



AMCHAM PHILIPPINES

The American Chamber of Commerce of the Philippines, Inc.

August 29, 2012

Hon. Ralph Recto
Chairman
Ways and Means Committee
Senate of the Philippines
Pasay City

Dear Chairman Recto:

We appreciate the opportunity to comment on this important legislation regarding the proposed alcohol excise tax legislation under consideration by your Committee. As you are aware, the current law has become controversial, and the United States joined the European Union in bringing a case against the Philippine Government before the WTO objecting to the discrimination against imported distilled spirits versus local products made from indigenous raw materials. We understand that the Philippine Government intends to comply, which requires an amendatory law to be enacted by March 2013.

The existing law is overly complicated with multiple tiers and its failure to allow for indexation and price increases. Further, the measure has been a priority of the LEDAC and was certified as urgent in May 2012 by President Benigno Aquino.

A. Distilled Spirits

The current situation under Republic Act 9334, as amended, is highly discriminatory against imported distilled spirits. The World Trade Organization, in a case filed by the European Union and the United States, has ruled that there was a violation for taxes on imported spirits at rates 10 to 40 times higher than those imposed on those made from indigenous materials. The Philippines is obligated to take corrective action by March 8, 2013. Under RA 9334, the tax on local distilled spirits is extremely low at Php 11.65 and thereby contributing to higher consumption and greater alcoholism.

The House-approved bill (HB 5727 – Abaya bill, as amended) fails to raise the tax and fails to address the health issues related to alcoholism by raising the tax to Pph 20.00 for alcohol priced less than Php 90.00 and also creates a price difference (at 16 times more) for alcohol priced more than Php 150.00 – which are mainly imported spirits which will be charged Php 320.00. The increase in taxes for alcohol priced less than Php 90.00 is 20%, whereas the tax for alcohol priced more than Php 150.00 is more than 320%. This is fundamentally unfriendly to a fair market.

Therefore, Mr. Chairman, we prefer a system similar to the original Abaya bill that is consistent with the proposal under SB 2764 (Lacson) and SB 3249 (Santiago). Rather than the three tiers proposed in the House version, we recommend the two-tier systems of the original Abaya, Lacson, and Santiago bills that change 12 months after the effectivity of the Act and reduce the difference between the two tiers in the 13th month and moves to a unitary system in the third year – when a tax of Php 150.00 is applied regardless of price. The eventual unitary tax is similar to the United States, which imposes a tax of \$13.50 per proof gallon of distilled spirits.

B. Wines

Mr. Chairman, the excise tax on wines in the House-approved bill maintains is overly complicated and unnecessary. We urge the Committee to adopt the provision in the bills of Senators Lacson and Santiago, which is also in the original bill of Rep. Abaya. We further note that the Philippines has an increasingly diverse supply of imported wines of good value that are popular with foreign tourists which number the government is seeking to grow.

C. Fermented Liquors

We support the unitary approach in the bills of Senators Lacson and Santiago and the original bill of Rep. Abaya. We think the needed revenues for public health and other purposes warrant the proposed increases of some 200-300% to above Php 20.00 per liter.

Mr. Chairman, thank you once again for inviting the American Chamber of Commerce to submit its position on this important legislation of the Aquino administration.

Regards,



ROBERT M. SEARS
Director of Operations