



18 January 2013

(13-0324)

Page: 1/2

Original: English

PHILIPPINES – TAXES ON DISTILLED SPIRITS

STATUS REPORT BY THE PHILIPPINES

Addendum

The following communication, dated 17 January 2013, from the delegation of the Philippines to the Chairperson of the Dispute Settlement Body, is circulated pursuant to Article 21.6 of the DSU.

Status Report Regarding Implementation of the
DSB Recommendations and Rulings in the Disputes
Philippines – Distilled Spirits
(WT/DS396 and WT/DS403)

The Philippines submits this report in accordance with Article 21.6 of the *Understanding on Rules and Procedures Governing the Settlement of Disputes* ("DSU").

On 20 January 2012, the Dispute Settlement Body ("DSB") adopted its recommendations and rulings in *Philippines – Distilled Spirits* (WT/DS396, 403). By letter of 15 February 2012, the Philippines notified the DSB of its intention to comply with the recommendations and rulings of the DSB in this matter in a manner that respects the Philippines' WTO obligations. The Philippines also indicated that it would require a reasonable period of time to comply with the recommendations and rulings of the DSB.

Subsequently, the Philippines, the United States, and the European Communities reached an agreement under Article 21.3(b) of the DSU, pursuant to which the reasonable period of time for the Philippines to implement the recommendations and rulings of the DSB in these disputes would expire on 8 March 2013. This agreement was notified to the DSB on 20 April 2012.

On 11 October 2012, the Philippines submitted to the DSB its first status report under Article 21.6 of the DSU on its progress in the implementation of the DSB's recommendations and rulings in this matter. The report was circulated to Members as document WT/DS396/15 and WT/DS403/15, dated 12 October 2012. On 7 November 2012, the Philippines submitted to the DSB its second status report, which was circulated to Members as WT/DS396/15/Add.1 and WT/DS403/15/Add.1, dated 9 November 2012. On 6 December 2012, the Philippines submitted its third status report to the DSB, and this was circulated to Members as document WT/DS396/15/Add.2 and WT/DS403/15/Add.2.

Since the last status report, Republic Act No. 10351, entitled "An Act Restructuring the Excise Tax on Alcohol and Tobacco Products by Amending Sections 141, 142, 143, 144, 145, 8, 131 and 288 of Republic Act No. 8424, Otherwise Known as the National Internal Revenue Code Of 1997, as Amended by Republic Act No. 9334, and for Other Purposes", was passed by the Philippine House of Representatives and the Philippine Senate on 11 December 2012, and approved by the President on 19 December 2012.

Subsequently, implementing rules and regulations were promulgated by the Bureau of Internal Revenue. Revenue Regulation No. 17-2012 prescribes the implementing guidelines on the revised tax rates on alcohol and tobacco products pursuant to the provisions of Republic Act No. 10351 and clarifies certain provisions of existing Revenue Regulations. It was issued on 26 December 2012 and published on 28 December 2012.

Republic Act No. 10351, as elaborated by Revenue Regulation No. 17-2012, eliminates the raw materials distinction and has now adopted an *Ad Valorem* and Specific Tax System. More specifically, an Ad Valorem tax Rate equivalent to 15% of the Net Retail Price per proof (excluding the excise tax and the value-added taxes) has been imposed effective 1 January 2013. This rate will be increased to 20% beginning 1 January 2015. In addition to the Ad Valorem Tax, a specific tax of PHP20.00 will also be imposed per proof liter beginning 1 January 2013, with subsequent legislated adjustments beginning 1 January 2016.

This new tax system adopts a uniform tax that applies equally to all distilled spirits, thus eliminating the system of taxation found to be discriminatory by the Panel and the Appellate Body – both in law and in fact.
