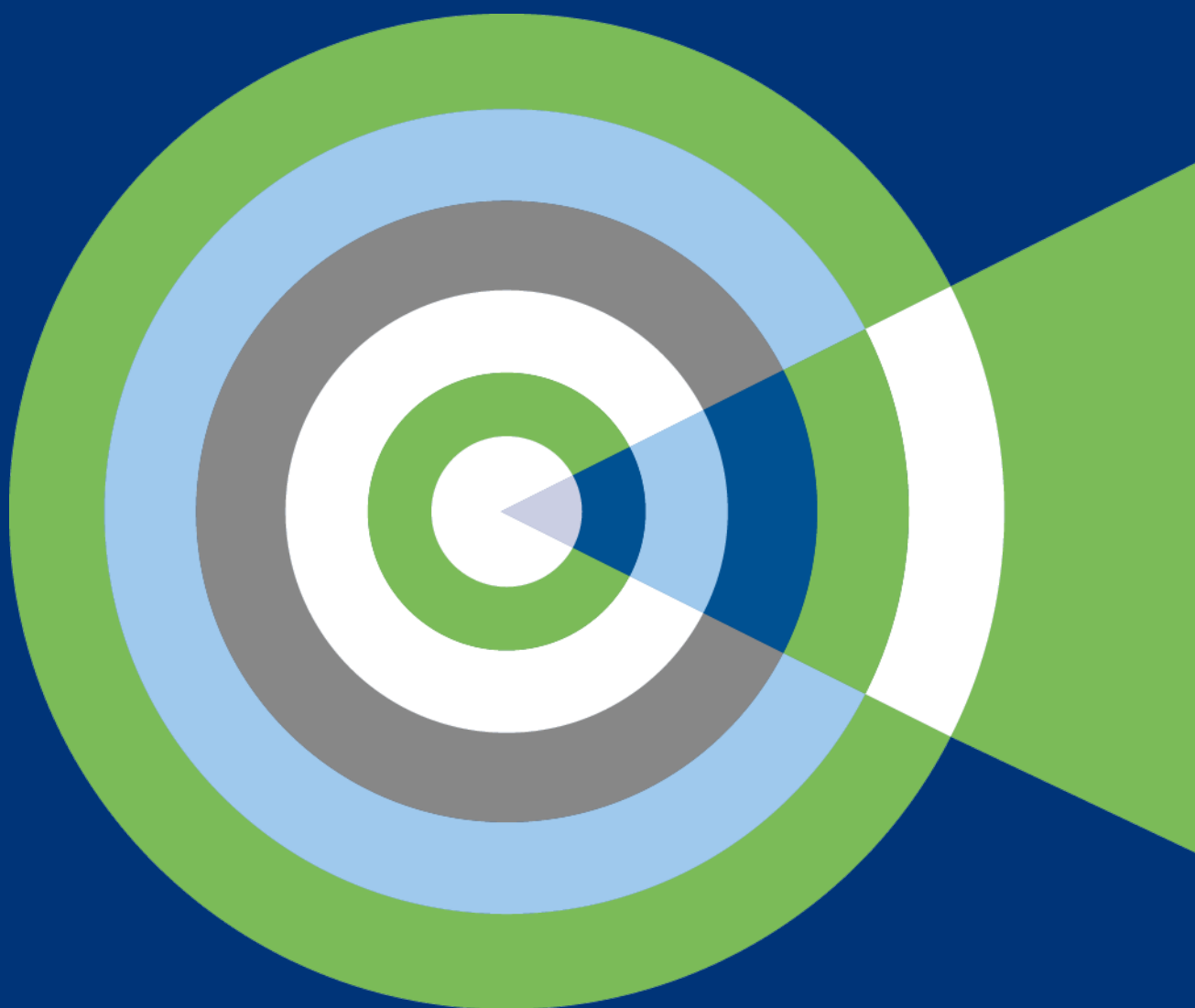


DOING BUSINESS

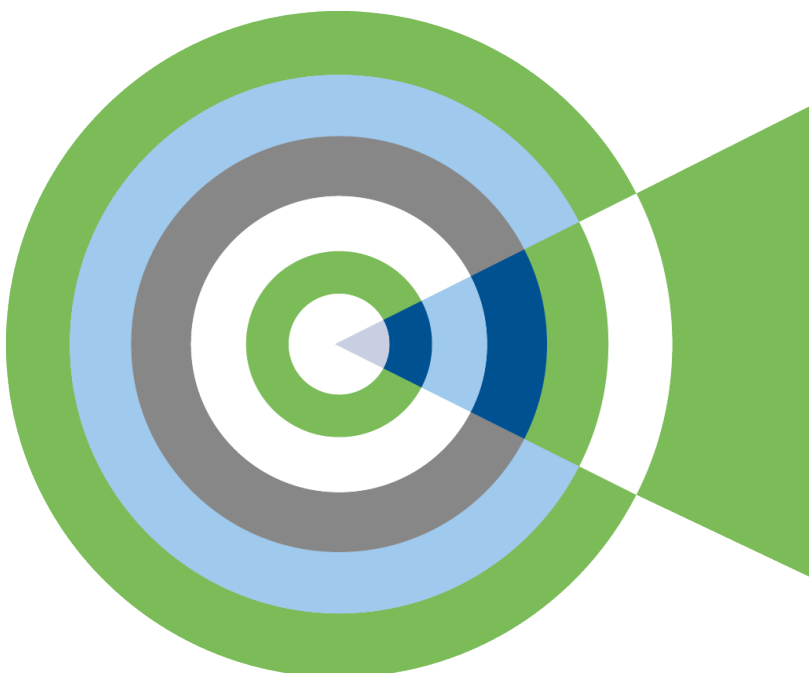
IN PHILIPPINES



The network
for doing
business

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1 – INTRODUCTION

UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in around 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 at February 2023

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

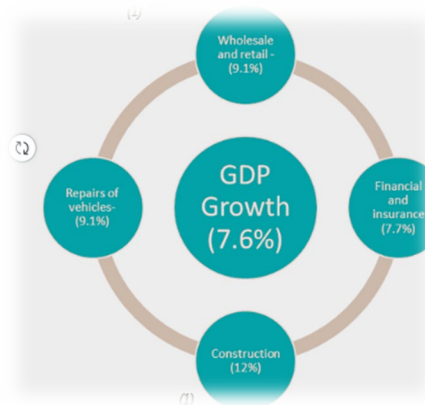
2 – BUSINESS ENVIRONMENT

BACKGROUND

Particulars	Amount in USD/Date/%age	Ave. BSP Exchange Rate	Amount in PHP
Nominal GDP	USD 93 Billion in September 2022	54.0397	5.025T
GDP Deflator	+ 5.8% in September 2022		
Real GDP	378,957,382,755 USD in December 2021	49.2546	18.665T
GDP per Capita	3,576.1 USD in December 2021	49.2546	176,139.38
Gross Savings Rate	6.2% in September 2022		
Nominal GDP contributions	Investment accounted for 25.7 % in Sep 2022		
Outstanding Debt	Increase of 3.9% in the month of September		13.52T (increased 495.54B)

The Philippine Statistics Authority (PSA)¹ released its third (3rd) quarter report on the country's GDP which posted a growth of 7.6 percent.

The major contributors to the growth were wholesale and retail, repair of motor vehicles and motorcycles, financial and insurance, and construction.



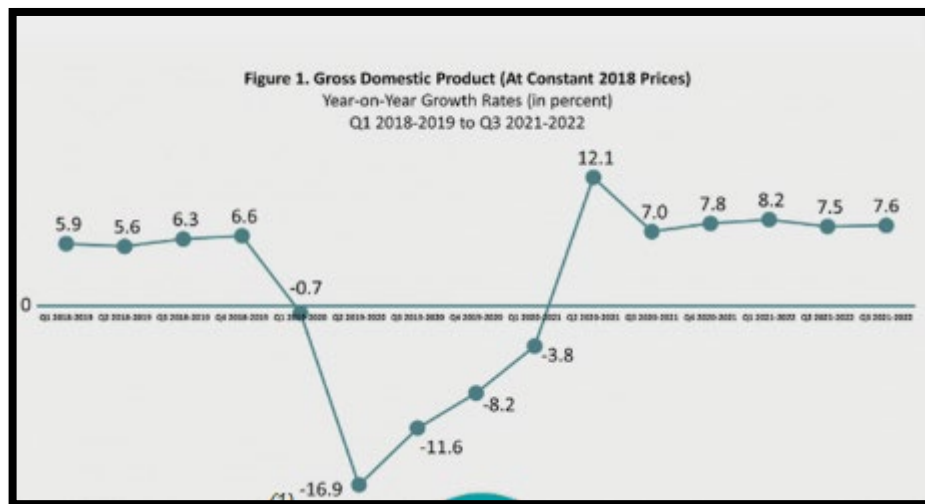
On the other hand, the demand has grown majorly because of Household Final Consumption Expenditure (HCFE), Government Final Consumption Expenditure (GFCE), gross capital formation (GCF), export of goods and services, and imports of goods and services.

Domestic borrowings were 68.8% (9.3T) of the total debt while external borrowings were 31.2% (1.79T).

¹ <https://psa.gov.ph/foreign-investments/technical-notes>

According to the World Bank², their assistance to the Philippine government was widely used in analytical work, policy advice, and capacity development. Highlights of some projects are as follows:

- The Philippine Covid-19 Emergency Response Project;
- The Social Welfare and Development Reform Project II – Pantawid Pamilyang Pilipino Program (4Ps)
- The Philippine Rural Development Project



3

POPULATION

As of February 14, 2023, the population of the Philippines is 113,393,246, based on Worldometer's⁴ elaboration of the latest United Nations data. The country's population was estimated to be 109,581,078 people as of mid-year 2020, according to UN data.

The Philippines population represents 1.41% of the total world population, ranking the country at number 13 on the list of countries by population. The population density in the Philippines is 368 people per square kilometre, with a total land area of 298,170 square kilometres).

According to the World Bank, the population of the Philippines is diverse, with over 100 ethnic groups and a mix of cultures, languages, and religions. The largest ethnic group is the Tagalog, who make up around 28% of the population, followed by the Cebuano (13%), Ilocano (9%), Bisaya/Binisaya (8%), and Hiligaynon/Ilonggo (7%).

The population of the Philippines is concentrated in urban areas, with the capital city of Manila being the most populous city in the country. Other large cities include Quezon City, Caloocan, and Davao City.

² <https://www.worldbank.org/en/country/philippines/overview#3>

³ <https://psa.gov.ph/foreign-investments/technical-notes>

⁴ <https://www.worldometers.info/world-population/philippines-population/>

GEOGRAPHY

The Philippines is an archipelago in Southeast Asia, consisting of 7,641 islands with a total land area of approximately 300,000 square kilometres. It is located in the western Pacific Ocean, to the east of mainland Southeast Asia.

The country is divided into three main geographical regions: Luzon, Visayas, and Mindanao.

Luzon is the largest and most populous island, where the capital city of Manila is located. It is home to the country's highest peak, Mount Pulag, and is known for its beautiful rice terraces, beaches, and volcanic landscapes.

Visayas is a group of islands located in the central part of the Philippines. It is known for its beautiful beaches, dive sites, and vibrant festivals, such as the Ati-Atihan Festival in Aklan and Sinulog Festival in Cebu.

Mindanao is the southernmost major island and the second-largest in the Philippines. It is known for its rich biodiversity and stunning natural landscapes, such as Mount Apo, the highest peak in the country, and the Enchanted River in Surigao del Sur.

The Philippines is also known for its many natural resources, including timber, petroleum, nickel, cobalt, and copper, and is one of the world's top producers of gold. The country's location on the Pacific Ring of Fire also makes it prone to earthquakes and typhoons.

CURRENCY

The Philippine peso is the official currency of the Philippines. It is represented by the symbol "₱" and the ISO code is "PHP." The peso is subdivided into 100 centavos, and the coins are issued in denominations of 1, 5, 10, and 25 centavos, as well as 1, 5, and 10 pesos. Banknotes are issued in denominations of 20, 50, 100, 200, 500, and 1,000 pesos.

The history of the Philippine peso can be traced back to the Spanish colonial period, when the Spanish government introduced a silver coin known as the peso fuerte in 1852. The Philippines gained independence from the United States in 1946, and the country's central bank, the Bangko Sentral ng Pilipinas (BSP), was established in 1949. The BSP is responsible for the issuance and regulation of the Philippine peso.

Foreign Exchange Rates

The Philippines is expected to experience a volatile exchange rate in the coming years due to several factors, including the global economy, domestic economic policy, and other external forces.

The global economy is likely to remain uncertain in the coming years. This means that the exchange rate of the Philippine peso, which is currently pegged to the US dollar, could be subject to significant fluctuations. This is because the US dollar is the world's reserve currency and is often used as a benchmark for other currencies, including the Philippine peso.

Furthermore, the US Federal Reserve could adjust its monetary policy, which could result in changes in the exchange rate of the Philippine peso.

Domestic economic policy is also expected to have an impact on the exchange rate of the Philippine peso. For example, the Philippine government could decide to implement measures to stimulate the economy, such as cutting taxes or increasing spending. These measures could lead to an appreciation of the peso, as more money would be available for domestic consumption. On the other hand, if the government decides to tighten monetary policy or increase taxes, this could result in a depreciation of the peso.

