



Republic of the Philippines
DEPARTMENT OF FINANCE
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IMPLEMENTING RULES AND REGULATIONS OF REPUBLIC ACT NO. 12253 OR "AN ACT ENHANCING THE FISCAL REGIME FOR THE LARGE-SCALE METALLIC MINING INDUSTRY, AMENDING FOR THE PURPOSE SECTIONS 34(B), 287, AND THE SUBJECTS OF TITLE VI AND CHAPTER VII THEREOF, AND CREATING NEW SECTIONS 151-A, 151-B, 151-C, 151-D, AND 287-A, ALL UNDER REPUBLIC ACT NO. 8424, OTHERWISE KNOWN AS THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, APPROPRIATING FUNDS THEREFOR, AND FOR OTHER PURPOSES"

Pursuant to Section 16 of Republic Act No. (RA) 12253, otherwise known as the "Enhanced Fiscal Regime for Large-Scale Metallic Mining Act," the Department of Finance (DOF), upon the recommendation of the Bureau of Internal Revenue (BIR), and in consultation with the Department of Environment and Natural Resources (DENR), hereby promulgates the following Implementing Rules and Regulations (IRR).

PART I
GENERAL PROVISIONS

SECTION 1. Title. – This IRR shall be referred to as the "Implementing Rules and Regulations of the Enhanced Fiscal Regime for Large-Scale Metallic Mining Act".

SEC. 2. Declaration of Policy. – The State owns all mineral resources within its territory and exclusive economic zone. Thus, the State shall exercise full control and supervision over the exploration, development, and utilization of these resources, and shall receive its fair share in the incomes therefrom.

In harnessing mineral resources to contribute to the country's economic growth and general welfare, the State recognizes the indispensable roles of the private sector and civil society and shall encourage participation through transparency and public accountability.

In recognizing the indispensable role of the private sector, the State likewise encourages private enterprise and investments. Thus, the State guarantees the legal stability of agreements entered into by the Government with metallic mining investors as contractors of the State, including the continued applicability of the tax regime in force at the time of the execution of these contracts for the duration of their validity.

SEC. 3. **Scope of Application.** — This IRR shall primarily apply to all large-scale metallic mining operations in the Philippines, unless otherwise provided in these Rules.

Patented mining claims validly located and perfected under the Philippine Bill of 1902, which have thereby been segregated from the public domain and vested with private ownership, and which have been expressly excluded from the coverage of any mineral agreement or Financial or Technical Assistance Agreement (FTAA), shall not be subject to the taxes imposed under Section 151-A of the National Internal Revenue Code, as amended by RA 12253, except as may be otherwise determined by the Supreme Court.

SEC. 4. **Definition of Terms.** — For purposes of this IRR, the following terms shall be understood to mean as follows:

- (A) **'Arm's length'** refers to the principle that requires that a transaction with a related party be made under comparable conditions and circumstances as a transaction with an independent party, which is founded on the premise that where market forces drive the terms and conditions agreed in an independent party transaction, the pricing of the transaction would reflect the true economic value of the contributions made by each entity in that transaction.
- (B) **'Debt-to-equity ratio'** means the measure of a mining company's financial leverage, which reflects the degree to which such a company finances its operations with equity or with debt. It is calculated by dividing the total amount of debt by the total amount of equity liabilities.
- (C) **'Debt'**, for purposes of calculating the debt-to-equity ratio, means the greatest amount, at any time during a taxable year, of the related-party debt obligations of the metallic mining contractor or operator, on which interest is payable as determined according to international financial reporting standards.
- (D) **'Development'** means the work undertaken to explore and prepare an ore body, or a mineral deposit for mining, including the construction of necessary infrastructure and related facilities.
- (E) **'Equity'**, for purposes of calculating the debt-to-equity ratio, means the greatest amount, at any time during a taxable year, of the equity of the metallic mining contractor or operator, in accordance with international financial reporting standards, including an obligation to make a repayment of money without interest payable.

- (F) **'Exploration'** means searching or prospecting for mineral resources by geological, geochemical, geophysical surveys, remote sensing, test pitting, trenching, drilling, shaft sinking, tunneling, or any other means for the purpose of determining the existence, extent, quality, and quantity of mineral resources and the feasibility of mining them for profit.
- (G) **'Extractive industries'** refers to the sectors engaged in the exploration, extraction, processing, and initial commercialization of non-renewable natural resources, including, but not limited to, minerals, oil, natural gas, coal, and other subsurface resources. These industries encompass all activities along the upstream and, where relevant, midstream segments of the value chain, covering prospecting, exploration, development, extraction, beneficiation, transport, and primary sale or export of such resources. For purposes of this issuance, the term shall include both large-scale and small-scale operations, whether conducted by public or private entities, through contractual or other arrangements by which such natural resources are exploited or developed.
- (H) **'Financial or Technical Assistance Agreement'** means a contract involving financial or technical assistance for large-scale exploration, development, and utilization of mineral resources.
- (I) **'Gross output'** means the actual market value of minerals or mineral products, or of bullion from each mine or mineral land operated as a separate entity without any deduction for mining, milling, refining (including all expenses incurred to prepare the said minerals or mineral products in a marketable state), as well as transporting, handling, marketing or any other expenses: *Provided*, That if the minerals or mineral products are sold or consigned abroad by the lessee or owner of the mine under C.I.F. terms, the actual cost of freight and insurance shall be deducted: *Provided, however*, That in the case of mineral concentrate not traded in commodity exchanges in the Philippines or abroad, such as copper concentrate, the actual market value shall be the world price quotations of the refined mineral products content thereof prevailing in the said commodity exchanges, after deducting the smelting, refining, and other charges incurred in the process of converting the mineral concentrates into refined metal traded in those commodity exchanges.
- (J) **'Income from metallic mining operations'** means the gross output less deductions directly attributable to mining operations, which include:
- (1) Mining, milling, transporting, and handling expenses together with smelting and refining costs incurred, which refer to ordinary and necessary costs incurred in the extraction and processing of minerals, such as:

