

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SEVENTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 4092



Introduced by **HONORABLE ROMERO "MIRO" S. QUIMBO**

EXPLANATORY NOTE

The insurance industry has grown to serve as a foundation of society – it offers protection for business and individuals on the one hand, while giving them the unbridled freedom to venture on different opportunities with minimum risks, on the other. Non-life insurance, in particular, serve as society's security in the face of calamities, accidents, and natural disasters, among others.

The significance of the non-life insurance industry in the country goes deeper when seen in light of the country's vulnerability to calamities and natural disasters. In a study conducted by United Nations and the Centre on the Epidemiology of Disasters (CRED), it was observed that "over the past two decades, the Philippines endured a total of 274 natural calamities, making it the fourth most disaster-prone country in the world."¹ With constant losses due to calamities, Filipinos are in need of viable protection like insurance, to help alleviate their financial vulnerability.

Apart from insulating properties of an individual, non-life insurance also plays a role in facilitating economic growth. It encourages credit transactions, which in turn assures financial institutions to grant more loans. Thus, with more capital available to an individual or corporation, it acquires more room for investments and business activities, thereby stimulating the economy.

Although the non-life insurance industry in the Philippines has grown stronger in the past years², policy measures to protect the same have been insufficient. The Philippine Insurers and Reinsurers Association has

¹ Santos, Elmor P. "Philippines among world's most disaster prone countries." CNN Philippines, January 21, 2016. <<http://cnnphilippines.com/news/2015/11/25/philippines-fourth-most-disaster-prone-country.html>, accessed October 10, 2016>

² Torres, Ted P. "YEARENDER: Insurance industry ends 2015 strong." Philippine Star, January 4, 2016. <<http://www.philstar.com/business/2016/01/04/1538902/yearender-insurance-industry-ends-2015-strong>, accessed October 10, 2016.>

identified that the Philippines has the highest total taxes of 27.2% on non-life insurance premium among Southeast Asian Countries, compared to Singapore's 7%, Thailand's 11.3% and Vietnam's 12%³. The 27.2% total taxes for non-life insurance premium are composed of the following: 12% value added tax (VAT); 12.15% documentary stamp tax; 2% fire service tax and 0.5-0.7% local government taxes.⁴ This hinders the full potential of this sector, thereby also hampering the extension of its benefits to those who do not have the capacity to afford it.

To correct this situation, this bill seeks to amend several sections of the National Internal Revenue Code to lower the VAT imposed on non-life insurance premiums from 12% to 2%. It also proposes a reduction of the Documentary Stamp Tax by providing a lower and standard rate on a given amount of insurance. With the enactment of this bill, total taxes imposed on non-life insurance premium is expected to drop to at least 5%.

Given the role that this industry plays in the economy, stronger policies must be put in place to further strengthen these institutions. With lower taxes, non-life insurance products will become more affordable and accessible to all Filipinos, thus promoting financial security in the country.

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


ROMERO "MIRO" S. QUIMBO
Representative
Second District Marikina City

³ Binaday, Gabrielle H. "Non-life insurers to push lower tax bill." Manila Standard, June 27, 2016.
<<http://www.thestandard.com.ph/business/209265/non-life-insurers-to-push-lower-tax-bill.html>, accessed October 10, 2016>

⁴ Ibid.

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**AN ACT EMENDING 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;
proprietors, operators or keepers of hotels, motels, resthouses,
pension houses, inns, resorts; proprietors or operators of
restaurants, refreshment parlors, cafes and other eating places,

1 including clubs and caterers; dealers in securities; lending
2 investors; transportation contractors on their transport of goods or
3 cargoes, including persons who transport goods or cargoes for hire
4 and other domestic common carriers by land relative to their
5 transport of goods or cargoes; common carriers by air and sea
6 relative to their transport of passengers, goods or cargoes from one
7 place in the Philippines to another place in the Philippines; sales of
8 electricity by generation companies, transmission and distribution
9 companies; services of franchise grantees of electric utilities,
10 telephone and telegraph, radio and television broadcasting and all
11 other franchise grantees except those under Section 119 of this
12 Code; services of banks, non-bank financial intermediaries and
13 finance companies; [and non-life insurance companies (except
14 their crop insurances), including surety, fidelity, indemnity and
15 bonding companies;] and similar services regardless of whether or
16 not the performance thereof calls for the exercise or use of the
17 physical or mental faculties. xxx”
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19 **SEC. 2.** Section 123 of the National Internal Revenue Code of 1997, as
20 amended is hereby further amended to read as follows:
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22 **“SEC. 123. Tax on [Life] Insurance Premiums.** – There
23 shall be collected from every person, company or corporation
24 (except purely cooperative companies or associations) doing [life]
25 insurance business of any sort in the Philippines a tax of two
26 percent (2%) of the total premium collected, whether such
27 premiums are paid in money, notes, credits or any substitute for
28 money; but premiums refunded within six (6) months after
29 payment on account of rejection of risk or returned for other
30 reason to a person insured shall not be included in the taxable
31 receipts; nor shall any tax be paid upon reinsurance by a company
32 that has already paid the tax; nor upon premiums collected or
33 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, of the **RISK INSURED AGAINST COVERS PROPERTY LOCATED OUTSIDE THE PHILIPPINES OR THE** insured, in case of personal insurance, resides outside the Philippines, if 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.

