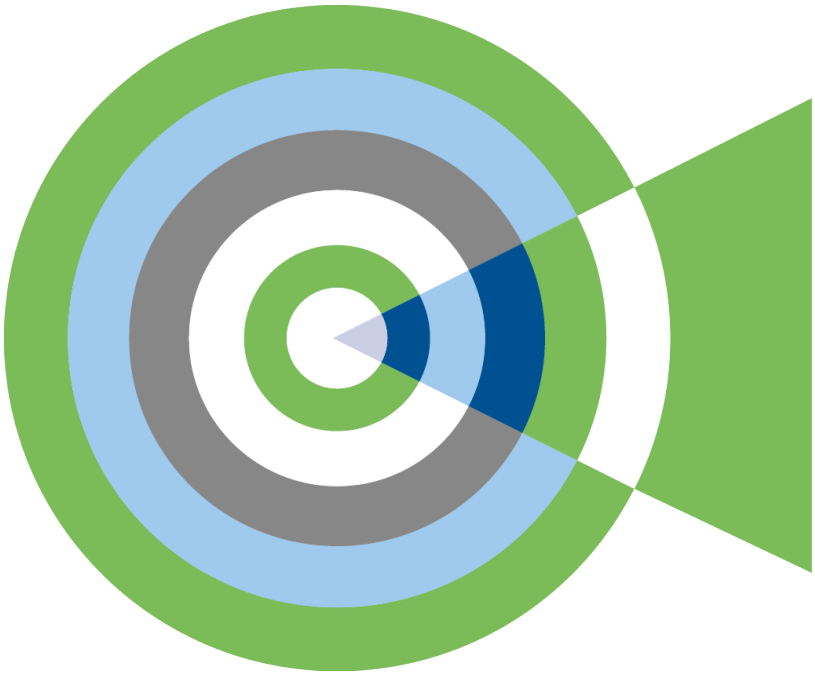
UHY

DOING BUSINESS

IN PHILIPPINES

The network for doing business

CONTENTS



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 2024.

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

2 – BUSINESS ENVIRONMENT

BACKGROUND

Enhancing the ease of doing business in the Philippines is evident through recent initiatives, such as the signing of Executive Order No. 18. This executive order is designed to expedite the acquisition of necessary licenses and permits for strategic investments, demonstrating the government's dedication to fostering a robust investment climate. Collaboration with key government agencies, including the Anti-Red Tape Authority (ARTA), further strengthens ties with the private sector. Mandated by Republic Act (R.A.) No. 11032 or the Ease of Doing Business Act, ARTA plays a pivotal role in regulatory transformation and improvement. With over five years of impactful existence, ARTA has been instrumental in implementing initiatives focused on transparency, efficiency, productivity, and the overall effectiveness of government services.

The recently introduced Ease of Paying Taxes (EOPT) Act under Republic Act No. 11976, amending the National Internal Revenue Code of 1997, complements these efforts by safeguarding taxpayer rights and modernizing tax administration.

UHY M.L. Aguirre & Co. CPA is actively contributing to this business-friendly environment. Our innovative platforms and commitment to supporting entrepreneurs, coupled with a diverse team delivering streamlined and cost-efficient services, reflect our dedication to enhancing business opportunities. Babylon2K's mission as a one-stop shop aligns with the 'ease of doing business' initiative, attracting foreign investments and promoting global collaborations. The firm actively implements the Ease of Doing Business (EODB) law, facilitating efficient access to government services and addressing the diverse needs of companies. Our ongoing commitment to supporting businesses in key sectors such as electric vehicles, renewable energy, aerospace, AI, and fintech is playing a pivotal role in driving economic growth. Additionally, we prioritize helping both established companies and startups to promote investments under the 2022 Strategic Investment Priority Plan.

The commitment to addressing imbalances, fostering growth, and collaborating with international networks reflects a positive outlook on economic progress in the Philippines and beyond in 2024.

POPULATION

As of February 15, 2024, the population of the Philippines is 118,463,297, based on Worldometer's[1] elaboration of the latest United Nations data. The Philippine population is projected to increase for the next 35 years across different TFR scenarios. By 2025, the Philippine population is projected to be about 114.12 million, 113.86 million, and 113.63 million under Scenarios 1, 2, and 3, respectively. At the end of the projection period, the Philippine population is projected to be about 145.37 million, 138.67 million, and 132.32 million.[2]

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 kilometer, with a total land area of 298,170 square kilometers).

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%).

[1] https://www.worldometers.info/world-population/philippines-population/
[2] https://psa.gov.ph/content/philippine-population-projected-be-around-13867-million-2055-under-scenario-2

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.

GEOGRAPHY

The Philippines is an archipelago in Southeast Asia, consisting of 7,641 islands with a total land area of approximately 300,000 square kilometers. 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 Philippine peso's current strength against the US dollar presents a double-edged sword for businesses. While importers rejoice at lower costs and potential profit boosts, exporters face reduced earnings on their dollar-denominated sales.

Similarly, the Philippines becomes more attractive for foreign investment and exports gain global competitiveness, but tourism might suffer due to slightly higher costs for foreign visitors. As the future peso trajectory remains uncertain, businesses should stay informed, manage risks through hedging strategies, and focus on offering high-quality, competitive products and services regardless of exchange rate fluctuations.

As of February 1, 2024, the Philippine peso (PHP) is moderately appreciating against the US dollar (USD). This means that it takes fewer pesos to buy one dollar, which can be beneficial for businesses that import goods or services from the US.

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.[3]

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 setting its sights high, aiming for a 10% increase in exports for 2024. While achievable based on current market projections, this target pales in comparison to the 40% growth needed to meet the Philippine Export Development Plan (PEDP) goals for 2023-2028.

Despite the ambitious 40% target, a sense of optimism prevails. The government, through the Department of Trade and Industry (DTI), intends to not only reach the 10% mark but even surpass it. Recognizing the challenge, DTI is focusing on attracting foreign investments to enhance domestic capabilities and fuel export potential, particularly in the technology sector.

One key strategy involves luring export-oriented manufacturers to set up shop in the Philippines. The goal is not just to attract these companies, but also their suppliers, fostering a robust and self-sustaining manufacturing ecosystem within the country. This initiative leverages existing advantages in sectors like semiconductors and electronics, aiming to build a strong domestic supply chain and further propel export growth.

While the road ahead may not be easy, the Philippines is determined to achieve its export ambitions through strategic initiatives and a focus on key growth sectors. The success of these plans will be crucial in reaching the ambitious goals outlined in the PEDP and propelling the Philippine economy forward.

