



DOING BUSINESS IN THE PHILIPPINES



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ALBA ROMEO & CO.
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DOING BUSINESS IN THE PHILIPPINES

PREFACE

This publication has been prepared for the exclusive use of ALBA ROMEO & CO. and its clients. Its aim is to provide background information for setting up and running a business in the Philippines, in compliance with current local legislation. It is written in general terms and is not intended to be comprehensive. For more detailed information, advice should be sought from ALBA ROMEO & CO.

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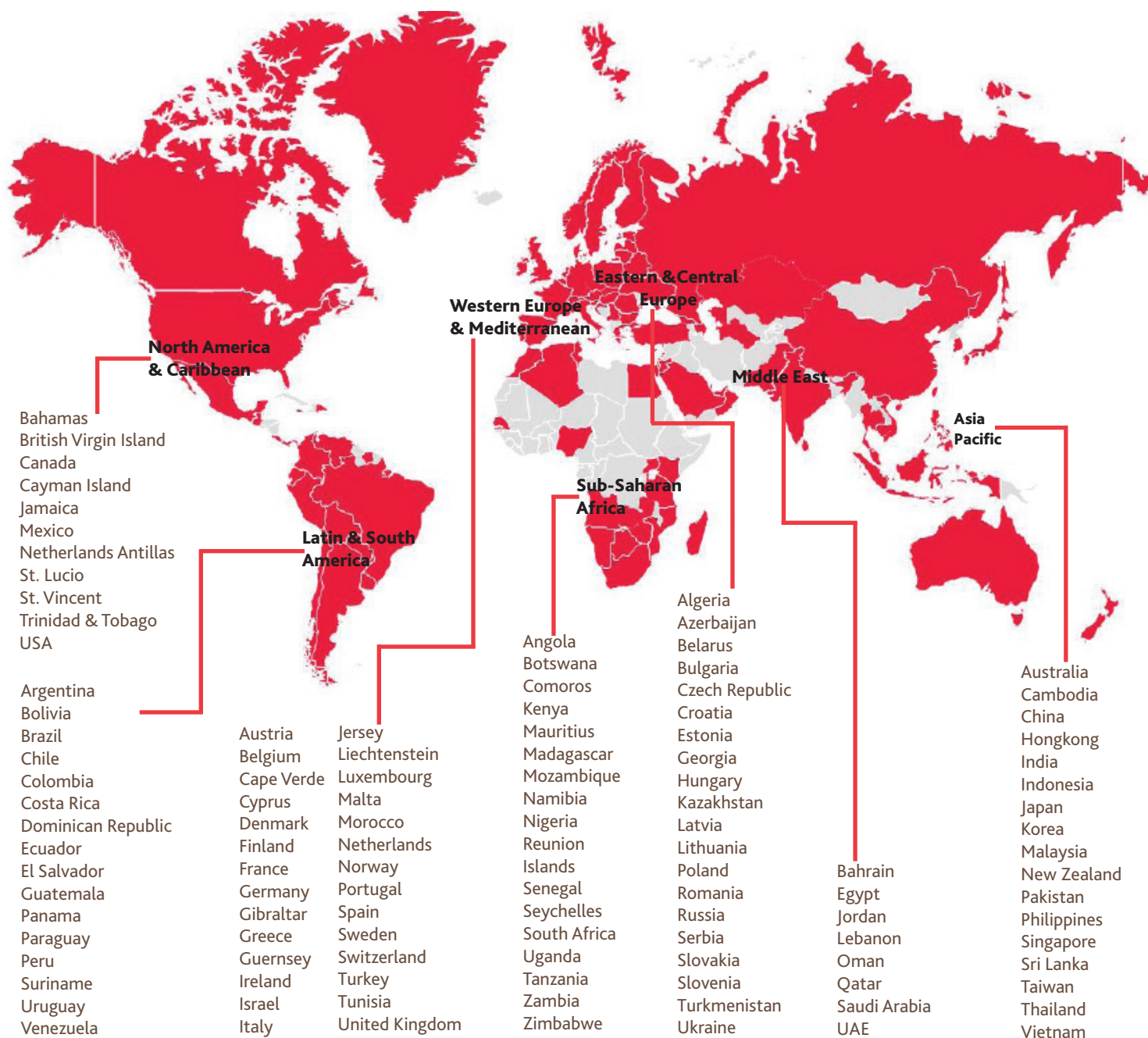
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WE ARE TRULY INTERNATIONAL....





Who should read this guide?

Doing Business in the Philippines should be used by anyone who is thinking of establishing a business in the Philippines as a separate entity, or as a branch of a foreign company, or as a subsidiary of an existing overseas company, or anyone who is considering coming to work or live in the Philippines.

Scope

This guide describes the business environment in the Philippines and outlines the financial and legal implications of running, or working for, a Philippine business owned by foreign interests. The most important issues are included, but it is not feasible to discuss every subject in detail within this format. If you would like to know more, we can provide you with information on any further issues.

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THE BUSINESS ENVIRONMENT

In recent years, investment opportunities in the Philippines have grown at an encouraging rate. The entry of foreign investments into the country has been liberalized since the implementation of the Foreign Investments Law of 1991, and has further improved through the enactment of various laws and regulations enhancing the advantages of foreign investment.

Geography

The Republic of the Philippines is an archipelago in Southeast Asia that provides a physically strategic position between the East and the West. The country comprises about 7100 islands. There are 3 major islands consisting of Luzon, Visayas and Mindanao. The total land area of the Philippines is about 300,000 square kilometers. Manila is the capital and the largest city.

History

Some of the more important characteristics of the Philippines as an ideal business location stem from its history. Due to the colonization of Spain in 1521 and the United States in 1898, Filipino culture is an interesting mixture of various cultural origins. As such, foreigners almost surely find that Filipinos have relative ease in adapting to their presence, and ultimately, are quite proficient at bridging cultural gaps. The widespread use of the English language, which is also a testament to the United States' colonization, gives the Philippines a competitive advantage over neighboring East Asian countries since education and business are conducted in English.

Government

The Philippines' state of power is divided into the executive, the legislative and the judiciary. The head of the State and chief executive is a president elected by direct vote of the people to serve for a single six-year term. The bicameral legislature consists of a Senate of 24 members serving six-year terms and the House of Representatives with a maximum of 250 members serving three-year terms. The highest tribunal is the Supreme Court. Other judicial bodies include the Court of Appeals, Regional Trial Courts, Metropolitan Courts, Municipal Circuit Trial Courts and Municipal Courts.

Language

The national language of the Philippines is Filipino. English is commonly used for educational, governmental, and commercial purposes. About 87 languages and dialects are spoken in the islands of which about ten of regional importance.

Currency

The unit of currency is the Philippine Peso, which is divided into 100 centavos. The Central Bank has the sole control of the credit and monetary supply, independent of the treasury. The country is served by commercial banks and private development banks.

Economy

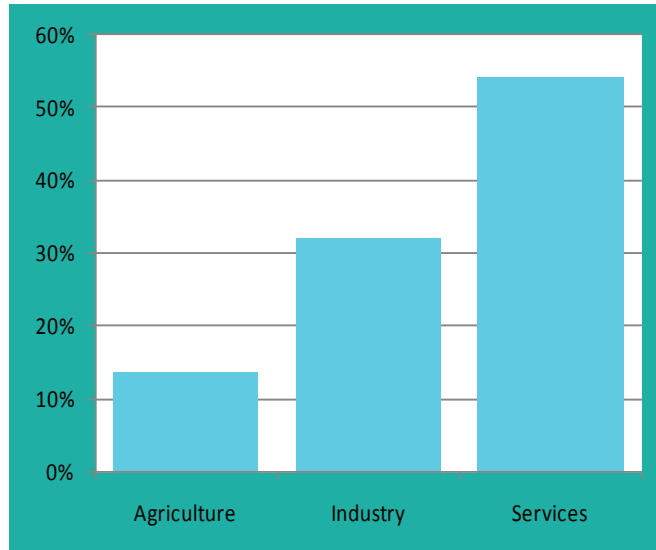
The economy of the Philippines has a mixed economic system, and one of the newly industrialized emerging market economies of the world. In 2010, it was ranked as the 33rd largest economy by the International Monetary Fund according to Purchasing Power Parity. Important sectors of the Philippine economy include agriculture and industry, particularly food processing, textiles and garments, and electronics and automobile parts. Most industries are concentrated in the urban areas around metropolitan Manila, while metropolitan Cebu is also becoming an attraction for foreign and local investors in recent dates. Mining also has great potential in the Philippines, which possesses significant reserves of chromite, nickel, and copper. Recent natural gas finds off the islands of Palawan add to the country's substantial geothermal, hydro, and coal energy reserves.

