

## 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 (%)	
			MFN	CEPT
			<b>01 January 2004 to 31 December 2008</b>	
			<b>MFN</b>	<b>CEPT</b>
<b>87.02</b>		<b>Motor vehicles for the transport of ten or more persons, including the driver.</b>		
	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
<b>87.03</b>		<b>Motor cars and other motor vehicles principally designed for the transport of persons (other than those of heading 98.02), including station wagons and racing cars.</b>		
		- 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:		
	8703.90 90	- - - Other	10	1

<b>87.04</b>		<b>Motor vehicles for the transport of goods.</b>		
		- 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. not 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		
8701.31 90		--- Other	10	1
8701.32		-- g.v.w. exceeding 5 tonnes:		
8704.32 10		--- Up to 6 tonnes:		
8704.32 19		---- Other	10	1
8704.32 90		--- Other:		
8704.32 99		---- Other	10	1
8704.90		- Other:		
8704.90 90		--- Other	10	1

## “Annex B”

### 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	200	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.