

MALACAÑANG
MANILA

FEB 23 2010

**The Honorable Speaker
and Members of the House of Representatives**
House of Representatives
Quezon City

Ladies and Gentlemen:

Pursuant to Section 27 (1) and (2), Article VI of the Constitution, I am exercising my veto power on **Section 4** of the consolidated enrolled bill **H. No. 6017/ S. No. 3502**, entitled:

**"AN ACT REDUCING THE TAXES ON LIFE INSURANCE POLICIES,
AMENDING FOR THIS PURPOSE SECTIONS 123 AND 183 OF THE
NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED,"**

for being violative of Section 28 (1), Article VI of the Constitution which provides: "*The rule of taxation shall be uniform and equitable. The Congress shall evolve a progressive system of taxation.*" Exempting life insurance premiums from tax, as the subject Section 4 provides, will result in inequity since other similar financial instruments will continue to be taxable. It may even set a precedent for other players in the financial sector to clamor for the same treatment that will further put to risk government revenues.

Further, exempting life insurance premiums from tax will only benefit the life insurance providers. Furthermore, it will deprive government of revenues that can be spent on services that benefit most the poor, not to mention that insurance is consumed more by the middle to high-income earners.

In view thereof, I affix my signature on the above-mentioned revenue measure with notation that Section 4 thereof be deleted.

Juan M. Ponce Enrile

Encl.: a/s
cc: **Hon. Juan Ponce Enrile**
President of the Senate
Philippine Senate
Pasay City



FORM Hologram Y 64785

CERTIFIED COPY:

MARIANITO M. DIMAANDAL
DIRECTOR IV
MALACAÑANG RECORDS OFFICE

RE-24-2010

Republic of the Philippines
Congress of the Philippines
Metro Manila
Fourteenth Congress
Third Regular Session

Begun and held in Metro Manila, on Monday, the twenty-seventh day of July, two thousand nine.

[REPUBLIC ACT NO. 10001]

AN ACT REDUCING THE TAXES ON LIFE INSURANCE POLICIES, AMENDING FOR THIS PURPOSE SECTIONS 123 AND 183 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 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 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 reasons 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.

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

SEC. 2. The new rate of two percent (2%) shall apply only to insurance policies that will be issued after the effectivity of this Act: *Provided, however,* That insurance policies taken out before the effectivity of this Act but the premiums are not yet fully paid, the new rate of two percent (2%) shall be applied to the remaining balance and for the remaining years.

SEC. 3. Section 183 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"SEC. 183. *Stamp Tax on Life Insurance Policies.* - On all policies of insurance or other instruments by whatever name the same may be called, whereby any insurance shall be made or

renewed upon any life or lives, there shall be collected a one-time documentary stamp tax at the following rates:

If the amount of insurance does not exceed Php100,000.00	exempt
If the amount of insurance exceeds Php100,000.00 but does not exceed Php300,000.00	Php10.00
If the amount of insurance exceeds Php300,000.00 but does not exceed Php500,000.00	Php25.00
If the amount of insurance exceeds Php500,000.00 but does not exceed Php750,000.00	Php50.00
If the amount of insurance exceeds Php750,000.00 but does not exceed Php1,000,000.00	Php75.00
If the amount of insurance exceeds Php1,000,000.00	Php100.00"

SEC. 4. Five (5) years after the effectivity of this Code, no tax on life insurance premium shall be collected: *Provided, further,* That on the said date, all policies of insurance or other instruments by whatever name the same shall be called whereby any insurance shall be made upon any life or lives shall be exempt from the documentary stamp tax.

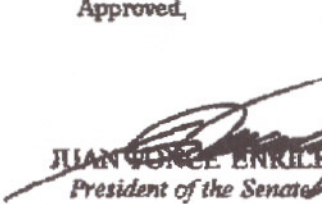
SEC. 5. *Rules and Regulations.* - The Secretary of Finance shall, upon recommendation of the Commissioner of Internal Revenue, promulgate the necessary rules and regulations for the effective implementation of the provisions of this Act.

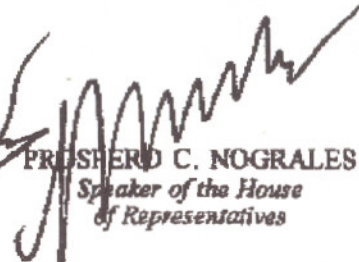
SEC. 6. *Separability Clause.* - If any provision of this Act is held unconstitutional or invalid, all other provisions not affected thereby shall remain valid.

SEC. 7. *Repealing Clause.* - All laws, decrees, executive orders, rules and regulations or parts thereof which are inconsistent with this Act are hereby repealed, amended or modified accordingly.

SEC. 8. *Effectivity.* - This Act shall take effect fifteen (15) days following the completion of its publication in the *Official Gazette* or in a newspaper of general circulation in the Philippines.


Approved,


 JUAN PONCE ENRILE
President of the Senate


 PROSPERO C. NOGRALES
*Speaker of the House
 of Representatives*

This Act which is a consolidation of House Bill No. 6017 and Senate Bill No. 3502 was finally passed by the House of Representatives and the Senate on December 15, 2009 and December 11, 2009, respectively.


 EMMA LIRIO REYES
Secretary of the Senate


 MARILYN B. BARUA TAP
*Secretary General
 House of Representatives*

Approved: FEB 23 2010


 GLORIA MACAPAGAL-ARROYO
President of the Philippines



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