

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

EIGHTEENTH CONGRESS
First Regular Session

House Bill No. 5397



Introduced by HON. HENRY R. VILLARICA
4TH DISTRICT, BULACAN

EXPLANATORY NOTE

Republic Act. No. 8502 entitled: *Jewelry Industry Development Act of 1998* was enacted to promote and encourage small and medium-scale jewelry enterprises to improve and formalize their businesses for the advancement of Filipino skills and craftsmanship in jewelry. It sought to grant tax incentives in the importation of jewelry raw materials for manufacturing purposes and the sale of locally produced jewelry.

To implement this law, the Bureau of Internal Revenue issued Revenue Regulation No.1-99 (6 January 1999) exempting from the imposition of excise tax on manufactured and produced jewelries if shown to have been purchased from qualified jewelry enterprises; and Revenue Memorandum Circular No. 33-2004, citing Joint DTI-DOR-BOC-BIR Administrative Order No. 01, Series of 2004 which provides for excise tax-free importation for the manufacture of jewelry by qualified jewelry enterprises.

Presently, however, Section 150 of R.A. No. 7729, otherwise known as the *National Internal Revenue Code of the Philippines* imposes excise tax of 20% on imported jewelry. This effectively brought the jewelry industry underground and has resulted in the proliferation of smuggling to the prejudice of jewelry enterprises seeking to surface.

This proposed remedial legislation seeks to repeal Section 150 and portions of Section 151 of R.A. No. 7729 to address these concerns and to level the playing field in the jewelry industry.

Support for the enactment of this bill is earnestly requested.

REP. HENRY R. VILLARICA

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AN ACT REPEALING SECTION 150 (A) OF THE NATIONAL INTERNAL REVENUE
CODE OF 1997 AND DECLARING THE NON-APPLICABILITY OF SECTION 151 (A)
(2) AND (A) (3) (A) AND (B) TO JEWELRY ENTERPRISES

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

SECTION 1. *Title.* – This Act shall be known as the “Repeal of Excise Tax on
Jewelry”.

SEC. 2. *Declaration of Policy.* – The jewelry industry of the Philippines shall be
developed to enhance its competitiveness domestically as well as in the global economy and
encourage investments so that output of gold and silver from the mining industry will
eventually be utilized for the jewelry industry. Accordingly, the following are the declared
policies of the State:

1. Jewelry is a valuable potential contributor to the Philippine economy rather than a luxury or a non-essential item;
2. The jewelry industry can be even more competitive through the removal of taxes;
3. The jewelry industry is a prime target for hidden transactional costs and seeks to minimize these opportunities by simplifying the taxes levied on the industry;
4. Gold, silver, gemstones are goods of intrinsic value or near cash items and as such should be considered as alternative savings in recognition of our cultural traditions; and
5. Taxation should be equitable and just and should encourage an industry to operate openly.

SEC. 3. *Repeal of Excise Tax on Jewelry and its Inputs.* – Pursuant to Section 2 of this Act, the following provisions are hereby repealed:

- A. Section 150 (a) of the National Internal Revenue Code (R.A. No. 7729) which reads as follows:

“Section 150. *Non-Essential Goods.* – There shall be levied, assessed and collected a tax equivalent to twenty per cent (20%) based on the wholesale price or the value of importation used by the Bureau of Customs in determining tariff and customs duties, net of excise tax and value added tax, of the following goods:

- (a) All goods commonly or commercially known as jewelry, whether real or imitation, pearls, precious and semi-precious stones and imitations thereof; goods made of or ornamented, mounted or fitted with, precious metals or imitations thereof or ivory (not including surgical and dental instruments, silver-plated wares, frames or mountings for spectacles or eyeglasses, and dental gold or gold alloys and other precious metals used in filling, mounting or fitting the teeth); opera glasses and lorgnettes. The term ‘precious metals’ shall include platinum, gold, silver and other metals of similar or greater value. The term ‘imitations thereof’ shall include platings and alloys of such metals;”

X X X

is hereby repealed.

- B. Section 151 (a) (2) of the National Internal Revenue Code (R.A. No. 7729) which reads as follows:

“Section 151. *Mineral Products.* –

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

X X X

- (2) **On all non-metallic minerals and quarry resources**, a tax of four percent (4%) based on the actual market value of the gross output thereof at the time of removal, in the case of those locally extracted or produced; or the value used by the Bureau of Customs in determining tariff and customs duties, net of excise tax and value-added tax, in the case of importation.”

X X X

is hereby declared not applicable to importations, and purchases of jewelry enterprises for production supplies such as but not limited to investment powder, abrasives and other items made from mineral resources required to produce jewelry.

X X X

“(3) **On all metallic minerals**, a tax based on the actual market value of the gross output thereof at the time of removal, in the case of those locally extracted or produced; or the value used by the Bureau of Customs in determining tariff and customs duties, net of excise tax and value-added tax, in the case of importation, in accordance with the following schedule:

(a) *Copper and other metallic minerals*, four percent (4%).

(b) *Gold and chromite*, four percent (4%).”

X X X

is hereby declared not applicable to purchases, importations and exports of finished goods of jewelry enterprises.

SEC. 4. *Locally Purchased or Imported Mineral Products for Production Inputs of Jewelry.* – All production inputs of jewelry enterprises not itemized above but which may be made of mineral products and locally purchased or imported are exempted from excise tax. In addition, copper, gold, silver, platinum, palladium and its alloys imported or locally purchased are exempted from excise tax whenever purchased or used by jewelry enterprises. Likewise, plating solutions made of gold, silver, platinum, rhodium, ruthenium, copper or some other metallic mineral are exempted from excise tax when purchased, imported or used by jewelry enterprises.

SEC. 5. *Domestic and Export Sales of Jewelry.* – All domestic and export sales of finished/semi-finished fine or costume jewelry made by Philippine jewelry enterprises are likewise exempted from excise tax.

SEC. 6. *Implementing Rules and Regulations.* – The Commissioner of Bureau of Internal Revenue (BIR) shall issue and promulgate the necessary implementing rules and regulations to implement the provisions of this Act.

SEC. 7. *Role of the Department of Finance (DOF) and the BIR.* – The DOF through the BIR shall monitor, oversee, supervise and take responsibility for the implementation of this Act and shall submit to Congress a yearly report thereof.

SEC. 9. *Repealing Clause.* – All laws, decrees, executive orders, rules and regulations contrary or inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SEC. 10. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in two (2) newspapers of general circulation.

Approved,