

[BOC CUSTOMS MEMORANDUM CIRCULAR NO. 51-99, February 02, 1999]

RULES AND REGULATIONS TO IMPLEMENTING THE TAX INCENTIVES ON IMPORTATIONS OF QUALIFIED JEWELRY ENTERPRISES

Attached is the letter dated January 26, 1999 of Director Ma. Lourdes B. Recente, Research and Information Office, Department of Finance endorsing the Joint DOF-BOC Order No. 1-99 entitled "Rules and Regulations To Implement The Tax Incentives On Importations Of Qualified Jewelry Enterprises, as Provided Under Section 3 a, b, c And H Of Republic Act No. 8502 Otherwise Known As The "Jewelry Industry Development Act Of 1998".

For your information and guidance.

Adopted: 02 Feb. 1999

(SGD.) JULITA S. MANAHAN
*Deputy Commissioner,
Internal Administration Group*

JOINT DOF-BOC ORDER NO. 1-99

RULES AND REGULATIONS TO IMPLEMENT THE TAX INCENTIVES ON IMPORTATIONS OF QUALIFIED JEWELRY ENTERPRISES, AS PROVIDED UNDER SECTION 3 a, b, c AND h OF REPUBLIC ACT NO. 8502 OTHERWISE KNOWN AS THE "JEWELRY INDUSTRY DEVELOPMENT ACT OF 1998"

RULE 1. Coverage

The following Rules and Regulations are hereby promulgated to implement Section 3 a, b, c and h of RA 8502 with respect to the duty-free and excise tax-free importation of qualified jewelry enterprises.

Section 3(a), (b), (c) and (h) of RA 8502 are quoted as follows:

"SECTION 3. Development Incentives — The following incentives shall be available to qualified jewelry enterprises in the jewelry industry:

a) Entitlement to zero (0) duty on imported raw materials which include precious metals, loose gems, precious stones, jewelry parts, accessories and supplies for use by jewelry enterprise, as specifically mentioned in Chapter 5 of Section 1, Chapter 12 of Section II, Chapters 25, 26 and 27 of Section V, Chapter 28, 34 and 38 of Section VI, Chapter 70 of Section

XIII, Chapter 71 of Section XIV, Chapter 83 of Section XV, and Chapter 96 of Section XX of the Tariff and Customs Code, as amended;

b) Exemption from the imposition of excise tax on all goods commonly or commercially known as jewelry, whether real or imitation pearls, precious and semi-precious stones and imitations thereof; all goods made of, or ornamented, mounted or fitted with precious metals or imitations thereof, as specifically mentioned in section 150 (a) of the National Internal Revenue Code of the Philippines, as amended;

c) Entitlement to zero (0) duty on imported capital equipment, including spare parts and toolings thereof falling within Chapter 69 of Section XIII, Chapter 82 of Section XV, Chapters 84 and 85 of Section XVI, and Chapter 90 of Section XVIII of the Tariff and Customs Code, as amended;

d) x x x

e) x x x

f) x x x

g) x x x

h) Jewelry enterprises availing of incentives provided under this Act shall still be eligible to incentives provided by other special laws such as Republic Act No. 7844 (Export Development Act of 1994), Republic Act No. 7916 (Special Economic Zone Act of 1995). Executive Order 226 (BOI Omnibus Investment Code), among others: Provided, That the activity is export-oriented and that there is no double availment of the same incentives.

Rule 2. Definition of Terms

For purposes of these Rules and Regulations, the terms as used herein shall have the following meaning:

(a) *"Fine jewelry"* — means

(1) articles of personal adornment made of precious metals, stones, pearls or combinations thereof (e.g. rings, bracelets, necklaces, brooches, earrings, watch-chains, fobs, pendants tie, pins, cuff links, combs, tiaras, dress-studs, religious or other medals or insignia).

(2) articles made of precious metals, with or without stones for personal use of a kind normally carried in the pocket, handbag or in the person (e.g. cigarette cases, powder boxes, chain purses, cachou boxes).

(b) *"Imitation Jewelry"* — means articles falling either under a(1) or a(2) in the preceding paragraph made of base metals and/or materials other than precious metals; of imitations of gemstones, of natural materials; and/or their combination.

(c) *"Import Consolidator"* — means a non-stock, non-profit organization or

association of jewelry enterprises, duly registered by the SEC, authorized to import in behalf of its members.

