

21 May 2015

Atty. Rodelio T. Dascal, MNSA
Director General
Senate Tax Research and Study Office
Senate of the Philippines
Pasay City

Attention: Ms. Elsie T. Jesalva
LSO III

Dear Atty. Dascal:

Thank you for inviting us at the Philippine Institute for Development Studies to submit comments.

We are pleased to submit to your committee the following comments on HB No. 5535, and Senate Bill Nos. 2378 and 2373.

First of all, on the whole, we strongly endorse the passing of a Customs Modernization and Tariff Act (CMTA), especially with regards to the main objective of the bill. Considering the fact that the existing law is very outdated, the proposed CMTA bill is a very urgent and important piece of legislation. In our informal discussion with concerned government agency and the private sector, we gather the same support for the passage of CMTA.

We also highlight the need for some change in the mindset of the Bureau of Customs (BOC) from revenue generation to trade facilitation. Overall, the bill should reflect this change in mindset congruent to the times of increased interconnectedness, and global value and supply chains- from mainly revenue generation to include the objective of trade facilitation.

In this regard, a specific comment is on the Declaration of Policy, which should reflect this new mindset. As such, the edits made on Section 101 which we received, including and placing the protection and enhancement of government revenue as a primary policy, is unnecessary and should be deleted. (Note also that this concern is still covered in the subsequent line.) See the referred to quote below as follows:

“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, protect and enhance government revenue,…”

Regarding SB No. 2348 (i.e. defining smuggling as economic sabotage), we agree that we need to update fees and penalties. However, shouldn't this already be covered in the CMTA? We therefore propose a thorough review of the existing sanctions and penalties. Also, if we may add, as much as possible, laws should not include actual fees and remunerations- but should rather be provided for in the implementing rules and regulations.

We also strongly endorse SB No. 2373 by Sen. Bam Aquino on *AN ACT AMENDING SECTION 709 OF PRESIDENTIAL DECREE 1464, OTHERWISE KNOWN AS THE TARIFF AND CUSTOMS CODE OF THE PHILIPPINES, AS AMENDED* which raises the de minimis threshold value of imports for customs declaration from P10 to P10,000 as the former amount is clearly too low. This remains as one of the critical issues that need to be tackled to facilitate trade in the country. Practically, everything is subject to customs declaration requirement. Also, the bill cites the advantages to balikbayans and OFWs. This could also have a big impact on SMEs. The bill should probably have provision for periodic review about the de minimis level in the implementing rules and regulations. Again, we note that this should already be covered in the proposed CMTA, but there is benefit in having this law as soon as possible, ahead of the passing of CMTA.

We look forward to conducting more in-depth study / analysis on this matter. Rest assured, we will disseminate this to you once done.

Should you have any queries, please do not hesitate to get in touch with us. Thank you and best regards.

Sincerely,

Dr. Erlinda M. Medalla
Fellow II

cc: Dr. Gilberto M. Llanto
President, PIDS