

# **The E-Book on East Asia Investment Practice**

**-Philippines**

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## Preface

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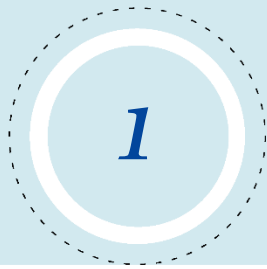
Philippines is the 13<sup>th</sup> most populous country in the world. It has a large number of low-cost and English-speaking workforce. In recent years, it has become a major labor service exporting country in the international market. Since the promulgation of the “Build, Build, Build” infrastructure construction plan in 2017, the Philippines government has continuously expanded the scope and scale of investment subjects in railways, highways, aviation and other fields to promote sustainable economic development, and has made clear access provisions for foreign-funded enterprises in terms of land use, project contracting, investment industry types, labor employment, etc.

Chapter I of this E-book briefs on Philippines’ national features including geography, politics, society features and cultural environment, etc.; Chapter II introduces Philippines’ overall business environment; Chapter III gives an introduction about Philippines’ economy and trade policies; Chapter IV outlines Philippines’ industry development and foreign investment conditions; Chapter V gives an account of startup procedures and provisions in Philippines; Chapter VI introduces relevant laws and regulations for business operation in Philippines; Chapter VII introduces the ways and approaches for settlement of economic and trade disputes; Chapter VIII demonstrates multi-lateral and bilateral free trade agreements such as the Regional Comprehensive Economic Partnership; Chapter IX introduces Philippines’ economic security and support policies amid the COVID-19 pandemic; Chapter X includes enterprise-related government departments, chambers of commerce & associations, intermediary organs, and relevant contact information.

We hope that the basic information of the Philippines’ economy and trade displayed in this e-book can provide valuable guidance for enterprises and investors, contributing to the

investment facilitation and healthy development of economic globalization.

Time constraints and competence deficiency might lead to inaccuracies in this e-book. We sincerely hope that you can put forward your valuable comments and suggestions so that we can improve them.



# General Information

## 1.1 Geography

### Geographical Location

The Republic of Philippines (Philippines) is located in the Southeast Asia, facing Taiwan, China across the Bashi Channel to the north, facing Indonesia and Malaysia across the Sulawesi Sea and Balabac Strait to the south and southwest, near the South China Sea to the west and the Pacific Ocean to the east. It covers an area of about 299,700 km<sup>2</sup>, and has more than 7,000 islands. Among them, 11 major islands, including Luzon, Mindanao and Samar, account for 96% of the total area of the country, with a coastline of about 18,533km long.

### Natural Resources

The forest coverage rate in Philippines is above 50%, producing valuable timber such as ebony and sandalwood. Rich in aquatic resources, there are more than 2,400 fish species, and tuna resources are among the top in the world. There are over 20 kinds of main mineral deposits such as copper, gold, silver, iron, nickel, etc., of which copper is the most important mineral, mainly porphyry copper; nickel reserves rank among the top 10 in the world. Philippines is rich in geothermal resources, and is one of the largest geothermal power generation countries in the world.

## Climate

Philippines is a monsoon tropical rainforest climate, with high temperature and rainfall, many typhoons and high humidity. The annual average temperature is 27°C, and the annual precipitation is about 2,000-3,000mm.

## Administrative Division

The country is divided into 3 parts: Luzon, Visayas and Mindanao, with 18 regions such as the Capital Region (NCR), Cordillera Administrative Region (CAR) and Autonomous Region of Muslim Mindanao (ARMM), including 81 provinces and 117 cities, of which 15 are inland provinces.

The capital of Philippines is Metro Manila, with a population of 12.88 million approximately (October 2015).

## 1.2 Politics

### Constitution<sup>①</sup>

The current constitution was adopted by a referendum in February 1987, stipulating that the country practices the separation of 3 powers in terms of administration, legislation and justice; the president has the executive power, but has no power to enforce the Martial Law, dissolve the Congress, or arbitrarily arrest the opposition parties; military intervention in politics is prohibited; human rights are respected and safeguarded, and individual dictatorship is banned.

### Parliament<sup>②</sup>

The Congress is the country's top legislative body, composed of the Senate and the House of Representatives. The Senate consists of 24 members whom are directly elected in the referendum,

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① Philippines' Official Gazette: [www.officialgazette.gov.ph/constitutions/1987-constitution](http://www.officialgazette.gov.ph/constitutions/1987-constitution).

② Philippines Congress: [www.congress.gov.ph/members](http://www.congress.gov.ph/members).

and the term of office is 6 years, with half re-elected every 3 years, up to 2 consecutive terms. The House of Representatives consists of more than 300 members, and the term is 3 years, whom can be re-elected for 3 consecutive terms. The current Congress was elected in July 2019. The current President of the Senate is Vicente Sotto, and the current Speaker of the House is Lord Velasco.

### Chief of State<sup>①</sup>

The President of Philippines is the head of state, head of government and commander-in-chief of the armed forces, directly elected in a referendum. The term of office of the President is 6 years, without re-election. The current President is Rodrigo Duterte, taking charge since June 2016.

### Government<sup>②</sup>

The current government cabinet was formed in June 2016. As of March 2021, there are 33 cabinet members. The main government departments include the Department of Foreign Affairs, Department of Finance, Department of Justice, Department of Agriculture, Department of National Defense, Department of Trade and Industry, Department of Public Works and Highways, Department of Education, Department of Labor and Employment, Department of Budget and Management, Department of Health, and Department of Information and Communications Technology, etc..

### Political Parties<sup>③</sup>

There are more than 100 political parties in Philippines, most of which are local small parties. The Philippines Democratic Party-People's Power (PDP-LAPAN) is the ruling party.

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① Philippines' Official Gazette: [www.officialgazette.gov.ph/featured/presidential-transition](http://www.officialgazette.gov.ph/featured/presidential-transition).

② Philippines' Official Gazette: [www.officialgazette.gov.ph/about/gov/exec/bsaiii/cabinet/the-cabinet-secretary/](http://www.officialgazette.gov.ph/about/gov/exec/bsaiii/cabinet/the-cabinet-secretary/).

③ Esquire Philippines: [www.esquiremag.ph/politics/news/political-parties-in-the-philippines-a00287-20190127-lfrm](http://www.esquiremag.ph/politics/news/political-parties-in-the-philippines-a00287-20190127-lfrm).

Other major parties and groups are: The Liberal Party of Philippines, the Nationalist People’s Coalition (NPC), the Lakas-Christian Muslim Democrats (LAKAS-CMD), Moro National Liberation Front, etc.

## 1.3 Economy

### Macro Economy

Affected by the COVID-19 Epidemic, Philippines’ nominal gross domestic product (GDP) in 2020 was PHP 17,938.58 billion (approximately US\$ 370.61 billion), down 8.09% year on year; per capita GDP was PHP 164,900 (approximately US\$ 3,407.23), down 9.35% year on year. From the perspective of industry segments, different industries have different development. Among them, the manufacturing industry fell by 9.77% year on year, the construction industry fell by 25.73% year on year, and the service industry fell by 9.19%. However, the industries of information and communication, financial services and administrative, and other social activities increased by 5.02%, 5.50% and 4.57% respectively.<sup>①</sup>

Central Bank of Philippines (BSP) predicts that the country’s economy will gradually recover in 2021, and the industries of business outsourcing services, energy, warehousing logistics and information communications are expected to achieve positive growth from 2020.<sup>②</sup>

**Table 1-1 Macro economy data of Philippines, 2016–2020<sup>③</sup>**

Index	2016	2017	2018	2019	2020
Nominal GDP (PHP billion)	15,132.38	16,556.65	18,265.19	19,517.86	17,938.58
GDP Per Capita (PHP)	147,589.51	158,939.94	172,712.02	181,920.03	164,919.15
Nominal GDP Growth Rate (%)	8.52	9.41	10.32	6.86	-8.09

### Trade Scale<sup>④</sup>

Commodity Trade. In 2020, the total merchandise trade volume of Philippines was PHP

① Philippines Statistics Authority: psa.gov.ph.

② Manila Times: www.manilatimes.net.

③ Philippines Statistics Authority: psa.gov.ph.

④ Philippines Statistics Authority: psa.gov.ph.

7,260.28 billion, with a year-on-year decrease of 21.81%. Among them, exports were PHP 2,545.81 billion, with a year-on-year decrease of 13.45%; imports were PHP 4,714.48 billion, with a year-on-year decrease of 25.69%; the trade deficit was PHP 2,168.67 billion.

The main export commodities include: electrical equipment, mechanical equipment (including electronic products), fruits and nuts, optical technology and medical equipment, ore and copper, etc. The main import commodities include: refined petroleum, crude oil, integrated circuits, automobiles, etc.

The main export markets include: Japan, the United States, China, Singapore, Thailand, South Korea and Germany. The main import markets include: China, Japan, South Korea, the United States and Singapore.

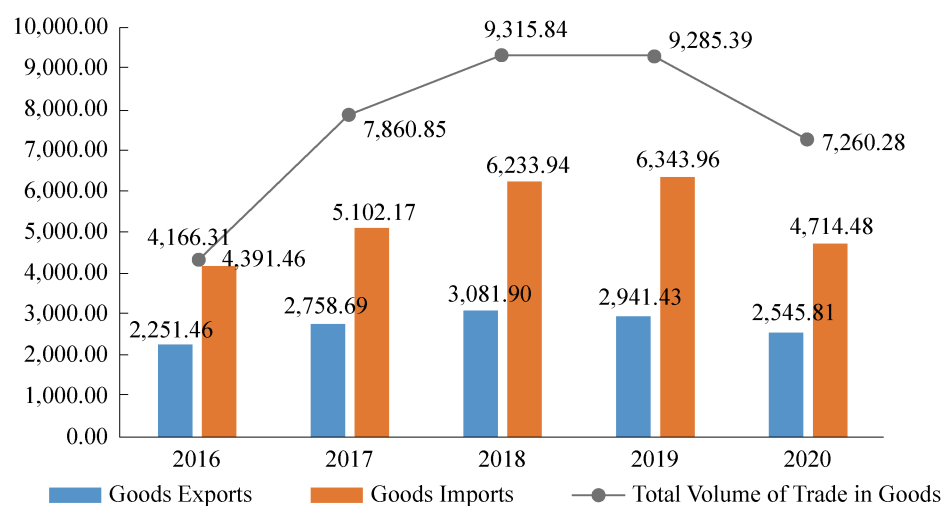


Fig. 1-1 Philippines' trade in goods, 2016-2020 (Unit: Billion PHP)<sup>①</sup>

Service Trade. In 2020, the total service trade volume of Philippines was PHP 3,094.58 billion, down 24.60% year on year, of which exports were PHP 1,966.22 billion, down 24.07% year on year; imports were PHP 1,128.36 billion, down 25.51% year on year; the trade surplus was PHP 837.86 billion.

The main service export categories are: tourism, business process outsourcing services (especially telecommunications, computer and information services), transportation, financial

① Philippines Statistics Authority: [psa.gov.ph](http://psa.gov.ph).

services, as well as individual, cultural and entertainment services. The main service import categories are: transportation, insurance services, communication and information services, and financial services.

The top 5 export markets in order are: The United States, Japan, China and Singapore; the top 5 import markets in order are: China, Japan, South Korea, The United States and Indonesia.

