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Begun and held in Metro Manila, on Monday, the twenty-seventh day of July, two thousand fifteen.

[ REPUBLIC ACT NO. 10863 ]

AN ACT MODERNIZING THE CUSTOMS AND TARIFF  
ADMINISTRATION

*Be it enacted by the Senate and House of Representatives of the  
Philippines in Congress assembled:*

TITLE I

PRELIMINARY PROVISIONS

CHAPTER 1

SHORT TITLE

SECTION 100. *Short Title.* — This Act shall be known as the "Customs Modernization and Tariff Act (CMTA)".

CHAPTER 2

GENERAL AND COMMON PROVISIONS

SEC. 101. *Declaration of Policy.* — It is hereby declared the policy of the State to protect and enhance government revenue, institute fair and transparent customs and tariff management that will efficiently facilitate international trade, prevent and curtail any form of customs fraud and illegal acts, and modernize customs and tariff administration. Towards this end, the State shall:

(a) Develop and implement programs for the continuous enhancement of customs systems and processes that will harmonize customs procedures;

(b) Adopt clear and transparent customs rules, regulations, policies and procedures, consistent with international standards and customs best practices;

(c) Establish a regime of transparency of and accessibility to customs information, customs laws, rules, regulations, administrative policies, procedures and practices, in order to ensure informed and diligent compliance with customs practices and procedures by stakeholders;

(d) Consult, coordinate and cooperate with other government agencies and the private sector in implementing and developing customs policy;

(e) Provide a fair and expeditious administrative and judicial appellate remedy for customs related grievances and matters;

(f) Employ modern practices in customs administration and utilize information and communications technology in the implementation of customs functions; and

(g) Institute professionalism and meritocracy in customs tax administration by attracting and retaining competent and capable customs officers and personnel to enforce the provisions of this Act.

SEC. 102. *Definition of Terms.* – As used in this Act:

(a) *Abatement* refers to the reduction or diminution, in whole or in part, of duties and taxes where payment has not been made;

(b) *Actual or Outright Exportation* refers to the customs procedure applicable to goods which, being in free circulation, leave the Philippine territory and are intended to remain permanently outside it;

(c) *Admission* refers to the act of bringing imported goods directly or through transit into a free zone;

(d) *Airway Bill (AWB)* refers to a transport document for airfreight used by airlines and international freight forwarders which specify the holder or consignee of the bill who has the right to claim delivery of the goods when they arrive at the port of destination. It is a contract of carriage that includes carrier conditions, such as limits of liability and claims procedures. In addition, it contains transport instructions to airlines and carriers, a description of the goods, and applicable transportation charges;

(e) *Appeal* refers to the remedy by which a person who is aggrieved or adversely affected by any action, decision, order, or omission of the Bureau, seeks redress before the Bureau, the Secretary of Finance, or competent court, as the case may be;

(f) *Assessment* refers to the process of determining the amount of duties and taxes and other charges due on imported and exported goods;

(g) *Authorized Economic Operator (AEO)* refers to the importer, exporter, customs broker, forwarder, freight forwarder, transport provider, and any other entity duly accredited by the Bureau based on the World Customs Organization (WCO) Framework of Standards to Secure and Facilitate Global Trade, the Revised Kyoto Convention (RKC), the WCO Supply Chain Management Guidelines and the various national best practices to promote trade facilitation and to provide a seamless movement of goods across borders through secure international trade supply chains with the use of risk management and modern technology;

(h) *Bill of Lading (B/L)* refers to a transport document issued by shipping lines, carriers and international freight forwarders or non-vessel operating common carrier for water-borne freight. The holder or consignee of the bill has the right to claim delivery of the goods at the port of destination. It is a contract of carriage that includes carrier conditions, such as limits of liability and claims procedures. In addition, it contains transport instructions to shipping lines and carriers, a description of the goods, and applicable transportation charges;

(i) *Bureau* refers to the Bureau of Customs;

(j) *Carrier* refers to the person actually transporting goods or in charge of or responsible for the operation of the means of transport such as airlines, shipping lines, freight forwarders, cargo consolidators, non-vessel operating common carriers and other international transport operators;

(k) *Clearance* refers to the completion of customs and other government formalities necessary to allow goods to enter for consumption, warehousing, transit or transshipment, or to be exported or placed under another customs procedure;

(l) *Commission* refers to the Tariff Commission;

(m) *Conditional Importation* refers to the customs procedure known under the RKC as temporary admission in which certain goods can be brought into a customs territory conditionally relieved, totally or partially, from payment of import duties and taxes; such goods must be imported for a specific purpose and must be intended for reexportation within a specified period and without having undergone any substantial change except due to normal depreciation;

(n) *Customs Broker* refers to any person who is a *bona fide* holder of a valid Certificate of Registration/Professional Identification Card issued by the Professional Regulatory Board and Professional Regulation Commission pursuant to Republic Act No. 9280, as amended, otherwise known as the "Customs Brokers Act of 2004";

(o) *Customs Office* refers to any customs administrative unit that is competent and authorized to perform all or any of the functions enumerated under customs and tariff laws;

(p) *Customs Officer*, as distinguished from a clerk or employee, refers to a person whose duty, not being clerical or manual in nature, involves the exercise of discretion in performing the function of the Bureau. It may also refer to an employee

authorized to perform a specific function of the Bureau as provided in this Act;

(q) *Customs Territory* refers to areas in the Philippines where customs and tariff laws may be enforced;

(r) *Entry* refers to the act, documentation and process of bringing imported goods into the customs territory, including goods coming from free zones;

(s) *Exportation* refers to the act, documentation, and process of bringing goods out of Philippine territory;

(t) *Export Declaration* refers to a statement made in the manner prescribed by the Bureau and other appropriate agencies, by which the persons concerned indicate the procedure to be observed for taking out or causing to be taken out any exported goods and the particulars of which the customs administration shall require;

(u) *Flexible Clause* refer to the power of the President upon recommendation of the National Economic and Development Authority (NEDA): (1) to increase, reduce or remove existing protective tariff rates of import duty, but in no case shall be higher than one hundred percent (100%) *ad valorem*; (2) to establish import quota or to ban importation of any commodity as may be necessary; and (3) to impose additional duty on all import not exceeding ten percent (10%) *ad valorem*, whenever necessary;

(v) *Foreign Exporter* refers to one whose name appears on documentation attesting to the export of the product to the Philippines regardless of the manufacturer's name in the invoice;

