



November 12, 2008

Customs Administrative Order
No. 10-2008

**Subject: Payment Application Secure System
Version 5.0 (PASS5)**

1.0 Objectives

- 1.1 To further enhance the security, convenience and speed of the system for payment of duties, taxes and other charges, both advance and final payments, on imports via a secured Internet banking transaction between the Authorized Agent Banks (AAB) and importers.
- 1.2 To align the payment system with the fully automated submission and processing of Customs declaration via the Internet under the Electronic-to-Mobile or e2m Customs System (e2m Customs).

2.0 Scope

PASS5 shall be applicable on applications to be cleared through Bureau of Customs (BOC) Offices operating the e2m Customs beginning with Phase thereof. The duties and taxes on importations through Ports that are awaiting the deployment of the e2m Customs shall continue to be paid using the old payment system (Payment Application Sure System version 4.0 or PASS4).

3.0 General Provisions

- 3.1 **Phased Implementation.** Full electronic service via the internet for customs cargo control and clearance through the e2m Customs will be put into operation and rolled out in all Collection Districts following a phased implementation. Under PASS5, the duties, taxes and fees payable, both advance and final, will be transmitted to the AAB via a payment gateway through a secured communication channel and collected by debit from designated bank accounts following the procedures described in this Order.
- 3.2 **Requirements of PASS5.** To be able to make payments of advance duty and final payables, the importer must have in place the following:
 - 3.2.1 Customs Client Number (CCN). The CCN is the importer's unique identifier in the e2m Customs, enabling him to obtain

the services allowed by his profile. The CCN is issued by the BOC following the procedures for the Client Profile Registration System. This number will also be required by the AAB when the importer opens a new or designates an existing account to be referred to as a debit account for use in the system as well as in the issuance of the AAB Reference Number.

3.2.2 Debit accounts with AAB. Importers have the option of putting up one or several of these accounts and with different AABs.

3.2.3 AAB Reference No.

3.2.3.1 This number is issued by the AAB following the putting up of the debit account in 3.2.2 above. There shall be as many AAB Reference numbers as there are nominated debit accounts.

3.2.3.2 AABs shall have to upload these AAB reference numbers to the e2m Customs for the automated debit process to operate.

3.3 Modes of Payment

For Customs declarations lodged through the e2m Customs, the customs duties, taxes and other charges payable can only be paid by cash, and/or Tax Credit/Tax Debit Memo (TCC/TDM), and/or through "Deferred Payment Scheme" in the case of government importations and for broadcasting companies under existing laws and regulations.

3.3.1 Cash payments of Customs duties, taxes and other charges, including Import Processing Fee, Documentary Stamps and Container Security Fee, can only be paid through debit from the importer's nominated account/s in an AAB/s as provided for in his Order.

3.3.2 TCC/TDM shall not be utilized for payment of duties, taxes and other charges to the AABs. Procedures for payments through TCC/TDM shall be governed by separate regulation/s to be issued by the Commissioner of Customs.

3.3.3 Existing procedures governing government importations where the Customs duties and taxes are settled under Joint Circular 2-91 dated 19 November 1991 and importations of broadcasting companies where the payment of duties and taxes are provided for under PD 1362 dated March 27, 2978, shall remain to be followed.

3.3.4 All Import Processing Fees must be paid through the PASS5 except for government importations which may be paid either through the Customs Collection Office or through the PASS5.



4.0 Operational Provisions

4.1 Advance Payment

4.1.1 The provision of Section 1, PD 1853 that no financial institution shall open any Letter of Credit (L/C) covering imports unless the L/C Applicant deposits the full amount of import duty payable on the importations shall remain in force and effect. The Import Entry Declaration (IED) shall continue to be used in declaring and paying the advance import duty.

4.1.2 Preparation and Lodgment of IED

4.1.2.1 Consistent with the phased implementation of the e2m Customs, use of the paper IED will be discontinued which will take effect upon the issuance of a Bangko Sentral ng Pilipinas (BSP) Circular for this purpose. In lieu of the paper IED required for Letter of Credit opening under PD 1853 dated January 6, 1983, an electronic IED must be prepared and lodged through a BOC-accredited Value Added Service Provider (VASP) pursuant to existing regulations. The particulars of the goods to be imported as declared in the electronic IED and the LC application must be the same. Any misdeclaration in the IED shall be subject to the provisions of Section 2503 in relation to Section 3601 and 3602 of the TCCP, as amended.

4.1.3 System Computation of Payables

The total amount payable as well as the amount payable in case to the AAB taking into account exemptions obtained as well as the data declared in the IED shall be computed by the e2m Customs System. For the net payable in cash to the AAB, a system generated payment instruction containing the AAB reference number designated by the importer in the IED will be transmitted to the Bank Payment Gateway. The Bank Payment Gateway shall route this payment instruction to the appropriate AAB.

4.1.4 Validity Period of IED

The net duty payable must be paid within the IED validity period which is seven (7) days reckoned from the date the payment instruction is generated by the system. Beyond the validity period, the e2m Customs will indicate the IED status as expired to serve the efficient management of the database, for which reason AAB's shall not accept payment without a new IED.

