

Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**

**SEVENTEENTH (17<sup>th</sup>) CONGRESS**  
First Regular Session

House Bill No. **2915**

HOUSE OF REPRESENTATIVES

**RECEIVED**

DATE: **15 AUG 2016**

TIME: **4:50 PM**

BY: **peh**

REGISTRATION UNIT  
BILLS AND INDEX SERVICE

---

**Introduced by: REP. JOSEPH STEPHEN S. PADUANO**

---

**EXPLANATORY NOTE**

This Bill seeks for the development of our mineral ores. It is very inopportune for our country that our mineral ores, after mining or extraction, are exported directly to foreign countries as raw materials. We have not yet developed the downstream mining industry and thus, cannot maximize the benefits or value-added from mining.

I believe that this is now the proper time for the mining industry to concentrate on the processing of the minerals value chain and encourage the establishment and development of processing plants that use new processing in manufacturing mineral ores.

The Mines and Geosciences Bureau, an attached agency of the Department of Environment and Natural Resources has studied the significant impact of the Philippine mining industry. We should help encourage the downstream industries on the processing of mineral ores such as copper, nickel, gold and chromite and other strategic mineral ores so as to develop community based supplier industries and services, improve government benefits for the mining industry and control the export of unprocessed minerals. In this case, we are not only advancing said industry but paving the way for the industrialization of the entire country.

This is a refiled bill and was approved at the committee level during the 15<sup>th</sup> Congress; hence, the approval of this bill is earnestly sought.

  
**REP. JOSEPH STEPHEN S. PADUANO**

Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**

**SEVENTEENTH (17<sup>th</sup>) CONGRESS**  
First Regular Session

House Bill No. **2915**

---

**Introduced by: REP. JOSEPH STEPHEN S. PADUANO**

---

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

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

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

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

**SECTION 2. Entities Engaged in Minerals Processing** – For purposes of this Act, an individual, partnership, cooperative, corporation or other entity shall be considered as one engaged in Minerals Processing if it is engaged in the milling, beneficiation or upgrading of ores or minerals and rocks or similar means that convert the same into marketable products. However, not all entities engaged in Minerals Processing shall be entitled to the incentives

provided under Section 4 of this Act. The incentives under Section 4 shall not be available to entities engaged in processing where the ore or minerals and rocks merely undergo a process or technology, without which, the resource will not be developed if the mining activity could not be possibly undertaken such as sorting, crushing, washing, drying and other similar activities.

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

**SECTION 3. Minerals Processing Permit** – no individual, partnership, cooperative, corporation or other entity shall engaged in the processing of minerals without first securing a Minerals Processing Permit from the Secretary of the Department of Environment and Natural Resources.

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

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

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

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

**SECTION 4. Incentives** – Minerals Processing, which are entitled under Section 2 of this Act, shall be included every year in the Investment Priorities Plan to be prepared by the Board of Investments in accordance with Executive Order No. 226, as amended, otherwise known as the Omnibus Investment Code of 1987 and shall be listed as a preferred area of investment. Before being entitled to the foregoing incentives, the entity involved shall be registered with the Board of Investment and satisfy the requirements for registration provided for under Article 32 of Executive Order No. 226.

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

**SECTION 5 – Additional Incentives to Entities Who Can Generate Their Own Power** – An individual, partnership, cooperative, corporation or other entity engaged in Minerals Processing shall be entitled to generate its own electricity. Provided, that, it shall comply with all pertinent laws, particularly those being implemented and enforced by the Department of Energy. If such an entity is able to meet all or seventy percent (70%) of its own energy requirements, said entity shall be entitled to the following additional fiscal incentives.

- a. **Additional Deduction for Labor Expansion.** Instead of being allowed an additional deduction from taxable income of fifty percent (50%) of the wages corresponding to the increment in the number of direct labor for skilled and unskilled workers, in the first five (5) year from registration only, said incentives shall be extended to the first six (6) years from registration: Provided, that, in order to be entitled to this incentive, the

project must still meet the prescribed ratio of capital equipment to number of workers set by the Board of Investments.

- b. Tax and Duty Exemption on Imported Capital Equipment – Importations of machinery and equipment and accompanying spare parts needed for the construction, operation and maintenance of the power plant shall be exempt to the extent of one hundred percent (100%) of the customs duties and national internal revenue tax payable thereon: Provided, that, the importation of machinery and equipment and accompanying parts shall comply with the following conditions:
  - (i) They are not manufactured domestically in sufficient quantity, or comparable quality and at reasonable prices;
  - (ii) They are reasonably needed and will be used exclusively by the entity involved in the generation of electricity, and
  - (iii) 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.

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

Before being granted a Minerals Processing Permit, the application shall be required to procure an Environmental Clearance Certificate based on the environmental impact assessment and procedures under the Environmental Impact Assessment System including Sections 26 and 27 of the Local Government Code of 1991 which requires national agencies to maintain ecological balance and prior consultations with local government units, non-governmental and people's organizations and concerned sectors of the community.

**SECTION 9. Ban on the Exportation or Direct Shipping of Iron, Nickel, Chromite, Manganese, Black Sand and Other Strategic Metallic Ores** – Minerals Processing for Iron, Nickel, Chromite, Manganese, Black Sand shall be prioritized. For this purpose, starting January 1, 2019, it shall be unlawful for any individual, partnership, cooperative, corporation or other entity, to export or directly ship to any foreign country iron, nickel, chromite, manganese, black sand and other mineral ores extracted from any mining site in the Philippines.

The President, may, upon recommendation of the Secretary of the Department of Environment and Natural Resources or the Secretary of the Department of Trade and Industry, endorsed by the National Economic Development Authority, or upon recommendation of the National Economic Development Authority, ban the export or direct shipping of other strategic metallic ores, apart from iron, nickel, chromite, manganese and black sand if the same is crucial to the accelerated industrialization of the country or is needed for economic development and national defense.

**SECTION 10. Penalty for Violation-** Any person exporting iron, nickel, chromite, manganese, black sand or other metallic ores, the export of which has been banned by order of the President, under Section 9 hereof, shall, upon conviction, be imprisoned from six (6) months to six (6) years or fined Fifty Thousand Pesos (Php 50,000.00) to Two Hundred Thousand Pesos (Php 200,000.00), or both, at the discretion of the court. If the offender is a corporation, association, partnership or any juridical person, the penalty shall be imposed upon the responsible officers, as the case may be, who participated in the commission of the offense. If the offender is an alien, he shall, in addition to the penalty herein prescribed, be deported without further proceedings after serving the prescribed penalties.

**SECTION 11. Transition Period** – The period from the approval of this Act until January 1, 2019 shall be considered the transition period to prepare the mining industry for the total ban on the export and direct shipping of iron, nickel, chromite, manganese, black sand and other strategic ores, the export of which has been banned by order of the President. The Department of Trade and Industry, and the Department of Environment and Natural Resources shall develop the necessary guidelines during the transition period to ensure that



the mining industry is adequately prepared for the eventual ban on export and direct shipping of these ores.

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

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

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

**SECTION 15. Effectivity Clause** – This Act shall take effect fifteen (15) days after its complete publication in at least two (2) newspapers of general circulations.

Approved,