



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

Sixteenth Congress
Second Regular Session

HOUSE BILL NO. **5058**

INTRODUCED BY: REPRESENTATIVE FRANCISCO T. MATUGAS

AN ACT
PROMOTING THE DEVELOPMENT OF MINERALS PROCESSING
AND IN THE PROCESS BANNING THE EXPORT OF IRON, NICKEL,
CHROMITE, MANGANESE AND OTHER STRATEGIC METALLIC
ORES, AND FOR OTHER PURPOSES

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

1 **Section 1. *Development of Minerals Processing.*** – The State shall
2 promote industrialization and full employment through industries that make
3 full and efficient use of human and natural resources, and which are
4 competitive in both domestic and foreign markets.

5
6 The State recognizes that the revitalization of the mining industry can
7 contribute greatly to the country's industrialization. The State shall therefore,
8 promote the development of Minerals Processing to maximize the benefits or
9 value-added from mining. Towards this end, it shall encourage the
10 establishment and development of mining firms and manufacturing plants
11 that will utilize locally processed products and process mineral ores first
12 before exporting them to other countries.

13
14 **Section 2. *Entities Engaged in Minerals Processing.*** – For purposes
15 of this Act, an individual, partnership, cooperative, corporation or other entity
16 shall be considered as one engaged in Minerals Processing if it is engaged in
17 the milling, beneficiation or upgrading of ores or minerals and rocks or similar

In terms of ores, the Philippines has the following reserves:

Ore	Reserves Million MT (2005)
Gold	3,056
Copper	2,968
Nickel	953
Chromite	18
Iron	410
Aluminum	292

It is unfortunate, however, that these ores, after mining or extraction, are exported directly to foreign countries as raw materials. The Philippines has not developed the downstream mining industry and thus, cannot maximize the benefits or value-added from mining. It is high time for the mining industry to focus on the final stages of the minerals value chain and encourage the establishment and development of processing plants that use new processes in manufacturing mineral ores.

It is well to note that the industrialization of the Philippine mineral industry is included in the long-term plan of action of the Mines and Geosciences Bureau (MGB) of the Department of Environment and Natural Resources. We should help promote the downstream industries of processing of metals such as copper, nickel, gold and chromite so as to develop community-based supplier industries and services, improve government benefits for the mining industry, and control the export of unprocessed minerals.

It is my firm belief that by developing the downstream mining industry, we are not only advancing said industry but paving the way for the industrialization of the entire country.

This is a refiled bill which was approved at the committee level during the 15th Congress. Hence, approval of this bill is earnestly sought.


Hon. Francisco T. Matugas



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15 of this Act, an individual, partnership, cooperative, corporation or other entity
16 shall be considered as one engaged in Minerals Processing if it is engaged in
17 the milling, beneficiation or upgrading of ores or minerals and rocks or similar

1 means that convert the same into marketable products. However, not all
2 entities engaged in Minerals Processing shall be entitled to the incentives
3 provided under Section 4 of this Act. The incentives under Section 4 shall not
4 be available to entities engaged in processing where the ore or minerals and
5 rocks merely undergo a process or technology, without which, the resource
6 will not be developed or the mining activity could not be possibly undertaken
7 such as sorting, crushing, washing, drying and other similar activities.

8
9 For nickel, chromite and iron, an additional processing step that will
10 add further value to the mineral end product such as, ferro-nickel, mixed
11 sulfides, nickel pig iron, ferrochrome or refractory bricks, shall be required
12 before the entity can avail of the incentives under Section 4.

13
14 **Section 3. Minerals Processing Permit.** – No individual, partnership,
15 cooperative, corporation or other entity shall engage in the processing of
16 minerals without first securing a Minerals Processing Permit from the
17 Secretary of the Department of Environment and Natural Resources.

18
19 In the case of small-scale miners, the processing of mineral ores and
20 minerals they produce, as well as the licensing of their custom mills or
21 processing plants, shall continue to be governed by the provisions of Republic
22 Act No. 7076.

23
24 In the case of individuals, corporations, partnerships, cooperatives or
25 other entities who are parties to a Mineral Agreement or a Financial or
26 Technical Assistance Agreement, holders of Quarry and Industrial Sand and
27 Gravel Permits, the approved Work Program for the production period shall
28 be sufficient requirement for them to process their minerals in lieu of a
29 Minerals Processing Permit.

