

[ **BOIN, October 03, 1991** ]

**GUIDELINES TO IMPLEMENT REPUBLIC ACT NO. 7103  
OTHERWISE KNOWN AS THE IRON AND STEEL INDUSTRY ACT**

Pursuant to Sec. 15 of Republic Act. No. 7103 otherwise known as the Iron and Steel Industry Act, the following guidelines are hereby promulgated to implement the intent and provisions of said Act.

**Rule I  
Definition of Terms**

*SECTION 1.* For Purposes of these Guidelines -

- a. **Act** refers to the Iron and Steel Industry Act.
- b. **Board** refers to the Board of Investments.
- c. **Certificate of Eligibility** refers to the document/certificate issued by the Board to enterprises eligible for incentives under the Act.
- d. **Certified Enterprise** refers to a Filipino citizen or a juridical entity organized under Philippine laws who/which has been issued a Certificate of Eligibility.
- e. **Certified Activity** shall mean any activity falling within the purview of Sec. 1(b), Rule II hereof.
- f. **Non-Certified Activity** shall mean any activity or project being undertaken by a certified enterprise, but which activity/project does not fall within the coverage of Sec. 1(b), **Rule II** hereof.
- g. **Integrated Iron and Steel Mill** shall refer to a manufacturing facility which shall produce iron from iron ore for conversion to pig iron and/or steel which may or may not include rolling facilities for the manufacture of intermediate steel products.
- h. **Internationally Competitive** as applied to an Iron and Steel Mill shall refer to a manufacturing facility whose product quality and cost of production are within the range attained by internationally recognized steel producers.
- i. **Primary Steel** shall refer to the following steel products produced from iron ore in the following forms:
  - 1. Ingots - steel produced in cast form made by teeming or pouring of liquid steel into static molds for further hot processing into primary flat and/or long steel products.

2. Slabs - rectangular in cross-section and normally range from 35-300 mm in thickness and 610 mm or greater in width.
3. Blooms - with square or rectangular cross-sections ranging in size from 152-305 mm square and above.
4. Billets - have cross-sections smaller than bloom and normally range from 51-127 mm square.

j. **Intermediate Steel** shall refer to the following steel products processed from primary steel:

1. Hot Rolled Coils - steel strip in coil form rolled from slabs in the hot strip mill and normally range from 1.2 mm to 12 mm in thickness and 300 mm to 3,000 mm in width.
2. Plates - is a rectangular shaped form rolled from slabs in the hot strip mill to the plating mill and normally range from 6 mm to 76.2 mm in thickness and 1,220-1,900 mm in width.
3. Cold Rolled Coils - steel strip in coil form rolled from hot rolled coils in the cold mill and normally range from .18 mm to 1.6 mm in thickness and 300 mm to 1,800 mm in width.
4. Bars and Rods - plain surfaced long products rolled from blooms/billets in round or non-round shapes and in straight lengths or in coil form.

k. **Finished Steel** shall refer to steel produced for end-use from primary or intermediate steel by metalforming, metalworking and heat or surface treatment processes.

l. **Tax Credit** shall refer to any of the credits against taxes and/or duties equal to those actually paid or would have been paid to evidence which a tax credit certificate shall be issued by the Board. Tax credit certificates issued under the Act shall be used to pay taxes, duties, charges and fees due to the National Government; provided that said tax credits shall not form part of the gross income of the grantee/transferee for income tax purposes under the National Internal Revenue Code, as amended, and are therefore not taxable: provided, further, that such tax credit certificates shall be valid only for a period of ten (10) years from date of issuance.

## **Rule II**

### **Requirements for the Issuance of a Certificate of Eligibility**

*SECTION 1.* To be entitled to the issuance of a Certificate of Eligibility under the Act, an applicant must comply with the following:

a. **Nationality Requirement.** - The enterprise shall be undertaken by a citizen of the Philippines or a corporation, partnership, or other association organized under the laws of the Philippines at least thirty five percent (35%) of the Capital of which is owned and controlled by citizens of the Philippines. As a matter of principle, and whenever possible, Filipino investors will be given preference in investing up to one

hundred percent (100%) in the equity capital of an enterprise.

b. The enterprise shall engage in the following manufacturing activities:

1. The production of primary steel products or intermediate steel products; or
2. Manufacture or processing of products or provision of infrastructure such as roads, auxiliary facilities such as ports and harbors; and industrial services, primarily for the direct use of enterprises engaged in the activities referred to in 1 above; or
3. Refinement or treatment of by-product or waste-products predominantly of the enterprise mentioned in 1 above.

c. **Technical and Economic Capability.** - The enterprise shall be capable of operating and establishing on a technologically up-to-date, economically efficient and internationally competitive basis and of contributing to national development, taking into account the markets proposed to be addressed by the enterprise.

For purposes of evaluating the technical and economic viability of enterprises seeking certificates of eligibility under the Act, the Board may if deemed necessary, consult the appropriate government agencies and/or engage the services of independent local and/or foreign consultants/experts.

