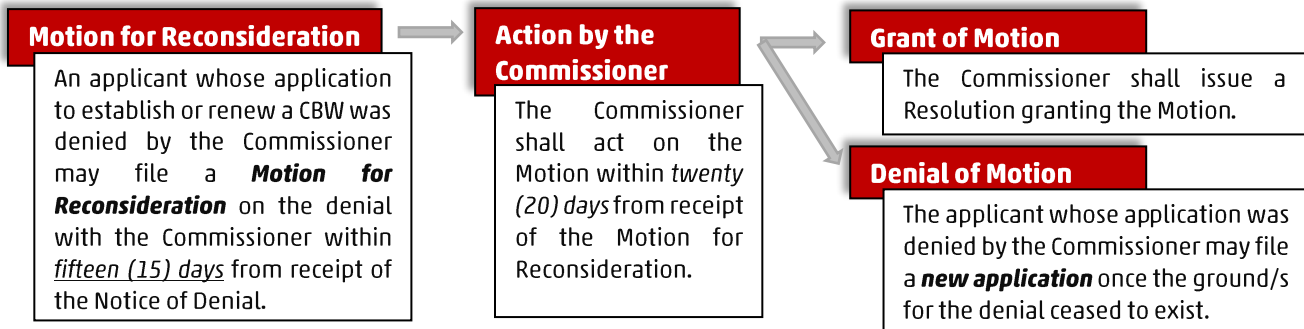
Certificate of Authority to Operate

Upon approval of the CBW application, the Commissioner shall issue a Certificate of Authority to Operate a CBW, which shall be conspicuously displayed at all times at the CBW and its extension offices.

Appeals Mechanism

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Appeals Mechanism



Amendment of Certificate of Authority

Upon the request of the CBW operator, the Commissioner may, upon the recommendation of the CBWC, amend the Certificate of Authority based on any of the following grounds:

- a. Change of company name;
- b. Change of the name of the street or building number without actual change of the physical location of the CBW; or
- c. Such other changes which do not substantially alter the conditions specified in the existing Authority to Operate CBW.

Renewal of Authority to Operate CBW

The application for renewal of Authority to Operate a CBW shall be filed not later than ninety (90) days but not earlier than one hundred twenty (120) days before its expiration.

Validity of Authority to Operate or its Renewal

Authority to Operate a CBW in general	If the term of the lease contract submitted during the application is less than three (3) years	In case of renewal and where the Authority to Operate was issued after the lapse or after the expiration of the existing authority
The Authority to Operate a CBW, including warehouse extensions and additional facilities issued pursuant to this CAO shall be valid for three (3) years counted from the date of the approval of the application for establishment, as stated in the Certificate of Authority to Operate.	The validity of the Authority to Operate shall be co-terminus with the lease contract unless a new Contract of Lease with a longer period is submitted. In such case, the Authority to Operate shall be amended to its maximum period of three (3) years counted from its date of original issuance.	The 3-year effectivity period of the renewed Authority to Operate shall <i>retroact to the date immediately after the expiration of the previous authority.</i>

Post Approval Requirements

CBWs granted Authority to Operate shall submit **annually** their:

- ITRs duly filed with the BIR,
- Certified True Copy of Mayor's Permit
- Audited Financial Statement,
- Export and Import Performance, and
- Year-end Stock Inventory Report.

Non-submission of these requirements is a ground for the suspension or cessation of operations of the CBW.

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Requirements During Operation

<ul style="list-style-type: none"> ■ <i>Principal Books of Accounts</i> 	<p>The Bureau and the CBW operator shall keep and maintain Principal Books of Accounts containing the records of importation and exportation of all goods delivered to and withdrawn from a CBW. As far as practicable, the Bureau and CBW operator shall utilize an ICT-enabled inventory and liquidation system of all goods delivered to and withdrawn from a CBW, which may serve as the principal books of accounts.</p>
<ul style="list-style-type: none"> ■ <i>Stock Inventory Report</i> 	<p>All CBWs shall establish and maintain a computer-based AIMS for bonded goods with linkage to the Bureau.</p> <p><i>Submission:</i> At the end of every calendar year.</p> <p><i>NOTE:</i> Non-submission of stock inventory report may be a ground for the suspension or cessation of operations of the CBW.</p>

