

# **DOING BUSINESS IN THE PHILIPPINES**

## **TYPES OF BUSINESS ORGANIZATIONS**

There are several types of business enterprises an investor can choose from in establishing operations in the Philippines.

### **A. ORGANIZED UNDER PHILIPPINE LAWS**

#### **1. Sole Proprietorship**

Sole Proprietor is a business structure owned by an individual who has full control/authority of its own and owns all the assets, personally owes and answers all liabilities or suffers all losses but enjoys all the profits to the exclusion of others.

A sole proprietorship must apply for a Business Name and be registered with the Department of Trade and Industry (DTI).

#### **2. Partnership**

Under the Civil Code of the Philippines, by the contract of partnership two or more persons bind themselves to contribute money, property or industry to a common fund, with the intention of dividing the profits among themselves. It is treated as juridical person, having a separate legal personality from that of its members. Partnerships may either be general partnerships, where the partners have unlimited liability for the debts and obligation of the partnership, or limited partnerships, where one or more general partners have unlimited liability and the limited partners have liability only up to the amount of their capital contributions. A partnership may be constituted in any form except when real property or real rights are contributed thereto, in which case a public instrument is necessary. Further, a contract of partnership having a capital of three thousand pesos (Php 3,000.00) or more, in money or property, must register with the Securities and Exchange Commission (SEC).

#### **3. Corporation**

Corporation are artificial beings created by operation of law, having the right of succession and the powers, attributes and properties expressly authorized by law or incident to its existence. Corporations are juridical persons with personality separate and distinct from that of its stockholders. The liability of the shareholders of a corporation is limited to the amount of their share capital. It consists of at least five (5) to fifteen (15) incorporators each of who must hold at least one share and must be registered with the

SEC. The minimum paid up capital required is not less than five thousand pesos (Php 5,000.00).

A corporation can either be stock or non-stock company regardless of nationality. Such company, if 60% Filipino and 40% foreign-owned, is considered a Filipino corporation. If more than 40% foreign-owned, it is considered a domestic foreign-owned corporation.

➤ **Stock Corporation**

This is a corporation with a capital stock dividend into shares and authorized to distribute to the holders of such shares dividends or allotments of the surplus profits on the basis of the shares held.

➤ **Non-stock Corporation**

It is a corporation organized principally for public purposes such as charitable, religious, educational, professional, cultural, fraternal, literary, scientific, social, civic service, or similar purposes, like trade, industry, agricultural and like chambers, or any combination thereof. No part of its income is distributable as dividends to its members, trustees, or officers. Further, any profit which a non-stock corporation may obtain as an incident to its operations shall, whenever necessary or proper, be used for the furtherance of the purpose or purposes for which the corporation was organized.

## **A. ORGANIZED UNDER FOREIGN LAWS**

### **1. Branch Office**

A Branch Office is a foreign corporation organized and existing under foreign laws that carries out business activities of the head office and derives income from the host country. It is required to put up a minimum paid up capital of US\$200,000.00.

### **2. Representative Office**

A Representative Office is foreign corporation organized and existing under foreign laws. It does not derive income from the host country and is fully subsidized by its head office. It deals directly with clients of the parent company as it undertakes such activities as information dissemination, acts as a communication center and promotes company products, as well as quality control of products for export. It is required to have an initial minimum inward remittance in the amount of US\$30,000.00 to cover its operating expenses and must be registered with SEC.

Under RA 8756, any multinational company may establish an RHQ or ROHQ as long as they are existing under laws other than Philippines, with branches, affiliates and subsidiaries in the Asia Pacific Region and other foreign markets.

### **3. Regional Headquarters (RHQs)**

- An RHQ undertakes activities that shall be limited to acting as supervisory, communication and coordinating center for its subsidiaries, affiliates and branches in the Asia-Pacific region.
- It acts as an administrative branch of a multinational company engaged in international trade.
- It does not derive income from sources within the Philippines and does not participate in any manner in the management of any subsidiary or branch office it might have in the Philippines.
- Required capital: US\$ 50,000.00 annually to cover operating expenses.

#### **4. Regional Operating Headquarters (ROHQs)**

- An ROHQ performs the following qualifying services to its affiliates, subsidiaries, and branches in the Philippines.
  - General administration and planning
  - Business planning and coordination
  - Sourcing/procurement of raw materials components
  - Corporate finance advisor services
  - Marketing control and sales promotion
  - Training and personnel management
  - Logistic Services
  - Research and development services and product development
  - Technical support and communications
  - Business development
  - Derives income in the Philippines
  - Required capital: US\$200,000.00 one time remittance.

## 9<sup>th</sup> FOREIGN INVESTMENT NEGATIVE LIST

**Republic Act (RA) no. 7042**, also known as the “**Foreign Investments Act of 1991**”, as amended by **RA 8179**, provides for the formulation of a Regular Foreign Investment Negative List, covering investment areas/activities which may be opened to foreign investors and/or reserved to Filipino nationals.

