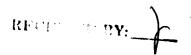
SEVENTEENTH CONGRESS OF THE REPUBLIC)	
OF THE PHILIPPINES)	
First Regular Session)	



16 JUL 20 P4:04

SENATE S.B. No. <u>689</u>



Introduced by: Senator Paolo Benigno "Bam" A. Aquino IV

AN ACT RATIONALIZING THE TAXES IMPOSED ON NON-LIFE INSURANCE POLICIES, AMENDING FOR THIS PURPOSE SECTIONS 108,123,184, AND 185 OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED

EXPLANATORY NOTE

Water-logged vehicles, homes swallowed by the earth, valuables blown over and washed away - these are scenes from the various calamities experienced by Filipinos over the past years.

From Ondoy in Metro Manila to the 7.2 magnitude earthquake in Bohol and supertyphoon Yolanda in Leyte, what Filipino families had spent decades working for was taken away and families without the protection of insurance had no recourse but to begin again from scratch.

Non-life insurance policies in the Philippines bear a value-added tax (VAT) of 12% amongst an array of other taxes, such as documentary stamps, fire service and local government taxes bringing the total tax burden to 27.2% per policy. In comparison, life insurance policies carry only 2% VAT after enjoying a 5% reduction thanks to RA 10001.

The prohibitively high taxation rates on non-life insurance have caused Filipino consumers and businesses alike to shy away from this key necessity, placing their hard-earned investments at risk in our disaster-prone nation.

In order to empower our citizens and local businesses to protect hard earned assets and encourage more Filipinos to think long-term, we must pursue the reduction of taxes for non-life insurance policies in the country.

What's more, as the Philippines enters the ASEAN Integrated Economic Zone, we have a responsibility to strengthen local industries, including our insurance sector who will be contending with foreign competitors who offer non-life insurance policies at 0.4-7% VAT.

This measure will not only safeguard the valued possessions of our hardworking countrymen; it won't just shield businesses from the risk of failure after catastrophes

beyond their control, but will also create a thriving non-life insurance sector in the Philippines as it competes on a larger stage in the ASEAN.

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

Bam Aglino
Senator Paolo Benigno "Bam" A. Aquino IV



SEVENTEENTH CONGRESS OF THE REPUBLIC) OF THE PHILIPPINES)

First Regular Session

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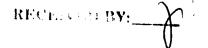
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16 JIII 20 P4:04

SENATE s.B. No. 689



Introduced by: Senator Paolo Benigno "Bam" A. Aquino IV

AN ACT

RATIONALIZING THE TAXES IMPOSED ON NON-LIFE INSURANCE POLICIES, AMENDING FOR THIS PURPOSE SECTIONS 108, 123, 184 AND 185 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:

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

"SEC. 108. Value-added Tax on Sale of Services and Use or Lease of Properties.-

(A) Rate and Base of Tax. - xxx

The phrase "sale or exchange of services" means the performance of all kinds of services in the Philippines for others for a fee, remuneration or consideration, including those performed or rendered by construction and service contractors, stock, real estate, commercial, customs and immigration brokers, lessors of property, whether personal or real; warehousing services, lessors or distributors of cinematographic films; persons engaged in milling processing, manufacturing or repacking goods for others, operators or keepers of hotels, motels, resthouses, pension houses, inns, resorts, proprietors or operators of restaurants, refreshment parlors, cafes and other eating places, including clubs and caterers, dealers in securities, lending investors, transportation contractors on their transport of goods or cargoes, including persons who transport goods or cargoes for hire and other domestic common carriers by land relative to their transport of goods or cargoes, common carriers by air and sea relative to their transport of passenger, good or cargoes from one place in the Philippines to another place in the Philippines; sales of electricity by generation companies, transmission, and distribution companies, services of franchise grantees of electric utilities, telephone and telegraph, radio and television broadcasting and all other franchise grantees except those under Section 119 of this Code; services of banks, non-bank financial intermediaries and finance companies; [and non-life insurance companies (except their crop insurances), including surety, fidelity, indemnity and bonding companies;] and similar services regardless of whether or not the performance thereof calls for the exercise or use of the physical or mental faculties. xxx."

SEC. 2. Section 123 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"SEC. 123. Tax on [Life] Insurance Premiums. – There shall be collected from every person, company or corporation (except purely cooperative companies or MUTUAL BENEFIT ASSOCIATIONS AND OTHER associations) doing [life] insurance business of any sort in the Philippines a tax of two percent (2%) of the total premium collected, 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 RISK INSURED AGAINST COVERS PROPERTY LOCATED OUTSIDE THE PHILIPPINES OR 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 workers.

