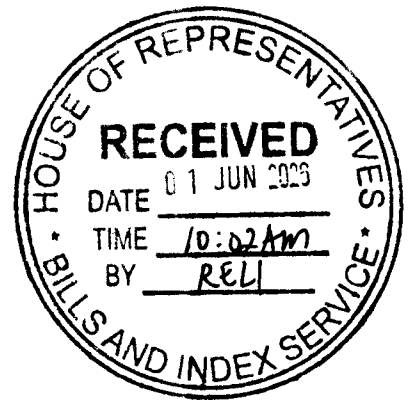


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Batasan Hills, Quezon City

TWENTIETH CONGRESS
First Regular Session



HOUSE BILL No. 9564

Introduced by
ACT Teachers Party-List Rep. ANTONIO L. TINIO,
Gabriela Women's Party Rep. SARAH JANE I. ELAGO,
and KABATAAN Party-List Rep. RENEE LOUISE M. CO

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 on the Filipino people by making all essential drugs, medicines, and nutritional food and drinks more affordable by exempting their sale and importation 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 implementing Republic Act 11223, or the *Universal Health Care Act*, Filipino patients still bear almost half of the total Philippine health expenditure. According to the Philippine Statistics Authority (PSA), ₱615.16 billion—or 42.7% of the total current health expenditure (CHE) in 2024—was

financed directly through household out-of-pocket payments. In contrast, the government, which includes the Department of Health (DOH), Philippine Health Insurance Corporation (PhilHealth), and the National Budget, financed ₱643.12 billion, or 44.7% of the total CHE—just two percentage points higher than what is shouldered by Filipino households.

Curative care and medical goods remain to be the main health expenditure of the Filipinos. Of the total ₱1.4 trillion CHE, expenditures on curative care accounts to ₱632.51 billion (43.9%), reflecting a system heavily reliant on treating illnesses after they occur. Medical goods follow closely, accounting for ₱487.20 billion (33.8%). Given that households still finance nearly half of all health expenses through out-of-pocket payments, the high cost of healthcare and medicine remains a staggering financial burden for the poor Filipinos.

Furthermore, even with the passage of RA 9502, or the *Cheaper Medicines Act of 2008*, the Ulat ng Bayan September 2019 Report revealed that 99% of Filipinos said they do not buy all their prescription medicines because these are expensive. Additionally, based on a survey commissioned by the DOH, branded and generic medicines in the country cost 22 and 4 times more than international reference prices, respectively.¹

In a study by the Yuchengco Center,² the Philippines has the second-highest drug prices in Asia, following Japan, with the cost of medicines being 3.4 to 184 times higher than international reference prices. “The cost of some medicines sold in the Philippines is 259 to 1,600 percent higher than their counterparts in India, Pakistan, and Thailand. Local profit margins range from 1,000 to 2,860 percent.”

Filipinos are burdened by the high cost of medicines and health services, a burden exacerbated by the taxes imposed on them. While RA 11534, or the *Corporate Recovery and Tax Incentives for Enterprises Act*, exempted the sale and importation of prescription drugs and medicines, the exemption covered only those for diabetes, high cholesterol, hypertension, cancer, mental illness, tuberculosis, and kidney diseases. In other words, not all essential medicines—defined by the Revised Implementing Guidelines for the Philippine National Formulary System (DOH Administrative Order 2012-0023) as “medicines that satisfy the priority health care

¹ “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>

² 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

needs of the population and which are selected based on the evidence of their efficacy, safety and comparative cost-effectiveness”—are covered. As of the latest quarterly update of the FDA and Bureau of Internal Revenue (December 2025), only 2,242 drugs, and only for these seven conditions covered by *CREATE* are included in the list of VAT-exempt drugs.

Medicine prices in the Philippines remain high due to heavy import dependence and multiple mark-ups across the supply chain. Foreign pharmaceutical firms set prices differently per country, and the Philippines imports 62% of its medicines, making them costly even before local charges. Import-related mark-ups range from 4.5% to 12.5% at the company level and at least 20% from tariffs, logistics, and regulatory costs. Distributors add 5% to 13%, while retailers impose another 13% to 20%. Locally manufactured drugs, which still rely on imported ingredients, face even higher mark-ups of up to 355% from distributors and 117% from retailers.³

Patients also shoulder a 12% VAT on most medicines, since VAT exemptions apply only to treatments for select non-communicable diseases. As of February 2026, only 2,263 medicines qualify for VAT exemption, representing just 5 percent of the 50,000 government-procured medicines recorded in 2019. Common over-the-counter products such as paracetamol, vitamins, antibiotics, and antacids remain taxable. Public hospitals struggle to provide affordable alternatives due to supply shortages, procurement issues, and reliance on Big Pharma for 79% of government-procured medicines. As a result, 90% of the ₱216 billion pharmaceutical market in 2024 flowed through private drugstore chains owned by major conglomerates, leaving only 10% distributed through hospitals.

There is therefore an urgent need to cast a wider net of VAT-exemption, that is, to cover all essential drugs and medicines, if the State is to be compliant with its constitutional duties to protect and promote the right to health of the people and to make essential health services available to the people at affordable cost.

Furthermore, this Bill seeks to help the poor and underprivileged gain access to FDA-approved nutritional foods and drinks. These products have high potential for improving the health of Filipinos, especially senior citizens, by boosting nutrition and aiding digestion. These nutritional foods and drinks are also used by older people to ease symptoms related to illnesses such as diabetes and hypertension. This kind of opportunity for health development should be made accessible to every Filipino.

³ San Miguel, Minerva Jane. “Medicines are next.” *IBON*, 30 March 2026. Retrieved from <https://www.ibon.org/medicines-are-next/>. Accessed 28 May 2026.

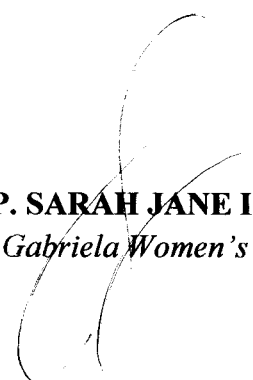
In recognition of the people's right to health, ACT Teachers Party-List Rep. France Castro, Gabriela Women's Party Rep. Arlene Brosas, and Kabataan Party-List Rep. Raoul Manuel filed this measure in the 19th Congress. To provide immediate relief to Filipino patients from the high cost of drugs, medicines,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

This proposal is being forwarded alongside other measures toward an "integrated and comprehensive approach to health development" for specific sectors and for all Filipinos in general, including House Bill No. 205, or *An Act Providing for a Free, Comprehensive, and Progressive National Public Health Care System*.

Thus, the immediate approval of this Bill is earnestly sought.



REP. ANTONIO L. TINIO
ACT Teachers Party-list



REP. SARAH JANE I. ELAGO
Gabriela Women's Party



REP. RENEE LOUISE M. CO
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,