



CEZA ADMINISTRATIVE ORDER NO. 21-001/A.
Series of 2021

SUBJECT: GUIDELINES ON THE IMPORTATION, REGISTRATION, REGULATION, MONITORING AND DISPOSAL OF TAX-EXEMPT AND DUTY-FREE VEHICLES

Pursuant to Republic Act No. 7922, otherwise known as the “Cagayan Special Economic Zone Act of 1995”, the Cagayan Special Economic Zone (the “Zone”), comprising the entire area embraced by the Municipality of Sta. Ana, and the islands of Fuga, Barit, Mabbag in the Municipality of Aparri, Province of Cagayan, was mandated to be operated and managed as separate Customs Territory where free flow or movement of goods and capital are ensured and where raw materials, capital and equipment can be imported tax and duty free, the following general rules shall apply to CEZA Locators and Enterprises who regularly enter the Zone with tax exempt vehicles.

Section 10 (c) of the Rules Implementing the Cagayan Special Economic Zone Act of 1995 or Republic Act No. 7922 provides likewise that the Cagayan Economic Zone Authority has the power to approve, accept, accredit, and allow any local or foreign business, enterprise or investor in the Zone subject only to such rules and regulations as CEZA may promulgate from time to time in conformity with the provisions of the Act and the limitations provided for in the Constitution.

ARTICLE I-PRELIMINARY PROVISIONS

Section 1. Title. These rules and regulations/guidelines shall be known as the “**Cagayan Economic Zone Authority Motor Vehicle Registration Office Rules and Regulation of 2019**” or “**CEZA MVRO Rules and Regulation of 2019**”, for brevity.

Section 2. Declaration of Policy. CEZA recognizes that the motor vehicle industry is a significant contributor to the country’s economic output, employment and exports through conveyance of goods and services. Therefore,





CEZA is dedicated in pursuing its mandate as proved by the establishment of programs parallel to its implementing rules and regulation.

Section 3. Objectives.

- a. To facilitate the application to import, admission, registration, regulation and monitoring and eventual disposal of duty free and tax-exempt motor vehicles (TEVs) by CEZA registered enterprises, locators, their stockholders and employees,
- b. To provide an efficient and convenient solution to land transportation requirements of CEZA locators and enterprises;
- c. To open various business opportunity to other CEZA locators and enterprises;
- d. To provide availability of transport services to different tourist destinations within CSEFP and elsewhere.

Section 4. Benefits.

1. Expediency in the processing of application of vehicle/equipment importation, recording and registration of imported duty-free and tax-exempt motor vehicles into CSEZFP.
2. Easy monitoring of duty-free and tax-exempt motor vehicles from Admission, Registration and Regulation to Disposal of such vehicles.
3. The establishment of MVRO poses an additional source of income for CEZA as revenue collected by the Finance Department on registration fees is reflected as MVRO generated revenue.
4. It provides readiness towards having Radio-Frequency Identification (RFID) that automatically identify, and track tags attached to the motor vehicles, and;
5. Provides an indirect income to other agencies, i.e. Land Transportation Office (LTO), Bureau of Customs (BOC) and other Agencies related thereto.

Section 5. Applicability. These Guidelines shall apply to duty-free and tax-exempt motor vehicles and equipment necessary for CEZ Locator's and Enterprises' business activities.

Section 6. Definition of Terms. For the purpose of this Administrative Order, the terms used herein shall mean as follows:



1. **RA 7922** shall refer to Republic Act No. 7922, otherwise known as the "Cagayan Special Economic Zone Act of 1995", the law creating the Cagayan Special Economic Zone and Freeport.
2. **Motor Vehicle Registration Office (MVRO)** shall refer to a section or a distinct part or division of the Office of the Deputy Administrator for Operations. It shall function as regulatory body for the enforcement of admission and/or registration of duty free and tax-exempt vehicle.
3. **Motor Vehicle** means as self-propelled vehicle, commonly wheeled, using the public highway does not operate on rails or tracks and is used in the transportation of people or cargo.
4. **Duty-Free and Tax-Exempt Vehicle (TEV)** is a motor vehicle admitted to the Zone exempt from the payment of local or national taxes and duties, on the requirement that they be admitted as such within the Zone.
5. **Importation** shall mean the bringing of goods or services into the country from overseas.
6. **Import Permit** the authority issued by CEZA to the locators/residents, allowing the importation of specific foreign articles into the Zone.
7. **CSEZFP Registered Enterprise/Locator** refers to any sole proprietorship, partnership, corporation, association or other form of business entity, including the CEZA, locating in, and duly registered with and/or licensed by the CEZA to engage in any lawful economic activity within the CSEZFP.
8. **CSEZFP Residents** refers to natural person with a certificate issued by the CEZA proving the registration as a CSEZFP Resident.
9. **Executive Order No. 156 Series of 2002** an order providing for a comprehensive industrial policy and directions for the motor vehicle development program and its implementing guidelines.
10. **Utility-service Vehicles** any commercial motor vehicle used in the furtherance of repairing, maintaining, or operating any structures or any



