



Eighteenth Congress
First Regular Session
6604
HOUSE BILL NO. _____



Introduced by
REPRESENTATIVE LOREN B. LEGARDA

**AN ACT
TO PROMOTE THE MANUFACTURE, ASSEMBLY, IMPORTATION, SALE,
DISTRIBUTION, USE AND DEVELOPMENT OF HYBRID AND ALTERNATIVE
FUEL VEHICLES BY GRANTING TAX EXEMPTIONS AND PROVIDING
INCENTIVES THEREFOR AND FOR OTHER PURPOSES**

Explanatory Note

According to the data of the World Health Organization (WHO), 7.6% of all deaths worldwide in 2016 can be attributed to ambient air pollution or specifically known as urban outdoor air pollution. Based on the 2015 National Emissions Inventory, 65% of air pollutants in the Philippines came from mobile sources such as cars, motorcycles, trucks, and buses.

WHO also identified that Particulate Matter or PM2.5 particles, which can be found in diesel vehicles, is considered to be the most harmful pollutants that penetrate into the lung passageways increasing risk of chronic respiratory illness. In 2004, the Department of Health released a report stating that the “considerable morbidity and mortality due to respiratory and cardiovascular diseases could have been prevented with better air quality in Metro Manila in 2002.” Whereas Asian Development Bank in their December 2006 Synthesis Report on Urban Air Quality Management in the Philippines also noted that limited ambient air quality data in the country is a deterrent to the identification of correlation between the severity of air pollution and its health effects on the exposed communities.

According to the World Bank, at a global level the cost associated with health damage from ambient air pollution is estimated to be \$5.7 trillion, equivalent to 4.8%

of global GDP in 2016. Given this data, we have to consider that addressing pollution is a vital action to be done by the government because of its intolerable toll on the health of the people, the environment and even on economic development.

Thus, this bill seeks to promote the use of alternative fuel vehicles as substantial strategy to contribute in pollution management and promote clean development for healthier lives and better economic productivity. This bill will further encourage the transition to hybrid and alternative fuel vehicles by providing fiscal and non-fiscal incentives to manufacturers, motorists, and operators who opt to convert their vehicles into electric, hybrid and alternative fuel vehicles

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



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

1 **SECTION 1. Title.** – This Act shall be known as the “Alternative Fuel Vehicles Act of
2 2020.”

3 **SEC. 2. Declaration of Policy.** – It is the policy of the state to safeguard life and the
4 environment by encouraging the use of alternative sources of energy for vehicles
5 intended for public and private use. To this end, the State shall:

- 6 1. Recognize and address the detrimental effects on the environment of fossil
7 fuels;
- 8 2. Safeguard the welfare and health of the people by improving air quality and
9 by reducing the impact of greenhouse gas effects emitted from man-made
10 sources such as vehicles operating on fossil fuels;
- 11 3. Support the need to promote the development of new technology to
12 accelerate social progress and promote human development, and particularly
13 encourage the use of alternative sources of energy on vehicles intended for

1 public and private use in the light of technological innovation, energy
2 efficiency, security and conservation, and cleaner technology; and
3 4. Provide necessary incentives to private enterprises and individuals engaged
4 in the manufacture, assembly, conversion and importation of hybrid and other
5 alternative fuel vehicles.

6 **SEC. 3. *Definition of Terms.*** – As used in this Act:

- 7 a) *Alternative energy sources* refer to energy sources other than petroleum or
8 fossil fuel;
- 9 b) *Alternative Fuel Vehicle or Alternative Technology Vehicle (AFV)* refers to any
10 vehicle using alternative sources of energy such as but not limited to solar,
11 wind, hydrogen fuel cell, compressed natural gas (CNG) or liquefied natural
12 gas (LNG) and liquefied petroleum gas (LPG), other than conventional
13 sources of energy like petroleum and gasoline for propulsion and vehicles
14 which use propulsion other than internal combustion engine;
- 15 c) *Hybrid vehicles* refer to any vehicle that combines the technologies of using
16 internal combustion engine (ICE) with one or more alternative propulsion
17 systems to gain the advantages of the propulsion systems;
- 18 d) *Importer* refers to any individual, partnership, corporation or other entity
19 engaged in the importation of completely knocked down units (CKD) and
20 completely built units (CBUs) of electric, hybrid and other alternative fuel
21 vehicles incorporated, organized and existing under Philippine laws; and
- 22 e) *Manufacturer or Assembler* refers to any individual, partnership, corporation
23 or other entity engaged in the manufacture, assembly and conversion of
24 electric, hybrid and other alternative fuel vehicles incorporated, organized and
25 existing under Philippine laws;

