



HOUSE OF REPRESENTATIVES

H. No. 4788

BY REPRESENTATIVES RODRIGUEZ (M.), RODRIGUEZ (R.), UMALI (R.),
MANDANAS AND FARIÑAS, PER COMMITTEE REPORT NO. 1169

AN ACT TO PRESCRIBE THE CUSTOMS MODERNIZATION AND TARIFF ACT OF 2011

*Be it enacted by the Senate and House of Representatives of the Philippines in
Congress assembled:*

1 TITLE I

2 PRELIMINARY PROVISIONS

3 CHAPTER 1

4 SHORT TITLE

5 SECTION 100. *Short Title.* – This Act shall be known as the “Customs
6 Modernization and Tariff Act (CMTA) of 2011”.

7 CHAPTER 2

8 GENERAL AND COMMON PROVISIONS

9 SEC. 101. *Declaration of Policy.* – It is the declared policy of the
10 State to promote and secure international trade, protect and enhance
11 government revenue, prevent smuggling and other fraud against customs, and
12 modernize customs and tariff administration by:

1 (a) Developing and implementing programs aimed at continuously
2 improving customs systems and processes to facilitate and harmonize
3 procedures and prevent smuggling and other fraud in international trade;

4 (b) Adopting customs policies, rules and procedures that are clear,
5 transparent and consistent with international agreements and customs best
6 practices;

7 (c) Establishing a regime of informed compliance for customs
8 stakeholders by providing easy access to all public information, not otherwise
9 confidential and for the Bureau's use only, regarding customs laws, rules and
10 regulations, administrative policies and guidelines, procedures and practices
11 that would enable them to fulfill their obligation to exercise due diligence in
12 dealing with customs;

13 (d) Consulting and cooperating, wherever appropriate, with other
14 government agencies, and the private sector in customs policy development
15 and implementation;

16 (e) Providing parties aggrieved by the Bureau's action and/or decision
17 with administrative and judicial appellate remedy; and

18 (f) Utilizing modern techniques in customs administration such as risk
19 management and post clearance based controls, and maximizing the use of
20 information and communications technology in carrying out the mandate of the
21 Bureau.

22 SEC. 102. *Definition of Terms.* – As used in this Act:

23 (a) *Abatement* refers to the reduction or diminution, in whole or in part,
24 of duties and taxes where payment has not been made.

25 (b) *Admission* refers to the act of bringing imported articles into the
26 free zone directly or through transit.

27 (c) *Air Freight Forwarders* refer to any indirect air carrier which, in
28 the ordinary and usual course of its undertaking, assembles and consolidates or

1 provides for assembling and consolidating such property or performs or
2 provides for the performance of break-bulking and distributing operations with
3 respect to consolidated shipments, and is responsible for the transportation of
4 property from the point of receipt to the point of destination and utilizes for the
5 whole or any part of such transportation the services of a direct air carrier.

6 (d) *Airway Bill (AWB)* refers to a transport document for airfreight used
7 by airlines and international freight forwarders. The holder or consignee of the
8 bill has the right to claim delivery of the goods when they arrive at the port of
9 destination. It is a contract of carriage that includes carrier conditions, such as
10 limits of liability and claims procedures. In addition, it contains transport
11 instructions to airlines and carriers, a description of the article, and applicable
12 transportation charges.

13 (e) *Appeal* refers to the act by which a person who is aggrieved by any
14 act, decision, order or omission of the Bureau, seeks redress before the Bureau,
15 the Secretary of Finance, or competent court, as the case may be.

16 (f) *Articles* refer to goods, wares and merchandise and in general
17 anything that may be made the subject of importation or exportation.

18 (g) *Assessment* refers to the process of determining the amount of
19 duties and taxes and other charges due on imported and exported articles.

20 (h) *Bill of Lading (B/L)* refers to a transport document issued by
21 shipping lines, carriers and international freight forwarders or non-vessel
22 operating common carrier for water-borne freight. The holder or consignee of
23 the bill has the right to claim delivery of the goods at the port of destination. It
24 is a contract of carriage that includes carrier conditions, such as limits of
25 liability and claims procedures. In addition, it contains transport instructions
26 to shipping lines and carriers, a description of the article, and applicable
27 transportation charges.

1 (i) *Break-bulk* refers to a non-containerized cargo grouped or
2 consolidated for shipment and broken down or subdivided into unitized cargo,
3 such as in pallets, or packed in bags or boxes.

4 (j) *Break-bulk Agent* refers to a Philippine agent/representative of a
5 freight forwarder or cargo consolidator named in a Master Bill of Lading as
6 shipper/consignee of a consolidated shipment.

7 (k) *Bureau* refers to the Bureau of Customs.

8 (l) *Cargo Consolidator* refers to a firm which undertakes groupage of
9 the small shipment or less container load (LCL) of/for single or various
10 consignors/consignees by procuring vessel/container space from carriers and
11 issuing its own Bill of Lading or equivalent using its own name and address.

12 (m) *Carrier* refers to the person actually transporting goods or in charge
13 of or responsible for the operation of the means of transport such as airlines,
14 shipping lines, freight forwarders, cargo consolidators, non-vessel operating
15 common carriers and other international transport operators.

16 (n) *Checking the goods declaration* refers to the action taken by the
17 Bureau to ascertain that the goods declaration is correctly made out and that
18 the supporting documents submitted fulfill the prescribed conditions for
19 lodgement.

20 (o) *Clearance* refers to the accomplishment of the customs and other
21 government formalities necessary to allow goods to enter for home use,
22 warehousing, transit or transshipment, or to be exported or placed under
23 another customs procedure.

24 (p) *Coastwise ports* refer to such domestic ports as are open to
25 domestic trade only. These include all ports, harbors and places that are not
26 ports of entry. Constructive import or export shall refer to the movement of
27 imported goods to and from the free zone and customs territory.

1 (q) *Customs and Tariff Laws* refer to the provisions of this Act and
2 regulations pursuant thereto, and all other laws, rules and regulations which are
3 subject to enforcement and implementation by the Bureau or otherwise within
4 its jurisdiction.

5 (r) *Customs office* refers to any customs administrative unit competent
6 to perform all or any of the functions enumerated under customs and tariff
7 laws.

8 (s) *Domestic Port* refers to a port within the Philippine jurisdiction for
9 both domestic and international trade. *Foreign Port* refers to a port or place
10 outside the jurisdiction of the Philippines.

11 (t) *Entry* refers to the act, documentation and process of bringing
12 imported articles into the customs territory, including those articles coming
13 from the free zone.

14 (u) *Free Zone* refers to freeports, Philippine Economic Zone Authority
15 (PEZA) zones and such other freeports as established or created by law and
16 referred to in Section 813 of this Act.

17 (v) *Goods declaration* refers to a statement made in the manner
18 prescribed by the Bureau and other appropriate agencies, by which the persons
19 concerned indicate the procedure to be observed for the entry or admission of
20 imported or exported goods and the particulars which customs require for its
21 application.

22 (w) *House Airway Bill* refers to a document which covers
23 each individual shipment of a consolidation. It is issued by the
24 consolidator/forwarder and contains instructions to the break-bulk agent.

25 (x) *Importation* refers, in general, to the act of bringing in of articles
26 from a foreign territory into the Philippine jurisdiction, whether for home use,
27 warehousing, or admission to a free zone: *Provided, That, the entry of*

1 imported articles into a free zone shall be termed admission to distinguish it
2 from imported articles brought into the customs territory.

3 (y) *International Freight Forwarder* refers to a local entity that acts as
4 a cargo intermediary and facilitates transport of goods on behalf of its
5 client without assuming the role of a carrier. It can also perform other
6 forwarding services, such as booking cargo space, negotiating freight rates,
7 preparing documents, advancing freight payments, providing packing/crating,
8 trucking and warehousing, engaging as an agent/representative of a foreign
9 non-vessel operating common carrier/cargo consolidator named in a Master
10 Bill of Lading as consignee of a consolidated shipment, and other related
11 undertakings.

12 (z) *Master Airway Bill* refers to a negotiable document or airway bill
13 issued by an airline as a proof of a carrier's responsibility covering
14 consolidated shipments/consignments, showing the consolidator or the
15 forwarder as the shipper.

16 (aa) *Master Bill of Lading* refers to a contract for transportation
17 between a shipper of consolidated cargoes and a carrier. It also evidences
18 receipt of the cargo by the carrier. A bill of lading shows ownership of the
19 cargo, and if made negotiable, can be bought, sold or traded while the goods
20 are in transit.

21 (bb) *Non-Vessel Operating Common Carrier (NVOCC)* refers to an
22 entity, which may or may not own or operate a vessel, provides a point-to-point
23 service which may include several modes of transport and/or undertakes
24 groupage of LCL shipments and issues the corresponding transport document.

25 (cc) *Port of Entry* refers to a domestic port open to both domestic and
26 international trade, including principal ports of entry and subports of entry. A
27 principal port of entry is the chief port of entry of the collection district
28 wherein it is situated and is the permanent station of the Collector of such port.

1 Subports of entry are under the administrative jurisdiction of the Collector of
2 the principal port of entry of the district. Whenever the term "Port of Entry" is
3 used herein, it shall include "airport of entry".

4 (dd) *Release of goods* refers to the action by the Bureau to permit
5 goods undergoing clearance to be placed at the disposal of the person
6 concerned.

7 (ee) *Refund* refers to the return, in whole or in part, of duties and taxes
8 paid on goods.

9 (ff) *Security* refers to any form of guaranty, such as a surety bond,
10 cash bond, standby letter of credit or irrevocable letter of credit, which ensures
11 the satisfaction of an obligation to the Bureau.

12 (gg) *Smuggling* refers to an act of fraudulently importing or bringing
13 into the Philippines, or assisting in doing so, of any article, contrary to law or
14 the act of receiving, concealing, buying, selling, disposing or in any manner,
15 facilitating the transportation, concealment, purchase, sale or disposition of
16 such article fully knowing that this has been imported contrary to law. It
17 includes the exportation of articles in a manner contrary to law. Articles
18 subject to this paragraph shall be known as smuggled article.

19 (hh) *Taxes* refer to all taxes, fees and charges imposed by this Act and
20 the National Internal Revenue Code (NIRC), as amended, and collected by the
21 Bureau.

22 (ii) *Transit* refers to the customs procedure under which goods are
23 transported under customs control from one customs office to another, or to a
24 free zone.

25 (jj) *Transshipment* refers to the customs procedure under which goods
26 are transferred under customs control from the importing means of transport to
27 the exporting means of transport within the area of one customs office which is
28 the office of both importation and exportation.

1 SEC. 103. *When Importation Begins and Deemed Terminated.* –
2 Importation begins when the carrying vessel or aircraft enters the jurisdiction
3 of the Philippines with intention to unlade therein. Importation is deemed
4 terminated when the articles have left the custody or control of the Bureau after
5 payment of duties, taxes and other charges due upon the articles or secured to
6 be paid at a port of entry and the legal permit for withdrawal shall have been
7 granted, or in case said articles are free of duties, taxes and other charges, upon
8 the grant of the legal permit for withdrawal on said articles.

9 SEC. 104. *When Duty and Tax is Due on Imported Article.* – All
10 articles, when imported from any foreign country into the Philippines, shall be
11 subject to duty upon each importation, even though previously exported from
12 the Philippines, except as otherwise specifically provided for in this Act or in
13 other laws.

14 Duties, taxes and other charges shall be paid prior to release from
15 customs custody or prior to entry into the customs territory in case of
16 withdrawal from the free zone. However, for certain highly compliant and
17 low-risk importers or exporters as determined by regulation, the Bureau shall
18 allow the deferred payment of duties and taxes for a period of not less than
19 fourteen (14) days but not exceeding thirty (30) days.

20 Unpaid duties, taxes and any other charges, shall be subject to the legal
21 interest of twenty percent (20%) per annum computed from the expiration of
22 the due date or in case of goods admitted into free zones, from the time the
23 assessment is made after goods enter the customs territory. The legal interest
24 shall be imposed in addition to any applicable fine or penalty.

25 When duties, taxes and other charges are paid, the Bureau shall issue the
26 necessary receipt or acknowledgement as proof of such payment.

1 In case of deferred payment, customs shall have three (3) years within
2 which it may take legal action to collect duties and taxes not paid on the due
3 date.

4 SEC. 105. *Effective Date of Rate of Import Duty.* – Imported articles
5 shall be subject to the rate or rates of import duty of the applicable tariff
6 heading existing at the time of entry or upon withdrawal from the warehouse,
7 in the Philippines, for consumption.

8 On article abandoned or forfeited to, or seized by, the government, and
9 then sold at public auction, the rates of duty and the tariff in force on the date
10 of the auction shall apply: *Provided*, That duty based on the weight, volume
11 and quantity of articles shall be levied and collected on the weight, volume and
12 quantity at the time of their entry into the warehouse or the date of
13 abandonment, forfeiture and/or seizure.

14 SEC. 106. *Treatment of Importation.* – Imported articles shall be
15 deemed “entered” in the Philippines for consumption when the specified entry
16 form is properly filed and accepted, together with any related document
17 required by the provisions of this Act and/or other regulations, to be filed with
18 such form at the time of entry, at the port or station by the customs official
19 designated to receive such entry papers and any duties, taxes, fees, and/or other
20 lawful charges required to be paid at the time of making such entry have been
21 paid or secured to be paid with the customs official designated to receive such
22 monies, provided that the article has previously arrived within the limits of the
23 port of entry.

24 Imported articles shall be deemed “withdrawn” from warehouse in the
25 Philippines for consumption when the specified form is properly filed and
26 accepted, together with any related document required by any provision of this
27 Act and/or other regulations, to be filed with such form at the time of
28 withdrawal, by the customs official designated to receive the withdrawal entry

1 and any duties, taxes, fees and/or other lawful charges have been paid with the
2 customs official designated to receive such payment.

3 Imported articles shall be deemed "admitted" into the free zone when
4 the specified form, together with any related documents, as required by
5 existing laws and regulations, is properly filed and accepted by customs and
6 other relevant government authorities at the time of admission.

7 SEC. 107. *Owner of Imported Articles.* – All articles imported into
8 the Philippines shall be held to be the property of the person to whom these are
9 consigned and the holder of a bill of lading, airway bill or other equivalent
10 transport document duly endorsed by the consignee therein named, or, if
11 consigned to order, by the consignor, shall be deemed the consignee thereof.
12 The underwriters of abandoned articles and the salvors of articles saved from
13 wreck at sea, coast or any area of the Philippines, may be regarded as the
14 consignees.

15 SEC. 108. *Liability of Importer for Duties and Taxes.* – Unless
16 relieved by law or regulation, the liability for duties, taxes, fees and other
17 charges attached to importation constitutes a personal debt due from the
18 importer to the government and can be discharged only by payment in full of
19 all duties, taxes, fees and other charges legally accruing. It also constitutes a
20 lien upon the imported articles which may be enforced while such articles are
21 in custody or subject to the control of the government.

22 SEC. 109. *Importations by the Government.* – Except those provided
23 for in Section 800 of this Act, all importations by the government for its own
24 use or that of its subordinate branches or instrumentalities, or corporations,
25 agencies or instrumentalities owned or controlled by the government, shall be
26 subject to the duties, taxes, fees and other charges provided for in this Act.

27 SEC. 110. *Declarant.* – A declarant is a person who makes and
28 submits to the Bureau goods declaration or in whose name such declaration is

1 made. Any person who possesses the right to dispose of the goods shall be
2 entitled to directly act as declarant. However, when such person authorizes an
3 agent to make the declaration in his behalf, he can only do so through an
4 accredited customs broker except in case when the declarant is a juridical
5 person in which case it may authorize a responsible officer to make the
6 declaration in behalf of the juridical person.

7 SEC. 111. *Rights and Responsibilities of the Declarant.* – The person
8 having the right to dispose shall be responsible for the accuracy of the
9 information in the goods declaration made directly or through an agent and
10 shall be liable for the duties, taxes and other charges due on the imported
11 article.

12 The declarant shall sign the goods declaration personally or through a
13 responsible officer in case of juridical person, even when assisted by a licensed
14 customs broker who shall likewise sign said goods declaration. The declaration
15 shall be under oath and subject to the penalties for falsification or perjury that
16 the statements contained in the goods declaration are true and correct. Such
17 statements under oath shall constitute a *prima facie* evidence of knowledge or
18 consent of the violation of any applicable provision of this Act when the
19 importation is found to be unlawful.

20 Before filing the goods declaration, the declarant may, upon request in
21 writing, and for such justifiable reasons and under such conditions as the
22 Commissioner of Customs shall determine, be allowed to inspect the goods and
23 to draw samples from the importation. There shall be no need for a separate
24 declaration for the samples withdrawn under the Bureau's supervision:
25 *Provided,* That such samples are included in the goods declaration for the
26 particular consignment concerned.

1 SEC. 112. *Goods Declaration and Period of Filing.* – (a) Goods
2 Declaration Format and Contents. – The format of the goods declaration shall
3 conform to international standards.

4 The data required in the goods declaration shall be limited to only such
5 particulars as are deemed necessary for the assessment and collection of duties
6 and taxes, the compilation of statistics and compliance with customs and tariff
7 laws.

8 Where the declarant does not have all the information required to make
9 the goods declaration, a provisional or incomplete goods declaration shall, for
10 certain cases and for reasons deemed valid by the Bureau, be allowed to be
11 lodged: *Provided*, That it contains the particulars deemed necessary by the
12 Bureau for the acceptance of the goods declaration filed and that the declarant
13 undertakes to complete the information required within a reasonable period of
14 time as specified by regulations.

15 If the Bureau accepts a provisional or incomplete goods declaration, the
16 tariff treatment to be accorded to the goods shall not be different from that
17 which would have been accorded had a complete and correct goods declaration
18 been lodged in the first instance.

19 The release of the goods shall not be delayed: *Provided*, That any
20 security required has been furnished to ensure collection of any applicable
21 duties and taxes.

22 The Bureau shall require the lodgement of the original goods
23 declaration and only the minimum number of copies as necessary.

24 (b) Documents Supporting the Goods Declaration. – In support of the
25 goods declaration, the Bureau shall only require documents necessary for
26 customs control and to ensure that all requirements of the law have been
27 complied with.

1 Where certain supporting documents cannot be lodged with the goods
2 declaration for reasons deemed valid by the Bureau, it shall allow production
3 of those documents within a reasonable time not exceeding forty-five (45) days
4 from the filing of the goods declaration.

5 The Bureau shall permit the lodgement of supporting documents by
6 electronic means.

7 The Bureau shall not require a translation of the particulars of
8 supporting documents except when necessary to permit processing of the
9 goods declaration.

10 (c) Period of Filing the Goods Declaration. -- Goods declaration must
11 be filed within fifteen (15) days from the date of discharge of the last package
12 from the vessel or aircraft. The period to file the goods declaration may, upon
13 request, be extended on valid grounds for another fifteen (15) days: *Provided*,
14 That the request is made before the expiration of the original period within
15 which to file the goods declaration.

16 SEC. 113. *Lodgement and Registration.* -- The Bureau shall permit
17 the lodging of the goods declaration at any designated customs office.

18 Goods declaration shall be lodged during the hours designated by the
19 Bureau. The Bureau shall make provision under such terms and conditions as
20 the Commissioner of Customs may establish for the filing of goods declaration
21 and supporting documents prior to the arrival of the goods.

22 The Bureau shall, for valid reason, permit the declarant to amend the
23 goods declaration that has already been lodged: *Provided*, That when the
24 request is received they have not begun to check the goods declaration or to
25 examine the goods.

26 SEC. 114. *Special Procedures for Authorized Persons.* -- For
27 authorized persons who meet the criteria set down by the Bureau, including
28 having an appropriate record of compliance with customs requirements and a

1 satisfactory system for managing their commercial records, the Bureau shall
2 provide for:

3 (a) Release of the goods on the provision of the minimum information
4 necessary to identify the goods and permit the subsequent completion of the
5 final goods declaration; and

6 (b) Clearance of the goods at the declarant's premises or another
7 place authorized by the Bureau; and, in addition, to the extent possible, other
8 special procedures such as:

9 (1) Allowing a single goods declaration for all imports or exports in a
10 given period where goods are imported or exported frequently by the same
11 person;

12 (2) Use of the authorized persons commercial records to self-assess
13 their duty and tax liability and, where appropriate, to ensure compliance with
14 other customs requirements; and

15 (3) Allowing the lodgement of goods declaration by means of an entry
16 in the records of the authorized person to be supported subsequently by a
17 supplementary goods declaration.

18 SEC. 115. *Examination of the Goods.* – (a) Time Required for
19 Examination of Goods. – When the examination of the goods is required by
20 the Bureau, such examination shall take place as soon as possible after the
21 goods declaration has been lodged.

22 When scheduling examinations, priority shall be given to the
23 examination of live animals and perishable goods and to other goods which the
24 Bureau consider as urgently needing examination.

25 The Bureau and other agencies concerned shall come out with a system
26 of coordination and joint examination of goods which must be inspected by the
27 latter agencies under existing laws and regulations.

1 (b) Presence of the Declarant at Examination of the Goods. –
2 As a general rule, the Bureau may examine the goods without the presence of
3 the declarant or an authorized representative. However, the declarant or an
4 authorized representative, upon request, shall be allowed to be present unless
5 serious, exceptional circumstances exist to bar their presence.

6 If the Bureau deems it useful, it shall require the declarant to be present
7 or to be represented at the examination of the goods or to render any assistance
8 necessary to facilitate the examination.

9 (c) Sampling by the Customs. – Samples shall be taken only when
10 deemed necessary by the Bureau to establish the tariff description and/or value
11 of goods declared or to ensure compliance with customs and related laws.
12 Samples drawn shall be as minimal as possible.

13 SEC. 116. *Penalties for Errors in Goods Declaration.* – The Bureau
14 shall not impose substantial penalties for errors where it is satisfied that such
15 errors are inadvertent and that there has been no fraudulent intent or gross
16 negligence in the commission thereof; where it considers it necessary to
17 discourage a repetition of such errors, a penalty may be imposed but shall be
18 no greater than is necessary for this purpose.

19 SEC. 117. *Release of Goods.* – Goods declared shall be released as
20 soon as duties and taxes and other lawful charges have been paid or secured to
21 be paid and/or otherwise, all the pertinent laws, rules and regulations have
22 been complied.

23 When the Bureau decides that it will require laboratory analysis of
24 samples, detailed technical documents or expert advice, it shall release the
25 goods before the results of such examination are known: *Provided*, That any
26 security required has been furnished and provided it is satisfied that the goods
27 are not subject to prohibitions or restrictions.

1 SEC. 118. *Abatement of Duties and Taxes.* -- When goods have not yet
2 been released for consumption or when they have been placed under another
3 customs procedure, and provided that no offense has been detected, the party
4 concerned shall not be required to pay the duties and taxes or shall be entitled
5 to refund thereof:

6 (a) When, at request of the party, such goods are abandoned or
7 destroyed or rendered commercially valueless under customs control, as the
8 Bureau may decide. Any costs involved shall be borne by the party concerned;

9 (b) When such goods are destroyed or irrecoverably lost by accident or
10 *force majeure: Provided,* That such destruction or loss is duly established to
11 the satisfaction of the Bureau; and

12 (c) On shortages due to the nature of the goods when such shortages
13 are duly established to the satisfaction of the Bureau, any waste or scrap
14 remaining after destruction shall be liable, if taken into consumption, to the
15 duties and taxes that would be applicable to such waste or scrap imported in
16 that state.

17 SEC. 119. *Disposition of Abandoned Goods.* -- When the Bureau sells
18 goods which have not been declared within the time allowed or could not be
19 released although no offense has been discovered, the proceeds of the sale,
20 after deduction of any duty and tax and all other charges and expenses
21 incurred, shall be made over to those persons entitled to receive them or, when
22 this is not possible, held at their disposal for a specified period.

23 SEC. 120. *Deferred Payment for Government Importation.* -- The
24 government or any of its instrumentalities or agencies may avail of deferred
25 payment for its importations under such terms and conditions that shall be
26 determined by regulation to be jointly issued by the Department of Finance
27 (DOF) and the Department of Budget and Management (DBM).

1 SEC. 121. *Refund of Duties and Taxes.* – Refund shall be granted
2 where it is established that duties and taxes have been overcharged as a result
3 of an error in the assessment.

4 Where permission is given by the Bureau for goods originally declared
5 for a customs procedure with payment of duties and taxes to be placed under
6 another customs procedure, refund shall be made of any duties and taxes
7 charged in excess of the amount due under the new procedure subject to such
8 regulation issued for the purpose.

9 Refund shall not be granted if the amount involved is less than Five
10 thousand pesos (P5,000.00): *Provided, however,* That the Secretary of
11 Finance, in consultation with the Commissioner of Customs, may change the
12 minimum amount specified in this Act taking into account such factors as
13 inflation or deflation.

14 SEC. 122. *Security.* – Customs regulation shall provide the forms and
15 amount of security that are required to guarantee the payment of duties and
16 taxes and other obligations provided for in this Act.

17 Any person required to provide security shall be allowed to choose any
18 form of security: *Provided,* That it is acceptable to the Bureau. The Bureau
19 shall not require security when they are satisfied that an obligation to the
20 Bureau will be fulfilled. When security is required to ensure that the
21 obligations arising from a customs procedure will be fulfilled, the Bureau shall
22 accept a general security, in particular, from declarants who regularly declare
23 goods at different offices in the customs territory under such terms and
24 conditions as the Commissioner of Customs may determine.

25 Where security is required, the amount of security to be provided shall
26 be as low as possible and, in respect of the payment of duties and taxes, shall
27 not exceed the amount potentially chargeable.

1 Where security has been furnished, it shall be discharged as soon as
2 possible after the Bureau is satisfied that the obligations under which the
3 security was required have been duly fulfilled.

4 SEC. 123. *Competent Customs Offices.* – For administrative purposes,
5 the Philippines shall be divided into as many collection districts as necessary,
6 the respective limits of which may be changed from time to time by the
7 Commissioner of Customs upon the approval of the Secretary of Finance. The
8 location, staff competencies and business hours of these offices shall take into
9 account the particular requirements of trade.

10 SEC. 124. *Customs Control.* – All goods, including means of
11 transport, which enter or leave the customs territory, regardless of whether they
12 are liable to duties and taxes, shall be subject to customs control which shall be
13 limited to that necessary to ensure compliance with customs and related laws.

14 In the application of customs control, the Bureau shall use audit-based
15 controls and risk management systems and adopt a compliance measurement
16 strategy to support risk management.

17 The Bureau shall seek to cooperate with other customs administrations
18 and aim at concluding mutual administrative assistance agreements to
19 enhance customs control. The Bureau shall consult and cooperate with other
20 government regulatory agencies, including free zones authorities, and the
21 customs stakeholders in general to enhance customs control.

22 The Bureau shall evaluate traders commercial systems where those
23 systems have an impact on customs operations to ensure compliance with
24 customs requirements.

25 SEC. 125. *Application of Information and Communications*
26 *Technology.* – Customs shall apply information and communications
27 technology to enhance customs control and support a cost-effective and

1 efficient customs operations geared towards a paperless customs environment
2 using internationally accepted standards.

3 The introduction of information and communications technology shall
4 be carried out, in consultation with all relevant parties directly affected, to the
5 greatest extent possible.

6 SEC. 126. *Relationship Between the Bureau and Third Parties.* –

7 Persons concerned shall have the choice of transacting business with the
8 Bureau either directly or by designating a third party to act on their behalf.

9 The customs transactions where the person concerned elects to do
10 business on his own account shall not be treated less favorably or be subject to
11 more stringent requirements than those customs transactions which are handled
12 for the person concerned by a third party.

13 A person designated as a third party shall have the same rights as the
14 person who designated him in those matters related to transacting business with
15 the Bureau.

16 SEC. 127. *Information of General Application.* – To foster an
17 informed compliance regime, the Bureau shall ensure that all relevant and
18 available information of general application pertaining to customs law, not
19 otherwise confidential or for the Bureau's use only, is readily accessible to any
20 interested person for legitimate use.

21 When information that has been made available must be amended due to
22 changes in customs law, administrative arrangements or requirements, customs
23 shall, as far as may be feasible, make the revised information readily available
24 sufficiently in advance of the entry into force of the changes to enable
25 interested persons to take account of them, unless advance notice is precluded.

26 SEC. 128. *Information of a Specific Nature.* – Subject to regulation
27 issued for the purpose, the Bureau shall provide information as may be
28 available and is not otherwise confidential or for the Bureau's use only,

1 relating to a specific matter as requested by an interested person for legitimate
2 use. The Bureau may require the payment of a reasonable fee in providing
3 such information of a specific nature to interested parties.

4 SEC. 129. *Decisions and Rulings.* – At the written request of the
5 person concerned, the Bureau shall notify its decision in writing within a
6 period specified in this Act or by regulation where the decision is adverse to
7 the person concerned, the reasons shall be given and the right of appeal
8 advised.

9 The Bureau, shall, within the bounds of its mandate and consistent with
10 Section 1602 of this Act, issue binding rulings at the request of the interested
11 person on matters pertaining to importation or exportation of goods: *Provided,*
12 That it has all the information it deems necessary.

13 SEC. 130. *Right of Appeal, Forms and Ground.* – Any person who is
14 directly affected by a decision or omission of the Bureau pertaining to an
15 importation or exportation or legal claim shall have a right of appeal.

16 An appeal in writing shall be lodged within the sufficient time period as
17 specified in this Act or by regulation stating the grounds on which it is being
18 made.

19 The Bureau shall not, as a matter of course, require that any supporting
20 evidence be lodged together with the appeal but shall, in appropriate
21 circumstances, allow a reasonable time for the lodgement of such evidence.

22 CHAPTER 3

23 TYPES OF IMPORTATION

24 SEC. 131. *Free and Regulated Importations and Exportations.* –
25 Unless otherwise provided by law or regulation, all articles may be freely
26 imported into and exported from the Philippines without need for import and
27 export permits, clearances or licenses.

1 Articles subject to government regulation may be brought in or exported
2 only after securing the required import or export permits, clearances, licenses,
3 and the like, prior to importation or exportation; and if allowed by governing
4 laws or regulations, after arrival of the articles but prior to release from
5 customs custody in case of importation.

6 SEC. 132. *Prohibited Importations and Exportations.* – The
7 importation into, and exportation from, the Philippines of the following articles
8 are prohibited:

9 (a) Dynamite, gunpowder, ammunitions and other explosives, firearms
10 and weapons of war, and parts thereof, except when authorized by law;

11 (b) Written or printed articles in any form containing any matter
12 advocating or inciting treason, or rebellion, insurrection or sedition against the
13 government of the Philippines, or forcible resistance to any law of the
14 Philippines, or containing any threat to take the life of, or inflict bodily harm
15 upon any person in the Philippines;

16 (c) Written or printed articles, negatives or cinematographic film,
17 photographs, engravings, lithographs, objects, paintings, drawings or other
18 representation of an obscene or immoral character;

19 (d) Articles, instruments, drugs and substances designed, intended or
20 adapted for producing unlawful abortion, or any printed matter which
21 advertises or describes or gives directly or indirectly information where, how
22 or by whom unlawful abortion is produced;

23 (e) Roulette wheels, gambling outfits, loaded dice, marked cards,
24 machines, apparatus or mechanical devices used in gambling or the distribution
25 of money, cigars, cigarettes or other articles when such distribution is
26 dependent on chance, including jackpot and pinball machines or similar
27 contrivances, or parts thereof;

1 (f) Lottery and sweepstakes tickets except those authorized by the
2 Philippine government, advertisements thereof, and lists of drawings therein;

3 (g) Any article manufactured in whole or in part of gold, silver or other
4 precious metals or alloys thereof, the stamps, brands or marks or which do not
5 indicate the actual fineness of quality of said metals or alloys;

6 (h) Any adulterated or misbranded articles of food or any adulterated
7 or misbranded drug in violation of relevant laws and regulations;

8 (i) Marijuana, opium, poppies, coca leaves, heroin or other narcotics
9 or synthetic drugs which are or may hereafter be declared habit forming by the
10 President of the Philippines, or any compound, manufactured salt, derivative,
11 or preparation thereof, except when imported by the Government of the
12 Philippines or any person duly authorized by the Dangerous Drugs Board, for
13 medicinal purposes only;

14 (j) Opium pipes and parts thereof, of whatever material;

15 (k) Infringing goods as defined under the intellectual property code and
16 related laws; and

17 (l) All other articles and parts thereof, the importation and exportation
18 of which is prohibited by law or rules and regulations issued by competent
19 authority, and international agreements to which the Philippines is a signatory.

20 The prohibition to import or export articles as defined herein shall
21 include those in transit.

22 TITLE II

23 BUREAU OF CUSTOMS

24 CHAPTER I

25 GENERAL ADMINISTRATION

26 SEC. 200. *Chief Officials of the Bureau of Customs.* – The Bureau
27 shall have one (1) chief and as many assistant chiefs to be known respectively
28 as the Commissioner of Customs and Deputy Commissioners of Customs as

1 provided for under existing laws and regulations. The Commissioner and the
2 Deputy Commissioners of Customs shall be appointed by the President of the
3 Philippines.

