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Philippines

Sugar

Duty on Powdered Sugar-containing Premix Concentrates Raised

2004

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Report Highlights:

On March 4, 2004, the President of the Philippines issued Executive Order No. 295 (EO 295) which reclassified some sugar containing products from H.S. 2106.90.10 and 2106.90.50 to 1701.91.00 and 1701.99.00. Under the new headings, the applied tariffs for these products will increase from 1-10 percent to between 48-65 percent. According to the Sugar Regulatory Administration (SRA), EO 295 was designed to effectively close the loophole used by domestic beverage manufacturers to bring in raw materials at low tariffs.

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

On March 4, 2004, the President of the Philippines issued Executive Order No. 295 (EO 295) which reclassified sugar-containing products under different H.S. headings. Under the new H.S. codes, the applied tariffs for these products will increase from a range of 1-10 percent to between 48-65 percent. These sugar-containing premix concentrates were previously classified under H.S. Codes 2106.90.10, "flavoring materials for beverages" and 2106.90.50, "composite concentrates to make beverages" with tariff rates of one and ten percent, respectively. Domestic beverage manufacturers use these premix concentrates as raw materials for their powdered juice mixes and beverage products such as iced tea.

EO 295 was signed after the Philippine Tariff Commission approved the petition of the Department of Agriculture (DA) to reclassify imported powdered premixes as sugar under tariff heading 1701.91.00 or 1701.99.00. The EO expanded the definition of commodities falling under Chapter 17, "Sugar and Sugar Confectionery" by including products containing over 65 percent by dry weight of sugar under this specific heading.

Powdered beverage concentrates previously classified under H.S. 2106.90.10 and 2106.90.50, containing over 65-percent sugar by dry weight now carry a duty ranging from 48 to 65 percent. Under the Philippine Tariff and Customs Code, sugar products imported from the ASEAN region have a tariff of 48 percent per the ASEAN Free Trade Agreement (AFTA). All other sugar-containing beverage mixes from non-ASEAN countries are levied an out-of-quota rate of 65 percent and an in-quota rate of 50 percent (see EO 295 below).

According to the Sugar Regulatory Administration (SRA), EO 295 was designed to effectively close the loophole that had been used by domestic beverage manufacturers and other industrial users in the past to bring in raw materials at low tariffs. They believe that this has resulted in the drop in the demand for domestic sugar, subsequently affecting the millgate price of sugar.

Data from the National Statistics Office (NSO) shows that the country imported about \$86 million worth of premix concentrates in 2002. It is reported that this measure is expected to result in increased tariff revenue of \$12 million for the Philippine government.

The President signed the executive order imposing the higher tariff on powdered premixes in response to complaints from domestic millers and farmers about falling sugar prices. With the higher tariffs on these products, millers and farmers expect domestic beverage firms to source their sugar requirements from the local market.

MALACAÑANG
Manila

BY THE PRESIDENT OF THE PHILIPPINES

EXECUTIVE ORDER NO. 295

MODIFYING THE NOMENCLATURE AND RATES OF IMPORT DUTY ON SUGAR (HEADING 17.01) UNDER SECTION 104 OF THE TARIFF AND CUSTOMS CODE OF 1978 (PRESIDENTIAL DECREE NO. 1464), AS AMENDED

WHEREAS, a review of the present classification of sugars under HS Heading 17.01, Section 104 of the Tariff and Customs Code of 1978 (PD1464), as amended, is warranted to facilitate monitoring of imported sugars and establish a clear framework for rules relating to the classification of sugars and articles containing the same;

WHEREAS, the NEDA Board Committee on Tariff and Related Matters (CTRM) approved, at its meeting of 23 February 2004, the grant of a tariff concession on imports of certain sugars from the ASEAN Member States;

WHEREAS, Sections 401 and 402 of the Tariff and Customs Code of 1978, as amended, empowers the President of the Republic of the Philippines to increase, reduce and remove existing rates of import duty, as well as to modify the form of duty and the tariff nomenclature, under Section 104 of the Code;

