

Guidelines on the Tax- and Duty-Free Importation and Monitoring of the Utilization of Raw Materials for Book Publishing

Pursuant to Sections 12 and 13, RA 8047, otherwise known as the Book Publishing Industry Development Act, the following guidelines are hereby promulgated to implement the intent and provisions of said Act.

General Principles

The National Book Development Board (NBDB), pursuant to Section 13 of RA 8047, in consultation with the appropriate stakeholders from the private and public sectors, shall issue and prescribe guidelines on the tax- and duty-free importation and monitoring of the utilization of raw materials used in book publishing.

The principles of transparency, equity and fidelity in the implementation of these guidelines shall be observed without sacrificing the objectives of promoting the economic efficiency and viability of the book publishing industry entailing the least government intervention.

RULE I

Definition of Terms

SECTION 1. As used in these guidelines, the following shall be construed to mean, unless the content clearly provides otherwise:

- a. **Raw Materials** refer to all types of paper, carton, book cloth, ink and other materials which form part of the book.
- b. **Importer** refers to the following persons, entities, groups or associations duly registered and accredited by the NBDB and habitually engaged in book publishing.
 - b.1. A **Book Publisher** (hereinafter referred to as BP) refers to persons or entities duly registered and accredited by the NBDB to be habitually engaged in book publishing, who imports materials to be used for its own publications;
 - b.2. **Book publishers association** (hereinafter referred to as BPA) refers to an association duly registered with the NBDB comprising bona fide publishers habitually engaged in book publishing, and as such may import raw materials for and on behalf of its members;
 - b.3. **Book printers** refer to persons or entities duly registered and accredited by the NBDB as engaged in the printing of books.
- c. A bona fide publisher or book publishers' association habitually engaged in book publishing refers to a person or entity who has been operating as a book publisher/or recognized as a book association by the proper government office for no less than two years from the time of applicant's importation.
- d. Date of Importation shall mean the date of actual release of the raw materials to the importer.

- e. Registration is understood to mean the inclusion in the register or list of persons/enterprises engaged in book publishing of the NBDB.
- f. Accreditation, on the other hand, implies qualifying to the standards set by the NBDB which shall include the production, marketing, organizational and functional capabilities in relation to the publishing or printing business, culminating in the issuance of a Certificate of Registration.
- g. **+/- 10% Seller's option.** The supplier's option is to deliver the order in a quantity variable within the bracket 10% less than the amount ordered, up to 10% more than the amount ordered. The approval of the NBDB Governing Board is given to the amount requested on the TADFI application form, plus 10% or minus 10%. In other words, an importation is considered in excess of the quantity approved by the Board if the total quantity imported is over the amount applied for plus 10%.

RULE II

Persons and Entities Entitled and Security Bond Required

SECTION 1. The Governing Board of the NBDB shall have the power to import raw materials on behalf of persons or entities duly registered with and accredited by the NBDB, provided the appropriate bond shall be posted by the persons and entities concerned equivalent to the taxes, duties and charges waived; provided further, that the Governing Board of the NBDB may delegate this function to the aforesaid persons or entities subject to the conditions provided herein and such other conditions as may be imposed by the Board.

SECTION 2. The bond to be posted by persons or entities duly registered and accredited by the NBDB shall secure the commitments and representations made in connection with the application for the tax- and duty-free importation of raw materials.

SECTION 3. Importers shall have the power to import raw materials to be used for its own publication or, in the case of a book publishers' association, for and in behalf of its members.

RULE III

Criteria for the Evaluation of Application for Tax- and Duty-Free Importation of Raw Materials

The Board will endorse the tax- and duty-free importation of raw materials subject to the following conditions:

SECTION 1. That the raw materials to be imported are needed and will be used exclusively by the registered and duly accredited persons/entities for book publishing/printing, which shall be proven by documents enumerated in Rule IV Section A.

