

EXECUTIVE ORDER NO. 244

MODIFYING THE RATES OF DUTY ON MOTOR VEHICLES, AS PROVIDED FOR UNDER THE TARIFF AND CUSTOMS CODE OF 1978 (PRESIDENTIAL DECREE NO. 1464, AS AMENDED), IN ORDER TO IMPLEMENT PREFERENTIAL RATES THEREON UNDER THE AUTOMOTIVE EXPORT PROGRAM.

WHEREAS, the automotive industry is an important contributor to sustainable national economic development;

WHEREAS, the government issued E.O. 156, series of 2002 establishing a Comprehensive Industrial Policy and Directions for the Motor Vehicle Development Program to develop the Philippines as the manufacturing hub in ASEAN for certain motor vehicles, parts and components;

WHEREAS, an integral component of the Comprehensive Motor Vehicle Development Program under E.O. 156 is the provision of special export incentives to the automotive sector;

WHEREAS, temporary export incentives will compensate for certain structural deficiencies that inhibit the automotive industry's attainment of global competitiveness;

WHEREAS, the benefits from the development of the automotive industry's global competitiveness will outweigh the tariff revenues to be foregone from the grant of preferential tariffs on imports;

WHEREAS, Sections 401 and 402 of the Tariff and Customs Code of 1978 (Presidential Decree 1464), as amended, empower the President of the Republic of the Philippines to increase, reduce, or remove existing rates of import duty, as well as to modify the tariff nomenclature;

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 Most Favored Nation (MFN) rate of import duty in accordance with the schedule indicated under the "MFN" column;



SECTION 2. 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 ASEAN CEPT rate of import duty in accordance with the schedule indicated under the "CEPT" column. The ASEAN CEPT rate so indicated 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. Upon the effectivity of this Executive Order, the articles specifically listed in the aforesaid Annex "A", which are entered and withdrawn from warehouses in the Philippines for consumption, shall be levied the MFN rate of duty herein prescribed;

SECTION 4. Upon the effectivity of this Executive Order, the articles specifically listed in the aforesaid Annex "A", which are entered and withdrawn from warehouses in the Philippines for consumption, shall be levied the CEPT rate herein prescribed, subject to qualification under the Rules of Origin as provided for in the Agreement on the CEPT scheme for the AFTA signed on 28 January 1992;


SECTION 5. All Presidential issuances, administrative rules and regulations, or parts thereof, which are inconsistent with this Executive Order are hereby revoked or modified accordingly;

SECTION 6. The Department of Trade and Industry, in consultation with the National Economic Development Authority and the Department of Finance, shall issue appropriate guidelines to implement the preferential tariff privilege herein granted in accordance with the conditions of the Program shown in Annex "B";

SECTION 7. This Executive Order shall be effective for a period of five (5) years, from 1 January 2004 until 31 December 2008, following its complete publication in two (2) newspapers of general circulation in the Philippines.

Done in the City of Manila, Philippines, this *3rd* day of *October* in the year of Our Lord, Two Thousand and Three.

By the President:


ALBERTO G. ROMULO
Executive Secretary





Annex A

**Completely Built-Up (CBU) Motor Vehicles Eligible for
Special Export Incentives Under the Automotive Export Program
Pursuant to Executive Order No. 156**

HDG.	H.S. CODE	DESCRIPTION	RATE OF DUTY (%)	
			01 January 2004 to 31 December 2008	
			MFN	CEPT
87.02		Motor vehicles for the transport of ten or more persons, including the driver.		
	8702.10	- With compression-ignition internal combustion piston engine (diesel or semi-diesel):		
	8702.10 20	--- Buses with g.v.w. of 6 tonnes to 18 tonnes	10	1
	8702.10 90	--- Other	10	1
	8702.90	- Other:		
	8702.90 90	--- Other	10	1
87.03		Motor cars and other motor vehicles principally designed for the transport of persons (other than those of heading 87.02), including station wagons and racing cars.		
		- Other vehicles, with spark-ignition internal combustion reciprocating piston engine:		
	8703.21 00	-- Of a cylinder capacity not exceeding 1,000 cc	10	1
	8703.22 00	-- Of a cylinder capacity exceeding 1,000 cc but not exceeding 1,500 cc	10	1
	8703.23 00	-- Of a cylinder capacity exceeding 1,500 cc but not exceeding 3,000 cc	10	1
	8703.24 00	-- Of a cylinder capacity exceeding 3,000 cc	10	1
		- Other vehicles, with compression-ignition internal combustion piston engine (diesel or semi-diesel):		
	8703.31 00	-- Of a cylinder capacity not exceeding 1,500 cc	10	1
	8703.32 00	-- Of a cylinder capacity exceeding 1,500 cc but not exceeding 2,500 cc	10	1
	8703.33 00	-- Of a cylinder capacity exceeding 2,500 cc	10	1
	8703.90	- Other:	10	1
	8703.90 90	--- Other	10	1
87.04		Motor vehicles for the transport of goods.		
		- Other, with compression-ignition internal combustion piston engine (diesel or semi-diesel):		
	8704.21	-- g.v.w. not exceeding 5 tonnes:		
	8704.21 90	--- Other	10	1
	8704.22	-- g.v.w. exceeding 5 tonnes but not exceeding 20 tonnes:		
	8704.22 10	--- Up to 6 tonnes:		
	8704.22 19	---- Other	10	1
	8704.22 90	--- Other:		
	8704.22 99	---- Other	10	1
	8704.23	-- g.v.w. exceeding 20 tonnes:		
	8704.23 90	--- Other	10	1
		- Other, with spark-ignition internal combustion piston engine:		
	8704.31	-- g.v.w. not exceeding 5 tonnes:		
	8704.31 90	--- Other	10	1