Gross Domestic Product by Sector:

Agriculture (13.8%)

Industry (31.9%)

Services (54.3%)



AUTOMOTIVE

The ABS used in Mercedes-Benz, BMW, and Volvo cars are made in the Philippines. Toyota, Mitsubishi, and Nissan are the most prominent auto makers that make cars in the country. A 2003 Canadian market research report predicted that further more investments in this sector were expected to grow in the next following years.

ELECTRONICS

NUMONYX, an Intel subsidiary has located in the Philippines producing new generation of computer chips. A Texas Instruments plant in Baguio has been operating in for 20 years and is the largest producer of DSP chips in the world. TI's Baguio plant produces all the chips used in Nokia cell phones and 80% of chips used in Ericsson cell phones in the world. Printer manufacturer Lexmark has a factory in Mactan Island in the Cebu region and Batangas ecozone.

OUTSOURCING

The Philippines is Asia-Pacific's second-largest call center market, next to India, a June 2008 study released recently here by Oracle Corp. said. The majority of the top ten BPO firms of the United States operate in the Philippines. Majority of the BPO facilities are located in Metro Manila and Cebu City although other regional areas such as Baguio City, Bacolod City, Cagayan de Oro, Tacloban City, Clark (Angeles City), Dagupan City, Davao City, Dumaguete City, Lipa City, Iloilo City and Legazpi City are now being promoted and developed for offshore operations.

MINING

The country is rich with mineral and thermal energy resources. A recent discovery of natural gas reserves in the Malampaya Oil fields off the island of Palawan is already being used to generate electricity in three gas-powered plants. Philippine gold, nickel, copper and chromite deposits are among the largest in the world. Other important minerals include silver, coal, gypsum, and sulfur. Significant deposits of clay, limestone, marble, silica, and phosphate exist. About 60% of total mining productions are accounted for by non-metallic minerals, which contributed substantially to the industry's steady output growth.

TRANSPORTATION

Transport of people, goods and services in the country is done mostly by motorized vehicles, boats and planes. Land transportation vehicles are imported, except for the jeepney and tricycle which are locally created.

OFW REMITTANCE

The 10 million strong OFWs is expected to help the Philippine economy. The OFWs' rising remittances from abroad have continued to support the economy this year as faster inflation eroded domestic consumer spending. The OFW remittances help maintain the current account surplus at the time when the goods and services account is consistently registering a deficit. With more dollar inflow from the OFWs, it has helped cap inflationary pressures from imported goods.

STRATEGIC LOCATION

The Philippines is ideally situated in the heart of Southeast Asia, today the fastest growing region. Bordered by two large commercial routes - the Pacific Ocean and South China Sea - the Philippines is a great center for business, a significant access point to over 500 million people in the ASEAN market. The country is a choice specifically of European and North American businesses as an ASEAN gateway in the international shipping and air lanes.

Investor-Friendly Policies

In recent years, business prospects in the Philippines have improved at an encouraging pace. The nation has opened its markets by allowing 100% foreign ownership in almost all sectors of the economy. It has braced its capital markets and deregulated the banking, insurance, as well as the shipping and telecommunication sectors, removing most, if not all, the monopoly structures. Attractive incentive packages are on hand to qualified business enterprises in the country's numerous Special Economic Zones and Industrial Estates. The Special Economic Zones are being fostered to develop into balanced agricultural, industrial, commercial and recreational centers of activity.

Enormous Business Opportunities

As ASEAN economies join together within the framework of the ASEAN Free Trade Agreement (AFTA), the Philippines is the most strategic site for companies that want access to the large ASEAN market and its huge business prospects. It has complied with WTO, APEC, and AFTA agreements and has decreased tariff rates on manufactured commodities. The Philippines has improved and prepared different areas of business for investors and presents a vibrant consumer market adapted to an array of merchandise selection.

Exceptional Standard of Living

The Philippines is the finest Asian country in overall quality of expatriate life, based on the latest survey of Hong Kong's Political Risk Consultancy Ltd. (PERC). The Philippines ranked third in all countries reviewed - after Australia and the U.S. - and was ahead of Singapore and Japan. Regarded highly are its cultural compatibility with expatriates, its housing, sporting and recreational amenities, skilled labor and first class academic institutions.

Low Cost of Doing Business

Salaries are usually less than a fifth of that in the U.S. Local communication, electricity and housing costs are also 50% less weighed against U.S. rates. Foreign businesses that are now outsourcing programming and business processes to the Philippines assess 30 to 40% business cost savings, 15 to 30% call center services and application systems and 35 to 50% software development.

1 in Skilled Labor

The Philippines is ranked #1 in the availability of knowledge-based jobs and workers worldwide and ranked 4th among Asian countries in employment quality, according to a review conducted by the U.S. based Meta Group. Aside from the enormous collection of dynamic, trainable and multi-skilled labor force, the Philippines competes in the quality of its managers and information technology (IT) staff and engineers. The distinctive advantage comes from a high level of proficiency in English (the Philippines is the 3rd largest English-speaking country in the world).

Lavish Resources

An archipelago, the Philippines offers varied natural resources, from land to aquatic to mineral resources. It is the main copper producer in Southeast Asia and among the top ten producers of gold in the world. It is home to 2,145 fish species, four times more than those found in the Bahamas. The 7,100 islands boast of beautiful beaches and breathtaking sceneries, which offer soothing relaxation and leisure sites for vacationers and tourists.

Everything You Need and More

The Philippines offers high technology telecommunications facilities with sufficient and continuous power supply. There are ready to occupy offices, manufacturing and warehousing facilities, computer security and building monitoring systems, as well as complete office services in specialized IT zones.

With the government's focus on building up an IT-enabled economy, the Philippines is on its way to becoming the E-services Hub of Asia.



FORMS OF BUSINESS ORGANIZATIONS

The three forms of business organizations are the following:

- Sole Proprietorship;
- Partnership;
- Corporation; and
- Branch of foreign corporations thru: representative office, regional or area headquarters (RHQ), regional operating headquarters (ROHQ), and branch.

Other less well-known forms of business organization include the limited partnership, joint venture and the unincorporated association.

Forms of Foreign Investments

Foreign investments in the Philippines maybe conducted in the form of a branch, a representative office, regional headquarters, regional operating headquarters or incorporated as a domestic subsidiary. Each form has its own requirements, characteristics and features that may work as an advantage or disadvantage depending upon the company's business objectives and expansion strategy.

Representative or Liaison Office

Deals directly, with the clients of the parent company but does not derive income from the host country and is fully subsidized by its head office. It undertakes activities such as but not limited to information dissemination and promotion of the company's products as well as quality control of products.

Regional or Area Headquarters' (RHQ)

Is a branch established in the Philippines by multinational companies and which headquarters **do not earn or derive income from the Philippines** and which act as supervisory, communications and coordinating center for their affiliates, subsidiaries, or branches in the Asia-Pacific Region and other foreign markets.

