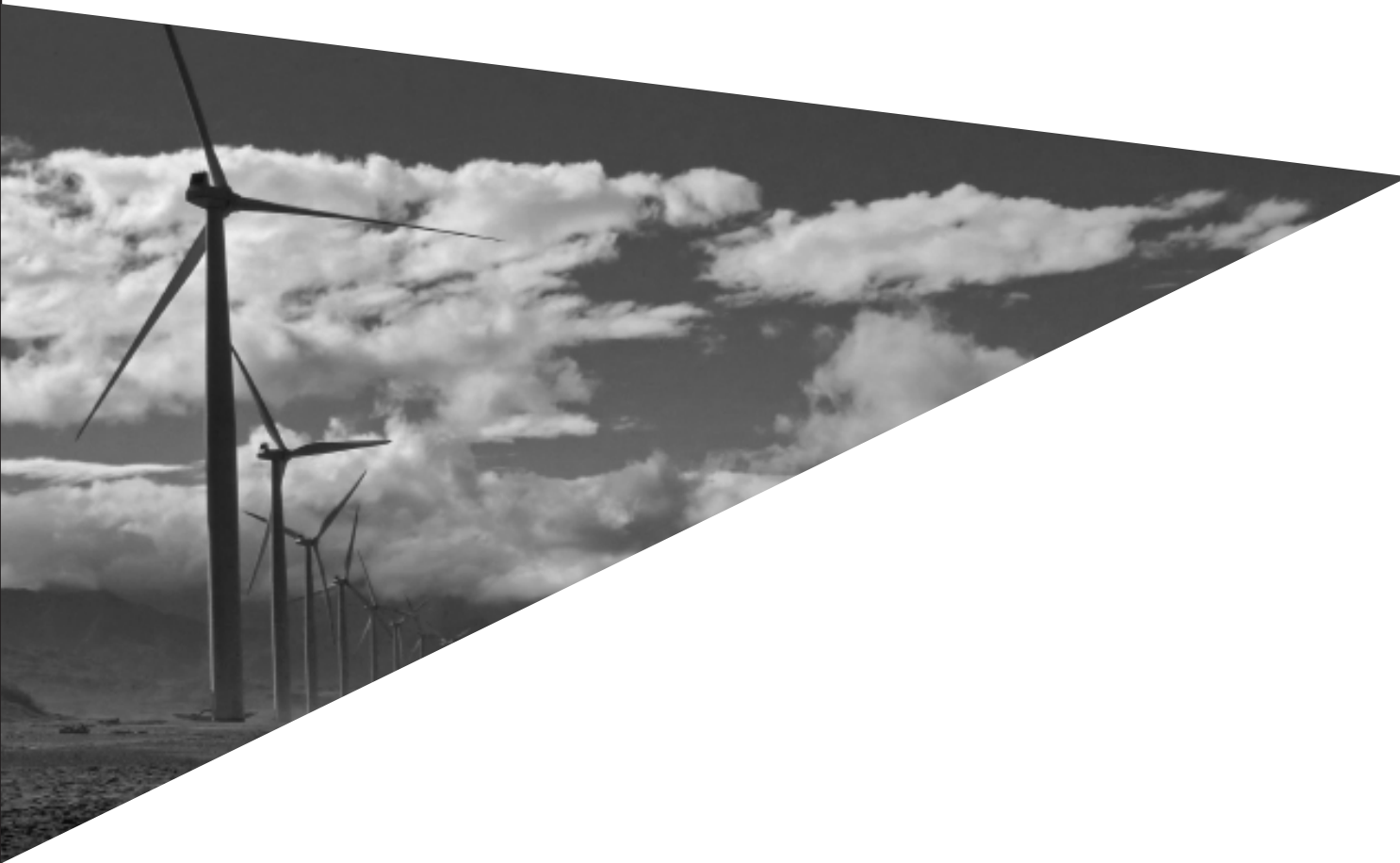


# Doing Business in the Philippines



# Table of contents

<b>Why you should invest in the Philippines</b>	<b>1</b>	An Act Providing for the Terms, Conditions, and		Night Shift Differential Pay	22
The Philippines at its Finest	1	Licensing Requirements of RHQs,		Service Incentive Leave Pay	22
Technology and Innovation Stronghold	1	ROHQs, and RWs	14	Meal and Rest Periods	22
Steadfast in Tough Times	2	Investors' Lease Act	16	Minimum Wage	22
Prime Location	2	Export Development Act of 1994	16	Employees Compensation Program	22
Living Made Easy	3	Amended Build-Operate-Transfer Law	16	National Health insurance	23
Schools	3	Registration with government offices	16	Emergency Medical and Dental Services	23
Graduate School	4	Securities and Exchange Commission	16	Woman and Child Labor	23
Rest and Recreation	5	Department of Trade and Industry	17	Paternity Leave	23
The Best of Pinoy Creativity	5	Bureau of Internal Revenue	17	Termination of Employment	23
Offshoring and outsourcing	6	Local Government	17	Unions	24
Tourism	6	Taxation	18	Financial and Monetary Policies	24
Manufacturing	6	Income Taxation	18	Other Business Regulations	24
Construction	6	Withholding Tax	20		
Mining	7	Value-Added Tax	20	<b>The Philippines</b>	27
Renewable energy	7	Excise Tax	20	General information	27
Agriculture	7	Percentage Tax	20	<b>Philippine</b> Demographics	28
Information and communications technology (ICT)	7	Stock Transaction Tax	21	Philippine Economy	30
		Initial Public Offering Tax	21		
<b>How to operate in the Philippines</b>	<b>8</b>	Documentary Stamp Tax	21	<b>SGV &amp; Co.</b>	34
General policy on investments	8	Customs Duty	21	Services	34
Omnibus Investments Code of 1987	8	Local Taxes	21	Partners	35
2009 Investment Priorities Plan (IPP)	8	<b>Labor Requirements</b>	22	Branches	35
Foreign Investments Act of 1991	12	Hours of Work	22		
Special Economic Zone Act of 1995	12	Workday	22		
Bases Conversion and Development Act of 1992	14	Overtime Renumeration	22		

# Why you should invest in the Philippines

A string of coral-fringed islands on a vast expanse of the Pacific, the Philippines is undoubtedly a place of natural wonders. Teeming with natural resources and boasting of staggering landscapes, the country does not disappoint those who go the extra mile to reach it. Indeed, nothing compares to the abundance of diverse natural resources offered by the Philippines.

However, it is the Filipino that makes the country truly wonderful. Even when faced with adversity, Filipinos are the most ebullient and easygoing people anywhere and are noted for their courtesy and hospitality. Highly competent, multi-skilled and trainable, the Filipino worker can surpass any other in dedication and hardwork.

## The Philippines at its Finest

The 2009 IMD World Competitiveness Yearbook, a report produced annually by the Institute for Management and Development in Switzerland, presents the competitiveness rankings of 57 economies, including regional economies. In this year's expanded list, the Philippines ranks highly in labor force (#5), fiscal policy (#13), prices (#14) and societal framework (#20).

The country is blessed with an educated, multi-cultural, bilingual and skilled labor force. Quality and expertise continue

## Fast facts

How the Philippines ranks*	
#5	Labor Force
#13	Fiscal Policy
#14	Prices
#20	Societal Framework

Source: Philippine Statistical Yearbook 2008, NSCB

to distinguish the Filipino IT professional. Filipinos find it easy working on legacy applications as well as fourth generation languages. In 1997, over 3,000 Filipinos were adept with mainframes, and more than 5,000 were experienced in minicomputer operations. Filipino microcomputer professionals have experience with connectivity and data communications through Local Area Networks (LAN) and micro-mainframe links.

## Technology and Innovation Stronghold

According to the Information Economy Report 2007-2008 published by the United Nations Conference on Trade and

Development (UNCTAD), it is important for developing countries to lay good foundations for building their capacity to acquire and create knowledge and technology in order to take advantage of the opportunities offered by globalization, and at the same time, to address emerging global challenges.

Traditionally, the Philippine Information and Communications Technology (ICT) industry has been dominated by manufacturing, in particular of components and devices. Recently, the ICT service sector has seen growth with regard to contact/call centers, business processing, animation, medical and legal transcription, engineering and software design. There is a projected workforce increase of 920,764 by 2010 from 99,300 in 2004 and revenues from \$1.5 billion in 2004 to \$12 billion by 2010, with the largest growth expected in customer care (contact/call centers) and back-office operations or business process outsourcing (BPO). A high level of proficiency in English and familiarity with American culture account for this unique edge which translates to growth in the ICT industry.

The country offers much by way of technology skills. The Philippine Economic Zone Authority (PEZA) reports that Filipino workers are considered the new breed of world-class service professionals and are referred to as global knowledge workers because of their intelligence and ability to compete at high levels among the best in the world.





The current administration seeks to attract more businesses capitalizing on the ICT services sector to bring in growth to the economy. With this in mind, the Commission on Information and Communications Technology (CICT) is developing the Philippines Cyberservices Corridor (PCC) to encourage investment in the ICT sector. Stretching 600 miles from Baguio City in Northern Luzon to Zamboanga in Mindanao, the cyberservices corridor currently houses 75,000 call centers and BPO companies, which are being served by a high-bandwidth fiber backbone and digital network. The Philippine Cyberservices will be the brand of e-services delivered by Filipinos through the Internet, which includes call handling, BPO, content transformation and transcription. The Philippine Cyberservices Corridor will serve as a one-stop-shop for e-services investors who may want to invest in the Philippines .

**Steadfast in Tough Times**

Ranked 32nd out of 57 in the Stress Test on Competitiveness by the (IMD) indicates the robustness of the Philippine economy. Achieving the right combination of fiscal and monetary policies has significantly helped mitigate the adverse impact of the global economic crisis on the Philippine economy.

In a study conducted by eStandardsForum of New York, the Philippines fared very well in its compliance with 12 key standards for a sound financial system. In the study, which uses only information that is public and authoritative, the country ranked 26th out of 81. Bangko Sentral ng Pilipinas, Securities and Exchange Commission, Philippine Stock Exchange, Insurance Commission policy settings and their enforcement, control of public corporations, accounting/updating systems and government effectivity were all seen to be quite good .

The World Investment Prospects Report Survey 2009-2011 reports East, South and Southeast Asia receive the largest foreign direct investments (FDI) among the developing regions. These regions are set to become the most preferred locations worldwide for FDI in the next three years. Strong prospects for market growth, and to a lesser extent, cheap labor are among their major attractions. Accessibility to natural resources is also another major location asset.

This works for the country, which boasts of friendly business policies and incentives for investors, economical yet competitive labor force and access to abundant natural resources. According to the National Competitiveness Council, the Philippines is ranked 91st out of 127 in the annual FORBES Best Countries for Business. The country's good trade balance and potentially big market is attractive to investors.

According to the National Competitiveness Council, The Organization for Economic Development and Cooperation (OECD) finds the Philippines among the top in corporate governance in Asia. This is based on an annual evaluation of corporate governance practices with several countries worldwide.

**Prime Location**

Strategically located in the fastest growing region and flanked by two great trade routes – the Pacific Ocean and the South China Sea – the Philippines is an ideal base for business. The country's location is a critical entry point to over 500 million people in the ASEAN Market and a natural gateway to the East-Asian economies. The country is placed at the crossroads of international shipping and airlines .

Average Flying Time from Manila to Selected Foreign Cities: (in hours)	
Hong Kong	1:20
Taipei	1:25
Shenzhen	1:25
Singapore	3:00
Shanghai	2:15
Kuala Lumpur	3:00
Jakarta	3:30
Seoul	3:15
Tokyo	3:45
Guangzhou	1:35
Macau	1:25
Bangkok	2:45
Beijing	3:30
Brisbane	7:15
Vientiane	2:30
Yangon	7:00
Sydney	7:45
Melbourne	7:50
Auckland	10:00
Wellington	10:20

As of January 6, 2010  
Source: [www.travelmath.com](http://www.travelmath.com)

Taking advantage of the country's prime location, the government, with the support of the private sector, is continuously promoting and developing Subic and Clark as major international service and logistics centers. The government is implementing an open skies cargo policy in Clark, coordinating with logistics operators like UPS and Asia Overnight, expanding cargo-handling facilities and upgrading passenger and terminal facilities. The year 2008 marks the Subic port expansion .

Work will soon start to develop a 167-hectare prime property adjacent to the Diosdado Macapagal International Airport into the \$1 billion Global Gateway Logistics City (GGCL) in Clark. The project will be the first fully integrated master-planned center for airport and aviation-oriented operations and businesses in the Philippines .

Living Made Easy

The Philippines makes living convenient for expatriates. The cost of living is very affordable. Expatriates are treated to the best cuisine, housing that meets western standards and a wide array of recreation at very reasonable rates. The comforts offered by the country and the convenience by which these are acquired enable foreigners to consider turning their half-way houses into homes in the Philippines.

Expatriate living in the Philippines is made more desirable by the warmth and hospitality extended by the Filipinos. English is spoken competently anywhere in the country and this facilitates communication between foreigners and locals.

Schools

English is the medium of instruction for public and private schools in the Philippines. However, the country also has a number of international schools that follow a foreign curriculum. The following are international schools located in Manila. There are also international schools located in other major cities outside Manila, such as in Cebu and Davao.

Beacon School

(www.beaconschool.ph)

Beacon School is a coeducational K-8 school, with a curriculum based on the International Baccalaureate (IB) framework accepting students from 2.5 to 13 years old. It is the first educational institution in the Philippines to receive full authorization at every level of its academic programs by the International Baccalaureate Organization (IBO) in Switzerland.

Brent International School

(www.brent.edu.ph)

Brent is an International, co-educational day school associated with the Episcopal Church in the Philippines. The school has campuses in Manila, Subic, Boracay, and other places in Luzon. The school accepts students from Nursery to Grade 12, and currently has a mix of students from over 46 countries. The school is accredited as a college preparatory school by the Western Association of Schools and Colleges (WASC) and by the Philippine Accrediting Association of Schools. It is also recognized by the Philippine Department of Education (DepEd).