SECTION 2. That the raw materials to be imported are priced lower than the quoted price of a domestic manufacturer. In determining whether the price of the raw material to be imported is lower, the Board may be guided by the acquisition cost of similar raw materials imported into the Philippines, if all applicable taxes and duties were paid.

SECTION 3. That the recommendation of the NBDB and approval of the Department of Finance are obtained by the registered and duly accredited persons/entities before the importation is made, or before the corresponding letters of credit are opened.

RULE IV
Procedure in the Importation of Raw Materials

SECTION 1. The process of applying for tax- and duty-free importation of raw materials shall be the following:

A. Documentary Requirements

Persons and entities duly registered with and accredited by the NBDB shall file the following:

1. A duly accomplished and notarized NBDB application form;
2. If importing raw materials to comply with a Department of Education (DepEd) contract, importer should submit to the NBDB a copy of the invitation to bid from the DepEd and a copy of the receipt for the purchase of bidding documents.
3. A production schedule (detailing the book titles, number of copies to be printed, number of raw materials to be used and projected date of completion) and such other documents deemed necessary for effective monitoring of usage of materials for book production, should be submitted to the NBDB;
4. A Pro-Forma invoice / price quotation;
5. The quantity and sufficient description of the raw materials to be used for the specific purpose applied for in the publication or printing of books, which importation shall be no less than one (1) twenty (20) –foot container van, or no less than twenty-four (24) metric tons or one (1) full container load (FCL);
6. An end-use justification as to the reasonable necessity of the raw materials proposed to be imported;
7. A computation of taxes and duties to be waived with the corresponding tariff heading and duty rate indicated;
8. A price comparison between the local paper manufacturer and imported paper wherein the price of imported paper should be lower than that of the local paper manufacturers' quoted price;
9. Such other documents/information as may be required by the NBDB or the relevant government agencies, including the bond requirement stated in Rule II Section 2 herein;
10. If it is an association that is importing, each and every publisher/printer that it is importing for, should provide all the necessary documents in this rule.

B. Procedure

1. The applicant shall file an application with the NBDB and shall pay a non-refundable fee of **One Thousand Pesos (P1,000.00)**.

2. The NBDB shall examine the adequacy and authenticity of the documents submitted by the applicant.
3. The NBDB Executive Director shall endorse the application of the importer to the Governing Board for its consideration.
4. If the application is approved, the NBDB Executive Director shall endorse the same to the Department of Finance (DOF) upon the importer's compliance with the following:
 - a. Submission of a production schedule for a maximum of twelve (12) months or one (1) year.
 - b. Submission of a notice of award from DepEd if the importation is to fulfill a DepEd contract.
 - c. Posting of a performance security bond in favor of the NBDB for a period of one (1) year in the amount of 100% of the taxes and duties to be waived in the following order of preference:
 - i. Bank draft;
 - ii. An escrowed bank account; or
 - iii. Corporate guarantee.
 - d. Payment of a processing fee equivalent to one percent (1%) of the total taxes and duties to be waived.

STEPS 5 TO 10 WILL BE REPEATED FOR EACH SHIPMENT THAT ENTERS AS DELIVERY OF THE APPROVED RAW MATERIAL FOR IMPORTATION IN AN APPLICATION

5. For every incoming shipment of the required raw materials that is delivered under the application filed by the importer, the importer shall submit to NBDB copies of the following:
 - a. The bill of lading,
 - b. The packing list,
 - c. Commercial invoice and
 - d. Broker's computation of actual taxes and duties to be waived on the shipment.
6. The NBDB shall then check if the cumulative quantity of the imported raw materials released exempt from taxes and duties, including the current shipment, is within the quantity approved by the NBDB Governing Board.
 - a. If the cumulative quantity (including the current shipment) is within the quantity approved by the NBDB Governing Board , then the NBDB shall
 - i. Require the importer to post the performance bond equivalent to the waiveable taxes and duties on the shipment:
 - ii. Require the importer to pay 1% of the performance bond to the NBDB as processing fee; and
 - iii. Endorse the shipment to the DOF for exemption from taxes and duties; or

