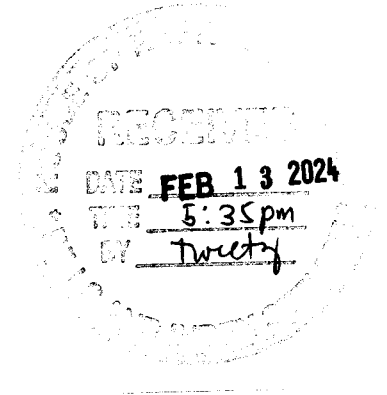


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

NINETEENTH CONGRESS
Second Regular Session

HOUSE BILL NO. 9921



Introduced by **Representative Wilbert T. Lee**

**AN ACT PROVIDING VAT-EXEMPTION TO ALL MEDICINES AND DRUGS
RELATED TO CARDIOVASCULAR DISEASES,
AMENDING SECTION 109 OF THE NATIONAL INTERNAL REVENUE CODE OF
1997**

EXPLANATORY NOTE

The 1987 Constitution provides 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.¹ In addition, Section 12, Article XIII of the 1987 Constitution, that: “[t]he State shall establish and maintain an effective food and drug regulatory system and undertake appropriate health manpower development and research, responsive to the country's health needs and problems”.

The World Health Organization categorized cardiovascular diseases (CVDs) as the number one cause of death globally.² This disease is also responsible for a third of deaths in the Philippines during 2021.³ According to the Philippine Statistics Authority (PSA), the leading cause of death in the country from January to May 2023 was ischemic heart disease. That's 18.4% of all fatalities in the country. The other top causes of death in the country are neoplasms and cerebrovascular diseases. Likewise, deaths from hypertensive illnesses, which were placed sixth, accounted for 5.7% of the total fatalities in the country.

People resort to medicines as treatments, or their doctors give them as maintenance medications taken on a regular basis. This is clearly a financial burden for them.

Value-added tax (VAT) can be defined as a consumption tax where the burden or amount of tax finally rests with the consumer. One of the primary objectives of VAT is to generate tax revenues from goods and services to the government. With VAT exemption on medicine and drugs related to CVDs, we envision a cheaper, accessible and more affordable medicine for all Filipinos as treatment or maintenance medication for their heart disease.

¹ Article XII, Section 11, 1987 Constitution.

² World Health Organization (WHO), Health Topics, Cardiovascular Disease.

³ World Health Organization (WHO), 'DOH, WHO, RTSL, and WHF commit to strengthen collaboration for cardiovascular diseases prevention', 2022 September 30.

VAT exemption on all medicines and drugs related to CVD is responsive to the health needs and problems of Filipinos. Data shows that CVD requires special attention for its prevention and treatment by VAT exemption based on a list of “all” medicines and drugs related to it.

In general, VAT exemption for medicines and drugs for CVD is essential for the treatment and recovery of many of our countrymen with heart diseases. With the passage of the bill, we will ease the burden of Filipinos with CVD and their family as they will have affordable medicines.

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

A handwritten signature in black ink, appearing to read 'WILBERT T. LEE', with a stylized flourish at the end.

HON. WILBERT T. LEE
Representative
AGRI PARTYLIST

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1997**

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 "*VAT Exemption for*
2 *Medicines Related to Cardiovascular Diseases Act*"

3 **SEC. 2. *Declaration of Policy.*** It is hereby declared to the policy of the State, in
4 accordance with the Constitution, that the State shall adopt an integrated and comprehensive
5 approach to health development which shall endeavor to make essential goods, health, and
6 other social services available to all the people at affordable cost.

7 The State recognizes that the VAT exemption for medicines related to cardiovascular
8 diseases is crucial in making health services available to all people at affordable cost. The
9 State further recognizes that the VAT exemption establishes and maintains an effective drug
10 regulatory system responsive to the country's health needs and problems. It is hereby
11 declared as a policy of the State to provide VAT exemption for medicines related to
12 cardiovascular diseases to be responsive to the country's health needs and problems.

13

SEC. 3. Definition – As used in this Act:

(1) *Cardiovascular Diseases* are a group of disorders of the heart and blood vessels.