Philippine Comparative Advantage at a Glance

...located strategically in the Asia-Pacific region, a natural gateway to the East-Asian economies

...offers a highly educated and literate workforce with most people having a good command of English

...ranked in 2000 as the # 1 source of knowledge workers in the Meta Group's Global New E-Economy Index

...has opened up its economy by allowing 100% foreign ownership in almost all sectors of the economy and has established numerous special economic zones and industrial estates all over the country

...has redefined government's role through privatization and allowing private sector participation in developing infrastructure and some services which used to be government's domain through its innovative Build-Operate-Transfer scheme, a model now being followed by other countries due to its success

...has deregulated its banking, energy, insurance, telecommunications, shipping, and retail trade sectors, removing most, if not all, of the monopoly structures in the Philippines' market economy

...has granted income tax holiday (ITH)/5% preferential tax rate based on gross income in lieu of all other taxes to companies located in economic zones/export zones

...offers a dynamic consumer market used to an array of product choices created by a competitive domestic economy

...offers expatriates a comfortable lifestyle – internationally known educational institutions, entertainment and leisure facilities, a range of housing choices, and luxury of access to household help



### ***The British School Manila***

([www.britishschoolmanila.org](http://www.britishschoolmanila.org))

British School Manila has over 760 students representing 46 nationalities. It follows the English National Curriculum from Nursery to Year 13. Children are prepared for National Curriculum Tests (NCTs) at age seven, 11, and 14, GCSE at 16 and International Baccalaureate at 18. In all comparative assessments, the school's students perform well above national UK averages.

### ***Esteban International School***

Esteban International was founded as a Kindergarten in 1964, and now offers education from Pre-Primary to Grade 8. It is a member of the European Council of International Schools (ECIS) and is DepEd accredited. Esteban International is located in Makati.

### ***The International School Manila***

([www.ismanila.com](http://www.ismanila.com))

IS Manila offers an American-based curriculum from early primary to high school, with class sizes ranging from 15 to 24. IS Manila was the first school in the Philippines to receive accreditation by the WASC and DepEd.

### ***Eurocampus Manila***

([www.eis-manila.org](http://www.eis-manila.org))

Eurocampus Manila is composed of two schools, one following a French curriculum, and the other following a German curriculum. Teachers and staff of each school come from their homelands.

Eurocampus offers many extra-curricular activities which allow interaction between the students of the two schools.

### ***Faith Academy***

([www.faith.edu.ph](http://www.faith.edu.ph))

Faith Academy is a WASC accredited school located in Antipolo, with a branch campus in Davao. It is an international Christian school primarily for the children of expatriate Christian workers in the Philippines and throughout Asia.

### ***Reedley International School***

([www.reedleyschool.com](http://www.reedleyschool.com))

Reedley International is a college preparatory school that adapts the Singaporean approach in the teaching-learning of Mathematics and Science and an American curriculum is adopted in the implementation of its humanities program. It offers classes for Grades 1 to 12 and follows the American Grading System.

### ***Southville***

([www.southville.edu.ph](http://www.southville.edu.ph))

Southville International School and Colleges (SISC) is a nonsectarian school that is WASC accredited and recognized by DepEd and the Commission on Higher Education (CHED). It offers classes for preschool until college. Southville also has a night school, offering evening courses for working professionals.



### **Graduate School**

#### ***Asian Institute of Management***

([www.aim.edu](http://www.aim.edu))

AIM offers postgraduate degrees in Business Administration, Management Development Management and Entrepreneurship, as well as certificate courses. The institute attracts professionals from across Asia. AIM professors are doctorate and master's degree holders from universities in Asia, the United States and Europe, and are experienced managers that have worked in business, government and nongovernment organizations around Asia. The institute pushes Asia-relevant content and context, and focuses on how to operate effectively in Asia. It also has active partnerships with the World Bank and the Asian Development Bank. AIM also has active research, consulting, and student mentoring arrangements with more than 100 corporations.



Top Philippine Tourist Spots	
<b>Beaches</b>	<b>Heritage Tours</b>
Boracay (Aklan)	Tubbataha Reef Marine Park (Palawan)
Pagudpud (Ilocos Norte)	Ifugao Rice Terraces (Banawe)
Mactan Island (Cebu)	Vigan Heritage Village (Ilocos Sur)
Panglao (Bohol)	St. Paul Subterranean National Park (Palawan)
Dakak (Zamboanga del Norte)	Philippine Baroque Churches (Manila, Bulacan, Ilocos Norte, Iloilo)
Honda Bay (Palawan)	
El Nido (Palawan)	
Pearl Farm (Davao)	
Siargao (Surigao del Norte)	

Rest and Recreation

Entertainment and recreation in the Philippines is rivaled by no other. Touted as the entertainment capital of Asia, the country offers numerous watering holes, bars, bistros and restaurants that cater to even the most eclectic of tastes from dining to music. The country’s capital, Manila, has anarchic nightlife and daytime commerce, providing activities to keep one occupied from day to night.

Those who long to unwind and escape from the hustle and bustle of the daily grind may relax in spas that have sprouted all over Manila. Tourists and locals can indulge in a few hours of pampering from inexpensive day spas to high-end luxurious ones. Long weekends can be spent basking in the sunshine in beaches just a few hours’ drive from Manila. One can drive up to Tagaytay to catch a glimpse of the world’s smallest volcano, Taal. Those who want a piece of the ultimate beach experience can visit Boracay in Aklan, El Nido in Palawan or the idyllic Pagudpud in Ilocos Norte.

The Philippines has something for thrillseekers as well. Visit Donsol, a small seaside town in Sorsogon, and take a dip with whale sharks. Extreme water sports are slowly gaining popularity in the country such as white water rafting and scuba diving. Surfing enthusiasts frequent prime surf spots in La Union and Siargao. One can go trekking in the immense rice terraces around Banaue and Bontoc in North Luzon’s Cordillera Mountains.



The Best of Pinoy Creativity

The Philippines is now known as the global animation haven. Industry estimates say about 90 percent of American television cartoons are now produced in Asia. Of that, more and more are bringing their business to the Philippines .

Perhaps among all Filipino symbols, it is the bahay-kubo and the parol that has received so much international recognition. The bahay-kubo and a miniature volcano, Mt. Wanahakalugi, which looks suspiciously like Mt. Mayon, provide extra thrill to watching the Disney/Pixar animated film Finding Nemo. Providing that touch of Pinoy is Nelson Bohol from Catbalogan. Veteran award-winning animator, Armand Serrano is responsible for stringing parols in the little Hawaiian girl Lilo’s window in Disney’s Lilo and Stich. He is likewise responsible for bringing the lovable alien Pleakley to life in the same movie. Not many people know that the Trojan horse in Helen of Troy was done by a Filipino, Stargate Digital’s Anthony Ocampo who won a Visual Effects Society Award for his work. By the end of 2008, the first two full-length Filipino-made animated films, Dayo and Urduja, were released, opening more doors for the country’s animation industry.

Filipinos are entertainers at heart and their sense of humor make them a natural in animation. The Filipino’s love for storytelling and cracking jokes despite life’s adversities are traits that are valuable in this line of work. Filipino animators are recognized not only for their creativity and artistic skills as an important factor in animation, but also for the consistent quality and speed by which they can deliver their output. Filipinos have the innate ability to comprehend concepts and storylines better than most.



### Offshoring and outsourcing

The Philippines is among the world's top outsourcing destinations, thanks in large part to low business costs and a large pool of university-educated, English-speaking, highly adaptable workers. Despite the economic slump, the industry is still expected to grow by a fifth in 2009. In addition to Manila, Cebu in Visayas and Davao in Mindanao are strengthening their foothold in the BPO industry as major construction projects continue and large contact centers put up operations in the two cities.

The country has received increasing recognition for the offshoring and outsourcing sector. It was ranked in the "Top 10 Global Services Location" by global management consultant AT Kearney in 2007. The Philippines was also "Best Offshoring

Destination of the Year" in 2007 according to National Outsourcing Association, U.K. The country was among the "Top Global Emerging Outsourcing Cities" according to the Global Services-Tholons Study 2008.

### Tourism

Tourism is another industry weathering the economic storm. The Philippine Department of Tourism has reported a 10.3% increase in tourist arrivals in the first quarter of 2009 compared to the same period last year. Cebu and Davao are the country's top tourist drawers, with Cebu emerging as the top destination for foreign tourists. Local airlines are offering competitive air ticket prices and have increased their flight frequency to key tourist destinations. Newly opened hotels and resorts increased room supply and created jobs.

The Philippines is highly accessible, providing different air and sea ports that serve as gateways to key Asian cities, most of which are less than four hours away.

There are five international airports in the country. The Ninoy Aquino International Airport is the main airport, which serves more than 30 international airlines with flights to Asia, the Middle East, Europe and North America. Two adjacent airports have daily domestic flights that link major cities in the Philippines.

The Mactan International Airport in Cebu has regular flights from Australia, Brunei, Busan, Doha, Hong Kong, Japan, Malaysia, Seoul and Singapore. The Davao International Airport has regular flights from Indonesia and Singapore and seasonal flights from Macau.

The Diosdado Macapagal International Airport in Pampanga has regular flights from Hong Kong, Macau, Malaysia and Singapore. Subic International Airport also in Pampanga has regular flights from Taiwan, while Laoag International Airport in Ilocos Norte has regular flights from China.

By sea, major cruise ships and international container vessels call at the port of Manila. Interisland ships connect Manila to major ports in other provinces.

### Manufacturing

Manufacturing remains a top growth contributor. The World Bank Office Manila reported in its quarterly economic update, released in January 2009, that the sector's growth was largely due to the sustained double-digit growth of food manufacturing, which more than offset the continued decline in electrical machineries manufacturing.

### Construction

The construction sector is spurred by the government's Comprehensive Integrated Infrastructure Program, wherein Php2.0 trillion (or US\$49 billion) priority infrastructure projects may be supported by official development assistance or the private sector.

Private construction is spurred by the demand for office space by IT-enabled services and housing for OFWs. Major residential constructions are located in NCR, Southern Luzon and Central Luzon, which host majority of OFWs.





### **Mining**

Mining contributes Php108 billion (US\$2.3 billion) or 1.6% to the GDP, and makes up 4.8% of the country's exports. The industry roadmap identified nine operating/expansion projects and 25 "first tier" mineral development projects. In addition to minerals and metals, gas exploration activities are also increasing.

### **Renewable energy**

The Philippine Energy Plan 2005-2014 aims for 60% self-sufficiency by 2010 by increasing renewable energy-based capacity. The Philippines is already the world's second largest producer of geothermal energy, with still untapped resource potential of 2,600 megawatts. There is an untapped potential of 76,600 megawatts for wind energy and 13,097 megawatts for hydropower.

The Philippines ranks third in developing countries with highest profit potential from biodiesel exports. The country is a large producer of coconut and sugarcane, two major sources of biofuels.

### **Agriculture**

The Philippines has about 10 million hectares of agricultural land and is a major exporter of banana, coconut, pineapple and fishery. Sugarcane and coconut are major sources of renewable biofuels such as bio-ethanol and coco-diesel.

Department of Agriculture (DA) figures from 2007 showed the sector grew by 4.68%, with the fisheries subsector gaining the highest at 6.81%. In January 2007, the DA has announced plans of developing the world's first acclimatization facility for freshwater ornamental fishes. The proposed Acclimatization and Conditioning for Export facility, which will increase the Philippines' share in the US\$500-million trade of ornamental fishes, will be built in Muntinlupa City.

### **Information and communications technology (ICT)**

The Commission on Information and Communications Technology (CICT) reports the success of the Philippine CyberServices Corridor. The CyberServices Corridor is an ICT channel running over 600 miles across the country, from Baguio City in Northern Luzon and Zamboanga in Mindanao. It is supported by a high-bandwidth fiber backbone and digital network. In 2007, the ICT industry had a total of 244,000 jobs and earned revenues of US\$3.6 billion. The industry aimed to employ 403,000 ICT skilled workers and earn US\$5.1 billion in 2008.

Manila, Baguio, Cebu and Davao are acknowledged as the country's ICT hubs. Outside Metro Manila, there is also the rapid development of regional ICT hubs in locations such as Bacolod, Bohol, Cagayan de Oro, Clark, Dumaguete, Iloilo, Legaspi, Lipa, Naga and Rizal.

# How to operate in the Philippines



## Investment Policy and Laws

### General Policy on Investments

Investments are most welcome in the Philippines. In general, anyone, regardless of nationality, is welcome to invest in the country. For most economic activities, restriction on foreign investments is on the extent of ownership allowed for a particular activity.

Philippine laws and regulations guarantee the basic rights of all investors and enterprises, including the following:

- ▶ Freedom from expropriation without just compensation
- ▶ Right to remit profits, capital gains, and dividends within the guidelines of the BSP, the country's monetary authority
- ▶ Right to repatriate the proceeds of the liquidation of investments
- ▶ Right to obtain foreign exchange to meet principal and interest payments on foreign obligations

There are a number of laws governing investments in the Philippines. Presently, there are moves to consolidate all

the incentive laws into one law to rationalize the grant and administration of fiscal and nonfiscal incentives given by various incentive bodies.

The major investment laws are discussed as follows.

### **Omnibus Investments Code of 1987 (EO No. 226), as amended by RA No. 7918**

Implemented by the Board of Investments (BOI), the Omnibus Investments Code of 1987 provides a comprehensive set of incentives for local and foreign enterprises engaged in activities considered by government as high priority for national development.

To qualify for BOI incentives, an enterprise must engage in an area of activity listed in the current Investment Priorities Plan (IPP).

If not listed in the IPP, an enterprise is also entitled to incentives if either of the following criteria is met:

- ▶ At least 50% of production is for export (for Filipino-owned enterprises)
- ▶ At least 70% of production is for export (for enterprises with more than 40% foreign equity)

### 2009 Investment Priorities Plan (IPP)

The IPP formulated annually by the BOI and approved by the President, lists the priority activities for investment. The 2009 IPP opens opportunities for the country to attract more quality investments into industries and services that would maintain and improve the country's competitiveness and ensure employment for the Filipino people. Salient features follow:

#### **I. Preferred activities**

**A. Contingency List** - this is a temporary inclusion in the IPP to mitigate the effects of the global crisis and will be delisted upon an official pronouncement by the National Economic Development Authority (NEDA) that the crisis no longer exists.

