

**[ BIR (DOF) PREVENUE REGULATION NO. 13-94,  
July 30, 1994 ]**

**REVENUE REGULATIONS GOVERNING THE IMPOSITION OF  
EXCISE TAX ON MINERALS AND MINERAL PRODUCTS**

*SECTION 1. Scope.* — Pursuant to the provisions of Section 245 of the National Internal Revenue Code (NIRC), as amended, these Regulations are hereby promulgated to implement the provisions of Section 151, Chapter VII, Title VI of the NIRC as amended by Executive Order No. 273 and further amended by Republic Act No. 7729, imposing excise tax on minerals and mineral products:

*SECTION 2. Coverage.* — The following goods such as but not limited to those enumerated hereunder shall be considered as minerals and mineral products:

Examples

I. METALS

A. Ferrous

1. Iron - Iron ore
2. Ferroalloying - Manganese Ore, Metallurgical, Chemical and Refractory Chromite, Molybdenum

B. Non-ferrous

1. Base - Copper, Tin, Mercury
2. Light - Aluminum, Magnesium, Titanium
3. Precious - Gold, Silver, Platinum
4. Rare - Uranium, Radium, Beryllium

II. NON-METALS

A. Mineral fuels

1. Fluid

- a. Liquid — Indigenous Petroleum
- b. Gaseous — Natural Gas

2. Solid

- a. Hard coal - Anthracite
- b. Soft coal - Semi-Anthracite
- c. Compressed coal - Coke

B. Other Non-metals such as but not limited to: Sand and gravel, Stone, Cement materials, Gypsum, Sulfur, Salt, Marble, Limestone, Coral, Shale, Slate, Quartzite, Schist, Volcanic Cinder, Perlite, Tuff, Granite Basalt, Andesite, Gabbro, Conglomerate and Other Quarried Materials, Phosphate Rock, Potash, Nitrates, Guano and Pyrite, Silica, Feldspar, Talc, Fire Clay, Clay and all varieties of clay, Sandstone, Corundum, Industrial Diamonds, Pumice, Emery, Magnesite, Asbestos, Mica, Ocher, Clay, Diatomite, Barite, Bentonite, Fuller's earth, Quartz.

This also includes Precious and Semi-precious stones in raw form such as but not limited to: Gem Diamond, Amethyst, Amber, Emerald, Ruby, Garnet, Opal, Agate, Jade, Geode.

*SECTION 3. Definition of terms.* — For purposes of these Regulations, the following words and phrases shall have the meaning indicated below:

- a. "Minerals" shall mean all naturally occurring inorganic substances (found in nature) whether in solid, liquid, gaseous, or any intermediate state.
- b. "Mineral products" shall mean things produced and prepared in a marketable state by simple treatment processes such as washing or drying, but without undergoing any chemical change or process or manufacturing by the lessee, concessionaire or owner of mineral lands.
- c. "Mineral lands" shall mean lands in which minerals exist in sufficient quantity and grade to justify the necessary expenditures in extracting and utilizing such minerals.
- d. "Mineral concentrates" shall mean the product obtained by concentrating disseminated or lean ores by mechanical means, without altering their original chemical composition, to separate the undesirable minerals and/or other constituents.
- e. "Lessee" may include a leaseholder, claim owner or operator, quarry licensee or permittee.
- f. "Quarry resources" shall mean any common stone or other common mineral substances as the Director of the Bureau of Mines and Geo-Sciences may declare to be quarry resources such as, but not restricted to marl, marble, granite, volcanic cinders, basalt, tuff and rock phosphate, andesite, conglomerate, coral, sand, diatomaceous earth, diorite, decorative stones, gabbro, limestone, red burning clays for pottery and bricks, rhyolite, sandstone, serpentine, shale and volcanic glass: Provided, That they contain no metal or metals or other valuable minerals in economically workable quantities.

Quarry resources shall include sand and gravel whether removed river beds or quarried.

- g. "Gross Output" shall be interpreted as the actual market value of minerals or mineral products, or of bullion from each mine or mineral lands operated as a separate entity without any deduction from 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, except as provided in Section 5 (B) hereof.

h. "Indigenous petroleum" shall include locally extracted mineral oil, hydrocarbon gas, bitumen, crude asphalt, mineral gas and all other similar or naturally associated substances with the exception of coal, peat, bituminous shale and/or stratified mineral deposits:

i. "Integrated operations" shall be interpreted as operations of an establishment or company engaged in the manufacture of products or articles such as cement, ceramics, glass products/wares, bottles, concrete products, iron or steel or any product using, minerals or quarry resources as raw materials, and at the same time own, lease or operate the quarry/mine.

j. "Quarry cost" shall include all costs and expenses involved in the extraction of the minerals.

k. "Cost of Goods Sold" shall mean the cost of production of finished goods sold in a given period.

l. "Average selling price" shall refer to that average price based on the number of fluctuations during a given period.

