

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 5457



Introduced by: Hon. Keith Micah "Atty. Mike" D.L. Tan

AN ACT
STRENGTHENING DOMESTIC HEALTHCARE MANUFACTURING INDUSTRIES,
PROVIDING FOR THE PROTECTION AGAINST PANDEMIC, AND FOR OTHER
PURPOSES

EXPLANATORY NOTE

Article II, Section 15 of the 1987 Constitution provides that "the State shall protect and promote the right to health of the people and instill health consciousness among them."

During the initial stage of the battle against COVID-19, frontline healthcare workers had repeatedly expressed their dismay on the dangerously low supply of personal protective equipment (PPE) which are crucial in the performance of their duties. As a result, many of them died while more than two thousand have been infected, a tragedy that could had been prevented if proactive measures were taken early on.

The Department of Health (DOH) had been under fire for having acquired allegedly overpriced set of PPEs when there are local manufacturers who can readily produce the same medical equipment for a much cheaper price.

On March 14, 2024, the Philippine Economic Zone Authority (PEZA) unveiled Pharmaceutical and Medical device Ecozones, an initiative aimed at enhancing the country's medical manufacturing sector as part of the Ecozone Transformation Roadmap of the 2023-2028 Philippine Development Plan.

The Philippines personal protective equipment (PPE) market is steadily growing because more people are concerned about safety at work, rules are getting tighter, and industries are growing. Demand for high-quality PPE has grown because of growth in the manufacturing, building, and healthcare industries.

According to 6Wresearch, a market research and consulting firm specializing in assisting market entry and growth strategies, the Philippines Personal Protective Equipment Market is estimated to grow at a CAGR of 7.8% during 2025–2031. An important number of things push the Personal Protective Equipment (PPE) market in the Philippines. One important factor is that people are becoming more aware of the need to follow safety and health rules at work.¹

But the market faces some big problems. The price of good PPE is one of the main problems; smaller businesses may not be able to afford it. Not being able to make things locally and having to rely on imports can mess up the supply chain and cause prices to go up.

Thus, this bill, seeks to promote healthcare manufacturing industries by granting them tax benefits and mandating that, in times of pandemic or public health emergencies, they be given preference by the government in the procurement of critical products and services.

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



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¹ <https://www.6wresearch.com/industry-report/philippines-personal-protective-equipment-market-2020-2026>

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

SECTION 1. Short Title. – This Act shall be known as the "Healthcare Manufacturing and Pandemic Protection Act."

SEC. 2. Declaration of Policy. – It is the policy of the State to protect and promote the right to health of the people and instill health consciousness among them.

The State recognizes pandemics and other public health emergencies as threats to public health and national security which can undermine the social, economic, and political functions of the State. It shall protect the people from pandemics and other public health emergencies. To this end, the State shall:

(a) adopt efficient and effective measures that will prevent the overburdening of the healthcare system;

(b) develop the healthcare and other health-related industries and preserve and generate employment during the crisis;

(c) ensure adequate and readily available supply of critical products and services for the health workers and the public;

(d) protect the interest of the consumers and establish standards of conduct for business and industry; and

(e) build strong partnership with the private sector and other stakeholders to deliver these measures quickly and efficiently.

SEC. 3. Coverage. – The provisions of this Act shall apply to domestic manufacturers or producers of critical products and providers of critical services during the existence of a pandemic or public health emergencies and only upon compliance with the accreditation requirements and standards issued by relevant government agencies.

