

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



23 MAY -4 P 6 :32

SENATE  
S. No. 2131

RECEIVED BY: \_\_\_\_\_

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Introduced by Senator Loren B. Legarda

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AN ACT  
EXEMPTING MICROINSURANCE POLICIES FROM VALUE-ADDED TAX,  
TAX ON LIFE INSURANCE PREMIUMS AND DOCUMENTARY STAMP TAX,  
AMENDING FOR THIS PURPOSE SECTIONS 108, 109, 123, 183, 184, 185, 186,  
AND 187 OF THE NATIONAL INTERNAL REVENUE CODE OF 1997,  
AS AMENDED

EXPLANATORY NOTE

Section 187 of Republic Act No. 10607 defines microinsurance as a financial product or service that meets the risk protection needs of the poor where:

- (a) The amount of contributions, premiums, fees or charges, computed on a daily basis, does not exceed seven and a half percent (7.5%) of the current daily minimum wage rate for nonagricultural workers in Metro Manila; and
- (b) The maximum sum of guaranteed benefits is not more than one thousand (1,000) times of the current daily minimum wage rate for nonagricultural workers in Metro Manila.

As stated by the Insurance Commission, microinsurance was established to cater to the low-income sector. This serves as a relief against covered distress, misfortune or contingent events that may affect an individual, such as: (i) death; (ii) accident and illness; (iii) fire and other extended perils; (iv) calamities/disasters/catastrophic events; (v) casualty; and (vi) other contingent events. Further, with microinsurance, individuals who are earning below the minimum wage are given an opportunity to be insured and be protected against the above-mentioned risks.

Under the Philippine Development Plan (2023-2028), one of the strategies in promoting an inclusive, innovative, and healthy financial sector is to encourage efficiency and innovation in the microinsurance industry. For the third quarter of 2022, the Insurance Commission reported an increase of 38.86% in the number of lives insured by microinsurance compared with that of the same period in year 2021. Specifically, the total number of lives insured for the third quarter of 2022 is at 54.99 million with a total insurance premium contribution of Php8.5 billion.

To further support the microinsurance industry, this bill seeks to exempt microinsurance from the coverage of the value-added tax, tax on life insurance premiums, and documentary stamp tax. Exempting microinsurance from taxes will directly benefit Filipinos as this will bring down the cost of microinsurance making the industry more attractive and more accessible to Filipinos.

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




LOREN LEGARDA

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

1 Section 1. Section 108 of the National Internal Revenue Code of 1997 (NIRC), as  
2 amended, is hereby further amended to read as follows:

3 "Sec. 108. *Value-added Tax on Sale of Services and Use or Lease of Properties.* -

4 "(A) *Rate and Base of Tax.* - There shall be levied, assessed and collected, a value-  
5 added tax equivalent to twelve percent (12%) of gross receipts derived from the  
6 sale or exchange of services, including the use or lease of properties.

7 "The phrase 'sale or exchange of services' means the performance of all  
8 kinds of services in the Philippines for others for a fee, remuneration or  
9 consideration, including those performed or rendered by construction and  
10 service contractors; stock, real estate, commercial, customs and immigration  
11 brokers; lessors of property, whether personal or real; warehousing services;  
12 lessors or distributors of cinematographic films; persons engaged in milling,  
13 processing, manufacturing or repacking goods for others; proprietors,  
14 operators or keepers of hotels, motels, resthouses, pension houses, inns, resorts;  
15 proprietors or operators of restaurants, refreshment parlors, cafes and other

1 eating places, including clubs and caterers; dealers in securities; lending  
2 investors; transportation contractors on their transport of goods or cargoes,  
3 including persons who transport goods or cargoes for hire and other domestic  
4 common carriers by land relative to their transport of goods or cargoes;  
5 common carriers by air and sea relative to their transport of passengers, goods  
6 or cargoes from one place in the Philippines to another place in the Philippines;  
7 sales of electricity by generation companies, transmission by any entity, and  
8 distribution companies, including electric cooperatives; services of franchise  
9 grantees of electric utilities, telephone and telegraph, radio and television  
10 broadcasting and all other franchise grantees except those under Section 119 of  
11 this Code and non-life insurance companies (except their crop insurances AND  
12 MICROINSURANCES) including surety, fidelity, indemnity and bonding  
13 companies; and similar services regardless of whether or not the performance  
14 thereof calls for the exercise or use of the physical or mental faculties. The  
15 phrase 'sale or exchange of services' shall likewise include:

16 "x x x."