physical facility necessary for the delivery of public utility services which are indispensable in the conduct and operation of CSEZFP-registered authorized business activities, such as but not limited to, delivery trucks, cargo vans, and buses designed exclusively for transport and cargoes and passengers.

11. **Tourist Service Vehicles** any vehicle operated in the furtherance of tourist-oriented industries, such as hotels, resorts and leisure and casinos to be used actually, directly and exclusively for the purpose of transporting tourists in tourism related activities.
12. **Company Service Vehicles** which are to be used as service vehicles of CEZA registered enterprises or Locators.
13. **Green Vehicle/ Clean Vehicle/Eco-friendly Vehicle/Environment Friendly** vehicle is defined as a road motor vehicle that produces less harmful impacts to the environment than comparable conventional combustion engine running on a gasoline or diesel or one that uses alternative fuel.
14. **Luxury Vehicles** is defined by having more powerful engines, quieter interior, better handling advanced safety and electronic technology as compared to regular cars with an increased price.
15. **Brand New** motor vehicle shall be:
 - a. Of current advance year model in the country of origin and/or manufacturer; OR
 - b. Of year model immediately preceding year in the country of origin and/or manufacturer provided that:
 - The motor vehicle has a mileage of not more than 200 kilometers; AND
 - The motor vehicle has been acquired by the importer from the dealer as first owner.
16. **Used Motor Vehicles** are allowed to be imported to the CSEZFP in accordance with the provisions of Executive Order 156, S. of 2002 and other rules and regulations of the Department of Trade and Industry in relation to the importation of motor vehicles.



17. Radio-Frequency Identification is an electromagnetic field to automatically identify and track tags attached to objects.

ARTICLE II – MOTOR VEHICLE REGISTRATION OFFICE

Section 7. Responsibilities. The proposed Motor Vehicle Registration Office shall function and be responsible for the following:

- a. Processing of necessary documents as needed for the application for vehicle importation, recording and registration of motor vehicles imported into the CSEZFP;
- b. Issuance of clearance by MVRO for any sale of duty-free and tax-exempt motor vehicle registered with LTO;
- c. Issuance of special plates and stickers to all registered duty-free and tax-exempt motor vehicles in coordination with the LTO;
- d. Issuance of conduction pass effective for not more than fifteen (15) days outside the CSEZFP to registered TEVs;
- e. Inspection of TEVs on special and regular basis and implementation of fines and penalties as provided in Section 22 hereof.

Section 8. Set Up. The Motor Vehicle Registration Office shall be strategically located at CEZA Offices in Sta. Ana, Cagayan and Mandaluyong City, under the Office of the Deputy Administrator for Operations.

The MVRO-Office shall include the following staff complement with their corresponding functions, to wit:

- a. Clerk
 - i. Receive Application to Import TEV/s and its supporting documents;
 - ii. Record the Application and its supporting documents and ascertain its completeness;
 - iii. Forward the received Application to the Administrative Officer.
- b. Administrative Officer II
 - i. Review and Evaluate the Application and Supporting Documents;
 - ii. Screen out Application for their qualification and compliance of listed requirements;
 - iii. Prepare the Authority to Import and Undertaking for qualified applicants;



- iv. Approve Authority to Import Holder/Locator.
- c. Administrative Officer I
 - i. Prepare or issue billing assessment;
 - ii. Upon presentation of proof of payment, release the approved Application to Import and Undertaking;
- d. Deputy Administrator for Operations
 - i. Sign the prepared evaluation of the Admin Officer;
 - ii. Review and approve the Authority to Import and Undertaking;
- e. Treasury Department Cashier
 - i. Receive payment for the processing.
- f. Motor Vehicle Inspector – inspect the imported motor vehicles upon arrival and on a special or regular basis.

