

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon, City

FIFTEENTH (15th) CONGRESS
Second Regular Session

House Bill No. 5139

Introduced by: **HON. RYAN LUIS V. SINGSON**

EXPLANATORY NOTE

This bill seeks to grant tax incentives to importers and manufacturers of hybrid cars in the Philippines.

With the fluctuating gasoline prices in the country, car owners are mulling on other ways and means to save fuel on their vehicles.

One feasible solution that comes to mind is the use of hybrid cars. Hybrid cars are vehicles that use rechargeable energy system and normal gasoline-fueled power source for propulsion. These cars are durable, low polluting and consume less gasoline than conventional cars with pure internal combustion engines. Though most hybrid cars still use gasoline as their primary fuel source, new technologies include the use of ethanol and hydrogen fuel.

At a glance a hybrid car is really the answer to the fuel-saving problem in the country. However, it is very expensive. To produce a hybrid car costs \$5,000 more than a normal vehicle. While carmaker companies in the country are considering the importation and manufacture of hybrid models, they still cannot do so due to higher costs of production compared with regular gas-fed vehicles. They are willing to invest if only the government will grant importers and manufacturers special incentives like duty-free and tax-free importation of parts and components of the said vehicle.

Parts and components are presently charged with 15 percent to 30 percent most favored nation tariffs if they are sourced outside of member-countries of the ASEAN. Imports from ASEAN members, on the other hand, are charged with a 5 percent common effective preferential tariff rates.

The duty-free and tax free importation of parts will make hybrid car assembly competitive with the production of normal gas-fed cars. If only the government will grant tax incentives to manufacturers and importers of hybrid cars, these cars will become more affordable and available to the Filipinos. Grant of tax exemptions shall be subject to a periodic review of duly constituted council. The time frame given may be enough to give time for the local automotive industry to develop its own capability to locally produce the said parts and components.

In view of the foregoing considerations approval of this bill is highly and earnestly recommended.



RYAN LUIS V. SINGSON

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FIFTEENTH (15th) CONGRESS
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AN ACT
EXEMPTING ALL MANUFACTURERS AND IMPORTERS OF HYBRID
VEHICLES FROM THE PAYMENT OF CERTAIN TAXES AND FOR OTHER
PURPOSES

Section 1. Any provision of existing laws to the country notwithstanding, any person, partnership or corporation who is engaged in the business of manufacturing or importing the fuel-saving hybrid cars including its parts and components shall be exempt from the payment of import duties, customs and tariff duties, excise, value-added and *ad valorem* taxes in respect to the manufacture or importation of such cars.

For purposes of this Act, hybrid vehicles shall refer to vehicles that combine the technologies used in a gasoline-powered internal combustion (IC) engine with a battery-powered electric motor to gain the advantages of both propulsion systems.

Section 2. For proper implementation of this Act, an Inter-Agency Council hereinafter referred to as the Council is hereby created which shall be responsible to regulate and control the grant of tax exemptions to the manufacturers or importers of hybrid vehicles in accordance with the conditions to be set forth and the regulations to be promulgated by the council.

The Council shall be composed of the following officials or their representatives;

- a.) Secretary of Finance – Chairman;
- b.) Secretary of Energy – member;

- c.) Secretary of Science and Technology - member
- d.) Secretary of Trade and Industry - member
- e.) Commissioner of Customs - member

Section 3. The Grant of Tax exemptions provided in Section 1 shall be subject to periodic review by the council every five (5) years from the effectivity of this Act and the corresponding report shall be submitted to the Congress.

Section 4. The Inter-Agency Council shall promulgate the necessary rules and regulations for the effective implementation of this Act.

Section 5. All laws, decrees, executive orders, letters of instructions, rules and regulations or parts thereof which are inconsistent with this Act are hereby repealed, amended or modified accordingly.

Section 6. This Act shall take effect fifteen (15) days following its publications in at least two (2) national newspapers of general circulation.

Approved.