

EXPLANATORY NOTE

Insurance premiums among most of the member countries of the ASEAN are exempt from taxes. The reason for this is that insurance premiums constitute an important segment of national savings which fund investments in productive economic undertakings. Imposing a tax would be a disincentive to savings mobilization through insurance premiums.

In particular, life insurance policies are exempt from documentary stamp tax in Thailand and Brunei. Singapore imposes a documentary stamp tax of only \$1 per policy regardless of the sum insured, Malaysia of only RM10 per policy and Indonesia of only RP1000 per policy.

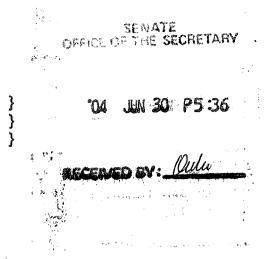
This bill proposes to delete premium and documentary stamp taxes on life insurance policies and annuities. It is clear that the revenues foregone on these items are more than offset by subsequent tax revenues that would be generated in relation to incremental economic undertakings launched by the expansion of national savings.

In view of the foregoing, the immediate approval of this bill is earnestly requested.

SERGIO OSMEÑA III Senator

THIRTEENTH CONGRESS OF THE REPUBLIC OF THE PHILIPPINES

First Regular Session



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SENATE

S. No. <u>444</u>

Introduced by Senator S. R. Osmeña III

AN ACT

ABOLISHING THE PREMIUM TAX AND DOCUMENTARY STAMP TAX ON LIFE INSURANCE POLICIES AND ANNUITIES, REPEALING FOR THE PURPOSE SECTIONS 121 AND 183, AND AMENDING SECTION 186, OF THE NATIONAL INTERNAL REVENUE CODE, AS AMENDED.

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

1 SECTION 1. Sections 121 on tax on insurance premium, and 183 on 2 stamp tax on life insurance policies of the National Internal Revenue Code, as 3 amended, are hereby repealed.

4 SEC. 2. Section 186 of the same Code is hereby amended to read as

5 follows:

"SEC. 186. Stamp tax on [policies of annuities and] pre-need 6 plans. - [On all policies of annuities, or other instruments by whatever 7 8 name the same may be called whereby an annuity may be made, transferred, or redeemed, there shall be collected a documentary stamp 9 tax of one peso and fifty centavos (P1.50) on each two hundred pesos or 10 fractional part thereof of the capital of the annuity, or should this be 11 unknown, then on each two hundred pesos, or fractional part thereof, of 12 thirty-three and one-third times the annual income.] On pre-need plans, 13 the documentary stamp tax shall be Fifty centavos (P0.50) on each Five 14

1 hundred pesos (P500.00), or fractional part thereof, of the value or amount

2 of the plan."

3 SEC. 3. This Act shall take effect after fifteen (15) days following its
4 publication in at least two (2) national newspapers of general circulation.

Approved,