They include:

- a) Coronary heart disease – a disease of the blood vessels supplying the heart muscle;
- b) Cerebrovascular disease – a disease of the blood vessels supplying the brain;
- c) Peripheral arterial disease – a disease of blood vessels supplying the arms and legs;
- d) Rheumatic heart disease – damage to the heart muscle and heart valves from rheumatic fever, caused by streptococcal bacteria;
- e) Congenital heart disease – birth defects that affect the normal development and functioning of the heart caused by malformations of the heart structure from birth; and
- f) Deep vein thrombosis and pulmonary embolism – blood clots in the leg veins, which can dislodge and move to the heart and lungs.⁴

SEC. 4. Sec. 109 of the National Internal Revenue Code of 1997, as amended, is hereby further 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:

"x x x

"(P) Sale of property not primarily held for sale to customers or held for lease in the ordinary course of trade or business or real property utilized for low-cost and socialized housing as defined by Republic Act No. 7279, otherwise known as the 'Urban Development and Housing Act of 1992,' and other related laws, residential lot valued at Two million five hundred thousand pesos (P2,500,000.00) and below, house and lot, and other residential dwellings valued at Four million two hundred thousand pesos (P4,200,000.00) and below: provided, That beginning January 1, 2024 and every three (3) years thereafter, the amounts

⁴ WHO, Cardiovascular Diseases (CVDs), 11 June 2021.

herein stated shall be adjusted to present values using the Consumer Price Index, as published by the Philippine Statistics Authority (PSA).

"x x x

"(R) Sale, importation, printing or publication of books, and any newspaper, magazine, journal, review bulletin, or any such educational reading material covered by the UNESCO Agreement on the Importation of Education, Scientific, and Cultural Materials, including the digital or electronic format thereof: provided, That the materials enumerated herein are not devoted principally to the publication of paid advertisements;

"x x x

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

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

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

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

"(iii) ALL CARDIOVASCULAR DISEASES UPON IMPLEMENTATION OF THIS ACT, *Provided* THAT THE DOH SHALL ISSUE A LIST OF ALL DRUGS AND MEDICINES DIRECTLY RELATED TO THE TREATMENT AND REGULAR MEDICATION OF CARDIOVASCULAR DISEASES.

"(BB) Sale or importation of the following beginning January 1, 2021 to December 31, 2023:

"(i) Capital equipment, its spare parts and raw materials, necessary for the production of personal protective equipment components such as coveralls, gown, surgical cap, surgical mask, N-95 mask, scrub suits, goggles and face shield, double or surgical gloves, dedicated shoes, and shoe covers, for COVID-19 prevention;

"(ii) All drugs, vaccines and medical devices specifically prescribed and directly used for the treatment of COVID-19; and

"(iii) Drugs for the treatment of COVID-19 approved by the Food and Drug Administration (FDA) for use in clinical trials, including raw materials directly necessary for the production of such drugs: *Provided*, That the Department of Trade and Industry (DTI)

1 available or insufficient in quantity, or not in accordance with the quality or specification
2 required: *Provided*, further, That for item (ii), within sixty (60) days from the effectivity of
3 this Act, and every three (3) months thereafter, the Department of Health (DOH) shall issue a
4 list of prescription drugs and medical devices covered by this provision: *Provided*, finally,
5 That the exemption claimed under this Subsection shall be subject to post audit by the Bureau
6 of Internal Revenue or the Bureau of Customs as may be applicable.

7 "(CC) Sale or lease of goods or properties or the performance of services other than
8 the transactions mentioned in the preceding paragraphs, the gross annual sales and/or receipts
9 do not exceed the amount of Three million (P3,000,000.00).

10 **SEC. 5. *Separability Clause.*** Should any provision of this Act be found
11 unconstitutional by a court of law, such provision shall be severed from the remainder of this
12 Act, and such action shall not affect the enforceability of the remaining provisions of this
13 Act.

14 **SEC. 6. *Repealing Clause.*** All laws, acts, decrees, executive orders, issuances, and
15 rules and regulations or parts thereof which are contrary to and inconsistent with this Act are
16 hereby repealed, amended, or modified accordingly.

17 **SEC. 7. *Effectivity.*** This Act shall take effect immediately following its publication
18 in the Official Gazette or at least two (2) newspapers of general circulation.

Approved,