1 **SEC. 4. Fiscal and Non-Fiscal Incentives.** – For ten (10) years from the effectiveness
2 of this Act, the following incentives shall be enjoyed:

3 1. Fiscal Incentives:

- 4 1.1. The manufacture, assembly, importation, sale, purchase and
5 distribution of hybrid and alternative fuel vehicles, including their
6 components and spare parts, and the main equipment that will be used
7 in any charging facility shall be exempt from the payment of import
8 duties, excise, value-added, and income taxes arising from such
9 activities
- 10 1.2. Motorists who trade their used vehicles for electric, hybrid and
11 alternative fuel vehicles shall be exempt from payment of motor vehicle
12 users charge for the hybrid vehicle therein purchased;
- 13 1.3. Motorists who convert their vehicles into electric, hybrid and
14 alternative fuel vehicles shall be exempt from payment of motor vehicle
15 users charge;
- 16 1.4. The manufacture of electric, hybrid and alternative fuel engines of
17 vehicles for public conveyance shall be exempt from payment of taxes for
18 income derived from the sale thereof;
- 19 1.5. An entity or person engaged in the development of electric, hybrid
20 and alternative fuel vehicles for public conveyance shall enjoy exemption
21 from value-added, import taxes and duties on inputs, and from payment of
22 income tax due on the sale thereof;
- 23 1.6. Electric, hybrid and alternative fuel vehicles shall be exempt from the
24 payment of fees of registration, emission testing and such other regulatory
25 activities, except vehicle insurances, required by the Land Transportation
26 Office (LTO) of the Department of Transportation (DOTr);

- 1 1.7. Electric, hybrid and alternative fuel vehicles using the expressway
2 shall be exempt from payment of toll fees;
- 3 1.8. Fueling/refueling and charging stations for electric, hybrid and
4 alternative fuel vehicles shall enjoy exemption from the payment of
5 income tax;
- 6 1.9. Transport of electric, hybrid and alternative fuel vehicles on sea
7 vessels shall enjoy a fifty percent (50%) discount on such fees being
8 collected by the government for this purpose;
- 9 1.10. Electric, hybrid and alternative fuel vehicles shall enjoy fifty percent
10 (50%) discount on parking fees in any and all establishments; and
- 11 1.11. Public conveyances using electric, hybrid and alternative fuel
12 technologies shall enjoy exemption from income tax.

13 2. Non-Fiscal Incentives

- 14 2.1. The registration and renewal of registration of hybrid and alternative
15 fuel vehicles shall be prioritized by the LTO by providing a special lane
16 therefor;
- 17 2.2. A special type of vehicle plate to be prescribed by the LTO shall be
18 exclusively issued to all these vehicles upon registration;
- 19 2.3. Public utility vehicle (PUV) operators exclusively utilizing hybrid and
20 alternative fuel vehicles shall be granted priority by the Land
21 Transportation Franchising and Regulatory Board (LTFRB) in the
22 approval of applications for franchise to operate, including its renewal;
- 23 2.4. All electric, hybrid and alternative fuel vehicles shall be exempted
24 from the vehicular volume reduction program or number coding scheme
25 being implemented by the government; and

1 2.5. All parking buildings and areas of commercial buildings shall provide
2 parking spaces and/or give priority parking slots for hybrid and alternative
3 fuel vehicles.

4 **SEC. 5. Registration, Implementation and Monitoring.** – The Department of
5 Finance (DOF) and Department of Trade and Industry (DTI) shall be responsible for
6 the administration and implementation of the incentives granted under this Act.

7 Manufacturers, assemblers, converters and importers of electric, hybrid and other
8 alternative fuel vehicles shall register with the DTI and DOF in order to avail of the
9 incentives provided under this Act. For proper monitoring, the DOF and the DTI shall
10 meet regularly to monitor and review the implementation of the incentives provided
11 herein.

12 **SEC. 6. Environmental, Safety and Quality Compliance.** – All products applying
13 for the incentives provided herein shall comply with the Philippine National
14 Standards and other relevant laws and issuance related to environment, quality and
15 safety.