Regional Operating Headquarters' (ROHQ)

Shall mean a branch established in the Philippines by multinational companies which are engaged in any of the following services: general administration and planning; business planning and coordination; sourcing and procurement of raw materials and components; corporate finance advisory services; marketing control and sales promotion; training and personnel management; logistics services; research and development services and product development; technical support and maintenance; data processing and communications; and business development. It may derive income in the Philippines and required to issue official receipts.

Branch office of a Foreign company

Carries out the business activities of the head office and derives in come from the host country.

Corporation

A private corporation maybe formed for any lawful purpose by a group of at least 5 but not to exceed 15 persons, majority of whom must be Philippine residents. The corporation has a separate and distinct legal personality from its owner-stockholders, whose liability under the laws is limited to their individual subscription. A corporation is categorized as domestic if created under Philippine laws, and foreign if formed in the country where it resides. A foreign corporation may do business as a Subsidiary, Branch, Representative Office, Regional Warehouse or Regional Headquarters.

Partnership

The partnership is more casual and may be formed by the independent action of the partners. It may be composed of two or more individuals contributing money, property, expertise as well as ideas and other things of value putting them together into a common fund with the intention of dividing the profit among them. It also has a separate legal personality from its partners with the added distinction however, of personal accountability of its partners once the partnership assets are exhausted. A partnership may either be general or limited.

Sole Proprietorship

The sole proprietorship involves an individual acting on his or her own in a business context and is the least specially regulated and least complex form. It is a small scale enterprise commonly a retail trading with unlimited liability. Foreign investors are permitted to establish sole proprietorship business as long as the applicable laws of the land are observed.

► AN OVERVIEW OF THE SUNRISE INDUSTRIES IN THE PHILIPPINES

The Philippines is considered to be a primary investment destination of foreign companies particularly in the telecommunication sector, information technology, and services industry. Among the specifically identified businesses that are considered the sunrise industries are the Business Process Outsourcing (BPO), Tourism, Courier Service, Health, Wellness and Retirement industries, Electronics, Agribusiness, Mining and Vehicle Manufacturing.

1 Business Process Outsourcing (BPO) According to the Department of Trade and Industry (DTI), the Philippines is now hosting 120 BPO firms that employ 132,000 workers, generating US\$2B for the economy. Services offered include software development, systems integration, digital animation, call centers, engineering design and development, and maintenance of regional procurement systems. The Filipinos' proficiency in the English language has been the primary consideration of foreign companies to transfer their BPO business in the Philippines.

Other services offered by the BPO companies include support services for businesses like customer service, finance and accounting, logistics, human resources, and information and communication technology (ICT) services. An emerging BPO service is the Medical and Legal transcription.

A survey by Kelly Services, Inc. based in Michigan, showed that India is no longer the first choice of US Companies looking to set-up their offshore backroom operations. The study also cited companies eyeing the Philippines as the better alternative site due to quality.

2 Travel and tourism. In 2009, The Arroyo administration approved the tourism law to bolster tourism in the country. Department of Tourism data show increased hotel occupancy, fully booked flights and trips on land and on sea.

3 Courier services The increase in domestic, regional and international business and economic activities, higher purchasing power, and the government's continued privatization and liberalization efforts in transportation and postal communications have given rise to the country's courier industry. Growth in this sector is expected to be stronger in the coming years as globalization and regional trade further steps up in the Asian region.

4 Retirement industry The government is bound to make the country "senior friendly" by inviting foreign retirees-bringing in with them foreign exchange which they spend either for deposit to get their investment visas and for their sustenance and medical health requirements. The Philippine Retirement Authority is vigorously promoting the country as a retirement destination, thereby improving the country's gross national reserves; thus avert a fiscal crisis.

► LABOR AND SOCIAL LEGISLATION AFFECTING

Labor is governed by the provisions of Presidential Decree No. 442, as amended, otherwise known as the Labor Code of the Philippines, as well as various implementing rules and regulations. The Code outlines the mandated working conditions, as well as the rights and obligations of employer and employees and rules to be followed.

The following are the significant labor and social legislations:

Hours of Work

Eight hours per day or 40 hours per week is the minimum period an employee may be required to work at his regular rate of pay.

Wage and Wage-Related Benefits

- At least a minimum wage in the region/sector (different regions have different wage rates)
- Holiday pay
- Premium pay for work within 8 hours on a special holiday or rest day
- Overtime pay for work in excess of 8 hours
- Night shift differential pay
- Service incentive leave: 5 days with pay per year of service
- 13th month pay
- Paternity leave
- Separation pay

Social Security System

Private employees are required to be covered under the Social Security System (SSS). Both employers and employees remit monthly contributions to the system based on the employees' gross monthly compensation. SSS benefits include maternity, sickness, disability, retirement, and death and pension benefits.

Philhealth

Medical care coverage is compulsory and automatic for employees covered by the SSS. Covered employers and employees are required to make equal monthly contributions to Philhealth Insurance Corporation.

► FINANCE AND INVESTMENT

Regulation of Business

The Securities and Exchange Commission (SEC), the Bureau of Trade and Consumer Protection (BTCP) of the Department of Trade and Industry (DTI) and the Board of Investments (BOI) are the agencies that regulate and monitor the registration and operations of investments and projects of foreign individuals, juridical persons or corporations.

The BOI is responsible for the regulations, promotions and registration of foreign investments in specific activities declared as "preferred areas of investments" or those included in the "investment priorities plan" which are entitled to incentives.

The SEC and in case of single proprietorship, the BTCP, are the government agencies concerned with the registration of non-Philippine nationals intending to engage in or do business as hereinafter defined, or invest in or buy into an existing domestic enterprise up to one hundred percent (100%) of its capital unless the participation of non-Philippine nationals is prohibited or limited to smaller percentage by law or is included in the investment negative list.

Import and Export Control

The importation of most goods and merchandise is generally allowed. Exceptions include certain articles regulated for reasons of national security, public safety, public health, international commitments and promotion of local industry. The Tariff and Customs Code of the Philippines prescribes the rates and amount of customs duty imposed on goods and merchandise brought into the Philippines. Imports are classified as dutiable goods, prohibited commodities, banned

Patents

Patents may be obtained on any invention of a new and useful machine or a manufactured product, substance or process, or on an improvement of any of the foregoing. Patents are granted to encourage inventions and their disclosure to the public. However, the invention should not be contrary to public order, morals, public policy, health or welfare.

The Intellectual Property Office (IPO) is responsible for the implementation of the rules and regulations on the registration of patents, trademarks and technology transfer arrangements.

Trademarks

A trademark is a word or words, name, symbol, label, device, or picture applied or attached to a manufacturer's or merchant's product to identify and distinguish it from similar products sold by others. Its most common form is the brand name. A trademark is different from both a copyright and a patent. In a trademark, the protection is in the symbol that distinguishes the product, not in the product itself.

The company may register its trademark in the principal register of the IPO by filing the required application and paying the required fees. Trademarks not eligible for the principal register are registered in the supplemental register after at least one year of use in the Philippines.

Copyright

A copyright is the exclusive right to publish and sell the expression embodied in a literary, musical, or artistic work, and of other works that involve original creative effort. Works eligible for copyright are registered with the National Library and includes books and periodicals, musical composition and works of art.

Domestic Borrowings

Commercial banks are major sources of domestic borrowings, which mostly take the form of short-term and medium-term credits. Short-term loans are commonly secured for a term of one year and may be renewed annually; medium-term loans are repayable over a two- to five year period. Large loans are often syndicated in the Philippines.

Financial institutions lending to foreign investors include investment banks, leasing firms, insurance companies and pension funds.

The Bangko Sentral ng Pilipinas (BSP) requires foreign firms that borrow from domestic banks and other financial intermediaries in the Philippines to maintain a certain debt-to equity ratio. For this purpose, a certification from the BSP Inter-Agency Committee must be obtained by the borrowing firm.

