

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Batasan Hills, Quezon City

NINETEENTH CONGRESS
First Regular Session



HOUSE BILL No. 5528

Introduced by
ACT Teachers Party-List Rep. FRANCE L. CASTRO,
GABRIELA Women's Party Rep. ARLENE D. BROSAS,
and **KABATAAN Party-List Rep. RAOUL DANNIEL A. MANUEL**

AN ACT
CLASSIFYING THE SALE AND IMPORTATION OF ALL ESSENTIAL
DRUGS AND MEDICINES, NUTRITIONAL FOODS AND DRINKS
THEREOF AS VALUE-ADDED TAX EXEMPT TRANSACTIONS,
AMENDING FOR THE PURPOSE SECTION 109 (1) OF REPUBLIC ACT
8424, OTHERWISE KNOWN AS THE TAX REFORM ACT OF 1997, AS
AMENDED BY REPUBLIC ACT 9337, AND FOR OTHER PURPOSES

EXPLANATORY NOTE

This Bill seeks to lessen the burden of the people by making all essential drugs and medicines, and nutritional food and drinks more affordable through exempting the sales and importation thereof from value-added tax (VAT).

Article XIII, Section 11 of the 1987 Constitution mandates that the “State shall adopt an integrated and comprehensive approach to health development which shall endeavor to make essential goods, health and other social services available to all the people at affordable cost. There shall be priority for the needs of the underprivileged sick, elderly, disabled, women, and children. The State shall endeavor to provide free medical care to paupers.”

Despite three years of implementation of Republic Act 11223 or the *Universal Health Care Act*, Filipino patients still bear almost half of total Philippine health expenditure. According to the Philippine Statistics Authority (PSA), ₱400.10 billion or 44.7% of the total health expenditure in 2020 was financed through household out-of-

pocket payment. It is way higher than the ₱154.62-billion (17.3%) and ₱133.21-billion (14.9%) contributions to total health expenditure of the Department of Health (DOH) and the Philippine Health Insurance Corporation (PhilHealth), respectively.¹

Pharmacies recorded the highest health expenditure among health care providers amounting to ₱252.67 billion. Meanwhile, ₱184.80 billion was spent on pharmaceuticals, which accounts to 20.6% of the total health expenditure.

Furthermore, even with the passage of RA 9508 or the *Cheaper Medicines Act of 2008*, Ulat ng Bayan September 2019 Report revealed that 99% of Filipinos said that they do not buy all their prescription medicines because they are expensive. Furthermore, based on another survey commissioned by the DOH, branded and generic medicines in the country cost 22 and 4 times more than international reference prices, respectively.²

In a study by the Yuchengco Center,³ the Philippines has the second highest drug prices in Asia, next to Japan, with our cost of medicines 3.4 to 184 times higher than the international reference prices. “The cost of some medicines sold in the Philippines is 259 to 1600 percent higher than the counterparts in India, Pakistan and Thailand. Local profit margins range from 1000 to 2860 percent.”

Filipinos are burdened with the high cost of medicines and health services more so with the taxes imposed on these medicines. While RA 11534 or the *Corporate Recovery and Tax Incentives for Enterprises Act* exempted the sale of and importation of prescription drugs and medicines for diabetes, high cholesterol, hypertension, cancer, mental illness, tuberculosis and kidney diseases from the imposition of value added tax, not all essential medicines are covered.

Furthermore, this Bill seeks to help the poor and underprivileged to gain access to FDA-approved nutritional foods and drinks. These products have high potential for improving the health of the Filipinos, especially of the senior citizens, by boosting their nutrition and aiding their digestion. These nutritional food and drinks are also resorted to by older people to ease symptoms related to illness like diabetes and hypertension.

¹ “Health Spending Registered 12.6 Percent Growth, Share of Health to Economy Went Up to 5.6 Percent in 2020.” Philippine Statistics Authority, 14 October 2021. <https://psa.gov.ph/pnha-press-release/node/165216>

² “99% of Filipinos Say Medicines are Expensive – September Ulat ng Bayan Report.” Department of Health, 5 December 2019. <https://doh.gov.ph/doh-press-release/99-percent-of-filipinos-say-medicines-are-expensive-september-ulat-ng-bayan-report>

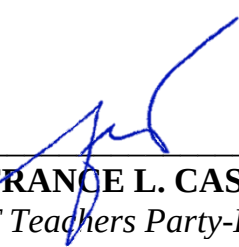
³ Liza, Christienn Jennil G. “The Philippine Medicines Policy (2017-2022): Will this Increase Access to Cheap Drugs?” Yuchengco Center, 2017. https://www.academia.edu/35191724/The_Philippine_Medicines_Policy_2017_2022_Will_this_Increase_Access_to_Cheap_Drugs

