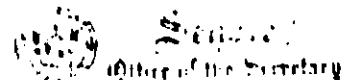


SIXTEENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
Third Regular Session)



15 DEC 16 P5:00

SENATE
S. No. 3041

RECEIVED BY: 

Introduced by Senator Miriam Defensor Santiago

AN ACT
ESTABLISHING A SYSTEM OF TAX INCENTIVES FOR INDIVIDUALS AND
CORPORATIONS THAT ENGAGE IN THE RESEARCH, DEVELOPMENT AND
PRODUCTION OF ELECTRONIC PUBLIC TRANSPORT VEHICLES

EXPLANATORY NOTE

The Constitution, Article 2, Section 16 provides:

The State shall protect and advance the right of the people to a balanced and healthful ecology in accord with the rhythm and harmony of nature.

Despite a slowdown in the rate of global population growth, the world's population is still growing and is expected to peak at nine billion people in 2050, up from 6.6 billion in 2006. These shifts are placing greater pressure on resources and are contributing directly and indirectly to the rising emissions linked to climate change and the resulting consequences for the environment. Recent studies indicate climate change is occurring faster than expected. Without resolute action we could face irreversible changes to the climate.¹ If emissions continue to rise at the rate of the past 30 years, atmospheric concentrations will increase to 700 ppm or more, corresponding to global average temperatures of +6°C or more by 2050.² Even if we stopped emitting greenhouse gases altogether, the effects of global warming are now unavoidable. For these reasons, societies will need to adapt to the unavoidable consequences of climate change.

¹ *Global Risks 2009*, Global Risk Network, World Economic Forum, 2009.

² *Intergovernmental Panel on Climate Change (IPCC) 2007 4th report*; World Energy Outlook International Energy Agency 2008.

Importantly, it is developing nations which face the worst consequences because they are more vulnerable to the physical effects of climate change than developed nations. Weather-related disasters disproportionately affect the agricultural sector in least developed countries where most farmers have only limited access to financial means such as microcredit and insurance solutions.³ The Philippines is considered a climate change hot spot vulnerable to sea-level rise, cyclones and storm surges which threaten social and economic stability particularly in densely populated urban centers such as Metro Manila.⁴ This high vulnerability is due to its location, high population density, high ecological sensitivity, and low adaptive capacity. The twin typhoons and accompanying floods that wreaked havoc in the Philippines recently are clear manifestations of the high vulnerability of the country to climate change.⁵

Automobiles are a major source of greenhouse gases. A prime example is the United States where automobiles are the second largest source of carbon dioxide, creating nearly 1.5 billion tons of CO₂ annually.⁶ Responding to the climate change challenge therefore necessitates that existing environmental laws (e.g. Ecological Solid Waste Management Act, Clean Air Act, etc.); urban planning regulations; and other relevant laws be fully implemented to complement the recently passed Climate Change Act of 2009. The United Nations itself recognizes the need to promote innovation, clean energy, energy efficiency and conservation and to accelerate the deployment of cleaner technologies.⁷

³ *Id.*

⁴ *Climate Change and Migration in Asia and the Pacific*, University of Adelaide, et al, Asian Development Bank, 2009.

⁵ Francisco, Hermina, *Going Beyond the Map: What is next in the Climate Change Challenge for the Philippines?*, Economy and Environment Program for Southeast Asia, International Development Research Centre, Singapore, 2009.

⁶ Natural Resources Defense Council, <http://www.nrdc.org/globalwarming/f101.asp>, accessed on 25 August 2010.

⁷ 2005 World Summit Outcome of the United Nations General Assembly.

This Bill seeks to address the problem of climate change by providing tax incentives to entities involved in the development and production of electronic vehicles or "e-vehicles" specifically those that are geared towards public and mass transportation. Electronic vehicles have zero emissions and their use by the greater public will be accelerated by the introduction of government incentives for their production. This will not just make us less dependent on oil, but will also address the detrimental effects to the environment and the health of our people caused by the emissions of the ubiquitous fuel-powered vehicles in the status quo.⁸


MIRIAM DEFENSOR SANTIAGO
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⁸ This bill was originally filed in the Fifteenth Congress, First Regular Session.

SIXTEENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
Third Regular Session)

Office of the Secretary
15 DEC 16 P5:00

SENATE
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Introduced by Senator Miriam Defensor Santiago

**AN ACT
ESTABLISHING A SYSTEM OF TAX INCENTIVES FOR INDIVIDUALS AND
CORPORATIONS THAT ENGAGE IN THE RESEARCH, DEVELOPMENT AND
PRODUCTION OF ELECTRONIC PUBLIC TRANSPORT VEHICLES**

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

1 SECTION 1. *Short Title.* – This Act shall be known as the "E-Vehicle Tax
2 Incentive Act."

3 SECTION 2. *Declaration of Policy.* – It is the policy of the State to afford full
4 protection and the advancement of the right of the people to a healthful ecology in accord
5 with the rhythm and harmony of nature. In this light, the State has adopted the Philippine
6 Agenda 21 framework which espouses sustainable development, to fulfill human needs
7 while maintaining the quality of the natural environment for current and future
8 generations.

9 As a party to the United Nations Framework Convention on Climate Change, the
10 State adopts the ultimate objective of the Convention which is the stabilization of
11 greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous
12 anthropogenic interference with the climate system which should be achieved within a
13 time frame sufficient to allow ecosystems to adapt naturally to climate change, to ensure
14 that food production is not threatened and to enable economic development to proceed in
15 a sustainable manner.

1 **SECTION 3. *Definition of Terms.*** – As used in this Act, the term –

2 (a) “e-vehicle” or electronic vehicle refers to any vehicle that may be used for
3 public transport such as, but not limited to, e-taxi cabs, e-buses, and e-jecpneys, that uses
4 electric motors for propulsion; This does not include motor vehicles propelled by
5 gasoline or diesel engines or hybrid motor vehicles that are powered by both fuel and
6 electricity; and

7 (b) “emission” refers to any air contaminant, pollutant, gas stream or unwanted
8 sound from a known source which is passed into the atmosphere;

9 **SECTION 4. *Tax Incentives.*** – The following tax incentives shall be enjoyed by
10 producers of e-vehicles:

11 (a) The imposition of the Expanded Value Added Tax (EVAT) for the purchase of
12 materials needed for the research, development and production of e-vehicles shall be
13 suspended for the next ten (10) years: Provided, however, that such expenses shall be
14 exclusively used for the research, development and production of e-vehicles.

15 (b) The importation of machinery, equipment, tools for production, spare parts,
16 supplies, and materials to be used actually, directly and exclusively for the production of
17 e-vehicles are not subject to Duty and Internal Revenue Taxes for the next ten (10) years;
18 Provided, That the National Economic and Development Authority certifies to the non-
19 availability of the above-mentioned items in the local market of sufficient quantity,
20 comparable quality, and price to meet the needs of the producers subject to existing taxes;
21 Provided, further, that if such tax-exempt items brought or imported into the country are
22 subsequently sold, transferred or exchanged in the Philippines to be devoted to non-e-
23 vehicle purposes, the purchasers or recipients shall be considered the importer thereof,
24 and shall be liable for the Duty and Internal Revenue Tax due on such importation,

1 subject to depreciation allowance. The tax due on such items shall constitute a lien on the
2 article itself, superior to all other charges or liens, irrespective of the possessor thereof;

3 (c) In computing taxable income, a corporation or individual engaged in the
4 production of an e-vehicle, may, at its option, deduct research and development
5 expenditures paid or incurred in the development and production of an e-vehicle during
6 the taxable year. The election by the taxpayer to deduct the development and production
7 expenditures is irrevocable and shall be binding in succeeding taxable years.

8 **SECTION 5. *Tax Deduction or Exemption of Donations and Contributions.* –**

9 Donations, contributions, gifts, or grants for the research, development and production of
10 e-vehicles shall be exempted from donor's taxes and shall be deductible in full from the
11 gross income of the donor. The tax privilege may only be claimed for the taxable year the
12 donation was made.

13 **SECTION 6. *Registry of E-Vehicle Corporations and Implementing Rules and***

14 ***Regulations.* –** The Department of Finance with the assistance of the Department of Trade
15 and Industry shall maintain a registry of individuals and corporations that engage in the
16 production of e-vehicles and claim tax incentives under this Act. The Secretaries of the
17 two Departments are also mandated to issue the Implementing Rules and Regulations of
18 this Act within six months from its effectivity.

19 **SECTION 7. *Separability Clause.* –** If any provision of this Act is held invalid or

20 unconstitutional, the same shall not affect the validity and effectivity of the other
21 provisions hereof.

22 **SECTION 8. *Repealing Clause.* –** All laws, decrees, orders, and issuances, or

23 portions thereof, which are inconsistent with the provisions of this Act, are hereby
24 repealed, amended or modified accordingly.

1 **SECTION 9. *Effectivity Clause.*** – This Act shall take effect fifteen (15) days after
2 its publication in the *Official Gazette* or in two (2) newspapers of general circulation.

Approved,

/tdp27Nov2015