- a) Mining expenses, or costs related to the actual extraction of ore, such as drilling, blasting, extracting, and hauling of ore;
- b) Milling expenses, or costs of crushing, grinding, and processing the extracted ore to produce a concentrate or marketable product;
- c) Transporting and handling expenses, or costs for the movement of ore, concentrates, or refined products to smelters, refineries, or markets; and
- d) Smelting and refining expenses, or costs incurred to extract metals from ores through metallurgical processes.

Provided, that only such expenses which are directly attributable to mining operations shall be allowed as deductions.

- (2) General and administrative expenses actually incurred by the metallic mining contractor or operator, which shall refer to costs incurred in the management and administration of mining operations. These shall be deductible when directly attributable and incurred for the conduct of mining activities, and shall include, but not be limited to, regulatory and compliance costs, mine site administration, professional and technical services, insurance and security, transportation and logistics, expenses incurred exclusively and necessarily for the shipment, sale or consignment of mineral ore, depreciation or amortization of administrative facilities, equipment, and mining rights or licenses, and the cost of support services.

Expenses not directly attributable to metallic mining operations, or not incurred in connection therewith, shall be non-deductible: *Provided*, that the Commissioner may issue further regulations, rulings, or circulars to determine the proper substantiation and classification of such expenses for the proper application of this definition.

- (3) Environmental expenses of the metallic mining contractor or operator, including such expenses necessary to fully comply with its environmental obligations as stipulated in the environmental protection provision of the mineral agreement or FTAA and in the applicable implementing rules and regulations shall refer to necessary and reasonable costs incurred by the mining contractor or operator in the discharge of mandatory environmental obligations under law, contract, or regulation, such as environmental protection and enhancement, mine rehabilitation, decommissioning

expenses, pollution control, compliance monitoring, reforestation, biodiversity conservation, progressive reclamation, environmental reporting, and regulatory fees or permits: *Provided*, That only such expenses which are directly connected with the foregoing obligations shall be allowed as deductions.

- (4) Expenses for the development of host and neighboring communities and of geosciences and mining technology, including training costs and expenses which shall refer to necessary costs incurred by the contractor or operator for the development of host and neighboring communities and for the advancement of geosciences and mining technology, such as social development and management programs, community and livelihood infrastructure projects, information, education and communication programs, and training programs for local employment and skills development, and expenses required by valid agreements with ICCs/IPs: *Provided*, That only such expenses which are mandated under the mineral agreement, FTAA, memorandum of agreement pursuant to the Indigenous Peoples' Rights Act or RA 8371, or applicable laws and regulations shall be allowed as deductions.
- (5) Lease and royalty payments which shall refer to necessary payments made by the contractor or operator to claim owners, or surface landowners, and/or ICC/IPs relating to the contract area during the operating period, such as lease payments for the use of land for mining operations and royalty payments for the right to extract minerals, excluding the royalty payment to the government under Section 151-A of the Tax Code, as amended: *Provided*, That only such payments as are relating to the contract area and incurred in the course of mining operations shall be allowed as deductions.
- (6) Continuing exploration and development expenses, which shall refer to costs incurred within the contract area after the pre-operating period for further exploration and development of the mining project, such as geological and geophysical surveys, drilling and sampling, environmental baseline updates, and technical consulting services: *Provided*, That only expenses directly attributable to the contract area shall be allowed as deductions.
- (7) Interest expenses which shall refer to amounts paid or incurred on loans that are necessary for mining operations, subject to the financing requirement under the mineral agreement or FTAA and deductible under Section 34(B)(2)(d) of the Tax Code, as amended: *Provided*, That such interest shall not exceed what is applicable under arm's length transactions at the time the financing was arranged: *Provided, further*, That only interest on loans directly

attributable to mining operations shall be allowed as deductions: *Provided, finally,* That interest incurred on related-party debts of metallic mining contractors or operators, in excess of a quarterly related-party debt-to-equity ratio of two (2) to one (1) at any time during a taxable year shall not be allowed as a deduction under Section 34(B) of the Tax Code, as amended.

(8) Depreciation, depletion, or amortization, which shall refer to deductions representing the systematic allocation of the cost of tangible and intangible mining assets over their useful life or productive period. Depreciation accounts for the wear and tear of equipment, buildings, and infrastructure; depletion reflects the gradual exhaustion of mineral reserves as they are extracted; and amortization spreads the cost of intangible assets, such as mining rights or development costs, over the legal or usage period: *Provided,* That such deductions shall be computed and claimed in accordance with the applicable provisions of the Tax Code, as amended, and its implementing rules and regulations: *Provided, further,* That only costs properly capitalized as part of mining operations shall be subject to depreciation, depletion, or amortization.

