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MINING

VOL. 1 • SERIES OF 2025

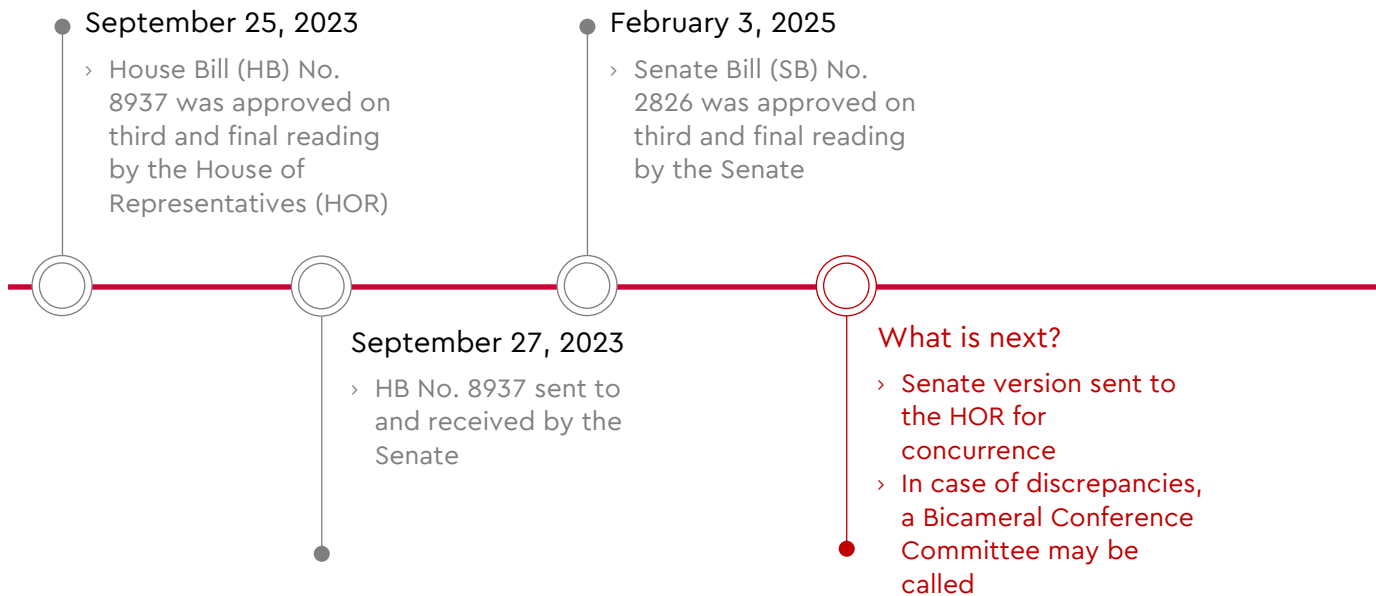
Salient Features of the
Enhanced Mining Tax Regime

SENATE BILL NO. 2826

Enhanced Fiscal Regime for Large-Scale Metallic Mining

Salient Features of the Enhanced Mining Tax Regime

I. Timeline



II. Non-Deductible Interest Expense



Interest on related party debts of metallic mining contractors/operators is subject to limitation on deductibility

III. Royalty Rate for Large-Scale Metallic Mining Operations

Mining Operations	Royalty Rate	
Operations within mineral reservations	Five percent (5%) of the gross output	
Operations outside mineral reservations	Margin	Rate (on gross output)
	Less than or equal to 0%	1/10 of 1%
	Margin	Rate (on income)
	Over 0% but not over 15%	1%
	Over 15% but not over 30%	2%
	Over 30% but not over 45%	3%
	Over 45% but not over 60%	4%
Over 60%	5%	

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Income from metallic mining operations shall mean 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;
2. General and administrative expenses;
3. Environmental expenses;
4. Expenses for the development of host and neighboring communities and of geosciences and mining technology;
5. Lease and royalty payments to claim owners or surface landowners;
6. Continuing exploration and development expenses;
7. Interest expenses charged on loans;
8. Depreciation, depletion, or amortization; and
9. Duties, fees, charges, and taxes, excluding royalty, and windfall profits tax.

The following shall govern the filing of returns and payment of the related royalty:

Quarterly Returns and Payment	Filed within sixty (60) days after the end of the calendar quarter when the products were removed
Bond	File a bond in an amount that approximates the amount of royalty due for the quarter
Final Adjustment Return	The mining contractor or operator shall either: <input checked="" type="checkbox"/> Pay the balance of royalty still due; or <input checked="" type="checkbox"/> Carry over the excess credit
Non-refundability/ non-credibility	Royalty shall not be creditable or refundable even if the mineral products are actually exported

IV. Windfall Profits Tax Rates for Large-Scale Metallic Mining Operations

Margin of Income	Royalty Rate based on Net Income
Equal to 30% but not over 40%	1%
Over 40% but not over 55%	3%
Over 55% but not over 65%	5%
Over 65% but not over 75%	7%
Over 75%	10%

The windfall profits tax return shall be filed and paid annually within sixty (60) days from the end of the calendar/fiscal year.

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V. Ring- Fencing of Large-Scale Metallic Mining Operations

Rules to follow:

Scenario	Rule
Each mineral agreement or financial or technical assistance agreement it holds and/or operates	The mining contractor shall be treated as a separate taxable entity
Where a contractor has a valid and effective operating agreement	The mining operator shall be considered as a separate taxable entity
When there is more than one (1) valid mining operator under the same mineral agreement or financial technical assistance agreement	Each mining operator shall be deemed a separate taxable entity for its respective mining operations under the agreement
Where a mining operator conducts mining operations by virtue of a valid operating agreement with the mining contractor	The mining operator is the one liable to pay the pertinent taxes

VI. Power to Examine and Audit



The BIR and the BOC may examine and audit all sales and exportation of minerals, mineral products, and raw ores.

VII. Local Business Tax



LGUs may impose business tax which shall not exceed fifty percent (50%) of one percent (1%) of the total gross output.



The business tax shall be on top of the LGU's share in the gross collection from the national government.

Learn more:

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Du-Baladad and Associates (BDB Law) is a multi-awarded, global tax law firm in the Philippines that offers services around 3 major areas of practice – **tax**, **legal** and **consulting**.

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