



REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF CUSTOMS

CUSTOMS MEMORANDUM ORDER (CMO)
NO. 28-2016

**SUBJECT: GUIDELINES FOR THE IMPLEMENTATION OF CUSTOMS
ADMINISTRATIVE ORDER (CAO) NO. 02-2016**

Section 1. Scope. This CMO applies to importations which are otherwise dutiable, with an FCA or FOB *De Minimis* Value.

Section 2. Objectives.

- 2.1. To better illustrate the practical application of CAO No. 02-2016 on various situations that may be encountered during the clearance formalities for importations with *De Minimis* Value;
- 2.2. To guide customs personnel and stakeholders in the implementation of the *De Minimis* Value rule; and
- 2.3. To protect government revenue from possible misapplication of the *De Minimis* Value.

Section 3. General and Administrative Provisions.

- 3.1. Any imported goods which exceeds the *De Minimis* value shall be dutiable and subject to tax for the full dutiable amount.
- 3.2. The *De Minimis* Value rule covers all importations for consumption entered through various modes such as postal consignments, passenger baggage, consolidated shipments, express consignments and on-board couriers transported through air or sea.
- 3.3. Importations of wines, spirits and tobacco, whether by air or sea, or bought from an establishment other than from Duty-Free Philippines, shall be subject to excise tax regardless of value.¹ Provided, that purchases of 200 cigarettes or 50 cigars and 2 liters of wine or 1 liter of spirits brought in by passengers shall not be

¹ cf National Internal Revenue Code (NIRC).

subject to duty or tax², provided that these products fall within the *De Minimis* value.

- 3.4. Allowable limits carried by a passenger bought at Duty Free Philippines, and within the *De Minimis* Value shall be exempted from duties and taxes. However, goods in excess of the allowable limits shall be subject to excise tax, whether they fall under the *De Minimis* value or not.
- 3.5. Shipments through air express, shall continue to be subject to mandatory x-ray scanning procedure, as provided for in the specific regulations covering their operations. The concerned District or Port Collector, shall evaluate the attendant risks and recommend to the Commissioner for approval, any adjustments on the examination parameters.
- 3.6. No duties and taxes shall be collected on the importation of books with *De Minimis* value, regardless of the quantity. To avail of duty and tax exemption for importation of books³ exceeding the *De Minimis* value and in commercial quantity, the importer shall secure the necessary Tax Exemption Certificate (TEC) from Department of Finance (DOF); otherwise, any quantity in excess of the allowable limits shall be subject to duties and taxes.
- 3.7. Shipments covered by one Master Bill of Lading (MBL) or Master Airway Bill of Lading (MAWB) but with several House Bill of Ladings (HBLs) or House Airway Bills (HAWBs) with single or multiple invoices with the same consignee and shipper is considered as a single consignment and subject to duties and taxes should the total value exceed the *De Minimis* value.

Section 4. Form and Declarant of Goods Declaration for *De Minimis* Value.

- 4.1. **Air Express Consignments.** Goods declaration for air express consignments shall be lodged by the air express operator in the E2M system via accredited Value Added Service Providers (VASPs) and shall be cleared under the informal entry process.
- 4.2. **Consolidation Shipments.** Consolidated shipments sent either by sea or air shall be cleared through lodgement of the goods declaration by the importer, consignee or the freight forwarder if authorized by the importer or consignee under the informal entry process.

² cf Revised Kyoto Convention (RKC) Specific Annex J, Chapter 1, Recommended Practice 16.

³ cf CMTA, Title VIII, Chapter 1, Section 800 (t) and DOF Department Order No. 57-2011.

4.3. Postal Consignments. Until such time the prescribed form is issued by the Bureau, postal consignments shall be released under a simplified clearance procedure using CN 22 and CN 23⁴.

4.4. On-Board Courier (OBC) Consignments. Until such time the Bureau has come up with the prescribed form, OBC consignments shall be cleared under existing procedures.

4.5. Other Air Cargo. Goods declaration for air cargo not falling under the preceding sections shall be lodged by the consignee in the E2M system via accredited Value Added Service Providers (VASPs) and shall be cleared under the informal entry process.

Section 5. Common Procedure. The general rule is to accept the *De Minimis* value declared by the sender, passenger, recipient or importer, as the case may be. However, if the Customs Officer has reason to doubt the declared value, the following steps shall be observed:

5.1. The Customs Officer should inform the passenger, recipient or importer the basis of his doubt and seek further explanation on the declared value.

5.2. If the Customs Officer is satisfied with the explanation, he should accept the value; if not satisfied, he should require the passenger, recipient or importer to submit any evidence or proof of the value declared.

5.3. If the passenger, recipient or importer submits proof of value, the Customs Officer may accept the value or still reject it, stating his valid reasons for the rejection in writing.

5.4. If the passenger, recipient or importer fails to submit proof of his declared value, the Customs Officer shall assess the duties and taxes due based on the existing rules of customs valuation.

Section 6. Treatments on Various Situations in the Application of De Minimis Value.

6.1. Postal Consignments and Air Express Consignments.

6.1.1. Situation No. 1: One sender, one recipient, one parcel or package.

⁴ cf World Customs Organization – Universal Postal Union Customs Guide (WCO-UPU), Title III, Regulatory Framework (a).

Action to be taken: The Customs Officer should assess the importation based on the total value of the contents of the parcel or package regardless of the number of invoices.

