

**Computation Techniques and Formulas**

**Updated with CMTA, TRAIN Law and Other Relevant Guidelines**

**With Latest Excise Tax Rates Under R.A.s 11346 and 11467**

# BEGINNER'S GUIDE to WTO Customs Valuation and Practical Computation of Duties and Taxes

2020 EDITION

Easy reference for -

**STUDENTS, REVIEWEES IN THE CBLE  
PROFESSORS AND ACADEMICIANS  
CUSTOMS BROKER PRACTITIONERS  
CUSTOMS ASSESSMENT OFFICERS  
IMPORTERS, TRADERS AND OTHER  
INDUSTRY STAKEHOLDERS**

Prepared and Edited by:

**PROF. JESUS G. LLORANDO, Ph.D., LCB**

## **PART 1**

**THE WTO SYSTEM OF CUSTOMS VALUATION  
METHODS OF DETERMINING CUSTOMS VALUE  
UNDER THE WTO VALUATION AGREEMENT**

**METHOD 1: TRANSACTION VALUE  
METHOD 2: TRANSACTION VALUE OF IDENTICAL GOODS  
METHOD 3: TRANSACTION VALUE OF SIMILAR GOODS  
METHOD 4: DEDUCTIVE VALUE  
METHOD 5: COMPUTED VALUE  
METHOD 6: FALLBACK VALUE**

## **PART 2**

**GUIDELINES IN PRACTICAL COMPUTATION  
INCOTERMS 2020  
INTRODUCTION TO THE FUNDAMENTALS OF COMPUTATION  
DERIVING CUSTOMS VALUE / COST OR FOB  
DERIVING DUTIABLE INSURANCE PREMIUM  
REMEDIAL COMPUTATION IN DETERMINING DUTIABLE INSURANCE PREMIUM  
DERIVING DUTIABLE FREIGHT CHARGES  
ALTERNATIVE DUTIABLE VALUE  
PRO-RATION COMPUTATION  
INTERNAL REVENUE TAX COMPUTATION  
DERIVING LANDED COST  
COMPUTATION OF VALUE ADDED TAX  
MOTOR VEHICLES COMPUTATION  
COMPUTATION OF EXCISE TAX FOR DISTILLED SPIRITS  
COMPUTATION OF SPECIFIC TAX FOR WINES  
COMPUTATION OF SPECIFIC TAX FOR FERMENTED LIQUOR  
COMPUTATION OF SPECIFIC TAX FOR CIGAR AND CIGARETTES  
OTHER IMPORTED ARTICLES SUBJECT TO EXCISE TAX  
REMEDIAL COMPUTATION FOR UNDERVALUATION, MISCLASSIFICATION AND MISDECLARATION  
REMEDIAL COMPUTATION OF FINES, SURCHARGES UNDER THE CMTA  
COMPUTATION OF MFN & PREFERENTIAL RATES  
COMPUTATION OF CASH BOND (GUARANTEE) FOR TENTATIVE RELEASE UNDER THE WTO VALUATION  
DETERMINATION OF GROSS UNDERVALUATION FOR GOVERNMENT'S RIGHT OF  
COMPULSORY ACQUISITION UNDER WTO VALUATION**

## **PART 3**

**SURCHARGES, FINES AND PENALTIES UNDER THE CMTA  
SCHEDULE OF PENALTY FOR SECTION 1401  
- UNLAWFUL IMPORTATION OR EXPORTATION  
PROPERTY SUBJECT TO SEIZURE AND FORFEITURE UNDER THE CMTA  
PROPERTIES NOT SUBJECT TO FORFEITURE IN THE ABSENCE  
OF PRIMA FACIE-EVIDENCE UNDER THE CMTA  
SCHEDULE OF IMPORT / EXPORT ARRASTRE &  
WHARFAGE CHARGES ( Effective December 28, 2015)**

