

[BSP MEMORANDUM, January 22, 1997]

AMENDED JOINT ORDER NO. 1-91

Pursuant to Monetary Board Resolution No. 20 dated January 8, 1997, you are hereby advised of the issuance of Amended Joint Order No. 1-91 of the Secretary of Finance, the Secretary of Trade and Industry and the Governor of Bangko Sentral ng Pilipinas, relative to the implementation of the Comprehensive Import Supervision Scheme (CISS).

The said Amended Joint Order, copy attached, was published in The Manila Chronicle on January 18, 1997 and shall take effect fifteen (15) days after its publication, or on February 3, 1997.

A summary of the significant amendments to Joint Order No. 1-91 as contained in said Amended Joint Order No. 1-91 is also attached, for your information.

(SGD.) GABRIEL C. SINGSON
Governor

AMENDED JOINT ORDER NO. 1-91

In compliance with Memorandum Order No. 391 dated September 2, 1991, the Secretary of Finance, the Secretary of Trade and Industry and Governor of the Bangko Sentral ng Pilipinas hereby reissue this Joint Order 1-91 incorporating all the amendments thereto, for the implementation of the Comprehensive Import Supervision Service:

1. Importation of goods may be effected by a Letter of Credit (L/C) or without the use of an L/C as provided by existing laws, circulars, rules and regulations.
2. Except as otherwise provided for herein, goods destined for importation into the Philippines from all countries of supply shall be subject to inspection by SGS being the inspector duly authorized by Government in the countries of supply, as to the quality, quantity, price/dutiable value, verification of Tariff and Customs Code Classification and verification of Tariff rate, prior to shipment to the Philippines, under a Comprehensive Import Supervision Service.

The Government of the Philippines may require SGS to conduct pre-shipment inspection on goods otherwise exempt from pre-shipment inspection under paragraph 3 below in which case such inspections shall be conducted as provided under the terms of the Agreement between the Government and SGS. SGS will cooperate with Philippine Government officials designated by the Government through the Bureau of Customs, or otherwise, to witness the inspections performed subject to legal restrictions in the host country which prevent said officials being present at such inspections.

The import of these goods into the Philippines customs territory is only permitted with an inspection report called a "Clean Report of Findings" (CRF) issued by SGS.

3. The following importations of goods are exempt from the requirement of inspection:

- a. goods imported pursuant to Section 105 of the Tariff and Customs Code of the Philippines but not including commercial imports under consignment basis.
- b. crude oil and petroleum products in bulk such as but not limited to crude oil, LPG, Naptha, Gasolines, Reformates, Kerosenes, Aviation fuels, Gas Oils, Base Oil for lubricants, Fuel Oils, Asphalt-all in bulk but not including chemicals and their products, petroleum additives and lubricating oils.
- c. shipments of explosives, ammunition, arms and equipment and other strategic materials certified as such by the Department of National Defense but not including raw materials such as chemicals for the manufacture of explosives, and firearms and ammunition for commercial use.
- d. precious stones, artifacts and precious metals.
- e. fresh, frozen or chilled foodstuff and fruits.
- f. live animals.
- g. works of art.
- h. current newspapers and periodicals.
- i. parcel post.
- j. individually-owned motor vehicles.
- k. goods the FOB value of which as declared in letter of credit is less than US\$500 FOB or its equivalent in other currencies at the time of L/C opening but not including part shipments invoiced at less than US\$500 f.o.b. against a Letter of Credit the value of which exceeds US\$500 f.o.b. In the case of goods financed by means other than a Letter of Credit, goods where the value of the invoice covering the shipment is less than US\$500 or its equivalent in other currencies.

The exemption provided for in this paragraph will not apply to goods invoiced or declared in the shipping documents, as off-quality under such descriptive terms as stock-lots, side-runs, cull rolls, seconds, mill lots, scraps, off-grade, reconditioned, used, junk, or similar terms conveying or purporting to convey the condition of the article as sub-standard or off-grade and not of prime quality.

l. importations into the Philippines where the consignee is either the Government of the Philippines or any of its corporation, agencies, and instrumentalities, but not including goods imported on behalf of these entities by private importers.

m. importations of semi-conductor and allied enterprises subject to the qualification requirements of the Board of Investments.

n. importations by export processing zone enterprises duly registered as such with the Philippine Economic Zone Authority.

o. importations of equipment, machinery, spare parts and other materials for oil, coal mining and geothermal operations imported by petroleum, geothermal and coal

service contractors pursuant to P.D. Nos. 87, 529, 972 and 1442 as certified by the Office of Energy Affairs.

p. importations by member firms of the automotive wiring harness industry.

q. importations of pre-cut fabrics and accessories for processing into finished garment and textile products for export by firms which have been engaged in the garment and textile exports for the last five (5) years, subject however, to the following conditions: (1) the firm and/or any of its officers have not violated any rules and regulations of the GTEB and BOC governing import/export operations during this five year period nor have any pending case whether administrative or judicial regarding the conduct of importation of its raw materials; (2) the firm must not be delinquent in the liquidation of imported raw materials; (3) the said pre-cut fabrics and accessories are directly used in the manufacture of the products to be exported; and (4) the firm must present an exemption certificate issued by the Ad Hoc Committee on the CISS thru the Garments and Textile Export Board.

r. importations by enterprises/firms registered with the Subic Bay Metropolitan Authority (SBMA) and Clark Special Economic Zone (CSEZ), subject to the implementing rules and regulations jointly promulgated by the SBMA, CSEZ and the Bureau of Customs.

