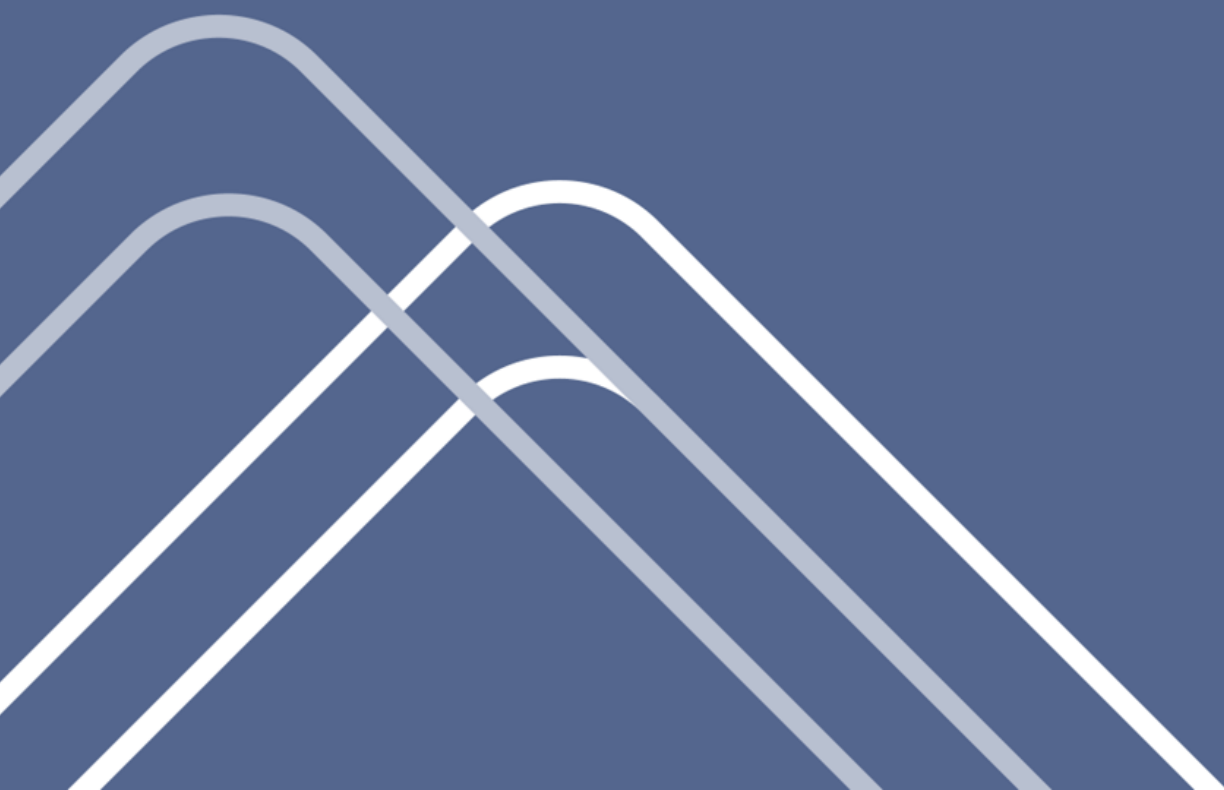


Doing Business in the PHILIPPINES



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Introduction

UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in nearly 100 countries throughout the world.

Business partners work together through the network to conduct transnational operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operations in the Philippines has been provided by the office of UHY representatives:

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Information in the following pages has been updated so that they are effective at the date shown, but inevitably they are both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current in March 2026.

We look forward to helping you do business in the Philippines.

Business Environment

ECONOMIC OVERVIEW

The Philippines remains one of Southeast Asia's most dynamic emerging markets, supported by a large domestic consumer base, a young and increasingly skilled workforce, and a services-led economy anchored on remittances, urban demand, and expanding digital adoption.

Entering 2026, the country continues to balance growth with key policy priorities such as inflation management, fiscal consolidation, infrastructure expansion, and deeper regional trade integration, while recent reforms, covering tax competitiveness and improved investment access in priority sectors, have further strengthened its appeal as a destination for long-term capital and regional operations. With favorable growth projections and sustained momentum in consumption and investment, the Philippines offers investors a compelling mix of market scale, improving fundamentals, and opportunities across both established industries (such as IT-BPO) and emerging themes like renewable energy and digital finance.

A. Economic Growth

The Philippines enters 2026 with a stable recovery narrative and a generally upbeat medium-term outlook. Following the pandemic contraction in 2020, the economy has returned to steady expansion and continues to be powered largely by domestic demand, especially household consumption, services activity, and public investment.

Recent data updates show 2024 GDP growth revised upward to 5.7%, supporting the view that momentum remains intact even amid external headwinds. Growth moderated in 2025, with the IMF noting **5.4% growth in the first half of 2025**, before a sharper slowdown in **Q3 2025**.

For 2026, the **IMF projects real GDP growth of around 5.6%**, indicating expectations of continued resilience and gradual strengthening of investment activity.

While growth is expected to remain healthy, the pace is still influenced by factors such as:

- global trade conditions;
- inflation management; and
- the pace of infrastructure delivery.

On inflation, the macro trend has become more favorable. Headline inflation averaged 3.2% in 2024 and eased further to 1.7% in 2025, remaining low toward year-end at 1.8% in December 2025, helping stabilize consumer purchasing power and improves planning conditions for businesses.

B. Investment Opportunities

The Philippines offers a mix of **scaled, established investment sectors** and **fast-growing frontier industries**. The most active themes remain talent-driven exports, energy transition, industrial expansion, and digital adoption.

- **IT/BPO (Outsourcing and Knowledge Services)**
The country's IT-BPM sector remains one of Asia's most established outsourcing hubs, supported by a large English-speaking workforce and improving capabilities in higher-value services (analytics, finance operations, health information management, and IT services).

In 2024, the industry reported **USD 38 billion in revenues** and **1.82 million jobs**, reinforcing its role as a core export industry and a steady investment anchor.

- **Renewable Energy**

Renewables are one of the country’s most investable growth areas—driven by policy targets, rising power demand, and energy security priorities. The government’s long-term plan aims for renewables to account for **35% of the generation mix by 2030** and **50% by 2040**.

Foreign participation has also become more attractive, with policy developments supporting **100% foreign ownership in renewable energy projects**, improving deal viability for international developers and infrastructure funds.

High-potential segments include:

- utility-scale solar and wind;
- offshore wind development pipeline; and
- energy storage and grid support projects

- **Manufacturing**

Manufacturing remains a strategic government priority, particularly as global firms diversify supply chains within ASEAN. The Philippines already has a strong export base in **electronics and components**, and policymakers continue to push toward higher-value manufacturing activities.

Where investors usually look:

- electronics, semiconductor support industries
- industrial parks and ecozones
- export-oriented assembly and processing

- **Digital Finance and Fintech**

Digital finance is expanding quickly as consumers shift toward **e-payments, online banking, and app-based financial services**. This is enabling growth across payment gateways, lending platforms, SME finance, and e-commerce-linked financial services.

For investors, the opportunity is less about one “winner sector” and more about participating in a broad shift toward **cash-lite retail and digitized financial behavior**, supported by regulatory modernization and inclusion objectives.

C. International Monetary Fund (IMF) View: What It Means for Business

IMF materials suggest the Philippines is expected to maintain **solid medium-term growth**, supported by favorable demographics and ongoing reforms—while still needing to manage fiscal space and execute structural improvements. The IMF’s published projections point to **5.4% growth in 2026**, consistent with a stable outlook for private sector expansion.

From a business planning standpoint, this typically signals:

- **stable demand conditions** (especially in services and consumer sectors)
- continued focus on **fiscal discipline** and reform delivery
- policy attention on **investment climate improvements** and infrastructure rollout

D. Economic Drivers in 2026

- **Infrastructure as a Growth Engine**

Infrastructure investment remains a central driver of Philippine economic activity in 2026, with the government continuing to prioritize projects that improve **connectivity, logistics efficiency, and market access**.

In January 2026, the government approved **PHP 279.5 billion worth of infrastructure projects**, including the planned construction of **300 modular steel panel bridges across 15 regions** to strengthen transport links and support rural and regional development.

This direction is reinforced in the 2026 President’s Budget Message, which underscores continued spending under the “Build Better More” program to expand infrastructure capacity and improve key transport and trade.

Private-sector participation is also expanding under the PPP framework. The PPP Centre reported around US\$47.4 billion in private funding commitments across infrastructure sectors (including rail, roads, schools, housing, and healthcare), signaling deeper capital mobilization alongside public spending.

- **Government Incentives**

The Philippines has continued strengthening its investment framework to make the country more competitive and predictable for both local and foreign investors. Recent reforms focus on better tax incentives, clearer compliance rules, and stronger long-term investment security, particularly for priority industries and large-scale projects.

Key updates for investors include:

- **Enhanced fiscal incentives under the CREATE MORE Act (RA No. 12066)**

The government enacted the CREATE MORE Act, which improves the incentives regime by making it more responsive to strategic investments and more competitive versus regional peers. The reform signals a renewed push to attract job-generating and high-impact projects.

- **Issuance of the CREATE MORE Implementing Rules and Regulations (IRR)**

To support implementation, the government issued the IRR in February 2025, providing clarity on how incentives are granted and administered, including compliance and reporting requirements for registered business enterprises.

Investors should also watch for the Strategic Investment Priority Plan (SIPP) 2025–2026, which will update the priority activities eligible for incentives under CREATE MORE. This matters in practice because incentive eligibility, available incentive packages, and the duration of benefits depend on whether an activity is included and how it is tiered under the SIPP.

- **Land lease liberalization for foreign investors (up to 99 years)**

The Philippines enacted RA No. 12252 (2025), allowing foreign investors to lease private land for up to 99 years. This reform improves the commercial viability of long-term investments such as industrial parks, logistics hubs, factories, and large real estate developments.

These reforms improve the Philippines' ability to attract long-term capital by combining more competitive incentives, stronger regulatory clarity, and greater investment security for land-based projects—all of which are critical in site selection and project structuring.

- **Regional Integration**

Regional integration remains a key economic driver for the Philippines in 2026, primarily through the continued implementation of the **Regional Comprehensive Economic Partnership (RCEP)**, which supports deeper trade participation across the Asia-Pacific region and strengthens the country's positioning in regional supply chains.

Established developments include:

- **Formal tariff implementation through Executive Order No. 25 (s. 2023)**

The Philippines' RCEP tariff commitments are formally implemented through *Executive Order No. 25, s. 2023*, which provides the legal basis for the country's scheduled **tariff reductions** under the agreement.

- **RCEP strategy and implementation agenda**

The Department of Trade and Industry (DTI) has published its RCEP strategy and agenda, reinforcing RCEP's role in **improving market access, reducing trade barriers**, and supporting competitiveness for Philippine exporters and investors engaged in regional sourcing.

The Philippines' regional integration in 2026 is supported not only by **RCEP**, but also by a broader network of **ASEAN and ASEAN+1 trade agreements** that improve market access, reduce tariffs, and strengthen participation in regional supply chains. Key established frameworks include:

- **ASEAN Trade in Goods Agreement (ATIGA)** – enables preferential tariff treatment within ASEAN, supporting intra-ASEAN trade and distribution strategies.
- **ASEAN+1 FTAs** – provide preferential market access with key partners such as **China (ACFTA)**, **Japan (AJCEP)**, **Korea (AKFTA)**, **India (AIFTA)**, and **Australia–New Zealand (AANZFTA)**.
- **Japan–Philippines Economic Partnership Agreement (JPEPA/PJEPA)** – the Philippines’ key bilateral agreement with Japan, supporting trade and investment flows.
- **Philippines–EFTA Free Trade Agreement (PH-EFTA FTA)** – a bilateral agreement expanding access to European Free Trade Association markets.

Geostrategic Partnerships

Geostrategic developments are also shaping the investment backdrop. Australia announced planned defense infrastructure investments at five military sites in Luzon, reflecting strengthening security partnerships and increased allied presence in the region.

The Philippines enters 2026 with steady growth, easing inflation, and stronger investor confidence supported by infrastructure expansion, improved incentives under CREATE MORE, clearer compliance rules, and deeper regional trade integration. For businesses planning to enter or expand, these conditions create attractive opportunities across IT-BPM, renewable energy, manufacturing, and digital finance, while highlighting the importance of sound structuring and careful regulatory and tax planning.

NEW REGULATIONS & BUSINESS ENVIRONMENT

The Philippines is continually refining its business landscape through reforms that improve ease of doing business, digitalize government services, and promote sustainable practices. Both local entrepreneurs and foreign investors will encounter a more streamlined yet evolving regulatory environment in 2026.

This guide provides an overview of key updates – from faster business registration and one-stop government portals to new requirements for ESG (Environmental, Social, and Governance) and environmental compliance – along with practical steps and checklists to help businesses navigate these changes. By understanding the latest regulations and leveraging digital tools, entrepreneurs can efficiently set up operations and stay compliant in the Philippines’ dynamic market.

Updates on Business Registration: *How new regulations streamline or complicate the process for setting up a business.*

1. Streamlined Registration Processes

Recent regulations have significantly streamlined the process of setting up a business.

- **Ease of Doing Business Act (RA 11032)** mandates simplified procedures and fixed processing timelines.
- The SEC’s **Zuper Easy Registration Online (ZERO) system (2025)** now requires fully digital registration for new corporations.
- SEC Memorandum Circular No. 3-2025 allows electronic submission of incorporation documents, digital Certificates of Incorporation, no notarized hard copies
- The former **eSPARC / OneSEC** platforms are now integrated into ZERO, covering One-Person Corporations (OPCs) and domestic corporations

By embracing these digital reforms, the SEC has cut red tape and modernized corporate registration, making it faster and more transparent for entrepreneurs to start a company.

2. Philippine Business Hub (PBH) (formerly known as the Central Business Portal)

- A **one-stop online platform** for business registration Launched nationwide in 2021.
-

It consolidates various steps (SEC/DTI registration, tax and social agency registrations, etc.) into a single digital interface. This drastically reduced the number of days to register a business.

3. **Business Name Registration System (BNRS)** by the Department of Trade and Industry (DTI) likewise allows sole proprietors to secure a business name within a day entirely online

4. **BIR and Other Requirements**

The Bureau of Internal Revenue (BIR) has also aligned with the ease-of-business reforms by simplifying its registration requirements.

- Revenue Memorandum Circular 74-2025 streamlined BIR registration checklists.
- Mayor's Permit is *no longer required* for BIR registration.
- OPCs: Board resolution required if filing through a representative (SPA alone not sufficient).
- BIR registration is free, except ₱30 documentary stamp tax.
- TIN issuance is now electronic via **eREG**, often issued instantly.

Overall, these integrated digital systems mean that both local and foreign business founders can complete major registration requirements largely through online portals instead of visiting multiple agencies.

5. **Foreign Investors**

The Philippine government has also liberalized many rules to encourage foreign-owned startups.

- **Amendments to the Foreign Investments Act** now allow 100% foreign ownership of micro and small enterprises with a minimum paid-in capital of \$100,000 (down from \$200,000), provided they meet certain conditions such as hiring at least 15 Filipino employees
- Other laws opened previously restricted sectors (like telecoms and transportation) to majority foreign ownership, further smoothing the path for foreign entrepreneurs.

Practical Step-by-Step Guide – Business Registration (2026)

The following is a high-level roadmap for registering a new business under the streamlined regime.

1. **Choose a Business Structure**

Determine your legal structure (i.e., Sole Proprietorship, Partnership, One Person Corporation, or Corporation) as this dictates your registration path.

Tip: OPCs allow single founders limited liability. Foreigners must confirm sector eligibility and capital rules..

2. **Secure a Business Name**

Use the online tools to verify and reserve a business name.

- For Sole Proprietorship: **DTI-BNRS**
- For Corporations: **SEC – eSPARC / ZERO**

3. **Register the Business Online**

For Corporations/OPCs

1. Create **eSECURE** account (digital ID verification)
2. Complete incorporation via **SEC ZERO**
3. Digitally sign documents via **eSAP**
4. Pay fees through **eSPAYSEC**
5. Receive Digital Certificate of Incorporation

For Sole Proprietorships or Partnerships

Register through the DTI (for sole props) or SEC (for partnerships) online systems.

- Sole proprietorships: Register via **DTI BNRS**

- Partnerships: Register via **SEC eSPARC**

4. Register with Tax Authorities

- Obtain TIN and register books/invoices
- Use New Business Registration portal or RDO (if required)
- Pay ₱30 DST
- Electronic invoices may apply

5. Obtain Local Permits

Many cities and municipalities have implemented an **Electronic Business One-Stop Shop (eBOSS)**, which allows you to apply for your Mayor’s Permit, barangay clearance, and other local permits in **one online application**.

You will typically need to secure:

- Barangay clearance
- City/municipal business permit
- Community tax (cedula).

6. Register with Mandatory Agencies

- If you will hire employees, register your company with **Social Security System (SSS), PhilHealth, and Pag-IBIG Fund** for worker benefits. These agencies offer online registration as well.
- Additional licenses may be required depending on industry (e.g., FDA, SEC secondary licenses, DepEd/CHED).
- Also, consult the **Philippine Business Regulations Information System (PBRIS)** – an online repository of regulations – for guidance on any new regulatory requirements

Overall, the business registration in 2026 is far more entrepreneur friendly. By leveraging the SEC’s digital registration (ZERO), the one-stop business hub, and other e-government services, an entrepreneur can legally set up a business in the Philippines with relatively few in-person interactions. The government’s push for automation and inter-agency coordination is ongoing, so we expect even further reductions in processing times and requirements in the coming years.

Entrepreneurs are encouraged to stay informed of new circulars (e.g., SEC or BIR memos) that may introduce updated procedures, and to make full use of the online systems designed to simplify compliance.

Digitalization in Government Services

The Philippine government’s digitalization drive is transforming how businesses interact with public agencies. Through the **Ease of Doing Business (EODB) initiatives**, many government services have been migrated online, improving service delivery and compliance monitoring.