#### **Job Saving/Creation Projects**

This covers existing projects and/or activities affected by the current global economic crisis that will either:

- a. Retain investments and maintain current number of workers;
- b. Retain investments and increase current number of workers;
- c. Increase investments and maintain current number of workers; or
- d. Increase investments and increase current number of workers

Enterprises maintaining their workers applying retention schemes may be qualified. The determination of the number of workers to be maintained is on the basis of the number of workers before the enterprise was affected by the crisis.

To qualify for registration under this list, the enterprise must prove that its operation has been affected by the global economic crisis.

This also covers new projects of micro, small and medium enterprises as defined under RA No. 9501.

The following projects are not qualified under this listing:

- a. Banks and financial institutions
- b. Retailing business as defined under RA No. 8762
- c. All services except those qualified under the Regular List (see below)
- d. Small-scale mining as defined under PD No. 1899 and RA No. 7076
- e. Activities that are restricted/regulated by law or ordinances for reasons of security, defense and risk to health and morals
- f. Activities of non-Philippine nationals engaged in small and medium-sized domestic market enterprises that are not qualified under the Foreign Investment Act (RA No. 7042) as amended by RA No. 8170
- g. Non-agricultural basic consumer goods
- h. Personal care products
- i. All existing power and infrastructure projects with sovereign guarantee or granted ITH
- j. Other activities as may be determined by the Board

## **B. Regular List**

1. **Agriculture/Agribusiness and Fishery** - This covers production and processing of agricultural and fishery products (including their by-products and wastes), biofuels, feeds and organic fertilizers, and biotechnological products and services.

2. **Infrastructure** - This covers transport (air, water and mass transport); water supply and/or distribution; logistics (ports, terminals, natural gas refueling stations, warehouses, and post harvest facilities); power generation projects using renewable and other energy sources adopting environmentally-friendly technologies, power generating plants located in missionary areas, and privatized plants; low cost and socialized mass housing; physical infrastructure; pipeline projects for oil and gas; and projects under the Build-Operate-Transfer (BOT) Law.

3. **Engineered Products** - This covers shipbuilding, manufacture of machinery and equipment, including their parts and components, manufacture of other transport equipment (air, water and land) including their parts and components, and the manufacture of basic iron and steel products.

4. **Tourism** - This covers the establishment of tourist accommodation facilities (hotels, apartels/serviced residence, condotels, tourist inns, pension houses, resorts, homestay), retirement villages, medical tourism, and healthcare and wellness products.

5. **Business Process Outsourcing (BPO)** - This covers voice and non-voice IT-enabled services, such as contact center, business/knowledge processing, software development, animation, data transcription, engineering design, and ICT support services.

6. **Creative Industries** - This covers non-BPO IT-enabled services and film, TV and theater arts production.

7. **Strategic Activities** - This covers activities with a minimum project investment cost of the peso equivalent of USD300 million and complies with either of the following:

- a. Employment generation of at least 1,000; or
- b. Use of internationally accepted high level of technology

8. **Research and Development (R&D)** - This covers commercial and in-house R & D activities, and the establishment of Centers of Excellence, innovation, and skills development training institutions.

## **II. Mandatory list**

The following require their inclusion in the IPP:

1. Revised Forestry Code of the Philippines (PD No. 705) - This covers extensive plantation of forest land of tree crops, except fruit trees, for commercial and industrial purposes.
2. Philippine Mining Act of 1995 (RA No. 7942)
3. Printing, Publication and Content Development of Books or Textbooks (RA No. 8047) - This covers printing, re-printing, publication and content development of books or textbooks.
4. Downstream Oil Industry Deregulation Act of 1998 (RA No. 8479) - This covers refining, storage, distribution, and marketing of petroleum products.

5. **Ecological Solid Waste Management (RA No. 9003)** - This covers the establishment of waste recycling facilities integrated with manufacturing facility, using as inputs 100% locally generated solid waste materials or scraps from the recycling facility to produce semi-finished or finished product.

6. **Philippine Clean Water Act of 2004 (RA No. 9275)** - This covers the establishment of industrial wastewater treatment facilities, and sewage collection integrated with treatment facilities, and the adoption of water pollution control technology, cleaner production and waste minimization undertaken through BOT or non-BOT schemes.

7. **Magna Carta for Disabled Persons (RA No. 7277)** - This covers the manufacture of technical aids and appliances for the use and/or rehabilitation of disabled persons, and the establishment of special schools, homes, residential communities or retirement villages solely to suit the needs and requirements of persons with disability.

8. **Renewable Energy Act of 2008 (RA No. 9513)** - The coverage and description of allowable activities shall be determined in accordance with the implementing rules and regulations of RA No. 9513

### III. Export activities

This covers:

1. **Manufacture of Export Products** - This covers the production/manufacture of non-traditional export products and with export requirement of at least 50% of its output, if Filipino-owned or at least 70%, if foreign-owned.

2. **Export Services** - This covers service activities rendered to clients abroad and paid for in foreign currency with export requirement of at least 50% of its revenue, if Filipino owned or at least 70%, if foreign-owned.

3. **Activities in Support of Exporters** - This covers activities directly supporting export producers.

### IV. ARMM list

This covers:

1. Export Activities
2. Agriculture, Food and Forestry-based Industry
3. Basic Industries
4. Consumer Manufactures
5. Infrastructure and Services
6. Engineering Industries
7. ARMM Priority and Tourism Areas

### Incentives Available to BOI-Registered Enterprises

#### *Fiscal Incentives*

- **Income tax holiday.** From the start of commercial operations, newly registered pioneer projects are exempt from income taxes for six years, nonpioneer firms for four years, expansion or modernization projects for three years (for incremental sales revenue/volume), and new or expansion projects in less developed areas for six years.

Newly registered pioneer and nonpioneer enterprises may avail of a bonus year in each of the following cases if:

- Indigenous raw materials used are at least 50% of the total cost of raw materials for the preceding years
- The ratio of total imported and domestic capital equipment to number of workers does not exceed US\$10,000 to one worker.
- The net foreign exchange savings or earnings amount to at least US\$500,000 annually during the first three years of operation.

- **Additional deduction of labor expenses from taxable income**
- **Tax credit for taxes and duties on raw materials used in the manufacture, processing, or production of export products**
- **Additional deduction of necessary and major infrastructure expenses from taxable income**
- **Exemption from wharfage dues and any export tax, duty, impost, and fee**
- **Exemption from local business taxes for four or six years from date of BOI registration.**

#### *Nonfiscal incentives*

1. **Simplification of customs procedures.** Customs procedures are simplified for the importation of equipment, spare parts, raw materials, and supplies, and the export of products of BOI-registered firms.
2. **Unrestricted use of consigned equipment.** BOI-registered enterprises' use of consigned equipment is unrestricted provided a re-export bond is posted.
3. **Access to bonded manufacturing and warehouse system.**



Table 1 **Seventh Regular Foreign Investments Negative List**

Due to limitations set by the Constitution and other specific laws, the following industries are fully or partly nationalized under the **Seventh Foreign Investments Negative List**:

LIST A: Foreign Ownership is Limited by Mandate of the Constitution and Specific Laws			
<b>No Foreign Equity</b> <ol style="list-style-type: none"> <li>Mass media except recording (Art. XVI, Sec. 11 of the Constitution, Presidential Memorandum dated May 4, 1994)</li> <li>Practice of all professions               <ol style="list-style-type: none"> <li>Engineering</li> <li>Medicine and allied professions</li> <li>Accountancy</li> <li>Architecture</li> <li>Criminology</li> <li>Chemistry</li> <li>Customs brokerage</li> <li>Environmental planning</li> <li>Forestry</li> <li>Geology</li> <li>Interior design</li> <li>Landscape architecture</li> <li>Law</li> <li>Librarianship</li> <li>Marine deck officers</li> <li>Marine engine officers</li> <li>Master plumbing</li> <li>Sugar technology</li> <li>Social work</li> <li>Teaching</li> <li>Agriculture</li> <li>Fisheries</li> </ol> </li> <li>Retail trade enterprises with paid-up capital of less than US\$2,500,000 (Sec. 5 of RA No. 8762)</li> <li>Cooperatives (Ch. III, Art. 26 of RA No. 6938)</li> <li>Private security agencies (Sec. 4 of RA No. 5487)</li> <li>Small-scale mining (Sec. 3 of RA No. 7076)</li> </ol>			
<ol style="list-style-type: none"> <li>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)</li> <li>Ownership, operation, and management of cockpits (Sec. 5 of PD No. 449)</li> <li>Manufacture, repair, stockpiling and/or distribution of nuclear weapons (Art. II, Sec. 8 of the Constitution)</li> <li>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)</li> <li>Manufacture of firecrackers and other pyrotechnic devices (Sec. 5 of RA No. 7183)</li> </ol>			
<b>Up to 20% Foreign Equity</b> <ol style="list-style-type: none"> <li>Private radio communications network (RA No. 3846)</li> </ol>			
<b>Up to 25% Foreign Equity</b> <ol style="list-style-type: none"> <li>Private recruitment, whether for local or overseas employment (Art. 27 of PD No. 442)</li> <li>Contracts for the construction and repair of locally-funded public works (Sec. 1 of Commonwealth Act No. 541, Letter of Instruction No. 630) except:               <ol style="list-style-type: none"> <li>Infrastructure/development projects covered in RA No. 7718</li> <li>Projects which are foreign-funded or-assisted and required to undergo international competitive bidding (Sec. 2(a) of RA No. 7718)</li> </ol> </li> </ol>			
<b>Up to 30% Foreign Equity</b> <ol style="list-style-type: none"> <li>Advertising (Art. XVI, Sec. 11 of the Constitution)</li> </ol>			
<b>Up to 40% Foreign Equity</b> <ol style="list-style-type: none"> <li>Exploration, development, and utilization of natural resources (Art. XII, Sec. 2 of the Constitution)</li> <li>Ownership of private lands (Art. XII, Sec. 7 of the Constitution; Ch. 5, Sec. 22 of CA 141; Sec. 4 of RA No. 9182)</li> <li>Operation and management of public utilities (Art. XII, Sec. 11 of the Constitution; Sec. 16 of CA No. 146)</li> <li>Ownership/establishment and administration of educational institutions (Art. XIV, Sec. 4 of the Constitution)</li> <li>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 No. 194; Sec. 15 of RA No. 8762)</li> </ol>			
<b>Up to 60% Foreign Equity</b> <ol style="list-style-type: none"> <li>Financing companies regulated by the Securities and Exchange Commission (SEC) (Sec. 6 of RA No. 5980 as amended by RA No. 8556)</li> <li>Investment houses regulated by the SEC (Sec. 5 of PD No. 129 as amended by RA No. 8366)</li> </ol>			
<b>Up to 60% Foreign Equity</b> <ol style="list-style-type: none"> <li>Contracts for the supply of materials, goods and commodities to a government-owned or controlled corporation, company, agency, or municipal corporation (Sec. 1 of RA No. 5183)</li> <li>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 No. 7718)</li> <li>Operation of deep sea commercial fishing vessels (Sec. 27 of RA No. 8550)</li> <li>Adjustment companies (Sec. 323 of PD No. 612 as amended by PD No. 1814)</li> <li>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 No. 4726)</li> </ol>			
<b>Up to 40% Foreign Equity</b> <ol style="list-style-type: none"> <li>Manufacture, repair, storage, and/or distribution of products and/or ingredients requiring Philippine National Police (PNP) clearance</li> <li>Manufacture, repair, storage, and/or distribution of products requiring Department of National Defense clearance</li> <li>Manufacture and distribution of dangerous drugs (RA No. 7042 as amended by RA No. 8179)</li> <li>Sauna and steam bathhouse, massage clinics, and other like activities regulated by law because of risks posed to public health and morals</li> <li>All forms of gambling, e.g., race track operation</li> <li>Domestic market enterprises with paid-in equity capital of less than the equivalent of US\$200,000</li> <li>Domestic market enterprises which involve advanced technology or employ at least 50 direct employees with paid-in-equity capital of less than the equivalent of US\$100,000</li> </ol>			

**LIST B: Foreign Ownership is Limited for Reasons of Security, Defense, Risk to Health and Morals and Protection of Small-and-Medium Scale Enterprises**

4. **Employment of foreign nationals.** Foreign nationals may be employed in supervisory, technical, or advisory positions for five years from a registered project's registration, extendible for limited periods to be determined by the BOI. The positions of president, general manager, and treasurer, or their equivalents, of foreign-owned registered firms may be retained by foreign nationals for a longer period.

#### Qualifications for BOI-Registered Enterprises

1. If a natural person, he or she must be a Philippine citizen.
2. If a partnership or any other association, it must be organized under Philippine laws and at least 60% of its capital is owned and controlled by Philippine citizens.
3. If a corporation, it must be organized under Philippine laws and at least 60% of the capital stock outstanding and entitled to vote is owned and held by Philippine nationals, and at least 60% of the members of the Board of Directors are Philippine citizens. If the corporation does not possess the required degree of ownership by Philippine nationals, the following circumstances must be satisfactorily established:

- It proposes to engage in a pioneer project which cannot be readily and adequately filled by Philippine nationals as determined by BOI, or the applicant will export at least 70% of its total production.
- It obligates itself to attain the status of a Philippine national within 30 years from date of registration, but a registered enterprise which exports 100% of its total production need not comply with this requirement.
- The pioneer area it will engage in is not within the activities reserved by the Constitution or other laws to Philippine citizens or corporations owned and controlled by citizens.

#### Foreign Investments Act (FIA) of 1991 (or Republic Act No. 7042 as amended by RA No. 8179)

The Foreign Investments Act (FIA) of 1991 liberalized the entry of foreign investments into the Philippines. Its passage marked the end of decades of protectionism for local business.