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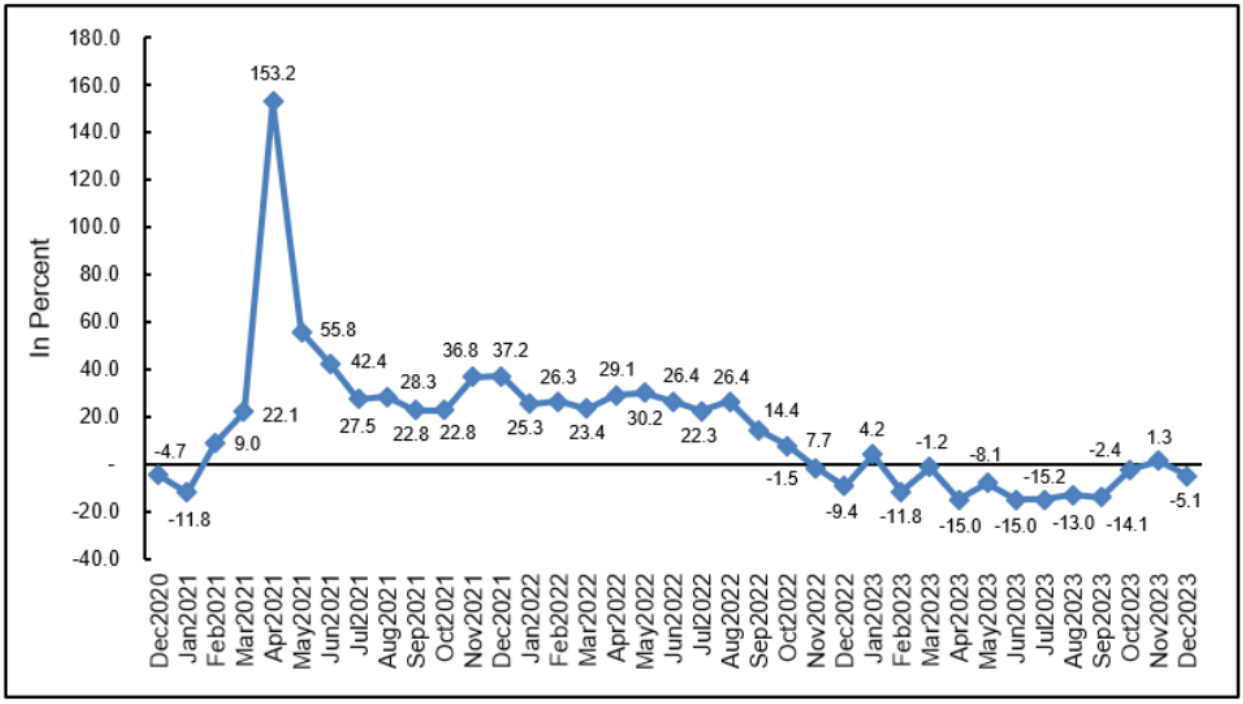
[3] https://translatorswithoutborders.org/language-data-for-the-philippines#:~:text=There%20are%20over%20120%20languages,commonly%20used%20by%20the%20government.

MAJOR IMPORTS

According to the Philippine Statistics Authority, the total imported goods in December 2023 amounted to USD 9.79 billion, indicating an annual decrease of 5.1 percent from the USD 10.32 billion import value in the same month of the previous year. In November 2023, import value recorded an annual increase of 1.3 percent, while in December 2022, it exhibited an annual decrease of 9.4 percent.[4]

Figure 8. Year-on-Year Growth Rate (%) of Value of Philippine Imports December 2020 to December 2023p



p - preliminary
Source: Philippine Statistics Authority

In December 2023, the commodity group with the highest annual decrement in the value of imported goods was mineral fuels, lubricants and related materials with USD 472.37 million. This was followed by electronic products, which declined by USD 328.45 million, and industrial machinery and equipment with an annual decrease of USD 48.99 million. The commodity group with the highest import value in December 2023 was electronic products, which amounted to USD 2.09 billion or a share of 21.4 percent to the country's total imports. This was followed by mineral fuels, lubricants and related materials at USD 1.27 billion (12.9%), and transport equipment at USD 1.25 billion (12.8%). [5]

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.

[4] https://psa.gov.ph/statistics/export-import/monthly
[5] https://psa.gov.ph/statistics/export-import/monthly

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.

There are almost 2,300[6] 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 following[7]:

• 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 enroll 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.

[6] https://www.topuniversities.com/where-to-study/asia/philippines/guide#:~:text=There%20are%20almost%202%2C300%20higher,reflects%20the%20country's%20colonial%20past.
[7] https://www.goodnewspilipinas.com/list-10-philippine-universities-on-the-world-university-rankings/

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 has taken significant steps to enhance its healthcare and pharmaceutical sectors, driven by legislative changes and positive industry growth.

The Philippines implemented Republic Act No. 11223, also known as Universal Health Care (UHC) Act, signed by former President Duterte, which aimed 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.

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.

The Department of Budget and Management (DBM) has allocated PHP22.98 billion for the Health Facilities Enhancement Program (HFEP) in the proposed 2024 National Expenditure Program. This funding is vital for the construction, upgrading, and expansion of government-run healthcare facilities nationwide. The HFEP focuses on Universal Health Care (UHC) sites and Geographically Isolated and Disadvantaged Areas, aiming to enhance the delivery of basic and specialized health services.

Moreover, the Department of Health (DOH) remains committed to enhancing healthcare services across the country. Initiatives include establishing healthcare facilities in provinces, providing laboratory services to underserved areas, and launching the "Lab for All" caravan. Additionally, the DOH previously introduced Botika ng Barangay, increasing accessibility to healthcare and products in rural areas.

The pharmaceutical industry in the Philippines, on one hand, is experiencing rapid growth, driven by the increasing demand for healthcare products and medicines. The Department of Trade and Industry (DTI) projects the industry to reach PHP216 billion by the end of 2024, making the country an attractive destination for pharmaceutical investments.

The Board of Investments (BOI) supports the Philippine Pharmaceutical Manufacturers Association's roadmap, focusing on strengthening the local sector and boosting pharmaceutical exports.

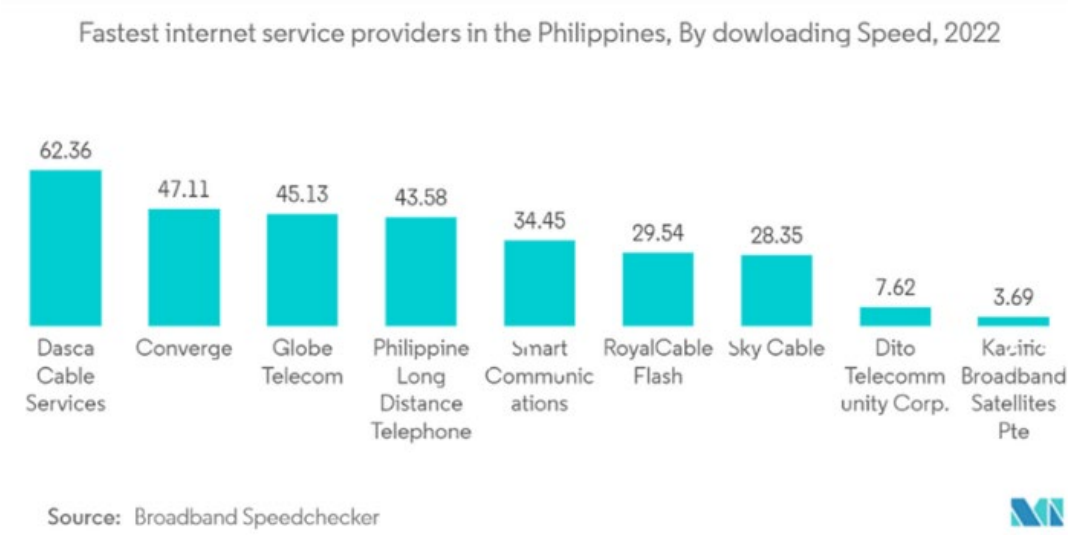
Multinational companies currently dominate the pharmaceutical market, holding 56.5% of sales. The country's emphasis on herbal medicine development contributes to industry growth. Natural ingredients like lagundi and sambong are being explored for research and development, particularly in creating herbal drugs targeting COVID-19 and dengue.