LANGUAGE

The Philippines is a country with a diverse linguistic landscape. There are over 120 languages and dialects spoken in the country, with Tagalog (also known as Filipino) being the national language.⁵

Tagalog is the basis of the Filipino language, which was declared the official language of the Philippines in 1987. It is based on Tagalog, but also incorporates elements from other languages spoken in the Philippines. Filipino is taught in schools and is used in government and official communication, media, and literature.

Apart from Tagalog and Filipino, other major languages spoken in the Philippines include Cebuano, Ilocano, Hiligaynon, Waray, and Kapampangan. Many other languages, such as Bicolano, Pangasinan, and Tausug, are also spoken by significant numbers of people.

Language is a vital aspect of the Philippines' national identity, and the government has made efforts to preserve and promote the use of local languages. The Komisyon sa Wikang Filipino (Commission on the Filipino Language) is a government agency that is responsible for the development and promotion of the Filipino language and other Philippine languages. The government has also implemented policies to support the use of local languages in education and media, in addition to promoting their use in various cultural activities and events.

Overall, the diverse linguistic landscape of the Philippines is a testament to the country's rich history and culture, and its various languages are an essential component of its national identity.

MAJOR EXPORTS

The Philippines is a rapidly developing country, and its economy is expected to grow significantly in the next few years. With the economy's growth comes an increase in the Philippines' international trade. This is expected to be particularly evident in the exportation and importation of goods and services. In 2023, the Philippines is projected to have a highly diversified and vibrant international trade sector.

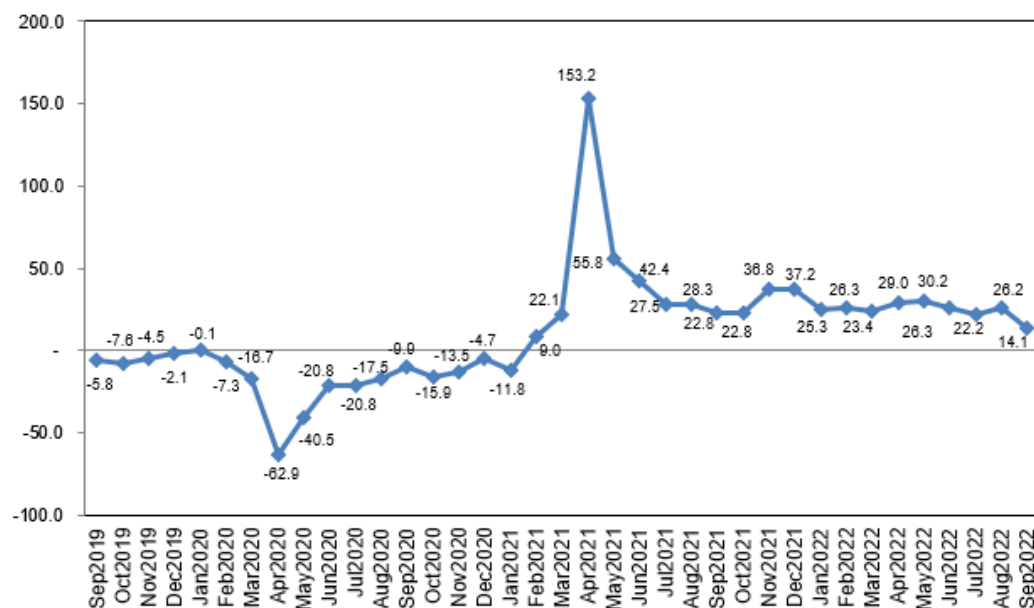
⁵ <https://translatorswithoutborders.org/language-data-for-the-philippines#:~:text=There%20are%20over%20120%20languages,commonly%20used%20by%20the%20government.>

In terms of exportation, the Philippines will likely be exporting a wide variety of products and services. The most important exports are likely to include electronics, agricultural products, automotive products, and textiles. This diversification of exports will help the Philippines to capitalize on its diverse natural resources and tap into its large population's potential. Other vital exports will likely include precious metals and minerals, medical supplies and equipment, and processed food products.

In terms of importation, the Philippines is expected to be importing a wide variety of goods and services from all over the world. The most essential imports will likely include industrial machinery, chemicals and petrochemicals, medical supplies and equipment, and agricultural products. These imports will be essential for the manufacturing and production of goods and services required for the Philippine economy's growth. Other essential imports are likely to include consumer goods, such as clothing, furniture, appliances, and electronics.

MAJOR IMPORTS

According to the Philippine Statistics Authority, the value of imported goods in September 2022 was USD 11.98 billion, representing a 14.1% increase compared to the previous year. However, the growth rate in September 2022 was slower than the growth rate in August 2022, which was 26.2%. In September 2021, the value of imported goods also increased, with a growth rate of 22.8%.⁶



p – preliminary

Source: Philippine Statistics Authority

From January to September 2022, the year-to-date total import value amounted to USD 104.96 billion, showing an annual increase of 24.6% compared to the year-to-date total import value of USD 84.27 billion during the same period in 2021.

⁶ [https://psa.gov.ph/content/highlights-philippine-export-and-import-statistics-september-2022-preliminary#:~:text=By%20major%20type%20of%20goods%2C%20imports%20of%20raw%20materials%20and,USD%202.16%20billion%20\(18.0%25\).](https://psa.gov.ph/content/highlights-philippine-export-and-import-statistics-september-2022-preliminary#:~:text=By%20major%20type%20of%20goods%2C%20imports%20of%20raw%20materials%20and,USD%202.16%20billion%20(18.0%25).)

In September 2022, the annual growth in the value of imported goods was driven by increases in the values of seven out of the top 10 major commodity groups. The fastest annual growth rate was observed in the mineral fuels, lubricants, and related materials category, which grew by 64.2 percent. This was followed by the transport equipment category, which rose by 53.3 percent annually, and miscellaneous manufactured articles, which grew by 33.7 percent.⁷

EDUCATION – PRIMARY AND SECONDARY

Education in the Philippines is compulsory and free for primary and secondary levels, which together comprise 12 years of basic education. The Philippine educational system is modeled after the American system, with English and Filipino as the medium of instruction.

Primary education, also known as elementary education, is typically for children aged 6 to 12 years old, and lasts for six years. Students are taught basic literacy and numeracy skills, as well as science, social studies, and character education. The curriculum includes subjects such as Filipino, English, mathematics, science, and social studies.

Secondary education, also known as high school, is for students aged 13 to 18 years old, and lasts for six years. The curriculum for high school includes subjects such as English, Filipino, mathematics, science, and social studies, as well as vocational and technical courses.

The Department of Education (DepEd) is the government agency responsible for overseeing the Philippine educational system. The agency ensures that all primary and secondary schools meet the minimum standards for quality education, and provides guidance and support to teachers and school administrators.

While primary and secondary education in the Philippines is free and compulsory, many families still struggle to pay for school supplies, uniforms, and transportation. As a result, some children are unable to attend school regularly or drop out before completing their education. The government and various non-governmental organizations are working to address these issues and make education more accessible to all Filipinos.

TERTIARY EDUCATION

Tertiary education in the Philippines refers to post-secondary education or education beyond the 12 years of basic education. Tertiary education typically includes college and university programs, technical-vocational education and training (TVET), and graduate studies.

⁷ [https://psa.gov.ph/content/highlights-philippine-export-and-import-statistics-september-2022-preliminary#:~:text=By%20major%20type%20of%20goods%2C%20imports%20of%20raw%20materials%20and,USD%202.16%20billion%20\(18.0%25\).](https://psa.gov.ph/content/highlights-philippine-export-and-import-statistics-september-2022-preliminary#:~:text=By%20major%20type%20of%20goods%2C%20imports%20of%20raw%20materials%20and,USD%202.16%20billion%20(18.0%25).)

There are almost 2,300⁸ colleges and universities in the Philippines, both public and private, offering a wide range of programs in various fields of study, such as business, engineering, health sciences, education, and the arts. The country's top universities includes the following⁹:

• Ateneo De Manila University
• University of the Philippines
• De La Salle University
• Mapua University

The Commission on Higher Education (CHED) is the government agency responsible for overseeing and regulating tertiary education in the Philippines. CHED sets policies and standards for higher education institutions, accredits programs, and provides scholarships and grants to deserving students.

To enter a tertiary education program, students must complete the requirements set by the institution they wish to enrol in. These requirements may include a high school diploma, entrance exams, and specific grades or scores. Students who cannot afford the tuition fees can apply for scholarships, grants, or student loans from the government or private organizations.

The duration of tertiary education in the Philippines varies depending on the program and the institution. Most bachelor's degree programs take four years to complete, while some vocational courses and associate degree programs can be completed in less time. Graduate studies, such as master's and doctoral programs, usually take two to four years to complete.

HEALTH CARE SYSTEM

The Philippines implemented Republic Act No. 11223, also known as Universal Health Care (UHC) Act, signed by former President Duterte, which aims to protect and promote Filipinos' rights and health awareness, as well as accessible quality and affordable health care goods and services. With UHC, all Filipinos are automatically enrolled in the National Health Insurance Program (NHIC) and are entitled to benefits immediately.¹⁰

UHC also supports the Department of Health (DOH) and the Philippine Health Insurance Corporation (PhilHealth). UHC mandates structural and functional health financing, service delivery, and governance changes.

Today, the Philippines is still recovering from the pandemic. Amidst the difficulties we are experiencing, we find ways and answers to the problem this has brought us. The pandemic shows us how crucial health plays in a country's economy. Poor health leads to poverty as it affects the productivity of the people.

⁸ <https://www.topuniversities.com/where-to-study/asia/philippines/guide#:~:text=There%20are%20almost%202%2C300%20higher,reflects%20the%20country's%20colonial%20past.>

⁹ <https://www.goodnewspilipinas.com/list-10-philippine-universities-on-the-world-university-rankings/>

¹⁰ National Health Insurance Program (NHIP) which includes primary care; medicines, diagnostics and laboratory; and preventive, curative, and rehabilitative services.

In relation to COVID-19, the Government encourages everyone to get vaccinated to protect personal and public health against disease. This is to minimize deaths in the country and to lessen severe symptoms or complications an individual may experience. There are 11 vaccines approved for use in the Philippines, which are also approved by other countries. These vaccines are delivered and distributed to different health clinics for all Filipinos.

Pharmaceutical is one of the fastest-growing industries in the country since healthcare products and medicines are in demand. The Philippine government has established Botikang Barangay, which aims to increase the accessibility of people in rural areas to health care and products.

Moreover, the Government passed Republic Act 9502 (commonly known as the Cheaper Medicine Act) in 2007 to improve health outcomes by ensuring that quality medicines are affordable to all Filipinos.

To combat the rising challenge brought by the pandemic, the Philippine government implemented a set of fiscal and monetary measures to contain the health, economic, and social impact of COVID-19. On the monetary side, the low and stable inflation rate provided room for the BSP to step up its accommodative monetary policies and provide ample liquidity to the banking sector. On the fiscal side, modest debt levels coupled with recent tax policy and tax administration reforms have provided the Philippines the fiscal space to implement a wide range of policy measures to help strengthen the country's health system and support affected households and firms. The outbreak clearly poses the risk of unravelling some of the Philippines' gains in poverty reduction in recent years.

COMMUNICATIONS

Over the past 20 years, the PLDT-Globe duopoly has dominated the Philippines' telecom sector. With the emergence of China-backed DITO Tele community and Converge ICT as the third mobile provider on its rollout in March 2021, the industry is experiencing tight competition and innovation.¹¹

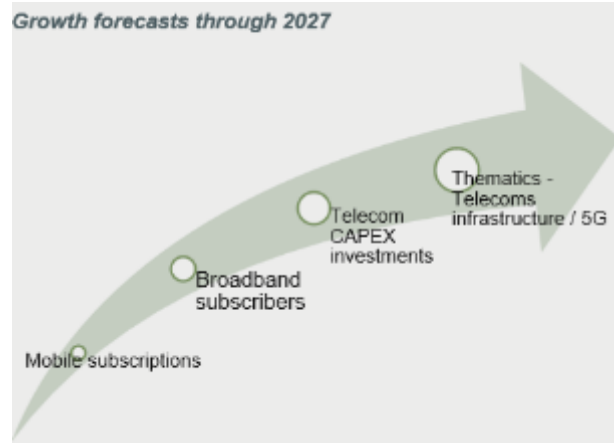
With new entrants to the Philippines telco market players, the mobile internet speed was recorded at 31.98 Mbps and fixed broadband speed at 58.73 Mbps. However, the figures proved slower than the global average of 54.53 Mbps and 105.15 Mbps, respectively. The numbers increased the Philippines' global ranking for mobile internet speed from 111th to 86th, market research firm Ookla said. Furthermore, mobile subscribers in the Philippines will reach 159 million by 2025, with 10.8 million broadband subscribers. Globe and PLDT-Smart will lead the 5G rollout with a combined 3,669 5G sites across the country.¹²

¹¹ Philippines Telecom Operators Country Intelligence Report - market research.

<https://www.marketresearch.com/GlobalData-v3648/Philippines-Telecom-Operators-Country-Intelligence-30129190/>

¹² The Philippine Telecommunications Market. <https://www.trade.gov/market-intelligence/philippine-telecommunications-market>

The annual Digital 2022 report of We Are Social, and Hootsuite shows the habits of internet users in Asia, who spend more time on mobile devices. The result reveals that internet users in the Philippines, at 5 hours 47 minutes, spend the most time on mobile devices in the world compared to the global average of 3 hours 43 minutes. The Philippines has by far the highest percentage at 60.4% of internet users who watch vlogs weekly, compared to a global average of 26.7%. Furthermore, the Philippines was ranked first as the country with the most robust influencer culture, with more than half, or 51.4%, following influencers on social media, doubling the global average. It also has the highest proportion of monthly streaming service users, at 98.3%, compared to a global average of 93.5%.