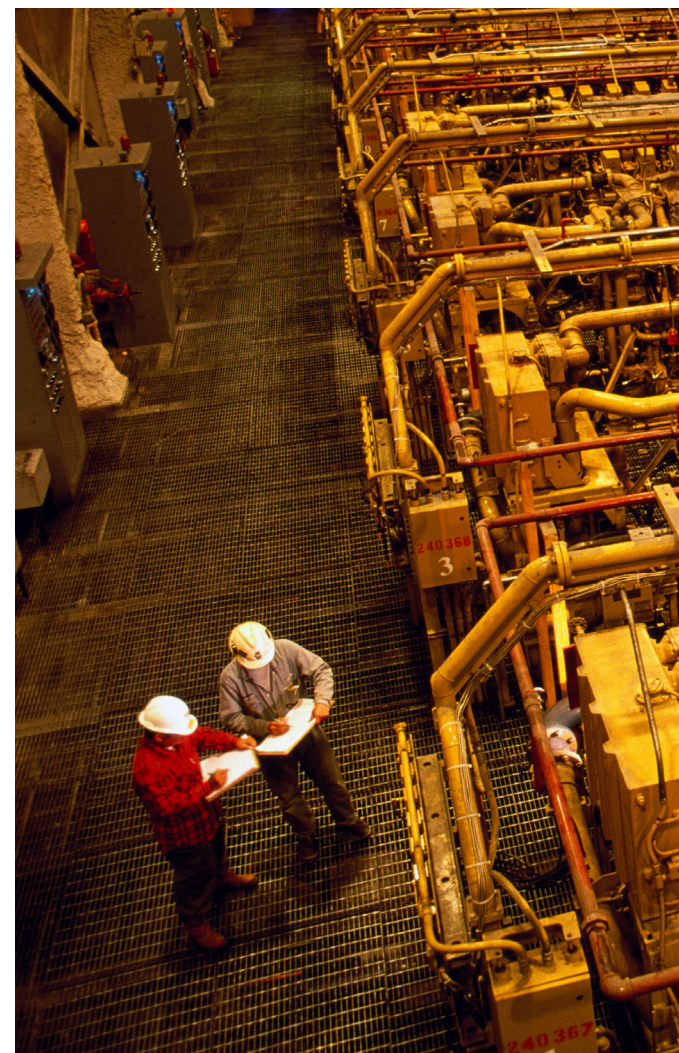
Under the FIA, foreign companies are generally allowed to conduct business in the Philippines subject to restrictions spelled out in the Foreign Investments Negative List (FINL). The FINL is a short list of areas of economic activities where foreign investments are restricted or limited (See *Table I on page 6 for the current FINL*). It has two components:

**List A** contains areas of activities reserved to Philippine nationals by mandate of the Constitution and other specific laws.

**List B** contains the areas of activity and enterprises where foreign ownership is limited pursuant to law. Among these are defense- or law enforcement-related activities and those with implications on public health and morals. This list includes small- and medium-sized domestic market enterprises with paid-in equity capital less than the equivalent of US\$200,000 unless they involve advanced technology as certified by the Department of Science and Technology or they employ at least 50 direct employees, in which case a minimum paid-up capital of US\$ 100,000 is allowed.

#### Special Economic Zone Act of 1995 (RA No. 7916, as amended by RA No. 8748)

This law was passed in 1995 to encourage economic growth through the development of special economic zones called Ecozones. Philippine Economic Zone Authority (PEZA) implements this law and also grants incentives to qualified enterprises that locate in the Ecozone.



Ecozones are areas earmarked by the government for development into balanced agricultural, industrial, commercial, and tourist/recreational regions (see *pages 24-25 of the Chapter Why You Should Invest in the Philippines for a partial list of approved/proclaimed Ecozones*).

**Industrial Estates (IEs)** are tracts of land developed for the use of industries. They have basic infrastructure, such as roads, water and sewage systems, pre-built factory buildings, and residential housing.

**Export Processing Zones (EPZs)** are special IEs whose locator companies are mainly export-oriented. EPZ incentives include tax- and duty-free importation of capital equipment, raw materials, and spare parts.

**Free Trade Zones** are areas in nearby ports of entry, such as seaports and airports. Imported goods may be unloaded, repacked, sorted, and manipulated without being subjected to import duties. However, if these goods are moved into a non-free trade zone, they will be subjected to customs duties.

**Tourism Ecozone** refers to a tourism development zone/ tourism estate declared as a special economic zone suitable for development into an integrated resort complex with prescribed carrying capacities of tourist facilities and activities, such as, but not limited to, sports and recreation centers, accommodations, convention and cultural facilities, food and beverage outlets, commercial establishments and other special interest and attraction activities/ establishments, and provided with the necessary infrastructure.

**IT Parks/IT Buildings** are special economic zones for IT projects and services. An IT Park is an area or an IT building whole or part of which has been developed into a complex capable of providing infrastructures and other support facilities required by IT Enterprises including amenities required by professionals and workers involved in IT Enterprises.

Each Ecozone is to be developed as an independent community with minimum government interference. It shall administer its own economic, financial, industrial, and tourism development without help from the national government. It shall also provide adequate facilities to establish linkages with surrounding communities and other entities within the country.

#### Enterprises Qualified to Locate in the Ecozone

The following describes each type of Ecozone enterprise.

- ▶ **Export Enterprise** - manufactures, assembles, or processes products which are 100% exported, unless a lower percentage is approved by PEZA.
- ▶ **Free Trade Zone Enterprise** - imports and markets tax- and duty-free goods within the free trade area in the Ecozone. Goods brought outside the free trade area will be subject to customs and tariff duties.
- ▶ **Service Enterprise** - is engaged in any one or a combination of the following activities: customs brokerage, trucking/ forwarding, janitorial, security, insurance and/or banking, consulting, or any such service approved by PEZA.
- ▶ **Domestic Market Enterprise** - manufacturer, assembler, or processor of goods which continually fails to export at least

50% of its total output for a period of three years if majority-owned by Filipinos and at least 70% if majority-owned by foreign nationals.

- ▶ **Pioneer Enterprise** - falls under any of the following conditions:
  - Manufactures, processes, or produces goods not produced in a commercial scale in the country
  - Uses a design, formula, scheme, method, or process which is new and untried in the Philippines
  - Produces nonconventional fuels or manufactures equipment that utilizes nonconventional sources of energy Develops areas for agri-export processing development
  - Given such a status under the annual IPP approved by the President.
- ▶ **Utilities Enterprise** - contracted to provide light and power, water supply and distribution, communications, and transportation systems in the Ecozone.
- ▶ **Facilities Enterprise** - contracted to build and maintain necessary infrastructure such as warehouses, buildings, road networks, ports, sewerage and drainage systems, and other facilities considered as necessary by PEZA in the development and operations of the Ecozone.
- ▶ **Tourism Enterprise** - operates sports and recreation centers, accommodations, convention and cultural facilities, and other special interest and attraction activities/ establishments with foreign tourists as primary clientele.

- ▶ **Ecozone Developer/Operator** - develops, operates, and maintains the Ecozone, all component sectors (i.e., IEs, EPZs, Free Trade Zones, and Tourist Ecozones) and all related infrastructure (roads, light and power systems, drainage facilities, etc.).
- ▶ **IT Enterprise** - provides or operates IT services. IT is the collective term for the various technologies involved in processing and transmitting information, which include computing, multimedia, telecommunications, microelectronics, and their interdependences. Also called “informatics” or “telematics,” the term now more often refers to the convergence of various information-based, broadcast, and mass-media communication technologies.

#### **Incentives Available to Ecozone Enterprises**

The incentives that are available to Ecozone enterprises, depending on the nature of their activities, are:

- ▶ Tax- and duty-free importation of capital equipment, raw materials, spare parts, supplies, breeding stocks, and genetic materials
- ▶ ITH of four years for nonpioneer projects or six years for pioneer projects
- ▶ A special tax rate of 5% of modified gross income in lieu of all national and local taxes after the ITH
- ▶ Tax credit for import substitution
- ▶ Exemption from wharfage dues, export tax, and import fees
- ▶ Tax credit on domestic capital equipment, breeding stocks, and genetic materials
- ▶ Additional deduction for incremental labor expenses and training expenses
- ▶ Unrestricted use of consigned equipment
- ▶ Permanent resident status for foreign investors and immediate family

- ▶ Employment of foreign nationals
- ▶ Remittance of earnings without prior approval from the BSP
- ▶ Exemption from local business taxes.
- ▶ Exemption from BPRT in the case of Philippine branches under 5% modified gross income.

#### **Bases Conversion and Development Act of 1992 (RA No. 7227)**

Passed in 1992, this law created the Bases Conversion Development Authority, the Subic Bay Metropolitan Authority (SBMA), and the Subic Special Economic and Freeport Zone (SSEFZ) consisting of the City of Olongapo and the Municipality of Subic, Province of Zambales, the lands occupied by the Subic Naval Base and its contiguous extensions as embraced, covered, and defined by the 1974 Military Bases Agreement between the Philippines and the United States of America, and within the territorial jurisdiction of the Municipalities of Morong and Hermosa, Province of Bataan.

The SSEFZ is a former US military facility converted into civilian use. The vision for the 67,000-hectare Subic Bay Freeport (SBF) is to create a self-sustaining industrial, commercial, financial, and investment center in addition to its international seaport, which can anchor 600 ships.

Registered enterprises in the SSEFZ enjoy various investment incentives including access to first-class commercial, residential, and tourist facilities. A registered SBF enterprise is a business enterprise organized and existing under Philippine or foreign laws, registered with the SBMA, and located within the SBF Zone.

Incentives to entities registered with the SSEFZ include:

- ▶ Tax- and duty-free importation of raw materials for manufacture and actually manufactured into finished products, and on capital goods and equipment needed for the business operation within the zone.
- ▶ Exemption from national and local taxes. In lieu thereof, SBF enterprises pay a tax of 5% of gross income earned, which refers to gross sales or revenues derived from any business activity within the zone, less cost of production or direct cost of services as well as other costs specifically determined in regulations to be material in the operation of the business.

Aside from the aforementioned enactments, several laws further encourage or enhance investments in specific sectors. Some of these laws are discussed in the succeeding pages.

#### **An Act Providing for the Terms, Conditions, and Licensing Requirements of RHQs, ROHQs, and RWs (RA No. 8756)**

RA No. 8756, signed into law on November 23, 1999, provides, among others, the rules and guidelines on the establishment and maintenance of multinational companies' Regional or Area Headquarters (RHQs), Regional Operating Headquarters (ROHQs), and Regional Warehouses (RWs).

ROHQs are branches established in the Philippines by multinational companies that are allowed to derive income by providing services to their affiliates in the region.

RHQs are branches established in the Philippines by multinational companies and whose headquarters do not earn or derive income from the Philippines.



**Authorized Activities of RHQs, ROHQs, and RWs**

RHQs act as supervisory, communications, and coordinating centers for their subsidiaries, affiliates, and branches in the region.

ROHQs, on the other hand, are allowed to perform the following functions:

- General administration and planning
- Business planning and coordination
- Sourcing/procurement of raw materials and components
- Corporate finance advisory services
- Marketing control and sales promotion
- Training and personnel management
- Logistics services
- Research and development services, and product development
- Technical support and maintenance
- Data processing and communication
- Business development.

RWs may engage in the following activities:

- Serving as a supply depot for the storage, deposit, safekeeping of spare parts, components, semi-finished products, and raw materials including the packing, covering, putting up, marking, labeling, and cutting or altering to customer’s specification, mounting and/or packaging into kits or marketable lots
- Filling up transactions and sales made by their head offices or parent companies
- Serving as a storage or warehouse of goods purchased locally by the home office for export abroad.

**Tax Treatment and Incentives of RHQs and ROHQs**

RA No. 8756 provides favorable tax treatment and other nonfiscal incentives for both the RHQs/ROHQs and their non-Filipino and Filipino employees. Some of these incentives are listed in Table 2.

**Tax Treatment of Foreign and Filipino Employees of RHQs and ROHQs**

Expatriate employees of RHQs and ROHQs will enjoy the following incentives:

- Multiple-entry visa
- 15% preferential tax on gross compensation income
- Tax- and duty-free importation of personal and household effects
- Travel tax exemption

The 15% preferential tax is also available to Filipinos employed in an RHQ/ROHQ who occupy the same positions as the non-Filipino employees. However, Filipino employees have the option to be taxed at either 15% or the normal rates of 0% to 32%, depending on their net taxable income.

**Licensing of RHQs, ROHQs and RWs**

The RHQ license and the ROHQ license of nonbanking and nonfinancial institutions are secured from the SEC, upon the favorable recommendation of the BOI. Banks and financial institutions secure the ROHQ license from the SEC and the BSP, upon the favorable recommendation of the BOI. The primary implementing agency for the establishment and supervision of RWs outside the ecozones is the BOI.

Table 2 **Some Incentives of RHQs and ROHQs**

RHQ	ROHQ
Exemption from income tax	Subject to preferential income tax rate of 10% on taxable income
Exemption from branch profits remittance tax (BPRT)	Subject to applicable BPRT (generally 15%)
Exemption from VAT; sale or lease of goods and property, and services to the RHQ is subject to 0% VAT	Subject to 10% VAT
Exemption from all kinds of local taxes, fees, or charges imposed by a local government unit, except real property tax on land improvements and equipment	
Tax- and duty-free importation of equipment and materials for training and conferences needed and solely used for the RHQ/ROHQ functions, and which are not locally available, subject to prior BOI approval	

**Investor’s Lease Act (RA No. 7652)**

RA No. 7652 allows foreign investors to lease commercial lands in the Philippines for a maximum of 75 years (previously 50 years).

Under this law, any foreign investor infusing capital into the country can lease private lands, in observance of Philippine laws and the following:

- 1. Lease contract shall first be for 50 years, renewable only once for another 25 years.
- 2. Leased area will be used solely for investment.
- 3. Lease contract will conform with the Comprehensive Agrarian Reform Law and the Local Government Code.

**Export Development Act of 1994 (RA No. 7844)**

This law provides incentives to exporters to encourage investments in the export sector. Exporters are generally defined as earning at least 50% of their normal operating revenue from the sale of products or services abroad.