The applicable debt-to-equity requirements depend on the category to which the foreign firm belongs. Group A companies, which must maintain a 60:40 debt-equity ratio, include manufacturing firms registered with the BOI under the Omnibus Investments Code and the Export Processing Authority as well as the certified firms otherwise entitled to incentives. Group B companies, which must maintain a 55:45 debt-equity ratio, are those engaged in other manufacturing activities, and group C firms, which must maintain a 50:50 debt ratio, are those engaged in non-manufacturing activities.

Foreign Borrowings

Private firms may borrow from foreign sources without approval by or registration with the BSP, if the loan is to be serviced using foreign currency sourced outside the banking system. The use of foreign loans obtained without the BSP approval or is not registered is not regulated by the BSP. Only foreign loans by private firms guaranteed by the government or government financial institutions require prior BSP approval.

Foreign loans not guaranteed by the government or non-government financial institutions need to be registered with the BSP only to ensure the sourcing of foreign currency from the banking system in servicing the debt. Foreign loans of private firms requiring prior BSP approval (guaranteed private loans) shall, as much as possible, finance the following types of projects: BOI- registered projects; projects listed in the Investment Priorities Plan (IPP); projects listed in the Medium-Term Public Investment Program; and other projects that may be declared priority under the country's socio-economic development plan of the National Economic Development Authority (NEDA) or Congress.

The BSP may deny loan applications if any of the following circumstances exist:

Projects and industries are located in areas not considered industrial sectors;

Loans are converted into pesos to finance local costs;

Medium and long term credits being applied for require the execution of promissory notes with shorter maturity periods and are subject to periodic renewals under certain conditions; or

The accounts of the would-be borrowers and /or their principal officers and stockholders are in arrears with government financial institutions

Statutory Requirements

Generally, most corporations and partnerships are required to have their books of account audited by independent Certified Public Accountants (CPAs). The audited financial statements of companies are mandatory reportorial requirements to be filed with the SEC and the Bureau of Internal Revenue (BIR).

Financial statements must conform with new and revised Philippine Financial Reporting Standards (PFRS) based on the International Accounting Standards Committee and rules and disclosures prescribed by the Accounting Standards Board. Philippine Accounting Standard (PAS) 101 aims to provide temporary relief in the application of the new Philippine Financial Reporting Standards (PFRS) that became effective in 2005 to the significant to entities covered by this Standard. Due to the significant number of small and medium-sized entities (SMEs) in the Philippines, the Financial Reporting Standards Council (FRSC) has considered providing temporary relief to SMEs in the application of the new standards.

Audit requirements depend on the size and legal structure of an entity. Companies that earn more than Php 150,000 in gross revenues per quarter must be audited. Many organizations have annual audits performed by independent CPAs to satisfy requirements of regulatory agencies.

Audit Requirements

The following are required to file copies of annual audited financial statements with the SEC:

1. Stock corporations with authorized paid-up capital of at least P50,000
2. Branches of foreign corporations.
3. Regulated companies such as banks, insurance companies and public utilities.
4. Corporations, partnerships or juridical persons whose gross quarterly sales, earnings, receipts or output exceed P 150,000.

► INVESTMENT POLICIES AND LAWS

All investors are entitled to the basic rights and guarantees provided under the Philippine Constitution; among which are the following:

Right to Repatriation of Investments and Remittance of Earnings

The right to remit earnings from the investment and the right to repatriate the entire proceeds of the liquidation of the investment in the currency in which the investment was originally made at the exchange rate prevailing at the time of remittance or repatriation.

Right to Pay for Foreign Loans and Obligations

The right to remit, at the exchange rate prevailing at the time of remittance, as may be necessary to meet the payment of interest and the principal on foreign loans and foreign obligations arising from technological assistance contracts.

Right to Freedom from Expropriation

There shall be no expropriation by the government of the property represented by the investments or of the property of an enterprise except for public use or in the interest of national welfare and defense and upon payment of just compensation. In such cases, foreign investors or enterprises shall have the right to remit sums received as compensation for the expropriated property in the currency in which the investment was originally made and at the exchange rate at time of remittance.

Right to Non-Requisition of Investment

There shall be no requisition of the properties represented by the investment or of the property to enterprises, except in the event of war or national emergency and only for the duration thereof. Just compensation shall be determined and paid either at the time of requisition or immediately after cessation of the state of war or national emergency. Payments received as compensation for the requisitioned property may be remitted in the currency in which the investment was originally made and the exchange rate prevailing at the time of remittance.

Government Incentives to Investors

There are different kinds of incentives given to investors depending on the kind of investment made, as follows:

I. Incentives given those investing in preferred areas of investment found in the current Investment Priorities Plan (IPP)* or even if not listed, meets the following requirements:

1. at least 50% of production is for exports - if Filipino-owned enterprise; and
2. at least 70% of production is for exports - if majority foreign-owned (more than 40% foreign equity)

Republic Act No. 7918, An Act Amending Article 39, Title III Of Executive Order No. 226, Otherwise Known As The Omnibus Investments Code Of 1987, As Amended, provides that all registered enterprises shall be granted income tax holiday, among other fiscal incentives.

II. Incentives given to qualified enterprises under the patronage of Special Economic Zone Act of 1995 (R.A. No. 7916)

ECOZONES or “Special Economic Zones” refers to selected areas with highly developed or which have the potential to be developed into agro-industrial, industrial, tourist, recreational, commercial, banking, investment and financial centers whose metes and bounds are fixed or delimited by Presidential Proclamations.

Industrial Estate (IE), Export Processing Zone (EPZ), Free Trade Zone, Tourist / Recreational Centers, AgroIndustrial Economic Zone, Information Technology Park are the different types of ecozones.

III. Investment Incentives For Ecozone Developers / Operators

- o Income Tax Holiday;
- o Incentives under the Build-Operate-Transfer Law, which includes government support for accessing Official Development Assistance and other sources of financing;
- o Provision of vital off-site infrastructure facilities;
- o Option to pay a special 5% Gross Income Tax, in lieu of all national and local taxes;
- o Permanent resident status for foreign investors and immediate family members;
- o Employment of foreign nationals;
- o Assistance in the promotion of economic zones to local and foreign locator enterprises;

IV. Incentives given to Regional Headquarters and Regional Operating Headquarters (RA 8756)

Regional Area Headquarters

A multinational company may establish a regional or area headquarters in the Philippines, to serve as a supervision, communications or coordination centre for its subsidiaries, branches or affiliates in the Asia-Pacific region. The regional or area headquarters must not earn or derive income from the Philippines, and must not participate in any manner, in managing any subsidiary or branch office it may have in the Philippines.

A regional or area headquarters cannot solicit or market goods or services, whether on behalf of its parent company or its branches, affiliates, subsidiaries or any other company. Its expenses must be financed by the head office or parent company from external sources in acceptable foreign currency.

Regional Operating Headquarters (ROHQ)

A multinational company may establish an ROHQ in the Philippines to service its own affiliates, subsidiaries or branches in the Philippines, in the Asia-Pacific region and other foreign markets. An ROHQ is allowed to derive income in the Philippines by performing any of the following qualifying services.

V. Incentives given under the Export Development Act (EDA)

An accredited export enterprise shall be entitled to the following incentives:

1. Tax credit for imported inputs and raw materials
2. Tax credit on increments in export revenue over the previous year, granted for the year when the performance is achieved.

This incentive, however, is not available to exporters enjoying Income Tax Holiday or VAT Exemptions or whose local value added is 10% and below.

3. In addition to the above incentives, all the existing incentives being enjoyed by the enterprise if registered with the Board of Investments, Philippine Economic Zone Authority, Subic Bay Metropolitan Authority or Clark Development Corporation.

