

FIFTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Second Regular Session)

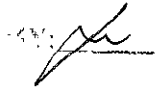
Senate
Office of the Secretary

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SENATE

S.B. NO. 3163

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INTRODUCED BY SENATOR MANNY VILLAR

EXPLANATORY NOTE

According to the recent Family Income and Expenditures Survey of the National Statistics Office, drugs and medicines account for 46 percent of the total medical out-of-pocket expenses of households. In fact, the average person spent P1,136, or around US\$22, on medical care totaling to 3.2 percent of the total expenditures per person. The expenditure on drugs and medicines is much higher, about 50% more or less, for the 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 drugs and medicines. As grim as it may be, the government has to take care of the health of the nation, otherwise, the consequence is *unimaginable*. Hence, affordability of medicines is a vital issue, and must be given utmost priority by the government.

The "Universally Accessible Cheaper Medicines Act of 2008" or RA No. 9502 intended to lower the prices of essential medicines and drugs in the Philippines. This measure was clearly crafted with the purpose of making medicines accessible for all. However, despite the law, medicines remain to be 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.

Under the current circumstances, 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 importation duties and tariffs and in addition a 12 percent Value Added Tax (VAT) is imposed on their sales. Sales of manufactured drugs are further subjected to another 12 percent Value Added Tax and sales taxes by local governments. With all these fees and taxes on medicines, their prices become unreachable to the ordinary Filipino.

The removal of Tariffs and Value Added Tax on medicines will lead to significant savings for our people especially where millions live in poverty. With the exclusion of VAT lower-priced healthcare can be achieved by every Filipino.

For the foregoing reasons, the approval of this bill is earnestly sought.



MANNY VILLAR

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1 **AN ACT EXEMPTING THE SALE AND IMPORTATION OF DRUGS, MEDICINES,**
2 **PHARMACEUTICAL PRODUCTS AND RELATED RAW MATERIALS, AND**
3 **PHARMACEUTICAL EQUIPMENT AND INSTRUMENTS USED FOR THE**
4 **MANUFACTURE THEREOF FROM THE COVERAGE OF REPUBLIC ACT NO. 8424,**
5 **OTHERWISE KNOWN AS NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED**
6 **BY REPUBLIC ACT NO. 9337 AND THE IMPOSITION OF TARIFF AND DUTIES AND FOR**
7 **OTHER PURPOSES**

8
9 *Be it enacted by the Senate and the House of Representatives of the Philippines in*
10 *Congress assembled:*

11
12 SECTION 1. This Act shall apply to the sale and importation of drugs, medicines,
13 pharmaceutical products and related raw materials and pharmaceutical equipment and
14 instruments used for the manufacture thereof.

15
16 SECTION. 2. Section 109 of Republic Act No. 8424, otherwise known as the National
17 Internal Revenue Code of 1997, as amended by Republic Act No. 9337, is hereby further
18 amended to read as follows:

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

22
23 X X X

24
25 **(W) SALE OR IMPORTATION OF DRUGS, MEDICINES,**
26 **PHARMACEUTICAL PRODUCTS AND RELATED RAW**
27 **MATERIALS, AND PHARMACEUTICAL EQUIPMENT AND**
28 **INSTRUMENTS USED FOR THE MANUFACTURE THEREOF.**

29
30 SECTION. 3. The importation of drugs, medicines, pharmaceutical products and
31 related raw materials and pharmaceutical equipment and instruments used for the
32 manufactured thereof shall be exempted from tariff and duties; Provided, That the importation
33 of said articles shall be accompanied by a certificate duties issued by the Department of
34 Finance stating that such importation is exempt from tariffs and duties; Provided further, that
35 said certificate is based on a certification by the Food and Drugs Administration that the said
36 products being brought into the country are drugs, medicines, pharmaceutical products and
37 related raw materials and pharmaceutical equipment and instruments used for the manufacture
38 thereof.

39
40 SECTION. 4. Implementing Rules and Regulations. - The Secretary of Finance, upon
41 recommendation of the Commissioners of Internal Revenue and the Tariff Commission,

42 respectively, and, in coordination with the Department of Health and the Food and Drugs
43 Administration shall promulgate within thirty days from the effectivity of this Act the
44 necessary Rules and Regulations to implement the provisions of this Act.

45
46 SECTION. 5. Separability Clause - If any provision of this Act is declared
47 unconstitutional or invalid, the provisions not affected thereby shall continue to be in full force
48 and effect.

49
50 SECTION. 6. Repealing Clause - All laws, republic acts, presidential decrees orders,
51 rules and regulations or other issuance of government agencies inconsistent with the
52 provisions of this Act are hereby repealed, amended or modified accordingly.

53
54 SECTION. 7. Effectivity Clause - This Act shall take effect fifteen days after its
55 publication in the Official Gazette or in two newspapers of general circulation.

56
57 Approved