

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

THIRTEENTH (13TH) CONGRESS
Second Regular Session

HOUSE BILL NO. 4989



Introduced by Rep. Junie E. Cua

EXPLANATORY NOTE

This legislation is primarily endeavored to further attract foreign investments in the automotive industry particularly the manufacture of vehicles powered by alternative fuel.

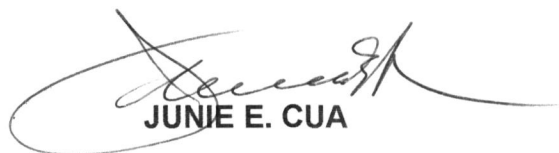
To this end, it is essential to encourage the manufacture and use of vehicles powered by alternative fuel in the country, whereby promoting at the same time the judicious use of the country's indigenous energy resources. Corollarily, it is viewed to address the ever increasing cost of fuel in the world market, the transport sector, being one of the highest fuel-consuming sectors; to reduce the amount of air pollution (global warming) caused by automobiles in accordance with the Philippine Clean Air Act; to develop the country as hub in ASEAN for certain motor vehicles, parts and components manufacturing; and, to create additional investment, employment opportunities, tax revenue and provide positive export earnings to the Philippine economy.

Earlier, Executive Order No. 472, Series of 1998, institutionalized the Committee on Fuel Conservation and Efficiency in Road Transport, and targets 5% reduction in fuel consumption by road transport users.

Then came, Executive Order No. 156, Series of 2002, which established a Comprehensive Industrial Policy and Direction for the Motor Vehicle Development Program. It provides for the development of the Philippines as the manufacturing hub for certain motor vehicles, parts and components.

This legislation is intended to levy, assess, and collect excise tax on vehicles powered by alternative fuels at zero percent (0%) rate to promote foreign investments and also to address the increasing cost of fuel in the world market.

Approval of this Bill is therefore urgently sought.


JUNIE E. CUA

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AN ACT
FURTHER PROMOTING FOREIGN INVESTMENTS IN THE AUTO INDUSTRY,
AMENDING FOR THE PURPOSE THE NATIONAL INTERNAL REVENUE
CODE OF 1997, AS AMENDED BY REPUBLIC ACT NO. 9224, AND FOR
OTHER PURPOSES

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

Section 1. Section 149 of the National Internal Revenue Code of 1997 is hereby further amended to read as follows:

"SEC. 149. Automobiles. – There shall be levied, assessed and collected an ad valorem tax on automobiles **EXCEPT COMPRESSED NATURAL GAS VEHICLES, ELECTRIC VEHICLES, FLEX-FUEL VEHICLES, AND HYBRID VEHICLES, WHICH SHALL BE LEVIED, ASSESSED AND COLLECTED EXCISE TAX AT ZERO PERCENT (0%) RATE,** based on the manufacturer's or importer's selling price, net of excise and value-added taxes, in accordance with the following schedule:

Net manufacturer's price/ Importer's selling price	Rate
Up to P600 Thousand	2%
Over P600 Thousand to P1.1 Million	P12,000 + 20% of value in excess of P600 Thousand
Over P1.1 Million to P2.1 Million	P112,000 + 40% of value in excess of P1.1 Million
Over P2.1 Million	P512,000 + 60% of value excess of P2.1 Million

Provided, That the brackets reflecting the manufacturer's price or importer's selling price, net of excise and value-added taxes, will be indexed by the Secretary of Finance once every two (2) years if the change in the exchange rate of the Philippine peso against the United States (U.S) dollar is more than ten percent (10%) from the date of effectivity of this Act, in the case of initial adjustment and from the last revision date in the case of subsequent adjustments.

The manufacturer's price or importer's selling price, net of excise and value-added taxes, shall indexed by the full rate of the peso depreciation or appreciation, as the case may be.

Provided, further, That in case the change in the exchange rate of the Philippine peso against the U.S dollar is at least twenty percent (20%) at anytime within the two-year period referred to above, the Secretary of Finance shall index the brackets reflecting the manufacturer's price or importer's selling price, net of excise and value-added taxes, by the full rate of the peso depreciation or appreciation, as the case may be.