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HDG.	H.S. CODE	DESCRIPTION	RATE OF DUTY (%)	
			01 January 2004 to 31 December 2008	
			MFN	CEPT

8704.32 -- g.v.w. exceeding 5 tonnes:

8704.32 10 --- Up to 6 tonnes:

8704.32 19 ---- Other

8704.32 90 --- Other:

8704.32 99 ---- Other

8704.90 - Other:

8704.90 90 --- Other

10 1

10 1

10 1

CONDITIONS FOR THE AUTOMOTIVE EXPORT PROGRAM

General

1. The Program is open to all participants of the Motor Vehicle Development Program.
2. The Program calls for the availment of preferential tariff rates by participants in their importation of CBUs on the basis of equivalent foreign exchange earnings from their exports of CBUs.
3. The imported CBUs must not be locally assembled (model importations are less than 1,000 units per year in Year 2003) and the participating company owns the brands.
4. The availment of preferential tariff rates is contingent upon export performance on a yearly basis, i.e., minimum 10,000 units at minimum FOB value of US\$5,000 per unit.
5. A qualified participant will be allowed import CBUs under the Program a maximum of 1,000 units per model annually. The net foreign exchange earning (NFEE) chargeable against imports (CIF basis) on a per unit basis shall continue until the credit is exhausted after which the participant to the Program shall pay the normal tariff rates on their imports.
6. The NFEE per unit is phased down over a period of 5 years as shown below.

Qualified Export Products

1. Direct CBU exports at minimum total yearly volume of 10,000 units at minimum FOB value of US\$5,000 per unit.
2. The Department of Trade and Industry (DTI)/Board of Investments (BOI) during the effectivity of the Program may modify the minimum volume and FOB value per unit as the need arises upon consultation with industry and concerned government agencies.

Net Foreign Exchange Earnings (NFEE) Schedule

	Years 1-2 (2004-05)	Year 3 (2006)	Year 4 (2007)	Year 5 (2008)	Year 6 (2009)
CBU Export/Unit	US \$ 400	US\$300	US\$200	US\$100	US\$0

Mechanism

1. The Program will be made available to qualified MVDP participants on an annualized basis for a period of 5 years. It starts in January 2004 and ends in December 2008.
2. Qualified MVDP may register with the Program any time within the Program period and be entitled to equivalent NFEE of US\$400 for their first two years, after which the succeeding NFEE schedule as shown above will be followed.

Example:						
Firm	Date of AEP Registration	NFEE Schedule (US\$ x 100)				
		2004	2005	2006	2007	2008
Company A	1Q 2004	400	400	300	200	100
Company B	2Q 2005		400	400	300	100
Company C	3Q 2006			400	400	100

3. An equivalent NFEE (shown in the schedule above) will be credited to the Program participant for every unit of CBU exported at a minimum FOB Value of US\$5,000. For CBU export with FOB value of less than US\$5,000, no NFEE will be credited
4. Importation at preferential tariff rate under Program will require the following corresponding NFEE:

	NFEE Requirement
For HS Heading with regular MFN rate of 30%	Equivalent to 20% of the CIF value of importation
For HS Heading with regular MFN rate of 20%	Equivalent to 10% of the CIF value of importation
For HS Heading with regular CEPT rate of 5%	Equivalent to 4% of the CIF value of importation

5. Import Authority will be issued to Program participant by BOI. Once the NFEE is exhausted, no Import Authority will be issued to the participant, hence, should the participant decides to import the same, the corresponding regular tariff rate is applied to such importation.

Other Conditions

1. The NFEE per CBU unit exported is independent of the FOB value if higher than the minimum FOB value of US\$5,000 per unit.
2. No NFEE is given to unit exported at less than FOB value of US\$5,000.
3. The NFEE shall only be used against import duties

4. Failure to meet the minimum yearly export volumes and value per CBU unit on any given year shall subject the participant to payment of normal MFN and/or CEPT tariff rates including adjustments in VAT plus penalties under existing Customs and Revenue rules and regulations from time of entry into Customs territories for that particular year.
5. Unutilized NFEE may be carried forward until the end of the Program. At the end of the Program (end of year 5), participants shall be given 6 months to use the unutilized net foreign exchange earning, after which the NFEE would be invalidated (no monetary value). No unutilized NFEE can be converted to cash or to be used for other payments to government.
6. Once the NFEE is exhausted at any time within the year, the participant shall pay the normal MFN and/or CEPT tariff rates.
7. The NFEE of the participant may only be transferred only to an affiliate/subsidiary company duly designated by the participating company to undertake the importation. Provided the affiliate/subsidiary company must be accredited by the BOI and is majority owned (at least 50%+ 1 share) by the Program participant.

