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Philippines

Tobacco and Products

Tobacco Import and Export Rules and Regulations

2004

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Report Highlights:

The Philippine government has announced that it will be implementing new rules and regulations on the import and export of tobacco and products, effective July 3, 2004. The proposed administrative measure seeks to further regulate trade of tobacco and products and assess more fees on the Philippine tobacco industry. The new regulation will require all individuals or business entities to obtain an "Authority to Export/Import" as well as "Export/Import Commodity Clearance" prior to shipment and pay certain administrative fees.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Manila [RP1]
[RP]

The Philippine government announced on June 16, 2004 that it will be implementing new rules and regulations for the import and export of tobacco products, effective July 3, 2004. At present, all tobacco imports and exports are not subject to regulatory measures. Since 1998, international trade in tobacco has been liberalized and is generally subject only to routine quarantine inspections and regular customs tariffs and other duties. The need to secure necessary permits and clearances to import was removed by the National Tobacco Administration (NTA) in April 1998 based on Republic Act 8178 (RA8178) or "The Agricultural Tariffication Act" which lifted all quantitative restrictions.

According to the NTA, this new policy seeks to promote "balanced and integrated growth and development of the tobacco industry to help make agriculture a solid basis for industrialization by administering and regulating the exportation and importation of leaf tobacco and tobacco products."

The proposed regulation will require all individuals and/or business entities engaged in import or export of tobacco products and related supplies to obtain an annual "Authority to Export or Import" from the NTA. The import permit application process requires the applicant to provide numerous supporting business documents including business registration form, income tax return and receipt of payment of the processing and permit fees. The Market Development and Regulations Division (MDRD) is expected to process the application within 3 days of receipt. An annual license/permit fee of P7,500/application (\$137) will be charged.

Moreover, all importers and/or exporters of tobacco products must also secure an "Export/Import Commodity Clearance" prior to the date of loading/unloading of the commodity in the country. For importers, the Import Commodity Clearance (ICC) must be obtained from the NTA prior to the arrival of the commodity. All ICCs must be filed at least 3 days prior to arrival of the shipment. A processing fee of P300/shipment (\$6) for the ICC and P1,000/shipment (\$19) for the Export Commodity Clearance (ECC) will be charged respectively. The corresponding official receipt number is required to be indicated on the Export/Import Commodity Clearance, which shall only be valid for 30 days from issuance.

Furthermore, an NTA inspector along with a designated Customs official shall inspect the commodity prior to shipment to determine whether the commodity conforms with the export/import documents. For this service the following monitoring, regulation and/or evaluation fee shall be imposed:

Manufactured Products

a) Cigarettes	
a.1) Transshipment (Export)	P 10.00/case ¹ (\$0.19)
a.2) Export	5.00/case (\$0.10)
a.3) Import	20.00/case (\$0.37)
b) Cigars	
b.1) Export	P 0.10/piece (\$0.002)
b.2) Import	P 3.00/piece (\$0.06)

Unmanufactured & Wholly or Partially Processed Leaf Tobacco & Related Products

a) Export	P 1.10/ net kg (\$0.02)
b) Import	P 3.00/ net kg (\$0.06)

¹ A case is composed of 50 cartons, with each carton containing 10 packs of cigarettes of 20 pieces each.

The regulation stipulates that an ECC shall be issued only after an ocular inspection of the commodity by the MDRD. The MDRD shall conduct an ocular inspection within 3 days after filing of the application. The Bureau of Customs (BOC), Bureau of Internal Revenue (BIR) & Department of Trade & Industry (DTI) shall be furnished a copy of the approved ECC/ICC.

GENERAL PROCEDURE TO EXPORT OR IMPORT TOBACCO:	
Step 1:	Obtain an annual Authority to Export or Import (submit supporting documents and pay fee of P7,500/year)
Step 2:	Apply for an Export/Import Commodity Clearance a) Export – at least 3 days before shipment leaves; P300/shipment b) Import – at least 3 days prior to arrival in the country; P1000/shipment
Step 3:	Ocular Inspection of Commodity for Export (within 3 days from submission of ECC application; pay appropriate fees, see above)
Step 4:	Release of Export/Import Commodity Clearance
Step 5:	Ocular Inspection of Imported Commodity

Although widely supported by domestic tobacco farmers claiming injury from increasing imports, the tobacco manufacturing industry is expected to contest this new regulation, which seeks to collect more fees and impose more administrative burden on the industry. It is estimated that about P26 billion (\$472 million) was collected in taxes and duties from the tobacco industry last year. More than just an instrument to possibly regulate trade, this revenue-raising measure is likely a response to the current fiscal deficit situation and the difficulty of Congress to enact a law that would raise excise taxes. To date, the NTA has not had any public consultations nor has it notified the WTO about this rule change.

In 2003, the Philippines imported about \$15.5 million worth of tobacco products (primarily burley leaf tobacco) from the United States. The Philippines imports about \$200 million worth of tobacco and products annually.

More information about this new regulation can be obtained directly from the Market Development and Regulations Division of the NTA at telephone number (632) 372-3186 or <http://www.geocities.com/miscsdnta>.