[DATE]

**CUSTOMS ADMINISTRATIVE ORDER (CAO)**

**NO. \_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**SUBJECT: IMPORTED GOODS WITH *De Minimis* value NOT SUBJECT TO DUTIES AND TAXES**

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**Introduction.** This CAO implements Section 423, pursuant to Section 204 of Republic Act No. 10863, otherwise known as the Customs Modernization and Tariff Act (CMTA).

**Section 1. Scope.** This CAO covers all importations for consumption at the customs territory, with an FCA or FOB *De Minimis* Value, entered through any seaport or airport of entry in the Philippines by the importer, consignee, freight forwarder, or air express operator.

**Section 2. Objectives.**

* 1. To minimize import and customs administration costs in the clearance of importations with *De Minimis* Value, without compromising customs border enforcement control.
	2. To be responsive to the growing trade liberalization and facilitation trend in consonance with the different applicable international trade agreements. In line with this, de minimis importers are not required to be accredited.
	3. To promote and assist the growth and competitiveness of micro, small and medium enterprises in the Philippines, as well as to enhance efficiency and cost effectiveness of the customs clearance of shipments subject of this CAO.

**Section 3. Definition of Terms.**

* 1. **Commercial Quantity** - Quantity for a given kind or class of articles which are in excess of what is compatible or commensurate with a person's normal requirements for personal use. [[1]](#footnote-1)
	2. ***De Minimis* Value** – The value of goods for which no duty or tax is charged. The law sets the ceiling at Php 10,000.00 (Ten Thousand Pesos) FCA or FOB. Goods with *De Minimis* Value are considered importations of negligible amount. The Secretary of Finance shall adjust the *De Minimis* Value as provided herein, every three (3) years after the effectivity of the CMTA to its present value using the Consumer Price Index, as published by the Philippine Statistics Authority.[[2]](#footnote-2)
	3. **FCA** - An international commercial term covered by the Incoterms rules developed by International Chamber of Commerce (ICC) which means free carrier or that the seller delivers the goods to the carrier or another person nominated by the buyer at the seller’s premises or another named place. The parties are well advised to specify clearly as possible the point within the named place of delivery, as the risk passes to the buyer at that point.[[3]](#footnote-3)
	4. **FOB** -An international commercial term covered by the Incoterms rules developed by International Chamber of Commerce (ICC) which means free on board or thatthe seller delivers the goods on board the vessel nominated by the buyer at the named port of shipment or procures the goods already delivered. The risk of loss of or damage to the goods passes when the goods are on board the vessel, and the buyer bears all costs from that moment onwards.4
	5. **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. [[4]](#footnote-4)

* 1. **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. [[5]](#footnote-5)
	2. **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. [[6]](#footnote-6)

**Section 4. General Provisions.**

* 1. As may be applicable, advanced lodgement procedures shall be used in the processing of *De Minimis* Value importations, to allow the Bureau to process the information that is provided in advance and make a determination as to whether there is a need to examine the goods. If there is no need for examination, the goods can be released upon processing.
	2. Compliance with regulatory requirements may be dispensed with in importations of regulated goods for personal use.

When in commercial quantity*, De Minimis* Value importations which are regulated shall comply with applicable government regulations. *De Minimis* Value importations are subject to rules on prohibited or restricted importations.

Regulations as to the allowed quantity of importations being imposed by other government agencies shall be strictly observed.

**Section 5. Exclusions.**

* 1. Importations which are declared as “without commercial value” or “of no commercial value” shall not be accepted as De Minimis importations. Thus, the importer, consignee, freight forwarder, or air express operator must declare the true value of goods imported for consumption.
	2. Passenger-carried imported goods shall be subject to applicable Passengers Customs Clearance Procedures with respect to personal effects and usual allowable duty-free items but his/her other importation whether or not of De Minimis Value must be declared in the appropriate Passenger's Declaration Form, in which case if of De Minimis Value, no duty or tax is charged.
	3. Unless compliant with the regulatory requirements imposed by the concerned agency, importations of regulated products in commercial quantity even though within the *De Minimis* Value threshold shall not be released.
	4. Conditionally-free importations regardless of value shall be subject to the appropriate Customs laws regulations applicable for such importations.
	5. Other importations, not covered by subsections 5.1 to 5.4, which are subject to another set of rules and regulations such as shipments bound for economic zones and shipments covered by ATA Carnet, among others.