b. If the cumulative quantity of raw materials released exempt from taxes and duties (including the current shipment) is over the approved quantity by the NBDB Governing Board, then the NBDB shall

i. Require a licensed broker's computation of the taxes and duties due on the balance of the approved quantity for importation;

ii. Require the importer to pay to the NBDB 1% of the amount equivalent to the taxes and duties due on the balance of the approved quantity for importation, as processing fee;

iii. Require the importer to post the performance bond equivalent to the amount of taxes and duties due on the balance of the approved quantity for importation; and

iv. Endorse to the Department of Finance, for exemption from taxes and duties, only that part of the shipment that will keep the cumulative quantity within the approved quantity by the Board.

7. Upon receipt of the endorsement of the shipment and the approved application from the NBDB, the DOF shall:

a. Process the release of the endorsed shipment as exempt from taxes and duties; or,

b. if the importer's documents are incomplete, return the application and endorsement to the NBDB, which shall require the applicant to complete the requirements within ten (10) working days from receipt of notice.

8. The DOF shall forward the endorsed application to the Bureau of Customs (BOC) for release of shipment.

9. The applicant shall post the bond required by the BOC.

10. Upon request by the NBDB, the BOC shall furnish the NBDB copies of documents regarding the release of imported raw materials for monitoring purposes.

11. Subject to the faithful performance/compliance and submission of status report by the importer, all the performance security bonds posted on the shipments released under exemption from taxes and duties will be cancelled after the NBDB's monitoring, assessment and issuance of a Certificate of Compliance and Completion.

RULE V

Monitoring

The importer, after thirty (30) days from date of importation, shall provide the NBDB with a notarized status report duly certified by an accountable officer on the usage of raw materials, with the following information:

1. On the use of raw materials in accordance with production schedule, and other such relevant information that may be asked by the NBDB.

- a. **Material Usage Reports.** Data on the use of raw materials in accordance with production schedule, specifying book title, ISBN, page length and width, page count, number of copies printed, spoilages in various phases of production, quantity (KG) of raw material used, number of rolls used, and problems if any encountered during production;
 - b. **Summary of Delivery Reports.** Data on the number of good copies produced per title, date of completion and delivery to storage based on warehouse logbooks, or date of delivery to the client based on signed delivery receipts.
2. The status report shall serve as a basis for validation whether or not there is compliance with the sworn application earlier filed. The NBDB shall confirm such status report through plant visits/inspections before processing new applications for importation from the same importer.
 3. In the case of an importation with total quantity in excess of the quantity approved by the Board, wherein payment of taxes and duties was made on the excess quantity imported, the NBDB shall monitor and require the importer to liquidate only the actual quantity imported exempt of taxes and duties.

RULE VI

Board Action

SECTION 1. The application shall be forwarded for deliberation in the next board meeting following the applicant's completion of its application and shall be informed of the Board's decision within five (5) days after the board meeting.

If the application is filed more than a calendar week away from the next scheduled board meeting, then the application shall be forwarded by the Board Secretary to each Board Member who shall vote individually on the application *ad referendum*, also by email.

The NBDB Office of the Governing Board through the Board Secretary shall inform the Office of the Executive Director of the Board's decision on the application by email and issue a Secretary's Certificate of the Board's decision on the application, within five (5) days after the decision is reached.

RULE VII

Duration of Benefits

SECTION 1. Subject to the provisions of applicable laws, rules, and regulations, the benefits granted to individuals and enterprises herein shall continue as long as they remain registered and commit no violation of the RA 8047, the Rules and Regulations to Implement the RA 8047, these Guidelines, or the terms and conditions of their Registration and/or Accreditation.