(w) *Free Zone* refers to special economic zones registered with the Philippine Economic Zone Authority (PEZA) under Republic Act No. 7916, as amended, duly chartered or legislated special economic zones and freeports such as Clark Freeport Zone; Poro Point Freeport Zone; John Hay Special Economic Zone and Subic Bay Freeport Zone under Republic Act No. 7227, as amended by Republic Act No. 9400; the Aurora Special Economic Zone under Republic Act No. 9490, as amended; the Cagayan Special

Economic Zone and Freeport under Republic Act No. 7922; the Zamboanga City Special Economic Zone under Republic Act No. 7903; the Freeport Area of Bataan under Republic Act No. 9728; and such other freeports as established or may be created by law;

(x) *Goods* refer to articles, wares, merchandise and any other items which are subject of importation or exportation;

(y) *Goods Declaration* refers to a statement made in the manner prescribed by the Bureau and other appropriate agencies, by which the persons concerned indicate the procedure to be observed in the application for the entry or admission of imported goods and the particulars of which the customs administration shall require;

(z) *Importation* refers to the act of bringing in of goods from a foreign territory into Philippine territory, whether for consumption, warehousing, or admission as defined in this Act;

(aa) *Freight Forwarder* refers to a local entity that acts as a cargo intermediary and facilitates transport of goods on behalf of its client without assuming the role of a carrier, which can also perform other forwarding services, such as booking cargo space, negotiating freight rates, preparing documents, advancing freight payments, providing packing/crating, trucking and warehousing, engaging as an agent/representative of a foreign non-vessel operating as a common carrier/cargo consolidator named in a master bill of lading as consignee of a consolidated shipment, and other related undertakings;

(bb) *International Freight Forwarder* refers to persons responsible for the assembly and consolidation of shipments into single lot, and assuming, in most cases, the full responsibility for the international transport of such shipment from point of receipt to the point of destination;

(cc) *Jurisdictional Control* refers to the power and rights of the Bureau in exercising supervision and police authority over all seas within the jurisdiction of the Philippine territory

and over all coasts, ports, airports, harbors, bays, rivers and inland waters whether navigable or not from the sea;

(dd) *Lodgement* refers to the registration of a goods declaration with the Bureau;

(ee) *Non-Vessel Operating Common Carrier (NVOCC)* refers to an entity, which may or may not own or operate a vessel that provides a point-to-point service which may include several modes of transport and/or undertakes group age of less container load (LCL) shipments and issues the corresponding transport document;

(ff) *Outright Smuggling* refers to an act of importing goods into the country without complete customs prescribed importation documents, or without being cleared by customs or other regulatory government agencies, for the purpose of evading payment of prescribed taxes, duties and other government charges;

(gg) *Perishable Good* refers to goods liable to perish or goods that depreciate greatly in value while stored or which cannot be kept without great disproportionate expense, which may be proceeded to, advertised and sold at auction upon notice if deemed reasonable;

(hh) *Port of Entry* refers to a domestic port open to both domestic and international trade, including principal ports of entry and subports of entry. A principal port of entry is the chief port of entry of the Customs District wherein it is situated and is the permanent station of the District Collector of such port. Subports of entry are under the administrative jurisdiction of the District Collector of the principal port of entry of the Customs District. Port of entry as used in this Act shall include airport of entry;

(ii) *Port of Discharge*, also called *Port of Unloading*, refers to a place where a vessel, ship, aircraft or train unloads its shipments, from where they will be dispatched to their respective consignees;

(jj) *Reexportation* means exportation of goods which have been imported;

(kk) *Release of Goods* refers to the action by the Bureau to permit goods undergoing clearance to be placed at the disposal of the party concerned;

(ll) *Refund* refers to the return, in whole or in part, of duties and taxes paid on goods;

(mm) *Security* refers to any form of guaranty, such as a surety bond, cash bond, standby letter of credit or irrevocable letter of credit, which ensures the satisfaction of an obligation to the Bureau;

(nn) *Smuggling* refers to the fraudulent act of importing any goods into the Philippines, or the act of assisting in receiving, concealing, buying, selling, disposing or transporting such goods, with full knowledge that the same has been fraudulently imported, or the fraudulent exportation of goods. Goods referred to under this definition shall be known as smuggled goods;

(oo) *Taxes* refer to all taxes, fees and charges imposed under this Act and the National Internal Revenue Code (NIRC) of 1997, as amended, and collected by the Bureau;

(pp) *Technical Smuggling* refers to the act of importing goods into the country by means of fraudulent, falsified or erroneous declaration of the goods to its nature, kind, quality, quantity or weight, for the purpose of reducing or avoiding payment of prescribed taxes, duties and other charges;

(qq) *Tentative Release* refers to a case where the assessment is disputed and pending review, an importer may put up a cash bond equivalent to the duties and taxes due on goods before the importer can obtain the release of said goods;

(rr) *Transit* refers to the customs procedure under which goods, in its original form, are transported under customs control from one customs office to another, or to a free zone;

(ss) *Transshipment* refers to the customs procedure under which goods are transferred under customs control from the importing means of transport to the exporting means of transport within the area of one customs office, which is the office of both importation and exportation;

(tt) *Traveler* refers to any person who temporarily enters the territory of a country in which he or she does not normally resides (non-resident), or who leaves that territory, and any person who leaves the territory of a country in which he or she normally resides (departing resident) or who returns to that territory (returning resident); and

(uu) *Third Party* refers to any person who deals directly with the Bureau, for and on behalf of another person, relating to the importation, exportation, movement or storage of goods.

SEC. 103. *When Importation Begins and Deemed Terminated.* – Importation begins when the carrying vessel or aircraft enters the Philippine territory with the intention to unload therein. Importation is deemed terminated when:

(a) The duties, taxes and other charges due upon the goods have been paid or secured to be paid at the port of entry unless the goods are free from duties, taxes and other charges and legal permit for withdrawal has been granted; or

(b) In case the goods are deemed free of duties, taxes and other charges, the goods have legally left the jurisdiction of the Bureau.

SEC. 104. *When Duty and Tax are Due on Imported Goods.* – Except as otherwise provided for in this Act or in other laws, all goods, when imported into the Philippines, shall be subject to duty upon importation, including goods previously exported from the Philippines.

Unpaid duties, taxes and other charges, shall incur legal interest of twenty percent (20%) *per annum* computed from the date of final assessment under Section 429 of this Act, when

payment becomes due and demandable. The legal interest shall likewise accrue on any fine or penalty imposed.

Upon payment of the duties, taxes and other charges, the Bureau shall issue the necessary receipt or document as proof of such payment.