30
31 A Minerals Processing Permit shall be for a period of ten (10) years,
32 renewable for like periods: *Provided*, That, the renewal of a Minerals
33 Processing Permit shall not be allowed unless the permit holder has complied
34 with all the terms and conditions of the Minerals Processing Permit and has
35 not been found guilty of violation of any provisions of Republic Act No. 7942,
36 or the Philippine Mining Act of 1995, and its implementing rules and
37 regulations. Section 55 of Republic Act 7942 is hereby amended in so far as it
38 is inconsistent with this provision.

39
40 After due process, a Minerals Processing Permit may be suspended,
41 revoked or cancelled by the Department of Environment and Natural
42 Resources for violation of its terms and conditions, or of pertinent laws, rules
43 and regulations.

44
45 **Section 4. Incentives.** – Minerals Processing, which are entitled to
46 incentives under Section 2 of this Act, shall be included every year in the
47 Investment Priorities Plan to be prepared by the Board of Investments in
48 accordance with Executive Order No. 226, as amended, otherwise known as

1 the Omnibus Investment Code of 1987 and shall always be listed as a preferred
2 area of investment. Before being entitled to the foregoing incentives, the entity
3 involved shall be registered with the Board of Investments and satisfy the
4 requirements for registration provided for under Article 32 of Executive Order
5 No. 226.

6
7 Individuals, partnerships, cooperatives, corporations or other entities
8 engaged in Minerals Processing shall be entitled to the incentives provided for
9 under Chapter XVI of Republic Act No. 7942 or the Philippine Mining Act of
10 1995, including those on incentives for pollution control devices, income tax-
11 carry forward of losses, income tax-accelerated depreciation, and investment
12 guarantees.

13
14 **Section 5. Additional Incentives to Entities Who Can Generate
15 Their Own Power.** – An individual, partnership, cooperative, corporation

16 or other entity engaged in Minerals Processing shall be entitled to generate its
17 own electricity: *Provided, That*, it shall comply with all pertinent laws,
18 particularly those being implemented and enforced by the Department of
19 Energy. If such an entity is able to meet all or seventy percent (70%) of its own
20 energy requirements, said entity shall be entitled to the following additional
21 fiscal incentives:

22
23 a. Additional Deduction for Labor Expansion. Instead of being allowed
24 an additional deduction from taxable income of fifty percent (50%)
25 of the wages corresponding to the increment in the number of direct
26 labor for skilled and unskilled workers, in the first five (5) year from
27 registration only, said incentive shall be extended to the first six (6)
28 years from registration: *Provided, That*, in order to be entitled to this
29 incentive, the project must still meet the prescribed ratio of capital
30 equipment to number of workers set by the Board of Investments.

31
32 b. Tax and Duty Exemption on Imported Capital Equipment. -
33 Importations of machinery and equipment and accompanying spare
34 parts needed for the construction, operation and maintenance of the
35 power plant shall be exempt to the extent of one hundred percent
36 (100%) of the customs duties and national internal revenue tax
37 payable thereon: *Provided, That* the importation of machinery and
38 equipment and accompanying spare parts shall comply with the
39 following conditions:

- 40
41 (1) They are not manufactured domestically in sufficient
42 quantity, of comparable quality and at reasonable prices;
43
44 (2) They are reasonably needed and will be used exclusively by
45 the entity involved in the generation of electricity; and
46

(3) The approval of the Board of Investments shall be obtained for the importation of such machinery, equipment and spare parts.

- c. Tax Credit on Domestic Capital Equipment. - A tax credit equivalent to one hundred percent (100%) of the value of the national internal revenue taxes and customs duties that would have been waived on the machinery, equipment and spare parts, had these items been imported shall be given to the entities which purchase machinery, equipment and spare parts from a domestic manufacturer: *Provided*, That the said equipment, machinery and spare parts are reasonably needed and will be used exclusively by the entity in the generation of electricity.
- d. Exemption from Contractor's Tax. - The entity shall be exempt from the payment of contractor's tax, whether national or local for the construction, operation and maintenance of the power plant.

Section 6. *Expenditure for Community Development and Science and Mining Technology.* - The grantee of a Minerals Processing Permit shall assist in the development of the community in which its processing plants are established, the promotion of the general welfare of its inhabitants and the development of science and mining technology.

Activities that may be credited as expenditures for development of the community, and science and mining technology are the following:

- a. Any activity or expenditure intended to enhance the development of the community other than those required or provided for under existing laws, or collective bargaining agreements, and the like; and
- b. Any activity or expenditure directed towards the development of geosciences and mining technology such as, but not limited to, institutional and manpower development, and basic and applied researches. Appropriate supervision and control mechanisms shall be prescribed in the implementing rules and regulations of this Act.