The Covid-19 pandemic massively contributed to the increasing demand for connectivity, meeting the need of Filipinos to work and study from home while also accessing online content and platforms. In addition, mobile video streaming and e-commerce growth paved the way for the continuing connectivity demands, according to the market research firm BMI.¹³

Mainly driven by expanded coverage, greater affordability, service improvements, increased data usage, and smartphone penetration, growth in the telecoms sector reveals broad market opportunities. Mobile subscriptions will continue to rise steadily through 2027, according to Idem Est Research's Philippines Telecoms Industry Report - 2022-2027. Fixed broadband subscribers will continue to grow over the same period, and household penetration will increase. As the market shifts to unlimited voice, text, and data allowances, increasingly becoming the only offering differentiator, mobile network operators face increased competition. The publisher benchmarked mobile data pricing across eight Asia Pacific countries and discovered that the Philippines needs to catch up in data download but anticipates that the country will catch up as 4G coverage expands. Smartphone use is growing, particularly in rural areas.¹⁴

¹³ The Philippines has the highest population of vlog watchers and <https://www.campaignasia.com/article/the-philippines-has-the-highest-population-of-vlog-watchers-and-influencer-follow/475734>

¹⁴ Philippines Telecoms Industry Report 2022: Overall Telecoms Markets, Mobile Market, Broadband, Fixed Telecoms Infrastructure Investments, Thematics / Opportunities 2015-2027 - ResearchAndMarkets.com <https://finance.yahoo.com/news/philippines-telecoms-industry-report-2022>

The entry of the third telco player ignited the market for tower sharing, with the Department of Information and Communications Technology (DITC) pushing a policy to build over 50,000 new shared towers across the industry, attracting a new category of infrastructure investors who had not previously participated in the market. The entire foreign ownership allowed in the telecommunications sector will give the foreign investors control and significant incentives to participate in the market, boosting the country's telecoms infrastructure and being most welcome in the market after two decades of under-investment. The country is investing heavily to expand its fibre-optic network and 4G coverage. With the arrival of the new mobile market entrant DITO Tele community in 2021, capital expenditure investments in the telecoms sector reached a new high and will continue to soar in the next five years. According to a report by internet analytics firm Ookla, investments in telecommunication infrastructure have more than tripled due to the continued rise in mobile internet subscriptions, growing consumption of mobile data services, and a projected increase in MG subscriptions.

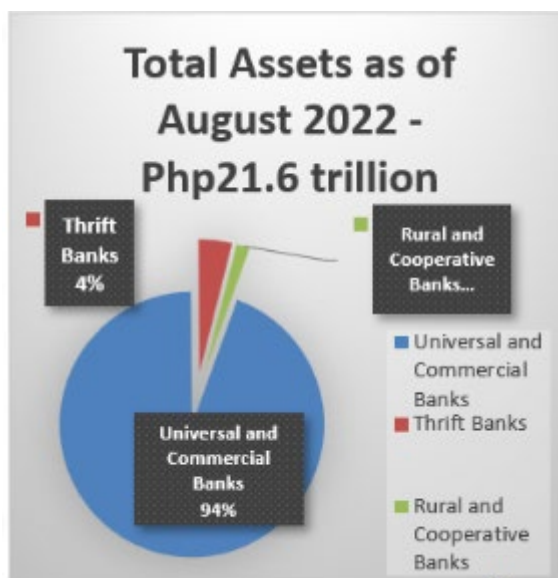
The 159 million mobile subscribers would jump at the chance to switch carriers for better coverage and lower prices. As digitalization spreads across all industries, the Philippines' telecom industry benefits from the economic overflow of demand for connectivity in this digital era. More jobs for Filipino engineers and other professionals are foreseen, allowing for the exchange of skills and technology transfer with foreign investors.

BANKING AND FINANCIAL SERVICES

Bangko Sentral ng Pilipinas (BSP) reported in its August 2022 publication, Recent Trends in the Philippine Financial System, that the Philippine banking system shows an upbeat economic recovery despite the challenging environment in the banking sector. The sustained growth in assets, deposits, profits, stable capital and liquidity buffers, and sufficient credit losses provision positively show the strength, stability, and resilience of the industry.

The total banking system's assets reached Php 21.6 trillion as of August 2022, representing a higher growth rate of 6.9% than last year of the same period and last month. By banking group, 94% come from universal and commercial banks, while 4% and 2% are generated from thrift banks and rural and cooperative banks, respectively.¹⁵

¹⁵ https://www.bsp.gov.ph/Media_And_Research/Publications/ReportonRecentTrends2022-08.pdf



The growth rate in the credit activity depicted a significant improvement as it ascended by 8.7% over last year's 1.4%. The total loan portfolio stood at Php 11.8 trillion) of which 54.3% came primarily from the following economic activities :

- Manufacturing
- Information and communication
- Real estate
- Wholesale and retail trade
- Electricity, gas, steam, and air-conditioning supply sectors

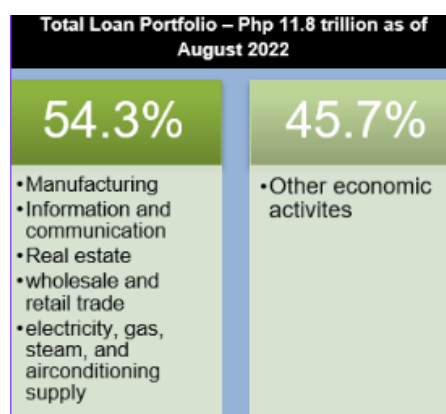
According to BSP, the non-performing loan ratios at 3.2% and 7.7% of the universal and commercial banks and thrift banks, respectively, affirm the manageable loan quality of the banking system.

Moreover, the banking system's satisfactory loan quality was accompanied by sufficient reserves resulting in a non-performing loan coverage ratio of 100%.

The banks were able to pass on lower interest rates to their borrowing clients due to the BSP's low policy rates since the COVID-19 crisis. However, now that the economy has reopened, the BSP began to raise the policy rate in the year's second quarter. For August 2022, the weighted average interest rates on loans of universal and commercial banks accounted for 6.2%, while the overall weighted average interest rate was recorded at 5.4%.

The Philippine banking system's fund came mainly from deposits, mostly peso-denominated and sourced from resident individuals and private corporations, at 76.8% or Php 16.6 trillion, followed by capital and bonds payable. The growth in deposits amid the pandemic reveals the depositors' sustained confidence in the banking industry. Of the total deposits, the savings deposit type had the largest share, followed by demand and NOW accounts and time deposits. Interest rates on deposit accounts play at 0.1% to 3.3% depending on the deposit type and banking group.

As of June 2022, the capital adequacy ratios (CARs) recorded at 16.7%, well above the minimum thresholds set by the BSP and the Bank for International Settlements. Both the banks' liquidity ratios and net funding ratio registered higher than the minimum thresholds as of June 2022, at 192.5% and 139.1%, respectively, indicating the bank's ability to meet both short and medium-term funding requirements.¹⁶



¹⁶ https://www.bsp.gov.ph/Media_And_Research/Publications/ReportonRecentTrends2022-08.pdf

The banking sector sustained its profitability as the net profit increased by 16.7 % to ₱143.1 billion for June 2022 due primarily to higher interest income, mostly from lending and investing activities which grew by 6.4 % as of June 2022, a substantial turnaround from the 13.3 % of last year. Other contributing factors are trading and other income, efficient management of overhead expenses, and lower-cost funding.

Other financial measures of the banking system, such as return on assets (RoA) and return on equity (RoE), also improved (Figure 3). The Philippine banking system entered mergers, consolidations, and acquisitions to boost a resilient and competitive banking landscape.

BSP is conservative in its 2023 forecasts, considering various factors such as the external risks from a weaker global growth outlook, elevated inflation contributed by the protracted Ukraine-Russia conflict, and supply chain disruptions. The domestic economy's pace of expansion is forecasted to remain at least 6% in 2023. BSP expects 4.7% of the gross domestic product (GDP) current accounts deposits, a \$5.4 billion balance of payments (BOP), \$93 billion in gross international reserves, and a 4% growth of remittances from Filipinos working and living abroad.¹⁷

TRANSPORTATION LINKS

The Philippines has various types of transportation options, including jeepneys, tricycles, buses, taxis, Grab/ride-hailing services, and trains. Each type of transportation has different fare rates and routes. The following links will be helpful to navigate the country.

Airport

The Ninoy Aquino International Airport is the primary airport in Manila, consisting of one domestic and three international terminals. The airport is not linked to the city's rail system, requiring travellers to take a point-to-point bus or taxi from the taxi ranks located near all terminals.

<https://www.miaa.gov.ph/>

<https://www.manila-airport.net/>

Cab-hailing apps

Grab operates that you can use the app as a wallet, loading it up with cash to pay for your rides directly from your app account. Alternatively, you can also choose to pay in cash at the end of your trip.

<https://www.grab.com/ph/>

Trains

The Manila Light Rail Transit System (LRT) and Metro Rail Train (MRT) are two important railway systems in Manila that provide transportation to commuters around the city.

¹⁷ Philippines revises 2022, 2023 c/a projections Reuters,
<https://www.reuters.com/business/finance/philippines-revises-2022-2023-ca-projections-2022-12-09/>

The LRT is a light rail transit system with two main lines, Line 1 and Line 2. Line 1 runs from Baclaran in Parañaque to Roosevelt in Quezon City, while Line 2 runs from Santolan in Pasig to Recto Avenue in Manila. The LRT is a fast and affordable mode of transportation for those looking to avoid the heavy traffic in Manila.

<https://www.lrta.gov.ph/>

The MRT, on the other hand, is a rapid transit system with a single line that runs from North Avenue in Quezon City to Taft Avenue in Pasay City. The MRT is known for being a more crowded and less comfortable option than the LRT, but it is still a popular choice for commuters in the city.

<http://www.mrt3.com/>

Both the LRT and MRT have designated stops throughout the city, and fares are based on the distance travelled. Passengers can purchase tickets at the stations, and there are also reloadable cards available for frequent users. It's important to note that these railway systems can be crowded during rush hour, so it's best to avoid traveling during peak times if possible.

Others

The Philippines has various types of other transportation options, including jeepneys, tricycles, buses, and car rentals.

LAND AND BUILDING

The Philippines' real estate sector demonstrated its resilience and potential when it began to recover gradually at the onset of 2022. In Metro Manila alone, the rising demand for office space leads to a reduction in vacancies despite ongoing supply. (24) In the first half of 2022, workspace demand jumped to 325,100 sqm, 62% higher than 200,700 sqm last year, Philippine News Agency reported.¹⁸

The government's platforms under the current administration pushed support to the real estate sector, lifting the industry and further improving the country's economy. President Ferdinand Marcos, Jr. stated with optimism that the economy would rev up as the Build, Build, Build program would continue in the next six years. Infrastructure projects and tax incentives will support the growth and development of ecozones outside Metro Manila.¹⁹

¹⁸ <https://www.pna.gov.ph/articles/1180076>; Firm sees recovery in PH property sector in 2022 - TrueID.

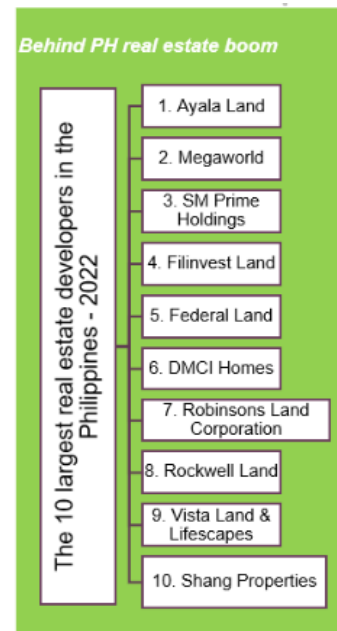
<https://trueid.ph/article/news/sub/business/KwvalN2P9yVX/firm-sees-recovery-in-ph-property-sector-in-2022>

¹⁹ www.ill.com.au/en/trends-and-insights/research/philippines-real-estate-under-the-new-administration

According to Colliers, a national real estate research firm, there are incredible opportunities in the country's real estate market in 2022 and onwards. The Asian Development Bank says that the Philippine economy will grow at least 6.5% in 2022 despite the rising inflation. The property market will undoubtedly expand again due to the Philippine economy's overall recovery.²⁰

The CEO of Lobien Realty Group, Sheila Lobien, also pronounced a fearless forecast of a bull market in the sector in 2023 and beyond.

Amid the optimistic predictions, real estate developers and investors need to brace themselves in combating the challenges of rising interest rates and prices in dealing with real estate in the Philippine property market. According to Trading Economics, the inflation of commodities, especially raw materials, has caused an additional outflow of Php 90,000 to complete a Php 1 million house construction cost in 2021.²¹ Despite the challenges, the sector's clear trajectory is gearing to a continuous boom in the industry caused by the consistent demands and opportunities to develop and build across the country.



HOLIDAYS IN THE PHILIPPINES

The Philippines is a country with a rich cultural heritage, and as such, there are numerous holidays and festivals celebrated throughout the year. Here are some of the major holidays in the Philippines:

1. New Year's Day - January 1st
2. Feast of the Black Nazarene - January 9th
3. Chinese New Year - January or February (depending on the lunar calendar)
4. People Power Day - February 25th
5. Holy Week - March or April (depending on the lunar calendar)
6. Day of Valour – April 9th
7. Labour Day - May 1st
8. Independence Day - June 12th
9. Eid al-Fitr - varies each year (based on the Islamic calendar)
10. Bonifacio Day - November 30th
11. Christmas Day - December 25th
12. Rizal Day - December 30th

In addition to these national holidays, there are many regional festivals celebrated in different parts of the country. Some of the most popular festivals include the Sinulog Festival in Cebu, Ati-Atihan Festival in Aklan, and the Dinagyang Festival in Iloilo.

