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Of Trees and Forest

Remove the V.A.T. on Medicines

MANILA, Philippines — The debate over domestic oil prices always brings up the issue of removing the Value-Added Tax (VAT) to at least partly offset the impact of increases in prices of imported crude oil.

Past and present administrations have rejected the proposal, with support from multilateral institutions, including the World Bank. One reason for this is that the VAT has been generating billions that are channeled to the government's pro-poor programs like the Conditional Cash Transfer (CCT) program and the fuel subsidy for public transport drivers.

The higher prices resulting from the VAT are also considered a persuasive factor toward reducing oil consumption, just as excise taxes do on tobacco and alcohol consumption. On the other hand, labor and consumer groups argue that removing or suspending the VAT on oil products will reduce the burden on the poor resulting from higher prices of food and other commodities, as well as transport fares (which were raised recently).

Both sides, indeed, have valid points. Unfortunately, I doubt if the government will give in, considering the role of VAT in its pro-poor programs.

There's one area, however, where I feel removing the VAT will benefit almost all Filipinos: medicines.

In my view, medicines should have been exempted from the VAT from the start, particularly in this age of rising health costs and fast transmission of diseases because of modern transportation.

Medicines and drugs account for 46 percent of the total medical out-of-pocket expenses of households, according to a report of the Family and Expenditures Survey of the National Statistics Office. In fact, the average person spend, P1,136.00 on medical care totaling to 3.2 percent of the total expenditures per person.

The expenditure on medicines and drugs is much higher, about 50% more or less, for low-income groups. Imagine, the country's poverty incidence is estimated at 40%, hence, a substantial portion of the population is lacking in medical care for they cannot afford to buy medicines and drugs.

As grim as it may seem, the government has to take care of the health of the nation. Otherwise, the consequences are unimaginable. Therefore, affordability of medicines is a vital issue, and must be given utmost priority by the government.

I have filed a bill with the Senate to exempt medicines from the VAT. And because tax matters must emanate from the House of Representatives, Congressman Mark Villar has filed a similar measure. I hope both chambers will act expeditiously on this measure, for the sake of millions of Filipinos who become ill every day.

Lest we forget, the "Universally Accessible Cheaper Medicines Act of 2008," RA No. 9502, was intended to lower the prices of essential medicines and drugs in the Philippines. But, despite this law, medicines remain one of the most expensive commodities, a condition which deprives a majority of our people of medical aid and

treatment. Thus, there is a great need for additional legislation in order to make adequate and affordable healthcare accessible for all.

One reason is that most basic raw materials, active ingredients, and other auxiliary materials for the manufacture of medicines are imported by pharmaceutical companies. Upon importation, these products are already burdened with import duties and tariffs. The 12 percent VAT is imposed on their sales.

Sales of manufactured drugs are further subjected to another 12 percent VAT and sales taxes by local governments. With all these fees and taxes on medicines, their prices are beyond the capacity of the ordinary Filipino to pay.

Senate Bill No. 3163, which I filed last March 22, will exempt the sale and importation of drugs, medicines, pharmaceutical products, and related raw materials, as well as pharmaceutical equipment and instruments used in the manufacture of drugs from Republic Act 8424, the National Internal Revenue Code, as amended, from tariffs and duties.

The removal of tariffs and value-added tax on medicines will lead to significant savings for our people, especially the millions who live in poverty.

With the exclusion of VAT, lower-priced healthcare can be achieved by every Filipino.

I don't expect anyone, from the government or from the public, to oppose the passage into law of this very essential legislative measure. And I hope everybody will treat Senate Bill 3163 and its counterpart in the House of Representatives as an urgent measure.

(Please send comments/feedback to: mbv_secretariat@yahoo.com)

LINK:

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