*SECTION 4. Persons liable.* — All lessees, concessionaires, owners or operators of mines, processors of minerals, licensees or permittees of quarry/mines, producers or manufacturers of mineral products, whether natural or juridical persons, shall be liable to the payment of the excise tax due on minerals, mineral products and quarry resources removed from the minesite and/or place of production. Should minerals, mineral products or quarry resources be removed from the minesite and/or place of production without the payment of the tax, the owner or person having possession thereof shall be liable for the tax due thereon.

*SECTION 5. Payment of Excise Tax on Minerals and Mineral Products.* —

A. Rate and Base of Tax. — There shall be levied, assessed and collected on mineral, mineral products and quarry resources, excise tax as follows:

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

2) On all non-metallic minerals and quarry resources, a tax of Two percent (2%) based on the actual market value of the annual 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.

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:

- (i) On the first three (3) years upon the effectivity of R.A. 7729, one percent (1%);
- (ii) On the fourth and the fifth year, one and half percent (1 1/2%); and
- (iii) On the sixth year and thereafter, two percent (2%).

b. Gold and chromite, two percent (2%).

4) On indigenous petroleum, a tax of fifteen percent (15%) of the fair international market price thereof, on the first taxable sale, such tax to be paid by the buyer or purchaser within 15 days from the date of actual or constructive delivery to the said buyer or purchaser. The phrase "first taxable sale, barter, exchange or similar transaction" means the transfer of indigenous petroleum in its original state to a first taxable transferee. The fair international market price shall be determined in consultation with an appropriate government agency.

B. Determination of Value of Minerals and Mineral Products

1. Allowable Deductions - Generally, the taxes herein imposed are based on the actual market value of minerals, mineral products or quarry resources at the time of removal from the locality where mined or place of production without the benefit of any deduction for mining, milling, refining, including all expenses incurred to prepare the said minerals or mineral products in a marketable state, transporting, handling, marketing or any other expenses, except as stated herein below:

- 1. If the minerals or mineral products are sold or consigned abroad by the lessee, owner or operator of the mine under C.I.F. terms, the actual cost of ocean freight and insurance shall be allowed as deductions from the actual market value of the minerals shipped to arrive at the tax base.
- 2. In the case of mineral concentrates 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 changes incurred in the process of converting the mineral concentrates into refined metal traded in those commodity exchanges. These deductions shall be in addition to those allowed in the preceding sub-section if the mineral concentrates are sold or consigned abroad by the lessee, owner or operator of the mine under C.I.F. terms.

2. *Mineral Concentrates When Exported* - here the actual market value of the mineral concentrates is not determinable on the date of exportation, the basis of the excise tax shall be the amount appearing in the provisional invoice issued by the exporter. The determination of the actual market value shall be made within 90 days from the date of actual exportation. Where the actual market value is not determinable within the period prescribed herein, the Regional Director concerned, upon request by the taxpayer may, in meritorious cases, grant an extension of the period within which to submit the final invoice corresponding to the mineral concentrate exported.

3. *Minerals When Used as Raw Materials in Integrated Operations* - Where removals of minerals are not intended for sale but are to be used as raw materials, the determination of the actual market value shall be made in accordance with the following formula:

$$\begin{array}{lll} \text{Actual Market} & = & \text{Quarry Cost per unit} \times \text{Ave. Selling} \\ \text{Value of the} & & \text{Cost of Goods Sold} \\ \text{raw material} & & \text{per unit} \end{array} \quad \begin{array}{l} \text{Price of the} \\ \text{manufactured} \\ \text{per unit} \\ \text{or finished} \\ \text{product per} \\ \text{unit} \end{array}$$

Example : Cement factory using lime extracted from its own quarry.

Given

$$\begin{array}{ll} \text{Total Quarry Cost} & = \text{P100,000.00} \\ \text{Cost of Goods Sold} & = \text{P1,000,000.00} \\ \text{Average Selling Price} & = \text{P45.00/bag} \\ \text{Total Production} & = 100,000 \text{ bags} \end{array}$$

Solution :

$$\begin{array}{lll} \text{Quarry Cost per} & = \frac{100,000.00}{100,000 \text{ bags}} & = \text{P 1.00} \\ \text{bag} & & \end{array}$$

$$\begin{array}{lll} \text{Cost of Goods Sold} & = \frac{1,000,000.00}{100,000 \text{ bags}} & = \text{P10.00} \\ \text{per bag} & & \end{array}$$

$$\begin{array}{l} \text{Market value of quarried material per bag} \\ = \frac{\text{Quarry Cost/bag} \times \text{Ave. Selling Price/bag}}{\text{Cost of Goods Sold/bag}} \end{array}$$

$$\begin{array}{l} = \frac{\text{P1.00} \times \text{P} \\ 45.00/\text{bag}}{\text{P10.00}} \\ = \text{P 4.50 per bag} \end{array}$$

$$\begin{array}{l} \text{Excise Tax} \\ = \text{Actual Market Value} \times \text{Production (in bags)} \\ \times \text{Excise Tax} \\ \text{Rate} \end{array}$$

$$= \text{P 4.50} \times 100,000 \times 2\%$$

$$\begin{array}{l} = \text{P 9,000.00} \\ ===== \end{array}$$

4. *Requirements prior to removal of minerals, mineral products and mineral concentrates intended for export.*