



REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF CUSTOMS
MANILA

CUSTOMS MEMORANDUM ORDER
NO. 39-92

TO: All Bureau Officials
and Employees
Customs Brokers and Importers
Others Concerned

Subject: Implementing Rules and Regulations
to Joint Order No. 1-91 on the Glo-
balization of the Comprehensive Import
Supervision Scheme (CISS)

I. Objectives -

1. To generate more revenue for the government
2. To curb technical smuggling committed thru misdeclaration, misclassification and under valuation
3. To facilitate the movement/release of imported article

II. Definitions -

1. Societe Generale de Surveillance (SGS) - The inspector of goods destined for importation into the Philippines from all countries duly authorized by the Philippine government.
2. Full Container Load (FCL) - container destined to one importer only, and which has been loaded with goods which have been presented for SGS inspection and duly inspected by SGS, loaded into the container under SGS supervision, and the approved SGS seal affixed to the sealing bracket of the container doors.
3. Less Container Load - Container holding:
 - 3.1 two or more individual consignments destined to one importer only, one or more of which have been inspected by SGS (usually consignments less than US\$500.00).

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- 3.2 two or more individual consignments destined to different importers, all or only one or some of which have been inspected by SGS.
- 3.3 goods consigned to one importer, all of which have been inspected by SGS but exporter failed to invite SGS to be present during the stuffing of the container.
4. Clean Report of Findings (CRF) - Inspection Report issued by SGS for inspection as to quality, quantity, price, dutiable value, verification of Customs and Tariff Code Classification and verification of tariff rate of the imported goods prior to shipment to the Philippines.

III. Administrative Provisions -

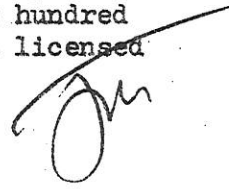
1. Coverage - Except as otherwise provided for herein, goods destined for importation into the Philippines from all countries of exportation shall be subject to Preshipment Inspection (PSI) by SGS.
2. Effectivity - With the exception of those imported articles enumerated under the next paragraph, all goods destined for importation into the Philippines from all countries covered by Philippine Letter of Credit (L/C) opened on or after March 16, 1992 shall be subject to PSI requirement. Goods covered by L/C opened prior to March 16, 1992 shall be exempt from PSI requirement except in cases where the L/C is amended after March 16, 1992 or except those articles subject to PSI requirement under the provisions of Joint Order No. 1-87. Goods financed by means other than an L/C shall be subject to the provisions of Joint Order No. 1-91 where the date shown in the Bill of Lading or Airwaybill is on or after March 16, 1992.
3. Imported Goods Exempted from PSI Requirement are:
 - a. goods imported pursuant to Section 105 of the Tariff and Customs Code of the Philippines but not including commercial imports under consignment basis.
 - b. crude oil and petroleum products in bulk such as but not limited to crude oil, LPG, Naptha Gasolines, Reformates, Kerosenes, Aviation fuels, Gas Oil, Base Oil for lubricants, Fuel Oils, Asphalt - all in bulk) but not including chemicals and their products, petroleum additives and lubricating oils.

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- c. shipments of explosives, ammunition, arms and equipment and other strategic materials certified as such by the Department of National Defense but not including raw materials such as chemicals for the manufacture of explosives, and firearms and ammunition for commercial use.
- d. precious stones, artifacts and precious metals.
- e. fresh, frozen or chilled foodstuffs and fruits, live animals works of art, current newspapers, periodicals, individually owned motor vehicles and parcel post.
- f. goods the FOB value of which as declared in letter of credit is less than US\$500 FOB or its equivalent in other currencies at the time of L/C opening but not including part shipments invoiced at less than US\$500 f.o.b. against a Letter of Credit the value of which exceeds US\$500 f.o.b. In the case of goods financed by means other than a Letter of Credit, goods where the value of the invoice covering the shipment is less than US\$500 or its equivalent in other currencies at the time that the authority for such importation was granted by the Central Bank of the Philippines.

The exemption provided for in this paragraph will not apply to goods invoiced or declared in the shipping documents as off-quality under such descriptive terms as stock-lots, side-runs, cull rolls, seconds, mill lots, scraps, off-grade, reconditioned, used, junk or similar terms conveying or purporting to convey the condition of the article as sub-standard or off-grade and not of prime quality.

- g. importations into the Philippines where the consignee is either the Government of the Philippines or any of its corporations, agencies and instrumentalities, but not including goods imported on behalf of these entities by private importers.
- h. importation of raw materials and supplies for semiconductor and allied enterprises, but not including capital equipment and spare parts; provided that in the case of allied enterprises, a certification shall be issued by the Board of Investment that the enterprise:
(1) is registered with the BOI; (2) exports one hundred percent (100%) of its total production; (3) is a licensed



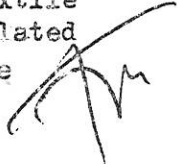
operator of a Customs Bonded Manufacturing Warehouse;
(4) will require the materials and supplies directly in the manufacture of the products to be exported;
(5) has not been subjected to any penalty or violation of BOI and/or customs laws and regulations.

1. importations by export processing zone enterprises duly registered as such with the Export Processing Zone Authority.

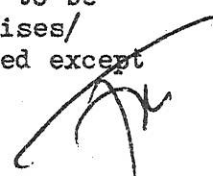
- j. importations of equipment, machinery, spare parts, and other materials for oil, coal mining and geothermal operations imported pursuant to PD# 87, 529, 972, and 1442 as certified by the office of Energy Affairs.