As used in this Section –

(a) Automobile shall mean any four (4) or more wheeled motor vehicle regardless of seating capacity, which is propelled by gasoline, diesel, electricity or any other motive power: *Provided*, That for purposes of this Act, buses, trucks, cargo vans, jeeps/jeepneys/jeepney substitutes, single cab, chassis, and special-purpose vehicles shall not be considered as automobiles

(b) Truck/cargo van shall mean a motor vehicle of any configuration that is exclusively designed for the carriage of goods and with any number of wheels and axles. *Provided*, That pick-ups shall not be considered as trucks.

(c) Jeep/jeepneys/jeepney substitutes shall mean as "Philippine jeep or jeepney" which are of the jitney type locally designed and manufactured generally from surplus parts and components. It shall also include jeepney substitutes that are manufactured from brand-news single cab chassis or cowl chassis and locally customized rear body that has continuous sideway row seats with open rear door and without retractable glass windows.

(d) Bus shall mean a motor vehicle of any configuration with gross vehicle weight of 4.0 tons or more with any number of wheels and axles, which is generally accepted and specially designed for mass or public transportation.

(e) Single cab chassis shall mean a motor vehicle with complete engine power train and chassis equipped with a cab that has a maximum of two (2) doors and only (1) row of seats.

(f) Special purpose vehicle shall mean a motor vehicle designed for specific application such as cement mixer, fire truck, boom truck, ambulance and/or medical unit, and off-road vehicles for heavy industries and not for the recreational activities.

(E) COMPRESSED NATURAL GAS (CNG) VEHICLE SHALL MEAN A VEHICLE DESIGNED FOR THE DEDICATED USE OF COMPRESSED NATURAL GAS.

(F) ELECTRIC VEHICLE SHALL MEAN A VEHICLE DESIGNED TO RUN SOLELY ON ELECTRIC POWER.

(G) FLEX-FUEL VEHICLE (FFV) SHALL MEAN A VEHICLE DESIGNED TO RUN ON REGULAR UNLEADED GASOLINE AND ALCOHOL FUEL. FFVS ARE CATEGORIZED AS FOLLOWS:

- **BIO-ETHANOL – VEHICLES THAT RUN ON GASOLINE AND A MINIMUM ETHANOL CONTENT/BLEND OF AT LEAST 20%.**
- **BIO-DIESEL – VEHICLES THAT RUN ON DIESEL AND A MINIMUM COCO-METHYL ESTER CONTENT/BLEND OF AT LEAST 5%.**

(H) HYBRID VEHICLE SHALL MEAN A VEHICLE THAT USE ELECTRIC BATTERIES AND GASOLINE/DIESEL FOR THE ENERGY USED TO POWER INTERNAL-COMBUSTION ENGINES AND ELECTRIC MOTORS.

Provided. That in the case of imported automobiles not for sale, the tax imposed herein shall be based on the total landed value, including transaction value, customs duty and all other charges.

Automobiles used exclusively within the freeport zones shall be exempt from excise tax.”

Sec. 2. Periodic Review – The schedule set forth in Section 1 hereof shall be subject to periodic review by the Department of Trade and Industry every ten (10) years from the effectivity of this Act and the corresponding report shall be submitted to Congress.

Sec. 3. Rules and Regulations - The Department of Trade and Industry, in consultation with the Department of Energy and other concerned government agencies, shall promulgate the necessary rules and regulations for the effective

implementation of the provisions of this Act within thirty (30) days from the date of its approval.

Sec. 4. Separability Clause - If any provision of this Act is held unconstitutional or invalid, all other provisions not affected thereby shall remain valid.

Sec. 5. Repealing Clause - All laws, decrees, executive orders, letters of instruction, rules and regulations or parts thereof which are inconsistent with this Act are hereby repealed, amended or modified accordingly.

Sec. 6. Effectivity Clause - This Act shall take effect after fifteen (15) days following the completion of its publication and that of the approved implementing rules and regulations in the Official Gazette or in a newspaper of general circulation.

Approved,