**Features of the Export Development Act (EDA)**

- The following are the key features of EDA:
- ▶ Institutionalization of the Export Development Council (EDC) to direct the export offensive
  - ▶ Privatization of export promotion functions that can be undertaken by the private sector, including the establishment of world-class Philippine Trade Centers
  - ▶ Setup of a privately led export financing institution whose services shall be devoted to supporting the financing needs of the export sector
  - ▶ Granting to exporters of much needed fiscal incentives, most of them patterned after, but not as extensive as those in newly industrializing economies.

**Incentives Available to Exporters Registered under EDA**

EDA incentives are granted in addition to existing incentives from other government agencies such as the BOI and PEZA. EDA incentives are shown on Table 3.

**Amended Build-Operate-Transfer Law (RA No. 7718)**

The BOT Law spells out the policy and regulatory framework for the participation of private sector entities in the development of infrastructure projects and the provision of services that are normally the responsibility of the government.

**Registration with government offices**

An investor who will do business in the Philippines will have to register with a number of government offices. These include the SEC, the DTI, the BIR, and the local government.

**Securities and Exchange Commission**

The SEC is the government agency responsible for registering, licensing, regulating, and supervising all corporations and partnerships organized in the Philippines, including foreign corporations licensed to engage in business or to establish branch offices in the Philippines. The SEC is mandated to implement the following Philippine laws among others:

**PD No. 902-A and the Securities Regulation Code (SRC)**

PD No. 902-A dealt with the reorganization of the SEC and conferred upon it the power to hear and decide on cases involving corporate fraud, intra-corporate disputes, election cases involving officers and directors, suspension of payments proceedings, and rehabilitation proceedings.

Table 3 **Incentives of Exporters Registered under EDA**

▶ Exemption from PD No. 1853, or Advanced Payment of Customs Duties	
▶ Tax credit for increase in current year's export revenues, computed as follows:	
Increase in Annual Export Revenue	
Tax Credit (in %)	
First 5%	2.5
Next 5%	5.0
Next 5%	7.5
In excess of 15%	10.0
▶ Tax credit for use or import-substitution of nontraditional products	

With the enactment of the Securities Regulation Code, however, Sec. 5.2, Chapter II thereof removed all jurisdiction of the SEC over all cases enumerated above and transferred jurisdiction to hear and decide these cases to the regular courts. With the realignment of its powers, the SEC then shifted its focus to the promotion of capital market development, in accordance with the mandate of the Securities Regulation Code.

#### ***Corporation Code of the Philippines (Batas Pambansa Blg. 68)***

The Corporation Code or BP Blg. 68 became effective on May 1, 1980. It adopted various corporate doctrines previously enunciated by the Supreme Court under the old Corporation Law and clarified the obligations of corporate directors and officers. The Code was enacted to establish a new concept for business corporations so that these are not merely entities established for private gain but effective partners of the National Government in spreading the benefits of capitalism for the social and economic development of the nation.

#### **Express Registration**

To facilitate registering new corporations, the SEC operates an “express lane,” with application forms specially prepared for specific types of business. Filing normally takes one day, provided all necessary documents and prior clearances from other agencies are submitted in the morning.

#### **Department of Trade and Industry**

After registration with the SEC, all corporations organized under the Corporation Code are encouraged to register their business name with the DTI.

The DTI-National Capital Region (DTI- NCR) is one of the primary government agencies tasked with the promotion as well as the registration of the trade and industry sector in Metro Manila area.

Among the services of the DTI-NCR is the registration of business names as provided under RA No. 3883. Business name registration involves the submission of copies of the corporation’s articles of incorporation, by-laws, and SEC certificate of registration to the DTI and the payment of a registration processing fee. A business name registration is valid for five years.

#### **Bureau of Internal Revenue**

The BIR is tasked to administer the collection of internal revenue taxes pursuant to the Tax Code.

All taxpayers are required to secure from the BIR a unique Taxpayer Identification Number (TIN) which will be indicated on all tax returns filed with the BIR.

Taxpayers will also have to register with the BIR Revenue District Office (RDO) having jurisdiction over the place of business of the taxpayer. The book of accounts, invoices, and receipts of a taxpayer will have to be registered with the RDO before these are used.



#### **Local Government**

The Philippines has been divided into provinces, municipalities, and chartered cities, each enjoying a certain degree of local autonomy. The Barangay is the basic political unit.

Republic Act No. 7610, otherwise known as the Local Government Code of 1991 provided for a more responsive and accountable local-government structure. Local governments were given more powers, authority, responsibilities and resources through a system of decentralization. Each unit is allowed to levy and collect taxes and other fees, in accordance to the power delegated to them under the Code.

All business establishments are required to get licenses and permits from the barangay, municipality or city and province where the business is located. Each municipality or city has its own revenue code which provides for the registration procedures and taxation of businesses in the locality.

## Taxation

The Philippine Constitution mandates that the rule of taxation shall be uniform, equitable, and progressive. In 1997, the Tax Reform Act of 1997 (RA No. 8424) was passed to promote sustainable economic growth by rationalizing the Philippine Internal Revenue System, including tax administration. Amendments to the Tax Reform Act of 1997 have been made, the most recent of which is RA 9337, which was approved by President Gloria Macapagal-Arroyo on May 24, 2005 and implemented on November 1, 2005.

### Income Taxation

#### Corporations

##### *Classification*

For income tax purposes, corporations are classified as domestic or foreign depending on the place of incorporation or organization.

A domestic corporation is organized under the Philippine laws. It is taxed on the basis of net worldwide income. A foreign corporation is organized under the laws of another country and is further classified as a resident or nonresident. It is considered a resident of the Philippines if it is engaged in trade or business in the Philippines (e.g., through a branch). A resident foreign corporation is taxed on net Philippine-source income, while a nonresident foreign corporation is taxed on gross Philippine-source income.

##### *Income Tax Rates for Domestic and Resident Foreign Corporations*

The corporate income tax rate is 30% of net taxable income.

Royalties, interest, dividends, and other passive income of domestic and resident foreign corporations are subject to different rates.

##### *Special Income Tax Rates for Certain Domestic and Resident Foreign Corporations*

Proprietary educational institutions and non-profit hospitals are subject to 10% tax on net taxable income. Foreign currency deposit units (FCDUs) and offshore banking units (OBU) are exempt from all taxes on income from foreign currency transactions with nonresidents and other FCDUs and OBUs are subject to a final tax of 10% on interest income from foreign currency loans granted to residents other than FCDUs and OBUs. International carriers are subject to 2.5 % final tax on gross Philippine billings.

Tax incentives like income tax holiday or preferential tax rates (5% on gross income) are available for enterprises in the Ecozones, the Subic Bay Freeport and Special Economic Zone, and the Clark Special and Economic Zone.

##### *Branch Profit Remittance Tax*

Remittances by branches of foreign corporations in the Philippines (except those activities registered with PEZA) to its head office are subject to 15% tax. The 15% tax may be further reduced to 10% depending on the double taxation treaty with



certain countries. The tax is based on the total profits applied or earmarked for remittance without any deduction for the tax component thereof.

##### *Other Taxes Imposed on Corporations*

Corporations are also liable for minimum corporate income tax, fringe benefits tax and improperly accumulated earnings tax.

##### **Minimum corporate income tax (MCIT).**

A 2% MCIT on annual gross income is imposed on corporations with zero or negative taxable income or whose regular corporate income tax liability is less than the MCIT beginning on the fourth taxable year following the year they started business operations. Any excess of the MCIT over the normal tax shall be carried forward and credited against the normal tax for the three immediately succeeding taxable years.

However, the Secretary of Finance may suspend the imposition of the MCIT upon submission of proof by the applicant-corporation, verified by the Commissioner's authorized representative, that the corporation sustained substantial losses on account of a prolonged labor dispute, force majeure, or legitimate business losses.



**Fringe benefits tax.**

Fringe benefits granted to supervisory and managerial employees are subject to a 32% tax on the grossed up value of the fringe benefit. Fringe benefits given by OBUs, regional or area headquarters, regional operating headquarters of multinational companies, and petroleum contractors and subcontractors to qualified non-Filipino employees and, in certain cases, to Filipino employees are taxed at 15% of the grossed up monetary value of the fringe benefit.

**Improperly accumulated earnings tax.**

A 10% tax is imposed on the improperly accumulated earnings of domestic corporations, 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.

***Tax on Nonresident Corporations***

Generally, nonresident foreign corporations are taxed at 30% effective January 1, 2009 of the gross amount of Philippine source income such as dividends, rents, royalties, compensation, and remuneration for technical services. This tax is withheld at source. There are preferential income tax rates for some types of nonresident corporations, as well as those entities that fall within the scope of specific tax treaty rates entered into by the Philippines.

**Individuals*****Classification***

For income tax purposes, individuals are classified as:

**Resident citizens.** Resident citizens are taxed on their compensation, business, and other income derived from sources within and outside of the Philippines.

**Nonresident Citizens.** Nonresident Citizens, including those working and deriving income from abroad such as overseas contract workers and seamen who derive compensation for services rendered abroad as members of a complement of vessels engaged exclusively in international trade, are taxed only on income derived from sources within the Philippines.

**Resident Aliens.** Resident aliens are taxed only on income derived from sources within the Philippines.

**Nonresident aliens engaged in trade or business in the Philippines.** Nonresident aliens engaged in trade or business in the Philippines are taxed in the same manner as citizens and resident aliens but only on Philippine-source income.

**Nonresident aliens not engaged in trade or business in the Philippines.** Nonresident aliens not engaged in trade or business in the Philippines are taxed on gross amount of Philippine source income.

***Income Tax Rates for individuals***

Citizens, nonresident citizens, resident aliens, and nonresident aliens engaged in trade or business in the Philippines are subject to graduated tax rates on income from 5% to 32%. Nonresident aliens not engaged in trade or business in the Philippines are generally subject to a flat income tax rate of 25% on gross income.

Generally, an individual is taxed on two main categories of income: income from employment and income from business or exercise of a profession. Royalties, interest, dividends and other passive income of individuals are subject to different tax rates.

***Exemptions***

Resident citizens and resident aliens are all entitled to personal exemptions of PhP50,000. A married individual or head of a family is allowed an additional exemption of PhP25,000 for each dependent, not to exceed four dependents. Married individuals are required to compute their individual income tax separately. The additional tax exemption for each dependent shall be claimed only by the husband unless he waives the right in favor of his wife.

Nonresident aliens engaged in trade or business in the Philippines are entitled to personal exemptions (but not to additional exemptions) only by way of reciprocity.

Income of any kind exempted by any treaty binding on the Philippine government is likewise exempt. Tax Treaties with the following countries are in force:

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

Withholding Tax

System of Withholding Tax

**Creditable Withholding Tax (CWT).** Certain income payments made by a resident to another resident are subject to specified withholding tax rates. The Tax withheld is creditable against the income tax liability of the recipient.

**Withholding Tax on wages.** This is the tax withheld from individuals receiving purely compensation income. Employers are required to withhold the tax due on salaries and wages paid to their employees. Subject to certain conditions, employees may no longer be required to file income tax returns at the end of the taxable year.

**Final withholding tax (FWT).** Under the FWT system, the amount of income tax withheld by the withholding agent is constituted as a full and final payment of the income tax due from the payee on the said income.

Value Added Tax (VAT)

General

Pursuant to RA No. 9337 and upon the recommendation of the Secretary of Finance, the President raised the VAT rate to 12% effective February 1, 2006.

Some transactions are exempt from VAT. The list of exempt transactions has recently been revised by RA No. 9337.

Excise Tax

Excise taxes are imposed on certain goods (such as cigarettes, liquor, and motor vehicles) manufactured or produced in the Philippines for domestic sale or consumption or for any other disposition. Excise taxes are also imposed on certain imported goods, in addition to the VAT and customs duties.

On August 29, 2003, RA No. 9224 was enacted. The Act rationalized the excise tax on automobiles based on the manufacturer’s or importer’s selling price, net of excise and value added taxes.

An indexation of sin taxes was likewise undertaken and with the passage of Revenue Regulation (RR) No. 22-2003, new rates of excise tax on new brands of cigarettes and variants that were introduced in the market after January 1, 1997 were prescribed. On the other hand, RR No. 23-2003 prescribed new rates of excise tax on new brands of alcohol products and variants that were introduced in the market after January 1, 1997. Revenue Regulation 03-2006 prescribes the implementing guidelines on the revised tax rates on alcohol and tobacco products pursuant to RA No. 9334.

Percentage Tax

Persons or entities not subject to VAT, including domestic common carriers of passengers, international carriers, and those in the amusement business, are subject to percentage tax on gross receipts or gross income.

**Stock Transaction Tax**

A stock transaction tax (STT) on the sale, barter, exchange, or other disposition of shares through the facilities of the PSE is imposed at the rate of ½ of 1% of gross selling price.

**Initial Public Offering (IPO) Tax**

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

The IPO tax shall be at the following rates, in accordance with the proportion of shares sold, bartered, or exchanged to the total outstanding shares of stock after the listing in the local stock exchange:

Up to 25%	4%
Over 25% but not over 33.33%	2%
Over 33.33%	1%

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

**Documentary Stamp Tax**

The DST is an excise tax on documents, instruments, loan agreements, and papers and on acceptances, assignments, sales and transfers of the obligation, right or property incident thereto. This tax is imposed on the maker, signor, issuer, acceptor, or transferor of the document.

In order to boost stock trading and the equity market, RA No. 9243 or the Act Rationalizing the Provisions of the DST was passed on February 17, 2004. The said act lists additional transactions exempt from DST, provides lower DST rates for investments in shares, and specifies the new DST base for insurance policies, annuities and pre-need plans and a uniform DST rate on debt instruments. Revenue Regulation No. 13-2004 issued on December 23, 2004 implements the provision of the said act.

**Customs Duty**

Goods imported into the Philippines are generally subject to customs duty (aside from 12% VAT and excise tax on certain goods). For customs purposes, the value of imported goods are based on their transaction value, i.e., the price paid or payable for the goods when sold or exported to the Philippines. The applicable duty rate (most-favored nation [MFN] rate) will depend on the appropriate classification of the goods under the Tariff and Customs Code of the Philippines (TCCP) which generally ranges from 0% to 30%. Preferential rates under the Common Effective Preferential Tariff of the ASEAN Free Trade Agreement (AFTA) are generally lower than the MFN rates.