²⁰ www.crownasia.com.ph/news-and-blogs/lifestyle-blogs/selected/what-should-we-expect-from-the-ph-real-estate-industry-towards-the-end-of-2022

²¹ <https://www.crownasia.com.ph/news-and-blogs/lifestyle-blogs/selected/what-should-we-expect-from-the-ph-real-estate-industry-towards-the-end-of-2022>

3 – FOREIGN INVESTMENT

Foreign investments in the Philippines in 2023 are expected to remain strong due to the country's strong economic growth and stable political environment. The Philippines has been one of the world's fastest-growing economies, with a GDP growth rate of 7.6% in the third quarter of 2012. The country's economic fundamentals remain strong, with a large and young population, low labour costs, and a growing middle-class sector. These factors make the Philippines an attractive destination for foreign direct investments(FDI).

The government has implemented several reforms to attract foreign investments, including rationalizing investment regulations, improving tax incentives, and liberalization of foreign exchange rules. Additionally, the government aims to enhance the ease of doing business in the country by introducing reforms such as streamlining the business registration process and easing foreign ownership restrictions.

The Philippines also offers many incentives for foreign investors, including tax holidays, tariff exemptions, and a liberal foreign exchange regime. These incentives are expected to further attract foreign investments in the country in 2023 and beyond.

Overall, foreign investments in the Philippines in 2023 are expected to remain robust, given the country's strong economic fundamentals and the government's efforts to attract foreign investments.

INVESTING IN THE PHILIPPINES

The Philippines has various incentives and benefits that foreign companies can enjoy while doing business in the country.

EASE OF DOING BUSINESS ACT (2019)

Republic Act 11032, formally known as the Ease of Doing Business and Efficient Government Service Delivery Act of 2018, was developed by the Philippine government in order to allow businesses to operate more easily in the country and to increase efficiency through the reduction of processing time, eliminate red tape, and restrict corrupt bureaucratic practices.

The main takeaways for the EODB Law include the following:

- Faster Processing of Business Permits and Licenses Standard Turnaround Time for Government Transactions Automated Business Registration Process Anti-Corruption Policy;
- Citizen's Charter;
- Accountability of Heads of Offices and Agencies

EODB also provides easier and faster processing times and transactions and less risk for businesses regarding the numerous requirements they need to comply with the government to operate legally within the country.

REVISED CORPORATION CODE OF 2019

Republic Act 11232, or the Act providing for the Revised Corporation Code of the Philippines, was signed into law by President Rodrigo R. Duterte on February 21, 2019. It amends a 38-year-old Corporation Code in an effort to improve the ease of doing business in the Philippines.

Following are some of the notable changes made in the Revised Corporation Code:

- **INCORPORATORS:** Removal of the minimum number of incorporators.
- **MINIMUM CAPITAL STOCK:** Removal of minimum capital stock on stock corporations unless otherwise stated by special law.
- **CORPORATE TERM:** Removal of the fifty (50)-year corporate term. This means that unless there is a provision in the Articles of Incorporation concerning the term of corporate existence, the corporation will exist perpetually unless sooner dissolved.
- **ONE-PERSON CORPORATION:** Removal of minimum capital stock on one-person corporations unless otherwise stated by special law.
- **CORPORATE OFFICERS:** Chief Executive Officer is made the alternative title to President, and Chief Financial Officer is made the alternative title to Treasurer. Also, the inclusion of a Compliance Officer as a mandatory corporate officer on top of the President/CEO, Treasurer/CFO, and Corporate Secretary.
- **BOARD MEETINGS:** Allowance of remote communication methods in attending board meetings subject to provisions of corporate by-laws.
- **NATIONALITY OF A CORPORATION:** Formalization of the test in determining the nationality of a corporation, i.e., the control test.
- **REMOVAL OF A MEMBER OF THE BOARD OF DIRECTORS OR TRUSTEES:** Empowering the Securities and Exchange Commission (SEC) to remove disqualified members of the Board of Directors or Trustees.
- **DIGITAL MEANS:** The new code introduces provisions that permit the electronic filing of reportorial requirements and attendance in meetings via remote communication or in absentia, among others – practices that were not recognized in the old law.

FOREIGN INVESTMENTS ACT

Under the Foreign Investment Act (FIA), micro, small, and medium-sized enterprises (MSME) with paid-in capital of less than US\$200,000 are reserved for Philippine nationals. However, under the amendments, foreign nationals can own an MSME with a minimum paid-in capital of US\$100,000 provided that the enterprises meet the following conditions:

1. Utilize advanced technology (to be determined by the Department of Science and Technology);
2. Are endorsed as startup enablers or as a startup in accordance with the Innovative Startup Act; or The company hires no less than 15 Filipino employees, a reduction from the previous requirement of 50.

The new Inter-Agency Investment Promotion Coordination Committee Under the amended FIA, the government will create the Inter-Agency Investment Promotion Coordination Committee (IIPCC), which is a body that integrates all the promotion and facilitation efforts to encourage foreign investments. An inter-agency body will provide a uniform approach to foreign investment promotion since various government agencies may have different strategies when it comes to foreign investment promotion and facilitation.

The President has the power to suspend, prohibit, or limit foreign investments to safeguard national interests. The amended FIA gives the President of the Philippines the power to order the IIPCC to review foreign investments that may threaten Filipinos' safety, security, and well-being. Examples include foreign investments involving cyberinfrastructure, military-related industries, and pipeline transportation, among others.

Understudy or skills development program for foreign nationals. Foreign businesses employing foreign nationals who are enjoying fiscal incentives must devise an understudy or skills development program that benefits Filipino workers. This ensures that local workers receive the knowledge and skills from their foreign colleagues.

The Department of Labor and Employment will monitor the program that companies develop.

TWELFTH REGULAR FOREIGN INVESTMENT NEGATIVE LIST (RFINL) 2022

On 27 June 2022, President Rodrigo R. Duterte signed Executive Order (EO) No. 175 promulgating the Twelfth Regular Foreign Investment Negative List (RFINL) replacing Executive Order (EO) No.65, to reflect changes to List A and List B to ease restrictions on foreign participation in certain investment areas or activities. The publishing and updating of the RFINL are mandated under the Foreign Investment Act of 1991. Specifically, the list is mandated to cover investment areas that are open to foreign investors and/or reserved for Filipino nationals.

The following are the major changes from the 11th RFINL to the 12th RFINL:

1. Reflects the full foreign ownership liberalization for telecommunications, domestic shipping, railways and subways, and air transport as provided under the amendments to the Public Service Act (PSA).
2. Incorporates the amendments to the Retail Trade Liberalization Act (RTLA) that provides for a uniform minimum paid-up capital of USD 500,000 (PHP 25 million) from as much as USD 2.5 to 7.5 million for non-luxury foreign retailers.
3. Takes into account the amendments to the FIA which allows for a lower minimum paid-up capital of USD 100,000 for non-Philippine nationals if the enterprise i) involves advanced technology as determined by the Department of Science and Technology, ii) endorsed as a startup by the lead host agencies pursuant to the Innovative Startup Act, or iii) employs no less than 15 Filipino employees.
4. Subject to reciprocity, professional teaching is allowed, including teaching at the primary and secondary levels (Annex No. 39). In addition, the exclusion for teaching professional courses has been removed, allowing foreigners to teach professional courses as long as they comply with current laws and regulations (including government commissions or judicial examinations).
5. Generally, no foreign equity is allowed in Cooperatives but investments of former natural-born citizens of the Philippines are now allowed.
6. Operation of Public Utilities is still subject to 40% limitation in foreign ownership equity, but the businesses considered as Public Utility have been redefined pursuant to the amendments to the Public Service Act, as follows; Distribution of electricity, Transmission of Electricity, Petroleum and Petroleum Products Pipeline Transmission Systems, Water Pipeline Distribution systems and wastewater Pipeline systems, including sewerage pipeline systems, Seaports, and Public Utility Vehicles.
7. Manufacturing, repair, storage and/or distribution of products requiring Philippine National Police Clearance may now be 100% owned by foreigners.
8. The exception to the USD200,000 minimum capitalization requirement for Micro and small domestic market enterprises: those where 100% foreign ownership is allowed if their paid-in equity capital is at least equivalent to US\$100,000 has been amended as follows:
 - that involve advanced technology as determined by the Department of Science and Technology (hereinafter referred to as, "DOST"); or
 - are endorsed as startup or startup enablers by the lead host agencies, namely the Department of Trade and Industry, Department of Information and Communications Technology or DOST, under the Innovative Startup Act; or
 - with a majority of their direct employees being Filipinos which in no case shall be less than fifteen (15).
9. The following are the added professions where foreigners may practice in the Philippines subject to reciprocity; Criminology, Food technology, Marine deck engineering, Professional teaching, Radiologic and x-ray technology, and Speech-Language Pathology.

10. Architecture is considered a corporate practice of professions with foreign equity restrictions.

On the other hand, the following are the major highlights from the 11th RFINL (EO 65):

1. One hundred percent (100%) of foreign ownership for internet business (online-based business).
2. Allowed one hundred percent (100%) foreign professionals to be involved in higher education except for professions covered by board/bar.
3. No foreign equity for operations of private detectives, watchmen, or security guard agencies.
4. Allowed forty percent (40%) of foreign ownership related to contracts for construction and repairs of locally funded public works.
5. One hundred percent (100%) of foreign ownership for power generation and supply of electricity to contestable market, except for renewable energy.
6. One hundred percent (100%) of foreign ownership for educational institutions for foreign diplomatic personnel, dependents, and other temporary residents.
7. One hundred percent (100%) of foreign ownership for training centers that are engaged in short-term, high-level skill development that do not form part of formal education.
8. Allowed forty percent (40%) of foreign ownership for private radio communication networks.
9. One hundred percent (100%) of foreign ownership for wellness centers, adjustment companies, lending, financing, and investment houses.

PHILIPPINE ECONOMIC ZONE AUTHORITY (PEZA)

Entities registered under PEZA are required to locate their operations inside the special economic zone to be entitled to incentives to include the following:

- Income Tax Holiday (ITH) for four (4) years for Non-pioneer enterprises, or six (6) years for Pioneer enterprises
- A 5% tax on gross income after ITH, in lieu of all national and local taxes, except real property taxes
- Additional deduction equivalent to 50% of training expenses, chargeable against the 3% share of the national government in the special 5% tax on gross income
- Exemption from Branch Profit Remittance tax for PEZA-registered branches of foreign corporations.
- Permanent resident status for foreign investors with initial investments of US\$ 150,000.00 or more
- Simplified Import – Export Procedures (Electronic Import Permit System and Automated Export Documentation System).
- Non-resident Foreign Nationals may be employed by PEZA-registered Economic Zone Enterprises in supervisory, technical, or advisory positions.
- Special Non-Immigrant Visa with Multiple Entry Privileges for non-resident Foreign Nationals, their spouses, and dependents in a PEZA-registered Economic Zone with Visa Facilitation Assistance.

- Tax duty-free importation of capital equipment, spare parts, and accessories
- Tax credits for exporters using local materials (RA 7844).
- Exemption from expanded withholding tax
- Additional deduction for labor expenses
- Employment of foreign Nationals in supervisory technical or advisory positions

Requirements to be submitted to be entitled to PEZA Tax Incentives are:

- SEC Certificate of Registration
- Articles of Incorporation and By-Laws
- Board Resolution of a duly authorized company representative or signatory
- Project Brief
- Anti - Graft Certificates
- Project Feasibility Study

BOARD OF INVESTMENTS (BOI)

Entities registered under this agency are not required to be located in specific investment places.

Some of the benefits under this agency are:

- Three (3) to eight (8) year income tax holidays;
- Four (4) to six (6) year exemption from local business taxes for pioneer and non-pioneer industries;
- Exemption from Taxes and Duties on Imported Spare Parts;
- Exemption from Wharf Dues and Export Tax, Duty, and Impost Fees;
- Simplification of customs procedures for the importation of equipment, spare parts, raw materials, and supplies and exports of processed products.
- Importation of consigned equipment for a period of 10 years from the date of registration, subject to the posting of a re-export bond.
- The privilege to operate a bonded manufacturing/trading warehouse subject to Customs rules and regulations.
- Tax credits on imported raw materials
- Tax and duty-free importation of consigned equipment
- Additional deduction for labour expenses
- Employment of foreign materials in supervisory, technical, and advisory positions

The following are the requirements to be submitted:

- SEC Certificate of Registration
- Articles of Incorporation and By-Laws
- Audited Financial Statements (feasibility report that contains projected financial reports for the next 5 years)
- Income Tax Return for the past 3 years (if applicable)
- Board Resolution of a duly authorized company representative or signatory
- Project report (a report that contains activities listed or is related to those listed in IPP)

BOI and PEZA registration fees*

BOARD of INVESTMENT (BOI)	AMOUNT (PHP)	PHILIPPINE ECONOMIC ZONE AUTHORITY (PEZA)	AMOUNT (PHP)
1. Filing fees for application for registration:		1. Application Fees	
a. Project cost not exceeding P 4Million	1,500.00	Application of New Project (Non-Pioneer)	3,600.00
b. Project cost exceeding P 4Million but not over P 20 million	3,000.00	Application of New Project (Pioneer)	6,000.00
c. Project cost exceeding P 20Million but not over P 50Million	4,500.00		
d. Project cost exceeding P 50 million	6,000.00	2. Registration Fees	
		Registration of New Projects	6,000.00
2. Fee for Certificate of Registration			
a. 1/10 of 1% of project cost but not less than P 3,000.00 and not to exceed P 15,000.00			

*Fees may vary depending on the BOI/PEZA-approved fees.