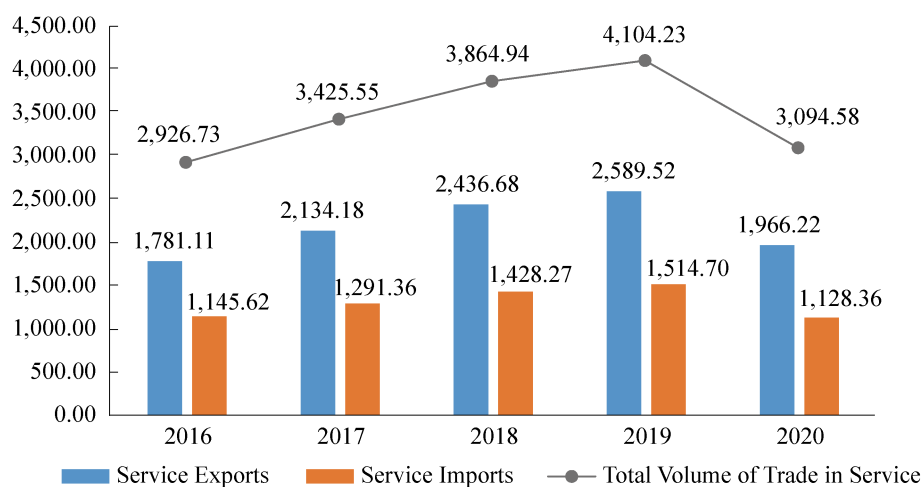


Fig. 1-2 Philippines' trade in service, 2016–2020 (Unit: Billion PHP)<sup>①</sup>

## Local Market

Total Sales Value<sup>②</sup>. In 2020, the total volume of wholesale and retail sales of Philippines was PHP 3,321.01 billion, down 5.59% (compared with 2019).

Consumption Expenditure<sup>③</sup>. In 2020, the total private consumption expenditure of Philippines was PHP 13,478.49 billion, accounting for 75.14% of GDP. The major expenditure items are: food and beverage (38.49%), housing, water and electricity (13.08%), transportation (7.77%), hotels and restaurants (5.96%).

Price Level. In 2020, Philippines' consumer price index (CPI) increased by 2.81% on a year-on-year basis, with slight inflation.

① Philippines Statistics Authority: psa.gov.ph.

② Philippines Statistics Authority: psa.gov.ph.

③ Philippines Statistics Authority: psa.gov.ph.

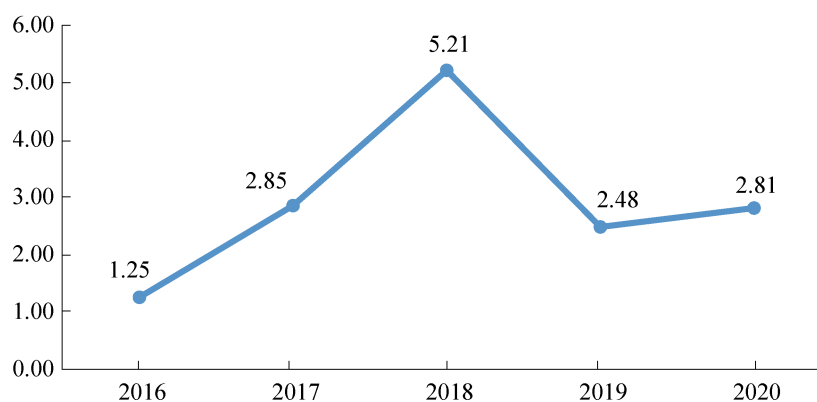


Fig. 1-3 Philippines' CPI, 2016–2020 (Unit: %)①

## 1.4 Society and Culture

### Population

As of March 2021, Philippines has a total population of 108 million, ranking 13<sup>th</sup> in the world.<sup>②</sup> Among them, Malays account for more than 85% of the country's population. Other major ethnic groups are: Tagalog, Eloi, Pampanga, Visaya, Bicol, etc.; ethnic minorities and foreign descendants are mainly: Chinese, Arabs, Indians, Spanish and Americans; and a few indigenous people.

### Language

Tagalog-based Filipino is the national language, and English is the official language.

### Religion<sup>③</sup>

The main religions of the Philippines residents are: Catholicism, Islam, Independence, Protestantism, Buddhism, etc. According to statistics, about 85% of the residents believe in Catholicism, 4.9% of the residents believe in Islam, a few other residents believe in Independence and Protestantism, most Chinese believe in Buddhism, and most aborigines believe in primitive religion.

① World Bank Evaluation: [databank.worldbank.org](http://databank.worldbank.org).

② Philippines Statistics Authority: [psa.gov.ph](http://psa.gov.ph).

③ World Atlas: [www.worldatlas.com/articles/religious-beliefs-in-the-philippines.html](http://www.worldatlas.com/articles/religious-beliefs-in-the-philippines.html).

## **Festivals and Holidays<sup>①</sup>**

Philippines implements a five-day workweek system, working on Monday to Friday, and taking off on Saturdays and Sundays.

There are 13 days for regular holidays and 9 days for special non-working holidays. The regular holidays include: New Year's Day, Maundy Thursday, Good Friday, Easter, Brave Day, Labor Day, Lesser Bairam, Independence Day, Corban, National Hero Day, Bonifacio Day, Christmas Day, and Rizal Day.

## **Trade Unions and Other Non-Governmental Organizations**

There are various labor union organizations in Philippines, generally more active in labor-intensive industries. The important trade union organizations are the Trade Union Congress of Philippines(TUCP) and so on. The Philippines Alliance for Sustainable Agriculture (PPSA) is one of the non-governmental organizations that has a great influence on government policies.

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<sup>①</sup> Tourism Promotions Board Philippines: [www.tpb.gov.ph/tpb-calendar-of-promotions-and-marketing-activities/calendar-of-philippine-festivals-and-monthly-observances-theme](http://www.tpb.gov.ph/tpb-calendar-of-promotions-and-marketing-activities/calendar-of-philippine-festivals-and-monthly-observances-theme).



## Business Environment

### 2.1 Overall Evaluation

#### World Bank Evaluation<sup>①</sup>

The *Doing Business Report* released by the World Bank examines the regulatory rules in 190 economies that promote or restrict the business life cycle in 11 areas. According to the *Doing Business Report 2020*, Philippines ranks 95<sup>th</sup> in the world, up 29<sup>th</sup> from the previous year. In which, 5 indicators of starting a business (71.3 points), dealing with construction permits (70 points), getting electricity (87.4 points), paying taxes (72.6 points) and protecting minority investors (60 points) are relatively outstanding.

#### World Economic Forum Evaluation<sup>②</sup>

The World Economic Forum has released the *Global Competitiveness Report* through evaluation on the performance of 141 economies in terms of 12 areas and 98 indexes. According to the *Global Competitiveness Report 2019*, Philippines ranks 64<sup>th</sup> in terms of global competitiveness, with 2 indicators of labor market (39<sup>th</sup>) and market size (31<sup>st</sup>) are relatively outstanding.

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① The World Bank, Doing Business 2020.

② The World Economic Forum, Global Competitiveness Report 2019.

Among which, in the indicator of labor market, the indicators of domestic labor mobility and employment cooperation rank 7<sup>th</sup> and 15<sup>th</sup> in the world respectively; in the indicator of market scale, the GDP scale ranks 28<sup>th</sup> in the world.

### **World Intellectual Property Organization Evaluation<sup>①</sup>**

*The Global Innovation Index Report* which was issued jointly by the World Intellectual Property Organization, the Cornell University of the USA, and the INSEAD, made evaluations on more than 130 economies by 2 measuring indicators, namely, innovation input and innovation output. According to the *Global Innovation Index Report 2020*, Philippines rose from 54<sup>th</sup> in 2019 to 50<sup>th</sup> in 2020, ranking 5<sup>th</sup> among the 10 ASEAN countries. In which, 4 indicators of knowledge and technology output, business maturity, creativity output and infrastructure are relatively high, ranking 26<sup>th</sup>, 29<sup>th</sup>, 57<sup>th</sup> and 63<sup>rd</sup> respectively.

### **Heritage Foundation Evaluation<sup>②</sup>**

The Heritage Foundation issued *the Index of Economic Freedom World Rankings*, which evaluated all countries' indexes of economic freedom with 4 guiding principles and 12 indicators. According to *the Global Economic Freedom Index Report 2021*, Philippines ranks 73<sup>rd</sup> among the 178 economies in the world with a score of 64.1, down 3<sup>rd</sup> from the previous year.

## **2.2 Infrastructure**

### **Highway**

Philippines has built a network of first, second and third-level highways covering major domestic cities, most of which are single or double-lane roads crisscrossing the cities. As of March 2021, the total mileage of domestic highways is approximately 216,000 km. The highway passenger transportation accounts for about 90% of the country's total passenger transportation,

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① The World Intellectual Property Organization, Global Innovation Index 2020.

② The Heritage Foundation, 2021 Index of Economic Freedom World Rankings.

and highway freight transportation accounts for about 65% of the country's total freight transportation.<sup>①</sup>

## Railway

The railway system in Philippines is mainly divided into 3 categories: urban rail transit, intercity railway, and revitalizing railway freight transportation. As of March 2021, the total railway length is about 1,200 km, mainly concentrated in Luzon.<sup>②</sup>

## Aviation

There are nearly 300 airports in Philippines, including 12 international airports and 32 domestic airports. The main international airports are Ninoy Aquino International Airport (MNL) in the capital Manila, Mactan-Cebu International Airport (MQB) in Cebu City, and Davao International Airport (DVO) in Davao City. The main domestic airline is Philipined Airlines, Inc..

## Water Transport

Philippines is an international gateway covering major trade routes of the Pacific Ocean and inter-island ports. As of March 2021, the total navigable mileage of inland waterways is about 3,219 km, and there are 429 freight and passenger ports.<sup>③</sup> Among them, Manila Port, Cebu Port, Batangas International Port and Zamboanga Port are the main ports of the country.

**Table 2-1 Major Ports of Philippines<sup>④</sup>**

Port	Overview	Business
Port of Manila	It is the largest shipping and trade port in Philippines, with 3 port areas: South Port, the North Port and the International Container Port. There are 26 main berths, and the warehouse area is 640,000 m <sup>2</sup> . Where the international container terminal is a dedicated terminal for foreign trade.	The terminal undertakes the exports of more than half of the country's industrial products, involving sugar, oil extraction, rice milling, textiles, soap, printing, food processing, pharmaceuticals, cigarettes, etc.

① Department of Public Works and Highways of Philippines: [www.dpwh.gov.ph/dpwh/gis/rti](http://www.dpwh.gov.ph/dpwh/gis/rti).

② Department of Transportation of Philippines: <https://dotr.gov.ph/railways-sector.html>.

③ Index Mundi: [www.indexmundi.com/philippines/waterways.html](http://www.indexmundi.com/philippines/waterways.html).

④ Icontainer: [www.icontainers.com/us/2020/03/30/top-five-ports-philippines](http://www.icontainers.com/us/2020/03/30/top-five-ports-philippines).

Continued

Port	Overview	Business
Port of Cebu	The main terminals include: Cebu International Terminal, Fifth Street Terminal, Third Terminal, and Ludo Terminal. Its port facilities can accommodate about 85% of the country's shipping business volume, and its annual container throughput is second only to that of the Manila Port, with 20 main berths.	The main export industrial products are: sugar, cigarettes, ceramics, beer, coconuts, etc. It is also a distribution center for abaca, copra, mango, tobacco and timber.

## Information and Communication

The communication infrastructure in Philippines is well developed. PLDT and Globe Telecom are the main communication operators, and there are a total of 6 available network platforms: dedicated line, mobile phone, cable TV, wireless TV and broadcasting, and VSAT system. As of July 2020, the Internet penetration rate in Philippines has exceeded 65%, with a mobile Internet speed of 14.24Mbps and a fixed broadband speed of 23.80Mbps<sup>①</sup>.

## Electricity

By the end of 2020, the total installed capacity of Philippines was 25,531MW, of which the coal power installed capacity accounted for 40.8%, and the renewable energy, including geothermal energy and wind power accounted for 30.0%.<sup>②</sup> Large private enterprises dominate the electricity market in Philippines, and local private sectors are responsible for the operation of the power distribution and transmission industries. The Manila Electric Company (MERALCO) is the country's largest power distribution company, and the National Grid Corporation of Philippines(NGCP) is the country's only transmission service provider.