The Anti-Red Tape Authority (ARTA), established in 2018 to enforce the EODB Act, emphasizes that *“the best way to fight red tape and corruption is by streamlining and digitalising all government services.”* For entrepreneurs, this means faster transactions, greater transparency, and less time spent shuttling between offices.

A. One-Stop Shop Services

Key among these initiatives is the expansion of one-stop shop platforms.

As mentioned, the **Philippine Business Hub** integrates several registration steps. Likewise, ARTA has mandated every city and municipality to implement an **electronic Business One-Stop Shop (eBOSS)** for local permits. As of mid-2025, **130 local government units have operational eBOSS platforms**, enabling end-to-end online processing of business permits and licenses.

The impact has been tangible – in jurisdictions with eBOSS, there have been substantial increases in business registrations and local revenue, as businesses find it easier to comply and register formally. Make sure to check your city’s website for an eBOSS; using it can save you days of processing time and ensure you’re compliant with local regulations.

B. National Digital Platforms

At the national level, various agencies have launched digital portals to simplify compliance for businesses.

- **SEC Online Services**

- **eSECURE (digital user ID)**
- **eSAP (e-authentication of documents)**
- **eAMEND** (for amending corporate information)
- **eGIS** (for general information sheet submission) which allow corporations to update records or submit annual reports online.

By 2026, the SEC aims to handle most corporate filings electronically, reducing face-to-face interaction and paper submissions.

- **BIR Electronic Filing and Invoicing**

- **Electronic Invoicing System (EIS).** Large taxpayers, exporters, and e-commerce businesses will be required to issue digital invoices/receipts and transmit sales data to the BIR electronically as part of a new continuous transaction reporting system.

The rollout began with pilots in 2022 and is expanding: the mandate for structured e-invoicing was initially set for 2026, but the BIR extended the deadline to **December 31, 2026 for mandatory compliance**

Practical tip: Consult with your accounting software provider or the BIR’s published guidelines to ensure your invoicing software can connect to the EIS. Early adoption will put you ahead of the curve.

- **Unified IDs and Data Sharing**

The government is also introducing **unified identification systems** to ease compliance. The new **PhilSys National ID** (Philippine Identification System) is being accepted as a primary ID for many transactions, and platforms like SEC eSECURE use it for quick verification.

C. Ease of Compliance and Monitoring

Digitalization has improved not only the **speed of service delivery** but also regulatory compliance oversight.

- Under the EODB law, agencies must act on applications within
 - 3 working days for simple transactions;
 - 7 for complex; and
 - 20 for highly technical ones
- Agencies now publish **Citizens’ Charters** with step-by-step procedures and use online tracking so applicants can monitor their application status in real time.

D. Fostering a Compliance Culture

The convenience of e-government services has a knock-on effect: when it’s easier to register and comply, more businesses join the formal economy. ARTA officials observed that when people realize government transactions are simpler and “digital permits are issued with QR codes” for easy verification, **business owners are more likely to voluntarily register and pay correct taxes**, knowing that non-compliance is easier to catch in an interconnected system. For entrepreneurs, this underscores the importance of compliance – the government’s improved IT systems can quickly flag businesses that operate without permits or lag on renewals. Thankfully, those same systems will send you **automatic reminders** (e.g., text or email alerts for permit renewals or report deadlines) to help you stay on track

E. Digital Tools for Operations

Beyond registration and permits, the government’s digital push extends to operational compliance:

Agency	Digital Service
SSS / PhilHealth / Pag-IBIG	Online contribution reporting
DOLE	Online establishment registration



Bureau of Customs	Digital import/export processing
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Additionally, the **Philippine Government Electronic Procurement System (PhilGEPS)** is fully online, so if you plan to bid on government contracts, you must register in PhilGEPS (and recent reforms have streamlined supplier accreditation processes through this platform).

In summary, the government’s digitalization initiatives in the Philippines are making it easier to **start and operate a business with minimal physical interaction**. Entrepreneurs should take full advantage of:

- **Online registration and permitting systems** (to save time and trips to offices),
- **E-payment systems** (to pay fees and taxes conveniently),
- **Automated reminders and compliance tools** (to never miss a deadline),
- And upcoming requirements like e-invoicing (to be ahead in compliance).

By doing so, you’ll not only speed up your business processes but also ensure you remain in good standing with regulatory obligations.

New ESG Regulations for Businesses and Financial Firms

ESG requirements are now a core compliance obligation in the Philippines, aligned with global sustainability standards. Regulators increasingly require companies—especially public, large, and financial institutions—to integrate ESG practices and publish sustainability disclosures. ESG is no longer optional or purely reputational.

A. Regulatory Push for Sustainability

The *Philippine Development Plan 2023–2028* positions the country as an ESG investment hub. Regulators such as the SEC, BSP, Insurance Commission, and DENR are strengthening ESG and governance standards to align Philippine businesses with global best practices.

B. Mandatory Sustainability Reporting

In January 2026, the SEC adopted ISSB-aligned Philippine Sustainability Reporting Standards (PFRS S1 & S2), mirroring global IFRS sustainability rules.

The SEC is rolling this out in tiers:

Tier	Covered Companies	First Report Due
Tier 1	Listed companies with ≥ ₱50B market cap	2027 (FY 2026)
Tier 2	Listed companies with ≥ ₱3B market cap	2028 (FY 2027)
Tier 3	Other listed + large unlisted (₱15B+ revenue)	2029 (FY 2028)

In practice, this means if you run a **public company or a sizeable corporation**, you should prepare to publish an **annual Sustainability Report** in the coming years. Reports must cover environmental, social, and governance matters using recognized global frameworks (e.g., GRI, SASB, TCFD).

C. Philippine Green Equity Framework (SEC)

To further support environmentally sustainable investing, the SEC issued SEC Memorandum Circular No. 13, Series of 2025, which introduced the **Guidelines on Philippine Green Equity**. This framework allows qualifying issuers to obtain a “*Philippine Green Equity*” designation for their listed shares, improving the visibility of enterprises actively engaged in environmentally sustainable economic activities and promoting more consistent sustainability disclosures in the capital markets.

Under the Guidelines, eligibility is generally assessed based on whether the issuer derives more than 50% of its revenue and allocates more than 50% of its investments to activities considered “green,” using recognized sustainable finance taxonomies such as the Philippine Sustainable Finance Taxonomy Guidelines (SFTG) and/or the ASEAN Taxonomy for Sustainable Finance (ATSF).



For listed companies and companies preparing to go public, the Green Equity designation can support ESG positioning by providing a clearer basis for environmental claims and strengthening investor confidence in the issuer’s green strategy and disclosures

D. Higher Accountability

Unlike previous years where sustainability reporting was “**comply or explain**” (meaning companies could skip full reporting if they explained why), the SEC is now making it a firm requirement.

They have also introduced accountability measures – for instance, companies will eventually need to obtain **independent assurance (a limited audit)** of their greenhouse gas emission disclosures (Scope 1 and 2) two years after they start reporting under the new standards. This means that a couple of years into mandatory reporting, your company’s carbon emissions data must be verified by a third-party auditor, adding credibility to the reports.

The SEC has provided some **transitional reliefs** – e.g. companies can opt not to report Scope 3 (value chain) emissions for the first two years, and smaller firms can phase in their climate-risk disclosures over a longer time.

Nonetheless, the direction is clear: **ESG reporting will be an integral part of corporate compliance**, akin to financial reporting, by the latter half of this decade.

E. Sector-Specific ESG Rules

Beyond the SEC’s broad requirements, specific industries have tailored guidelines:

- **Banking and Finance**

The BSP issued a **Sustainable Finance Framework (Circular No. 1085)** which requires banks to embed environmental and social risk management into their governance, risk systems, and strategic objectives.

Banks must integrate environmental and social risk management and disclose ESG risks annually.

- **Insurance**

The Insurance Commission adopted a **Revised Corporate Governance Code (Circular 2020-71)** that mirrors the SEC’s approach. Insurance companies, pre-need firms, and HMOs are asked to disclose ESG efforts on a comply-or-explain basis.

- **Investment Funds**

The SEC has guidelines for **Sustainable and Responsible Investment (SRI) funds** – for example, only funds that truly incorporate ESG criteria can label themselves as such.

The SEC also actively guards against **greenwashing**: no investment fund can use labels like “ESG” or “sustainable” in its name unless it meets certain criteria and disclosures to investors. Fund managers should be prepared to substantiate any sustainability claims in their products.

- **Public Companies and Issuers**

All listed companies have been required to submit annual Sustainability Reports since 2019. By 2026, sustainability reporting is already an established annual obligation for PSE-listed firms.

F. Benefits and Global Alignment

ESG compliance improves access to foreign capital, as many investors now impose ESG mandates. ISSB alignment ensures comparability with regional markets (e.g., Singapore, Malaysia, Thailand). Legislative proposals signal future expansion of ESG reporting to non-listed companies.

In essence, **ESG compliance is becoming a standard part of doing business** in the Philippines. While initially it may seem like an added reporting burden, integrating ESG can yield long-term benefits: better risk management, improved investor appeal, and alignment with global sustainability goals.

Environmental Compliance and Sustainability Reporting under New Laws

Alongside ESG governance reforms, Philippine regulators have strengthened environmental compliance requirements, making sustainability an operational obligation rather than a voluntary initiative. Both local and foreign businesses are expected to actively manage pollution, waste, energy use, and environmental risks to avoid significant penalties and business disruptions.

Extended Producer Responsibility (EPR) Act for Plastic Waste (Republic Act No. 11898)

The most significant recent environmental law that places responsibility on companies for the post-consumer stage of their plastic products, effectively making businesses accountable for the collection and recycling of plastic packaging waste.

Who Must Comply “Obligated Enterprise”

- Enterprises with assets over ₱100 million (excluding land)
- Manufacturers, importers, distributors, brand owners
- Retailers and supermarkets providing plastic packaging
- Covers all plastic packaging (sachets, bottles, bags, foam, containers)

Key obligations

- Recover plastic packaging placed in the market: 20% (2023) → increasing annually to 80% (2028)
- Register an EPR Program with DENR
- Submit annual EPR compliance reports
- Implement recovery through:
 - Take-back or collection programs
 - Partnerships with recyclers or waste aggregators
 - Membership in a Producer Responsibility Organization (PRO)

- **Penalties for Non-Compliance**

The law comes with **strict penalties**.

- ₱5M–₱20M fines per violation
- Escalating sanctions for repeat offenses
- Possible suspension of business permits
- Civil or criminal liability

If your business hasn't yet assessed this, immediately check if you cross the ₱100M asset threshold and use covered plastic packaging, then register an EPR program with DENR to avoid penalties.

Practical Steps for EPR Compliance

If you are an *obliged enterprise* under the EPR law, here's a quick checklist:

- **Register with DENR**
Submit your EPR program registration to DENR's Environmental Management Bureau. This includes details of your company, the types/volumes of plastic you use, and your plan for recovery. (Some PROs can handle registration on your behalf if you join one.)
- **Waste Footprint Audit:** Calculate how much plastic packaging your business released in the past year (weight in kilograms). This forms your baseline. You likely need a DENR-accredited auditor or consultant to validate this.
- **Recovery Program:** Design a program to take back used plastics. Options include: setting up collection bins at stores, sponsoring community recycling drives, working with waste consolidators who buy back used sachets or bottles, or funding recycling facilities. Many big companies partner with waste management providers that specialize in plastic credits – for example, they pay a fee and the provider ensures equivalent amounts of plastic are collected and recycled to meet the target.
- **Annual Reporting:** Prepare an annual report to DENR detailing your compliance (e.g., “In 2025, Company X released 100 metric tons of plastic, and recovered 60 metric tons through our EPR program, achieving the required 60% target”). Keep documentation of all collection/recycling activities as DENR may audit the data.

- **Continuous Improvement:** The targets rise each year, so continuously improve your strategies. Also consider *design changes*: reducing packaging, switching to compostable or easily recyclable materials can reduce your obligations (since the law is specifically about plastic packaging). Ultimately, the best way to reduce liability is to **minimize single-use plastics** in your product line.

Other Environmental Compliance Requirements

Beyond the EPR law, companies must comply with existing environmental regulations, which are being more strictly enforced and, in some cases, modernized.

Environmental Impact Assessment (EIA)

- Required for environmentally critical projects (e.g., manufacturing, mining, real estate, energy).
- Environmental Compliance Certificate (ECC) must be secured before operation.

Pollution Control Permits

- Permit to Operate (Air Emissions)
- Wastewater Discharge Permit
- Hazardous Waste Registration
- Compliance with Clean Air Act and Clean Water Act
- **Increased monitoring via digital and continuous systems**

DENR has been deploying more monitoring technology (e.g., continuous emissions monitoring systems for air, online monitoring of wastewater in some industrial estates) to track compliance. So ensure your operations meet the standards of the Clean Air Act and Clean Water Act to avoid fines or closures.

Energy Efficiency Reporting

- Applies to large energy-consuming establishments
- Mandatory annual energy consumption reporting to DOE
- Appointment of an Energy Conservation Officer required

Climate Change Reporting

While there is not yet a law requiring all companies to report greenhouse gas (GHG) emissions to the government, the **Climate Change Commission (CCC)** encourages major industries to voluntarily report and reduce emissions.

Waste Management and Pollution Control

All businesses must comply with the Ecological Solid Waste Management Act (RA 9003) by properly segregating waste, using accredited haulers, and avoiding littering, open dumping, or illegal disposal. Non-compliance may result in local fines or DENR enforcement.

Businesses must also comply with:

- **Clean Air Act** – emissions from vehicles, generators, and equipment must meet standards; pollution control devices may be required.
- **Clean Water Act** – discharge of untreated wastewater into drains or waterways is prohibited; proper treatment systems or septic services are required.

Corporate Environmental Responsibility

Beyond legal requirements, regulators and consumers increasingly expect proactive sustainability efforts. Many companies adopt ISO 14001 Environmental Management Systems or participate in environmental programs such as reforestation and coastal clean-ups. These initiatives support compliance, improve reputation, and strengthen regulatory and community relations.

Government Projects and Infrastructure

- **“Build Better More” Program: An overview of the government’s infrastructure projects and their impact on the business environment.**

THE “BUILD BETTER MORE” PROGRAM

The Build Better More Program (BBM) is the Philippines’ 2022 - 2028 infrastructure agenda, succeeding the Duterte era’s “Build Build Build” Program to help address the inadequacies of the country’s infrastructure. It aims to enhance quality of life, economic growth, and disaster resilience through 198+ high-impact projects worth approximately PHP 9 trillion, including roads, railways and bridges.

Impact on logistics and supply chains:

- **Enhanced Transportation Networks:** designed to catalyze long-term economic transformation by addressing the Philippines' infrastructure gap.
- **Improved Trade Facilities:** Driving an investment-led economic transformation by significantly lowering logistics costs, accelerating the flow of goods through modernized gateways, and fostering inclusive growth across the Philippines.
- **Reduce Urban Congestion:** Upgraded trade facilities and optimized supply chains help reduce urban congestion by diverting freight traffic from city centres.

Stimulating Regional Development:

- **Balanced Growth:** The BBM program achieves balanced growth by shifting investment toward inter-island connectivity and provincial logistics, transforming the countryside into a series of interconnected economic engines rather than relying solely on a single urban core.
- **New Market Opportunities:** enhanced by integrating physical infrastructure with digital and policy reforms to create a more competitive investment environment.
- **Tourism and Diversification:** Improved national competitiveness by transforming the Philippines into a prime destination for investment, tourism, and efficient trade.

Key projects under BBM:

- **Metro Manila Subway Project:** aims to slash travel time from Valenzuela to NAIA to just 35 minutes while providing a high-capacity, 17-station underground network designed to decongest EDSA and stimulate economic growth through transit-oriented developments.
- **Bataan–Cavite Interlink Bridge:** Major marine works bidding is expected to conclude in February 2026, clearing the way for full-scale construction of this 32-kilometer mega-bridge.
- **Luzon Spine Expressway Network:** A 1,073-kilometer planned of high-standard highways designed to connect the northern and southern tips of Luzon. The network’s primary goal is to reduce the travel time from Ilocos to Bicol.

Key project initiated in 2025

- **Laguna Lakeshore Road Network:** This phase is part of a larger 37.6-kilometer road network project under the BBM program, which aims to improve economic growth and ease traffic congestion in the Calabarzon region and Metro Manila.

Priority project for 2026

- **Dalton Pass East Alignment Road:** a major infrastructure development aimed at reducing travel difficulties in Northern Luzon, specifically connecting Nueva Ecija and Nueva Vizcaya. As of early 2026, this significant project involves constructing tunnels to improve access through the mountainous region. The project is designed to provide a more efficient alternative to the current, challenging route.

- **Smart Cities and Tech Infrastructure: Opportunities arising from government initiatives in tech and smart city development.**

In the Philippines, smart cities are transforming urban life by leveraging technology to improve services, enhance mobility, and promote sustainable growth. From intelligent traffic management in Metro Manila to renewable energy integration in emerging cities, innovation helps Filipino cities work better and deliver more opportunities, more accessibility, and more resilient communities for all citizens.

Driving Digital Transformation

- **Enhanced Internet Connectivity:** Improved internet connectivity drives digital transformation in Philippine cities. Expanding broadband, 5G, and public Wi-Fi enables smarter services—from traffic and transportation to healthcare and governance—while connecting even remote communities to education and economic opportunities. This digital foundation makes cities more inclusive, innovative, and future-ready.
- **AI-Driven Urban Solutions:** Filipino cities are using AI to make urban life smarter, safer, and more efficient. By optimizing traffic, transportation, energy, and waste management, AI helps cities deliver better services and reach more communities. Turning data into actionable insights, it enables proactive planning, faster response, and the creation of inclusive, resilient, and future-ready urban environments.
- **Promotion of Digital Payments:** The Philippines is fast-tracking digital payments to build a more efficient, inclusive, and convenient financial ecosystem. By promoting e-wallets, online banking, and cashless transactions, cities can reach underserved communities, reduce costs, increase transparency, and give citizens faster access to goods, services, and opportunities—creating a smarter, more connected, and future-ready nation.