Certain importations are exempt from the imposition of custom duty, such as conditionally free importations, items entered into a customs bonded warehouse, and importations under special laws.

Importers and their brokers are required to keep records of importations within three years from the date of importation of the goods. The Bureau of Customs has the power to conduct post-entry audit on the importers/brokers books within the same period to determine compliance with customs rules and to assess any deficiency customs duty.

**Local Taxes**

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

Labor Requirements

The laws on labor standards and employment relations are consolidated in the Labor Code of the Philippines, which is supplemented, from time to time, by legislative issuances. The salient points of employment conditions and employee benefits covered by Philippine labor laws are given below.

Hours of Work

Eight hours per day or 48 hours per week is the maximum period an employee may be required to work at his regular rate of pay. Workers are entitled to a 24-consecutive hour rest period after every six consecutive normal work days. Some exceptions are managerial employees, field personnel, those in the personal services of another, and workers paid by results.

Work Day

A day is the 24-hour period which begins from the time the employee regularly starts to work. Thus, if an employee regularly works from 8:00 a.m. to 4:00 p.m., the work day of such employee is from 8:00 a.m. of a given day to 8:00 a.m. of the following day. Any work in excess of eight hours within the 24 hour period is considered overtime work regardless of whether the work covers two calendar days.

Overtime Remuneration

Overtime (OT) premium is allotted for work exceeding the maximum prescribed period. Table 13 presents the OT rates per hour for overtime work rendered on the specified days.

Night Shift Differential Pay

Night shift employees must be paid a differential of not less than 10% of the regular wage for each hour of work performed between 10:00 p.m. and 6:00 a.m.

Service Incentive Leave Pay

Every employee who has rendered at least one year of service is entitled to a yearly service incentive leave of five days with pay.

Meal and Rest Periods

Every employer is obliged to give his employees not less than one hour time-off for regular meals, except in the following cases when a meal period of not less than 20 minutes a day maybe given, provided that such shorter meal period is credited to the employee as compensable hours worked: (1) where the work is non-manual in nature and does not involve strenuous physical exertion; (2) where the establishment regularly operates not less than 16 hours a day; (3) in cases of actual or impending emergencies or where there is urgent work to be performed on machinery, equipment, or installations to avoid serious loss which the employer would otherwise suffer; or (4) where the work is necessary to prevent serious loss of perishable goods. Rest periods or coffee breaks running from five to 20 minutes shall be considered as compensable working time.

Minimum Wage

The minimum wage rates for agricultural and non-agricultural workers in every region are determined by the Regional Tripartite Wages and Productivity Board. Effective July 1990,



RA No. 6727 rationalized the structuring of the minimum wage adjustments in order to address the regional and intra-regional disparities in the cost of living in different regions (see Table 14 for the minimum wage rates of nonagricultural workers).

Salaries and wages must be paid at least once every two weeks and must be in legal tender and not by means of vouchers, token, or the like.

Employees' Compensation Program

Coverage under the Program is compulsory for every employer with one or more employees and for the National Government and only its political subdivisions and instrumentalities, including government-owned and controlled corporations (GOCCs). Private employees are covered under the Social Security System (SSS); government employees are covered under the Government Service Insurance System (GSIS).



For the private sector, monthly contributions to the Program must be shouldered solely by the employer at the rate of 1% of the employee's total monthly salary credits, but not exceeding PhP10.00 per month. All premiums, revenues, and other collections constitute the State Insurance Fund, from which the compensation and other benefits are paid to the employees or their heirs.

#### **National Health Insurance**

All citizens of the Philippines are covered by the National Health Insurance Program (NHIP), which is administered by the Philippine Health Insurance Corporation (PHIC). All members of NHIP contribute to the National Health Insurance Fund in accordance with a reasonable, equitable, and progressive contribution schedule to be determined by PHIC. Table 15 enumerates some of the personal health services granted to members or their dependents under RA No. 7875 (effective February 14, 1995).

#### **Emergency, Medical, and Dental Services**

Every employer is required to keep in his establishment the first-aid medicine and equipment stipulated by the Department of Labor and Employment (DOLE).

If the work is hazardous, the part-time physician or dentist must be on the employer's premises at least two hours a day. If the number of employees requires that a full time physician be in attendance, the physician must remain in the employer's premises for eight hours a day. If the work is non-hazardous, the physician and the dentist may be kept on retainer.

#### **Woman and Child Labor**

A female employee is entitled to maternity benefits. If an employee is an SSS member and has paid at least three monthly contributions in the 12-month period immediately preceding the semester of her childbirth or miscarriage, she is entitled to maternity leave with pay for 60 days or 78 days in the case of cesarean delivery, subject to certain conditions enumerated in the Social Security Act of 1997, such as:

1. The employee should have notified her employer of her pregnancy and probable date of childbirth, which notice shall be transmitted to the SSS.
2. The full payment shall be advanced by the employer within 30 days from the filing of the maternity leave application.
3. The maternity benefits shall be paid only for the first four deliveries or miscarriages.
4. The SSS shall immediately reimburse the employer the amount of the benefits advanced to the employee.

No child below 15 years of age may be employed unless directly supervised by a parent or guardian in activities that are nonhazardous and do not interfere with the child's schooling. Any minor between 15 and 18 years of age may be employed in nonhazardous undertakings if such activities comply with regulations issued by the DOLE.

Under RA No. 7877, all forms of sexual harassment in the employment, education, or training environment are unlawful. Employers shall promulgate appropriate rules and regulations to implement the law.

#### **Paternity Leave**

Effective August 1996, every married male employee both in the private and public sectors shall be entitled to a paternity leave of seven days with full pay for the first four deliveries of the legitimate spouse.

#### **Termination of Employment**

The State guarantees the rights of all workers to security of tenure and protects all workers to arbitrary deprivation of job. An employer, therefore, may not terminate the services of an employee except for a just cause or when authorized by the Labor Code. Just causes for termination include serious misconduct or willful disobedience, gross and habitual neglect, fraud, commission of a crime or offense by the employee against the person of his or her employer, and other analogous causes. If the dismissal is based on any of these just causes, the employer must give the employee two written notices and a hearing or opportunity to be heard if requested by the employee before terminating the employment.

Further, the employer may also terminate the employment of any employee due to the installation of labor saving devices, redundancy, retrenchment to prevent losses, or the closing or cessation of operation of the establishment or undertaking. In these instances, the employer is required by law to serve a written notice to the employee and the DOLE at least one month prior to the intended date of termination.

Failure to comply with the procedural requirements of notice and hearing will make the employer liable for damages. (Agabon vs. NLRC, G.R. No. 158693, November 17, 2004)



### Unions

The right of workers to form labor unions is recognized and respected by the government. Workers may engage in concerted activities for collective bargaining purposes or for their mutual benefit or protection.

### Financial and Monetary Policies

Philippine monetary policy is enforced by the BSP created under RA No. 7653. Prior to May 1993, this authority resided with the Central Bank of the Philippines. Foreign exchange regulations have been relaxed with the issuance of BSP Circular No. 5, dated September 15, 1993. The key features of this circular are shown in Table 16.

### Other Business Regulations

#### Immigration and Employment Regulations for Foreigners in the Philippines

The government has liberalized the visa requirements for certain categories of foreigners to encourage foreign participation in the economic development of the country. Foreign stockholders, investors, representatives of investment houses, and land developers are among the categories granted this special incentive.

The following visas may be granted to foreigners who will work or render service in the Philippines:

#### Treaty Trader's/Investor's Visa under Section 9(d) of the Philippine Immigration Act

This visa is granted to aliens entering the country to carry on trade between the Philippines and the foreign state of which they are nationals, under and pursuant to the provisions of a treaty of amity, commerce, and navigation. The immigration office requires an initial investment of US\$30,000 or annual trade worth US\$120,000. At present, the only countries with which the Philippines has entered into a treaty of amity, commerce, and navigation are the United States of America, Germany, and Japan.

#### Prearranged Employee's Visa under Section 9(g) of the Philippine Immigration Act

This is a regular work visa given to foreign nationals to undertake employment in the Philippines in a technical, managerial, or confidential capacity. However, it must be shown that there are no local Filipinos or residents who are willing and competent to perform the labor or service for which the foreign national is being hired and that the latter's admission would be beneficial to the public interest. This type of visa is subject to the approval of the Board of Commissioners of the Bureau of Immigration (BI) meeting en banc.

A requirement in processing this visa is the submission to the BI of the Alien Employment Permit (AEP). Normally, the validity date of this visa is co-terminus with the validity date of the foreign national's AEP or the expiration of his or her employment contract, whichever comes first. The AEP is granted by the DOLE only after the sponsoring company complies with the labor market test and submits an Understudy Training Program. The latter requires that the foreign national train at least two Filipinos under his or her supervision.

**Special Nonimmigrant Visa under Sec. 47(a)(2)**

This type of visa may be issued to foreign nationals employed by enterprises registered with PEZA and the BOI, as well as those who are temporarily assigned to work in government projects. Although all of them enjoy multiple entry privileges, foreign employees of PEZA-registered enterprises are also exempt from fingerprinting and registration with the BI, paying fees, and securing clearances. However, foreign nationals with this visa are still required to secure an AEP from the DOLE.

**Special Nonimmigrant Visa under EO No. 226**

This visa is granted to foreign personnel assigned to BOI-registered regional or area headquarters of multinational companies in the Philippines. They are entitled to multiple entry privileges and are exempt from paying immigration fees, fingerprinting, registration with BI, and securing an AEP from DOLE.

**Special Nonimmigrant Visa under PD No. 1034**

This visa is granted to foreign personnel of offshore banks duly licensed by the BSP to operate as an offshore banking

unit. They are also entitled to multiple entry privileges and are exempt from paying immigration fees, fingerprinting, registration with BI, and securing an AEP from DOLE.

**Special Subic Work Visa**

This visa is granted to foreign nationals employed as executives by Subic Bay Freeport Zone enterprises and to other foreign nationals possessing highly technical skills.

**Other Immigration Policies**

Foreign nationals who wish to come to the Philippines can either enter as a tourist without visa under EO No. 408, or secure a temporary visitor's visa under Section 9(a) before any Philippine consular post abroad. The Section 9(a) visa can either be for business, pleasure, or health and normally entitles an alien to an initial stay of 59 days, extendible to a year.

While in the Philippines, aliens are allowed by the BI to convert their immigration status from tourist/temporary visitor to another visa category without having to leave the country.

The foreign national must be in the Philippines when his or her application for conversion of immigration status is approved; otherwise, it will be invalidated. If this happens, there will be a need to file an application for revalidation.

The spouse and dependent children may likewise qualify for the same visa category as that of the principal applicant.

While the expatriate's application for conversion of immigration status is being processed by the BI, he or she should apply for a Provisional Permit to Work.

Areas where a project impacts the environment
1. Natural environment – land, water, atmosphere, terrestrial life, aquatic life, ecological balance
2. Socioeconomic conditions – demographic, lifestyles, amenities, cultural minorities, historical sites, health, economics

Examples of negative impacts
1. Water and air pollution
2. Destruction of historical or archaeological sites
3. Disruption of wildlife habitats
4. Increase of urban congestion
5. Threats to health
6. Undesirable land use patterns
Source: <i>Implementing Rules and Regulations for PD No. 1586</i>

Philippine Environmental Laws

When an investment involves a proposed project or undertaking which may affect the quality of the environment, the project proponent is subject to the implementing rules and regulations of PD No. 1586, otherwise known as the Philippine Environmental Impact Statement (EIS) System. PD No. 1586 requires a project proponent to conduct an Environmental Impact Assessment (EIA) to ensure that all possible environmental effects of the project are addressed, in line with the country's overall goal of sustainable development.

The EIA process results in the preparation of an EIS or an Initial Environmental Examination (IEE), depending on the location and nature of the project. The final report is submitted to the DENR, together with other required documents such as clearances from other government agencies and endorsements of the project from local government officials. After its review, the DENR decides on the issuance or denial of an Environmental Compliance Certificate (ECC), without which the project cannot be implemented legally (e.g., the proposed project site cannot be altered in any way).

The ECC typically includes a number of conditions which the proponent must follow during the construction and operational phases of the project. The ECC identifies all other applicable environmental laws, regulations, or guidelines which the proponent must comply with to ensure the continuous implementation of the project. If an ECC is denied, the proponent may submit a new EIS corresponding to a new site or change the facilities' design and operation.

Philippine Laws on Intellectual Property Rights

The Philippines provides foreign investors with ample protection of their intellectual property rights (IPR). In contrast to other countries in the Asia-Pacific region where IPR protection is either lacking or only recently provided, the Philippines had in place the necessary legal infrastructure for IPR protection even before the country became independent in 1946. This infrastructure is basically patterned after US laws, regulations, and practices. In 1997, the Philippine government codified into a single law the different legal issuances governing IPR protection in the country. With the creation of the Intellectual Property Code of 1997 (RA No. 8293), the Philippines provides an effective means of encouraging innovation by local and foreign scientists, investors, artists, and other gifted citizens through the protection of their intellectual property rights and creations. Embodied in this Act is the establishment of the Intellectual Property Office.

RA No. 8293 aims to develop domestic creative activity, facilitate transfer of technology, attract foreign investments, and ensure market access for our products.

Due to the extraterritorial nature of IPR protection, the Philippines has acceded to international conventions under the World International Property Organization. The Philippines is a signatory to the following conventions: Berne Convention for the Protection of Literary and Artistic Works (Brussels Act of 1948); Rome Convention for the Protection of Performers, Producers of Phonograms, and Broadcasting Organizations; and Paris Convention for the Protection of Industrial Property (Lisbon Revision).