# T A B L E O F C O N T E N T S

|   |    |
|---|----|
| WHAT IS CUSTOMS VALUATION .....   | 1  |
| WHAT IS THE WORLD TRADE ORGANIZATION (WTO)<br>VALUATION AGREEMENT? .....                      | 1  |
| WHAT ARE THE METHODS OF DETERMINING CUSTOMS<br>VALUE UNDER THE WTO VALUATION AGREEMENT? ..... | 2  |
| HOW IS THE TRANSACTION VALUE<br>OF IMPORTED GOODS ARRIVED AT? .....                           | 2  |
| ALTERNATIVE METHODS OF CUSTOMS VALUATION<br>UNDER THE WTO VALUATION AGREEMENT .....           | 14 |
| TRANSACTION VALUE OF IDENTICAL GOODS .....  | 14 |
| TRANSACTION VALUE OF SIMILAR GOODS .....  | 15 |
| DEDUCTIVE VALUE .....   | 16 |
| COMPUTED VALUE .....  | 17 |
| FALLBACK VALUE .....  | 19 |
| GUIDELINES IN PRACTICAL COMPUTATION .....   | 22 |
| INCOTERMS 2020 .....  | 24 |
| <b>INTRODUCTION TO BASIC PRACTICAL COMPUTATION</b>  |    |
| DERIVING CUSTOMS VALUE / COST OR FOB .....  | 29 |
| DERIVING DUTIABLE INSURANCE PREMIUM .....   | 33 |
| REMEDIAL COMPUTATION IN DETERMINING<br>DUTIABLE INSURANCE PREMIUM .....                       | 38 |
| DERIVING DUTIABLE FREIGHT CHARGES .....   | 39 |

|   |    |
|---|----|
| GENERAL GUIDELINES IN THE DETERMINATION OF<br>DUTIABLE FREIGHT CHARGES FOR ASSESSMENT<br>PURPOSES (CMO No.22-2007) .....  | 41 |
| ALTERNATIVE DUTIABLE VALUE .....  | 44 |
| PRO-RATION COMPUTATION .....  | 46 |
| INTERNAL REVENUE TAX COMPUTATION .....  | 48 |
| DERIVING LANDED COST .....  | 52 |
| COMPUTATION OF VALUE ADDED TAX .....  | 52 |
| MOTOR VEHICLES COMPUTATION .....  | 56 |
| FORMAT A – Automobile Valuation Format<br>For Brand New Automobile Consigned To<br>Manufacturers/Dealers .....  | 58 |
| FORMAT B – Automobile Valuation Format<br>For Brand New Automobile Consigned<br>To Natural Persons .....  | 59 |
| FORMAT C – Automobile Valuation Format<br>For Used Automobile Consigned To Returning Filipino<br>Diplomats / DFA Official) .....  | 60 |
| FORMAT D – Automobile Valuation Format<br>For Used Automobile Consigned To Returning Filipino<br>Residents and Foreigners with 13A / 13G Visas to with<br>Dual Citizenships ..... | 61 |
| FORMAT E – Automobile Valuation Format<br>For Local Purchase: Sale by Privilege<br>Individual to Non-Privilege Individuals) .....   | 62 |

|  |    |
|--|----|
| FORMAT F – Automobile Valuation Format<br>Local Purchase: Sale by Privilege<br>Individual to another Privilege ..... | 63 |
| DEPRECIATION TABLE FOR MOTOR VEHICLES<br>UNDER THE NO DOLLAR IMPORT SCHEME .....                                     | 64 |
| ARBITRARY FREIGHT CHARGES .....  | 65 |
| MISCELLANEOUS EXPENSES AND NEW AVT RATE .....  | 66 |
| COMPUTATION OF AD VALOREM TAX<br>FOR MOTOR VEHICLES .....  | 67 |
| COMPUTATION OF MOTOR VEHICLES<br>EXEMPTED FROM AD VALOREM TAX .....  | 68 |
| COMPUTATION OF PENALTY FOR MOTOR VEHICLE .....   | 69 |
| COMPUTATION OF EXCISE TAX FOR DISTILLED SPIRITS .....  | 69 |
| SCHEDULE OF RATES - Section 141, Republic Act No. 11467 .....  | 70 |
| COMPUTATION OF SPECIFIC TAX FOR WINES .....  | 73 |
| COMPUTATION OF SPECIFIC TAX FOR<br>FERMENTED LIQUOR .....  | 74 |
| COMPUTATION OF SPECIFIC TAX FOR<br>CIGAR AND CIGARETTES .....  | 75 |
| OTHER IMPORTED ARTICLES SUBJECT TO<br>EXCISE TAX (2019 Rates onwards).....   | 77 |
| REMEDIAL COMPUTATION FOR UNDERVALUATION,<br>UNDER THE CMTA .....   | 82 |
| REMEDIAL COMPUTATION OF FINES, SURCHARGES<br>UNDER CMTA .....  | 91 |
| COMPUTATION OF MFN & ATIGA RATES .....   | 95 |

|  |     |
|--|-----|
| COMPUTATION OF SPECIAL DUTIES .....  | 99  |
| COMPUTATION OF CASH BOND (GUARANTEE) FOR<br>TENTATIVE RELEASE UNDER THE WTO VALUATION .....                            | 105 |
| DETERMINATION OF GROSS UNDERVALUATION FOR<br>GOVERNMENT'S RIGHT OF COMPULSORY<br>ACQUISITION UNDER WTO VALUATION ..... | 106 |