ARTICLE III – COVERAGE

Section 9. The guidelines for importation into the CSEZFP set herein shall be applicable to motor vehicle classified as Utility-Service Vehicles, Tourist-Service Vehicles and Company-Service Vehicles, or any other classification determined by the Administrator as recommended by the Deputy Administrator.

Section 10. Limitation. No luxury motor vehicle shall be admitted duty-free and tax-exempt vehicles into the Zone, subject to certain exceptions as provided by these rules and regulations.



ARTICLE IV-GUIDELINES ON THE ADMISSION OF DUTY-FREE AND TAX-EXEMPT MOTOR VEHICLE

Section 11. Qualifications to import duty-free and tax-exempt motor vehicles. The following are qualified to import and register motor vehicle/s and may file their application with the Motor Vehicle Registration Office:

- a. CEZA Registered Enterprises – All CEZA Registered Enterprises with Certificate of Registration and Tax Exemption (CRTE) duly issued by the CEZA may hereof import, duty-free and tax-exempt, motor vehicles for legitimate use of the enterprise in connection with its business activity within the Freeport. Accordingly, unless for clearly compelling reasons, no enterprise shall be allowed to import luxury vehicles.

Provided, however that, luxury vehicles which are “**green vehicle**”, or if the stature of the end-user, such as the President, Chairman and Members of the Board of Directors of the CEZA Registered enterprise requires the same. The approval of such luxury cars shall be subject to the criteria set herein with the approval of the Administrator and concurrence CEZA Board of Directors.

Provided, moreover, that CEZA reserves the right to disapprove or limit the admission of TEVs when, in its judgment, it becomes necessary to avert a violation of any law or any of its rules and regulations, or to enforce a regulatory and administrative measure.

- b. CEZA Locators – Locators duly licensed by the Authority to conduct business within the Freeport Zones may import duty-free and tax-free vehicles for use solely within the Freeport, subject to the regulation on the availment of the said privilege.

The above-stated entities must have been operating as such in CSEZFP, as certified by the CEZA Business, Processing, and Regulatory Division, unless the immediate admission of the motor vehicle is necessary to the nature of their business.



Section 12. Criteria to avail Duty-Free and Tax-Exempt Privilege

- a. **Amount of Investment.** An applicant-CSEZFP enterprise must have an investment of **FIFTY THOUSAND UNITED STATES DOLLARS (US\$50,000.00) or its equivalent in peso** at the time of the application, to avail of the privilege to import a motor vehicle. Additional TEVs can be availed of with every **FIFTY THOUSAND UNITED STATES DOLLARS (US\$50,000.00), or its equivalent in peso**, investment. The term “investment” refers and is limited to investment made on capital equipment and development of land and structure only; OR
- b. **Number of Regular Employees.** An applicant-CSEZFP enterprise must have **at least 15 regular employees** for every vehicle to be admitted at the time of application. Additional TEVs can be availed of with every additional 15 regular employees.

Section 13. Limitations on Importation. CSEZFP registered Enterprises or Locators may import duty-free and tax-exempt motor vehicles according to the size, amount of investment, number of employees and nature of business specified, subject to their compliance with the following:

1. CSEZFP registered Enterprises or Locators are entitled to import **one (1) unit motor vehicle**, duty-free and tax-exempt, for every 15 regular employee OR for every US\$50,000 amount of investment in the Freeport;
2. CSEZFP registered Enterprises or Locators are entitled to importation of tax-exempt motor vehicles for its expatriates, provided that they have valid employment and working or investor’s visa within the Freeport and provided further that they are residents of the Freeport;
3. The applicant must have no outstanding financial obligation with CEZA unless the Enterprise or Locators show a CEZA Finance Department approved payment scheme covering the obligation and the fact that it has not defaulted on the said payment scheme;
4. Issuance of Authority to Import Motor Vehicle shall be prior to the admission of the tax-exempt and duty-free motor vehicle into the Zone;
5. Authority to Import Motor Vehicle shall not be renewed until and unless the previously admitted tax-exempt and duty-free motor vehicles has been presented for inspection;
6. Subject to the exceptions herein provided, all TEVs shall be for use within the Freeport only.



7. Within **five (5) years from registration**, no duty-free and tax-exempt vehicles shall be subjected to sale.

All motor vehicles imported into the CSEZFP, whether tax paid or duty free, shall be registered with the MVRO.