17 Sec. 2. Section 109 of the NIRC, as amended, is hereby further amended to read  
18 as follows:

19 "Sec. 109. *Exempt Transactions.* - (1) Subject to the provisions of  
20 Subsection (2) hereof, the following transactions shall be exempt from the  
21 value-added tax:

22 "(A) x x x

23 "xxx;

24 "(AA) Sale of drugs and medicines prescribed for diabetes and  
25 medicines for: xxx

26 "(BB) Sale or importation of the following beginning January 1, 2021 to  
27 December 31, 202: xxx

28 "(CC) Sale or lease of goods or properties or the performance of services  
29 other than the transactions mentioned in the preceding paragraphs, the gross  
30 annual sales and/or receipts do not exceed the amount of Three million pesos  
31 (₱3,000,000)[.] AND

1           “(DD) SALE OF MICROINSURANCE PRODUCTS OR SERVICES  
2 BY AN INSTITUTION, ORGANIZATION, COMPANY AND/OR  
3 ASSOCIATION DULY CERTIFIED BY THE INSURANCE  
4 COMMISSION.”

5           Sec. 3. Section 123 of the NIRC, as amended, is hereby further amended to read  
6 as follows:

7           “Section 123. *Tax on Life Insurance Premiums.* - There shall be collected  
8 from every person, company or corporation (except purely cooperative  
9 companies or associations) doing life insurance business of any sort in the  
10 Philippines a tax of two percent (2%) of the total premium collected (**EXCEPT**  
11 **PREMIUMS ON MICROINSURANCE**), whether such premiums are paid in  
12 money, notes, credits or any substitute for money; but premiums refunded  
13 within six (6) months after payment on account of rejection of risk or returned  
14 for other reason to a person insured shall not be included in the taxable receipts;  
15 nor shall any tax be paid upon reinsurance by a company that has already paid  
16 the tax; nor upon premiums collected or received by any branch of a domestic  
17 corporation, firm or association doing business outside the Philippines on  
18 account of any life insurance of the insured who is a nonresident, if any tax on  
19 such premium is imposed by the foreign country where the branch is  
20 established nor upon premiums collected or received on account of any  
21 reinsurance, if the insured, in case of personal insurance, resides outside the  
22 Philippines, if any tax on such premiums is imposed by the foreign country  
23 where the original insurance has been issued or perfected; nor upon that  
24 portion of the premiums collected or received by the insurance companies on  
25 variable contracts, in excess of the amounts necessary. to insure the lives of the  
26 variable contract owners.

27           “Cooperative companies or associations are such as are conducted by  
28 the members thereof with the money collected from among themselves and  
29 solely for their own protection and not for profit.”

30           Sec. 4. Section 183 of the NIRC, as amended, is hereby further amended to read  
31 as follows:



1           “SEC. 183. *Stamp Tax on Life Insurance Policies.* - On all policies of  
 2 insurance or other instruments by whatever name the same may be called,  
 3 whereby any insurance shall be made or renewed upon any life or lives,  
 4 **EXCEPT ON MICROINSURANCE**, there shall be collected a one-time  
 5 documentary stamp tax at the following rates:

If the amount of insurance does not exceed P100,000	Exempt
If the amount of insurance exceeds P100,000 but does not exceed P300,000	P20.00
If the amount of insurance exceeds P300,000 but does not exceed P500,000	P50.00
If the amount of insurance exceeds P500,000 but does not exceed P750,000	P100.00
If the amount of insurance exceeds P750,000 but does not exceed P1,000,000	P150.00
If the amount of insurance exceeds P1,000,000	P200.00

6  
 7           Sec. 5. Section 184 of the NIRC, as amended, is hereby further amended to read  
 8 as follows:

9           “SEC. 184. *Stamp Tax on Policies of Insurance Upon Property.* - On all  
 10 policies of insurance or other instruments by whatever name the same may be  
 11 called, by which insurance shall be made or renewed upon property of any  
 12 description, including rents or profits, against peril by sea or on inland waters,  
 13 or by fire or lightning, **EXCEPT ON MICROINSURANCE**, there shall be  
 14 collected a documentary stamp tax of Fifty centavos (P0.50) on each Four pesos  
 15 (P4.00), or fractional part thereof, of the amount of premium charged: *Provided,*  
 16 *however,* That no documentary stamp tax shall be collected on reinsurance  
 17 contracts or on any instrument by which cession or acceptance of insurance  
 18 risks under any reinsurance agreement is effected or recorded.”