## 2.3 Production Cost

### Electricity Price<sup>③</sup>

Philippines is a typical country with all links of “power generation-transmission- distribution-

① The International Trade Administration, U.S. Department of Commerce : [www.trade.gov/country-commercial-guides/philippines-information-and-communications-technology](http://www.trade.gov/country-commercial-guides/philippines-information-and-communications-technology).

② Institute of Energy Economics and Financial Analysis of USA (IEEFA):[ieefa.org/wp-content/uploads/2020/06/Philippines-Power-Sector-Can-Reach-Resilience-by-2021\\_June-2020.pdf](http://ieefa.org/wp-content/uploads/2020/06/Philippines-Power-Sector-Can-Reach-Resilience-by-2021_June-2020.pdf)

③ Philippines Department of Energy: [www.doe.gov.ph](http://www.doe.gov.ph).

sales” in full market-oriented competition. Under the market-oriented system, an electricity sales company needs to purchase electricity from the power plant, send it to the distribution area through the transmission company, and then sell electricity to the end users through its own distribution network.

The level of retail electricity prices in Philippines is relatively high, mainly composed of 4 parts: electricity purchase cost (approximately 59%), transmission cost (approximately 9%), distribution cost (approximately 17%), value-added tax and other taxes and fees (approximately 15%). In January 2021, the average price of electricity for the Philippines residents is PHP 10.56 per kilowatt-hour; the average price of industrial electricity is PHP 8.68 per kilowatt-hour.

## Water Price

Philippines implements a stepwise water charging standard. In addition, the ordinary residential water and the industrial water are subject to environmental protection fee (20% of the total water fee), sewage treatment fee (only for industrial water), maintenance service fee (12% of the total water fee) and value-added tax as appropriate.

**Table 2-2 Philippines Water Charging Standard in 2021<sup>①</sup>**

Types	Gradient	Price (Unit: PHP)
Household	$\leq 10 \text{ m}^3$	11.13 / $\text{m}^3$
	$>10 \text{ m}^3$ and $\leq 20 \text{ m}^3$	Basic price: 111.3
		Exceeding part 13.56 / $\text{m}^3$
	$>20 \text{ m}^3$	Basic price: 246.9
Exceeding part 25.71 / $\text{m}^3$		
Business/Industries	$\leq 10 \text{ m}^3$	54.71-50.56 / $\text{m}^3$
	$>10 \text{ m}^3$	51-55 / $\text{m}^3$

## Natural Gas Price<sup>②</sup>

In Philippines, the domestic natural gas can be self-produced and sold. The Malampaya

① Philippines Statistics Authority: [psa.gov.ph](http://psa.gov.ph): [psa.gov.ph/electricity-gas-water/aspbi-table](http://psa.gov.ph/electricity-gas-water/aspbi-table).

② Philippines Department of Energy: [www.doe.gov.ph](http://www.doe.gov.ph).

Natural Gas Project on the west coast is Philippines' largest natural gas storage base, responsible for the transmission of at least 20% of the electricity. However, according to the forecast of Philippines Department of Energy (DOE), the Malampaya Natural Gas Project will be exhausted around 2027. In February 2021, the price of natural gas is 53 PHP/m<sup>3</sup>, and the price of canned liquefied gas is 879 PHP/can.

## Oil Price

Affected by the recovery of consumer prices, development needs in the infrastructure sector, oil and gas exploration as well as modernization of production activities, the demand for crude oil in Philippines has continued to rise. Petron Company, Royal Dutch Shell Philippines Branch and Chevron Corporation Philippines Branch are the main fuel suppliers in Philippines. Please refer to the website of Philippines Department of Energy ([www.doe.gov.ph/edcp](http://www.doe.gov.ph/edcp)) for the updated prices of various gasoline.

**Table 2-3 Average Price of Gasoline in Metro Manila, Philippines, in First Quarter of 2021 (Unit: PHP)<sup>①</sup>**

Gasoline				Diesel oil	Kerosene
No. 91	No. 95	No. 97	No. 100	33.80-40.21/L	42.04-49.77/L
39.80-52.75/L	40.30-53.60/L	49.00-56.10/L	48.45-50.95/L		

## Manpower Supply and Wages

Philippines has a large population. The working population aged 15-65 accounts for 63.9% of the total population. The national literacy rate reaches 94.6%. English as an official language has a relatively high popularity, and Philippines is known as the “third largest English-speaking country in the world”. From 2017 to 2019, the unemployment rate in Philippines has declined year by year. In 2020, affected by the COVID-19 Epidemic, the unemployment rate has increased slightly.

The average monthly salary in Philippines in 2020 is PHP 44,600 (approximately

<sup>①</sup> Philippines Department of Energy : [www.doe.gov.ph](http://www.doe.gov.ph)

US\$ 921.38), of which the average minimum monthly salary is PHP 11,300 (approximately US\$ 233.44) and the average maximum monthly salary is PHP 199,000 (approximately US\$ 4,111.11).<sup>①</sup>

**Table 2-4 Employment Data of Philippines, 2016–2020<sup>②</sup>**

Items	2016	2017	2018	2019	2020
Total Labor Forces (Unit: 1,000)	43,917.4	43,008.5	43,868.3	45,122.8	43,719.2
Total Employed Population (Unit: 1,000)	26,613.9	25,031.0	25,531.4	26,487.1	24,089.3
Total Unemployment Rate	2.69%	2.55%	2.34%	2.24%	3.36%
Employment Rate of Population Aged 15 and Above	59.93%	57.63%	57.60%	58.11%	55.13%

## Land and Housing Price

The prices of land and housing in Philippines vary by region and type. Generally, the rent for warehouse land in Philippines is US\$ 1.74-6.50/m<sup>2</sup>/month, and the rent for general construction land is US\$ 3.38-5.00/m<sup>2</sup>/year.

**Table 2-5 Rental Prices for Warehouse Land and General Construction Land in Philippines in First Quarter of 2020<sup>③</sup>**

Type of industrial real estate	Payment cycle	Average rental price (in US\$)
Warehouse land	Monthly payment	1.74 -6.50 /m <sup>2</sup> / months
General construction land	Annual payment	3.38 -5.00 /m <sup>2</sup> /years

The housing price level in the capital Manila ranks top among all cities in the country, and has continued to grow at an average annual growth rate of over 3% in the past 5 years. Moreover, the housing rental level in the city center is about twice the rental level in other areas.

**Table 2-6 Monthly Rent and Resale Price in the Capital Manila, Jul. 2021<sup>④</sup>**

Region	Type	Average monthly rent (Unit: PHP)	Average resale price (Unit: PHP)
City center	1-room type	34,409.32	179,896.50/m <sup>2</sup>
	3-room type	112,000.00	
Other areas outside the city center	1-room type	16,550.00	119,995.62/ m <sup>2</sup>
	3-room type	45,000.00	

① Average salary survey: [www.averagesalariesurvey.com](http://www.averagesalariesurvey.com).

② World Bank: [databank.worldbank.org](http://databank.worldbank.org).

③ NUMBEO: [www.numbeo.com/cost-of-living/in/Manila](http://www.numbeo.com/cost-of-living/in/Manila).

④ NUMBEO: [www.numbeo.com/cost-of-living/in/Manila](http://www.numbeo.com/cost-of-living/in/Manila).

## 2.4 Financial Services

### Currency and Exchange Rate

The currency of Philippines is the Philippines peso, or “PHP” for short. Philippines practices a floating exchange rate system. In recent years, the exchange rate of the PHP against the USD has been relatively stable, and 1 PHP is approximately to US\$ 0.02 (refer to the exchange rate in 2020).

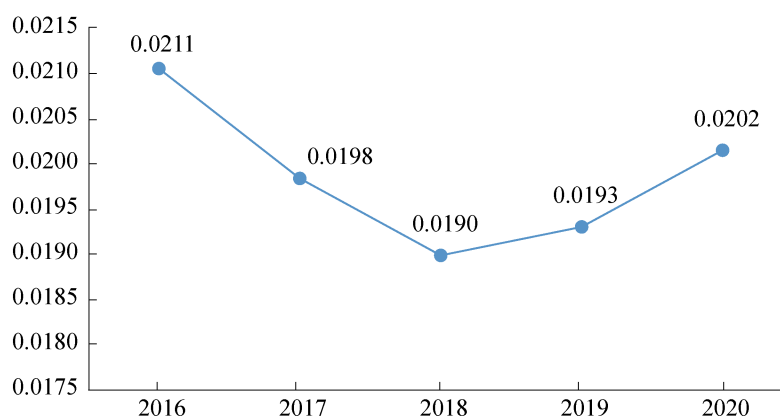


Fig. 2-1 Exchange Rate between PHP and USD, 2016–2020 (average value in current year)<sup>①</sup>

### Foreign Exchange Management

Central Bank of Philippines (BSP) is the country’s foreign exchange management department, responsible for performing the foreign exchange management duties in accordance with the existing legal system and the Central Bank’s relevant monetary policies. Philippines does not practice the foreign exchange controls, and funds can flow in and out freely.

Table 2-7 Regulations on Foreign Exchange Management of Non-resident Individuals and Enterprises in Philippines<sup>②</sup>

Category	Main Provisions
Non-resident Individual	
LC, FC and other currency equivalents’ from/to aboard	a) When the non-resident carries more than PHP 50,000 in cash, check, bill or draft accepted by other domestic banks for transfer across boundaries or exiting/entering the territory of the country, he/she must obtain the authorization from the Central Bank of Philippines; b) When the non-resident carries foreign currency cashes or foreign currency bills worth more than US\$ 10,000, individual must submit a declaration form for foreign currency and other foreign currency denominated currency instruments to the customs, and explain the source or purpose.

① Central Bank of Philippines: [www.bsp.gov.ph/SitePages/Statistics/exchangerate.aspx](http://www.bsp.gov.ph/SitePages/Statistics/exchangerate.aspx).

② Central Bank of Philippines: [www.bsp.gov.ph/SitePages/Statistics/exchangerate.aspx](http://www.bsp.gov.ph/SitePages/Statistics/exchangerate.aspx).

Continued

Category	Main Provisions
Local currency's loan	The foreign investors holding a special investor resident visa are allowed to apply to the domestic banks for domestic currency consumer loans other than real estate loans.
Non-resident Enterprises	
Direct investment	<p>a) The registration management is implemented in Philippines. After the registration with the Central Bank of Philippines, the investors can purchase foreign exchange with relevant documents directly from the authorized agent banks, authorized agent foreign exchange companies, foreign exchange dealers or currency changers;</p> <p>b) Investment funds used for business registration must be remitted into the territory of the country in the form of cash remittance;</p> <p>c) To carry out subsequent capital injection or profit remittance activities, the investors must register with the Central Bank of Philippines (BSP) in advance, and purchase foreign exchange at the authorized agent banks or the authorized foreign exchange companies to realize the capital remittance.</p>
Investment in securities, currency and other financial instruments	<p>a) When the foreign investors carry out related investment activities in the domestic capital market, they must register their equity in advance before remitting their investment profits, purchase foreign exchange at the authorized agent banks or the authorized agent foreign exchange companies for fund remittance;</p> <p>b) With the approval of the Central Bank, non-resident companies may issue securities or currency financial instruments within the territory of the country, and the investment income generated therefrom may be remitted abroad through the authorized agent banks or the authorized agent foreign exchange companies.</p>

## Financial Institutions

**Financial Regulators.** The Central Bank of Philippines (BSP) is responsible for supervising banks and non-bank financial institutions that carry out similar banking businesses. The Securities and Exchange Commission of Philippines (SEC) is the administrative body for securities supervision. The Insurance Commission is subordinate to Department of Finance of Philippines (DOF), which is the supervision body of the insurance industry.

**Banks.**<sup>①</sup> The commercial banks in Philippines can be categorized into: commercial banks, savings banks, rural banks, and government special banks. As of December 2020, there are 46 commercial banks in total, mainly are: Metrobank of Philippines, Financial Bank of Philippines (BDO), Bank of Philippines Islands, and National Bank of Philippines (PNB).