RULE VIII

Penalties

SECTION 1. The NBDB shall, after due notice, conduct an administrative inquiry into any reported violation of these guidelines:

- a. The NBDB shall issue summons, subpoena and/or *subpoena duces tecum*, and shall initiate a fact-finding inquiry to ascertain whether or not a violation exists;
- b. In the event of a violation is found to exist, the respondent shall be informed and be given an opportunity to be heard. Any adverse decision may be appealed to the Board within seventy-two (72) hours from receipt of the decision. The Board sitting *en banc* shall decide on the violation within five (5) days after the case is deemed submitted for decision.
- c. Should the Board decide not to give consideration to the appeal, the Board shall order, after due notice, the cancellation of the Certificate of Registration/Accreditation of the respondent, without prejudice to the imposition of the penalties provided for in the Act.
- d. The NBDB shall also recommend the filing of appropriate action with the proper prosecuting agencies.

SECTION 2. In the event that an importer who was allowed to import tax- and duty-free raw materials has stopped operations or closed shop for whatever reason before the consumption of the raw materials imported, it shall pay the corresponding duties and taxes on the unused quantity of raw materials.

SECTION 3. Failure to fully liquidate the previous tax- and duty-free importation shall be valid grounds for the disapproval of subsequent applications for succeeding importations, delisting from the NBDB's registry without prejudice to the imposition of applicable penalties, sanctions and prosecution.

SECTION 4. The following acts shall constitute grave violations of these Guidelines:

- a. Sale, donation, transfer of right, possession or ownership, of the imported raw materials, in whole or in part, or use for purposes other than the one approved by the Board:

1st Offense Forfeiture of the performance security, cancellation of registration and inclusion in a watch list to be submitted to the DepEd and BOC for non-compliance with the terms of importation.

- b. Misrepresentation or falsification of any document submitted to the NBDB:

1st Offense Forfeiture of the performance security, cancellation of registration and inclusion in a watch list to be submitted to the DepEd and BOC for non-compliance with the terms of importation.

- c. Failure to submit a status report on the use of raw materials imported tax- and duty-free after the six (6) months from the date of importation:

1st Offense Payment of a fine equivalent to the taxes and duties waived, but in no case less than P10,000.00, and suspension of registration until compliance therewith;

2nd Offense Forfeiture of the performance security, cancellation of registration/accreditation, and inclusion in a watch list to be submitted to the DepEd and BOC for non-compliance with the terms of importation.

d. Failure to fully liquidate previous tax- and duty-free importation:

1st Offense Payment of a fine equivalent to the taxes and duties waived, but in no case less than P10,000.00, and suspension of registration / accreditation until compliance therewith;

2nd Offense Forfeiture of the performance security, cancellation of registration, and inclusion in a watch list to be submitted to the DepEd and BOC for non-compliance with the terms of importation.

**RULE IX
Notices**

SECTION 1. Notices sent by the Board shall be addressed to the registered and/or duly accredited entities at its principal place of business. Such notices may, with like effect, be delivered to its authorized representative as appearing in the records of the NBDB. All notices delivered shall be deemed received by the persons and/or entities concerned.

**RULE X
Remedies**

SECTION 1. All decisions of the Board relative to the implementation of these Guidelines may be appealed within fifteen (15) days from receipt of the decision by the aggrieved party to the Office of the President, otherwise, the same shall become final and executory, without prejudice thereafter to seeking redress of grievances from the proper courts.

Where an appeal has been filed, such decision shall become final and executory within ninety (90) days after the perfection of the appeal, unless otherwise reversed.

**RULE XI
Separability and Effectivity**

SECTION 1. If any provision of this Guidelines is declared to be invalid, the part or parts thereof not affected thereby shall remain valid.

SECTION 2. **Effectivity.** These Guidelines shall take effect fifteen (15) days after publication in a newspaper of general circulation under EO 200 series of 1987, on the NBDB web site and disseminating the same through email to stakeholders registered with the NBDB.

APPROVED by the Governing Board on its 241st board meeting held on August 17, 2017.