TOURISM INFRASTRUCTURE AND ENTERPRISE ZONE AUTHORITY (TIEZA)

Foreign Enterprises engaged in tourism-related activities (such as travel and tour agencies, restaurants, spas, theme parks, and galleries) within the tourism enterprise zone.

The tax incentives for TIEZA-registered enterprises are:

- Tax deduction equivalent to a reasonable percentage (not exceeding 50% of the cost of environmental protection or cultural heritage Preservation activities, sustainable livelihood programs for local communities, and other similar services)
- Protection from requisition of property in cases of war (national emergency)
- Repatriation of investment (in the currency in which the investment was originally made)
- Entitlement to avail of a work visa or a special investor's resident visa

Foreign-owned enterprises must submit the following:

- SEC Certificate of Registration
- Articles of Incorporation and By-Laws
- Company Profile (containing basic data or information on its technical, financial, marketing and management capability to undertake the proposed project)
- Board Resolution of a duly authorized company representative or signatory
- Vicinity Map
- Proof of land ownership and or Long-term Lease Agreement/s for a period of not less than 25 years in the area of the proposed TEZ
- Endorsement Letter from the National Historical Institute (NHI) in the case of Cultural and Heritage Tourism Zone, from the Department of Health (DOH) in the case of Health and Wellness Tourism Zone or from the Philippine Retirement Authority (PRA) in case of retirement villages or communities.

4 – SETTING UP A BUSINESS

The Philippines is one of the best choices for investors because of its booming economy and growth in various industries such as the Agricultural, Industrial, and Service sectors. Industries such as Manufacturing, Real Estate, Mining, Business Process Outsourcing, Gaming, Casino, Retail, Distribution, Banking and Finance, Construction and Engineering Services, English Learning, FinTech, and E-commerce are promising areas for investment in the country.

Below are the forms of business organizations that can be established under Philippine Laws:

I. SOLE PROPRIETORSHIP

A sole proprietorship is a fundamental business structure operated by just one owner who has complete authority over the business and is personally responsible for all its assets and debts.

It is one of the most widely used business forms in the Philippines mainly due to its simplicity, minimal cost, and easy, streamlined setup process, making it a top option for sole business owners, consultants, and individual self-contractors. While sole proprietorship owners enjoy all profits earned by their business, they are also fully responsible for losses, debts, and liabilities.

In the Philippines, sole proprietors and their businesses are considered single taxpayers sharing the same Tax Identification Number (TIN) for tax purposes. Those who plan to establish a sole proprietorship in the Philippines must register with the Department of Trade and Industry and apply for a business trade name.

II. PARTNERSHIP

Based on Article No. 1767 of the Civil Code of the Philippines (R.A. No. 386), by the contract of partnership, two or more persons bind themselves to contribute money, property, or industry to a common fund to divide the profits among themselves. Two or more persons may also form a partnership for the exercise of a profession. (1665a). A partnership is obliged to secure a certificate of registration with the SEC to own a license to operate its business.

III. CORPORATION

A corporation is an artificial being created by operation of law, having the right of succession and the powers, attributes, and properties expressly authorized by law or incidental to its existence (as defined in Section 2 of Batas Pambansa Blg. 68 or The Corporation Code of the Philippines).

On February 23, 2019, Republic Act No. 11232, or the Revised Corporation Code (RCC), became effective, replacing Batas Pambansa Blg. 68. The law introduces fresh and progressive concepts aimed at improving the ease of doing business in the country, promoting good corporate governance, and affording protection to corporations, investors, and consumers alike amid a fast-evolving business landscape.

Here are some of the critical provisions of the New Code:

1. Perpetual Term. Section 115 of the Code states that corporations can now exist beyond the 50-year term provided in the old code. This will eliminate the possibility of legitimate and productive businesses prematurely closing down only because they have failed to renew their registration.
2. One Person Corporation (OPC). The RCC removed the minimum number of incorporators (but not more than 15) required to organize a corporation and allowed the formation of One Person Corporation (OPC), a corporation with a single stockholder and without a minimum authorized capital stock required.
3. No Minimum Capital Stock. Section 12 of the Code provides that Corporations shall not be required to have minimum capital stock, except as specified by special law where minimum capital stock is required.
4. Electronic Filing and Monitoring System. As part of efforts to do business in the country, the RCC mandated the Commission to develop and implement an electronic filing and monitoring system. So far, the Commission has implemented an online company registration system.

Foreign investors seeking to set up a company in the Philippines can choose among six types of Corporations, namely:

I. Domestic Corporation.

Domestic Corporations are locally-incorporated entities with 100% or more than 50% Filipino ownership. To set up a domestic corporation, at least two and a maximum of fifteen stockholders (also known as incorporators) are required. Each stockholder must subscribe to at least one share of the capital stock.

II. One Person Corporation.

One Person Corporations are also locally incorporated but can only be either 100% Filipino-owned or 100% foreign-owned. A One Person Corporation (OPC) is a corporation with a single stockholder. The single stockholder shall serve as the incorporator, sole director, and president. Their liability to the OPC is limited to the extent of their assets.

Only the following are allowed to set up an OPC:

- a) Natural person of legal age (local or foreign),
- b) Trust (does not refer to a trust entity but to the subject being managed by a trustee); and
- c) Estate.

A foreign natural person can set up an OPC in the Philippines. Still, they are subject to restrictions in investment areas partially or wholly reserved to Filipino citizens under the FINL.

III. Foreign Corporation

i. Representative Office.

Under Philippine law, a representative office is a foreign corporation allowed to do business in the Philippines without deriving any local income. A representative office is fully subsidized by its head/foreign office and deals directly with the latter's clients by disseminating information, acting as a communication centre, conducting surveys and studies of the Philippine market, or promoting and ensuring the quality of the company's products and services. Therefore, a representative office in the Philippines is actually an extension of a corporation's foreign/head office. Accordingly, the foreign/head office is liable for the liabilities of the representative office.

ii. Branch Office.

Like a representative office, a branch office is an extension of the foreign/head office and does not acquire a separate juridical personality from the latter. Thus, the branch's liabilities are considered liabilities of the foreign/head office. Therefore, a branch office is subject to income tax at a rate of twenty to twenty-five percent (20-25%) on income from within the Philippines. However, profits remitted by the branch to its head office are subject to branch profit remittance tax if they are effectively connected with its business in the Philippines, at the rate of fifteen percent (15%) or ten percent (10%) depending on certain tax treaties; however, if located in a special economic zone, then they are tax exempt.

iii. Regional Headquarters.

A Regional Headquarters (RHQ) is an administrative branch of a foreign corporation allowed to supervise, inspect or coordinate its subsidiaries, branches, and affiliates worldwide. It is also allowed to act as a communications centre for all associated entities. It is not allowed to derive income and has no separate legal personality from its parent company. Under legal conditions, it may source raw materials, market products, train employees, or conduct research and development projects in the Philippines.

iv. Regional Operating Headquarters.

A Regional Operating Headquarters (ROHQ) is an extension of a foreign corporation allowed to derive income in the Philippines by performing qualifying services to its head office, affiliates, subsidiaries, and/or branches worldwide. Similar to an RHQ, it does not have a separate legal personality from its parent company.

REGISTRATION

All business trade names should be registered under the Department of Trade and Industry regardless of the type or form of business organization.

REGISTERING FOR TAX

All businesses must have their own Tax Identification Number (TIN) and submit income tax returns quarterly and annually to the BIR. For sole proprietorships, the TIN of the owner is used for tax reporting purposes.

BUSINESS LICENSE AND PERMITS

Businesses are required to secure licenses and permits to operate. These are obtained from the Local Government Unit (LGU) where the company operates.

5 – LABOR

The National Economic and Development Authority (NEDA) is positive that the country is able to sustain an optimistic labour market, leading toward a strong economic recovery impact of the COVID-19 pandemic.²²

The government is encouraging more public-private partnerships to expand skills, development, and opportunities in the country, as it recognizes the private sector's significant contribution to economic development. The government is tilted toward reviving the industry back to its booming economic activities, which will lead to job creation.²³

The Republic Act No. 11647, also known as the Amendments to the Foreign Investments Act (FIA) of 1991, which relaxes regulations to boost business sectors, has resulted in an influx in foreign investments, with the majority of these coming from top leading investors such as Japan, South Korea, and Singapore. According to the Philippine Statistics Authority (PSA), the approved foreign and Filipino nationals' investment in the 3rd quarter of 2022 increased by 58.4%, which is Php 159.18 billion over Php100.48 in the same quarter last year. The said total approved projects were projected to generate 28,139 jobs across the country.²⁴

Foreign investors could previously only invest in small businesses if they hired at least 50 Filipino workers. With the new Act in place, foreign investors can start a business with a \$100,000 minimum capital requirement as long as they hire at least 15 local workers and use advanced technology.²⁵

As of October 2022, the country's employment rate increased to 95.5% from 95.0% in the previous month, the highest rate since January 2020. The number of employed Filipinos jumped from 43.82 million to 47.11 million compared to last year's period. The underemployment eased to 6.673 million in October, the lowest level since October 2019. The number of employed Filipinos in the Philippines reached a record 47.106 million in October, according to the Bureau of Labour Statistics (BLS).²⁶

²² PH SUSTAINS STRONG RECOVERY, UPBEAT LABOR MARKET – NEDA, <https://neda.gov.ph/ph-sustains-strong-recovery-upbeat-labor-market-neda/>

²³ NEDA IX conducts Regional Development Plan 2023-2028 formulation workshop <https://nro9.neda.gov.ph/neda-ix-conducts-regional-development-plan-2023-2028-formulation-workshop/>

²⁴ Approved Foreign Investments Reached Php 13.05 Billion in Third Quarter 2022 Reference No.: 2022-462 Release Date: 15 November 2022; <https://psa.gov.ph/foreign-investments-press-releases>

²⁵ Republic Act No. 11647: Amendments to Foreign Investments Act (FIA) of 1991 <https://platonmartinez.com/articles/republic-act-no-11647-amendments-to-foreign-investments-act-fia-of-1991>

²⁶ Philippine labor force situation <https://www.bworldonline.com/top-stories/2022>

In October 2022, about 49.35 million Filipinos, either employed or unemployed, aged 15 years and over, comprise the country's 64.2% labour force participation rate (LFPR). The labour force participation rate estimates an economy's active workforce. As an essential labour market measure, it indicates the percentage of all working-age people who are employed or actively seeking work.²⁷ The service sector dominated the employment market by broad industry groups, with the largest percentage of employed persons at about 59.2%. The agriculture and the industry sectors accounted for 22.5% and 18.3% of the employed persons, respectively.²⁸

The top five sub-sectors with the highest increase in the number of employed persons as of October 2022 were wholesale and retail trade; repair of motor vehicles and motorcycles; transportation and storage; construction; accommodation and food service activities; administrative and support service activities; manufacturing; and education. However, sub-sectors of agriculture and forestry; human health and social work activities; water supply, sewerage, waste management, and remediation activities; public administration and defence; arts, entertainment, and recreation; and real estate activities declined in the number of employed persons. Geographically, unemployment rates are higher than the national rate in these six regions: Region VII, CALABARZON, NCR, MIMAROPA, Region VI, and Region III.²⁹

Employment Growth

The Philippines is projected to see positive employment growth in the next several years, with the government forecasting a steady increase in the number of jobs available to citizens. By 2023, it is estimated that the Philippines will have an unemployment rate of just 4.2%, which is significantly lower than the global unemployment rate of 5.4%.

One of the main drivers of this growth is the government's commitment to creating a business-friendly environment. The government has implemented various policies designed to reduce bureaucratic red tape and encourage foreign investment. A range of tax breaks and incentives, which have helped to fuel the growth of small and medium-sized businesses, accompany these policies.

The laws on labour standards and employment relations are consolidated in the Labour Code of the Philippines. The salient points of employment conditions and employee benefits under Philippine laws are as follows:

- Hours of Work. Eight (8) hours per day or 48 hours per week. Rest periods of short duration during work hours shall be counted as hours worked.
- Meal periods. Every employer shall give his employees not less than sixty (60) minutes time off for their regular meals.

²⁷ Labour Force Participation Rate: Purpose, Formula, and Trends, <https://www.investopedia.com/terms/p/participationrate.asp>

²⁸ Employment rate continues to improve under PBBM admin; Total employed Filipinos now at 47.11 million, <https://mirror.pia.gov.ph/news/2022/12/07/employment-rate-continues-to-improve-under-pbbm-admin-total-employed-filipinos-now-at-4711-million>

²⁹ Employment rate continues to improve under PBBM admin; Total employed Filipinos now at 47.11 million, <https://mirror.pia.gov.ph/news/2022/12/07/employment-rate-continues-to-improve-under-pbbm-admin-total-employed-filipinos-now-at-4711-million>

- **Night shift differential.** Every employee is entitled to a night shift differential of not less than ten percent (10%) of his regular wage for each hour of work performed between ten o'clock in the evening and six o'clock in the morning.
- **Work Day.** A work day is the 8-hour period which commences from the time the employee regularly starts to work.
- **Overtime work.** An additional compensation equivalent to an employee's regular wage plus at least twenty-five percent (25%) shall be given if the employee does overtime work. Work performed beyond eight hours on a holiday or rest day shall be paid an additional compensation equivalent to the rate of the first eight hours on a holiday or rest day plus at least thirty percent (30%) thereof.