4 SEC. 201. *Functions of the Bureau.* – The general duties, powers and
5 jurisdiction of the Bureau shall include:

6 (a) Assessment and collection of the lawful revenues from imported
7 articles and all other dues, fees, charges, fines and penalties accruing under the
8 tariff and customs laws;

9 (b) Prevention and suppression of smuggling and other frauds upon the
10 customs;

11 (c) Facilitation and security of international trade and commerce
12 through an informed compliance program;

13 (d) Supervision and control over the entrance and clearance of vessels
14 and aircraft engaged in foreign commerce;

15 (e) Enforcement of the tariff and custom laws and all other laws, rules
16 and regulations relating to the tariff and customs administration;

17 (f) Supervision and control over the handling of foreign mails arriving
18 in the Philippines, for the purpose of the collection of the lawful duty on the
19 dutiable articles thus imported and the prevention of smuggling through the
20 medium of such mails;

21 (g) Supervision and control of all import and export cargoes, landed or
22 stored in piers, airports, terminal facilities, including container yards and
23 freight stations, for the protection of government revenue;

24 (h) Exercise of exclusive original jurisdiction over seizure and
25 forfeiture cases under this Act; and

26 (i) Such other duties, functions and jurisdiction as provided for in this
27 Act and other laws.

1 SEC. 202. *Annual Report of the Commissioner.* – The annual report
2 of the Commissioner to the President shall, among other things, contain a
3 compilation of the:

4 (a) Quantity and value of the articles imported into the Philippines and
5 the corresponding amount of custom duties, taxes and other charges assessed
6 and collected on imported articles itemized in accordance with the tariff
7 headings and subheadings as appearing in the liquidated customs entries as
8 provided for in this Act;

9 (b) Percentage collection of the peso value of imports;

10 (c) Quantity and value of conditionally-free importations;

11 (d) Customs valuation over and above letters of credit opened;

12 (e) Quantity and value of tax-free imports; and

13 (f) The quantity and value of articles exported from the Philippines as
14 well as the taxes and other charges assessed and collected on them for the
15 preceding year. Copies of such annual report shall be furnished regularly to the
16 Congress of the Philippines, the DOF, the Tariff Commission, the National
17 Economic and Development Authority (NEDA), the Bangko Sentral ng
18 Pilipinas (BSP), the BOI, the DBM and other economic agencies of the
19 government, on or before December 30, of each year.

20 SEC. 203. *Commissioner to Make Rules and Regulations.* – The
21 Commissioner shall, subject to approval of the Secretary of Finance,
22 promulgate all rules and regulations necessary to enforce the provisions of this
23 Act. The Commissioner shall also cause the preparation and publication of a
24 customs manual covering up-to-date rules and regulations and decisions of the
25 Bureau. The manual shall be published and made available to the public at
26 least once every quarter within the first month after the end of every quarter.
27 The Secretary of Finance and/or the Commissioner of Customs shall furnish
28 the Congress of the Philippines, the BSP, the BOI, the NEDA and the Tariff

1 Commission with at least three (3) copies each of every department order,
2 administrative order, memorandum circular and such rules and regulations
3 which are promulgated from time to time for the purpose of implementing the
4 provisions of this Act.

5 SEC. 204. *Commissioner to Furnish Copies of Collectors' Liquidated*
6 *Duplicates.* – The Commissioner shall regularly furnish the NEDA, the
7 National Statistics Office (NSO), the Bureau of Internal Revenue (BIR) and
8 the Tariff Commission, a copy of each of all customs import/export entries as
9 filed with the Bureau. The Tariff Commission or its duly authorized agents
10 shall have access to and the right to copy all the customs liquidated import
11 entries and other documents appended thereto as finally filed in the
12 Commission on Audit (COA).

13 CHAPTER 2

14 PORTS AND COLLECTION DISTRICTS

15 SEC. 205. *Collection Districts and Ports of Entry Thereof.* – The
16 principal ports of entry for the respective collection districts shall be Aparri,
17 San Fernando, Manila, Manila International Container Port, Ninoy Aquino
18 International Airport, Subic, Clark, Batangas, Legaspi, Iloilo, Cebu, Tacloban,
19 Surigao, Cagayan de Oro, Zamboanga, Davao, Limay and such other ports that
20 may be created pursuant to this Act. The sea port and airport authorities and
21 private port operators shall provide free of charge, appropriate facilities like
22 designated examination areas and space for customs equipment like x-ray
23 scanners, to enable the Bureau to effectively perform its mandate pursuant to
24 customs and tariff laws.

25 SEC. 206. *Power of the Secretary of Finance to Open and Close Any*
26 *Port.* – The Secretary of Finance may open or close any port of entry upon
27 the recommendation of the Commissioner. When a port of entry is closed, its
28 existing personnel shall be reassigned to other duties by the Commissioner

1 subject to the approval of the Secretary of Finance. In all cases, the Secretary
2 of Finance shall report to the President any action taken on the opening or
3 closure of any port of entry.

4 SEC. 207. *Designation of Airports of Entry.* – The Secretary of
5 Finance, upon the recommendation of the Commissioner and the Director of
6 the Civil Aeronautics Board, is authorized to designate airports of entry for
7 civil aircraft arriving in the Philippines from any place outside thereof and for
8 articles carried in such aircraft. Such airport of entry shall be considered as a
9 port of entry for aliens arriving on such aircraft as a place of quarantine
10 inspection.

11 SEC. 208. *Assignment of Customs Officers and Employees to Other*
12 *Duties.* – The Commissioner of Customs may assign any employee or officer
13 of the Bureau with a salary grade below twenty-five (25) to any port, service,
14 division or office within the Bureau or assign him duties as the best interest of
15 the service may require, in accordance with the staffing pattern or
16 organizational set-up as may be prescribed by law. When the employee or
17 officer sought to be assigned holds a position with a salary grade of twenty-five
18 (25) or above, such order of assignment shall be subject to the approval by the
19 Secretary of Finance: *Provided,* That such assignment shall not affect the
20 tenure of office of the employees nor result in the change of status, demotion in
21 rank and/or deduction in salary.

22 SEC. 209. *Authority of Deputy Collectors of Customs.* – The deputy
23 collector at a principal port of entry may, in the name of the District Collector
24 and subject to his supervision and control, perform any particular act
25 which might be done by the District Collector himself. At subports, a deputy
26 collector may, in his own name, exercise the general powers of a collector,
27 subject to the supervision and control of the Collector of the subport.

1 Collectors may, with the approval of the Commissioner, appoint from
2 their force such number of special deputies as may be necessary for the proper
3 conduct of the public business, with authority to sign documents and perform
4 such service as may be specified in writing.

5 SEC. 210. *Jurisdiction of Collector Over Importation of Articles.* –

6 The Collector shall cause all articles entering the jurisdiction of his district and
7 destined for importation through his port to be entered at the customhouse,
8 shall cause all such articles to be valued for customs purposes and classified,
9 and shall assess and collect the duties, taxes and other charges thereon, and
10 shall hold possession of all imported articles upon which duties, taxes, and
11 other charges have not been paid or secured to be paid, disposing of the same
12 according to law.

13 SEC. 211. *Jurisdiction of Collector Over Articles of Prohibited*
14 *Importation and Exportation.* – Where articles are of prohibited importation
15 or exportation or subject to importation or exportation only upon conditions
16 prescribed by law, it shall be the duty of the Collector to exercise such
17 jurisdiction in respect thereto as will prevent importation or exportation or
18 otherwise secure compliance with all legal requirements.

19 SEC. 212. *Authority of the Collector of Customs to Hold the Delivery*
20 *or Release of Imported Articles.* – Whenever any importer, except the
21 government, has an outstanding and demandable account with the Bureau, the
22 Collector shall hold the delivery of any article imported or consigned to such
23 importer unless subsequently authorized by the Commissioner of Customs, and
24 upon notice as in seizure cases, may sell such importation or any portion
25 thereof to cover the outstanding account of such importer: *Provided, however,*
26 That at any time prior to the sale, the delinquent importer may settle the
27 obligations with the Bureau, in which case the aforesaid articles may be

1 delivered upon a payment of the corresponding duties and taxes and
2 compliance with all other legal requirements.

3 SEC. 213. *Succession of Deputy Collector to Position of Acting*
4 *Collector.* – In the absence or disability of a Collector at any port or in case
5 of a vacancy in his office, the temporary discharge of his duties shall devolve
6 upon the deputy collector of the port. Where no deputy collector is available,
7 an official to serve in such contingency may be designated in writing by the
8 Collector from his own force. The Collector making such designation shall
9 report the same without delay to the Commissioner and the Chairman, COA,
10 forwarding to them the signature of the person so designated.

11 SEC. 214. *Designation of Official as Customs Inspector.* – At a
12 coastwise port where no customs official or employee is regularly stationed,
13 the Commissioner may designate any national, provincial or municipal official
14 of the port to act as an inspector of customs for the purpose of enforcing laws
15 and regulations of the Bureau in the particular port; but all such designations
16 shall be made with the consent of the proper department head of the official so
17 designated.

18 SEC. 215. *Determination of the De Minimis Value.* – The Secretary
19 of Finance, upon the recommendation of the Commissioner of Customs, shall
20 establish the *de minimis* value or a minimum amount of duties and taxes below
21 which no duties and taxes shall be collected.

22 SEC. 216. *Records to be Kept by Customs Officials.* – District
23 Collectors, deputy collectors, and other customs officials acting in such
24 capacities are required to keep true, correct and permanent records of their
25 official transactions, to submit the same to the inspection of authorized
26 officials at all times, and turn over all records and official papers to their
27 successors or other authorized officials.

1 In the office of the collector of a collection district, there shall be kept a
 2 document dry seal of such design as the Commissioner shall prescribe with
 3 which shall seal all documents and records requiring authentication in such
 4 office.

5 SEC. 217. *Port Regulations.* – A Collector may prescribe local
 6 administrative regulation, not inconsistent with law or the general bureau
 7 regulations, for the government of his port or district, the same to be effective
 8 upon the approval by the Commissioner.

9 SEC. 218. *Reports of the Collector to the Commissioner.* – A
 10 Collector shall immediately make a report to the Commissioner concerning
 11 prospective or newly begun litigation in the district touching on matters
 12 relating to the customs service; and he shall, in such form and detail as shall be
 13 required by the Commissioner make regular monthly reports of all transactions
 14 in his port and district.

15 TITLE III

16 CUSTOMS TERRITORY AND CUSTOMS CONTROL

17 CHAPTER 1

18 CUSTOMS TERRITORY

19 SEC. 300. *Territorial Jurisdiction.* – For the due and effective
 20 exercise of the powers conferred by law and to the extent requisite therefor,
 21 said Bureau shall have the right of supervision and police authority over all
 22 seas within the jurisdiction of the Philippines and over all coasts, ports,
 23 airports, harbors, bays, rivers and inland waters whether navigable or not from
 24 the sea.

25 When a vessel or aircraft becomes subject to seizure by reason of an act
 26 done in Philippine waters or air space in violation of the tariff and customs
 27 laws, a pursuit of such vessel or aircraft began within the jurisdictional waters
 28 or air space may continue beyond the maritime zone or air space, and the

1 vessel or aircraft may be seized on the high seas or international air space.
2 Imported articles which may be subject to seizure for violation of the tariff and
3 customs laws may be pursued in their transportation in the Philippines by land,
4 water or air and such jurisdiction exerted over them at any place therein as may
5 be necessary for the due enforcement of the law.

6 SEC. 301. *Jurisdiction Over Premises Used for Customs Purposes.* –
7 The Bureau shall, for customs purposes, have exclusive control, direction and
8 management of customhouses, warehouses, offices, wharves, and other
9 premises in the respective ports of entry, in all cases without prejudice to the
10 general police powers of the city or municipality and the Philippine Coast
11 Guard in the exercise of its functions wherein such premises are situated.

12 SEC. 302. *Enforcement of Port Regulation of the Bureau of*
13 *Quarantine.* – Customs officials and employees shall cooperate with the
14 quarantine authorities in the enforcement of the port quarantine regulations
15 promulgated by the Bureau of Quarantine and shall give effect to the same
16 insofar as connected with matters of shipping and navigation.

17 SEC. 303. *Power of the President to Subject Premises to Jurisdiction of*
18 *the Bureau of Customs.* – When any public wharf, landing place, street or
19 land, not previously under the jurisdiction of the Bureau, in any port of entry,
20 is necessary or desirable for any proper customs purpose, the President of the
21 Philippines may, by executive order, declare such premises to be under the
22 jurisdiction of the Bureau, and thereafter the authority of such Bureau in
23 respect thereto shall be fully effective.

24 SEC. 304. *Trespass or Obstruction of Customs Premises.* – Only
25 persons or their duly authorized representatives with legitimate business with,
26 or employees of, the port or the Bureau shall be allowed to enter the customs
27 premises. No person shall obstruct a customhouse, warehouse, office, wharf,

1 street or other premises under the control of the Bureau, or in any of the
2 approaches to that house or premises.

3 SEC. 305. *Special Surveillance for Protection of Customs Revenue and*
4 *Prevention of Smuggling.* – In order to prevent smuggling and to secure the
5 collection of the legal duties, taxes and other charges, the customs service
6 shall exercise surveillance over the coast, beginning when a vessel or aircraft
7 enters Philippine territory and concluding when the article imported therein has
8 been legally passed through the customhouse: *Provided,* That the function of
9 the Philippine Coast Guard to prevent and suppress illegal entry, smuggling
10 and other customs frauds and violations of the maritime law and its proper
11 surveillance of vessels entering and/or leaving the Philippine territory as
12 provided in Section 3(a) of Republic Act No. 5173 shall continue to be in force
13 and effect.

14 SEC. 306. *Temporary Storage of Articles.* – Subject to the rules and
15 regulations to be approved by the Secretary of Finance, the Commissioner of
16 Customs shall establish a system for temporary storage of imports prior to
17 goods declaration.

18 CHAPTER 2

19 COASTWISE TRADE

20 SEC. 307. *Requirement of Manifest in Coastwise Trade.* – Manifests
21 shall be required for cargo and passengers transported from one place or port
22 in the Philippines to another only when one or both of such places is a port of
23 entry.

24 SEC. 308. *Manifest Required Upon Departure from a Port of Entry.* –
25 Prior to departure from a port of entry, the master of a vessel licensed for the
26 coastwise trade shall make out and subscribe duplicate manifests of the whole
27 cargo and all of the passengers taken on board on such vessels, specifying in
28 the cargo manifests the marks and numbers of packages, the port of destination

1 and names of the consignees, together with such further information as may be
2 required, and in the passengers manifest the name, sex, age, residence, port of
3 embarkation, and destination of all passengers, together with such further
4 information as may be required. The master of the vessel shall deliver such
5 manifests to the Collector of Customs or other authorized customs officer,
6 before whom shall be sworn to the best of one's knowledge and belief, in
7 respect to the cargo manifests, that the goods therein described, if foreign, were
8 imported legally and that duties, taxes and other charges thereon have been
9 paid or secured to be paid, and with respect to the passenger manifests, that the
10 information therein contained is true and correct as to all passengers taken on
11 board. Thereupon, retaining the duplicates, the Collector of Customs or
12 customs officer, shall certify the same on the manifests, the original of which
13 shall be returned to the master with a permit specifying thereon, generally, the
14 landing on board of such vessel and the authorization to proceed to the port of
15 destination.

16 SEC. 309. *Manifests Required Prior to Unloading at a Port of Entry.* –

17 Upon arrival at a port of entry, a vessel engaged in the coastwise trade and
18 prior to the unloading of any part of the cargo, the master shall deliver to the
19 Collector or other proper customs official complete manifests of all the cargo
20 and passengers brought into said port, together with the clearance manifests of
21 cargo and passengers for said port granted or ports of entry from which said
22 vessel may have cleared during the voyage.

23 SEC. 310. *Departure of Vessel Upon Detailed Manifest.* – The owner,

24 agents or consignees of vessels are required to present the proper detailed
25 manifest before departure of the vessel: *Provided, however,* That the
26 Commissioner of Customs may, by regulation, permit a vessel to depart
27 coastwise from a port of entry upon the filing of a general manifest by the
28 master thereof.

TITLE IV

IMPORT CLEARANCE AND FORMALITIES

CHAPTER 1

GOODS DECLARATION

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5 SEC. 400. *Articles to be Imported Only Through Customhouse.* – All
6 articles imported into the Philippines shall be entered and/or cleared through a
7 customhouse at a port of entry or may be admitted to a free zone, as the case
8 may be.

9 SEC. 401. *Importations Subject to Goods Declaration.* – Unless
10 otherwise provided for in this Act, all imported articles shall be subject to a
11 formal or informal entry. Articles of a commercial nature, the Free on Board
12 (FOB) or Free Carrier At (FCA) value of which is Fifty thousand pesos
13 (P50,000.00) or less and personal and household effects or articles, not in
14 commercial quantity, imported in passenger's baggage, mail or otherwise, for
15 personal use, shall be cleared through an informal entry whenever duty, tax and
16 other charges are collectible. All other articles shall be cleared through a
17 formal entry.

18 The Commissioner may, for the protection of government revenue or
19 when public interest demands, require a formal entry, regardless of value,
20 whatever be the purpose and nature of the importation.

21 A formal goods declaration may be for immediate consumption or for
22 customs bonded warehousing under warehousing bond, irrevocable domestic
23 letter of credit, bank guarantee or other appropriate form of security allowed
24 under customs regulations, customs transit and transshipment shall be covered
25 by appropriate goods declaration, the formalities and conditions of which shall
26 be governed by customs regulations.

27 All importations entered under formal entry shall be covered by a letter
28 of credit or any verifiable commercial document evidencing payment or in

1 cases where there is no sale for export, by any commercial document indicating
2 the commercial value of the article for customs purposes.

3 SEC. 402. *Entry of Article in Part for Consumption and in Part for*
4 *Warehousing.* – Import entries of articles covered by one bill of lading or
5 airway bill containing articles in part for consumption and in part for
6 warehousing may be both entered simultaneously at the port of delivery, one
7 for consumption and the other for warehousing.

8 Where an intent to export the articles is shown by the bill of lading and
9 invoice, the whole or a part of a bill of lading (not less than one package) may
10 be covered by goods declaration for transshipment. Articles under customs
11 transit received at any port from another port in the Philippines may be entered
12 at the port of delivery either for consumption or warehousing.

13 SEC. 403. *Form and Content of Goods Declaration.* – Goods
14 declarations shall be in such form and in such number of copies as shall be
15 prescribed by regulations. They shall contain the names of the importing vessel
16 or aircraft, port of departure and date of arrival, the number and marks of
17 packages, or the quantity, if in bulk, the nature and correct commodity
18 description of the articles contained therein, and its value as set forth in a
19 proper invoice to be presented in duplicate with the entry.

20 SEC. 404. *Formal Goods Declaration.* – Except in case of informal
21 entry, no entry of imported article shall be effected until there shall have been
22 submitted to the Collector a written declaration under penalties of falsification
23 or perjury, in such form as shall be prescribed by the Commissioner,
24 containing statements in substance as follows:

25 (a) That the entry delivered to the Collector contains a full account of
26 the value or price of said articles, including subject of the entry;

27 (b) That the invoice and entry contain an accurate and faithful account
28 of the value or price of the articles, including and specifying the value of all

1 containers or coverings, and other adjustments to the price actually paid or
2 payable, and that nothing has been omitted therefrom or concealed whereby the
3 government of the Republic of the Philippines might be defrauded of any part
4 of the duties and taxes lawfully due on the articles;

5 (c) That, to the best of the declarant's information and belief, all the
6 invoices and bills of lading relating to the articles are the only ones in
7 existence relating to the importation in question and that they are in the state in
8 which they were actually received by him; and

9 (d) That, to the best of the declarant's information and belief, the
10 entries, invoices and bills of lading or airway bills, and the declaration thereon
11 under penalties of falsification or perjury are in all respects genuine and true.

12 SEC. 405. *Description of Articles.* — The description of the articles in
13 the import entry must be in sufficient detail to enable the articles to be
14 identified both for tariff classification and statistical purposes, and if
15 specifically classified in this Act in the tariff description of terms of the
16 headings or subheadings of this Act and in the currency of the invoice, and in
17 such other particulars necessary for the proper assessment and collection of
18 duties and taxes in compliance with customs and related laws; and the quantity
19 and values of each of the several classes of articles shall be separately declared
20 according to their respective headings or subheadings and the totals of each
21 heading or subheading shall be duly shown.

22 SEC. 406. *Commercial and Noncommercial Invoice.* — Contents of
23 commercial invoice of articles imported in the Philippines shall in all cases set
24 forth all the following:

25 (a) The agreed price paid or payable for the goods;

26 (b) The place where, the date when, and the person by whom and the
27 person to whom the articles are sold or agreed to be sold, or if to be imported

1 otherwise than in pursuance of a purchase, the place from which shipped, the
2 date when the person to whom and the person by whom they are shipped;

3 (c) All charges upon the articles itemized by name and amount when
4 known to the seller or shipper; or all charges by name, including selling
5 commission, insurance, freight, cost of cases, containers, coverings and
6 packing, and all other adjustments to the price paid or payable, included in
7 invoice prices when the amount for such charges are unknown to the seller or
8 shipper;

9 (d) The port of entry to which the articles are destined;

10 (e) A detailed description of the articles according to the terms of the
11 heading or subheadings, if specifically mentioned in this Act, otherwise the
12 description must be in sufficient detail to enable the articles to be identified
13 both for tariff classification and statistical purposes, indicating their correct
14 commodity description, in customary terms or commercial designation,
15 including the grade or quality, numbers, marks or symbols under which they
16 are sold by the seller or manufacturer, together with the marks and number of
17 the packages in which the articles are packed;

18 (f) The quantities in the weights and measures of the country or place
19 from which the articles are shipped, and in the weights and measures used in
20 this Act;

21 (g) The purchase price of each article in the currency of the purchase
22 and in the unit of the quantity in which the articles were bought and sold in the
23 place of country of exportation, if the articles are shipped in pursuance of a
24 purchase or an agreement to purchase; and

25 (h) If the articles are shipped otherwise than in pursuance of the
26 purchase or an agreement to purchase, the value of each article in the unit of
27 quantity in which the articles are usually bought and sold, and in the currency
28 in which the transactions are usually made, or, in the absence of such value, the

1 price in such currency which the manufacturer, seller, shipper or owner would
2 have received, or was willing to receive, for such articles if sold in the ordinary
3 course of trade and in the usual wholesale quantities in the country of
4 exportation.

5 Any other fact deemed necessary to the proper examination, valuation
6 and classification of the articles as may be prescribed by regulations.

7 To the extent possible, the above requirements shall apply for goods
8 on consignment, samples or donations covered by a *proforma* invoice,
9 consignment invoice or any other noncommercial invoice.

10 SEC. 407. *Mode and Manner of Payment; Trade Terms.* –
11 Subject to existing laws and rules on foreign currency exchange, the
12 internationally accepted standards and practices on the mode of payment or
13 remittance covering import and export transactions, including standards
14 developed by international trading bodies such as the International Chamber of
15 Commerce (ICC) on trading terms (INCOTERMS) and on international letters
16 of credit such as the Uniform Customs and Practice for Documentary Credits
17 (UCP), shall be recognized.

18 SEC. 408. *Request for Classification and Valuation Ruling.* – (a) As
19 to Classification. – On any article imported or exported or intended to be
20 imported or exported, an importer, exporter or any interested party may submit
21 to the Tariff Commission a full description of the article including its
22 component materials, functions, uses or other information, and request it in
23 writing for a tariff classification ruling to indicate the heading under which the
24 article is or shall be dutiable, and the Tariff Commission shall comply with
25 such requests within thirty (30) days from receipt thereof if it is satisfied that
26 the application is made in good faith, in which case classification of the article
27 in question upon the particular importation involved shall be made according
28 to the heading indicated by the Tariff Commission: *Provided, however,* That

1 such rulings of the Tariff Commission on commodity classification shall be
2 binding upon the Bureau, unless the Secretary of Finance shall rule otherwise.
3 Any tariff classification ruling/s as may be issued by the Tariff Commission
4 shall remain valid and effective unless such tariff classification rulings are
5 amended by the Tariff Commission in cases of amendments to the Harmonized
6 System or the Association of Southeast Asian Nations (ASEAN) Harmonized
7 Tariff Nomenclature, or for any other reason as the Tariff Commission may see
8 fit.

9 When an article is subject to a classification dispute upon actual
10 importation or exportation, the importer, the exporter or the Bureau may
11 submit the classification dispute for a tariff classification ruling, without
12 prejudice to application of Section 424 on tentative liquidation and release of
13 imported or exported article.

14 Any applicant party who is aggrieved by, or is not satisfied with, the
15 result of any ruling, the applicant party may file before the Tariff Commission
16 pursuant to this section, a verified motion for reconsideration within thirty (30)
17 days from receipt of such ruling based on the sole ground of new information.

18 (b) As to Value. – Upon written application of owner or his agent, the
19 Collector shall issue a valuation ruling on any issue relating to the application
20 of the rules on customs valuation within thirty (30) days from receipt thereof:
21 *Provided*, That the ruling shall be given only if the Collector is satisfied after
22 questioning the importer and examining all pertinent papers presented, such as
23 invoices, contracts of sale or purchase, orders and other commercial
24 documents, that the importer is acting in good faith and is unable to determine
25 the proper application of a specific customs valuation rule/principle or set of
26 rules/principles to the specific importation.

27 SEC. 409. *Forwarding of Cargo and Remains of Wrecked Vessel or*
28 *Aircraft.* – When the vessels or aircrafts are wrecked within the Philippines,

1 application must be made to the Commissioner by the original owners or
2 consignees of the cargo, or by the underwriters, in case of abandonment to
3 them, for permission to forward the articles saved from the wreck to the ports
4 of destination, in other conveyance, without entry at the customhouse in the
5 district in which the article was cast ashore or unladen. On receipt of such
6 permission, the articles may be so forwarded with particular manifests thereof,
7 duly certified by customs officials in charge of the articles.

8 The owner of the vessel or aircraft may be permitted to export the
9 remains of the wreck upon proper examination and inspection. The remains of
10 a wrecked vessel shall be considered to be not only the hull and rigging of the
11 same, but also all sea stores and articles of equipment, such as sails, ropes and
12 chains anchors.

13 SEC. 410. *Derelicts and Articles from Abandoned Wrecks.* --
14 Derelicts and all articles picked at sea or recovered from abandoned wrecks,
15 shall be taken possession of in the port or district where they shall first arrive,
16 and be retained in the custody of the Collector, and if not claimed and entered,
17 as the case may be, by the owner, underwriter or salvor, shall be dealt with as
18 unclaimed property.

19 When such articles are brought into port by lighters or other craft, each
20 of such vessels shall make entry by manifest of her cargo.

21 If, in case of wreck, there be no customhouse at the point where the
22 vessel or aircraft is wrecked, the coastguard or customs official nearest the
23 scene of the wreck shall render all possible aid in saving the crew and cargo of
24 the vessel or aircraft, taking charge of the articles saved and giving immediate
25 notice to the Collector or the nearest customhouse.

26 In order to prevent any attempt to defraud the revenue, the Collector
27 shall be represented at the salvage of the cargo by customs officers detailed for

1 that purpose, who shall examine and countersign the inventory made of such
2 cargo and receive a copy of the same.

3 Derelicts and articles salvaged from foreign vessels or aircrafts picked
4 up at sea, or taken from wreck is *prima facie* dutiable and may be entered for
5 consumption or warehousing. If claimed to be of Philippine production, and
6 consequently free, proof must be adduced as in ordinary cases of
7 re-importation of articles. Foreign articles landed from a vessel or aircraft in
8 distress is dutiable if sold or disposed of in the Philippines.

9 Before any article which has been taken from a recent wreck shall be
10 admitted to entry, the same shall be appraised, and the owner or importer shall
11 have the same right to appeal as in ordinary importation.

12 No part of a Philippine vessel or aircraft or its equipment, wrecked
13 either in Philippine or foreign waters, shall be subject to duty.

14 CHAPTER 2

15 EXAMINATION OF GOODS

16 SEC. 411. *Conditions for Examination.* – Physical examination of
17 goods import and export shall be conducted when:

18 (a) The surveyor's seal on the container has been tampered with or
19 broken or the container shows signs of having been opened or having its
20 identity changed;

21 (b) The container is leaking or damaged;

22 (c) The number, weight and nature of packages indicated in the
23 customs goods declaration and supporting documents differ from that in the
24 manifest;

25 (d) The shipment is covered by alert/hold order issued pursuant to
26 existing orders;

27 (e) The importer disagrees with the findings as contained in the
28 surveyor's report;

1 (f) The articles are imported through air freight where the
2 Commissioner or Collector has knowledge that there is a variance between the
3 declared and true quantity, measurement, weight and tariff classification;

4 (g) Imported goods and goods for export are electronically selected for
5 physical examination;

6 (h) When physical examination is necessary to resolve issues involving
7 tariff classification, customs valuation and rules of origin; and

8 (i) Directed by the Commissioner of Customs on account of
9 derogatory information.

10 The Bureau may adopt nonintrusive inspection based on internationally
11 accepted standards subject to random checking, post entry audit, and
12 under certain conditions to be prescribed by rules and regulations. The
13 Commissioner of Customs may exempt from examination importations
14 belonging to importers accredited as an Authorized Economic Operator (AEO)
15 or under any existing trade facilitation program.

16 SEC. 412. *Determination of Weight and Quantity.* — Where articles
17 are customarily contained in packing, packages, or receptacles of uniform or
18 similar character, it shall be the duty of the Commissioner, from time to time,
19 to ascertain by tests the weight and quantity of such articles, and the weight of
20 the packing, packages or receptacles thereof, respectively, in which the same
21 are customarily imported, and upon such ascertainment, to prescribe rules for
22 estimating the dutiable weight or quantity thereof, and thereafter such articles,
23 imported in such customary packing, packages or receptacles shall be entered,
24 and the duties thereon levied and collected, upon the bases of such estimated
25 dutiable weight or quantity: *Provided*, That if the importer, consignee or agent
26 shall be dissatisfied, with such estimated dutiable weight or quantity, he shall
27 file with the Collector, prior to the delivery of the packages designated for
28 examination, a written specification of his objections thereto, or if the

1 Collector shall have reasons to doubt the exactness of the prescribed weight or
2 quantity in any instance, it shall be the duty of the Collector to cause such
3 weights or quantities to be ascertained.

4 SEC. 413. *Duties of Customs Officer Tasked to Examine, Classify and*
5 *Ascertain the Value of Imported Articles.* – The customs officer tasked to
6 examine, classify and ascertain the value of imported articles shall determine
7 whether the packages designated for examination and their contents are in
8 accordance with the declaration in the entry, invoice and other pertinent
9 documents and shall make a return in such a manner to indicate whether the
10 articles have been truly and correctly declared in the import entry as regards
11 their quantity, measurement, weight, and tariff classification and not imported
12 contrary to law. The customs officer may submit sample to the laboratory for
13 analysis when feasible to do so and when such analysis is necessary for the
14 proper classification, valuation, and/or clearance into the Philippines of
15 imported articles.

16 Likewise, the customs officer shall determine the unit of quantity and
17 measurement in which they are usually bought and sold, and ascertain the value
18 of the imported articles in accordance with Section 700 of this Act.

19 Failure on the part of the customs officer to comply with his duties shall
20 subject him to the penalties prescribed under Title XV of this Act.

21 SEC. 414. *Proceedings and Report of Customs Officers.* – Customs
22 officers shall, by all reasonable ways and means, ascertain and determine the
23 value or price of the articles based on the mode of valuation as prescribed in
24 this Act and shall report in writing on the face of the goods declaration or the
25 electronic form the value so determined.

26 Customs officers shall reflect the examination findings on the goods
27 declaration or the electronic form in tariff and such terms as will enable the
28 Collector to pass upon the valuation and classification of the same, which

1 valuation and classification shall be subject to approval or modification, and
2 shall note thereon the measurements and quantities, and any disagreement with
3 the declaration.

4 SEC. 415. *Examination of Samples.* – Customs officers shall see to it
5 that representative samples taken during examination shall be properly
6 receipted for and retained within a reasonable period of time. The quantity and
7 value of the samples taken shall be noted in the specified box of the import
8 entry or electronic form. Such samples shall be duly labeled as will definitely
9 identify them with the importation for which they are taken.

10 SEC. 416. *Readjustment of Valuation, Classification or Return.* –
11 Such valuation, classification or return as finally passed upon and approved or
12 modified by the Collector shall not be altered or modified in any manner,
13 except:

14 (a) Within one (1) year after payment of the duties, taxes and other
15 charges, upon statement of error in conformity with Section 909 of this Act,
16 approved by the Collector;

17 (b) Within fifteen (15) days after such payment upon request for
18 reclassification addressed to the Commissioner by the Collector, if the
19 classification is deemed incorrect;

20 (c) Upon filing of timely protest based on value and/or classification
21 addressed to the Collector by the interested party, if the latter should be
22 dissatisfied with the assessment; and

23 (d) Upon demand by the Commissioner of Customs after the
24 completion of a post clearance audit pursuant to the provisions of this Act.

25 SEC. 417. *Delivery of Articles to Holder of Bill of Lading or Airway*
26 *Bill.* – A Collector who makes a delivery of a shipment, upon the surrender
27 of the bill of lading or airway bill, to person who by the terms thereof appears
28 to be the consignee or lawful holder of the bill shall not be liable on account of

1 any defect in the bill or irregularity in its negotiation, unless he has notice of
2 the same.

3 SEC. 418. *Delivery of Articles Without Production of Bill of Lading or*
4 *Airway Bill.* – No Collector shall deliver imported articles to any person
5 without the surrender by such person of the bill of lading or airway bill
6 covering the article, except on written order of the carrier or agent of the
7 importing vessel or aircraft, in which case neither the government nor the
8 Collector shall be held liable for any damage arising from wrongful delivery
9 of the articles: *Provided, however,* That where delivery of articles is made
10 against such written order of the carrier or agent of the importing vessel or
11 aircraft, the Collector may, for customs purposes, require the production of an
12 exact copy of the bill of lading therefor.