SEC. 105. *Effective Date of Rate of Import Duty.* – Imported goods shall be subject to the import duty rates under the applicable tariff heading that are effective at the date of importation or upon withdrawal from the warehouse for consumption. In case of withdrawal from free zones for introduction to the customs territory, the duty rate at the time of withdrawal shall be applicable on the goods originally admitted, whether withdrawn in its original or advanced form.

In case of goods sold at customs public auction, the duty rates at the date of the auction shall apply for purposes of implementing Section 1143(a) of this Act.

SEC. 106. *Declarant.* – A declarant may be a consignee or a person who has the right to dispose of the goods. The declarant shall lodge a goods declaration with the Bureau and may be:

- (a) The importer, being the holder of the bill of lading; or
- (b) The exporter, being the owner of the goods to be shipped out; or
- (c) A customs broker acting under the authority of the importer or from a holder of the bill; or
- (d) A person duly empowered to act as agent or attorney-in-fact for each holder.

In case the consignee or the person who has the right to dispose of the goods is a juridical person, it may authorize a responsible officer of the company to sign the goods declaration as declarant on its behalf.

The goods declaration submitted to the Bureau shall be processed by the declarant or by a licensed customs broker: *Provided*, That for importations, a transition period of two (2) years from the effectivity of this Act is hereby provided during which subparagraph (d) of this section shall not be implemented by the Bureau: *Provided, further*, That after two (2) years from the effectivity of this Act, subparagraph (d) of this section shall take into effect consistent with international standards and customs best practices.

SEC. 107. *Rights and Responsibilities of the Declarant.* – The declarant shall be responsible for the accuracy of the goods declaration and for the payment of all duties, taxes and other charges due on the imported goods. The licensed customs broker shall likewise be responsible for the accuracy of the goods declaration but shall not be responsible for the payment of duties, taxes and other charges due on the imported goods.

The declarant shall sign the goods declaration, even when assisted by a licensed customs broker, who shall likewise sign the goods declaration.

SEC. 108. *Penalties for Errors in Goods Declaration.* – The Bureau shall not impose substantial penalties for errors when such errors are inadvertent and there was no fraudulent intent or gross negligence in the commission thereof: *Provided*, That in order to discourage repetition of such errors, a penalty may be imposed but shall not be excessive.

SEC. 109. *Application of Information and Communications Technology.* – In accordance with international standards, the Bureau shall utilize information and communications technology to enhance customs control and to support a cost-effective and efficient customs operations geared towards a paperless customs environment.

The Bureau shall communicate, exchange and process trade- and logistics-related information in the national and regional level for the efficient and prompt clearance of goods and commodities in a technology-neutral and secured infrastructure for business, industries, and government.

The security of data and communication shall be in a manner that is consistent with applicable local and internationally accepted standards on information security.

The Bureau shall likewise include as part of its systems and processes, a disaster preparedness and recovery plan to ensure business continuity by maintaining its uptime goal for its electronic and online services.

For purposes of customs procedures, electronic documents, permits, licenses or certificates shall be acceptable and shall have the legal effect, validity or enforceability as any other document or legal writing: *Provided*, That when the prescribed requirements are duly complied with, the Bureau shall:

- (a) Recognize the authenticity and reliability of electronic documents;
- (b) Transmit approval in the form of electronic data messages or electronic documents; and
- (c) Require and/or accept payments and issue receipts acknowledging such payments through systems using electronic data messages or electronic documents.

The introduction and implementation of information and communications technology shall be undertaken with due consultation with directly affected parties and stakeholders.

SEC. 110. *Relationship Between the Bureau and Third Parties.* – Parties may transact business with the Bureau either directly or through a designated third party to act on their behalf.

The customs transactions directly transacted by a party shall not be treated less favorably or be subject to more stringent requirements than those transacted through a designated third party.

A designated third party shall have the same rights and obligations as the designating party when transacting business with the Bureau.

Subject to the provisions of existing laws, treaties, convention and international agreements, the Secretary of Finance shall make the necessary guidelines for the defined relationship of the Bureau and third parties.

SEC. 111. *Information of General Application.* – All laws, decisions, rulings, circulars, memoranda and orders of the Bureau shall be published in accordance with law.

To foster an informed compliance regime, the Bureau shall ensure that all relevant and available information of general application pertaining to customs operations and procedures which are not confidential or intended for the Bureau's internal use only, shall be readily accessible to any interested person.

Any new information, amendment or changes in customs law, administrative procedures or requirements, shall, as far as practicable, be made readily available prior to its effective date of implementation unless advance notice is precluded.

SEC. 112. *Information of a Specific Nature.* – The Bureau shall provide information, not otherwise confidential or for the Bureau's internal use only, relating to a specific matter as may be requested by an interested party for legitimate use.

The Bureau may require the payment of a reasonable fee in providing such information. The requested information shall be released within reasonable time from the filing of the request and payment of the required fee.

SEC. 113. *Decision and Ruling.* – The Bureau shall, consistent with Section 1502 of this Act, issue binding and advance decision and ruling at the request of an interested party on matters pertaining to importation or exportation of goods.

Upon written request of the interested party, the Bureau shall notify the party of its decision in writing within the period specified in this Act or by regulation. Should the decision be adverse to the requesting interested party, the reasons thereof shall be indicated and the party shall be advised of the party's right of appeal.

The ruling and decision shall be issued by the Bureau within thirty (30) days from the submission of the necessary documents and information.

SEC. 114. *Right of Appeal, Forms and Ground.* – Any party adversely affected by a decision or omission of the Bureau pertaining to an importation, exportation, or any other legal claim shall have the right to appeal within fifteen (15) days from receipt of the questioned decision or order.

An appeal in writing shall be filed within the period prescribed in this Act or by regulation and shall specify the grounds thereof.

The Bureau may allow a reasonable time for the submission of supporting evidence to the appeal.

### CHAPTER 3

#### TYPES OF IMPORTATION

SEC. 115. *Treatment of Importation.* – Imported goods shall be deemed "entered" in the Philippines for consumption when the goods declaration is electronically lodged, together with any required supporting documents, with the pertinent customs office.

SEC. 116. *Free Importation and Exportation.* – Unless otherwise provided by law or regulation, all goods may be freely imported into and exported from the Philippines without need for import and export permits, clearances or licenses.

SEC. 117. *Regulated Importation and Exportation.* – Goods which are subject to regulation shall be imported or exported only after securing the necessary goods declaration or export declaration, clearances, licenses, and any other requirements, prior to importation or exportation. 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.