While advancements are evident in healthcare infrastructure and the pharmaceutical industry, ensuring equitable access to healthcare services remains a paramount goal for the Philippines. Striking a balance between legislative support, infrastructure development, and industry growth is crucial for the overall health and well-being of the country.

COMMUNICATIONS

The Philippines Telecom Market is positioned for substantial growth, with an estimated size of USD 5.58 billion in 2024, projected to reach USD 6.55 billion by 2029, at a CAGR of 3.28% during the forecast period.

The country's major telecom players, including PLDT, Smart Communications, Globe Telecom, DITO Telecommunity, and NOW Telecom, drive innovation through consistent R&D investments. To meet escalating demand, the industry is actively expanding network capacity through fiber and wireless deployments.



Fixed broadband services are experiencing a growing demand, fueled by efforts from operators and the government to expand coverage. Investments are focused on deploying fiber infrastructure in urban areas, with PDLT leading a network modernization program. The work-from-home trend during and after COVID-19 has heightened demand for fixed broadband services, with companies like Sky Cable and InfiniVAN expanding their services across new areas.

The popularity of OTT services is growing, leading to a projected decrease in Pay-TV penetration over the next five years. DITO Telecommunity's investments in cell sites and the increase in mobile subscriptions are expected to drive demand for OTT services, presenting significant growth opportunities. Smart Communications, for instance, has partnered with Firstlight Media to enhance its OTT video services.

The Philippine telecom market is characterized by collaboration and advancements, as seen in partnerships between PLDT and Telesat for high-speed broadband trials and Globe Telecom's memorandum of understanding with AST SpaceMobile for satellite broadband. DITO Telecommunity's wireless home broadband service and the ongoing deployment of 5G-ready base stations by Globe Telecom in Mindanao further contribute to the industry's growth. The continuous evolution and expansion of services in both fixed broadband and OTT sectors position the Philippines telecom market for substantial development over the next five years.

BANKING AND FINANCIAL SERVICES

The total banking system's assets reached Php 24 trillion as of September 2023, representing a higher growth rate of 9% than last year of the same period and last month. By banking group, 93.9% come from universal and commercial banks, while 4.2%, 1.6%, and 0.3% are generated from thrift banks, rural and cooperative banks, and digital banks, respectively.

The growth rate in the credit activity depicted a significant improvement as it ascended by 7.8%. However, this growth was slower than 10.4% recorded in September 2022. The total loan portfolio stood at Php 13.1 trillion of which 54.8% came primarily from the following economic activities:

Financial and insurance
·Real Estate
·Wholesale and retail trade
·Electricity, gas, steam, and air-conditioning supply sectors

According to BSP, the non-performing loan ratios at 3.09% and 7.1% of the universal and commercial banks and thrift banks, respectively, affirm the manageable loan quality of the banking system. Moreover, the PBS's satisfactory loan quality was accompanied by sufficient reserves resulting in a non-performing loan coverage ratio of 103.6%.

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 third quarter. For September 2023, 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 PBS’s fund came mainly from deposits, mostly peso-denominated and sourced from resident individuals and private corporations, at 79.4% or Php 18.3 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 March 2023, the PBS’s Capital Adequacy Ratios of the of 16.0% on solo basis and 16.6 % on consolidated basis. The PBS’s solo and consolidated liquidity coverage ratios (LCRs) stood at 183.3% and 182.9%, respectively and net funding ratio at 139.1% and 139.4% respectively, on solo and consolidated basis.

These ratios are well above the minimum thresholds set by the BSP (10%) and the Bank for International Settlements, indicating the bank's ability to meet both short and medium-term funding requirements.

For the period ending September 2023, the PBS recorded a 10.4% increase in net profit, reaching Php270.4 billion. This growth was slower than the 44% recorded in September 2022 and the 14.3% pre-pandemic average. The increase in net profit was primarily driven by higher interest income particularly from lending to private corporations and households and investment in securities, denoting that core activities continued to drive the bank's operations.

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

BSP is conservative in its 2024 forecasts, considering various factors such as the external risks from a weaker global growth outlook, elevated inflation, and supply chain disruptions. The domestic economy's pace of expansion is forecasted at a growth rate of 6.5-7.5% in 2024.

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 travelers 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.

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 traveled. 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

In recent years, the real estate landscape in the Philippines has undergone significant transformations, shaping a dynamic market influenced by various economic factors and global events. Between 2010 and 2018, the housing market experienced a substantial surge, particularly in Central Business Districts (CBDs), witnessing a remarkable 125% increase in home prices.

Residential real estate in the Philippines has generally performed well, as indicated by the 7.7% increase in the national residential real estate price index in 2022. Condo demand surged, contributing to a 12.9% rise in house prices over 2023. However, there was a 4.9% drop in condominium prices in the fourth quarter of 2022. Notably, duplex residences recorded the highest price gain in 2022 at 42.9%, while townhouse prices fell by 6.8%.

In the construction sector, a 4% increase in residential building permits in the first quarter of 2022 reflects a positive trend. However, the value of these permits decreased by 10.3%, and the floor area saw a slight decline of 2.1%. The cost of building residential units varied, with duplex/quadruplex apartments having the lowest average costs and condominiums having the highest.

Home rentals in Metro Manila experienced a 3.9% gain in 2022 after a two-year decline, with Pasig City having the lowest residential vacancy rate (5.6%), while Taguig and Makati had the highest rates. Despite varying vacancy rates, the Philippine residential real estate market has consistently demonstrated positive price growth, diverse development activity, and modest rent increases.

The commercial real estate market within Metro Manila's CBDs has performed well in recent years, marked by the addition of 151,200 condominium units in 2022, a 6.3% increase. Notable deliveries in strategic locations, including Fort Bonifacio, Ortigas Center, Rockwell Center, Alabang, and Makati CBD, contributed to this growth. The Bay Area, particularly Fort Bonifacio, remains a popular residential destination due to upscale amenities and a 13.6% projected increase in total condominium units in Metro Manila by the end of 2025.

