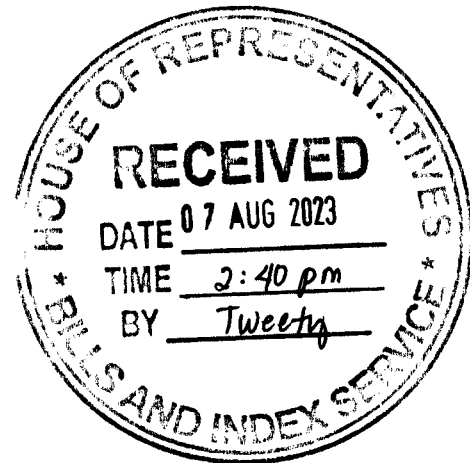


NINETEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Second Regular Session)



HOUSE OF REPRESENTATIVES

House Bill No. 8788

Introduced by Representative Ralph G. Recto

**AN ACT
LOWERING THE COST OF PRESCRIPTION DRUGS AND MEDICINES,
AMENDING FOR THE PURPOSE SECTION 109 OF THE NATIONAL INTERNAL
REVENUE CODE OF 1997, AS AMENDED**

EXPLANATORY NOTE

This proposed measure seeks to provide affordable prescription drugs and medicines in the country.

The State shall protect and promote the right to health of the people and instill health consciousness among them.¹ The State shall also 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.² In view of these mandates, the government must institute a policy that will ensure the availability of affordable prescription drugs and medicines to protect and promote the health of the Filipino people.

Expenditures on drugs and medicines account for the biggest share of total medical expenditures for both poor and rich households.³ The prices of drugs in the Philippines have traditionally been high compared with other Asian countries (except Japan).⁴

¹ Section 15, Article II, 1987 Constitution

² Section 11, Article XIII, 1987 Constitution

³ Transforming the Philippine Health Sector: Challenges and Future Directions, PHILIPPINE HEALTH SECTOR REVIEW, April 2011

⁴ Ibid.

The September 2019 *Ulat ng Bayan* Report conducted by Pulse Asia revealed that 99% of Filipinos do not buy all their prescription medicines because they are expensive. Further, 23% said that medicines are not accessible, 16% said there are no medicines in their place, 4% said they had no time to buy the medicines, and 2% said they did not need to take medicines.

The same Report further showed that 73% were of the opinion that the DOH and the pharmaceutical industry should work together to lower drug prices at par with other countries. This public sentiment validates the results of another survey commissioned by the DOH that the Philippines is still paying far more than the international reference prices for branded and generic medicines, at 22 and 4 times more, respectively.⁵

The value-added tax (VAT) is an indirect tax and the amount of tax may be shifted or passed on to the buyer, transferee or lessee of the goods, properties or services.⁶ Therefore, its imposition has the effect of increasing the prices of basic goods and services. Ultimately, by its nature, the burden of VAT falls on the end user of consumer goods and services. To ensure the affordability of prescription drugs and medicines, these essential goods must be free from the burden of taxation such as the VAT.

In an attempt to lower the cost of drugs and medicines, certain laws were enacted amending the National Internal Revenue Code of 1997, as amended, exempting from VAT the sale or importation of prescription drugs and medicines for hypertension, diabetes, high cholesterol, cancer, mental illness, tuberculosis and kidney diseases.

Despite government efforts to make medicines cheaper and to improve medicine access through the promotion of generic drugs, enactment of the Cheaper Medicines Act and the passage of recent laws exempting certain drugs and medicines

⁵ <https://doh.gov.ph/doh-press-release/99-percent-of-filipinos-say-medicines-are-expensive-september-ulat-ng-bayan-report>. Accessed on Aug. 7, 2023

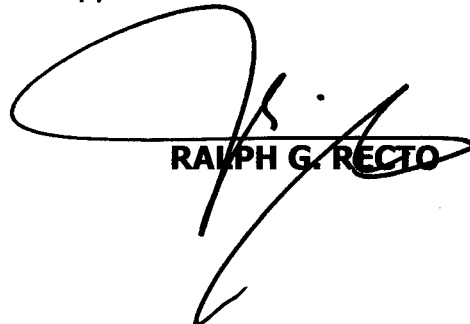
⁶ Section 105, National Internal Revenue Code of 1997, as amended

from VAT, and the establishment of village pharmacies or *Botika sa Barangays*, access to affordable drugs for the poorer populations remains to be a problem.

One of the general objectives of Republic Act (R.A.) No. 11223 or the Universal Healthcare (UHC) Act is to "ensure that all Filipinos are granted equitable access to quality and affordable health care goods and services, and protected against financial risk". To ensure the optimum health of Filipinos and to achieve the objectives of the UHC Act, it is imperative upon Congress to enact a law exempting from VAT all prescription drugs and medicines.

The purpose and intent of this proposed measure is to lower the cost of all prescription drugs and medicines, thereby ensuring their affordability to the Filipino people. Thus, this bill exempts these essential goods from the imposition of VAT.

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



RAUPH G. RECTO

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REVENUE CODE OF 1997, AS AMENDED**

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

1 Section. 1. *Short Title.* – This Act shall be known as the "Affordable Medicines Act."

2 Sec. 2. Section 109 of the National Internal Revenue Code of 1997, as amended,
3 is hereby further amended to read as follows:

4 "SEC. 109. *Exempt Transactions.* –

5 "(1) Subject to the provisions of Subsection (2) hereof, the following
6 transactions shall be exempt from the value-added tax:

7 "(A) xxx;

8 "xxx;

9 "(AA) Sale of or importation of prescription drugs and medicines for:

10 "(i) Diabetes, high cholesterol, and hypertension beginning January 1, 2020;
11 and

12 "(ii) Cancer, mental illness, tuberculosis, and kidney diseases beginning
13 January 1, 2021.

14 **"PROVIDED, THAT THE VAT EXEMPTION UNDER THIS SUBSECTION**
15 **SHALL APPLY TO THE SALE OR IMPORTATION OF ALL PRESCRIPTION**
16 **DRUGS AND MEDICINES BEGINNING JANUARY 1, 2024: *Provided,***

1 ***FURTHER***, That the DOH shall issue a list of approved drugs and medicines for
2 this purpose within sixty (60) days from the effectivity of this Act; and

3 "xxx"

4 ***Sec. 3. Implementing Rules and Regulations (IRR).*** – Within thirty (30) days from
5 the effectivity of this Act, the Secretary of Health and the Secretary of Finance, upon the
6 recommendation of the Commissioner of Internal Revenue, shall promulgate the
7 necessary rules and regulations for its effective implementation.

8 ***Sec. 4. Repealing Clause.*** – All laws, acts, decrees, executive orders, issuances,
9 and rules and regulations or parts thereof which are contrary to and inconsistent with
10 this Act are hereby repealed, amended or modified accordingly.

11 ***Sec. 5. Effectivity.*** – This Act shall take effect fifteen (15) days after its complete
12 publication in the *Official Gazette* or in at least two (2) newspapers of general circulation.

Approved,