① iMoney Philippines: [www.imoney.ph/articles/banking-guide/bank-system-philippines](http://www.imoney.ph/articles/banking-guide/bank-system-philippines).

Insurance.<sup>①</sup> The main types of insurance in Philippines include: micro insurance plans, life insurance, medical insurance, and property insurance plans. Major insurance companies are: Sun Life of Canada (Philippines). Inc., PRU Life Insurance Corporation of U.K., Philippines AXA Life Insurance Corporation, etc.

Securities.<sup>②</sup> The Philippines Stock Exchange (PSE) is the only stock exchange in Philippines. As of March 2021, there are 330 listed companies in total. The main index is the PSEi Composite Index, which is composed of the stocks of 30 listed companies, and is used to measure the relative changes in the free float market value adjustment of the 30 largest and most active common stocks. The PSEi composite index has an annual growth rate of approximately 29.22% in 2020.<sup>③</sup>



#### Special Reminder:<sup>④</sup>

Philippines is the world's third largest recipient of virtual currency remittances, and about US\$ 30 billion (approximately 10% of GDP) of virtual currency remittances were generated in 2015. In February 2017, the Central Bank of Philippines (BSP) issued the Decrees No. 944 and No. 942, which legally recognized the legality of digital currencies, and subsequently legalized the initial token issuance of virtual currencies and blockchain projects (hereinafter referred to as "ICO"). In 2019, more than a dozen institutions across the country have obtained the virtual currency exchange license.

The Central Bank of Philippines (BSP) and the Securities and Exchange Commission (SEC) have successively issued documents such as the *Cryptocurrency Regulations in Philippines*. In addition, the Philippines Securities and Exchange Commission (SEC) has also discovered that some unlicensed entities have initiated

① Statista: [www.statista.com/topics/5581/insurance-industry-in-philippines/#dossierSummary\\_\\_chapter2](http://www.statista.com/topics/5581/insurance-industry-in-philippines/#dossierSummary__chapter2).

② CCPIT, Guide on the Business Environment of Foreign Countries for Investors-Philippines (2020).

③ Market Watch: [www.marketwatch.com/investing/index/psei/charts?countrycode=ph&mod=mw\\_quote\\_tab](http://www.marketwatch.com/investing/index/psei/charts?countrycode=ph&mod=mw_quote_tab).

④ Selected from the relevant information in Fintech News.

“cloud mining”, to allow investors to obtain crypto-currencies via shared devices in remote data centers, which is suspected to violating securities laws. Companies or individuals involved in “cloud mining” could be prosecuted or held criminally liable, and could be sentenced to a maximum of 21 years in prison.



## Economy and Trade Policies

### 3.1 Market Access

#### Administrative Authorities

Department of Trade and Industry (DTI) of Philippines is the administrative authorities responsible for foreign investment. It has 19 institutions including the Board of Investments (BOI) and Philippines Economic Zone Authority (PEZA), which are responsible for formulating and managing the national investment policies, assisting investors in carrying out economic activities in advantageous industries or fields, and setting up the regional government service agencies in major port areas or special economic zones to facilitate investors for handling the relevant businesses.

The National Economic and Development Authority of Philippines (NEDA), as the main department for national social and economic development planning, is responsible for the approval of government projects and the national macroeconomic forecast, analysis and research, and provides the government with measures and policy recommendations related to economic development planning.

#### Restricted / Prohibited Sectors

The Foreign Investment Negative List (FINL) promulgated by the National Economic and

Development Authority of Philippines (NEDA) (updated every 3 years approximately) clearly stipulates the fields where foreign investment is prohibited and the maximum shareholding ratio of foreign investment in the restricted investment fields. The list is divided into 2 categories: A and B. List A lists the fields where foreign investment is restricted in accordance with the *Constitution of Philippines* or other special laws and regulations. List B clarifies the categories of industries restricted to foreign investors for the safety, defense, health and moral risk considerations and for the protection of small and medium-sized enterprises. As of May 2021, the country has implemented the *Eleventh Regular Foreign Investment Negative List* (No. 65 Executive Order) approved in October 2018. Furthermore, in the financial sector, the Philippines government has also made clear regulations on the shareholding ratio of the foreign investors.

**Table 3-1 Foreign Investment Restrictions/Prohibitions of Philippines<sup>①</sup>**

Types		Detailed Regulations
Regular Foreign Investment Negative List of Philippines (FINL)		
List A	No Foreign Equity	Mass media (except recording and internet business); Practice of professions (including: Radiologic and x-ray technology, and Marine deck officers and marine engine officers' maintenance and sales of nuclear weapons; manufacturing, maintenance, storage and sales of biochemical and radiological weapons; manufacturing of firecrackers and fireworks); Retail trade enterprises with paid-up capital of less than US\$ 2.5 million; Cooperatives; Organization and operation of private detective, watchmen or security guards' agencies; Small-scale mining; Utilization of marine resources in archipelagic waters, territorial sea and exclusive economic zones as well as small-scale utilization of natural resources in rivers, lakes, bays and lagoons, etc..
	Up to 25% Foreign Equity	Private recruitment, whether for local or overseas employment; Contracts for the construction of defense-related structures.
	Up to 30% Foreign Equity	Advertising.
	Up to 40% Foreign Equity	Subject to applicable regulatory frameworks, contracts for the construction and repair of locally-funded public works; Exploration, development and utilization of natural resources; Ownership of private lands; Ownership of public utilities; 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, etc..

① Philippines' official gazette: [www.officialgazette.gov.ph/2018/10/29/executive-order-no-65-s-2018](http://www.officialgazette.gov.ph/2018/10/29/executive-order-no-65-s-2018).

Continued

Types		Detailed Regulations
List B	Up to 40% Foreign Equity	<p>Manufacture, repair, storage, and/or distribution of products and/or ingredients (such as gunpowder, dynamite and blasting supplies, etc.) requiring the Philippines National Police (PNP) clearance;</p> <p>Manufacture, repair, storage and/or distribution of products (such as guns and ammunition for warfare, guided missiles/missile systems and components, military communications equipment, etc..) requiring Philippines Department of National Defense (DND) clearance.</p> <p>Manufacture and distribution of dangerous drugs;</p> <p>Domestic market enterprises with paid-in equity capital of less than the equivalent of US\$ 200,000;</p> <p>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.</p>
Market access restrictions for foreign investors in the financial sector of Philippines <sup>①</sup>		
Financial Sector	Banks	<i>The Islamic Banking Act</i> stipulates that the foreign banks may acquire, purchase or own voting shares of Philippines' domestic banks under the authorization of the Central Bank.
	Securities	Philippines allows foreign companies to participate in securities investment trading on the Philippines Stock Exchange, and their holdings are capped at 60%.
	Insurance	<p><i>The Insurance Act</i> of Philippines stipulates that foreign capital may hold the equity of local insurance companies, and foreign companies may establish joint ventures, subsidiaries and branches in Philippines.</p> <p>The types of enterprises that foreign investors are allowed to establish are: property insurance companies, life insurance companies, and comprehensive insurance companies, in which the comprehensive insurance companies need to apply for a property insurance or life insurance license in advance, and the license is renewed every 3 years.</p>

### 3.2 Foreign Investment Incentives

Board of Investments (BOI) of Philippines regularly updates the *Investment Priority Plan* to clarify the areas where the government encourages investment and the specific priority development projects. *The 2020–2023 Investment Priority Plan* released in November 2020 is implemented in 2021.

<sup>①</sup> Legal Affairs Department of CCPIT, Studies on Laws of the “Belt & Road” Countries-Philippines.

**Table3-2 Investment Priority Fields and Projects in Philippines' 2020–2023 Investment Priority Plan<sup>①</sup>**

Area	Specific project
Engaged in the production and operation activities related to the prevention and control of the COVID-19 Epidemic	Production activities of related drugs, medical equipment, personal protective equipment, surgical equipment, laboratory equipment and components; Related activities of medical waste disposal, test equipment, medical services in hospitals and isolation sites.
Manufacturing	Processing of agricultural and fishery products (including halal food and kosher food); Manufacturing of industrial products, including the construction of stacked houses and related parts.
Agriculture, forestry, animal husbandry and fishery	Production of agricultural, forestry, animal husbandry and fishery products; Construction of nurseries and hatcheries; Agriculture and fishery related support services, and infrastructure construction projects.
Strategic service	Design of integrated circuits; Creative industry (including: data analysis, call center, software development, game product R&D, medical information management system, engineering design, etc.); Maintenance, repair and overhaul of aircrafts; Construction of charging equipment and charging stations for new energy vehicles; Disposal of industrial waste (containing toxic and dangerous goods); Telecommunication services (including fixed and mobile broadband services); Design, procurement and implementation of advanced technology projects (including factories and infrastructure).
Medical service	Establishment and operation of general or specialized hospitals, and other medical facilities (including drug rehabilitation centers, health recovery centers, etc.).
Collective housing	Large-scale housing development projects (including low-rent housing projects) with an upper limit of PHP 2 million.
Infrastructure and logistics	Establishment and operation of physical infrastructure projects related to national economic development, including: airports, ports, land, sea, land and air transportation hubs, liquefied natural gas storage and regasification equipment, petroleum and natural gas pipeline projects, bulk water treatment and supply, training facilities, Inspection and quarantine laboratories, domestic industrial zones, etc.
Innovation drive	Research and development activities (including: agricultural biotechnology tools, hardware and software facilities for disaster prevention and control, mechanized production related to natural resource protection, portable technology, remote monitoring equipment, remote sensing technology equipment, optoelectronics and nanotechnology equipment, etc.); Clinical trials (including drug trials); Establishment of innovation centers, enterprise investment incubation centers and laboratories; Creation of crowd innovation space in the fields of digital trade and mobile payment.
Inclusive business model	Large and medium-sized agribusiness that provides business opportunities for small and micro enterprises.
Environment and climate change related projects	Manufacturing, establishment and assembly of energy efficiency equipment; Green ship recycling activities in line with international standards.
Energy	Power generation projects utilizing traditional energy (including coal, diesel, geothermal and natural gas), waste heat and other wastes.
Export activities	Production and processing of export products; Service-oriented export projects; A range of support activities related to exporters.

① Philippines' Board of Investments: [boi.gov.ph/2020-investments-priorities-plan](http://boi.gov.ph/2020-investments-priorities-plan).

## Tax Incentives

Philippines has formulated a number of financial preferential measures for domestic and foreign investors engaged in the projects listed in the *Investment Priority Plan* or carrying out pioneer project business operations.



### Special Reminder:

A project that meets one of the following 5 criterias can be considered as a pioneer project:

- a) engaged in the manufacturing or processing of products and raw materials (including product assembly and packaging), and has not yet reached a certain commercial scale in Philippines;
- b) the use of a new or never-used design, formula, strategy, method, process or system during the conversion of any production factor or raw material and during the manufacturing of finished products;
- c) engaged in agricultural-related activities or services to meet domestic demand;
- d) engaged in new energy R&D or the manufacturing and use of new energy equipment;
- e) engaged in the business activities specified in the existing Investment Priority Plan.

**Table 3-3 Types of Financial Incentives and Specific Measures<sup>①</sup>**

Incentive type	Specific financial preferential measure
Tax Deduction	a) Pioneer projects of the start-ups are granted a 6-year income tax holiday, and other priority projects are granted a 4-year income tax holiday; b) A 3-year income tax holiday is granted for expansion or upgrading projects of the existing enterprises; c) Start-ups located in underdeveloped areas enjoy a 6-year tax holiday for their start-up or expansion projects; d) Start-ups with the locally produced raw materials accounting for 50% of the total raw materials, the value of imported and locally produced fixed equipment and the ratio of workers not exceeding US\$ 10,000 per person, and the annual foreign exchange deposit or income more than US\$ 500,000 during the first 3 years before business operation are granted an extra 1-year tax holiday.
Deduction of tax payable	Raw materials, supplies, semi-finished products and terminal charges are not included in the taxable items.
Tariff Deduction	Export-oriented enterprises registered with the Board of Investments (BOI) and having a good reputation are exempt from customs duties when importing machinery, equipment, parts and other accessories; however, if based on the domestic market, the enterprises are subject to a customs duty rate of 1%.

