

Republic of the Philippines
PHILIPPINE ECONOMIC ZONE AUTHORITY
Roxas Boulevard corner San Luis Street
Pasay City

CERTIFICATE OF BOARD RESOLUTION

This is to certify that at the Board Meeting of the Philippine Economic Zone Authority held on 11 November 1997, during which a quorum was present, the following resolution was approved:

RESOLUTION NO. 97-366

RESOLVED that the following shall be the **Guidelines for Registration and Operations of Ecozone Facilities Enterprise Engaging in Warehouse Operations** :

I. *Qualification for Registration:*

A. The following types of warehouse operations are qualified for registration with PEZA:

1. Establishment of a warehouse facility for the storage, deposit, safekeeping of goods for subsequent transfer directly to the ecozone plant of the PEZA-registered export enterprise-owner/consignee thereof;
2. Importation or procurement from local sources and/or from other PEZA-registered enterprises of goods for resale, or for packing/covering (including marking, labelling), cutting or altering to customers' specification, mounting and/or packaging into kits or marketable lots thereof for subsequent sale, transfer or disposition directly to PEZA-registered export enterprises, for direct export or for consignment to PEZA-registered export enterprises.
3. Combination of both.

II. *Definition of Terms:*

- A. Goods - as used above shall refer to semi-finished products for the manufacture, assembly or processing of electronics and semiconductor products that have no domestic market.

- B. Semi-Finished Products - shall refer to an article, which is unfinished or incomplete but possesses the essential character of a finished product in relation to another and intended to be used as a direct input to the latter.
- C. Electronics Products - shall refer to component devices, the operations of which depends on the flow of electrons for the generation, transmission, reception and storage of information (audio signals, video signals and data signals) such as diodes, amplifier circuits, transistors, integrated circuits, computer circuit board, resistors, capacitors, inductors, sensor and transducers, switching and timing circuits, power supply circuits, oscillators, computer systems.
- D. Semiconductor Product - an electronic device the main functioning parts of which are made from semiconductor materials. Semiconductor products includes diodes, photocells, thermistors, integrated circuits and transistors, Semiconductor materials are solid or liquid material, with resistivity ranges between that of metals and that of insulators examples include germanium, arsenic, silicon selenium, lead tellurium and silicon carbide.

III. *Registration:*

- A. Minimum paid-up capitalization of US\$2 Million shall be required prior to registration with PEZA.
- B. A Registration Agreement shall be signed by the Warehouse Operator with PEZA upon approval of its application by the PEZA Board. Warehouse operators shall be registered as Ecozone Facilities Enterprise. It is required, however, that a “**Permit to Operate**” be secured from PEZA which shall be renewed every two (2) years.

Said “Permit to Operate” shall have a life-span of two (2) years unless sooner canceled for cause. The registered Warehouse Operators shall apply for renewal of its Permit to Operate not later than two (2) months before expiry thereof.

IV. *Incentives:*

- A. Registered Ecozone Facilities Enterprise engaged in warehousing operations shall be entitled to the following tax incentive:

Exemption from National and Local Taxes, in lieu thereof, special 5% Gross Income Tax Rate in accordance with the provisions of R.A. 7916 and the PEZA Rules.

- B. Incentives shall be enjoyed only upon registration and only during the period covered by the Permit to Operate issued by PEZA.
- C. Warehouse operators whose service is as a supply depot for the storage, deposit, safekeeping of semi-finished products are not entitled to incentives, except if they involve pioneer technology in handling inventory.

V. General Guidelines for Operations:

- A. **Start of Commercial Operations.** Before commencing actual operations, the facilities enterprise shall apply for issuance of a Letter of Authority to service a particular client. The application shall consist of the following supporting documents:
 - 1. Certification from the client stating the following: (a) that the registered ecozone facilities enterprise is its appointed supplier; (b) the list of goods/items that will be supplied by the registered facilities enterprise; and © that the said goods to be supplied by the ecozone facilities enterprise are actually being imported by its client and not sourced locally and therefore not shifting from local procurement to importation.
 - 2. Sources of goods to be supplied by the Ecozone Facilities Enterprise.
- B. **No Local Sale.** In no case shall articles/goods subject of the warehousing operations be brought to the domestic territory. Any violation shall be sufficient cause for revocation of registration.
- C. **Movement of Goods.** Goods procured by the Ecozone Facilities Enterprise shall be first be brought to its warehouse facility before distribution to its clients. Direct delivery from the port or from another enterprise in another PEZA ecozone to its client's plant shall be subject to prior PEZA approval.

Movement of goods to/from the warehouse facility to the PEZA enterprise-clients shall be governed by existing PEZA rules and procedures on constructive exportation. Illegal withdrawal shall be subject to forfeiture, or payment of duties, taxes and other charges, surcharges in accordance with customs and internal revenue laws, rules and regulations. The unauthorized substitution of materials/finished products shall constitute illegal withdrawal.

D. Inspection of Warehouse Premises. PEZA may at any time cause the examination of warehouse facilities and whenever necessary and upon written authority given by the Director General or such official to whom such authority may be delegated, may undertake an examination of the inventory in the ecozone facilities enterprise's warehouse.

E. Period of Storage of Imported Articles. Articles/Items duly entered for warehousing plant may remain therein for a period of one (1) year from the time of their transfer/arrival to the warehouse, which period may be extended, with the approval of the Director General for an additional maximum period of one (1) year.

Materials or articles not exported or withdrawn within the period allowed shall pay duties and taxes; otherwise, shall be sold at public auction in order to satisfy the duties and taxes and other charges due from them.

F. Maintaining a Material Register. A registered ecozone facilities enterprise shall keep a material register/logbook or a record in any form, including electronic, of materials received and withdrawn for export to PEZA clients. All raw materials/items received in the warehouse shall be debited accordingly, and all issues from and withdrawals for export thereof shall be credited in the material register. The entry shall specify the import permit number and series, bill of lading number or purchase order number covering the materials, and/or quantity thereof. All materials registers and other official records in connection with the warehousing business shall be kept in the building premises or warehouse and open to inspection by authorized PEZA officials.

G. Submission of Reports. The registered facilities enterprise shall submit to PEZA-PERD a quarterly inventory report as to quantities and values of imported raw materials, waste materials, items on hand. The inventory report shall be submitted to the PEZA Zone Administrator/Manager within forty-five (45) days from the end of each quarter.

VI. *Other Provisions:*

A. Applicability. All Ecozone Facilities Enterprise engaged in warehousing operations approved and registered with PEZA prior to the effectivity of these guidelines shall comply with the minimum capitalization requirement provided in Section III hereof within one (1) year from date of effectivity of these guidelines.

B. Effectivity. These guidelines shall take effect upon approval by the PEZA Board.


ATTY. NESTOR HUN A. NADAL
Acting Corporate Secretary

Pasay City
24 November 1997
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