These kind of opportunity for health development should be made accessible to every Filipinos

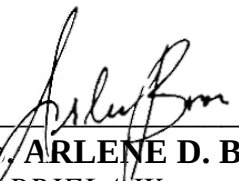
In recognition of people's right to health, ACT Teachers Party-List Rep. France Castro, Gabriela Women's Party Rep. Arlene Brosas and Kabataan Party-List Rep. Raoul Manuel filed this measure in the 19th Congress. To provide immediate relief to Filipino patients from the high cost of drugs and medicines, and nutritional foods and drinks, this Bill seeks to exempt all essential drugs and medicines, and nutritional foods and drinks from the imposition of value added tax. This will not only make the medication more affordable and accessible for the poor, but it will also improve the health and well-being of the Filipinos.

This proposal is being forwarded with other Bills towards an "integrated and comprehensive approach to health development" for specific sectors and for all Filipinos in general, including House Bill 208 or *An Act Providing for a Free, Comprehensive, and Progressive, National Public Health Care System*, House Bill 2631 or the *Anti-Privatization of Public Hospitals, Health Facilities and Health Services Act*, and House Bill 205 or *The Medical Examination and Treatment Allowance for Public School Teachers Act*.

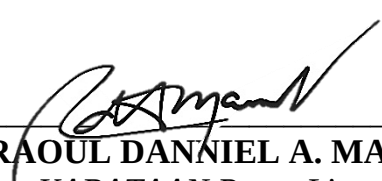
Thus, immediate approval of this Bill is earnestly sought.



Rep. FRANCE L. CASTRO
ACT Teachers Party-List



Rep. ARLENE D. BROSAS
GABRIELA Women's Party



Rep. RAOUL DANNIEL A. MANUEL
KABATAAN Party-List

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

SECTION 1. Section 109 (1), Chapter 1, Title IV, Value-Added Tax of Republic Act 8424, otherwise known as the Tax Reform Act of 1997, as amended by Republic Act 9337, is hereby further amended to read as follows:

“SEC. 109. Exempt Transactions. – (1) Subject to the provisions of subsection (2) hereof, the following transactions shall be exempt from the value-added tax:

“(A) xxx

“(B) xxx

After paragraph (G), insert the following paragraphs (H).

“(H) SALE OR IMPORTATION OF ALL ESSENTIAL DRUGS AND MEDICINES AS PROVIDED FOR IN THE PHILIPPINE NATIONAL FORMULARY, AND OTHER DRUGS AND MEDICINES GRANTED A COMPASSIONATE SPECIAL PERMIT (CSP) OR EMERGENCY USE

AUTHORIZATION (EUA) BY THE FOOD AND DRUG ADMINISTRATION (FDA), AND THOSE DEEMED NECESSARY AMID A PUBLIC HEALTH EMERGENCY BY THE HEALTH TECHNOLOGY ASSESSMENT COUNCIL OR THE SECRETARY OF HEALTH.

“(I) SALE OR IMPORTATION OF ALL NUTRITIONAL FOODS AND DRINKS: *PROVIDED* THAT FOR THIS PURPOSE, NUTRITIONAL FOODS AND DRINKS SHALL REFER TO ANY FOOD OR BEVERAGE PRODUCT APPROVED BY THE FOOD AND DRUGS ADMINISTRATION WHICH CONTAINS MICRONUTRIENTS AND WERE FORMULATED TO MEET THE DIET OF INDIVIDUALS WHO SUFFER FROM POOR DIGESTION, MALNUTRITION, OBESITY, RENAL PROBLEMS, AND ILLNESSES LIKE DIABETES, HYPERTENSION, CANCER AND OTHER SIMILAR CASES.

The succeeding paragraphs shall be re-lettered as from (J) to (V).

SEC. 2. *Implementing Rules and Regulations.* – The Secretary of Finance shall, upon the recommendation of the Commissioner of Internal Revenue, promulgate not later than 15 days upon the effectivity of this Act, the necessary Rules and Regulations for the effective implementation of this Act.

SEC. 3. *Repealing Clause.* – All laws, acts, decrees, executive orders, issuances, and rules and regulations or parts thereof which are contrary to and inconsistent with any provisions of this Act are hereby repealed, amended or modified accordingly.

SEC. 4. *Separability Clause.* – If any provision of this Act is subsequently declared unconstitutional, the validity of the remaining provisions hereof shall remain in full force and effect.

SEC. 5. *Effectivity Clause.* - This Act shall take effect immediately after its complete publication either in the Official Gazette or in a newspaper of general circulation in the Philippines.

Approved,