Below is the Ninth (9<sup>th</sup>) Regular Foreign Investment Negative List issued on October 29, 2012

### **LIST A: FOREIGN OWNERSHIP IS LIMITED BY MANDATE OF THE CONSTITUTION AND SPECIFIC LAWS**

#### **No Foreign Equity**

1. Mass media except recording (Art. XVI, Sec. 11 of the Constitution, Presidential Memorandum dated 04 May 1994)
2. Practices of all professions<sup>1</sup> (Art. XII, Sec. 14 of the Constitution, Sec. 1 of RA 5181)
  - a. Engineering
    - i. Aeronautical engineering (PD 1570)
    - ii. Agricultural engineering (RA 8559)
    - iii. Chemical engineering (RA 9297)
    - iv. Civil engineering (RA1852)
    - v. Electrical engineering (RA 7920)
    - vi. Electronics and communication engineering (RA 9292)
    - vii. Geodetic engineering (RA 8560)
    - viii. Mechanical engineering (RA 8495)
    - ix. Metallurgical engineering (PD 1536)
    - x. Mining engineering (RA 4274)
    - xi. Naval architecture and marine engineering (RA 4565)
    - xii. Sanitary engineering (RA 1364)
  - b. Medicine and allied professions
    - i. Medicine (RA 2382 as amended by RA 4224)
    - ii. Medical technology (RA 5527 as amended by RA 6138, PD 498 and PD 1534)
    - iii. Dentistry (RA 9484)
    - iv. Midwifery (RA 7392)
    - v. Nursing (RA 9173)
    - vi. Nutrition and dietetics (PD 1286)
    - vii. Optometry (RA 8050)
    - viii. Pharmacy (RA 5921)
    - ix. Physical and occupational therapy (RA 5680)
    - x. Radiologic and x-ray technology (RA 7431)
    - xi. Veterinary medicine (RA 9262)
  - c. Accountancy (RA 9298)
  - d. Architecture (RA 9266)
  - e. Criminology (RA 6506)
  - f. Chemistry (RA 754)
  - g. Customs brokerage (RA 9280)
  - h. Environmental planning (PD 1308)

- i. Forestry (RA 6239)
  - j. Geology (RA 4209)
  - k. Interior design (RA 8534)
  - l. Landscape architecture (RA 9053)
  - m. Law (Art. VII, Section 5 of the Constitution, Rule 138, Sec. 2 of the Rules of Court of the Philippines)
  - n. Librarianship (RA 9246)
  - o. Marine deck officers (RA 8544)
  - p. Marine engine officers (RA 8544)
  - q. Master plumbing (RA 1378)
  - r. Sugar technology (RA 5197)
  - s. Social work (RA 4373)
  - t. Teaching (RA 7836)
  - u. Agriculture (RA 8435)
  - v. Fisheries (RA 8550)
  - w. Guidance counseling (RA 9258)
  - x. Real estate service (RA 9646)
  - y. Respiratory therapy (RA 10024)
  - z. Psychology
3. Retail trade enterprises with paid-up capital of less than US\$2,500,000 (Sec. 5 of RA 8762)<sup>2</sup>
  4. Cooperatives (Ch. III, Art. 26 of RA 6938)
  5. Private security agencies (Sec. 4 of RA 5487)
  6. Small-scale mining (Sec. 3 of RA 7076)
  7. Utilization of marine resources in archipelagic waters, territorial sea, and exclusive economic zone as well as small-scale utilization of natural resources in rivers, lakes, bays, and lagoons (Art. XII, Sec. 2 of the Constitution)
  8. Ownership, operation and management of cockpits (Sec. 5 of PD 449)
  9. Manufacture, repair, stockpiling, and/or distribution of nuclear weapons (Art. II, Sec. 8 of the Constitution)<sup>3</sup>
  10. Manufacture, repair, stockpiling, and/or distribution of biological, chemical and radiological weapons and anti-personnel mines (various treaties to which the Philippines is a signatory and conventions supported by the Philippines)<sup>3</sup>
  11. Manufacture of firecrackers and other pyrotechnic devices (Sec. 5 of RA 7183)

**Up to Twenty Percent (20%) Foreign Equity**

1. Private radio communications network (RA 3846)

**Up to Twenty-Five Percent (25%) Foreign Equity**

2. Private recruitment, whether for local or overseas employment (Art 27 of PD 442)
3. Contracts for the construction and repair of locally-funded public works (Sec. 1 of Commonwealth Act No. 541, Letter of Instruction No. 630) except:
  - a. Infrastructure/development projects covered in RA 7718; and
  - b. Projects which are foreign funded or assisted and required to undergo international competitive bidding (Sec. 2(a) of RA 7718)
4. Contracts for the construction of defense-related structures (Sec. 1 of CA 541)

