

SEVENTEENTH CONGRESS OF THE REPUBLIC )  
OF THE PHILIPPINES )  
First Regular Session )



16 JUL 20 P 4:04

SENATE  
S.B. No. 689

RECEIVED BY: *[Signature]*

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Introduced by: Senator Paolo Benigno "Bam" A. Aquino IV

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**AN ACT RATIONALIZING THE TAXES IMPOSED ON NON-LIFE INSURANCE POLICIES,  
AMENDING FOR THIS PURPOSE SECTIONS 108,123,184, AND 185 OF THE NATIONAL  
INTERNAL REVENUE CODE OF 1997, AS AMENDED**

**EXPLANATORY NOTE**

Water-logged vehicles, homes swallowed by the earth, valuables blown over and washed away - these are scenes from the various calamities experienced by Filipinos over the past years.

From Ondoy in Metro Manila to the 7.2 magnitude earthquake in Bohol and super-typhoon Yolanda in Leyte, what Filipino families had spent decades working for was taken away and families without the protection of insurance had no recourse but to begin again from scratch.

Non-life insurance policies in the Philippines bear a value-added tax (VAT) of 12% amongst an array of other taxes, such as documentary stamps, fire service and local government taxes bringing the total tax burden to 27.2% per policy. In comparison, life insurance policies carry only 2% VAT after enjoying a 5% reduction thanks to RA 10001.

The prohibitively high taxation rates on non-life insurance have caused Filipino consumers and businesses alike to shy away from this key necessity, placing their hard-earned investments at risk in our disaster-prone nation.

In order to empower our citizens and local businesses to protect hard earned assets and encourage more Filipinos to think long-term, we must pursue the reduction of taxes for non-life insurance policies in the country.

What's more, as the Philippines enters the ASEAN Integrated Economic Zone, we have a responsibility to strengthen local industries, including our insurance sector who will be contending with foreign competitors who offer non-life insurance policies at 0.4-7% VAT.

This measure will not only safeguard the valued possessions of our hardworking countrymen; it won't just shield businesses from the risk of failure after catastrophes


beyond their control, but will also create a thriving non-life insurance sector in the Philippines as it competes on a larger stage in the ASEAN.

In view of the foregoing, the passage of this measure is earnestly sought.

  
Senator Paolo Benigno "Bam" A. Aquino IV

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AMENDING FOR THIS PURPOSE SECTIONS 108, 123, 184 AND 185 OF THE  
NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED

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

1       **SECTION 1.** Section 108 of the National Internal Revenue Code of 1997, as  
2 amended, is hereby further amended to read as follows:

3       "SEC. 108. *Value-added Tax on Sale of Services and Use or Lease of Properties.-*

4       (A) *Rate and Base of Tax. - xxx*

5           The phrase "sale or exchange of services" means the performance of all  
6 kinds of services in the Philippines for others for a fee, remuneration or  
7 consideration, including those performed or rendered by construction  
8 and service contractors, stock, real estate, commercial, customs and  
9 immigration brokers, lessors of property, whether personal or real;  
10 warehousing services, lessors or distributors of cinematographic films;  
11 persons engaged in milling processing, manufacturing or repacking goods  
12 for others, operators or keepers of hotels, motels, resthouses, pension  
13 houses, inns, resorts, proprietors or operators of restaurants,  
14 refreshment parlors, cafes and other eating places, including clubs and  
15 caterers, dealers in securities, lending investors, transportation  
16 contractors on their transport of goods or cargoes, including persons who  
17 transport goods or cargoes for hire and other domestic common carriers  
18 by land relative to their transport of goods or cargoes, common carriers  
19 by air and sea relative to their transport of passenger, good or cargoes  
20 from one place in the Philippines to another place in the Philippines; sales  
21 of electricity by generation companies, transmission, and distribution  
22 companies, services of franchise grantees of electric utilities, telephone  
23 and telegraph, radio and television broadcasting and all other franchise  
24 grantees except those under Section 119 of this Code; services of banks,

1 non-bank financial intermediaries and finance companies; [and non-life  
2 insurance companies (except their crop insurances), including surety,  
3 fidelity, indemnity and bonding companies;] and similar services  
4 regardless of whether or not the performance thereof calls for the  
5 exercise or use of the physical or mental faculties. xxx.”