Looking at emerging trends, the Philippine real estate market is poised for continued growth, maintaining its status as one of Southeast Asia's largest markets. The demand for both commercial and residential properties is expected to remain robust, with flats and condos witnessing high sales. The rise of hybrid workplaces is driving the demand for new retail spaces in Metro Manila, fueled by outsourcing and increased employment rates. Moreover, international investors, particularly Japanese firms, are showing interest in the Philippine real estate industry, backed by potential trade agreements and significant investments. The ongoing recovery of the tourism industry is predicted to further boost demand for real estate, particularly in the hotel and lodging sector, offering attractive opportunities for investors.

Bangko Sentral ng Pilipinas (BSP) reported in its September 2023 publication, Recent Trends in the Philippine Financial System, that the Philippine Banking System (PBS) 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.

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. Holy Week - March or April (depending on the lunar calendar)
5. Day of Valor – April 9th
6. Labor Day - May 1st
7. Independence Day - June 12th
8. Eid al-Fitr - varies each year (based on the Islamic calendar)
9. Bonifacio Day - November 30th
10. Christmas Day - December 25th
11. 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.

3 – FOREIGN INVESTMENT

The Philippines is a hotspot for investors seeking promising ventures across a spectrum of industries due to its thriving economy and dynamic growth across diverse sectors, such as, Agriculture, Industry, and Services. Lucrative investment opportunities abound in Manufacturing, Real Estate, Mining, Business Process Outsourcing, Gaming, Casinos, Retail, Distribution, Banking and Finance, Construction and Engineering Services, English Learning, FinTech, and E-commerce.

Forms of business organizations that can be established under Philippine Laws: 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 2024 and beyond.

Overall, foreign investments in the Philippines in 2024 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 of the Philippines 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, Former 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)

PEZA Registration

Like the BOI, Philippine Economic Zone Authority (PEZA) is an agency of the DTI created to promote foreign investments. It does so by assisting export-oriented manufacturing and service entities located in Special Economic Zones or ecozones. Registering with the PEZA entitles the taxpayer to fiscal and non-fiscal incentives and support service even after their setting up of business.

The following are the incentives accorded to PEZA-registered enterprises:

A. Fiscal Incentives:

For Export-oriented Enterprises:
a. Income Tax Holiday (ITH) of 4-7 years; and

b. Availment of Special Corporate Income Tax (SCIT) rate of 5% OR Enhanced Deductions (ED) for 10 years

For Domestic Market Enterprises:

a. Income Tax Holiday (ITH) of 4-7 years; and

b. Availment of Enhanced Deductions (ED) for 5 years.

Enjoyment of tax incentives timeline

- Income Tax Holiday (ITH) – 0% for 4 to 7 years
- 5 % Special Corporate Income Tax (SCIT) or Enhanced Deduction (ED) – 5 to 10 years
- 25% Regular Corporate Income Tax

EXPORT MARKET ENTERPRISE			
LOCATION	**Tier I**	**Tier II**	**Tier III**
National Capital Region (NCR)	4 years ITH + 10 years ED or SCIT	5 years ITH + 10 years ED or SCIT	6 years ITH + 10 years ED or SCIT
Metropolitan Areas; areas contaguous and adjacent to NCR	5 years ITH + 10 years ED or SCIT	6 years ITH + 10 years ED or SCIT	7 years ITH + 10 years ED or SCIT
All other areas	6 years ITH + 10 years ED or SCIT	7 years ITH + 10 years ED or SCIT	7 years ITH + 10 years ED or SCIT

DOMESTIC MARKET ENTERPRISE			
LOCATION	**Tier I**	**Tier II**	**Tier III**
National Capital Region (NCR)	4 years ITH + 5 years ED	5 years ITH + 5 years ED	6 years ITH + 5 years ED
Metropolitan Areas: areas contaguous and adjacent to NCR	5 years ITH + 5 years ED	6 years ITH + 5 years ED	7 years ITH + 5 years ED
All other areas	6 years ITH + 5 years ED	7 years ITH + 5 years ED	7 years ITH + 5 years ED

B. Non-fiscal Incentives:

1. Tax- and duty-free importation of capital equipment, raw materials, spare parts or accessories;
2. Domestic sales allowance of up to 30% of total sales;
3. VAT exemption on importation and VAT zero-rating on local purchases for goods and directly related to its registered activity to include telecommunications, power, and water bills;
4. Exemption from payment of national and local government taxes and fees for the period of availment of the 5% SCIT incentive;
5. Employment of foreign nationals
6. Long-term land lease of up to 75 years
7. Issuance of a 2-year PEZA Visa for foreign nationals employed by PEZA-registered companies and their dependents.

Qualifications and Requirements

The enterprise must be located in a PEZA-designated zone and engages in eligible activities which include manufacturing, processing or assembling for export, and those that support exports. Export activity comprises IT/BPO Services, tourism, medical tourism, agro-industrial, and utilities and facilities providers, and so on. Under the CREATE Act, activities qualifying under the Strategic Investment Priority Plan (SIPP), whether export-oriented or domestic market-oriented, can also register with PEZA.

The basic documentary requirements for registration are: (1) application form; (2) Articles of Incorporation and By-Laws; (3) Board Resolution of a duly authorized company representative/signatory; (4) Project Brief;

(5) Anti-Graft Certificate; (6) Project Feasibility Study; (7) Secretary's certificate authorizing the application for registration with PEZA; and (8) a five-year financial outline.

BOARD OF INVESTMENTS (BOI)

The Philippine Board of Investments (BOI), a government agency under the Department of Trade and Industry (DTI), is tasked with the development of investments here in the Philippines. As mandated by the Omnibus Investments Code (Executive Order No. 226), the BOI provides tax exemption and other incentives to registered enterprises that engage in activities enumerated in the Investment Priorities Plan (IPP).

Incentives and Benefits of BOI Registration in the Philippines

1. Income Tax Holiday of four to six years (maximum of six years)
2. ITH Bonus of 3 years, provided the enterprise meets certain conditions
3. 0% Duty on Importation of Capital Equipment, Spare Parts, and Supplies
4. Exemption of Wharfage Dues and Export Tax, Duty, Impost, and Fees
5. Employment of Foreign Nationals for certain positions (All foreign national employees may bring with them their spouses and unmarried children under 21 years old)

Qualifications and Requirements

Wholly Filipino-owned enterprises are qualified to register for BOI incentives if they engage or propose to engage in an activity listed in the current IPP. On the other hand, Domestic foreign corporations (100% foreign-owned), can avail of incentives if they engage in pioneer projects and satisfy any of these qualifying requirements:

- at least 70% of services or products are for export, or
- proposed projects are implemented in areas listed as less-developed areas (LDAs) by the BOI.

These enterprises are required to attain 60% Filipino ownership within thirty (30) years from registration unless they export or are planning to export 100% of their production. Examples of enterprises that export 100% of their goods or services are Business Process Outsourcing (BPO), Knowledge Process Outsourcing (KPO), Legal Process Outsourcing (LPO), Call Center Agencies, and Outsourcing companies.

