



**BUREAU OF CUSTOMS AND BORDER PROTECTION
MINISTRY OF FINANCE**

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CUSTOMS BONDED WAREHOUSE

GUIDE FOR BONDED WAREHOUSE OPERATORS

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1. Introduction

This Manual provides a guide to the interpretation of the law governing the Customs Warehouse Procedure. This guide provides information on the operation of a Customs bonded warehouse. It outlines some of the pertinent aspects related to procedures before and after the approval for operating a bonded warehouse.

The Bond Unit falls under the responsibility of Bureau of Customs and Border Protection (BCBP) and has the mandate to carry out documentary control of the goods entering or exiting the warehouse. The unit keeps stock account of goods and carries out physical examination/ spot checks, stack takes and conduct yearly reconciliation on goods being warehoused.

This guide is not intended as a definitive advice but to be used only as an explanatory guide. It is strongly recommended that where there are aspects relating to law which are not clear or covered in this guide, reference needs to be made to the following legislations and regulations listed below. These documents can be found on our website: <http://www.palaucustoms.org/>

2. Legislation

The legislation for the general procedures for bonded warehouse is set down in the following legislation:

- RPPL NO. 11-15 (To amend Title 28 of the Palau National Code and include a new chapter to provide for Customs Bonded Warehouse.) Approved on December 22, 2021.
- Chapter 13 of Division 2 of Title 40, entitled 28 II "Import Tax", and any subsidiary legislation that amends the provisions of that 29 II chapter, successor legislation to that chapter, or other subsidiary legislation.
- RPPL 11-11 (Palau Goods and Services Tax - 2021).
- Customs Rules and Regulations (2006).

3. What is a Customs Bonded Warehouse

A Customs bonded warehouse is any warehouse approved by the BCBP for the deposit of goods. It is a facility provided to traders that allows the payment of duty and taxes on goods imported for warehouse to be deferred until the goods leave the facility either for home consumption or for export. In other words, duty and taxes are applicable only on removal of goods from the approved warehouse.

According to RPPL 11-17, a Customs Bonded Warehouse or a Bonded Warehouse is a building or secured area, licensed as a bonded warehouse, in which dutiable goods may be stored,

manipulated, or undergo manufacturing operations without payment of excise tax prior to such time as the goods are withdrawn from the warehouse for local consumption. Any such are shall be considered an extension of the points of entry for purposes of customs jurisdiction.

4. Types of Goods Authorized for Bonded Warehouse

In accordance with RPPL No. 11-11, Palau Goods and Services Tax", Chapter 26 Excise and Carbon Taxes Subchapter I, Excise Tax, Part I.

(2) "Excisable goods" means the goods specified in Column 1 of the table provided in Section 2614(c), other than exempt goods.

(3) "Excisable value", in relation to excisable goods, has the meaning set forth in Section 2615.

(4) "Excise tax" means excise tax imposed under this subchapter.

The following are types of excise goods that are authorized to enter a bonded warehouse:

- Carbonated soft drinks
- Beer
- Liquor
- Grape or other fruit-based wine
- Wine coolers or cooking wines with a recognized alcohol content
- All other alcoholic beverage products, including liquors, sake, and alcohol products without grape or fruit-base
- Vehicles and vehicle chassis
- Bottled water
- Cigarettes
- Other tobacco products

5. Export of Excise Goods

(d) The rate of excise tax on an export of excisable goods is zero percent (0%).

(e) Subject to Subsection (f), excisable goods are treated as exported if the goods are delivered to, or made available at, an address outside the Republic. For this purpose, the delivery of the goods to the owner, charterer, or operator of a ship or aircraft operating in international traffic for the purposes of carrying the goods outside the Republic is, in the absence of proof to the contrary, sufficient evidence that the goods have been exported.

(f) Excisable goods are not treated as exported if the goods have been, or will be, re- imported into the Republic.

6. Classes of Bonded Warehouse

The following are classed of bonded warehouse:

- Class A. Private Bonded Warehouse
- Class B. Public Bonded Warehouse
- Class C. In-bond Manufacturing Warehouse
- Class D. Cleaning, Sorting, Re-packaging, or changing the condition of, but not manufacturing of, imported merchandise, under Bureau supervision, and at the expense of the above designation.

7. Application for Bonded Warehouse

You must seek approval from the BCBP to operate a bonded warehouse. The Applicant must submit a completed application on a form to be prescribed by the Director, together with a detailed plan of the proposed bonded warehouse.