19  
 20           Sec. 6. Section 185 of the NIRC, as amended, is hereby further amended to read  
 21 as follows:

1           “SEC. 185. *Stamp Tax on Fidelity Bonds and Other Insurance Policies.* - On  
2 all policies of insurance or bonds or obligations of the nature of indemnity for  
3 loss, damage or liability made or renewed by any person, association, company  
4 or corporation transacting the business of accident, fidelity, employer’s  
5 liability, plate, glass, steam, boiler, burglar, elevator, automatic sprinkler, or  
6 other branch of insurance (except life, marine, inland, [~~and~~] fire insurance,  
7 AND MICROINSURANCE), and all bonds, undertakings, or recognizances,  
8 conditioned for the performance of the duties of any office or position, for the  
9 doing or not doing of anything therein specified, and on all obligations  
10 guaranteeing the validity or legality of any bond or other obligations issued by  
11 any province, city, municipality, or other public body or organization, and on  
12 all obligations guaranteeing the title to any real estate, or guaranteeing any  
13 mercantile credits, which may be made or renewed by any such person,  
14 company or corporation, there shall be collected a documentary stamp tax of  
15 Fifty centavos (P0.50) on each Four pesos (P4.00), or fractional part thereof, of  
16 the premium charged.”

17           Sec. 7. Section 186 of the NIRC, as amended, is hereby further amended to read  
18 as follows:

19           “SEC. 186. *Stamp Tax on Policies of Annuities and Pre-Need Plans.* - On all  
20 policies of annuities, or other instruments by whatever name the same may be  
21 called, whereby an annuity may be made, transferred or redeemed, EXCEPT  
22 ON MICROINSURANCE, there shall be collected a documentary stamp tax  
23 of One peso (P1.00) on each Two hundred pesos (P200), or fractional part  
24 thereof, of the premium or installment payment on contract price collected. On  
25 pre-need plans, the documentary stamp tax shall be Forty centavos (P0.40) on  
26 each Two hundred pesos (P200), or fractional part thereof, of the premium or  
27 contribution collected.”

28           Sec. 8. Section 187 of the NIRC, as amended, is hereby further amended to read  
29 as follows:

30           “SEC. 187. *Stamp Tax on Indemnity Bonds.* - On all bonds for indemnifying  
31 any person, firm or corporation who shall become bound or engaged as surety  
32 for the payment of any sum of money or for the due execution or performance

1 of the duties of any office or position or to account for money received by virtue  
2 thereof, and on all other bonds of any description, except such as may be  
3 required in legal proceedings **AND ON MICROINSURANCE**, or are  
4 otherwise provided for herein, there shall be collected a documentary stamp  
5 tax of Thirty centavos (P0.30) on each Four pesos (P4.00), or fractional part  
6 thereof, of the premium charged.”

7 *Sec. 9. Implementing Rules and Regulations (IRR).* – Within thirty (30) days from  
8 the effectivity of this Act, the Secretary of Finance, upon recommendation of the  
9 Commissioner of Internal Revenue, shall promulgate the necessary rules and  
10 regulations for its effective implementation.

11 *Sec. 10. Separability Clause.* – If any provision of this Act is held unconstitutional  
12 or invalid, all other provisions not affected thereby shall remain valid.

13 *Sec. 11. Repealing Clause.* – All laws, decrees, executive orders, issuances, rules  
14 and regulations or parts thereof which are contrary to and inconsistent with this Act  
15 are hereby repealed, amended or modified accordingly.

16 *Sec. 12. Effectivity.* – This Act shall take effect fifteen (15) days after its complete  
17 publication in the *Official Gazette* or in a newspaper of general circulation in the  
18 Philippines.

*Approved,*