



REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF CUSTOMS
MANILA 1099

September 06, 2007

CUSTOMS MEMORANDUM ORDER

No. 22-2007

TO: All Deputy Commissioners
All Collectors of Customs
All Division / Section and Unit Chiefs
All Importers / Brokers
And Others Concerned

Subject: Guidelines in the Determination of the Cost of Insurance and Freight Charges as components of Dutiable Value

Section 1: OBJECTIVES:


- 1.1. To consolidate all relevant Customs laws and regulations on Insurance and Freight charges
- 1.2. To ensure that proper duties and taxes are collected under the WTO Valuation System as implemented by CAO No. 4-2004.
- 1.3. To guide all concerned parties as to the declaration and checking of Insurance and Freight charges.

Section 2: ADMINISTRATIVE PROVISIONS

2.1. Definition of Terms:

For purposes of this Order, the following definitions are adopted:

- a. **Airway Bill (AWB)** – a non-negotiable instrument issued by an air carrier or freight forwarder to a shipper, to evidence contract of carriage by air.

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- b. **Bill of Lading (B/L)** – a negotiable instrument that was forged between the shipper and the carrier evidencing receipt of commodities and constitutes a title of ownership over the said goods.
- c. **CFR (Cost and Freight)** – is the incoterm used to refer to a foreign trade wherein the seller must pay only the costs and freight necessary to bring the goods to the named port of destination.
- d. **CIF (Cost, Insurance and Freight)** – is the incoterm used to refer to a foreign trade wherein the seller must pay the costs and freight necessary to bring the goods to the named port of destination. It differs from CFR in that the seller also has to procure marine insurance against the buyer's risk of loss of or damage to the goods during the carriage.
- e. **CIP (Carriage and Insurance Paid To)** – is the incoterm used to refer to a foreign trade wherein the seller delivers the goods to the carrier nominated by him, but the seller must in addition pay the cost of carriage necessary to bring the goods to the named destination. Consequently, the seller contracts for insurance and pay the insurance premium.
- f. **FOB (Free On Board)** – is the incoterm used to refer to a foreign trade where the seller is considered to have fulfilled his obligation to deliver when the goods pass the ship's rail at the named port of shipment. From that moment on, the buyer has to bear all costs and risks of loss of or damage to the goods from the said point. This term also requires the buyer to clear the goods for export.

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- g. **House Air Way Bill (HAWB)** - the document issued by the freight forwarder/consolidator to the individual consignee/importer.
- h. **IATA (International Air Transport Association)** - an international air carrier rate bureau established in 1945 that helped established and standardized through the years international airfares.
- i. **IEIRD (Import Entry and Internal Revenue Declaration)** - a seven (7) page set of official documents (BC Form 236) that is used in the clearance of goods from Customs and should contain the details of a particular import entry.
- j. **Insurance Premium** - is the amount paid to the insurer in consideration of his undertaking to indemnify the importer or loss of the latter's cargo during the course of transport.
- k. **Local Insurance Premium** - is the amount paid in local currency to an insurer located in the Philippines that is applicable only for shipments where the terms agreed upon by the parties are CFR, FOB, FAS, and other non-CIF. It is a must that a certification as to the premium actually paid be attached to the entry.
- l. **Master Airway Bill (MAWB)** - the shipping document issued by the air carrier to a consolidator/freight forwarder, covering a shipment, which could be consolidated or not.
- m. **SAD (Single Administrative Document)** - a set of uniform documents, derived from European Community practice (1988), which is used to process shipments that pass through Customs.

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2.2. Accountability:

- 2.2.1 It shall be the responsibility of the importer, declarant, and broker to properly disclose the actual freight and insurance incurred in the importation.
- 2.2.2 It shall be the responsibility of the Chief and Principal Appraiser of the port's Formal Entry Division or its equivalent unit to check the accuracy and truthfulness of the declaration on freight and insurance.
- 2.2.3 The Customs Officers and personnel are directed to perform their responsibilities as required herein. Failure on the part of those officials and continuation personnel to perform their respective responsibility shall be a ground for disciplinary action pursuant to Civil Service Rules and Regulations.
- 2.2.4 The District Collector shall be responsible for the smooth, proper and effective implementation of this Order in all cases, under his/her district's jurisdiction, where it applies.
- 2.2.5 All signatories to any certificate/report required under this Order shall be held liable for any misrepresentation made therein, and shall be proceeded against under Sec. 3602 and 3604 of the TCCP, as amended.

Section 3. OPERATIONAL PROVISIONS:

Pursuant to Section 201 of the Tariff and Customs Code of the Philippines as amended, insurance and freight charges are components of the dutiable value.

In order to determine the applicable insurance premium and freight charges, the following guidelines must be observed.