(d) "*Importer*" — shall refer to a qualified jewelry enterprise eligible for tax and duty incentives on its importations under RA 8502.

(e) "*Jewelry*" — refers to real or imitation pearls, precious and semi-precious stones and imitations thereof, or ornamented, mounted or fitted with precious metals or imitations thereof, which will be imported for use in the local manufacture of fine or imitation jewelry.

(f) "*Qualified Jewelry Enterprise*" — means an enterprise engaged in any aspect in the manufacturing of jewelry and in particular though not exclusively:

- (1) in the manufacture of fine jewelry;
- (2) in the manufacture of imitation jewelry;
- (3) cutting and polishing, forming of gemstones or in producing imitations thereof;
- (4) pearl farming, pearl culturing, and in the production of imitation pearls;
- (5) refining and/or forming of precious metals and/or imitations of precious metals;
- (6) manufacture of articles made of precious metals utilizing goldsmithing and/or silversmithing techniques and
- (7) the manufacture and/or processing of other raw materials and parts used in the manufacture of jewelry; and
- (8) activities in support of jewelry enterprise, such as: electroplating; gemstone appraisal and certification; assaying and refining; and import consolidating.

It must be duly registered and accredited by the Board of Investment, for the current year, as evidenced by a valid Certificate of Accreditation issued by the BOI. A qualified jewelry enterprise is categorized by BOI, based on its total assets, as either:

micro enterprise — with total assets of less than P1,500,000;

small enterprise — with total assets of P1,500,000 to P15,000,000;

medium scale enterprise — with total assets of P15,000,001 to P60,000,000; large

scale enterprise — with total assets of over P60,000,001

(g) "*Raw Materials*" — shall refer to direct inputs in jewelry making as enumerated in Annex A of these Rules and Regulations. These raw materials shall refer to:

- (1) "*Precious Metals*" — means precious metals which include gold, silver, platinum palladium, rhodium, ruthenium, iridium and osmium. This includes alloys of precious metals, solders and plating chemicals such as rhodium and palladium plating solutions and potassium gold cyanide (minimum 68.3% gold) and potassium silver cyanide (approx. over 68% silver) and silver cyanide (over 54% silver) in salt solution.

(2) "Imitations of Precious Metals" — means non-precious metals electroplated to simulate precious metals.

(3) "Base Metals" — means iron and steel, copper, nickel, aluminum, lead, zinc, tin, and their articles thereof, and other base metals and their articles as defined in Section XV of the Tariff and Customs Code of the Philippines, as amended.

(4) "Gemstone" — means diamond, ruby, emerald, sapphire, opal, amethyst, beryl, topaz, garnet and all other gems and stones that are used in jewelry making.

(5) "Imitations of Gemstones" — means any man-made reproduction, copy, imitation, likeness and semblance of any of the aforementioned stones, processed, manufactured, or done in any method or procedure.

(h) "*Supplies*" — shall refer to other raw materials used in jewelry making as enumerated in Annex A of this Joint Order. Examples of "supplies" are:

(1) clasps, chains in spools, wires, sheets, findings, setting, rubber molds, cleaning solution, soldering pads, binding wires, points wheel, and sharpening stones; and

(2) consumable, such as injection waxes, investment powders, fluxes, solders, enamels, electroplating materials, and polishing compound.

RULE 3. CONDITIONS FOR AVAILMENT OF DUTY-FREE AND/OR EXCISE TAX-FREE IMPORTATION OF RAW MATERIALS, SUPPLIES, CAPITAL EQUIPMENT, MACHINERY, TOOLS OR SPARE PARTS

In the implementation of the duty and excise tax exemptions of importations of raw materials, supplies, capital equipment, machinery, tools or spare parts, as provided under Section 3(a), (b) and (c) of RA 8502, the Department of Finance shall ensure that the following conditions are complied with:

a.) The importation should be made by a qualified jewelry enterprise as defined in Rule II (e) of these Rules and Regulations.

b.) The raw materials and/or supplies which shall be imported by the qualified jewelry enterprise —

(1) must be included in Annex A of these Rules and Regulations; and

(2) will be exclusively used by the qualified jewelry enterprise in the manufacture of its products and in the operation of its accredited activity, as indicated in a sworn statement by the importer.

c. The capital equipment, machinery, tools and/or spare parts which shall be imported by the qualified jewelry enterprise

(1) must be included in Annex B of these Rules and Regulations;

(2) will be exclusively used by the qualified jewelry enterprise in the