IV. Operational Provisions -

1. The Importer/Broker shall secure the shipping documents together with the authenticated customs copy of the CRF supplied by the Opening Bank direct from the SGS-Manila Liaison Office (SGS-MLO).
2. The Importer/Broker shall prepare the Entry from the authenticated copy of the CRF and the corresponding proforma Order of Payment (OP).
3. The Importer/Broker shall then file with the Bureau of Customs (BOC) the Entry together with all supporting documents and the authenticated copy of the CRF.
4. The BOC shall verify the documents and calculate the difference between the deposit paid and duties due as well the Internal Revenue Taxes due and issue the OP to the importer.
5. The Importer/Broker shall present the OP to the Opening Bank and pay the balance of the duties and taxes due.
6. The Opening Bank shall issue to the Importer the Central Bank Release Certificate and the Customs Official Receipt and send copy of the OP to the SGS-MLO.
7. The SGS-MLO shall transmit the CRF to BOC for verification purpose not later than the next working day following the receipt of the CRF from the SGS issuing Office abroad.
8. For importations effected without L/C (Open Account or OA), Documents Against Acceptance (DA), No Dollar Import Arrangements and Importations on Consignments:
 - 8.1 The Importer/Broker shall submit written details of his proposed importation with the seller's pro-forma invoice to the Central Bank or to the Garments Textile Export Board or GTEB (in case of commodities regulated by GTEB) not later than ten (10) days prior to the scheduled date of the shipment.



- 8.2 The SGS-MLO shall transmit the authenticated copy of the CRF to the Bank nominated by the importer or to the GTEB.
- 8.3 Except as stated above, the pertinent procedures as mentioned in pars. IV-2-7 above shall apply.
9. No Customs Entry shall be filed or accepted on any shipment released in respect of any goods which require a CRF as provided for by the Joint Order where the importer is unable to produce to the BOC the authenticated copy of the CRF. The importer may, however, proceed in accordance with par. IV-12
10. Valuation and Tariff Classification - In the interest of trade facilitation:
 - 10.1 Unless the invoice Fair Market Value (FMV) is higher, the Importer/Broker shall declare on the import entry the FMV, freight and other charges, the tariff classification and other relevant findings contained in the covering CRF.
 - 10.2 The Examiner/Appraiser shall assess the duties, taxes and other charges based on the FMV, freight and other charges and other relevant information indicated in the CRF.
 - 10.3 Should the established/published FMV or established/published classification be higher than those appearing in the CRF, the later shall prevail over the former unless the Examiner/Appraiser elevates to the BOC-SGS Valuation and Classification Committee (where the District Collector is a member) the issue on the applicability of the higher established/published FMV or established/published classification
11. Examination of Cargoes - Likewise in the interest of trade facilitation:
 - 11.1 FCL Containers with SGS Seal shall no longer be examined at the Piers but shall be permitted to be delivered immediately to the importer's premises/warehouse where examination shall be conducted except in the following cases:



- 11.1.1 the SGS seal on the container is broken or the container shows signs of having been opened or having its identity changed
- 11.1.2 the container is leaking or damaged
- 11.1.3 the number, weight, nature of packages indicated in the Customs declaration and supporting documents differ from that on the Manifest.
- 11.1.4 Upon order from the Commissioner to conduct examination of the shipment.
- 11.1.5 Customs has evidence that the value of the consignment is significantly different from that reported in the CRF.
- 11.1.6 if the importer is in disagreement with the SGS findings reported in the CRF.

The examiner has only one (1) working day from the date/time of delivery/transfer of the container after which the shipment is deemed to have been examined already.

11.2 All LCL shipments shall be stripped inside the piers/customs zone and delivered to the importer/consignee as loose or conventional cargoes.

11.2.1 The Examiner shall examine less than ten percent (10%) of packages where shipments have been inspected by SGS, but in the event that a discrepancy is found in at least one package, then one hundred percent (100%) examination of the shipment shall be made.

Where the importer is accredited under the Express Processing in the Release of Shipment (EPRS), ninety percent (90%) of the number of packages comprising the consignment, to include those examined by SGS, may be released immediately to the importer without examination, leaving ten percent (10%) at the pier for customs examination.



11.2.2 Shipment without CRF - Shipments not pre-inspected by SGS or for which a CRF has not been issued, shall be subject to one hundred percent (100%) examination without prejudice to any penalty under existing regulations.

12. Appeals Board/Committee -

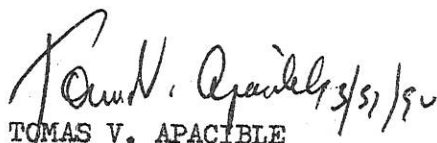
All questions concerning the findings/reports of SGS on value and classification and other related matters such as, but not limited to, shipments effected without the required pre-shipment inspection by SGS shall be referred to the BOC-SGS Import Valuation and Classification Committee under the Office of the Commissioner of Customs.

V. All other matters not covered by this Order shall be resolved by the District Collector concerned, subject to the approval of the Commissioner of Customs

VI. Repealing Clause -

Any Customs Memorandum Order, or rules and regulations or parts thereof inconsistent with this Order are hereby repealed, modified or superseded accordingly.

VII. This Order shall take effect immediately.


TOMAS V. APACIBLE
Commissioner