Functions of the Intellectual Property Office

- ▶ Examine applications for grant of letters patent for inventions and register utility models and industrial designs
- ▶ Examine applications for the registration of marks, geographic indication, and integrated circuits
- ▶ Register technology transfer arrangements and settle disputes involving technology transfer payments, and develop and implement strategies to promote and facilitate technology transfer
- ▶ Promote the use of patent information as a tool for technology development
- ▶ Publish regularly in its own publication the patents, marks, utility models, and industrial designs issued and approved, and the technology transfer arrangements registered
- ▶ Administratively arbitrate contested proceedings affecting intellectual property rights
- ▶ Coordinate with other government agencies and the private sector on the formulation and implementation of plans and policies to strengthen the protection of intellectual property rights in the country



# The Philippines

## The Philippine market environment

### 1. General Information

The REPUBLIC OF THE PHILIPPINES encompasses an archipelago of 7,107 islands some 800 km off the southeast coast of Asia (see Chart A1). The archipelago, which extends 1,770 km north to south, is roughly triangular, and bounded by the South China, Sulu, and Celebes Seas. The Philippine Trench, 10,500 meters deep, runs along the eastern coastline. The islands are generally mountainous and have narrow coastal plains. Just eleven islands constitute over 90% of the total land area.

Luzon in the north is the largest island, much of it mountainous and rugged. The Zambales Mountains on the west coast partly enclose a broad central plain - the country's only extensive lowland - running from the Lingayen Gulf in the north to Manila Bay. Between Luzon and the second-largest island, Mindanao in the southeast, is a scattered range of islands including those of the Visayas group, such as Samar, Leyte, Cebu, Negros, Panay, Romblon, and Mindoro. A chain of small volcanic islands, the Sulu Archipelago, extends southwest. North of Sabah (northern Borneo) is the island ridge of Palawan.

Like its Asean neighbors, the Philippines is subject to seasonal monsoon winds blowing from the southwest between May and October, and from the northeast between November and February. Temperatures do not vary greatly from north to south, but they are affected by altitude; the high ground is always cooler, and also generally more wet. Tropical typhoons normally occur between June and December.

Forests range from tropical rainforest near the coasts to subtropical evergreens on the slopes, and pinewoods around the peaks of northern Luzon.



Chart A1 The Philippines... at a glance

Land	: 300,000 sq.km.
Major islands	: Luzon, Visayas, Mindanao
Population	: 98 million, 2.0% growth (July 2009)
Median age	: 22 years old
Languages	: Pilipino, English
GDP	: US\$ 321 billion (PPP, 2008)
Income/capita	: US\$ 3,300 (PPP, 2008)
GDP composition	: Agriculture (15%), Industry (32%), Services (53%)
Labor force	: 37 million (2008)

Source: World Factbook July 2009



2. Philippine Demographics

**2.1 Population.** The Filipino population grew from 76.5 million in census year 2000 to 88.5 million in census year 2007 for an average growth rate of 2.1% a year. The three largest regions, namely, Southern Tagalog (14.3 million), the National Capital Region or NCR (11.6 million), and Central Luzon (9.7 million), added up 35.6 million or 40% of the total population. Meanwhile, regions with above-average growth rates include the ARMM (5.7%), Southern Tagalog (3.0%), Central Luzon (2.5%), Central Mindanao (2.5%), and the NCR (2.2%).

The Philippines is comprised of a relatively young population. The median age is about 22 years old and one-fourth of the population is below ten years old (see Table A2).

There are about 45 million or 59% of the population with ages 15 to 64 years old. Those 14-years-and-below and 65-years-and-older add up to 31 million or 41% of the population. These numbers translate to a high dependency ratio of 69%. Only three regions, namely, the NCR (53%), Central Luzon (64%), and Southern Luzon (68%) have lower dependency ratios than the national average.

**2.2 Minimum wage rates.** The minimum daily wage rates for workers are set by Wage Boards at the different regions of the country (see Table A3). For example, at the National Capital Region (NCR), the daily wage rates range from Php 345.00 to Php 382.00 (or \$7.17 - \$7.94). In the less urbanized areas like Cordillera Autonomous Region (CAR), the daily wage rates range from Php 243.00 to Php 260.00 (or \$5.05 - \$5.41).

**2.3 Labor force and employment.** The Philippines had a 37.1-million strong labor force by October 2008, putting it among the top ten developing economies with a large labor force (see Chart A3).

With the growth of the economy, the number of unemployed improved to 6.8% or 2.5 million . The regions with low utilization rates include Bicol (46%), Northern Mindanao (38%), Eastern Visayas (37%), Ilocos (34%), Davao (33%), Soccsargen (33%), and Western Visayas (32%).

Table A1 **Population growth by region**

Region	2000	2007	G.R., %
Philippines	76,504	88,545	2.1
NCR	9,933	11,553	2.2
CAR	1,365	1,521	1.6
Ilocos	4,200	4,546	1.1
Cagayan Valley	2,813	3,051	1.2
Central Luzon	8,205	9,721	2.5
Southern Tagalog	11,620	14,303	3.0
Bicol	4,675	5,110	1.3
Western Visayas	6,211	6,844	1.4
Central Visayas	5,707	6,399	1.6
Eastern Visayas	3,610	3,913	1.2
Western Mindanao	2,831	3,230	1.9
Northern Mindanao	3,506	3,952	1.7
Southern Mindanao	3,676	4,157	1.8
Central Mindanao	3,222	3,829	2.5
Caraga	2,095	2,293	1.3
ARRM	2,803	4,121	5.7

Source: Philippine Statistical Yearbook 2008, NSCB



Table A2 **Population distribution by age group**

Age Group	Number	Percentage, %
Total	76,504	100
Under 1	1,917	3
1 to 4	7,752	10
5 to 9	9,695	13
10 to 14	8,950	12
15 to 19	8,017	10
20 to 24	7,069	9
25 to 29	6,071	8
30 to 34	5,546	7
35 to 39	4,901	6
40 to 44	4,163	5
45 to 49	3,330	4
50 to 54	2,622	3
55 to 59	1,904	2
60 to 64	1,633	2
65 to 69	1,139	1
70 to 74	798	1
75 to 79	505	1
80 and over	490	1

Source: National Statistics Office

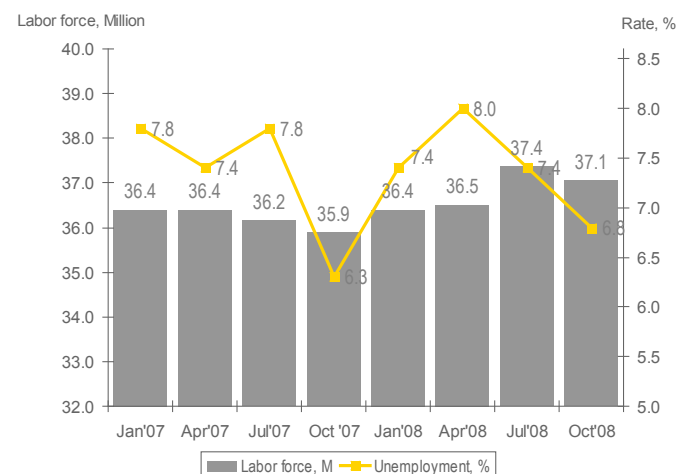
Table A3 Minimum wage rates, selected regions

Region	Minimum Daily Wage Rates, PhP	Minimum Daily Wage Rates, US\$ <sup>a</sup>
For Non-Agricultural Workers		
National Capital Region	345.00 - 382.00	7.17 - 7.94
CAR Cordillera	243.00 - 260.00	5.05 - 5.41
Regn I Ilocos	220.00 - 240.00	4.57 - 4.99
Regn II Cagayan Valley	227.00 - 235.00	4.72 - 4.89
Regn III Central Luzon	251.00 - 302.00	5.22 - 6.28
Regn IV Southern Tagalog	236.00 - 320.00	4.91 - 6.65
Regn V Bicol	196.00 - 239.00	4.08 - 4.97
Regn VI Western Visayas	250	5.2
Regn VII Central Visayas	222.00 - 267.00	4.62 - 5.55
Regn VIII Eastern Visayas	238	4.95
Regn IX Zamboanga Peninsula	240	4.99
Regn X Northern Mindanao	241.00 - 256.00	5.01 - 5.32
Regn XI Davao Region	265	5.51
Regn XII Soccsksargen	245	5.09
Regn XIII Caraga	233	4.84
ARMM Muslim Mindanao	210	4.37

<sup>a</sup>Equivalent dollar rates used December 2008 Peso-Dollar rate of 48.0942

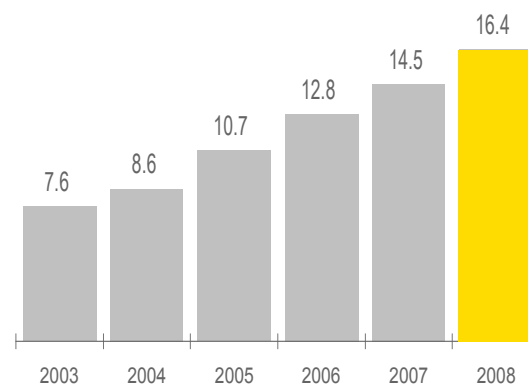
Source: DOLE

Chart A3 Labor force and unemployment



Source: NSCB, NSO

Chart A4 OFW remittances



Source: NSCB, NSO



**2.4 Overseas Filipino workers.** Over 8 million Filipinos have sought employment or residence abroad as production workers (including unskilled construction workers), service workers (e.g., entertainers, sales clerks, and domestic helpers), and professionals (e.g., doctors, nurses, and teachers). While OFWs come from all over the country, majority are from the National Capital Region (18%), Calabarzon (17%), and Central Luzon (13%) and West Visayas (9%).

Since 2007, over a million overseas Filipino workers (or "OFWs") were deployed, the second largest after Mexico's migrant workers. Over half of the OFWs were deployed to Saudi Arabia (21%), Europe (10%), America (9%), Japan (8%), and Hongkong (8%).

For 2008, OFW remittances reached \$16.4 billion or over \$1 billion every month. The Philippines is the 4th largest recipient of overseas remittances behind India, China, and Mexico. On average, the overseas remittances were larger than foreign direct investments, and easily offset the country's trade deficits. More importantly, the monthly remittances enable the recipient households to meet basic needs as well as education and health expenses, microenterprises, and, in recent years, housing.



3. Philippine Economy

**3.1 Recent economic growth.** The Philippines was less severely affected by the Asian financial crisis of 1998 than its neighbors, aided in part by its high level of annual remittances from overseas workers, no sustained run-up in asset prices, and more moderate debt, prior to the crisis.

From a 0.6% decline in 1998, GDP expanded by 2.4% in 1999, and 4.4% in 2000, but slowed to 3.2% in 2001 in the context of a global economic slowdown, an export slump, and political and security concerns.

GDP growth accelerated from a 5% average between 2002 and 2006 to a record 7.3% in 2007, highlighted by strong remittances, a robust service sector, resurgent agriculture



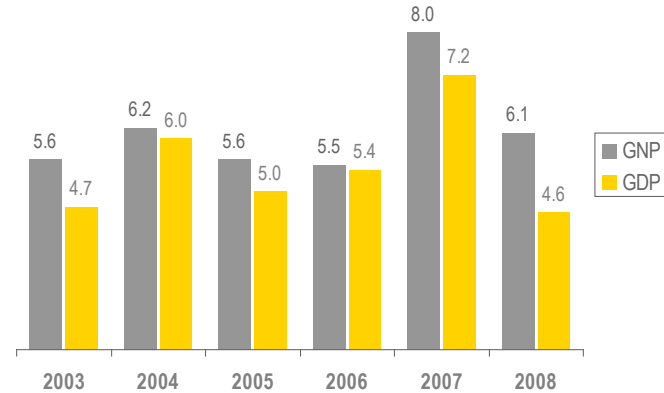
and industry sectors (see Charts A5 & A6). With a projected population of 88.7 million, the country's GDP/capita rose to PhP74,841 (or \$1,626) while GNP/capita reached PhP82,008 (or \$1,779) .

The Philippines needs to sustain this high-growth path to make appreciable progress in the alleviation of poverty given the Philippines' high annual population growth rate and unequal distribution of income.

**3.2 Regional performance.** The National Capital Region (NCR) or Metro Manila is the center of economic and financial activities in the country. It hosts 13% of the country's population, particularly the middle class. It contributes over one-third of the country's output. Moreover, its economic activities have expanded to neighboring provinces, particularly those in Central Luzon and Southern Tagalog. The three regions, which are increasingly linked by improvements in the transport and communications infrastructure, account for 38% of the country's population, and over half of the country's output and consumer spending. Meanwhile, the Visayas and Mindanao regions account for 15% and 17%, respectively, of the country's output and consumer market.

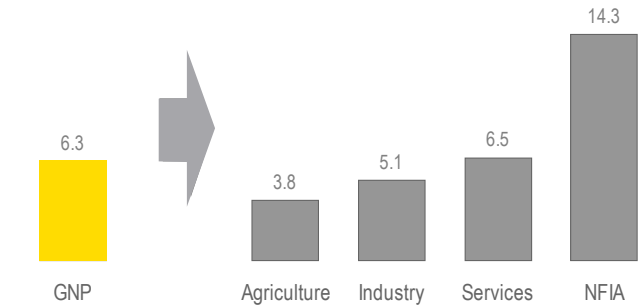
Government has formulated a strategy of putting the country's 16 regions into four "Super Regions". Metro Luzon Urban Beltway puts together NCR, Central Luzon, and Calabarzon to focus on industrial and commercial activities. The northern regions will comprise the Northern Luzon Agribusiness Quadrangle. The Visayan regions plus Palawan will form Central Philippines Super Region to focus on tourism and other services. Finally, the Mindanao Super Region will concentrate on agribusiness development.

