

Voluntary Report – Voluntary - Public Distribution

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Report Name: New Excise Tax Structure for Alcohol Products

Country: Philippines

Post: Manila

Report Category: Wine, Agriculture in the News, Beverages

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Report Highlights:

Republic Act No. 11467 increased the excise tax imposed on alcohol products effective on January 1, 2020. The ad valorem tax on distilled spirits is 22 percent of the net retail price, and the specific tax is P42.00 per proof liter. For all types of wines, the excise tax is P50.00 per liter. For other fermented liquor including beer, the excise tax is P35.00 per liter. There is a structure for increasing excise taxes each year and the law does not include a sunset provision. The United States is a top three supplier of alcohol products to the Philippines with a nine percent market share. Despite the increase in excise taxes, traders expect sales to continue growing five to ten percent each year due to robust demand.

I. General Information

On January 22, 2020, Philippine President Rodrigo Duterte signed into law Republic Act (RA) No. 11467 to increase the excise tax imposed on alcohol products, which retroactively took effect on January 1, 2020. Below are the details of RA 1147 per alcohol product category:

Distilled Spirits

The law increased the ad valorem tax on distilled spirits to 22 percent of the net retail price (excluding excise tax and value added tax) from 20 percent in 2019. The specific tax was raised to ₱42.00 per proof liter in 2020 from ₱23.40 per proof liter in 2019 and will increase to ₱47.00 per proof liter in 2021, ₱52.00 in 2022, ₱59.00 in 2023, and ₱66.00 in 2024, and by six percent every year thereafter, effective on January 1, 2025.

	Effective on January 1, 2019	Effective on January 1, 2020	Succeeding years
Ad valorem tax	20% of net retail price	22% of net retail price	No change
Specific tax	₱23.40 per proof liter	₱42.00 per proof liter	Effective on January 1 of each year, the specific tax per proof liter shall be: 2021 – ₱47.00 2022 – ₱52.00 2023 – ₱59.00 2024 – ₱66.00 The specific tax will be increased by six percent effective on January 1, 2025, and every year thereafter

*The current exchange rate is \$1.00=₱50.88

The ad valorem tax puts imported alcohol products at a price disadvantage compared to alcohol products made from locally sourced ingredients.

Wines

A specific tax amounting to ₱50.00 per liter will be levied on all types of wines. The rate will be increased by six percent effective on January 1, 2021, and every year thereafter. This is a departure from the previous tax structure which varied according to the wine type, price, and alcohol content. More sparkling wines are expected to enter the market boosted by the lower excise tax.

Wines	Comparison of Excise Tax Rates	
	Effective January 1, 2019	Effective January 1, 2020
Sparkling wine/champagne regardless of proof, if the net retail price per bottle is: - 500.00 Pesos or less - More than 500.00 Pesos	₱316 per 750 ml ₱885 per 750 ml	₱50 per liter
Still wine containing 14% alcohol by volume or less	₱38 per liter	
Still wine containing more than 14% alcohol by volume but not more than 25% alcohol by volume	₱76 per liter	
Fortified wine containing more than 25% alcohol by volume	Taxed as distilled spirits	

Other Fermented Liquor

The specific tax on other fermented liquor including beer increased to ₱35.00 per liter in 2020 from ₱25.42 per liter in 2019. It is set to increase by ₱2.00 each year until it reaches ₱43.00 in 2024, and increase by six percent effective on January 1, 2025, and every year thereafter.

	Effective on January 1						2025 and beyond
	2019	2020	2021	2022	2023	2024	
Specific tax	₱25.42	₱35.00	₱37.00	₱39.00	₱41.00	₱41.00	The specific tax will be increased by six percent effective on January 1, 2025, and every year thereafter

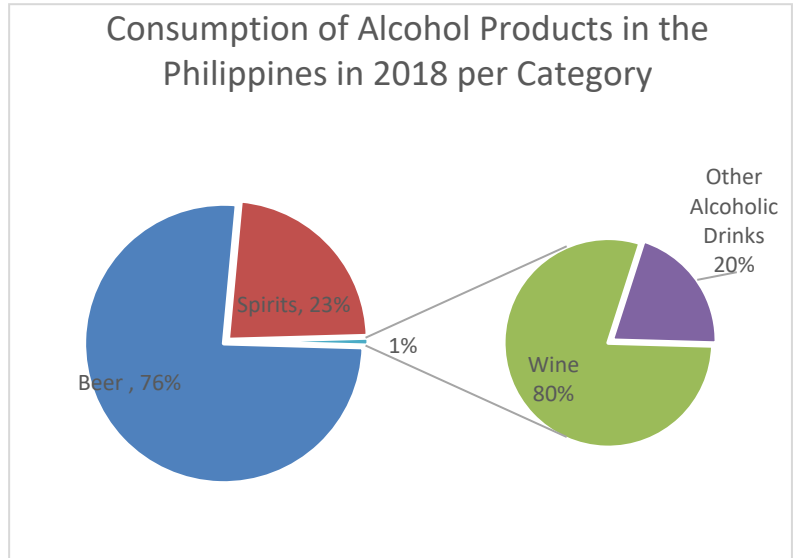
II. Market Overview

The Philippines is the largest market in Southeast Asia for U.S. high value food and beverage products. Food and beverage consumption in the Philippines is buoyed by a strong consumer base. The country's population is young and growing rapidly (106 million inhabitants with a median age of 24 years and population growth of 1.6 percent—on pace to reach 110 million by 2020 and 125 million by 2030). Although annual GDP per capita is only \$3,000, 20 percent of

the population (20 million people) earn an average of \$12,500¹ annually. Some analysts describe the Philippines as a consumption ‘sweet spot’ despite broad income disparity. For more information, see [Exporter Guide](#).

Philippine Alcohol Consumption

In 2018, 3.1 billion liters of alcohol products were consumed in the Philippines. Consumption has been growing at an average rate of 10 percent annually. Beer is the most widely consumed, accounting for 76 percent (2.3 billion liters) of total consumption, distilled spirits account for 23 percent, and wine and other alcoholic beverages account for one percent. Only 56.3 million liters (less than two percent) come from imported sources.



Consumption of Alcohol Products by Volume in 2016–2018			
Million liters	2016	2017	2018
Beer	1,877.0	2,159.5	2,381.2
Distilled Spirits	645.5	689.0	723.0
Wine	18.5	20.2	22.1
Other Alcohol Products	5.0	5.4	5.7

*Data provided by Euromonitor International

In 2018, the United States exported 242 thousand liters of beer, 352 thousand liters of distilled spirits primarily whiskies, and 4.2 million liters of wines to the Philippines. Despite the increase in excise tax, traders are optimistic sales will grow five to ten percent each year. The country’s strong economic growth, consumer demographics, and widespread acceptance of American products create an extraordinary profile that makes the Philippines an exciting market for U.S. alcohol products.

¹ Philippine Statistics Authority, 2015 Family Income and Expenditure Survey (most recent data available).

III. Further Information & Assistance

Below are links to other relevant reports:

- [Food and Agricultural Import Regulations and Standards \(FAIRS\)](#)
- [Philippines: Food Service Sector](#)
- [Philippines: Retail Sector](#)
- [Philippines: Food Processing Sector](#)
- [U.S. Wines Maintain Stronghold in Philippine Market](#)
- [Philippines: Prospects for U.S. Brewing Ingredients and Beer](#)

FAS Manila is ready to help U.S. exporters achieve their objectives in the Philippines. For further assistance, please contact:

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Attachments:

No Attachments.