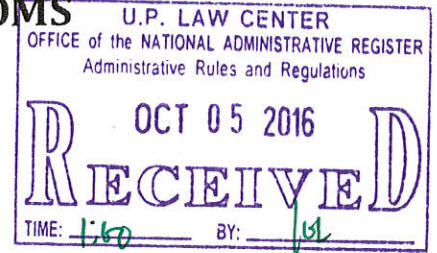


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REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF CUSTOMS



INTERNAL ADMINISTRATION GROUP
CENTRAL RECORDS MANAGEMENT DIVISION

October 4, 2016

The Director

Office of the National Administrative Register (ONAR)
UP Law Center Diliman, Quezon City

Sir/ Ma'am:

Transmitted are three (3) certified true copies and a soft copy (word format in compact disc rewritable) of the **CAO 02-2016 re: Imported Goods with De Minimis Value not Subject to Duties and Taxes.**

Thank you.

Very truly yours,

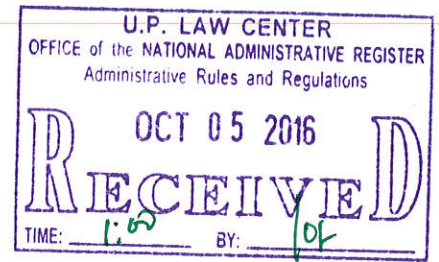
GLADYS C. CABUGAWAN
Chief, CRMD

UPDOR# 9707905



REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF CUSTOMS

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CUSTOMS ADMINISTRATIVE ORDER (CAO)
NO. 02 - 2016

SUBJECT: IMPORTED GOODS WITH *DE MINIMIS* VALUE NOT SUBJECT TO DUTIES AND TAXES

Introduction. This CAO implements Section 423, Chapter 3, Title IV, and other relevant sections of Republic Act No. 10863, otherwise known as the Customs Modernization and Tariff Act (CMTA).

Section 1. Scope. This CAO covers all importations, which otherwise are dutiable, with an FCA or FOB *De Minimis* Value.

Section 2. Objectives.

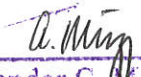
- 2.1. To minimize importation and customs administration costs in the clearance of importations with *De Minimis* Value, without compromising customs border enforcement control.
- 2.2. To be responsive to the growing trade liberalization and facilitation thrust in consonance with the different applicable international trade agreements.

Section 3. Definition of Terms. For the purposes of this CAO, the following terms are defined accordingly:

- 3.1. **Commercial Quantity** - For purposes of entry and clearance of regulated importations for personal use, it shall refer to quantity for a given kind or class of articles which are in excess of what is compatible or commensurate with a person's normal requirements for personal use.
- 3.2. ***De Minimis* Value** - The value of goods for which no duty or tax is collected. Goods with *De Minimis* Value are considered importations of negligible amount¹ and entitled to immediate release.

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- 3.3. **FCA** - An international commercial term covered by the Incoterms rules developed by International Chamber of Commerce (ICC) which means free carrier or that the seller delivers the goods to the carrier or another person nominated by the buyer at the seller's premises


Alexander C. Montemayor
Admin Officer V
CRMD - BOC

¹ cf CMTA, Title IV, Chapter 3, Section 423

or another named place. The parties are well advised to specify clearly as possible the point within the named place of delivery, as the risk passes to the buyer at that point.²

3.4. FOB - An international commercial term covered by the Incoterms rules developed by International Chamber of Commerce (ICC) which means free on board or that the seller delivers the goods on board the vessel nominated by the buyer at the named port of shipment or procures the goods already delivered. The risk of loss of or damage to the goods passes when the goods are on board the vessel, and the buyer bears all costs from that moment onwards.³

3.5. Prohibited Importation - The importation of the following goods are prohibited:

- (a) Written or printed goods in any form containing any matter advocating or inciting treason, rebellion, insurrection, sedition against the government of the Philippines, or forcible resistance to any law of the Philippines, or written or printed goods containing any threat to take the life of, or inflict bodily harm upon any person in the Philippines;
- (b) Goods, instruments, drugs and substances designed, intended or adapted for producing unlawful abortion, or any printed matter which advertises, describes or gives direct or indirect information where, how or by whom unlawful abortion is committed;
- (c) Written or printed goods, negatives or cinematographic films, photographs, engravings, lithographs, objects, paintings, drawings or other representation of an obscene or immoral character;
- (d) Any goods manufactured in whole or in part of gold, silver or other precious metals or alloys and the stamp, brand or mark does not indicate the actual fineness of quality of the metals or alloy;
- (e) Any adulterated or misbranded food or goods for human consumption or any adulterated or misbranded drug in violation of relevant laws and regulations;
- (f) Infringing goods as defined under the Intellectual Property Code and related laws; and

