



REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF FINANCE  
**BUREAU OF CUSTOMS**

*A modernized and credible customs administration that upholds good governance and is among the world's best*

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2 **CUSTOMS ADMINISTRATIVE ORDER (CAO)**  
3 **NO. \_\_\_\_\_**

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5 **SUBJECT: RULES AND REGULATIONS IN THE DETERMINATION OF COST OF**  
6 **TRANSPORT, LOADING, UNLOADING, AND HANDLING CHARGES, AS**  
7 **ADJUSTMENTS TO THE PRICE ACTUALLY PAID OR PAYABLE FOR THE**  
8 **IMPORTED GOODS, AND ON THE CHARGES IMPOSED BY SHIPPING LINES**  
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11 **Introduction.** This CAO implements Section 204 in relation to Section 1226, Chapter  
12 3, Title XII, and Sections 700-707, Chapter 1, Title VII and other relevant Sections of  
13 Republic Act No. 10863, otherwise known as the Customs Modernization and Tariff  
14 Act (CMTA).  
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16 **Section 1. Objectives.**

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18 **1.1.** To properly determine the cost of transport, loading, unloading,  
19 and handling charges, as adjustments to the price actually paid  
20 or payable for the imported goods;  
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22 **1.2.** To recognize the rules on international commercial terms  
23 pursuant to Section 415 of the CMTA;  
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25 **1.3.** To ensure transparency in the collection of shipping charges; and  
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27 **1.4.** To ensure proper collection of lawful revenues by the Bureau.  
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29 **Section 2. Coverage.** This CAO covers the following:  
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- 31 **2.1.** International shipping lines ("carriers") that call at Philippine ports  
32 to load and unload foreign cargoes (imports and exports) or their  
33 agents that act on behalf of international shipping lines in the  
34 handling of laden and empty containers to and from Philippine  
35 ports; and  
36 **2.2.** All container yard or depot operators.  
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38 **Section 3. Definition of Terms.** For purposes of this CAO, the following terms are  
39 defined accordingly:  
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- 41 **3.1. Bill of Lading** – shall refer to the official legal document that  
42 represents ownership of cargo; the negotiable document to  
43 receive cargo; and, a document that establishes the terms of a



44 contract between a shipper and the shipping line. It serves as a  
45 document of title, a contract of carriage and a receipt for goods.

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47 **3.2. Foreign Cargoes** – shall refer to import or export cargoes  
48 carried by a foreign vessel:

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50 **3.2.1. Export Cargo** – shall refer to goods, articles,  
51 commodities, or merchandise carried in foreign vessels  
52 and duly declared before the Bureau of Customs at the  
53 port of origin as cargoes for shipment to a port outside  
54 the jurisdiction of the Philippines.

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56 **3.2.2. Import Cargo** – shall refer to goods, articles,  
57 commodities or merchandise of foreign origin carried in  
58 a foreign vessel which are intended to be cleared before  
59 the Bureau of Customs for delivery to the port of final  
60 destination within the jurisdiction of the Philippines.

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62 **3.3. Consignee** – shall refer to the party appearing in the transport  
63 document to whom delivery may be lawfully made in accordance  
64 with the contract of carriage.

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66 **3.4. Container Deposit** – shall refer on the amount posted with  
67 shipping lines, freight forwarders or logistics companies, terminal  
68 operators, cargo yard operators or their collection agent upon the  
69 pick-up or withdrawal of the container from the port of container  
70 yard.

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72 **3.5. Container Yard** - shall refer to a facility duly authorized to  
73 accept or store container vans, loaded or empty, intended for  
74 international shipping for storage within the period allowed under  
75 applicable customs laws, rules, and regulations. A container yard  
76 may be established either within the seaport or off-dock, as may  
77 be allowed under customs laws, rules, and regulations.<sup>1</sup>

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79 **3.6. Demurrage** – shall refer to an amount charged by the shipping  
80 line, if full and loaded containers are not collected by the  
81 customers and remain inside the port, terminals or container yard  
82 after the lapse of the allowable free time.

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84 **3.7. Destination Charges** – shall refer to the charges collected by  
85 shipping lines, freight forwarders or logistics companies, customs  
86 brokers, cargo truck operators, terminal operators, and cargo  
87 yard operators to take delivery goods at port of destination.  
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<sup>1</sup> cf. CAO No. 9-2019, Section 4.3.4

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- 3.8. Detention** – shall refer to amount charged by the shipping line per day once customers have collected the empty containers from outside the port, but do not return the empty containers to the depots after specific free time.
  
- 3.9. Empty Container Depot** – shall refer to a facility, outside the port, duly authorized to accept and store empty container vans (which may be carrier-owned or shipper-owned) intended for international shipping for storage within the period allowed under applicable customs laws, rules and regulations.
  