For enterprises proposing to engage in the activities described under Section 1(b)(1) of this rule, the following shall be the minimum requirements:

1. The enterprise applying for a certificate of eligibility as a primary steel producer should be able to produce slabs or blooms/billets from which the following range of steel products could be derived:

A. From Slabs

1) Hot Rolled Flat Products

- Hot Rolled Plates
- Hot Rolled Coils

2) Cold Rolled Flat Products

- CRC for GI Sheets
- CRC for deep drawing applications
- CRC for automotive, appliances, etc.
- Tin Mill Black Plate for Tinsplates

B. From Blooms and Billets

- 1) Structurals
- 2) Wire Rods
- 3) Merchant Bars

2. The enterprise applying for a certificate of eligibility as an intermediate steel producer should be able to produce plates, hot or cold rolled flat products for GI sheets, deep drawing applications, automotive and appliance, and tin mill black

plates for tinplates; or bars/rods which are plain surfaced long products in round or non-round shapes and in straight lengths or coiled, the types of which are not currently produced in the Philippines, for use in drawing, extrusion or forging.

3. Construction of the Project should commence within two years after certification by the Board.

4. The Certified Project shall start its operation not later than the 6th year after certification by the Board.

Start of operation shall refer to the date when the enterprise begins production from its certified activity for commercial purposes. Subject to verification, such date shall be reported in writing by the enterprise to the Board within ten (10) calendar days from start of operations.

5. Minimum Output Standards and Specifications:

- The products of the Certified Enterprise should be able to meet Philippine and/or international standards, which in the case of flat steel products, shall consist of surface quality, shape and dimensional accuracy as well as the necessary chemical composition, metallurgical structure and mechanical properties such as strength, temper, deep drawing qualities, etc. In the case of long products, these should comply with dimensional accuracy, and the necessary chemical composition, metallurgical structure and mechanical properties such as strength, ductility, drawing properties, etc.

Preferably, the applicant enterprise proposing to engage in activities under *Sec. 1(b)1* of this Rule should source its manufacturing/production equipment from manufacturers/builders who have constructed or supplied iron and steelmaking machinery/equipment to at least three (3) existing commercially operating steel plants which are internationally competitive and who can provide experts of internationally proven qualifications for engineering/technical consultation and supervision.

**d. Separate Accounts** - If the enterprise is engaged or proposes to engage in non-certified activities, said enterprise has installed or undertakes to install an accounting system adequate to record and identify the investments, revenues, costs, profits and losses of the certified activities separate from those arising from non-certified activities.

**e. Environmental Protection.** - The enterprise shall comply with all laws and regulations on environmental protection. Whenever deemed necessary, the Board shall require the enterprise to submit clearances and/or other documents from the environmental Management Bureau tasked with environmental protection.

Consistent with the Board's Industrial Location Policy, enterprises locating in Metro Manila shall not be entitled to certification under this Act.

The Board may grant exemption from the above Industrial Location Policy in cases of:

- (a) Certified enterprises locating within government industrial estates or resettlement areas in Metro Manila; or
- (b) Industrial service-type projects of certified enterprises with no manufacturing facilities.

*SECTION 2. Filing of Application.* - Applications for the issuance of a certificate of eligibility shall be filed with the Board of Investments.

*SECTION 3. Form.* - All applications shall be made upon forms prescribed by the Board, accomplished in two (2) copies and sworn to before a notary public.

*SECTION 4. Incomplete Papers.* - Within five (5) working days from receipt of application, the Board shall notify the applicant of all pertinent requirements not complied with. Upon completion of the deficiencies, the applications shall be officially accepted immediately.

*SECTION 5. Publication of Application.* - Upon the official acceptance of the application, notice thereof shall be published once in a newspaper of general circulation or in any manner that the Board may require, at applicant's expense, in a format indicating the name of the applicant, the area of investment, the capacity applied for and the plant site, if any.

*SECTION 6. Burden of Proof.* - In every case, the applicant enterprise will have the burden of proving that it has complied with all the requirements that will entitle it to the issuance of a certificate of eligibility.

### **Rule III**

#### **Incentives to Enterprises with Certificates of Eligibility**

*SECTION 1.* As a general rule, the issuance by the Board of a certificate of eligibility entitles a certified enterprise to the Incentives provided for under the Act. However, fiscal incentives sought to be availed of shall require prior Board approval under conditions set forth in **Rule IV** hereof.

*SECTION 2.* All certified enterprises are entitled to the following incentives:

- a. Power Infrastructure and Auxiliary Facilities;
- b. Financing under the Official Development Assistance (ODA) program;
- c. Tax and Duty Exemption of Imported Capital Equipment;
- d. Tax Credit on Domestic Capital Equipment;
- e. Other Loans from Foreign Private Financial Institutions or Fund Sources;
- f. Rational Tariff Incentive and Protection Scheme.

*SECTION 3.* No entitlement to any incentive under the Act shall accrue to any