<sup>①</sup> Philippines' Board of Investments: [boi.gov.ph/ufaq/boi-investment-priorities-plan](http://boi.gov.ph/ufaq/boi-investment-priorities-plan).

Continued

Incentive type	Specific financial preferential measure
Tax reduction for R&D expenditure Concessionary income tax <sup>①</sup>	R&D expenditures that meet the following conditions may be deducted in full or in proportion within 60 months: a) The expenditure is related to the taxpayer's trade and commercial activities; b) The expenditure is not considered as a current expense; c) The expenditure can be included in the capital account, but cannot be included in the asset account such as depreciation; d) The expenditure must be certified by an invoice or receipt issued in the name of the taxpayer.
Exemption from local business tax	Local business tax will be exempted within 4-6 years from the date of registration with Board of Investments (BOI) of Philippines.

### Other Incentives<sup>②</sup>

In addition, Philippines grants corresponding non-financial preferential measures to residents and non-resident enterprises engaged in the projects listed in the *Investment Priority Plan* or the pioneering projects, mainly including:

**Employment of Foreigners.** Within 5 years from the date of registration, the companies may hire foreign labor workers in their management or technical related positions; foreign labor workers in related positions, their spouses, and unmarried children under the age of 21 may apply for a residence permit in Philippines.

**Simplification of Customs Formalities.** When relevant enterprises are engaged in the import activities of equipment, parts, raw materials and the export business activities of processed products, the corresponding customs formalities may be simplified.

**Use Right of Bonded Warehouse.** Under the premise of complying with the customs management regulations, the companies' imported commodities or goods may be stored in the bonded warehouse in Philippines.

### 3.3 Special Economic Zones

As of March 2021, Philippines has a total of 74 manufacturing economic zones, 262

<sup>①</sup> Deloitte: [www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-survey-of-global-investment-and-innovation-incentives-philippines-2020.pdf](http://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-survey-of-global-investment-and-innovation-incentives-philippines-2020.pdf)

<sup>②</sup> Philippines' Board of Investments: [boi.gov.ph/wp-content/uploads/2018/02/EO-226-omnibus-investments-code.pdf](http://boi.gov.ph/wp-content/uploads/2018/02/EO-226-omnibus-investments-code.pdf).

information technology centers, 22 agricultural economic zones, 19 tourism economic zones, and 2 medical tourism centers.

**Table 3-4 Types of Special Economic Zones & Representatives in Philippines<sup>①</sup>**

Category	Representative Parks	Location	Approved Investment Scale <sup>②</sup> (Unit: PHP Million)	Representative Enterprises
Manufacturing economic zone	Hermosa Ecological Industrial Park	Bataan Province	6,831	Sumitomo Electric
	Subic Dock Special Economic Zone	Luzon Region	101.00	–
	Touba Export Processing Park	Palawan Island	7,500	–
Information technology center	Electronic Plaza IT Park	Metro Manila Region	49,550	BiTMICRO
	Northgate Computer Park		49,957.7	BWR Information Technology Corporation
	Cebu IT Park	Cebu City	50,000	–
Agro-economic zone	San Carlos Ecological Park	Negros Occidental	3,533	–
	Kamanga Agriculture Ecological Industrial Park	Sarangani Province	284.4	–
	Sarangani Agricultural Ecological Industrial Park		1,411.9	–
Tourism economic zone	Manila Bay Philippines Cultural Village	Metro Manila	7,500	Solaire Entertainment Resort
	Okada Entertainment City		16,000	–
	Iloilo Commercial City	Iloilo Province	6,545	Richmond Hotel Ortigas
Medical tourism center	Saint Lukes Medical Center	Metro Manila	4,000	–
	Piscataway Medical Tourism Park	Batangas Province	1,418.7	Saint Thomas Private Hospital

Philippines Economic Zone Authority (PEZA) imposes the following restrictions on business activities of the foreign investors engaged in specific industries in the special economic zones (Table 3-5).

① Philippines Economic Zone Authority: [www.peza.gov.ph](http://www.peza.gov.ph).

② Philippines Economic Zone Authority has updated the approved investment scale to Nov. 2017.

**Table 3-5 Industrial Regulations for Non-residents Engaged in Special Economic Zones<sup>①</sup>**

Industry Category	Requirements
Manufacturing export	Enterprises engaged in the product manufacturing, processing or installation must ensure that at least 70% of their products are for export.
Service export in the field of information technology	Enterprises engaged in the information technology services must ensure that at least 70% of their revenue comes from overseas customers.
Tourism industry, medical and health industry	Enterprises operating sports and entertainment centers, accommodation, conference and cultural facilities centers, as well as medical and health service institutions must take foreign customers or foreign tourists as their main customer groups.
Export of agricultural products	Enterprises engaged in the manufacturing or processing of agricultural products must be export-oriented.

Philippines Economic Zone Authority (PEZA) provides incentives such as tax deductions and exemptions to residents and non-resident enterprises entering the special economic zones and engaged in specific industries or business activities.

**Table 3-6 Incentives for Enterprises Entering into the Special Economic Zones<sup>②</sup>**

Preferential Category	Contents
Income tax	a. Pioneer projects of the start-ups enjoy a 6-year tax holiday, and other investment priority projects of the start-ups enjoy a 4-year tax holiday; b. Existing enterprises enjoy a 3-year tax holiday for expansion or upgrading projects; c. After the end of the tax holiday, the enterprises settled in the special economic zones can choose to pay corporate income tax at a tax rate of 5%.
Import duties and other relevant taxes	Enterprises settled in the special economic zones are exempted from customs duties and other taxes related to imported equipment, parts and raw materials.
Export taxes and relevant fees	Exemption of terminal charges and export taxes.
Commercial tax	Exemption of local commercial tax.
Others	a. For the investors with an initial investment of more than US\$ 150,000, the investors, their spouses and minor children are granted with the right to live permanently in the economic zones and freely enter and exit the economic zones; b. Senior executives or technical foreign workers of the enterprises in the special economic zones may apply for a 2-year work visa extension; c. Non-resident enterprises may directly remit out the relevant income generated from the business activities in the special economic zones.

In March 2020, Philippines Economic Zone Authority (PEZA) issued the *PEZA Assistance to Ecozone I.T. Enterprises in Responding to COVID-19*, which clarified a range of health security benefits provided for the domestic and foreign enterprises conducting investment and

① Philippines Economic Zone Authority: [www.peza.gov.ph](http://www.peza.gov.ph).

② Philippines Economic Zone Authority: [www.peza.gov.ph](http://www.peza.gov.ph).

business activities in the economic zones during the epidemic. Part of the provisions are valid until October 12, 2021 (see Table 3-7).

**Table 3-7 PEZA Assistance to Ecozone I.T. Enterprises in Responding to COVID-19<sup>①</sup>**

Category	Details
Work-for Home	Encourage the information technology enterprises in the special economic zones to formulate the right to work at home and other related systems.
Concessionary income tax	Allow the information technology enterprises in the special economic zones to provide employees with a 5% personal income tax reduction.
Others	<p>a. Allow the expenditure of the information technology enterprises in the special economic zones on epidemic prevention materials, disinfection and protection products, nucleic acid testing and other related fields not included in the enterprise cost items;</p> <p>b. Allow the information technology enterprises in the special economic zones to treat the expenses allocated by the Philippines Economic Zone Authority as the direct cost of the enterprises to deduct the corporate income tax.</p>

① Philippines Economic Zone Authority: [www.peza.gov.ph/documents/mc2020011.pdf](http://www.peza.gov.ph/documents/mc2020011.pdf)

# 4

## Industrial Development

### 4.1 Development Planning

#### 2022–2025 National Development Plan

Philippines government promulgated a 2022–2025 national development plan for 3 major industries in early 2021, aiming to promote the coordinated development of the 3 major industries and improve the country’s participation and competitiveness in the global economic development.

Agriculture, forestry, animal husbandry and fishery	Manufacturing	Service
<ul style="list-style-type: none"> <li>• Improve the large-scale production level of agricultural products processing industry, and promote the coordinated development of agricultural supporting supply chains;</li> <li>• Gradually increase the global market participation from 2022 to 2025.</li> </ul>	<ul style="list-style-type: none"> <li>• Promote the transformation of the industry to high net worth, and increase the investment in upstream or core manufacturing links;</li> <li>• Gradually improve the global competitiveness and innovation level of the manufacturing industry from 2022 to 2025.</li> </ul>	<ul style="list-style-type: none"> <li>• Establish an ecosystem based on manufacturing in the fields of human resources, finance and infrastructure services;</li> <li>• Set the main goal of continuously improving the global competitiveness of the service industry from 2022 to 2025.</li> </ul>

Fig. 4-1 2022–2025 National Development Plan of Philippines<sup>①</sup>

#### “Build, Build, Build” Plan<sup>②</sup>

In 2017, the Duterte government launched the “Build, Build, Build” infrastructure construction

① Philippines Government website: [industry.gov.ph/category/agribusiness](http://industry.gov.ph/category/agribusiness).

② Philippines Board of Investments: [boi.gov.ph](http://boi.gov.ph).

plan, aiming to invest PHP 8.4 trillion over a 6-year period (2017–2022) to upgrade the infrastructure level in the fields of roads, bridges, airports, railways, ports, etc. After the COVID-19 outbreak in 2020, the government revised the *2017–2022 National Development Plan* in February 2021. Based on the previous “Build, Build, Build” plan, it further clarified that the future will focus on the infrastructure construction projects featured with green and sustainable development in the fields of transportation, water conservancy, energy, communications, etc., and it also clarified that it will further increase the participation of the private sector in the construction of projects in transportation, energy, information and communications, expand the scale of capital investment by the central and regional governments in related projects, and improve the efficiency of project delivery and management.

### Sustainable Development Plan in the Energy Sector

In order to further promote sustainable development in the energy sector, Philippines’ Department of Energy (DOE) has issued a series of energy industry development plans. The current plans mainly include: *Philippines Energy Plan 2012–2030*<sup>①</sup>, *Philippines Energy Plan 2017–2040*<sup>②</sup> and *National Renewable Energy Program*<sup>③</sup>.

**Table 4-1 Sustainable Development Goals in the Energy Sector of Philippines**

Plan name	Goals
<i>Philippines Energy Plan 2012–2030</i>	It is planned to increase the installed capacity of wind power to 2,345MW and the installed capacity of photovoltaic to 1,528MW by 2030.
<i>Philippines Energy Plan 2017–2040</i>	It is planned to achieve the goal of 20,000MW of renewable energy installed capacity by 2040.
<i>National Renewable Energy Program</i>	Determine the electricity price of renewable energy through bidding, that is, the electricity price of green energy; Starting from 2020, online bidding will be adopted for photovoltaic projects.

① Philippines Department of Energy: [www.doe.gov.ph/pep/philippine-energy-plan-2012-2030?ckattempt=1](http://www.doe.gov.ph/pep/philippine-energy-plan-2012-2030?ckattempt=1).

② Philippines Department of Energy: [www.doe.gov.ph/pep/philippine-energy-plan-2017-2040\\_](http://www.doe.gov.ph/pep/philippine-energy-plan-2017-2040_)

③ Philippines Department of Energy: [www.doe.gov.ph/national-renewable-energy-program\\_](http://www.doe.gov.ph/national-renewable-energy-program_)

## 4.2 Key Industries

### Infrastructures<sup>①</sup>

According to the “Build, Build, Build” plan, the infrastructure investment in Philippines was PHP 817 billion in 2019, contributing 7.64% of GDP. In order to provide private investment with channels and opportunities to enter the market, the Philippines government has been implementing the public-private partnership (PPP) projects between the public and private sectors. As of 2019, Philippines has launched a total of 138 public-private partnership projects, with a total project cost of PHP 2.2 trillion. From the perspective of industry distribution, the public-private partnership projects are all over the areas of transportation, power, water conservancy, housing engineering, information and communications.