Opportunities for Technology Startups and Enterprises

- **Growing demand for smart technologies:** The Philippines’ drive for smarter, more connected cities is fueling opportunities for tech startups and enterprises. From Artificial Intelligence (AI) and Internet of Things (IoT) solutions to digital payments and smart mobility, growing demand for innovation helps cities deliver better services and reach more communities. This enables local businesses to improve urban living, promote sustainability, and drive economic growth, positioning Filipino enterprises at the forefront of a smarter, more inclusive, and future-ready nation.
- **Government Support:** The Philippine government is fostering a supportive ecosystem for tech startups and enterprises, driving innovation in smart cities and digital infrastructure. Through policies, incentives, funding, and public-private partnerships, startups can create solutions that help cities deliver better services and reach more communities. This support accelerates tech growth while enabling smarter, more inclusive, and future-ready urban environments nationwide.
- **Establishment of Tech Hubs:** Tech hubs across the Philippines are giving startups and enterprises the resources, mentorship, and infrastructure to innovate and scale. By fostering collaboration and talent, these hubs help develop solutions that improve urban services, reach more communities, and drive a smarter, more inclusive, and future-ready urban ecosystem.

- **Notable Smart City Projects**

- **New Clark City:** Designed with smart infrastructure, renewable energy, intelligent transportation, and disaster-resilient planning, it delivers better urban services while creating inclusive residential, commercial, and industrial spaces.
 - Status: Phase 1 is complete, with ongoing development expanding these areas and advancing a smarter, more sustainable, and future-ready city.
- **Makati Smart City Project:** The Makati Smart City Project is transforming Makati into a smarter, more efficient, and sustainable urban centre. Aligned with the BBM vision, it integrates digital infrastructure, IoT systems, intelligent traffic and energy management, and sustainable buildings to deliver better services to residents, businesses, and visitors.
 - Status: Currently under development, the project focuses on mixed-use spaces, smart offices, and enhanced digital connectivity, positioning Makati as a future-ready, inclusive, and tech-driven city.



- **Cebu Digital Hub:** The Cebu Digital Hub is transforming Cebu City into a technology-driven, innovation-friendly urban centre. Guided by the BBM vision, it combines digital infrastructure, co-working spaces, and smart city solutions to deliver better services and support startups, entrepreneurs, and tech enterprises.
 - Status: Currently under development, the hub focuses on IT and BPO facilities, innovation centres, and digital ecosystem support, positioning Cebu as a driver of smart, inclusive, and future-ready urban growth.
- **Araneta City Cyberpark**
Araneta City Cyberpark in Quezon City continues to expand as part of the country’s push for modern, sustainable, and technology-driven infrastructure. As a smart business district, it features energy-efficient high-rise offices and strong digital connectivity that support the growing IT-BPM sector.
 - Status: Towers 1 (2016) and 2 (2018) are completed, Tower 3 topped off in June 2024 and is expected to be completed in 2025, while Towers 4 and 5 are in the planning stage with target completion by 2030.

• **Public-Private Partnerships: Potential for Investment in Government-Led Projects through PPP Models**

President Marcos' BBM program is the Philippines' current national infrastructure initiative, which includes hundreds of infrastructure flagship projects aimed at boosting connectivity and economic growth. The Public-Private Partnership (PPP) model, which encourages the private sector to co-invest, construct, and occasionally run significant infrastructure facilities alongside the government, is a pillar of this approach.

The government has passed a new PPP Code to update the legal framework, streamline approval processes, and make partnerships more attractive and competitive. This reform aims to expand private sector participation, reduce government fiscal burden, and leverage private capital, technology, and expertise for major national projects.

According to the PPP Centre’s pipeline data, the total value of PPP projects in development ranges in the trillions of pesos, spanning transportation, energy, water, and other sectors integral to national development.

Attracting Private Sector Investment

Why the Philippines is opening up more to PPP investment:

- **Legal and regulatory reforms:** The enactment of the PPP Code creates a more predictable, streamlined policy environment for private investors.
- **Fiscal relief and risk sharing:** PPPs help the government address fiscal limitations by involving private capital in project financing and delivery.
- **Faster implementation:** With clearer guidelines and updated approval thresholds, PPP projects can be tendered and executed more efficiently.
- **International interest:** The Philippines actively markets investment opportunities to foreign companies and investors, highlighting renewable energy, transport, and sustainable infrastructure PPPs.

High Potential PPP Projects

• **Airport Modernization Projects**

Air transport infrastructure is a major focus for PPP under Build, Better, More—aimed at boosting tourism, trade, and regional connectivity.

- **Bohol-Panglao International Airport modernization:** A PPP project to boost capacity and services.
- **New Dumaguete and New Siargao Airports:** Designed to meet global standards, enhance mobility, tourism, and commerce.
- **Modernization of Ninoy Aquino International Airport (NAIA):** A significant airport PPP that will upgrade the country’s main gateway.
Additional PPP airport proposals are undergoing development, such as bundled airport projects in other key regions.

Why these airports matter:

- They accommodate growing passenger and cargo volume.
 - They open new regional markets and tourism corridors.
 - They draw private investment into infrastructure with long-term revenue potential.
- **Mass Transit Systems:**
Mass transit systems appeal to PPP models because of their high capital cost and long-term revenue streams.

Notable examples in or near the pipeline:

- **Cebu Bus Rapid Transit (BRT):** A modern transport system for Cebu City.
- **Rail and commuter system operations and maintenance (e.g., North-South Commuter Railway O&M):**
These are structured as PPPs to bring in private operational expertise.
Other proposed transit systems (e.g., ferry systems, improved railway BRTs) are under study in the PPP pipeline. Mass transit PPPs help address urban mobility challenges while connecting more Filipinos to jobs, education, and services.
- **Renewable Energy Infrastructure**
 - While transportation often dominates headlines, PPP opportunities are expanding into renewable energy and green infrastructure.
 - The government's infrastructure pitch includes **renewable energy and sustainability projects** to attract foreign investors.
 - Proposed PPP pipeline additions include renewable energy generation, waste management, and green power systems.
 - Energy PPPs support the country's transition to clean energy, diversify the power mix, and reduce dependency on imported fossil fuels.

Benefits to the Business Sector

- **Access to large-scale projects:** The Build, Better, More program offers a broad portfolio of infrastructure projects worth billions of pesos that private firms can participate in through PPP partnerships.
- **Shared risk and stable return:** PPP contracts often structure risk sharing between government and private partners, with guarantees and revenue streams that improve investment stability.
- **Market expansion and business growth:** Participation in major infrastructure can elevate a company's profile, open new revenue channels, and strengthen domestic and global market presence.
- **Enhanced operational roles:** Some PPP arrangements include operation and maintenance contracts, allowing private firms to run infrastructure systems long-term, generating recurring income.
- **Supportive policy environment:** Reforms like the PPP Code and fast-track investment frameworks signal that the Philippines is creating a more competitive, predictable, and investor-friendly market.

Exports & Trade

Philippines: Export Trends

Key Export Sectors

1. Electronics & Semiconductors

The electronics sector remains the Philippines' dominant export industry, consistently accounting for **over half of total export value**. Electronics and semiconductor products continue to be the country's top outbound goods, comprising a significant majority of merchandise exports with robust month-on-month and year-on-year growth in 2025. For example, electronics

accounted for **57.4% of total Philippine exports in May 2025**, with notable expansion in components such as automotive electronics, control instrumentation, and consumer electronics.

Recent projections also suggest electronics exports could grow **into 2026**, with analysts considering **\$50 billion or more** in export receipts possible, contingent on favorable industry conditions.

2. Agricultural Products

Agricultural and agro-based exports remain a core part of Philippine external trade, though smaller than electronics in relative scale. Key export products include coconut oil and seafood such as tuna and shrimp, which serve global markets in Asia, North America, and Europe. Emerging consumer demand for organic and sustainability-oriented goods supports growth prospects in agri-exports.

3. Business Process Outsourcing (BPO) & Services

The Philippines is a global leader in **IT-BPO and knowledge services exports**, with the sector contributing significantly to the economy. The BPO industry, covering call centres, back-office operations, and increasingly **Knowledge Process Outsourcing (KPO)**, contributes around **11% of GDP** and employs over a million workers. Its export value continues to expand, with the United States and Asia-Pacific as major clients.

4. Other Sector Contributions

Aside from electronics and BPO, other notable export categories include minerals, furniture and wood products, industrial machinery, and agricultural products like bananas. These sectors help diversify the export base beyond electronics and services.³

Trade Agreements: RCEP and Benefits for Exporters

Regional Comprehensive Economic Partnership (RCEP)

What It Is

The Philippines ratified the **Regional Comprehensive Economic Partnership (RCEP)**, a major Asia-Pacific trade agreement that includes ASEAN members plus major partners such as China, Japan, South Korea, Australia, and New Zealand. RCEP accounts for *nearly 30% of global GDP and trade flows*, offering the Philippines expanded preferential market access.

Benefits for Philippine Exporters

1. Market Access & Tariffs

- RCEP encourages gradual tariff reduction or elimination among member states, creating **lower trade costs** for Philippine exports and inputs used in export production.
- Reduced tariffs on imported components help domestic manufacturers and exporters **improve competitiveness**, particularly in electronics and intermediate goods sectors.

2. Export Growth Potential

- According to the **Asian Development Bank (ADB)** and International Trade Centre, RCEP could increase Philippine exports by an estimated **3.7% by 2030** and unlock approximately **US\$27.8 billion in unrealized export potential** to RCEP partners.⁶
- RCEP utilization is integral to the government's export targets under the **Philippine Export Development Plan (PEDP)2023-2028**.

3. Supports MSMEs

- RCEP's trade facilitation and preferential rules provide **micro, small, and medium enterprises (MSMEs)** easier access to regional markets and integration into global value chains.⁶

4. Market and Investment Incentives

- Beyond tariffs, RCEP includes provisions on services, e-commerce, and investment protections, encouraging foreign and domestic investment that benefits export sectors like BPO, manufacturing, and creative services.

Agriculture & RCEP

While the agricultural sector raised concerns over import liberalization, the Philippine schedule limits tariff reductions on the most sensitive farm products and allows continued protection for key commodities. It also presents opportunities for increased **AgriTech investment and agricultural infrastructure**.

Customs, Duties & Trade Facilitation

Customs & Tariffs Overview

Tariff Structures

- The Philippines applies a **Most Favored Nation (MFN)** tariff regime with relatively moderate average applied tariffs across agricultural and non-agricultural products. These can be reduced under RCEP and other preferential trade agreements when origin rules are met.
- The **Tariff and Customs Code of the Philippines** and implementing regulations govern import duties, export taxes, and customs procedures.

Bureau of Customs (BOC)

- The **Philippine Bureau of Customs** oversees customs duty collection, cargo inspections, border control, and facilitation of international trade in accordance with the **Customs Modernization and Tariff Act (CMTA)**.

Authorized Economic Operator (AEO) Program

- The AEO program incentivizes compliant traders with **streamlined customs procedures**, reduced inspections, and expedited processing, enhancing reliability and reducing supply chain costs.
- Expansion efforts continue to broaden AEO benefits to a wider range of economic operators, supporting competitiveness and predictability.

Trade Facilitation Initiatives

Digital & Sustainable Trade Facilitation

- The Philippines ranks among the top ASEAN performers in the **UN Global Survey on Digital and Sustainable Trade Facilitation**, reflecting progress in paperless trade, e-certification, and cross-border coordination.

WTO Trade Facilitation Agreement (TFA) & PTFC Roadmap

- Implementation of the **WTO TFA** and the **Philippine Trade Facilitation Committee (PTFC) Roadmap** aims to reduce trade transaction costs, improve coordination, and enable faster cargo release times, benefiting exporters and importers alike.

Government & DTI Support

- Initiatives like DTI's **PHX Source** digital platform support exporters with market visibility and analytics, while the Philippine Export Development Plan (PEDP) promotes compliance with standards and export readiness.

For 2026, the Philippines stands as a dynamic export economy anchored by electronics, BPO services, and diversified agricultural and manufactured products. Participation in **RCEP**, modernization of customs systems, enhanced trade facilitation, and targeted government programs strengthen the country's trade competitiveness. Exporters, especially MSMEs and service providers, can capitalize on preferential access to major Asia-Pacific markets, efficient cargo clearance, and supportive regulatory frameworks.

ESG (Environmental, Social, Governance) Focus

PHILIPPINE ESG LANDSCAPE: GROWING IMPORTANCE OF SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY (CSR).

The Philippine ESG landscape has undergone a structural transformation, shifting from voluntary Corporate Social Responsibility (CSR) to a mandatory, globally-aligned regulatory framework. As of 2026, sustainability is no longer an "add-on" but a core requirement for doing business in the Philippines.

The New Regulatory Mandate: PFRS S1 and S2

The Philippine Securities and Exchange Commission (SEC) has officially adopted the **Philippine Financial Reporting Standards (PFRS) on Sustainability Disclosures**, which are direct adaptations of the International Sustainability Standards Board (ISSB) standards (IFRS S1 and S2).

Key Implementation Timeline: Starting fiscal year 2026, a phased mandatory rollout is in effect:

- **Tier 1 (PLC with Market Cap > ₱50 Billion):** Reporting starts in 2026 (reports due in 2027).
- **Tier 2 (PLC with Market Cap > ₱3 Billion):** Reporting starts in 2027.
- **Tier 3 (Other PLCs & Large Non-Listed Firms with Revenue > ₱15 Billion):** Reporting starts in 2028/2029.

Strategic Pillars of the 2026 Landscape

1. From Philanthropy to Financial Materiality

Previously, CSR in the Philippines was often viewed through the lens of community projects and donations. In 2026, the focus is on **Financial Materiality**. Companies must now disclose how climate-related risks (physical and transition risks) and sustainability opportunities impact their financial position and performance.

2. Mandatory Assurance

To prevent "greenwashing," the SEC now requires **limited assurance** on Scope 1 and Scope 2 greenhouse gas emissions. This must be conducted by independent third-party practitioners, typically starting two years after a company begins its initial reporting under the new standards.

Links:

[The Strategic Shift to PFRS S1 and S2](#) — Detailed breakdown of the transition from "Comply or Explain" to mandatory reporting.

GOVERNMENT ESG POLICIES: HOW GOVERNMENT REGULATIONS ALIGN WITH GLOBAL ESG STANDARDS, IMPACTING FINANCIAL AND NON-FINANCIAL SECTORS.

SEC explained above.

Extended Producer Responsibility (EPR) Act of 2022

The Philippine government further strengthened its ESG regulatory framework with the enactment of the Extended Producer Responsibility (EPR) Act of 2022 (Republic Act No. 11898). The law requires producers, brand owners, and importers of plastic packaging to take responsibility for the recovery, recycling, and proper disposal of plastic waste generated by their products throughout the product lifecycle. Obligated enterprises must register and implement EPR programs with the Department of Environment and Natural Resources (DENR) and meet progressive annual recovery targets, supporting the transition to a circular economy. The EPR Act aligns Philippine environmental regulation with global sustainability and waste-reduction practices and has direct operational and compliance implications for manufacturing, retail, consumer goods, and import-dependent sectors.

Financial Sector: The BSP's Sustainable Finance Mandate

The **Bangko Sentral ng Pilipinas (BSP)** has completed the implementation of its Sustainable Finance Framework (Circulars 1085, 1128, and 1149), reshaping how businesses access credit.

- **E&S Risk Integration:** Banks now utilize **Environmental and Social (E&S) Risk Management Systems** as a standard part of their credit underwriting. Companies with high carbon intensity or poor social governance face higher interest rates.
- **Incentivized Green Lending:** The BSP offers regulatory incentives, such as higher single-borrower limits and reduced reserve requirements, for loans directed toward "green" projects (e.g., renewable energy, sustainable water management)

Impact on the Non-Financial Sector: Supply Chain & Incentives

The government has leveraged the **CREATE Act** and the **Strategic Investment Priority Plan (SIPP)** to incentivize the green transition.

1. **Tax Incentives:** 2026 continues to offer significant income tax holidays and enhanced deductions for "Green Ecosystem" activities, including renewable energy, electric vehicle manufacturing, and sustainable agriculture.
2. **Export Competitiveness:** With the EU's Carbon Border Adjustment Mechanism (CBAM) entering a critical phase in 2026, Philippine government policy has pivoted to support exporters in carbon accounting. Aligning with local ESG standards is now a prerequisite for accessing European and North American supply chains.

In 2026, "doing business" in the Philippines requires an **Audit-First** approach to ESG. Data must be verifiable and tied to financial performance. Companies that successfully bridge the gap between their sustainability claims and their operational reality will find themselves at a significant advantage in securing both government incentives and institutional investment.

INVESTMENT IN SUSTAINABLE DEVELOPMENT: EMERGING SECTORS FOR SUSTAINABLE INVESTMENT, INCLUDING RENEWABLE ENERGY, WASTE MANAGEMENT, AND ECO-FRIENDLY TECHNOLOGIES.

Sustainable development has emerged as a key investment theme in the Philippines, supported by strong government policy direction, increasing private sector participation, and growing access to sustainable finance. As the country addresses climate risks, energy security, and rapid urbanisation, investment opportunities are expanding across renewable energy, waste management, and eco-friendly technologies.

Renewable Energy

Renewable energy is the most mature and attractive sustainable investment sector in the Philippines. Under the **Philippine Energy Plan and the National Renewable Energy Program**, the government targets increasing the share of renewable energy to **35% of the power generation mix by 2030 and 50% by 2040**, positioning the country as one of Southeast Asia's fastest-growing clean energy markets.

