

**EXECUTIVE ORDER NO. 444**

**AMENDING EXECUTIVE ORDER NOS. 250, 250-A s. 1995 AND 419 s. 1997  
IMPLEMENTING THE RATIONALIZATION OF  
DUTY FREE STORES/OUTLETS AND THEIR OPERATIONS  
IN THE PHILIPPINES PURSUANT TO  
EXECUTIVE ORDER NO. 140 s. 1993 AND FOR OTHER PURPOSES**

WHEREAS, Executive Order No. 140 dated 30 November 1993 provides for the rationalization of duty free stores/outlets and their operations in the Philippines in order to enhance their conformity with generally observed practices in most countries and to avoid their possible adverse impact on local enterprises;

WHEREAS, Executive Order No. 250 dated 2 June 1995, as amended, implements such rationalization by modifying policies and improving certain operational aspects of duty free stores/outlets in the Philippines;

WHEREAS, there is a need to further modify policies and guidelines affecting the duty free stores/outlets in order to prevent abuse of duty free privilege and to protect local industries from unfair competition;

WHEREAS, the Clark Special Economic Zone will be an important site for the year-round 100<sup>th</sup> anniversary celebration of the Philippine Independence in 1998;

WHEREAS, the operation of the duty free shops/outlets in the Subic Special Economic and Free Port Zone and Clark Special Economic Zone, but under proper and strict limitations, is needed to enhance domestic tourism and help generate support for the centennial activities;

NOW, THEREFORE, I, FIDEL V. RAMOS, President of the Republic of the Philippines, by virtue of the powers vested in me by law, do hereby order the following:

**Section 1. Disallowing the Establishment of New Duty Free Shops, Reiterated.** As mandated under Executive Order No. 419 dated 16 June 1997, the establishment of new duty free shops/outlets and the expansion of existing ones shall no longer be allowed, except as may be authorized by existing laws.

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**Section 2. Limiting Duty Free Shops Operations In International Ports of Entry and Fenced-in Areas of Freeport Zones.** The operation of duty free shops shall be allowed only within the country's international ports of entry and the fenced-in areas of the freeport zones, except as provided in the succeeding section for a limited period as indicated.

**Section 3. Special Shopping Privileges Granted During the Year-round Centennial Anniversary Celebration in 1998.** Upon effectivity of this Order and up to the Centennial Year 1998, in addition to the permanent residents, locators and employees of the fenced-in areas of the Subic Special Economic and Freeport Zone and the Clark Special Economic Zone who are allowed unlimited duty free purchases, provided these are consumed within said fenced-in areas of the Zones, the residents of the municipalities adjacent to Subic and Clark as respectively provided in R.A. 7227 (1992) and E.O. 97-A s. 1993 shall continue to be allowed One Hundred US Dollars (US\$100) monthly shopping privilege until 31 December 1998. Domestic tourists visiting Subic and Clark shall be allowed a shopping privilege of US\$25 for consumable goods which shall be consumed only in the fenced-in area during their visit therein.

**Section 4. Grant of Duty Free Shopping Privileges Limited Only To Individuals Allowed by Law.** Starting 1 January 1999, only the following persons shall continue to be eligible to shop in duty free shops/outlets with their corresponding purchase limits:

- a. *Tourists and Filipinos traveling to or returning from foreign destinations under E.O. 97-A s. 1993* - One Thousand US Dollars (US\$1,000) but not to exceed Ten Thousand US Dollars (US\$10,000) in any given year;
- b. *Overseas Filipino Workers (OFWs) and Balikbayans defined under R.A. 6768 dated 3 November 1989* - Two Thousand US Dollars (US\$2,000);
- c. *Residents, eighteen (18) years old and above, of the fenced-in areas of the freeports under R.A. 7227 (1992) and E.O. 97-A s. 1993* - Unlimited purchase as long as these are for consumption within these freeports.

The term "Residents" mentioned in item c above shall refer to individuals who, by virtue of domicile or employment, reside on permanent basis within the freeport area. The term excludes (1) non-residents who have entered into short- or long-term property lease inside the freeport, (2) outsiders engaged in doing business within the freeport, and (3) members of private clubs (e.g., yacht and golf clubs) based or located within the freeport. In this regard, duty free privileges granted to any of the above individuals (e.g., unlimited shopping privilege, tax-free importation of cars, etc.) are hereby revoked.