**Up to Thirty Percent (30%) Foreign Equity**

5. Advertising (Art. XVI, Sec. 11 of the Constitution)

**Up to Forty Percent (40%) Foreign Equity**

6. Exploration, development and utilization of natural resources (Art. XII, Sec. 2 of the Constitution)<sup>4</sup>
7. Ownership of private lands (Art. XII, Sec. 7 of the Constitution; Ch. 5, Sec. 22 of CA 141; Sec. 4 of RA 9182)
8. Operation and management of public utilities (Art. XII, Sec. 11 of the Constitution; Sec. 16 of CA 146)
9. Ownership/establishment and administration of educational institutions (Art. XIV, Sec. 4 of the Constitution)
10. Culture, production, milling, processing, trading except retailing, of rice and corn and acquiring, by barter, purchase or otherwise, rice and corn and the by-products thereof (Sec. 5 of PD 194)<sup>5</sup>
11. Contracts for the supply of materials, goods and commodities to government-owned controlled corporation, company, agency or municipal corporation (Sec. 1 of RA 5183)
12. Project proponent and facility operator of a BOT Project requiring a public utilities franchise (Art. XII, Sec. 11 of the Constitution; Sec. 2 (a) of RA 7718)
13. Operation of a deep sea commercial fishing vessels (Sec. 27 of RA 8550)
14. Adjustment companies (Sec. 323 of PD 612 as amended by PD 1814)
15. Ownership of condominium units where the common areas in the condominium project are co-owned by the owners of the separate units or owned by a corporation (Sec. 5 of RA 4726)

**Up to Forty-Nine Percent (49%) Foreign Equity**

16. Lending companies (Sec. 6 of RA 9474)<sup>6</sup>

**Up to Sixty Percent (60%) Foreign Equity**

17. Financing companies regulated by the SEC (Sec. 6 of RA 5980 as amended by RA 8556)<sup>6</sup>
18. Investment houses regulated by the SEC (Sec. 5 of PD 129 as amended by RA 8366)<sup>6</sup>

**LIST B: FOREIGN OWNERSHIP IS LIMITED FOR REASONS OF SECURITY, DEFENSE, RISK TO HEALTH AND MORALS AND PROTECTION OF SMALL-AND MEDIUM-SCALE ENTERPRISES**

**Up to Forty Percent (40%) Foreign Equity**

1. Manufacture, repair, storage, and/or distribution of products and/or ingredients requiring Philippines National Police (PNP) clearance:
  - a. Firearms (handguns to shotguns), parts of firearms and ammunition therefore, instruments or implements used or intended to be used in the manufacture of firearms
  - b. Gunpowder
  - c. Dynamite
  - d. Blasting supplies
  - e. Ingredients used in making explosive:
    - i. Chlorates of potassium and sodium
    - ii. Nitrates of ammonium, potassium, sodium barium, copper (11), lead (11), calcium and cuprite
    - iii. Nitric acid
    - iv. Nitrocellulose
    - v. Perchlorates of ammonium, potassium and sodium
    - vi. Dinitrocellulose
    - vii. Glycerol
    - viii. Amorphous phosphorus
    - ix. Hydrogen peroxide
    - x. Strontium nitrate powder
    - xi. Toluene
  - f. Telescopic sights, sniper scope and other similar devices  
However, the manufacture or repair of these items may be authorized by the Chief of the PNP to non-Philippine nationals; Provided further that the extent of foreign equity ownership allowed shall be specified in the said authority/clearance (RA 7042 as amended by RA 8179)
2. Manufacture, repair, storage and/or distribution of products requiring Department of National Defense (DND) clearance:
  - a. Guns and ammunition for warfare
  - b. Military ordnance and parts thereof (e.g. torpedoes, depth charges, bombs, grenades, missiles)
  - c. Gunnery, bombing and fire control systems and components
  - d. Guided missiles/missile systems and components
  - e. Tactical aircraft (fixed and rotary-winged), parts and components thereof
  - f. Space vehicles and component systems
  - g. Combat vessels (air, land and naval) and auxiliaries
  - h. Weapons repair and maintenance equipment
  - i. Military communications equipment
  - j. Night vision equipment
  - k. Stimulated coherent radiation devices, components and accessories
  - l. Armament training devices
  - m. Others as may be determined by the Secretary of the DND  
However, the manufacturer or repair of these items may be authorized by the Secretary of National Defense to non-Philippine nationals; Provided that a substantial percentage of output, as determined by the said agency, is exported. Provided further that the extent of foreign equity ownership allowed shall be specified in the said authority/clearance (RA 7042 as amended by RA 8179)
3. Manufacture and distribution of dangerous drugs (RA 7042 as amended by RA 8179)
4. Sauna and steam bathhouses, massage clinics and other like activities regulated by law because

of risks posted to public health and morals (RA 7042)

5. All forms of gambling, except those covered by investments agreements with PAGCOR pursuant to RA 9487, or the PAGCOR Charter (RA 7042 as amended by RA 8179)
6. Domestic market enterprises with paid-in equity capital of less than the equivalent of US\$200,000 (RA 7042 as amended by RA 8179)
7. Domestic market enterprises which involve advanced technology or employ at least fifty (50) direct employees with paid-in-equity capital of less than the equivalent of US\$100,000 (RA 7042 as amended by RA 8179)

## **FOOTNOTES:**

<sup>1</sup> This is limited TO Filipino citizens save in cases prescribed by law.