(9) Duties, fees, charges, and taxes, which shall refer to compulsory payments imposed under existing laws and regulations, other than royalty as provided in this Section 151-A and the windfall profits tax under Section 151-B of the Tax Code, as amended, which are incurred by the metallic mining contractor or operator in connection with mining operations: *Provided,* That the deductibility of such payments shall be subject to the limitations prescribed under Section 34(C) of the Tax Code, as amended.

(K) **'Large-scale metallic mining'** refers to mining operations covered by mineral agreements or FTAAAs executed under RA 7942 or the Philippine Mining Act of 1995 and its implementing rules and regulations, which involve the exploration, development, and utilization of mineral resources intended for commercial purposes, utilizing substantial capital investment, technology, methods, and equipment, to extract and process metal-bearing ores such as gold, copper, nickel, chromite, iron, and similar metallic minerals.

(L) **'Margin'**, for purposes of royalty, means the ratio of 'income from large-scale metallic mining operations' to gross output. For purposes of windfall profits tax, 'windfall' or 'margin' means the ratio of 'net income from large-scale metallic mining operations' to gross output.

- (M) **'Metallic mining contractor'** means a qualified person, acting alone or in a consortium, who is a party to a mineral agreement or FTAA on metallic mineral production as defined under RA 7942.
- (N) **'Metallic mining operator'** means an entity commissioned by the metallic mining contractor to conduct large-scale mining operations duly approved by the MGB within the area covered by the mineral agreement or FTAA by virtue of a validly executed operating agreement, memorandum of agreement, or other similar forms of agreement.
- (O) **'Mineral agreement'** means a contract between the government and a contractor, involving Mineral Production-Sharing Agreement, Joint Venture Agreement, or Co-Production Agreement.
- (P) **'Mineral reservation'** is defined as an area established and proclaimed by the President of the Philippines, upon the recommendation of Secretary of the DENR, including all submerged lands within the contiguous zone and Exclusive Economic Zone and based on the studies and assessments done by the MGB, as site containing strategic mineral resources essential for the country's economic and industrial development. Mineral reservations are declared under the authority of RA 7942 and its implementing rules and regulations.
- (Q) **'Mining operations'** means mining activities involving exploration, feasibility study, development, utilization, and mineral processing.
- (R) **'Mineral processing'** means the milling, beneficiation or upgrading of ores or minerals and rocks or by similar means to convert the same into marketable products.
- (S) **'Mineral products'** means materials derived from ores, minerals, and/or rocks and prepared into a marketable state by mineral processing.
- (T) **'Operating agreement'** means a formal and binding contract registered with the MGB, which sets forth the terms and conditions under which an operator is authorized to conduct mining operations.
- (U) **'Related-party debt'** means any financial obligation or indebtedness arising from transactions between and among related parties.

(V) **'Related party'** means a person or entity that is related to the reporting entity, *i.e.*, the entity that is preparing its financial statements. In determining whether a person or entity is a related party, the following rules shall be considered:

(1) A person or a close member of that person's family is related to a reporting entity if that person:

- (a) has control or joint control of the reporting entity;
- (b) has significant influence over the reporting entity; or
- (c) is a member of the key management personnel of the reporting entity or of the parent of the reporting entity.

(2) An entity is related to a reporting entity if any of the following conditions apply:

- (a) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary, and fellow subsidiary is related to the others);
- (b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (c) Both entities are joint ventures of the same third party;
- (d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (e) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
- (f) The entity is controlled or jointly controlled by a person identified in (1) above;
- (g) A person identified in (1)(a) above has significant influence over the entity or is a member of the key management personnel of the entity (or of the parent of the entity); or
- (h) The entity or any member of a group of which it is a part provides key management personnel services to the reporting entity or to the parent of the reporting entity.

(W) **'Ring-fencing'** means limiting the ability of the large-scale metallic mining contractor or operator, as a taxpayer, to consolidate income and costs across different mining projects, by isolating or segregating such income and expenses, such that it is restricted from offsetting losses or deductions from one project against income from

another, for purposes of determining the royalty and windfall profits tax due under Sections 151-A and 151-B, respectively, of the Tax Code, as amended. For purposes of ring-fencing, a mining project refers to a distinct area covered by a single mineral agreement or FTAA, as defined and approved through a duly issued Declaration of Mining Project Feasibility (DMPF).

- (X) **'Royalty'** refers to the fiscal imposition under Section 151-A of the Tax Code, as amended, arising from the State's sovereign ownership of mineral resources and its grant of the privilege to extract and utilize such resources. It constitutes a share of the government, on behalf of the Filipino people, in the economic benefits derived from the exploitation of the nation's mineral wealth, ensuring a fair and equitable return to the State for the depletion of its finite and non-renewable mineral resources, irrespective of the profitability of mining operations.
- (Y) **'Separate taxable entity'** refers to the large-scale metallic mining contractor or operator being treated, in the context of ring-fencing, as independently liable for each mineral agreement or FTAA that it holds and/or operates, such that the mining project covered by each agreement is considered a distinct unit for purposes of reporting and paying the royalty under Section 151-A and windfall profits tax under Section 151-B of the Tax Code, as amended.
- (Z) **'Utilization'** means the extraction, mineral processing, and/or disposition of minerals.
- (AA) **'Windfall profits tax'** refers to the fiscal imposition under Section 151-B of the Tax Code, as amended, levied on the portion of the earnings of a large-scale metallic mining contractor or operator which exceeds the threshold profit margin prescribed therein, to capture the State's fair share of the extraordinary profits accruing to such mining contractor or operator due to exceptional increases in mineral commodity prices or other favorable market conditions beyond the normal returns anticipated under prevailing fiscal terms.

