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

RECEIVED BY: 

SENATE

S. B. No. 763

Introduced by Senator SONNY ANGARA

**AN ACT
PROVIDING FOR THE PROTECTION AGAINST PANDEMICS AND OTHER
HEALTH EMERGENCIES THROUGH THE DEVELOPMENT OF THE
HEALTHCARE AND MANUFACTURING INDUSTRIES, AND PROVIDING
FUNDS THEREFOR**

EXPLANATORY NOTE

The COVID-19 pandemic revealed many infirmities in our economy. Among these includes our lack of capacity to produce critical products such as personal protective equipment (PPEs), extraction kits, and other laboratory equipment needed to process test results which were necessary to combat and abate the spread of the coronavirus.

As the country recovers and builds back from the pandemic, it is imperative that reforms are put in place so that we never experience the shortages we faced in the early days of the community quarantines. Hence, this proposed measure seeks to institutionalize the following:

- a. During a pandemic of national or international concern as affirmed by the Department of Health, or whenever the President declares a State of Public Health Emergency, duly accredited enterprises that manufacture or import critical products, or provide critical services are entitled to receive certain fiscal incentives;
- b. Temporary suspension of export requirements during a pandemic or whenever there is a declaration of a State of Public Health Emergency to enable export-oriented enterprises to offer their products to the domestic market;

- c. Spur the stockpiling of such critical products, and formulate a National Critical Products Stockpiling Plan to improve the resilience of country's supply chains and storage capacity.
- d. Encourage attraction of the necessary investments and the development and promotion of the healthcare, medical products manufacturing, diagnostics, and even biotechnology industries.

Aligned with our "Tatak Pinoy" initiative, which is focused on helping Filipino enterprises and professionals to become more productive and globally competitive, this measure should be considered a critical component of our efforts to recover from the recessive effects of the COVID-19 pandemic. Hence, in the spirit of building back better, we urge the swift passage of this measure.



SONNY ANGARA



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

1 Section 1. *Short Title.* – This Act shall be known as the “*Pandemic Protection*
2 *Act*”.

3 SEC. 2. *Declaration of Policy.* – It is hereby the declared policy of the State to
4 protect and promote the right to health of the people and instill health consciousness
5 among them. The State recognizes pandemics and other public health emergencies
6 as threats to public health and national security, which can undermine the social,
7 economic, and political functions of the State. To this end, the State, shall protect the
8 people from pandemics and other public health emergencies, and shall:

9 (a) adopt efficient and effective measures that will prevent the overburdening
10 of the healthcare system;

11 (b) develop the healthcare and manufacturing industries and preserve and
12 generate employment during the crisis;

13 (c) ensure adequate and readily available supply of critical products and services
14 for the health workers and the public;

15 (d) protect the interest of the consumers and establish standards of conduct for
16 business and industry; and

17 (e) build strong partnership with the private sector and other stakeholders to
18 deliver these measures quickly and efficiently.

1 SEC. 3. *Coverage.* – This Act shall cover the manufacture or production of
2 critical products, including repurposing of existing manufacturers, and supply of critical
3 products and services. It shall include their entire supply chain and encompass their
4 raw materials, packaging and its raw materials. The benefits under this Act shall be in
5 addition to the incentives provided under existing laws.

6 SEC. 4. *Applicability.* – This Act shall apply and shall remain in force and effect
7 during the existence of a pandemic of national and/or international concern as
8 declared by the Secretary of Health, or during a state of public health emergency as
9 declared by the President.

10 SEC. 5. *Definition of Terms.* – For the purpose of this Act, the following
11 definitions shall apply:

- 12 i. *Accreditation* - refers to the process of officially recognizing a person or
13 entity under this Act;
- 14 ii. *Critical Products* - refer to medicines, testing kits, vaccines, personal
15 protective equipment, ventilators and such other supplies or equipment,
16 including its raw materials, required to address pandemics and other
17 public health emergencies as may be determined by the Department of
18 Health (DOH) and other relevant government agencies;
- 19 iii. *Critical Services* - refer to services required for the manufacture,
20 production and distribution of critical products. This shall also include
21 testing laboratories; waste management, including but not limited to
22 waste segregation, storage, collection, sorting, treatment and disposal
23 services; and other services as may be determined by the DOH and other
24 relevant government agencies.
- 25 iv. *Manufacturer* - refers to an enterprise duly accredited or registered
26 under Section 6 hereof, engaged in the production of critical products
27 including preparation, processing, compounding, formulating, filling,
28 packing, repacking, altering, ornamenting, finishing and labeling;
- 29 v. *Packaging* - refers to material used to wrap or protect critical products;
- 30 vi. *Producer* - refers to an enterprise that manufactures, makes, grows, or
31 produces critical products;

1 SEC. 9. *Exemption from Donor's Tax.* – Donations of imported articles
2 pertaining to the containment or mitigation of the pandemic or other public health
3 emergency shall be exempt from donor's tax: *Provided,* that the donated articles shall
4 not be intended for commercial use but shall be for free distribution to or use for the
5 foregoing purpose. Any resale of the donated articles shall be prohibited: *Provided,*
6 *further,* that the Department of Finance (DOF) and the Bureau of Internal Revenue
7 (BIR) shall issue the necessary guidelines governing donations to private entities:
8 *Provided, furthermore,* that the exemption claimed under this section shall be subject
9 to post audit by the BIR or the Bureau of Customs (BOC), as may be applicable:
10 *Provided, furthermore,* that the donations shall be subject to the rules of deductibility
11 pursuant to the provisions of the National Internal Revenue Code, as amended and
12 applicable rules and issuances of the BIR: *Provided, finally,* that the exemption under
13 this Section shall terminate upon declaration by the President that the public health
14 emergency has ceased to exist.