- 3.10. Freight** – shall refer to the cost of transporting from one point to another.
  
- 3.11. Freight Collect** - when stated in a Bill of Lading, it indicates that the freight for the shipment shall be paid by the importer at destination.
  
- 3.12. Freight Prepaid** - When stated in a Bill of Lading, it indicates that the freight for the shipment shall be paid by the shipper/exporter at origin.
  
- 3.13. INCOTERMS (International Commercial Terms)** – shall refer to a series of three-letter, pre-defined commercial terms developed by the International Chamber of Commerce (ICC) relating to international contractual sales practices. It is intended primarily to clearly communicate the tasks, costs, and risks associated with the transportation and delivery of goods. Moreover, INCOTERMS rules are designed to reduce or remove altogether uncertainties arising from different interpretation of the rules in different countries. As such they are regularly incorporated into sales contracts worldwide and are accepted by governments, legal authorities, and practitioners worldwide.
  
- 3.14. Indirect Lien** – shall refer to the imposition of a lien on a property, either real or personal that is subject of a separate transaction or contract to secure the payment of some debt or obligation subject of another independent and separate contract or transaction.
  
- 3.15. International Shipping Line** – shall refer to any person or entity who, in a contract of carriage, undertakes to perform or to procure the performance of carriage of goods by sea, or inland waterway or by a combination of such modes that are calling the ports of the Philippines.



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**3.16. Repositioning** – shall refer to an activity that pertains to the entry of empty containers (by international shipping lines for COC and freight forwarders for SOC) to the port for immediate loading into the vessel for re-export. In the case of COCS, repositioning is normally done after the empties are returned by the importers to the shipping lines.

**3.17. Shipper** – shall refer to the person or company who is usually the supplier or owner of commodities shipped. Also called Consignor.

**3.18. Shipping Agent and General Agent** - For purposes of this Order, shall refer to mean a ship agent appointed by the ship owner or carrier in the liner service for all voyages and covered by a General Agency Agreement whereby the agent assumes the role and responsibility of its principal within the Philippine territory including but not limited to solicitation of cargo and freight, payment of discharging or loading expenses, collection of shipping charges, and issuing/releasing bills of lading and cargo manifest.

**Section 4. General Provisions.**

**4.1.** The Bureau has the authority to govern and regulate the conduct of third parties such as shipping lines, shipping agents, and warehouse operators, which are dealing with the Bureau.<sup>2</sup>

**4.2.** The regulatory authority covers the formulation and adoption of policies regarding charges that may be imposed by international shipping lines, and clearly define the cost of transport whether forming part of the cost of the goods or destination charge.

**4.3.** The cost of transport of the imported goods to the port of entry in the Philippines, loading, unloading, handling charges associated with the transport of the imported goods from the country of exportation to the port of entry in the Philippines shall be added to the price actually paid or payable if such values have not been included in the price actually paid or payable.<sup>3</sup>

**4.4.** All additions to the price actually paid or payable shall be made only on the basis of objective and quantifiable data<sup>4</sup> and where such data do not exist with regard to the additions, the

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<sup>2</sup> cf. CMTA, Title XII, Chapter 3, Section 1226.

<sup>3</sup> cf. CMTA, Title VII, Chapter I, Section 701.

<sup>4</sup> cf. CMTA, Title VII, Chapter I, Section 701.



179 transaction value cannot be determined under the provisions of  
180 Method One.<sup>5</sup>

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182 **Section 5. Cost of Transport.** The cost of transportation includes those costs for  
183 physically moving the goods from the port of exportation to the port of entry in the  
184 Philippines. It shall be determined as follows:

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186 **5.1. Cost of Transport for FCL and LCL Shipments.**

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188 **5.1.1.** The cost of transport of the imported goods to the port  
189 of entry in the Philippines shall be the total of the  
190 following:

- 191
- 192 **a.** Basic ocean freight; plus
- 193 **b.** Accessorial charges.

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195 This cost could include such charges as trucking, inland  
196 freight, rail freight, and barge or lighterage depending on  
197 the terms of shipment.

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199 **5.1.2.** Accessorial charges include surcharges or factors such  
200 as, but not limited to the following:

- 201
- 202 **a.** Currency Adjustment Factor (CAF);
- 203 **b.** Yen Appreciation Surcharge (YAS);
- 204 **c.** Bunker Adjustment Factor (BAF);
- 205 **d.** Fuel Adjustment Factor (FAF);
- 206 **e.** Carrier's Security Charge (CSC);
- 207 **f.** Container Imbalance Charge (CIC);
- 208 **g.** Port Security Surcharge (PSC); or
- 209 **h.** Cost Recovery Charge.