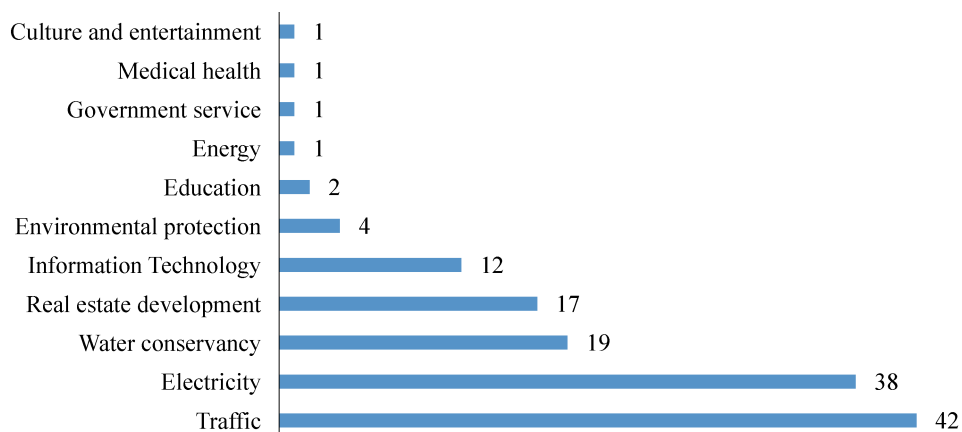


Fig. 4-2 Industrial Distribution Amounts of PPP investment projects as the end of 2019<sup>②</sup>

### Renewable Energy<sup>③</sup>

Philippines is a country that relies heavily on coal imports to meet domestic power generation needs. In recent years, electricity demand has continued to grow. During 2015–2020,

① Deloitte Touche Tohmatsu: [www2.deloitte.com/ph/en/pages/financial-advisory/articles/doing-business-in-philippines-2019.html](http://www2.deloitte.com/ph/en/pages/financial-advisory/articles/doing-business-in-philippines-2019.html).

② Deloitte Touche Tohmatsu: [www2.deloitte.com/ph/en/pages/financial-advisory/articles/doing-business-in-philippines-2019.html](http://www2.deloitte.com/ph/en/pages/financial-advisory/articles/doing-business-in-philippines-2019.html).

③ International New Energy Association: [www.iea.org](http://www.iea.org).

the average annual power consumption growth rate reached 5.7%, exceeding the power generation scale over the same period (a growth rate of 5.3%). In view of this, the government hopes to reduce the dependence on imported coal, reduce the greenhouse gas emissions, and improve the energy security level through the implementation of energy diversification strategy and renewable energy scale strategy. Philippines is rich in resources such as geothermal, water, solar and wind energy, and has great potential for renewable energy development. In 2019, the green energy generation scale in Philippines reached 6,695MW, of which hydro-power accounts for 45.2%, solar energy accounts for 13.8%, and wind energy accounts for 6.4%.

Since most of the renewable energy projects are for corporate financing rather than project financing, the cost of the projects is relatively high in the preparatory stage. Local banks such as the Land Bank of Philippines and the Development Bank of Philippines have already set up Special loan programs to provide financial support for the private sector.

**Geothermal.** Philippines ranks third in the global geothermal power generation scale published by the International Geothermal Association (IGA) in 2020. The main geothermal enterprises are located in 6 integrated geothermal energy areas including Mindanao, Leyte and Luzon. According to surveys, as of early 2020, the undeveloped geothermal resources in Philippines are up to 2,500MW. In *the 2012–2030 Energy Development Plan*, the Department of Energy (DOE) plans to complete 62% of the installed capacity in 26 geothermal power generation pilots over a period of 18 years.

**Hydro-power.** In 2019, the hydro-power generation scale in Philippines accounted for 4% of the total power generation. According to surveys, as of early 2020, the undeveloped hydro-power resources are up to 13,097MW. Moreover, Philippines plans to develop solar power projects on hydro-power dams with a combination of solar and hydro-power modes.

**Solar Energy.** The northern and southern Philippines are the main areas for solar power

generation, and rooftop solar power generation systems are the most common power generation mode. The government plans to gradually invest a cumulative US\$ 800 million in rooftop solar commercial power generation investment projects by 2030.

**Wind Power.** The wind resources of Philippines are mainly concentrated in the northern and central regions, namely the Batanes Islands, Babuyan Islands, northern and central Luzon. In 2019, the cumulative installed capacity of wind power in Philippines, mainly from Visayas Islands, Pilia, Caparipisan, Burgos and Luzon, ranked first among the 10 ASEAN countries, with a total operating scale of 426MW.

### **Business Process Outsourcing<sup>①</sup>**

Philippines is known as the “Global English Call Center”. The capital Manila’s business process outsourcing scale is second only to India’s Bangalore, ranking the second in the world. Business Process Outsourcing (BPO) mainly covers: administrative management and general support services, education and training, communications, financial and insurance services, etc.. In 2019, Philippines employed 1.3 million people in this industry, and the industry output value exceeded US\$ 26 billion. The main sources of foreign capital are the United States, Japan, South Korea and European countries.

In 2004, Philippines established the Business Processing Association of Philippines (BPAP), which is responsible for coordinating the relationship between government departments and business process outsourcing enterprises. Meanwhile, Philippines established the Foreign Service Institute (FSI) and the Philippines Institute for Development Studies (PIDS) to provide business process outsourcing training to the government officials at all levels in Philippines, and to research on the medium and long-term policies for the economic development of Philippines (including the medium and long-term policies for the development of the business process

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① Manila Times: [www.manilatimes.net/2020/10/27/public-square/the-state-of-bpo-industry-in-the-philippines/786767](http://www.manilatimes.net/2020/10/27/public-square/the-state-of-bpo-industry-in-the-philippines/786767).

outsourcing industry).

During the COVID-19 Epidemic in 2020, Philippines adopted compulsory quarantine measures. Due to problems such as the limited penetration of network infrastructure, quarantine measures such as home office work did not alleviate the economic impact of the epidemic on the business process outsourcing field. Take health management as an example. Before the epidemic, developed countries led by the United States relied on Philippines' rich healthcare business outsourcing services to meet their country's needs for medical services; after the outbreak, telemedicine services represented by digital diagnosis and treatment technology developed rapidly. The demand for technical personnel has gradually replaced the demand for large-scale personnel.

### **Agro-comprehensive Industry<sup>①</sup>**

In 2019, the contribution rate of agriculture, forestry, animal husbandry and fishery to Philippines' GDP reached 9.22%. Philippines is rich in various crops such as fish, sugar cane, bananas, coconuts, corn and natural rubber, and relies on abundant agricultural raw materials to vigorously develop the agricultural product supply chain. Restricted by the geographical location of the island country, the effectiveness of the logistics and transportation of local agricultural products is limited. In recent years, Philippines has actively adopted the model of large-scale and vertically integrated agricultural comprehensive industrial parks to solve the logistics and transportation problems of agricultural products. Nowadays, Dole and Del Monte<sup>②</sup> promoted in the Mindanao region of Philippines has become a model case of this industry.

In order to cope with the impact of the COVID-19 Epidemic on Philippines agriculture in 2020 and ensure the stability of the food supply chain, the Philippines government has

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① World Bank: <https://data.worldbank.org/indicator/SL.TLF.TOTL.IN?locations=KR>.

② Note: "Dole and Del Monte" is an integrated agricultural supplier. It entered the Philippines market in 2014, committed to achieving sustainable and green development of agricultural production and processing processes, and taking into account the efficiency of agricultural development and the efficiency of waste disposal capabilities.

accelerated its agricultural modernization strategy and issued a “Food Lane Pass” stipulating those products such as food, feed, seeds or fertilizer can freely pass across the regions.

## **Tourism**

Relying on local natural resources, tourism has become one of the key industries in Philippines over the past 5 years. The Philippines tourism market is mainly divided into 9 thematic categories: a) leisure tourism based on natural resources;b) cultural tourism;c) tourism themed on health and elderly vacation;d) convention and exhibition tourism;e) seaside ranch tourism;f) cruise and sailing tourism;g) education and training tourism;h) entertainment and leisure theme tourism;i)diving and sailing event tourism.

Since 2016, Philippines government has been committed to improving the level of international airport infrastructure. The major airports planned for construction include: Aquino International Airport and various large, medium and small airports in Bohol and Bicol. Moreover, the privatized operation and management of airport services in some regions will promote the rapid development of tourism and surrounding industries.

Philippines is also committed to improving the convenience of travel formalities with residents of other partner countries, such as opening an electronic visa application platform with major tourist source countries. In addition, Philippines is trying to improve the tourism-related infrastructure, increase the supply of tourism-related industries (such as hotels and catering, etc.), encourage private sector investment in this field and promote the development of tourism clusters.

### **4.3 Foreign Investment**

In recent years, Philippines has shown a general trend of gradual expansion in attracting foreign investment. In 2019, Philippines attracted a total of PHP 390.11 billion of foreign investment, an increase of about 1.13 times compared with 2018; the scale of foreign investment

attracted in 2020 has declined to PHP 112.12 billion.

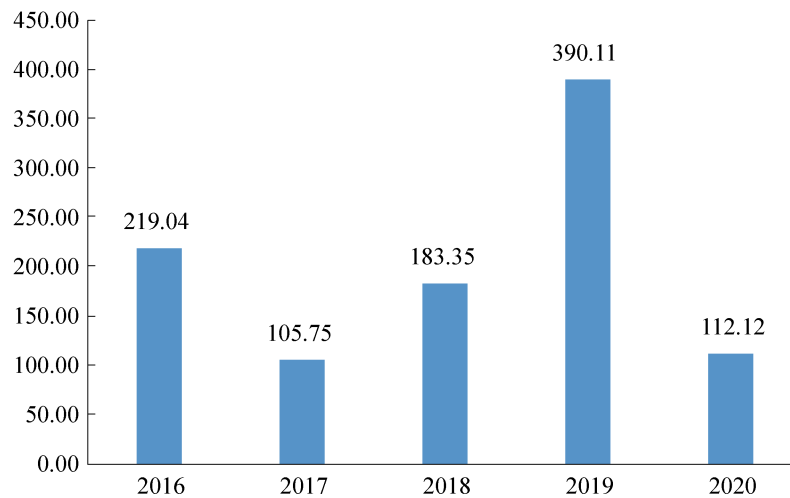


Fig. 4-3 FDI in Philippines, 2016–2020 (Unit: PHP Billion)<sup>①</sup>

### Foreign Capital Source

In 2020, the United States (31.55%), China (13.91%), the United Kingdom (11.66%), Singapore (8.91%) and Japan (8.36%) were the main sources of foreign investment in Philippines.