NOW, THEREFORE, I, GLORIA MACAPAGAL ARROYO, President of the Republic of the Philippines, by virtue of the powers vested in me by law, do hereby order:

SECTION 1. The articles specifically listed in Annex "A" hereof, as classified under Section 104 of the Tariff and Customs Code of 1978, as amended, shall be subject to the rates of import duty [Most-Favoured-Nation (MFN) and ASEAN Common Effective Preferential Tariff (CEPT)] indicated in columns 4 and 5 opposite each article.

SECTION 2. The ASEAN CEPT rates so indicated in Annex "A" shall be accorded to imports coming from ASEAN Member States applying CEPT concession to the same product pursuant to Article 4 of the CEPT Agreement and its Interpretative Notes.

SECTION 3. The nomenclature and the rates of import duty on tariff headings not enumerated and those listed but represented by the symbol "x x x" shall remain in force and in effect.

SECTION 4. Upon the effectivity of this Executive Order, all articles listed in Annex "A" which are entered and withdrawn from warehouses in the Philippines for consumption shall be levied the MFN rates of duty therein prescribed.

SECTION 5. Upon the effectivity of this Executive Order, all articles listed in Annex "A" which are entered and withdrawn from warehouses in the Philippines for consumption shall be imposed the ASEAN CEPT rates of duty therein prescribed subject to qualification under the Rules of Origin as provided for in the Agreement on the CEPT Scheme for the ASEAN Free Trade Area signed on 28 January 1992.

SECTION 6. All Presidential issuances, administrative rules and regulations, or parts thereof, which are contrary to or inconsistent with this Executive Order are hereby revoked or modified accordingly.

SECTION 7. This Executive Order shall be subject to annual review by the CTRM.

SECTION 8. This Executive Order shall take effect immediately following its complete publication in two (2) newspapers of general circulation in the Philippines.

DONE in the City of Manila, this 3rd day of March in the year of Our Lord, two thousand and four.

(Signature of the President)

By the President:

(Signed)
ALBERTO G. ROMULO
 Executive Secretary

Annex "A"

RATE OF DUTY (%)				
HDG.	AHTN CODE	DESCRIPTION	MFN	CEPT
(1)	(2)	(3)	(4)	(5)

17.01

Cane or beet sugar and chemically pure sucrose, in solid form.

- Raw sugar not containing added flavouring or colouring matter:

1701.11

To

1701.12.00

- - - X X X

- Other:

1701.91.00

- - Containing added flavouring or colouring matter:

A. CONTAINING OVER 65% BY DRY WEIGHT OF SUGAR, IN-QUOTA

50

5

B. CONTAINING OVER 65% BY DRY WEIGHT OF SUGAR, OUT-QUOTA

50

5

C. OTHER, IN-QUOTA

1

0

D. OTHER, OUT-QUOTA

1

0

1701.99

- - Other:

- - - Refined sugar:

1701.99.11

- - - - White

A. CONTAINING OVER 65% BY DRY WEIGHT OF SUGAR, IN-QUOTA

50

48

B. CONTAINING OVER 65% BY DRY WEIGHT OF SUGAR, OUT-QUOTA

65

48

C. OTHER, IN-QUOTA

1

0

D. OTHER, OUT-QUOTA

1

0

1701.99.19	- - - Other		
	A. CONTAINING OVER 65% BY DRY WEIGHT OF SUGAR, IN-QUOTA	50	48
	B. CONTAINING OVER 65% BY DRY WEIGHT OF SUGAR, OUT-QUOTA	65	48
	C. OTHER, IN-QUOTA	1	0
	D. OTHER, OUT-QUOTA	1	0
1701.99.90	- - - Other		
	A. IN-QUOTA	50	48
	B. OUT-QUOTA	65	48