



Republic of the Philippines  
**House of Representatives**  
Quezon City, Metro Manila

**FIFTEENTH CONGRESS**  
2nd Regular Session

HOUSE BILL NO. 5058

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**Introduced by:**  
**REP. FRANCISCO T. MATUGAS**  
**1<sup>ST</sup> District, Surigao del Norte (Siargao Island)**

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**EXPLANATORY NOTE**

It can be said that there has always been a strong opposition to mining activities in this country. Many local communities are not too keen on and have protested the establishment of mining operations in their areas. This negative perception, however, has been tempered by the Government's promotion of the rational exploration, development, utilization and conservation of mineral resources. This policy, coupled with the assurance that affected and neighboring communities and the local government units can share in the wealth generated from mining activities, have led communities to be more open to the idea of mining. Income generated from mining activities has been and can be used to fund other wealth generating opportunities for the people and other environment-responsible endeavors.

In this regard, Section 80 of the Philippine Mining Act of 1995 (Republic Act No. 7942) provides that the total Government share in a mineral production agreement shall be the excise tax on mineral products as provided in the National Internal Revenue Code. Under Section 290 of the Local Government Code (Republic Act No. 7160) 40% of the gross collection from this tax goes to the local government unit concerned - 20% thereof to the concerned province, 45% to the component city or municipality and 35% to the barangay.

Recently, however, mining companies have availed of a scheme to reduce the taxes paid to the Government and have thus, deprived local government units of their share in the income derived from mining activities. Areas where there are mining operations, especially where there are minerals processing projects are sought to be declared as Special Economic Zones (ECOZONES) under the Special Economic Zone Act of 1995 (Republic Act No. 7916). As ECOZONES, they now become exempt from all national and local taxes and are only imposed a special tax equivalent to 5% of gross income, are allowed to import raw materials, capital equipment, machineries and spare parts, tax and duty free, are exempt from wharfage dues and export tax, impost and fees, enjoy VAT zero-rating on local purchases, exempted from paying any and all local government imposts, fees, licenses and fees, and exempted from expanded withholding tax.

Some of the ECOZONES which involve mining projects are: (a) the Rio Tuba Export Processing Zone in Rio Tuba, Bataraza, Palawan covering 423.95 hectares; (b) the Taganito Special Economic Zone in Claver, Surigao Del Norte covering 680 hectares; and (c) the Rapu-Rapu Ecozone in Rapu-Rapu, Albay covering an area of 41.39 hectares.

In view of the foregoing, Republic Act No. 7916 or the Special Economic Zone Act of 1995 must be amended in order to suppress the above-mentioned scheme adopted by various mining companies. The early passage of this bill is earnestly sought.



FRANCISCO T. MATUGAS



Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**  
Quezon City, Metro Manila

**Fifteenth Congress**  
**2nd Regular Session**

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**INTRODUCED BY:**  
**REP. FRANCISCO T. MATUGAS**  
**1<sup>st</sup> District, Surigao del Norte**

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**AN ACT**  
**AMENDING REPUBLIC ACT NO. 7916 (AS AMENDED BY REPUBLIC ACT NO. 8748)**  
**OR THE SPECIAL ECONOMIC ZONE ACT OF 1995, THEREBY EXCLUDING MINING**  
**OPERATIONS FROM ACTIVITIES ELIGIBLE FOR PEZA REGISTRATION AND**  
**INCENTIVES**

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

1 **Section 1.** Section 4 (a) of Republic Act Numbered 7916, as amended,  
2 entitled "The Special Economic Zone Act of 1995" is hereby amended  
3 by inserting a paragraph after the first paragraph thereof:  
4

5 "SEC. 4. Definition of Terms. – For purposes of this Act, the following  
6 definitions shall apply to the following terms:  
7

- 8 (a) 'Special Economic Zones (SEZ)' – hereinafter referred to as  
9 the ECOZONES, are selected areas with highly developed or  
10 which have the potential to be developed into agro-  
11 industrial, Industrial tourist/recreational, commercial,  
12 banking, investment and financial centers. An ECOZONE  
13 may contain any or all of the following: Industrial Estates  
14 (IEs), Export Processing Zones (EPZs), Free Trade Zones, and  
15 Tourist/Recreational Centers.  
16

1 IT IS UNDERSTOOD THAT AREAS WHERE MINING PROJECTS,  
2 INCLUDING MINERALS PROCESSING PROJECTS, ARE  
3 LOCATED SHALL NOT BE DECLARED AS ECOZONES.  
4

5 **Section 2.** The first paragraph of Section 6 of the same law is hereby  
6 amended to read as follows:  
7

8  
9 "Criteria for the Establishment of Other ECOZONES. – In addition to the  
10 ECOZONES identified in Section 5 of this Act, other areas may be  
11 established as ECOZONES in a proclamation to be issued by the  
12 President of the Philippines subject to the evaluation and  
13 recommendation of the PEZA: PROVIDED, THAT, AREAS WHERE MINING  
14 PROJECTS, INCLUDING MINERALS PROCESSING PROJECTS, ARE  
15 LOCATED SHALL NOT BE DECLARED AS ECOZONES. THE EVALUATION  
16 AND RECOMMENDATION TO BE MADE BY THE PEZA SHALL BE BASED ON  
17 A DETAILED FEASIBILITY AND ENGINEERING STUDY WHICH MUST  
18 CONFORM TO THE FOLLOWING CRITERIA:"  
19

20  
21 **Section 3.** An additional paragraph, which reads as follows, shall be  
22 added at the end of Section 7 of said law:  
23

24 "NO INDIVIDUAL, PARTNERSHIP, CORPORATION, JOINT VENTURE OR ANY  
25 OTHER ENTITY ENGAGED IN MINING OPERATIONS, INCLUDING MINERALS  
26 PROCESSING, SHALL BE ALLOWED TO SET UP ENTERPRISES IN ECOZONES."  
27

28 **Section 4.** The provisions of this Act shall not prejudice existing rights.  
29

30 **Section 5. *Repealing Clause.*** Any law, presidential decree or issuance,  
31 executive order, rule or regulation contrary to or inconsistent with the  
32 provisions of this Act is hereby repealed, modified or amended  
33 accordingly.  
34

35 **Section 6. *Effectivity.*** This Act shall take effect fifteen (15) days after its  
36 publication in the *Official Gazette* or in at least two newspapers of  
37 general circulation.  
38

39 *Approved,*