

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



'22 OCT 27 P 4 :49

**SENATE**  
S. No. 1435

RECEIVED BY: \_\_\_\_\_

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**Introduced by SENATOR RAMON BONG REVILLA, JR.**

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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 PURPOSE 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.

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 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 to 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 participants 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.



**RAMON BONG REVILLA, JR.**

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

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

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

9                   "The phrase 'sale or exchange of services' means the performance of all  
10 kinds of services in the Philippines for others for a fee, remuneration or  
11 consideration, including those performed or rendered by construction and  
12 service contractors; stock, real estate, commercial, customs and immigration  
13 brokers; lessors of property, whether personal or real; warehousing services;  
14 lessors or distributors of cinematographic films; persons engaged in milling,  
15 processing, manufacturing or repacking goods for others; proprietors,  
16 operators or keepers of hotels, motels, rest houses, pension houses, inns,

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

17 "x x x."

18  
19 Sec. 2. Section 109 of the NIRC, as amended, is hereby further amended to  
20 read as follows:

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

24 "(A) x x x

25 "xxx;

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

28  
29 "(BB) Sale or lease of goods or properties or the performance of  
30 services other than the transactions mentioned in the preceding paragraphs,  
31 the gross annual sales and/or receipts do not exceed the amount of Three  
32 million pesos (₱3,000,000)**[,] AND**

1  
2                   **"(CC) SALE OF MICROINSURANCE PRODUCTS OR SERVICES**  
3                   **BY AN INSTITUTION, ORGANIZATION, COMPANY AND/OR**  
4                   **ASSOCIATION DULY CERTIFIED BY THE INSURANCE COMMISSION."**  
5

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

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

28  
29                   "Cooperative companies or associations are such as are conducted by  
30 the members thereof with the money collected from among themselves and  
31 solely for their own protection and not for profit."  
32

1           Sec. 4. Section 183 of the NIRC, as amended, is hereby further amended to  
2 read as follows:

3  
4           "SEC. 183. *Stamp Tax on Life Insurance Policies.* – **On** all policies of  
5 insurance or other instruments by whatever name the same may be called,  
6 whereby any insurance shall be made or renewed upon any life or lives,  
7 **EXCEPT ON MICROINSURANCE**, there shall be collected a one-time  
8 documentary stamp tax at the following rates:

If the amount of insurance does not exceed P100,000	Exempt
If the amount of insurance exceeds P100,000 but does not exceed P300,000	P20.00
If the amount of insurance exceeds P300,000 but does not exceed P500,000	P50.00
If the amount of insurance exceeds P500,000 but does not exceed P750,000	P100.00
If the amount of insurance exceeds P750,000 but does not exceed P1,000,000	P150.00
If the amount of insurance exceeds P1,000,000	P200.00

9  
10           Sec. 5. Section 184 of the NIRC, as amended, is hereby further amended to  
11 read as follows:

12           "SEC. 184. *Stamp Tax on Policies of Insurance Upon Property.* - **On** all  
13 policies of insurance or other instruments by whatever name the same may be  
14 called, by which insurance shall be made or renewed upon property of any  
15 description, including rents or profits, against peril by sea or on inland waters,  
16 or by fire or lightning, **EXCEPT ON MICROINSURANCE**, there shall be  
17 collected a documentary stamp tax of Fifty centavos (P0.50) on each Four pesos  
18 (P4.00), or fractional part thereof, of the amount of premium charged:  
19 *Provided, however,* That no documentary stamp tax shall be collected on  
20 reinsurance contracts or on any instrument by which cession or acceptance of  
21 insurance risks under any reinsurance agreement is effected or recorded."  
22

1           Sec. 6. Section 185 of the NIRC, as amended, is hereby further amended to  
2 read as follows:

3           “SEC. 185. *Stamp Tax on Fidelity Bonds and Other Insurance Policies.* –  
4 On all policies of insurance or bonds or obligations of the nature of indemnity  
5 for loss, damage or liability made or renewed by any person, association,  
6 company or corporation transacting the business of accident, fidelity,  
7 employer’s liability, plate, glass, steam, boiler, burglar, elevator, automatic  
8 sprinkler, or other branch of insurance (except life, marine, inland, [~~and~~] fire  
9 insurance, **AND MICROINSURANCE**), and all bonds, undertakings, or  
10 recognizances, conditioned for the performance of the duties of any office or  
11 position, for the doing or not doing of anything therein specified, and on all  
12 obligations guaranteeing the validity or legality of any bond or other obligations  
13 issued by any province, city, municipality, or other public body or organization,  
14 and on all obligations guaranteeing the title to any real estate, or guaranteeing  
15 any mercantile credits, which may be made or renewed by any such person,  
16 company or corporation, there shall be collected a documentary stamp tax of  
17 Fifty centavos (P0.50) on each Four pesos (P4.00), or fractional part thereof,  
18 of the premium charged.”

19  
20           Sec. 7. Section 186 of the NIRC, as amended, is hereby further amended to  
21 read as follows:

22           “SEC. 186. *Stamp Tax on Policies of Annuities and Pre-Need Plans.* - **On**  
23 all policies of annuities, or other instruments by whatever name the same may  
24 be called, whereby an annuity may be made, transferred or redeemed,  
25 **EXCEPT ON MICROINSURANCE**, there shall be collected a documentary  
26 stamp tax of One peso (P1.00) on each Two hundred pesos (P200), or fractional  
27 part thereof, of the premium or installment payment on contract price collected.  
28 On pre-need plans, the documentary stamp tax shall be Forty centavos (P0.40)  
29 on each Two hundred pesos (P200), or fractional part thereof, of the premium  
30 or contribution collected.”

1           Sec. 8. Section 187 of the NIRC, as amended, is hereby further amended to  
2 read as follows:

3           “SEC. 187. *Stamp Tax on Indemnity Bonds.* - **On** all bonds for  
4 indemnifying any person, firm or corporation who shall become bound or  
5 engaged as surety for the payment of any sum of money or for the due  
6 execution or performance of the duties of any office or position or to account  
7 for money received by virtue thereof, and on all other bonds of any description,  
8 except such as may be required in legal proceedings **AND ON**  
9 **MICROINSURANCE**, or are otherwise provided for herein, there shall be  
10 collected a documentary stamp tax of Thirty centavos (P0.30) on each Four  
11 pesos (P4.00), or fractional part thereof, of the premium charged.”  
12

13           Sec. 9. *Implementing Rules and Regulations (IRR).* – Within thirty (30) days  
14 from the effectivity of this Act, the Secretary of Finance, upon recommendation of the  
15 Commissioner of Internal Revenue, shall promulgate the necessary rules and  
16 regulations for its effective implementation.

17           Sec. 10. *Separability Clause.* –If any section or provision of this Act is held  
18 unconstitutional or invalid, other provisions hereof which are not affected thereby shall  
19 remain in full force and effect.

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

23           Sec. 12. *Effectivity.* – This Act shall take effect fifteen (15) days after its  
24 complete publication in the *Official Gazette* or in two (2) newspapers of general  
25 circulation in the Philippines.

*Approved,*