The following information has to be submitted with the application:

- The name and/or business name and address of the applicant;
- TIN Number of the company or individual;
- Whether the place proposed to be operated as a bonded warehouse exists or is to be constructed;
- Type of construction of the facility regardless of whether or not it already exists or is to be constructed;
- Types of goods to be warehoused;
- The location of the premises;
- General physical description of the premises;
- Security arrangement;
- The largest quantity and value of goods to be warehoused at any given time;
- The amount and policy holder of fire and general liability insurance covering the value of the merchandise to be stored;
- The person who will be in charge of the bonded warehouse (warehouse keeper)
- Whether the applicant intends to store any hazardous materials, and what type; and
- Affidavit that applicant complies with Section 1208. Prohibition on Carting Company Ownership of this Title.

8. Who can Apply for a Bonded Warehouse

- Any person (business or individual) who has established a business can make an application to operate a bonded warehouse;
- The applicant is of good character and has not been convicted, found guilty or plead guilty to any felony or crime of dishonesty, unless subsequently pardoned;
- The site of the proposed bonded warehouse is within the area served by a customs officer;
- The applicant has sufficient financial resources to lease and purchase the facility;
- The applicant will provide conditions suitable for the safekeeping of goods, including any hazardous materials;
- The Bureau is able to provide services with respect to the proposed bonded warehouse;
- A permit from the Environmental Quality Protection Board (EQPB) to operate shall be required for the storage, treatment, or handling of hazardous waste;
- Approval will be granted if the applicant meets all the Customs requirements for warehouse operations; and
- Any facility, warehouse, building, ports, airports and post office within the Republic, that retain any imported cargo and operates with functions of a Customs Bonded Warehouse, as defined in this chapter, shall be licensed and regulated by the BCBP as a customs controlled area.

9. Processing of Application for Bonded Warehouse

Application is made at the Customs Main Office or by way of the following link:

Email: customs@palaugov.org Website: <https://bcbp.pw>

Customs will only accept an application if all relevant information is present. After receiving the application, Customs officers will contact the applicant by phone to make the necessary

arrangements to conduct a visit to the proposed warehouse. This is to inspect the building and ensure that the security component and storage areas meet Customs requirements.

The visit will determine if all the following regulatory and administrative requirements have been met:

- CCTV camera facility preferable in the entrance of the warehouse
- Sufficient lighting facilities in the warehouse
- Easy access to the warehouse
- Fire security system (fire extinguisher or a water host)
- Enough ventilation in the warehouse.

If the proposed warehouse is not to the required standard, Customs officers will advise the applicant on any adjustments or improvement that needs to be done. If the proposed warehouse is at the required standard, the Customs officer will brief the applicant on conditions that have been set to operate a bonded warehouse.

Customs officers will then make the necessary recommendations to the Director of Customs for approval of the facility. It will take Customs maximum three days after the visit to inform the applicant in writing on the status of his/her application.

The approval for a bonded warehouse is not transferable from one proprietor to another or from one premise or location to another. Depending on the nature of the application, the Director of Customs can impose certain specific conditions when granting the authorization to operate a bonded warehouse.

10. Bonding Requirement

§ 1204. Bonding Requirement.

Before any imported merchandise is released from the Bureau's custody and stored in any bonded warehouse, the owner or licensee thereof shall give a bond in such sum and with such sureties as may be approved by the Director to secure the government against any loss of excise tax or expense connected with or arising from the deposit, storage, or manipulation of merchandise in such warehouse. Such bond shall conform to all legal requirements.

§ 1210. Bond Requirement.

The Director may require such bonds or other security as he, or the Minister, may deem necessary for the protection of the revenue or to assure compliance with any provision of law, regulation, or instruction which the Ministry or the Bureau may be authorized to enforce.

§ 1211. Conditions and Form of Bond

Whenever a bond is required pursuant to this Chapter, the Minister may require:

- (a) Cash or cash equivalent in lieu of bond;
- (b) Letter of credit issued yearly, or otherwise by accepting banking institution;
- (c) Personal guarantees in a form acceptable to the Minister;
- (d) A bond issued by a company that is licensed or authorized under the laws of Palau to carry on the fidelity or surety class of insurance business and that the Minister recommends in writing as acceptable as an institution whose bonds may be accepted;
- (e) Except as otherwise specifically provided by law, prescribe the conditions and form of such bond and the manner in which the bond may be filed, and fix the amount of penalty thereof, whether for the payment of liquidated damages or of a penal sum;

- (f) The approval of the sureties of such bond, without regard to any general provision of law;
- (g) Authorization, to the extent that he/she may deem necessary, for the taking of a consolidated bond (single entry or term), in lieu of separate bonds to assure compliance.