VI. Incentives given under the Tourism Act of 2009

The following are incentives available to registered tourism enterprises within the Tourism Enterprise Zones (TEZs):

Fiscal Incentives

- 6 years Income Tax Holiday
- Special 5% tax rate on gross income after the lapse of ITH
- Tax and duty exemption on imported capital equipment
- Tax and duty exemption on imported spare parts
- Tax and duty exemption on imported goods consumed out of services rendered within the TEZ
- Tax credit on locally-sourced goods for services rendered within the TEZ

Social Responsibility Incentive: tax deductions of up 50% of the cost of environmental protection or cultural heritage preservation activities, sustainable livelihood programs for local communications, and other similar activities

Non-Fiscal Incentives

- Employment of foreign nationals (in executive, supervisory, technical or advisory positions)
- Special investors' resident visa for foreign nationals who shall have an investment of at least US\$200,000
- Right to repatriation of investments
- Right to remit earnings in the currency in which the originally made

VII. Incentives given under the Implementing Rules and Regulations of the Real Estate Investment Trust (REIT) Act of 2009

A REIT shall be granted with tax incentives, as follows:

- 1). Income Tax on its Taxable Net Income and in no case shall be subject to a Minimum Corporate Income Tax
- 2). Creditable Withholding Tax of 1% on income payments
- 3). 50% of the applicable DST on transfer of property by REIT; 50% of the application and annotation fees relative or incidental thereto
- 4). DST exemption on the sale, barter, exchange or disposition of Investor Securities; IPO tax exemption on initial public and secondary offering of the same
- 5). VAT exemption on its sale, exchange or transfer of securities forming part of its real estate-related assets

Other Significant Policies on Investments:

Further Liberalization of the Foreign Investments Act (RA 7042)

RA 8179 (dated 28 March 1996) amended certain provisions of RA 7042 to further attract foreign investments. The salient features of this amendatory law are:

- It deleted of the three-year requirement before a domestic market enterprise may change its status to an export enterprise;
- It lowered the minimum paid-in equity requirement for foreign-owned domestic market-oriented firms from US\$500,000 to US\$200,000;
- It deleted of the provision prescribing a Negative List C, which list includes restricted ownership in certain industries;
- It granted certain investment rights to former natural-born citizens whereby these "former Filipinos" may now engage in activities related to cooperatives, rural banks, thrift banks and private development banks, and financing companies; and
- It entitled former natural-born citizens to be transferees of private lands up to a maximum area of 5,000 square meters in urban lands and/or three (3) hectares in rural lands.

EO 139 (dated 22 October 2002) approved the Fifth Regular Foreign Investment Negative List (5th FINL). Under the 5th FINL, the following activity was deleted under List A and, thus, foreign investors can engage in such activities up to 100% foreign equity.

Retail Trade Liberalization Act of 2000

Republic Act No. 8762 (dated 7 March 2000) provides four major qualifications for a foreign retailer before being allowed to do business in the country. These include:

- a. A minimum of two hundred million US\$ (US\$200,000,000.00) net worth in its parent corporation for Categories B and C, and fifty million US\$ (US\$50,000,000.00) net worth in its parent corporation for Category D;

b. Five retailing branches or franchises in operation anywhere around the world unless such retailer has at least one (1) store capitalized at a minimum of twenty-five million US dollars (US\$25,000,000.00);

c. Five (5) year track record in retailing; and

d. Only nationals from, or juridical entities formed or incorporated in countries which allow the entry of Filipino retailers shall be allowed to engage in retail in the Philippines.

RA 8762 sets the following categories:

Category A, or enterprises with a paid-up capital of equivalent in Philippine pesos of less than \$2.5 million shall be reserved exclusively for Filipinos;

Category B, or enterprises with a minimum paid-up capital of the equivalent in Philippine pesos of \$2.5 million but less than \$7.5 million, in which case foreign equity will be allowed in the first two years up to a maximum of 60%. On the third year, 100% ownership will be allowed;

Category C, allows 100% foreign ownership of retailers whose paid-up capital of the equivalent in Philippine pesos will be at least \$7.5 million; and,

Category D, allows 100% foreign ownership of stores selling high-end or luxury products if the minimum capital is at least \$250,000 per store.

Foreign retailers under categories B and C whose ownership exceeds 80% of equity will be required to offer their shares to the public (minimum of 30% of equity) within 8 years from start of commercial operation.

Qualified foreign retailers will also be barred from engaging in activities outside their stores through mobile or rolling stores or carts, and the use of sales representatives, door-to-door selling, restaurants and sari-sari (variety) stores.

Foreign Exchange Liberalization

Central Bank Circular No. 1389, as amended, provides, among others, for the following: Lifting of foreign exchange control for foreign exchange to be freely sold and purchased outside the banking system; Foreign exchange receipts, acquisitions or earnings of residents from non-trade sources, may also be deposited in foreign currency accounts whether in the Philippines or abroad.

Deregulation

Since the Aquino administration, there have been substantial advances in the move to deregulate and liberalize key industries in the Philippine economy, with the belief that doing so would spur economic growth. Telecommunications, one of the earliest industries that was deregulated, was opened to new players with the intention of promoting universal access to basic telecommunication services. Various manufacturing industries such as the automotive and oil industries have also seen improvements. Moreover, the government's bias towards liberalization is most clearly seen in the economy's service sector. Through the years, key industries including shipping, aviation and financial services were deregulated and opened up to foreign competition. As an adjoint to all this, the government has also been pushing for the privatization of government owned and controlled corporations, such as the Philippine National Bank, which was the largest financial institution in the Philippines at one point in time. Overall, this open-economy framework being promoted by the government somewhat levels the playing field for foreign investors and eliminates the artificial advantages of domestic firms brought about by misguided policies in the past.

► THE TAX SYSTEM

Taxes are levied by both the national and local governments.

The Bureau of Internal Revenue (BIR) which is under the supervision and control of the Department of Finance is charged with the functions of assessment and collection of all national internal revenue taxes. The BIR has 19 regional and 116 district offices throughout the 72 provinces of the country.

Local government units (LGUs) have their own taxing powers for regulatory (mayor's permit fees, electrical inspection fees and the like) as well as business taxes based on gross income. Rates vary depending upon the location. LGUs can adjust tax rates prescribed in the Local Government Code once every five years, but in no case shall the adjustment exceed 10% of the rates fixed under the said code.

INCOME TAXATION FOR CORPORATIONS

Table 1. Regular Income Tax Rates

Corporate Taxpayer Classification	Description	Regular Tax Rate	Basis
Domestic Corporation	Entities established under Philippine laws	30%	Worldwide net income
Foreign Corporation	Organized under laws of another country	30%	
Resident Foreign Corporation	Engaged in trade or business in the Philippines usually through a branch	30%	Net income from Philippine sources only
Non-resident Foreign Corporation	Not engaged in trade or business but derives income from the Philippines usually in the form of passive income like dividends or royalties	30%	Gross income from Philippine sources

Table 2. Regular Income Tax Rates

Taxpayer Classification	Special Tax Rate	Basis
Proprietary educational institutional and non-profit hospitals	10%	Net Income
Foreign currency depository units (FCDU's) and Offshore banking units (OBU's)	10%	Gross income from foreign currency transactions with entities authorized by the Bangko Sentral ng Pilipinas
International carriers	2.5%	Gross Philippine billings
Regional Operating Headquarters	10%	Net Income
Enterprise located in special economic zones like Subic Bay Freeport or Clark Special Economic Zone	5%	Income less direct expenses as defined in the Tax Code

Table 3. Tax Rates on Passive Income of Domestic and Resident Foreign Corporations