MANDATORY EMPLOYMENT CONTRIBUTION

- **13th Month Pay:** Employers are required to give their employees a 13th month pay equivalent to at least one (1) month salary. 13th month pay should be given not later than December 24 of every calendar year.

- **Home Development and Mutual Fund (HDMF):** Companies/employers are also required to contribute at least P100.00 per month to HDMF for employee benefits.

Companies/employers remit this contribution plus that of the employee's which will be deducted from their payroll, in accordance with the periodic remittance schedule provided by HDMF.

Pagibig Contribution Table		
Monthly Compensation	Percentage of Monthly Compensation	
	Employee Share	Employer Share
P1,500 and below	1%	2%
Over P1,500	2%	2%

- **National Health Insurance Program (NHIP):** As mandated by Republic Act 7835 on Medicare Program which is administered by the Philippine Health Insurance Corporation (Philhealth), both employers and employees are to contribute for the medical insurance/benefits of the employees in accordance with the schedule provided by Philhealth.



Year	Monthly Basic Salary	Premium Rate	Monthly Premium
2019	P10,000.00	2.75%	P275.00
	P10,000.01 to P49,999.99		P275.00 to P1,375.00
	P50,000.00		P1,375.00
2020	P10,000.00	3.00%	P300.00
	P10,000.01 to P59,999.99		P300.00 to P1,800.00
	P60,000.00		P1,800.00

- **Social Security System (SSS):** As mandated by law, both employer and employees are to contribute for the social security benefits of the employees in accordance with a schedule provided by SSS.

<div>2022</div> <div>NEW SSS CONTRIBUTION TABLE</div> <div>for EMPLOYERS and EMPLOYEES</div>															
RANGE OF COMPENSATION	MONTHLY SALARY CREDIT			AMOUNT OF CONTRIBUTIONS											
	REGULAR SOCIAL SECURITY	MANDATORY PROVIDENT FUND	TOTAL	REGULAR SOCIAL SECURITY			EMPLOYER'S CONTRIBUTION			EMPLOYEE'S CONTRIBUTION			MANDATORY PROVIDENT FUND		
	EMPLOYER'S CONTRIBUTION	EMPLOYEE'S CONTRIBUTION		ER	EE	TOTAL	ER	EE	TOTAL	ER	EE	TOTAL	ER	EE	TOTAL
1,000 - 3,249.99	3,000	-	3,000	255.00	135.00	390.00	10	-	10	-	-	-	265.00	135.00	400.00
3,250 - 3,749.99	3,500	-	3,500	297.50	157.50	455.00	10	-	10	-	-	-	307.50	157.50	465.00
3,750 - 4,249.99	4,000	-	4,000	340.00	180.00	520.00	10	-	10	-	-	-	350.00	180.00	530.00
4,250 - 4,749.99	4,500	-	4,500	382.50	202.50	585.00	10	-	10	-	-	-	392.50	202.50	595.00
4,750 - 5,249.99	5,000	-	5,000	425.00	225.00	650.00	10	-	10	-	-	-	435.00	225.00	660.00
5,250 - 5,749.99	5,500	-	5,500	467.50	247.50	715.00	10	-	10	-	-	-	477.50	247.50	725.00
5,750 - 6,249.99	6,000	-	6,000	510.00	270.00	780.00	10	-	10	-	-	-	520.00	270.00	790.00
6,250 - 6,749.99	6,500	-	6,500	552.50	292.50	845.00	10	-	10	-	-	-	562.50	292.50	855.00
6,750 - 7,249.99	7,000	-	7,000	595.00	315.00	910.00	10	-	10	-	-	-	605.00	315.00	920.00
7,250 - 7,749.99	7,500	-	7,500	637.50	337.50	975.00	10	-	10	-	-	-	647.50	337.50	985.00
7,750 - 8,249.99	8,000	-	8,000	680.00	360.00	1,040.00	10	-	10	-	-	-	690.00	360.00	1,050.00
8,250 - 8,749.99	8,500	-	8,500	722.50	382.50	1,105.00	10	-	10	-	-	-	732.50	382.50	1,115.00
8,750 - 9,249.99	9,000	-	9,000	765.00	405.00	1,170.00	10	-	10	-	-	-	775.00	405.00	1,180.00
9,250 - 9,749.99	9,500	-	9,500	807.50	427.50	1,235.00	10	-	10	-	-	-	817.50	427.50	1,245.00
9,750 - 10,249.99	10,000	-	10,000	850.00	450.00	1,300.00	10	-	10	-	-	-	860.00	450.00	1,310.00
10,250 - 10,749.99	10,500	-	10,500	892.50	472.50	1,365.00	10	-	10	-	-	-	902.50	472.50	1,375.00
10,750 - 11,249.99	11,000	-	11,000	935.00	495.00	1,430.00	10	-	10	-	-	-	945.00	495.00	1,440.00
11,250 - 11,749.99	11,500	-	11,500	977.50	517.50	1,495.00	10	-	10	-	-	-	987.50	517.50	1,505.00
11,750 - 12,249.99	12,000	-	12,000	1,020.00	540.00	1,560.00	10	-	10	-	-	-	1,030.00	540.00	1,570.00
12,250 - 12,749.99	12,500	-	12,500	1,062.50	562.50	1,625.00	10	-	10	-	-	-	1,072.50	562.50	1,635.00
12,750 - 13,249.99	13,000	-	13,000	1,105.00	585.00	1,690.00	10	-	10	-	-	-	1,115.00	585.00	1,700.00
13,250 - 13,749.99	13,500	-	13,500	1,147.50	607.50	1,755.00	10	-	10	-	-	-	1,157.50	607.50	1,765.00
13,750 - 14,249.99	14,000	-	14,000	1,190.00	630.00	1,820.00	10	-	10	-	-	-	1,200.00	630.00	1,830.00
14,250 - 14,749.99	14,500	-	14,500	1,232.50	652.50	1,885.00	10	-	10	-	-	-	1,242.50	652.50	1,895.00
14,750 - 15,249.99	15,000	-	15,000	1,275.00	675.00	1,950.00	30	-	30	-	-	-	1,305.00	675.00	1,980.00
15,250 - 15,749.99	15,500	-	15,500	1,317.50	697.50	2,015.00	30	-	30	-	-	-	1,347.50	697.50	2,045.00
15,750 - 16,249.99	16,000	-	16,000	1,360.00	720.00	2,080.00	30	-	30	-	-	-	1,390.00	720.00	2,110.00
16,250 - 16,749.99	16,500	-	16,500	1,402.50	742.50	2,145.00	30	-	30	-	-	-	1,432.50	742.50	2,175.00
16,750 - 17,249.99	17,000	-	17,000	1,445.00	765.00	2,210.00	30	-	30	-	-	-	1,475.00	765.00	2,240.00
17,250 - 17,749.99	17,500	-	17,500	1,487.50	787.50	2,275.00	30	-	30	-	-	-	1,517.50	787.50	2,305.00
17,750 - 18,249.99	18,000	-	18,000	1,530.00	810.00	2,340.00	30	-	30	-	-	-	1,560.00	810.00	2,370.00
18,250 - 18,749.99	18,500	-	18,500	1,572.50	832.50	2,405.00	30	-	30	-	-	-	1,602.50	832.50	2,435.00
18,750 - 19,249.99	19,000	-	19,000	1,615.00	855.00	2,470.00	30	-	30	-	-	-	1,645.00	855.00	2,500.00
19,250 - 19,749.99	19,500	-	19,500	1,657.50	877.50	2,535.00	30	-	30	-	-	-	1,687.50	877.50	2,565.00
19,750 - 20,249.99	20,000	-	20,000	1,700.00	900.00	2,600.00	30	-	30	-	-	-	1,730.00	900.00	2,630.00
20,250 - 20,749.99	20,000	500	20,500	1,700.00	900.00	2,600.00	30	-	30	42.50	22.50	65.00	1,772.50	922.50	2,695.00
20,750 - 21,249.99	20,000	1,000	21,000	1,700.00	900.00	2,600.00	30	-	30	85.00	45.00	130.00	1,815.00	945.00	2,760.00
21,250 - 21,749.99	20,000	1,500	21,500	1,700.00	900.00	2,600.00	30	-	30	127.50	67.50	195.00	1,857.50	967.50	2,825.00
21,750 - 22,249.99	20,000	2,000	22,000	1,700.00	900.00	2,600.00	30	-	30	170.00	90.00	260.00	1,900.00	990.00	2,890.00
22,250 - 22,749.99	20,000	2,500	22,500	1,700.00	900.00	2,600.00	30	-	30	212.50	112.50	325.00	1,942.50	1,012.50	2,955.00
22,750 - 23,249.99	20,000	3,000	23,000	1,700.00	900.00	2,600.00	30	-	30	255.00	135.00	390.00	1,985.00	1,035.00	3,020.00
23,250 - 23,749.99	20,000	3,500	23,500	1,700.00	900.00	2,600.00	30	-	30	297.50	157.50	455.00	2,027.50	1,057.50	3,085.00
23,750 - 24,249.99	20,000	4,000	24,000	1,700.00	900.00	2,600.00	30	-	30	340.00	180.00	520.00	2,070.00	1,080.00	3,150.00
24,250 - 24,749.99	20,000	4,500	24,500	1,700.00	900.00	2,600.00	30	-	30	382.50	202.50	585.00	2,112.50	1,102.50	3,215.00
24,750 - Over	20,000	5,000	25,000	1,700.00	900.00	2,600.00	30	-	30	425.00	225.00	650.00	2,155.00	1,125.00	3,280.00

EMPLOYMENT MARKET

As of May 2020, the Philippines' total population stands at 109.035 million. It is expected to increase to 148 million in 2050. In the January 2017 Census, there are 45.94 million (January 2022) people in the labour force.

Unemployment rate looks good at 6.4% (January 2022).

6 – TAXATION

Tax laws are being modified as time passes to align with the current state and for taxpayers' benefit. Corporate income tax amendments and codification of the enhanced tax incentives regime, which was signed into law on March 26, 2021, and took effect 15 days thereafter (April 11, 2021). It introduces crucial and timely improvements in our Corporate Income Tax system by (i) reducing the rate to regionally competitive levels and providing tax relief measures, and (ii) calibrating the fiscal incentives that address governance, value creation, and development of far-flung areas thereof.

A. UNMASKING CREATE

This Act lowers the regular corporate income tax rate (RCIT) to 20% from 30% for micro, small, and medium enterprises (MSMEs) while pegging the RCIT at 25% for other corporate taxpayers. It also aims to plug tax leakages by rationalizing the fiscal incentives granted to investors and shifts the administration of such incentives towards a performance-based system, targeted, time-bound, and transparent. As suggested, the best way to unlock CREATE's impact is to get to know the right combination of affected sections in the tax code -- 13-20.1.9, viz:

- 13 amendments that are generally designed to improve corporate income tax rates;
- 20 codified provisions (fiscal incentives rationalization);
- One repealed provision (10% improperly accumulated earnings tax which applies to the entire taxable year for all taxable/fiscal years ending after CREATE's effectivity), (35); and
- Nine vetoed clauses and sections (on VAT exempt threshold of sale of real properties, 90-day period processing of general tax refund, investment capital definition, redundant incentives for domestic enterprise, FIRB's power limitation, automatic approval of incentives application, among others).

Consequently, due to the enhanced tax incentive system, 25 repealing and 33 amendatory clauses were also appended to the Act. These repealing clauses include (a) transferring the Investment Promotion Agency Board to the Fiscal Incentives Review Board (FIRB), (b) expanding FIRB's powers and functions, and (c) aligning a few provisions on tax incentives and investment priorities plan, Transparency in the Management & Accounting of Tax Incentives (TIMTA), and the Omnibus Investment Code of 1987. Those repealed provisions have been referred to also in the amendatory clauses section.

B. CORPORATE INCOME TAX RELIEF

The biggest winners of this tax reform package are the MSMEs, who are afforded sizeable tax cuts to 20%, while other corporate taxpayers are subject to the calibrated income tax rate of 25%. Still, a tax burden that is at par and regarded as regionally, if not globally competitive, particularly to our ASEAN neighbours. It is noteworthy to mention the short-term (3 years) tax break given to corporate taxpayers who were hardly hit by the covid19 pandemic – the lowering of (i) MCIT to 1%, and (ii) income tax to 1% for non-profit hospitals & proprietary educational institutions, to wit:

Cognizant of the confusion due to CREATE Law's sequence of the wording of whether a "nonprofit" is a requirement in order to avail of the special tax rate of 1%, Congress immediately passed an Act to add clarity to the provision, which now reads as:

"(B) Proprietary Educational Institutions and Hospitals. — Hospitals which are nonprofit and proprietary educational institutions shall pay a tax of ten percent (10%) on their taxable income . . ."(36)

As such, the nonprofit qualification only pertains to hospitals and not to proprietary educational institutions (PEI). PEI now refers to any private school maintained and administered by private individuals or groups with issued permits or licenses from government agencies (e.g., DepEd, CHED, TESDA).