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211 **5.1.3.** The accessorial charges shall form part of the cost of  
212 transport under the following circumstances:

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- 214 **a.** The charges are incurred at the port of origin; or
- 215 **b.** The charges are incurred during transport of the  
216 goods from port of loading to the port of entry or port  
217 of discharge.

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219 The concerned customs officer shall ensure that  
220 accessorial charges not subject to 12% VAT are added  
221 to the amount paid or payable on the basis of the  
222 amount indicated in the original or certified copy of the

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<sup>5</sup> cf. Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade 1994, Note to Article 8, par. 3.



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official receipt of freight paid or freight statement covering the shipment issued by the shipping line or international freight forwarding company indicating all the accessorial charges paid at destination.

**5.1.4.** Charges for services made by shipping lines or international freight forwarders from the time the carrying vessel enters the port of discharge shall be considered as post importation charges and shall be excluded as adjustments to the price actually paid or payable.

These post importation charges are shown in official receipts or freight statements of shipping lines or international freight forwarders with the corresponding 12% value-added tax (VAT).

**5.1.5.** Post-importation charges may include, among others, the following:

- a. Transfer charge for LCL shipments;
- b. Demurrage charge;
- c. Detention charge;
- d. Container cleaning charge;
- e. Container insurance.

**5.2. Loading, Unloading, Handling Charge.** Charges for loading, unloading and handling could be attributed to a number of different activities associated with the transport of the imported goods from the country of exportation to the port of entry in the Philippines.

**5.2.1.** Loading and unloading would include, in part, the movement onto or from any conveyance.

**5.2.2.** Handling would include any number of activities surrounding the physical movement of the goods such preparation of manifests, BL or AWB, obtaining any export license, and any other shipping arrangement.

**5.2.3.** Loading, unloading and handling charges may include the following, among others:

- a. Terminal Handling Charges (THC) at the port of origin or transshipment port; or
- b. Documentation or Bill of Lading Fee.



270 These charges or fees not subject to 12% VAT as incorporated in  
271 the original or certified copy of the official receipt of freight paid  
272 or freight statement issued by the shipping line or international  
273 freight forwarding company shall be added to the price actually  
274 paid or payable.

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276 **5.3. Transport Cost for Bulk and Break-bulk Shipments.** In case  
277 of bulk and break-bulk shipments, the certified copy of Charter  
278 Party document or Freight Contract for EXW, FAS and FOB shall  
279 be presented to show the actual freight charge, all of which shall  
280 be attached to the working copy of the goods declaration.  
281 Demurrage charges incurred at the port of loading shall form part  
282 of the transport cost.

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284 **5.4.** As a general rule, if the INCOTERMS is in the nature of "Freight  
285 Prepaid" then all charges due under INCOTERMS shall be  
286 collected and paid by the shipper at origin. If the INCOTERM is  
287 "Freight Collect" then all charges due under INCOTERM shall be  
288 borne and paid by the consignee at destination.

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290 **5.5.** The cost of transport may be paid by the seller/exporter or  
291 buyer/importer depending on the terms of shipment and contract  
292 of carriage.

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294 **5.6.** If the terms of shipment is CIP or CIF and the freight charge is  
295 not indicated in the bill of lading or commercial invoice, the basic  
296 ocean freight as a component of dutiable value shall be subject  
297 to further verification by the Bureau.

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299 **5.7.** The concerned customs officer shall ensure that basic ocean  
300 freight charges are clearly determined on the basis of the amount  
301 of transport cost indicated in any or all of the following  
302 documents:

- 303  
304 **5.7.1.** Goods declaration;  
305 **5.7.2.** Bill of lading;  
306 **5.7.3.** Commercial invoice; or  
307 **5.7.4.** Certification from the local shipping agent together with  
308 the original or certified copy of the official receipt of  
309 freight paid or freight statement covering the shipment  
310 issued by the shipping line or international freight  
311 forwarding company whether paid at origin or  
312 destination.

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314 **Section 6. Regulations on Container Deposits, Demurrage and Container**  
315 **Charges.** To ensure transparency, shipping lines or their agents shall publish the rates

316 of charges in a newspaper of general circulation. The shipping lines or their agents  
317 shall likewise submit to the Bureau a copy of the inform the regular shipping charges  
318 and fees for the issuance of appropriate Customs Memorandum Circular (CMC).  
319 Provided that existing rates shall continue to be recognized. Provided, further, that  
320 any increase in the rate shall be effective only after thirty (30) days from circularization  
321 by the Bureau.