Kind of Income	Tax Rates	Basis
Interest income from bank deposit and deposit substitutes in any currency with local banks and non-bank financial intermediaries	20%	Final tax on gross interest income
Interest from foreign currency deposits and investments with FCDU's and OBU's	7.5%	Final tax on gross interest income
Gains from sale or exchange of shares of stocks not publicly traded	5%	Net gains not exceeding P100,000
	10%	Net gains in excess of P100,000
Income derived by a bank under the expanded foreign currency deposit system including interest income from foreign currency loans	10%	Final tax on such income
Dividends paid to domestic corporation	Tax-exempt	
Gains from sale of land and building not used in business (capital asset)	6%	Capital gains tax on gross selling price or zonal valuation as determined by the BIR which is higher
Royalties	20%	Final tax on such income
Branch profits remittance tax (except those registered with the Philippine Economic Zone Authority)	15%	Total profits for remittance before tax due thereon

Table 4. Income Tax Rates of Non-Resident Foreign Corporations

Kind of Revenue	Tax Rates	Basis
Rental fees paid to non-resident cinematographic film owners or lessors	25%	Gross income from the Philippines
Rental fees paid to non-resident owners or lessors of vessels chartered by Filipino citizens	4.5%	Gross rentals or charter fees
Rental fees paid to non-resident owner or lessor of aircraft, machinery or other equipment	7.5%	Gross rental fees
Interest of foreign loans	20%	On gross income
Dividends paid by domestic corporations	30% or 15%	Normally at 30% but reduced to 15% if the foreign corporation is organized in a country that does not impose any tax on dividend derived from foreign sources or allows a tax credit for the tax deemed to have been paid in the Philippines equivalent to 20%
Gains from sale of unlisted shares of stocks in a domestic corporation	5%	Gains not exceeding P100,000
	10%	In excess of P100,000

Table 5. Other Special Income Tax Rates

Kind of Tax	Tax Rates	Basis
Minimum Corporate Income Tax (MCIT) - Due from corporations on the 4th year from the date it started commercial operations which have zero or negative tax liability or whose regular tax due is lower than computed MCIT. MCIT in excess of the regular tax can be credited against regular income tax due for those years.	2%	Gross income less cost of sales/ services as defined in the tax Code
Improperly Accumulated Earnings Tax (IAET)- Corporations whose retained earnings accumulate beyond its reasonable needs are subject to IAET. Publicly-held corporations, banks and other non-bank financial intermediaries as well as insurance companies are exempt from IAET.	10%	Retained earnings including tax-exempt income or income previously subjected to final income tax.

Table 6. Business and Other Non-Income Tax Rates

Kind of Tax	Tax Rates	Basis
Value Added Tax (Output VAT)	12%	Gross revenue from sales of goods (whether collected or not) and services (based on actual or constructive receipts) as well as importation of goods, reduced by a qualified input VAT on purchases of goods and services. VAT paid on imported goods constitutes an input VAT.
Excise Tax	Varied	Gross value of goods manufactured in the Philippines like liquor, cigarettes and motor vehicles as well as on the values of certain imported goods based on the Tariff and Customs Code
Customs Duties	Varied	Home consumption value of imported goods based on the Tariff and Customs Code
Percentage Taxes <ul style="list-style-type: none"> • Life insurance companies doing business in the Philippines. • Electric, water, and gas utilities • Domestic common carriers of passengers • International carriers • Other non-VAT registered companies 	5% 2% 3% 3% 3%	Gross premiums collected Gross receipts Gross receipts Gross receipts not exceeding P1,500,000
Stock Transaction Tax	.5 % of 1%	Gross selling price of shares traded in the stock market
Documentary Stamp Tax (DST)	Varied	Based on value of transaction; based on document
Initial Public Offering (IPO) Tax	4% 2% 1%	First 25% of the total outstanding shares Excess of the 25% but not to exceed 33 1/3% Over 33 1/3%

TAXATION FOR INDIVIDUALS

For tax purposes, individuals are classified as:

- Resident citizens. Resident citizens are taxed on their compensation, business, and other income from sources within and without the Philippines.
- Non-resident citizens. Non-resident citizens, including those working and deriving income from abroad as overseas contract workers and seamen who derive compensation for services rendered abroad as members of a complement of vessels engaged exclusively in international trade, are taxed only on income derived from sources within the Philippines.
- Resident aliens. Resident aliens are taxed only on income derived from sources within the Philippines.
- Non-resident aliens engaged in trade or business in the Philippines. Non-resident aliens engaged in trade or business in the Philippines are taxed in the same manner as citizens and resident aliens but only on Philippine-source income.
- Non-resident aliens not engaged in trade or business in the Philippines. Non-resident aliens not engaged in trade or businesses in the Philippines are taxed on the gross amount of Philippine-source income.

Table 7. Summary of Individual Taxation

Taxpayer Classification	Rate	Basis
Resident Citizen	5%-32% (see Table 3)	Income from compensation (net of personal exemptions as well as business and other income (net of allowable deductions) from sources within and without the Philippines.
Non-resident Citizen	Same as above	Same as above except that income from non-Philippine sources are not taxed
Resident Alien	Same as above	Same as non-resident citizen
Non-resident alien engaged in business in the Philippines (i.e. if aggregate stay in the country exceeds 180 days within any 12 month-period	Same as above	Gross income from Philippine sources net of personal exemptions (but with no additional exemptions) if his home country gives similar exemption privileges to Filipinos working in that country
Non-resident alien not engaged in trade or business	25% if home country of the foreign national does not have a tax treaty with the Philippines otherwise with preferential tax treatment under the tax treaty	Gross income from Philippine sources only
Aliens employed by regional or area headquarters, offshore banking units and petroleum contractors and their subcontractors.	15%	Gross income from the Philippines

Notes:

i. Compensation is taxed at gross without any deduction; however citizens and resident aliens, and selectively, NRAs doing business in the Philippines are entitled to personal and additional exemptions as follows:

- Individual taxpayer (regardless of status) - P50,000.00
- Additional exemption - P25,000.00 for each qualified dependent child but not to exceed four (4) dependents. (Effective July 6, 2008)

ii. Philippine income refers to income earned for services rendered in the Philippines, which may or may not be actually received in the Philippines

iii. Individuals with business income are taxed at net of allowable deductions (except NRA's not engaged in business in the Philippines) similar to those allowed for corporations or may opt to avail of the 10% optional standard deduction.

Table 8. Rates of Income Tax on Citizens, Resident Alien and Non-Resident Aliens Engaged in Trade or Business (In Philippine Pesos)

Amount Subject to Tax	Applicable Rate
Not over P10, 000	5%
Over P10, 000 but not over P30, 000	P500 + 10% of the excess over P10, 000
Over P30, 000 but not over P70, 000	P2, 500 +15% of the excess over P30, 000
Over P70, 000 but not over P140, 000	P8,500 + 20% of the excess over P70,000
Over P140, 000 but not over P250,000	P22, 500 + 25% of the excess over P140, 000
Over P250, 000 but not over P500, 000	P50, 000 + 30% of the excess over P250, 000
Over P500, 000	P125, 000 + 32% of the excess over P500, 000

Table 9. Income Tax rates on Passive Income of Individuals

Interest on any currency bank deposit and yield or other monetary benefit from deposit substitutes and from trust fund and similar arrangements	20% final tax for citizens, resident aliens, and nonresident aliens engaged in trade or business; 25% for nonresident aliens not engaged in trade or business
Interest from foreign currency deposits with FCDUs and OBUs	7 ½% final tax; exempt for nonresident citizens and nonresident aliens
Interest earned from long-term (5-year) peso deposits or investments	In general, tax-exempt, but in case of pretermination, subject to 5% to 20% final tax depending on length of holding period. For nonresident aliens not engaged in trade or business, subject to 25% flat rate
Royalties, prizes exceeding P10, 000 and other winnings (except Philippine Charity Sweepstakes and Lotto winnings)	20% final tax for citizens, resident aliens, and non-resident aliens engaged in trade or business; 25% final tax for non-resident aliens not engaged in trade or business
Royalties on books, literary works and musical compositions	10% final tax for citizens, resident aliens, and nonresident aliens engaged in trade or business; 25% final tax for nonresident aliens not engaged in trade or business
Cash and property dividends from domestic corporations	10% for citizens and resident aliens; 20% for nonresident aliens engaged in trade or business; 25% for nonresident aliens not engaged in trade or business
Gains from sale or exchange of shares of stock either listed or unlisted but not trades in the local stock exchange	5% capital gains tax (CGT) on net gains not exceeding P100, 000 and 10% on the excess
Gains from sale or exchange of land or buildings not actually used in business and treated as capital asset	6% CGT on gross selling price or fair market value, whichever is higher
Gains from sale of principal residence where the proceeds are used in acquiring or building a new principal residence within 18 calendar months from date of sale	Tax-exempt

