

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Voluntary Public

Date: 1/10/2013

GAIN Report Number:

Philippines

Post: Manila

Sin Tax Reform Ushers in Higher Wine and Beer Prices in 2013

Report Categories:

Market Development Reports

Approved By:

William G. Verzani

Prepared By:

Maria Ramona C. Singian

Report Highlights:

At the end of 2012, Philippine President Benigno Aquino signed into law a measure dubbed the “Sin Tax Reform 2012” which will increase the rate of excise tax charged on wines and fermented liquor (including beer) as of January 1, 2013. Due to the reformed law, the tax on most sparkling wines (with a net retail price of over 500 pesos or \$12 USD) will dramatically increase from 413 pesos (\$10 USD) to 700 pesos (\$17 USD) per 750ml while the tax on most still wines (containing 14 percent alcohol per volume or less) will slightly increase from 22 pesos (\$0.53 USD) to 30 pesos (\$0.73 USD) per liter. As most U.S. wines sold in the Philippines are classified as still wines, the tax reform is expected to have very little impact on total U.S. wine exports. Post forecasts 2013 U.S. wine exports at \$8.5 million, up nine percent over the previous year, due to the bullish Philippine economy. The new excise tax levied on most premium beers (with a net retail price of 50 pesos or \$1.23 USD per liter of volume capacity) will increase by a mere two percent, and will likewise have a minimal effect on U.S. craft beers. FAS Manila forecasts 2013 exports of U.S. craft beers to the Philippines will reach \$400,000, up 14 percent over the previous year.

General Information:

Philippine President Benigno Aquino has signed into law a measure that will increase the excise taxes charged on wines and fermented liquor. Republic Act No. 10351 (An Act Restructuring the Excise Tax on Alcohol and Tobacco), also known as "Sin Tax Reform 2012" was signed on December 20, 2012, and took effect on January 1, 2013.

Comparison of Excise Taxes under the Old and New System:Wines

Under the new tax system, excise tax will increase by 70-82 percent for sparkling wines and 36 percent for still wines effective on January 1, 2013. The excise taxes on sparkling and still wines will increase again by four percent effective on January 1, 2016, and every year thereafter. Fortified wines containing more than twenty-five percent (25%) alcohol by volume shall be taxed as distilled spirits.

Wines	Old Excise Tax System	New Excise Tax System	% Change
Sparkling wine/champagne regardless of proof, if the net retail price per bottle is:			
P500.00 (or \$12.18) or less	P137.55 (\$3.35) per 750 ml	P250.00 (\$6.09) per 750 ml	82
More than P500.00 (or \$12.18)	P412.68 (\$10.05) per 750 ml	P700.00 (\$17.06) per 750 ml	70
Still wine containing 14% alcohol by volume or less	P22.01 (\$0.53) per liter	P30.00 (\$0.73) per liter	36
Still wine containing more than 14% alcohol by volume but not more than 25% alcohol by volume	P44.01 (\$1.07) per liter	P60.00 (\$1.46) per liter	36
Fortified wine containing more than 25% alcohol by volume	Taxed as distilled spirits	Taxed as distilled spirits	

Notes:

1. The exchange rate used is \$1=P41.03 (based on the exchange rate on January 1, 2013).
2. The net retail price excludes excise tax and Value-Added Tax (VAT).

Fermented Liquor

Under the new system, excise tax on lower-priced beers will increase by 9 to 63 percent (depending on the net retail price) while excise tax on higher-priced beers, mostly imported, will increase by 2 percent effective on January 1, 2013.

The old excise tax system was based on a three-tiered pricing system. Under the new excise tax system, a two-tiered pricing system was introduced. Taxes will increase based on a schedule and will graduate to a flat, uniform pricing structure by 2017. Effective on January 1, 2018, and every year thereafter, the uniform excise tax on fermented liquor will increase by four percent.