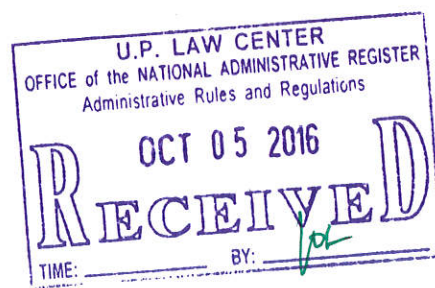
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A. Montemayor
 Alexander C. Montemayor
 Admin Officer V
 CRMD - BOC

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² International Commercial Terms 2010.

³ *Ibid.*



(g) All other goods or parts thereof which importation are explicitly prohibited by law or rules and regulations issued by the competent authority.⁴

3.6. Regulated Importation - Goods which are subject to regulation shall be imported only after securing the necessary goods declaration, clearances, licenses, and any other requirements, prior to importation. In case of importation, submission of requirements after arrival of the goods but prior to release from customs custody shall be allowed but only in cases provided for by governing laws or regulations.⁵

3.7. Restricted Importation - Except when authorized by law or regulation, the importation of the following restricted goods are prohibited:

- (a) Dynamite, gunpowder, ammunitions and other explosives, firearms and weapons of war, or parts thereof;
- (b) Roulette wheels, gambling outfits, loaded dice, marked cards, machines, apparatus or mechanical devices used in gambling or the distribution of money, cigars, cigarettes or other goods when such distribution is dependent on chance, including jackpot and pinball machines or similar contrivances, or parts thereof;
- (c) Lottery and sweepstakes tickets, except advertisements thereof and lists of drawings therein;
- (d) Marijuana, opium, poppies, coca leaves, heroin or other narcotics or synthetic drugs which are or may hereafter be declared habit forming by the President of the Philippines, or any compound, manufactured salt, derivative, or preparation thereof, except when imported by the government of the Philippines or any person duly authorized by the Dangerous Drugs Board, for medicinal purposes;

(e) Opium pipes or parts thereof, of whatever material; and

(f) Any other goods whose importation are restricted.

The restriction to import the above stated goods shall include the restriction on their transit.⁶

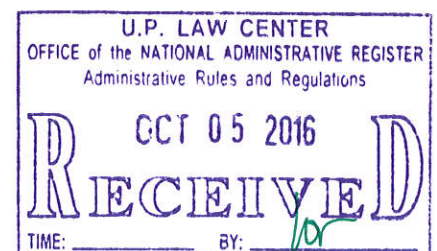
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A. Montemayor
 Alexander C. Montemayor
 Admin Officer V
 CRMD - BOC

⁴ cf CMTA, Title I, Chapter 3, Section 118

⁵ cf CMTA, Title I, Chapter 3, Section 117

⁶ cf CMTA, Title I, Chapter 3, Section 119



Section 4. General Provisions.

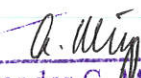
- 4.1. The law sets the *De Minimis* Value at Php 10,000.00 (Ten Thousand Pesos) FCA or FOB or below. The Secretary of Finance shall adjust the *De Minimis* Value as provided herein, every three (3) years after the effectivity of the CMTA to its present value using the Consumer Price Index, as published by the Philippine Statistics Authority.⁷
- 4.2. *De Minimis* importations shall be lodged and processed under a simplified system and with the use of information and communications technology (ICT) enabled system to allow advance clearance, and ensure proper customs monitoring and control, which captures and preserves pertinent data on *De Minimis* importations.
- 4.3. *De Minimis* importations shall, as far as practicable, be subject to a non-intrusive examination (e.g. x-ray or any other equivalent device) on a random basis based on existing selectivity scheme used by the Bureau.
- 4.4. The customs examiner, may, based on internationally accepted customs administration risk management principles, physically inspect the imported goods.
- 4.5. Treatment of *De Minimis* importations brought by passengers or sent thru Balikbayan boxes or as postal parcels shall be without prejudice to the application of Sec. 800 of the CMTA on Conditionally-Free importations.
- 4.6. Importations of tobacco goods, wines, spirits, within the *De Minimis* value shall be subject to the provisions of National Internal Revenue Code (NIRC), as amended, on excise tax.
- 4.7. Goods forfeited for violations of this CAO shall be disposed of in accordance with Chapter 10, Title XI, of the CMTA.