15 SEC. 10. *Exemption from VAT on Local Sales.* – Sale of critical products and
16 services during a pandemic or other public health emergencies shall be exempt from
17 VAT, subject to existing rules and regulations issued by the Bureau of Internal
18 Revenue (BIR).

19 The DTI-BOI and the BIR shall come up with the list of VAT-exempt critical
20 products or services, including the new and/or additional critical products covered
21 under this Act. The list of VAT-exempt critical products or services shall be posted in
22 the BIR website through a Revenue Memorandum Circular.

23 The exemption provided under this Section shall terminate upon declaration by
24 the President that the public health emergency has ceased to exist.

25 SEC. 11. *Suspension of Export Requirement.* – The export requirement imposed
26 under the laws administered by relevant IPAs may be suspended by the President of
27 the Philippines, upon recommendation of the Fiscal Incentives Review Board, to satisfy
28 national interest or in an emergency situation. During such suspension, export
29 enterprises that manufacture critical products or render critical services shall supply
30 up to eighty percent (80%) of their daily production or service to government
31 institutions, hospitals, and private establishments in the country for local or domestic
32 use.

1 The local sales of critical products and services of such export enterprises shall
2 be deemed and treated as "export sales" in compliance of their export requirement.
3 As such, the corresponding treatment, exemption on duties, taxes and fees, and other
4 incentives warranted under the existing laws governing these export enterprises shall
5 continue to apply. Further, if such export enterprises are located in special economic
6 zones with status of separate customs territory under relevant laws, such local sales
7 shall likewise be exempt under Sections 7 and 8 hereof. For this purpose, the DTI-BOI
8 or concerned IPA shall monitor the requisite compliance of said export enterprises.

9 The exemption on duties, taxes and fees under this Section shall subsist for a
10 period of three (3) years after the declaration by the World Health Organization that
11 the pandemic has ended.

12 SEC. 12. *Procurement of Critical Products by the Government.* – To ensure
13 adequate and responsive supply of critical products and supplies, the government, as
14 the procuring entity shall give preference and procure critical products manufactured,
15 produced or made in the Philippines: *Provided*, that the concerned procuring entity
16 shall make the award to the lowest domestic manufacturer-bidder notwithstanding
17 that its bid is fifteen percent (15%) in excess of the lowest foreign bid: *Provided*
18 *further*, that the winning bidder has secured from the DTI a certification that the
19 products, articles, materials, or supplies are produced, made or manufactured in the
20 Philippines: *Provided, finally*, That other qualification and documentary requirements
21 for local manufacturers and suppliers shall be prioritized and expedited by the DOH,
22 FDA and other concerned departments and agencies.

23 Private enterprises are also encouraged to source their requirements for critical
24 products from local manufacturers.

25 SEC. 13. *National Critical Products Stockpiling Plan.* – The DTI, in collaboration
26 with the DOH, the Department of Budget and Management (DBM), the National
27 Economic and Development Authority (NEDA) and appropriate representatives from
28 the private sector and academe, shall lead in the formulation of a national critical
29 products stockpiling plan to enhance the resilience of the country's supply chains for
30 goods that are essential to protecting the health and wellness of citizens during
31 pandemics and other public health emergencies.

1 With due consideration to fiscal responsibility and sustainability, the national
2 critical products stockpiling plan may outline programs for long-term strategic
3 investments from the public and private sector; expansion of warehousing, storage
4 capacity, and logistics networks for critical products; and building back-up production
5 capacity nationwide such as through the establishment of networks of fabrication labs,
6 testing labs, and distilleries, among others.

7 *Sec. 14. Stockpiling of Critical Products.* – The DTI, in coordination with the
8 DOH and the DBM, shall stockpile necessary critical products to prepare for an
9 imminent or potential pandemic or public health emergency, in accordance with the
10 National Critical Products Stockpiling Plan. The DTI shall procure the critical products
11 in accordance with Section 10 and shall distribute the stockpiled critical products to
12 DOH or other relevant government agencies as the need arises.

13 *SEC. 15. Relocation or Expansion of Manufacturing Enterprises in the*
14 *Philippines.* – Manufacturers or producers of critical products that will relocate or
15 expand operations in the Philippines are qualified to avail of the exemptions under this
16 Act provided that they meet the requirements prescribed herein.

17 *SEC. 16. Development and Promotion of Healthcare, Manufacturing and Other*
18 *Related Industries.* – The DTI-BOI and all relevant IPAs shall actively develop and
19 promote the healthcare, manufacturing and other related industries to encourage
20 investors in this area of investments.

21 *SEC. 17. Synchronized and Integrated Government Approach.* – All
22 departments, bureaus, agencies or instrumentalities of the government shall ensure
23 the implementation of this Act by the agencies concerned in a synchronized and
24 integrated manner. No government body shall adopt any policy or take any course of
25 action contrary to or inconsistent with this Act.

26 *SEC. 18. Funding.* – Funding to operationalize the provisions and mechanisms
27 shall be allocated to the DTI-BOI, according to the General Appropriations Act.

28 *SEC. 19. Implementing Rules and Regulations (IRR).* – The DTI and BOI shall
29 promulgate the rules to implement this Act.

30 *SEC. 20. Repealing Clause.* – All laws, issuances, orders, rules and regulations,
31 or parts thereof, which are contrary or inconsistent with this Act are hereby repealed,
32 amended or modified accordingly.

1 SEC. 21. *Separability Clause.* – If any provision of this Act is declared invalid or
2 unconstitutional, the other provisions not affected thereby shall remain valid and
3 subsisting.

4 SEC. 22. *Effectivity Clause.* – This Act take shall effect immediately upon its
5 publication in a newspaper of general circulation or in the Official Gazette.

Approved,