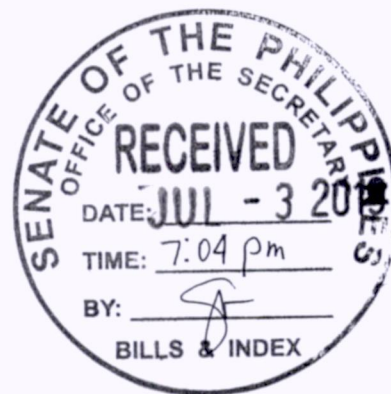


EIGHTEENTH CONGRESS OF THE
REPUBLIC OF THE PHILIPPINES
First Regular Session

SENATE
S.B. No. 218



Introduced by SENATOR IMEE R. MARCOS

**AN ACT RATIONALIZING VALUE-ADDED TAXATION TO ADDRESS INTER-
GENERATIONAL POVERTY, AMENDING FOR THE PURPOSE SECTION 109
OF THE NATIONAL INTERNAL REVENUE CODE, AS AMENDED, AND FOR
OTHER PURPOSES**

EXPLANATORY NOTE

This measure seeks to rationalize and further streamline the Value Added Tax (VAT) and simultaneously meet the critical social welfare goal of making healthcare more affordable and thus increase the productivity and quality of life of the Filipino people.

Studies show that the price of medicines and drugs in the private sector can reach almost sixteen times that on the international index, and for public sector acquired medicines and drugs prices can reach as high as eighteen times that of the international index.¹ Even the cheapest generics in the Philippines still sell at a high multiple of international reference prices.² The case is even worse for originator drugs. Thus, affordability of drugs remains a serious problem.³ Indeed, medicine and drug importers have decried the imposition of the VAT as another barrier to the sale of their products.⁴

¹ <http://haiweb.org/wp-content/uploads/2015/07/Philippines-Report-2005-Price-Components-Pricing-Surveys.pdf>

² <https://opinion.inquirer.net/33107/medicines-still-beyond-reach-of-many>

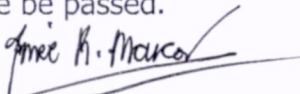
³ *Ibid.*

⁴ <https://www.bworldonline.com/medicine-importers-seeking-relief-after-exclusion-from-vat/>

Households spend a significant percentage of medical care on drugs and poorer households tend to spend a larger share of their medical care costs on drugs than richer households do.⁵ During the year, the poorest households spend on average more than half (59 percent) of their medical care costs on drugs, in contrast, richer households only spend 41 percent.⁶ Ultimately, the poor bear a heavier burden due to drug costs.

Section 11 of the 1987 Constitution mandates the State to "make essential goods, health and other social services available to all the people at affordable cost." In furtherance of this, both importation of medicines and the sale of medicines and drugs shall be exempted from the Value Added Tax. This will help to lower the cost of medicines and make them more affordable for every Filipino. This ultimately raises the quality of life for all Filipinos, and helps to sustain a healthy and productive work force.

In view of the foregoing, it is imperative that this measure be passed.

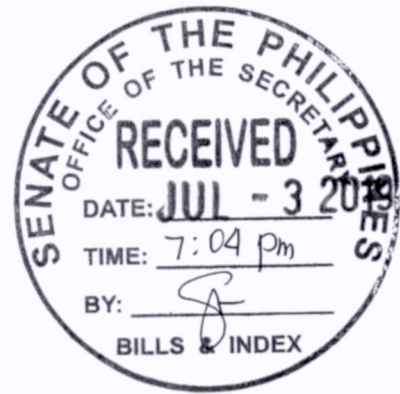

IMEE R. MARCOS

⁵ Note 2.

⁶ Note 2.

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AN ACT
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OTHER PURPOSES

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

1 Section. 1. *Declaration of Policy.* -- It is hereby declared the policy of the
2 State:

- 3 1. To promote the health of the citizenry, particularly the poor, by making health
4 care and medicines available at a more affordable cost;
5
6 2. To exempt all sales of medicines and drugs from Value Added Tax (VAT)
7 Coverage, including importation of the same, thus making medicine more
8 affordable in both the private and public sector; and
9
10 3. To ensure that the poor have access to cheaper medicines and drugs in both
11 the private and public sector.

12
13 Sec. 2. Section 109 of the National Internal Revenue Code (NIRC) of 1997, as
14 amended, is hereby further amended to read as follows:

1 "SEC. 109. Exempt Transactions. – (1) Subject to the provisions of
2 Subsections (2) hereof, the following transactions shall be exempt from the value-
3 added tax:

4 "(A)" x x x

5 "(B)" x x x

6 "(C)" x x x

7 "(D)" x x x

8 "(E)" x x x

9 "(F)" x x x

10 "(G)" x x x

11 "(H)" x x x

12 "(I)" x x x

13 "(J)" x x x

14 "(K)" x x x

15 "(L)" x x x

16 "(M)" x x x

17 "(N)" x x x

18 "(O)" x x x

19 "(P)" x x x

20 "(Q)" x x x

21 "(R)" x x x

22 "(S)" x x x

23 "(T)" x x x

24 "(U)" x x x

25 "(V)" x x x

26 "(W)" x x x

27 "(X)" x x x

28 "(Y)" x x x

29 "(Z)" x x x

30 "(AA)" sale **OR IMPORTATION** of drugs and medicines [~~prescribed for~~
31 ~~diabetes, high cholesterol, and hypertension beginning January 1, 2019~~]; [and]

“(BB)” x x x

Sec. 3. *Separability Clause.* -- If any part or provision of this Act is held unconstitutional or invalid, the remaining parts or provisions not affected shall remain in full force and effect.

Sec. 4. *Repealing Clause.* -- Any law, presidential decree or issuance, executive order, letter of instruction, administrative order, rule or regulation contrary to or inconsistent with the provisions of this Act is hereby repealed, modified, or amended accordingly.

Sec. 5. *Effectivity Clause.* -- This Act shall take effect on January 1, 2020 following its complete publication in the Official Gazette or in at least one (1) newspaper of general circulation.

Approved,