Source: Philippine Energy Transition Strategies – U.S. International Trade Administration

The Philippines benefits from abundant solar, wind, hydro, and geothermal resources, with geothermal power already accounting for a significant share of baseload electricity. Recent policy reforms, including the **Green Energy Auction Program (GEAP)** and expanded foreign ownership in renewable energy projects, have further improved the investment climate. International capital inflows continue to strengthen the sector. In 2025, the Philippine government signed a landmark agreement with UAE-based Masdar to develop up to **USD 15 billion worth of renewable energy projects**, underscoring strong foreign investor confidence.

Waste Management and Waste-to-Energy

Rapid urbanisation and population growth have intensified solid waste challenges in major Philippine cities, creating demand for modern waste management infrastructure. The government is increasingly exploring **waste-to-energy (WTE)** solutions as a dual approach to address waste disposal and energy generation, with plans to include WTE projects in future energy auctions.

Multilateral institutions and development agencies highlight the Philippines' strong potential for circular economy investments, particularly in waste segregation, recycling facilities, and energy recovery technologies. Public-private partnership (PPP) structures are expected to play a critical role in scaling these projects.

Eco-Friendly Technologies and Green Infrastructure

Beyond energy and waste, eco-friendly technologies are gaining traction across construction, finance, and urban development. Green buildings, energy-efficient infrastructure, and sustainable urban solutions are increasingly adopted by developers responding to environmental standards and rising energy costs.

The sustainable finance ecosystem is also expanding. The **Bangko Sentral ng Pilipinas (BSP)** has issued sustainable finance guidelines requiring banks to integrate environmental and social risk management into their operations, which is accelerating funding for green and climate-aligned projects.

In addition, climate-focused fintech solutions, ESG analytics platforms, and green financing instruments are emerging as enabling technologies that support renewable energy, resilience, and low-carbon development.

Outlook for 2026

Looking ahead to 2026, the Philippines' sustainable investment landscape is expected to remain robust, driven by clear policy targets, regulatory reforms, and increasing alignment with global ESG and climate objectives. Renewable energy, waste-to-energy, and eco-friendly technologies are likely to remain priority sectors for both domestic and foreign investors seeking long-term, impact-oriented returns in the Philippine market.

DEVELOPING SECTORS & INDUSTRIES

IT & Digital Finance

By 2026, the Philippine economy has firmly embedded **digital finance and technology-driven services** as structural pillars for business competitiveness. IT-BPM, fintech, digital banking, blockchain, and cross-border technology services now collectively drive financial inclusion, operational efficiency, and export-oriented growth.

A. Digital Finance: Structural, Inclusive, and Evolving

Digitally mediated financial activity has transitioned from trend to *core business infrastructure* in the Philippines. Digital payments now account for over **half of retail payment volumes** and values, with e-wallets, QR-based payments, and electronic fund transfers becoming ubiquitous across commerce and government services.

Regulatory frameworks such as the Bangko Sentral ng Pilipinas' **Digital Payments Transformation Roadmap** and related open finance initiatives continue to expand digital channels, interoperability, and data-driven financial services. Collaborative industry programs aim to advance financial health and inclusion, targeting at least **80 % digital payment adoption and active account ownership** by 2028.

Business implications:

- Digital payment infrastructure accelerates receivables, reduces cash handling costs, and integrates easily with commerce platforms.
- Digital finance products enable deeper customer engagement, cross-sell opportunities, and real-time analytics.

B. Fintech & Embedded Financial Services

Fintech remains a **core growth engine** for financial inclusion and market expansion. Key segments include mobile wallets, BNPL (Buy-Now-Pay-Later), alternative lending platforms, remittance and cross-border payment solutions, and embedded finance within e-commerce ecosystems.

Key developments:

- *Digital lending and risk analytics:* Alternative credit scoring and platform-enabled credit products support previously underserved individuals and SMEs.

- *Open Finance & APIs*: Secure, consent-based data exchange enables credit decisioning, personal finance, and embedded payment experiences.
- *Remittances & FX platforms*: Digital rails enhance speed, cost efficiency, and traceability for inbound OFW remittances and B2B transfers.
- *RegTech, Identity & AML solutions*: Compliance tooling, digital identity verification, and transaction monitoring improve onboarding speed and fraud risk management.

Business implications:

- Fintech partnerships drive financial product distribution and enable diversified monetization beyond basic payments.
- Risk, compliance, and data privacy readiness is critical for market entry and ongoing operations.

C. Digital Banking's Competitive, Technology-led Growth

Digital-only banks, enabled by BSP's digital banking framework, have become a permanent fixture. These institutions operate exclusively via digital channels and are driving competition in savings, lending, and SME/retail finance.

Evidence shows stronger financial habits among digital bank users, including savings behavior and financial control, indicating deeper engagement with formal financial products.

Business implications:

- Faster digital onboarding, API-centric integrations, and tailored SME financing options offer distinct advantages for tech-savvy enterprises.
- However, profitability pressures and regulatory compliance costs necessitate prudent risk and capital management.

D. IT-BPM, Global Shared Services & Knowledge-Driven Outsourcing

The IT-BPM sector continues expanding beyond traditional voice BPM into **higher-value functions** such as analytics, compliance operations, platform engineering, and AI-enabled customer support. Projected industry revenues for 2026 are expected near **USD 42 billion**, driven by global capability centres and specialized outsourcing hubs.

Typical models:

- Captive SSC/GCCs
- Outsourced service providers
- PEZA/BOI-registered operations

Key considerations:

Talent capabilities, employment compliance, and robust data privacy practices are essential to maintain competitiveness and meet international service standards.

E. SaaS, Software Development & IT Services (Export-Oriented Tech)

Philippine companies increasingly participate in **global software delivery**, providing product engineering, managed IT services, and offshore development centre (ODC) capabilities for international clients. Niche growth areas include cloud migration, platform engineering, enterprise-scale application support, and analytics delivery.

Business considerations:

- Clear contracts with IP ownership and cross-border tax compliance are vital.
- Agile, staff augmentation, and managed service models are common market entry routes.

F. Cybersecurity & Managed Security Services

As digital transformation accelerates across finance and services, demand intensifies for cybersecurity solutions, including SOC-as-a-Service, incident response, compliance tooling, and penetration testing. Push factors include rising data volumes, digital payments, and the need for continuous monitoring in regulated industries.

Business considerations:

Strong data governance frameworks, vendor risk assessments, and recognized security certifications are increasingly expected by multinational clients and regulated entities.

G. Cloud, Data & AI Services

Cloud infrastructure support, data engineering, analytics, and AI-enabled operations are becoming cornerstone services for enterprises shifting to automated, intelligent workflows. Philippine service providers support both localized cloud enablement and cross-border analytic delivery.⁷

Business considerations:

Data governance, privacy compliance, and talent development in ML/DevOps are strategic imperatives.

H. Government & Enterprise Digitalization

Public sector demand for **GovTech** solutions, including digital IDs, e-government services, and integrated payment systems, continues to grow. These platforms improve service delivery, reduce friction in compliance, and expand digital inclusion. P2G (public-to-government) digitization remains a sizeable opportunity.

Business considerations:

Public procurement, interoperability standards, and secure integration protocols are key success factors.

I. Digital Commerce Enablers

E-commerce and logistics tech providers, from storefront platforms and inventory systems to payment links and delivery integrations, play pivotal roles in empowering SMEs to compete both domestically and internationally.

Business considerations:

Marketplace integration, tax compliance (including VAT invoicing), and customer-centric UX are strategic differentiators.

Manufacturing Sector: Growth Drivers & Opportunities

Sector Trends

The Philippine manufacturing sector is projected to continue strong expansion in 2026, with output nearing US\$90 billion and a 3.5%+ CAGR over recent years. This includes robust performance in food processing, transportation equipment, electronics, and textiles underscoring a diversified manufacturing base.

Manufacturing PMI data in late 2025 signaled stabilization above growth thresholds, pointing to improving business confidence and operational momentum. Driven by a renewed increase in new orders, which rose for the first time in four months, leading firms to resume purchasing activity.

Key Opportunities

Advanced & Smart Manufacturing

The Philippines is moving beyond basic assembly into Outsourced Semiconductor Assembly and Test and R&D. A major 2026 anchor is Samsung's \$1 billion investment facility, which signals a shift toward advanced component production. Approximately 46% of Filipino workers use generative AI monthly, outpacing the global average of 39%. AI use is especially strong in the 18–24 age bracket (64%), highlighting a tech-forward workforce and a strong base for smart factory initiatives. The most significant applications of AI in manufacturing Philippines include process automation, predictive maintenance, and advanced analytics, streamlining production and raising efficiency.

Industrial Upgrading & Green Manufacturing

Sustainability and energy efficiency are becoming central investment considerations. Manufacturers adopting cleaner production technologies, energy-efficient systems, and circular economy practices are better positioned to meet global ESG requirements and access international capital. Manufacturing investment approvals registered with government agencies continue to support employment creation and export growth, particularly within special economic zones.

Agribusiness: Sector Strengths and Growth

Industry Snapshot

Agribusiness remains a strategic sector for the Philippine economy, underpinning rural employment, food security, and export earnings. Government policy places strong emphasis on transitioning agriculture from primary production toward integrated agribusiness and value-added processing. The agriculture and agrarian reform sector budget rose to Php297.5 billion, almost Php50 billion higher than the Php248 billion in the 2025 GAA and Php41 billion more than the Php256 billion proposed in the 2026 National Expenditures Program (NEP).

Growth Drivers

Government-Led Push for Investment

The Department of Agriculture and the Board of Investments actively promote agribusiness as a priority investment sector. Investment portfolios highlight opportunities in high-value crops such as mango, coconut, seaweed, cacao, coffee, and abaca, with an emphasis on climate-resilient and export-oriented operations.

Philippine food products, particularly processed fruit and coconut-based goods, continue to gain international recognition in North America, East Asia, and the Middle East. Expansion of processing capacity and compliance with international food safety standards remain key value drivers.

Value Chain Investments

Cold storage, warehousing, and logistics infrastructure present significant opportunities, particularly in reducing post-harvest losses and supporting export competitiveness for perishable goods. Integrated farm-to-market solutions are increasingly attractive to both domestic and foreign investors.

Sustainable and climate-resilient agribusiness models—integrating efficient water use, low-carbon practices, and digital tools—align with international development priorities and investment criteria for ESG-focused capital.

Agritech: Innovation & Digital Transformation

Emerging Agritech Landscape

The Philippines AgriTech Supply Chain Platforms Market is valued at USD 1.2 billion, based on a five-year historical analysis. This growth is primarily driven by the increasing adoption of technology in agriculture, aimed at improving efficiency and productivity. The rise in demand for sustainable farming practices and the need for better supply chain management solutions have further propelled market expansion.

Growth drivers

Increasing Demand for Food Security:

Rising population and urbanisation place pressure on domestic food supply, reinforcing the need for productivity-enhancing technologies.

Adoption of Digital Technologies in Agriculture:

The digital transformation in agriculture is accelerating, with growing adoption in the Philippines of mobile applications for farm management in the future. This shift is supported by govt. supported digitalization efforts. The integration of digital tools enhances productivity, enabling farmers to access real-time data and market information, thus improving decision-making processes.

Government Support for Agricultural Innovation:

The Philippine government allocated PHP 10 billion for agricultural modernization programs in the future, focusing on technology adoption and infrastructure development. This funding aims to support over 1 million farmers, facilitating access to innovative AgriTech solutions

Effective for the 2026 fiscal year, the CREATE MORE Act provides the most competitive incentives in Southeast Asia for registered business enterprises (RBEs).

Reduced Corporate Income Tax (CIT): A reduced 20% CIT rate for RBEs under the Enhanced Deduction Regime (down from 25%).

Power Expense Deductions: A 100% deduction on power expenses (increased from 50%) to mitigate the Philippines' high energy costs for heavy manufacturing.

New Chapter in Philippine Renewable Energy

Global capital is accelerating toward clean energy, but only a few markets combine urgent demand with credible reform and investable opportunities. In 2025, the Philippines is emerging as one of them. Long constrained by low installed power capacity and heavy dependence on imported fossil fuels, imports that accounted for 6.1 percent of GDP and more than half of total primary energy supply in 2022—the country has strong economic and energy-security incentives to change course.¹ That vulnerability is now driving a decisive shift, placing renewable energy at the centre of Philippine economic, energy, and climate policy—not as an aspiration, but as a strategic necessity.

From Record Installations to a Deepening Pipeline

The most visible sign of momentum arrived in 2024. According to the Department of Energy (DOE), the Philippines added **794.34 megawatts (MW) of new renewable energy capacity in a single year**, exceeding the combined installations of the previous three years. These additions came from solar, wind, hydropower, and distributed generation, reinforced by net-metering and own-use renewable projects.²

This surge was not accidental. It was the product of **policy coordination, declining technology costs, and streamlined permitting**, including the rollout of the Energy Virtual One-Stop Shop (EVOSS), which consolidated energy project approvals into a single digital platform.

The trajectory continues into 2025. DOE projections indicate that renewables will account for the majority of the **5,600 MW of new generating capacity expected to come online by year-end**, led by solar and wind, increasingly paired with battery energy storage systems (BESS) to enhance grid stability.³

Beyond near-term installations, the longer-term pipeline is more consequential. Under the Philippine Energy Plan 2023–2050, the government has committed to **raising the renewable energy share to 50 percent**, aligning both with the country's Nationally Determined Contribution (NDC) and the global pledge under COP28 to triple renewable capacity. Meeting this target will require an estimated **₱10.7 trillion in investments between 2029 and 2050**, a scale that necessitates sustained private sector participation.⁴

Power Market Signals and Cost Considerations

A January 2026 commentary in BusinessWorld Online provides important market context. It notes that in 2025, peak power demand eased following weather-driven volatility in 2024, while Wholesale Electricity Spot Market (WESM) prices declined to about ₱3.98/kWh from ₱6.07/kWh in 2023.

At the same time, renewable expansion has been accompanied by rising policy-related charges. The Feed-in Tariff Allowance (FIT-All) increased in 2025, and a new Green Energy Auction Allowance (GEA-All) began collection, reflecting the cost of long-term renewable contracts—particularly for wind and offshore wind projects.¹⁴

For investors, this highlights a key trade-off: near-term consumer price pressures coexist with long-term revenue certainty for developers under the Green Energy Auction Program (GEAP).

Policy Reform as a Credibility Signal

What distinguishes the Philippines from many developing markets is not merely its targets, but the policy mechanisms supporting them.

Foreign Ownership Liberalization

A key reform underpinning the Philippines' 2025 renewable momentum was the government's earlier decision to **allow 100 percent foreign ownership in renewable energy projects**, including solar, wind, hydropower, and other clean technologies. By removing long-standing equity restrictions, the policy eliminated a major structural friction for international developers and infrastructure funds, bringing the Philippines' investment framework into closer alignment with leading renewable markets in ASEAN.⁵

Crucially, the impact of this reform has become most visible **in 2024–2025**, as foreign-owned developers began securing service contracts, participating actively in competitive auctions, and advancing projects through the development pipeline. Rather than a symbolic liberalization, the policy has functioned as a catalyst, positioning foreign capital as a **core driver** of the country's renewable energy transition.

Green Energy Auction Program (GEAP)

Complementing ownership reform is the **Green Energy Auction Program (GEAP)**, now one of the region's most closely watched renewable procurement mechanisms. Its **Fourth Green Energy Auction (GEA-4)** in 2025 attracted **over 9,400 MW of subscribed capacity**, spanning ground-mounted solar, floating solar, wind, and integrated solar-plus-storage projects.⁶

The auction's design reflects increasing market sophistication. By allowing multiple technologies and encouraging storage integration, GEAP acknowledges that modern renewable systems must deliver not just capacity, but *reliability*.

A Broader Renewable Spectrum Takes Shape

While solar remains the backbone of new capacity additions, the Philippine renewable landscape is becoming more diversified.

Solar Power: Scaling Beyond the Conventional

Utility-scale solar projects dominate the current pipeline, but innovation is accelerating. In Cebu, the country's **first megawatt-scale floating solar plant**—a 4.99-MW facility developed by Black & Veatch for Carmen Copper Corp.—has begun supplying power to an industrial customer. Built on a reservoir, the project demonstrates how **floatovoltaics** can conserve land, improve panel efficiency through natural cooling, and reduce water evaporation.⁷

Importantly, the plant is scalable to **50 MW**, highlighting the commercial viability of emerging solar formats in land-constrained or industrial regions.

Wind Energy: Onshore Momentum, Offshore Promise

Wind energy is gaining traction across **Luzon and Visayas**, supported by improved site identification, a growing project pipeline, and transmission planning designed to accommodate variable renewable generation. But the more consequential development is offshore wind: the Philippines is positioning it as a **medium- to long-term energy security strategy**, not just a climate ambition.

A 2024 *Philippines Offshore Wind Supply Chain Study* notes that the government is prioritizing offshore wind to help meet the country's long-term renewable targets under the **Philippine Energy Plan (PEP) 2023–2050—35% renewables by 2030, 50% by 2040, and over 50% by 2050**. More importantly for market credibility, the study states that the Department of Energy (DOE) has awarded **approximately 65 gigawatts (GW) of offshore wind service contracts**.⁸

Hydropower and Storage: Anchors of Grid Stability

Hydropower remains a stabilizing force in the Philippine power system, with **pumped hydropower storage** increasingly recognized as a critical complement to solar and wind. Unlike short-duration batteries, pumped hydro provides **long-duration, utility-scale storage**, supporting grid reliability as renewable penetration rises. This shift is reflected in policy signals: under the **Third Green Energy Auction**, the government sought **4,000 MW** of pumped hydro capacity but received **6,350 MW in project offers**, underscoring strong developer interest and the technology's growing system value.⁹

The Economic Case: Security, Prices, and Growth

The renewable push is not driven by ideology alone. It is rooted in economics.