Taxpayer	PRE-CREATE	CREATE	Effectivity
Domestic Corporations (DCs) in general	30%	25%	July 1, 2020
DCs with NTI ¹ ≥ ² Php 5.0M & TA ³ ≥ ⁴ Php 100.0M	30%	20%	July 1, 2020
Resident Foreign Corporations (RFC)	30%	25%	July 1, 2020
Non-Resident Foreign Corporations (NRFC)	30%	25%	January 1, 2021
DCs & RFCs' Minimum Corporate Income Tax	2%	1%	Jul. 1, 2020 - June 30, 2023
Non-Profit Hospitals & Proprietary Educational Institutions⁵	10%	1%	July 1, 2020 - June 30, 2023
Regional Operating Headquarters (ROHQ)	10%	25%	January 1, 2022

¹ Net Taxable Income

² Not Exceeding (Not More Than)

³ Total Assets

⁴ Not Exceeding (Not More Than)

⁵ §1 of **R.A. 11635** or An Act Amending Sec. 27(B) of NIRC, as amended, and for Other Purposes.

C. EXPANDING VAT EXEMPTION

Another relief as provided in CREATE is the exemption to VAT (under §109) of duly approved COVID-19 drugs and directly related raw materials for the production of such drugs, and the capital equipment, spare parts, and raw materials for the production of personal protective (PPE) equipment for COVID-19 prevention. Other exemptions and amendments to VAT include:

PARTICULARS	PRE-CREATE	CREATE
Sale of prescription drugs and medicines for diabetes, high cholesterol, hypertension, cancer, mental illness, tuberculosis, and kidney disease (<i>Jan. 1, 2021, instead of Jan. 1, 2023</i>)	12%	Exempt
Drugs for the treatment of COVID-19 approved by the FDA for use in clinical trials, including raw materials directly necessary for the production of such drugs	12%	Exempt
Capital equipment, its spare parts, and raw materials for the production of PPE for COVID-19 prevention	12%	Exempt
All drugs, vaccines, & medical devices used for Covid19 treatment	12%	Exempt
Sale, importation, printing or publication of any educational material covered by the UNESCO agreement including digital and electronic format (e-books)	12%	Exempt
Increase in VAT-exempt threshold on <i>sale of a residential lot</i>	Php 1.5M	Not Exempt
Increase in VAT-exempt threshold on <i>sale of residential houses & lots and other residential dwellings</i>	Php 2.5M	Php 3.1992M

D. FINAL TAX'S REALIGNMENT ON CERTAIN PASSIVE INCOME

CREATE somehow updated the final tax on a foreign corporation's sale of non-traded shares in the stock exchange (under §28) and the resident foreign corporation's final withholding tax (FWT) on the interest income from a depository bank under Expanded Foreign Currency Deposit System (under §28). These are now at par with the upgraded tax rate (15%) to individuals, which was implemented through TRAIN law in 2018 and, thus, effectively treated as part of revenue-neutral measures. Lastly, the exemption of domestic corporation's foreign-sourced dividends from final tax (under §28), provided that (i) the corporation holds 20% of FC's outstanding shares and has held such shares for at least two years at the time of dividends distribution, and (ii) the amount is reinvested (in the form of working capital, capital expenditures, dividend payments, investment in domestic subsidiaries, and infrastructure project only) in the Philippine business operations within the following taxable year.

	PRE-CREATE	CREATE
FCs' Capital Gains Tax on Sale of Shares of Stocks Not Traded in the Stock Exchange	5%, 10%	15% on net capital gains, <i>unless sold through the stock exchange</i>
RFCs' FWT on Interest Income from Depository Bank - Expanded FCDS ¹	7.5%	15%
DCs' Intercompany dividends Tax on Foreign-Sourced Dividends	30%, subject to Tax Treaty rules	Exempt , subject to <i>reinvestment in the Philippines, 20% & 2-year shareholdings requirements.</i>

E. CODIFYING TAX INCENTIVES

The other pillar of this law is the codification of the Tax Incentives Regime (under §§291 to 311), designed to engender value creation and development in the countryside. It calibrated the incentives management under the auspices of FIRB (Fiscal Incentives Revenue Board and deputizes the IPAs (Investment Promotions Agencies) in some circumstances. In a general sense, incentives are given to registered business enterprises from a registered business or activity (RBA), which are either classified as export enterprise (EE) or domestic market enterprise (DME). The term RBA is trivial in this case, as it should be consistent with the Strategic Investment Priority Plan (SIPP). SIPP pertains to priority projects or activities that intend (i) to create high-skilled jobs to grow a local pool of enterprises, particularly micro, small, and medium enterprises (MSMEs), that can supply domestic and global value chains, (ii) to increase the sophistication of products and services that are produced and/or sourced domestically, (iii) to expand domestic supply and reduce dependence on imports, and (iv) to attract significant foreign capital or investment. SIPP shall be valid for three years, subject to review and amendment thereafter.

Export enterprise gets the most prolonged incentive period of 17 years in total – including 4-7 years of income tax holiday (ITH), subject to tier and location of the registered activity tests as provided under the SIPP. The higher the Tier of the project (Tier III) or activity and the farther/ highly undeveloped (outside NCR and Metropolitan Areas) the project location is, the greater the chance to obtain the most prolonged incentive period of 17 years. On the other hand, DME would only be allowed up to the incentive period of 12 years at most - including the 4-7 years ITH, again subject to tier and location rules. The industry and localization prioritization (tiering) shall be subject to review and revision every three years in accordance with SIPP.

One notable difference between the export enterprise and DME when it comes to incentives availment is the availability of post-ITH options. DME would only be allowed to enhance the deductions (ED) option, while export enterprises may opt for 5% Special Corporate Income Tax (SCIT) or ED after the 4-7 years ITH.

1) Other Conditions for tax incentives availment (under 295) include:

- Duty exemption on imported capital equipment, raw materials, spare parts, or accessories applies only to registered activity unless otherwise permitted by IPAs for non-registered activity and subject to the payment of corresponding duties. If sold, disposed of, or transferred within five (5) years without approval, the corresponding duty exemption shall be paid twice. If sold after five (5) years with notice but committed violation, the corresponding duties on the net book value of capital equipment shall be paid.
- VAT exemption on importation and VAT zero-rating on local purchases shall apply only to goods and services directly and exclusively used in the registered project or activity.
- Exemption from duties and taxes, and other fees on Covid-19 vaccine importation, subject to the approval of the Department of Health (DOH) or the Food and Drug Administration (FDA).
- Exemption from the payment of applicable duties and taxes upon importation of Crude oil intended to be refined in local refinery, except those for resale whether in customs territory or Freeport.

2) Enhanced deductions (under 294) that generally applicable to domestic market or export enterprise include:

PARTICULARS (Additional Deduction)	PRE- CREATE	CREATE (Under ED)
10% additional depreciation allowance for buildings acquired for the entity's production of goods and services	100%	110%
20% additional depreciation allowance for machineries & equipment acquired for the entity's production of goods and services	100%	120%
50% additional labor expense deduction due to an increase of direct local employment	100%	150%
100% additional deduction on the increment of research and development incurred provided that it is directly related to the registered activity	100%	200%
100% additional trainings deduction incurred given to employees engaged directly in the entity's production	100%	200%
50% additional deduction on the increment of the domestic input expense provided that it is directly related to the registered activity	100%	150%
50% additional deduction on power expense	100%	150%
50% deduction for reinvestment allowance from the manufacturing enterprise's undistributed profits or surplus within 5 years in any of SIPP listed activities	-	50%
5-Year Enhanced net operating loss carry-over (NOLCO) which may be carried over as deduction from gross income	-	5 years

Other CREATE's additions to the Code are as follows:

- Introducing the general provisions on tax incentives which include scope and coverage and extent of coverage and authority of the Fiscal Incentives Review Board and/or Investment Promotion Agencies to grant incentives.³⁰
- Introducing the tax incentives, which include:³¹
 - Income Tax Holiday (ITH)
 - Special Corporate Income Tax (SCIT) of 5% for activities classified as critical and tier levels (Vetoed by the President)³²
 - Enhanced deductions
 - Duty exemption on importation of capital equipment, raw materials, spare parts, or accessories
 - VAT exemption on importation and VAT zero-rating on local purchase

³⁰ 91-292 of the Tax Code, as codified under R.A.11534 or the CREATE Law of 2021 (Introduced under Title XIII).

³¹ 294 & 296 of the Tax Code, as codified under R.A.11534 or the CREATE Law of 2021 (Introduced under Title XIII).

³² 4th VETOED Provision by PRRD under Redundant Incentives for domestic enterprises.

- Instituting the Fiscal Incentives and Review Board (FIRB) with its expanded functions.³³
- Outlining the formulation of Strategic Investment Priority Plan (SIPP) for qualified projects and activities for tax incentives availment to consider investment, employment generation, exports, use of modern technology, processes, and innovation, among others, and aligned with priorities set by Philippine Development Plan.³⁴
- Incorporating the power of the President to grant incentives, modify the mix, period or manner of availment of incentives, subject to the recommendation of FIRB.³⁵ (Vetoed by the President)³⁶
- Guiding provision that SIPP may be amended subject to the publication requirements.³⁷
- Setting qualifications of registered business enterprise (RBE) for tax incentives to include meeting performance metrics, installation of adequate accounting system which is capable of separating registered from non-registered activities, e-receipting and e-sales requirements, and disclosure of beneficial ownership and related parties.³⁸
- Mandating RBEs to file a complete annual incentive report (TIMTA) together with the filing of tax returns and similar reports, and be subjected these RBEs to monitoring and evaluation, and sanctions for non-compliance.³⁹
- Setting up transitory and miscellaneous provisions on the prohibition of registered activities, and establishment of One-Stop Action Center.⁴⁰
- Adding Sunset or Transitioning provisions to RBEs prior to CREATE, which include:⁴¹
 - ITH incentives granted prior to the effectivity of CREATE shall be allowed to continue with ITH for the remaining period.
 - Those entitled to ITH and 5% Gross Income Tax shall be allowed to continue with ITH for the remaining period and avail of the 5% Gross Income Tax for 10 years.
 - Those currently enjoying the 5% Gross Income Tax shall continue with 5% GIT for 10 years.

POGO TAXATION

This edition highlights POGOs' (Philippine Offshore Gaming Operations) taxation that prescribes a 5% franchise tax on gross gaming revenues and a 25% regular tax on net taxable income from non-gaming revenues. It further imposes taxes to foreign individuals (aliens) employed by POGOs at 25% tax on their gross income and a penalty of P20,000.00 for each employed foreigner who is found to be non-compliant with TIN requirements.

³³ 297-299 of the Tax Code, as codified under R.A.11534 or the CREATE Law of 2021 (Introduced under Title XIII).

³⁴ 300 of the Tax Code, as codified under R.A.11534 or the CREATE Law of 2021 (Introduced under Title XIII).

³⁵ 301 of the Tax Code, as codified under R.A.11534 or the CREATE Law of 2021 (Introduced under Title XIII).

³⁶ 8th VETOED Provision by PRRD under Par. H - Provision granting the President the power to exempt any IPA from the reform

³⁷ 302-303 of the Tax Code, as codified under R.A.11534 or the CREATE Law of 2021 (Introduced under Title XIII).

³⁸ 304 of the Tax Code, as codified under R.A.11534 or the CREATE Law of 2021 (Introduced under Title XIII).

³⁹ 305-308 of the Tax Code, as codified under R.A.11534 or the CREATE Law of 2021 (Introduced under Title XIII)

⁴⁰ 309-310 of the Tax Code, as codified under R.A.11534 or the CREATE Law of 2021 (Introduced under Title XIII).

⁴¹ 311 of the Tax Code, as codified under R.A.11534 or the CREATE Law of 2021 (Introduced under Title XIII).

F. VETOED Provisions

CREATE's proponents came out victorious upon the law's signing in 2021, yet faced with a heavy price. These are the direct veto provisions by the President, which the undersigned find just and fair.

- 1) Increasing the VAT-exempt threshold on the sale of real property from P1.50M to P2.50M on the sale of residential lots and from P2.50M to P4.20M on the sale of residential houses and lots and other residential dwellings. If not vetoed, the estimated revenue loss from the amended version is P155.3 billion for the period from 2020 to 2030, which could be used in public goods to benefit the poor directly.
- 2) The 90-day period for processing general tax refunds as the President finds it incumbent upon the BIR to exercise utmost diligence in granting such refunds. If not vetoed, following the hard deadline, though it appears good on paper, it might either cause damage to the government if the BIR acts haphazardly or cause more delays to the prejudice of the taxpayers if the BIR chooses the more convenient option of simply denying applications given the time constraints.
- 3) Definition of Investment Capital "excludes the value of land and working capital." If not vetoed, it may lead to underestimating the investment promotion performance.
- 4) Redundant incentives for domestic enterprises, which refer to the (i) 1st, 2nd, and certain provisions of 4th paragraphs of §294(B), (ii) words "domestic market enterprise" and "critical" on 2nd line of a paragraph of §294(C), (iii) 1st paragraph of §295(B), (iv) 1st paragraph of §296(A), (v) provisos "not classified as critical" and "special corporate income tax (SCIT) or" in the 1st paragraph of §296(B), 2nd paragraph of §296(B), (vi) line "and critical domestic market activities" in the 14th paragraph of §296(B), and all mentions of /SCIT for domestic market activities thereof at §296(B). If not vetoed, the SCIT rate for domestic market enterprises, which is in lieu of all local and national taxes, is redundant, unnecessary, and weakens the fiscal incentives system. The "generous, targeted, and performance-based" enhanced deductions(ED) to domestic activities in priority sectors under CREATE law are already sufficient incentives.
- 5) Allowing existing registered activities to apply for new incentives for the same activity on top of the original period of incentives enjoyment is fiscally irresponsible and utterly unfair to the ordinary taxpayer and unincentivized enterprises. RBEs interested in further enjoying incentives must engage in new activities or projects incentivized in the SIPP.
- 6) Limitations on the power of FIRB to grant tax incentives to registered projects or activities with an investment capital of more than P1.0 billion. If not vetoed, the current practice of granting incentives without a regular impact analysis conducted and without regard to the final cost to the government is unacceptable and inconsistent with the theme of TIMTA, which emphasizes fiscal accountability and transparency in the grant and management of tax incentives.
- 7) Specific industries mentioned under activity tiers (involving 9th and 12th paragraphs of §296(B) of the Tax Code.) If not vetoed, CREATE Act would be inflexible to keep up with the changing times. Activities and projects should not be hard coded in the law so that it does not keep on incentivizing obsolete industries and should not close doors to technological advances and industries of the future.