6 **SEC. 2.** Section 123 of the National Internal Revenue Code of 1997, as  
7 amended, is hereby further amended to read as follows:

8 “SEC. 123. *Tax on [Life] Insurance Premiums.* – There shall be collected from  
9 every person, company or corporation (except purely cooperative companies  
10 or **MUTUAL BENEFIT ASSOCIATIONS AND OTHER** associations) doing [life]  
11 insurance business of any sort in the Philippines a tax of two percent (2%) of  
12 the total premium collected, whether such premiums are paid in money,  
13 notes, credits or any substitute for money; but premiums refunded within six  
14 (6) months after payment on account of rejection of risk or returned for other  
15 reason to a person insured shall not be included in the taxable receipts; nor  
16 shall any tax be paid upon reinsurance by a company that has already paid the  
17 tax; nor upon premiums collected or received by any branch of a domestic  
18 corporation, firm or association doing business outside the Philippines on  
19 account of any [life] insurance of the insured who is a nonresident, if any tax  
20 on such premium is imposed by the foreign country where the branch is  
21 established nor upon premiums collected or received on account of any  
22 reinsurance, if the **RISK INSURED AGAINST COVERS PROPERTY LOCATED**  
23 **OUTSIDE THE PHILIPPINES OR THE** insured, in case of personal insurance,  
24 resides outside the Philippines, if any tax on such premiums is imposed by the  
25 foreign country where the original insurance has been issued or perfected; nor  
26 upon that portion of the premiums collected or received by the insurance  
27 companies on variable contracts, in excess of the amounts necessary to insure  
28 the lives of the variable contract workers.

29 xxx.”

30 **SEC. 3.** Section 184 of the National Internal Revenue Code of 1997, as  
31 amended, is hereby further amended to read as follows:

32 “SEC. 184. *Stamp Tax on Policies of Insurance Upon Entry.* – On all policies of  
33 insurance or other instrument by whatever name the same may be called, by  
34 which insurance shall be made or renewed upon property of any description,  
35 including rents or profits, against peril by sea or inland waters, or by fire or  
36 lightning there shall be collected a documentary stamp tax [of Fifty centavos  
37 (P0.50) on each Four pesos (P4.00), or of fractional part thereof, of the amount  
38 premium charged:] **AT THE FOLLOWING RATES:**

39 **IF THE AMOUNT OF INSURANCE**

40 **DOES NOT EXCEED PHP100,000.00**

- **EXEMPT**

41 **IF THE AMOUNT OF INSURANCE**

1	<b>EXCEEDS PHP100,000.00 BUT DOES NOT</b>		
2	<b>EXCEED PHP300,000.00</b>	-	<b>PHP10.00</b>
3	<b>IF THE AMOUNT OF INSURANCE</b>		
4	<b>EXCEEDS PHP300,000.00 BUT DOES</b>		
5	<b>NOT EXCEED PHP500,000.00</b>	-	<b>PHP25.00</b>
6			
7	<b>IF THE AMOUNT OF INSURANCE</b>		
8	<b>EXCEEDS PHP500,000.00 BUT DOES</b>		
9	<b>NOT EXCEED PHP750,000.00</b>	-	<b>PHP50.00</b>
10	<b>IF THE AMOUNT OF INSURANCE</b>		
11	<b>EXCEEDS PHP750,000.00 BUT DOES</b>		
12	<b>NOT EXCEED PHP1,000,000.00</b>	-	<b>PHP75.00</b>
13	<b>IF THE AMOUNT OF INSURANCE</b>		
14	<b>EXCEEDS PHP1,000,000.00</b>	-	<b>PHP100.00</b>

