

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SEVENTEENTH CONGRESS
First Regular Session

House Bill No. 4452



INTRODUCED BY REPRESENTATIVE ARTHUR C. YAP

EXPLANATORY NOTE

This bill seeks to grant tax and other non-fiscal incentives to importers, manufacturers, operators and owners of hybrid cars in the Philippines.

With the usually rising fuel prices in the country, automobile owners are considering other ways and means to save fuel on their vehicles.

One possible solution is the use of hybrid cars. Hybrid cars are vehicles that use both rechargeable energy and normal gasoline-fueled power source for propulsion. These cars are long-lasting, low polluting, and use less gasoline than standard 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.

Hybrid cars are really the answer to the fuel-saving problem in the country. Nevertheless, it is very expensive to produce. A hybrid car costs about USD 6,000 more than its non-hybrid counterpart. While carmaker companies in the country are considering the importation and manufacture of hybrid models, they still cannot do so due to higher costs 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 hybrid vehicles.

Parts and components are currently charged with 15% to 30% 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% 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 Filipinos. Grant of tax exemptions shall be subject to a periodic review of the Secretary of Finance. The time frame 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, the immediate passage of the bill is earnestly sought.

A stylized, handwritten signature in black ink, consisting of a large, sweeping 'S' shape followed by a horizontal line and a small flourish.

ARTHUR C. YAP
Representative

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House Bill No. ~~4452~~

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AN ACT
PROVIDING INCENTIVES FOR THE MANUFACTURE,
ASSEMBLY, CONVERSION AND IMPORTATION OF
ELECTRIC, HYBRID AND OTHER ALTERNATIVE
FUEL VEHICLES, AND FOR OTHER PURPOSES

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

1 **SECTION 1. *Title.*** - This Act shall be known as the "Electric, Hybrid
2 and Other Alternative Fuel Vehicles Incentives Act of 2016".

3 **SEC. 2. *Declaration of Policy.*** - It is the policy of the State to
4 safeguard life and environment by encouraging the use of alternative sources
5 of energy for vehicles intended for public and private use. To protect the
6 well-being and promote the economic condition of the people as well as to
7 promote energy independence and security in the midst of development and
8 innovation in technology, the following are hereby declared:

9 A) It is the policy of the State to protect and advance the right of the
10 people to a balanced and healthful ecology in accord with the rhythm
11 and harmony in nature. The State shall recognize and address the
12 detrimental effects on the environment, safeguard the welfare, and

1 protect the health of the people by improving air quality and by
2 reducing the impact of greenhouse gas effects emitted from man-
3 made sources such as vehicles operating on fossil fuels.

4 B) The State supports the need to promote the development of new
5 technology to accelerate social progress and promote human
6 development. The use of alternative sources of energy on vehicles
7 intended for public and private use is encouraged to promote
8 innovation, energy efficiency, security and conservation, and to
9 speed-up the deployment of cleaner technology.

10 C) The State recognizes the indispensable role of the private sector,
11 encourages private enterprise, and provides incentives to needed
12 investments. To accelerate economic growth and generate
13 employment, the state shall provide incentives to private enterprises
14 and individuals engaged in the manufacture, assembly, conversion,
15 and importation of electric, hybrid and other alternative fuel vehicles.

16 **SEC. 3. *Definition of Terms.*** As used herein, the following shall
17 mean:

18 (a) Electric Vehicle shall refer to any vehicle that uses electric motors
19 solely for propulsion.

20 (b) Hybrid Vehicle (HV) shall refer to any vehicle that combines the
21 technologies of using internal combustion engine (ICE) with a
22 battery-powered electric motor to gain advantages of both propulsion
23 systems.

24 (c) Other Alternative Fuel Vehicle (AFV) shall refer to any vehicle using
25 alternative sources of energy such as but not limited to: solar, wind,

hydrogen fuel cell, compressed natural gas (CNG) or liquefied natural gas (LNG) and liquefied petroleum gas (LPG), other than conventional sources of energy like petroleum and gasoline for propulsion.

(d) Manufacturer or Assembler shall mean any individual, partnership, corporation or other entity engaged in the manufacture, assembly and conversion of electric, hybrid and other alternative fuel vehicles incorporated, organized and existing under Philippine laws.

(e) Importer shall mean any individual, partnership, corporation or other entity engaged in the importation of completely built units (CBUs) of electric, hybrid and other alternative fuel vehicles incorporated, organized and existing under Philippine laws.

SEC. 4. Coverage. - This Act shall cover electric, hybrid and other alternative fuel vehicles but shall not include vehicles powered by gasoline, petroleum, bio-diesel and bio-ethanol.