11. Security and License Fees

a. Security

Before any imported merchandise is released from the Bureau's custody and stored in a bonded warehouse, the applicant will have to provide the Director of Customs with a bond or other security in such sum and with sureties sufficient to cover the maximum taxes or levies (if applicable) likely to be outstanding on goods in stock at any one time.

The bond may cover a Single Transaction Bonds (STB) to be used to secure a one-time importation or a Continuous Bonds (CB) cover multiple transactions. The bonds are generally for the value of the merchandise plus duties, taxes and fees.

The Director may require such bonds or other security as he, or the Minister, may deem necessary for the protection of the revenue or to assure compliance with any provision of law, regulation, or instruction which the Ministry or the Bureau may be authorized to enforce.

The owner will have to take submit a completed application form together with a detailed plan to include the location and description of the area, an insurance coverage on the bonded goods and other requirements set out in RPPL No. 11-15, § 1209. Application Requirements.

b. Annual License Fee

In accordance with RPPL No. 11-15, § 1214. License Fee . It states the following:

Every licensee shall pay to the Bureau an annual fee for the license, for the period beginning on the day on which the license is issued and ending on September 30th. Annual fees shall be prorated on the portions of the year remaining after the license is issued. The annual fee shall be 1% of the security deposit under this chapter, up to a maximum of \$5,000. The fee for each subsequent year will be paid by October 1st and no license will be issued without the fee being paid.

c. Amendment of License

§ 1215. Amendment of License. (RPPL No. 11-15)

The Director may amend a license only where the name of the license has changed legally, or where there has been a change of ownership and the new owner meets the terms and conditions of this chapter.

d. Calculation of Bond or Guarantee

The following is an example of the calculation of the reference amount for the guarantee for a warehouse authorization.

If when calculating the reference amount the duty rate on the goods intended for warehousing is zero then the PGST figure must be used:

Total value of goods which may be placed under customs warehousing per year is estimated to be:	\$1,000,000
Value of goods which may have been placed under customs warehousing at a given point in time according to the storage capacity of the holder of the authorization:	\$500,000
Amount of bond or other security at any one time in such sum and with sureties sufficient to cover the maximum taxes or levies (if applicable) likely to be outstanding on goods in stock at any one time.	It could \$1,000 for the year or \$500,000 bond or security at any one time.

e. Calculation of License Fee

Total value of goods which may be placed under customs warehousing per year is estimated to be:	\$1,000,000
Security Deposit shall be the value of goods which may have been placed under customs warehousing at a given point in time according to the storage capacity of the holder of the authorization:	\$500,000
Rate: 1% Calculation of the security deposit, up to a maximum of \$5,000.	$\$500,000 \times 1\% = \$5,000$
Annual License Fee amount is determined as:	\$5,000

12. License and Bonded Cartage

The cartage of merchandise entered for warehouse shall be done by:

Cartment appointed and licensed by the Bureau; and

Carriers designated to carry bonded merchandise.

Such cartmen and carriers shall give bond, in a sum to be fixed by the Bureau, for the protection of the government against any loss of, or damage to, the merchandise while being so carted and necessary for the protection of the government revenue or to assure compliance with any provision of law, regulation, or instruction which the Ministry or the Bureau may be authorized to enforce.

Such cartmen and carriers shall also be in compliance with all applicable environmental laws and regulations concerning the transport of hazardous materials.

13. Prohibition on Carting Company Ownership and Operation of Bonded Warehouse

No license shall be issued to any applicant involved directly, indirectly, or through third parties in cartage, common carrier, inland trucking, unloading, or transportation of the merchandise from importation point.

Persons engage in the cartage, inland freight trucking, common carrier, unloading or transportation of merchandise from importation are prohibited from being bonded warehouse operators, either directly or indirectly.

14. Staffing Requirements

The bonded warehouses shall be used solely for the storage of imported merchandise and shall be placed in charge of a proper officer of the customs, who, together with the proprietor thereof, shall have joint custody of all merchandise stored in the warehouse. The officer assigned to a bonded warehouse shall have total access to, without limitation, such license books, records and receipts relating to the entry and withdrawal of merchandise from such customs bonded warehouse. The compensation of such officer and other Bureau employees appointed to supervise the receipt of merchandise into any such warehouse and deliveries thereof shall be reimbursed to the government by the proprietor of such warehouse.