<sup>2</sup> Full foreign participation is allowed for retail trade enterprises; (a) with paid-up capital of US\$2,500,000 or more provided that investments for establishing a store is not less than US\$830,000. or (b) specializing in high and or luxury products, provided that the paid-up capital per store is not less than US\$250,000 (Sec. 5 of RA 8762)

<sup>3</sup> Domestic investments are also prohibited (Art. II, Sec. 8 of the Constitution, Conventions /Treaties to which the Philippines is a signatory)

<sup>4</sup> Full foreign participation is allowed through financial or technical assistance agreement with the President (Art. XII, Sec. 2 of the Constitution)

<sup>5</sup> Full foreign participation is allowed provided that within the 30year period from start of operation, the foreign investor shall divest a minimum of 60 percent of their equity to Filipino citizens (Sec. 5 of PD 194; NFA Council Resolution No. 193 s. 1998)

<sup>6</sup> No foreign national may be allowed to own stock in lending companies, financing companies or investment houses unless the country of which he is a national accords the same reciprocal rights to Filipinos (Sec. 6 of RA 9474; Sec. of RA 5980 as amended byRA 8556; PD 129 as amended by RA 8366)



## REGISTRATION OF CORPORATIONS AND PARTNERSHIPS

In order to validly transact business in the Philippines, entities should first be registered with the appropriate government agencies.

### Entities required registering with SEC

1. Stock corporations (including foreign corporations e.g. branch offices, representative offices, regional headquarters or regional operating headquarters)
2. Non-stock corporations (Foundations, associations, non-government organizations, religious organizations, etc.)
3. Partnerships (General and Limited partnerships)

### General procedures in registration with SEC

1. Verify/reserve proposed name;
2. Draw up the Articles of Incorporation and By-Laws in accordance with Corporation Code;
3. If applicable, get endorsements from other government agencies;
4. Deposit paid-up capital / contribution (*for foundations only*) in the bank;
5. Pay the filing fees;
6. Claim the Certificate of Incorporation/License;
7. Buy and register Stocks and Transfer Book or Membership Book

CERTIFICATION ISSUED BY SEC UPON REGISTRATION	
For incorporation of stock or non-stock corporation	Certificate of Incorporation
For formation of partnership	Certificate of Recording
For establishment of foreign branch or representative office, regional headquarters or regional operating headquarters	License to Do Business in the Philippines

**Schedule 1 - REQUIRED DOCUMENTS FOR APPLICANT CORPORATION & PARTNERSHIP**

➤ **STOCK CORPORATIONS**

- Name, Verification Slip
- Articles of Incorporation and By-Laws
- Treasurer's Affidavit
- Bank Certificate of Deposit
- Clearance from other government agencies (*if applicable*)
- Foreign Investment Application Form
- Proof of Inward Remittance by Non-Resident Aliens/Subscribers

➤ **NON-STOCK CORPORATIONS**

- Name, Verification Slip
- Articles of Incorporation and By-Laws
- Bank Certificate of Deposit
- List of members and amount contributed certified by the Secretary and Treasurer
- Copy of the Certificate of election or letter of appointment of a bishop, rabbi, presiding priest etc. (*only for Corporation Sole*)
- Master deed duly entered under the primary entry of the concerned Register of Deeds and certification that there is no existing similar corporation within the condominium (*only for Condominium Corporations*)
- Certification from the Housing and Land Use Regulatory Board (HLURB) that there is no other existing homeowners of similar associations in the community where the association is to be established (*only for Neighborhood Associations*)

➤ **PARTNERSHIPS (GENERAL/LIMITED)**

- Name Verification Slip
- Articles of Partnership
- **Form F-105** for Partnerships with foreign partners

**Schedule 2- REQUIRED DOCUMENTS FOR FOREIGN CORPORATIONS (In addition to those in Schedule 1)**

- Foreign Investment Application Forms  
Form F-103 Branch Office  
Form F-104 Representative Office  
F-108 Branch/Representative Office of Non-Stock Foreign Corporation

Application Form for Regional Headquarters (RHQ)/Regional Operating Headquarters (ROHQ)

- Proof of Inward Remittance by mother company (*except for Branch/Representative Office of Non-Stock Foreign Corporations*)

- Authenticated Board Resolution authorizing establishment of office in the Phil.; designating Resident Agent; and stipulating that in the absence of Resident Agent or upon cessation of business in the Phil, any summons may be served to SEC as if same is made upon corporation at its home office.

