

KOREA – TAXES ON ALCOHOLIC BEVERAGES

Status Report by Korea

The following communication, dated 14 January 2000, from the Permanent Mission of Korea to the Dispute Settlement Body, is circulated pursuant to Article 21.6 of the DSU.

Status Report on the Implementation of the Recommendations and Rulings
in the Dispute regarding
Korea - Taxes on Alcoholic Beverages

Pursuant to paragraph 6 of Article 21 of the Understanding on Rules and Procedures Governing the Settlement of Disputes (the "DSU"), Korea hereby submits a status report in writing on the implementation of the rulings and recommendations of the Dispute Settlement Body (the "DSB") in Korea - Taxes on Alcoholic Beverages adopted at its meeting on 17 February 1999.

Korea recalls that the DSB ruled that soju (diluted and distilled), whiskies, brandies, cognac, rum, gin, vodka, tequila, liqueurs and ad-mixtures are directly competitive or substitutable products, and recommended that Korea bring its Liquor Tax Law and the Education Tax Law into conformity with its obligations under the GATT 1994. Korea also recalls that the arbitration, held under paragraph 3(c) of Article 21 of the DSU, awarded on 4 June 1999 an implementation period of 11 months and two weeks, which is due to expire on 31 January 2000.

In order to comply with the rulings and recommendations of the DSB, Korea has amended the Liquor Tax Law and the Education Tax Law to impose flat rates of 72% liquor tax and 30% education tax on all distilled alcoholic beverages including soju (diluted and distilled) on a non-discriminatory basis. The table showing the changes in tax rates is attached herewith. The National Assembly passed these amendments on 7 December 1999 which entered into force on 1 January 2000, one month ahead of the expiry of the reasonable period of time determined through the arbitration. The related presidential decree has also been amended and has taken effect on 1 January 2000. With the entry into force of these amendments to the Liquor Tax Law and the Education Law and the related presidential decree, Korea considers that it has fully implemented the DSB's rulings and recommendations in this case.

In accordance with paragraph 6 of Article 21 of the DSU, Korea requests that this status report be circulated to Members of the WTO and that the matter be included in the agenda of the DSB meeting scheduled on 27 January 2000.

Attachment**Table : Changes in Tax Rates**

| Liquor Tax | | | |
|--|------|--|-----|
| Before amendment | | After amendment | |
| Soju | | Soju | |
| - Distilled soju | 50% | - Distilled soju | 72% |
| - Diluted soju | 35% | - Diluted soju | 72% |
| Whiskies | 100% | Whiskies | 72% |
| Brandies | 100% | Brandies | 72% |
| Liqueurs | 50% | Liqueurs | 72% |
| General distilled alcoholic beverages | 80% | General distilled alcoholic beverages | 72% |
| Education Tax | | | |
| Before amendment | | After amendment | |
| Liquor tax applied at rates of 80% and above | 30% | Liquor tax applied at rates above 70% | 30% |
| Liquor tax applied at rates below 80% | 10% | Liquor tax applied at rates of 70% and below | 10% |