

PHILIPPINES – TAXES ON DISTILLED SPIRITS

Request for Consultations by the European Communities

The following communication, dated 29 July 2009, from the delegation of the European Communities to the delegation of the Philippines and to the Chairman of the Dispute Settlement Body, is circulated in accordance with Article 4.4 of the DSU.

My authorities have instructed me to request consultations with the Government of the Republic of the Philippines ("Philippines") pursuant to Articles 1 and 4 of the *Understanding on Rules and Procedures Governing the Settlement of Disputes* ("DSU") and Article XXII of the *General Agreement on Tariffs and Trade 1994* ("GATT 1994") with respect to discriminatory taxation applied on imported alcoholic beverages by the Philippines. This discrimination adversely affects exports of spirits (code 22.08 of the Harmonised System) from the European Communities to the Philippines.

Under the current Excise Tax regime on distilled spirits, in place in the Philippines since 1997, imported spirits are subject to a system of price bands at substantially higher taxes than domestic spirits. The measures in question are Section 141 of the *National Internal Revenue Code of 1997* (Republic Act No. 8424, *an Act amending the National Internal Revenue Code as amended and for other purposes*, Official Gazette June 1998), as amended by Republic Act No. 9334 *increasing the excise tax rates imposed on alcohol and tobacco products, amending for the purpose Sections 131, 141, 142, 143, 144, 145 and 288 of the National Internal Revenue Code of 1997, as amended*; and any amendments, replacements, related measures or implementing measures.

The European Communities considers that these measures are inconsistent with the Philippines obligations under the GATT 1994. In particular, the Philippines have acted inconsistently with Article III:2 of the GATT 1994.

The European Communities reserves the right to address additional measures and claims under other provisions of the WTO Agreement regarding the above matters during the course of the consultations.

The European Communities looks forward to receiving in due course a reply from the Philippines to this request. The European Communities is ready to consider with the Philippines mutually convenient dates to hold consultations in Geneva.