SEC. 5. **Acronyms and Abbreviations.** – The following acronyms and abbreviations shall mean or refer to the corresponding terms as indicated herein, whenever they appear in this IRR:

- (A) **'Act'** or **'RA 12253'** refers to Republic Act No. 12253, otherwise known as the "Enhanced Fiscal Regime for Large-Scale Metallic Mining Act".
- (B) **'BIR'** or **'Bureau'** refers to the Bureau of Internal Revenue.
- (C) **'BLGF'** refers to the Bureau of Local Government Finance, an attached bureau of the DOF.

- (D) **'BOC'** refers to the Bureau of Customs.
- (E) **'Code'** or **'Tax Code, as amended'** refers to the National Internal Revenue Code, as amended.
- (F) **'Commissioner'** refers to the Commissioner of Internal Revenue or of the BIR.
- (G) **'DBM'** refers to the Department of Budget and Management.
- (H) **'DENR'** refers to the Department of Environment and Natural Resources.
- (I) **'DILG'** refers to the Department of the Interior and Local Government.
- (J) **'DOE'** refers to the Department of Energy.
- (K) **'DMPF'** refers to Declaration of Mining Project Feasibility.
- (L) **'FTAA'** refers to Financial or Technical Assistance Agreement.
- (M) **'ICC/IP'** refers to Indigenous Cultural Community or Indigenous People.
- (N) **'IRR'** or **'Rules'** refers to this Implementing Rules and Regulations of RA 12253.
- (O) **'LGU'** refers to local government unit.
- (P) **'MGB'** refers to the Mines and Geosciences Bureau, a line bureau of the DENR.
- (Q) **'MIRDC'** refers to the Metals Industry Research and Development Center, an agency attached to the Department of Science and Technology (DOST).
- (R) **'MSG'** refers to the Multi-stakeholder Group to be established as a multisectoral policy forum and advisory/recommendatory body on transparency in the extractives.
- (S) **'NCIP'** refers to the National Commission on Indigenous Peoples attached to the Office of the President (OP).
- (T) **'PH-EITI'** refers to the Philippine Extractive Industries Transparency Initiative, a DOF-led multi-stakeholder initiative implementing the EITI, a global standard that promotes the open and accountable management and good governance of oil, gas, and mineral resources. PH-EITI was created through Executive Order (EO) No. 147, series of 2013 pursuant to a government commitment stated in EO No. 79, series of 2012.
- (U) **'RA 5447'** refers to Republic Act No. 5447 or the law creating the Special Education Fund.
- (V) **'RA 7160'** refers to Republic Act No. 7160 of the Local Government Code of 1991.
- (W) **'RA 7942'** refers to Republic Act No. 7942 or the Philippine Mining Act of 1995.
- (X) **'RA 8371'** refers to Republic Act No. 8371 or the Indigenous Peoples' Rights Act of 1997.
- (Y) **'RA 11232'** refers to Republic Act No. 11232 or the Revised Corporation Code of the Philippines.
- (Z) **'RA 11995'** refers to Republic Act No. 11995 or the Philippine Ecosystem and Natural Capital Accounting System (PENCAS) Act.
- (AA) **'SEC'** refers to the Securities and Exchange Commission.

PART II
MINING ROYALTY

SEC. 6. Royalty Rates for Large-Scale Metallic Mining Operations. — As provided in the new Section 151-A of the Tax Code, as amended by the Act, a royalty shall be levied on large-scale metallic mining operations, as defined under the law and this IRR, based on the following rates:

(A) *Operations Within Mineral Reservations.* — Large-scale metallic mining operations within mineral reservations shall be subject to a royalty of five percent (5%) of the gross output of the minerals or mineral products extracted or produced.

(B) *Operations Outside Mineral Reservations.* — Large-scale metallic mining operations outside mineral reservations shall be subject to a margin-based royalty on income from metallic mining operations, based on the following rates:

<u>Margin</u>	<u>Rate</u>
Over 0% but not over 15%	1.0%
Over 15% but not over 30%	2.0%
Over 30% but not over 45%	3.0%
Over 45% but not over 60%	4.0%
Over 60%	5.0%

Provided, That if the margin of large-scale metallic mining operations outside mineral reservations is less than or equal to zero percent (0%), a minimum royalty of one-tenth (1/10) of one percent (1%) of the gross output of the minerals or mineral products extracted or produced shall be imposed.

SEC. 7. Collection of Royalties from Mining Operations. — Any provision of law to the contrary notwithstanding, payment of the royalty due from mining operations under Section 151-A of the Tax Code, as amended and other royalties subject to the share accruing to the MGB under Section 5 of RA 7942, shall be collected by the BIR.

SEC. 8. Filing of Quarterly Returns, Payment, and Posting of Bond for the Royalty. — Subject to such conditions as may be prescribed by rules and regulations to be promulgated by the Secretary of Finance, upon recommendation of the Commissioner:

(A) For locally produced or extracted metallic mineral or mineral products from inside and outside mineral reservations, the mining contractor or operator shall file a return and pay the royalty within sixty (60) days after the end of the calendar quarter when such products were removed.