13 SEC. 419. *Delivery Upon Order of Importer.* – An importer of
14 record may authorize delivery to another person by writing upon the face of the
15 warehouse withdrawal entry the orders to that effect. Such authority to deliver
16 the article entered for warehousing in accordance with Section 805 shall not
17 relieve the importer and the security posted from liability for the payment of
18 the duties, taxes and other charges due on the said article unless the person to
19 whom the delivery was authorized to be made assumes such liability by
20 complying with the requirements of the abovementioned section.

21 SEC. 420. *Withholding Delivery Pending Satisfaction of Lien.* –
22 When the Collector is duly notified in writing of a lien for freight, lighterage or
23 general average upon any imported articles in custody, the Collector shall
24 withhold the delivery of the same until satisfied that the claim has been paid or
25 secured. In case of a disagreement, as to the amount due between the party
26 filing the lien and the importer regarding the amount of the freight and
27 lighterage based upon the quantity or weights of the articles imported, the
28 Collector may deliver the articles upon payment of the freight and lighterage

1 due on the quantity or weight actually landed as shown by the return of the
2 proper official or by other means to his satisfaction.

3 SEC. 421. *Customs Expenses Constituting Charges on Articles.* – All
4 expenses incurred by the customs service for the handling or storage of articles
5 and other necessary operations in connection therewith, or incident to seizure,
6 shall be chargeable against the articles, and shall constitute a lien thereon. The
7 cost of examination shall at all times be for the account of the importer or
8 exporter.

9 SEC. 422. *Fine or Surcharge on Articles.* – No article which is liable
10 for any fine or surcharge imposed under the customs and tariff laws shall be
11 delivered until the same shall have been paid or secured by cash deposit,
12 irrevocable domestic letter of credit, bank guarantee or bond.

13 CHAPTER 3

14 ASSESSMENT AND LIQUIDATION

15 SEC. 423. *Liquidation and Record of Goods Declaration.* – If the
16 Collector shall approve the returns of the customs officer and the report of the
17 weights, gauge or quantity, the liquidation shall be made on the face of
18 the declaration showing the particulars thereof, initiated by the customs
19 assessor, approved by the chief customs assessor, and recorded in the record
20 of liquidations. A daily record of all goods declarations liquidated shall be
21 posted in public corridor of the customhouse, name of the vessel or aircraft, the
22 port of arrival, the date of arrival, the name of the importer, and the serial
23 number and the date of the entry. The daily record must also be kept by the
24 Collector of all additional duties, taxes and other charges found upon
25 liquidation, and notice shall promptly be sent to the interested parties.

26 SEC. 424. *Tentative Liquidation.* – If to determine the exact duties,
27 taxes and other charges due under the law in whole or in part some future
28 action is required, the liquidation shall be deemed to be tentative as to the item

1 or items affected and shall, to that extent, be subject to future and final
2 readjustment and settlement within a period of three (3) months from the date
3 of tentative liquidation which may be extended on justifiable grounds for a
4 period not to exceed three (3) months. The entry in such case shall be stamped
5 tentative liquidation.

6 The District Collector shall allow the release of importation under
7 tentative liquidation and where appropriate, upon the posting of sufficient
8 security to cover the applicable duties and taxes as provided under Section 122
9 of this Act.

10 SEC. 425. *Finality of Liquidation.* – When articles have been entered
11 and passed free of duty or final adjustments of duties made, with subsequent
12 delivery, such entry and passage free of duty or settlements of duties will, after
13 the expiration of three (3) years from the date of the final payment of duties, in
14 the absence of fraud, protest or post clearance audit pursuant to the provisions
15 of this Act, be final and conclusive upon all parties, unless the liquidation of
16 the goods declaration was merely tentative.

17 SEC. 426. *Treatment of Fractions in the Liquidation.* – In determining
18 the total amount of taxes, surcharges, and/or other charges to be paid on goods
19 declaration, a fraction of a peso less than fifty centavos shall be disregarded,
20 and a fraction of a peso amounting to fifty centavos or more shall be
21 considered as one peso.

22 In case of overpayment or, underpayment of duties, taxes, surcharges
23 and/or other charges entries, where the amount involved is less than ten pesos,
24 no refund or collection shall be made.

25 CHAPTER 4

26 SPECIAL PROCEDURES

27 SEC. 427. *Travellers and Passenger Baggage.* – Customs shall
28 provide simplified customs procedure, based on international agreements and

1 customs best practices, for traveler and baggage processing including the
2 means of transport.

3 Travelers shall be permitted to export goods for commercial purposes,
4 subject to compliance with the necessary export formalities and payment of
5 export duties/taxes/charges, if any.

6 SEC. 428. *Postal Mails.* – Postal items or mails shall mean letter-post
7 and parcels, as described in international practices and agreements, such as the
8 Acts of the Universal Postal Union (AUPU) currently in force, when carried by
9 or for postal services.

10 The clearance of postal items or mails, including the collection of the
11 applicable duties and taxes on such items or goods, shall be effected quickly
12 using a simplified procedure.

13 When all the information required by the customs are available from the
14 special declaration form for postal items as provided in the AUPU or similar
15 international agreements, the form and supporting documents shall be the
16 goods declaration, except in the case of:

17 (a) Goods having a value exceeding the amount required for the filing
18 of a goods declaration as determined by the Commissioner of Customs;

19 (b) Goods which are subject to prohibitions or restrictions or to export
20 duties and taxes;

21 (c) Goods the exportation of which must be certified; and

22 (d) Imported goods intended to be placed under a customs procedure
23 other than clearance for home use.

24 In these cases, a separate goods declaration shall be required.

25 SEC. 429. *Relief Consignments.* – When there is declaration of a
26 state of calamity, clearance of relief consignments shall be a matter of priority
27 and subject to a simplified customs procedure. The Bureau shall provide for:

1 (a) Lodging of a simplified goods declaration or of a provisional or
2 incomplete goods declaration subject to completion of the declaration within a
3 specified period;

4 (b) Lodging and registering or checking of the goods declaration and
5 supporting documents prior to the arrival of the goods, and their release upon
6 arrival;

7 (c) Clearance outside the designated hours of business or away from
8 customs offices and the waiver of any charges in this respect; and

9 (d) Examination and/or sampling of goods only in exceptional
10 circumstances.

11 The Secretary of Finance, upon the recommendation of the
12 Commissioner of Customs, shall provide rules and regulations to carry out this
13 provision.

14 TITLE V

15 EXPORT CLEARANCE AND FORMALITIES

16 CHAPTER 1

17 EXPORT CLEARANCE AND DECLARATION

18 SEC. 500. *Export Goods Declaration.* – All articles exported from
19 the Philippines, whether subject to export duty or not, shall be declared
20 through a competent customs office. Export declaration shall be in such form
21 as prescribed by regulations. It shall be signed by the person making the
22 declaration and shall contain the number and marks of packages, or the
23 quantity, if in bulk, the nature and correct commodity description of the articles
24 contained therein, and the value thereof.

25 The description of the articles in the export declaration must be in
26 sufficient detail to enable the articles to be identified both for tariff
27 classification and statistical purposes, and in the tariff description of terms of
28 the headings or subheadings of this Act.

1 particular, for ensuring that the goods are presented intact at the office of
2 destination in accordance with the conditions imposed.

3 Any commercial or transport document setting out clearly the necessary
4 particulars shall be accepted as the descriptive part of the goods declaration for
5 customs transit and this acceptance shall be noted on the document. The
6 Bureau shall accept as part of the goods declaration for customs transit any
7 commercial or transport document for the consignment concerned which meets
8 all the customs requirements. This acceptance shall be noted on the document.
9 Customs at the office of departure shall take all necessary action to enable the
10 office of destination to identify the consignment and to detect any unauthorized
11 interference.

12 Transfer of the articles from one means of transport to another shall be
13 allowed without customs authorization: *Provided*, That any customs seal or
14 fastening is not broken or interfered with. Failure to follow a prescribed
15 itinerary or to comply with a prescribed time limit should not entail the
16 collection of any duties and taxes potentially chargeable, provided the customs
17 are satisfied that all other requirements have been met.

18 SEC. 601. *Bonding of Carrier Transporting Articles Under the*
19 *Preceding Section.* – A carrier engaged in conveying imported articles for
20 transit under the preceding section from a port of importation to other ports
21 shall give security in the nature of a general transportation bond, in a sum not
22 less than Fifty thousand pesos (P50,000.00) conditioned that the carrier shall
23 transport and deliver without delay, and in accordance with law and
24 regulations, to the Collector at the port of destination all articles delivered to
25 such carrier and that all proper charges and expenses incurred by the customs
26 authorities or at their instance by reason of transfer shall be duly paid.

27 SEC. 602. *Entry for Transit to Another Port.* – Articles entered for
28 transit to other ports of the Philippines may be transported under sufficient

1 security, upon proper examination as may be necessary, and consigned to the
2 Collector at the port of destination, who will allow entry to be made at his port.

3 Articles received at any port from another port of the Philippines on a
4 transit permit may be entered at the port of delivery either for consumption or
5 warehousing. Articles entered into free zones as defined in Title VIII, Chapter
6 3 of this Act shall be covered by a transit permit upon admission into free
7 zones.

8 CHAPTER 2

9 CUSTOMS TRANSSHIPMENT

10 SEC. 603. *Customs Transshipment.* – Goods admitted for transshipment
11 shall not be subject to the payment of duties and taxes, provided the conditions
12 laid down by the customs are complied with. Any commercial or transport
13 document setting out clearly the necessary particulars shall be accepted as the
14 descriptive part of the goods declaration for transshipment and this acceptance
15 shall be noted on the document.

16 The exportation of goods declared for transshipment shall be made
17 within thirty (30) days from arrival of the carrier from the foreign territory,
18 subject to extension for valid reasons and upon approval of the Commissioner
19 of Customs.

20 SEC. 604. *Articles Entered for Outright Exportation.* – Where an
21 intent to export the articles is shown by the bill of lading, airway bill, invoice,
22 manifest, or other satisfactory evidence, the whole or a part of a bill (not less
23 than one (1) package) may be entered for immediate exportation under a
24 transshipment bond.

25 Unless it shall appear by the bill of lading, airway bill, invoice,
26 manifest, or other satisfactory evidence, that articles arriving in the Philippines
27 are destined for transshipment, no exportation thereof will be permitted.

1 Upon the exportation of the articles and the production of any evidence
2 of exportation, the transshipment bond shall be released.

3 SEC. 605. *Transshipment of Tobacco Products.* – Notwithstanding
4 the provisions of Republic Act No. 7227, creating the Subic Special Economic
5 and Freeport Zone, Republic Act No. 7922, creating the Cagayan Special
6 Economic Zone, Republic Act No. 7903, creating the Zamboanga City Special
7 Economic Zone, and Republic Act No. 9728, creating the Bataan Freeport
8 Area and such other freeports as may be hereafter established or created by
9 law, all importations of alcohol and tobacco products intended for
10 transshipment to a foreign port shall not be subject to the imposition and
11 payment of duties and taxes, provided that all of the following conditions are
12 satisfied:

13 (a) The foreign port of destination shall be clearly indicated in the
14 cargo manifest accompanying the shipment;

15 (b) The shipment shall not be unloaded or transported to any Philippine
16 port of entry prior to the transport thereof to the foreign port of destination as
17 indicated in the cargo manifest;

18 (c) The tobacco products intended for transshipment shall be
19 transported abroad within thirty (30) days from the date of arrival thereof in the
20 Philippine territory;

21 (d) A guarantee in the amount equivalent to not less than the amount of
22 internal revenue taxes and duties otherwise due from shipment, shall be filed
23 with the Bureau, in a form and validity period acceptable to the Commissioner
24 of Customs;

25 (e) Submission to the Bureau of any document satisfactorily showing
26 that the transshipped products have actually arrived and have been unloaded in
27 the foreign port of destination such as Certificate of Landing, customs
28 declaration or its equivalent document filed at the port of destination; and

1 (f) The cancellation or release of such guarantee shall be effected only
2 upon submission of completed documents showing proof of actual shipment of
3 the tobacco products to, and receipt thereof by, the intended foreign port of
4 destination. Failure to submit the liquidation documents within the period to
5 be prescribed by the Bureau or to transport the shipment to the intended
6 foreign port of destination within the prescribed fifteen (15)-day period shall
7 cause the automatic forfeiture by the Bureau of the guarantee.

8 TITLE VII

9 IMPORT DUTY AND TAX

10 CHAPTER 1

11 BASIS OF IMPORT DUTY

12 SEC. 700. *Basis of Dutiable Value, Transaction Value System.* --

13 (A) Method One. -- Transaction Value. -- The dutiable value of an
14 imported article subject to an *ad valorem* rate of duty shall be the transaction
15 value, which shall be the price actually paid or payable for the goods when
16 sold for export to the Philippines, adjusted by adding:

17 (1) The following, to the extent that they are incurred by the buyer but
18 are not included in the price actually paid or payable for the imported goods:

19 (a) Commissions and brokerage fees (except buying commissions);

20 (b) Cost of containers;

21 (c) The cost of packing, whether for labour or materials;

22 (d) The value, apportioned as appropriate, of the following goods and
23 services: materials, components, parts and similar items incorporated in the
24 imported goods; tools; dies; moulds and similar items used in the production of
25 imported goods; materials consumed in the production of the imported goods;
26 and engineering, development, artwork, design work and plans and sketches
27 undertaken elsewhere than in the Philippines and necessary for the production
28 of imported goods, where such goods and services are supplied directly or

1 indirectly by the buyer free of charge or at a reduced cost for use in connection
2 with the production and sale for export of the imported goods; and

3 (e) The amount of royalties and license fees related to the goods being
4 valued that the buyer must pay either directly or indirectly, as a condition of
5 sale of the goods to the buyer.

6 (2) The value of any part of the proceeds of any subsequent resale,
7 disposal or use of the imported goods that accrues directly or indirectly to the
8 seller;

9 (3) The cost of transport of the imported goods from the port of
10 exportation to the port of entry in the Philippines;

11 (4) Loading, unloading and handling charges associated with the
12 transport of the imported goods from the country of exportation to the port of
13 entry in the Philippines; and

14 (5) The cost of insurance.

15 All additions to the price actually paid or payable shall be made only on
16 the basis of objective and quantifiable data.

17 No addition shall be made to the price actually paid or payable in
18 determining the customs value except as provided in this section: *Provided,*
19 That method one shall not be used in determining the dutiable value of
20 imported goods if:

21 (a) There are restrictions as to the disposition or use of the goods by
22 the buyer other than restrictions which:

23 (i) Are imposed or required by law or by Philippine authorities;

24 (ii) Limit the geographical area in which the goods may be resold; or

25 (iii) Do not substantially affect the value of the goods.

26 (b) The sale or price is subject to some condition or consideration for
27 which a value cannot be determined with respect to the goods being valued;

1 (c) Part of the proceeds of any subsequent resale, disposal or use of the
2 goods by the buyer will accrue directly or indirectly to the seller, unless an
3 appropriate adjustment can be made in accordance with the provisions hereof;
4 or

5 (d) The buyer and the seller are related to one another, and such
6 relationship influenced the price of the goods. Such persons shall be deemed
7 related if:

8 (i) They are officers or directors of one another's businesses;

9 (ii) They are legally recognized partners in business;

10 (iii) There exists an employer-employee relationship between them;

11 (iv) Any person directly or indirectly owns, controls or holds five
12 percent (5%) or more of the outstanding voting stock or shares of both seller
13 and buyer;

14 (v) One of them directly or indirectly controls the other;

15 (vi) Both of them are directly or indirectly controlled by a third person;

16 (vii) Together they directly or indirectly control a third person; or

17 (viii) They are members of the same family, including those related by
18 affinity or consanguinity up to the fourth civil degree.

19 Persons who are associated in business with one another in that one is
20 the sole agent, sole distributor or sole concessionaire, however described, of
21 the other shall be deemed to be related for the purposes of this Act if they fall
22 within any of the eight (8) cases above.

23 (B) Method Two. – Transaction Value of Identical Goods. – Where
24 the dutiable value cannot be determined under method one, the dutiable value
25 shall be the transaction value of identical goods sold for export to the
26 Philippines and exported at or about the same time as the goods being valued.
27 "Identical goods" shall mean goods which are the same in all respects,
28 including physical characteristics, quality and reputation. Minor differences in

1 appearances shall not preclude goods otherwise conforming to the definition
2 from being regarded as identical.

3 (C) Method Three. – Transaction Value of Similar Goods. – Where
4 the dutiable value cannot be determined under the preceding method, the
5 dutiable value shall be the transaction value of similar goods sold for export to
6 the Philippines and exported at or about the same time as the goods being
7 valued. “Similar goods” shall mean goods which, although not alike in all
8 respects, have like characteristics and like component materials which enable
9 them to perform the same functions and to be commercially interchangeable.
10 The quality of the goods, their reputation and the existence of a trademark shall
11 be among the factors to be considered in determining whether goods are
12 similar. If the dutiable value still cannot be determined through the successive
13 application of the two immediately preceding methods, the dutiable value shall
14 be determined under method four or, when the dutiable value still cannot be
15 determined under that method, under method five, except that, at the request of
16 the importer, the order of application of methods four and five shall be
17 reversed: *Provided, however,* That if the Commissioner of Customs deems that
18 there are real difficulties in determining the dutiable value using method five,
19 the Commissioner of Customs may refuse such a request, in which event the
20 dutiable value shall be determined under method four, if it can be so
21 determined.

22 (D) Method Four. – Deductive Value. – The dutiable value of the
23 imported goods under this method shall be the deductive value which shall be
24 based on the unit price at which the imported goods or identical or similar
25 imported goods are sold in the Philippines, in the same condition as when
26 imported, in the greatest aggregate quantity, at or about the time of the
27 importation of the goods being valued, to persons not related to the persons
28 from whom they buy such goods, subject to deductions for the following:

1 (1) Either the commissions usually paid or agreed to be paid or the
2 additions usually made for profit and general expenses in connection with sales
3 in such country of imported goods of the same class or kind;

4 (2) The usual costs of transport and insurance and associated costs
5 incurred within the Philippines;

6 (3) Where appropriate, the costs and charges referred to in subsection
7 (A)(3), (4) and (5) hereof;

8 (4) The customs duties and other national taxes payable in the
9 Philippines by reason of the importation or sale of the goods. If neither the
10 imported goods nor identical nor similar imported goods are sold at or about
11 the time of importation of the goods being valued in the Philippines in the
12 conditions as imported, the customs value shall, subject to the conditions set
13 forth in the preceding paragraph hereof, be based on the unit price at which the
14 imported goods or identical or similar imported goods sold in the Philippines
15 in the condition as imported at the earliest date after the importation of the
16 goods being valued but before the expiration of ninety (90) days after such
17 importation.

18 If neither the imported goods nor identical nor similar imported goods
19 are sold in the Philippines in the condition as imported, then, if the importer so
20 requests, the dutiable value shall be based on the unit price at which the
21 imported goods, after further processing, are sold in the greatest aggregate
22 quantity to persons in the Philippines who are not related to the persons from
23 whom they buy such goods, subject to allowance for the value added by such
24 processing and deductions provided under subsections (D)(1), (2), (3) and (4)
25 hereof.

26 (E) Method Five. – Computed Value. – The dutiable value under this
27 method shall be the computed value which shall be the sum of:

1 (1) The cost or the value of materials and fabrication or other
2 processing employed in producing the imported goods;

3 (2) The amount for profit and general expenses equal to that usually
4 reflected in the sale of goods of the same class or kind as the goods being
5 valued which are made by producers in the country of exportation for export to
6 the Philippines;

7 (3) The freight, insurance fees and other transportation expenses for the
8 importation of the goods;

9 (4) Any assist, if its value is not included under paragraph (1) hereof;
10 and

11 (5) The cost of containers and packing, if their values are not included
12 under paragraph (1) hereof.

13 The Bureau shall not require or compel any person not residing in the
14 Philippines to produce for examination, or to allow access to, any account or
15 other record for the purpose of determining a computed value. However,
16 information supplied by the producer of the goods for the purposes of
17 determining the customs value may be verified in another country with the
18 agreement of the producer and provided they will give sufficient advance
19 notice to the government of the country in question and the latter does not
20 object to the investigation.

21 (F) Method Six. – Fallback Value. – If the dutiable value cannot be
22 determined under the preceding methods described above, it shall be
23 determined by using other reasonable means and on the basis of data available
24 in the Philippines. If the importer so requests, the importer shall be informed
25 in writing of the dutiable value determined under method six and the method
26 used to determine such value.

1 No dutiable value shall be determined under method six on the basis of:

2 (1) The selling price in the Philippines of goods produced in the
3 Philippines;

4 (2) A system that provides for the acceptance for customs purposes of
5 the higher of two alternative values;

6 (3) The price of goods in the domestic market of the country of
7 exportation;

8 (4) The cost of production, other than computed values, that have been
9 determined for identical or similar goods in accordance with method five
10 hereof;

11 (5) The price of goods for export to a country other than the
12 Philippines;

13 (6) Minimum customs values; or

14 (7) Arbitrary or fictitious values.

15 If in the course of determining the dutiable value of imported goods, it
16 becomes necessary to delay the final determination of such dutiable value, the
17 importer shall nevertheless be able to secure the release of the imported goods
18 upon the filing of a sufficient guarantee in the form of a surety bond, a deposit,
19 cash or some other appropriate instrument in an amount equivalent to the
20 imposable duties and taxes on the imported goods in question conditioned
21 upon the payment of customs duties and taxes for which the imported goods
22 may be liable: *Provided, however,* That goods, the importation of which is
23 prohibited by law shall not be released under any circumstance whatsoever.

24 Nothing in this section shall be construed as restricting or calling into
25 question the right of the Collector of Customs to ascertain the truth or accuracy
26 of any statement, document or declaration presented for customs valuation
27 purposes. When a declaration has been presented and where the customs

1 administration has reason to doubt the truth or accuracy of the particulars or of
2 documents produced in support of this declaration, the customs administration
3 may ask the importer to provide further explanation, including documents or
4 other evidence, that the declared value represents the total amount actually
5 paid or payable for the imported goods, adjusted in accordance with the
6 provisions of subsection (A) hereof.

7 If, after receiving further information, or in the absence of a response,
8 the customs administration still has reasonable doubts about the truth or
9 accuracy of the declared value, it may, without prejudice to an importer's right
10 to appeal pursuant to Article 11 of the World Trade Organization Agreement
11 on customs valuation, be deemed that the customs value of the imported goods
12 cannot be determined under method one. Before taking a final decision, the
13 Collector of Customs shall communicate to the importer, in writing if
14 requested, the grounds for doubting the truth or accuracy of the particulars or
15 documents produced and give the importer a reasonable opportunity to
16 respond. When a final decision is made, the customs administration shall
17 communicate to the importer in writing its decision and the grounds therefor.

18 SEC. 701. *Basis of Dutiable Weight.* — On articles that are subject to
19 specific rate of duty, based on weight, the duty shall be ascertained as follows:

20 (a) When articles are dutiable by the gross weight, the dutiable weight
21 thereof shall be the weight of same, together with the weight of all containers,
22 packages, holders and packing, of any kind, in which said articles are
23 contained, held or packed at the time of importation;

24 (b) When articles are dutiable by the legal weight, the dutiable weight
25 thereof shall be the weight of same, together with the weight of the immediate
26 containers, holders and/or packing in which such articles are usually contained,
27 held or packed at the time of importation and/or, when imported in retail

1 packages, at the time of their sale to the public in usual retail quantities:
2 *Provided*, That when articles are packed in single container, the weight of the
3 latter shall be included in the legal weight;

4 (c) When articles are dutiable by the net weight, the dutiable weight
5 thereof shall be only the actual weight of the articles at the time of importation,
6 excluding the weight of the immediate and all other containers, holders or
7 packing in which such articles are contained, held or packed;

8 (d) Articles affixed to cardboard, cards, paper, wood or similar
9 common material shall be dutiable together with the weight of such holders;
10 and

11 (e) When a single package contains imported articles dutiable
12 according to different weights, or to weight and value, the common exterior
13 receptacles shall be prorated and the different proportions thereof treated in
14 accordance with the provisions of this Act as to the dutiability or
15 non-dutiability of such packing.

16 SEC. 702. *Exchange Rate*. – For the assessment and collection of
17 import duty upon imported articles and for other purposes, the value and prices
18 thereof quoted in foreign currency shall be converted into the currency of the
19 Philippines at the current rate of exchange or value specified or published,
20 from time to time, by the BSP.

21 CHAPTER 2

22 SPECIAL DUTIES AND TRADE REMEDY MEASURES

23 SEC. 703. *Marking Duty*. – (a) *Marking of Articles*. – Except as
24 hereinafter provided, every article of foreign origin (or its container, as
25 provided in subsection (b) hereof) imported into the Philippines shall be
26 marked in any official language of the Philippines and in a conspicuous place
27 as legibly, indelibly and permanently as the nature of the article (or container)

1 will permit in such manner as to indicate to an ultimate purchaser in the
2 Philippines the name of the country of origin of the article. The Commissioner
3 of Customs shall, with the approval of the Secretary of Finance, issue rules and
4 regulations to:

5 (1) Determine the character of words and phrases or abbreviation
6 thereof which shall be acceptable as indicating the country of origin and
7 prescribe any reasonable method of marking, whether by printing, stenciling,
8 stamping, branding, labeling or by any other reasonable method, and in a
9 conspicuous place on the article or container where the marking shall appear;

10 (2) Require the addition of other words or symbols which may be
11 appropriate to prevent deception or mistake as to the origin of the article or as
12 to the origin of any other article with which such imported article is usually
13 combined subsequent to importation but before delivery to an ultimate
14 purchaser; and

15 (3) Authorize the exception of any article from the requirements of
16 marking if:

17 (i) *Such article is incapable of being marked;*

18 (ii) Such article cannot be marked prior to shipment to the Philippines
19 without injury;

20 (iii) Such article cannot be marked prior to shipment to the Philippines,
21 except at an expense economically prohibitive of its importation;

22 (iv) The marking of a container of such article will reasonably indicate
23 the origin of such article;

24 (v) Such article is a crude substance;

25 (vi) Such article is imported for use by the importer and not intended for
26 sale in its imported or any other form;

27 (vii) Such article is to be processed in the Philippines by the importer
28 or for his account otherwise than for the purpose of concealing the origin of

1 such article and in such manner that any mark contemplated by this section
2 would necessarily be obliterated, destroyed or permanently concealed;

3 (viii) An ultimate purchaser, by reason of the character of such article
4 or by reason of the circumstances of its importation must necessarily know the
5 country of origin of such article even though it is not marked to indicate its
6 origin;

7 (ix) Such article was produced more than twenty (20) years prior to its
8 importation into the Philippines; or

9 (x) Such article cannot be marked after importation except at an
10 expense which is economically prohibitive, and the failure to mark the article
11 before importation was not due to any purpose of the importer, producer, seller
12 or shipper to avoid compliance with this section.

13 (b) Marking of Containers. – Whenever an article is excepted under
14 subdivision (3) of subsection (a) of this section from the requirements of
15 marking, the immediate container, if any, of such article, or such other
16 container or containers of such article as may be prescribed by the
17 Commissioner of Customs with the approval of the department head, shall be
18 marked in such manner as to indicate to an ultimate purchaser in the
19 Philippines the name of the country of origin of such article in any official
20 language of the Philippines, subject to all provisions of this section, including
21 the same exceptions as are applicable to articles under subdivision (3) of
22 subsection (a).

23 (c) Marking Duty for Failure to Mark. – If at the time of importation
24 any article (or its container, as provided in subsection (b) hereof), is not
25 marked in accordance with the requirements of this section, there shall be
26 levied, collected and paid upon such article a marking duty of five percent

1 (5%) *ad valorem*, which shall be deemed to have accrued at the time of
2 importation, except when such article is exported or destroyed under customs
3 supervision and prior to the final liquidation of the corresponding entry.

4 (d) *Delivery Withheld Until Marked.* – No imported article held in
5 customs custody for inspection, examination or appraisal shall be delivered
6 until such article or its containers whether released or not from customs
7 custody, shall have been marked in accordance with the requirements of this
8 section and until the amount of duty estimated to be payable under subsection
9 (c) of this section shall have been deposited. Nothing in this section shall be
10 construed as excepting any article or its container from the particular
11 requirements of marking provided for in any provision of law.

12 (e) The failure or refusal of the owner or importer to mark the articles
13 as herein required within a period of thirty (30) days after due notice shall
14 constitute as an act of abandonment of said articles and their disposition shall
15 be governed by the provisions of this Act relative to abandonment of imported
16 articles.

17 *SEC. 704. Dumping Duty.* – The provisions of Republic Act No. 8752,
18 otherwise known as “An Act Providing the Rules for the Imposition of an
19 Anti-Dumping Duty, Amending for the Purpose Section 301, Part 2, Title II,
20 Book 1 of the Tariff and Customs Code of the Philippines, as Amended by
21 Republic Act No. 7843, and for Other Purposes” are hereby adopted.

22 *SEC. 705. Safeguard Duty.* – The provisions of Republic Act
23 No. 8800, otherwise known as “An Act Protecting Local Industries by
24 Providing Safeguard Measures to be Undertaken in Response to Increased
25 Imports and Providing Penalties for Violation Thereof” and its implementing
26 rules are hereby adopted.

27 *SEC. 706. Countervailing Duty.* – The provisions of Republic Act
28 No. 8751, otherwise known as “An Act Strengthening the Mechanisms for the

1 Imposition of Countervailing Duties on Imported Subsidized Products,
2 Commodities or Articles of Commerce in Order to Protect Domestic Industries
3 from Unfair Trade Competition, Amending for the Purpose Section 302, Part
4 2, Title II, Book 1 of Presidential Decree No. 1464, otherwise known as the
5 Tariff and Customs Code of the Philippines, as Amended” are hereby adopted.

6 SEC. 707. *Special Duty, Discrimination by Foreign Countries.* –

7 (a) The President, when he finds that the public interest will be served thereby,
8 shall by proclamation specify and declare new or additional duties in an
9 amount not exceeding one hundred percent (100%) *ad valorem* upon articles
10 wholly or in part the growth or product of, or imported in a vessel of, any
11 foreign country whenever he shall find as a fact that such country.

12 (1) Imposes, directly or indirectly, upon the disposition or
13 transportation in transit through or re-exportation from such country of any
14 article wholly or in part the growth or product of the Philippines, any
15 unreasonable charge, exaction, regulation or limitation which is not equally
16 enforced upon the like articles of every foreign country; or

17 (2) Discriminates in fact against the commerce of the Philippines,
18 directly or indirectly, by law or administrative regulation or practice, by or in
19 respect to any customs, tonnage, or port duty, fee, charge, exaction,
20 classification, regulation, condition, restriction or prohibition, in such manner
21 as to place the commerce of the Philippines at a disadvantage compared with
22 the commerce of any foreign country.

23 (b) If at any time the President shall find it to be a fact that any foreign
24 country has not only discriminated against the commerce of the Philippines, as
25 aforesaid, but has, after the issuance of a proclamation as authorized in
26 subsection (a) of this section, maintained or increased its said discrimination
27 against the commerce of the Philippines, the President is hereby authorized, if

1 deemed consistent with the interests of the Philippines and of public interest, to
2 issue a further proclamation directing that such product of said country or such
3 article imported in its vessels be excluded from importation into the
4 Philippines.

5 (c) Any proclamation issued by the President under this section shall, if
6 he deems it consistent with the interest of the Philippines, extend to the whole
7 of any foreign country or may be confined to any subdivision or subdivisions
8 thereof; and the President shall, whenever he deems the public interests
9 require, suspend, revoke, supplement or amend any such proclamation.

10 (d) All articles imported contrary to the provisions of this section shall
11 be forfeited to the government of the Philippines and shall be liable to be
12 seized, prosecuted and condemned in like manner and under the same
13 regulations, restrictions and provisions as may from time to time be established
14 for the recovery, collection, distribution and remission or forfeiture to the
15 government by the tariff and customs laws. Whenever the provision of this
16 section shall be applicable to importations into the Philippines of articles
17 wholly or in part the growth or product of any foreign country, they shall be
18 applicable thereto, whether such articles are imported directly or indirectly.

19 (e) It shall be the duty of the Commission to ascertain and at all times
20 to be informed whether any of the discriminations against the commerce of the
21 Philippines enumerated in subsections (a) and (b) of this section are practiced
22 by any country; and if and when such discriminatory acts are disclosed, it shall
23 be the duty of the Commission to bring the matter to the attention of the
24 President, together with recommendations.

25 (f) The Secretary of Finance shall make such rules and regulations as
26 are necessary for the execution of a proclamation that the President may issue
27 in accordance with the provisions of this section.

