



NINETEENTH CONGRESS OF THE
REPUBLIC OF THE PHILIPPINES
First Regular Session

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23 MAR 30 P3:38

S. No. SENATE
2049

RECEIVED BY:

Introduced by **Senator Raffy T. Tulfo**

**AN ACT
EXEMPTING MICROINSURANCE POLICIES FROM VALUE-ADDED TAX, TAX ON
LIFE INSURANCE PREMIUMS AND DOCUMENTARY STAMP TAX, AMENDING
FOR THIS PURPOSES SECTIONS 108,109,123,183,184,185,186, AND 187 OF
THE "NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED**

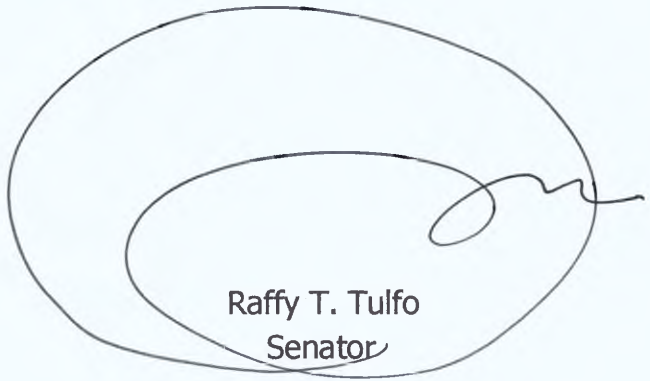
EXPLANATORY NOTE

The Medium-Term Philippine Development Plan formulated at the turn of this century (MTPDP 2001-2004) stressed the need to provide risk protection to the poor. This landmark document recognized that "protecting the poor and the vulnerable groups is imperative in winning the battle against poverty". Among others, it called for the involvement of the private sector in providing access to insurance services to our impoverished population to protect them against losses arising from death, accident, sickness, injury, fire and other perils. Such tragedies and disasters can cause untold sufferings and serious financial dislocation to a household which can hardly provide food, clothing, shelter and medicine to its family members. Many of our people who live in object poverty cannot afford the cost of social security programs which both the government and the private sector provide and the finite resources of our government does not allow it to extend adequate social protection to its needy population.

Under the new Insurance Code of 2013 (R.A.No. 10607), Microinsurance was incorporated and defined in the law. Sec. 187 thereof defines Microinsurance as a "financial product or service that meets the risk protection needs of the poor where: (a) the amount of contributions, premiums, fees or charges, computed on a daily basis, does not exceed 7.5% of the current daily minimum wage rate for non-agricultural workers in Metro Manila; and, (b) the maximum sum of guaranteed benefits is not more than 1,000 times of the current minimum wage rate for non-agricultural workers in Metro Manila." Data show that only very few can avail of the maximum coverage and benefit and benefit allowed under the law. Given their meager income and irregular cash inflow, our low-salaried employees and informal workers still find Microinsurance expensive, if not unaffordable. One reason for this is the taxes imposed on Microinsurance policies sold by life and non-life companies. Most onerous are the taxes levied on non-life Microinsurance products which are taxed between 25%-27.5% of the premium paid. A considerable amount of the premium paid by the hapless insured goes to tax instead of getting a more comprehensive coverage and benefits. The tax burden which is passed on the insuring public prevents the optimization of the potential of Microinsurance to uplift the plight of the less privileged in our country. Removing the taxes will definitely bring down the cost of insurance protection by way of lower premium or more meaningful coverage with the same amount of premium. Microinsurers can deliver better products which can meet the insurance needs of the underserved, if not the totally unserved, sector of our population.

Our government has limited resources to provide adequate social security protection to the masses. The recent Commission on Audit reports revealed that the government-sponsored "Pantawid Pamilyang Pilipino Program (4Ps) despite its colossal cost and many years of implementation has failed to lift 90% of its participations from poverty. Private sector support in poverty reduction will boost the government efforts in improving the blighted lives of millions of Filipinos. Microinsurance is a sustainable and affordable tool to help deliver our people from helplessness, mendicancy and scarcity.

For the foregoing reasons, urgent consideration and enactment of this bill is earnestly sought.



Raffy T. Tulfo
Senator




Senate
Office of the Secretary

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S.B. No. 2049

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AN ACT
EXEMPTING MICROINSURANCE POLICIES FROM VALUE-ADDED TAX, TAX
ON LIFE INSURANCE PREMIUMS AND DOCUMENTARY STAMP TAX,
AMENDING FOR THIS PURPOSES SECTIONS
108,109,123,183,184,185,186, AND 187 OF THE "NATIONAL INTERNAL
REVENUE CODE OF 1997, AS AMENDED

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

1 Section 1. Section 108 of the National Internal Revenue Code of 1997 (NIRC),
2 as amended, is hereby further amended to read as follows:

3

4 "Sec. 108. *Value-added Tax on Sale of Service and Use or Lease of Properties.-*

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6 "(A) Rate and Base of Tax.- There shall be levied, assessed and collected, a
7 value-added tax equivalent to twelve percent (12%) of gross receipts derived from
8 the sale or exchange of services, including the use or lease or properties.