Operational Provisions

	Goods Declaration for Warehousing	Goods Declaration for Transit
When applicable	Where the port of discharge and the port of entry are under the same jurisdiction	Where the goods to be entered for warehousing are under the jurisdiction of another port of entry
Filing	<p>A Goods Declaration for Warehousing shall be filed at the port where the goods for warehouse are discharged.</p> <p>The operator shall file the goods declaration for warehousing within <i>five (5) days</i> from date of transfer.</p>	A Goods Declaration for Transit must be filed for the transfer of the goods from the port of discharge to the port of entry.

Unless likewise covered by an automated tracking system, the transfer of LCL goods from the Customs zone to the warehouse shall be escorted by customs guards until delivery at the warehouse is acknowledged in the covering Transfer Note (boatnote) by the customs personnel assigned thereat or by the duly designated accountable officer of the operator.

Transfer of CBWs

Goods for Transfer to CBWs	Goods for Transfer to CCBWs
<p>Mandatory Non-intrusive Search</p> <p>Goods for transfer to CBWs shall be subject to mandatory non-intrusive inspection at the port of discharge whether covered by a warehousing goods declaration or transit goods declaration.</p> <p>Unless the goods entered for warehousing is placed under Alert Order or selected for physical or non-intrusive examination, the District Collector shall allow immediate transfer of bonded goods to the CBW where the examination shall be conducted.</p>	<p>Recording & Stock Inventory</p> <p>All goods for transfer to CCBWs must first pass through the CCBW operator for recording and stock inventory purposes <i>unless</i> the District Collector allows the direct transfer to the warehouse of the accredited members of CCBWs.</p>

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Provisional Goods Declaration

The Bureau may allow the lodgment of a provisional goods declaration for goods entered under warehousing in accordance with the rules and regulations on the filing of a provisional goods declaration.

Posting of Security for Goods Stored in CBWs

For goods declared and entered under the CBW scheme, the District Collector shall require the importer to post a general warehousing bond as security where the assessed duties and taxes shall be charged as a condition for the storage and withdrawal of the bonded goods within the period prescribed by Section 811, Chapter 2, Title VIII of the CMTA.

A CBW operator shall likewise post a separate GTSB at the port of discharge for goods for transfer via transit goods declaration.

Bonded to Bonded Transfer

For MCBW operator which sources its raw materials from enterprises in Free Zones or from existing customs manufacturing bonded warehouse, the Bureau shall prescribe the specific form of goods declaration and supporting documents covering the transfer.

Exportation of CBW Products

The CBW operator shall lodge an export declaration for finished products which are manufactured in CBWs within the prescribed period.

For CBW operators which supplies its raw materials or packaging materials to its client-exporters, client/end-users, Free Zones locators/enterprises, or to another MCBW, the Bureau shall prescribe the specific form of goods declaration and supporting documents to be submitted.

Wastages

Wastages, rejects and by-products in the manufacture of export products shall be properly accounted for and disposed of in accordance with existing rules and regulations.

Liquidation of Goods Declaration for Warehousing and Cancellation of Bond

The CBW operator shall cause the liquidation of the goods declaration for warehousing and the cancellation of the bonds related to the finished products.

A Raw Materials Liquidation System (RMLS) shall be adopted and utilized to effectively monitor the liquidation of raw materials used in the manufacture of Imported goods and the wastages derived therefrom. Further, a Wastage Valuation Database (WVDB) shall be established for wastages, rejects and by-products.