**TITLE VII  
IMPORT DUTY AD TAX**

**CHAPTER 1 - BASIS OF VALUATION**

|   |     |
|---|-----|
| SECTION 700. Sequential Application of Valuation Methods .....            | 107 |
| SECTION 701. Transaction Value System<br>Method One .....                 | 108 |
| SECTION 702. Transaction Value of Identical Goods<br>Method Two .....     | 112 |
| SECTION 703. Transaction Value of Similar Goods<br>Method Three .....     | 113 |
| SECTION 704. Deductive Value<br>Method Four .....                         | 113 |
| SECTION 705. Computed Value<br>Method Five .....                          | 115 |
| SECTION 706. Fallback Value<br>Method Six .....                           | 116 |
| SECTION 707. Ascertainment of the Accuracy of the<br>Declared Value ..... | 117 |
| SECTION 708. Exchange Rate .....  | 118 |

### **CHAPTER 3 - TARIFF NOMENCLATURE AND RATE OF DUTY**

|   |     |
|---|-----|
| SECTION 1610. General Rules for the Interpretation (GRI) .....  | 119 |
| SECTION 1611. Tariff Nomenclature and Rates of Import .....   | 122 |
| ANNEX "A"<br>SCHEDULE OF SURCHARGES, FINES AND PENALTIES<br>UNDER THE CMTA .....                                    | 123 |
| ANNEX "A1"<br>SCHEDULE OF PENALTY FOR SECTION 1401<br>UNLAWFUL IMPORTATION OR EXPORTATION.....                      | 129 |
| ANNEX "B"<br>PROPERTY SUBJECT TO SEIZURE AND FORFEITURE UNDER THE CMTA .....  | 133 |
| ANNEX "C"<br>PROPERTIES NOT SUBJECT TO FORFEITURE<br>IN THE ABSENCE OF PRIMA FACIE EVIDENCE<br>UNDER THE CMTA ..... | 137 |
| ANNEX "D"<br>SCHEDULE OF IMPORT / EXPORT ARRASTRE<br>& WHARFAGE CHARGES<br>( Effective December 28, 2015) .....     | 138 |

#### **REPUBLIC ACT NO. 11467 –**

#### **An Act Amending Sections 109, 141, 142, 143, 144, 147, 152, 263, 263-A, 265, and 288-A, and Adding a New Section 290-A to Republic Act No. 8424, as Amended, Otherwise Known as the National Internal Revenue Code of 1997, and for Other Purposes**

|                                     |     |
|-------------------------------------|-----|
| SEC. 109. Exempt Transactions ..... | 139 |
| SEC. 141. Distilled Spirits .....   | 141 |
| SEC. 142. Wines .....               | 148 |

|  |     |
|--|-----|
| SEC. 143. Fermented Liquors .....  | 148 |
| SEC. 144. Tobacco Products, Heated Tobacco Products,<br>and Vapor Products.....  | 150 |
| SEC. 147. Definition of Terms .....  | 160 |
| SEC. 152. Extent of Supervision Over Establishments Producing<br>Taxable Output.....   | 161 |
| SEC. 263. Unlawful Possession or Removal of Articles Subject<br>to Excise Tax Without Payment of the Tax .....   | 162 |
| SEC. 263-A. Selling of Heated Tobacco Products and<br>Vapor Products at a Price Lower Than the Combined Excise<br>and Value-Added Taxes .....                  | 163 |
| SEC. 265. Offenses Relating to Stamps .....  | 163 |
| SEC. 288-A. Disposition of Revenues from Excise Tax on<br>Sweetened Beverages, Alcohol, Tobacco Products,<br>Heated Tobacco Products, and Vapor Products ..... | 164 |
| SEC. 290-A. Joint Congressional Oversight Committee on<br>Illicit Trade on Excisable Products .....  | 167 |

**NEW SCHEDULE OF EXCISE TAX ON ALCOHOL AND TOBACCO PRODUCTS  
UNDER REPUBLIC ACT NO. 11467**

|   |     |
|---|-----|
| Excise Tax of Alcohol products (Section 2) .....    | 173 |
| Heated Tobacco Products.....                        | 173 |
| Nicotine Salt or Salt Nicotine .....                | 174 |
| Conventional 'Freebase' or 'Classic' Nicotine ..... | 174 |