Section 14. Conditions for the issuance of Authority to Import Motor Vehicle. The importation of tax and duty free motor vehicles shall be subject to the following conditions, thus:

- a. The privilege to import tax and duty free motor vehicle shall be exclusive to the CEZA Enterprise or Locator named in the Authority to Import, and non-transferable.
- b. The CEZA Enterprises or Locators must not have an outstanding obligation with CSEZFP.
- c. All duty-free and tax-exempt motor vehicles shall be subject to periodic inspection by MVRO and customs personnel.

Section 15. Requirements for the application for Authority to Import Motor Vehicle. Prior to importation of tax and duty free motor vehicles, the applicant shall submit the following documents, hence:

1. Letter of Intent justifying the request to import motor vehicle stating the purpose of the vehicle, amount of investment, nature of activity and other circumstances which may justify the importation, addressed to the Deputy Administrator for Operations/
2. Accomplished Application Form, and adherence to the Terms and Conditions for the importation of motor vehicle/s ascribed in the Application Form;
3. Secretary's Certificate or Letter of Guarantee from CEZA Enterprise authorized officer;
4. Valid Certificate of Registration and Tax-Exemption;



ARTICLE V - USE OF THE DUTY-FREE AND TAX-EXEMPT MOTOR VEHICLE

Section 16. Conditions for the use of duty-free and tax-exempt Motor Vehicles

1. Within the Secured area or Zone

The owner/importer shall have the privilege to use the tax-exempt and duty free motor vehicle within the secured area or Zone for as long as it is a CEZA registered enterprise or Locator, and without violation of these rules and regulations with a corresponding clearance from the MVRO.

2. Outside the Secured Area or Zone

The use of tax and duty free motor vehicles outside the secured area or zone is subject to the following conditions:

- a. The duty-free and tax-exempt motor vehicle shall be documented and cleared by the MVRO in the form of a Conduction Pass whenever used outside the secured area or zone;
- b. The application for the use of the motor vehicle outside the secured area shall indicate the special circumstances to allow the said the motor vehicle outside the premises of the Zone;
- c. Each TEV must be covered with a cash bond equivalent to 100% of the amount of duties, taxes, and other charges due on the subject vehicle, conditioned to use the subject vehicle in accordance with these rules and regulations. Provide that, the cash bond shall be cancelled and returned to the owner/importer upon return of the motor vehicle into the Zone and clearance from the MVRO. Provided, moreover, that, the cash bond shall be subject to forfeiture and deductions for violation of its condition;
- d. All TEVs cannot be used outside the Zone for more than three hundred sixty (360) hours or fifteen (15) days in a month. No succeeding Conduction Passes shall be issued unless the TEV is cleared by MVRO and presented for inspection to the MVRO Inspection Officer;



- e. Failure to account for the whereabouts of any tax and duty free motor vehicle shall subject the registered owner to fines and penalties, including suspension/cancellation of CRTE.
- f. The Conduction Pass shall be presented at the gate every time the motor vehicle is used outside the Freeport Zone with the following information:
 - i. Name/s of the registered owner and driver/s;
 - ii. Plate number of the duty free and tax-exempt motor vehicle;
 - iii. Date and time of departures; and
 - iv. Date and time of return.
- g. No new conduction pass shall be issued unless the previously issued conduction pass has been surrendered to and cleared by the MVRO.

Section 17. Conditions for the subsequent sale of Duty-free and Tax-exempt Motor Vehicle

1. No duty-free and tax-exempt motor vehicles shall be sold within five (5) years from its registration with the MVRO. After the five year prohibitory period, the registered owner may,
 - i. Sell, assign or transfer without payment of the required tax and duties on the motor vehicle provided:
 - o Vendee, assignee or transferee is also a qualified CSEZFP-registered Locator/Enterprise.
 - o Vendee, assignee or transferee have not used up or availed of the privilege of its Authority to Import Motor Vehicle, if he had been issued one;
 - o The type of vehicle and activity of the vendee, assignee, or transferee allows such sale, assignment or transfer; and
 - ii. Sell, assign or transfer upon payment of the corresponding taxes and duties to any entity, other than those above-enumerated; and
2. If the registered owner ceased to be a bona fide CEZA Enterprise or Locator, it may, be sold to qualified CEZA registered entity and can be used within the Freeport Zone only;
3. There can be no sale, transfer or assignment of duty free and tax-exempt motor vehicles without the corresponding clearance from the MVRO;



4. A payment of 1% transfer fee to CEZA based on the gross sale and/or compensation received in consideration of the sale, assignment or transfer of any tax and duty free motor vehicles or US\$200.00, whichever is higher.

