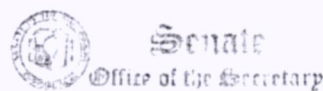


SEVENTEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
Second Regular Session )



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SENATE

Senate Bill No. 1541

RECEIVED BY:

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Introduced by Senator Juan Miguel Zubiri

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**AN ACT  
INCREASING THE EXCISE TAX ON NONMETALLIC AND METALLIC MINERALS  
AND MINERAL PRODUCTS, AND QUARRY RESOURCES, AMENDING FOR THE  
PURPOSE SECTIONS 151 AND 287 OF THE NATIONAL INTERNAL REVENUE  
CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES**

**Explanatory Note**

The rate of excise tax imposed on minerals and quarry resources has been historically pegged at no more than 5%. In the case of nonmetallic minerals and quarry resources, there was an imposed 1.5% excise tax based on the actual value of the gross output from 1939 to 1977, which was increased to 3% until 1994. For metallic minerals, the rate was gradually increased from 1.5% to 5% in 1977. However, the excise tax rates were reduced in 1994 to 1% for copper and other metallic minerals and 2% for gold and chromite. At present, the rate of tax imposed on both metallic and nonmetallic minerals is set at 2% of the actual market value of the annual gross output. The excise tax rate has remained unadjusted since Republic Act No. 7729 was passed in 1994.

This bill proposes to increase the excise tax on minerals, mineral products and quarry resources from the uniform rate of 2% to 7%. Furthermore, the bill proposes an equal share between the national government and local government from the excise tax on minerals, mineral products and quarry resources. The bill further provides that the fifty percent from the revenue collection that shall accrue directly to the local government units and must be allocated and utilized for infrastructure, education, health insurance and environmental conservation.

The provisions of this bill ensures that the government receives a fair share from mining revenues in the form of taxes to make certain that affected local communities are compensated from the health impact, and environmental and social costs of mining activities.

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

**JUAN MIGUEL F. ZUBIRI**

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**AND MINERAL PRODUCTS, AND QUARRY RESOURCES, AMENDING FOR THE**  
**PURPOSE SECTIONS 151 AND 287 OF THE NATIONAL INTERNAL REVENUE**  
**CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES**

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

1           **Section 1.** Section 151 (A) of the National Internal Revenue Code, as amended,  
2 is hereby amended to read as follows:

3           "SEC. 151. *Mineral Products.* -

4           "(A) *Rates of Tax.* - There shall be levied, assessed and collected on  
5 minerals, mineral products and quarry resources, excise tax as follows:

6           "(1) On coal and coke, a tax of Ten pesos (P10.00) per metric ton;

7           "(2) On all [nonmetallic] minerals, MINERAL PRODUCTS, and quarry  
8 resources, a tax of [two] SEVEN percent [(2%)] (7%) based on the actual  
9 market value of the gross output thereof at the time of removal, in the  
10 case of those locally extracted or produced; or the value used by the  
11 Bureau of Customs in determining tariff and customs duties, net of excise  
12 tax and value-added tax, in the case of importation.

13           "Notwithstanding the provision of paragraph [(4)] (3) of Subsection (A) of  
14 this Section, locally extracted natural gas and liquefied natural gas shall  
15 not be subject to the excise tax imposed herein.

16           "[(3) On all metallic minerals, a tax based on the actual market value of  
17 the gross output thereof at the time of removal, in the case of those



1 locally extracted or produced; or the value used by the Bureau of Customs  
2 in determining tariff and customs duties, net of excise tax and value-added  
3 tax, in the case of importation, in accordance with the following schedule;]

4 "[a) Copper and other metallic minerals; ]

5 "[i) On the first three (3) years upon the effectivity of Republic Act  
6 No. 7729, one percent (1%);]

7 "[ii) On the fourth and the fifth years, one and a half percent  
8 (1 1/2%); and]

9 "[iii) On the sixth year and thereafter, two percent (2%);]

10 "[b) Gold and chromite, two percent (2%).]

11 "[4)] (3) On indigenous petroleum, a tax of three percent (3%) of the fair  
12 international market price thereof, on the first taxable sale, barter,  
13 exchange or such similar transaction, such tax to be paid by the buyer or  
14 purchaser before removal from the place of production. The phrase '*first  
15 taxable sale, barter, exchange or similar transaction*' means the transfer of  
16 indigenous petroleum in its original state to a first taxable transferee. The  
17 fair international market price shall be determined in consultation with an  
18 appropriate government agency;

19 " x x x."

20 **SEC 2.** Section 287 of the National Internal Revenue Code, as amended, is  
21 hereby amended to read as follows:

22 "SEC. 287. *Shares of Local Government Units in the Proceeds from the*  
23 *Development and Utilization of the National Wealth.* - x x x

24 "(A) *Amount of Share of Local Government Units.* - Local government units  
25 shall, in addition to the internal revenue allotment, have a share of forty percent  
26 (40%) of the gross collection derived by the national government from the  
27 preceding fiscal year from [excise taxes on mineral products,] royalties, and such  
28 other taxes, fees or charges, including related surcharges, interests or fines, and  
29 from its share in any co-production, joint venture or production sharing

1 agreement in the utilization and development of the national wealth within their  
2 territorial jurisdiction.