Section 7. *Training and Development.* - The grantee of a Minerals Processing Permit shall maintain an effective program for manpower training and development throughout the effectivity of its Minerals Processing Permit and shall encourage and train Filipinos to participate in all aspects of its operations, including the management thereof.

Section 8. *Safety and Environmental Protection.* - The grantee of a Minerals Processing Permit shall strictly comply with all safety rules and regulations as may be promulgated by the Department of Environment and Natural Resources concerning the safety and sanitary upkeep of its operations.

1 Said grantee shall also undertake an environmental protection and
2 enhancement program covering the period of its Minerals Processing Permit.
3 Such environmental program shall be incorporated in the Work Program
4 which the grantee shall submit as an accompanying document to its
5 application for a Minerals Processing Permit.

6
7 Before being granted a Minerals Processing Permit, the applicant shall
8 be required to procure an Environmental Clearance Certificate based on the
9 environmental impact assessment and procedures under the Environmental
10 Impact Assessment System including Sections 26 and 27 of the Local
11 Government Code of 1991 which require national agencies to maintain
12 ecological balance, and prior consultation with local government units,
13 nongovernmental and people's organizations and concerned sectors of the
14 community.

15
16 **Section 9. Ban on the Exportation or Direct Shipping of Iron**
17 **Nickel, Chromite, Manganese and Other Strategic Metallic Ores. –**
18 Minerals Processing for iron, nickel, chromite and manganese shall be
19 prioritized. For this purpose, starting 1 January 2021, it shall be unlawful for
20 any individual, partnership, cooperative, corporation or other entity, to export
21 or directly ship to any foreign country iron, nickel, chromite and manganese
22 ores extracted from any mining site in the Philippines.

23
24 The President may, upon recommendation of the Secretary of the
25 Department of Environment and Natural Resources or the Secretary of the
26 Department of Trade and Industry, indorsed by the National Economic
27 Development Authority, or upon recommendation by the National Economic
28 Development Authority, ban the export or direct shipping of other strategic
29 metallic ores, apart from iron, nickel, chromite and manganese if the same is
30 crucial to the accelerated industrialization of the country or is needed for
31 economic development and national defense.

32
33 **Section 10. Penalty for Violation. –** Any person exporting iron, nickel,
34 chromite, manganese or other strategic metallic ores, the export of which has
35 been banned by order of the President under Section 9 hereof, shall, upon
36 conviction, be imprisoned from six (6) months to six (6) years or fined Fifty
37 Thousand Pesos (P50,000.00) to Two Hundred Thousand Pesos
38 (P200,000.00), or both, at the discretion of the court. If the offender is a
39 corporation, association, partnership or any juridical person, the penalty shall
40 be imposed upon the responsible officers, as the case may be, who participated
41 in the commission of the offense. If the offender is an alien, he shall, in
42 addition to the penalty herein prescribed, be deported without further
43 proceedings after serving the prescribed penalties.

44
45 **Section 11. Transition Period. –** The period from the approval of this Act
46 until 1 January 2021 shall be considered the transition period to prepare the
47 mining industry for the total ban on the export and direct shipping of iron,
48 nickel, chromite and manganese and other strategic metallic ores, the export

1 of which has been banned by order of the President. The Department of Trade
2 and Industry, and the Department of Environment and Natural Resources
3 shall develop the necessary guidelines during the transition period to ensure
4 that the mining industry is adequately prepared for the eventually ban on
5 export and direct shipping of these ores.

6
7 **Section 12. Implementing Rules and Regulations.** – Within six (6)
8 months from the effectivity of this Act, the Department of Environment and
9 Natural Resources and the Department of Trade and Industry shall
10 promulgate the necessary rules and regulations for the effective
11 implementation of this Act. Such rules and regulations shall take effect upon
12 its publication in two (2) newspapers of general circulation.

13 **Section 13. Separability Clause.** – If, for any reason, any provision of this
14 Act is declared to be unconstitutional or invalid, the other sections or
15 provisions thereof which are not affected thereby shall continue to be in full
16 force and effect.

17 **Section 14. Repealing Clause.** – All laws, decrees, executive orders, rules
18 and regulations, and other issuances or parts thereof which are inconsistent
19 with this Act are hereby repealed, amended or modified accordingly.

20 **Section 15. Effectivity Clause.** – This Act shall take effect fifteen (15) days
21 after its complete publication in at least two (2) newspapers of general
22 circulation.

23 Approved,