Continued reliance on imported fossil fuels exposes the country to global price volatility and persistent pressure on electricity costs. In 2025, the Department of Energy emphasized that expanding renewable energy (particularly solar, wind, and hydropower) is intended to **lower long-term power prices and reduce volatility** by replacing fuel-dependent generation with indigenous, low-marginal-cost sources.¹⁰

Private Capital Is Already Moving

Investor confidence is no longer theoretical. In January 2025, the Philippine government signed a landmark agreement with **Masdar**, the UAE-based renewable energy company, targeting **up to 10 gigawatts of clean energy capacity by 2035**. The **\$15-billion partnership** spans solar, wind, and battery storage—one of the largest renewable commitments in the country's history.¹¹

Domestically, companies such as **SM Prime Holdings** are demonstrating how renewables can be deployed at scale across commercial and retail infrastructure. With **100 MW of on-site solar capacity across 59 properties**, SM Prime now sources more than **50 percent of its energy from renewables**, cutting costs while advancing its Net Zero by 2040 target.¹²

These developments reflect a broader pattern: capital tends to follow reform, and the Philippines has entered that phase.

Climate Commitments and a Green Economy

Renewable energy also underpins the country's broader climate strategy. The Climate Change Commission has reaffirmed the Philippines' commitment to a **75 percent reduction in greenhouse gas emissions** under its updated NDC, emphasizing renewable energy as a cornerstone of a just and inclusive green transition.¹³

Public-private collaboration highlighted in forums involving government agencies, international partners, and financial institutions is increasingly shaping policy execution, from grid upgrades to green finance instruments.

Conclusion: A Revolution with Regional Implications

The Philippines is not claiming to lead Asia's renewable transition overnight. What it is doing, methodically and credibly, is laying the groundwork for sustained transformation.

With record installations, liberalized ownership, transparent auctions, and deepening private sector engagement, the country has moved beyond aspiration and into execution.

For investors navigating an increasingly competitive global clean energy landscape, the Philippines offers more than individual projects. It offers a market in motion where policy, demand, and capital are finally aligning.

The real question may no longer be whether the Philippines will emerge as a **renewable energy leader**, but **who recognized the shift early enough** to grow alongside it.

Philippines on the Rise: How Healthcare and Biotech Are Driving a New Era of Investment

In **2025**, the Philippines is increasingly recognized not just as a market of untapped potential, but as an **emerging hub for healthcare and biotechnology investment**. What was once forward-looking speculation is now grounded in concrete trends: rapidly rising healthcare costs, growing private-public collaboration, significant investment in innovation infrastructure, and expanding clinical capabilities across the country. If there is one theme that captures the Philippines' economic narrative, it is **adaptation**.

Rising Healthcare Costs Spotlight Systemic Needs

Healthcare benefit costs in the Philippines were projected to increase by **18.3% in 2025**, making it the **second highest in the Asia-Pacific region** according to Willis Towers Watson's Global Medical Trends Survey.¹ This trend was driven by rising utilization of services, higher hospital and professional fees, and a rebound in disease incidence following the pandemic.

This sustained cost surge highlights systemic gaps in access, efficiency, and preventive care, creating compelling opportunities for **digital health solutions, telemedicine platforms, and care delivery innovations** that can reduce overall cost while expanding reach.

Strategic Partnerships and Investment Driving Innovation

A number of high-impact collaborations are helping catalyze infrastructure and capability expansion:

- **Becton Dickinson (BD) and Ayala Healthcare Holdings (AC Health)** formalized a strategic collaboration in 2025 to enhance clinical workflows, supply chain efficiency, workforce education, and digital integration — laying the groundwork for more efficient and patient-centric care delivery.²
- The **Philippine Economic Zone Authority (PEZA)** partnered with **AstraZeneca Philippines** to establish the country's **first Pharma Innovation Hub**, which will serve as a regional centre for digital health technology, R&D collaboration, and patient-centred solutions. AstraZeneca has committed to investing **over ₱7 billion** between **2026 and 2028** toward this initiative, including projects such as an oncology innovation centre modeled after its UK operations.³

These partnerships signal a **shift toward integrating global expertise with local healthcare ecosystems**, encouraging both multinationals and domestic enterprises to develop solutions tailored to ASEAN markets.

Expanding Clinical Capabilities Across the Archipelago

Advanced clinical capabilities are also spreading beyond Metro Manila:

- The **Southern Philippines Medical Centre (SPMC)** in Davao City has introduced **robotic surgical and rehabilitation technology**, becoming one of the only public hospitals outside the capital region to offer robotic-assisted procedures. Over 20 surgeries have been performed since October 2025, with additional surgeons completing advanced training to broaden the program's reach.⁴

These developments demonstrate that cutting-edge clinical capacity is no longer confined to private centres in major urban areas, which is a vital step toward **more equitable access** to precision care.

Expanding Access Through Health Networks and Partnerships

Private investment is reshaping delivery networks:

- Partnerships such as the **renewed collaboration** between **Novartis Healthcare Philippines** and **AC Health** aim to broaden access to therapies for cardiovascular conditions and cancer, a model for integrated pharma-provider initiatives that can enhance access to innovative treatments.⁵

Such efforts, combined with the expansion of multispecialty clinics and integrated care networks, are helping bridge gaps in access and chronic disease management nationwide.

Government Policy and Cost-Reduction Initiatives

Public policy continues to support healthcare modernization and affordability:

- President **Ferdinand “Bongbong” Marcos Jr.** has emphasized lowering medicine prices by encouraging **local generic manufacturing and the development of pharmaceutical economic zones (pharma-zones)** — a strategy aimed at reducing dependency on imports and creating competitive pricing similar to markets like India.⁶
- Complementing this, the Philippine pharmaceutical industry is projected to generate almost \$2 billion in revenues this year, reflecting the government’s continued support for the fast-growing sector. According to the Board of Investments (BOI), the pharmaceutical sector is expected to grow at an annual rate of 4.1% through 2029.⁷

While broad price regulation mechanisms and drug price boards exist, ongoing reforms and incentive structures through agencies such as **PEZA** and **DTI** are critical for making affordable medicines more widely available.

Biotechnology: Applied Research and Regional Expansion

The Philippines is also building momentum in biotechnology and innovation ecosystems:

- Events such as the Taiwan Expo 2025 in Manila signal a decisive shift in the Philippines’ healthcare and biotechnology landscape. From advanced hospital services and AI-driven diagnostics to smart medical devices and practical biotech solutions for preventive care, showcased technologies underscore strong alignment with local healthcare demand and digital readiness.⁸
- Academic-industry collaborations — such as biotech projects linked to universities — further underline the **rising pipeline of applied research** and technology transfer that could spill over into broader life sciences and health applications.⁹

Policy, Digital Enablers, and Investor Confidence

Digital health solutions including telemedicine platforms, electronic health records, and integrated care systems continue to be central to improving accessibility and operational efficiency across the healthcare ecosystem.

Complementing this, broader economic reforms like the **CREATE MORE Act** and regulatory modernization are improving investor protections and market clarity, strengthening confidence in the Philippines as a destination for sustainable healthcare and biotech investment.

The Investor Takeaway

The Philippines’ healthcare and biotechnology sector is at an inflection point:

- **Healthcare costs rising** underscore urgent need for efficiency and innovation.
- **Strategic investments and partnerships** are building infrastructure, talent, and research capabilities.
- **Government incentives and regulatory clarity** make the Philippines more attractive to global and domestic investors.
- **Expanding clinical and digital health services** extend access to underserved regions.

While challenges remain, the **opportunity is no longer future speculation, because it is already emerging.**

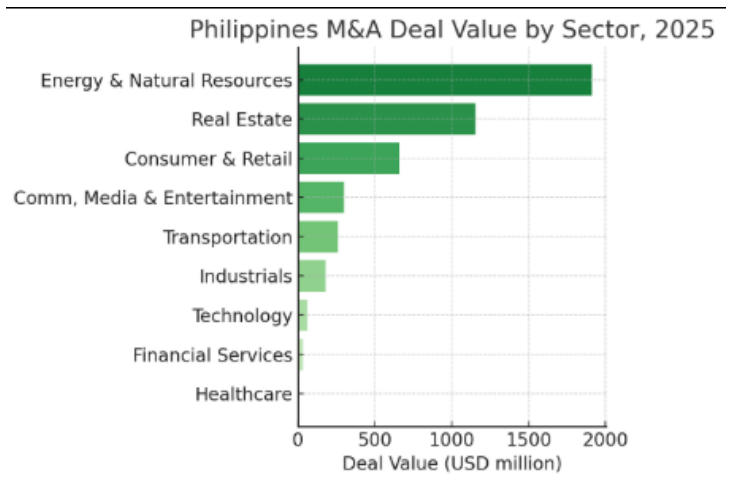


Merger & Acquisition Guide: Trends, Regulations, and Cross-Border Insights in the Philippines (KCW)

M&A Trends in the Philippines and Globally

Global M&A remained strong despite economic challenges. In **2025**, global deal value rose by **about 28%** to **around \$4.74 trillion**, driven mainly by **financial services and technology** (including AI-related deals). **Industrials and energy** also stayed active, with **Asia-Pacific contributing 21%** of global M&A value. Southeast Asia remained stable, supported by improved foreign investment rules and demand for major strategic assets.

In the **Philippines**, M&A activity declined in 2025 to **74 deals worth \$4.6 billion**, down from **113 deals worth \$8.6 billion** in 2024. The Philippines ranked **5th in Southeast Asia** by deal value, behind **Singapore, Malaysia, Vietnam, and Indonesia**. The drop was due to more cautious investors and longer deal timelines, but activity improved toward the end of 2025, suggesting a possible rebound in 2026.



By sector in **2025**, the largest deal values were in **energy and natural resources (\$1.91B)**, followed by **real estate and infrastructure (\$1.16B)** and **consumer and retail (\$659M)**. Other active sectors included **communications/media (\$300M)** and **transportation (\$261M)**, with smaller volumes in **industrials (\$180M)**, **technology (\$60M)**, **financial services (\$33M)**, and **healthcare**.

Philippines 2025 M&A Deal Value by Sector (USD Millions). Energy and infrastructure-related sectors dominated recent deal activity.

Importantly, many of these transactions represent consolidation and investment in areas like **renewable energy, telecom, and infrastructure**, which are viewed as growth avenues. The **resilience of Philippine M&A** is evident in how investors targeted long-term plays (e.g. solar farms, toll roads, real estate trusts) even amid a temporary slowdown. Moving forward, analysts expect energy deals (especially in **renewables**) to continue driving M&A growth in 2026, alongside industrial and infrastructure deals, as the economy's needs, and policy support align in these sectors.

Regulatory Landscape for M&A in the Philippines

The Philippine M&A regulatory framework aims to promote investment while protecting competition. The **Philippine Competition Commission (PCC)** is the main antitrust regulator and requires **pre-closing notification and clearance** for deals above certain thresholds. In **2024**, the thresholds were **₱7.8 billion (party size)** and **₱3.2 billion (transaction size)**, increasing in **2025** to around **₱8.5 billion** and **₱3.5 billion**. The PCC usually completes an initial review within **30 days**, with extensions for more detailed review when needed.

Other regulators may also be involved, such as the **SEC** (corporate compliance and disclosures), **BSP** (banking institutions and foreign capital monitoring), and sector agencies like the **NTC** and **DOE**. Foreign investment rules also affect deal structuring under the **Foreign Investment Negative List**, with key restrictions such as **mass media fully restricted, advertising capped at 30% foreign ownership, and private education capped at 40%**. Foreigners generally cannot own land (but long-term leases are allowed), and some utilities remain subject to a **40% foreign ownership limit**, often requiring joint ventures. At the same time, reforms have widened opportunities—such as the **2022 Public Service Act amendments** allowing full foreign ownership in sectors like telecom and transport, and a **2022 DOE policy** allowing **100% foreign ownership in renewable energy projects**—making the environment more M&A-friendly while keeping safeguards in place.

Cross-Border M&A: Entering the Philippine Market

Foreign companies are increasingly entering the Philippines through M&A because it provides a faster way to build local presence and expand market share. Recent cross-border deals have focused on infrastructure, renewable energy, technology,

and financial services—sectors with strong demand and high capital requirements. Reforms have also made entry easier, as many “public services” (such as telecom, airlines, shipping, and railways) are now open to full foreign ownership, renewable energy projects can be 100% foreign-owned, and retail trade is open to foreigners subject to minimum capital rules.

However, foreign investors must still comply with ownership limits and approval requirements. Some industries remain restricted (including utilities, media, mining, and defense-related sectors), and foreigners generally cannot own land, so deals are often structured through joint ventures, long-term leases, or management arrangements. Larger transactions may also require clearance from the PCC and other regulators such as the BSP or sector agencies. Overall, cross-border M&A continues to bring foreign capital, technology, and expertise into the Philippine market—benefiting both investors and local businesses when done within the rules.

Conclusion and Way Forward

M&A will remain a key growth tool globally and in the Philippines. Companies use M&A to expand faster, gain new capabilities, and improve efficiency—especially during uncertain economic conditions. Future deals will likely focus on strategic value and resilience, such as acquiring technology (AI and fintech), strengthening supply chains, and improving operations. Regulators are also becoming stricter on competition and national security, so careful planning and transparency will be essential to secure approvals.

In the Philippines, the outlook is positive as reforms open more industries to investment and government initiatives improve infrastructure and ease of doing business. The PCC supports a fair market by closely reviewing major deals while allowing smaller transactions to proceed more easily. With stronger legal protections and a growing digital economy, M&A activity is expected to increase—especially in renewable energy, infrastructure, real estate, and consumer sectors—bringing capital, expertise, and better business practices that improve competitiveness and long-term growth.

Foreign investment

Current Exchange Rates and Trends

In cross-border trade and investment, exchange rates function as a real-time indicator of economic confidence and cost competitiveness. For companies evaluating or expanding operations in the Philippines, movements in the Philippine Peso (PHP) have direct implications on import costs, revenue conversion, debt servicing, and profit repatriation.

Based on the Daily Reference Exchange Rate Bulletin of the Bangko Sentral ng Pilipinas dated January 8, 2026, the reference rate for the peso were as follows:

- US Dollar (USD): PHP 59.0500 (buying); PHP 59.5500 (selling)
- Euro (EUR): PHP 67.6599 (buying); PHP 70.6431 (selling)
- Japanese Yen (JPY): PHP 0.3701 (buying); PHP 0.3864 (selling)

These exchange rate levels reflect a weakening of the Philippine Peso from mid-2025, when the currency reached its strongest point at a monthly average of PHP 55.625 per US Dollar in May 2025, based on data from the BSP. The peso weakened in the second half of 2025 and into early 2026 as the US dollar strengthened globally, supported by higher US interest rates and increased demand for US dollar assets.

Within the Philippines, the peso was also affected by higher demand for US dollars to pay for **imports** such as **fuel and food**, as well as to **service foreign loans**. Although foreign exchange inflows from overseas Filipino remittances and the **business process outsourcing sector** remained steady, these inflows were not enough to fully offset import payments and other foreign currency needs during periods of global market uncertainty.

Impact of Foreign Exchange Fluctuations on Businesses

Foreign exchange fluctuations directly affect the cost structure and financial performance of businesses operating in the Philippines.

A weaker Philippine Peso increases the peso cost of imported goods, raw materials, fuel, and capital equipment, and raises the local currency value of foreign-currency loans and payables. At the same time, businesses that earn revenues in foreign currencies, such as exporters and firms in the business process outsourcing sector, may benefit from peso depreciation when foreign income is converted into pesos.

Exchange rate volatility also influences financial planning and contractual arrangements. Differences between buying and selling rates increase transaction costs, particularly for companies with frequent foreign currency conversions.

In managing currency risks, businesses can use the following strategies:

- **Natural Hedging:** Match foreign currency revenues with expenses in the same currency, such as using US dollar income to pay US dollar suppliers or loans, to reduce exchange rate exposure.
- **Timing of Conversions:** Plan the timing of foreign currency conversions to manage cash flows and avoid losses from unfavorable exchange rate movements.
- **Financial Hedging:** Use bank hedging tools, such as forward contracts, to lock in exchange rates for significant or scheduled foreign currency transactions.



- **Internal Controls:** Implement clear internal policies, including approval limits and regular monitoring, to manage foreign currency exposures consistently.
- **Regulatory Environment Monitoring:** Under a market-determined exchange rate system, the Bangko Sentral ng Pilipinas does not fix the peso’s value, making ongoing currency risk management a standard business practice in the Philippines.

BSP’s Role in Currency Stabilization (Incorporating Recent Developments)

The Bangko Sentral ng Pilipinas (BSP) plays a central role in maintaining a stable business environment by managing inflation and limiting excessive foreign exchange volatility. In 2025, the BSP adjusted monetary policy in response to easing inflation, cutting policy interest rates in stages to support economic growth. By December 2025, the benchmark rate was reduced to 4.50%, reflecting subdued inflation for most of the year. However, as inflation picked up toward the end of 2025, the BSP signaled a more cautious, data-driven approach to further rate adjustments in early 2026.

While the Philippine peso operates under a market-determined exchange rate system, the BSP may participate in the foreign exchange market to smooth sharp short-term movements, particularly during periods of strong US dollar demand or global financial volatility. This approach does not aim to fix the peso at a specific level but helps prevent disorderly market conditions that could disrupt trade, increase import costs, or affect inflation expectations.

For businesses, these recent policy actions highlight the importance of monitoring BSP signals as part of financial planning. Interest rate changes influence borrowing costs and capital flows, while BSP intervention helps reduce sudden currency swings. Together, disciplined monetary policy, adequate foreign exchange reserves, and clearer policy communication provide a more predictable operating environment, even as companies remain responsible for managing their own foreign exchange risks.

CREATE MORE, Do More: What RA 12066 Means for Businesses

Republic Act No. 12066, also referred to as the **CREATE MORE Act (Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy)**, was enacted on November 8, 2024. It builds upon the CREATE Act of 2021 (RA No. 11534) by further refining corporate income tax rates and the tax incentives framework to encourage investment and accelerate economic recovery. The law amends several provisions of the National Internal Revenue Code of 1997, specifically Sections 27, 28, 32, 34, 57, 106, 108, 109, 112, 135, 237, 237-A, 269, and 292–311, and introduces new Sections 135-A, 295-A, 296-A, and 297-A.