- Authenticated Financial Statement of Applicant certified by independent CPA in home country.

- Authenticated copies of articles of Incorporation and By-laws of applicant.

- Resident Agent's Acceptance of Appointment (*if not signatory in application form*)

- Affidavit that mother company is solvent and of sound financial condition (*only for Representative Office*)

- Authenticated Certification that is engaged in international trade with affiliates, subsidiaries, or branch offices in the Asia-Pacific region and other areas (*only for RHQ and ROHQ.*)

- Authenticated Certification from principal office of foreign entity that it was authorized by its Board of Directors or governing body to establish RHQ or ROHQ in the Philippines (*only for RHQ and ROHQ.*)

<b>BUSINESS ACTIVITIES WITH ENDORSEMENTS</b>	
Air Transport	Civil Aeronautics Board
Banks, Pawnshops or other Financial Intermediaries with Quasi-Banking functions	BangkoSentralngPilipinas
Charitable institutions	Department of Social Welfare and Development
Educational Institutions ( <i>for stock or non-stock</i> ) <ul style="list-style-type: none"> <li>➤ Elementary to High School</li> <li>➤ College, Tertiary Course</li> <li>➤ Technical Vocational Course</li> </ul>	Department of Education (DepEd) Commission on Higher Educations Technical Education Skills and Development Authority (TESDA)
Electric Power Plants	Department of Energy
Hospitals Health Maintenance Organizations	Department of Health
Insurance	Insurance Commission
Professional Associations	Professional Regulation Board
Radio, TV, Telephone	National Telecommunication Board
Recruitment for Overseas Employment	Philippine Overseas Employment Administration
Security Agency	Philippine National Police
Water Transportation/Shipbuilding Ship Repair	Maritime Industry Authority
Manufacture, repair, storage and/or distribution of products and/or ingredients of firearms, gun powder, and all those indicated in EO 389 series 2004 Foreign Investments Negative List	Philippine National Police
Manufacture, repair, storage and/or distribution of products i.e. guns/ammunition for warfare, military ordinance, and all those indicated in EO 389 series 2004 Foreign Investments Negative List	Department of National Defense (DND)
Volunteer Fire Brigades	Department of Interior and Local Government (Bureau of Fire Protection)

<b>MINIMUM PAID-UP CAPITAL REQUIREMENTS</b>	
Break Bulk Agent	P 250,000.00
Cargo Consolidator	P 400,000.00
Financing Company	
➤ Metro Manila and other 1 <sup>st</sup> class cities	P 10,000,000.00
➤ Other classes of cities	P 5,000,000.00
➤ Municipalities	P 2,500,000.00
Freight Forwarders	
➤ Domestic	P 250,000.00
➤ International	P 2,000,000.00
Foundations	P 1,000,000.00
Health Maintenance Organizations	P 10,000,000.00
Insurance	
➤ Insurance Broker/Reinsurance Broker	P 20,000,000.00
➤ Insurance Broker and Reinsurance Broker	P 50,000,000.00
Life/Non Life Insurance Company	P 1,000,000,000.00
Reinsurance Company	P 2,000,000,000.00
Investment Adviser/Manager	P 10,000,000.00
Investment Company	P 50,000,000.00
Investment House	P 300,000,000.00
Lending Investor	P 1,000,000.00
Mining	P 2,500,000.00
Non-Vessel Operating Common Carrier (NVOCC)	P 4,000,000.00
Pawnshop	P 100,000.00
Pre-Need Plan Issuer	P 100,000,000.00
Pre-need Plan Agent	P 5,000,000.00
Recruitment for Local Employment	
➤ Corporation	P 500,000.00
➤ Partnership	P 200,000.00
Recruitment for Overseas Employment	P 2,000,000.00
Retail Trade with Foreign Equity	US\$ 2,500,000.00
School (for stock corporation)	
➤ Pre-Elementary, Elementary Education	P 1,000,000.00
➤ Elementary and Secondary Education	P 2,500,000.00
➤ Elementary, Secondary, Tertiary, Post-Graduate Education	P 5,000,000.00
Security Agency	P 500,000.00
Securities Broker/Dealer (New/SRO-Member)	P 100,000,000.00
Securities Broker/Dealer (Existing/SRO-Member)	P 10,000,000.00
Securities Broker/Dealer in Proprietary Shares (Non SRO-Member)	P 5,000,000.00
Special Purpose Vehicle	P 31,250,000.00
Transfer Agent	P 1,000,000.00
<b><i>(Based on Foreign Equity)</i></b>	
Corporation with more than 40% foreign equity	
➤ Domestic market enterprise	US\$ 200,000.00

➤ Export market enterprise	P 5,000.00
Foreign Branch Office	
➤ Domestic market enterprise	US\$ 200,000.00
➤ Export market enterprise	P 5,000.00
Partnership with foreign partner	
➤ Domestic market enterprise	US\$ 200,000.00
➤ Export market enterprise	P 3,000.00
Foreign Representative Office	US\$ 30,000.00
Regional Area Headquarters (RHQ)	US\$ 50,000.00
Regional Operating Headquarters (ROHQ)	US\$ 200,000.00