- (B) The royalty tax return shall be either electronically or manually filed with and the tax paid to the BIR through any revenue district office through the revenue collection officer, authorized agent bank, or authorized tax software provider, except as the Commissioner otherwise prescribes.
- (C) The mining contractor or operator shall file a bond in an amount that approximates the amount of royalty due on the removals for the quarter, subject to the filing of a final royalty adjustment return covering the total royalty due for the preceding calendar or fiscal year.

If the sum of the quarterly royalty payments made during the taxable year is not equal to the total royalty due for the entire year, the mining contractor or operator shall either pay the balance of royalty still due or carry over the excess credit.

SEC. 9. Non-refundability and Non-credibility of Royalty. — Similar to the excise tax imposed on mineral products under Section 151 of the Tax Code, as amended, royalty on mineral products shall not be creditable or refundable even if the mineral products duly paid under this section are actually exported.

**PART III
WINDFALL PROFITS TAX**

SEC. 10. Windfall Profits Tax Rates for Large-Scale Metallic Mining Operations. — (A) As provided in the new Section 151-B of the Tax Code, as amended by the Act, large-scale metallic mining operations subject of any mineral agreement or FTAA, as defined under RA 7942, shall be subject to, in addition to the taxes imposed under the Code, a windfall profits tax on net income from metallic mining operations based on the following rates:

<u>Margin</u>	<u>Rate</u>
Equal to 30% but not over 40%	1.0%
Over 40% but not over 55%	3.0%
Over 55% but not over 65%	5.0%
Over 65% but not over 75%	7.0%
Over 75%	10.00%

- (B) For purposes of this section, 'windfall' or 'margin' means the ratio of 'net income from large-scale metallic mining operations' to gross output, where the definition of 'gross output' is as provided under Section 151(B)(1) of the Code and 'net income from large-scale metallic mining operations' is as provided under Section 151-A(B)(2),

except that allowable tax deductions shall include corporate income tax and royalty under Section 151-A.

(C) For the purpose of computing the windfall or margin, the optional standard deduction under Section 34(L) of the Code shall not be used.

(D) The windfall profits tax shall not be deductible from taxable income as defined in Section 31 of the Code.

SEC. 11. Annual Returns and Payment. — Subject to rules and regulations to be promulgated by the Secretary of Finance, upon recommendation of the Commissioner:

(A) The mining contractor or operator shall file a windfall profits tax return and pay the tax due thereon, if any, on or before the fifteenth (15th) day of April, or on or before the fifteenth (15th) day of the fourth (4th) month following the close of the fiscal year, as the case may be.

(B) The windfall profits tax return shall be either electronically or manually filed with and the tax paid to the BIR through any revenue district office through the revenue collection officer, authorized agent bank, or duly authorized tax software provider, except as the Commissioner otherwise prescribes.

PART IV RING-FENCING

SEC. 12. Ring-Fencing of Large-Scale Metallic Mining Operations. — (A) Subject to rules and regulations to be promulgated by the Secretary of Finance, upon recommendation of the Commissioner, the following shall be treated as a separate taxable entity for purposes of computing and paying the royalty tax under Section 151-A and the windfall profits tax under Section 151-B of the Tax Code, as amended:

(1) A metallic mining contractor, with respect to each mineral agreement or FTAA that it holds and/or operates.

(2) Where there is more than one (1) valid mining operator under the same mineral agreement or FTAA, each mining operator shall be deemed a separate taxable entity for its respective mining operations under each mineral agreement or FTAA.

It is understood that a mining operator that conducts mining operations by virtue of a valid and effective operating agreement with a mining contractor is the entity liable to pay the taxes imposed under Chapter VII Title VI of the Tax Code, as amended.

- (B) Ring-fencing shall restrict the large-scale metallic mining contractor or operator from consolidating income and costs across different mining projects, and offsetting losses or deductions from one project against profits from another, but only in computing and determining the royalty and windfall profits tax due. For ring-fencing purposes, a mining project refers to a distinct area covered by a single mineral agreement or FTAA, as defined and approved through a duly issued DMPF.
- (C) Treatment as a separate taxable entity shall entail registration with the BIR under a distinct branch taxpayer identification number (TIN) extension, but it does not create a separate juridical person under Philippine corporation law.
- (D) As a separate taxable entity, each metallic mining contractor or operator shall also be responsible for compliance with the corresponding reportorial and other requirements under applicable laws, rules, and regulations.

PART V

SHARES IN MINING TAXES AND IMPOSITIONS

SEC. 13. Share of LGUs in the Proceeds from the Development and Utilization of the National Wealth. – Local government units (LGUs) shall, in addition to the internal revenue allotment, have a share of forty percent (40%) of the gross collection derived by the national government from the preceding fiscal year from excise taxes on mineral products, royalties, and such other taxes, fees, or charges, including related surcharges, interests, or fines; and from its share in any co-production, joint venture, or production sharing agreement in the utilization and development of the national wealth within their territorial jurisdiction.

The share of each LGU shall be released directly and immediately to the provincial, city, municipal, or barangay treasurer, as the case may be, without need for further action and without being subject to any lien or holdback that may be imposed by the national government.

The DOF, DBM, and DILG shall jointly issue the necessary rules and regulations for a streamlined disbursement scheme to ensure the speedy and timely release of LGU shares in the national wealth.

SEC. 14. Local Business Tax Rate for Mining Contractors. – Pursuant to Section 10 of the Act, the local business tax rate for mining contractors shall not exceed fifty percent (50%) of one percent (1%) of the gross output. For this purpose, the DOF, through the BLGF, and in coordination with the DILG, may issue a Local Finance Circular prescribing appropriate guidelines to ensure proper and uniform implementation.