TITLE VIII

TAX AND DUTY DEFERMENT, PREFERENCE AND EXEMPTION

CHAPTER 1

CONDITIONALLY FREE IMPORTATION

1
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3
4
5 SEC. 800. *Conditionally Free Importation.* – The following articles
6 shall be exempt from the payment of import duties upon compliance with the
7 formalities prescribed in the regulations which shall be promulgated by the
8 Commissioner of Customs with the approval of the Secretary of Finance:
9 *Provided,* That any article sold, bartered, hired or used for purposes other than
10 that they were intended for without prior payment of the duty, tax or other
11 charges which would have been due and payable at the time of entry if the
12 article had been entered without the benefit of this section, shall be subject to
13 forfeiture and the importation shall constitute a fraudulent practice against
14 customs laws: *Provided, further,* That a sale pursuant to a judicial order or in
15 liquidation of the estate of a deceased person shall not be subject to the
16 preceding proviso, without prejudice to the payment of duties, taxes and other
17 charges: *Provided, finally,* That the President may upon the recommendation
18 of the Secretary of Finance, suspend, disallow or completely withdraw, in
19 whole or in part, any of the conditionally free importation under this section:

20 (a) Aquatic products (e.g. fishes, crustaceans, mollusks, marine
21 animals, seaweeds, fish oil, roe), caught or gathered by fishing vessels of
22 Philippine registry: *Provided,* That they are imported in such vessels or in
23 crafts attached thereto: *Provided, further,* That they have not been landed in
24 any foreign territory or, if so landed, they have been landed solely for
25 transshipment without having been advanced in condition;

26 (b) Equipment for use in the salvage of vessels or aircrafts, not
27 available locally, upon identification and the giving of a bond in an amount
28 equal to one hundred percent (100%) the ascertained duties, taxes and other

1 charges thereon, conditioned for the exportation thereof or payment of
2 corresponding duties, taxes and other charges within six (6) months from the
3 date of acceptance of the import entry: *Provided*, That the Collector of
4 Customs may extend the time for exportation or payment of duties, taxes and
5 other charges for a term not exceeding six (6) months from the expiration of
6 the original period;

7 (c) Cost of repairs, excluding the value of the article used, made in
8 foreign countries upon vessels or aircraft documented, registered or licensed in
9 the Philippines, upon proof satisfactory to the Collector of Customs: (1) that
10 adequate facilities for such repairs are not afforded in the Philippines; or
11 (2) that such vessels or aircrafts, while in the regular course of her voyage or
12 flight, was compelled by stress of weather or other casualty to put into a
13 foreign port to make such repairs in order to secure the safety, seaworthiness or
14 airworthiness of the vessel or aircraft to enable her to reach her port of
15 destination;

16 (d) Articles brought into the Philippines for repair, processing or
17 reconditioning to be re-exported upon completion of the repair, processing or
18 reconditioning: *Provided*, That the Collector of Customs shall require the
19 giving of a bond in an amount equal to one hundred percent (100%) the
20 ascertained duties, taxes and other charges thereon, conditioned for the
21 exportation thereof or payment of the corresponding duties, taxes and other
22 charges within six (6) months from the date of acceptance of the goods
23 declaration;

24 (e) Medals, badges, cups and other small articles bestowed as trophies
25 or prizes, or those received or accepted as honorary distinction;

26 (f) Personal and household effects belonging to residents of the
27 Philippines returning from abroad including jewelry, precious stones and other
28 articles of luxury which were formally declared and listed before departure and

1 identified under oath before the Collector of Customs when exported from the
2 Philippines by such returning residents upon their departure therefrom or
3 during their stay abroad; personal and household effects including wearing
4 apparel, articles of personal adornment (except luxury items), toilet articles,
5 instruments related to one's profession and analogous personal or household
6 effects, excluding vehicles, watercrafts, aircrafts and animals purchased in
7 foreign countries by residents of the Philippines which were necessary,
8 appropriate and normally used for their comfort and convenience during their
9 stay abroad, accompanying them on their return, or arriving within a
10 reasonable time which, barring unforeseen and fortuitous events, in no case
11 shall exceed sixty (60) days after the owner's return: *Provided*, That the
12 personal and household effects shall neither be in commercial quantities nor
13 intended for barter, sale or for hire and that the total dutiable value of which
14 shall not exceed Fifty thousand pesos (P50,000.00): *Provided, further*, That
15 the returning resident has not previously availed of the privilege under this
16 section within three hundred sixty-five (365) days prior to his arrival:
17 *Provided, finally*, That a fifty percent (50%) *ad valorem* duty across the board
18 shall be levied and collected on the personal and household effects (except
19 luxury items) in excess of Fifty thousand pesos (P50,000.00). For purposes of
20 this section, the phrase "returning residents" shall refer to nationals who have
21 stayed in a foreign country for a period of at least six (6) months.

22 In addition to the privileges granted under the immediately preceding
23 paragraph, returning overseas contract workers shall have the privilege to bring
24 in, duty and tax free, used home appliances, limited to one of every kind once
25 in a given calendar year accompanying them on their return, or arriving within
26 a reasonable time which, barring unforeseen and fortuitous events, in no case
27 shall exceed sixty (60) days after the owner's return upon presentation of their
28 original passport at the port of entry: *Provided*, That any excess of Fifty

1 thousand pesos (P50,000.00) for personal and household effects and/or of the
2 number of duty and tax-free appliances as provided for under this section, shall
3 be subject to the corresponding duties and taxes provided under this Act. For
4 purposes of this section, the following words/phrases shall be understood to
5 mean:

6 (1) Overseas Contract Workers. Holders of valid passports duly issued
7 by the Department of Foreign Affairs and certified by the Department of Labor
8 and Employment/Philippine Overseas Employment Agency for overseas
9 employment purposes. It covers all nationals working in a foreign country
10 under employment contracts including Middle East contract workers,
11 entertainers, domestic helpers, regardless of their employment status in the
12 foreign country; and

13 (2) Calendar Year. Shall cover the period from January 1 to December
14 31;

15 (g) Wearing apparel, articles of personal adornment, toilet articles,
16 portable tools and instrument, theatrical costumes and similar effects
17 accompanying travelers, or tourists, or arriving within a reasonable time before
18 or after their arrival in the Philippines, which are necessary and appropriate for
19 the wear and use of such persons according to the nature of the journey, their
20 comfort and convenience: *Provided*, That this exemption shall not apply to
21 articles intended for other persons or for barter, sale or hire: *Provided, further*,
22 That the Collector of Customs may, in his discretion, require either a written
23 commitment or a bond in an amount equal to one hundred percent (100%) the
24 ascertained duties, taxes and other charges conditioned for the exportation
25 thereof or payment of the corresponding duties, taxes and other charges within
26 three (3) months from the date of acceptance of the goods declaration:
27 *Provided, finally*, That the Collector of Customs may extend the time for

1 exportation or payment of duties, taxes and other charges for a term not
2 exceeding three (3) months from the expiration of the original period.

3 Personal and household effects and vehicles belonging to foreign
4 consultants and experts hired by, and/or rendering service to, the government,
5 and their staff or personnel and families, accompanying them or arriving within
6 a reasonable time before or after their arrival in the Philippines, in quantities
7 and of the kind necessary and suitable to the profession, rank or position of the
8 person importing them, for their own use and not for barter, sale or hire:
9 *Provided*, That the Collector of Customs may in his discretion require either a
10 written commitment or a bond in an amount equal to one hundred percent
11 (100%) the ascertained duties, taxes and other charges upon the articles
12 classified under this subsection; conditioned for the exportation thereof or
13 payment of the corresponding duties, taxes and other charges within six (6)
14 months after the expiration of their term or contract: *Provided, finally*, That the
15 Collector of Customs may extend the time for exportation or payment of
16 duties, taxes and other charges for a term not exceeding six (6) months from
17 the expiration of the original period;

18 (h) Professional instruments and implements, tools of trade, occupation
19 or employment, wearing apparel, domestic animals, and personal and
20 household effects belonging to persons coming to settle in the Philippines or
21 Filipinos and/or their families and descendants who are now residents or
22 citizens of other countries, such parties hereinafter referred to as overseas
23 Filipinos, in quantities and of the class suitable to the profession, rank or
24 position of the persons importing them, for their own use and not for barter or
25 sale, accompanying such persons, or arriving within a reasonable time, in the
26 discretion of the Collector of Customs, upon the production of evidence
27 satisfactory to the Collector of Customs that such persons are actually coming
28 to settle in the Philippines, that change of residence was *bona fide* and that the

1 privilege of free entry was never granted to them before or that such person
2 qualifies under the provisions of Letters of Instruction 105, 163 and 210, and
3 that the articles are brought from their former place of abode, shall be exempt
4 from the payment of customs, duties and taxes: *Provided*, That vehicles,
5 vessels, aircrafts, machineries and other similar articles for use in manufacture,
6 shall not be classified hereunder;

7 (i) Articles used exclusively for public entertainment, and for display
8 in public expositions, or for exhibition or competition for prizes, and devices
9 for projecting pictures and parts and appurtenances thereof, upon
10 identification, examination, and appraisal and the giving of a bond in an
11 amount equal to one hundred percent (100%) the ascertained duties, taxes and
12 other charges thereon, conditioned for exportation thereof or payment of the
13 corresponding duties, taxes and other charges within six (6) months from the
14 date of acceptance of the goods declaration: *Provided*, That the Collector of
15 Customs may extend the time for exportation or payment of duties, taxes and
16 other charges for a term not exceeding six (6) months from the expiration of
17 the original period; and technical and scientific films when imported by
18 technical, cultural and scientific institutions, and not to be exhibited for profit:
19 *Provided, further*, That if any of the films is exhibited for profit, the proceeds
20 therefrom shall be subject to confiscation, in addition to the penalty provided
21 under this Act;

22 (j) Articles brought by foreign film producers directly and exclusively
23 used for making or recording motion picture films on location in the
24 Philippines, upon their identification, examination and appraisal and the giving
25 of a bond in an amount equal to one hundred percent (100%) the ascertained
26 duties, taxes and other charges thereon, conditioned for exportation thereof or
27 payment of the corresponding duties, taxes and other charges within six (6)
28 months from the date of acceptance of the goods declaration, unless extended

1 by the Collector of Customs for another six (6) months; photographic and
2 cinematographic films, underdeveloped, exposed outside the Philippines by
3 resident Filipino citizens or by producing companies of Philippine registry
4 where the principal actors and artists employed for the production are
5 Filipinos, upon affidavit by the importer and identification that such exposed
6 films are the same films previously exported from the Philippines. As used in
7 this paragraph, the terms "actors" and "artists" include the persons operating
8 the photographic camera or other photographic and sound recording apparatus
9 by which the film is made;

10 (k) Importations for the official use of foreign embassies, legations and
11 other agencies of foreign governments: *Provided*, That those foreign countries
12 accord like privileges to corresponding agencies of the Philippines. Articles
13 imported for the personal or family use of the members and attaches of foreign
14 embassies, legations, consular officers and other representatives of foreign
15 governments: *Provided, further*, That such privilege shall be accorded under
16 special agreements between the Philippines and the countries which they
17 represent: *Provided, finally*, That the privilege may be granted only upon
18 specific instructions of the Secretary of Finance in each instance which shall be
19 issued only upon request of the Department of Foreign Affairs;

20 (l) Imported articles donated to, or for the account of, any duly
21 registered relief organization, not operated for profit, for free distribution
22 among the needy, upon certification by the Department of Social Welfare and
23 Development (DSWD) or the Department of Education (DepED), as the case
24 may be;

25 (m) Containers, holders and other similar receptacles of any material
26 including kraft paper bags for locally manufactured cement for export,
27 including corrugated boxes for bananas, pineapples and other fresh fruits for
28 export, except other containers made of paper, paperboard and textile fabrics,

1 which are of such character as to be readily identifiable and/or reusable for
2 shipment or transportation of goods shall be delivered to the importer thereof
3 upon identification, examination and appraisal and the giving of a bond in an
4 amount equal to one hundred percent (100%) the ascertained duties, taxes and
5 other charges within six (6) months from the date of acceptance of the import
6 entry;

7 (n) Supplies which are necessary for the reasonable requirements of the
8 vessel or aircraft in her voyage or flight outside the Philippines, including
9 articles transferred from a bonded warehouse in any collection district to any
10 vessel or aircraft engaged in foreign trade, for use or consumption of the
11 passengers or its crew on board such vessel or aircrafts as sea or air stores; or
12 article purchased abroad for sale on board a vessel or aircraft as saloon stores
13 or air store supplies: *Provided*, That any surplus or excess of such vessel or
14 aircraft supplies arriving from foreign ports or airports shall be dutiable;

15 (o) Articles and salvage from vessels recovered after a period of two
16 (2) years from the date of filing the marine protest or the time when the vessel
17 was wrecked or abandoned, or parts of a foreign vessel or her equipment,
18 wrecked or abandoned in Philippine waters or elsewhere: *Provided*,
19 That articles and salvage recovered within the said period of two (2) years
20 shall be dutiable;

21 (p) Coffins or urns containing human remains, bones or ashes, used
22 personal and household effects (not merchandise) of the deceased person,
23 except vehicles, the value of which does not exceed Fifty thousand pesos
24 (P50,000.00), upon identification as such;

25 (q) Samples of the kind, in such quantity and of such dimension or
26 construction as to render them unsaleable or of no appreciable commercial
27 value; models not adapted for practical use; and samples of medicines,
28 properly marked "sample-sale punishable by law", for the purpose of

1 introducing a new article in the Philippine market and imported only once in a
2 quantity sufficient for such purpose by a person duly registered and identified
3 to be engaged in that trade: *Provided*, That importations under this subsection
4 shall be previously authorized by the Secretary of Finance: *Provided, further*,
5 That importation of sample medicine shall be previously authorized by the
6 Secretary of Health that such samples are new medicines not available in the
7 Philippines: *Provided, finally*, That samples not previously authorized and/or
8 properly marked in accordance with this section shall be levied the
9 corresponding tariff duty. Commercial samples, except those that are not
10 readily and easily identifiable as in the case of precious and semi-precious
11 stones, cut or uncut, and jewelry set with precious or semi-precious stones, the
12 value of any single importation of which does not exceed Fifty thousand pesos
13 (P50,000.00) upon the giving of a bond in an amount equal to the ascertained
14 duties, taxes and other charges thereon, conditioned for the exportation of said
15 samples within six (6) months from the date of the acceptance of the goods
16 declaration or in default thereof, the payment of the corresponding duties, taxes
17 and other charges. If the value of any single consignment of such commercial
18 samples exceeds Fifty thousand pesos (P50,000.00), the importer thereof may
19 select any portion of same not exceeding in value of Fifty thousand pesos
20 (P50,000.00) for entry under the provision of this subsection, and the excess of
21 the consignment may be entered in bond, or for consumption, as the importer
22 may elect;

23 (r) Animals (except race horses), and plants for scientific,
24 experimental, propagation, botanical, breeding, zoological and national
25 defense purposes: *Provided*, That no live trees, shoots, plants, moss and bulbs,
26 tubers and seeds for propagation purposes may be imported under this section,
27 except by order of the government or other duly authorized institutions:
28 *Provided, further*, That the free entry of animals for breeding purposes shall be

1 restricted to animals of recognized breed, duly registered in the book of record
2 established for that breed, certified as such by the Bureau of Animal Industry:
3 *Provided, furthermore,* That certificate of such record, and pedigree of such
4 animal duly authenticated by the proper custodian of such book of record, shall
5 be produced and submitted to the Collector of Customs, together with affidavit
6 of the owner or importer, that such animal is the animal described in said
7 certificate of record and pedigree: *Provided, finally,* That the animals and
8 plants are certified by the National Economic and Development Authority as
9 necessary for economic development;

10 (s) Economic, technical, vocational, scientific, philosophical, historical
11 and cultural books and/or publications: *Provided,* That those which may have
12 already been imported but pending release by the Bureau at the effectivity of
13 this Act may still enjoy the privilege herein provided upon certification by the
14 DepED that such imported books and/or publications are for economic,
15 technical, vocational, scientific, philosophical, historical or cultural purposes
16 or that the same are educational, scientific or cultural materials covered by the
17 International Agreement on Importation of Educational Scientific and Cultural
18 Materials signed by the President of the Philippines on August 2, 1952, or
19 other agreements binding upon the Philippines. Educational, scientific and
20 cultural materials covered by international agreements or commitments binding
21 upon the Philippine government so certified by the DepED. Bibles, missals,
22 prayer books, Koran, Ahadith and other religious books of similar nature and
23 extracts therefrom, hymnal and hymns for religious uses;

24 (t) Philippine articles previously exported from the Philippines and
25 returned without having been advanced in value or improved in condition by
26 any process of manufacture or other means, and upon which no drawback or
27 bounty has been allowed, including instruments and implements, tools of trade,
28 machinery and equipment, used abroad by Filipino citizens in the pursuit of

1 their business, occupation or profession; and foreign articles previously
2 imported when returned after having been exported and loaned for use
3 temporarily abroad solely for exhibition, testing and experimentation, for
4 scientific or educational purposes; and foreign containers previously imported
5 which have been used in packing exported Philippine articles and returned
6 empty if imported by or for the account of the person or institution who
7 exported them from the Philippines and not for sale, barter or hire subject to
8 identification: *Provided*, That any Philippine article falling under this
9 subsection upon which drawback or bounty has been allowed shall, upon
10 re-importation thereof, be subject to a duty under this subsection equal to the
11 amount of such drawback or bounty;

12 (u) Aircraft, equipment and machinery, spare parts commissary and
13 catering supplies, aviation gas, fuel and oil, whether crude or refined, and such
14 other articles or supplies imported by and for the use of scheduled airlines
15 operating under congressional franchise: *Provided*, That such articles or
16 supplies are not locally available in reasonable quantity, quality and price and
17 are necessary or incidental for the proper operation of the scheduled airline
18 importing the same;

19 (v) Machineries, equipment, tools for production, plans to convert
20 mineral ores into saleable form, spare parts, supplies, materials, accessories,
21 explosives, chemicals, and transportation and communications facilities
22 imported by and for the use of new mines and old mines which resume
23 operations, when certified to as such by the Secretary of the Department of
24 Environment and Natural Resources, upon the recommendation of the Director
25 of Mines, for a period ending five (5) years from the first date of actual
26 commercial production of saleable mineral products: *Provided*, That such
27 articles are not locally available in reasonable quantity, quality and price and
28 are necessary or incidental in the proper operation of the mine; and aircrafts

1 imported by agro-industrial companies to be used by them in their agriculture
2 and industrial operations or activities, spare parts and accessories thereof,
3 when certified to as such by the Secretary of the Department of Agriculture or
4 the Secretary of the Department of Trade and Industry, as the case may be;

5 (w) Spare parts of vessels or aircraft of foreign registry engaged in
6 foreign trade when brought into the Philippines exclusively as replacements or
7 for the emergency repair thereof, upon proof satisfactory to the Collector of
8 Customs that such spare parts shall be utilized to secure the safety,
9 seaworthiness or airworthiness of the vessel or aircraft, to enable it to continue
10 its voyage or flight;

11 (x) Articles of easy identification exported from the Philippines for
12 repair, processing or reconditioning and subsequently reimported upon proof
13 satisfactory to the Collector of Customs that such articles is not capable of
14 being repaired, processed or reconditioned locally: *Provided*, That the
15 applicable duty rate on the article shall be imposed on the cost of repair,
16 processing or reconditioning on such article; and

17 (y) Trailer chassis when imported by shipping companies for their
18 exclusive use in handling containerized cargo, upon posting a bond in an
19 amount equal to one hundred percent (100%) the ascertained duties, taxes and
20 other charges due thereon to cover a period of one (1) year from the date of
21 acceptance of the entry, which period, for meritorious reasons, may be
22 extended by the Commissioner of Customs from year to year, subject to the
23 following conditions:

24 (1) That they shall be properly identified and registered with the Land
25 Transportation Office;

26 (2) That they shall be subject to customs supervision fee to be fixed by
27 the Collector of Customs and subject to the approval of the Commissioner of
28 Customs;

1 (3) That they shall be deposited in the Customs zone when not in use;
2 and

3 (4) That upon the expiration of the period prescribed above, duties and
4 taxes shall be paid unless otherwise re-exported.

5 The provisions of Section 105 of Presidential Decree No. 34, dated
6 October 27, 1972, to the contrary notwithstanding any officer or employee of
7 the Department of Foreign Affairs, including any attaché, civil or military or
8 member of his staff assigned to a Philippine diplomatic mission abroad by his
9 Department or any similar officer or employee assigned to a Philippine
10 consular office abroad, or any Armed Forces of the Philippines (AFP) military
11 personnel accorded assimilated diplomatic rank or duty abroad who is
12 returning from a regular assignment abroad, for reassignment to his home
13 office, or who dies, resigns, or is retired from the service, after the approval of
14 this Act, shall be exempt from the payment of all duties and taxes on his
15 personal and household effects, including one (1) motor car which must have
16 been ordered or purchased prior to the receipt by the mission or consulate of
17 his order of recall, and which must be registered in his name: *Provided,*
18 *however,* That this exemption shall apply only to the value of the motor car and
19 to the aggregate assessed value of said personal and household effects the latter
20 not to exceed thirty percent (30%) of the total amount received by such officer
21 or employee in salary and allowances during his latest assignment abroad but
22 not to exceed four (4) years: *Provided, further,* That this exemption shall not
23 be availed of more than once every four (4) years: *Provided, finally,* That the
24 officer or employee concerned must have served abroad for not less than two
25 (2) years.

26 The provisions of general and special laws, including those granting
27 franchises, to the contrary notwithstanding, there shall be no exemptions
28 whatsoever from the payment of customs duties except those provided for in

1 this Act; those granted to government agencies, instrumentalities or
2 government-owned or -controlled corporations with existing contracts,
3 commitments, agreements, or obligations with foreign countries requiring such
4 exemption; international institutions, associations or organizations entitled to
5 exemption pursuant to agreements or special laws; and those that may be
6 granted by the President upon prior recommendation of the NEDA in the
7 interest of national economic development.

8 CHAPTER 2

9 CUSTOMS BONDED WAREHOUSE

10 SEC. 801. *Establishment and Supervision of Warehouses.* – When
11 the business of the port requires such facilities, the Collector subject to the
12 approval of the Commissioner shall designate and establish warehouses for
13 use as public and private bonded warehouses, sheds or yards, or for other
14 special purposes. All such warehouses and premises shall be subject to the
15 supervision of the Collector, who shall impose such conditions as may be
16 deemed necessary for the protection of the revenue and of the articles stored
17 therein.

18 SEC. 802. *Types of Warehouses.* – Warehouses may be classified as
19 follows:

- 20 (a) Public bonded warehouse;
- 21 (b) Private bonded warehouse;
- 22 (c) Manufacturing bonded warehouse;
- 23 (d) Industry-specific Customs bonded warehouse;
- 24 (e) Common Customs bonded warehouse; and
- 25 (f) Container yard/container freight station.

26 Subject to consultation with the NEDA and the DTI, and oversight by
27 Congress, and based on prevailing economic circumstance, the Commissioner
28 may create other types of warehouses.

1 SEC. 803. *Responsibility of Operators.* – The operators of bonded
2 warehouses in case of loss of the imported articles stored shall be liable for the
3 payment of duties and taxes due thereon. The government assumes no legal
4 responsibility in respect to the safekeeping of articles stored in any customs
5 warehouse, shed, yard or premises.

6 SEC. 804. *Establishment of Bonded Warehouses.* – Application for
7 the establishment of bonded warehouses must be made in writing and filed
8 with the Collector, describing the premises, the location, and capacity of the
9 same, and the purpose for which the building is to be used.

10 Upon receipt of such application, the Collector shall cause an
11 examination of the premises, with reference particularly to its location,
12 construction and means provided for the safekeeping of articles and if found
13 satisfactory, he may authorize its establishment, and accept a bond for its
14 operation and maintenance. The operator of such bonded warehouse shall pay
15 an annual supervision fee in an amount to be fixed by the Commissioner. The
16 bonded warehouse officers and other employees thereof shall be regular
17 employees who shall be appointed in accordance with the civil service law,
18 rules and regulations.

19 SEC. 805. *Irrevocable Domestic Letter of Credit or Bank Guarantee or*
20 *Warehousing Bond.* – After articles declared in the entry for warehousing
21 shall have been examined and the duties, taxes and other charges shall have
22 been determined, the Collector shall require from the importer, an irrevocable
23 letter of credit, bank guarantee or bond equivalent to the amount of such
24 duties, taxes and other charges conditioned upon the withdrawal of the articles
25 within the period prescribed by Section 808 of this Act and for payment of any
26 duties, taxes and other charges to which the articles shall be then subject and
27 upon compliance with all legal requirements regarding their importation.

1 SEC. 806. *Discontinuance of Warehouses.* – The use of any warehouse
2 may be discontinued by the Collector at any time when conditions so warrant,
3 or, in case of private warehouse, upon receipt of written request to that effect
4 from the operator thereof: *Provided*, That all the requirements of the law and
5 regulations have been complied with by said operator. Where the dutiable
6 article is stored in such premises, the same must be removed at the risk and
7 expense of the operator and the premises shall not be relinquished, nor
8 discontinuance of its use authorized, until after a careful examination of the
9 account of the warehouse shall have been made. Discontinuance of any
10 warehouse shall be effective upon official notice and approval thereof by the
11 Collector.

12 SEC. 807. *Withdrawal of Articles from Bonded Warehouse.* – Articles
13 entered under irrevocable domestic letter of credit, bank guarantee or bond
14 may be withdrawn at any time for consumption, for transportation to another
15 port, for exportation or for delivery on board a vessel or aircraft engaged in
16 foreign trade for use on board such vessel or aircraft as sea stores or aircraft
17 stores after liquidation of the entry. The withdrawal must be made by a person
18 or firm duly authorized by the former, whose authority must appear in writing
19 upon the face of the withdrawal entry.

20 SEC. 808. *Period of Storage in Bonded Warehouse.* – Articles duly
21 entered for warehousing may remain in bonded warehouses for a maximum
22 period of one (1) year from the time of arrival at the port of entry. For
23 perishable articles as defined by regulation, the storage period shall be three
24 (3) months from the date of arrival, extendible upon written request to another
25 three (3) months for valid reasons. Articles not withdrawn at the expiration of
26 the prescribed period shall be deemed as abandoned as provided under Section
27 1029 of this Act.

1 However, the Commissioner of Customs shall, in consultation with the
2 Secretary of Trade and Industry, establish a reasonable storage period limit
3 beyond one (1) year for bonded articles for manufacturing and intended for
4 export the processing into finished products of which requires a longer period
5 based on industry standard and practice, subject to the approval of the
6 Secretary of Finance.

7 SEC. 809. *Establishment of Bonded Manufacturing Warehouses.* –

8 All articles manufactured in whole or in part of imported materials, and
9 intended for exportation without being charged with duty, shall, in order to be
10 so manufactured and exported, be made and manufactured in bonded
11 manufacturing warehouses under such rules and regulations as the
12 Commissioner of Customs with the approval of the Secretary of Finance, shall
13 prescribe: *Provided*, That the manufacturer of such articles shall first file a
14 satisfactory bond for the faithful observance of all laws, rules and regulations
15 applicable thereto.

16 SEC. 810. *Exemption from Duty.* – The following articles shall be
17 exempted from duty:

18 (a) Whenever articles manufactured in any bonded manufacturing
19 warehouse established under the provisions of the preceding section shall be
20 exported directly therefrom or shall be duly laden for immediate exportation
21 under the supervision of the proper official, such articles shall be exempt from
22 duty; and

23 (b) Any imported material used in the manufacture of such articles, and
24 any package, covering, brand and label used in putting up the same may, under
25 the regulation prescribed by the Commissioner of Customs, with the approval
26 of the Secretary of Finance, be conveyed without the payment of duty into any
27 bonded manufacturing warehouse, and imported articles may, under the
28 aforesaid regulations, be transferred without the payment of duty from any

1 bonded warehouse into any bonded manufacturing warehouse, or to duly
2 accredited subcontractors of manufacturers who shall process the same into
3 finished products for exports and deliver such finished products back to the
4 bonded manufacturing warehouse, therefrom to be exported; but this privilege
5 shall not be held to apply to implements, machinery or apparatus to be used in
6 the construction or repair of any bonded manufacturing warehouse: *Provided,*
7 *however,* That, the materials transferred or conveyed into any bonded
8 manufacturing warehouse shall be used in the manufacture of articles for
9 exportation within a period of one (1) year or such storage period as may be
10 established pursuant to Section 808 of this Act, from date of such transfer or
11 conveyance into the bonded manufacturing warehouse, which period may for
12 valid reasons be further extended for not more than three (3) months by the
13 Commissioner. Materials not used in the manufacture of articles for
14 exportation within the prescribed period shall pay the corresponding duties:
15 *Provided, further,* That the operation of embroidery and apparel firms shall
16 continue to be governed by Republic Act No. 3137.

17 SEC. 811. *Procedure for Withdrawal.* – Articles received into such
18 bonded manufacturing warehouse or articles manufactured therein may be
19 withdrawn or removed therefrom for direct shipment and for immediate
20 exportation in bond under the supervision of the proper customs officer, who
21 shall certify to such shipment and exportation, or lading for immediate
22 exportation as the case may be, describing the articles by their mark or
23 otherwise, the quantity, the date of exportation, in the name of the vessel or
24 aircraft: *Provided,* That the waste and byproducts incident to the process of
25 manufacture in said bonded warehouse may be withdrawn for domestic
26 consumption upon payment of duty equal to the duty which would be assessed
27 and collected pursuant to law as if such waste or byproducts were imported
28 from a foreign country: *Provided, further,* That all waste materials may be

1 disposed under government supervision. All labors performed and services
2 rendered under these provisions shall be under the supervision of a proper
3 customs officer and at the expense of the manufacturer.

4 SEC. 812. *Verification by the Commissioner.* – A careful account shall
5 be kept by the Collector of all articles delivered by him to any bonded
6 manufacturing warehouse, and a sworn monthly return, verified by the customs
7 officer-in-charge, shall be made by the manufacturer containing a detailed
8 statement of all imported articles used by him in the manufacture of the
9 exported articles.

10 All documents, books and records of accounts concerning the operation
11 of any bonded manufacturing warehouse shall, upon demand, be made
12 available to the Collector or his representative for examination and/or audit.

13 Before commencing business, the operator of any bonded manufacturing
14 warehouse shall file with the Commissioner a list of all the articles intended to
15 be manufactured in such warehouse, and state the formula of manufacture and
16 the names and quantities of the ingredients to be used therein.

17 CHAPTER 3

18 FREE ZONES (PEZA ZONES AND FREEPORT ZONES)

19 SEC. 813. *Free Zones.* – Unless otherwise provided by law, goods
20 admitted into free zones, such as special economic zones registered with PEZA
21 under Republic Act No. 7916, duly chartered or legislated freeports under
22 Republic Act No. 9400, the Aurora Special Economic Zone under Republic
23 Act No. 9490, the Cagayan Special Economic Zone and Freeport under
24 Republic Act No. 7922, the Zamboanga City Special Economic Zone under
25 Republic Act No. 7903, and Freeport Area of Bataan under Republic Act No.
26 9728, shall not be subject to duty and tax.

27 Entry into such free zones, whether directly or through the customs
28 territory, shall be covered by the necessary goods declaration for transit and

1 withdrawal from free zones into the customs territory shall be covered by the
2 necessary goods declaration for consumption or for warehousing.

3 Transfer of articles from one free zone into another free zone shall
4 likewise be covered by the necessary transit permit.

5 CHAPTER 4

6 STORES

7 SEC. 814. *Stores for Consumption.* – “Stores for consumption”
8 means:

9 (a) Articles intended for consumption by the passengers and the crew
10 on board vessels or aircrafts, whether or not sold; and

11 (b) Articles necessary for the operation and maintenance of vessels or
12 aircraft including fuel and lubricants but excluding spare parts and equipment;
13 which are either on board upon arrival or are taken on board during the stay in
14 the customs territory of vessels or aircrafts used, or intended to be used, in
15 international traffic for the transport of persons for remuneration or for the
16 industrial or commercial transport of goods, whether or not for remuneration.

17 SEC. 815. *Stores to be Taken Away.* – “Stores to be taken away”
18 means articles for sale to the passengers and the crew of vessels and aircrafts
19 with a view to being landed, which are either on board upon arrival or are
20 taken on board during the stay in the customs territory of vessels and aircrafts
21 used, or intended to be used, in international traffic for the transport of persons
22 for remuneration or for the industrial or commercial transport of goods,
23 whether or not for remuneration.

24 SEC. 816. *Exemption from Duties and Taxes of Stores.* – Customs
25 treatment of stores should apply equally, regardless of the country of
26 registration or ownership of vessels or aircraft. Stores which are carried in a
27 vessel or aircraft arriving in the customs territory shall be exempted from
28 import duties and taxes provided that they remain on board. Stores for

1 consumption by the passengers and the crew imported as provisions on
2 international express vessels or aircrafts should be exempted from import
3 duties and taxes: *Provided, That:*

4 (a) Such goods are purchased only in the countries crossed by the
5 international vessels and aircrafts in question; and

6 (b) Any duties and taxes chargeable on such goods in the country
7 where they were purchased are paid.

8 Stores for consumption necessary for the operation and maintenance of
9 vessels and aircrafts which are on board these means of transport arriving in
10 the customs territory shall be exempted from import duties and taxes:
11 *Provided, That* they remain on board while these means of transport are in the
12 customs territory.

13 The Bureau shall allow the issue of stores for consumption on board
14 during the stay of a vessel in the customs territory in such quantities as the
15 customs deem reasonable having regard to the number of the passengers and
16 the crew and to the length of the stay of the vessel in the customs territory. The
17 Bureau should allow the issue of stores for consumption on board by the crew
18 while the vessel is undergoing repairs in a dock or shipyard: *Provided, That*
19 the stay in a dock or shipyard is considered to be of reasonable duration.

20 When an aircraft is to land at one or more airports in the customs
21 territory, customs should allow the issue of stores for consumption on board
22 both during the stay of the aircraft at such intermediate airports and during its
23 flight between such airports.

24 The Bureau shall require the carrier to take appropriate measures to
25 prevent any unauthorized use of the stores including sealing of the stores, when
26 necessary. It shall require the removal of stores from the vessel or aircraft for
27 storage elsewhere during their stay in the customs territory only when they
28 consider it necessary.