Chart A5 **Growth of real output, %, 2002-2007**



Basic data: National Accounts of the Philippines, May 2009 National Statistics Coordination Board (NSCB)

Chart A6 **Growth of real output by sector, %, 2006-2007**



Basic data: National Accounts of the Philippines, May 2009 NSCB



Table A4 **Regional Gross Domestic Product, 2003-2008**

In billion pesos at constant 1985 prices and compounded annual growth rate

Region	2003	2004	2005	2006	2007	2008	CAGR,%
NCR	330	361	388	414	447	468	7.2
Other Luzon	381	397	408	426	452	464	4.0
Visayas	178	191	200	210	226	235	5.7
Mindanao	193	206	214	226	242	252	5.5
Philippines	1,081	1,154	1,210	1,276	1,366	1419	5.6

Basic data: NEDA-NSCB, 2009

**3.3 Trade performance.** Philippine merchandise exports rose to \$49.5 billion in 2007 for a moderated 5.7% growth compared to 15.7% in 2006. Electronics, which accounted for 60% of all merchandise exports, slowed down in 2007 (see Chart A7).

Other exports improved on their historical growth rates, e.g., petroleum products, other industrial manufactures, other resource-based manufactures, metal manufactures, construction materials, and mineral products.

In recent years, exports to Asian economies grew at 14%, with exports to China averaging over 50% a year. The Asia-Pacific (45% of total exports), excluding Japan (19%), has become the biggest market for semiconductors. In addition, the fast growth in other exports is attributed to China's imports, which accounted for 15% of world demand for crude rubber, 19% of paper/ pulp, at least one-fifth of metal ores, oilseeds, and textile fibers.

Philippine imports rose to \$55 billion for a 6.8% in 2007. Despite the slowdown in imports, the country had trade deficit (see Chart A8).

Chart A7 **Philippine Exports in 2008**

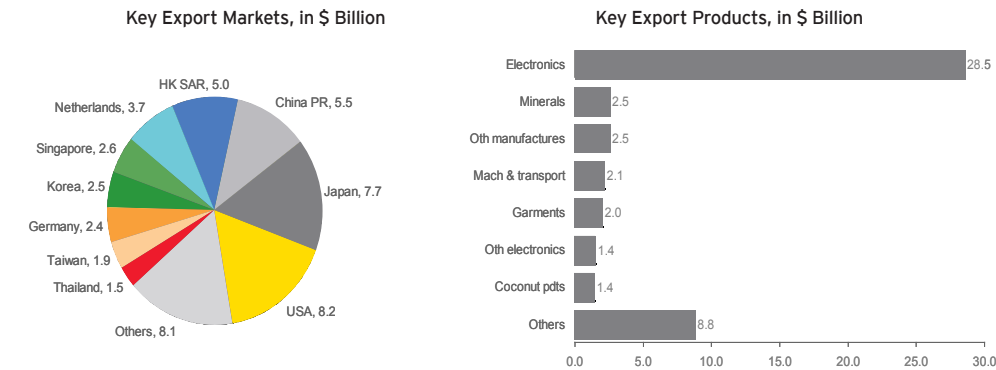
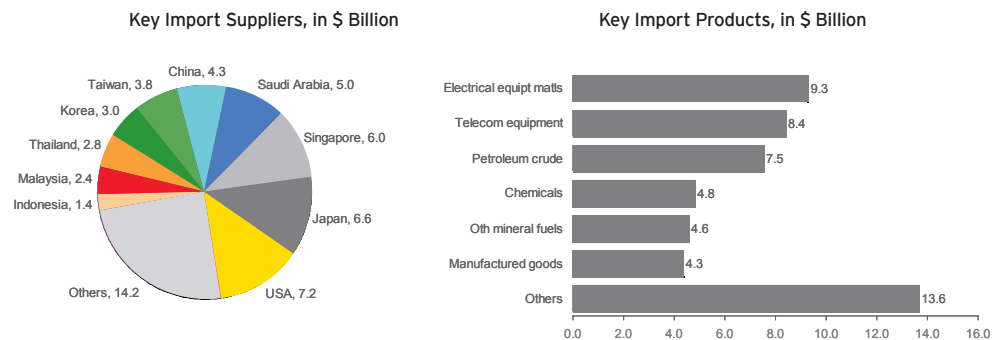


Chart A8 **Philippine Imports in 2008**



Basic data: Philippine Merchandise Imports, NSO

The importation of consumer products continued at double-digit rates. Japan and the United States are the major suppliers of Philippine imports. Imports from developing Asian economies grew at 14% a year. The emerging suppliers are China, Malaysia, Singapore, Taiwan, Thailand, and Vietnam.

The Philippines is now implementing the ASEAN Free Trade Area (AFTA) and ASEAN-China Free Trade Area. The country has signed the ASEAN-Korea Free Trade Area and the Japan-

Philippines Free Trade Economic Partnership agreement. It is negotiating the ASEAN-Australia and New Zealand Free Trade Agreement, ASEAN-India Regional Trade and Investment Area, and ASEAN-Japan Comprehensive Economic Partnership. Finally, the country is consulting and studying the ASEAN-EU Free Trade Agreement, East Asia Free Trade Area, Pakistan-Philippines Free Trade Agreement, and United States-Philippines Free Trade Agreement.

**3.4 Foreign direct investments.** The strong economic results and stable outlooks have renewed investor interest in the country. Portfolio investments have risen and perked up the Philippine stock market. The World Federation of Exchange (WFE) listed the PSE among the top five gainers in domestic market capitalization in 2006. In June 2007, the PSE Index reached all-time highs several times.

Foreign direct investment (FDI) increased ten-fold in the last five years. The big prospects (worth at least US\$ 1 billion each in investment) that have emerged include BHP BILLITON's nickel project in Davao, CHINA OCEAN SHIPPING GROUP's shipping complex in Cavite, HANJIN HEAVY INDUSTRY's shipbuilding project in Subic, SUMITOMO METAL MINING's nickel project in Surigao, TEXAS INSTRUMENTS' microchip plant in Clark, and XSTRATA COPPER's copper project in South Cotabato. Many of the global business process outsourcing (BPO) players are steadily expanding their operations in the Philippines, which, coupled with increasing housing demand, fueled the real estate sector to an all-time-high year-on-year growth rate of 17% in 2006.

Total approved FDI reached PhP 215 billion (\$4.7 billion) in 2007 (see Table A6). The big investments came from Singapore (PhP 44 billion), Japan (PhP 38 billion), USA (PhP 36 billion), and Taiwan (PhP 20 billion).

FDI rose by a moderate 30% in 2007, compared to the 2006 when FDI reached PhP 166 billion for a 73% increase over the 2005 level. In 2006, the Koreans led the foreign investors in approved investments with PhP 54 billion or one-third of the total approved FDI. The other major foreign investors are from the USA (PhP 38 billion), Japan (PhP 20 billion), and China (PhP 18 billion).

Approved FDI in 2007 primarily went into manufacturing, electricity gas & water, and private services projects. Manufacturing received PhP 81 billion or 37% of approved FDI (see Table A7). Electricity gas & water had PhP 76 billion while private services got PhP 28 billion. The three sectors accounted for 86% of FDI in 2007.

The manufacturing and private services sectors attracted foreign investors into the country in 2006. These sectors also got PhP 112 billion and PhP 17 billion in FDI in 2006.

In 2006, the Subic Bay Metropolitan Authority (SBMA) had PhP 69 billion or 42% of total FDI that year, partly because of the large investment of Hanjin Heavy Industries and Construction (see Table A8). In 2007, FDI in all promotion agencies fell except for the Philippine Export Zone Authority (PEZA), which saw FDI almost doubling to PhP 75 billion.

**Table A6 Top FDI Investors by Country, 2007-2008  
PhP Million**

	2007	2008	G.R. %
Netherlands	14,401.0	45,354.3	214.9
Korea, South	12,076.5	39,953.6	230.8
UK	10,182.2	25,272.5	148.2
USA	36,089.3	19,721.4	-45.4
Japan	38,587.3	16,115.6	-58.2
Singapore	44,245.9	6,564.6	-85.2
Norway	11,175.4	4,051.0	-63.8
Germany	3,300.8	3,765.3	14.1
Cayman Island	520.8	3,615.7	594.3
PROC	1,822.0	2,307.1	26.6
Others	41,681.5	15,959.8	-61.7
<b>Total</b>	<b>214,082.7</b>	<b>182,680.9</b>	<b>-14.7</b>

Source: "Foreign direct investments 4th quarter 2008" NSCB

**Table A7 Top FDI by Industry, 2007-2008 PhP Million**

Industry	2007	2008	G.R. %
Electricity, gas & water	74,619.5	81,278.7	8.9
Manufacturing	80,832.5	48,356.8	-40.2
Private services	27,740.1	36,009.7	29.8
Finance & Real Estate	9,295.7	11,557.3	24.3
Mining	9,654.9	3,360.2	-65.2
Transport, storage & communications	3,173.2	1,672.0	-47.3
Trade	368.4	322.2	-12.5
Others	8,398.4	124.0	-98.5
<b>Total</b>	<b>214,082.7</b>	<b>182,680.9</b>	<b>-14.7</b>

Source: "Foreign direct investments 4th quarter 2008" NSCB

**Table A8 FDI Investors by Promotions Agency, 2007-2008  
PhP Million**

Agency	2007	2008	G.R. %
Board of Investments (BOI)	102,281.7	102,317	-8.5
Phil Export Zone Authority (PEZA)	87,375.6	70,355.1	-19.5
Subic Bay Metro Authority (SBMA)	22,963.1	9,531.2	-58.5
Clark Development Corp (CDC)	1,462.4	9,243.0	532.1
<b>Total</b>	<b>214,082.7</b>	<b>182,680.9</b>	<b>-14.7</b>

Source: "Foreign direct investments 4th quarter 2008" NSCB

**3.5 Fiscal challenges and credit ratings.** The implementation of the expanded Value Added Tax (VAT) in November 2005 boosted confidence in the government's fiscal capacity and helped to strengthen the peso, making it East Asia's best performing currency in 2005-06. Investors and credit rating institutions will continue to look for effective implementation of the new VAT and continued improvement in the government's overall fiscal capacity in the coming year.

The good fiscal results, among others, resulted in "stable" outlooks from global rating agencies: Fitch BB, stable (May 2009); Moody's Ba3, stable (July 2009); R&I BBB-, stable (May 2009); and S&P BB-, stable (July 2009).

The country's gross international reserves reached an all-time high of US\$ 37.0 billion by the end of 2008. The strong performance stemmed partly from the increases in the balance-of-payments (BOP) surplus to US\$ 6.6 billion and the current account balance to US\$ 4.2 billion by January-September 2007.

**3.6 Inflation.** Inflation eased up from 7.6% in 2005 to 6.3% in 2006, and further to 2.8% in 2007 (see Chart A9). The price increases of basic items like housing (1.5%), and clothing (2.3%) stabilized at rates lower than the inflation rate. The price increases of utilities or fuel, light, and water has slowed down to 3.3% while that of food and beverage moderated to 3.3%.

**3.7 Exchange rates.** Like other Asian currencies, the Philippine Peso has been strengthening against the US dollar. The average monthly peso-dollar rate improved from PhP 46.15/US\$ in 2007 to PhP 44.47/US\$ in 2008. With the global financial turmoil, the peso-dollar rate weakened from PhP40.94/US\$ in January to PhP48.09/US\$ by end-2008.

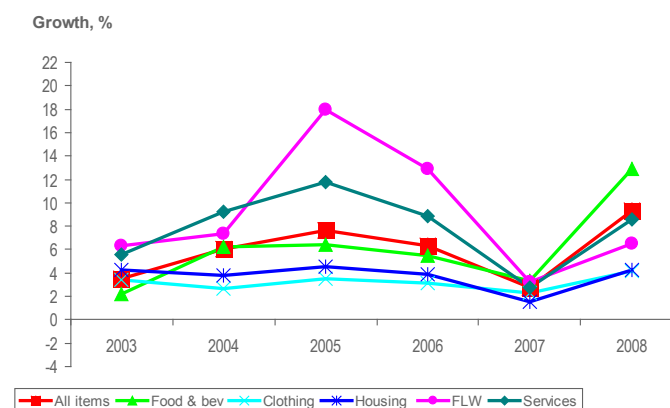
**3.8 Economic prospects.** The Philippines has sustained economic growth averaging over 5% a year from 2003 to 2008. In 2008, the country's per capita income reached \$1,845 in nominal terms and \$3,300 in Purchasing Power Parity (PPP)-adjusted terms. The economic growth has been driven primarily by consumer spending, robust services sector, and remittances from overseas Filipinos.

Moreover, the government continues to manage to steer the economy through the adverse global economic environment. Global credit rating agencies Fitch Ratings, Moody, R&I, and Standard & Poor's all affirmed stable outlooks for the Philippine economy.

The Business Expectations Survey 3rd Quarter 2009 indicated business sentiments picking up due to the improvement in domestic macroeconomic fundamentals, i.e., subdued price pressures/ declining inflation, easing interest rates, rising overseas Filipinos remittances, and relatively stable peso. On the other hand, some sectors expressed concern on business risks brought about by competition, weak demand, and financial problems.

For 2008, the economy posted a moderate 4.6% growth following a record 7.2% growth in 2007. The slowdown came amidst the impending recession in developed economies and increasing prices of oil and other commodities. With the global recession, the Philippine economy is forecast to slow down further to 2.5% in 2009, banking largely on its young growing domestic market and remittances from overseas workers. (see Table A9).

Chart A9 **CPI by Commodity Groups, 2003-2008**



Basic data: BSP

Table A9 **Growth Prospects, 2008-2010**  
In \$ and percent

	Per capita income, \$ Growth of GDP, %				Inflation, %		
Country	2007 <sup>a</sup>	2008 <sup>b</sup>	2009	2010	2008 <sup>b</sup>	2009	2010
China	2,360	9.0	7.0	8.0	5.9	0.8	1.0
Indonesia	1,650	6.1	3.6	5.0	10.3	6.3	6.9
Malaysia	6,540	4.6	-0.2	4.4	5.4	1.5	2.4
Philippines	1,620	4.6	2.5	3.5	9.3	4.5	5.0
South Korea	19,690	2.5	-3.0	4.0	4.7	2.0	2.0
Thailand	3,400	2.6	-2.0	3.0	5.5	0.5	1.5
Vietnam	790	6.2	4.5	6.5	23.0	4.0	5.0

Notes: <sup>a</sup> -per capita gross national income; <sup>b</sup> -estimates; <sup>c</sup> -forecasts  
Source: ADB Outlook 2009

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