The CREATE MORE Act aims to enhance the Philippines’ competitiveness as an investment destination by making the tax incentives system more responsive, targeted, and performance-based. Its purpose is to attract both domestic and foreign investments, support business expansion and job creation, improve tax administration efficiency, and ultimately sustain long-term economic growth while ensuring fiscal responsibility.

What projects or activities qualify per 2022 SIPP?

Under the CREATE Act, incentives are structured through a tiered framework that classifies eligible projects and activities according to their strategic importance. **Tier 1** serves as the baseline, encompassing all activities listed in the **2022 Strategic Investment Priorities Plan (SIPP)**, except those expressly elevated to Tiers 2 or 3. **Tier 2** focuses on initiatives that strengthen the value chain while advancing **green development**, resilient **healthcare systems**, and national self-reliance in **defense**. **Tier 3**, the highest tier, is reserved for projects that drive **innovation**, particularly those centred on **research and development** and the attraction of **advanced technology investments**. The table below highlights the key characteristics of each tier. [1]

Tier	Coverage of Projects and Activities
<p>Tier 1 – Priority and Foundational Activities</p>	<p>A. Core Preferred Activities</p> <ul style="list-style-type: none"> • Projects registered with the Board of Investments (BOI) • Export-oriented manufacturing and services • Activities supporting export producers • Agricultural production, fisheries, and agro-processing • Strategic infrastructure development • Healthcare services and disaster risk management • Mass housing initiatives • Infrastructure and logistics support services • Industrial drivers, including inclusive business models • Environmentally sustainable and climate-resilient projects <p>B. Export-Oriented Manufacturing</p> <ul style="list-style-type: none"> • Production and manufacturing of export goods <p>C. Special Laws and Priority Sectors</p> <ul style="list-style-type: none"> • Industrial tree plantations • Creative industries (as defined under applicable laws) • Public–private partnership (PPP) projects • Shipbuilding and ship repair • Refining, storage, and distribution of petroleum products • Rehabilitation and redevelopment of existing projects • Renewable energy developments • Tourism-related projects • Energy efficiency and conservation initiatives <p>D. Bangsamoro Autonomous Region in Muslim Mindanao (BARMM)</p> <ul style="list-style-type: none"> • Export activities • Agribusiness, agriculture, and fisheries • Basic infrastructure and support services • Industrial and manufacturing services • Engineering and logistics services • Information technology and IT-enabled services (IT–BPM) • Tourism-related enterprises • Healthcare and medical services • Halal industry development • Renewable and alternative energy
<p>Tier 2 – Strategic and Sustainable Development Activities</p>	<ul style="list-style-type: none"> • Green and climate-resilient initiatives • Health-related and medical support services • Projects that enhance food security and agricultural resilience • Activities addressing critical gaps in domestic and regional value chains

Tier 3 – Innovation-Driven and Technology-Focused Activities	<ul style="list-style-type: none"> • Research and development–intensive projects • High-value and advanced technology investments • Establishment of innovation hubs and research support facilities
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The world of being a Registered Business Enterprise (RBE)

Registered Business Enterprises (RBEs) are entities that undertake projects approved and registered with an Investment Promotion Agency (IPA) or the Fiscal Incentives Review Board (FIRB), making them eligible for tax incentives under the CREATE MORE framework. RBEs are classified into three categories, as described below:

RBE	Description
1. Registered Export Enterprise (REE)	<ul style="list-style-type: none"> • Entities whose revenues are predominantly derived from export sales or services rendered to foreign markets. • Must meet threshold $\geq 70\%$ export sales • <u>Tax Incentives:</u> <ol style="list-style-type: none"> 1. Income Tax Holiday (ITH) 2. Special Corporate Income Tax (SCIT) in lieu of national and local taxes, or Enhanced Deductions (ED), at the enterprise’s option 3. VAT zero-rating on local purchases directly attributable in registered activities 4. Duty exemption on importation of capital equipment, raw materials, spare parts, and accessories
2. Domestic Market Enterprise (DME)	<ul style="list-style-type: none"> • Entities that primarily supplies goods or services to the Philippine market • <u>Tax Incentives:</u> <ol style="list-style-type: none"> 1. Income Tax Holiday (ITH) 2. Enhanced Deductions (ED) 3. Duty exemption on importation of capital equipment, raw materials, spare parts, and accessories
3. High Value Domestic Market Enterprise (HVDME)	<ul style="list-style-type: none"> • Enterprise that qualifies as “high value” based on substantial capital investment, advanced technology, innovation, or significant employment generation. • A DME with: <ul style="list-style-type: none"> • At least ₱15 billion investment; and • Significant export sales (\geq\$100 million); or • An “Import-substituting” industry • <u>Tax Incentives:</u> <ol style="list-style-type: none"> 1. Income Tax Holiday (ITH) 2. Special Corporate Income Tax (SCIT) in lieu of national and local taxes, or Enhanced Deductions (ED), at the enterprise’s option 3. VAT zero-rating on local purchases directly attributable to registered activities 4. Duty exemption on importation of capital equipment, raw materials, spare parts, and accessories

Tax incentives and its duration differ according to what kind of RBE their businesses fall under.



A. IPA-approved Incentives

Enterprise Type	Income Tax Holiday (ITH)	Post-ITH Incentive
REE	4 to 7 years	SCIT or ED for up to 10 years
DME	4 to 7 years	ED for up to 10 years
REE (extended option)	-	SCIT or ED for 14 to 17 years
DME (extended option)	-	ED for 14 to 17 years

B. FIRB-approved Incentives

Enterprise Type	Income Tax Holiday (ITH)	Post-ITH Incentive
REE	4 to 7 years	SCIT or ED for up to 20 years
DME/HVDME	4 to 7 years	ED for up to 20 years
REE (extended option)	-	SCIT or ED for 24 to 27 years
DME/HVDME (extended option)	-	ED for 24 to 27 years

The benefits of an RBE

1. **Income Tax Holiday (ITH)** - A time-bound incentive granting complete relief from corporate income tax on revenues generated by the registered project. Throughout the ITH period, the RBE is not subject to corporate income tax on income arising from the registered activity. In addition, the Implementing Rules and Regulations (IRR) of the CREATE MORE Act expressly provide that income payments related to such registered activities are not subject to withholding tax during the ITH availment. [2]
2. **Special Corporate Income Tax (SCIT)** - Available exclusively to REEs and HVDMEs under the prevailing rules, SCIT imposes a **5% final tax** on Gross Income. This tax is levied in place of all national and local taxes, effectively substituting for the regular corporate income tax, local business taxes, import duties, VAT, and other taxes **related to the registered activity**. [2]

If a special law already defines the sharing of the 5% tax, that allocation applies. Otherwise, the IRR provides a **standard split of 3% to the National Government and 2% to the host city or municipality**, ensuring LGUs continue to receive revenue from ecozone enterprises.

3. **Enhanced Deductions Regime (EDR)** - As an alternative to the SCIT, the Enhanced Deductions Regime (EDR) allows an RBE to claim additional tax deductions beyond those ordinarily permitted under Section 34 of the NIRC. Under RA 12066, EDR is compulsory for Domestic Market Enterprises (DMEs), as they are not eligible for the 5% tax on Gross Income Earned, while it remains optional for Registered Export Enterprises (REEs). [2]

The IRR further specifies the types of enhanced deductions that may be claimed, including the following:

Particulars	Enhanced Deduction
<ul style="list-style-type: none"> • Additional Depreciation 	<ul style="list-style-type: none"> • +10% Depreciation Expense (Buildings) • +20% Depreciation Expense (Machinery & Equipment – used in production)
<ul style="list-style-type: none"> • Additional Labour Deduction 	<ul style="list-style-type: none"> • +50% Direct Labour Expense for direct local employment
<ul style="list-style-type: none"> • R&D Expense 	<ul style="list-style-type: none"> • +100% for qualifying R&D Expense* <p><i>* Qualifying R&D must be directly related to the registered activity and done in the Philippines</i></p>
<ul style="list-style-type: none"> • Training Expense 	<ul style="list-style-type: none"> • +100% deduction for training programs for Filipino employees directly involved in the project.
<ul style="list-style-type: none"> • Domestic Input Expense 	<ul style="list-style-type: none"> • + 50% of domestic inputs that are directly related to and actually used in the project
<ul style="list-style-type: none"> • Power Expense 	<ul style="list-style-type: none"> • +100% deduction of power cost incurred by the project
<ul style="list-style-type: none"> • Reinvestment Allowance 	<ul style="list-style-type: none"> • + 50% of the reinvested amount (to a new or expanding projects listed in the SIPP) of both manufacturing and tourism RBEs (previously manufacturing RBEs only) <p><i>*only up to 31 December 2034</i></p>
<ul style="list-style-type: none"> • Export Promotion Deduction 	<ul style="list-style-type: none"> • +50% on expenses for exhibitions, trade fairs, and missions abroad to promote export of goods or services
<ul style="list-style-type: none"> • NOLCO 	<ul style="list-style-type: none"> • 5-year carry-over following the last year of ITH entitlement

4. **Customs Duty Exemption on Importation** - Registered projects enjoy an exemption from customs duties on the importation of capital equipment, raw materials, spare parts, and accessories that are directly used in their registered activities. This incentive is subject to two main conditions: [2]

- The imported items must be directly related to the registered project, including administrative assets such as office equipment, which the IRR expressly recognizes as eligible.
- The goods must not be readily available in the local market in terms of adequate quantity, comparable quality, and reasonable price, thereby preventing the duty-free importation of items that can otherwise be sourced from local suppliers.

5. **VAT Exemption and Zero-Rating on Purchases**

VAT exemption on importations and VAT zero-rating on local purchases are granted only for goods and services that are directly related to the registered projects of REEs and HVDMEs. In practical terms, eligible enterprises may import inputs without VAT and procure goods or services locally at a zero VAT rate, provided these are used in their registered activities, including incidental expenses. [2]

Seller	Buyer	VAT-Treatment
Non-RBE (Local)	REE/HVDME	0% VAT
Non-RBE (Local)	DME	12% VAT*

Seller	Buyer	VAT-Treatment
		<i>*unless specifically exempt or zero-rated by other provisions</i>
RBE	REE/HVDME	0% VAT (on sale/transfer of tax-exempt imported equipment)
RBE	DME/NON-RBE	12% VAT (on sale/transfer of tax-exempt imported equipment)

6. VAT Refund (as narrated in RR 10-2025 and RMC 37-2025) [3][4]

Particulars	Enhanced Deduction
<ul style="list-style-type: none"> Who may claim? 	<ul style="list-style-type: none"> Registered Export Enterprises (REEs); and Registered Business Enterprises (RBEs) engaged in VAT zero-rated or effectively zero-rated transactions, provided that the input VAT is directly attributable to the registered project or activity.
<ul style="list-style-type: none"> Refundable Input VAT 	<ul style="list-style-type: none"> Input VAT arising from VAT zero-rated sales; or Input VAT on purchases directly attributable to the registered activity. <p><i>*Input VAT related to non-registered or domestic taxable activities is not refundable.</i></p>
<ul style="list-style-type: none"> Attribution and Allocation Requirement 	<ul style="list-style-type: none"> Input VAT must be clearly traceable to the registered project; or If not directly traceable, it must be reasonably allocated based on a prescribed allocation method
<ul style="list-style-type: none"> Prescriptive Period 	<ul style="list-style-type: none"> <u>Within two (2) years</u> from the close of the taxable quarter when the zero-rated sales were made.
<ul style="list-style-type: none"> Decision Period on Application for Refund 	<ul style="list-style-type: none"> <u>90 days</u> from the submission of documents

Do more with CREATE MORE

The CREATE MORE Act strengthens the Philippines' position as an investment destination by refining and expanding the incentive framework introduced under CREATE. By offering performance-based, transparent, and globally competitive tax incentives, CREATE MORE aligns the country's fiscal regime with regional peers while ensuring that incentives translate into real economic value. [1][2][3]

- **Lower effective tax burden** through ITH, SCIT, or Enhanced Deductions, making the Philippines competitive with other ASEAN economies.
- **Flexible incentive choices** allow investors to select the regime that best fits their business and cost structure.
- **Targeted support for exports, technology, and high-value projects**, encouraging capital inflows and innovation.
- **Cash flow benefits from VAT and customs incentives**, reducing startup and expansion costs.
- **Clear, rules-based framework** that provides predictability, boosts investor confidence, and ensures incentives drive real economic impact.

DTI-EMB pa (w/ CREATE) MORE

RMC No. 32-2025 adopts and implements Joint Administrative Order No. 002-2025, which provides the operational guidelines for availing tax incentives under the CREATE MORE Act (RA 12066) for export-oriented enterprises (EOEs). The Circular designates the Department of Trade and Industry – Export Marketing Bureau (DTI-EMB) as the authority responsible for certifying whether an enterprise meets the statutory requirement of exporting at least 70% of its total output. This certification serves as the primary basis for an EOE’s entitlement to VAT zero-rating on local purchases and VAT exemption on importations directly attributable to export activities. [5]

Under the Circular, EOEs must present their DTI-EMB certification to local suppliers to support zero-rated VAT transactions and to the Bureau of Customs to avail of VAT-exempt importations. The BIR, in turn, is directed to uniformly recognize and rely on the DTI-EMB certification in evaluating compliance and validating incentive claims, subject to post-audit verification.

The CREATE MORE law expanded the VAT incentives for EOEs through the new registration procedures, wherein EOEs are no longer required to engage in registrable activities to qualify for registration. Meeting the 70% export requirement alone is sufficient, providing relief to entities in the export industry whose activities are not listed in the SIPP. The guidelines streamline the process for EOEs and clarify the criteria for VAT registration, ensuring a more inclusive and accessible framework for export enterprises.

Overall, RMC No. 32-2025 clarifies documentary requirements, reinforces inter-agency coordination, and establishes a standardized compliance framework to ensure the proper and consistent implementation of CREATE MORE tax incentives for export enterprises. [5]

Conclusion

The 2022 Strategic Investment Priority Plan (SIPP), viewed alongside CREATE MORE, sets the foundation for a more deliberate and investor-focused policy environment as the country moves toward 2026. By clearly defining priority sectors and pairing them with competitive, performance-based incentives, the framework offers both direction and flexibility for long-term investments. As CREATE MORE translates these priorities into tangible tax and non-tax benefits, it invites investors to consider not just where incentives exist today, but how aligning with nationally strategic industries could shape sustainable returns in the years ahead—raising the question of which investments made now will be best positioned to grow with the Philippine economy.

Setting up a business

I. Business Structures in the Philippines

Philippine law recognizes several forms of business organizations, each with varying legal implications, compliance requirements, and suitability depending on scale, ownership composition, and risk appetite.

Feature	Sole Proprietorship	Partnership	Corporation
Legal Personality	None (same as owner)	Separate (limited)	Separate juridical entity
Owners	1 individual	2 or more persons	1 or more shareholders
Liability	Unlimited	Unlimited (general partners)	Limited to capital
Governing Law	Civil Code	Civil Code	Revised Corporation Code
Registration Agency	DTI	SEC	SEC
Suitability	Small local businesses	SMEs, professional firms	Medium to large, foreign investors
Foreign Ownership	Generally not allowed	Subject to FIA	Subject to FIA & FINL

A. Sole Proprietorship

A sole proprietorship is a business owned and operated by a single individual. It is simple and inexpensive to set up through the Department of Trade and Industry (DTI) but does not provide a separate legal personality, the owner and business are legally one and the same.

Eligibility & Ownership

- Only Filipino citizens may own sole proprietorships. Foreign nationals generally cannot establish a sole proprietorship unless structured through special circumstances (e.g., Filipino spouse) and compliant with nationality law.

Key Features

- Low start-up cost and minimal legal formalities.
- Unlimited personal liability — the owner is personally liable for all obligations.
- No separate juridical existence.

Registration Requirements

- Business name registration with the DTI.
- Barangay clearance and Mayor's/Business Permit from the local government unit.
- Registration with the Bureau of Internal Revenue (BIR) for a Tax Identification Number (TIN) and official receipts.
- Social security registrations (SSS, PhilHealth, Pag-IBIG) if employees are hired.

B. Partnership

A partnership involves two or more persons who agree to contribute resources to a common business. The key forms are general partnerships and limited partnerships. ¹

Key Characteristics

- Partnerships have juridical personality separate from partners.
- General partners have unlimited liability; limited partners are liable only to their pledged capital.
- For equity rules, a domestic partnership must comply with nationality limitations in certain sectors.

Foreign Ownership

- Foreign participation in partnerships is regulated through the Foreign Investment Negative List (FINL) — if the activity is restricted, Filipino majority is required.

Registration & Compliance

- Must register with the Securities and Exchange Commission (SEC).
- Standard business permits and BIR compliance similar to corporations.

C. Corporation

A corporation is a legal person separate from its shareholders, offering limited liability and better access to capital, making it the most common structure for medium and large businesses, including foreign investments.

Types

- **Domestic Corporation** - majority Filipino ownership where required by law.
- **One Person Corporation (OPC)** - allows a single shareholder with limited liability. Foreigners may form OPCs in unrestricted activities subject to applicable laws.
- **Foreign-Owned Corporation / Subsidiary** - a domestic Philippine corporation with foreign equity.

Registration Requirements

- Register with the Securities and Exchange Commission (SEC), including:
- Articles of Incorporation
- Corporate bylaws
- Treasurer's affidavit
- Name reservation
- Board of directors' and officers' information

Document Filing & Compliance

- General Information Sheet (GIS) with biographical data of officers and shareholders.
- Audited financial statements stamped by BIR.
- Quarterly and annual tax filings.
- Business permits, social security registrations, and other regulatory reports.