SEC. 118. *Prohibited Importation and Exportation.* – The importation and exportation 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 alloys;

(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

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

SEC. 119. *Restricted Importation and Exportation.* – Except when authorized by law or regulation, the importation and exportation 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 and exportation are restricted.

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

## CHAPTER 4

### RELIEF CONSIGNMENT

SEC. 120. *Relief Consignment.* – Goods such as food, medicine, equipment and materials for shelter, donated or leased to government institutions and accredited private entities for free distribution to or use of victims of calamities shall be treated and entered as relief consignment.

Upon declaration of a state of calamity, clearance of relief consignment shall be a matter of priority and subject to a simplified customs procedure. The Bureau shall provide for:

(a) Lodging of a simplified goods declaration or of a provisional or incomplete goods declaration subject to completion of the declaration within a specified period;

(b) Lodging, registering and checking of the goods declaration and supporting documents prior to the arrival of the goods, and their release upon arrival;

(c) Clearance beyond the designated hours of business or away from customs offices and waiver of any corresponding charges; and

(d) Examination and/or sampling of goods only in exceptional circumstances.

The Department of Finance (DOF) and the Department of Social Welfare and Development (DSWD) shall jointly issue the rules and regulations for the implementation of this provision.

SEC. 121. *Duty and Tax Treatment.* – Relief consignment, as defined in Section 120, imported during a state of calamity and intended for a specific calamity area for the use of the calamity victims therein, shall be exempt from duties and taxes.

TITLE II  
BUREAU OF CUSTOMS  
CHAPTER 1  
GENERAL ADMINISTRATION

SEC. 200. *Chief Officials of the Bureau.* – The Bureau shall be headed by a Commissioner and shall be assisted by at least four (4) but not more than six (6) Deputy Commissioners.

The Commissioner shall be appointed by the President of the Philippines.

The Deputy Commissioners shall also be appointed by the President and at least majority of whom shall come from the ranks of the Bureau.

SEC. 201. *Powers and Functions of the Commissioner.* – The Commissioner shall have the following powers and functions:

(a) Exclusive and original jurisdiction to interpret the provisions of this Act, in collaboration with other relevant government agencies, subject to review by the Secretary of Finance;

(b) Exercise any customs power, duties and functions, directly or indirectly;

(c) Review any action or decision of any customs officer performed pursuant to the provisions of this Act;

(d) Review and decide disputed assessments and other matters related thereto, subject to review by the Secretary of Finance and exclusive appellate jurisdiction of the Court of Tax Appeals (CTA);

(e) Delegate the powers vested under this Act to any customs officer with the rank equivalent to division chief or higher, except for the following powers and functions:

- (1) Promulgation of rules and regulations;
- (2) Issuance, revocation or modification of rulings; and
- (3) Compromise or abate of customs obligations.

(f) Assignment or reassignment of any customs officer subject to the approval of the Secretary of Finance: *Provided*, That District Collectors and other customs officers that perform assessment functions shall not remain in the same area of assignment for more than three (3) years; and

(g) Perform all other duties and functions as may be necessary for the effective implementation of this Act and other customs related laws.

SEC. 202. *Functions of the Bureau.* – The Bureau shall exercise the following duties and functions:

(a) Assessment and collection of customs revenues from imported goods and other dues, fees, charges, fines and penalties accruing under this Act;

(b) Simplification and harmonization of customs procedures to facilitate movement of goods in international trade;

(c) Border control to prevent entry of smuggled goods;

(d) Prevention and suppression of smuggling and other customs fraud;

(e) Facilitation and security of international trade and commerce through an informed compliance program;

(f) Supervision and control over the entrance and clearance of vessels and aircraft engaged in foreign commerce;

(g) Supervision and control over the handling of foreign mails arriving in the Philippines for the purpose of collecting revenues and preventing the entry of contraband;

(h) Supervision and control on all import and export cargoes, landed or stored in piers, airports, terminal facilities, including container yards and freight stations for the protection of government revenue and prevention of entry of contraband;

(i) Conduct a compensation study with the end view of developing and recommending to the President a competitive compensation and remuneration system to attract and retain highly qualified personnel, while ensuring that the Bureau remains financially sound and sustainable;

(j) Exercise of exclusive original jurisdiction over forfeiture cases under this Act; and

(k) Enforcement of this Act and all other laws, rules and regulations related to customs administration.

SEC. 203. *Annual Report of the Commissioner.* – The Commissioner shall submit to the President, the Congress of the Philippines and the NEDA an annual report on the performance of the Bureau, on or before March 31 of the following year.

SEC. 204. *Promulgation of Rules and Regulations.* – The Commissioner, subject to the approval of the Secretary of Finance, shall promulgate rules and regulations for the enforcement of this Act. The Commissioner shall regularly prepare and publish an updated customs manual, and the rules, regulations and decisions of the Bureau. The Commissioner shall furnish the Congress of the Philippines, the NEDA and the Tariff Commission with electronic copies of department orders, administrative orders, circulars, and rules and regulations promulgated pursuant to this Act.

SEC. 205. *Copies of Goods Declaration.* – The Commissioner shall regularly furnish the NEDA, the Philippine Statistics Authority (PSA), the Bureau of Internal Revenue (BIR) and the Tariff Commission electronic copies of all customs goods declaration processed and cleared by the Bureau.

Upon request, the Tariff Commission shall have access to, and the right to be furnished with copies of liquidated goods declaration and other documents supporting the goods declaration as finally filed in the Commission on Audit (COA).

For this purpose, the Bureau shall maintain electronic records of goods declaration and other documents supporting the declaration.

## CHAPTER 2

### CUSTOMS DISTRICTS AND PORTS OF ENTRY

SEC. 206. *Customs Districts.* – For administrative purposes, the Philippines shall be divided into as many Customs Districts as necessary, the respective limits of which may be changed from time to time by the Commissioner, with the approval of the Secretary of Finance.

Each Customs District shall be supervised by one (1) District Collector, assisted by as many Deputy District Collectors as may be necessary. The choice of the location of a District Office, its business hours and the staffing pattern thereof, shall be based on the particular requirements of each district.

SEC. 207. *Ports of Entry.* – All ports of entry shall be under the supervision and control of a Customs District. A District Collector shall be assigned in the principal ports of entry while a Deputy District Collector may be assigned to other types of ports of entry.

The principal ports of entry shall be located in Aparri, San Fernando, Manila, Manila International Container Port, Ninoy Aquino International Airport, Subic, Clark, Batangas, Legaspi, Iloilo, Cebu, Tacloban, Surigao, Cagayan de Oro, Zamboanga, Davao, Limay and such other ports that may be created pursuant to this Act.

