FOURTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Second Regular Session)

9 MAR 11 P3:19

SENATE
S. No. 3128

RECEIVED BY:

INTRODUCED BY HONORABLE MAR ROXAS

EXPLANATORY NOTE

The passage of Republic Act No. 9502, otherwise known as the *"Universally Accessible Cheaper and Quality Medicines Act of 2008,"* intends to bring down the cost of essential drugs and medicines in our country. However, additional measures must be undertaken by the government to accelerate and further improve the access to quality and affordable health care for our people.

Presently, majority of the players in the pharmaceutical industry in the Philippines do not produce active substances. Basic raw materials are imported from chemical producers and are manufactured locally into finished pharmaceutical products. Just like their counterparts abroad, pharmaceutical companies in the Philippines import active substances, semi-finished products and other auxiliary materials with the exception of three antibiotics – *ampicilin, amoxycillin* and *cloxacillin.* Government imposes 3% to 5% import duties on most of these raw materials and 12% VAT on the sales thereof. Medical equipment on the other hand is 100% imported and therefore, also subject to such import duties and taxes. This translates to the cost of specialized medical examination and treatments like dialysis, magnetic resonance imaging (MRI), chemotherapy and CT-Scan being priced far beyond the reach of the ordinary Filipino.

Tariffs and Value-Added Tax (VAT) on medicines and medical equipment are highly regressive and burdens the poorest and most vulnerable sectors of our society. Removing the tariffs and VAT that keep essential medicines and medical equipment out of the hands of the poorest of the poor should therefore be a priority for the government.

This bill, thus, seeks to further reduce the cost of health care in the country and to make medicines and medical equipment more affordable by exempting them from the coverage of the Value-Added Tax (VAT) and imposition of import duties. With the elimination of these duties and taxes, the costs of goods directly related to health care will be lowered and the manufacturers and distributors can then pass on the benefit to the Filipino consumer and eventually translate into a lower cost of health care for all Filipinos.

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

M A R ROXAS
Senator

FOURTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Second Regular Session)

9 MAR 11 P3:39

SENATE

S. No. **3128** RECEIVED BY

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AN ACT
LOWERING THE COST OF HEALTH CARE IN THE PHILIPPINES, EXEMPTING FOR THE PURPOSE THE SALE AND IMPORTATION OF DRUGS, MEDICINES, PHARMACEUTICAL PRODUCTS AND RELATED RAW MATERIALS, AND MEDICAL, DENTAL AND HOSPITAL EQUIPMENT AND INSTRUMENTS, FROM COVERAGE OF VALUE-ADDED TAX (VAT) AND THE IMPOSITION OF TARIFF AND DUTIES AND FOR OTHER PURPOSES.

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

SECTION 1. *Coverage.* – This Act shall apply to the sale and importation of drugs, medicines, pharmaceutical products and related raw materials and medical, dental and hospital equipment and instruments.

SEC. 2. *Exemption from Value-Added Tax (VAT)* - Section 109 of Republic Act No. 8424, otherwise known as the *National Internal Revenue Code of 1997*, as amended by Republic Act No. 9337, is hereby further amended to read as follows:

SEC. 109. Exempt Transactions — Subject to the provisions of subsection (2) hereof, the following transactions shall be exempt from value-added tax:

XXX

(W) SALE OR IMPORTATION OF DRUGS, MEDICINES, PHARMACEUTICAL PRODUCTS AND RELATED RAW

MATERIALS, AND MEDICAL, DENTAL AND HOSPITAL EQUIPMENT AND INSTRUMENTS.

SEC. 3. *Exemption from Tariff and Duties.* – The importation of drugs, medicines, pharmaceutical products and related raw materials and medical, dental and hospital equipment and instruments shall be exempted from tariff and duties; *Provided,* That the importation of said articles shall be accompanied by a certificate of eligibility or accreditation duly issued by the appropriate bureaus of the Department of Health such as the Bureau of Food and Drugs (BFAD) and the Bureau of Health Devices and Technology (BHDT).

SEC. 4. *Implementing Rules and Regulations.* – The Secretary of Finance, upon recommendation of the Commissioners of Internal Revenue and the Tariff Commission, respectively, shall within sixty (60) days from the effectivity of this Act promulgate the necessary rules and regulations for the effective implementation of the provisions of this Act.

SEC. 5. *Penal Clause.* – Any public official or employee or private individual who willfully or knowingly or otherwise, refuses or fails to implement this Act shall be punished with perpetual disqualification from public office and imprisonment of not less than six (6) years but not more than fifteen (15) years.

SEC. 6. *Separability Clause* - If any provision of this Act is declared unconstitutional or invalid, the professions not affected thereby shall continue to be in full force and effect.

SEC. 7. *Repealing Clause* - All laws, decrees orders, rules and regulations or other issuance inconsistent with the provisions of this Act are hereby repealed, amended or modified accordingly.

SEC. 8. *Effectivity Clause* - This Act shall take effect fifteen (15) days after its publication in two (2) national newspapers of general circulation.

Approved,