1 Vessels and aircrafts which depart for an ultimate foreign destination
2 shall be entitled to take on board, exempted from duties and taxes the
3 following:

4 (1) Stores in such quantities as the Bureau deems reasonable having
5 regard to the number of the passengers and the crew, to the length of the
6 voyage or flight and to any quantities of such stores already on board; and

7 (2) Stores for consumption necessary for their operation and
8 maintenance, in such quantities as are deemed reasonable for operation and
9 maintenance during the voyage or flight having regard also to any quantity of
10 such stores already on board. Replenishment of stores exempted from duties
11 and taxes shall be allowed for vessels and aircrafts which have arrived in the
12 customs territory and which need to replenish their stores for the journey to
13 their final destination in the customs territory. The Bureau shall allow stores
14 for consumption supplied to vessels and aircrafts during their stay in the
15 customs territory to be issued under the same conditions as are applicable in
16 this chapter to stores for consumption held on board arriving vessels and
17 aircrafts.

18 SEC. 817. *Goods Declaration for Stores.* — When a declaration
19 concerning stores on board vessels arriving in the customs territory is required
20 by the Bureau, the information required shall be kept to the minimum
21 necessary for the purpose of customs control.

22 The quantities of stores which are allowed by the customs to be issued
23 from the stores held on board should be recorded on the declaration
24 concerning stores produced to the customs upon arrival of the vessel in the
25 customs territory and no separate form should be required to be lodged with
26 the Bureau in respect thereof. The quantities of stores which are supplied to
27 vessels during their stay in the customs territory should be recorded on any
28 declaration concerning stores which has been required by customs.

1 The Bureau shall not require the presentation of a separate declaration
2 of stores remaining on board aircraft. No separate declaration concerning
3 stores should be required upon departure of vessels from the customs territory.
4 When a declaration is required concerning stores taken on board vessels or
5 aircrafts upon departure from the customs territory, the information required
6 shall be kept to the minimum necessary for the purpose of customs control.

7 Stores on board vessels and aircrafts having arrived in the customs
8 territory shall be allowed:

9 (a) To be cleared for home use or to be placed under another customs
10 procedure, subject to compliance with the conditions and formalities applicable
11 in each case; or

12 (b) Subject to prior authorization by the Bureau, to be transferred
13 respectively to other vessels or aircrafts in international traffic.

14 TITLE IX

15 DRAWBACK AND REFUND

16 CHAPTER 1

17 DRAWBACK

18 SEC. 900. *Basis of Duty Drawback.* – (a) On Fuel Used for
19 Propulsion of Vessels. – On all fuel imported into the Philippines used for
20 propulsion of vessels engaged in trade with foreign countries, or in the
21 coastwise trade, a refund or tax credit shall be allowed not exceeding
22 ninety-nine percent (99%) of the duty imposed by law upon such fuel, which
23 shall be paid or credited under such rules and regulations as may be prescribed
24 by the Commissioner of Customs with the approval of the Secretary of
25 Finance.

26 (b) On Petroleum Oils and Oils Obtained from Bituminous Minerals,
27 Crude Eventually Used for Generation of Electric Power and for
28 the Manufacture of City Gas. – On petroleum oils and oils obtained from

1 bituminous materials, crude oils imported by nonelectric utilities, sold directly
2 or indirectly, in the same form or after processing, to electric utilities for the
3 generation of electric power and for the manufacture of city gas, a refund or
4 tax credit shall be allowed not exceeding fifty percent (50%) of the duty
5 imposed by law upon such oils, which shall be paid or credited under such
6 rules and regulations as may be prescribed by the Commissioner of Customs
7 with the approval of the Secretary of Finance.

8 (c) On Articles Made from Imported Materials. – Upon exportation of
9 articles manufactured or produced in the Philippines, including the packing,
10 covering, putting up, marking or labeling thereof either in whole or in part of
11 imported materials for which duties have been paid, refund or tax credit shall
12 be allowed for the duties paid on the imported materials so used including the
13 packing, covering, putting up, marking or labeling thereof, subject to the
14 following conditions:

15 (1) The actual use of the imported materials in the production of
16 manufacture of the article exported with their quantity, value and amount of
17 duties paid thereon, having been established;

18 (2) The duties refunded or credited shall not exceed one hundred
19 percent (100%) of duties paid on the imported materials used;

20 (3) There is no determination by the NEDA of the requirement for
21 certification on nonavailability of locally-produced or manufactured
22 competitive substitutes for the imported materials used at the time of
23 importation;

24 (4) The exportation shall be made within one (1) year after the
25 importation of materials used and claim of refund or tax credit shall be filed
26 within six (6) months from the date of exportation; and

27 (5) When two or more products result from the use of the same
28 imported materials, an apportionment shall be made on its equitable basis.

1 (d) For every application of a drawback, there shall be paid to and
2 collected by the Bureau as filing, processing and supervision fees the sum of
3 Five hundred pesos (P500.00) which amount may be increased or decreased
4 when the need arises by the Secretary of Finance upon the recommendation of
5 the Commissioner of Customs.

6 (e) Payment of Partial Drawbacks. – The Secretary of Finance may,
7 upon the recommendation of the Commissioner of Customs, promulgate rules
8 and regulations allowing partial payments of drawbacks under this section.

9 (f) Payment of the Drawbacks. – Claims for refund or tax credit
10 eligible for such benefits shall be paid or granted by the Bureau to claimants
11 within sixty (60) days after receipt of properly accomplished claims: *Provided*,
12 That a registered enterprise under Republic Act No. 5186, otherwise known as
13 the Investment Incentives Act, or Republic Act No. 6135, otherwise known as
14 the Export Incentives Act of 1970, which has previously enjoyed tax credit
15 based on customs duties paid on imported raw materials and supplies, shall not
16 be entitled to drawback under this section, with respect to the same importation
17 subsequently processed and re-exported: *Provided, further*, That if as a result
18 of the refund or tax credit by way of drawback of customs duties, there would
19 necessarily result a corresponding refund or credit of internal revenue taxes on
20 the same importation, the Collector of Customs shall likewise certify the same
21 to the Commissioner of Customs who shall cause the said refund or tax credit
22 of internal revenue taxes to be paid, refunded or credited in favor of the
23 importer, with advice to the Commissioner of Internal Revenue.

24 SEC. 901. *Prescription of Drawback Claim.* – All claims and
25 application for drawback shall prescribe if the claim is not filed within one (1)
26 year from the date of importation in case of paragraphs (a) and (b) of the
27 preceding section and within one (1) year from the date of exportation in case
28 of paragraph (3) of the preceding section.

CHAPTER 2

ABATEMENT AND REFUND

1
2
3 SEC. 902. *Abatement for Damage Incurred During Voyage.* – Except
4 as herein specially provided, no abatement of duties shall be made on account
5 of damage incurred or deterioration suffered during the voyage of importation;
6 and duties will be assessed on the actual quantity imported, as shown by the
7 return of weighers, gauges, measurers, examiners or appraisers, as the case
8 may be.

9 SEC. 903. *Abatement or Refund of Duty on Missing Package.* – When
10 any package or packages appearing on the manifest or bill of lading are
11 missing, an abatement or refund of the duty thereon and shall be made if it is
12 certified, under penalties of falsification or perjury, by the importer or
13 consignee, and upon production of proof satisfactory to the Collector that the
14 package or packages in question have not been imported into the Philippines
15 contrary to law.

16 SEC. 904. *Abatement or Refund for Deficiency in Contents of*
17 *Packages.* – If, upon opening of any package, a deficiency or absence of any
18 article or of part of the contents thereof as called for by the invoice shall be
19 found to exist, such deficiency shall be certified, under penalties of
20 falsification or perjury, to the Collector by the examiner and appraiser; and
21 upon the production of proof satisfactory to the Collector showing that the
22 shortage occurred before the arrival of the article in the Philippines, the proper
23 abatement or refund of the duty shall be made.

24 SEC. 905. *Abatement or Refund of Duties on Articles Lost or Destroyed*
25 *After Arrival.* – A Collector may abate or refund the amount of duties
26 accruing or paid, and may likewise make a corresponding allowance on the
27 irrevocable domestic letter of credit, bank guarantee, or the entry bond or other

1 document upon satisfactory proof of injury, destruction, or loss by theft, fire or
2 other causes of any article as follows:

3 (a) While within the limits of any port of entry prior to unloading under
4 the Bureau's supervision;

5 (b) While remaining in customs custody after unloading;

6 (c) While in transit under irrevocable domestic letter of credit, bank
7 guarantee or bond with formal entry in accordance with Section 401 of this Act
8 from the port of entry to any port in the Philippines; and

9 (d) While released under irrevocable domestic letter of credit, bank
10 guarantee or bond for export except in case of loss by theft.

11 *SEC. 906. Abatement and Refund of Defective Articles.* – Under
12 conditions to be set by the Commissioner of Customs with the approval of the
13 Secretary of Finance, refund shall be granted in respect of imported or
14 exported goods which are found to have been defective or otherwise not in
15 accordance with the agreed specifications at the time of importation or
16 exportation and are returned either to the supplier or to another person
17 designated by the supplier, subject to the following conditions:

18 (a) The goods have not been worked, repaired or used in the country of
19 importation, and are re-exported within a reasonable time; and

20 (b) The goods have not been worked, repaired or used in the country to
21 which they were exported, and are re-imported within a reasonable time.

22 Use of the goods shall, however, not hinder the refund if such use was
23 indispensable to discover the defects or other circumstances which caused the
24 re-exportation or re-importation of the goods.

25 As an alternative to re-exportation or re-importation, the goods may be
26 expressly abandoned or destroyed or rendered commercially valueless under
27 customs control, as the Bureau may decide. Such abandonment or destruction
28 shall not entail any cost to the Bureau.

1 SEC. 907. *Abatement of Duty on Dead or Injured Animals.* – Where it
2 is certified, under penalties of falsification or perjury, and upon production of
3 proof satisfactory to the Collector that an animal which is the subject of
4 importation dies or suffers injury before arrival, or while in customs custody,
5 the duty shall be correspondingly abated by him, provide the carcass of any
6 dead animal remaining on board or in customs custody be removed in the
7 manner required by the Collector and at the expense of the importer.

8 SEC. 908. *Investigation Required in Case of Abatements and Refunds.*
9 – The Collector shall, in all cases of allowances, abatement or refunds of
10 duties, cause an examination or report in writing to be made as to any fact
11 discovered during such examination which tends to account for the discrepancy
12 or difference and cause the corresponding adjustment to be made on the goods
13 declaration.

14 SEC. 909. *Correction of Errors.* – Refund of Excess Payments. –
15 Manifest clerical errors made in an invoice or entry, errors in return of weight,
16 measure and gauge, when duly certified to, under penalties of falsification or
17 perjury, by the surveyor or examining official (when there are such officials at
18 the port), and errors in the distribution of charges on invoices not involving
19 any question of law and certified to, under penalties of falsification or perjury,
20 by the examining customs officer, may be corrected in the computation of
21 duties, if such errors be discovered before the payments of duties, or if
22 discovered within one (1) year after the final liquidation, upon written request
23 and notice of error from the importer, or upon statement of error certified by
24 the Collector.

25 For the purpose of correcting errors specified in the next preceding
26 paragraph, the Collector is authorized to reliquidate entries and collect
27 additional charges, or to make refunds on statement of errors within the
28 statutory time limit.

1 (e) Officers of other government agencies individually deputized by the
2 Commissioner of Customs.

3 All officers authorized or deputized by the Commissioner to exercise
4 police authority shall at all times coordinate with the latter.

5 In order to avoid conflicts, and ensure coordination among these
6 persons having authority to effect searches, seizures and arrests for the
7 effective enforcement of, and conformably with customs and tariff laws, the
8 Secretary of Finance shall, subject to the approval of the President of the
9 Philippines, define the scope, areas covered, procedures and conditions
10 governing the exercise of such police authority including custody and
11 responsibility for the goods seized. The rules and regulations to this effect shall
12 be furnished to all the government agencies and personnel concerned for their
13 guidance and compliance, and shall be published in a newspaper of general
14 circulation.

15 SEC. 1001. *Place Where Authority May be Exercised.* – All persons
16 conferred with powers in the preceding section may exercise the same at any
17 place within the jurisdiction of the Bureau. The Bureau shall exercise police
18 authority in all areas defined in Section 300 of this Act. Port authorities shall
19 provide authorized customs officials with unhampered access to all premises of
20 the customs zone within their administrative jurisdiction.

21 The Bureau may exercise oversight police authority in economic or
22 freeport zone subject to proper coordination with the governing authority of
23 the zone. For this purpose, to ensure consistency and harmony in the
24 formulation and implementation of customs policies affecting the zone, the
25 Commissioner of Customs shall sit as an *ex officio* member of the board of
26 directors of all economic or freeport zone authorities.

27 SEC. 1002. *Exercise of Power of Seizure and Arrest.* – It shall be the
28 duty and within the power of a customs officer or person authorized as

1 aforesaid, to seize any vessel, aircraft, cargo, article, animal or other movable
2 property, when the same is subject to forfeiture or liable for any fine imposed
3 under tariff and customs laws, rules and regulations, such power to be
4 exercised in conformity with the law and the provisions of this Act: *Provided,*
5 That the powers of the Bureau of Fisheries and Aquatic Resources to make
6 arrests, searches and seizures as provided in Section 4, paragraphs "G" and "I"
7 of Republic Act No. 3512 and the Philippine Coast Guard under Republic Act
8 No. 5173 shall continue to be in force and effect.

9 SEC. 1003. *Duty of Officer or Official to Disclose Official Character.*

10 – It shall be the duty of any person exercising authority as aforesaid, upon
11 being questioned at the time of the exercise thereof, to make known his official
12 character as an officer or official of the government, and if his authority is
13 derived from special authorization in writing to exhibit the same for inspection,
14 if demanded.

15 SEC. 1004. *Authority to Require Assistance and Information.* – Any

16 person exercising police authority under the customs and tariff laws may
17 demand assistance and/or request information from any Philippine National
18 Police, AFP and other national law enforcement agency personnel when such
19 assistance and/or information shall be necessary to effect any search, seizure or
20 arrest which may be lawfully made or attempted by him. It shall be the duty of
21 any person upon whom such request is made to give such lawful assistance in
22 the matter as may be required.

23 SEC. 1005. *Right of Customs Police Officer to Enter Inclosure.* – For

24 the more effective discharge of one's official duties, any person exercising the
25 powers herein conferred, may at any time enter, ~~pass~~ pass through, or search any
26 land or inclosure or any warehouse, store or other building, not being
27 principally used as a dwelling house.

1 A warehouse, store or other building or inclosure used for the keeping
2 or storage of article does not become a dwelling house within the meaning
3 hereof merely by reason of the fact that the person as watchman lives in the
4 place, nor will the fact that his family stays there with him alter the case.

5 SEC. 1006. *Search of Dwelling House.* – A dwelling house may be
6 entered and searched only upon warrant issued by a competent court upon
7 sworn application showing probable cause and particularly describing the place
8 to be searched and person or thing to be seized.

9 SEC. 1007. *Right to Search Vessels or Aircrafts and Persons or*
10 *Articles Conveyed Therein.* – It shall be lawful for any official or person
11 exercising police authority under the provisions of this Act to board any vessel
12 or aircraft within the limits of any collection district, and to inspect, search and
13 examine said vessel or aircraft and any trunk, package, box or envelope on
14 board, and to search any person on board the said vessel or aircraft if under
15 way, to use all necessary force to compel compliance; and if it shall appear that
16 any breach or violation of the customs and tariff laws of the Philippines has
17 been committed whereby or in consequence of which such vessels or aircrafts,
18 or the article, or any part thereof, on board of or imported by such vessel or
19 aircraft, is liable to forfeiture to make seizure of the same or any part thereof.

20 The power of search hereinabove given shall extend to the removal of
21 any false bottom, partition, bulkhead or other obstruction, so far as may be
22 necessary to enable the officer to discover whether any dutiable or forfeitable
23 articles may be concealed therein.

24 No proceeding herein shall give rise to any claim for the damage
25 thereby caused to article or vessel or aircraft.

26 SEC. 1008. *Right to Search Vehicles, Animals and Persons.* – It shall
27 also be lawful for exercising authority as aforesaid to open and examine any
28 box, trunk, envelope or other container, wherever found when he has

1 reasonable cause to suspect the presence therein of dutiable or prohibited
2 article introduced into the Philippines contrary to law, and likewise to stop,
3 search and examine any vehicle, animal or person reasonably suspected of
4 holding or conveying such article as aforesaid.

5 SEC. 1009. *Search of Persons Arriving From Foreign Countries.* –
6 Personal searches of travelers for purposes of customs control shall be carried
7 out only when there are reasonable grounds to suspect the commission of
8 smuggling or other customs and related offences. The examination and search
9 of persons shall be conducted by persons of the same gender.

10 SEC. 1010. *Power to Inspect and Visit.* – The Commissioner of
11 Customs and District Collector of Customs and/or any other customs officer,
12 with the prior authorization in writing by the Commissioner, may demand
13 evidence of payment of duties and taxes on foreign articles openly offered for
14 sale, or kept in storage, and if no such evidence can be produced, such articles
15 may be seized and subjected to forfeiture proceedings: *Provided, however,*
16 That during such proceedings the person or entity for whom such articles have
17 been seized shall be given the opportunity to prove or show the source of such
18 articles and the payment of duties and taxes thereon.

19 *Provided, further,* That when the warrant of seizure and detention has
20 been issued and subsequent documents evidencing proper payment presented
21 were found to be authentic and in order, the district collector shall, upon
22 motion, quash or recall the warrant and cause the immediate release of the
23 articles seized subject to clearance by the Commissioner: *Provided,* That the
24 release thereof is not contrary to law.

25 CHAPTER 2

26 PAYMENT UNDER PROTEST

27 SEC. 1011. *Protest and Payment Upon Protest in Civil Matters.* –
28 When a ruling or decision of the Collector is made whereby liability for duties,

1 taxes, fees or other charges are determined, except the fixing of fines in seizure
2 cases, the party adversely affected may protest such ruling or decision by
3 presenting to the Collector at the time when payment of the amount claimed to
4 be due the government is made, or within fifteen (15) days thereafter, a written
5 protest setting forth the objection to the ruling or decision in question with the
6 reasons therefore. No protest shall be considered unless payment of the amount
7 due after final assessment has first been made and the corresponding docket
8 fee, as provided for in Section 1400 hereof.

9 SEC. 1012. *Protest Exclusive Remedy in Protestable Case.* – In all
10 cases subject to protest, the interested party who desires to have the action of
11 the Collector reviewed, shall make a protest, otherwise the action of the
12 Collector shall be final and conclusive, except as to matters collectible for
13 manifest error in the manner prescribed in Section 909 hereof.

14 SEC. 1013. *Form and Scope of Protest.* – Every protest shall be filed
15 in accordance with the prescribed rules and regulations promulgated under this
16 section and shall point out the particular decision or ruling of the Collector to
17 which exception is taken or objection made, and shall indicate with reasonable
18 precision the particular ground or grounds upon which the protesting party
19 bases the claim for relief. The scope of a protest shall be limited to the subject
20 matter of a single adjustment or other independent transaction, but any number
21 of issue may be raised in a protest with reference to the particular item or items
22 constituting the subject matter of the protest.

23 SEC. 1014. *Samples to be Furnished by Protesting Parties.* – If the
24 nature of the articles permit, importers filing protests involving questions of
25 fact must, upon demand, supply the Collector with samples of the articles
26 which are the subject matter of the protest. Such samples shall be verified by
27 the customs officer who made the classification against which the protests are
28 filed.

CHAPTER 3

SEIZURE AND FORFEITURE

1
2
3 SEC. 1015. *Warrant for Detention of Property-Cash Bond.* – The
4 Collector of Customs shall have the exclusive authority to issue a warrant for
5 the detention of the property upon determination of probable cause as provided
6 for in this Act. In all seizure proceedings, the collector may, upon motion by
7 the importer or consignee, and with the approval of the Commissioner of
8 Customs, allow the release of seized articles for legitimate use under cash bond
9 or sufficient security in the amount to be fixed by him, conditioned upon the
10 payment of the appraised value of the article and/or any fine, expenses and
11 costs which may be adjudged in the case: *Provided*, That there is no *prima*
12 *facie* evidence of fraud in the importation of the articles: *Provided, further*,
13 That the articles the importation of which is prohibited by law shall not be
14 released under any circumstance whatsoever: *Provided, finally*, That nothing in
15 this section shall be construed as relieving the owner or importer from any
16 criminal liability which may arise from any violation of law committed in
17 connection with the importation of the article.

18 SEC. 1016. *Report of Seizure to the Commissioner and the Chairman,*
19 *Commission on Audit.* – When a seizure is made for any cause, the Collector
20 of the district wherein the seizure is effected shall immediately make report
21 thereof to the Commissioner and Chairman of the Commission on Audit.

22 SEC. 1017. *Notification to Owner or Importer.* – The Collector shall
23 give the owner or importer of the property or the agent a written notice of the
24 seizure and shall give him an opportunity to be heard in reference to the
25 delinquency which was the occasion of such seizure.

26 For the purpose of giving such notice and of all other proceedings in the
27 matter of such seizure, the importer, consignee or person holding the bill of
28 lading shall be deemed to be the “owner” of the article included in the bill.

1 For the same purpose, "agent" shall be deemed to include not only any
2 agent in fact of the owner of the seized property but also any person having
3 responsible possession of the property at the time of the seizure, if the owner or
4 the agent in fact is unknown or cannot be reached.

5 SEC. 1018. *Notification to Unknown Owner.* – Notice to an unknown
6 owner shall be effected by posting for fifteen (15) days in the public corridor
7 of the customhouse of the district in which the seizure was made, and, in the
8 discretion of the Commissioner, by publication in a newspaper or by such other
9 means as shall be considered desirable.

10 SEC. 1019. *Description, Valuation and Classification of Seized*
11 *Property.* – The Collector shall also cause a list and particular description
12 and/or classification of the property seized to be prepared and a valuation of
13 the same, like, or similar article at its wholesale value in the local market in the
14 usual wholesale quantities in the ordinary course of trade to be made by at least
15 two (2) appraisers.

16 SEC. 1020. *Proceedings in Case of Property Belonging to Unknown*
17 *Parties.* – If, within fifteen (15) days after the notification prescribed in
18 Section 1018 of this Act, no owner or agent can be found or appears before the
19 Collector, the latter shall declare the property forfeited in favor of the
20 government to be sold at auction or disposed of in accordance with law.

21 SEC. 1021. *Settlement of Case by Payment of Fine or Redemption of*
22 *Forfeited Property.* – Subject to the approval of the Commissioner, the
23 District Collector may, while the case is still pending, except when there is
24 fraud, accept the settlement of any seizure case: *Provided,* That the owner,
25 importer, exporter, or consignee or agent shall offer to pay to the Collector a
26 fine imposed upon the property, or in case of forfeiture, the owner, exporter,
27 importer, or consignee or agent shall offer to pay one hundred fifty percent

1 (150%) of the landed cost of the seized article. The Commissioner may accept
2 the settlement of any seizure case on appeal in the same manner.

3 Upon payment of the fine as determined by the district collector which
4 shall be in amount equivalent to thirty percent (30%) of the landed cost of the
5 seized imported article, the property shall be forthwith released and all
6 liabilities which may or might attach to the property by virtue of the offense
7 which was the occasion of the seizure and all liability which might have been
8 incurred under any security given by the owner or agent in respect to such
9 property shall thereupon be deemed to be discharged.

10 Settlement of any seizure case by payment of the fine or redemption of
11 forfeited property shall not be allowed in any case where the importation is
12 absolutely prohibited or where the release of the property would be contrary to
13 law.

14 SEC. 1022. *Seizure of Vessel or Aircraft for Delinquency of Owner or*
15 *Officer.* – When the owner, agent, master, pilot in command or other
16 responsible officer of any vessel or aircraft becomes liable to be fined under
17 the tariff and customs laws on account of a delinquency in the discharge of a
18 duty with reference to the said vessel or aircraft, the vessel or aircraft itself
19 may be seized and subjected to an administrative proceeding for the
20 satisfaction of the fine for which such person would have been liable.

21 SEC. 1023. *Determination of Probable Cause and Burden of Proof in*
22 *Seizure and/or Forfeiture Proceedings.* – The issuance of the Warrant of
23 Seizure and Detention (WSD) shall be exclusive jurisdiction of the
24 Collector of Customs. The Bureau's Legal Service, through the Prosecution
25 and Litigation Division (PLD), may also determine the existence of probable
26 cause for the issuance of WSD. For this purpose, the apprehending customs
27 officer shall submit relevant reports and documents to the PLD within
28 twenty-four (24) hours upon receipt of the foregoing documents. The PLD

1 shall then submit its finding(s) and/or recommendations to the Director of the
2 Legal Service. On the basis thereof, the Director of the Legal Service shall
3 recommend to the District Collector for the issuance or non-issuance of a
4 WSD.

5 In all proceedings taken for the seizure and forfeiture of any vessel,
6 vehicle, aircraft, animals or articles under this Act, the burden of proof shall lie
7 upon the claimant.

8 SEC. 1024. *Rules and Regulations on Seizures and Forfeitures.* – The
9 Commissioner of Customs shall promulgate rules and regulations governing
10 the conduct of seizure and forfeiture proceedings under the preceding sections
11 of this chapter.

12 CHAPTER 4

13 DECISION IN PROTEST AND SEIZURE CASES; APPEAL

14 SEC. 1025. *Decision or Action of Collector in Protest and Seizure*
15 *Cases.* – When a protest in proper form is presented in a case where protest is
16 required, the Collector shall issue an order for hearing within fifteen (15) days
17 from receipt of the protest and hear the matter thus presented. Upon the
18 termination of the hearing, the Collector shall render a decision within thirty
19 (30) days, and if the protest is sustained, in whole or in part, the appropriate
20 order shall be made, and the entry reliquidated if necessary.

21 In seizure cases, the Collector, after a hearing shall, in writing, make a
22 declaration of forfeiture or fix the amount of the fine or take such other action
23 as may be proper.

24 SEC. 1026. *Review of the Commissioner.* – The person aggrieved by
25 the decision of a Collector in any matter presented upon protest or by an action
26 in any case of seizure may, within fifteen (15) days after notification in writing
27 by the Collector of the actions or decisions, file a written notice to the
28 Collector with a copy furnished to the Commissioner of the intention to appeal

1 the action or decision of the Collector to the Commissioner. Thereupon the
2 Collector shall forthwith transmit all the records of proceedings to the
3 Commissioner, who shall approve, modify or reverse the action or decision of
4 the Collector and take such steps and make such orders as may be necessary to
5 give effect to the decision made: *Provided*, That when an appeal is filed
6 beyond the period herein prescribed, the same shall be deemed dismissed.

7 If in any seizure proceeding, the Collector renders a decision adverse to
8 the government, such decision shall be automatically reviewed by the
9 Commissioner and the records of the case shall be elevated within five (5) days
10 from the promulgation of the decision. The Commissioner shall review a
11 decision on the automatic appeal within thirty (30) days from receipt of the
12 records of the case. When no decision is rendered or the decision involves
13 imported articles whose appraised value is Ten million pesos (P10,000,000.00)
14 or more, such decision shall be deemed automatically appealed to the Secretary
15 of Finance and the records of the proceedings shall be elevated within five (5)
16 days after the lapse of the thirty (30)-day period: *Provided*, That if the decision
17 of the Commissioner or of the Collector under appeal, as the case may be, is
18 affirmed by the Secretary of Finance, or if within thirty (30) days from receipt
19 of the proceedings by the Secretary of Finance, no decision is rendered, the
20 decision of the Commissioner, or of the Collector under appeal, as the case
21 may be, shall become final and executory.

22 *SEC. 1027. Notice of Decision of the Commissioner.* – Notice of the
23 decision of the Commissioner shall be given to the party by whom the case was
24 brought for review, and in seizure cases such notice shall be effected by
25 personal service if practicable.

26 *SEC. 1028. Supervisory Authority of the Commissioner and the*
27 *Secretary of Finance in Certain Cases.* – If any case involving the assessment
28 of duties, the Collector renders a decision adverse to the government, such

1 decision shall be automatically elevated to, and reviewed by, the
2 Commissioner; and if the Collector's decision would be affirmed by the
3 Commissioner, such decision shall be automatically elevated to, and be finally
4 reviewed by, the Secretary of Finance: *Provided, however,* That if within
5 thirty (30) days from receipt of the record of the case by the Commissioner or
6 by the Secretary of Finance, as the case may be, no decision is rendered by
7 either of them, the decision under review shall be final and executory:
8 *Provided, further,* That any party aggrieved by either the decision of the
9 Commissioner or the Secretary of Finance may appeal to the Court of Tax
10 Appeals within thirty (30) days from receipt of a copy of such decision.

11 CHAPTER 5

12 ABANDONMENT

13 SEC. 1029. *Abandonment, Kinds and Effects of.* – An imported article
14 is deemed abandoned under any of the following circumstances:

15 (a) When the owner, importer or consignee of the imported article
16 expressly signifies in writing to the Collector of Customs the intention to
17 abandon;

18 (b) When after receipt of due notice the owner, importer, consignee or
19 interested party fails to file an entry within fifteen (15) days from receipt
20 thereof: *Provided,* That, the term entry shall include provisional or incomplete
21 goods declaration deemed valid by the Bureau as provided in Section 112 of
22 this Act and consistent with the provision of Section 424 hereof on tentative
23 liquidation. For this purpose, it is the duty of the Collector of Customs to send
24 the notice within five (5) days from the date of discharge of the last package;

25 (c) Having filed such entry an owner, importer, consignee or interested
26 party fails to pay the assessed duties, taxes and other charges thereon within
27 fifteen (15) days from receipt of the notice of assessment; or

1 (d) Having paid the assessed duties, taxes and other charges, fails to
2 claim the goods within thirty (30) days. For this purpose, the arrastre or
3 warehouse operator shall report said unclaimed goods to the Collector of
4 Customs for disposition pursuant to the provisions of this Act.

5 The due notice requirement under this section shall be provided by the
6 Bureau through automation or electronic notice such as email with the
7 necessary electronic return receipts: *Provided*, That for nonregular importers
8 notification shall be by registered mail or personal service. For this purpose,
9 the accreditation of importers, exporters and other third parties shall include
10 provision for mandatory receipt of electronic notices.

11 The period to file the goods declaration or claim the goods may, upon
12 written request, be extended on valid grounds for fifteen (15) days: *Provided*,
13 That the request is made before the expiration of the original period within
14 which to file the goods declaration or claim the goods, as the case may be.

15 SEC. 1030. *Abandonment of Imported Articles.* – An abandoned
16 article shall *ipso facto* be deemed the property of the government and shall be
17 disposed of in accordance with the provisions of this Act. Nothing in this
18 section shall be construed as relieving the owner or importer from any criminal
19 liability which may arise from any violation of law committed in connection
20 with the importation of the abandoned article.

21 Any official or employee of the Bureau or of other government agencies
22 who, having knowledge of the existence of an abandoned article or having
23 control or custody of such abandoned article, fails to report to the Collector
24 within twenty-four (24) hours from the time the article is deemed abandoned
25 shall be punished with the penalties prescribed in Title XIV of this Act.

26 SEC. 1031. *Disposition of Imported Articles Remaining on Vessel After*
27 *Time for Unloading.* – Imported articles remaining on board any vessel after
28 the expiration of the period for discharge, and not reported for transshipment

1 to another port, may be unladen by the customs authorities and stored at the
2 vessel's expense.

3 Unless prevented by causes beyond the vessel's control, such as port
4 congestion, strikes, riots or civil commotions, failure of vessel's gear, bad
5 weather, and similar causes, articles so stored shall be entered within thirty
6 (30) days, from the date of discharge of the last article/package/container from
7 the vessel or aircraft and shall be claimed within fifteen (15) days from the date
8 of posting of the notice to claim in conspicuous places in the Bureau. If not
9 entered or not claimed, it shall be disposed of in accordance with the
10 provisions of this Act.

11 The period to file the goods declaration may, upon written request, be
12 extended on valid grounds for another fifteen (15) days: *Provided*, That the
13 request is filed prior to the expiration of the original period prescribed in this
14 section.

15 CHAPTER 6

16 OTHER ADMINISTRATIVE PROCEEDINGS

17 SEC. 1032. *Authority of the Commissioner to Make Compromise.* –
18 The Commissioner of Customs may compromise any case arising under this
19 Act or other laws or part of laws enforced by the Bureau involving the
20 collection of duties and taxes, imposition of fines, surcharges and forfeitures
21 unless otherwise specified by law.

22 CHAPTER 7

23 CIVIL REMEDIES FOR THE COLLECTION OF DUTIES AND TAXES

24 SEC. 1033. *Remedies for the Collection of Duties, Taxes, Fines,*
25 *Surcharges Including Damages, Interest and Other Charges of Delinquent*
26 *Importers.* – The civil remedies for the collection of import duties, taxes, fees
27 or charges and any increment thereto resulting from delinquency shall be:

1 (a) By distraint of goods, chattels, or effects, and other personal
2 property of whatever character, including stocks and other securities, debts,
3 credits, bank accounts and interest in and rights to personal property, and by
4 levy upon real property and interest in rights to real property; and

5 (b) By civil or criminal action.

6 Either of these remedies or both simultaneously may be pursued in the
7 discretion of the authorities charged with the collection of such taxes:
8 *Provided, however,* That the remedies of distraint and levy shall not be availed
9 of where the amount of duties and tax involved is not more than Ten thousand
10 pesos (P10,000.00).

11 The Bureau shall advance the amounts needed to defray costs of
12 collection by means of civil or criminal action, including the preservation or
13 transportation of personal property distrained and the advertisement and sale
14 thereof, as well as of real property and improvements thereon.

15 SEC. 1034. *Constructive Distraint of the Property.* – To safeguard
16 the interest of the government, the Commissioner of Customs may place under
17 constructive distraint the property of a delinquent importer taxpayer who, in
18 the opinion of the Commissioner, is retiring from any business subject to duty
19 and tax, or is intending to leave the Philippines or to remove the property
20 therefrom or to hide or conceal the property or to perform any act tending to
21 obstruct the proceedings for collecting the duty and tax due or which may be
22 due.