For businesses planning to participate in non-pioneer projects, the maximum foreign ownership is capped at 40%, except if the enterprise intends to export over 70% of its yearly output.

The documentary requirements for the application are:

1. SEC Certificate of Registration, which includes the Articles of Incorporation and By-Laws for Domestic Corporations, Partnerships, Branch Offices, Representative Offices, and Regional Headquarters; or DTI Certificate of Registration for Sole Proprietorships
2. Audited Financial Statement (feasibility report that contains projected financial reports for the next five years) and Income Tax Return (for the past three years, if applicable)
3. Board Resolution of a duly authorized company representative/signatory; and
4. Accomplished BOI Application Form 501 (has various versions per industry sector) and Project Report (a report that contains activities listed or are related to those listed in the IPP).

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

<u>i. Representative Office.</u>

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 center, 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 center 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

Philippine Statistics Authority (PSA) said unemployment rate dropped to another record low in November, as businesses ramped up hiring ahead of the holiday season. Preliminary results of the PSA's Labor Force Survey (LFS) showed the unemployment rate fell to 3.6% in November from 4.2% in the previous month and in November 2022. November's jobless rate was the lowest record since the PSA revised the definition of "unemployed" in April 2005 to refer to people aged 15 years and older without a job and are available for work and actively seeking one.

Employment Growth

The number of unemployed Filipinos decreased by 12.3% or 257,000 to 1.83 million in November from 2.09 million in October. It was also 15.8% or 343,000 lower than the 2.18 million jobless Filipinos in November 2022.

For the first 11 months of 2023, the unemployment rate stood at 4.5%, well below the 5.3%-6.4% target under the Philippine Development Plan.

The Philippine Statistics Authority (PSA) reported an increase in employed Filipinos in November 2023, reaching 49.64 million compared to 47.8 million in October. This significant month-on-month rise is attributed to holiday season hiring trends. Notably, this increase extended throughout the entire fourth quarter.

Underemployment, indicating individuals working with insufficient hours or income, remained unchanged at 11.7% in November. However, compared to November 2022, it decreased from 14.4%. This translates to 5.79 million Filipinos seeking additional work or longer hours, slightly higher than October's 5.6 million. Despite this monthly increase, the number of underemployed Filipinos is still significantly lower than the 7.16 million recorded in November 2022.

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 timeoff for their regular meals.
- 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):** Pag-IBIG Fund members are set to enjoy doubled savings and higher cash loan entitlements while continuing to have access to affordable home loans, as the agency is set to increase the nearly four-decade-old mandatory monthly savings for both members and their employers starting February 2024, officials announced Wednesday (17 January). Under the agency's new rates, the monthly savings of Pag-IBIG Fund members for both the employee's share and the employer's counterpart shall increase to two hundred pesos (P200) each from the current one hundred pesos (P100). This follows the adjustment in the maximum monthly compensation to be used in computing the required two percent (2%) employee savings and two percent (2%) employer share for Pag-IBIG Fund members, which shall now increase to ten thousand pesos (P10,000) from the current five thousand pesos (P5,000). [8]

- **National Health Insurance Program (NHIP):** The Philippine Health and Insurance Corporation (PhilHealth) have implemented increased Payroll Contribution rates in the Philippines with their new premium schedule table. PhilHealth introduced the updated payroll contribution rates in the Philippines for 2024 in the latest version of their contribution table released on January 1, 2024. The new version revealed that PhilHealth contributions are going up to 5% this year compared to the previous rate at 4%. Originally, these changes were planned for an earlier release but were suspended by President BongBong Marcos due to the impact of COVID-19 on the Philippine economy. [9]

2023	P10,000.00	4.50%*	P450.00
	P10,000.01 to P89,999.99		P450.00 to P4,050.00
	P90,000.00		P4,050.00
2024 to 2025	P10,000.00	5.00%	P500.00
	P10,000.01 to P99,999.99		P500.00 to P5,000.00
	P100,000.00		P5,000.00

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. Social Security System (SSS) will continue to retain its 14% contribution rate for the foreseeable future. The contribution shares for employees and their employers will be as follows:

1. Employers – shall continue to contribute 9.5% of their share.
2. Employees – will still provide their 4.5% share

[8] https://www.pagibigfund.gov.ph/2024news.html
[9] https://www.mazars.ph/Home/Insights/HR-Payroll-Alerts/Philhealth-Payroll-Contribution-Rates-2024

2024

SSS Contribution Table

Effective January 2024

REGULAR EMPLOYERS AND EMPLOYEES
(9.5% for Employers and 4.5% for Employees)