## FEES AND CHARGES

In accordance with SEC Memorandum Circular (MC) no. 9 series of 2004, below is the consolidated schedule of fees and charges:

<b>COMPANY REGISTRATION AND MONITORING DEPARTMENT (CRMD)</b>	
<b>A. Registration of New Corporation/Partnerships</b>	
1. Name Verification / Reservation Fee	P 40.00 per allowed name (30-day reservation)
2. Article of Incorporation/Partnership	
a. Stock Corporation with par value	1/5 of 1% of the authorized capital stock or the subscription price of the subscribed capital stock whichever is higher but not less than P1,000.00 plus LRF*
b. Stock Corporation without par value	1/5 of 1% of the authorized capital stock computed at P100.00 per share or the subscription price of the subscribed capital stock whichever is higher but not less than P1,000.00 plus LRF*
c. Non-stock corporation	P 500.00 plus LRF*
d. Partnerships	1/5 of 1% of the Partnership's capital but not less than P1,000.00 plus LRF*
3. By-laws of both stock and non-stock corporation	P 500.00 plus LRF*
4. Application Under Foreign Investments Act (aside from the filing fee for articles of incorporation)	P 2,000.00 plus LRF*
5. License to Operate – Foreign Corporations	
a. Branch Office	1% of the actual inward remittance of the corporation converted into Philippine currency but not less than P 2,000.00 plus LRF*
b. Representative Office	1/10 of 1% of the actual inward remittance of the corporation converted into Philippine currency but not less than P 2,000.00 plus LRF*
c. Application for Area of Regional Headquarters	P 5,000.00
d. Application for Regional Operating Headquarters or Petition for Conversion of an Area or Regional Headquarters into Regional Operating Headquarters	1% of the actual inward remittance but not less than 1% of the peso equivalent of US\$200,000.00 at the time of remittance plus LRF*
e. Application of Non-stock Foreign Corporation	P 2,000.00 plus LRF*
<b>B. Amendments (Domestic)</b>	
6. Amended Articles of Incorporation of both stock and non-stock corporation	P 500.00 plus LRF*
7. Amended Articles of Incorporation where amendment consists of extending the term of corporate existence	1/5 of 1% of the authorized capital stock but not less than P2,000.0 plus LRF*
8. Amended Articles of Incorporation Re: Conversion/Reclassification of Shares	P 2,000.00 plus LRF*
9. Amended By-laws of both stock and non-stock corporation	P 500.00 plus LRF*
10. Amended Articles of Partnership	P 1,000.00 plus LRF*
11. Articles of Dissolution of Partnership	1/5 of 1% of the increase in capital but not less than

	P1,000 plus LRF*
12. Increase of Capital Stock	
a. Corporation with par value	1/5 of 1% of the authorized capital stock or the subscription price of the subscribed capital stock whichever is higher but not less than P1,000.00 plus LRF*
b. Corporation without par value	1/5 of 1% of the authorized capital stock computed at P100.00 per share or the subscription price of the subscribed capital stock whichever is higher but not less than P1,000.00 plus LRF*
14. Decrease of Capital Stock	
a. Return of capital	P 3,000.00 plus LRF*
b. all others	P 2,000.00 plus LRF*
15. Merger or Consolidation of corporations	1/5 of 1% of the equity of the absorbed corporation/s but not less than P 3,000.00 plus LRF*
a. In merger, in case of simultaneous filing of application for increase of authorized capital stock by the surviving corporation	Filing fee for increase in Capital Stock or the filing fee for Merger (whichever is higher) plus LRF*
b. In consolidation where the total equity of constituent corporation is different from the authorized capital of the consolidated corporation	1/5 of 1% of total equity of the constituent corporation or the filing fee for Articles of Incorporation (whichever is higher) plus LRF*
16. Equity Restructuring	
a. To wipe out existing deficiency	P 3,000.00 plus LRF*
b. To create additional paid-in capital	1/5 of 1% of the amount infused but not less than P1,000.00 plus LRF*
<b>C. Amendments of License (Foreign)</b>	
17. Petition for Amendment of License of a Foreign Corporation	P 2,000.00 plus LRF*
18. Cancellation of License of a Foreign Corporation	P 2,000.00 plus LRF*
19. Cancellation of License of Regional Headquarters of a Multinational Corporation	P 1,000.00 plus LRF*
20. Cancellation of License of Regional Operating Headquarters of Multinational Corporation	P 2,000.00 plus LRF*
21. Appointment of a Resident Agent or Substitute Resident Agent	P 1,000.00 plus LRF*
22. Revocation of Appointment of Resident Agent or Substitute Resident Agent	P 1,000.00 plus LRF*
23. Amended Articles of Incorporation of a Foreign Corporation	P 1,000.00 plus LRF*
24. Amended By-Laws of a Foreign Corporation	P 1,000.00 plus LRF*
<b>D. Other Filings / Transactions</b>	
25. Deed of Assignment of Partnership Interest	P 500.00 plus LRF*
26. Affidavit of Withdrawal of Partner	P 500.00 plus LRF*
27. Certificate of incurring, creating, increasing bonded indebtedness	1/10 of 1% of the total indebtedness but not less than P 500.00 plus LRF*
28. Valuation of Consideration for shares of stock	1/5 of 1% of the amount of shares of stock to be issued but not less than P 2,000.00 plus LRF*
29. Stock/cash dividend up to P 50,000,000.00	P 500.00 plus LRF*