II. Foreign Investment Laws

Foreign investment in the Philippines is principally governed by the Foreign Investments Act (FIA) (R.A. 7042), as amended by R.A. 11647 (2022), which liberalizes many investment provisions while preserving certain restrictions to protect national interests.

A. Foreign Investments Act (FIA)

General Rule

- Non-Philippine nationals may invest in a domestic enterprise up to 100% equity unless restricted by the Foreign Investment Negative List (FINL) or other laws.

Key Provisions

- Foreign investors can register business entities via the SEC (corporations, partnerships) or DTI (sole proprietorships where applicable). Registration enables legal participation and capital repatriation.
- For export enterprises, foreign ownership may be 100%, and the enterprise must monitor export ratios to maintain such status.⁵

B. Foreign Investment Negative List (FINL)

The FINL outlines specific industries where foreign ownership is restricted or prohibited. Restrictions stem from the Constitution, statutory law, or regulatory policy. The list is dynamic and updated periodically.

Sample Restrictions

- Mass media — 100% Filipino ownership required.
- Public utilities and land ownership are constitutionally restricted, usually capped at 40% foreign equity.
- Many defense-related and security-sensitive industries are capped or restricted.

III. Capital Requirements & Entity Options for Foreigners

Different types of business setups have specific capital and structural requirements:

A. Minimum Capital Rules

Entity Type	Capital Requirement
Foreign-majority stock corporation (domestic market)	USD 200,000 minimum paid-up (may reduce to USD 100,000 if advanced tech or employing ≥50 Filipinos)
Export-oriented enterprise	No specific minimum under FIA
Retail trade	PHP 25 million (≈ USD 450,000) for 100% foreign ownership
Branch office	USD 200,000 inward remittance
Representative office	USD 30,000 initial remittance

B. Foreign Business Structures

- Foreign-Owned Domestic Corporation - Most common for full business operations.
- Branch Office - Foreign company branch that can conduct business with specific licensing and resident agent requirements.
- Representative Office - Non-income-generating office for promotional purposes only.
- Regional Headquarters (RHQ) & Regional Operating Headquarters (ROHQ) - Support and administrative centres for multinational companies.²

IV. Regulatory Licensing & Permit Framework

Starting and operating a business in the Philippines requires compliance with a series of national and local registrations.

A. Mandatory Registrations

Stage	Agency	Purpose
Business entity	SEC / DTI	Legal registration
Tax & compliance	BIR	Tax identification, receipts, and VAT/PIT compliance
Local permits	LGU (Barangay & Mayor's)	Permit to operate locally
Social security	SSS, PhilHealth, Pag-IBIG	Employee benefits and contributions
Incentives (optional)	BOI / PEZA / other IPAs	Investment incentives registration
Foreign investment	BSP (optional but recommended)	FX registration for capital repatriation

B. Industry-Specific Regulatory Bodies

- Bangko Sentral ng Pilipinas (BSP) — Financial institutions and currency repatriation records.
- Insurance Commission — Insurance companies.
- National Telecommunications Commission (NTC) — Telecom and broadcasting sectors.
- Food and Drug Administration (FDA) — Food, drugs, and cosmetics.
- Bureau of Customs (BOC) — Import/export compliance.
- Ecozone Authorities (PEZA, SBMA, CDC) — Special incentives and regulatory zones.

Labour

Labour Force Participation Rate (LFPR)

As of the latest reports released in early January 2026, the **Labour Force Participation Rate (LFPR)** stood at **64.0%** for November 2025. This represents a recovery from the 63.6% recorded in October, although it remains slightly below the 64.6% seen in late 2024.

- The labour force has expanded to approximately **51.52 million** Filipinos.
- The rise in participation suggests a return of workers to the market following the peak of the typhoon season. However, the year-on-year dip indicates that a portion of the population remains outside the labour force due to upskilling initiatives or domestic responsibilities.

Unemployment and Underemployment Dynamics

The national **unemployment rate dropped to 4.4%** in November 2025, down from 5.0% in October. While this is an improvement in the short term, it is a significant increase from the 3.2% the historically low unemployment level observed in late 2024, reflecting a cooling of the rapid post-pandemic hiring boom.

- A highlight for 2026 is the decline in underemployment to **10.4%**, the lowest in nine months. This suggests that while fewer people are employed overall, those with jobs are increasingly finding "fuller" employment with better hours and compensation.

Sectoral Shifts and Climate Impact

The labour market in 2026 is heavily influenced by "Climate Resiliency." In late 2025, typhoons **Tino and Uwan** significantly disrupted the agriculture and hospitality sectors, displacing over 873,000 workers.

- **Employment gains by Sectors:**
 - Public administration and defense; compulsory social security (185 thousand);
 - Education (176 thousand);
 - Administrative and support service activities (99 thousand);
 - Construction (86 thousand); and
 - Information and communication (82 thousand).
- **Employment Contraction:**
 - Accommodation and food service activities (-309 thousand);
 - Wholesale and retail trade; repair of motor vehicles and motorcycles (-258 thousand);
 - Other service activities (-250 thousand);
 - Manufacturing (-150 thousand); and
 - Fishing and aquaculture (-56 thousand).

These shifts highlight increasing demand for public services, infrastructure, and knowledge-based sectors, while climate-sensitive industries continue to face volatility.

Taxation

Taxation and Amendments

In 2025, the Philippine taxation landscape experienced material regulatory developments through the issuance of revenue regulations, circulars, and administrative issuances that refined statutory thresholds, expanded or narrowed the scope of certain tax rules, and clarified long-standing interpretative issues under the National Internal Revenue Code (NIRC), as amended. These developments included, among others, amendments to the rules on de minimis benefits—updating allowable ceilings and classifications of non-taxable employee benefits; further clarification on what constitutes “ordinary and necessary expenses” for income tax deductibility, emphasizing substantiation, business purpose, and direct connection to trade or business; and the temporary suspension of BIR tax audits, which provided administrative relief to taxpayers while the Bureau undertook internal reforms and policy recalibration. In addition, guidance was issued on value-added tax (VAT) zero-rating, VAT exemptions, refund mechanisms, and incentive-related transactions, particularly in connection with reforms introduced under the CREATE MORE Act.

This 2026 Doing Business Guide presents a structured overview of these notable tax updates, with the objective of assisting businesses, investors, and tax practitioners in understanding their compliance obligations and planning considerations within the evolving Philippine tax environment.

De Minimis Benefits Update: Key Changes under Revenue Regulations (RR) No. 29-2025

Revenue Regulations (RR) No. 29-2025 was issued by the Bureau of Internal Revenue and published in its official website on December 22, 2025 and to shall take effect on **January 6, 2026**. This issuance aims to update the thresholds for de minimis benefits and certain employee allowances in light of rising costs and current labour conditions. The regulation amends existing rules to preserve the tax-exempt treatment of qualified benefits while aligning allowable amounts with present economic realities, providing clearer guidance for employers in structuring compliant compensation packages.

De Minimis Benefit	UPDATED Limit	Previous Limit (as amended by RR 04-2025)
Uniform and Clothing Allowance	P8,000 per year	P7,000 per year <i>(as amended in RR 04-2025)</i>
Employee achievement awards	P12,000 per year <i>(in any form whether in cash, gift certificate or any tangible personal property)</i>	P10,000 per year <i>(in any form whether in cash, gift certificate or any tangible personal property as amended in RR 04-2025)</i>
Monetized unused <u>VACATION</u> leaves of <u>PRIVATE</u> employees	12 monetized unused VLs	10 monetized unused VLs
Medical Cash Allowance to Dependents of employees	P2,000 per semester	P1,500 per semester
Rice Subsidy	P2,500 per month	P2,000 per month
Laundry Allowance	P400 per month	P300 per month

Actual Medical Assistance to employees	P12,000 per year	P10,000 per year
Christmas and Major Anniversary Gifts	P6,000 per year	P5,000 per year
Daily Meal Allowance for OT and Night Shift	<u>30%</u> of basic minimum wage on a per region basis	<u>25%</u> of basic minimum wage on a per region basis
CBA-based benefits and productivity incentive schemes	P12,000 per year (per employee)	P10,000 per year (per employee)

For context, the increase in the de minimis threshold broadens the range and value of employee benefits that may be excluded from gross compensation income, thereby reducing the taxable compensation base of covered employees. The table below presents an estimate of the potential tax savings attributable to this amendment for Filipino individual taxpayers classified as employees in the Philippines:

De Minimis Benefit	Per Year	Per Month
Uniform and Clothing Allowance	P8,000	P666.67
Employee achievement awards	P12,000 (per employee)	P1,000 (per employee)
Monetized unused <u>VACATION</u> leaves of <u>PRIVATE</u> employees	<i>*Depending on the daily rate of the employee</i>	<i>*Depending on the daily rate of the employee</i>
Medical Cash Allowance to Dependents of employees	P4,000	P333.33
Rice Subsidy	P30,000	P2,500
Laundry Allowance	P4,800	P400
Actual Medical Assistance to employees	P12,000	P1,000
Christmas and Major Anniversary Gifts	P6,000	P500
Daily Meal Allowance for OT and Night Shift	<u>30%</u> of basic minimum wage on a per region basis* <i>*Depending on the basic minimum wage on the region where the employee is employed</i>	<u>25%</u> of basic minimum wage on a per region basis* <i>*Depending on the basic minimum wage on the region where the employee is employed</i>
CBA-based benefits and productivity incentive schemes	P12,000 (per employee)	P1,000 (per employee)
Subtotal	P88,800* <i>*(excluding Daily Meal Allowance for OT & Night Shift and Monetized unused VACATION leaves of PRIVATE employees)</i>	P7,400* <i>*(excluding Daily Meal Allowance for OT & Night Shift and Monetized unused VACATION leaves of PRIVATE employees)</i>

Modernizing Taxation in the Digital Economy: The Philippine VAT on Digital Services

The **Value-Added Tax (VAT) on Digital Service Providers (DSPs)**, as introduced under **Republic Act No. 12023** amending the National Internal Revenue Code (NIRC), imposes a 12% VAT on the sale or exchange of services, specifically including digital services supplied through the internet or other electronic networks where delivery is essentially automated. [1]

The law applies to **both resident and non-resident DSPs, whether individuals or juridical entities**, and adopts a **destination-based principle**, whereby digital services provided by non-resident DSPs are deemed performed or rendered in the Philippines if such services are consumed within the country. By expressly including digital services within the VAT base and clarifying the tax treatment of cross-border digital transactions, RA No. 12023 aims to level the playing field between local and foreign service providers, strengthen tax equity, and modernize the Philippine tax system in response to the digital economy. [2]

The VAT on Digital Service Providers establishes clear rules on the filing, collection, and liability of VAT based on the nature of the transaction—whether business-to-business (B2B) or business-to-consumer (B2C)—and the tax residency status of the service provider, whether resident or non-resident. It delineates the party responsible for VAT compliance in each scenario, including cases involving withholding, reverse charge, or direct remittance, to ensure proper tax administration across digital transactions. For ease of reference, a summary table is provided to consolidate and illustrate the applicable VAT treatment and corresponding compliance obligations under each classification. [2]

SUMMARY	RESIDENT DSP	VAT-REGISTERED Non-Resident DSP	UNREGISTERED Non-Resident DSP
B2B	File and Pay VAT through BIR 2550Q ** **Deadline: 25th day of the month ff following the end of taxable quarter	Resident Buyer must E-File and withhold (and remit) 12% VAT through BIR Form 1600-VT *. *Deadline: 10th day ff end of month the withholding was made	
B2C		NRDSP seller must E-File and withhold (and remit) 12% VAT through BIR Form 2550-DS **. **Deadline: 25th day of the month ff the end of taxable quarter No Provision (since NRDSPs are required to register)	

Unlocking Capital Market Reform: The Capital Markets Efficiency Promotion Act (CMEPA)

The Philippine government has ushered in a new phase of investment and tax reform with the enactment of Republic Act No. 12214, otherwise known as the **Capital Markets Efficiency Promotion Act (CMEPA)**, which was signed into law on May 29, 2025 and took effect on **July 1, 2025**. Designed to **modernize, streamline, and harmonize the taxation of capital income, financial instruments, and investment activities**, CMEPA forms a critical pillar of the government’s broader fiscal reform agenda. By replacing fragmented and inconsistent tax treatments with a more uniform and predictable framework, the law aims to enhance fairness, improve market efficiency, and encourage greater participation from both domestic and foreign investors in the Philippine capital markets. [1]

Presented below is a consolidated summary of the key reforms and amendments introduced under the Capital Markets Efficiency Promotion Act (CMEPA), highlighting the significant changes to the taxation of capital income, financial instruments, and investment-related transactions. [2]

Particulars	AFTER CMEPA	BEFORE CMEPA
Stock Transaction Tax (STT)	<ul style="list-style-type: none"> • Rate: 10% of 1% of gross selling price or gross value in money of the shares • Added Coverage of STT: <ol style="list-style-type: none"> 1. Other securities listed and traded in a stock exchange; 2. Shares of stock of a domestic corporation listed and traded through a foreign stock exchange 	<ul style="list-style-type: none"> • Rate: 60% of 1% of gross selling price or gross value in money of the shares • Added Coverage were previously subject to regular corporate income tax
Capital Gains Tax (15%)	<ul style="list-style-type: none"> • Now includes sale of shares of stocks of foreign corporation not traded in local or foreign exchange at 15% of net capital gains realized. 	<ul style="list-style-type: none"> • Previously subject to regular income tax.
Documentary Stamp Tax (DST)	<ul style="list-style-type: none"> • DST Rate of 75% of 1% to be imposed on the ff: <ol style="list-style-type: none"> 1. Original issuance of shares on the par value or actual consideration for no-par shares. 2. Bonds, debentures, certificates of stocks or indebtedness issued in a foreign country on the value of the transaction. 3. Debt instruments on the issue price. • Only a single documentary stamp tax (DST) shall apply to a loan transaction, covering the loan agreement and all related instruments executed to secure the same obligation, including promissory notes, mortgages, security interests over personal property, and similar contracts. • In addition, DST shall not be imposed on the original issuance, redemption, or other disposition of shares in a mutual fund company, as well as on the issuance of certificates or other evidences of participation in a mutual fund or a Unit Investment Trust Fund (UITF). 	<ul style="list-style-type: none"> • DST Rates imposed on the ff: <ol style="list-style-type: none"> 1. P2.00 / P200 - Original issuance of shares on the par value or actual consideration for no-par shares. 2. Same tax rate on similar instruments - Bonds, debentures, certificates of stocks or indebtedness issued in a foreign country on the value of the transaction. 3. P1.50 / P200 of issue price - Debt instruments on the issue price.
Royalty Income	<ul style="list-style-type: none"> • 20% final withholding tax on all royalties classified as passive income 	<ul style="list-style-type: none"> • 10% final withholding tax on royalties earned from books, literary works, and musical compositions
Foreign Currency Deposit Interest Income (under e-FCDU)	<ul style="list-style-type: none"> • 20% final withholding tax for individuals and corporations (except non-residents) earning interest income under e-FCDU banks 	<ul style="list-style-type: none"> • 15% final withholding tax for individuals and corporations (except non-residents) earning interest income under e-FCDU banks
Final Withholding Tax on Interest on Deposits of Individuals and Corporations, except non-residents, with maturity of <u>≥ 5 years</u>	<ul style="list-style-type: none"> • 20% final withholding tax 	<ul style="list-style-type: none"> • Exempt

Allowable Deductions for Employer's Contribution to Personal Equity and Retirement Account (PERA) of Employees	<ul style="list-style-type: none"> • 50% ADDITIONAL allowable deduction based on employer's actual contributions to PERA up to a maximum of 100k, subject to limits under RA 9505 	<ul style="list-style-type: none"> • No additional allowable deduction
Clarification on Deposit Substitutes	<ul style="list-style-type: none"> • Deposit substitutes shall not include reverse repurchase agreements entered into between the Bangko Sentral ng Pilipinas (BSP) and its authorized agent banks, as well as certificates of assignment or participation and other similar instruments with recourse. 	
Clarification on Passive Income	<ul style="list-style-type: none"> • Passive income refers to income generated from sources that do not require the taxpayer's active participation in the operation of a trade or business and that are not subject to value-added tax (VAT). 	

Revenue Regulations No. 11-2025 – Structured E-Invoicing & Electronic Sales Reporting Requirements

Revenue Regulations (RR) No. 11-2025 was issued to implement Sections 237 and 237-A of the National Internal Revenue Code, as amended by the CREATE MORE Act, by establishing a mandatory system of electronic invoicing in structured data format and electronic sales reporting. Its purpose is to strengthen tax administration by enhancing transparency, improving audit efficiency, standardizing invoicing practices, and reducing tax leakages through real-time or near real-time submission of transactional data to the Bureau of Internal Revenue. Ultimately, RR No. 11-2025 forms part of the government's broader digitalization initiative to modernize tax compliance and align Philippine tax enforcement with global best practices. Ultimately, RR No. 11-2025 forms part of the government's broader digitalization initiative to modernize tax compliance and align Philippine tax enforcement with global best practices. [1] Subsequently, RR No. 26-2025, which took effect immediately upon its posting on the BIR website on 16 October 2025, extended the compliance deadline to 31 December 2026. [2]

Mandatory Electronic Invoicing System (EIS) (Sec 3 [A])

- **Who are required to issue electronic invoice?**
 1. Large Taxpayers
 2. E-commerce businesses
 3. Taxpayers using Computerized Accounting System (CAS) and Computerized Books of Accounts (CBA)

Electronic Sales Reporting System (ESRS) Requirements (Sec 3 [B])

- **Who are required to submit?**
 1. Large Taxpayers
 2. E-commerce businesses classified as Small, Medium and Large Taxpayers
 3. Taxpayers using CAS, CBA with electronic invoicing and other invoicing software
 4. Exporters of goods and services
 5. Registered Business Enterprises
 6. Taxpayers using POS Systems

Additional Allowable Deductions for Taxpayers Complying for both EIS and ESRS (Sec 3 [D])

- **BIR offers enhanced deductions for taxpayers who voluntarily complied with the EIS and ESRS be granted certain percentage of the total cost for setting up an electronic sales reporting system.**

<u>Taxpayer Classification</u>	<u>Allowed Additional Deductions from Taxable Income</u>
1. Micro and Small Taxpayers	100% of the total cost for setting up E-Sales Reporting System
2. Medium and Large Taxpayers	50% of the total cost for setting up E-Sales Reporting System

Exemption to Mandatory Requirements to Issue and E-Invoice (Sec. 4)

- **Micro** Taxpayers are exempted from the mandatory requirement of issuance of e-invoicing but are mandated to register **manual invoice**. However, they are not precluded from voluntarily registering and using e-invoices.