Section 5. Exclusions from Immediate Release.

The following importations shall not be entitled to immediate release as *De Minimis* importations:

- 5.1. Importations declared as "without commercial value" or "of no commercial value" or with specific amount but qualified by the phrase "for customs purposes" or analogous phrases.

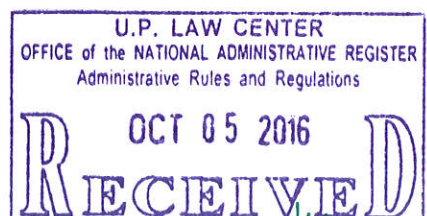
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Hence, the sender, importer, consignee, freight forwarder, or air express operator must declare the specific value of the goods

⁷ cf CMTA, Title I, Chapter 3, Section 423





supported by available invoice, receipt or equivalent document, if any, except for correspondences and documents classified under Category 1 of the WCO Guidelines for the Immediate Release of Consignments by Customs.

5.2. Tobacco and liquor products carried by passengers in excess of the allowable limits but within the *De Minimis value*.

5.3. Goods subject to requirements or conditions imposed by the concerned regulatory agency, unless for personal use and within the limits allowed by regulations.

Regulated importations with *De Minimis value* shall comply with the requirements of the concerned regulatory agencies. However, when the importation consists of regulated products for personal use and in limited quantity as determined by the implementing regulatory agencies, the same may be processed and released by the Bureau.

5.4. Prohibited and Restricted importations.

5.5. Importations to be entered conditionally free, for warehousing, for transit, and/or admission to free zone.

Section 6. Penal Provision. Violations of this CAO committed by any person, officer or employee shall be penalized in accordance with Title XIV of the CMTA and other applicable penal provisions.

Section 7. Periodic Review. Unless otherwise provided, this CAO shall be reviewed every three (3) years and be amended or revised, if necessary.

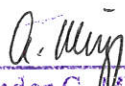
Section 8. Repealing Clause. This CAO specifically amends or repeals previously issued CAOs and Customs Memorandum Orders (CMO) which are inconsistent with the provisions herein stated.

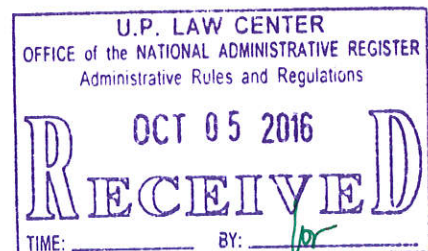
Section 9. Separability Clause. If any part of this CAO is declared unconstitutional or contrary to existing laws, the other parts not so declared shall remain in full force and effect.

Section 10. Effectivity. This CAO shall take effect after fifteen (15) days from publication at the Official Gazette or a newspaper of national circulation.

The Office of National Administrative Register (ONAR) of the UP Law center shall be provided three (3) certified copies of this CAO.

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Alexander C. Montemayor
Admin Officer V
CRMD - BOC



Nicanor E. Faeldon
NICANOR E. FAELDON
Commissioner



SEP 28 2016

Approved:

Carlos G. Dominguez III
CARLOS G. DOMINGUEZ III
Secretary



Informational Section. As the title denotes this section only provides information and does not give rise to any substantive or formal rights or obligations.

1. History. This is the first CAO dealing on *De Minimis value*.

2. Related Policies.

- CMO No. 13-2010 - Procedures for the Implementation of E2M Customs System – Phase 4. Informal Entry of Commercial Goods in All Seaports Nationwide
- CMO No. 10-2012 - Implementation of Department Order 57-2011 (Emphasizing Duty and VAT Exempt Status of Imported Goods)
- CAO No. 08-2014 - Guidelines on the Imposition of Customs Documentary Stamp Tax and Processing Fees for Informal Entries
- CMO No. 6-2014 - Realignment of the X-ray Inspection Project (XIP) to the Enforcement Group and Designation of Duty Customs Examiners at the XIP Designated Examination Area/ Field Office by the District Collector.

3. Webpage, Forms, Handbooks and other References.

- Informal Entry Declaration Form
- <http://customs.gov.ph/importation/>
- International Commercial Terms 2010
- World Customs Organization (WCO) Guidelines for the Immediate Release of Consignments by Customs
- National Internal Revenue Code (NIRC), as amended.

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Alexander C. Montemayor
Alexander C. Montemayor
Admin Officer V
CRMD - BOC