9

10 "The phrase 'sale or exchange of services' means the performance of all kinds
11 of services in the Philippines for others for a fee, remuneration or consideration,
12 including those performed or rendered by construction and service contractors; stock,
13 real estate, commercial, customs and immigration brokers; lessors of property,
14 whether personal or real; warehousing services; lessors or distributors of

1 cinematographic films; persons engaged in milling, processing, manufacturing or
2 repacking goods for others; proprietors, operators or keepers of hotels, motels, rest
3 houses, pension houses, inns, resorts; proprietors or operators of restaurants,
4 refreshment parlors, cafes and other eating places, including clubs and caterers;
5 dealers in securities; lending investors; transportation contractors on their transport
6 of goods or cargoes, including persons who transport goods or cargoes for hire and
7 other domestic common carriers by land relative to their transport of goods or cargoes;
8 common carriers by air and sea relative to their transport of passengers, goods or
9 cargoes from one place in the Philippines to another place in the Philippines; sales of
10 electricity by generation companies, transmission by any entity, and distribution
11 companies, including electric cooperatives; services of franchise grantees of electric
12 utilities, telephone and telegraph, radio and television broadcasting and all other
13 franchise grantees except those under Section 119 of this Code and non-life insurance
14 companies (except their crop insurances **AND MICROINSURANCES**), including
15 surety, fidelity, indemnity and bonding companies; and similar services regardless of
16 whether or not the performance thereof calls for the exercise or use of the physical or
17 mental faculties. The phrase 'sale or exchange of services' shall likewise

18

19 "x x x."

20

21 Sec. 2. Section 109 of the NIRC, as amended, is hereby further amended to
22 read as follows:

23

24 "Sec. 109. *Exempt Transactions.* - (1) Subject to the provisions of
25 Subsection (2) hereof, the following transactions shall be exempt from the value-
26 added tax:

27 "(A) x x x

28

29 " x x x;

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31 "(AA) Sale of drugs and medicines prescribed for diabetes, high cholesterol,
32 and hypertension beginning January 1, 2019; **[and]**

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"(BB) Sale or lease of goods or properties or the performance of services other than the transactions mentioned in the preceding paragraphs, the gross annual sales and/or receipts do not exceed the amount of Three million pesos (P3,000,000) [₱]

AND

"(CC) SALE OF MICROINSURANCE PRODUCTS OR SERVICES BY AN INSTITUTION, ORGANIZATION, COMPANY AND/OR ASSOCIATION DULY CERTIFIED BY THE INSURANCE COMMISSION."

Sec. 3. Section 123 of the NIRC, as amended, is hereby further amended to read as follows:

"Section 123. *Tax on Life Insurance Premiums.* - There shall be collected from every person, company or corporation (except purely cooperative companies or associations) doing life insurance business of any sort in the Philippines a tax of two percent (2% of the total premium collected (**EXCEPT PREMIUMS ON MICROINSURANCE**), whether such premiums are paid in money, notes, credits or any substitute for money; but premiums refunded within six (6) months after payment on account of rejection of risk or returned for other reason to a person insured shall not be included in the taxable receipts; nor shall any tax be paid upon reinsurance by a company that has already paid the tax; nor upon premiums collected or received by any branch of a domestic corporation, firm or association doing business outside the Philippines on account of any life insurance of the insured who is a nonresident, if any tax on such premium is imposed by the foreign country where the branch is established nor upon premiums collected or received on account of any reinsurance, if the insured, in case of personal insurance, resides outside the Philippines, if any tax on such premiums is imposed by the foreign country where the original insurance has been issued or perfected; nor upon that portion of the premiums collected or received by the insurance companies on variable contracts, in excess of the amounts necessary to insure the lives of the variable contract owners.