WITHHOLDING TAXES

The withholding tax system in the Philippines requires the withholding of taxes at source as follows:

- Withholding tax on salaries and wages – Employers and other payors of compensation income are required to withhold based on a withholding tax table and to remit such taxes withheld within 10 days of the succeeding month.
- Creditable withholding tax – Certain income payments are subject to varying withholding tax rates and are creditable against the income tax due from the taxpayer (see Table 10).
- Final withholding tax – Certain types of income, usually passive income, are subject to final withholding tax. The income recipient need not report these in his annual income tax returns.

Note: Under the Tax Code, deductibility of expenses subject to withholding tax is disallowed if the tax required to be withheld is not remitted.

Table 10. Sample List of Income Payments Subject to Creditable Withholding tax

EXPANDED WITHHOLDING TAX (EWT) RATES		
NATURE OF INCOME PAYMENT	INDIVIDUAL PAYEES	CORPORATE PAYEES
Professional (lawyers, CPAs, engineers and others licensed by the Professional Regulation Commission and the Supreme Court)	10% if annual gross income does not exceed P720,000; 15% if annual gross income exceeds P720,000	
Professional entertainers/ athletes/ media directors and producers, designers, lyricists, composers	10% if annual gross income does not exceed P720,000; 15% if annual gross income exceeds P720,000	10%
Management and technical consultants	- same as above-	
Business and bookkeeping agents and agencies	-same as above-	
Insurance agents and insurance adjusters	-same as above	
Fees of directors who are not employees of the company	-same as above	
Rentals (real & personal properties, billboards, transmission, facilities, etc.)	5%	5%
Cinematographic film rentals	5%	5%
Prime contractors/ sub-contractors	2%	2%
Income distribution to beneficiaries of estates and trusts	15%	
Brokers and agents	10%	10%
Payment to medical practitioners thru hospitals/clinics	10% if annual gross income does not exceed P720,000; 15% if annual gross income exceeds P720,000	

EXPANDED WITHHOLDING TAX (EWT) RATES

NATURE OF INCOME PAYMENT	INDIVIDUAL PAYEES	CORPORATE PAYEES
Commissions paid by multi-level marketing companies	10%	10%
Payment to partners in general professional partnership	10% if annual gross income does not exceed P720, 000; 15% if annual gross income exceeds P720, 000	
Payment made by credit cards companies	1% on ½ of gross amount paid	1% on ½ of gross amount paid
Payments made by government offices on their local purchase goods-supplier of goods	1%	1%
Supplier of services	2%	2%
Income payments made by top 20,000 corporations to their local supplier of goods	1%	1%
Supplier of services	2%	2%
Additional payments to government personnel from importers, shipping and airline companies or their agents (for overtime services)	15%	
Tolling fees paid to refineries		5%

Table 11. Selected Percentage Tax Rates

Type of Business	Percentage Tax Rates
Banks- income from lending and financial leasing activities	1%, 3% or 5% of gross receipts, depending on the maturity date of the instruments; tax-exempt if maturity period is over seven years
Life insurance companies doing business in the Philippines	5% of the total premiums collected
Electric, water, and gas utilities	2% of gross receipts
Domestic common carriers of passengers	3% of gross receipts
International carriers	3% of gross receipts
Finance companies- income from lending and financial leasing activities	1%, 3% or 5% of gross receipts, depending on the maturity date of the instruments; tax-exempt if maturity period is over seven years
Other non-VAT registered businesses	3% of gross sales or gross receipts not exceeding P1, 500,000.00

Table 12. Sample Documents Requiring Documentary Stamps

Bank checks	P1.50 for each check regardless of amount
Certificates of stock	P1.00 for every P200 of the par value on original issue. In case of transfers, the tax is P075 for every P200 of the par value
Deeds of sale and conveyances	P15.00 if the consideration does not exceed P1, 000; additional P15.00 for every P1,000 in excess of P1,000 of the consideration
Bonds, loan agreements, promissory notes, bills of exchange, drafts, instruments and securities issued by the Government, deposit substitute debt instruments	P1.00 for every P200 of the face value

INITIAL PUBLIC OFFERING TAX (IPO)

A tax is imposed on the sale, barter, exchange, or other disposition of shares of stock in closely held corporations through initial public offerings (IPO). A closely held corporation is any corporation, at least 50% in value of the outstanding capital stock or at least 50% of the total combined voting power of all classes of stock entitled to vote, of which is owned directly or indirectly by or for not more than 20 individuals.

The IPO tax is based on the proportion of the shares sold, bartered, exchanged, or otherwise disposed of to the total outstanding shares of stock after the listing in the local stock exchange:

Up to 25%	4%
Over 25% but not over 33 1 / 3 %	2%
Over 33 1 / 3 %	1%

The IPO is paid by the issuing corporation in primary offering or by the seller in secondary offering. The tax base is the gross selling price or gross value in money of the shares of stock sold, bartered, exchanged, or otherwise disposed of.

DOCUMENTARY STAMP TAX

The documentary stamp tax is an excise tax on documents, instruments, loan agreements and papers, and on acceptances, assignments, sales and transfers of the obligation, right, or property incident thereto. This tax is imposed on the maker, signor, issuer, acceptor, or transferor. Table 12 shows some documents requiring payment of documentary stamp tax.

CUSTOMS DUTY

Importations of goods are subject to customs duties except as otherwise specifically provided for under the Tariff and Customs Code or special laws. Under the flexible clause of the Tariff and Customs Code, the President is authorized to fix, within specified limits, tariff rates and other duties, within the framework of the national development program of the Government.

LOCAL TAXES

Local government units (LGUs) are given the authority to tax certain activities and businesses conducted within their jurisdiction unless otherwise expressly exempt by law. LGUs are also authorized to levy an annual ad valorem tax on real property such as land, building, machinery, and other improvements, as well as on the sale, donation, barter, or on any other mode of transfer of real property. However, the taxing powers of LGUs do not extend to the levy of income tax, customs duties, documentary stamp tax, estate tax, and gift tax, among others.

DEADLINE FOR FILING TAX RETURNS AND TAX PAYMENT	
KIND OF TAX	DEADLINES
Quarterly income tax returns of individuals with business	45 days after each quarter end
Quarterly returns of domestic corporations including subsidiaries and branches	60 days after each quarter-end
Annual income tax return for individuals and corporations	15th day of the fourth month following the calendar or fiscal year-end (note: individuals can use the calendar year only)
Monthly VAT or percentage tax declaration	20th of the following month for non-large taxpayers; 21st- 25th of the following month for large/selected non-large taxpayers depending on their designated grouping
Quarterly VAT or percentage tax returns	25th after calendar or fiscal quarter
Capital gains tax returns (real estate property)	Within 30 days from date of sale
Capital gains tax returns (shares of stocks)	Within 30 days from the date of sale
Monthly withholding tax returns	10th of the following month for non-large taxpayers; 11th- 15th of the following month for large/ selected non-large taxpayers, depending on their designated grouping

•For those filing returns under the EFPS, a different deadline by industry is prescribed by Revenue Regulations No. 26-02.