RANGE OF COMPENSATION	MONTHLY SALARY CREDIT			AMOUNT OF CONTRIBUTIONS											
	REGULAR SS	WISP	TOTAL	REGULAR SS			EC			WISP			TOTAL		
	EC			ER	EE	TOTAL	ER	EE	TOTAL	ER	EE	TOTAL	ER	EE	TOTAL
Below 4,250	4,000.00	-	4,000.00	380.00	180.00	560.00	10.00	-	10.00	-	-	-	390.00	180.00	570.00
4,250 - 4,749.99	4,500.00	-	4,500.00	427.50	202.50	630.00	10.00	-	10.00	-	-	-	437.50	202.50	640.00
4,750 - 5,249.99	5,000.00	-	5,000.00	475.00	225.00	700.00	10.00	-	10.00	-	-	-	485.00	225.00	710.00
5,250 - 5,749.99	5,500.00	-	5,500.00	522.50	247.50	770.00	10.00	-	10.00	-	-	-	532.50	247.50	780.00
5,750 - 6,249.99	6,000.00	-	6,000.00	570.00	270.00	840.00	10.00	-	10.00	-	-	-	580.00	270.00	850.00
6,250 - 6,749.99	6,500.00	-	6,500.00	617.50	292.50	910.00	10.00	-	10.00	-	-	-	627.50	292.50	920.00
6,750 - 7,249.99	7,000.00	-	7,000.00	665.00	315.00	980.00	10.00	-	10.00	-	-	-	675.00	315.00	990.00
7,250 - 7,749.99	7,500.00	-	7,500.00	712.50	337.50	1,050.00	10.00	-	10.00	-	-	-	722.50	337.50	1,060.00
7,750 - 8,249.99	8,000.00	-	8,000.00	760.00	360.00	1,120.00	10.00	-	10.00	-	-	-	770.00	360.00	1,130.00
8,250 - 8,749.99	8,500.00	-	8,500.00	807.50	382.50	1,190.00	10.00	-	10.00	-	-	-	817.50	382.50	1,200.00
8,750 - 9,249.99	9,000.00	-	9,000.00	855.00	405.00	1,260.00	10.00	-	10.00	-	-	-	865.00	405.00	1,270.00
9,250 - 9,749.99	9,500.00	-	9,500.00	902.50	427.50	1,330.00	10.00	-	10.00	-	-	-	912.50	427.50	1,340.00
9,750 - 10,249.99	10,000.00	-	10,000.00	950.00	450.00	1,400.00	10.00	-	10.00	-	-	-	960.00	450.00	1,410.00
10,250 - 10,749.99	10,500.00	-	10,500.00	997.50	472.50	1,470.00	10.00	-	10.00	-	-	-	1,007.50	472.50	1,480.00
10,750 - 11,249.99	11,000.00	-	11,000.00	1,045.00	495.00	1,540.00	10.00	-	10.00	-	-	-	1,055.00	495.00	1,550.00
11,250 - 11,749.99	11,500.00	-	11,500.00	1,092.50	517.50	1,610.00	10.00	-	10.00	-	-	-	1,102.50	517.50	1,620.00
11,750 - 12,249.99	12,000.00	-	12,000.00	1,140.00	540.00	1,680.00	10.00	-	10.00	-	-	-	1,150.00	540.00	1,690.00
12,250 - 12,749.99	12,500.00	-	12,500.00	1,187.50	562.50	1,750.00	10.00	-	10.00	-	-	-	1,197.50	562.50	1,760.00
12,750 - 13,249.99	13,000.00	-	13,000.00	1,235.00	585.00	1,820.00	10.00	-	10.00	-	-	-	1,245.00	585.00	1,830.00
13,250 - 13,749.99	13,500.00	-	13,500.00	1,282.50	607.50	1,890.00	10.00	-	10.00	-	-	-	1,292.50	607.50	1,900.00
13,750 - 14,249.99	14,000.00	-	14,000.00	1,330.00	630.00	1,960.00	10.00	-	10.00	-	-	-	1,340.00	630.00	1,970.00
14,250 - 14,749.99	14,500.00	-	14,500.00	1,377.50	652.50	2,030.00	10.00	-	10.00	-	-	-	1,387.50	652.50	2,040.00
14,750 - 15,249.99	15,000.00	-	15,000.00	1,425.00	675.00	2,100.00	30.00	-	30.00	-	-	-	1,455.00	675.00	2,130.00
15,250 - 15,749.99	15,500.00	-	15,500.00	1,472.50	697.50	2,170.00	30.00	-	30.00	-	-	-	1,502.50	697.50	2,200.00
15,750 - 16,249.99	16,000.00	-	16,000.00	1,520.00	720.00	2,240.00	30.00	-	30.00	-	-	-	1,550.00	720.00	2,270.00
16,250 - 16,749.99	16,500.00	-	16,500.00	1,567.50	742.50	2,310.00	30.00	-	30.00	-	-	-	1,597.50	742.50	2,340.00
16,750 - 17,249.99	17,000.00	-	17,000.00	1,615.00	765.00	2,380.00	30.00	-	30.00	-	-	-	1,645.00	765.00	2,410.00
17,250 - 17,749.99	17,500.00	-	17,500.00	1,662.50	787.50	2,450.00	30.00	-	30.00	-	-	-	1,692.50	787.50	2,480.00
17,750 - 18,249.99	18,000.00	-	18,000.00	1,710.00	810.00	2,520.00	30.00	-	30.00	-	-	-	1,740.00	810.00	2,550.00
18,250 - 18,749.99	18,500.00	-	18,500.00	1,757.50	832.50	2,590.00	30.00	-	30.00	-	-	-	1,787.50	832.50	2,620.00
18,750 - 19,249.99	19,000.00	-	19,000.00	1,805.00	855.00	2,660.00	30.00	-	30.00	-	-	-	1,835.00	855.00	2,690.00
19,250 - 19,749.99	19,500.00	-	19,500.00	1,852.50	877.50	2,730.00	30.00	-	30.00	-	-	-	1,882.50	877.50	2,760.00
19,750 - 20,249.99	20,000.00	-	20,000.00	1,900.00	900.00	2,800.00	30.00	-	30.00	-	-	-	1,930.00	900.00	2,830.00
20,250 - 20,749.99	20,000.00	500.00	20,500.00	1,900.00	900.00	2,800.00	30.00	-	30.00	47.50	22.50	70.00	1,977.50	922.50	2,900.00
20,750 - 21,249.99	20,000.00	1,000.00	21,000.00	1,900.00	900.00	2,800.00	30.00	-	30.00	95.00	45.00	140.00	2,025.00	945.00	2,970.00
21,250 - 21,749.99	20,000.00	1,500.00	21,500.00	1,900.00	900.00	2,800.00	30.00	-	30.00	142.50	67.50	210.00	2,072.50	967.50	3,040.00
21,750 - 22,249.99	20,000.00	2,000.00	22,000.00	1,900.00	900.00	2,800.00	30.00	-	30.00	190.00	90.00	280.00	2,120.00	990.00	3,110.00
22,250 - 22,749.99	20,000.00	2,500.00	22,500.00	1,900.00	900.00	2,800.00	30.00	-	30.00	237.50	112.50	350.00	2,167.50	1,012.50	3,180.00
22,750 - 23,249.99	20,000.00	3,000.00	23,000.00	1,900.00	900.00	2,800.00	30.00	-	30.00	285.00	135.00	420.00	2,215.00	1,035.00	3,250.00
23,250 - 23,749.99	20,000.00	3,500.00	23,500.00	1,900.00	900.00	2,800.00	30.00	-	30.00	332.50	157.50	490.00	2,262.50	1,057.50	3,320.00
23,750 - 24,249.99	20,000.00	4,000.00	24,000.00	1,900.00	900.00	2,800.00	30.00	-	30.00	380.00	180.00	560.00	2,310.00	1,080.00	3,390.00
24,250 - 24,749.99	20,000.00	4,500.00	24,500.00	1,900.00	900.00	2,800.00	30.00	-	30.00	427.50	202.50	630.00	2,357.50	1,102.50	3,460.00
24,750 - 25,249.99	20,000.00	5,000.00	25,000.00	1,900.00	900.00	2,800.00	30.00	-	30.00	475.00	225.00	700.00	2,405.00	1,125.00	3,530.00
25,250 - 25,749.99	20,000.00	5,500.00	25,500.00	1,900.00	900.00	2,800.00	30.00	-	30.00	522.50	247.50	770.00	2,452.50	1,147.50	3,600.00
25,750 - 26,249.99	20,000.00	6,000.00	26,000.00	1,900.00	900.00	2,800.00	30.00	-	30.00	570.00	270.00	840.00	2,500.00	1,170.00	3,670.00
26,250 - 26,749.99	20,000.00	6,500.00	26,500.00	1,900.00	900.00	2,800.00	30.00	-	30.00	617.50	292.50	910.00	2,547.50	1,192.50	3,740.00
26,750 - 27,249.99	20,000.00	7,000.00	27,000.00	1,900.00	900.00	2,800.00	30.00	-	30.00	665.00	315.00	980.00	2,595.00	1,215.00	3,810.00
27,250 - 27,749.99	20,000.00	7,500.00	27,500.00	1,900.00	900.00	2,800.00	30.00	-	30.00	712.50	337.50	1,050.00	2,642.50	1,237.50	3,880.00
27,750 - 28,249.99	20,000.00	8,000.00	28,000.00	1,900.00	900.00	2,800.00	30.00	-	30.00	760.00	360.00	1,120.00	2,690.00	1,260.00	3,950.00
28,250 - 28,749.99	20,000.00	8,500.00	28,500.00	1,900.00	900.00	2,800.00	30.00	-	30.00	807.50	382.50	1,190.00	2,737.50	1,282.50	4,020.00
28,750 - 29,249.99	20,000.00	9,000.00	29,000.00	1,900.00	900.00	2,800.00	30.00	-	30.00	855.00	405.00	1,260.00	2,785.00	1,305.00	4,090.00
29,250 - 29,749.99	20,000.00	9,500.00	29,500.00	1,900.00	900.00	2,800.00	30.00	-	30.00	902.50	427.50	1,330.00	2,832.50	1,327.50	4,160.00
29,750 - Over	20,000.00	10,000.00	30,000.00	1,900.00	900.00	2,800.00	30.00	-	30.00	950.00	450.00	1,400.00	2,880.00	1,350.00	4,230.00