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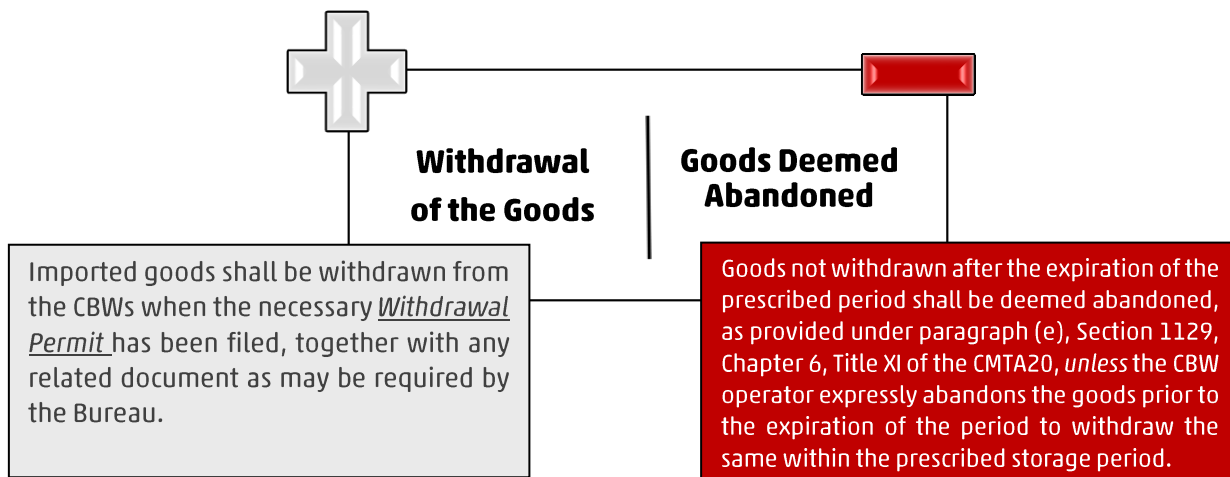
Cancellation of Bonds

The CBW operator shall cause the liquidation of the Warehousing Goods Declaration and the cancellation of the bonds filed for the bonded goods. An ABMS shall be utilized to assist in the effective cancellation of bonds for the liquidation of raw materials/goods declaration.

Period of Storage of CBWs

Goods in general	Perishable goods
Goods entered for warehousing may remain in a CBW for a maximum period of one (1) year from the time of its arrival at the warehouse, without prejudice to the provisions of Section 8.12.4 of this CAO.	The storage period shall be three (3) months from the date of arrival at the warehouse, <i>extendible</i> for valid reasons, and upon written request, <i>for another three (3) months</i> .

Prior to the lapse of the prescribed storage period, the Bureau shall notify the CBW operator to either withdraw the bonded goods for production and reexport, or in the alternative, pay the assessed duties and taxes due thereon.



Bonded raw materials withdrawn within the prescribed storage period shall be manufactured and exported within one (1) year from the time of arrival at the CBW. Bonded goods not withdrawn either for manufacture or export shall be deemed abandoned.

For goods withdrawn for manufacture within the prescribed period of one (1) year but not exported, the CBW operator may request for the exportation of the said finished goods subject to imposition of applicable penalties for late re-exportation and late liquidation or pay the duties and taxes due on the bonded goods provided the request for late exportation or payment of duties and taxes is made before the lapse of the storage period.

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Duties and Responsibilities of a CBW Operator

The following are the duties and responsibilities of a CBW Operator

1. Comply with all Customs rules and regulations governing the operation of CBW and all other applicable issuances;
2. Present evidence of payment of duties, taxes and other charges to the customs warehouseman or customs storekeeper before making any withdrawal from the warehouse in case of PBWCs or local sales;
3. Implement effective security measures, such as the installation of 24-hour Closed Circuit Television Camera (CCTV) system and similar devices to ensure a safe environment for persons working inside the CBW and to prevent pilferage, unauthorized withdrawal, and loss of goods through fires, floods, and other such occurrences;
4. Indemnify the Bureau of the duties and other charges on the goods entered into the warehouse which were lost or destroyed, damaged, pilfered or stolen while in storage due to the operators' gross negligence or willful misconduct. The government assumes no legal responsibility over the safekeeping of goods stored in CBW;
5. Allow access to the premises and extend assistance to examiners, inspectors, inventory and audit teams, and other authorized customs personnel who may be sent on mission orders to conduct examination and/or physical and records inventory/audit of cargoes stored in the CBW;
6. Pay to the Collector of Customs at the port concerned such fees as may be fixed by appropriate regulations for the supervision and operation of the CBW;
7. Provide the necessary office space, equipment and supplies to customs personnel assigned to the CBW;

Liabilities of CBW Operators

The CBW operator shall be *jointly and severally liable* with its Accredited Member and/or Subcontractor for any violation committed.