Fermented Liquors	Excise Tax
Under the Old Excise Tax System	
If the net retail price (excluding the excise tax and VAT) per liter volume capacity is:	
Less than P14.50 (\$0.35)	P10.42 (\$0.25) per liter
P14.50 (\$0.35) up to P22.00 (\$0.54)	P15.49 (\$0.38) per liter
More than P22.00 (\$0.54)	P20.57 (\$0.50) per liter
Under the New Tax System	
Effective January 1, 2013 , if the net retail price per liter of volume capacity is:	
P50.60 (\$1.23) or less	P17.00 (\$0.41)
More than P50.60 (\$1.23)	P21.00 (\$0.51)
Effective January 1, 2015 , if the net retail price per liter of volume capacity is:	
P50.60 (\$1.23) or less	P19.00 (\$0.46)
More than P50.60 (\$1.23)	P22.00 (\$0.53)
Effective January 1, 2016 , if the net retail price per liter of volume capacity is:	
P50.60 (\$1.23) or less	P21.00 (\$0.51)
More than P50.60 (\$1.23)	P23.00 (\$0.56)
Effective January 1, 2017 , a uniform tax shall be applied regardless of retail price	
	P23.50 (\$0.57)

Notes:

1. The exchange rate used is \$1=P41.03 (based on the exchange rate on January 1, 2013).
2. The net retail price excludes excise tax and Value-Added Tax (VAT).

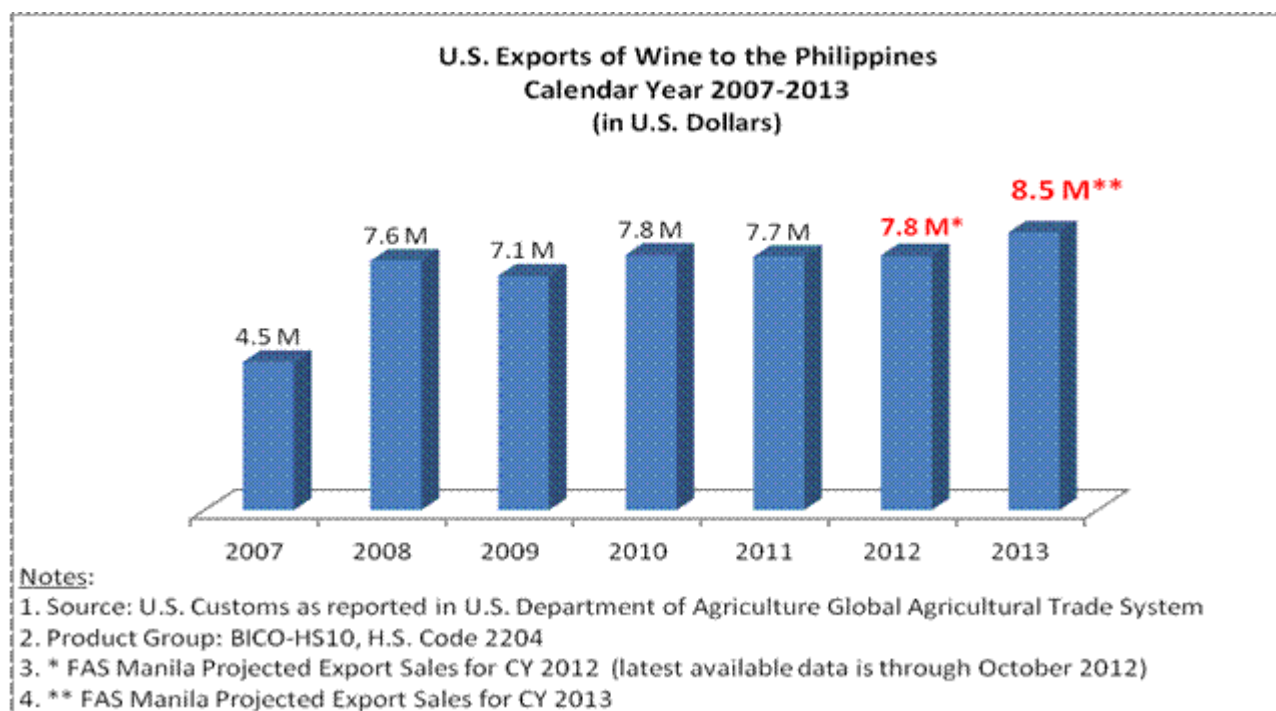
Philippine Market for Wines and Craft Beers

