

RULES AND REGULATIONS IMPLEMENTING SECTION 7 OF EXECUTIVE ORDER NO. 444 REQUIRING THE PRE-SHIPMENT INSPECTION OF IMPORTS BOUND FOR DUTY FREE SHOPS/OUTLETS IN THE FREEPORT AND SP...

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I

Objectives:

1. To prevent abuse of duty free importation privilege at the Free Ports and Special Economic Zones.
2. To protect local industries from unfair competition.

II

Coverage:

This Order shall cover all goods imported into the Philippines which are bound for duty free shops/outlets as well as for trading warehouses catering to duty free shops/outlets.

III

Administrative Provisions

1. All imported goods bound for duty free shops/outlets or trading warehouses catering to duty free shops/outlets in the Freeports and in the Special Economic Zones ("DFS Goods" from hereon) shall be subject to pre-shipment inspection (PSI) by the Societe Generale de Surveillance (SGS) in the country of exportation, except the following:
 - 1.1 DFS goods with Letter of Credit (LC) opened prior to the effectivity of this Order.
 - 1.2 DFS good financed thru means other than by LC whose Bill of Lading or Airwaybill is dated prior to the effectivity of this Order.
2. DFS shall be declared based on the covering Clean Report of Findings (CRF) issued by SGS without prejudice to the right to appeal the same pursuant to the conditions and procedure laid down in CMO 39-92 in relation to Joint Order No. 1-91 and CMO 3-95, as amended, and related issuances.
3. DFS goods brought in without the required CRF shall be subject to the provisions of Section 12 and 13 of Joint Order No. 1-91 in relation to CMO 9-95, as amended and Customs Administrative Order No. 4-94, without, prejudice, as may be applicable to the existing sanctions against wilfull circumvention of the Pre-shipment Inspection requirement, including suspension and/or cancellation of operation of the concerned duty free shop/outlet as provided for in Section 9 of E.O. 444.
4. Pursuant to Section 7 of E.O. 444, the PSI fee for the pre-shipment inspection of DFS goods shall be borne by

the importer/consignee, which shall be in the amount of 0.6% of the FOB value declared in the importer's final settlement invoice covering each shipment inspected, but in no case shall be lower than Two hundred Twenty Five (US\$225.00) U.S. Dollars except where the invoice value of the shipment is less than US\$2,500 FOB, in which case, the PSI fee shall be fixed at One Hundred Fifty (US\$150.00) U.S. Dollars. For the purpose, SGS shall indicate the amount of the fee due on a given pre-shipment inspection in a space provided for in the covering CRF. The mechanics of PSI fee payment shall be covered by a separate Order to be issued by the Commissioner of Customs.

IV

Operational Provisions

1. Except as otherwise provided for in this Order, the filing of entry, documentation and clearance formalities of DFS goods shall continue to be governed by the existing rules and regulations pertaining to imports bound for the Freeports and the Special Economic Zones.
2. To ensure compliance with the pre-shipment inspection requirement, DFS importers must secure an Import Advice Notice (I.A.N.) thru the authorized agent bank (AAB) in case of Letter of Credit (LC)-covered shipments, or the Bangko Sentral ng Pilipinas for Non-LC transactions, or directly with the SGS Manila Liaison Office.
3. Upon filing of the import entry, the DFS importer shall, in addition to other import documentary requirements, present the following:
 - 3.1 SGS CRF (Original Copy)
 - 3.2 Proof of payment of the PSI fee as provided for in Section III, item 4 of this order.

V

Repealing Clause

All Orders, rules and regulations or any provision(s) thereof inconsistent with this Order are hereby deemed repealed and/or modified accordingly.

VI

Effectivity Clause

This Order shall take effect 15 days from approval hereof.

Adopted: 14 Oct. 1997

(SGD.) GUILLERMO L. PARAYNO, JR.
Commissioner

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