SEC. 15. Earmarking of Royalty Proceeds for the Development of Mineral Reservations and Downstream Industries for the Mineral Sector. – A ten percent (10%) share of the royalty derived from mining operations within mineral reservations under Sections 151-A(A)(I) and 151-A(E) of the Tax Code, as amended, shall accrue to the MGB, to be allotted for special projects and other administrative expenses related to the exploration and development of other mineral reservations, as provided in Section 5 of RA 7942.

The foregoing 10% share shall likewise be allotted for the development of value-adding activities and downstream industries for strategic metallic ores, implemented by the MIRDC, in accordance with the national program and road map formulated pursuant to Section 8 of Executive Order No. 79, series of 2012.

PART VI TRANSPARENCY AND ACCOUNTABILITY IN THE MINING SECTOR

SEC. 16. Monitoring and Audit of Sales and Exportation of Minerals, Mineral Products, and Raw Ores. — (A) Subject to rules and regulations to be promulgated by the Secretary of Finance, upon recommendation of the Commissioner, the BIR and the BOC are authorized to examine and audit, for tax purposes, all sales and exportation of minerals, mineral products, and raw ores. For this purpose, the books of accounts and records of metallic mining contractors and/or operators, including assay reports and sales and marketing agreements entered into by them, shall be open for inspection by the said bureaus. Likewise, the MGB, upon request, shall furnish the BIR and the BOC copies of such assay reports and sales and marketing agreements, and the integrated annual reports of metallic mining contractors and/or operators, in a timely manner.

(B) For purposes of BIR examination and audit under this Section, laboratories, facilities, specialized valuation tools, including subscriptions to commodity price databases, shall be established or acquired pursuant to Section 15 of the Act. Such testing and data infrastructure shall be placed under the primary operational management and technical supervision of the MGB, consistent with its mandate and expertise, and shall be operated within an institutionalized inter-agency coordination mechanism jointly implemented by the BIR, BOC, and MGB.

(C) Metallic mining contractors and/or operators shall comply with disclosure and reportorial requirements in accordance with the extractives transparency protocol established under Section 22 of this IRR.

SEC. 17. Transparency and Accountability Mechanism. – The DOF, in coordination with other relevant agencies, shall institutionalize an inclusive and participatory mechanism for data collection, verification, public disclosure, and scrutiny of all extractive industry-related data including, but not limited to, tax, non-tax, beneficial ownership, natural capital accounting data under RA 11995, and revenue and expenditure data in the extractives value chain pursuant to best practices in the open, accountable, and good governance of mineral resources.

The disclosure shall include, among others, the General Information Sheet and other reportorial requirements regularly submitted to the SEC, and shall be made in both electronic and non-electronic forms.

The transparency and accountability mechanism shall include the establishment of a multi-stakeholder group with relevant representatives from government, industry, and civil society organizations.

SEC. 18. Exemption from Confidentiality. – Any provision of law to the contrary notwithstanding, all businesses and activities engaged in the exploration, development, utilization, and processing of minerals and other natural resources, being vested with public interest, shall be exempt from the application of confidentiality clauses in the Tax Code, as amended, including Section 270 in relation to Section 71, on disposition of income tax returns and publication of lists of taxpayers and filers, and in RA 11232, including Section 177 thereof on reportorial requirements for corporations.

PART VII THE TRANSPARENCY OFFICE FOR EXTRACTIVES

SEC. 19. Establishment of the Transparency Office for Extractives. Pursuant to Section 14 of RA 12253, there is hereby established in the DOF the Transparency Office for Extractives (TOE) that shall constitute the institutionalized, inclusive, and participatory mechanism for the collection, verification, public disclosure, and scrutiny of all data related to the extractive industries in the Philippines.

The TOE shall serve as the multi-stakeholder platform that promotes transparent, accountable, and participatory governance of the country's natural resources.

SEC. 20. **Funding and Staffing of the TOE.** – The TOE shall be lodged under the DOF, with a permanent staff complement and dedicated allotment in the regular budget of the DOF in the annual General Appropriations Act.

The creation of plantilla positions to ensure the effective performance by the TOE of its functions is hereby authorized. The establishment and filling of such positions shall be undertaken in coordination with, and subject to the approval of, the DBM, in accordance with existing laws, rules, and regulations.

The TOE may receive additional funding or technical assistance from development partners and other lawful sources through the DOF, subject to existing accounting and auditing rules and regulations.

SEC. 21. **Principles and Objectives of the TOE.** The TOE shall be founded on the principles of transparency, accountability, integrity, and inclusive participation to ensure that extractive resources are managed for the benefit of the Filipino people, consistent with the principles of good governance, sustainable development, and fiscal responsibility. In this light, the TOE shall pursue the following objectives:

- a. *Data disclosure and data management.* Ensure the regular and timely publication and database management of verified data on production, revenues, taxes, royalties, social and environmental expenditures, and beneficial ownership, among others, of the extractive industries.
- b. *Policy monitoring and research.* Conduct data-driven research and analysis to monitor the implementation and outcomes of extractive policies, to promote accountability and provide evidence-based insights to inform policy reforms for enhancing extractive sector governance.
- c. *Multi-stakeholder coordination.* Facilitate inclusive dialogue and partnership between and among government, industry, and civil society to promote effective participatory governance of the extractive sector.
- d. *Local engagement.* Support the establishment of local transparency and accountability mechanisms in areas with mining and other extractive operations to deepen participation.

