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SENATE
S. No. 508

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Introduced by Senator **PIA S. CAYETANO**

AN ACT
EXEMPTING THE IMPORTATION OF MEDICAL DEVICES AND EQUIPMENT
FROM CUSTOMS DUTY AND VALUE-ADDED TAX


EXPLANATORY NOTE

The Philippine medical equipment market remains highly dependent on imports with majority of the medical equipment used in the country being imported.¹ Imported medical equipment are subject to three (3) per cent customs duty in addition to 12 per cent value added tax.² All these add to the already exorbitant cost of medical diagnosis and care in the country.

This bill thus seeks to address this concern by exempting the importation of medical devices and equipment intended for medical research, diagnoses or treatment from the payment of customs duties and taxes. The Department of Health is tasked to come up with a list of these devices and equipment to ensure that this will only include those that are necessary and will make a difference in the cost of medical treatment in the Philippines.

This will not only make medical care accessible and affordable, but will also facilitate development and innovation in medical research, aid in medical diagnoses, and provide accurate and effective medical treatment.

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


PIA S. CAYETANO

¹ US Department of Commerce-International Trade Administration. (n.d.). Healthcare Resource Guide: Philippines. Retrieved from

https://2016.export.gov/industry/health/healthcareresourceguide/eg_main_108611.asp.

² *Ibid.*

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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 “Tax-Free Importation of
2 Medical Devices and Equipment Act”.

3 Sec. 2. *Declaration of Policy.* – It is declared the policy of the State to protect and
4 promote the health of the Filipino people and to, consequently, endeavour to make
5 healthcare services available to its citizens at a more affordable cost.

6 Towards this end, the State shall adopt fiscal measures to encourage the entry of
7 devices and equipment in the country to facilitate development and innovation in
8 medical research, aid in medical diagnoses and provide accurate and effective medical
9 treatment.

10 Sec. 3. *Relief from Customs Duty and Value-Added Tax on the Importation of*
11 *Medical Devices and Equipment.*³ – The importation of the following are hereby exempt
12 from paying customs duty and value-added tax:

13 (1) Any medical device or equipment intended for medical research, establishing
14 medical diagnoses, or intended for medical treatment that is donated to the Department
15 of Health (DOH), government and private hospitals, or any other medical institutions;

16 (2) Any medical device or equipment intended for medical research, establishing
17 medical diagnoses, or intended for medical treatment purchased with public funds;⁴

³ Irish Tax and Customs CDPN 16 <http://www.revenue.ie/en/customs/leaflets/relief-for-importation-medical-equipment.html>

⁴ Notes:

1. VAT-exemption for medicines in TRAIN law reads as: “Sec. 109. *Exempt Transactions.* – (1) Subject to the provisions of Subsection (2) hereof, the following transactions shall be exempt from the value-

1 (3) Any medical device or equipment intended for medical research, establishing
2 medical diagnoses, or intended for the medical treatment of its patients purchased by
3 private hospitals or medical institutions; and

4 (4) Any of its spare parts, components, and accessories, including spare parts
5 and tools, especially designed for the maintenance, inspection, calibration, or repair of
6 the medical device or equipment.

7 Sec. 4. *List of Devices and Equipment.* – The DOH shall provide a list of devices
8 and equipment that shall be tax-exempt under this Act: *Provided,* That medical devices
9 and equipment that are not included in the list may be submitted to DOH for evaluation
10 and possible inclusion.

11 Sec. 5. *Prior Approval from the Food and Drug Administration.* – Pursuant to
12 Republic Act No. 9711, otherwise known as the “Food and Drug Administration Act of
13 2009”, the consignee shall obtain an import permit or clearance from the Food and Drug
14 Administration (FDA) for the imported medical device or equipment before relief from
15 customs duty and value-added tax can be availed.

16 Sec. 6. *Separability Clause.* – If for any reason, a provision or part hereof is
17 declared invalid, other provisions not affected thereby shall remain in full force and
18 effect.

19 Sec. 7. *Repealing Clause.* – Any law, presidential decree or issuance, executive
20 order, letter of instruction, administrative order, rule or regulation contrary to or is
21 inconsistent with the provisions of this Act is hereby repealed, modified or amended
22 accordingly.

23 Sec. 8. *Effectivity.* – This Act shall take effect fifteen (15) days after its
24 publication in the Official Gazette or in a newspaper of general circulation.

Approved,

added tax: xxx (AA) Sale of drugs and medicines prescribed for diabetes, high cholesterol, and hypertension beginning January 1, 2019.”

2. VAT-exemption for Senior Citizens read as: “SEC. 4. Privileges for the Senior Citizens. – The senior citizens shall be entitled to the following: “(a) the grant of twenty percent (20%) discount and exemption from the value -added tax (VAT), if applicable, on the sale of the following goods and services from all establishments, for the exclusive use and enjoyment or availment of the senior citizen”