23 The constructive distraint of personal property shall be effected by
24 requiring the taxpayer or any person having possession or control of such
25 property to sign a receipt covering the property distrained and obligate to
26 preserve the same intact and unaltered and not to dispose of the same in any
27 manner whatsoever, without the express authority of the Commissioner.

1 In case the taxpayer or the person having the possession and control of
2 the property sought to be placed under constructive distraint refuses or fails to
3 sign the receipt herein referred to, the revenue officer effecting the constructive
4 distraint shall proceed to prepare a list of such property and, in the presence of
5 two (2) witnesses, leave a copy thereof in the premises where the property
6 distrained is located, after which the said property shall be deemed to have
7 been placed under constructive distraint.

8 SEC. 1035. *Summary Remedies.* – (a) Distraint of Personal Property.
9 – Upon the failure of the person owing any delinquent duty and tax or
10 delinquent revenue to pay the same at the time required, the Commissioner of
11 Customs shall seize and distraint any goods, chattels or effects, and the
12 personal property, including stocks and other securities, debts, credits, bank
13 accounts, and interests in and rights to personal property of such persons, in
14 sufficient quantity to satisfy the duty, tax, or other charge, together with any
15 increment thereto incident to delinquency, and the expenses of the distraint and
16 the cost of the subsequent sale.

17 A report on the distraint shall, within ten (10) days from receipt of the
18 warrant, be submitted by the distraining officer to the Commissioner of
19 Customs: *Provided*, That the Commissioner or the duly authorized
20 representative shall, subject to rules and regulations promulgated by the
21 Secretary of Finance, upon the recommendation of the Commissioner, have the
22 power to lift such order of distraint.

23 (b) Levy on Real Property. – After the expiration of the time required
24 to pay the delinquent duty and tax or delinquent revenue as prescribed in this
25 section, real property may be levied upon, before simultaneously or after the
26 distraint of personal property belonging to the delinquent taxpayer. To this
27 end, the Commissioner of Customs or the duly authorized representative shall
28 prepare a duly authenticated certificate showing the name of the taxpayer and

1 the amounts of the duty and tax and penalty due. The certificate shall operate
2 with the force of a legal execution throughout the Philippines.

3 Levy shall be effected by writing upon the certificate a description of
4 the property upon which levy is made. At the same time, written notice of the
5 levy shall be mailed to or served upon the register of deeds for the province or
6 city where the property is located and upon the delinquent taxpayer, or if
7 absent from the Philippines, to the agent or the manager of the business in
8 respect to which the liability arose, or if there be none, to the occupant of the
9 property in question.

10 In case the warrant of levy on real property is not issued before or
11 simultaneously with the warrant of distraint on personal property, and the
12 personal property of the taxpayer is not sufficient to satisfy the duty and tax
13 delinquency, the Commissioner of Customs or the duly authorized
14 representative shall, within thirty (30) days after execution of the distraint,
15 proceed with the levy on the taxpayer's real property.

16 Within ten (10) days after receipt of the warrant, a report on any levy
17 shall be submitted by the levying officer to the Commissioner: *Provided,*
18 *however,* That the Commissioner or the duly authorized representative, subject
19 to rules and regulations promulgated by the Secretary of Finance, upon the
20 recommendation of the Commissioner of Customs, shall have the authority to
21 lift warrants of levy issued in accordance with the provisions hereof.

22 Upon the recommendation of the Commissioner of Customs, the
23 Secretary of Finance shall issue the necessary rules and regulations for the
24 exercise of the summary remedies provided herein.

25 CHAPTER 8

26 JUDICIAL PROCEEDINGS

27 SEC. 1036. *Supervision and Control Over Criminal and Civil*
28 *Proceedings.* -- Civil and criminal actions and proceedings instituted in behalf

1 of the government under the authority of this Act or other law enforced by the
2 Bureau shall be brought in the name of the government of the Philippines and
3 shall be prosecuted and handled by customs lawyers with the assistance of the
4 Department of Justice: *Provided*, That, the determination of the existence of
5 probable cause and the subsequent filing of any criminal or civil case with the
6 proper court against violators of this Act shall exclusively belong to the
7 Department of Justice: *Provided, further*, That no civil or criminal action for
8 the recovery of duties or the enforcement of any fine, penalty or forfeiture
9 under this Act shall be filed in court without the approval of the Commissioner.

10 SEC. 1037. *Review by Court of Tax Appeals.* – The party aggrieved by
11 the ruling of the Commissioner in any matter brought before him upon protest
12 or by his action or ruling in any case of seizure may appeal to the Court of Tax
13 Appeals, in the manner and within the period prescribed by law and
14 regulations.

15 Unless an appeal is made to the Court of Tax Appeals in the manner and
16 within the period prescribed by laws and regulations, the action or ruling of the
17 Commissioner shall be final and conclusive.

18 CHAPTER 9

19 DISPOSITION OF PROPERTY IN CUSTOMS CUSTODY

20 SEC. 1038. *Property Subject to Sale.* – Property in customs custody
21 shall be subject to sale under the conditions hereinafter provided:

22 (a) Abandoned articles;

23 (b) Articles entered under warehousing entry not withdrawn nor the
24 duties and taxes paid thereon within the period described under Section 808 of
25 this Act;

26 (c) Seized property, other than contraband, after liability to sale shall
27 have been established by proper administrative or judicial proceedings in
28 conformity with the provisions of this Act; and

1 of the government under the authority of this Act or other law enforced by the
2 Bureau shall be brought in the name of the government of the Philippines and
3 shall be prosecuted and handled by customs lawyers with the assistance of the
4 Department of Justice: *Provided*, That, the determination of the existence of
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6 proper court against violators of this Act shall exclusively belong to the
7 Department of Justice: *Provided, further*, That no civil or criminal action for
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25 this Act;

26 (c) Seized property, other than contraband, after liability to sale shall
27 have been established by proper administrative or judicial proceedings in
28 conformity with the provisions of this Act; and

1 (d) Any article subject to a valid lien for customs duties, taxes and
2 other charges collectible by the Bureau, after the expiration of the period
3 allowed for the satisfaction of the same.

4 SEC. 1039. *Place of Sale or Other Disposition of Property.* – Property
5 within the purview of this Part of this Act shall be sold, or otherwise disposed
6 of, upon the order of the Collector of the port where the property in question is
7 found, unless the Commissioner shall direct its conveyance for such purpose to
8 some other port.

9 SEC. 1040. *Mode of Sale.* – In the absence of any special provision,
10 subject to the provisions of Section 1038 hereof, property subject to sale by the
11 customs authorities shall be sold at public auction within thirty (30) days after
12 ten (10) days notice of such sale shall have been conspicuously posted at port
13 and such other advertisement as may appear to the Collector to be advisable in
14 the particular case.

15 SEC. 1041. *Disposition of Proceeds.* – The following charges shall be
16 paid from the proceeds of the disposition in the order named:

- 17 (a) Expenses of appraisal, advertisement and sale;
18 (b) Duties except in the case of abandoned and forfeited articles;
19 (c) Taxes and other charges due the government;
20 (d) Government storage charges;
21 (e) Arrastre and private storage charges and demurrage charges; and
22 (f) Freight, lighterage or general average, on the voyage of
23 importation, of which due notice shall have been given to the Collector.

24 The Commissioner of Customs is authorized to determine the maximum
25 charges to be recovered by private entities concerned under subsections (e) and
26 (f) of this section.

27 SEC. 1042. *Disposition of Proceeds from Auction Sale.* – Net proceeds
28 arising from sales, after deducting the expenses, with reference to Section 1037

1 and in relation to Section 1040 hereof, shall be retained by the Bureau which
2 shall be deemed to form part of its budget and be automatically appropriated,
3 thereof, without prejudice to Section 117 of this Act.

4 SEC. 1043. *Disposition of Articles Liable to Deterioration.* –
5 Perishable articles shall be deposited in any appropriate bonded warehouse;
6 and, if not immediately entered for export or for transportation from the vessel
7 or aircraft in which imported or entered for consumption and the duties and
8 taxes paid thereon, such articles may be sold at auction, after such public
9 notice, not exceeding three (3) days, as the necessities of the case permits.

10 When seizure shall be made of property which, in the opinion of the
11 Collector, is liable to perish or be wasted or to depreciate greatly in value by
12 keeping or which cannot be kept without great disproportionate expense,
13 whether such property consists of live animals or of any article, the appraiser
14 shall so certify in the appraisal, then the Collector may proceed to advertise
15 and sell the same at auction, upon notice as shall be deemed to be reasonable.

16 The same disposition may be made of any warehoused article when in
17 the opinion of the Collector it is likely that the cost of depreciation, damage,
18 leakage, or other causes, may so reduce its value as to be insufficient to pay the
19 duties, taxes and other charges due thereon, if should be permitted to be so
20 kept and be subjected to sale in the usual course.

21 SEC. 1044. *Disposition of Articles Unfit for Use or Sale or Injurious to*
22 *Public Health.* – When any article, which in the opinion of the Collector, is
23 a menace to public health, is seized or otherwise comes into the custody of the
24 Bureau, the Collector of the port shall, if the matter is not disposable under the
25 provisions relating to food and drugs, appoint three (3) members of the Board
26 to examine the article. Whenever possible, one (1) member shall be a
27 representative of the Department of Health or of local health officer, and the
28 two (2) others shall be responsible officials of the Bureau at least one of whom

1 shall be an appraiser. Such Board shall examine the article, and if the same is
2 found to be unfit or a menace to the public health, the Board shall so report in
3 writing to the Collector, who shall forthwith order its destruction in such
4 manner as the case may require.

5 Health authorities at port of entry shall collaborate with the collectors in
6 such matters with reasonable dispatch.

7 SEC. 1045. *Disposition of Contraband.* — Article of prohibited
8 importation or exportation, known as contraband, shall, in the absence of
9 special provision, be dealt with as follows:

10 (a) Dynamite, gunpowder, ammunition and other explosives, firearms
11 and weapons of war and parts thereof, shall be turned over to the AFP;

12 (b) If the article in question is highly dangerous to be kept or handled,
13 it shall forthwith be destroyed;

14 (c) Contraband coin or bullion, foreign currencies and negotiable
15 instruments shall accrue to the Stabilization Fund of the Bangko Sentral ng
16 Pilipinas subject to the payment of the expenses incident to seizure, including
17 the reward to the informer, if any; and

18 (d) Other contraband of commercial value and capable of legitimate
19 use may be sold under such restrictions as will ensure its use for legitimate
20 purposes only; but if the thing is unfit for use or the Collector is of the opinion
21 that, if sold, it would be used for unlawful purposes, it shall be destroyed in
22 such manner as the Collector shall direct.

23 SEC. 1046. *Disposition of Unsold Articles for Want of Bidders.* —
24 Articles subject to sale at public auction by Customs authorities shall be sold at
25 a price not less than the wholesale value or price in the domestic market of
26 these or similar articles in the usual wholesale quantities and in the ordinary
27 course of trade as determined in accordance with Section 1019 of this Act.

1 When any article remains unsold in at least two (2) public biddings for
2 want of bidders or for the lack of an acceptable bid, and the article is
3 perishable and/or suitable for official use, then the Collector shall report the
4 matter immediately to the Commissioner of Customs who may, subject to the
5 approval of the Secretary of Finance, authorize the official use of that article
6 by the Bureau to promote the intensive collection of taxes and/or to help
7 prevent or suppress smuggling and other frauds upon the Customs, and if the
8 article is not suitable for such use, then it may be channeled to the official use
9 of other offices of the national government. If the article is suitable for shelter
10 or consists of foodstuffs, clothing materials or medicines then that article shall
11 be given to government charitable institutions through the Department of
12 Social Welfare and Development.

13 If the article offered for sale is not suitable either for official use or
14 charity, then it may be re-exported as government property through the
15 Department of Trade and Industry or any other government entity through
16 barter or sale. If the article cannot be disposed of as provided above, the
17 Collector shall report the matter immediately to the Commissioner who may,
18 subject to the approval of the Secretary of Finance, dispose of the article to the
19 best advantage of the government in a negotiated private sale which shall be
20 consummated in the presence of a representative of the Commission on Audit,
21 in the manner provided for by this Act.

22 SEC. 1047. *Treatment of Dangerous Explosives.* -- Gunpowder or
23 other dangerous or explosive substances, including firecrackers, shall not be
24 deposited in a bonded warehouse, and when not entered for immediate use,
25 transportation or export, shall be subject to such disposition, in the discretion
26 of the Commissioner of Customs, consistent with public safety. Expenses
27 incurred in such disposition shall constitute a lien on the articles and a charge
28 against the owner.

1 SEC. 1048. *Disposition of Smuggled Articles.* – Smuggled articles,
2 after liability to seizure or forfeiture shall have been established by proper
3 administrative or judicial proceedings in conformity with the provisions of this
4 Act, shall be disposed of as provided for in Section 1046 of this Act: *Provided,*
5 That articles whose importation is prohibited under Section 132,
6 subparagraphs (b), (c), (d), (e) and (j) shall, upon order to the Collector in
7 writing, be burned or destroyed, in such manner as the case may require as to
8 render them absolutely worthless, in the presence of a representative each from
9 the Commission on Audit, Department of Justice, Bureau of Customs, and if
10 possible, any representative of the private sector.

11 SEC. 1049. *Forfeiture Fund.* – All the net proceeds of sale of articles
12 enumerated in Section 1038 of this Act except paragraph (a) on implied
13 abandonment shall be deposited in an account to be known as Forfeiture Fund.
14 In case of sale of goods that are impliedly abandoned, only the portion of the
15 proceeds pertaining to duties, taxes and other charges due on the articles shall
16 also be deposited in the Fund. The Fund shall be in the name of and to be
17 managed by the Bureau which is hereby authorized, subject to the usual
18 government accounting rules and regulations, to utilize the same for the
19 following purposes:

20 (a) To outsource, subject to the rules on government procurement
21 established by law, the management of the inventory, safekeeping, maintenance
22 and sale of articles enumerated in Section 1038 of this Act to private service
23 providers: *Provided,* That the Bureau shall retain jurisdictional control and
24 supervision over these articles as well as the operations of the service provider
25 so contracted;

26 (b) To facilitate customs abandonment and seizure and forfeiture
27 proceedings and the disposition of abandoned and forfeited articles,
28 particularly those to be disposed of other than through public sale;

1 (c) To enhance customs intelligence and enforcement capability to
2 prevent smuggling; and

3 (d) To support the computerization program and other operational
4 efficiency and trade facilitation initiatives of the Bureau.

5 The Department of Finance and the Department of Budget and
6 Management shall, upon the recommendation of the Bureau, issue a joint
7 regulation to implement the provisions of this Act.

8 TITLE XI

9 POST CLEARANCE AUDIT

10 SEC. 1100. *Requirement to Keep Records.* – (a) All importers are
11 required to keep at their principal place of business, in the manner prescribed
12 by regulations to be issued by the Commissioner of Customs and for a period
13 of three (3) years from the date of importation, all records which:

14 (1) Pertains to any such activity, or to the information contained in the
15 records required by this Title in connection with any such activity; and

16 (2) Are normally kept in the ordinary course of business.

17 (b) For purposes of the post entry audit and Section 1103 of this Title,
18 the term importer includes the following:

19 (1) Importer-of-record or consignee, owner/declarant, or other party
20 who:

21 (i) Imports articles into the Philippines or withdraws such articles into
22 the Philippine customs territory for consumption or warehousing; files a
23 claim for refund or drawback; or transport or stores such articles carried or
24 held under bond; or

25 (ii) Knowingly causes the importation or transportation or storage of
26 imported articles referred to above, or the filing of refund or drawback claim;

27 (2) Agent of any party described in paragraph (1); or

28 (3) Person whose activities require the filing of a goods declaration.

1 (c) Person ordering imported articles from a local importer/supplier in
2 a domestic transaction shall be exempted from this section unless:

3 (1) The terms and conditions of the importation are controlled by the
4 person placing the order; or

5 (2) The circumstances and nature of the relationship between the
6 person placing the order and the importer/supplier are such that the former may
7 be considered as the beneficial or true owner of the imported articles; or

8 (3) Assists were furnished by the person placing the order with
9 knowledge that they will be used in the manufacture or production of the
10 imported articles.

11 All customs brokers and all other parties engaged in customs clearance
12 and processing are required to keep at their principal place of business, in the
13 manner prescribed by regulations to be issued by the Commissioner of
14 Customs and for a period of three (3) years from the date of importation copies
15 of the abovementioned records covering transactions that they handle.

16 Locators or persons authorized to bring imported articles into free
17 zones, such as the special economic zones and free ports, are required to keep
18 subject records to the extent that their activities include in whole or in part the
19 withdrawal of imported articles from said zones into the customs territory.

20 SEC. 1101. *Audit and Examination of Records.* – The importer and/or
21 customs broker shall allow any customs officer authorized by the Bureau to
22 enter during office hours any premises or place where the records referred to in
23 the preceding section are kept to conduct audit examination, inspection,
24 verification and/or investigation of those records described in the audit notice
25 with reasonable specificity, which may be relevant to such investigation or
26 inquiry. For this purpose, a duly authorized officer shall have full and free
27 access to all records which shall include, but are not limited to, statements,
28 declarations, documents and electronically generated or machine readable data,

1 for the purpose of ascertaining the correctness of the declaration in the import
2 entry and determining the liability of the importer for duties, taxes and other
3 charges, including any fine and/or penalty, or otherwise for ensuring
4 compliance with customs and tariff laws.

5 A copy of any such document certified by or on behalf of the importer is
6 admissible in evidence in all courts as if it were the original.

7 An authorized customs officer is not entitled to enter any premises under
8 this section unless, before so doing, the officer produces to the person
9 occupying or apparently in charge of the premises written evidence of the fact
10 of being an authorized officer. The person occupying or apparently in charge
11 of the premises entered by an officer shall provide the officer with all
12 reasonable facilities and assistance for the effective exercise of powers under
13 this section.

14 Unless otherwise provided herein or in other provisions of law, the
15 Bureau may, in case of disobedience, invoke the aid of the proper regional trial
16 court within whose jurisdiction the matter falls. The court may punish
17 contumacy or refusal as contempt. In addition, the fact that the importer and/or
18 customs broker denies the authorized customs officer full and free access to
19 importation records during the conduct of a post-entry audit shall create a
20 presumption of inaccuracy in the transaction value declared for their imported
21 goods and constitute grounds for the Bureau to conduct a re-assessment of
22 such goods.

23 This is without prejudice to the criminal sanctions imposed by this Act
24 and administrative sanctions that the Bureau may impose against contumacious
25 importers under existing laws and regulations including the authority to hold
26 delivery or release of their imported articles.

1 The provisions of the foregoing paragraphs notwithstanding, nothing in
2 this section shall be construed as granting the Commissioner the authority to
3 inquire into bank deposits of persons or entities mentioned in this title.

4 SEC. 1103. *Failure to Pay Correct Duties and Taxes on Imported*
5 *Goods.* – Any person who, after being subjected to post entry audit and
6 examination as provided in Section 1101 hereof, is found to have incurred
7 deficiencies in duties and taxes paid for imported goods, shall be penalized
8 according to two (2) degrees of culpability subject to any mitigating,
9 aggravating or extraordinary factors that are clearly established by the
10 following available evidence:

11 (a) Negligence. – When a deficiency results from an offender's
12 failure, through an act or acts of omission or commission, to exercise
13 reasonable care and competence to ensure that a statement made is correct, it
14 shall be determined to be negligent and punishable by a fine equivalent to fifty
15 percent (50%) not less than one-half (1/2) but not more than two (2) times the
16 revenue loss the deficiency in duties, taxes and other charges; or

17 (b) Fraud. – When the material false statement or act in connection
18 with the transaction was committed or omitted knowingly, voluntarily and
19 intentionally, as established by clear and convincing evidence, it shall be
20 determined to be fraudulent and punishable by a fine equivalent to one hundred
21 percent (100%) of the landed cost of every importation found to have
22 fraudulent deficiencies in duties and taxes and imprisonment of not less than
23 two (2) years but not more than eight (8) years.

24 The decision of the Commissioner of Customs, upon proper hearing, to
25 impose penalties as prescribed in this section may be appealed in accordance
26 with Section 1037 hereof.

1 SEC. 1104. *Records to be Kept by the Bureau.* – The Bureau shall
2 likewise keep a record of audit results in a database of importer and broker
3 profiles, to include but not be limited to:

4 (a) Articles of Incorporation;

5 (b) The company structure, which shall include but not be limited to:

6 (1) Incorporators and Board of Directors;

7 (2) Key officers; and

8 (3) Organizational structure.

9 (c) Key importations;

10 (d) Privileges enjoyed;

11 (e) Penalties; and

12 (f) Risk category(ies).

13 TITLE XII

14 CUSTOMS FRAUD

15 SEC. 1200. *Fraud Investigation and Prosecution.* – No criminal case
16 for violation of this title shall be instituted without the approval of the
17 Commissioner of Customs or the District Collector pursuant to the succeeding
18 paragraph.

19 The District Collector shall have the power to investigate and institute
20 smuggling cases committed within his jurisdiction: *Provided*, That in case of
21 inquest, the same may be instituted by the apprehending customs officers.

22 TITLE XIII

23 THIRD PARTIES

24 CHAPTER 1

25 CUSTOMS BROKERS AND SERVICE PROVIDERS

26 SEC. 1300. *Customs Brokers and Other Service Providers.* – Upon the
27 recommendation of the Commissioner of Customs, the Secretary of Finance
28 shall issue the necessary rules and regulations for the accreditation of customs

1 brokers, and for other customs service providers to ensure their compliance
2 with customs laws and regulations.

3 CHAPTER 2

4 CARRIERS, VESSELS AND AIRCRAFTS

5 SEC. 1301. *Ports Open to Vessels and Aircrafts Engaged in Foreign*
6 *Trade.* – Duty of Vessel to Make Entry. – Vessels and aircrafts engaged in
7 the foreign trade shall touch at ports of entry only, except as otherwise
8 especially allowed; and every such vessel or aircraft arriving within a customs
9 collection district of the Philippines from a foreign port shall make entry at the
10 port of entry for such district and shall be subject to the authority of the
11 Collector of the port while within his jurisdiction.

12 SEC. 1302. *Control of Customs Official Over Boarding or Leaving of*
13 *Incoming Vessel and Over Other Vessel Approaching the Former.* – Upon
14 the arrival in port of any vessel engaged in foreign trade, it shall be unlawful
15 for any person (except the pilot, consul, quarantine officials, customs officers
16 or other duly authorized persons) to board or leave the vessel without
17 permission of the customs officer-in-charge; and it shall likewise be unlawful
18 for any tugboat, rowboat or other craft to go along side and take any person
19 aboard such vessel or take any person therefrom, except as aforesaid, or loiter
20 near or alongside such vessel. Unauthorized tugboats and other vessels shall
21 keep away from such vessel engaged in foreign trade at a distance of not less
22 than fifty (50) meters.

23 SEC. 1303. *Quarantine Certificate for Incoming Vessel or Aircraft.* –
24 Entry of a vessel or aircraft from a foreign port or place outside of the
25 Philippines shall not be permitted until it has obtained a quarantine certificate
26 issued by the Bureau of Quarantine.

27 SEC. 1304. *Documents to be Produced by the Master Upon Entry of*
28 *Vessel.* – For the purpose of making entry of a vessel engaged in foreign

1 trade, the master thereof shall present the following documents duly certified
2 by him, to the customs boarding officials:

3 (a) The vessel's general declaration;

4 (b) The original manifest of all cargoes destined for the port, to be
5 returned with the indorsement of the boarding officials;

6 (c) Three (3) copies of the same manifest, one of which, upon
7 certification by the boarding official as to the correctness of the copy, shall be
8 returned to the master;

9 (d) A copy of the cargo stowage plan;

10 (e) Two (2) copies of store list;

11 (f) One (1) copy of passengers list;

12 (g) One (1) copy of the crews list;

13 (h) The original of all through cargo manifest, for deposit, while in
14 port, with customs official incharge of the vessel;

15 (i) A passengers manifest of all aliens, in conformity with the
16 requirements of the immigration laws in force in the Philippines;

17 (j) One (1) copy of the original duplicate of bills of lading fully
18 accomplished;

19 (k) The shipping articles and register of the vessel of Philippine
20 registry; and

21 (l) Such other related documents.

22 SEC. 1305. *Manifest Required of Vessel from Foreign Port.* – Every
23 vessel from a foreign port must have on board a complete manifest of all her
24 cargoes.

25 All of the cargoes intended to be landed at a port in the Philippines must
26 be described in separate manifests for each port of call therein. Each manifest
27 shall include the port of departure and the port of delivery with the marks,
28 numbers, quantity and description of the packages and the names of the

1 consignees thereof. Every vessel from a foreign port must have on board
2 complete manifests of passengers and their baggages, in the prescribed form,
3 setting forth their destination and all particulars required by immigration laws,
4 and every such vessel shall have prepared for presentation to the proper
5 customs officials upon arrival in ports of the Philippines a complete list of all
6 sea stores then on board. If the vessel does not carry cargo or passengers, the
7 manifest must show that no cargo or passenger, as the case may be, is carried
8 from the port of departure to the port of destination in the Philippines.

9 A true and complete copy of the cargo manifest shall be electronically
10 sent in advance by the shipping company, NVOCC, freight forwarder, cargo
11 consolidator or their agents within the cut-off period as may be determined by
12 the Bureau before the arrival of the carrying vessel at the port of entry. Upon
13 arrival of the carrying vessel, the shipping company, NVOCC, freight
14 forwarder, cargo consolidator or their agents shall provide two (2) hard copies
15 of the cargo manifest to the Bureau in case the port of entry is either the Port of
16 Manila or the Manila International Container Port, and one (1) copy of each
17 for the other ports of entry.

18 A cargo manifest shall in no case be changed or altered after entry of
19 vessel, except by means of an amendment by the master, consignee or agent
20 thereof, under oath and attached to the original manifest: *Provided, however,*
21 That after the invoice and/or entry covering an importation have been received
22 and recorded in the office of the appraiser, no amendment of the manifest shall
23 be allowed, except when it is obvious that a clerical error or any other
24 discrepancy has been committed in the preparation of the manifest, without any
25 fraudulent intent, discovery of which would not have been made until after
26 examination of the importation has been completed.

1 SEC. 1306. *Translation of Manifest.* – The cargo manifest and each
2 copy thereof shall be accompanied by a translation in English, if originally
3 written in another language.

4 SEC. 1307. *Manifests for the Commission on Audit and Collector.* –
5 Papers to be Deposited with Consul. – Immediately after the arrival of a
6 vessel from a foreign port, the master shall deliver or mail to the Chairman,
7 Commission on Audit, Manila, a copy of the cargo manifests properly
8 endorsed by the boarding officer, and the master shall immediately present to
9 the Collector the original copy of the cargo manifests properly endorsed by the
10 boarding officer, and, for inspection, the ship's register or other documents in
11 lieu thereof, together with the clearance and other papers granted to the vessel
12 at the port of departure for the Philippines.

13 SEC. 1308. *Transit Cargo.* – When transit cargo from a foreign port or
14 other local ports is forwarded from the port of importation separate manifest,
15 in triplicate, shall be presented by each carrier.

16 SEC. 1309. *Clearance of Foreign Vessels to and from Coastwise Ports.*
17 – Passengers or articles arriving from abroad on a foreign vessel may be
18 carried by the same vessel through any port of entry to the port of destination
19 in the Philippines or articles intended for export may be carried in a foreign
20 vessel through a Philippine port. Upon such reasonable condition as may be
21 imposed, the Commissioner may clear foreign vessels for any port and
22 authorize the conveyance therein of either articles or passengers brought from
23 abroad upon such vessels. The Commissioner may likewise, upon such
24 conditions as may be imposed, allow a foreign vessel to take cargo and
25 passengers at any port and convey the same, upon such vessel to a foreign port.

26 SEC. 1310. *Production of Philippine Crew.* – The master of a
27 Philippine vessel returning from abroad shall produce the entire crew listed in
28 the vessel's shipping articles; and if any member is missing, the master shall

1 produce proof satisfactory to the Collector that such member has died,
2 absconded, has been forcibly impressed into other service, or has been
3 discharged; and in case of discharge in a foreign country, the master shall
4 produce a certificate from the consul, vice consul or consular agent of the
5 Philippines there residing, showing that such discharge was effected with the
6 consent of the aforesaid representative of the Philippines.

7 SEC. 1311. *Record of Arrival and Entry of Vessels.* – A record shall
8 be made and kept open to public inspection in every customhouse of the date
9 of arrival and entry of all vessels.

10 SEC. 1312. *Arrest of Vessel Departing Before Entry Made.* – When a
11 vessel arriving within the limits of a collection district from a foreign port
12 departs or attempts to depart before entry shall have been made, not being
13 thereunto compelled by stress of weather, duress of enemies, or other
14 necessity, the Collector of the port may arrest and bring back such vessel to the
15 most convenient port with assistance of other concerned agencies.

16 SEC. 1313. *Discharge of Ballast.* – When not brought to port as
17 article, ballast of no commercial value may be discharged upon permit granted
18 by the Collector for such purpose.

19 SEC. 1314. *Time of Unlading Cargo.* – Unlading of cargo from
20 vessels or aircrafts from a foreign port during official nonworking hours shall
21 be allowed subject to payment of service fees by shipping lines, airlines, or
22 other interested parties at rates prescribed by the Commissioner of Customs.

23 SEC. 1315. *Entrance of Vessel Through Necessity.* – When a vessel
24 from a foreign port is compelled, by stress of weather or other necessity to put
25 into any other port than that of her destination, the master within twenty-four
26 (24) hours after her arrival, shall make protest under oath setting forth the
27 causes or circumstances of such necessity. This protest, if not made before the
28 Collector, must be produced and a copy thereof lodged with the Collector.

1 Within the same time, the master shall make a report to the Collector if any
2 part of the cargo was unladen from necessity or lost by casualty before arrival,
3 and such fact should be made to appear by sufficient proof to the Collector
4 who shall give the approval thereto and the unloading shall be deemed to have
5 been lawfully effected.

6 SEC. 1316. *Unlading of Vessel in Port from Necessity.* – If the
7 situation is such as to require the unloading of the vessel pending sojourn in
8 port, the Collector shall, upon sufficient proof of the necessity, grant a permit
9 therefore, and the articles shall be unladen and stored under the supervision of
10 the customs authorities.

11 At the request of the master of the vessel or the owner thereof, the
12 Collector may grant permission to enter and pay duties, taxes and other charges
13 on, and dispose of, such a part of the cargo as may be perishable nature or as
14 may be necessary to defray the expenses attending the vessel.

15 Upon departure, the cargo, or a residue thereof, may be reladen on
16 board the vessel, and the vessel may proceed with the same to her destination,
17 subject only to the charge for storing and safekeeping of the articles and the
18 fees for entrance and clearance. No port charges shall be collected on vessels
19 entering through stress of weather or other causes above described.

20 SEC. 1317. *Entry and Clearance of Vessels of a Foreign Government.*
21 – The entry and clearance transport or supply ship of a foreign government
22 shall be in accordance with the agreement by and between the Philippines and
23 the foreign government.

24 SEC. 1318. *Clearance of Vessel for Foreign Port.* – Before a
25 clearance shall be granted to any vessel bound to a foreign port, the master, or
26 the agent thereof, shall present to the Collector the following properly
27 authenticated documents:

1 (a) A bill of health from the quarantine official or official of the public
2 health service in the port;

3 (b) Three (3) copies of the manifest of export cargo, one of which,
4 upon certification by the customs official as to the correctness of the copy,
5 shall be returned to the master;

6 (c) Two (2) copies of the passengers list, showing alien and other
7 passengers;

8 (d) The register and shipping articles, if the vessel is of Philippine
9 registry;

10 (e) Clearance of last port of entry; and

11 (f) A certificate of the Bureau of Posts to the effect that it received
12 timely notice of the sailing of the vessel: *Provided*, That the Collector shall not
13 permit any vessel to sail for a foreign port if the master or agent thereof refuses
14 to receive bags of mail delivered to the same by the Bureau of Posts for
15 transportation for a reasonable compensation. In case the Director of Posts and
16 the said master or agent do not come to an agreement concerning the amount of
17 the compensation to be paid for the carriage of the mail, the matter shall be
18 submitted for decision to a Board of Referees, which shall fix a reasonable rate
19 of compensation, to be composed of three (3) members appointed,
20 respectively, by the Bureau of Posts, the agency of the company to which the
21 vessel concerned belongs, and the Bureau.

22 SEC. 1319. *Detention of Warlike Vessel Containing Arms and*
23 *Munitions.* — Collectors shall report to the proper authorities or detain any
24 vessel of commercial registry manifestly built for warlike purposes and about
25 to depart from the Philippines with a cargo consisting principally of arms and
26 munitions of war, when the number of men shipped on board or other
27 circumstances render it probable that such vessel is intended to be employed
28 by the owner or owners to cruise or commit hostilities upon the subjects,

1 citizens, or property of any foreign principality or state, or of any colony,
2 district, or people with whom the Philippines is at peace, until the decision of
3 the President of the Philippines be had thereon, or until the owner or owners
4 shall give bond or security, in double the value of the vessel and cargo, that she
5 will not be so employed, if in the discretion of the Collector such bond will
6 prevent the violation of the provisions of this section.

7 SEC. 1320. *Manifest of Export Cargo to be Delivered to the Chairman,*
8 *Commission on Audit.* — The master shall, prior to departure, deliver mail to
9 the Chairman, Commission on Audit, Manila, the returned copy of the manifest
10 of export cargo.