6 – TAXATION

Philippine tax laws undergo revisions to align with the current economic landscape and benefit taxpayers. The recent enactment of Republic Act (RA) 11976 brought significant amendments to the National Internal Revenue Code (NIRC) of 1997, enhancing the country's taxation system.

A. RA 11976 In A Nutshell

RA 11976, or the "Ease of Paying Taxes (EOPT) Act", was signed into law by President Ferdinand R. Marcos on January 5, 2024 and took effect on January 20, 2024, fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation. The Act's objective is to modernize the Philippine tax administration, reducing taxpayer burden through streamlined tax policies and procedures.

Below are the salient points of RA 11976:

A.1 TAXPAYER Classification:
For purposes of responsive tax administration, taxpayers are now classified into four categories according to their annual gross sales namely:

1. micro (gross sales of less than Php3M);
2. small (gross sales of Php3M to Php20M);
3. medium (gross sales of Php20M to Php1B); and
4. and large (gross sales of greater than Php1B).

A.2 TAX RELIEF for certain taxpayers:

1. Overseas Contract Workers and Overseas Filipino Workers, per the NIRC and RA No. 11641, need not file income tax returns.

2. Special concessions for micro and small taxpayers: (a) a concise 2-page ITR; (b) a reduced rate of 10% for civil penalties; (c) a 50% cut in interest and fines; (d) a reduced fine of Php500 as penalty for failure to file certain information returns; and (e) a reduced compromise penalty rate of at least 50% for violations of sections 113, 237 and 238 of the NIRC as amended.

A.3 FILE-AND-PAY ANYWHERE MECHANISM
EOPT Act allows taxpayers to file tax returns electronically or manually through authorized agents, revenue district offices, or authorized tax software providers, providing much-needed flexibility and convenience. This eliminates concerns about surcharges for incorrect venue filings.

A.4 INCOME TAX

1. Removal of withholding tax as a requirement for deductibility
2. Refund of Income Tax Credit within two (2) years in case of dissolution or cessation.
3. Timing of withholding is when the tax becomes payable.
4. Claim of CWT: subsequent year (calendar/fiscal).

A.5 VAT & OTHER PERCENTAGE TAXES

1. Uniform basis of VAT: Gross sales (services/goods)
2. VAT base for sale of services is based on gross sales for:
    - service rendered
    - use of lease of properties

3. Liberating VAT invoicing requirements: business style is no longer required
4. Output VAT credit on uncollected Accounts Receivable (AR)
   - deductible in the next quarter (CM)
   - added back upon recovery of the AR
   - declare as Output VAT in the period of recovery
5. Input VAT on local purchases (G/S): upon accrual, supported by invoice.
6. VAT exempt threshold of Php3 million: adjusted using the Consumer Price Index (CPI) every three (3) years.
7. Action on refund of input tax: classification of claims into low-risk, medium-risk, and high-risk.
8. Tax base for other percentage tax: gross sales.

A.6 REFUND OF ERRONEOUSLY PAID TAXES OR PENALTIES

Within 180 days, if denied, taxpayer can file an appeal within 30 days from receipt of denial or the lapse of the 180 days for the BIR to decide.

A.7 RELAXATION OF SOME ADIMINISTRATIVE REQUIREMENTS

1. Preservation of books of accounts - 5 years (previously 10 years)
2. Removal of annual registration fee - 500 pesos
3. Issuance of invoice.
   - required for Php500 or more sale transactions (from 100 pesos)
   - Non-VAT taxpayer can aggregate the amount in a day if below 500 pesos
   - VAT taxpayer: issue invoice regardless of the amount
4. Cancellation of VAT registration: written or through electronic application.
5. Transfer or cancellation of registration: by mere filing of the application.
6. Digitization of BIR services.
7. Publication of information: electronic means of publication in the Official Gazette, or BIR website.

A.8 VETOED Provision

Micro taxpayers' exemption from withholding taxes

B. EXPANDED WITHHOLDING TAX ON ONLINE SELLERS

Another recent groundbreaking tax rule that the BIR implemented is the imposition of expanded withholding taxes (EWT) on online sellers, pursuant to RR No. 16-2023 and RMC No. 8-2024 issued on December 21, 2023, and January 15, 2024, respectively. The RR took effect on January 11, 2024, or 15 days after its publication in Manila Bulletin on December 27, 2023.

Below are the key features of the RR:

1. Imposition of 1% EWT on one-half of the gross remittances of online platform providers to their partner sellers or merchants
2. Withholding Agents: all electronic marketplace (e-marketplace) operators and digital financial services providers (DFSP)
3. Obligation of e-marketplace operators: collect seller/merchant's Certificate of Registration (COR)
4. Obligation of sellers/merchants: update COR
5. Gross remittance: total amount received less returns or discounts, separately billed shipping fee, VAT, consideration for the use of marketplace or platform
6. Payments/Remittances to sellers or merchants should not be through their personal accounts

7. Transitory period: 90 days (January 15 to April 14, 2024)

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.

7 – ACCOUNTING & REPORTING

Corporations must file and submit their compliance obligations to key government bodies such as the Bureau of Internal Revenue (BIR) and the Securities and Exchange Commission (SEC) at the end of each year to ensure they will be able to function lawfully the following year.

1. Bureau of Internal Revenue

a. Books of accounts

Taxpayers may be required to register their books of accounts through the BIR's Online Registration and Update System (ORUS), since they may still manually register the same upon the advice of the BIR office having jurisdiction over the taxpayer. Moreover, manual books of accounts are still allowed to be registered and stamped at the BIR office where the head office or branch is registered.