Each bonded warehouse shall be assigned an officer by the Director. A bonded warehouse shall provide all labor and management on the merchandise so stored by hiring private staff. Such licensee shall all maintain all records necessary for the officer assigned to that customs bonded warehouse to assess inventory levels and whether merchandise is withdrawn and excise taxes payable thereon. The officer assigned to that bonded warehouse may enter the premises at any time to inspect operations and records.

15. Signing of the Bonded Warehouse Contract

Once the approval has been granted, the applicant will be allocated with a bonded warehouse Number (BWN) which has to be fixed at the entrance of the warehouse. The Customs officer will then prepare the Approval of the bonded warehouse and upon agreement, the applicant will sign the approval. The Approval of the bonded warehouse with the license fee and bond will be endorsed by the Director of Customs and approved by the Minister of Finance.

The approval of the bonded warehouse a legally binding document between the BCBP and the bonded warehouse owner. Upon endorsement of the approval by the BCBP, the bonded warehouse owner will be given Customs approval to proceed with importation.

16. Responsibilities of Warehouse Keeper

The warehouse keeper is a person who assumes the daily duties of the warehouse. It can be the owner of the warehouse or someone appointed by the owner. The warehouse keeper has the responsibility to ensure that goods in the warehouse are safeguarded. The goods in the warehouse must be properly and fully accounted for. Goods must not be removed from the warehouse without submitting a Bill of Entry and payment of applicable duties and taxes. The warehouse keeper is responsible for the entry and exit of goods from the warehouse and for the payment of duties, taxes and levies (if applicable). The warehouse keeper must:

- maintain all accounts accurately and promptly
- comply with all specific conditions set
- maintain records of all goods in the warehouse in the form accepted by Customs
- pay the applicable duties, taxes and levies upon removal of goods from warehouse
- inform Customs when the responsibility of warehouse keeper is transferred to another person
- produce the goods and facilitate the examination of goods in the warehouse by Customs when required
- conduct stock taking in the presence of Customs officers when required

17. Requirements of Record Keeping

All records related to warehouse must be kept for a period of seven (7) years. The warehouse keeper must maintain comprehensive records related to entry and removal of goods in the warehouse.

A monthly report using the template provided by Customs must be submitted to Customs within seven (7) days at the end of every month. The monthly report must be endorsed by the owner of the warehouse or any authorized representative.

18. Examination of Goods in Warehouse

Customs will inform the Warehouse owner/keeper when examination of goods will be carried out. The goods will be opened, examined and then sealed. Goods that have been sealed and marked after examination shall not be opened without the proper permission of Customs.

The owner of the warehouse is responsible for the cost of all operations related to handling of goods in the warehouse. Where the presence of Customs officers are required for such operations, the owner of the warehouse will have to provide at his/her own expenses necessary transportation from the Customs office to the place where these operations are to be performed.

19. Storage Period for Warehousing Goods

Generally, the warehousing period is one year from the date the goods first entered the warehouse; which means goods have to be cleared within one year. Where the warehouse goods cannot be cleared within one year from the date of first entry, an application for re-warehousing must be submitted by the owner or warehouse keeper. The total period of time for which such merchandise may remain in bonded warehouse shall not exceed 5 years from the date of importation.

In cases where there is an application to re-warehouse goods or goods which have been re-warehoused are not cleared within 5 years the BCBP will issue a one month notice to the owner after which goods may be seized or disposed in accordance with RPPL No. 11-15.

20. Removal of Goods from Warehouse

Goods can only be removed from the warehouse after a Customs Entry has been accepted and the appropriate duty, taxes and levies have been paid.

Upon authorization of the Director of Customs which can impose certain condition warehousing goods can be temporarily removed from the warehouse to undergo handling operations with the intention to:

- Preserve the goods
- Improve the appearance of the goods
- Improve the marketable quality of the goods
- Prepare the goods for distribution/resale.

21. Withdrawal of Goods from Warehouse without Payment

- Any merchandise for exportation or for transportation and exportation to a foreign country without the payment of excise tax, thereon, or for transportation and re-warehousing at another port or elsewhere, or
- for transportation and re-warehousing at another port or elsewhere, or
- for transfer to another bonded warehouse at the same port, except that the total

period of time for which such merchandise may remain in bonded warehouse shall not exceed 5 years from the date of importation.