INTERNATIONAL TAX TREATIES

The Republic of the Philippines has tax treaties with the following countries:

- Australia
- Austria
- Bahrain
- Bangladesh
- Belgium
- Brazil
- Canada
- China
- Czech Republic
- Denmark
- Finland
- France
- Germany
- Hungary
- India
- Indonesia
- Israel
- Italy
- Japan
- Korea
- Malaysia
- Netherlands
- New Zealand
- Norway
- Pakistan
- Poland
- Romania
- Russian Federation
- Singapore
- Spain
- Sweden
- Switzerland
- Thailand
- United Kingdom
- USA
- Vietnam

GENERAL REGISTRATION REQUIREMENTS

Investors setting up business in the country have to comply with the following general requirements:

Requirement	Government Agency
Registration of corporations and partnerships	Securities and exchange Commission (SEC)
Registration of business name/single proprietorship	Department of Trade and Industry
Registration for incentives availment under Executive Order 226	Board of Investment (BOI)
Registration with other Investment Promotion Agencies for incentive availment	Philippine Economic Zone Authority (PEZA)/ Clark Development Corporation (CDC)/ Phividec Industrial Authority (PIA)/ Zamboanga Economic Zone Authority (ZEZA).
Registration of foreign investments for purposes of capital repatriation and profit remittances	Bangko Sentral ng Pilipinas (BSP)
Securing Tax identification Number	Bureau of internal Revenue (BIR)
Securing locational clearance/ business permit for firms locating in Metro Manila	Metro Manila Development Authority (MMDA), City Hall/ Municipal offices in the localities where the business will be set up
Securing an employer's SSS number	Social Security System (SSS)
Securing membership in the government healthcare benefits system	Philippine Healthcare Insurance Corporation

The following documents are required to be submitted to the SEC for registration of business entities;

Table 13. REQUIRED DOCUMENTS FOR APPLICANT CORPORATION & PARTNERSHIP	Stock Corporation	Non-stock Corporation	Partnership
Name Verification Slip	✓	✓	✓
Articles of Incorporation and by-laws or Articles of Partnership	✓	✓	✓
Treasurer's Affidavit/Authority to verify Bank Account	✓		
Bank Certificates of deposit (notarized in place bank is located)	✓		
Written Undertaking to Change Corporate Name by any incorporator or Director, Trustee, Partner	✓		
Registration Data Sheet	✓	✓	✓
Clearance from other government agencies (if needed)	✓		✓
Resolution of the Board of trustees that the Corporation will comply with the SEC requirements for non-stock corporations.		✓	
List of members certified by the Secretary and undertaking to submit list of additional members to SEC from time to time.		✓	
List of contributors and their corresponding contributions certified by the Treasurer.		✓	
Affidavit of Affirmation or Verification by the Chief priest ,Minister, rabbi or President elder (for religious organizations)			
Customer broker license and PTR of at least 2 officers or partners (for customs brokerage)		✓	✓
Articles of Partnership (for limited partnership, this should be executed under oath.)			✓
Foreign Investment Application form (for subsidiaries of foreign corporation)	✓		

Table 14. REQUIRED DOCUMENTS FOR FOREIGN CORPORATIONS (In addition to those in Table 1)	Subsidiary	Branch office	Rep office	RHO / ROHQ
Proof of Inward Remittance by non-Resident Aliens or Partners	✓	✓	✓	✓
Form F-100	✓			
Form F-103		✓		
Form F-104			✓	
Application for Regional Headquarters (RHQ) Regional Operating headquarters (ROHQ)				✓
Authenticated Board Resolution authorizing establishment of office in the Phil.; designating Resident agent; and stipulating that in absence of resident Agent or upon cessation of business in the Phil, any summons may be served to SEC as if same is made upon corporation at its home office.			✓	✓
Authenticated Financial Statement of Applicant certified by independent CPA in home office.			✓	✓
Authenticated copies of articles of Incorporation and By-laws applicant		✓		
Resident Agent's Acceptance of appointment (if not signatory in application form)		✓	✓	
Affidavit that mother company is solvent and of sound financial condition			✓	
Authenticated Certification that is engaged in international trade with affiliates, subsidiaries, or branch office in the Asia-pacific region and other areas.				✓
Authenticated Certification from principal office of foreign entity that it was authorized by its board of Directors or governing body to establish RHQ or ROHQ in the Philippines				✓

REGISTRATION OF NEW CORPORATION / PARTNERSHIPS

A	Name Verification/Reservation fee	Php 40.00 per allowed name (30-day reservation)
Article of Incorporation		
B	Stock corporation with par value	Filing fee is 1/5 of % of the authorized capital stock or the subscription price of the subscribed capital stock whichever is higher but not less than P1,000.00 plus LRF.
	Stock corporation without par value	Filing fee is 1/5 of 1% of the authorized capital stock computed at Php 100.00 per share or the subscription price of the subscribed capital stock whichever is higher but less than P1,000.00 plus LRF.
	Non-stock corporation (Foundation, association, non-government organization, religious organization, corporation sole, etc.)	Php 210.00
	Partnerships	For capital contribution of P500,000.00 and below, filing fee is Php 510.00
		For capital contribution of more than P500,000.00 filing fee is 1/10 of 1% of the contributed capital plus LRF.
C	By-laws	Php 210.00
D	Applications Under Foreign Investments act	Php 2,000.00 plus LRF
License of Foreign Corporation to Operate		
E	Branch Office	Filing fee is 1% of the actual inward remittance of the branch of foreign corporation, converted into Philippine currency plus LRF & Php 2,000.00
	Representative Office	Filing fee is 1/10 of the amount actually remitted to the Philippines, converted into Philippine currency plus LRF & Php 2,000.00
	Regional Headquarters of Multinational Corporations	Php 2,000.00 plus LRF
	Regional Operating Headquarters or petition for conversion of an area or regional headquarters into regional operating headquarters	Filing fee is 1% if the actual remittance but not less than 1% of the Philippine currency equivalent of US\$ 200,000.00 at the time of remittance, plus LRF.
	Non-stock foreign corporation	P510.00
F	Registration fee-stock & transfer book	P510.00
G	Registration fee-Membership Book	P75.00

BDO OFFICES

Angola	Dominican Republic	Liechtenstein	Senegal
Argentina	Ecuador	Lithuania	Serbia-Montenegro
Aruba	Egypt	Luxembourg	Seychelles
Australia	El Salvador	Madagascar	Singapore
Austria	Estonia	Malaysia	Sint Kitts & Nevis
Bahamas	Fiji	Malta	Slovak Republic
Bahrain (Kingdom of)	Finland	Mauritius	Slovenia
Belgium	France	Mexico	South Africa
Bolivia	Germany	Morocco	Spain
Botswana	Gibraltar	Mozambique	Sri Lanka
Brazil	Greece	Namibia	Suriname
British Virgin Islands	Guatemala	Netherlands	Sweden
Bulgaria	Guernsey	Netherlands-Antilles & Aruba	Switzerland
Canada	Hong Kong	New Zealand	Taiwan
Cape Verde	Hungary	Nigeria	Thailand
Cayman Islands	India	Norway	Trinidad and Tobago
Chile	Indonesia	Oman	Tunisia
China-Beijing	Ireland	Pakistan	Turkey
China-Hongkong	Isle of Man	Panama	Turkmenistan
China-Macau	Israel	Paraguay	Ukraine
China-Shanghai	Italy	Peru	United Arab Emirates
China-Shenzhen	Jamaica	Philippines	United Kingdom
China-Taiwan	Japan	Poland	United States of America
China-Wuhan	Jersey	Portugal	Uruguay
Colombia	Jordan	Qatar (State of)	Vanuatu
Comoros	Kazakhstan	Reunion Island	Venezuela
Croatia	Korea	Romania	Vietnam
Cyprus	Kuwait	Russia	Zambia
Czech Republic	Latvia	Saudi Arabia	Zimbabwe
Denmark	Lebanon		

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