**CUSTOMS ADMINISTRATIVE
ORDER (CAO) NO. 01-2022****Suspension of the Authority to Operate and Closure of CBW**

The Bureau shall, without prejudice to the imposition of administrative penalties and filing of criminal cases against the responsible person, initiate suspension or closure proceeding against any CBW in the following instances:

- a. In case of discontinuance requested by the CBW operator or when the conditions warrant pursuant to Section 807, Chapter 2, Title VIII of the CMTA;
- b. Filing an application containing false information for establishment or renewal of CBW Authority to Operate;
- c. Failure to file application for renewal;
- d. Being inactive for a continuous period of at least one (1) year, i.e. no importation, or if there is one, no corresponding legal withdrawal of imported goods or exportation of finished products;
- e. When the operator or any responsible official shall knowingly allow the use of the warehouse for illegal activities;
- f. Unauthorized relocation or use of extension warehouse;
- g. Unauthorized changes in the CBW lay-out;
- h. Unauthorized structural changes of the CBW and/or its extension warehouse;
- i. Withdrawal of any material/article stored in a CBW without the duly processed withdrawal or requisition slip, without prejudice to the confiscation of the general warehousing bond;
- j. Illegal withdrawal of any imported material or finished article from the CBW without prejudice to forfeiture of the goods or in case of payment of duties, taxes and other charges, imposition of surcharge in accordance with Section 1422 of the CMTA; and
- k. Violation of customs rules and regulations on CBW operations

Physical Inventory to be Conducted

Upon the closure of the CBW, a physical inventory shall be conducted, and the Books of Account examined. The remaining dutiable goods inside the CBW shall be disposed by the District Collector in accordance with existing rules and regulations.

Effectivity of Closure

Closure of the CBW shall be effective upon approval by the District Collector, who shall within ten (10) days, inform the Commissioner of such action in writing.

Appeal of Closure Order

The decision ordering the closure of a CBW may be appealed to the Commissioner within fifteen (15) days from receipt of the Decision of the District Collector.

Notice of discontinuance made by the operator shall not result in the discharge from any duties, taxes, fees and other charges imposed on dutiable goods in said warehouse.

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Inspection of CBW and Bonded Goods

Mission Order

The District Collector may issue a Mission Order (MO) authorizing a representative to conduct inspection of the CBW and the bonded goods stored in the CBW and to examine the documents, books, and records of accounts concerning the operation of any CBW.²⁴ MOs shall contain the names of the representative, time and date of inspection, and the documents, books, and records of accounts to be examined.

Audit of CBWs

The Commissioner may order the audit and inspection of CBWs by the Warehousing Monitoring and Audit Unit (WMAU) of the Post Clearance Audit Group (PCAG) on the following **grounds**:

1. Information from Internal sources such as the Customs Intelligence and Investigation Service (CIIS), Enforcement and Security Service (ESS);
2. Referral from the District Collector/ or warehousing operating divisions;
3. Derogatory report/information from external sources (I.e. National Bureau of Investigation, Sugar Regulatory Administration, etc);
4. As a pre-requisite for renewal of license to operate a CBW;
5. Voluntary closure; and
6. As directed by the Commissioner.

Administrative Offenses

Without prejudice to the criminal and other administrative liability provided under the CMTA, the administrative sanctions shall be imposed on the operator for the following offenses:

1. Diversion of the bonded goods
2. Unauthorized Withdrawal or Transfer of Goods to another CBW or Free Zone
3. Unauthorized Relocation of CBW
4. Unauthorized Changes in the CBW Lay-out
5. Unauthorized Structural Changes of the CBWs and/or of its Extension Warehouse
6. Late Filing of Application for Renewal of the Authority to Operate a CBW
7. Late Exportation
8. Late Submission of Documents for Liquidation of Goods Declaration for Warehousing
9. Late Submission of Documents for Cancellation of Warehousing Bonds
10. Any person who enters a CBW and unlawfully removes therefrom any merchandise or baggage or any person who receives or transports any merchandise unlawfully removed from such warehouse, or aids or abets such removal shall be punished in accordance with Section 1422 of the CMTA

Source:
Customs Administrative Order No. 01-2022