22. Transfer and Removal of Goods

- Where there is a transfer of ownership of goods stored in a bonded warehouse, the importer or owner of the goods shall submit a transfer document in the prescribed form to an officer at the office where the goods were entered.
- Where the importer or owner of goods stored in a bonded warehouse wants the goods removed from the bonded warehouse in smaller units, the importer or owner shall submit to the Bureau:
 - Where the goods are to be released, an amended accounting in a form to be prescribed by the Director; or
 - Where the goods are not to be released, an amended description in the prescribed form.

23. Abandoned Goods

Merchandise upon which any excise tax or storage of fees are unpaid, remaining in bonded warehouse beyond five (5) years from the date of importation, shall be regarded as abandoned. Title in abandoned merchandise shall automatically vest in the government. The Bureau may sell such merchandise pursuant to law. The proceeds of sale shall be paid into the Road Maintenance Fund.

Merchandise upon which all excise tax and charges have been paid remaining in bonded warehouse beyond five (5) years from the date of importation, shall be considered unclaimed and treated accordingly to Section 1229 (Unclaimed Merchandise) of this Title (RPPL 11-15. Customs Bonded Warehouse).

24. Unclaimed Goods

- An un-entered merchandise which shall remain in a bonded warehouse for six (6) months, but less than five (5) years, from the date of importation thereof, without all estimated taxes, fees and interest thereon having been paid, shall be considered unclaimed and subject to divestiture of title to the government, and subject to sale by the Director free and clear of any liens or encumbrances.
- Once merchandise is deemed unclaimed, the Bureau shall provide thirty (30) days' notice to all know interested parties that the title to such merchandise is subject to divestiture on the 30th day after the date of the notice. IF not interested party is know, such notice shall, at a minimum, include publication in one local newspaper of general circulation once per week for three consecutive weeks, the notice period running thirty (30) days from the first date of publication. Notice shall contain the date, time, and location of any sale.
- Unclaimed merchandise may be reclaimed during the notice period provided that:
 - Prior to the 30th day of the notice period, the consignee or owner pays the Bureau a reclamation penalty equal to five (5) percent of the fair market value for such merchandise as determined by the invoice value, and
 - Immediate payment of any excise taxes, storage fees, and interest thereon. No unclaimed merchandise may be entered, exported, or withdrawn by the owner or consignee until such payment is made.
 - For purpose of this section, the computation of excise taxes, storage fees, and interest thereon shall be subject to rates applicable at the time the merchandise is reclaimed or sold.

25. Loss of Damaged Goods in Warehouse

Where goods are destroyed or lost in a bonded warehouse, the owner must notify Customs in writing within 2 days after the discovery of the loss or destruction of the warehoused goods. The warehouse keeper is not liable for total destruction or irretrievable loss of goods in the warehouse if it has happened as a result of unforeseen circumstances.

If there are any applicable duties / taxes / levies on the goods that have been damaged due to unavoidable accident, an assessment of the goods can be done at the request of the owner. The assessment will be based on the actual value of the goods and a new bond will be agreed upon for the remaining term of warehousing.

26. Revocation of Approval

The warehouse keeper or owner has the obligation to adhere to all conditions of the operations of the bonded warehouse. Failure to do so may result in the bonded warehouse approval being revoked or canceled in the event of a breach of any condition of the bond, the bonded warehouse to be locked and sealed and all taxable merchandise stored in a bonded warehouse shall become payable immediately.

Where the approval is revoked, the Director shall before canceling a license give the licensee a ninety (90) day notice of proposed cancellation and provide the licensee with all the relevant information concerning the grounds on which the Director proposes to cancel the license. Upon a final determination by the Director to cancel a license, all excise taxes on taxable merchandise stored in a bonded warehouse shall become payable immediately.

The Licensee may, within ninety (90) days of the notice, make representation as to why the licensee should not be canceled. Upon final determination by the Director to cancel a license, the liability must be paid or the goods must be exported, destroyed, surrendered to Customs or moved to another approved warehouse at the discretion of the Director of Customs.

The Director may reinstate a suspended license where the cause for the suspension no longer exists. Within ninety (90) days, the Director must either cancel or reinstate the license.

For more information, you should visit the BCBP or write to us.

Visit:

Bureau of Customs and Border
Protection
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