Key Takeaway

RR No. 11-2025 underscores the BIR’s shift toward **mandatory electronic invoicing (e-invoicing)** as a core compliance tool, reinforcing the **Electronic Official Receipts and Invoices Compliance (EOPT) System** as the platform for real-time or near-real-time transaction reporting, validation, and audit trail creation. By requiring covered taxpayers—including digital and large-scale transaction participants—to issue and transmit invoices electronically, the regulation reduces manual intervention, curbs under-declaration, and enhances data matching across VAT, income tax, and withholding taxes. When aligned with EOPT, e-invoicing promotes **greater transparency, faster audit resolution, reduced compliance costs, and more predictable tax administration**, benefiting not only the BIR through improved revenue assurance but also taxpayers through standardized documentation, fewer disputes, and a clearer, technology-driven compliance framework.

RMC No. 81-2025: Clarifying the Obvious or Redefining the Boundaries of “Ordinary and Necessary” Business Expenses?

Over time, the concept of what constitutes ordinary and necessary business expenses has been defined through a combination of statutory provisions under the Tax Code and a substantial body of jurisprudence. In an effort to reinforce uniform application, the BIR issued Revenue Memorandum Circular (RMC) No. 81-2025, restating the established criteria for deductibility.

This development, however, invites broader reflection: does the issuance of such a circular genuinely enhance clarity and consistency, or might it inadvertently create new areas of uncertainty and additional compliance considerations that could complicate, rather than streamline, tax administration?

Entitlement to Deduction

Under Section 34 of the Tax Code, only the following are entitled to claim deductions from gross income for income tax purposes.

1. Individuals who are citizens or resident aliens under Section 24(A) of the Tax Code;
2. Non-resident aliens engaged in trade or business in the Philippines under Section 25(A) of the Tax Code;
3. Members of general professional partnerships under Section 26 of the Tax Code;
4. Domestic corporations under Section 27(A) of the Tax Code;
5. Proprietary educational institutions and hospitals under Section 27(B) of the Tax Code;
6. Government-owned and controlled corporations (GOCCs) under Section 27(C) of the Tax Code; and
7. Resident foreign corporations under Section 28(A)(1) of the Tax Code.

Deductibility Criteria

a. The expense must be ordinary and necessary.

To be deductible, a business expense must be normal in the taxpayer's line of business and must contribute to or support the operation of the business.

b. The expense must be paid or incurred within the taxable year.

Deductible business expenses must be those that are paid or incurred during the same taxable year in which the related income is realized.

c. The expense must have been paid or incurred in carrying on or which are directly attributable to the development, management, operation and/or conduct of the trade, business, or exercise of profession.

There must be a clear and demonstrable connection between the expense claimed and the taxpayer's business activities.

d. The expense must be supported by invoices, records or other pertinent papers.

Proper documentation and substantiation must support all claimed deductible business expenses.

Take Note: As a fundamental rule in taxation, tax exemptions are construed *strictissimi juris* against the taxpayer and in favor of the taxing authority. Any claimed exemption must be clearly and expressly granted by law, as exemptions cannot rest on vague or implied provisions. Since income tax deductions partake of the nature of tax exemptions, they are likewise subject to strict construction.

What is Ordinary and Necessary?

a. Ordinary Expenses

- Normal, usual, and customary in the context of the normal conduct of business of taxpayer.
- It does not necessarily mean it must be recurring, but it points out that it must not be extraordinary on the context of usual conduct of business of the industry where a taxpayer belongs.

Take Note: Not all ordinary expenses are automatically deductible. An expense may be disallowed if it is excessively large or disproportionate to the business (about $\geq 50\%$), even if incurred for business purposes. To be considered ordinary, an expense must be reasonable in amount and proportionate to the business operations.

Likewise, unusually large payments for services that do not reasonably reflect the value of the services rendered are not deductible. Since tax deductions are strictly construed, taxpayers must clearly justify that the expense is ordinary, necessary, reasonable, and allowed by law.

b. Necessary Expenses

- Pertains to the ones that can be directly attributed to activities of the business which help in generating positive economic and financial impact for the taxpayer.
- It also entails that it must be substantially substantiated by records and evidence in order to be necessary, otherwise, the same be disallowed for claiming deductions.

Non-Deductible Expenses

- Expenses that can be attributed to the following are disqualified for claiming of deduction:
 1. Expenses related to **tax-exempt income**;
 2. Expenses related to income subject to **final withholding tax** (e.g., interest, dividends); and
 3. Expenses improperly charged to income subject to preferential tax rates (e.g., certain incentives).

A Way Forward

Revenue Memorandum Circular RMC No. 81-2025 reaffirms fundamental principles on the deductibility of ordinary and necessary business expenses under Section 34 of the Tax Code, addressing persistent questions on proper expense classification and substantiation. While it does not introduce new rules, the Circular reinforces the doctrine that income tax

deductions, being in the nature of tax exemptions, are subject to *strictissimi juris* and must be clearly supported by law, documentation, and a direct connection to business operations.

At the same time, RMC No. 81-2025 invites taxpayers to reassess their tax practices and exercise greater care in claiming deductions. Moving forward, taxpayers must adopt a more structured and defensible approach by ensuring proper timing, segregation, and substantiation of expenses, supported by sound accounting and proactive tax planning, to sustain deduction claims under heightened scrutiny.



Accounting & Reporting

TAX FILING & REPORTING: HOW TO COMPLY WITH THE BUREAU OF INTERNAL REVENUE (BIR), AND FILING TAXES FOR BUSINESSES OPERATING IN THE PHILIPPINES

As of early 2026, the Philippine tax system has shifted toward a "Digital First" approach. The **Ease of Paying Taxes (EOPT) Act (RA 11976)** has streamlined taxpayer classifications and simplified the filing process.

Key Classifications

Taxpayers are now categorized into four groups based on gross sales, which determines the complexity of their reporting requirements:

- **Micro:** Gross sales < ₱3 Million
- **Small:** ₱3 Million to < ₱20 Million
- **Medium:** ₱20 Million to < ₱1 Billion
- **Large:** ₱1 Billion and above

Significant Changes

- **File-and-Pay Anywhere:** Businesses can now file and pay taxes manually or electronically at any Authorized Agent Bank or Revenue District Office (RDO), regardless of where they are registered, enhancing convenience and eliminating the 25% surcharge on wrong-venue filings.
- **Removal of Registration Fee:** The annual ₱500 registration fee has been abolished.
- **VAT on Gross Sales:** VAT for both goods and services is now uniformly based on **gross sales** (the amount billed) rather than "gross receipts" (the amount collected).

Core Corporate Tax Obligations

Corporate Income Tax (CIT)

- **Standard Rate:** 25% on net taxable income.
- **Small Corporations:** A reduced **20% rate** applies to domestic corporations with net taxable income not exceeding ₱5 Million and total assets (excluding land) not exceeding ₱100 Million.
- **CREATE MORE Act:** Registered Business Enterprises (RBEs) may qualify for a 20% rate or enhanced deductions, subject to registration with IPA/BOI/PEZA, to encourage foreign investment

Value-Added Tax (VAT)

- **Standard Rate:** 12%, Businesses with **annual gross sales or receipts > ₱3M** generally must be VAT-registered; those below may pay **percentage tax instead**.
- **Digital Services:** Under **RA 12023**, non-resident digital service providers (e.g., streaming, cloud services, search engines) are now fully integrated into the VAT system and must register with the BIR.
- **Invoicing:** Only a **VAT Invoice** is required for both sales of goods and services; the "VAT Official Receipt" is no longer the primary document for services. (RR No. 7 – 2024)

Withholding Taxes

- Employers and businesses act as **withholding agents**, deducting tax from compensation, professional fees, dividends, etc.
- File various returns (e.g., **1601C/E**, **2307 certificates**)

Compliance and Filing Deadlines

Businesses must use either the **Electronic Filing and Payment System (eFPS)** or **eBIRForms**, depending on their classification.

Tax Type	Form	Deadline
Annual Income Tax (CIT)	1702-RT/EX/MX	15th day of the 4th month after the close of the fiscal year (April 15 for calendar year).
Quarterly Income Tax	1702Q	Within 60 days following the close of each of the first three quarters.
Monthly Withholding (Compensation)	1601-C	10th day of the following month (eFPS deadlines vary by group).
Quarterly VAT	2550Q	Within 25 days following the close of each taxable quarter.

Electronic Invoicing & Digital Reporting

Under **Revenue Regulation No. 26-2025**, the BIR has extended the full compliance period for the **Electronic Invoicing System (EIS)**.

- **Mandatory Deadline:** By **December 31, 2026**, Large Taxpayers, E-commerce businesses, and exporters must fully transition to issuing electronic invoices.

Retention: Books of accounts must be preserved for five years (reduced from ten years under previous laws).

Regulatory Compliance & Corporate Reporting

SEC Updates: 2026 Corporate Rules & Transparency Reforms

The Securities and Exchange Commission (SEC) has introduced a series of regulatory updates in 2026 aimed at strengthening corporate governance, enhancing transparency, and modernizing reportorial compliance for businesses in the Philippines.

A critical reform is the issuance of **Memorandum Circular No. 15, Series of 2025**, which consolidates and modernizes Beneficial Ownership (BO) disclosure rules and lowers the reporting threshold to individuals owning at least **20 % of a corporation's voting rights, voting shares, or capital**. This aligns Philippine corporate governance with international standards and supports transparency and anti-money-laundering efforts. Additionally, sustainability reporting standards under **Memorandum Circular No. 16, Series of 2025** introduce phased requirements for covered Philippine companies to **adopt PFRS S1 and S2 disclosures** (for large corporations and listed entities), reflecting global sustainability reporting norms.

The SEC continues its digital transformation push with interconnected platforms — **eSECURE, eFAST, HARBOR, and updated General Information Sheet (GIS) templates** — designing a system where filings are coordinated across subsystems for faster processing and improved data quality. Recent changes also include procedural updates for corporate actions (e.g., simplified amendment processes through eAMEND) and heightened scrutiny on compliance with governance and reporting obligations.

Financial Statement (FS) Submission: New Thresholds & Filing Requirements (2026)

For 2026 compliance, the SEC's financial statement submission regime combines digital reporting with revised thresholds that ease compliance burdens for smaller enterprises while maintaining accountability.

Under **Memorandum Circular No. 9, Series of 2026**, corporations are reminded to submit Annual Financial Statements (AFS) and General Information Sheets (GIS) via the SEC's eFAST platform. **Corporations with fiscal years ending December 31 must file their AFS by May 29, 2026**. Those with non-December fiscal year-ends generally have 120 calendar days from fiscal year close to submit. Public interest entities and entities subject to SEC Form 17-A (e.g., listed companies) have specific deadlines and forms under SEC rules.

A major update is the increase in the audit threshold: stock and non-stock corporations with total assets or liabilities of **₱3 million or less are exempt from submitting audited FS**; instead, they can **file unaudited FS with a Statement of**

Management's Responsibility (SMR) signed by key officers. Compliance still requires coordination with BIR filing rules, which may independently require audited FS for tax purposes if gross sales exceed ₱3 million.

Ultimate Beneficial Owner (UBO): HARBOR System & Reporting Guide

The SEC has transitioned Ultimate Beneficial Owner (UBO) reporting to a dedicated online system called HARBOR (**Hierarchical and Applicable Relations and Beneficial Ownership Registry**), as part of its governance and transparency reforms under Memorandum Circular No. 15, Series of 2025.

Key Changes Effective in 2026:

- **New Platform:** Starting **January 30, 2026**, beneficial ownership data must be submitted and updated through HARBOR (accessible at <https://harbor.sec.gov.ph/> or via eFAST), replacing the BO section in the 2026 GIS forms.
- **Integration:** HARBOR is integrated with eFAST and requires an active eSECURE account for authorized filers.
- **Update Frequency:** Companies no longer have to re-file the same beneficial ownership declaration annually unless there are material changes (e.g., additional beneficiaries). Instead, previously submitted information must be revalidated and any changes reported within 7 calendar days of occurrence.
- **Threshold & Scope:** The reporting threshold is lowered to individuals holding at least 20 % direct or indirect ownership or control, expanding the scope and strengthening compliance obligations.

MSME Exemptions: Compliance Relief for Small Enterprises

To support micro, small, and medium enterprises (MSMEs), the SEC has introduced regulatory relief measures effective in 2026 that streamline reporting and reduce compliance costs for smaller corporations.

The most significant relief is found in **Memorandum Circular No. 4, Series of 2026**, which raises the **audit threshold for mandatory audited financial statements from ₱600,000 to ₱3 million in total assets or liabilities**. Corporations below this threshold — both stock and non-stock — are now exempt from mandatory audited FS submission. Instead, they may file certified FS accompanied by a Statement of Management's Responsibility (SMR) signed under oath by prescribed officers.

The exemption applies to standard corporate reporting and aims to lower barriers for smaller businesses by allowing them to allocate resources more effectively while still maintaining accountability. Note that certain entities with public interest obligations (e.g., listed companies, investment houses) remain subject to audit requirements despite size.

Sustainability Reporting in the Philippines: From Compliance to Strategic Advantage

In the Philippines, sustainability reporting is evolving from a "nice to have" to an essential component of long-term value creation and corporate accountability.

With the adoption of the PFRS Sustainability Disclosure Standards (PFRS S1 and S2) and the issuance of SEC Memorandum Circular No. 16, Series of 2025, sustainability and climate-related disclosures will be mandatory for publicly listed companies (PLCs) and large non-listed companies (LNLs) starting FY 2026- PLCs with market capitalization > ₱50 billion, FY 2027- PLCs with market capitalization > ₱3 billion up to ₱50 billion, FY 2028- PLCs with market cap ≤ ₱3 billion and LNLs with ₱15 billion revenue. This represents a significant change in how companies communicate risk, performance, and resilience to stakeholders.

What Are the New Standards About?

The International Sustainability Standards Board's (ISSB) global standards are in line with the Philippine Financial Reporting Standards (PFRS) on Sustainability Disclosures. Their goal is straightforward but effective: to give investors sustainability data that is consistent, comparable, and useful for making decisions in addition to financial statements.

The standards focus on four core pillars:

1. Governance – How boards and management oversee sustainability- and climate-related risks and opportunities
2. Strategy – How these risks and opportunities affect business models, strategy, and major decisions
3. Risk Management – How sustainability and climate risks are identified, assessed, and monitored
4. Metrics and Targets – How performance is measured, including greenhouse gas (GHG) emissions and climate targets

To further improve data credibility and reliability, companies will also need to obtain external limited assurance on Scope 1 and Scope 2 GHG emissions from an independent assurance practitioner two years after initial implementation.

Why This Matters for Philippine Companies?

These demands extend beyond adhering to regulations. They change the way corporate governance and decision-making incorporate sustainability.

When supervising strategy, approving significant transactions, and managing risk, boards are now expected to actively take sustainability and climate factors into account. Businesses that previously handled ESG as a standalone project will need to incorporate it into their main business operations.

Uniform sustainability disclosures enhance both transparency and comparability. When businesses reveal climate risks—like vulnerability to severe weather or transition challenges—in a uniform way, investors can more effectively evaluate which companies are more robust and well-managed.

The Business Impact and Benefits

Effective sustainability reporting can deliver tangible benefits:

- Enhanced investor confidence through transparent and comparable disclosures
- Improved access to capital, particularly from ESG-focused investors
- Stronger corporate governance, with clearer accountability and oversight
- Long-term resilience, as sustainability risks and opportunities are embedded into strategy

When companies explicitly connect sustainability efforts to financial outcomes, stakeholders acquire a clearer insight into how these actions enhance overall performance and value generation

Turning Compliance into Opportunity

Although numerous organizations encounter obstacles—like data deficiencies, restricted internal capabilities, and governance alignment, the updated standards promote a culture of ongoing enhancement. Initial disclosures don't have to be flawless; what counts is advancement, openness, and dedication

To prepare for FY 2026, companies should:

- Integrate sustainability into governance and risk management frameworks
- Build sustainability capabilities across departments
- Encourage regular board-level discussions on climate and sustainability risks
- Treat sustainability as a strategic priority, not a reporting exercise

Call to Action

With the advent of FY 2026, the moment for action is now. Boards, executives, finance leaders, and sustainability teams must start evaluating their preparedness for the PFRS on Sustainability Disclosures—examining governance frameworks, pinpointing data deficiencies, and ensuring alignment of sustainability goals with business strategy.

Organizations that begin early will be more equipped to comply with regulatory demands, enhance investor trust, and transform sustainability into a lasting competitive edge.



UHY IN THE PHILIPPINES



UHY M.L. Aguirre & Co. CPAs

Philippines

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Number of partners:	4
Total staff:	79

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BRIEF DESCRIPTION OF FIRM

We are a growing and dynamic cost, tax, system and business advisory firm that is built on a foundation of talent, independence and opportunity. "On the road to growth, we're with you every step of the way."

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Philippines

CURRENT PRINCIPAL CLIENTS

Confidentiality precludes disclosure in this document.

OTHER COUNTRIES IN UHY CURRENTLY WORKING WITH, OR HAVE WORKED WITH IN THE PAST

Malaysia, Indonesia, Japan, Singapore, Spain, UK, Germany, United States, Brazil, Australia, China, Dubai

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