

[**PRESIDENTIAL DECREE NO. 1419, June 09, 1978**]

PRESCRIBING INCENTIVES FOR THE ESTABLISHMENT OF MULTINATIONAL REGIONAL WAREHOUSES BY MULTINATIONAL COMPANIES SUPPLYING SPARE PARTS OR MANUFACTURED COMPONENTS AND RAW MATERIALS TO THE ASIA-PACIFIC AREA.

WHEREAS, the objective of accelerating the development of the Philippines as the business and financial capital of Southeast Asia and thereby hastening the economic and social development of the country can be accomplished further by attracting multinational companies to base their regional warehouse in the Philippines;

WHEREAS, the said regional warehouses will not earn or derive any income from the host country and all their expenses are financed by their head offices or parent companies;

WHEREAS, the attainment of the aforesaid goal will mean the creation of a new source of dollar revenue for the government and the increase of foreign exchange receipts for export of Philippine products; a boost to air travel, new construction and real estate development, new job opportunities, increase in local tourism and potential investors;

WHEREAS, the establishment of regional warehouses in the Philippines by multinational companies would prevent and spare local industries from incurring substantial but needless losses from factory down time because of lack of imported spare parts of raw materials and from the heavy cost of inventory financing due to unavailability of imported spare parts or manufactured components and raw materials;

WHEREAS, the establishment of regional warehouses in the Philippines by multinational companies will also promote trade, communication and cooperation between the Philippines and other member-nations of the Association of Southeast Asian Nations (ASEAN) and will thereby serve its goal towards regional self-reliance;

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 decree:

SECTION 1. A multinational company organized and existing under any laws other than those of the Philippines which is engaged in international trade and supplies, spare parts or manufactured components and raw materials to its distributors or markets in the Asia-Pacific area and which has established or will simultaneously establish a regional or area headquarters in the Philippines in accordance with the provisions of Presidential Decree No. 218, as amended, and the rules and regulations implementing the same may also establish regional warehouse or warehouses in the Philippines, after securing a license therefore from the Secretary of Trade, upon the favorable recommendation of the Bureau of Customs.

The following minimum requirements shall be submitted or complied with by the said foreign entity in accordance with the rules and regulations to be issued by the Secretary of Trade as provided for in Section 10 hereof.

- a. A certification from the Philippine Commercial Attache or in the absence of such an official, a Philippine Consul in the foreign firm's home country that said foreign firm is engaged in international trade and supplies or will supply spare parts or manufactured components and raw materials to its distributors or markets in the Asia-Pacific Region.
- b. A certification from a principal officer of the foreign entity to the effect that the said foreign entity has been authorized by its Board of Directors or governing body to establish its regional warehouse in the Philippines, specifying that:
 1. The activities of the regional warehouse shall be limited to serving as a *supply depot* for the storage, deposit, safekeeping of its spareparts of manufactured components and raw materials including the packing, covering, putting up, marking, labelling and cutting or altering to customers specification, mounting and/or packaging into kits or marketable lots thereof, to fill up transactions and sales made by its head offices or parent companies and to serving as a storage or warehouse of goods purchased locally by the home office of the multinational for export abroad; *Provided, That*, said locally purchased goods for export may be stored in the Regional Warehouse only after they have been cleared for exports in accordance with the laws and regulations governing exports. The regional warehouse shall not directly engage in trade nor directly solicit business, promote any sale, nor enter into any contract for the sale or disposition of goods in the Philippines.
 2. The regional warehouse will not derive any income from the sources within the Philippines and its personnel will not participate in any manner in the management of any subsidiary affiliate, or branch office it might have in the Philippines.
 3. The personnel of the regional headquarters shall be responsible for the operation of the regional warehouse subject to Section 9, subsection (a) hereof.
- c. The multinational company shall pay the government through the Department of Trade a license fee of Five Thousand Pesos (P5,000.00) per annum and through the Regional Collector of Customs a storage fee equivalent to Ten Pesos (P10.00) for the first Four Thousand Pesos (P4,000.00) worth of articles to be stored in the Regional Warehouse on the basis of their C & F value and One Peso (P1.00) for every One Thousand Pesos (P1,000.00) worth of articles in excess of the said first Four Thousand Pesos (P4,000.00). Of the total fees collected, seventy-five per cent (75%) shall accrue to the general and twenty-five per cent (25%) shall accrue to a special account in the General Fund for the Department of Trade to support its trade promotion projects.
- d. An application for the establishment of a bonded regional warehouse shall be made in writing to the Department of Trade. The application shall describe the premises, the location, and capacity of the regional warehouse and the purpose for which the building is to be used.

The Department of Trade in consultation with the Regional Collector of Customs of the district where the Warehouse will be situated shall cause an examination of the premises to be made with reference particularly to its location, construction and means provided for the safekeeping of its articles and if found satisfactory, it may authorize its establishment subject to the following conditions:

1. That the articles to be stored in the warehouse are spare parts or manufactured components and/or raw materials of the multinational company operator for distribution and supply to its Asian-Pacific markets;
2. That the entry or importation, storage or re-export of the goods destined for or to be stored in the regional warehouses will not involve any dollar outlay from Philippine sources;
3. That they are such character as to be readily identifiable for re-export; and in case of local distribution they shall be subject to Section 2, subsection (b) and Section 3, subsection (b) hereof;
4. That they shall be identified, examined and appraised by the Regional Collector of Customs and they shall be directly delivered to and kept in the regional warehouses and released therefrom only in accordance with Section 2, subsection (b) and Section 3, subsection (a) and (b) and Section (4) hereof;
5. Each shipment of goods which will be stored in the regional warehouse shall be covered by an affidavit of the multinational company operator setting forth that said articles shall be exclusively used as supply for its Asian-Pacific markets and stating the C & F price thereof;
6. The multinational company operator shall file an ordinary warehouse bond in an amount equal to One hundred percent (100%) of the ascertained customs duties on the articles imported without prejudice to its filing a general warehousing bond in lieu of the ordinary warehousing bond.

SEC. 2. *Tax Treatment of Imported Articles in the Regional Warehouse.*

- a. Except as otherwise provided in this Decree, imported spare parts or manufactured components, raw materials and other items including any packages, coverings, brands and labels and warehouse equipment as may be allowed by the Department of Trade for use exclusively on the goods stored, except those prohibited by law, brought into the regional warehouse from abroad to be kept, stored and/or deposited or used therein and re-exported directly therefrom under the supervision of the Regional Collector of Customs for distribution to its Asian-Pacific markets according to Section 3, subsection (a) hereof *shall not be subject to customs duty, internal revenue tax, export tax nor to local taxes*, the provisions of law to the contrary notwithstanding.
- b. Any spare parts, manufactured components, raw materials and other items sent, delivered, released or taken from the regional warehouse to the local market in accordance with Section 3, subsection (b) hereof shall be subject to the payment of customs duties, taxes and other charges and for which purpose, the proper commercial invoice of the head offices or parent companies shall be submitted to the Regional Collector of Customs; and shall be subject to laws and regulations governing imported merchandise, provided that in case any of the foregoing items are sold, bartered, hired or used for purposes other than that they were intended for without prior compliance with Section 3, subsection (b) hereof and without prior payment of the duty, tax or other charge which would have been due and payable at the time of entry if the articles had been entered without the benefit of this decree, shall be subject to forfeiture and the importation shall constitute a fraudulent practice against customs revenue punishable under Section Thirty-Six Hundred and Two, as amended, of the Tariff and Customs Code of the Philippines; *Provided, further,* That a sale pursuant to a judicial order shall not be subject to the