15       *Provided, however, That no documentary stamp tax shall be collected on*  
16       *reinsurance contracts or on any instrument by which cession or acceptance of*  
17       *insurance risks under any reinsurance agreement is effected or recorded."*

18       **SEC. 4.** Section 185 of the National Internal Revenue Code of 1997, as  
19       amended, is hereby further amended to read as follows:

20       "SEC. 185. *Stamp Tax on Fidelity Bonds and Other Insurance Policies.* – On all  
21       policies of insurance or bonds or obligations of the nature of indemnity for loss,  
22       damage or liability made or renewed by any person, association, company or  
23       corporation transacting the business of accident, fidelity, employer's liability, plate,  
24       glass, steam boiler, burglar, elevator, automatic sprinkler, or other branch of  
25       insurance (except life, marine, inland and fire insurance), and all bonds,  
26       undertakings, or recognizances, conditioned for the performance of the duties of any  
27       office or position, for the doing or not doing of anything therein specified, and on all  
28       obligations guaranteeing the validity or legality of any bond or other obligations  
29       issued by any province, city, municipality or other public body or organization, and  
30       on all obligations guaranteeing the title to any real estate or guaranteeing any  
31       mercantile credits which may be made or renewed by any such person, company or  
32       corporation, there shall be collected a documentary stamp tax [of Fifty centavos  
33       (P0.50) on each Four pesos (P4.00), or fractional part thereof, of the premium  
34       charged.] **AT THE FOLLOWING RATES:**

35	<b>IF THE AMOUNT OF INSURANCE</b>		
36	<b>DOES NOT EXCEED PHP100,000.00</b>	-	<b>EXEMPT</b>
37	<b>IF THE AMOUNT OF INSURANCE</b>		
38	<b>EXCEEDS PHP100,000.00 BUT DOES NOT</b>		
39	<b>EXCEED PHP300,000.00</b>	-	<b>PHP10.00</b>

1	<b>IF THE AMOUNT OF INSURANCE</b>		
2	<b>EXCEEDS PHP300,000.00 BUT DOES</b>		
3	<b>NOT EXCEED PHP500,000.00</b>	<b>-</b>	<b>PHP25.00</b>
4	<b>IF THE AMOUNT OF INSURANCE</b>		
5	<b>EXCEEDS PHP500,000.00 BUT DOES</b>		
6	<b>NOT EXCEED PHP750,000.00</b>	<b>-</b>	<b>PHP50.00</b>
7	<b>IF THE AMOUNT OF INSURANCE</b>		
8	<b>EXCEEDS PHP750,000.00 BUT DOES</b>		
9	<b>NOT EXCEED PHP1,000,000.00</b>	<b>-</b>	<b>PHP75.00</b>
10	<b>IF THE AMOUNT OF INSURANCE</b>		
11	<b>EXCEEDS PHP1,000,000.00</b>	<b>-</b>	<b>PHP100.00"</b>

12           **SEC. 5. *Implementing Rules and Regulations.*** – Within sixty (60) days from the  
13 effectivity of this Act, the Secretary of the Department of Finance (DoF) and the  
14 Commissioner of the Bureau of Internal Revenue (BIR) shall promulgate the  
15 necessary rules and regulations to implement the provisions of this Act.

16  
17           **SEC. 6. *Separability Clause.*** – Should any provision herein be declared  
18 unconstitutional, the same shall not affect the validity of the other provisions of this  
19 Act.

20  
21           **SEC. 7. *Repealing Clause.*** – All laws, decrees, executive orders, rules and  
22 regulations or parts thereof, which are inconsistent with this Act, are hereby  
23 repealed, amended or modified accordingly.

24           **SEC 8. *Effectivity.*** – This Act shall take effect fifteen (15) days following the  
25 completion of its publication in the Official Gazette or in two (2) newspapers of  
26 general circulation in the Philippines.

27           *Approved,*