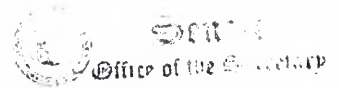


**NINETEENTH CONGRESS OF THE )**  
**REPUBLIC OF THE PHILIPPINES )**  
***First Regular Session* )**



22 JUL 12 P2:07

**SENATE**  
**S. No. 406**

RECEIVED BY: 

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**Introduced by SENATOR FRANCIS "TOL" N. TOLENTINO**

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**AN ACT**  
**PROVIDING INCENTIVES TO PHARMACEUTICAL COMPANIES ENGAGED IN**  
**THE DOMESTIC MANUFACTURE OF PEDIATRIC VACCINES AND**  
**MEDICINES, AMENDING FOR THE PURPOSE SECTION 109 OF THE**  
**NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED**

**Explanatory Note**

The Philippines is ranked as the 11<sup>th</sup> most attractive pharmaceuticals market based on the 2019 report of BioSpectrum Asia Magazine. It is forecasted that by the year 2024, the total pharmaceutical market will be valued at USD 4.17 Billion or Php 216 Billion. Consumer Health Expenditure is growing with double-digit growth in the last three years with an average growth of 11%.<sup>1</sup>

While the pharmaceutical industry in the country is currently dominated by trans-national companies, domestic companies are posting a strong competition specifically in the sale of generic drugs. Almost all aspects of the entire value chain of pharmaceutical companies can be found in the country – from production to distribution to retail. However, the Philippines' pharmaceutical exports have not grown as fast as those in neighboring countries.<sup>2</sup>

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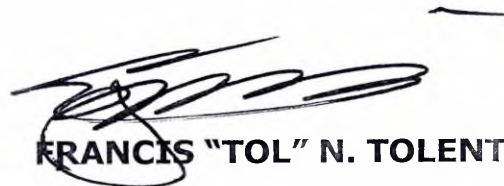
<sup>1</sup> <https://boi.gov.ph/philippines-remains-an-attractive-pharma-market-govt-vows-to-support-further-growth-of-the-industry/>

<sup>2</sup> *Ibid.*

In order to address this, it is important to provide additional incentives to pharmaceutical companies in order to encourage the local production of medicines and vaccines. For instance, incentives for the domestic manufacture of pediatric vaccines and medicines will greatly benefit the national immunization program of the Department of Health under Republic Act No. 10152 or the "Mandatory Infants and Children Health Immunization Act," and make vaccines and medicines more accessible for Filipino families. Aside from implementing the State policy to protect and promote the right to the highest standard of health for infant and children, these incentives are aimed at strengthening the local pharmaceutical industry and encouraging the export of locally manufactured pediatric vaccines and medicines.

This bill proposes an exemption from Value Added Tax (VAT) on the sale or importation of supplies, goods, and services necessary for the manufacture in the Philippines of pediatric vaccines and medicines.

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



**FRANCIS "TOL" N. TOLENTINO**

NINETEENTH CONGRESS OF THE )  
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4 MEDICINES, AMENDING FOR THE PURPOSE SECTION 109 OF THE  
5 NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED

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

6 **Section 1.** Section 109 of the National Internal Revenue Code of 1997, as  
7 amended, is hereby further amended to read as follows:

8 "SEC. 109. *Exempt Transactions.* –

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

11 "x x x

12 "(CC) SALE OF OR IMPORTATION OF SUPPLIES, GOODS, AND  
13 EQUIPMENT DIRECTLY NECESSARY FOR THE MANUFACTURE IN THE  
14 PHILIPPINES OF PEDIATRIC VACCINES AND MEDICINES:  
15 *PROVIDED,* THAT THE DEPARTMENT OF HEALTH (DOH) SHALL  
16 ISSUE A LIST OF PEDIATRIC VACCINES AND MEDICINES FOR THIS  
17 PURPOSE WITHIN SIXTY (60) DAYS FROM THE EFFECTIVITY OF  
18 THIS ACT.

1           “~~[(CC)]~~ **(DD)** Sale or lease of goods or properties or the performance  
2 of services other than the transactions mentioned in the preceding  
3 paragraphs, the gross annual sales and/or receipts do not exceed the amount  
4 of Three million pesos (P3,000,000.00).”

5           **Section 2. *Separability Clause.*** - If any portion or provision of this Act is  
6 declared void and unconstitutional, the remaining portions or provisions hereof shall  
7 not be affected by such declaration.

8           **Section 3. *Repealing Clause.*** – All laws, decrees, orders, rules and  
9 regulations, or portions thereof inconsistent with this Act are hereby repealed,  
10 amended, or modified accordingly.

11           **Section 4. *Effectivity.*** – This Act shall take effect after fifteen (15) days  
12 from its publication in the *Official Gazette* or in a newspaper of general circulation.

*Approved,*