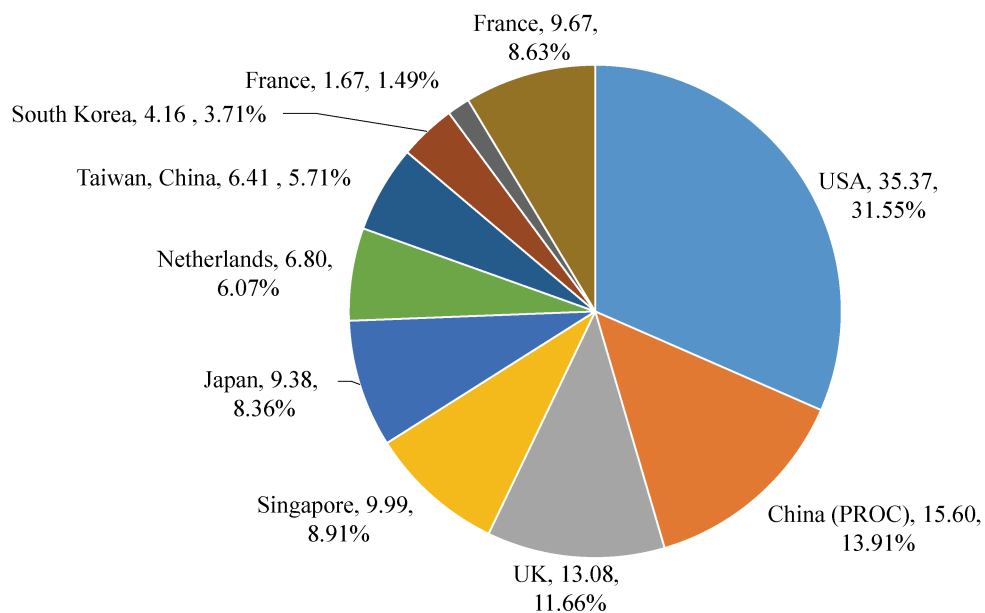


Fig. 4-4 Origin of Philippines' FDI 2020 (Unit: PHP Billion)<sup>②</sup>

① Philippines Statistics Authority: psa.gov.ph.

② Philippines Statistics Authority: psa.gov.ph.

## Industry Distribution of Foreign Investment

In 2020, the industries that receive the most foreign investment in Philippines are manufacturing (PHP 37.60 billion), transportation & warehousing (PHP 37.47 billion), and administrative support activities industry (PHP 17.84 billion). Among them, the absorption of foreign investment in the transportation & warehousing industry increased by 869.67% year on year.

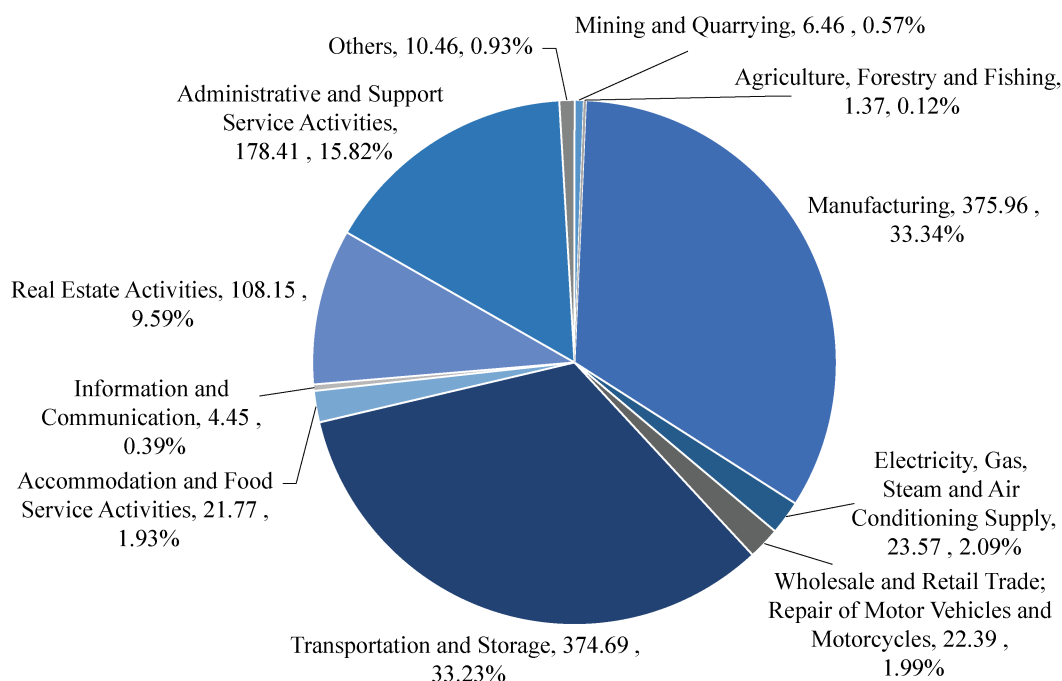


Fig. 4-5 Industry Distribution of Philippines' FDI, 2020 (Unit: PHP 100,000,000)<sup>①</sup>

① Philippines Statistics Authority: psa.gov.ph.

# 5

## Starting a Business

### 5.1 Registering a Business

#### Competent Authorities

Department of Trade and Industry (DTI) and the Securities and Exchange Commission (SEC) are the competent authorities in charge of matters in relation to business registration.

#### Entity Types<sup>①</sup>

The types of entities that foreign investors can register in Philippines include: sole proprietorship, partnership, limited company, branch and representative office, etc.

The requirements for the minimum registered capital of each entity type are as follows: partnership (each partner contributes at least PHP 3,000), joint stock companies (paid-in capital of at least PHP 5,000), branch companies (domestic remittance of at least US\$ 200,000 in capital), representative offices (domestic remittance of at least US\$ 30,000 in capital).

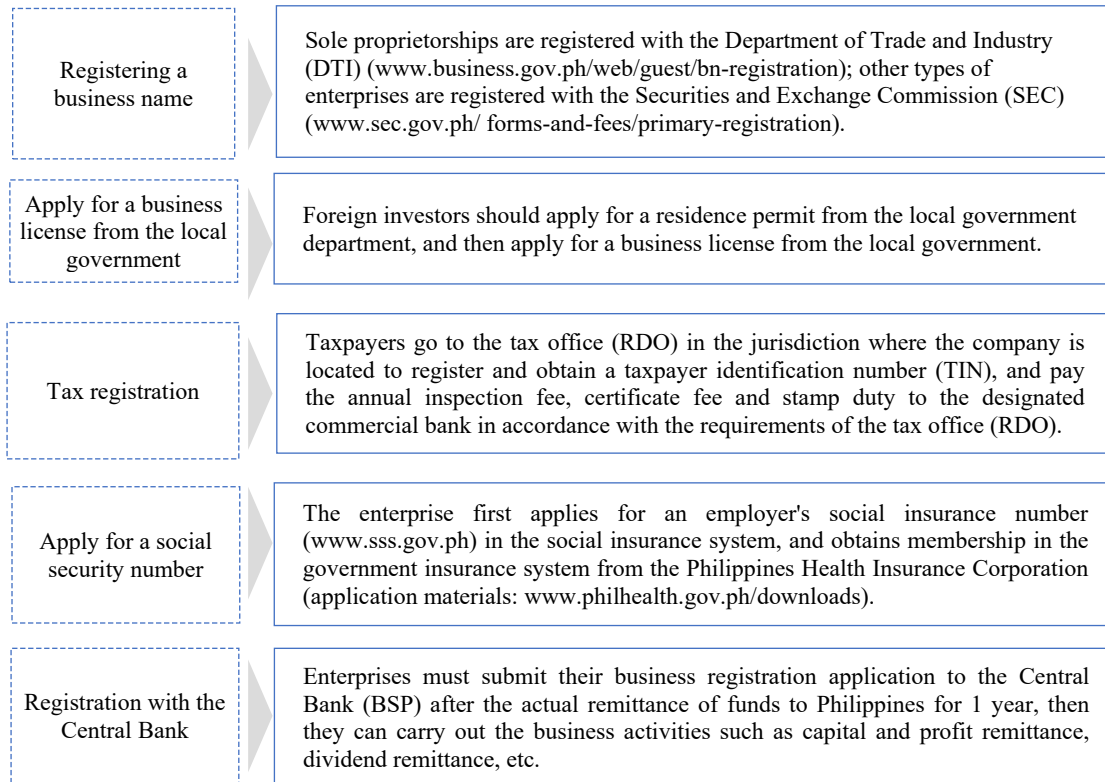
In addition, a company limited by shares or branch must have 5-15 directors, and if the company has 5 directors, at most 2 non-resident directors are allowed.

#### Registration Process

The general company registration process is shown in Fig. 5-1.

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<sup>①</sup> MONEYWISE: <https://moneywise.com.ph/the-types-of-businesses-in-the-philippines-and-how-to-register-them>.



**Fig. 5-1 Main Procedures for Business Registration**



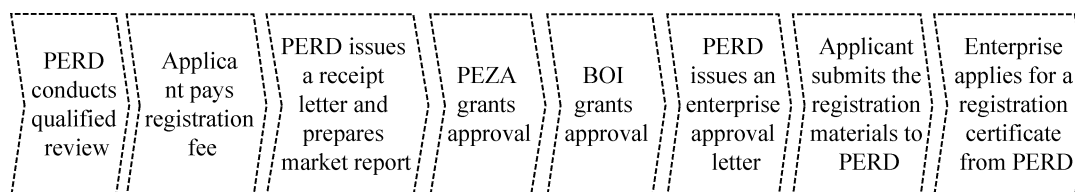
**Special Reminder:**

In the process of applying for a business license from the local government, the materials that the enterprise should provide are: a) Application form; b) Registration certificate of Department of Trade and Industry (DTI) or Securities and Exchange Commission (SEC); c) Real estate lease contract or ownership transfer certificate within the scope of the registration place and business location (if any); d) Business location scope permit of the city or region where the business is located; e) Construction permit and electrical inspection certificate; f) Public liability insurance (only applicable to enterprises engaged in restaurants, movie theaters, shopping centers and other related operations); g) Barangay business license<sup>①</sup>; h) Fire safety inspection certificate.

For the enterprises engaged in the projects and business activities specified in the *2020–2023 Investment Priority Plan*, in addition to the regular registration process, they should also register

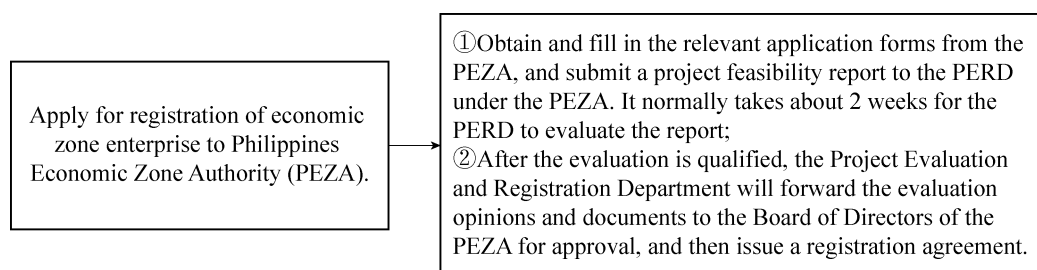
<sup>①</sup> Note: When registering a business in Philippines, it is necessary to apply for a Barangay business license to the locality. The purpose is to ensure that the business operator does not pose a threat to the local population, safety, and public security of the locality.

at the Project Evaluation and Registration Department (PERD) under the Board of Investments (BOI).



**Fig. 5-2 Registration Process of Board of Investments (BOI)<sup>①</sup>**

If foreign investors conduct business activities in the special economic zones of Philippines, they must first register with Philippines Economic Zone Authority (PEZA), and then apply for registration with Securities and Exchange Commission (SEC) or Board of Investments (BOI) according to the regular registration process.



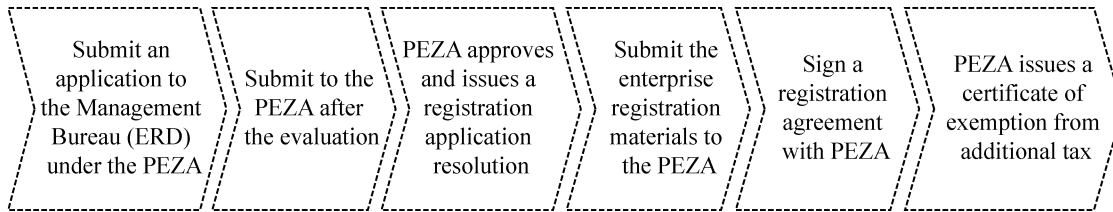
**Fig. 5-3 Special Economic Zone Enterprise Registration Process<sup>②</sup>**

If the enterprise is engaged in business activities related to the *2020–2023 Investment Priority Plan* in the special economic zones of Philippines, it can be exempted from the additional corporate income tax in accordance with the regulations. Enterprises that meet the above requirements should apply to Philippines Economic Zone Authority (PEZA) for additional income tax exemption certificates. For the application materials for the additional enterprise income tax exemption certificates, please refer to the website of Philippines Economic Zone Authority (PEZA).<sup>③</sup>

① Philippines' Board of Investments: [boi.gov.ph](http://boi.gov.ph).

