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Taiwan

Grain and Feed

Commodity Price Stabilization Measures: Temporary Reductions of Import Tariffs and Fees and Business Tax Exemption

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Report Highlights:

Taiwan authorities at the Ministry of Finance (MOF) implemented a 50% temporary tariff rate reduction for imports of wheat and flour and meal of wheat, corn and soybeans, including DDGS for one year, effective August 6, 2007 thru August 5, 2008. The cabinet has proposed a temporary one hundred percent tariff reduction on these commodities, pending legislative approval. We do not expect the measure to pass at this point, but it is indicative of the types of measures Taiwan is employing to reduce inflation.

Includes PSD Changes: No
Includes Trade Matrix: No
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Taipei [TW1]
[TW]

Temporary Tariff Reductions for Commodities as a Commodity Price Stabilization Measure

Taiwan continues to try to reduce inflation by cutting import tariffs and other fees. In the latest installment, the outgoing administration has proposed to the legislature that import duties on wheat and a wide range of wheat products be cut to zero. Tariff duties on other bulk commodities, such as soybeans, corn, sorghum and barley are already zero percent, so this would seem to be an easy next step. So we put this report together and joined the administration in waiting for the legislature to pass the measure. We have been waiting for several days now, and it seems that this initiative will not pass because it will change relative tariffs in ways that are disadvantageous to some players. Specifically, wheat flour faces a higher import duty than wheat. If both were reduced to zero, wheat flour imports would become more attractive relative to wheat imports than they are currently.

On March 26, Taiwan authorities at the cabinet level announced a need to amend the Article 71 of the Customs Law to allow the government to cancel the entire customs duties in addition to the existing 50 percent cuts for a period of one year. The Article 71 amendment requires passage in the Legislative Yuan. The Taiwan cabinet reached a consensus on imposing zero tariffs on the following commodities, once the amendment passes the Legislation. Given the current tariff gaps between wheat and flour/meal, flour and meal users, such as bakeries, will receive the largest benefits. Implementing zero tariffs for wheat flour and meal might encourage wheat food manufacturers use cheaper and less quality imported flour to replace domestically milled high quality flour from imported US#1 grade wheat.

The temporary tariff reduction measure is intended to help the local livestock and food industries reduce their production costs and to help citizens control their living costs. The Taiwan authorities at the Ministry of Finance announced on August 6, 2007 and February 6, 2008 a fifty percent of temporary tariff reduction on the commodities listed in the following table, wheat and flour of soybeans, corn and wheat, including DDGS, effective August 6, 2007 thru August 5, 2008.

Other Commodity Price Stabilization Measures: Exemptions for Import Taxes and Fees for Wheat, Corn, Soybeans and Barley

Business tax: The current business tax rate is 5 percent on imported commodities. On March 7, Taiwan amended the existing Valued-Added and Non-Value-Added Business Tax Law to give the government rights to temporarily lower the business tax on wheat, corn, barley and soybeans to a lower level at zero percent, effective March 10, 2008 thru March 9, 2009. According to the existing Business Tax Law, the tax should fall in the range of 5 percent and 10 percent, 5 percent at the minimum. The amendment lowers the lower end down to zero percent.

Trade promotion fee of the current 0.04 percent on these four commodities is exempt, effective January 1, 2008 thru June 30, 2008.

Import Inspection fee of the current 0.15 percent was cut to 0.05 percent, effective January 7, 2008. The ending date is not announced.

Quarantine inspection rate of the current 0.1 percent was reduced to 0.05 percent, effective February 13, 2008.

Whereas, Port charge, also known as port service due or harbor construction fee remains unchanged. For grains or feed ingredients in bulk is charged at NT\$7/metric ton, in container NT\$274 per 20-foot container or NT\$547 per 40-foot container.

Table 1: Import Duty Scheme

Commodity/HS Code	Rate	Temporary Rate: Temporary 50% cut rate starting August 6, 2007 thru August 2008	Proposed New Rate, pending Legislative Approval
Drum wheat for feeding/1001-1000-10-3	6.50%	3.25%	Zero Percent
Other drum wheat/1001-1000-90-6	6.50%	3.26%	Zero Percent
Soft wheat for feeding/1001-9000-10-6	6.50%	3.25%	Zero Percent
Other wheat and meslin/1001-9000-90-9	6.50%	3.25%	Zero Percent
Wheat flour/1101-0010-00-4	17.50%	8.75%	Zero Percent
Maiz flour/1102-2000-00-1	6.00%	3.00%	Zero Percent
Groats of wheat/1103-1100-10-9	20.00%	10.00%	Zero Percent
Meal of wheat/1103-1100-20-7	20.00%	10.00%	Zero Percent
Groats and meal of corn/1103-1300-009	10.00%	5.00%	Zero Percent
Flour and meal of soya beans/1208-1000-00-6	3.00%	1.50%	Zero Percent
Brewing or distilling dregs and wastes/2303-3000-00-4	3.00%	1.50%	Zero Percent