For the effective enforcement of the Bureau's functions and without hampering business and commercial operations of the ports, sea ports and airport authorities and private ports and

airport operators shall provide suitable areas for examination and for other customs equipment free of charge within a definite period of time, as agreed with private port and airport operations, if any.

SEC. 208. *Power of the President to Open and Close Any Port.* – Upon the recommendation of the Secretary of Finance, the President may open or close any port of entry. Upon closure of a port of entry, the existing personnel shall be reassigned by the Commissioner, subject to the approval of the Secretary of Finance.

SEC. 209. *Assignment of Customs Officers and Employees to Other Duties.* – The Commissioner, with the approval of the Secretary of Finance, may assign any employee of the Bureau to any port, service, division or office of the Bureau within the Bureau's staffing pattern or organizational structure, or may assign any employee other duties: *Provided*, That such assignment shall not affect the employee's tenure of office nor result in a change of status, demotion in rank and/or salary deduction.

SEC. 210. *Duties of the District Collector.* – The District Collector shall have the following duties in their assigned Customs District:

- (1) Ensure entry of all imported goods at the customs office;
- (2) Prevent importation and exportation of prohibited goods;
- (3) Ensure legal compliance of regulated goods and facilitate the flow of legitimate trade;
- (4) Examine, classify and value imported goods;
- (5) Assess and collect duties, taxes and other charges on imported goods;
- (6) Hold and dispose imported goods in accordance with this Act;

(7) Prevent smuggling and other customs fraud; and

(8) Perform other necessary duties that may be assigned by the Commissioner for the effective implementation of this Act.

Subject to the supervision and control of the District Collector, the duties and functions of the District Collector may be delegated to the Deputy District Collector. The Deputy District Collector assigned to a sub-port shall be under the supervision and control of the District Collector of the corresponding principal port.

SEC. 211. *Temporary Succession of Deputy District Collector to Position of Acting District Collector.* – In the absence or disability of a District Collector or, in case of vacancy, the Deputy District Collector shall temporarily discharge the duties of the District Collector. Should there be no Deputy District Collector, the District Collector shall designate, in writing, a senior ranking customs officer to temporarily perform the duties of the District Collector. In case there are two (2) or more senior ranking customs officers with equal length of service, a drawing of lots shall be undertaken. The District Collector shall report the designation to the Commissioner within twenty-four (24) hours after the designation.

SEC. 212. *Records to be Kept by Customs Officers.* – District Collectors, Deputy District Collectors, and customs officers acting in such capacities must maintain permanent records of official transactions and turn-over all records and official papers to their respective successors or other authorized officials. The records shall be made available for inspection by other authorized officials of the Bureau.

If required, the District Collector shall affix the official dry seal of the Bureau on all documents and records requiring authentication.

SEC. 213. *Reports of the District Collector to the Commissioner.* – The District Collector shall report to the Commissioner any probable or initiated litigation within the

Customs District and shall submit regular monthly reports on all district transactions.

### CHAPTER 3

#### EXERCISE OF POLICE AUTHORITY

SEC. 214. *Persons Exercising Police Authority.* – For the effective implementation of this Act, the following persons are authorized to effect search, seizure, and arrest:

(a) Officials of the Bureau, District Collectors, Deputy District Collectors, police officers, agents, inspectors and guards of the Bureau;

(b) Upon authorization of the Commissioner, officers and members of the Armed Forces of the Philippines (AFP) and national law enforcement agencies; and

(c) Officials of the BIR on all cases falling within the regular performance of their duties, when payment of internal revenue taxes is involved.

All officers authorized by the Commissioner to exercise police authority shall at all times coordinate with the Commissioner.

Goods seized by deputized officers pursuant to this section shall be physically turned-over immediately to the Bureau, unless provided under existing laws, rules and regulations.

For this purpose, mission orders shall clearly indicate the specific name carrying out the mission and the tasks to be carried out.

Subject to the approval of the Secretary of Finance, the Commissioner shall define the scope, areas covered, procedures and conditions governing the exercise of such police authority including custody and responsibility for the seized goods. The rules and regulations to this effect shall be furnished to the

concerned government agencies and personnel for guidance and compliance.

All seizures pursuant to this section must be effected in accordance with the provisions on the conduct of seizure proceedings provided for in Chapters 3 and 4 of Title XI of this Act.

SEC. 215. *Place Where Authority May be Exercised.* – All persons exercising police authority as described in the preceding section shall only exercise powers within customs premises as provided for in Section 303 of this Act, and within the limits of the authority granted by the Commissioner.

Port and airport authorities in all ports of entry shall provide authorized customs officers with unhampered access to all premises within their administrative jurisdiction.

SEC. 216. *Exercise of Power of Seizure.* – Any person exercising police authority under this Act has the power and duty to seize any vessel, aircraft, cargo, goods, animal or any other movable property when the same is subject to forfeiture or when they are subject of a fine imposed under this Act.

SEC. 217. *Duty of Officer to Disclose Official Character.* – For the proper exercise of police authority, any authorized person shall disclose the nature of the authority upon being questioned at the time of exercise thereof and shall exhibit the corresponding written authority issued by the Commissioner.

SEC. 218. *Authority to Require Assistance and Information.* – Any person exercising police authority may demand the assistance of and request information from the Philippine National Police (PNP), the AFP and other national law enforcement agencies, when necessary, to effect any search, seizure or arrest. It shall be the duty of any police officer and other national law enforcers to give such lawful assistance.

SEC. 219. *Authority to Enter Properties.* – Any person exercising police authority may, at any time, enter, pass through,

and search any land, enclosure, warehouse, store, building or structure not principally used as a dwelling house.

When a security personnel or any other employee lives in the warehouse, store, or any building, structure or enclosure that is used for storage of goods, it shall not be considered as a dwelling house for purposes of this Act.

SEC. 220. *Authority to Search Dwelling House.* – A dwelling house may be entered and searched only upon warrant issued by a Judge of a competent court, the sworn application thereon showing probable cause and particularly describing the place to be searched and the goods to be seized.

SEC. 221. *Authority to Search Vessels or Aircrafts and Persons or Goods Conveyed Therein.* – Any person exercising police authority under this Act may board, inspect, search and examine a vessel or aircraft and any container, trunk, package, box or envelope found on board, and physically search and examine any person thereon. In case of any probable violation of this Act, the person exercising police authority may seize the goods, vessel, aircraft, or any part thereof.

Such power to search includes removal of any false bottom, partition, bulkhead, or any other obstruction for the purpose of uncovering any concealed dutiable or forfeitable goods.