## 322 **6.1. Container Deposits.**

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325 **6.1.1.** All international shipping lines including, shipping agents  
326 and general agents shall implement an expeditious  
327 procedure in refunding container deposits upon the  
328 return of empty containers by consignees.

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330 **6.1.2.** For this purpose, all container deposits, posted with the  
331 shipping lines including their shipping agents and general  
332 agents, shall be refunded within a period of fifteen (15)  
333 days following the receipt of the empty containers, which  
334 is covered by the particular container deposit, in the yard  
335 or container terminal of the shipping line.

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337 **6.1.3.** The container deposit shall no longer be imposed by  
338 International Shipping Lines when a company guarantee  
339 has been executed by the importers under oath and  
340 properly covered by insurance.

## 341 **6.2. Demurrage and Detention Charges.**

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344 **6.2.1.** No detention charges in the return of empty containers  
345 shall be imposed by shipping lines when the delay is  
346 caused by them such as, among others, when shipping  
347 lines or freight forwarders cannot provide adequate  
348 container yard space for returned empty containers. For  
349 this purpose, international shipping lines must ensure  
350 that the delivery order always indicates the container  
351 depot where the empty container owned by the shipping  
352 lines must be returned.

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354 **6.2.2.** Any demurrage fee or detention charge shall not  
355 constitute a direct or indirect lien on container deposits  
356 or on other cargoes or shipments covered by a separate  
357 transaction of the same shipper or consignee.

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359 **6.2.3.** The cost of recovery of all international shipping line for  
360 detention and demurrage charges shall be submitted to  
361 the Bureau for the issuance of appropriate circular.



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**6.3. Container Cleaning** - A standard tariff schedule shall be forwarded to the Bureau by international shipping lines that will serve as uniform basis for charging containers that demonstrably are in need of cleaning. The Bureau shall likewise issue an appropriate Circular in this regard.

**6.4. Damaged Containers** - Claims for repairs of damaged containers shall require a written notice to the consignee or an importer within 24 hours from discovery.

**Section 7. Accreditation of Empty Container Yards as Customs Facility and Warehouse.**

**7.1.** All empty Container Yards owned, leased, or allowed to be used as temporary storage of empty containers shall be accredited by the Bureau as CFW pursuant to CAO No. 9-2019 as implemented by Customs Memorandum Order (CMO) No. 18-2022.

**7.2.** The Bureau, in coordination with the shipping lines, shall review and revise existing rules on the issuance of Equipment Interchange Report (EIR), specifically the mechanics to properly track and monitor movement or repositioning of containers.

**7.3.** Provisions on the monitoring of containers under Section 10 of CAO No. 8-2019, where applicable, shall remain in effect.

**7.4.** To ensure transparency, an electronic system shall be developed to track and trace all movement of containers in the country, whether laden or empty.

**Section 8. Prohibited Acts.** All international shipping lines or their agents are prohibited from doing directly or indirectly any of the following acts that are contrary to laws governing obligations and contracts:

**8.1.** Impose an indirect lien and hold the release of the shipment of a consignee for the reason that the consignee has an outstanding demurrage and detention collectibles from the consignee corresponding to a previous and different transaction with the shipping line; and

**8.2.** Withhold and hold the refund of container deposits posted by the consignee for returned empty containers if any, beyond the 15-day period and for the reason that the consignee has outstanding demurrage and detention collectibles from the consignee corresponding to a previous and different transaction with the shipping line.



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**Section 9. Penalties.**

**9.1.** For violation of any part of this CAO, such as the following:

- 9.1.1.** Failure to accredited an Container Yard as CFW;
- 9.1.2.** Charging higher rates without a CMC;
- 9.1.3.** Violation of Section (NOTE PRECEDING TWO SECTIONS); or
- 9.1.4.** Any provision of this CAO which require mandatory performance by the shipping line or its agent:

First Offense – Php 100,000.00  
Second Offense – Php 200,000.00  
Third Offense – Php 300,000.00

**9.2.** Notwithstanding the foregoing, any individual or entity violating any of the provision of this CAO shall be proceeded against under Section 1430 of the CMTA and other related laws.

**Section 10. Separability Clause.** If any part of this CAO is declared unconstitutional or contrary to existing laws, other parts not so declared shall remain in full force and effect.

**Section 11. Repealing Clause.** All other rules and regulations issued by the Bureau which are inconsistent with this Order are deemed repealed or modified accordingly.

**Section 12. Effectivity Clause.** This CAO shall take effect after fifteen days from publication the Official Gazette or in a newspaper of general circulation.

The Office of the National Administrative Registrar (ONAR) of the UP Law Center shall be provided three (3) copies of this Order.

**BIENVENIDO Y. RUBIO**  
Commissioner