4.2 Final Payment

4.2.1 Computation. The e2m Customs System shall compute the final amount payable as follows:


Total Assessment Net of Exemption
Less: Advance Duty Paid
Less: TCCs/TDMs applied referred to in the entry declaration
Equals Final Amount Payable to AAB

- 4.2.2 Responsibility for Accuracy of Computation. It shall remain the responsibility of the importer to disclose and declare all relevant and applicable data and information in order to determine the proper duties, taxes and other charges due and payable.
- 4.2.3 Discontinuing the Direct Payment to the AAB. Consistent with the national roll-out schedule of the e2m Customs, the procedure of presenting the printed IEIRD or SAD to an AAB for final payment and machine validation of the amount collected shall be discontinued. In lieu thereof, the final payment will be debited by the concerned AAB from the designated debit account upon receipt of the final payment instructions from Customs via the payment gateway, subject to the bank's confirmation and security procedures for payment instructions.
- 4.2.4 Transmittal of Payment Confirmation. In all cases of payment instructions received, the AABs should complete the collection and thereafter transmit a payment confirmation to the electronic gateway payment unless there is no sufficient balance in the debit account.
- 4.2.5 Abandonment. If no payment confirmation is received within fifteen (15) calendar days from the date of receipt by the AAB of the final payment instruction, then the importer shall be deemed to have failed to claim his importation after filing the entry rendering the same liable to abandonment pursuant to Sec. 1801 of the TCCP.
- 4.2.6 Final Payment Bank. For shipments covered by L/Cs, final payment must be made to the same bank where the L/C was opened.
- 4.2.7 To avoid delays, declarants must ensure that the claims for duty exemptions have been duly processed pursuant to existing laws and regulations and have been uploaded to the corresponding databases prior to the lodgment of the SAD.

4.3 Cancellation of IED

In case the advance deposit of duty has already been collected and confirmed under the PASS5 but for valid reasons the L/C applied for has not been opened, the importer may submit a request for the cancellation of the IED with the Revenue Accounting Division (RAD) of the BOC.

Said Office shall review the request and if found meritorious, shall input the cancellation details into PASS5 so the IED is tagged as "CANCELLED".

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4.4 Cancellation of Letter of Credit

In case an L/C was opened (after confirmation under PASS5 of the receipt of advance deposit) but a request for L/C cancellation is made by the importer, the AAB, if it decides to give due course to the request, must prepare an L/C cancellation message to Customs through PASS5 for the covering IED to be cancelled.

4.5 Refund of Advance Deposit

Refund of advance deposits for cancelled IED and L/C following the procedures in 4.3 and 4.4 above shall only be done through the regular refund process.

5.0 Responsibilities

For the efficient functioning of the PASS5, the following duties and responsibilities must be strictly observed by those concerned:

5.1 Importer

- 5.1.1 Secure a Certificate of Accreditation (CA) as an importer and a CCN with the BOC.
- 5.1.2 Obtain an AAB Reference Number from his bank/s for each of the debit accounts to be utilized for making Customs payments pursuant to this Order by presenting his CA.
- 5.1.3 Maintain sufficient balance on the nominated debit account/s.

5.2 Customs Broker

- 5.2.1 To keep confidential the AAB Reference No. and other information provided to him by the importer for lodging declarations with e2m Customs.
- 5.2.2 To provide accurate information in the lodgment of the import declaration if he is the declarant.

5.3 BOC

- 5.3.1 Send payment instructions to the Payment Gateway.
- 5.3.2 Receive confirmation of debit from the Payment Gateway.
- 5.3.3 Issue statement of settlement of duties and taxes for completely processed declaration to importers.
- 5.3.4 Issue CA and CCN to importers.
- 5.3.5 Receive the AAB Reference number and upload this to the client registration database.



5.3.6 Send electronic notice of abandonment to concerned banks in line with paragraph 4.2.5 of this Order.

5.3.7 Send electronic IED to the payment gateway.

5.4 Bank Payment Gateway

5.4.1 Receive from and transmit to parties concerned electronic documents as follows:

Document	From	To
Payment Instruction	BOC	AAB
Payment Confirmation	AAB	BOC
Notice of Abandonment	BOC	AAB

5.4.2 Provide 24/7 service availability except during scheduled gateway maintenance.

5.5 AAB

5.5.1 Receive payment instructions from the payment gateway.

5.5.2 Debit the importer's nominated account/s subject to the bank's internal checking system.

5.5.3 Credit the account of the BOC maintained with the collecting bank and remit to the BSP for the account of BOC following the guidelines of the existing BAP-BOC MOA.

5.5.4 Send payment confirmation to the payment gateway.

5.5.5 Refuse payments for abandoned shipments in line with paragraph 4.2.5 and 5.3.6. The Commissioner of Customs shall issue a separate Order for handling shipments deemed abandoned under this Administrative Order.

5.5.6 For L/C's canceled, send notice of cancellation to BOC through the payment gateway.

5.6 **Value Added Service Provider (VASP).** The VASP shall enable electronic submission of IED pursuant to this Order and shall have other responsibilities as may be determined by the Commissioner in a regulation to be issued for such purpose.

6.0 Repealing Clause

Customs Administrative Order 2-95 dated September 8, 1995 and all other orders, memoranda, circulars and issuance inconsistent herewith are hereby repealed and/or deemed modified accordingly.

7.0 Effectivity

This Order shall take effect 15 days after publication in two newspapers of general circulation.

NAPOLEON L. MORALES
Commissioner



Approved by:

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MARGARITO B. TEVES
Secretary of Finance

Date: NOV 28 2008 *11/28*

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