- 8) Provision under §301 granting the President the power to exempt any investment promotion agency (IPA) from the reform. If not vetoed, such a provision would oppose the government's steps in rationalizing its fiscal incentives system. It can also be used as a highly political tool in dismantling and disregarding studies and discussions based on empirical evidence. Further, exempting any IPA from the CREATE Act, which provides for transparency, accountability, and proper administration of tax incentives, may be used as an escape from the accountability measures.
- 9) Automatic approval of the application for incentives if not acted upon within twenty (20) days from the date of submission of the application and its relevant/ complete supporting documents to the FIRB or IPA, as the case may be. If not vetoed, it runs counter to the declared policy, that is, to approve or disapprove based on merit. The core of the reform is to develop a performance-based tax incentives system.

Other CREATE's key amendments to the Code are as follows:

- a. Adding the "Reporting requirement of the Commissioner of Internal Revenue to the Department of Finance and Oversight Committee of Congress."⁴²
- b. Inclusion of One Person Corporation in the Term "Corporation."⁴³
- c. Limiting the Exemption of Winnings from PCSO of non-resident alien individuals to the extent of Php 10,000.⁴⁴
- d. Repealing the 10% Improperly Accumulated Earnings Tax⁴⁵
- e. Introducing the additional 50% deduction on labor training expenses incurred for skills development of enterprise-based trainees enrolled in certain schools/institutions and duly covered by an apprenticeship agreement in which deductions cannot exceed 10% of direct labor wage, and provided the needed certification from DepEd, CHED, or TESDA is secured.⁴⁶
- f. Reducing the deductible interest expense to 20% from the previous 33%.⁴⁷
- g. Ditching a prior BIR confirmation or tax ruling requirement for purposes of availing tax-free exchanges under Section 40 (C) of the Tax Code. VAT shall not be imposed on tax-free exchanges. Tax-free exchanges or disposition of property pursuant to corporate restructuring include merger or consolidation, property for share (including de facto merger), stock acquisition, asset acquisition, recapitalization, and reincorporation.⁴⁸
- h. Redefining the term "control" for purposes of tax-free exchange. Ownership of stocks in a corporation after the transfer of property possessing at least 51% of the total voting power of all classes of stocks entitled to vote: provided, that the collective and not the individual ownership of all classes of stocks entitled to vote of the transferor or transferors shall be used in determining the presence of control.⁴⁹
- i. Mandating withholding tax rules review of the DOF at least every three (3) years.⁵⁰
- j. Reducing the percentage tax (persons exempt from VAT) from 3% to 1% effective July 1, 2020, until July 30, 2023.⁵¹

⁴² 20(C) of the NIRC, as amended by the R.A. 11534 (CREATE law).

⁴³ 22(B) of the NIRC, as amended by the R.A. 11534 (CREATE law).

⁴⁴ §25(A)(2) of the NIRC, as amended by the R.A. 11534 (CREATE law).

⁴⁵ §29 of the NIRC, as amended by the R.A. 11534 (CREATE law).

⁴⁶ §34(A)(1)(a)(v) of the NIRC, as amended by the R.A. 11534 (CREATE law).

⁴⁷ (B)(1) of the NIRC, as amended by the R.A. 11534 (CREATE law).

⁴⁸ 40(C)(2) of the NIRC, as amended by the R.A. 11534 (CREATE law).

⁴⁹ 40(C)(6)(c) of the NIRC, as amended by the R.A. 11534 (CREATE law).

⁵⁰ 57 of the NIRC, as amended by the R.A. 11534 (CREATE law).

⁵¹ 116 of the NIRC, as amended by the R.A. 11534 (CREATE law).

- k. Inclusion of the 90-day period for the BIR to act on claims for refund of taxes erroneously or illegally paid or penalties imposed without authority reckoned from complete submission of documents.⁵²
- l. Directing Congressional Oversight Committee to review the performance of the Fiscal Incentives Review Board in aid of legislation.⁵³

CUSTOMS LAW

The primary governing body for customs in the Philippines is the Bureau of Customs (BOC), which is responsible for enforcing customs laws and regulations in the country.

Customs Modernization and Tariff Act (CMTA)

This law aims to modernize customs operations in the Philippines, streamline procedures, and improve trade facilitation. It also provides for stiffer penalties for smuggling and other customs offenses.

The Customs Modernization and Tariff Act (CMTA), which was signed into law on May 30, 2016, amended the Tariff and Customs Code of the Philippines (TCCP) with the goal of modernizing and streamlining customs procedures in the country. The CMTA introduced several key changes to the TCCP, including:

- Adoption of a "risk management system" for customs procedures, which is designed to facilitate trade and reduce opportunities for corruption by allowing low-risk shipments to be cleared more quickly and efficiently.
- Introduction of a "Post Clearance Audit" (PCA) system, which allows Customs authorities to conduct audits of importers and exporters after clearance of their shipments to verify compliance with customs laws and regulations.
- Establishment of a "One-Stop Shop" for customs procedures, which aims to simplify and streamline the clearance process for importers and exporters.
- Introduction of new penalties for non-compliance with customs laws and regulations, including stiffer fines and the possibility of criminal prosecution.

⁵² 2nd VETOED Provision by PRRD. Old Provision remains.

⁵³ 290(5) of the NIRC, as amended by the R.A. 11534 (CREATE law).

7 – ACCOUNTING & REPORTING

Philippine Financial Reporting Standards, which are adapted from International Financial Reporting Standards, are imposed by the Philippine Financial and Sustainability Reporting Standards Council (PFSRSC) and approved by the Securities and Exchange Commission (SEC). The disclosure requirements of statutory reports to be submitted by Philippine entities to various users of financial statements are extensive and detailed in nature.

The Philippines has three financial reporting frameworks:

1. Philippine Financial Reporting Standards (PFRS);
2. Philippine Financial Reporting Standard for Small and Medium-Sized Entities (PFRS for SMEs); and
3. Philippine Financial Reporting Standard for Small Entities (PFRS for SEs).

The Securities and Exchange Commission prescribes general financial reporting requirements set out in Revised Securities Regulation Code (SRC) Rule 68. The following financial reporting frameworks shall be followed using the criteria set under Revised SRC Rule 68:

Framework	Criteria
PFRS – Large and/or Public Interest Entities	>P350 Million total assets or >P250 Million total liabilities
	Holders of secondary licenses
	Those that are required to file financial statements under Part II of SRC Rule 68
	Those that are in the process of filing their financial statements for the purpose of issuing any class of instruments in a public market
	Such other corporations that the Commission may consider in the future as imbued with a public interest
PFRS for SMEs – Medium-Sized Entities	>P100 Million to P350 Million total assets or >P100 Million to P250 Million total liabilities
	Those that are required to file financial statements under Part II of SRC Rule 68
	Those that are in the process of filing their financial statements for the purpose of issuing any class of instruments in a public market
	Those that are not holders of secondary licenses
	Note: Other medium-sized entities are not required to adopt PFRS for SMEs and may instead apply, at their option, the full PFRSs such as when an SME is a subsidiary of a Parent Company reporting under the full PFRS
PFRS for SEs – Small Entities	Total assets or liabilities of P3 Million to P100 Million
	Those that are required to file financial statements under Part II of SRC Rule 68
	Those that are in the process of filing their financial statements for the purpose of issuing any class of instruments in a public market
	Those that are not holders of secondary licenses
	Those entities whose operations are not based or conducted in a different country with a different functional currency
	Note: Other small entities are not required to adopt PFRS for SEs and may instead apply, at their option, the full PFRSs/ PFRS for SMEs such as when an SE is a subsidiary of a Parent Company reporting under the full PFRS/ PFRS for SMEs

Every registered company is required to keep complete books of accounts, journals, ledgers, and necessary documents to record cash receipts and disbursements and to support all the transactions entered into its books. An entity should keep all of its business and accounting records for a period of at least five (5) years in hard copy and ten (10) years in electronic copy.

FINANCIAL STATEMENTS

A complete set of financial statements should be prepared annually for submission to various government agencies. The standard requires a complete set of financial statements to comprise a statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows.

Listed companies should submit their complete set of financial statements, accompanied by a report issued by an independent Certified Public Accountant, to the Securities and Exchange Commission, government agencies, and other applicable users as necessary. Independent Certified Public Accountants, either individual, firm, or professional partnership, should be accredited by various regulating bodies regulating a specific industry, including the Securities and Exchange Commission (Group A, B, and C), Bangko Sentral ng Pilipinas (Central Bank), Board of Accountancy, Cooperative Development Authority, National Electrification Administration, Energy Regulatory Commission, Insurance Commission, among others.

DIGITALIZATION OF FILING AUDITED FINANCIAL STATEMENTS (AFS)

Government agencies such as the Bureau of Internal Revenue (BIR) and the Securities and Exchange Commission (SEC) implemented online/ electronic portals to allow taxpayers to submit their AFS digitally.

BIR's ELECTRONIC AUDITED FINANCIAL STATEMENTS SYSTEM (EAFS)

Taxpayers may follow the steps below to use the EAFS portal:

1. Visit the eAFS website - <https://eafs.bir.gov.ph/eafs/>;
2. Register and create your account by clicking "Not Registered" located in the below right corner of the website;
3. Complete the following information and submit:
 - a. Taxpayer's information:
 - i. Company TIN;
 - ii. Registered Name;
 - iii. Company Email;
 - iv. RDO Code; and
 - v. SEC Number;
 - b. Authorized Tax Agent/Representative
 - i. TIN;
 - ii. First Name, Middle Name, and Last Name;
 - iii. Email; and
 - iv. Contact Number
 - c. Login Information
 - i. Username; and
 - ii. Password.
4. Check your registered email to validate your account. The BIR will send an email with the subject: "Activate your BIR AFS eSubmission Account";
5. After you have activated the account, you may now log in using your registered USERNAME and PASSWORD;
6. On the home page, go to the left sidebar to upload files;
7. You may now upload the required documents;
8. Once you have uploaded all documents, click SUBMIT. The Statement of Undertaking appears. Read and click "Accept" to proceed; and
9. Ensure to save and/or print the message that shows successful submission and the email that will be sent to your registered email, as proof of submission.

8 – UHY REPRESENTATION IN THE PHILIPPINES



UHY M.L. AGUIRRE & CO. CPAS PHILIPPINES



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SOCIAL MEDIA CONNECTIONS

- Twitter: @uhy_mac

Year established: 2006
PCAOB registered?: Yes
Number of partners: 4
Total staff: 74

ABOUT US

Timely Business Advice

OTHER IN-COUNTRY OFFICE LOCATIONS AND CONTACTS

Chiefs Binondo, Manila

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."

SERVICE AREAS

- Audit & Assurance
- Taxation
- Outsourcing
- Licensing
- Doing Business Support Services

SPECIALIST SERVICE AREAS

- E-Commerce / Digital Taxation Compliance & Review
- Data Privacy Compliance
- Litigation Support
- Financial Services Review (i.e. Rural Bank, Savings & Loan Cooperative, Electric Cooperative, Insurance)
- Foreign funded Projects
- Cryptocurrency
- Export-Oriented Entities / Enterprises with or Without Incentives
- Fraud & Forensic Review



The network
for doing
business



UHY M.L. AGUIRRE & CO. CPAS PHILIPPINES



PRINCIPAL OPERATING SECTORS

- Export Oriented Industries (Manufacturing & Business Process Outsourcing)
- Real Estate
- Financial Services
- Retail & Distribution

LANGUAGES

- ENGLISH
- TAGALOG
- CHINESE

CURRENT PRINCIPAL CLIENTS

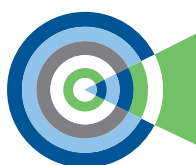
Confidentiality precludes disclosure in this document.

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

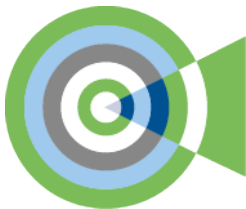
Malaysia, Indonesia, Japan, Singapore, Spain, UK, Germany, United States, Brazil, Australia, China, Dubai

BRIEF HISTORY OF FIRM

We started with property management companies, associations, Non-Government Organization, Foreign funded projects, Foundations and other Non-Profit Organizations which were our initial niche market back in 2007. With these happy and satisfied clients, we were then referred to other industries and businesses thus UHY M.L. Aguirre & Co CPAs was born and grew in numbers. Today with over 60 personnel comprising of associates, senior management, partners and managers, our firm's mantra stays the same: "Timely Business Advice" and "Total Advisory eXperience" on which why our firm is the preferred choice of Tier-2 business and clients.



The network
for doing
business



LET US HELP YOU ACHIEVE FURTHER BUSINESS SUCCESS

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