

**[ REPUBLIC ACT NO. 10863, May 30, 2016 ]**

**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 (ABO)* 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 earner 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; r  
(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;