

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

THIRTEENTH CONGRESS
First Regular Session

HB NO. 1405

Introduced by **Rep. Roseller L. Barinaga**

EXPLANATORY NOTE

This bill seeks to reduce the cost of health care in the country, making medicines and medical services more affordable by exempting them from duties and taxes. At present, with the exception of one company which processes a handful of semi-synthetic antibiotics, the pharmaceutical industry in the Philippines does not produce active substances. Basic raw materials are imported from chemical from chemical producers and are manufactured locally into finished pharmaceutical companies in the Philippines import active substances, semi-finished products and other auxiliary materials with the exception of three antibiotics - ampicillin, amoxycillin and cloxacillin. These antibiotics come under government regulation and must be purchased from Chemfields, a government-controlled company, which itself imports the basic raw materials for these substances.

Government imposes a 10% import duty and 10% VAT on these imported basic raw materials, active substances, semi-finished products and auxiliary materials which are in turn passed on by the pharmaceutical companies to the Filipino consumers. Medical equipment on the other hand is 100% imported and is therefore also subject to duties and taxes. This translates to the cost of specialized medical examinations and treatments like magnetic resonance imaging (MRI), chemotherapy and CT-Scan being price being priced far beyond the reach of the ordinary Filipino. To lower health care costs, the following shall be exempted from all duties and taxes: medicines; pharmaceutical products, medical, dental and hospital equipment; chemicals or preparations for the formulation of medicines; and raw materials to be used in the manufacture of medicines and medical and dental products, surgical equipment and other hospital needs.

With the elimination of these duties and taxes, the costs of goods directly related to health care will be lowered and the manufacturers and distributors can then pass on the benefit to the Filipino.

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

ROSELLER L. BARINAGA
Representative
2nd District, Zamboanga del Norte

Congress of the Philippines)
Thirteenth Congress)
First Regular Session)

HOUSE OF REPRESENTATIVES

HB NO. 1405

Introduced by **Rep. Roseller L. Barinaga**

AN ACT
LOWERING THE COSTS OF MEDICINES AND HEALTH CARE IN THE PHILIPPINES BY EXEMPTING THE SALE, IMPORTATION, PROCESSING, REPACKING OR MANUFACTURING OF: MEDICINES; PHARMACEUTICAL PRODUCTS; MEDICAL, DENTAL AND HOSPITAL EQUIPMENT; AND RAW MATERIALS TO BE USED IN THE MANUFACTURE THEREOF; FROM ALL DUTIES AND TAXES

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

SECTION 1. All transactions involving the importation, sale, manufacturing, repacking or processing of the following shall be exempt from all duties and taxes, whether covered by the National Internal Revenue Code or the Tariff and Customs Code, or otherwise.

(a) medicines;
(b) pharmaceutical products;
(c) medical, dental and hospital equipment;
(d) chemicals or preparations for the formulation of medicines;
(e) raw materials to be used in the manufacture of medicines, medical products;
(f) raw materials to be used in the manufacture of medical, dental and hospital equipment;
(g) processing, manufacturing or repacking of medicines, pharmaceutical products, and medical, dental and hospital equipment.

SEC. 2. For this purpose, Section 103 of Presidential Decree No. 1994, otherwise known as the "National Internal Revenue Code of 1986," as amended, is hereby amended to read as follows:

"SECTION 103. Exempt Transactions - The following shall be exempt from the valued-added tax:

"XXX;"

(x) SALE, IMPORTATION, PROCESSING, MANUFACTURING OR REPACKING OF: MEDICINES; PHARMACEUTICAL PRODUCTS; MEDICAL, DENTAL AND HOSPITAL EQUIPMENT; CHEMICALS OR PREPARATIONS FOR THE FORMULATION OF MEDICINES; RAW MATERIALS TO BE USED IN THE MANUFACTURE THEREOF."

SEC. 3. Any public official or employee or private individual who wilfully or knowingly, or otherwise, refuses or fails to implement this Act shall be punished with perpetual disqualification from public office and imprisonment of not less than six (6) years but not more that fifteen (15) years.

SEC. 4. If any provision of this Act is declared unconstitutional or void, the same shall not affect the validity and effectivity of the other provisions hereof.

SEC. 5. All laws, decrees, orders, rules and regulations and all other issuances or parts thereof, which are inconsistent with this Act are hereby repealed or modified accordingly.

SEC. 6. This Act shall take effect upon its approval.

Approved.