Wines

According to Philippine statistics, the country's wine import market grew by 60 percent from 2007 to reach \$19.5 million in 2011. In 2012, the market is expected to have expanded by another 15 percent to reach roughly \$22 million. Based on the Philippines National Statistics data and the bullish economy, Post forecasts Philippine imports at \$23.5 million in 2013.

The U.S. is the largest supplier of wines to the Philippines and holds a 33 percent share of the market. Based on U.S. Customs data, U.S. wine export sales to the Philippines from 2007-2011 averaged roughly \$7 million annually. Despite a slight contraction in the market of two percent from January through October 2012 (latest available data), FAS Manila predicts exports will reach \$7.8 million by the end of 2012.

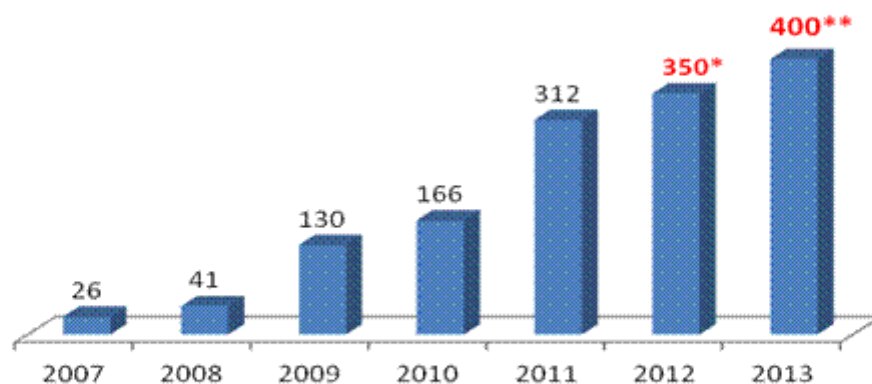
The new excise tax system will have very little effect on U.S. wines since the United States exports mostly still wines. U.S. exports are expected to reach \$8.5 million in 2013 due to increased marketing efforts by the U.S. wine industry and the burgeoning Philippine economy.



Craft Beers

Imports hold less than one percent share of the Philippine beer market and the United States is the largest supplier. Since the new tax structure imposes a very minimal increase in the excise tax on higher-priced beers and the Philippine economy continues strongly expand, FAS Manila estimates U.S. exports of beer will reach \$350,000 in 2012, and increase to \$400,000 by 2013.

**U.S. Exports of Beer to the Philippines
Calendar Year 2007-2013
(in Thousands of U.S. Dollars)**



Notes:

1. Source: U.S. Customs as reported in U.S. Department of Agriculture Global Agricultural Trade System
2. Product Group: BICO-HS10, H.S. Code 2203
3. * FAS Manila Projected Export Sales for CY 2012 (latest available data is through October 2012)
4. ** FAS Manila Projected Export Sales for CY 2013

Further Information and Assistance

FAS Manila is ready to help exporters of U.S. food and beverage products achieve their objectives in the Philippines. For questions, further information or assistance in exporting US food & beverage products, please contact:

Foreign Agricultural Service
U.S. Department of Agriculture
Embassy of the United States of America
25/F Ayala Life-FGU Building
6811 Ayala Avenue
Makati City 1203
Tel: (632) 894-5363 or 894-5379
Fax: (632) 812-5430
Email: Agmanila@usda.gov