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3.1. Insurance

3.1.1. If the terms of sale are CIF/CIP, the amount of the actual insurance premium shall be used in the assessment, provided that if such amount is lower than 2% of the FOB value for general cargo and 4% of the FOB value for dangerous/inflammable goods, chemicals and other high risk cargoes, the same shall be subject to further verification by the BOC.

3.1.2. If a shipment is covered by a local or domestic insurance, the amount of insurance premium actually paid may be accepted. However, if the premium is lower than 2% of the FOB value for general cargo and 4% of the FOB value for dangerous/inflammable goods, chemicals and other high risk cargoes, then a Certification from the insurance company as to the actual premium paid shall be presented to the BOC together with the Original Official Receipt. A copy of that Official Receipt shall be certified as a true copy by the assigned Customs Appraiser / Examiner which shall be attached to the original Working Entry.

3.1.3. For shipments not covered by a local insurance, then the amount of insurance declared on the Entry may be accepted, provided that if such amount is lower than 2% of the FOB value for general cargo and 4% of the FOB value for dangerous/inflammable goods, chemicals and other high risk cargoes, the same shall be subject to further verification by the BOC.

3.1.4. For direct importations by the government, the original copy of the

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Marine Open Policy issued by the Government Service Insurance System (GSIS) together with a true copy shall be presented to BOC (Attn: Import Assessment Service) certified by the latter. The Bureau shall apply the actual GSIS insurance premium rate.

- a. If insured by a Surety company other than GSIS, apply 3.1.2.
- b. If not covered by a local insurance, apply 3.1.3.

3.1.5. The amount of insurance shall be declared in the IEIRD box no. 90 and the equivalent appropriate box in the SAD for the electronic lodgement.

3.2. Freight Charges

3.2.1. The freight charge to be applied shall be based on the amount indicated in the Air Waybill or Bill of Lading.

3.2.2. If no freight charge is indicated on the Air Waybill, Bill of Lading, and/or Invoice then the declared freight charge on the Import Entry Internal Revenue Declaration (IEIRD)/Single Administrative Document (SAD) may be considered therein, provided that if the amount indicated is lower than 70% of either the IATA rate or Conference rate for airfreight shipment and sea freight shipment, respectively, the same shall be subject to further verification by the BOC.

3.2.3. If the freight charge is lower than 70% of either the IATA or Conference rate, the importer must present a Certification from the Carrier / Forwarder and / or Official

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Receipt as to the actual freight charges paid.

3.2.4. In case of bulk shipments, the certified copy of Charter Party document or Freight Contract, and Stowage Plan shall be presented to show the actual freight charge, all of which shall be attached to the working copy of the Entry.

a. For bulk/general cargo shipments made by the National Food Authority (NFA), the freight charge if not lower than 10% of the CFR value of the commodity may be accepted.

3.2.5. In case of refrigerated shipment, a certification from shipping lines as to the freight paid must be presented for Customs verification.

In the absence of a certification from the shipping lines, the following freight charges may be used as reference:

a. Shipments coming from China - should not be lower than:

\$1,700.00/40 ft Reefer Container (Guangshou, China)


\$1,300.00/20 ft Reefer Container (Guangshou, China)

\$1,500.00/20 ft Reefer Container (Xiamen, China)

\$1,800.00/40 ft Reefer Container (Xiamen, China)

\$1,800.00/20 ft Reefer Container (Shanghai, China)

\$3,200.00/40 ft Reefer Container (Shanghai, China)

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\$3,200.00/40 ft Reefer Container
(Shanghai, China)

\$1,350.00/20 ft Reefer Container
(Dalian, China)

\$1,680.00/40 ft Reefer Container
(Dalian, China)

b. Shipments coming from
Hongkong - \$1,600.00/ 40 ft
container reefer van

c. Shipments coming from
Singapore:

\$900.00/20 ft container reefer

\$1,850.00/40 ft container reefer

Plus: BAF (\$70/20' & 140/40')

Shipments coming from Los
Angeles, USA:


\$3,050.00/20 ft Reefer Container

\$6,100.00/40 ft Reefer Container

c. If it is a 20 ft. container reefer
van, then the freight should be
50% of the freight charge of a 40
ft. In case lower, the same shall
be subject to further verification
by the BOC.

Section 4: SEPARABILITY CLAUSE

The provisions of this Order are hereby ordered separable and in case
any of the provisions hereof are declared invalid, the other provisions, which
are not affected shall remain in full force and effect.

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Section 5: **REPEALING CLAUSE**

All Customs Memorandum Orders, Memoranda or parts thereof, which are inconsistent with this Order are hereby deemed superseded, amended or modified accordingly.

Section 6: **EFFECTIVITY CLAUSE**

This Order shall take effect immediately and shall last until revoked.



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Bureau of Customs and Excise

NAPOLEON L. MORALES
Commissioner