SEC. 22. **Mandate and Functions of the TOE.** The TOE shall perform the following functions and responsibilities:

- a. Establish, subject to the approval of the Secretary of Finance, and consistent with relevant international standards and best practices, an extractives transparency protocol for the systematic disclosure, verification, and publication of information on the extractive industries, which protocol shall, at minimum, include: (1) scope and

- coverage, (2) data collection and reporting requirements, (3) data verification and reconciliation, (4) disclosure and publication, and (5) monitoring and evaluation;
- b. Collect, verify, and manage extractive-related data from government agencies, local governments, and companies;
 - c. Build and maintain an open data portal and other data disclosure platforms for the extractive sector;
 - d. Produce and publish an annual report in accordance with the extractives transparency protocol established under this section;
 - e. Develop information, education, and communication (IEC) materials and conduct capacity development activities to enhance public understanding and use of extractive data;
 - f. Coordinate inter-agency and multi-stakeholder initiatives to strengthen data governance, fiscal accountability, and policy alignment in the extractive sector;
 - g. Serve as the secretariat to the Multi-stakeholder Group (MSG) created under Section 23 hereof; and
 - h. Perform such other functions as may be necessary, proper, or incidental to the attainment of the objectives of the TOE, or as may be directed by the Secretary of Finance, in accordance with the Act and this IRR.

SEC. 23. Creation and Functions of the Multi-stakeholder Group (MSG). There is hereby created an MSG that shall serve as a multisectoral policy forum and advisory/recommendatory body on transparency in the extractives. The MSG shall discharge the following functions:

- a. Review the report and findings from the extractives transparency protocol established under Section 22 hereof, agree on policy recommendations based thereon, and endorse such recommendations to the Mining Industry Coordinating Council (MICC) or such similar body, for appropriate action of the concerned agency;
- b. Monitor the implementation of extractives transparency commitments and assess the impact of transparency on extractive governance outcomes;
- c. Convene regularly to discuss, deliberate, and/or agree and adopt resolutions on official business; and
- d. Ensure the engagement and commitment of all stakeholders to transparency and accountability in the extractives.

The MSG shall be assisted by the TOE acting as its secretariat.

SEC. 24. **MSG Composition and Qualifications.** The MSG shall be chaired by the DOF through a senior DOF official (Assistant Secretary or above) duly designated by the Secretary of Finance. The MSG shall be composed of at most fifteen (15) members representing government agencies, industry, and civil society organizations relevant to the extractive sector, with the following minimum individual and/or organizational qualifications:

A. *General Qualifications*

- a. Citizen of or duly registered under the laws of the Republic of the Philippines
- b. Proven integrity and good moral character, and good standing with relevant regulatory authorities
- c. Demonstrated record of engagement, expertise, or experience in areas relevant to the extractive industries, governance, transparency, or sustainable development
- d. Formally endorsed by the head of the agency or organization represented
- e. Capacity to sustain participation in the MSG with own means and institutional backing necessary to independently and actively engage in its activities

B. *Sector-specific Qualifications*

- a. **Government:** Must be senior officials (at least Director-level or equivalent) of a national government agency with mandates directly related to natural resource management, public finance, environment, industry, energy, or governance.

The DOF-BLGF, DENR-MGB, DOE, DILG, and OP-NCIP shall be permanent government MSG members.

- b. **Industry:** Must be senior officers or representatives of a registered company, business entity, or recognized industry association engaged in the industries across the extractives value chain; selected through a transparent process that ensures equitable representation of the extractive sectors (metallic and non-metallic mining, oil and gas, others).

To ensure diversity and inclusivity, no two or more representatives shall be from entities with common ownership, management control, or operating under the same parent company or corporate group.

- c. **Civil Society:** Must represent or be affiliated with a registered non-governmental organization, academic institution, or community-based group with track record of engagement in transparency, governance, environmental advocacy, community development, or like initiatives; selected through a transparent

process that ensures equitable representation and geographic and sectoral diversity as well as gender balance.

To ensure diversity and inclusivity, no two or more representatives shall be from organizations that share common governance or operate under the same umbrella organization or network.

The above three sectors shall have equal representation and seats in the MSG. The seats shall be occupied by duly-designated primary representatives or, in their absence, alternate representatives.

SEC. 25. Terms of Reference of the MSG. To ensure the effective organization, operation, and governance of the MSG, the following basic terms of reference shall govern:

- a. *Term of Office.* Each member of the MSG shall serve for a term of three (3) years, which may be renewed once, subject to the continuous possession of the qualifications and compliance with the requirements prescribed under this IRR.
- b. *Filling of Vacancies.* In case of resignation, incapacity, or disqualification of a member, the vacancy shall be filled in accordance with the approved nomination and selection process adopted by the MSG.
- c. *Meetings and Quorum.* The MSG shall convene regularly to effectively discharge its functions. The presence of at least three (3) duly designated representatives from each sector shall constitute a quorum for the conduct of official business.

The MSG may adopt such additional internal procedures and guidelines as may be necessary to effectively carry out its mandate, provided these are consistent with the provisions of the Act and this IRR.