11 SEC. 1321. *Oath of Master of Departing Vessel.* — The master of such
12 departing vessel shall state under oath to the effect:

13 (a) That all cargoes conveyed on said vessel, with destination to the
14 Philippines, has been duly discharged or accounted for;

15 (b) That a true copy of the outgoing cargo manifest has been mailed or
16 delivered to the Chairman, Commission on Audit;

17 (c) That no letters or packets, not enclosed in properly stamped
18 envelope sufficient to cover postage, have been received or will be conveyed,
19 except those relating to the vessel; and that all mails placed on board his vessel
20 before her last clearance from the Philippines have been delivered at the proper
21 foreign port; and

22 (d) That if clearing without passenger, the vessel will not carry upon
23 the instant voyage, from the Philippine port, any passenger of any class, or
24 other person not entered upon the ship's declaration.

25 SEC. 1322. *Extension of Time for Clearance.* — At the time of
26 clearance, the master of a departing vessel shall be required to indicate the time
27 of intended departure, and if the vessel should remain in port forty-eight (48)
28 hours after the time indicated, the master shall report to the Collector for an

1 extension of time of departure, and without such extension the original
2 clearance shall be nullified.

3 SEC. 1323. *Advance Notice of Arrival.* – (a) Nonscheduled Arrivals.

4 – Before an aircraft comes into any area in the Philippines from any place
5 outside thereof, a timely notice of the intended flight shall be furnished to the
6 Collector or other customs officer-in-charge at or nearest the intended place of
7 first landing such area, and to the quarantine and immigration officers-in-
8 charge at or nearest such place of landing. If dependable facilities for giving
9 notice are not available before departure, any radio equipment of the place
10 shall be used if this will result in the giving of adequate and timely notice
11 during its approach, otherwise landing shall be made at a place where the
12 necessary facilities do exist before coming into any area in the Philippines. If,
13 upon landing in any area, the government officers have not arrived, the
14 pilot-in-command shall hold the aircraft and any baggage and article thereon
15 intact and keep the passengers and crew members in a segregated place until
16 the inspecting officers arrived.

17 (b) Scheduled Arrivals. – Such advance notice will not be required in
18 the case of an airline arriving in accordance with the regular schedule filed
19 with the Collector for the customs district in which the place of first landing in
20 the area is situated, and also with the quarantine and immigration officials in
21 charge of such place.

22 SEC. 1324. *Landing at International Airport of Entry.* – Except in
23 case of emergency or forced landings, aircraft arriving in the Philippines from
24 any foreign port or place shall make the first landing at an international airport
25 of entry, unless permission to land elsewhere than at an international airport of
26 entry is first obtained from the Commissioner. In such cases, the owner,
27 operator, or person in charge of the aircraft shall pay the expenses incurred in
28 inspecting the aircraft, articles, passengers and baggage carried thereon, and

1 such aircraft shall be subject to the authority of the Collector at the airport
2 while within his jurisdiction.

3 Should an emergency or forced landing be made by an aircraft coming
4 into the Philippines from place outside thereof, the pilot-in-command shall not
5 allow any article, baggage, passenger or crew member to be removed or to
6 depart from the landing place without permission of a customs officer, unless
7 such removal or departure is necessary for purposes of safety, communication
8 with customs authorities, or preservation of life, health or property. As soon as
9 practicable, the pilot-in-command, or a member of the crew-in-charge, or the
10 owner of the aircraft, shall communicate with the customs officer at the
11 intended place of first landing or at the nearest international airport or other
12 customs port of entry in the area and make a full report of the circumstances of
13 the flight and of the emergency or forced landing.

14 SEC. 1325. *Report of Arrival and Entry of Aircraft.* – The
15 pilot-in-command of any aircraft arriving from a foreign port or place shall
16 immediately report his arrival to the Collector at the airport of entry or to the
17 customs officer detailed to meet the aircraft at the place of first landing. Such
18 aircraft upon arrival shall be boarded by quarantine officer and after pratique
19 (health clearance) is granted shall be boarded by customs officer, and no
20 person shall be permitted to board or leave the aircraft without the permission
21 of the customs officer-in-charge. The pilot-in-command or any other
22 authorized agent of the owner or operator of the aircraft shall make the
23 necessary entry. No such aircraft shall, without previous permission from the
24 Collector, depart from the place of first landing or discharge articles,
25 passengers or baggage.

26 SEC. 1326. *Documents Required in Making Entry for Aircraft.* –

27 (a) For the purpose of making entry, there shall be presented to the
28 customs boarding officer four (4) copies of a general declaration which shall

1 contain the following data, unless any of such data is otherwise presented on a
2 separate official form:

3 (1) Name of owner or operator of aircraft, registration marks and
4 nationality of aircraft, and flight number of identification;

5 (2) Points of clearance and entry, and date of arrival;

6 (3) Health and customs clearance at the last airport of departure;

7 (4) Itinerary of aircraft, including information as to airport of origin
8 and departure dates;

9 (5) Names and nationality of crew members;

10 (6) Passengers manifest showing places of embarkation and
11 destination;

12 (7) Cargo manifest showing information as to airway bill number, the
13 number of packages related to each airway bill number, nature of goods,
14 destination, and gross weight, together with a copy of each airway bill securely
15 attached thereto;

16 (8) Store list; and

17 (9) And such other documents as may be required by the Bureau.

18 (b) The general declaration shall be written in English and duly signed
19 by the pilot-in-command or operator of the aircraft, or the authorized agent.
20 The Health Section thereon, however, shall be signed only by the
21 pilot-in-command or when necessary, by a crew member when the general
22 declaration itself has been signed by a noncrew member. If the aircraft does not
23 carry cargoes or passengers such facts must be shown in the manifests.

24 (c) Cargo manifest shall in no case be changed or altered after entry of
25 the aircraft, except by means of an amendment by the pilot-in-command or
26 authorized agent thereof, under oath, and attached to the original manifest:
27 *Provided, however,* That after the invoice and/or entry covering an importation
28 have been received and recorded in the office of the appraiser, no amendment

1 shall be allowed except when it is obvious that a clerical error or any other
2 discrepancy has been committed without any fraudulent intent in the
3 preparation of the manifest, discovery of which could not have been made until
4 after examination of the importation has been completed.

5 SEC. 1327. *Manifest for the Commission on Audit.* – The pilot-in-
6 command or authorized agent of an aircraft, upon arrival from a foreign port,
7 shall deliver or mail to the Chairman, Commission on Audit, a copy of the
8 general declaration properly endorsed by the customs boarding officer.

9 SEC. 1328. *Clearance of Aircraft for Foreign Port.* – (a) Any aircraft
0 bound to a foreign port shall, before departure, clear at an airport of entry or at
1 the same place where such aircraft has been authorized to make its landing by
2 the Commissioner; and

3 (b) Before clearance shall be granted to an aircraft bound to a foreign
4 port, there shall be presented to the Collector or to the customs officer detailed
5 at the place of departure four (4) copies of a general declaration signed by the
6 pilot-in-command or authorized agent of an aircraft which shall contain the
7 following data:

8 (1) Name of owner or operator of aircraft, registration marks and
9 nationality of aircraft, and flight number of identification;

0 (2) Point of clearance, data thereof and destination;

1 (3) Health and customs clearance;

2 (4) Itinerary of aircraft, including information as to airport of
3 destination and departure date;

4 (5) Names and nationality of crew members;

5 (6) Passengers manifest showing places of destination;

6 (7) Export cargo manifest showing information as to airway bill
7 number, the number of packages related to each airway bill number, nature of

1 goods, destination, and gross weight, together with a copy of each airway bill
2 securely attached thereto; and

3 (8) Store list showing stores laden.

4 SEC. 1329. *Oath of Person in Charge of Departing Aircraft.* – The
5 pilot-in-command or authorized agent of such departing aircraft shall also state
6 under oath to the effect that:

7 (a) All cargoes conveyed on said aircraft destined to the Philippines
8 has been duly discharged and accounted for; and

9 (b) He has not received nor will convey any letter or packet not
10 enclosed in properly stamped envelope sufficient to cover postage, except
11 those relating to the cargo of the aircraft, and that he has delivered to the
12 proper foreign port all mails placed on board said aircraft before clearance
13 from the Philippines.

14 If clearing without passengers, the aircraft shall not carry upon
15 departure any passenger.

16 A record shall be made and kept open to public inspection in every
17 customhouse at an airport of entry of the dates of arrival and entry of all
18 aircrafts.

19 CHAPTER 3

20 OTHER THIRD PARTIES

21 SEC. 1330. *Supervision and Regulation of Third Parties.* – Third
22 parties transacting with the Bureau in behalf of importers and consignees shall
23 be treated equally as if they are themselves the importers or consignees.

24 Third parties transacting with the Bureau shall be liable for acts
25 committed in violation of this Act and related laws.

26 Upon the recommendation of the Commissioner of Customs, the
27 Secretary of Finance shall issue rules and regulations for the Bureau to
28 supervise and regulate all third parties dealing directly with the Bureau for and

1 in behalf of another person in relation to the importation, exportation,
2 movement, storage and clearance of goods. Third parties as provided in this
3 section may refer to, among others, logistics providers, importers, exporters,
4 customs brokers, carriers, airlines, shipping lines, shipping agents, forwarders,
5 consolidators, port and terminal operators and warehouse operators. The rules
6 and regulations shall provide for specific conditions when third parties may or
7 may not directly transact with customs and shall provide a written notice in
8 case such third parties are, for valid reasons, barred from transacting with
9 customs.

10 CHAPTER 4

11 AUTHORIZED ECONOMIC OPERATORS (AEO) AND 12 AUTHORIZED PERSONS

13 SEC. 1331. *Authorized Economic Operators (AEO) and Other*
14 *Authorized Persons.* – Upon the recommendation of the Commissioner of
15 Customs, the Secretary of Finance shall issue the necessary rules:

16 (a) To supervise and regulate Authorized Economic Operators (AEO),
17 consistent with international best practices, the World Customs Organization
18 (WCO) framework of standards to secure and facilitate global trade, and other
19 international conventions and agreements; and

20 (b) To develop trade facilitation programs for AEOs and other
21 authorized persons consistent with international best practices and international
22 conventions and agreements.

23 TITLE XIV

24 CUSTOMS FEES AND CHARGES

25 SEC. 1400. *Customs Dues, Fees and Charges.* – For services rendered
26 and documents issued by the Bureau, dues, fees and charges shall be collected
27 as may be provided under existing regulations issued by the Secretary of
28 Finance, upon the recommendation of the Commissioner.

1 (30%) in duty between what is found upon examination and what is declared.
2 In case of such misdeclaration, a surcharge equivalent to one hundred percent
3 (100%) of the difference between the full duty as found and that as declared
4 shall be imposed. No surcharge shall be imposed when the discrepancy in duty
5 is less than ten percent (10%).

6 Misclassification occurs when an incorrect tariff heading is used
7 resulting in a discrepancy in duty by ten percent (10%) or more but not
8 exceeding thirty percent (30%). In case of misclassification, a surcharge
9 equivalent to one hundred percent (100%) of the difference between the full
10 duty as found and that as declared shall be imposed. No surcharge shall be
11 imposed when the discrepancy in duty is less than ten percent (10%); or when
12 the declared tariff heading is rejected in a formal customs dispute settlement
13 process involving difficult or highly technical question of tariff classification;
14 or when the tariff classification declaration relied on an official government
15 ruling or information.

16 A discrepancy in misdeclaration or in misclassification mentioned above
17 of more than thirty percent (30%) shall constitute a *prima facie* evidence of
18 fraud penalized under Section 1200 of this Act: *Provided*, That any undeclared
19 articles/items shall *ipso facto* be forfeited in favor of the government to be
20 disposed of pursuant to the provisions of this Act.

21 When the misdeclaration or misclassification is intentional or
22 fraudulent, the articles shall be subject to seizure and forfeiture proceedings
23 regardless of the amount of the discrepancy without prejudice to the
24 application of penal provisions under Section 1526 of this Act against the
25 importer and/or other person or persons who wilfully participated in the
26 fraudulent act.

1 When the discrepancy mentioned in the foregoing is established during
2 post entry audit, the pertinent provisions of Title XI of this Act on post entry
3 audit shall govern.

4 There is undervaluation when: (a) the customs value declaration in the
5 import entry fails to disclose in full the price actually paid or payable and/or
6 any dutiable adjustment to the price actually paid or payable for the imported
7 articles; or (b) when it uses an incorrect valuation method or otherwise has not
8 properly observed the valuation rules under the transaction value system,
9 resulting in a discrepancy in duty between the correct transaction value under
10 the applicable method and that as declared.

11 When the undervaluation is established without need to go through the
12 formal dispute settlement process required under the transaction value system
13 provided for in this Act, a surcharge shall be imposed in an amount equal to
14 one hundred percent (100%) of the difference between the full duty as
15 established and that as declared. No surcharge shall be imposed when the
16 discrepancy in duty is less than ten percent (10%); or the declared value is
17 rejected as a result of an official ruling or decision under the customs dispute
18 settlement process involving difficult or highly technical question relating to
19 the application of customs valuation rules; or the value declaration relied on an
20 official government ruling or information.

21 When the undervaluation is attended with fraud, such as when a false
22 invoice or fake or altered document supporting the declared customs value is
23 submitted, or otherwise a false statement or information is knowingly made,
24 and is uncovered at the time customs still has physical custody of or control
25 over the imported articles, the same shall be subject to seizure and forfeiture
26 proceedings, without prejudice to the application of the penal provisions under
27 Section 1526 of this Act against the importer and/or other person or persons
28 who willfully participated in the fraudulent act.

1 When the undervaluation, fraudulent or not, is established during post
2 entry audit, the pertinent provisions of Title XI of this Act on post entry audit
3 shall govern.

4 SEC. 1503. *Failure or Refusal of Party to Give Evidence or Submit*
5 *Documents for Examination.* – When the owner, importer or consignee of any
6 imported article, or the agent of either, fails or refuses, upon lawful demand in
7 writing by any customs official to appear, make oath, or submit to examination
8 or to answer any material question or refuses to produce records, accounts or
9 invoices in possession pertaining to the value, classification or disposition of
10 the article in question and deemed material in appraising the same, the
11 Collector shall assess a surcharge of twenty percent (20%) *ad valorem* on the
12 article which is the subject of the importation.

13 SEC. 1504. *Failure to Declare Baggage.* – Whenever any dutiable
14 article is found in the baggage of any person arriving within the Philippines
15 which is not included in the baggage declaration, such article shall be seized
16 and the person in whose baggage it is found may obtain release of such article,
17 if not imported contrary to any law upon payment of thrice the appraised value
18 of such article plus all duties, taxes and other charges due thereon unless it
19 shall be established to the satisfaction of the Collector that the failure to
20 mention or declare such dutiable article was without fraud. Nothing in this
21 section shall preclude the bringing of criminal action against the offender.

22 SEC. 1505. *Breach of Bond.* – Upon breach of bond required to be
23 filed under the tariff and customs laws, the Collector, subject to the approval of
24 the Commissioner, may accept in satisfaction thereof a smaller sum than that
25 mentioned in the penalty clause of the bond, but in no case less than the
26 amount necessary to indemnify the government for the damage occasioned by
27 such breach.

1 SEC. 1506. *Vessel, Seacraft or Aircraft Departing Before Entry Made.*

2 – Any vessel, seacraft or aircraft arriving within the limits of a collection
3 district from a foreign port which departs before the entry is made, without
4 being compelled to do so by stress of weather, pursuit or duress of enemies, or
5 other necessity, shall be fined in the sum not less than Thirty thousand pesos
6 (P30,000.00) but not more than One hundred thousand pesos (P100,000.00).

7 SEC. 1507. *Obstruction to Boarding Official.* – If the master or

8 pilot-in-command or any member of the complement of any vessel or aircraft
9 arriving at the Philippine port obstructs or hinders any official from lawfully
10 going on board such vessel or aircraft for the purpose of enforcing the customs
11 and tariff laws, or intentionally causes any such official to be so obstructed or
12 hindered, the vessel or aircraft shall be fined in a sum not less than Thirty
13 thousand pesos (P30,000.00) but not more than One hundred thousand pesos
14 (P100,000.00).

15 SEC. 1508. *Unlawful Boarding or Leaving of Vessel or Aircraft.* – If

16 upon arrival at the Philippine port, any master of a vessel or pilot-in-command
17 of an aircraft engaged in a foreign trade permits any person to board or leave
18 the vessel or aircraft without the permission of the customs official in charge,
19 such vessel or aircraft shall be fined in a sum not less than Thirty thousand
20 pesos (P30,000.00) but not more than One hundred thousand pesos
21 (P100,000.00).

22 SEC. 1509. *Failure to Deliver or Receive Mail.* – If the master of a

23 vessel or the pilot-in-command of an aircraft arriving at the Philippine port
24 fails or refuses to deliver to the postmaster of the nearest post office, as
25 required by law or contract, all mail matters on board such vessel or aircraft
26 and destined for the particular port, the vessel or aircraft shall be fined in a sum
27 not exceeding One hundred thousand pesos (P100,000.00).

1 When any vessel or aircraft which is required by law or contract to carry
2 mail matter departs from a port or place where mail should be received,
3 without giving the postmaster or other postal official a reasonable opportunity
4 to deliver to the vessel or aircraft or its proper officer or agent, any mail matter
5 addressed to or destined for the port or place to which the vessel or aircraft is
6 bound, such vessel or aircraft shall be fined in a sum not less than Thirty
7 thousand pesos (P30,000.00) but not more than One hundred thousand pesos
8 (P100,000.00).

9 SEC. 1510. *Unloading of Cargo Before Arrival at Port of Destination.*

10 – If, upon the arrival within the limits of any collection district of the
11 Philippines of any vessel or aircraft engaged in foreign trade, the master or
12 pilot-in-command thereof permits any part of the cargo to be unladen before
13 arrival at the port of destination, and without authority from a proper customs
14 official, such vessel or aircraft shall be fined a sum not less than Thirty
15 thousand pesos (P30,000.00) but not exceeding One hundred thousand pesos
16 (P100,000.00): *Provided*, That no fine shall accrue upon satisfactory proof to
17 the proper collector that the unloading was rendered necessary by stress of
18 weather, accident or other necessity.

19 SEC. 1511. *Unloading of Cargo at Improper Time or Place After*
20 *Arrival.* – Any vessel or aircraft, which after arrival at the port of destination
21 in the Philippines, discharges cargo at any time or place other than that
22 designated by the Collector shall be fined in a sum not less than Thirty
23 thousand pesos (P30,000.00) and not exceeding One hundred thousand pesos
24 (P100,000.00): *Provided*, That no fine shall accrue upon satisfactory proof to
25 the proper collector that the unloading was rendered necessary by stress of
26 weather, accident or other necessity.

27 SEC. 1512. *Failure to Exhibit or Deposit Documents.* – When the
28 master of a vessel or pilot-in-command of an aircraft engaged in foreign trade

1 fails to exhibit to the Collector at the time of entry of the vessel or aircraft the
2 register or other paper in lieu thereof, together with the clearance and other
3 papers granted by the customs officers to the vessel or aircraft at the last
4 foreign port of departure, or fails to exhibit any certificate or other documents
5 required to be then exhibited, such vessel or aircraft shall be fined in a sum not
6 less than Thirty thousand pesos (P30,000.00) but not more than One hundred
7 thousand pesos (P100,000.00). Such vessel shall be liable for the payment of
8 the aforesaid fine if the master, within forty-eight (48) hours, after arrival, shall
9 fail to deliver to the proper consular officer of the nation such document
10 required by law to be deposited with the Collector, or, if after having made
11 such deposit, the master shall fail to produce to the Collector the required
12 evidence that the same has been effected.

13 SEC. 1513. *Bringing of Unmanifested Arms, Explosives or War*
14 *Equipment.* – Any vessel or aircraft arriving at a port in the Philippines
15 having firearms, gunpowder, cartridges, dynamite or any other explosives,
16 munitions or equipment of war concealed on board the vessel or not contained
17 in the manifest of the vessel or aircraft, shall be fined a sum of not less than
18 One hundred thousand pesos (P100,000.00) but not more than Five hundred
19 thousand pesos (P500,000.00).

20 SEC. 1514. *Failure to Supply Advance and Requisite Manifests.* –
21 Failure to transmit the electronic manifest within the cut-off time as may be
22 prescribed by the Bureau prior to arrival of the carrying vessel at the port of
23 entry shall likewise be fined in a sum of not less than Thirty thousand pesos
24 (P30,000.00) but not exceeding Fifty thousand pesos (P50,000.00).

25 If the transit time from port of origin to port of entry is at least
26 seventy-two (72) hours, the shipping/forwarding agent of the carrier or the
27 vessel who fails to submit manifest at least twenty-four (24) hours before entry

1 shall likewise be fined in a sum of not less than Thirty thousand pesos
2 (P30,000.00) but not exceeding Fifty thousand pesos (P50,000.00).

3 The same fine shall be imposed upon any arriving or departing vessel or
4 aircraft if the master or pilot-in-command shall fail to deliver or mail to the
5 Chairman, Commission on Audit a true copy of the manifest of the incoming or
6 outgoing cargo, as required by law.

7 SEC. 1515. *Disappearance of Manifested Article.* – When any
8 package or article mentioned in the manifest is not unladen at the port of
9 destination upon the arrival of the vessel or aircraft, the latter's agent shall be
10 fined in a sum not exceeding Twenty thousand pesos (P20,000.00) unless the
11 disappearance of the package or the article in question was not due to the
12 negligence of the master of the vessel or pilot-in-command of an aircraft and
13 explained to the satisfaction of the Collector.

14 The vessel or aircraft shall be liable for the payment of the same fine
15 when a package or article listed in the manifest does not tally materially in
16 character or otherwise with the description thereof in the manifest.

17 SEC. 1516. *Discrepancy Between Actual and Declared Weight of*
18 *Manifested Article.* – If the gross weight of any article or package described
19 in the manifest exceeds by more than twenty percent (20%), the gross weight
20 as declared in the manifest or bill of lading thereof, and the Collector shall be
21 of the opinion that such discrepancy was due to the carelessness or
22 incompetency of the master or pilot-in-command, owner or employee of the
23 vessel or aircraft, a fine of not more than fifteen percent (15%) of the value of
24 the package or article in respect to which the deficiency exists, may be
25 imposed upon the importing vessel or aircraft.

26 SEC. 1517. *Delivery of Cargo Not Agreeing with the Master's or*
27 *Pilot's-in-Command Report.* – When a vessel or aircraft arriving from a
28 foreign port is compelled by necessity to put into another port than the port of

1 destination and permission is granted by the Collector for the unloading of the
2 vessel or aircraft or the delivery of any part of the cargo and it shall be found
3 that the delivery of the cargo does not agree with the master's or the
4 pilot's-in-command report, and the discrepancy is not satisfactory explained,
5 the vessel or aircraft shall be fined in a sum not less than Thirty thousand pesos
6 (P30,000.00) but not less than One hundred thousand pesos (P100,000.00).

7 SEC. 1518. *Breaking of Seal Placed by Customs Officials.* – If any
8 seal placed by a custom official upon any vessel or aircraft or compartment
9 thereof, or upon any box, trunk or other package of article on board, any vessel
10 or aircraft shall be fined a sum not less than Fifty thousand pesos (P50,000.00)
11 for each seal so broken or destroyed.

12 SEC. 1519. *Breaking of Lock or Fastening Placed by Customs*
13 *Officials.* – If any lock or other fastening device placed by a custom official
14 upon any hatch door, or other means of communication with the hold of a
15 vessel or aircraft, or other part thereof, for the security of the same during the
16 night time, shall be unlawfully opened, broken or removed, or if any of the
17 articles contained in the hold or in the other compartments so secured shall be
18 clandestinely abstracted and landed, the vessel or aircraft shall be fined in a
19 sum not less than Thirty thousand pesos (P30,000.00) but not more than One
20 hundred thousand pesos (P100,000.00).

21 SEC. 1520. *Disappearance of Trunk or Package Specially Noted by*
22 *Customs Official.* – When any box, trunk or other package of article is found
23 by a customs official on any incoming vessel or aircraft separate from the rest
24 of the cargo or in any unusual or improper place on such vessel or aircraft and
25 the same shall be noted by him, with proper description, and the attention of
26 the master or pilot-in-command or other responsible officer of the vessel or
27 aircraft is called thereto, the vessel or aircraft shall be fined in a sum not less
28 than Thirty thousand pesos (P30,000.00) for every such package which may

1 subsequently be missing and unaccounted for upon the arrival of the vessel or
2 aircraft at the port of entry.

3 SEC. 1521. *False Statement of Vessel's or Aircraft's Destination.* –

4 When the master or pilot-in-command of a vessel or aircraft laden with articles
5 shall make a false statement as to the next destination of such vessel or aircraft
6 when information concerning the same is required by a customs officer, such
7 vessel or aircraft shall be fined in a sum not less than Thirty thousand pesos
8 (P30,000.00) but not more than One hundred thousand pesos (P100,000.00);
9 and the circumstances that a vessel or aircraft after clearing for a certain port of
10 destination goes to some other port, not being impelled to do so by necessity,
11 shall be *prima facie* proof that the original statement of the vessel's or
12 aircraft's actual destination was false.

13 SEC. 1522. *Other Offences.* – A vessel shall be fined in an amount
14 hereafter fixed for:

15 (a) Anchoring at any dock, pier, wharf, quay or bulkhead without rat
16 guards, Five thousand pesos (P5,000.00) for coastwise vessels and Ten
17 thousand pesos (P10,000.00) for overseas vessels;

18 (b) Dumping of garbage or slops over the sides within three (3) miles
19 from the nearest coastline, One hundred thousand pesos (P100,000.00);

20 (c) Dumping or causing to spread crude oil, kerosene or gasoline in the
21 bay or at the piers within three (3) miles from the nearest coastline, One
22 hundred thousand pesos (P100,000.00) for each offence;

23 (d) Loading gasoline at a place other than that designated by the
24 regulations, One hundred thousand pesos (P100,000.00) for each offence; and

25 (e) Causing the emission and spread of harmful gas, fumes and
26 chemicals, Two hundred thousand pesos (P200,000.00) for each offense.

1 SEC. 1523. *Property Subject to Forfeiture Under this Act.* – Any
2 vehicle, vessel or aircraft, cargo, article and other objects shall, under the
3 following conditions be subjected to forfeiture:

4 (a) Any vehicle, vessel or aircraft, including cargo, which shall be used
5 unlawfully in the importation or exportation of articles or in conveying and/or
6 transporting contraband or smuggled articles in commercial quantities into or
7 from any Philippine port or place. The mere carrying or holding on board of
8 contraband or smuggled articles in commercial quantities shall subject such
9 vessel, vehicle, aircraft, or any other craft to forfeiture: *Provided*, That the
10 vessel, vehicle, or aircraft or any other craft is not used as duly authorized
11 common carrier and as such a carrier it is not chartered or leased;

12 (b) Any vessel engaging in the coastwise which shall have on board any
13 article of foreign growth, produce, or manufacture in excess of the amount
14 necessary for sea stores, without such article having been properly entered or
15 legally imported;

16 (c) Any vessel or aircraft into which shall be transferred cargo unladen
17 contrary to law prior to the arrival of the importing vessel or aircraft at the port
18 of destination;

19 (d) Any part of the cargo, stores or supplies of a vessel or aircraft
20 arriving from a foreign port which is unladen before arrival at the vessel's or
21 aircraft's port of destination and without authority from the customs officials;
22 but such cargo, ship or aircraft stores and supplies shall not be forfeited if such
23 unloading was due to accident, stress of weather or other necessity and is
24 subsequently approved by the Collector;

25 (e) Any article which is fraudulently concealed in or removed contrary
26 to law from any public or private warehouse, container yard or container
27 freight station under customs supervision;

1 (f) Any article the importation or exportation of which is effected or
2 attempted contrary to law, or any article of prohibited importation or
3 exportation, and all other articles which, in the opinion of the Collector, have
4 been used, are or were entered to be used as instruments in the importation or
5 the exportation of the former;

6 (g) Unmanifested article found on any vessel or aircraft if manifest
7 therefor is required;

8 (h) Sea stores or aircraft stores adjudged by the Collector to be
9 excessive, when the duties assessed by the Collector thereon are not paid or
10 secured forthwith upon assessment of the same;

11 (i) Any package of imported article which is found by the examining
12 official to contain any article not specified in the invoice or entry, including all
13 other packages purportedly containing imported articles similar to those
14 declared in the invoice or entry to be the contents of the misdeclared package:
15 *Provided*, That the Collector is of the opinion that the misdeclaration was
16 contrary to law;

17 (j) Boxes, cases, trunks, envelopes and other containers of whatever
18 character used as receptacle or as device to conceal article which is itself
19 subject to forfeiture under the tariff and customs laws or which is so designed
20 as to conceal the character of such articles;

21 (k) Any conveyance actually being used for the transport of articles
22 subject to forfeiture under the customs and tariff laws, with its equipage or
23 trappings, and any vehicle similarly used, together with its equipage and
24 appurtenances including the beast, steam or other motive power drawing or
25 propelling the same. The mere conveyance of contraband or smuggled articles
26 by such beast or vehicle shall be sufficient cause for the outright seizure and
27 confiscation of such beast or vehicle but the forfeiture shall not be effected if it
28 is established that the owner of the means of conveyance used as aforesaid, is

1 engaged as common carrier and not chartered or leased, or his agent in charge
2 thereof at the time, has no knowledge of the unlawful act; and

3 (l) Any article sought to be imported or exported:

4 (1) Without going through a customhouse, whether the act was
5 consummated, frustrated or attempted;

6 (2) By failure to mention to a customs official, articles found in the
7 baggage of a person arriving from abroad;

8 (3) On the strength of a false declaration or affidavit executed by the
9 owner, importer, exporter or consignee concerning the importation of such
10 article;

11 (4) On the strength of a false invoice or other document executed by
12 the owner, importer, exporter or consignee concerning the importation or
13 exportation of such article; and

14 (5) Through any other practice or device contrary to law by means of
15 which such articles was entered through a customhouse to the prejudice of the
16 government.

17 SEC. 1524. *Properties Not Subject to Forfeiture in the Absence of*
18 *Prima Facie Evidence.* – The forfeiture of the vehicle, vessel or aircraft shall
19 not be effected if it is established that the owner thereof or the agent in charge
20 of the means of conveyance used as aforesaid has no knowledge of or
21 participation in the unlawful act: *Provided, however,* That a *prima facie*
22 presumption shall exist against the vessel, vehicle or aircraft under any of the
23 following circumstances:

24 (a) If the conveyance has been used for smuggling before;

25 (b) If the owner is not in the business for which the conveyance is
26 generally used; and

27 (c) If the owner is not financially in a position to own such conveyance.

1 SEC. 1525. *Conditions Affecting Forfeiture of Article.* – The forfeiture
2 shall be effected only when and while the article is in the custody or within the
3 jurisdiction of the customs authorities or in the hands or subject to the control
4 of the importer, exporter, original owner, consignee, agent of other person
5 effecting the importation, entry or exportation in question, or in the hands or
6 subject to the control of some persons who shall receive, conceal, buy, sell or
7 transport the same or aid in any such acts, with knowledge that the article was
8 imported, or was the subject of an attempt at importation or exportation,
9 contrary to law.

10 SEC. 1526. *Unlawful Importation or Exportation.* – Any person who
11 shall fraudulently import or export or bring into or out of the Philippines, or
12 assist in so doing, any article, contrary to law, or shall receive, conceal, buy,
13 sell, or in any manner facilitate the transportation, concealment, or sale of such
14 article after importation, knowing the same to have been imported contrary to
15 law, shall be guilty of smuggling and shall be punished with:

16 (a) A fine of not less than Twenty thousand pesos (P20,000.00) nor
17 more than One hundred thousand pesos (P100,000.00) and imprisonment of
18 not less than two (2) years and one (1) day but not more than six (6) years if
19 the value to be determined in the manner prescribed under this Act, including
20 duties and taxes, of the article unlawfully imported does not exceed Two
21 hundred thousand pesos (P200,000.00);

22 (b) A fine of not less than One hundred fifty thousand pesos
23 (P150,000.00) nor more than Three hundred thousand pesos (P300,000.00)
24 and imprisonment of not less than seven (7) years and one (1) day nor more
25 than ten (10) years, if the value, to be determined in the manner prescribed
26 under this Act, including duties and taxes, of the article unlawfully imported
27 exceeds Two hundred thousand pesos (P200,000.00) but does not exceed Six
28 hundred thousand pesos (P600,000.00);

1 (c) A fine of not less than Four hundred thousand pesos (P400,000.00)
2 nor more than Six hundred thousand pesos (P600,000.00) and imprisonment of
3 not less than eleven (11) years and one (1) day nor more than fifteen (15)
4 years, if the appraised value to be determined in the manner prescribed under
5 this Act, including duties and taxes, of the article unlawfully imported exceeds
6 Six hundred thousand pesos (P600,000.00) but does not exceed One million
7 pesos (P1,000,000.00);

8 (d) A fine of not less than Eight hundred thousand pesos (P800,000.00)
9 nor more than Ten million pesos (P10,000,000.00) and imprisonment of not
10 less than sixteen (16) years and one (1) day nor more than twenty (20) years, if
11 the appraised value to be determined in the manner prescribed under this Act,
12 including duties and taxes, of the article unlawfully imported exceeds
13 One million pesos (P1,000,000.00) but does not exceed Fifty million pesos
14 (P50,000,000.00);

15 (e) If the appraised value to be determined in the manner prescribed
16 under this Act, of the article unlawfully imported, including duties and taxes,
17 exceeds Fifty million pesos (P50,000,000.00) or if the aggregate amount of the
18 appraised values of the unlawfully imported articles, including duties and
19 taxes, resulting from acts of unlawful importation committed in more than one
20 instance, exceeds Fifty million pesos (P50,000,000.00), the same shall be
21 deemed as heinous crime and shall be punishable with a penalty of *reclusion*
22 *perpetua* and a fine of not less than Twelve million pesos (P12,000,000.00) but
23 not more than Fifty million pesos (P50,000,000.00); and

24 (f) The penalty of *prision mayor* shall be imposed when the crime of
25 serious physical injuries shall have been committed and the penalty of
26 *reclusion perpetua* shall be imposed when the crime of homicide shall have
27 been committed by reason or on the occasion of the unlawful importation.

