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SENATE
S.B. No. 1171

RECEIVED BY: _____

Introduced by **SENATOR IMEE R. MARCOS**

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

EXPLANATORY NOTE

Article II, Section 15 of the Constitution states that the State shall protect and promote the right to health of the people and instill health consciousness among them. However, the World Health Organization refers to the Filipino Healthcare System as "fragmented." There is a history of unfair and unequal access to health services that significantly affect the poor.

There are approximately one thousand seventy (1,071) licensed private hospitals, and only seven hundred twenty-one (721) public hospitals. Among the public hospitals, seventy (70) are being operated by the Department of Health (DOH). There have been earnest efforts to improve health service delivery in the country, however, regional and socioeconomic disparities are prominent in the availability and accessibility of resources.

According to the International Trade Administration (ITA), almost 100% of the medical equipment and devices in the Philippines are imported, while local production of medical equipment is limited to prototype units, spare parts, and disposables.

Government hospitals rely on budget allocation and donations. Based on the 2019 General Appropriations Act, the fund allocation for medical equipment amounted to 6,703,674,000.00, while in the proposed 2020 General Appropriations Bill, only 5,864,710,000.00 is allotted. Given the rising population of the Philippines, the proposed allocated budget for the year 2020 would not be enough to provide quality healthcare for the Filipino communities. Thus, donations from foreign governments, institutions and individuals are badly needed.

Although donations, in favor of government institutions, are exempt from donors' taxes, such donations are, however, subject to customs duties and value added-taxes (VAT). This discourages prospective donors from donating to public hospitals. This measure proposes to exempt the importation of medical devices and equipment from customs duties and value added taxes which are donated and

imported by foreign government, entities, and citizens. Such exemption will facilitate the development and innovation in medical research, medical diagnoses, and most especially, provide a more efficient and accessible medical treatment to Filipinos.

Given the abovementioned circumstances, the immediate passage of this measure is earnestly sought.


IMEE R. MARCOS
Senator

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

1 Section 1. *Short Title.* – This Act shall be known as the “*Tax-Free Importation*
2 *of Medical Supplies and Equipment Act of 2019.*”

3 Section 2. *Relief from Customs Duty and Value Added tax on the Importation*
4 *of Donated Medical Supplies and Equipment.* – The importation of the following are
5 hereby exempt from the payment of customs duty and value-added tax:

- 6 (1) Any medical supply or equipment intended for medical research and medical
7 treatment which will be donated to the Department of Health (DOH),
8 government hospitals, or any other medical research institution;
- 9 (2) Any of its spare parts, components, and accessories, including spare parts and
10 tools, especially designed for the maintenance, inspection, calibration, or repair
11 of the medical supply or equipment; and
- 12 (3) Any donation in relation to medicine, medical supplies or equipment from any
13 person, government institution, corporation, international organization, or
14 other similar entities to medical missions or disaster relief operations organized
15 by the government or non-government organizations, accredited by the DOH.

1 Section 3. *List of Supplies and Equipment.* – The DOH shall provide a list of
2 supplies and equipment that shall be tax-exempt under this Act. *Provided that,* medical
3 supplies and equipment that are not included in the list may be submitted to DOH for
4 evaluation and possible inclusion.

5 Section 4. *Prior Approval from the Food and Drug Administration.* – Pursuant
6 to Republic Act No. 9711, otherwise known as the "*Food and Drug Administration Act*
7 *of 2009,*" the consignee shall obtain an import permit or clearance from the Food and
8 Drug Administration (FDA) for the imported medical supply or equipment before the
9 customs duty and value-added tax exemption may be availed.

10 Section 5. *Separability Clause.* – If for any reason, a provision or part hereof is
11 declared invalid, other provisions not affected thereby shall remain in full force and
12 effect.

13 Section 6. *Repealing Clause.* – Any law, presidential decree or issuance,
14 executive order, letter of instruction, administrative order, rule or regulation contrary
15 to or is inconsistent with the provisions of this Act is hereby repealed, modified or
16 amended accordingly.

17 Section 7. *Effectivity.* – This Act shall take effect fifteen (15) days after its
18 publication in the Official Gazette or in a newspaper of general circulation.

19 Approved,