



Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**  
Quezon City, Metro Manila

**TWENTIETH CONGRESS**  
First Regular Session

House Bill No. **1364**



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**INTRODUCED BY REP. JOSE "BONG" J. TEVES, JR.**

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**AN ACT**  
**EXEMPTING GENERIC AND BRANDED MEDICINES SALES FROM VALUE-ADDED TAX (VAT)**

**EXPLANATORY NOTE**

According to a report by the Department of Health in 2019, ninety-nine percent (99%) of Filipinos cannot afford to buy prescription medicines because they are expensive. In the same report, it highlighted that in the Philippines, prices of branded and generic medicines are 22 times and 4 times more expensive respectively compared to other countries.<sup>1</sup> Also, a report by Mercer Marsh Benefits in 2019 showed that the Philippines is ranked second in terms of medicine prices in South East Asia with an increase of 13.7%.<sup>2</sup> Completing the top five (5) ASEAN countries with expensive medicines are: (1) Vietnam, (2) Philippines, (3) Malaysia, (4) Indonesia, and (5) China.

To address the said issue, in 2020, Executive Order 104 was signed which provides for a price control to at least 86 drug molecules or 133 drug formulas. Unfortunately, given the rising cost of living today and the inflation rate, a price control on medicines still cannot make

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<sup>1</sup> <https://www.philstar.com/headlines/2019/12/07/1974968/99-pinoys-cant-buy-expensive-meds>

<sup>2</sup> [https://www.marshmcclennan.com/content/dam/mmcc-web/insights/publications/2019/jun/MMB\\_Medical\\_Trends\\_Survey\\_Final.pdf](https://www.marshmcclennan.com/content/dam/mmcc-web/insights/publications/2019/jun/MMB_Medical_Trends_Survey_Final.pdf)

it affordable to an ordinary Filipino. The government should ensure that health care should be the priority for every Filipinos as it is provided for under our Constitution.

One of the reasons for high prices of medicines, whether it be generic or branded, is the Value-Added Tax (VAT) which is automatically added over and above the base prices. As an indirect tax, VAT may be passed on by the seller to the buyer. At present, the Filipino people, being the end-person consumer of the medicines, has the burden of paying the VAT every time they purchase medicines. **With the ultimate goal of providing affordable generic and branded medicines to the public, this measure seeks to exempt the sale of generic and branded drugs or medicines from VAT.** In lieu of this, the burden of paying such tax shall be the manufacturer, distributor, or seller of such medicine. This will help the Filipino people who are suffering from illnesses to be able to afford generic and branded medicines. This is in consonance with this representation's main advocacy which is to provide cheaper medicines to our fellow Filipino people, especially those who cannot afford medicines for their illnesses.

This is in consonance to Article II, Section 15 of the 1987 Constitution which provides: *"The State shall protect and promote the right to health of the people and instill health consciousness among them."* To add, Article XIII, Section 11 of the same Constitution provides: *"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."*

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

A handwritten signature in black ink, consisting of a stylized 'J' and 'T' intertwined, enclosed within a circular loop.

**HON. JOSE "BONG" J. TEVES, JR.**  
Representative, TGP Party-List



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**EXEMPTING GENERIC AND BRANDED MEDICINES SALES FROM VALUE-**  
**ADDED TAX (VAT)**

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

**SECTION 1. Short Title.** – This Act shall be known as "VAT Free Medicines Act".

**SECTION 2. Declaration of Policy.** – It is the policy of the State to protect and promote the right to health of the people and to ensure that each individual has access to information and services that will bring about health and well-being. The State shall adopt an integrated and comprehensive approach to health development which shall endeavor to make essential health services available to all the people at an affordable cost.

**SECTION 3. Definition.** –

(1) *Value-Added Tax or VAT* refers the tax on consumption levied on the sale, barter, exchange or lease of goods or properties and services in the Philippines and on importation of goods into the Philippines. It is an indirect tax, which may be shifted or passed on to the buyer, transferee or lease of goods, properties or services.

(2) *Generic Drugs or Medicine* refer to drugs not covered by patent protection and which are labeled solely by their international non-proprietary or generic name.

(3) *Branded Drugs or Medicine* refer to a drug or medicine sold by a drug company under a specific name or trademark and that is protected by a patent.

**SECTION 4. Coverage.** – The Department of Health (DOH) and the Food and Drugs Administration (FDA) shall submit to Congress a list of generic and branded medicines as defined in this Act.

The sale of generic and branded medicines included in said list shall be exempted from Value-Added Tax (VAT). The said exemption shall be applied notwithstanding any discount such as Senior Citizen's discount, and Persons with Disability (PWD) discount among others a person may be entitled.

**SECTION 5. Burden of Paying VAT.** – Given the exemption stated under Section 4 of this Act, the burden of paying the VAT shall be shifted to the manufacturers, distributors, or sellers of generic and branded medicines.

**SECTION 6. Repealing Clause.** – All laws, decrees, executive orders, and other presidential issuances which are inconsistent with this Act are hereby repealed, amended or modified accordingly.

**SECTION 7. Separability Clause.** – If, for any reason, any section or provisions of this Act is held unconstitutional or invalid, the other sections or provisions hereof shall not be affected thereby.

**SECTION 8. Effectivity.** – This Act shall take effect fifteen (15) days after its publication in at least two (2) national papers of generical circulation or Official Gazette.

Approved,