**Section 6. Risk Management.** A risk management system shall be used to carry out necessary customs and border control:

* 1. *De Minimis* Value importations should be subject to a non-intrusive examination (e.g. x-ray or any other equivalent device) on a random basis based on existing selectivity scheme used by the Bureau.
	2. The customs examiner, may, based on reasonable grounds, physically inspect the imported goods, subject to the conditions set forth in Chapter 2, Title IV and the CAOs pertaining to Section 438 and 439, Chapter 4, Title IV of the CMTA.
	3. The Collector of Customs shall provide a weekly monitoring report to the Commissioner of Customs, using the template to be devised by the Management Information System and Technology Group (MISTG).
	4. The owner, importer, consignee, freight forwarder, or air express operator shall at all times declare the actual value of the importations.
	5. Goods forfeited by reason of violations of this CAO shall be disposed of in accordance with Chapter 10, Title XI, of the CMTA.

**Section 7. Implementing Office.** The Informal Entry Division or equivalent unit, in the principal Ports of entry or Sub Ports or Special Collection Units or Postal Offices, shall implement this CAO.

**Section 8. Fees.** A service fee of Php 300.00 shall be imposed upon every de minimis shipment.

**Section 9. Penal Provision.** Violations of this CAO committed by any person, officer or employee shall be penalized in accordance with Title XIV of the CMTA and other applicable penal provisions.

**Section 10. Transitory Provision.** Pending centralized automation of the process governing *De Minimis* transactions, the MISTG shall devise a system by which each of the concerned units can easily monitor said transactions, and the existing procedures in Informal Entry Declaration shall apply.

**Section 11. Repealing Clause.** This CAO specifically amends or repeals previously issued CAOs and CMOs which are inconsistent with the provisions here stated.

**Section 12. Separability Clause.** If any part of this Order is declared unconstitutional or contrary to existing laws, the other parts not so declared shall remain in full force and effect.

**Section 13. Effectivity.** This Order shall take effect within 15 days from publication at the Official Gazette or a newspaper of national circulation.

**NICANOR E. FAELDON**

Commissioner

Approved:

**Carlos G. Dominguez III**

Secretary

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

1. **History.** This is the first CAO dealing exclusively on *De Minimis* Value.
2. **Related Policies.**
* CMO No. 13-2010 - Procedures for the Implementation of E2M Customs System – Phase 4. Informal Entry of Commercial Goods in All Seaports Nationwide
* Customs Memorandum Order 10-2012 - Implementation of Department Order 57-2011 (Emphasizing Duty and VAT Exempt Status of Imported Goods)
* CAO No. 08-2014 – Guidelines on the Imposition of Customs Documentary Stamp Tax and Processing Fees for Informal Entries
* CMO No. 6-2014 - Realignment of the X-ray Inspection Project (XIP) to the Enforcement Group and Designation of Duty Customs Examiners at the XIP Designated Examination Area/ Field Office by the District Collector.
1. **Webpage, Forms, Handbooks and other References.**

a. Informal Entry Declaration Form

b. <http://customs.gov.ph/importation/>

c. International Commercial Terms 2010

1. Customs Memorandum Order 10-2012. [↑](#footnote-ref-1)
2. *cf* Section 423, Title IV, Chapter 3 of the CMTA [↑](#footnote-ref-2)
3. International Commercial Terms 2010.

4 International Commercial Terms 2010. [↑](#footnote-ref-3)
4. Section 118, Chapter 3, Title I of the CMTA [↑](#footnote-ref-4)
5. Section 117, Chapter 3, Title I of the CMTA [↑](#footnote-ref-5)
6. Section 119, Chapter 3, Title I of the CMTA [↑](#footnote-ref-6)