6.1.2. Situation No. 2: One sender, one recipient, several parcels or packages arriving on the same date.

Action to be taken:

- a. The Customs Officer should require the presentation of the invoice or proof of payment.
- b. If the recipient presents only one invoice or proof of payment, the Customs Officer should assess the importation based on the total value in the invoice.
- c. If the recipient presents separate invoices regardless of date of issuance of invoice for each parcel or package, the Customs Officer should assess the parcels individually.

6.1.3. Situation No. 3: One sender, multiple recipients, single parcel or package.

Action to be taken: The Customs Officer should treat the parcel or package as one importation regardless of the number of recipients. Hence, the assessment should be based on the total value of the contents of the parcel or package.

6.1.4. Situation No. 4: One sender, multiple recipients, multiple parcels or packages.

Action to be taken:

- a. The Customs Officer should require the presentation of the invoice or proof of payment.
- b. If the recipient presents only one invoice or proof of payment, the Customs Officer should assess the importation based on the total value in the invoice.
- c. If the recipient presents separate invoices regardless of date of issuance of invoice for each parcel or package, the Customs Officer should assess the parcels individually.

6.1.5. Situation No. 5: Several senders, one recipient, several parcels or packages, arriving on the same date.

Action to be taken: The Customs Officer should assess the value of each parcel or package.

6.2. Passenger Baggage.

6.2.1. Situation No. 1: Accompanied Baggage only.

Action to be taken: If the passenger is a Filipino, the Customs Officer should assess the value of the accompanied baggage subject to duty and taxes exemption privileges granted to individuals under Section 800 (f) and (g), Chapter 1, Title VIII of the CMTA or subject to *De Minimis* value rule.

If passenger is a foreigner, the Customs Officer should assess whether the baggage is subject to the *De Minimis* value rule.

6.2.2. Situation No. 2: Unaccompanied Baggage only, i.e. off-loaded baggage.

Action to be taken: Same treatment as 6.2.1.

6.2.3. Situation No. 3: Combination of Accompanied and Unaccompanied Baggage.

Action to be taken: Same treatment as 6.2.1.

6.2.4. Situation No. 4: Group Check-in Baggage.

Action to be taken: The Customs Officer should separately assess duties and taxes based on the total value of the baggage of the individual owners.

6.3. Consolidated Shipment Transported through Sea.

6.3.1. Situation No. 1: One supplier or sender, one consignee, one container, one Master Bill of Lading (MBL), several House Bills of Lading (HBLs), one invoice.

Action to be taken: The Customs Officer should assess the shipments based on the value in the invoice.

6.3.2. Situation No. 2: One supplier or sender, one consignee, several containers, one MBL, several HBLs, one invoice.

Action to be taken: The Customs Officer should assess the shipments based on the value in the invoice.

- 6.3.3.** Situation No. 3: One supplier or sender, one consignee, one container, several MBLs, several HBLs, one invoice.

Action to be taken: The Customs Officer should assess the shipments based on the value in the invoice.

- 6.3.4.** Situation No. 4: One supplier or sender, one consignee, several containers, several MBLs, several HBLs, one invoice.

Action to be taken: The Customs Officer should assess the shipments based on the value in the invoice.

- 6.3.5.** Situation No. 5: One supplier or sender, one consignee, one container, one MBL, several HBLs, several invoices.

Action to be taken: The Customs Officer should assess the shipments based on the total value of all the invoices since this is considered a case of splitting of bills of lading to circumvent the *De Minimis* rule.

- 6.3.6.** Situation No. 6: Several suppliers or senders, one consignee, one container, one MBL, several HBLs, several invoices.

Action to be taken: The Customs Officer should assess the shipments separately based on the value in each invoice.

6.4. Consolidated Shipment Transported through Air.

- 6.4.1.** Situation No. 1:

One supplier or sender
One consignee
One package or parcel
One Airway Bill (AWB)
One invoice.

Action to be taken: The Customs Officer should assess the goods based on the value in the invoice.

- 6.4.2.** Situation No. 2:

One supplier or sender
One consignee
Several packages or parcels

One Master Airway Bill (MAWB)
Several House Airway Bills (HAWBs) and
One invoice.

Action to be taken: The Customs Officer should assess the shipments based on the value in the invoice.

6.4.3. Situation No. 3:

One supplier or sender
One consignee
One package or parcel
One Master Airway Bill (MAWB)
Several House Airway Bills (HAWBs) and
Several invoices.

Action to be taken: The Customs Officer should assess the shipments based on the total value of all the invoices since this is considered a case of splitting of bills of lading to circumvent the *De Minimis* rule.

6.4.4. Situation No. 4:

Several suppliers or senders
One consignee
One package or parcel
One Airway Bill (AWB)
Several invoices.

Action to be taken: The Customs Officer should assess the shipments separately based on the value in each invoice.

6.5. On-Board Couriers (OBC). Baggage carried by OBC shall be assessed based on the individual invoice or AWB.

Section 7. Reportorial Requirements. For statistical purposes and monitoring, the MISTG shall capture data from the processed informal entry goods declaration using an encoding system developed for this purpose. The MISTG shall summarize and analyze the data collected or captured on a daily basis, and generate a consolidated report for submission to the Office of the Commissioner for informed decision making. The consolidated weekly report shall contain, but not be limited to the following information:

- a.** Name of Office/Unit
- b.** Frequency of Transactions
- c.** Total volume (in kgs)
- d.** Total value (in Peso)

- e. Total Revenue impact (foregone)
- f. Other information as may be required by the Commissioner.

Section 8. Repealing Clause. This CMO specifically amends or repeals previously issued CMOs which are inconsistent with the provisions herein stated.

Section 9. Effectivity. This CMO shall take effect immediately.


NICANOR E. FAELDON
Commissioner



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