1 In applying the above scale of penalties, the offender, if an alien, shall
2 be deported after serving the sentence without further proceedings for
3 deportation. If the offender is a government official or employee, the penalty
4 which is the next higher in degree shall be imposed in addition to the penalty
5 of perpetual disqualification from public office, to vote and to participate in
6 any public election. If the offender fails to pay the fine, subsidiary
7 imprisonment shall be served.

8 When, upon trial for violation of this section, the defendant is shown to
9 have had possession of the article in question, possession shall be deemed
10 sufficient evidence to authorize conviction unless the defendant shall explain
11 the possession to the satisfaction of the court: *Provided, however,* That
12 payment of the tax due after apprehension shall not constitute a valid defense
13 in any prosecution under this section.

14 SEC. 1527. *Various Fraudulent Practices Against Customs Revenue.* –
15 Any person who makes or attempts to make any entry of imported or exported
16 article by means of any false or fraudulent invoice, declaration, affidavit, letter,
17 paper or by any means of any false statement, written or verbal, or by any
18 means of any false or fraudulent practice whatsoever, or knowingly effects any
19 entry of goods, wares or merchandise, at less than true weight or measures
20 thereof or upon a false classification as to quality or value, or by the payment
21 of less than the amount legally due, or knowingly and willfully files any false
22 or fraudulent entry or claim for the payment of drawback or refund of duties
23 upon the exportation of merchandise, or makes or files any affidavit abstract,
24 record, certificate or other document, with a view to securing the payment of
25 any drawback, allowance, or refund of duties on the exportation of
26 merchandise, greater than that legally due thereon, or who shall be guilty of
27 any willful act or omission shall, for each offence, be punished in accordance
28 with the penalties prescribed in the preceding section.

1 SEC. 1528. *Failure to Report Fraud.* – Any master, pilot-in-command
2 or other officer, owner or agent of any vessel or aircraft trading with or within
3 the Philippines and any employee of the Bureau who, having cognizance of
4 any fraud on the customs revenue, shall fail to report all information relative
5 thereto to the Collector as by law required, shall be punished by a fine of not
6 less than Fifty thousand pesos (P50,000.00) but not more than Two hundred
7 thousand pesos (P200,000.00) and imprisonment of not less than two (2) years
8 and one (1) day but not more than five (5) years. The offender, if an alien,
9 shall be deported after serving the sentence. The offender, if a public official
10 or employee, shall suffer additional penalty of perpetual disqualification to
11 hold public office, to vote and to participate, in any election. All the benefits
12 due from service in the government, including the separation and retirement
13 benefits, shall be forfeited.

14 SEC. 1529. *Statutory Offenses of Officials and Employees.* – Every
15 official, agent or employee of the Bureau or of any other agency of the
16 government charged with the enforcement of the provisions of this Act, who is
17 guilty of any delinquency herein below indicated shall be punished with a fine
18 of not less than One hundred thousand pesos (P100,000.00) nor more than
19 Five hundred thousand pesos (P500,000.00) and imprisonment of not less than
20 ten (10) years and one (1) day but not more than fifteen (15) years and
21 perpetual disqualification to hold public office, to vote and to participate in any
22 public election:

23 (a) Those guilty of extortion or willful oppression under color of law;

24 (b) Those who knowingly demand other or greater sums that are
25 authorized by law or receive any fee, compensation, or reward except as by
26 law prescribed, for the performance of any duty;

1 (c) Those who willfully neglect to give receipts, as required by law for
2 any sum collection in the performance of duty, or who willfully neglect to
3 perform any of the duties enjoined by law;

4 (d) Those who conspire or collude with another or others to defraud the
5 customs revenue or otherwise violate the law;

6 (e) Those who willfully make opportunity for any person to defraud the
7 customs revenue or who do or fail to do any act with intent to enable any
8 person to defraud said revenue;

9 (f) Those who negligently or designedly permit the violation of the law
10 by any other person;

11 (g) Those who make or sign any false entry or entries in any book, or
12 make or sign any false certificate or return in any case where the law requires
13 the making by them of such entry certificate or return;

14 (h) Those who, having knowledge or information of a violation of this
15 Act or any fraud committed on the revenue collectible by the Bureau, fail to
16 report such knowledge or information to their superior official or to report as
17 otherwise required by law;

18 (i) Those who, without the authority of law, demand or accept or
19 attempt to collect directly or indirectly as payment or otherwise, any sum of
20 money or other thing of value for the compromise, adjustment, or settlement of
21 any charge or complaint for any violation or alleged violation of law; or

22 (j) Those who, without authority of law, disclose confidential
23 information gained during any investigation or audit, or use such information
24 for personal gain or to the detriment of the government, the Bureau or third
25 parties.

26 All the benefits due from service in the government, including the
27 separation and retirement benefits, shall be forfeited.

1 SEC. 1530. *Concealment or Destruction of Evidence of Fraud.* – Any
2 person who willfully conceals or destroys any invoice, book or paper relating
3 to any article liable to duty after an inspection thereof has been demanded by
4 the Collector of any collection district or at any time conceals or destroys any
5 such invoice, book or paper for the purpose of suppressing any evidence of
6 fraud therein contained, shall be punished with a fine of not less than Twenty
7 thousand pesos (P20,000.00) but not more than One hundred thousand pesos
8 (P100,000.00) and imprisonment of not less than two (2) years and one (1)
9 day but not more than five (5) years.

10 SEC. 1531. *Affixing Seals.* – Any person who, without authority
11 affixes or attaches a customs seal, fastening, or mark or any seal, fastening or
12 mark purporting to be a customs seal, fastening or mark to any vessel, vehicle
13 on land, sea or air, warehouse, or package, shall be punished with a fine of not
14 less than Twenty thousand pesos (P20,000.00) but not more than One hundred
15 thousand pesos (P100,000.00) and imprisonment of not less than two (2) years
16 and one (1) day but not more than seven (7) years. The offender, if an alien,
17 shall be deported after serving the sentence; and if a public official or
18 employee, shall suffer an additional penalty of perpetual disqualification to
19 hold public office, to vote and participate in any election.

20 SEC. 1532. *Removal, Breakage, Alteration of Marks.* – Any person
21 who without authority, willfully removes, breaks, injures, or defaces or alters
22 any customs seal or other fastening or mark placed upon any vessel, vehicles,
23 on land, sea or air, warehouse or package containing merchandise or baggage
24 in bond or in customs custody, shall be punished with the penalty prescribed in
25 Section 1518 hereof.

26 SEC. 1533. *Removing or Repacking Goods in Warehouse.* – Any
27 person who fraudulently conceals, removes, or repacks merchandise in any
28 warehouse or fraudulently alters, defaces or obliterates any marks or numbers

1 placed upon packages deposited in such warehouse, or shall aid or abet in any
2 such acts or omission, shall be punished with the penalties prescribed in
3 Section 1531 hereof.

4 Merchandise so concealed, removed, or repacked, or packages upon
5 which marks or numbers have been so altered, defaced or obliterated, or the
6 value thereof, shall be forfeited in favor of the government.

7 SEC. 1534. *Removing Goods from Customs Custody.* – Any person
8 who maliciously enters any warehouse, or any vehicle laden with or containing
9 merchandise with intent to unlawfully remove therefrom any merchandise or
10 baggage in such vessels, vehicle or warehouse or otherwise in customs custody
11 or control, or any person who receives or transports any merchandise or
12 baggage unlawfully removed from any such vessel, vehicle or warehouse, or
13 shall aid or abet such removal, shall suffer the penalties provided in Section
14 1531 hereof.

15 SEC. 1535. *Failure to Keep Importation Records and Full Access to*
16 *Customs Officers.* – Any person who fails to keep all the records of
17 importations and/or books of accounts, business and computer systems and all
18 customs commercial data in the manner prescribed in this Act shall be
19 punished with a fine of not less than Two hundred thousand pesos
20 (P200,000.00) but not more than Five hundred thousand pesos (P500,000.00)
21 and imprisonment of not less than four (4) years and one (1) day but not more
22 than eight (8) years. This penalty shall likewise be imposed against
23 importers/brokers who deny an authorized customs officer full and free access
24 to such records, books of accounts, business and computer systems, and all
25 customs commercial data including payment records. This is without prejudice
26 to the administrative sanctions that the Bureau may impose against the
27 contumacious importers under existing laws and regulations including the
28 authority to hold delivery or release of their imported articles.

1 SEC. 1536. *Violations of Customs and Tariff Laws and Regulations in*
2 *General.* – Any person who violates any provision of this Act or regulations
3 pursuant thereto, for which delinquency no specific penalty is provided, shall
4 be punished by a fine of not less than Twenty thousand pesos (P20,000.00) but
5 not more than One hundred thousand pesos (P100,000.00) and imprisonment
6 of not less than two (2) years and one (1) day but not more than five (5) years.
7 The offender, if an alien, shall be deported after serving the sentence; and if a
8 public official or employee, shall suffer disqualification to hold public office,
9 to vote and participate in any public election for ten (10) years.

10 TITLE XVI

11 MISCELLANEOUS PROVISIONS

12 SEC. 1600. *Information, Decisions and Rulings.* – The Bureau shall
13 ensure that all information of general application pertaining to customs,
14 including revisions or amendments thereto, shall be available to the general
15 public.

16 SEC. 1601. *Duty of Collector to Report Rulings to the Commissioner.*
17 – When any new or unsettled question shall be determined by a Collector, and
18 if the matter is not otherwise appealed for review in the ordinary course, the
19 Collector shall notify the Commissioner of the decision and submit an adequate
20 statement of the facts involved.

21 SEC. 1602. *Application of Established Ruling or Decision.* – A ruling
22 or decision of the Commissioner of Customs which determines the construction
23 or application of any provision of law imposing customs duties and which
24 changes any existing established classification, interpretation or practice shall
25 not take effect until after thirty (30) days public notice shall have been given in
26 the form of a published customs tariff decision. When such ruling or decision
27 favors the taxpayers, it shall become effective immediately.

1 SEC. 1603. *Authority of Official to Administer Oaths and Take*
2 *Testimony.* – The Commissioner, Collectors and their deputies, and other
3 customs employees especially deputized by the Collector shall have authority
4 to administer oaths and take testimony in connection with any matter within the
5 jurisdiction of the Bureau and in connection therewith may require the
6 production of relevant papers, documents, books and records in accordance
7 with law.

8 SEC. 1604. *General Bonds.* – In cases where bonds are required to be
9 given under the provisions of the customs and tariff laws, the Collector, instead
10 of requiring separate special bonds where transactions of a particular party are
11 numerous, may accept general bonds extending over such periods of time and
12 covering such transactions of the party in question as shall be satisfactory to
13 said Collector.

14 SEC. 1605: *Customs Service Fees.* – Customs personnel may be
15 assigned by a Collector to render overtime work and other customs services
16 based on service fees fixed by the Commissioner of Customs, as approved by
17 the Secretary of Finance, to be paid by importers, shippers, airlines, shipping
18 lines, logistics providers, port operators and other third parties.

19 SEC. 1606. *Reduction of Testimony to Writing.* – When testimony is
20 taken in any proceeding or matter under the authority of the Bureau, either
21 party may require that the same be reduced to writing, and when so taken it
22 shall be filed in the Office of the Collector and preserved for use or reference
23 until final decision.

24 SEC. 1607. *Collector Not Liable in Respect to Ruling in Customs*
25 *Cases.* – No Collector or other official of the Bureau shall be in any way
26 personally liable for or an account of any official ruling or decision as to which
27 the person claiming to be aggrieved has the right to obtain either an
28 administrative or judicial review, and except for misdelivery of articles a

1 Collector shall not, in the absence of abuse of authority, be liable to any person
2 for a loss occasioned either by the official act or the acts of the subordinates.

3 SEC. 1608. *Interest Prohibited to be Held by Customs Employees.* –

4 No person employed under the authority of the government in the collection of
5 duties, taxes, fees and other charges in connection with imports and/or exports,
6 shall own, either in whole or in part, any vessel or aircraft or act as attorney,
7 agent or consignee for the owner of any vessel or aircraft or of any cargo laden
8 on board the same nor shall any such person import or be concerned, directly
9 or indirectly, in the importation of any article for sale into the Philippines.

10 SEC. 1609. *Reward to Persons Instrumental in the Actual Collection of*
11 *Additional Revenues Arising from the Discovery of Violations of Customs and*
12 *Tariff Laws.* – The provisions of general and special laws to the contrary
13 notwithstanding, a cash reward equivalent to twenty percent (20%) of the
14 actual proceeds from the sale of smuggled articles and confiscated goods or
15 actual collection of additional revenues shall be given to the customs and non-
16 customs informers who are instrumental in the collection of additional
17 revenues arising from the discovery of violations of customs and tariff laws in
18 accordance with the rules and regulations to be issued by the Secretary of
19 Finance.

20 SEC. 1610. *Reward to Prosecutor/s Who are Responsible for the*
21 *Successful Prosecution of Violators of Customs and Tariff Laws.* – The
22 provisions of general and special laws to the contrary notwithstanding, a cash
23 reward equivalent to twenty percent (20%) of the actual proceeds from the sale
24 of smuggled articles and confiscated goods or actual collection of collectible
25 revenues arising from the litigated case shall be given to the prosecutor/s
26 responsible for the successful conviction by final judgment of customs and
27 tariff laws violators and/or recovery of revenues due, subject to such rules and
28 regulations to be issued by the Secretary of Finance.

1 SEC. 1611. *Outsourcing of Non-Sovereign Customs Functions to*
 2 *Private Entities.* — Subject to the approval of the Secretary of Finance, the
 3 Bureau may outsource any of its non-sovereign and/or ancillary function to
 4 qualified and competent private entities in accordance with government rules
 5 on service procurement.

6 SEC. 1612. *International Standards and Best Practices.* — The Bureau
 7 may adopt international standards and best practices in customs administration
 8 laid down by international agreement or convention pertaining to trade
 9 facilitation, supply chain security, and related matters, whether or not the
 10 Philippines is signatory to such international agreement or convention.

11 TITLE XVII

12 TARIFF ADMINISTRATION AND POLICY

13 CHAPTER 1

14 TARIFF COMMISSION

15 SEC. 1700. *Chief Officials of the Tariff Commission and Their*
 16 *Qualifications.* — The officials of the Tariff Commission shall be the
 17 Chairperson and two (2) Member Commissioners to be appointed by the
 18 President of the Philippines. No person shall be eligible for appointment as
 19 Chairperson and Tariff Commissioners unless they are natural-born citizens of
 20 the Philippines, of good moral character and proven integrity, and who by
 21 experience and academic training are possessed of qualifications requisite for
 22 developing expert knowledge of tariff problems. They shall not, during their
 23 tenure in office, engage in the practice of any profession, or intervene directly
 24 or indirectly in the management or control of any private enterprise which may,
 25 in any way, be affected by the functions of their office nor shall be, directly or
 26 indirectly, financially interested in any contract with the government, or any
 27 subdivision or instrumentality thereof.

1 SEC. 1701. *Appointment and Compensation of Officials and*
2 *Employees.* – All employees of the Commission shall be appointed by the
3 Chairperson in accordance with the staffing pattern as approved by the DBM
4 and with the Civil Service Law, except as to the directors and the private
5 secretaries in the offices of the Chairperson and the Commissioners.

6 The Tariff Commission shall be reorganized in accordance with the
7 requirements of its reorganized functions and responsibilities. The Chairperson
8 of the Commission, subject to the approval of the Director-General of the
9 NEDA, shall determine the new position-designations and salary scales of the
10 officials and employees of the Commission by taking into account the degree
11 of responsibilities of each position: *Provided*, That the Office of Compensation
12 and Position Classification shall be furnished a copy of the new plantilla of
13 positions incorporating the new designations to be automatically included in its
14 manual of positions: *Provided, further*, That the reorganization shall not in
15 any way affect whatever benefits the officials and employees of the
16 Commission are allowed under existing law and/or authority.

17 SEC. 1702. *Official Seal.* – The Commission is authorized to adopt an
18 official seal.

19 SEC. 1703. *Functions of the Commission.* – The Commission shall
20 have the functions to investigate the following:

21 (a) The administration of, and the fiscal and industrial effects of, the
22 customs and tariff laws of this country now in force or which may hereafter be
23 enacted;

24 (b) The relations between the rates of duty on raw materials and the
25 finished or partly finished products;

26 (c) The effects of *ad valorem* and specific duties and of compound
27 specific and *ad valorem* duties;

1 (d) All questions relative to the arrangement of schedules and
2 classification of articles in the several sections of the tariff law;

3 (e) The tariff relations between the Philippines and foreign countries,
4 commercial treaties, preferential provisions, economic alliances, the effect of
5 export bounties and preferential transportation rates;

6 (f) The volume of importations compared with domestic production
7 and consumption;

8 (g) Conditions, causes and effects relating to competition of foreign
9 industries with those of the Philippines, including dumping and cost of
10 production;

11 (h) In general, to investigate the operation of customs and tariff laws,
12 including their relation to the national revenues, their effect upon the industries
13 and labor of the country, and to submit reports of its investigations as
14 hereinafter provided; and

15 (i) The nature and composition of, and the classification of, articles
16 according to tariff commodity classification and heading number for customs
17 revenue and other related purposes which shall be furnished to the NEDA, the
18 Board of Investments, the BSP and the Secretary of Finance.

19 SEC. 1704. *Assistance to the President and Congress of the*
20 *Philippines.* – In order that the President and the Congress may secure
21 information and assistance, it shall be the duty of the Commission to:

22 (a) Ascertain conversion costs and costs of production in the principal
23 growing, producing or manufacturing centers of the Philippines, whenever
24 practicable;

25 (b) Ascertain conversion costs and costs of production in the principal
26 growing, producing or manufacturing centers of foreign countries of articles
27 imported into the Philippines whenever such conversion costs or costs of
28 production are necessary for comparison with those in the Philippines;

1 (c) Select and describe representative articles imported into the
2 Philippines similar to, or comparable with, those locally produced; select and
3 describe articles of the Philippines similar to, or comparable with, such
4 imported article; and obtain and file samples of articles so selected whenever
5 advisable;

6 (d) Ascertain import costs of such representative articles so selected;

7 (e) Ascertain the grower's, producer's or manufacturer's selling prices
8 in the principal growing, producing or manufacturing centers of the
9 Philippines, of the articles of the Philippines, so selected;

10 (f) Ascertain all other facts which will show the difference in, or which
11 affect competition between, articles of the Philippines and those imported in
12 the principal markets of the Philippines;

13 (g) Ascertain conversion costs and costs of production including effects
14 of tariff modifications or import restrictions on prices in the principal growing,
15 producing or manufacturing centers of the Philippines, whenever practicable;
16 and

17 (h) Submit annual reports of these to the President of the Philippines,
18 copy of which shall be furnished to the NEDA, the BSP, the DOF and the
19 Board of Investments.

20 SEC. 1705. *Reports of the Commission.* – The Commission shall place
21 at the disposal of the President and any Member of the Congress of the
22 Philippines all information at its command. It shall make such investigation
23 and report as may be required by the President and the Congress of the
24 Philippines. And, it shall report to the President and Congress on the first
25 Monday of December of each year and hereafter a statement of methods
26 adopted and a summary of all reports made during the year.

27 The Commission or its duly authorized representative shall have access
28 to any document, paper or record, pertinent to the subject matter under

1 investigation, in the possession of any person, firm, co-partnership, corporation
2 or association engaged in the production, importation or distribution of any
3 article under investigation, and shall have power to summon witnesses, take
4 testimony, administer oaths, and to issue *subpoena duces tecum* requiring the
5 production of books, papers or documents relating to the matter under
6 investigation. The Commission may also request the views, recommendations
7 and/or assistance of any government office, agency or instrumentality, and
8 such office, agency or instrumentality shall cooperate fully with the
9 Commission.

10 SEC. 1706. *Sworn and Verified Statements.* – The Commission may
11 order the taking of sworn statements at any stage of any proceeding or
12 investigation before it. Such sworn statements may be taken before any person
13 having power to administer oaths.

14 The Commission is authorized to require any importer, grower,
15 producer, manufacturer or seller to file with the Commission a statement, under
16 oath, giving the selling prices in the Philippines of any article imported, grown,
17 produced, fabricated or manufactured by him.

18 SEC. 1707. *Rules and Regulations of the Commission.* – The
19 Commission shall adopt and promulgate such rules and regulations as may be
20 necessary to carry out the provisions of this Act.

21 CHAPTER 2

22 FLEXIBLE TARIFF

23 SEC. 1708. *Flexible Clause.* – (a) In the interest of national economy,
24 general welfare and/or national security, and subject to the limitations herein
25 prescribed, the President, upon the recommendation of the National Economic
26 and Development Authority, hereinafter referred to as NEDA, is hereby
27 empowered:

1 (1) To increase, reduce or remove existing protective rates of import
2 duty (including any necessary change in classification). The existing rates may
3 be increased or decreased to any level, in one or several stages but in no case
4 shall the increased rate of import duty be higher than a maximum of one
5 hundred percent (100%) *ad valorem*;

6 (2) To establish import quota or to ban imports of any commodity, as
7 may be necessary; and

8 (3) To impose an additional duty on all imports not exceeding ten
9 percent (10%) *ad valorem* whenever necessary: *Provided*, That upon periodic
10 investigations by the Tariff Commission and recommendation of the NEDA,
11 the President may cause a gradual reduction of protection levels granted in
12 Section 1711 of this Act, including those subsequently granted pursuant to this
13 section.

14 (b) Before any recommendation is submitted to the President by the
15 NEDA pursuant to the provisions of this section, except in the imposition of an
16 additional duty not exceeding ten percent (10%) *ad valorem*, the Commission
17 shall conduct an investigation in the course of which they shall hold public
18 hearings wherein interested parties shall be afforded reasonable opportunity to
19 be present, produce evidence and to be heard. The Commission shall also hear
20 the views and recommendations of any government office, agency or
21 instrumentality concerned. The Commission shall submit their findings and
22 recommendations to the NEDA within thirty (30) days after the termination of
23 the public hearings.

24 (c) The power of the President to increase or decrease rates of import
25 duty within the limits fixed in subsection (a) shall include the authority to
26 modify the form of duty. In modifying the form of duty, the corresponding *ad*
27 *valorem* or specific equivalents of the duty with respect to imports from the

1 principal competing foreign country for the most recent representative period
2 shall be used as basis.

3 (d) The Commissioner shall regularly furnish the Commission a copy
4 of all customs import entries as filed in the Bureau. The Commission or its
5 duly authorized representatives shall have access to, and the right to copy all
6 liquidated customs import entries and other documents appended thereto as
7 finally filed in the Commission on Audit.

8 (e) The NEDA shall promulgate rules and regulations necessary to
9 carry out the provisions of this section.

10 (f) Any order issued by the President pursuant to the provisions of this
11 section shall take effect thirty (30) days after promulgation, except in the,
12 imposition of additional duty not exceeding ten percent (10%) *ad valorem*
13 which shall take effect at the discretion of the President.

14 (g) The power herein delegated to the President shall be exercised only
15 when Congress is not in session.

16 (h) The power herein delegated may be withdrawn or terminated by
17 Congress through a joint resolution.

18 SEC. 1709. *Promotion of Foreign Trade.* — (a) For the purpose of
19 expanding foreign markets for Philippine products as a means of assistance in
20 the economic development of the country, in overcoming domestic
21 unemployment, in increasing the purchasing power of the Philippine peso, and
22 in establishing and maintaining better relations between the Philippines and
23 other countries, the President, is authorized from time to time:

24 (1) To enter into trade agreements with foreign governments or
25 instrumentalities thereof; and

26 (2) To modify import duties (including any necessary change in
27 classification) and other import restrictions, as are required or appropriate to
28 carry out and promote foreign trade with other countries: *Provided, however,*

1 That in modifying import duties or fixing import quota the requirements
2 prescribed in subsection (a) of Section 1708 shall be observed: *Provided,*
3 *further,* That any modification of import duties and any fixing of import quotas
4 made pursuant to the agreement on ASEAN Trade in Goods Agreement
5 (ATIGA) and other trade agreements shall not be subject to the limitations of
6 aforesaid Section (a) of Section 1708.

7 (b) The duties and other import restrictions as modified in subsection
8 (a) above, shall apply to articles which are the growth, produce or manufacture
9 of the specific country, whether imported directly or indirectly, with which the
10 Philippines has entered into a trade agreement: *Provided,* That the President
11 may suspend the application of any concession to articles which are the
12 growth, produce or manufacture of such country because of acts (including the
13 operations of international cartels) or policies which tend to defeat the
14 purposes set in this section; and the duties and other import restrictions as
15 negotiated shall be in force and effect from and after such time as specified in
16 the order.

17 (c) Nothing in this section shall be construed to give any authority to
18 cancel or reduce in any manner any of the indebtedness of any foreign country
19 to the Philippines or any claim of the Philippines against any foreign country.

20 (d) Before any trade agreement is concluded with any foreign
21 government or instrumentality thereof, reasonable public notice of the intention
22 to negotiate an agreement with such government or instrumentality shall be
23 given in order that any interested person may have an opportunity to present
24 his views to the Commission which shall seek information and advice from the
25 Department of Agriculture, the DENR, the DTI, the DOT, the BSP, the DFA,
26 the Board of Investments and from such other sources as it may deem
27 appropriate.

1 (e)(1) In advising the President, as a result of the trade agreement
2 entered into, the Commission shall determine whether the domestic industry
3 has suffered or is being threatened with injury and whether the wholesale
4 prices at which the domestic products are sold are reasonable, taking into
5 account the cost of raw materials, labor, overhead, a fair return on investment,
6 and the overall efficiency of the industry.

7 (2) The NEDA shall evaluate the report of the Commission and submit
8 recommendations to the President.

9 (3) Upon receipt of the report of the findings and recommendations of
10 the NEDA, the President may prescribe such adjustments in the rates of import
11 duties, withdraw, modify or suspend, in whole or in part, any concession under
12 any trade agreement, establish import quota, or institute such other import
13 restrictions as the NEDA recommends to be necessary in order to fully protect
14 domestic industry and the consumers, subject to the condition that the
15 wholesale prices of the domestic products concerned shall be reduced to, or
16 maintained at, the level recommended by the NEDA unless for good cause
17 shown, an increase thereof, as recommended by the NEDA, is authorized by
18 the President. Should increases be made without such authority, the NEDA
19 shall immediately notify the President, who shall allow the importation of
20 competing products in such quantities as to protect the public from the
21 unauthorized increase in wholesale prices.

22 (f) This section shall not prevent the effectivity of any executive
23 agreement or any future preferential trade agreement with any foreign country.

24 (g) The NEDA and the Commission are authorized to promulgate such
25 reasonable procedures, rules and regulations as they may deem necessary to
26 execute their respective functions under this section.

CHAPTER 3

TARIFF NOMENCLATURE AND RATE OF DUTY

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3 SEC. 1710. *General Rules for the Interpretation (GRI)*. – The
4 classification of goods and its tariff nomenclature as provided pursuant to this
5 Act shall be governed by the following principles:

6 (a) The titles of sections, chapters and subchapters are provided for
7 ease of reference only; for legal purposes, classification shall be determined
8 according to the terms of the headings and any relative section or chapter notes
9 and, provided such headings or notes do not otherwise require, according to
10 the following provisions;

11 (b)(1) Any reference in a heading to an article shall be taken to include
12 a reference to that article incomplete or unfinished: *Provided*, That, as
13 presented, the incomplete or unfinished article has the essential character of the
14 complete or finished article. It shall also be taken to include a reference to that
15 article complete or finished (or falling to be classified as complete or finished
16 by virtue of this Rule) presented unassembled or disassembled.

17 (2) Any reference in a heading to a material or substance shall be taken
18 to include a reference to mixtures or combinations of that material or substance
19 with other materials or substances. Any reference to goods of a given material
20 or substance shall be taken to include a reference to goods consisting wholly or
21 partly of such material or substance. The classification of goods consisting of
22 more than one material or substance shall be according to the principles of
23 Rule (c).

24 (c) When by application of Rule (b)(2) or for any other reason, goods
25 are, *prima facie*, classifiable under two or more headings, classification shall
26 be effected as follows:

27 (1) The heading which provides the most specific description shall be
28 preferred to headings providing a more general description. However, when

1 two or more headings each refer to part only of the materials or substances
2 contained in mixed or composite goods or to part only of the items in a set put
3 up for retail sale, those headings are to be regarded as equally specific in
4 relation to those goods, even if one of them gives a more complete or precise
5 description of the goods;

6 (2) Mixtures, composite goods consisting of different materials or
7 made up of different components, and goods put up in sets for retail sale,
8 which cannot be classified by reference to (c)(1), shall be classified as if they
9 consisted of the material or component which gives them their essential
10 character, insofar as this criterion is applicable; and

11 (3) When goods cannot be classified by reference to (c)(1) or (c)(2),
12 they shall be classified under the heading which occurs last in numerical order
13 among those which equally merit consideration;

14 (d) Goods which cannot be classified in accordance with the above
15 Rules shall be classified under the heading appropriate to the goods to which
16 they are most akin;

17 (e) In addition to the foregoing provisions, the following Rules shall
18 apply in respect of the goods referred to therein:

19 (1) Camera cases, musical instrument cases, gun cases, drawing
20 instrument cases, necklace cases and similar containers, specially shaped or
21 fitted to contain a specific article or set of articles, suitable for long-term use
22 and presented with the articles for which they are intended, shall be classified
23 with such articles when of a kind normally sold therewith. The Rule does not,
24 however, apply to containers which give the whole its essential character; and

25 (2) Subject to the provisions of the Rule (e)(1) above, packing
26 materials and packing containers presented with the goods therein shall be
27 classified with the goods if they are of a kind normally used for packing such

1 goods. However, this provision does not apply when such packing materials or
2 packing containers are clearly suitable for repetitive use; and

3 (f) For legal purposes, the classification of goods in the subheadings of
4 a heading shall be determined according to the terms of those subheadings and
5 any related subheading notes and, *mutatis mutandis*, to the above Rules, on the
6 understanding that only subheadings at the same level are comparable. For the
7 purposes of the Rule, the relative section and chapter notes also apply, unless
8 the context otherwise requires.

9 SEC. 1711. *Tariff Nomenclature and Rates of Import Duty.* – The
10 provisions of Section 104 of Presidential Decree No. 1464, otherwise known
11 as the Tariff and Customs Code of the Philippines of 1978, as amended,
12 specifically providing for the tariff sections, chapters, headings and
13 subheadings and the rates of import duty, shall still apply. There shall be
14 levied, collected and paid upon all imported articles the rates of duty indicated
15 thereon except as otherwise specifically provided for in this Act: *Provided,*
16 That the maximum rate shall not exceed one hundred percent (100%) *ad*
17 *valorem.*

18 (a) The rates of duty provided or subsequently fixed pursuant to
19 Sections 1708 and 1709 of this Act shall be subject to periodic investigation by
20 the Tariff Commission and may be revised by the President, upon the
21 recommendation of the NEDA.

22 (b) The rates of duty provided shall apply to all products, whether
23 imported directly or indirectly, of all foreign countries, which do not
24 discriminate against Philippine export products an additional one hundred
25 percent (100%) across-the-board duty shall be levied on the products of any
26 foreign country which discriminates against Philippine export products.

27 SEC. 1712. *Tariff Nomenclature and Rates of Export Duty.* – The
28 provisions of Section 514 of Presidential Decree No. 1464, otherwise known

1 SEC. 1904. *Effectivity Date.* – This Act shall take effect fifteen (15)
2 days after its publication in the *Official Gazette* or in two (2) newspapers of
3 general circulation.

Approved,

O

1 promulgate the necessary rules and regulations for the effective
2 implementation of this Act.

3 The Secretary of Finance shall, upon the recommendation of the
4 Commissioner, issue the necessary rules and regulations to implement the
5 transitional standards provided under the Revised Kyoto Convention
6 (Convention on the Simplification and Harmonization of Customs Procedures)
7 within five (5) years from the date of accession but not earlier than three (3)
8 years.

9 SEC. 1901. *Repealing Clause.* – Presidential Decree No. 1464,
10 otherwise known as the Tariff and Customs Code of the Philippines, as
11 amended, is hereby expressly repealed except Section 104 (Rates of Import
12 Duty) and Section 514 (Export Products Subject to Duty and Rates) thereof
13 which shall remain valid and effective and shall form part of this Act. All other
14 laws, acts, presidential decrees, executive orders, rules and regulations or parts
15 thereof, in conflict or inconsistent with the provisions of this Act, are hereby
16 expressly repealed.

17 SEC. 1902. *Transitory Provisions.* – All suits, proceedings or
18 prosecutions whether civil or criminal, for causes arising or acts done or
19 committed prior to the effectivity of this Act, shall be commenced and/or
20 prosecuted within the same time in the same manner and with the same effect
21 as if this Act had not been enacted and all rights acquired, offences committed
22 and penalties forfeitures or liabilities waived prior to the said effectivity shall
23 not be affected thereby.

24 SEC. 1903. *Separability Clause.* – If any provision or part of this Act
25 is declared invalid or unconstitutional, the remaining provisions or parts shall
26 remain in full force and effect.