3       “(B) *REVENUE FROM MINERALS, MINERAL PRODUCTS AND QUARRY*  
4 *RESOURCES*. THE REVENUE COLLECTED FROM THE EXCISE TAX ON MINERALS,  
5 MINERAL PRODUCTS, AND QUARRY RESOURCES UNDER SECTION 151 OF THIS  
6 ACT SHALL BE EQUALLY DIVIDED BETWEEN THE NATIONAL GOVERNMENT AND  
7 THE LOCAL GOVERNMENT UNITS WHERE THE MINERAL, MINERAL PRODUCTS  
8 AND QUARRY RESOURCES ARE EXTRACTED. FIFTY PERCENT (50%) OF THE  
9 REVENUES COLLECTED SHALL ACCRUE TO THE NATIONAL GOVERNMENT AND  
10 REMAINING FIFTY PERCENT (50%) SHALL BE DIRECTLY REMITTED TO THE  
11 LOCAL GOVERNMENT UNITS.

12       “*PROVIDED*, THAT THE FIFTY PERCENT (50%) SHARE OF LOCAL GOVERNMENT  
13 UNITS FROM THE REVENUE COLLECTED FROM THE EXCISE TAX ON MINERALS,  
14 MINERAL PRODUCTS, AND QUARRY RESOURCES SHALL BE ALLOCATED AND  
15 USED EXCLUSIVELY FOR THE FOLLOWING PURPOSES:

16               “(1) HIRING OF TEACHERS, CONSTRUCTION, REPAIR AND  
17 REHABILITATION OF CLASSROOMS, ACQUISITION OF TABLES AND  
18 CHAIRS, PURCHASE OF TEXTBOOKS, TEACHERS’ MANUALS AND OTHER  
19 INSTRUCTIONAL MATERIALS;

20  
21               “(2) CONSTRUCTION OF HOSPITALS AND RURAL HEALTH FACILITIES,  
22 AND ACQUISITION OF HOSPITAL EQUIPMENTS AND MEDICINES; AND

23  
24               “(3) INFRASTRUCTURE PROJECTS SUCH AS BUT NOT LIMITED TO THE  
25 CONSTRUCTION OF ROADS, BRIDGES, DAMS, WATER SUPPLY SYSTEM  
26 AND IRRIGATION PROJECTS;

27  
28               “(4) ENVIRONMENTAL CONSERVATION PROGRAMS SUCH AS BUT NOT  
29 LIMITED TO REFORESTATION AND BIODIVERSITY CONSERVATION  
30 PROGRAMS AND PROJECTS.

31       “[(B)] (C) *Share of the Local Governments from Any Government Agency*  
32 *or Government-owned or -Controlled Corporation*. - Local Government Units shall  
33 have a share, based on the preceding fiscal year, from the proceeds derived by  
34 any government agency or government-owned or controlled corporation engaged



1 in the utilization and development of the national wealth based on the following  
2 formula, whichever will produce a higher share for the local government unit:

3 "(1) One percent (1%) of the gross sales or receipts of the preceding  
4 calendar year, or

5 "(2) Forty percent (40%) of the [excise taxes on mineral products,]  
6 royalties, and such other taxes, fees or charges, including related  
7 surcharges, interests or fines the government agency or government-  
8 owned or -controlled corporations would have paid if it were not otherwise  
9 exempt: *PROVIDED HOWEVER, THAT LOCAL GOVERNMENT UNITS SHALL*  
10 *HAVE FIFTY PERCENT (50%) SHARE FROM THE EXCISE TAX collected ON*  
11 *MINERALS, MINERAL PRODUCTS, AND QUARRY RESOURCES UNDER*  
12 *SECTION 151 OF THIS ACT.*

13 "[[C]] (D) *Allocation of Shares.* - The share in the preceding Section shall  
14 be distributed in the following manner:

15 "(1) Where the natural resources are located in the province:

16 "(a) Province - twenty percent (20%)

17 "(b) Component city/municipality - forty-five percent (45%); and

18 "(c) Barangay - thirty-five percent (35%)

19 "Provided, however, That where the natural resources are located  
20 in two (2) or more provinces, or in two (2) or more component cities or  
21 municipalities or in two (2) or more barangays, their respective shares  
22 shall be computed on the basis of: (1) Population - seventy percent  
23 (70%); and (2) Land area - thirty percent (30%).

24 "(2) Where the natural resources are located in a highly urbanized or  
25 independent component city:

26 "(a) City - sixty - five percent (65%); and

27 "(b) Barangay - thirty - five percent (35%)

28 "Provided, however, That where the natural resources are located  
29 in two (2) or more cities, the allocation of shares shall be based on the

1 formula on population and land area as specified in subsection [(C)] (D)(1)  
2 hereof.

3 **SEC. 3. *Implementing Rules and Regulations.*** The Secretary of Finance shall,  
4 upon the recommendation of the Commissioner of Internal Revenue, promulgate not  
5 later than thirty (30) days upon the effectivity of this Act the necessary implementing  
6 rules and regulations.

7 **SEC. 4. *Repealing Clause.*** - All laws, orders, issuances, circulars, IULES and  
8 regulations or parts thereof, which are inconsistent with the provisions of this Act are  
9 hereby repealed or modified accordingly.

10 **SEC. 5. *Separability Clause.*** - If any provision of this Act is subsequently  
11 declared unconstitutional, the validity of the remaining provisions hereof shall remain in  
12 full force and effect.

13  
14 **SEC. 6. *Effectivity Clause.***- This Act shall take effect immediately after its  
15 complete publication either in the Official Gazette or in a newspaper of general  
16 circulation in the Philippines.

17  
18 *Approved,*

19

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