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SEC. 3. Section 184 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"SEC. 184. Stamp Tax on Policies of Insurance Upon Entry. — On all policies of insurance or other instrument by whatever name the same may be called, by which insurance shall be made or renewed upon property of any description, including rents or profits, against peril by sea or inland waters, or by fire or lightning there shall be collected a documentary stamp tax [of Fifty centavos (P0.50) on each Four pesos (P4.00), or of fractional part thereof, of the amount premium charged:] AT THE FOLLOWING RATES:

IF THE AMOUNT OF INSURANCE

DOES NOT EXCEED PHP100,000.00 - EXEMPT

IF THE AMOUNT OF INSURANCE

1	EXCEEDS PHP100,000.00 BUT DOES NOT
2	EXCEED PHP300,000.00 - PHP10.00
3	IF THE AMOUNT OF INSURANCE
4	EXCEEDS PHP300,000.00 BUT DOES
5	NOT EXCEED PHP500,000.00 - PHP25.00
6	
7	IF THE AMOUNT OF INSURANCE
8	EXCEEDS PHP500,000.00 BUT DOES
9	NOT EXCEED PHP750,000.00 - PHP50.00
-	
10	IF THE AMOUNT OF INSURANCE
11	EXCEEDS PHP750,000.00 BUT DOES
12	NOT EXCEED PHP1,000,000.00 - PHP75.00
	1111 73.00
13	IF THE AMOUNT OF INSURANCE
14	EXCEEDS PHP1,000,000.00 - PHP100.00
	1111 200.00
15	Provided, however, That no documentary stamp tax shall be collected on
16	reinsurance contracts or on any instrument by which cession or acceptance of
17	insurance risks under any reinsurance agreement is effected or recorded."
18	SEC. 4. Section 185 of the National Internal Revenue Code of 1997, as
19	amended, is hereby further amended to read as follows:
	,,,,,,,, .
20	"SEC. 185. Stamp Tax on Fidelity Bonds and Other Insurance Policies On all
21	policies of insurance or bonds or obligations of the nature of indemnity for loss,
22	damage or liability made or renewed by any person, association, company or
23	corporation transacting the business of accident, fidelity, employer's liability, plate,
24	glass, steam boiler, burglar, elevator, automatic sprinkler, or other branch of
25	insurance (except life, marine, inland and fire insurance), and all bonds,
26	undertakings, or recognizances, conditioned for the performance of the duties of any
27	office or position, for the doing or not doing of anything therein specified, and on all
28	obligations guaranteeing the validity or legality of any bond or other obligations
29	issued by any province, city, municipality or other public body or organization, and
30	on all obligations guaranteeing the title to any real estate or guaranteeing any
31	mercantile credits which may be made or renewed by any such person, company or
32	corporation, there shall be collected a documentary stamp tax [of Fifty centavos
33	(P0.50) on each Four pesos (P4.00), or fractional part thereof, of the premium
34	charged.] AT THE FOLLOWING RATES:
35	IF THE AMOUNT OF INSURANCE
36	DOES NOT EXCEED PHP100,000.00 - EXEMPT
30	DOLS NOT EXCEED FIFTUO,000.00 - EXEMPT
37	IF THE AMOUNT OF INSURANCE
38	EXCEEDS PHP100,000.00 BUT DOES NOT
	·
39	EXCEED PHP300,000.00 - PHP10.00

1	IF THE AMOUNT OF INSURANCE		
2	EXCEEDS PHP300,000.00 BUT DOES		
3	NOT EXCEED PHP500,000.00	-	PHP25.00
4	IF THE AMOUNT OF INSURANCE		
5	EXCEEDS PHP500,000.00 BUT DOES		
6	NOT EXCEED PHP750,000.00	-	PHP50.00
7	IF THE AMOUNT OF INSURANCE		
8	EXCEEDS PHP750,000.00 BUT DOES		
9	NOT EXCEED PHP1,000,000.00	-	PHP75.00
10	IF THE AMOUNT OF INSURANCE		
11	EXCEEDS PHP1,000,000.00	-	PHP100.00"
12	SEC. 5. Implementing Rules and Regulation	ons. – Within six	ty (60) days from the
13	effectivity of this Act, the Secretary of the De	partment of Fi	nance (DoF) and the
14	Commissioner of the Bureau of Internal Re	venue (BIR) s	hall promulgate the
15	necessary rules and regulations to implement the	e provisions of	this Act.
16			
17	SEC. 6. Separability Clause. – Should	any provision	herein be declared
18	unconstitutional, the same shall not affect the v	alidity of the ot	her provisions of this
19	Act.		
20			
21	SEC. 7. Repealing Clause. – All laws, de	•	•
22	regulations or parts thereof, which are inconsistent with this Act, are hereby		
23	repealed, amended or modified accordingly.		
24	SEC 8. Effectivity. – This Act shall take ef	-	•
25	completion of its publication in the Official Gazette or in two (2) newspapers of		
26	general circulation in the Philippines.		
27	Approved,		