The proceeding herein authorized shall not give rise to any claim for damage caused to the goods, vessel or aircraft, unless there is gross negligence or abuse of authority in the exercise thereof.

SEC. 222. *Authority to Search Vehicles, Other Carriers, Persons and Animals.* – Upon reasonable cause, any person exercising police authority may open and examine any box, trunk, envelope, or other container for purposes of determining the presence of dutiable or prohibited goods. This authority includes the search of receptacles used for the transport of human remains and dead animals. Such authority likewise includes the power to stop, search, and examine any vehicle or carrier,

person or animal suspected of holding or conveying dutiable or prohibited goods.

SEC. 223. *Authority to Search Persons Arriving From Foreign Countries.* – Upon reasonable cause, travelers arriving from foreign countries may be subjected to search and detention by the customs officers. The dignity of the person under search and detention shall be respected at all times. Female inspectors may be employed for the examination and search of persons of their own sex.

SEC. 224. *Power to Inspect and Visit.* – The Commissioner or any customs officer who is authorized in writing by the Commissioner, may demand evidence of payment of duties and taxes on imported goods openly for sale or kept in storage. In the event that the interested party fails to produce such evidence within fifteen (15) days, the goods may be seized and subjected to forfeiture proceedings: *Provided*, That during the proceedings, the interested party shall be given the opportunity to prove or show the source of the goods and the payment of duties and taxes thereon: *Provided, further*, That when the warrant of seizure has been issued but subsequent documents presented evidencing proper payment are found to be authentic and in order, the District Collector shall, within fifteen (15) days from the receipt of the motion to quash or recall the warrant, cause the immediate release of the goods seized, subject to clearance by the Commissioner: *Provided, finally*, That the release thereof shall not be contrary to law.

### TITLE III

#### CUSTOMS JURISDICTION AND CUSTOMS CONTROL

#### CHAPTER 1

#### CUSTOMS JURISDICTION

SEC. 300. *Customs Jurisdiction.* – For the effective implementation of this Act, the Bureau shall exercise jurisdiction over all seas within Philippine territory and all coasts, ports,

airports, harbors, bays, rivers and inland waters whether navigable or not from the sea and any means of conveyance.

The Bureau shall pursue imported goods subject to seizure during its transport by land, water and air and shall exercise jurisdiction as may be necessary for the effective enforcement of this Act. When a vessel or aircraft becomes subject to seizure for violation of this Act, a pursuit of such vessel or aircraft which began within the territorial waters or air space may continue beyond the same, and the vessel or aircraft may be seized in the high seas or international air space.

## CHAPTER 2

### CUSTOMS CONTROL

SEC. 301. *Customs Control Over Goods.* – All goods, including means of transport, entering or leaving the customs territory, regardless of whether they are liable to duties and taxes, shall be subject to customs control to ensure compliance with this Act.

In the application of customs control, the Bureau shall employ audit-based controls and risk management systems, use automation to the fullest extent possible, and adopt a compliance measurement strategy to support risk management.

The Bureau shall seek to cooperate and conclude mutual administrative assistance agreements with other customs administrations to enhance customs control. The Bureau shall consult, coordinate, and cooperate with other government regulatory agencies, free zones authorities, and the customs stakeholders, in general, to enhance customs control.

SEC. 302. *Enforcement of Port Regulation of the Bureau of Quarantine.* – Customs officials and employees shall cooperate with the quarantine authorities in the enforcement of the port quarantine regulations promulgated by the Bureau of Quarantine and shall give effect to the same insofar as connected with matters of shipping and navigation.

SEC. 303. *Control Over Premises Used for Customs Purposes.* – The Bureau shall, for customs purposes, have exclusive control, direction and management of customs offices, facilities, warehouses, ports, airports, wharves, infrastructure and other premises in the Customs Districts, in all cases without prejudice to the general police powers of the local government units (LGUs), the Philippine Coast Guard and of law enforcement agencies in the exercise of their respective functions.

SEC. 304. *Power of the President to Subject Premises to Customs Jurisdiction.* – When public interest requires, the President may, by executive order, declare any public wharf, landing place, infrastructure, street or land, in any port of entry under the jurisdiction of the Bureau as may be necessary, for customs purposes and/or to authorize a port or terminal operator to transfer overstaying cargoes in an inland depot or terminal.

SEC. 305. *Trespass or Obstruction of Customs Premises.* – No person shall enter or obstruct a customs office, warehouse, port, airport, wharf, or other premises under the control of the Bureau without prior authority, including the streets or alleys where these facilities are located.

SEC. 306. *Special Surveillance for the Protection of Customs Revenue and Prevention of Smuggling.* – The Bureau shall conduct surveillance on vessels or aircrafts entering Philippine territory and on imported goods entering the customs office: *Provided,* That the function of the Philippine Coast Guard to prevent and suppress the illegal entry of these goods, smuggling and other forms of customs fraud and violations of maritime law and its proper surveillance of vessels entering and/or leaving Philippine territory as provided in Republic Act No. 9993, otherwise known as the "Philippine Coast Guard Law of 2009", shall continue to be in force.

SEC. 307. *Temporary Storage of Goods.* – Subject to the rules and regulations to be issued by the Secretary of Finance, the Commissioner shall establish a system for temporary storage of imports prior to goods declaration in case of abandoned or overstaying goods.

## TITLE IV

## IMPORT CLEARANCE AND FORMALITIES

## CHAPTER 1

## GOODS DECLARATION

SEC. 400. *Goods to be Imported through Customs Office.* – All goods imported into the Philippines shall be entered through a customs office at a port of entry, or may be admitted to or removed from a free zone as defined in this Act, as the case may be.

SEC. 401. *Importations Subject to Goods Declaration.* – Unless otherwise provided for in this Act, all imported goods shall be subject to the lodgement of a goods declaration. A goods declaration may be for consumption, for customs bonded warehousing, for admission, for conditional importation, or for customs transit.

SEC. 402. *Goods Declaration for Consumption.* – All goods declaration for consumption shall be cleared through a formal entry process except for the following goods which shall be cleared through an informal entry process:

(a) Goods of a commercial nature with Free on Board (FOB) or Free Carrier At (FCA) value of less than fifty thousand pesos (P50,000.00). Every three (3) years after the effectivity of this Act, the Secretary of Finance shall adjust this amount as provided herein to its present value, using the Consumer Price Index (CPI) as published by the PSA; and

(b) Personal and household effects or goods, not in commercial quantity, imported in a passenger's baggage or mail.