declared by the corporation whose securities are not listed	
30. Stock/cash dividend <i>over</i> P 50,000,000.00 declared by the corporation whose securities are not listed	P 1,000.00 plus LRF*
31. Property Dividend Declaration	1/5 of 1% of the amount declared but not less than P 1,000.00 plus LRF*
32. Petition to set aside order of Suspension/Revocation	P 1,000.00
33. Petition for Correction in Articles of Incorporation, By-Laws or amendments thereto	P 1,000.00
34. Certification on Corporate Information, recording of Deed of Assignment of stock	P 300.00
35. Certification of Company Status	P 500.00
36. Certification of Paid-up Capital, Outstanding Capital, percentage of Filipino stockholdings etc.	P 400.00
37. Accreditation of Appraisal Companies	P 5,000.00 plus LRF*
38. Approval of Voting Trust Agreement	P 200.00 plus LRF*
39. Registration of Stock and Transfer Book	P 150.00
40. Registration of Membership Book	P 75.00

*\*Legal Research Fee of 1%*

## REPORTORIAL REQUIREMENTS OF CORPORATIONS REGISTERED WITH THE SEC

The SEC requires registered corporations to comply with the reportorial requirements to properly monitor existence and financial standing of the said corporations.

### Entities required to file reports with SEC

1. Registered stock corporations (including foreign corporations e.g. branch offices, representative offices, regional headquarters or regional operating headquarters);
2. Registered non-stock corporations (Foundations, associations, non-government organizations, religious organizations, corporation sole, etc.);
3. Corporations granted secondary licenses e.g. broker or dealer in securities, government securities eligible dealer (GSED), investment adviser of an investment company, close-end or open-end investment company, investment house, transfer agent, commodity or financial futures exchange/broker merchant, financing company, pre-need plan issuer, general agent in pre-need plans and time shares/club shares/membership certificates issuers or selling agents thereof;
4. Other entities required by the SEC to submit reports on a regular or special basis.

### REPORT FOR ALL SEC REGISTERED CORPORATIONS WITH PRIMARY LICENSE

Document	No. of copies	Filer	Filing Period
General Information Sheet	4	Domestic Stock/Non-Stock Corporations	Within 30 days from date of the annual stockholders' or members meeting
		Branch Office and Representative Office of Foreign Corporations	Within 30 days from the anniversary date of the issuance of the license
		Regional Operating Headquarters (ROHQs) Regional Headquarters (RHQs) of Multinational Companies	Within 30 calendar days after the issuance of the certificate of registration and license, and then annually, within 30 calendar days after the anniversary date of the issuance of the certificate of registration and license.
Audited Financial Statements (AFS) stamped "RECEIVED" by the BIR	4	Domestic Stock/Non-Stock Corporations	Within 120 calendar days after the end of the fiscal year, as indicated in the Financial Statements.
		Branch Office and Representative Office of Foreign Corporations	
		Regional Operating Headquarters (ROHQs) Regional Headquarters (RHQs) of Multinational Companies	

## LEGAL, ACCOUNTING AND AUDIT REQUIREMENTS

The Philippines observes the application of the Philippine Accounting Standards/Philippine Financial Reporting Standards in the preparation of the accounting requirements, which are adoptions of the International Accounting Standards/International Financial Reporting Standards of the International Accounting Standards Board.

The following are the reportorial and monitoring requirements for corporations:

1. General Information Sheet – The GIS should be certified and sworn to by the corporate secretary.
2. Financial Statements stamped received by the BIR.

## TAXATION

The country's taxation system is governed by the Tax Reform Act 1997, passed into law on December 11, 1997 and became effective on January 01, 1998. The law was aimed at the expanding the country's tax base and maintaining the healthy fiscal standing of the government.