1 "Cooperative companies or associations are such as are conducted by the
2 members thereof with the money collected from among themselves and solely for
3 their own protection and not for profit."
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5 Sec. 4. Section 183 of the NIRC, as amended, is hereby further amended to
6 read as follows:
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8 "SEC. 183. *Stamp Tax on Life Insurance Policies.* - **On** all policies of insurance
9 or other instruments by whatever name the same may be called, whereby any
10 insurance shall be made or renewed upon any life or lives, **EXCEPT ON**
11 **MICROINSURANCE**, there shall be collected a one-time documentary stamp tax at
12 the following rates:
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If the amount of insurance does not exceed P 100,000	Exempt
If the amount of insurance exceeds P 100,000 does not exceed P 300,000	P 20.00
If the amount of insurance exceeds P 300,000 does not exceed P 500,000	P 50.00
If the amount of insurance exceeds P 500,000 but does not exceed P 750,000	P 100.00
If the amount of insurance exceeds P 750,000 but does not exceed P 1,000,000	P 150.00
If the amount of insurance exceeds P 1,000,000	P 200.00

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1 Sec. 5. Section 184 of the NIRC, as amended, is hereby further amended to
2 read as follows:

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4 "SEC. 184. *Stamp Tax on Policies of Insurance Upon Property.* - On all policies of
5 insurance or other instruments by whatever name the same may be called, by which
6 insurance shall be made or renewed upon property of any description, including rents
7 or profits, against peril by sea or on inland waters, or by fire or lightning, **EXCEPT**
8 **ON MICROINSURANCE**, there shall be collected a documentary stamp tax of Fifty
9 centavos (P0.50) on each Four pesos (P4.00), or fractional part thereof, of the amount
10 of premium charged: Provided, however, That no documentary stamp tax shall be
11 collected on reinsurance contracts or on any instrument by which cession or
12 acceptance of insurance risks under any reinsurance agreement is effected or
13 recorded."

14
15 Sec. 6. Section 185 of the NIRC, as amended, is hereby further amended to
16 read as follows:

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18 "SEC. 185. *Stamp Tax on Fidelity Bonds and Other Insurance Policies.* On all policies
19 of insurance or bonds or obligations of the nature of indemnity for loss, damage or
20 liability made or renewed by any person, association, company or corporation
21 transacting the business or accident, fidelity, employer's liability, plate, glass, steam,
22 boiler, burglar, elevator, automatic sprinkler, or other branch of insurance (except life,
23 marine, inland, [~~and~~] fire insurance, **AND MICROINSURANCE**), and all bonds,
24 undertakings, or recognizances, conditioned for the performance of the duties of any
25 office or position, for the doing or not doing of anything therein specified, and on all
26 obligations guaranteeing the validity or legality of any bond or other obligations issued
27 by any province, city, municipality, or other public body or organization, and on all
28 obligations guaranteeing the title to any real estate, or guaranteeing any mercantile
29 credits, which may be made or renewed by any such person, company or corporation,
30 there shall be collected a documentary stamp tax of Fifty centavos (P0.50) on each
31 Four pesos (P4.00), or fractional part thereof, of the premium charged.

1 Sec. 7. Section 186 of the NIRC, as amended, is hereby further amended to
2 read as follows:

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4 "SEC. 186. *Stamp Tax on Policies of Annuities and Pre-Need Plans.* - **On** all policies of
5 annuities, or other instruments by whatever name the same may be called, whereby
6 an annuity may be made, transferred or redeemed, **EXCEPT ON**
7 **MICROINSURANCE**, there shall be collected a documentary stamp tax of One peso
8 (P1.00) on each Two hundred pesos (P200), or fractional part thereof, of the premium
9 or installment payment on contract price collected. On pre-need plans, the
10 documentary stamp tax shall be Forty centavos (P0.40) on each Two hundred pesos
11 (P200), or fractional part thereof, of the premium or contribution collected."

12 read as follows:

13
14 Sec. 8. Section 187 of the NIRC, as amended, is hereby further amended to
15 read as follows:

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17 "SEC. 187. *Stamp Tax on Indemnity Bonds.* - **On** all bonds for indemnifying any
18 person, firm or corporation who shall become bound or engaged as surety for the
19 payment of any sum of money or for the due execution or performance of the duties
20 of any office or position or to account for money received by virtue thereof, and on all
21 other bonds of any description, except such as may be required in legal proceedings
22 **AND ON MICROINSURANCE**, or are otherwise provided for herein, there shall be
23 collected a documentary stamp tax of Thirty centavos (P0.30) on each Four pesos
24 (P4.00), or fractional part thereof, of the premium charged."

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26 Sec. 9. *Implementing Rules and Regulations (IRR).* - Within thirty (30) days
27 from the effectivity of this Act, the Secretary of Finance, upon recommendation of the
28 Commissioner of Internal Revenue, shall promulgate the necessary rules and
29 regulations for its effective implementation.

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31 Sec. 10. *Separability Clause.* - If any provision of this Act is held unconstitutional
32 or invalid, all other provisions not affected thereby shall remain valid.

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2 Sec 11. *Repealing Clause.* - All laws, decrees, executive orders, issuances, rules
3 and regulations or parts thereof which are contrary to and inconsistent with this Act
4 are hereby repealed, amended or modified accordingly.

5

6 Sec. 12. *Effectivity.* - This Act shall take effect fifteen (15) days after its
7 complete publication in the Official Gazette or in a newspaper of general circulation in
8 the Philippines.

Approved,