ARTICLE VI - INVENTORY AND INSPECTION POLICY

Section 18. Policies for Inventory and Inspection

1. Duty-free and tax-exempt motor vehicles shall be subject to monthly inspection, and/or as often as required by the circumstances.
2. A show cause order shall be issued to the owner/importer for failure of the vehicle to return to the CSEZFP secured area, and shall subject for forfeiture, the bond posted.

ARTICLE VII - PROCESS FLOW

Section 19. Process Flow. The following shall be the procedure for the issuance of Authority to Import Motor Vehicle.

1. Receipt of Application for Authority to Import Motor Vehicle and its corresponding supporting documents.
2. The application and supporting documents shall be recorded by the MVRO;
3. The application and supporting documents shall be evaluated to determine compliance with the requirements enunciated by these rules and regulations;
4. Applicants evaluated to have lacking requirements shall be notified of such, and the application is set aside until lacking requirements are completed and submitted for re-evaluation;
5. Preparation for the issuance of Authority to Import Motor Vehicle for qualified applicants;
6. Issuance of the Authority to Import Motor Vehicle upon payment of the corresponding fees.



ARTICLE VIII. PERIODS

Section 20. Period to exercise the privilege of the Authority to Import Motor Vehicle. CEZA Registered Enterprise or CEZA Locator may exercise the privilege within *one (1) year* from its issuance and may be renewed 2 months before its expiration.

Section 21. Prohibition Period for the sale and/or transfer of motor vehicles. Within **five (5) years from registration**, no duty-free and tax-exempt motor vehicles shall be sold, transferred, donated, or any mode of transfer of ownership.

ARTICLE IX- FEES AND FINES

Section 22. Processing Fee

All TEVs to be admitted to CSEZFP shall be assessed a processing fee of US\$200.00 per vehicle except for vehicles categorized as Luxury Vehicle which shall be assessed a processing fee of US\$1000.00.



Section 23. Fines and Penalties

<u>Violations</u>	<u>Fines and Penalties</u>
Admission of tax-exempt and duty free motor vehicles by non-qualified entity.	US\$10,000.00
Importation of Tax-Exempt motor vehicle prior to application of Authority to import Motor Vehicle.	US \$10,000.00
Transfer privilege of Importation Authority to others.	US\$10,000.00
Sale, transfer, Assignment of tax-free vehicle to other CSEZFP locator or resident without prior clearance	US\$10,000.00
Use of tax-exempt vehicle outside the zone longer than the approved limit of days (15 days) <ul style="list-style-type: none"> a. First Time b. Second Time c. Third Time 	US\$50.00/excess day US\$100.00/excess day Cancellation of tax-exempt motor vehicle registration including seizure of vehicle OR payment of corresponding duties and taxes and other charges MVRO deems necessary and proper.
Failure to return the trip ticket or conduction pass on expiration date.	US\$20.00/excess day
Falsification of trip ticket/conduction pass.	US\$3,000.00 and two-year suspension of privilege without prejudice to the filing of the corresponding criminal action for falsification of documents and other crimes applicable thereto



<p>Failure to present TEV for inspection/inventory</p> <ul style="list-style-type: none"> a. First Offense b. Second Offense c. Third Offense 	<p>US\$1,000.00</p> <p>2-year suspension of admission privilege</p> <p>Filing of appropriate case and recommendation of cancellation or revocation of CRTE</p>
<p>Non-compliance and violations on Road Users Rules and Regulations</p> <ul style="list-style-type: none"> a. First Offense b. Second Offense c. Third Offense 	<p>US\$40.00</p> <p>US\$120.00</p> <p>US\$200.00 and suspension for three (3) months</p>
<p>Any other act or omission tending to circumvent these Policy Guidelines.</p>	<p>Depending on the surrounding circumstances, penalties may range from a fine of US\$100.00 to the forfeiture of the TEVs and suspension or cancellation of future applications for admission of TEVs and of the CRTE and/or other penalty the MVRO determines fair and just.</p>

APPROVED BY:



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20210119-M-00301

Jan 19, 2021 3:33 pm

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