SEC. 4. Definition of Terms. – For purposes of this Act, the following terms shall be understood as follows:

(a) *Accreditation* refers to the written authority issued by the Department of Trade and Industry (DTI), through the Board of Investments (BOI), and other relevant government agencies to manufacturers and producers of critical products and providers of critical services;

(b) *Critical Products* refer to medicines, vaccines, ventilators and other medical supplies or equipment, such as personal protective equipment (PPE) and surgical masks, including its raw materials, required to address a pandemic or national health emergency, as may be determined by the Department of Health (DOH) or other relevant government agencies;

(c) *Critical Services* refer to services required for the manufacture, production, and distribution of critical products. This shall also include testing laboratories, waste management, including but not limited to waste segregation, storage, collection, sorting, treatment, and disposal services; and other services as may be determined by the DOH or other relevant government agencies;

(d) *Manufacturer* refers to an enterprise duly accredited or registered under the provisions of this Act, engaged in the production of critical products including the preparation, processing, compounding, formulating, filling, packing, repacking, altering, ornamenting, finishing and labeling;

(e) *Packaging* refers to material used to wrap or protect critical products;

(f) *Producer* refers to an enterprise that manufactures, makes, grows, or produces critical products;

(g) *Raw Material* refers to materials and inputs from which a critical product and its packaging is made; and

(h) *Standards* refer to the guidelines and requirements issued by the relevant government agencies such as but not limited to the DOH, Food and Drug Administration (FDA), and Bureau of Philippine Standards.

SEC. 5. Tax Benefits. –

(a) *Exemption from Custom Duties, Value Added Tax (VAT), Other Taxes and Fees.* – Regardless of the country of origin, importation under this Act of the capital equipment, spare parts and accessories, raw materials, packaging and its raw materials, or any articles needed in the supply chain of the critical products or services shall be exempt from custom duties, VAT, other taxes and fees such as import processing fees and fees imposed by the Bureau of Customs (BoC), the Food and Drug Administration (FDA) and other relevant agencies.

(b) *Exemption from VAT on Local Sales.* – The sale of critical products and rendition of critical services shall be exempted from VAT which shall be based on the gross sales or gross receipts, respectively.

(c) *Treatment of Export Enterprises.* - The local sales of critical products and rendition of critical services by export enterprises shall be deemed and treated as “export sales” for purposes of its export requirement pursuant to existing laws. As such, the corresponding treatment, exemption on duties, taxes and fees, and other incentives warranted under existing laws governing these export enterprises shall continue to apply. Further, if such export enterprises are located in special economic zones with status of separate customs territory under relevant laws, such local sales shall likewise be treated as “export sales” for purposes of its export requirement.

SEC. 6. *Export Limitation.* - Export enterprises that manufacture or produce critical products or render critical services shall supply up to eighty percent (80%) of their daily production or service to government institutions, hospitals, and private establishments in the country for local or domestic use. *Provided, That* in case the demand for critical products and critical services does not reach such percentage, as certified by the DTI, the manufacturer or producer may opt to export the critical product or critical service.

SEC. 7. *Procurement of Critical Products by the Government.* – To ensure adequate and responsive supply of critical products and supplies, the government, as the procuring entity shall give preference to critical products manufactured, produced or made in the Philippines; *Provided, That* the award shall be made to the lowest domestic manufacturer-bidder whose bid is not more than twenty five percent (25%) in excess of the lowest foreign bid; *Provided Further, That* it has secured from the DTI a certification that the products, articles, materials, or supplies are produced, made or manufactured in the Philippines.

Private enterprises are also encouraged to source their requirements for critical products from the local manufacturers and producers.

SEC. 8. *Funding.* – The amount necessary to carry out the provisions of this Act shall be sourced from the current year’s appropriations of the concerned

department/agency. Thereafter, such sums as may be needed for its continued implementation shall be included in the General Appropriations Act (GAA).

SEC. 9. *Implementing Rules and Regulations.* – The DTI, DOH and BOI shall promulgate the rules and regulations to implement this Act.

SEC. 10. *Repealing Clause.* – All provisions of existing laws, orders and regulations contrary to or inconsistent with this Act are hereby repealed or modified accordingly.

SEC. 11. *Separability Clause.* – If for any reason any part or provision of this Act shall be deemed unconstitutional or invalid, the other sections or provisions hereof shall not be affected and shall remain in force and effect.

SEC. 12. *Effectivity.* – This Act shall take effect fifteen (15) days following its publication in the Official Gazette or in two (2) newspapers of general circulation.

Approved,