<b>Corporate Income Tax Rates</b>		
	<b>Domestic/Resident Foreign Corporation</b>	<b>Non-resident Foreign Corporation</b>
Taxable income not subject to special tax rates	30%	30%
Interest from deposits and yield from deposit substitutes/trust funds and royalties	20%	30%
Interest on foreign loans	N/A	20%
Interest income derived by a domestic corporation from a depository bank under the expanded foreign currency deposit system	7.5%	N/A
Dividends from domestic corporations	0	15% */ 35%
Gains on sales of shares of stock not traded in the Stock Exchange	5% / 10%**	5% / 10%**

### NOTES:

\* The rate of 15% applies if the host country exempts the dividend from tax or permits a 20% or greater credit or underlying corporation tax paid by the company paying the dividend.

\*\* The 5% rate applies to the first P100,000 of gains annually, with the 10% rate applying to the excess.

Entity	Rates	Tax base
Proprietary educational institutions and non-profit hospitals	10%	Taxable income
Certain enterprises registered with the Philippine Economic Zone Authority	5%	Gross Income
Non-resident owner or lessor of aircraft, machinery and other equipment	7.5%	Gross Philippine rentals, lease, charter fees
Non-resident owners of vessels chartered by Philippine nationals and approved by the Maritime Industry Authority	4.5%	Gross Philippine rentals, lease, charter fees
Non-resident cinematographic film owners, lessors or distributors	25%	Gross Philippine source income
Foreign international carriers (air and sea)	2.5%	Gross Philippine billings
Offshore banking units (OBUs) and foreign currency deposit units (FCDUs) authorized by the Bangko Sentral ng Pilipinas	10%	Income from foreign currency transactions with residents
Regional operating headquarters	10%	Taxable income

### 1.2 Income Tax rates as Passive Income of Domestic/Resident Corporation

Dividends received from domestic corporations	Not subject to tax
Interest on any currency bank deposit and yield or other monetary benefit from deposit substitutes and from trust fund and similar arrangements	20% of final tax
Interest from foreign currency deposits with foreign currency deposit units (FCDUs)	7 ½ % of final tax
Gains from sale or exchange of shares of stock not listed and traded in the local stock exchange	5% capital gains tax (CGT) on net gains not exceeding P100,000 and 10% on the excess
Gains from sale or exchange of land or buildings not actually used in business and treated as capital issue	6% CGT on gross selling price of fair market value, whichever is higher
Royalties	20% final tax

### 1.3 New Taxes for Corporation under the Tax Reform Act of 1997

**Minimum Corporate Income Tax (MCIT)**– A 2% MCIT on gross income on an annual basis is imposed on corporations whose regular corporate income tax liability is less than the MCIT beginning the fourth taxable year following the year they commenced business operation. Any excess of the MCIT over the Normal tax shall be carried forward and credited against the normal tax for the three (3) immediately succeeding taxable years.

<b>Fringe Benefits Tax</b> – Fringe benefits granted to supervisory and managerial employees are subject to 32% tax on the grossed-up monetary value of the fringe benefit. Fringe benefits given by OBUs regional operating headquarters of multinational companies, petroleum contractors and subcontractors to qualified alien employees and in certain cases, to Filipino employees, are taxed at 15% of the grossed-up monetary value of the fringed benefit.	
<b>Improperly Accumulated Earnings Tax</b> – a 10% tax is imposed on the improperly accumulated earnings of a corporation, except in the case of publicly held corporations, banks, and other non-bank financial intermediaries and insurance companies. When a corporation allows its earnings or profits to accumulate beyond its reasonable needs, it shall be assumed that the purpose is to avoid tax on stockholders, unless proven to the contrary.	
<b>1.4 Individual Taxation</b>	
Non-resident liens not engaged in trade and business flat income tax rate	25%
Resident citizens/aliens (gainfully employed)	0% - 35%
Graduated income tax rates	
<b>Who shall File:</b>	
1. An individual whose gross compensation income does not exceed his total personal and additional exemptions;	
2. An individual whose compensation derived from one year employer does not exceed P60,000 and the income tax on which has been correctly withheld;	
3. An individual whose income has been subjected to final withholding tax (alien employee as well as Filipino employee occupying the same position as that of the alien employee of regional or area headquarters and regional operating headquarters of multinational companies, petroleum service contractors and sub-contractors, and offshore banking units, non-resident lien not engaged in trade or business), and	
4. An individual who is exempt from income tax.	
5. Married individuals shall file single return for the taxable year to include the income of both spouses, separately computing their individual income tax based on their respective taxable income. When it is impracticable for the spouses to file one return, each spouse may file a separate return.	
<b>1.5 Value Added Tax (VAT)</b>	
Sale of goods, other properties, and services in the Philippines, as well as importation of goods to the Philippines, are subject to the 12% VAT. VAT is imposed on the gross selling price (in case of sale of goods) and gross receipts (in case of sale of services).	
<b>1.6 Stock Transaction Tax</b>	
½ of 1% of gross selling price is imposed on the sale, barter, exchange or other disposition of shares through the facilities of stock exchange.	

**Sources:**

1. 1997 National Internal Revenue Code
2. Civil Code on Partnership
3. Corporation Code

4. Foreign Investment Act of 1991
5. SEC Citizen's Manual