16 **SEC. 7. Electronic Vehicle Battery Collection, Transportation and Disposal**
17 **System.** – The Department of Environment and Natural Resources (DENR) in
18 coordination with the Department of Trade and Industry (DTI) and Department of
19 Energy (DoE) shall establish a system of informing the end-users of the hazards of
20 batteries used in electronic vehicles and other alternative fuel vehicles should contain
21 an information sheet or material safety data sheet. Fees shall be collected from the
22 manufacturer, distributor or marketing agent for every alternative fuel vehicle sale for
23 the purpose of tracking, recovering, recycling and disposing the said batteries.

1 The DENR shall likewise establish a non-stock and non-profit electronic vehicle
2 waste battery market operator that will manage the collected fund and implement the
3 collection, transportation and disposal of the electronic vehicle waste battery.

4 **SEC. 8. Land Allocation, Zoning and Utilization by Local Government Units**
5 (**LGUs**) for hybrid and alternative fuel vehicles. – Local Government Units (LGUs)
6 shall allocate land and lot space for the construction of charging stations to
7 encourage wider deployment of hybrid and alternative fuel vehicles in their areas of
8 jurisdiction.

9 LGUs shall also provide free power/electricity for the charging of hybrid and
10 alternative fuel vehicles designed for mass public transportation.

11 **SEC. 9. Mandatory Installation of Charging Stations.** – Within one year following
12 the effectivity of this Act, all commercial buildings, condominiums, malls, office and
13 parking buildings or facilities shall be installed with charging stations for hybrid and
14 alternative fuel vehicles.

15 **SEC. 10. Alternative Fuel Vehicle Program Trust Fund.** – The Alternative Fuel
16 Vehicle Program Trust Fund is hereby created to:

17 a) Finance the local research, development, and promotion of the use of hybrid
18 and alternative fuel vehicles; and
19 b) Conduct such other activities to carry out the provisions of this Act.

20 An initial seed fund in the amount of fifty million pesos (Php 50,000,000.00) shall be
21 established for the said purpose. The Department of Energy (DoE), and of Science
22 and Technology (DOST), shall manage and administer twenty-five million pesos
23 (Php 25,000,000.00) each from such fund, subject to existing government
24 accounting and auditing procedures.

1 The DOE and the DOST are hereby authorized to manage and disburse said funds
2 to be used as grants, study grants, loans, equity investments, loan guarantees, and
3 insurance or to access other local international funds pursuant to the provisions of
4 this Act.

5 **SEC. 11. *Information Dissemination and Education.*** – The Departments of
6 Energy (DoE), of Trade and Industry (DTI), of Transportation (DOTr), and of Science
7 and Technology (DOST) are hereby mandated to conduct their respective outreach
8 programs to disseminate information concerning the promotion of the manufacture,
9 sale, distribution, use and development of hybrid and alternative fuel vehicles.

10 **SEC. 12. *Appropriations.*** – The amount necessary for the effective implementation
11 of this Act shall be taken from the current fiscal year's appropriation of the DOE and
12 the DOST. Thereafter, such sum as may be necessary for the implementation of this
13 Act shall be included in the annual budget of the DOE and DOST under the General
14 Appropriations Act.

15 **SEC. 13. *Penalty Clause.*** – Any violation of the provisions of this Act by a recipient
16 of the incentives granted under Section 4 herein shall automatically cause the
17 cancellation of such incentives and shall be refunded in favor of the government. A
18 government official or employee who violates any provision of this act shall be
19 subjected to the provisions of the Administrative Code or the Anti-Graft and Corrupt
20 Practices Act..

21 **SEC. 14. *Separability Clause.*** – If any provision of this Act or the application of
22 such provision to any person or circumstances is declared invalid or unconstitutional,
23 the remainder of the Act shall remain in effect and subsisting.

1 **SEC. 15. *Implementing Rules and Regulations.*** – The DTI, the DOE, the DOTR,
2 the DILG, the DOF, the DENR, and the DOST shall formulate the rules and
3 regulations necessary for the effective implementation of this Act within six (6)
4 months from its effectivity.

5 **SEC. 16. *Repealing Clause.*** – All other issuances, laws, decrees, Orders, rules and
6 regulations, or part thereof inconsistent with this Act are hereby repealed or modified
7 accordingly.

8 **SEC. 17. *Effectivity.*** – This Act shall take effect fifteen (15) days following its
9 publication in the *Official Gazette* or in at least two (2) newspapers of general
10 circulation.

11 Approved,