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**Section 5. Allowable Items in Duty Free Stores/Outlets.** The range of items to be sold in all duty free stores/outlets shall be limited only to consumables, light and heavy durables, and television sets of sizes not manufactured in the Philippines, subject to the following conditions:

- a. Imported heavy durables shall only be sold to balikbayans, OFWs and residents of the secured and fenced-in area of freeports. In availing of this privilege, the following shall be presented as proof of entitlement:

Filipino citizen who has been continuously out of the country for at least one (1) year from date of last departure:

Philippine Passport showing date of last departure

2. Foreign passport holder (Balikbayan):

Passport and any one of the following:

- o Old Philippine Passport
- o Foreign naturalization papers to show former Philippine citizenship
- o Certification from adopted country

3. Filipino OCW or Filipino Overseas Worker (OFW):

Passport and any of the following:

- o POEA-approved contract of employment
- o Certificate of employment by the foreign employer
- o Certificate of employment by the Philippine Embassy/Consulate
- o Prior year's income tax return to prove gainful employment abroad
- o Seaman's Service Record Book

Family members of the balikbayan who are traveling with the balikbayan should present:

Passport and any of the following:

- o Birth certificate, in the case of children
- o Marriage certificate, in the case of the spouse
- o Adoption papers, in the case of legally adopted children.

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- b. Duty free stores/outlets are restricted from selling the following heavy durables to tourists and Filipinos arriving from foreign destinations:
1. Television sets of sizes made or manufactured in the Philippines;
  2. Karaoke/videokes not using laser disk or CD videos;
  3. Stereos;
  4. Residential type ovens and ranges;
  5. Washing machines with capacity of not more than 10 kilograms;
  6. Furniture;
  7. Kitchenware;
  8. Refrigerators of not more than 15 cubic feet top mount;
  9. Electric fans;
  10. Airconditioners; and
  11. Basic and prime commodities as indicated in the price watch list.
- c. The sale of all locally manufactured goods in duty free stores shall be encouraged, subject to the rules and regulations of the Department of Finance.
- d. No sensitive/critical agricultural products shall be sold in all duty free stores. These products include rice, sugar, corn, corn starch, flour, coffee beans, garlic and other products that may be determined by the Duty Free Oversight Committee created under EO 250.

**Section 6. Pull-out of Duty Free Goods, Prohibited.** The pull-out of duty free goods from the Freeport and Special Economic Zones into a customs territory or the practice of allowing duty free operators to sell their goods outside the freeport and special economic zones, even after paying the tax therefor, is hereby prohibited. Thus, goods that are originally imported duty free shall only be sold at the duly authorized duty free shops.

**Section 7. Requirement of Pre-shipment Inspection Of Goods.** Goods which are brought into the Freeport and Special Economic Zones shall be covered by a pre-shipment inspection scheme to be conducted by an organization which is duly authorized by the Secretary of Finance after 30 days from the effectivity of this Order. The fees for the pre-inspection scheme shall be shouldered by the concerned importer. Prior to the implementation of the pre-shipment scheme, the Commissioner of Customs is authorized to inspect shipments of goods to the Freeport and Economic Zones to ensure correctness of the declaration of their contents and values.

**Section 8. Control Measures To Curb Abuses of Duty Free Privileges.** The Bureau of Customs, in close coordination with the Zone authorities and other concerned agencies is hereby tasked to implement strict control measures to curb the abuses of the duty free privilege. Among others, these should include but not limited to the following:

- a. Place special permanent labels on duty free items with the following inscription: "Not for resale, imported duty free";
- b. Conduct thorough background checks on duty free shop operators to ascertain track record;
- c. Implement a computerized accounting system to track the duty free operations; and
- d. Create an Internal Audit team to conduct regular spot checks on the operation of duty free stores/outlets.

**Section 9. Administrative Sanctions.** Violation of any of the provisions of this Order shall be subject to administrative sanction of suspension or cancellation of the operation of the concerned duty free shop under the implementing rules and regulations to be prepared by the Department of Finance.

**Section 10. Separability Clause.** The provisions of this Executive Order are hereby declared separable. In the event that provisions of this Executive Order are declared illegal or unconstitutional, the other provisions not so declared shall remain in full force and effect.

**Section 11. Amending Clause.** All provisions of executive orders, letters of instruction, issuances, memoranda and proclamations not consistent with the provisions of this Executive Order are hereby repealed or modified accordingly.

**Section 12. Effectivity.** This Executive Order shall take effect immediately.

Done in the City of Manila, this 26<sup>th</sup> day of September in the year of Our lord Nineteen Hundred and Ninety-Seven.

By the President:



**RUBEN D. TORRES**  
Executive Secretary



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