SEC. 5. Incentives to Manufacturers or Assemblers. - The provision of any special or general law to the contrary notwithstanding, the manufacture or assembly of completely knocked-down (CKD) parts of electric, hybrid and other alternative fuel vehicles, including the conversion of vehicles into electric, hybrid and other alternative fuel vehicles, shall be exempt from the payment of excise taxes and duties for nine (9) years from the effectivity of this Act.

The imposition of the Value Added Tax (VAT) for the purchase and importation of raw materials, spare parts, components and capital equipment used in the manufacture or assembly of electric, hybrid and other alternative

1 fuel vehicles shall be suspended for the next nine (9) years from the
2 effectivity of this Act.

3 **SEC. 6. *Incentives to Importers.*** - The provision of any special or
4 general law to the contrary notwithstanding, the importation of completely
5 built units (CBUs) of electric, hybrid and other alternative fuel vehicles shall
6 be exempt from the payment of excise taxes and duties for nine (9) years
7 from the effectivity of this Act.

8 **SEC. 7. *Exemption from the Payment of Motor Vehicle User's***
9 ***Charge (MVUC).*** - Electric, hybrid and other alternative fuel vehicles shall
10 be exempt from the payment of the Motor Vehicle User's Charge (MVUC)
11 imposed by the Land Transportation Office (LTO) under Republic Act No.
12 8794, otherwise known as "Motor Vehicle User's Charge (MVUC) Act".

13 **SEC. 8. *Non-Fiscal Incentives.*** -

14 1. *Priority in Registration and Issuance of Plate Number.* - Registration
15 and renewal of registration of electric, hybrid and other alternative
16 fuel vehicles shall be prioritized by the Land Transportation Office. A
17 special type of vehicle plate to be prescribed by L TO shall be
18 exclusively issued to all electric, hybrid and other alternative fuel
19 vehicles upon registration.

20 2. *Priority in Franchise Application.* - Public Utility Vehicle (PUV)
21 operators exclusively utilizing electric, hybrid and other alternative
22 fuel vehicles shall be granted priority by the Land Transportation
23 Franchising and Regulatory Board (LTFRB) in the approval of
24 applications for franchise to operate, including its renewal, for nine
25 (9) years from the effectivity of this Act.

1 3. *Exemption from Unified Vehicular Volume Reduction Program*
2 *(UVVVRP) or Number-Coding Scheme.* - All electric, hybrid and other
3 alternative fuel vehicles shall be exempted from the mandatory
4 Unified Vehicular Volume Reduction Program (UVVVRP) or Number-
5 Coding Scheme being implemented by the Metro Manila
6 Development Authority (MMDA) and other local government units
7 (LGUs) concerned.

8 4. *Provision for Free Parking Spaces in New Establishments.* - Business
9 and commercial establishments to be constructed after the effectivity
10 of this Act are mandated to provide exclusive parking spaces free of
11 charge for all electric, hybrid and other alternative fuel vehicles. No
12 building permit shall be issued for the construction of business and
13 commercial establishments that include parking spaces unless the
14 owner submits an affidavit that there shall be free parking spaces to be
15 exclusively designated for electric, hybrid and other alternative fuel
16 vehicles.

17 **SEC. 9. *Registration, Implementation and Monitoring.*** - The
18 Department of Finance (DOF) and Department of Trade and Industry (DTI)
19 shall be responsible for the administration and implementation of the
20 incentives granted under this Act.

21 Manufacturers, assemblers, converters and importers of electric,
22 hybrid and other alternative fuel vehicles shall register with DOF in order to
23 avail of the incentives provided under this Act. For proper monitoring, DOF

1 and DTI shall meet regularly to monitor and review the implementation of
2 the incentives provided herein.

3 **SEC. 10. *Implementing Rules and Regulations.*** - The DOF in
4 coordination with the DTI shall promulgate the necessary rules and
5 regulations for the effective implementation of this Act.

6 **SEC. 11. *Separability Clause.*** - If any provision of this Act is
7 declared unconstitutional or invalid, other parts or provisions hereof not
8 affected thereby shall continue to be in full force and effect.

9 **SEC. 12. *Repealing Clause.*** - All other laws, orders, issuances,
10 circulars, rules and regulations or parts thereof, which are inconsistent with
11 the provisions of this Act are hereby repealed or modified accordingly.

12 **SECTION 13. *Effectivity.*** - This Act shall take effect fifteen (15)
13 days from its complete publication in the Official Gazette or in a newspaper
14 of general circulation in the Philippines, whichever comes earlier.

APPROVED.