xxx”

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 Property. – On all policies of insurance or other instruments 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 on 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 of premium charged:] **AT THE FOLLOWING RATES:**

**IF THE AMOUNT OF INSURANCE
DOES NOT EXCEED PHP
100,000.00**

EXEMPT

IF THE AMOUNT OF INSURANCE

PHP 10.00

EXCEEDS PHP 100,000.00 BUT
DOES NOT EXCEED PHP
300,000.00

IF THE AMOUNT OF INSURANCE PHP 25.00

EXCEEDS PHP 300,000.00 BUT
DOES NOT EXCEED PHP
500,000.00

IF THE AMOUNT OF INSURANCE PHP 50.00

EXCEEDS PHP 500,000.00 BUT
DOES NOT EXCEED PHP
750,000.00

IF THE AMOUNT OF INSURANCE PHP 75.00

EXCEEDS PHP 750,000.00 BUT
DOES NOT EXCEED PHP
1,000,000.00

IF THE AMOUNT OF INSURANCE PHP 100.00
EXCEEDS PHP 1,000,000.00

Provided, however, That no documentary stamp tax shall be collected on reinsurance contracts or on any instrument by which cession or acceptance of insurance risks under any reinsurance agreement is effected or recorded."

SEC. 4. Section 185 of the National Internal Revenue Code of 1997, as amended is hereby further amended to read as follows:

"SEC. 185. Stamp Tax on Fidelity Bonds and Other Insurance Policies. – On all policies of insurance or bonds or obligations of the nature of indemnity for loss, damage or liability made or renewed by any person, association, company or corporation transacting the business of accident, fidelity, employer's liability, plate, glass, steam boiler, burglar, elevator, automatic sprinkler, or other branch of insurance (except life,

marine, inland and fire insurance, and all bonds, undertakings, or recognizances, conditioned for the performance of the duties of any office or position, for the doing or not doing of anything therein specified, and on all obligations guaranteeing the validity or legality of any bond or other obligations issued by any province, city, municipality or other public body or organization, and on all obligations guaranteeing the title to any real estate or guaranteeing any mercantile credits which may be made or renewed by any such person, company or corporation, there shall be collected a documentary stamp tax [of Fifty centavos (P0.50) on each Four pesos (P4.00), or fractional part thereof, of the premium charged.]

AT THE FOLLOWING RATES:

| | |
|---|-------------------|
| IF THE AMOUNT OF INSURANCE DOES NOT EXCEED PHP 100,000.00 | EXEMPT |
| IF THE AMOUNT OF INSURANCE EXCEEDS PHP 100,000.00 BUT DOES NOT EXCEED PHP 300,000.00 | PHP 10.00 |
| IF THE AMOUNT OF INSURANCE EXCEEDS PHP 300,000.00 BUT DOES NOT EXCEED PHP 500,000.00 | PHP 25.00 |
| IF THE AMOUNT OF INSURANCE EXCEEDS PHP 500,000.00 BUT DOES NOT EXCEED PHP 750,000.00 | PHP 50.00 |
| IF THE AMOUNT OF INSURANCE EXCEEDS PHP 750,000.00 BUT DOES NOT EXCEED PHP 1,000,000.00 | PHP 75.00 |
| IF THE AMOUNT OF INSURANCE | PHP 100.00 |

EXCEEDS PHP 1,000,000.00

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Section 5. Implementing Rules and Regulations. – The Secretary of Finance shall, upon recommendation of the Commissioner of Internal Revenue, promulgate the necessary rules and regulations for the effective implementation of the provisions of this Act.

Section 6. Repealing Clause. – All laws, orders, issuances, circulars, rules and regulations or parts thereof, which are inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

Section 7. Separability Clause. – If any provision of this Act is declared unconstitutional or invalid, other parts or provisions hereof not affected thereby shall continue to be in full force and effect.

Section 8. Effectivity. – This Act shall take effect fifteen (15) days following its publication in at least two (2) newspapers of general circulation.

Approved,