The Commissioner may adjust the value of goods of commercial nature that shall be cleared through an informal entry process without prejudice to the periodic adjustment period in subparagraph (a) of this section.

All importations entered through a formal entry process shall be covered by a letter of credit or any verifiable commercial document evidencing payment or in cases where there is no sale for export, by any commercial document indicating the commercial value of the goods.

SEC. 403. *Provisional Goods Declaration.* – Where the declarant does not have all the information or supporting documents required to complete the goods declaration, the lodging of a provisional goods declaration may be allowed: *Provided,* That it substantially contains the necessary information required by the Bureau and the declarant undertakes to complete the information or submit the supporting documents within forty-five (45) days from the filing of the provisional goods declaration, which period may be extended by the Bureau for another forty-five (45) days for valid reasons.

If the Bureau accepts a provisional goods declaration, the duty treatment of the goods shall not be different from that of goods with complete declaration.

Goods under a provisional goods declaration may be released upon posting of any required security equivalent to the amount ascertained to be the applicable duties and taxes.

SEC. 404. *Owner of Imported Goods.* – All goods imported into the Philippines shall be deemed to be the property of the consignee or the holder of the bill of lading, airway bill or other equivalent transport document if duly endorsed by the consignee therein, or, if consigned to order, duly endorsed by the consignor. The underwriters of abandoned goods and the salvors of goods saved from wreck at sea, coast, or in any area of the Philippines, may be regarded as the consignees.

SEC. 405. *Liability of Importer for Duties and Taxes.* – Unless relieved by laws or regulations, the liability for duties, taxes, fees, and other charges attached to importation constitutes a personal debt due and demandable against the importer in favor of the government and shall be discharged only upon payment of duties, taxes, fees and other charges. It also constitutes a lien on



the imported goods which may be enforced while such goods are under customs' custody.

SEC. 406. *Importations by the Government.* — Except those provided for in Section 800 of this Act, all importations by the government for its own use or that of its subordinate branches or instrumentalities, or corporations, agencies or instrumentalities owned or controlled by the government, shall be subject to the duties, taxes, fees and other charges under this Act.

SEC. 407. *Goods Declaration and Period of Filing.* — As far as practicable, the format of the goods declaration shall conform with international standards. The data required in the goods declaration shall be limited to such particulars that are deemed necessary for the assessment and collection of duties and taxes, the compilation of statistics and compliance with this Act. The Bureau shall require the electronic lodgement of the goods declaration.

The Bureau shall only require supporting documents necessary for customs control to ensure that all requirements of the law have been complied with. Translation of supporting documents shall not be required except when necessary.

Goods declaration must be lodged within fifteen (15) days from the date of discharge of the last package from the vessel or aircraft. The period to file the goods declaration may, upon request, be extended on valid grounds for another fifteen (15) days: *Provided*, That the request is made before the expiration of the original period within which to file the goods declaration: *Provided, however*, That the period of the lodgement of the goods declaration may be adjusted by the Commissioner.

SEC. 408. *Lodgement and Amendment of Goods Declaration.* — The Bureau shall permit the electronic lodgement of the goods declaration at any designated customs office. The Bureau shall, for valid reason and under terms and conditions provided by regulation, permit the declarant to amend the goods declaration that has already been lodged: *Provided*, That the request to amend the goods declaration, together with the intended

amendments, must be received prior to final assessment or examination of the goods.

SEC. 409. *Advance Lodgement and Clearance.* — The Bureau may provide for the lodgement and clearance of goods declaration and supporting documents prior to the arrival of the goods under such terms and conditions as may be provided by rules and regulations to be promulgated under this Act.

SEC. 410. *Entry of Goods in Part for Consumption and in Part for Warehousing.* — Goods declaration covered by one bill of lading or airway bill over goods which are meant in part for consumption and in part for warehousing may be both entered simultaneously for release at the port of entry.

SEC. 411. *Contents of Goods Declaration.* — Goods declaration shall contain the names of the consignee, importing vessel or aircraft, port of departure, port of destination and date of arrival, the number and marks of packages, or the quantity, if in bulk, the nature and correct commodity description of the goods contained therein, its value as set forth in a proper invoice, and such other information as may be required by rules and regulations. Where the declarant does not have all the information required to make the goods declaration, a provisional or incomplete goods declaration shall, for certain cases and for reasons deemed valid by the Bureau, be allowed to be lodged: *Provided*, That it contains the particulars deemed necessary by the Bureau for the acceptance of the entry filed and that the declarant undertakes to complete it within forty-five (45) days from the filing of the provisional goods declaration in accordance with Section 403 of this Act.

SEC. 412. *Statements to be Provided in the Goods Declaration.* — No entry of imported goods shall be allowed unless the goods declaration has been lodged with the Bureau. The goods declaration shall, under penalties of falsification or perjury, contain the following statements:

(a) The invoice and goods declaration contain an accurate and faithful account of the prices paid or payable for the goods, and other adjustments to the price actually paid or payable, and

that nothing has been omitted therefrom or concealed whereby the government of the Republic of the Philippines might be defrauded of any part of the duties and taxes lawfully due on the goods; and

(b) To the best of the declarant's information and belief, all the invoices and bills of lading or airway bills relating to the goods are the only ones in existence relating to the importation in question, and that these documents are in the same state as when they were received by the declarant, and the declaration thereon are in all respects genuine and true.

Goods declaration shall be submitted electronically pursuant to Republic Act No. 8792, otherwise known as the "Electronic Commerce Act of 2000". Such declarations when printed and certified by a competent customs officer as a faithful reproduction of the electronic submission shall be considered as actionable documents for purposes of prosecuting a declarant if the declarations are found to be fraudulent.

SEC. 413. *Description of Goods.* – Under such terms and conditions prescribed under the rules and regulations, the description of the goods in the goods declaration must be sufficient and specific in detail to enable the goods to be identified for customs valuation, statistical purposes, and classification to the appropriate tariff heading and subheading in the currency of the invoice, and in such other particulars necessary for the proper assessment and collection of duties and taxes. The quantity and value of each of the several classes of goods shall be separately declared according to their respective headings or subheadings and the totals of each heading or subheading shall be duly shown.