SEC. 26. Data Coverage and Disclosure. The TOE shall collect, verify, and disclose relevant data throughout the extractive value chain, from exploration to revenue distribution and expenditure, including but not limited to:

- a. Contracts and Licenses - agreements, permits, and terms of extractive operations;
- b. Exploration and Production - ongoing and planned exploration activities, as well as potential and production volumes and values for extractive commodities, including natural capital accounting data pursuant to the PENCAS Act;
- c. Sales, Exports and Trade - sales transactions, export volumes and values, destination markets, and commodity pricing for extractive products;
- d. Payments and Revenues - payments from extractive companies to governments and revenues collected by governments from the extractive sector;
- e. Revenue Management, Distribution, and Expenditure - allocation and use of

- revenues collected from extractive activities, including LGU shares in national wealth, Indigenous Peoples (IP) royalties, and MGB shares in mining royalties;
- f. Economic Contribution and Impact - contribution of the extractive sector to Gross Domestic Product (GDP), Gross Value Added (GVA), trade balance, and national and regional economic development;
 - g. Social and Economic Spending - social and environmental contributions from the extractive industries, including mandatory social expenditures;
 - h. Beneficial Ownership Information - identities of ultimate beneficial owners as submitted to the SEC;
 - i. Employment and Workforce - employment statistics, workforce composition, and gender-disaggregated data in the extractive sector; and
 - j. Audit and Compliance - financial and operational audit findings by COA and other oversight agencies.

All disclosures shall be made publicly accessible through both electronic and non-electronic means.

SEC. 27. Entities Required to Report. The following organizations and entities shall submit annual reports on relevant data to the TOE within prescribed timelines:

- a. Government agencies and instrumentalities relevant to the extractive industries, including, among others:
 - 1. DENR-MGB
 - 2. DENR-EMB
 - 3. DOE
 - 4. DBM
 - 5. BLGF
 - 6. BIR
 - 7. BOC
 - 8. NCIP
 - 9. DOST-MIRDC
 - 10. Philippine Ports Authority (PPA)
 - 11. Philippine Statistics Authority (PSA)
 - 12. Commission on Audit (COA)
 - 13. Philippine Mining Development Corporation (PMDC)
 - 14. Philippine National Oil Company - Exploration Corporation (PNOC-EC)
 - 15. Local government units hosting mining operations;
- b. Private sector entities engaged in business in the extractive industries; and
- c. Civil society organizations and people's organizations involved in extractive industry monitoring and advocacy.

SEC. 28. **Transitory provision for the transparency mechanism.** The PH-EITI MSG and secretariat constituted under Executive Order No. 147 shall serve as the interim MSG and TOE until the TOE is formally organized and instituted. All assets, data systems, and documentation of the PH-EITI shall be transferred to the TOE.

PART VIII
TRANSITORY AND MISCELLANEOUS PROVISIONS

SEC. 29. **Incorporation of Fiscal Regime in Mineral Agreements.** – The fiscal regime and revenue-sharing arrangement provided in this Act shall accordingly be embodied, as appropriate, in the mineral agreements and FTAA on metallic mineral production entered into by the government. This fiscal regime and revenue-sharing arrangement shall continue to be in force and effect for the entire duration of the contracts so entered and executed after the enactment of this Act: *Provided*, that this guarantee shall also apply to contracts entered into prior to this Act but subsequently renewed after the enactment of this Act.

SEC. 30. **Vested Rights.** - Save for the implementation of the new Section 151-A(E) of the Tax Code, as amended, valid mineral agreements and FTAA existing prior to the effectivity of this IRR shall continue to be governed by their respective terms and conditions until the expiration of their periods, except if said agreements provide that terms and conditions resulting from the repeal or amendment of existing laws or regulations or from the enactment of new laws or regulations shall be considered written into and part of said mineral agreements and FTAAAs.

SEC. 31. **Compliance Enforcement and Sanctions.** Non-compliance, misreporting, or submission of false information in relation to the provisions of this IRR shall subject the concerned entity to appropriate administrative sanctions as provided under Executive Order No. 292 or the Administrative Code of 1987, and other applicable laws, rules, and regulations.

The imposition of administrative penalties under this IRR shall be without prejudice to the filing of civil, criminal, or other administrative actions under existing laws and regulations.

SEC. 32. **Appropriations.** - The amount necessary for the implementation of the Act and this IRR, including the hiring of specialists and other necessary personnel, shall be included in the annual General Appropriations Act.

The establishment of laboratories and facilities, and acquisition of tools necessary for the valuation of the minerals shall be funded from the share of the BIR from the special education fund created and retained under Section 3 of RA 5447. The BIR shall submit to the

DBM an annual work and financial plan for the utilization of the said fund, consistent with existing budgeting, accounting, and auditing rules and regulations.

SEC. 33. **Transitory Clause.** – Large-scale metallic mining contractors and/or operators shall immediately be subject to the fiscal regime provided in the Act after one hundred and fifty (150) days from the effectivity of the same.

SEC. 34. **Separability Clause.** – If any provision of this IRR is subsequently declared invalid or unconstitutional, other provisions hereof which are not affected shall remain in full force and effect.

SEC. 35. **Repealing Clause.** – All previous rules and regulations, circulars, and other issuances or parts thereof that are inconsistent with the Act and this IRR are hereby repealed, amended, or modified accordingly.

SEC. 36. **Effectivity.** – This IRR shall take effect immediately upon publication in a newspaper of general circulation.

Approved,




FREDERICK D. GO
Secretary of Finance
DEC 18 2025