REQUIREMENT	DEADLINE
Bound, loose-leaf books of accounts and other accounting records	On or before January 15 from the close of the calendar year or 15 days from the close of each fiscal year.
Computerized Books of Accounts	On or before January 30 from the close of the calendar year or 30 days from the close of each year. Must be submitted in a CD-R, DVD-R, or other optical media

b. Annual Information Returns Submission

RETURNS/REPORTS	DEADLINE
BIR Form No. 1604-C: Annual Information Return of Income Taxes Withheld on Compensation, with the Annual Alphalist of Employees	On or before January 31 of the year following the calendar year in which the compensation payment and other income payments were paid or accrued.
BIR Form No. 1604-F: Annual Information Return of Final Withholding Taxes, with the Annual Alphalist of Payees	On or before January 31 of the year following the calendar year in which the income payments subject to final withholding taxes were paid or accrued.
BIR 1604-E: Annual Information Return of Creditable Income Taxes Withheld	On or before March 1 of the year following the calendar year in which the income payments subject to expanded withholding taxes or exempt from withholding tax were paid or accrued.

c. BIR Form 2316 Submission

Employers shall sign and provide BIR Form No. 2316 to their employees. Upon receipt, the employees shall sign the certificate. Employees, including resident aliens, who qualify for substituted filing are exempt from filing their income tax returns. Instead, the employers shall submit their certificates, accompanied by a notarized and signed certification, to the BIR on or before February 28.

d. Submission of Inventory list and Other Schedules

Under RMC 57-2015, all taxpayers with inventory lists and other tangible asset-rich balance sheets, often with at least half of their total assets in working capital assets (e.g., accounts receivable and inventory), are required to submit this document to the BIR, in DVD-R and properly labeled and with a notarized certification signed by an authorized representative, on January 30 or within 30 days from the close of each fiscal year.

e. Annual Income Tax Returns, Audited Financial Statements and Other Reports

The annual income tax return (AITR) should be filed with the BIR by April 15 or the 15th day of the fourth month following the taxable year.

Required attachments such as audited financial statements (AFS) and related party transactions (BIR Form 1709), etc., meanwhile, should be submitted immediately upon manual filing of the AITR with the authorized bank or revenue collection officer. For the eBIR form and eFPS filers, these should be submitted within 15 days after the tax filing deadline.

In accordance with Section 232 of the Revised Tax Code, corporations, companies, partnerships, or persons whose gross annual sales, earnings, receipts or output exceed P3,000,000 are required to submit an AFS duly audited and examined by an Independent Certified Public Accountant.

Electronic Submission of Reports to BIR Guidelines

In accordance with Memorandum Circular (RMC) 4-2021, taxpayers have the option to file their Annual Income Tax Returns (AITRs) either manually or electronically. The Electronic Filing and Payment System (eFPS) or the eBIRForms program may be utilized by taxpayers when reporting applicable taxes for their business. However, individuals identified in the circular, particularly those filing "No Payment Returns," are mandated to exclusively employ eBIRForms.

For the convenience of taxpayers, online banking facilities can be used for tax payments, and the following banks are accredited by the BIR.

- Development Bank of the Philippines (DBP)
- Land Bank of the Philippines (LBP)
- Union Bank Online Web and Mobile Payment Facility
- E-payment (G-Cash or Paymaya)
- I-Pay MYEG Philippines, Inc. (IPMP)

It is imperative for taxpayers to adhere strictly to rules and regulations, as emphasized by the BIR. Taxpayers who will submit and pay taxes online while being required to pay manually will have penalties for filing in the wrong venue.

Furthermore, under RMC 43-2021, submissions of AITRs and relevant attachments such as AFS can be facilitated through the BIR Electronic Audited Financial Statements (EAFS) System.

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.

2. Securities and Exchange Commission (SEC)

a. Audited Financial Statements (AFS)
Companies that meet the following threshold are required to file AFS to SEC:

- Stock corporations with total assets or total liabilities of P600,000 or more.
- Non-stock corporations with total assets or total liabilities of P600,000 or more.

- Branch offices/representative offices of stock foreign corporations with assigned capital in the equivalent amount of One Million Pesos (P1 Million) or more.
- Branch offices/representative offices of non-stock foreign corporations with total assets in the equivalent amount of One Million Pesos (P1 Million) or more; and
- Regional operating headquarters of foreign corporations with total revenues in the equivalent amount of One Million Pesos (P1 Million) or more.

The SEC prescribes general financial reporting requirements set out in Revised Securities Regulation Code (SRC) Rule 68 to be used in preparing financial statements. 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

AFS should be filed with and stamped as officially received by the BIR before filing with the SEC.

In accordance with SEC Memorandum Circular 3-2021, submitting AFS to the SEC must be done online through the SEC's Electronic Filing and Submission Tool, or eFAST.

Submission of AFS to the SEC should be done within 120 calendar days from the end of the fiscal year for corporations whose fiscal years end on a date other than December 31. For those whose taxable year ends on December 31, the deadline depends on the last digit of their SEC registration or license number.

RETURNS/REPORTS	DEADLINE
General Form for Financial Statements (GFFS)	Due thirty (30) days from the last day of submission of the annual AFS, applicable only for registered Domestic Corporations with annual gross revenue of P5,000,000.
General Information Sheet (GIS)	Due within thirty (30) calendar days from the date of a stock corporation's actual annual stockholders' meeting.

The SEC will no longer accept hard copies of Annual Financial Statements, and traditional methods like email, mail, courier, and dropbox are no longer allowed, unless exempted.

To comply, all SEC-registered corporations must enroll (if not already enrolled) with SEC eFAST to access and submit their Audited Financial Statements and other financial reports through the eFAST platform.

SEC ELECTRONIC FILING AND SUBMISSION TOOL (EFAST)

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

1. Access the eFAST website (https://cifss-ost.sec.gov.ph/user/login);
2. Select "Enroll as Company";
3. Fill out the Company Name and the SEC Registration Number;
4. Assign the Username, Email Address, and Password and click Submit;
5. eFast will send a confirmation link to your email to validate your enrolment;
6. Click the confirmation link and log in to eFAST using your username and password;
7. Complete the Company's Profile by filling out the required fields;
8. After completing the remaining steps, click Submit;
9. Check for the SEC email from the corporate email address, confirming the company's successful enrolment;
10. The Company may now use the account to add an authorized filer or submit the corporate reports;
11. Click Add Authorized Filer;
12. Fill out the authorized filer's name and contact details;
13. Upload the Board Resolution or the Secretary's Certificate that includes the name of the enrolled authorized filer and click submit;
14. eFAST will send an email to the registered email address of the authorized filer informing him of his registration;
15. Proceed to the eFAST website and fill out the required information and click submit;

16. Check your email and tick the Confirmation Link; and
17. You may now access the eFAST and start submitting the company's report.

8 – UHY REPRESENTATION IN THE PHILIPPINES

UHY M.L. AGUIRRE & CO. CPAS PHILIPPINES

CONTACT DETAILS

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Position:	Audit Director
Email:	ely.aurellado@mlaguirre.org

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 / Enteripises 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.

LET US HELP YOU ACHIEVE FURTHER BUSINESS SUCCESS

To find out how UHY can assist your business, contact any of our member firms. You can visit us online at www.uhy.com to find contact details for all of our offices, or email us at info@uhy.com for further information.