SEC. 414. *Commercial and Noncommercial Invoice.* – Commercial invoice of imported goods shall contain the following:

(a) The agreed price paid or to be paid for the goods;

(b) The adjustments to the price paid or to be paid as defined in Section 701(1) of this Act, if not yet included in the invoice, as may be applicable;

(c) The names of the buyer, seller, and the time and place of sale;

(d) The port of entry;

(e) A sufficient description to enable the accurate identification of goods for tariff classification, customs valuation, and statistical purposes, indicating the correct commodity description, in customary term or commercial designation, the grade or quality, numbers, marks or symbols under which they are sold by the seller or manufacturer, together with the marks and number of packages in which the goods are packed;

(f) The quantities in the weights or measures of the goods shipped; and

(g) Any other fact deemed necessary for the proper examination, customs valuation, and tariff classification of the goods as may be prescribed by rules and regulations.

To the extent possible, the above requirements shall also apply to goods imported but not covered by sale, such as goods on consignment or lease, samples, or donations, covered by a consignment, *pro forma* invoice, or other noncommercial invoice.

SEC. 415. *Mode of Payment and Terms of Trade.* – Subject to existing laws and rules on foreign currency exchange, the internationally accepted standards and practices on the mode of payment or remittance covering import and export transactions, including standards developed by international trading bodies such as the International Chamber of Commerce (ICC) on trading terms (incoterms) and on international letters of credit such as the Uniform Customs and Practice for Documentary Credits (UCPDC), shall be recognized.

SEC. 416. *Examination of Samples.* – Customs officers shall see to it that representative samples taken during examination shall be properly receipted for and retained within a reasonable period of time. The quantity and value of the samples taken shall be noted in the specified box of goods declaration or

electronic form. Such samples shall be duly labeled as will definitely identify them with the importation for which they are taken.

SEC. 417. *Forwarding of Cargo and Remains of Wrecked Vessel or Aircraft.* — When vessels or aircrafts are wrecked within the Philippines, the original owners or consignees of the cargo, or by its underwriters, in case of abandonment, may seek approval from the Bureau to forward the goods saved from the wreck to the ports of destination without going through the customs office in the district in which the goods were cast ashore or unloaded. Upon approval, the goods may be forwarded with particular manifests and duly certified by a customs officer in charge of the goods.

The owner of the vessel or aircraft may be permitted to export the remains of the wreck upon proper examination and inspection. The remains of a wrecked vessel shall include not only its hull and rigging, but also all sea stores, goods and equipment, such as sails, ropes and chain anchors.

SEC. 418. *Derelicts and Goods from Abandoned Wrecks.* — Derelicts and all goods recovered from sea or from abandoned wrecks shall be under the jurisdiction of the port where the goods arrive, and shall be retained in the custody of the Bureau. If not claimed by the owner, underwriter or salvor, the same shall be deemed as property of the government.

When such goods are brought into port by lighters or other craft, each vessel shall submit a manifest of their respective cargo.

The customs officer nearest the scene of the wreck shall take charge of the goods saved and shall give immediate notice to the District Collector or the nearest customs office.

In order to prevent any attempt to commit fraud, the District Collector shall be represented at the salvage of the cargo by customs officers who shall examine and receive the inventory made on the cargo.

Derelicts and goods salvaged from foreign vessels or aircrafts recovered from sea or wreck are *prima facie* dutiable and may be entered for consumption or warehousing. If claimed to be of Philippine production, and consequently conditionally duty-free, proof must be submitted as in ordinary cases of reimportation of goods. Foreign goods landed from a vessel or aircraft in distress is dutiable if sold or disposed of in the Philippines.

Before any goods taken from a recent wreck are admitted to the customs territory, the same shall be appraised, and the owner or importer shall have the same right to appeal as in ordinary importation.

No part of a Philippine vessel or aircraft or its equipment, wrecked either in Philippine or foreign waters, shall be subject to duty.

## CHAPTER 2

### EXAMINATION OF GOODS

SEC. 419. *Examination of Goods.* — Examination of goods, when required by the Bureau, shall be conducted immediately after the goods declaration has been lodged. Priority in the examination shall be given to live animals, perishable goods and other goods requiring immediate examination.

Whenever necessary, a system of coordination and joint examination of goods shall be established by the Bureau and other regulatory agencies under existing laws and regulations.

As a general rule, the Bureau may examine the goods in the presence of the declarant or an authorized representative. Examination of the goods in the absence of the declarant or authorized representative may be allowed in exceptional circumstance and for valid and justifiable grounds, as may be defined by regulations promulgated by the Secretary of Finance, upon recommendation of the Commissioner. The Bureau may require the declarant to be present or to be represented at the

examination of the goods or to render any assistance necessary to facilitate the examination.

The Bureau shall take samples of the goods only when needed to establish the tariff description and value of goods declared, or to ensure compliance with this Act. Samples drawn shall be as minimal as possible.

SEC. 420. *Conditions for Examination.* – Pursuant to internationally accepted standards, the Bureau may adopt nonintrusive examination of goods, such as the use of x-ray machines.

Physical examination of the goods shall be conducted when:

- (a) It is directed by the Commissioner on account of a derogatory information;
- (b) The goods are subject to an Alert Order issued by competent authority;
- (c) The goods are electronically selected for physical examination;
- (d) There are issues and controversies surrounding the goods declaration and the import clearance process; or
- (e) The importer or declarant requests for the examination of the goods.

The Commissioner may exempt from physical examination the goods of authorized economic operators or of those provided for under any existing trade facilitation program of the Bureau.

Physical examination, when required, shall be conducted in an expeditious manner.

SEC. 421. *Duties of Customs Officer Tasked to Examine the Imported Goods.* – In the examination, classification, and valuation of the goods, the customs officer shall:

- (a) Determine whether the packages for examination and their contents are in accordance with the goods declaration, invoice and other pertinent documents;
- (b) Take samples of the imported goods for examination or laboratory analysis when necessary;
- (c) Issue a receipt for a sample taken and retained during examination; and
- (d) Report whether the goods have been correctly declared as to value, quantity, measurement, weight, tariff classification and not imported contrary to law.

Failure on the part of the customs officer to perform the above duties shall be penalized according to Section 1431 of Title XIV of this Act.

SEC. 422. *Customs Expenses Constituting Charges on Goods.* – The cost of examination shall be for the account of the importer or exporter, subject to proper accounting and documentation. All expenses incurred by the Bureau for the handling or storage of goods and other necessary operations shall be chargeable against the goods, and shall constitute a lien thereon.

### CHAPTER 3

#### ASSESSMENT AND RELEASE

SEC. 423. *Determination of the De Minimis Value.* – No duties and taxes shall be collected on goods with an FOB or FCA value of ten thousand pesos (P10,000.00) or below. The Secretary of Finance shall adjust the *de minimis* value as provided herein, every three (3) years after the effectivity of this Act. The value herein stated shall be adjusted to its present value using the CPI, as published by the PSA.