4. Importations into the Philippines which are subject to SGS pre-shipment inspection under the provisions of this Joint Order, may be subject to further examination and appraisal by Bureau of Customs at the discretion of the Collector. The CRF shall be considered recommendatory in nature with regard to the Tariff and Customs Code Classification. However, except where the value in the invoice or the published value is higher, the dutiable value reported in the Clean Report of Findings shall be the basis for the assessment of duties and taxes.

5. The inspection to be conducted under the Comprehensive Import Supervision Service shall consist of:

a. Inspection and Price verification:

- inspection of quality;
- inspection of quantity;
- price verification;
- determination of dutiable value as defined by paragraph 1 of Section 201 of the Tariff and Customs Code;
- verification of freight charges in accordance with Customs rules and regulations;
- verification of Tariff and Customs Code Classification of Tariff rate.

b. Reporting to the Government of undervaluation, over-invoicing commissions and similar fees.

6. Procedures for importations effected through the opening of an L/C:

a. The Importer shall apply for the L/C to the Opening Bank. The L/C application shall state the type, quality, quantity, unit price and total value, freight charges,

country of supply and PSCC Code number of the goods. The L/C opened by the Opening Bank shall include the following additional conditions:

- the import of the goods concerned shall be subject to inspection by SGS prior to shipment;
- the importer shall inform the recipient of the L/C in writing or by telex that the goods are subject to pre-shipment inspection;
- the recipient of the L/C shall be responsible for facilitating the smooth inspection of the goods by SGS;
- the Bank shall only make payment upon submission of the Seller's final settlement invoice and a confirmation by SGS, its affiliates or agents of the number and date of the corresponding Clean Report of Findings (CRF):

The L/C should be opened not later than ten (10) days prior to the scheduled date of shipment;

b. Upon issuance of the L/C, the Importer shall complete the Import Entry Declaration (IED) stating the tariff heading, import duty charges due on the shipment and shall pay the estimated advance customs duties due to the Opening Bank. Where an importation has been exempted from payment of advance duties the importer shall furnish the Opening Bank with a letter of exemption from the authorized government agency;

c. The Opening Bank shall issue the Customs Official Receipt to the Importer; prepare copies of the L/C, Seller's proforma invoice and the IED for collection by the SGS Manila Liaison Office (Liaison Office) together with a copy of any authority exempting the importation from duty and/or taxes and in the case of regulated imports, the authority for their importation issued by the responsible agency;

d. The Liaison Office shall register the L/C and the IED and issue an Import Advice Note (IAN) with an assigned number. One copy of the IAN shall be sent to the Importer and another transmitted to the SGS inspection office (Inspection Office) in the country of sale and country of supply;

e. The Inspection Offices shall send an Advice of inspection requirement to the shipper/ consignor/ seller (Seller) of the goods;

f. The Seller of the goods shall advise the Inspection Office of the date and place of inspection and send the documentation to the Inspection Office giving at least seven (7) days advance notice. In exceptional circumstances, the seller may request the Inspection Office to perform an inspection prior to the receipt by the Inspection Office of the IAN. However, no CRF can be issued until the IAN has been received by the Inspection Office;

g. The Inspection Office shall perform the physical inspection; verify

the declared tariff heading (HS No.) and tariff rate; verify that the invoice value and other elements of the total amount charged by the supplier correspond within reasonable limits of the export market price level generally prevailing in the country of supply, or where applicable, the world market; determine the dutiable value, and, if warranted issue a CRF. The CRF shall indicate the acceptable dutiable value which shall be determined on the basis of the criteria set forth in Paragraph 1 of Section 201 of the Tariff and Customs Code. The issuance of a CRF will not be warranted where uncorrected discrepancies in quality or quantity are not accepted by the importer or in the case of regulated commodities no authority issued by the responsible agency has been presented;

h. The Seller shall present its final settlement invoice to the advising/corresponding (A/C) bank which will send documents and the final settlement invoice to the Opening Bank;

i. The Opening Bank shall advise the importer of the arrival of the documents and the importer shall collect the documents together with an authenticated customs copy of the CRF supplied to the Opening Bank direct from the Liaison Office or in exceptional cases where the urgent release of a shipment is required, supplied to the importer directly from the Liaison Office;

j. The Importer/Importer's Broker will prepare the Import Entry from the authenticated customs copy of the CRF with the additional duties, if any, and taxes due. The importer will then present to the Bureau of Customs the normal documents required for clearance together with the authenticated customs copy of the CRF:

k. The Bureau of Customs shall verify the documents and calculate the difference between the deposit paid and duties due as well as the compensating/advance sales tax due. The Importer shall prepare the Import Entry and Internal Revenue Declaration (IEIRD) for final payment of balance of duties and taxes due.

l. The Importer shall present the IEIRD to the Opening Bank and pay the balance of duties and taxes due;

m. The Opening Bank shall accept the payment for the balance of duties and taxes due and issue to the Importer the machine-validated IEIRD and send a copy of the same to the Liaison Office;

n. The Importer/ Importer's Broker shall present to the Bureau of Customs the original customs copy of the CRF authenticated by the Liaison Office together with the other documents required for clearance; the Bureau of Customs shall issue the Delivery Permit for the release of the goods and retain the authenticated customs copy of the CRF;

o. The Liaison Office shall transmit to the Bureau of Customs details of the CRF for verification purposes not later than the day following its receipt from the SGS issuing office abroad.