② Philippines Economic Zone Authority: [www.peza.gov.ph](http://www.peza.gov.ph).

③ Philippines Economic Zone Authority: [www.peza.gov.ph/index.php/2-uncategorised/30-cost-of-doing-business](http://www.peza.gov.ph/index.php/2-uncategorised/30-cost-of-doing-business).



**Fig. 5-4 Additional Application Process for Exemption of Corporate Income Tax<sup>①</sup>**

## 5.2 Project Contracting

### Competent Authorities

In Philippines, the government management departments in charge of the contracting of projects by foreign investors include: National Economic Development Authority (NEDA), Philippines Contractors Accreditation Board (PCAB), Construction Industry Authority of the Philippines (CIAP), etc.

National Economic and Development Authority (NEDA) is the main department for national socio-economic development planning. It is responsible for government macroeconomic forecasts and policy analysis and research, and provides development plans and policy measures recommendations. Government engineering projects generally can only be implemented after approved by the National Economic Development Authority.

Philippines Contractors Accreditation Board (PCAB) is responsible for reviewing the qualifications of contractors and issuing special licenses for contracting construction projects and engaging in construction activities to the contractors who meet the qualifications.

Construction Industry Authority of Philippines (CIAP) is responsible for supervising and managing the engineering contractors, including the contractors who do not comply with the relevant laws and regulations of the construction industry into a “blacklist”, and canceling their right to undertake the government engineering contracting business.

In addition, the Department of Public Works and Highways (DPWH) is responsible for the approval of related projects such as highways and bridges; the Department of Transportation

<sup>①</sup> Philippines Economic Zone Authority: [www.peza.gov.ph](http://www.peza.gov.ph).

(DOT) is responsible for the approval of railways, airports, ports and related projects; and Philippines Reclamation Authority under the Department of Agriculture (DA) is responsible for the approval of water conservancy and irrigation related projects.

### Acquiring Information

The bidding information of engineering projects is mainly released through the following 3 ways: a) Government departments or business owners release bidding information through local media; b) Business owners directly issue invitation of bid to the relevant enterprises; c) International organizations, economic and commercial offices of various embassies in Philippines, as well as enterprises or industry associations and other institutions issue bidding announcements.<sup>①</sup>

Moreover, Public-Private Partnership (PPP) Center, as the organization and supervision department of public-private partnership projects, clarifies the list of projects that the private sector can participate in and the investment ratio limit in the engineering projects that are regularly determined and released every year (please visit the website of Public-Private Partnership (PPP) Center for details).<sup>②</sup>

### Obtaining Qualifications of Bidder

Foreign investors should apply for a special license from Contractors Accreditation Board (PCAB) of Philippines before they can undertake engineering projects. In Philippines, different project owners have different qualification requirements, related procedures and approval formalities for contractors. Under normal circumstances, the owner mainly reviews the contractor's (or equipment supplier's) performance in terms of finance and technology. For specific requirements, please refer to the website of Philippines Contractors Accreditation Board.<sup>③</sup>

Taking the road and bridge engineering projects charged by Philippines' Department of Public

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① Philippines Public-Private Partnership (PPP) Center: [ppp.gov.ph](http://ppp.gov.ph).

② Philippines Public-Private Partnership (PPP) Center: [ppp.gov.ph](http://ppp.gov.ph).

③ Philippines Contractors Accreditation Board: [www.pcabgovph.com](http://www.pcabgovph.com).

Works and Highways (DPWH) as an example, the contractor must first pass the qualification review by Department of Public Works and Highways (DPWH) when handling the qualification certification formalities, and provide business licenses and tax registration certificate, Securities and Exchange Commission registration certificate, articles of association, financial audit report, company business performance report, etc..<sup>①</sup>

In addition, Department of Energy (DOE) has made special regulations on the bidding requirements for foreign-funded enterprises to participate in energy engineering projects, restricting the investment ratio of different types of energy projects.

**Table 5-1 Requirements for Foreign Investment in Energy Projects<sup>②</sup>**

Project types		Requirement of foreign investment form
Petroleum survey, mining and processing		Acceptable investment form up to 100% of foreign holdings
Coal survey, mining and processing		Acceptable investment form up to 40% of foreign holdings
New energy development	Biomass power generation / garbage-to-energy projects	Acceptable investment form up to 100% of foreign holdings
	New energy development projects other than biomass power generation / garbage-to-power generation	Acceptable investment form up to 40% of foreign holdings
Power plant		Acceptable investment form up to 100% of foreign holdings
Other government-led energy engineering projects		Acceptable investment. form of a joint venture between foreign capital and a local enterprise with a maximum foreign shareholding of 25%



### Special Reminder:

*The BOT Law* of Philippines stipulates that the operating period of the concession projects is up to 50 years. At the same time, foreign investors must meet the requirements on investor qualifications, shareholding, investment fields, investment forms, repayment plans, income distribution, financing conditions, incentive measures, and project supervision in the *BOT Law* before undertaking construction projects (please refer to the original text of the *BOT Law* for

① Philippines' Department of Public Works and Highways: [www.dpwh.gov.ph/dpwh/projects/infrastructure](http://www.dpwh.gov.ph/dpwh/projects/infrastructure).

② Philippines Department of Energy: [www.doe.gov.ph/transparency/pbb-guidelines-fy-2020?q=transparency/doe-annual-reports](http://www.doe.gov.ph/transparency/pbb-guidelines-fy-2020?q=transparency/doe-annual-reports).

details).<sup>①</sup>

## Bidding<sup>②</sup>

In Philippines, the bidding procedures for engineering projects should be completed within 15 days from the deadline for receiving the tender materials. If the amount of the target is less than PHP 50 million, the entire review process shall be completed within 5 days after the deadline for receiving the tender materials.

Generally, the participants in Philippines' engineering projects include: Philippines Bids and Awards Committee (BAC) and its secretariat, the Technical Working Group (TWG) and Observers.

The main bidding process includes: a) Bids and Awards Committee (BAC) evaluates all bidders that have passed the preliminary review; b) The qualified bidders are ranked according to their bids, and the contractors are excluded whose total price exceeds the bidding amount except for errors, discounts and other factors; c) The Bids and Awards Committee will issue a bidding result report after longitudinally comparing the bidding qualifications and rankings of the bidders; d) The Technical Working Group under the assistance of the Secretariat of the Bids and Awards Committee releases the bidding results within 3 days after the evaluation is completed. Please refer to the website of Bids and Awards Committee (BAC) of Philippines ([bac.uplb.edu.ph](http://bac.uplb.edu.ph)) for specific bidding and relevant regulations on the bidding process.

## Operation Supervision<sup>③</sup>

The Construction Industry Authority of Philippines (CIAP) has the right to supervise and manage the construction contractors. When contractors do not comply with relevant construction

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<sup>①</sup> Philippines Public-Private Partnership (PPP) Center: [ppp.gov.ph/wp-content/uploads/2013/02/BOT-IRR-2012\\_FINAL.pdf](http://ppp.gov.ph/wp-content/uploads/2013/02/BOT-IRR-2012_FINAL.pdf).

<sup>②</sup> Philippines Bids and Awards Committee: [bac.uplb.edu.ph](http://bac.uplb.edu.ph).

industry laws and regulations, they can be included in a “blacklist” to restrict their project contracting business; Department of Labor and Employment (DOLE) is responsible for formulating the occupational safety and health regulations of the construction industry, and standardizing the occupational safety and health regulations of the construction industry; the Bureau of Working Conditions (BWC) is responsible for reviewing the construction safety and health system submitted by engineering contractors.



### **Investment Practice:**

#### **The construction of Sangley Point Airport in Philippines undertaken by a foreign enterprise was suspended<sup>①</sup>**

In 2019, China Communications Construction Co., Ltd. (CCCC) and Macro Asia jointly bid to win the right to rebuild Sangley Point Airport in Philippines on a large scale, transforming the former U.S. Air Force Base into the second largest airport in Philippines. The implementation of the project will greatly alleviate the congestion of Manila International Airport. The first phase of the project is expected to be put into operation in 2022 and can receive 25 million passengers every year.

China Communications Construction Co., Ltd. (CCCC) and Macro Asia formed a joint venture to participate in the bidding, and passed the evaluation of the Provincial Public-Private Partnership (PPP) Center of Philippines. Choosing a joint venture with a local company on the one hand can satisfy Philippines’ requirement that the proportion of foreign shareholding in certain industries cannot exceed 40%; on the other hand, it is supposed to reduce risks and attract more public opinion from the local communities.

As infrastructure construction is a top priority for Philippines, and the project is an important cooperation project under the strategic docking between China and Philippines, the Cavite government, where the Sangley Point Airport is located, is very satisfied with the Chinese enterprise in undertaking the project and has given it full expectation and support.

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① According to Sohu, Hong Kong Economic Journal.

However, in January 2021, the Cavite government of Philippines suspended the expansion of the Sanglay Point International Airport in the name of flawed tender documents and announced that it would find another private enterprise to complete the follow-up project.

**Comment:** The Philippines government has attached great importance to the construction of public infrastructure in recent years, and welcomes qualified foreign enterprises to contract infrastructure projects in different ways. However, transnational infrastructure projects are affected by many factors and have certain risks. Investors are advised to strictly assess the potential risks of the project and formulate plans. Once encountering any violation of the contract, they need to take legal measures in a timely manner to protect their rights and interests, and seek help from the media and the international communities.

### 5.3 House Leasing

Philippines National Housing Administration (NHA) is the management and policy supervision enforcement agency in the real estate sector. *No. 9653 Republic Act*<sup>①</sup> stipulates that since December 31, 2013, the annual increase in house rents should not exceed 7% of the actual rent. The tenant should pay the rent before the 5th of each month or before the deadline specified in the agreement. When making the first payment, the lessor may require the lessee to pay 1 month's advance rent and 2 months' lease deposit.

In Philippines, the rental business can be handled through offline housing agencies or online rental websites. The main real estate agencies in Philippines are: Philippines Real Estate, Colliers International Philippines, Lamudi, etc.

**Table 5-2 Some of the intermediary platforms for renting houses**

Agent Name	Contact Information
Philippines Properties	Tel.: +632 8637 5184 Website: <a href="http://www.philippinesproperties.com">www.philippinesproperties.com</a> Address: Unit 2203-2204, 22nd Floor, Raffles Corporate Center, F. Ortigas Jr. Road, Pasig City

① The LAWPHiL Project: [www.lawphil.net/statutes/repacts/ra2009/ra\\_9653\\_2009.html](http://www.lawphil.net/statutes/repacts/ra2009/ra_9653_2009.html).

Continued

Agent Name	Contact Information
Lamudi	Telephone: +632 6739 2486 Website: www.Lamudi.com.ph Address: Unit 32AD BPI-Philam Life, 6811 Ayala Ave., Makati City
KMC MAG Group	Tel.: +632 8403 5519 Website: kmcmaggroup.com Address: 11th Floor Sun Life Centre, 5th Ave, Taguig, Manila City
Colliers International Philippines	Tel.: +632 8888 9988 Website: www.colliers.com/en-ph Address: 1F Frabelle Business Center, 111 Rada Street Legaspi Village, Makati City
List Sotheby's International Realty Philippines	Tel.: +632 8556 0554 Website: www.lsirglobal.com/offices/detail/philippines Address: UNIT 1618, HIGH STREET SOUTH CORPORATE PLAZA TOWER 1 26TH, CORNER 9th Ave, Taguig, Manila

## 5.4 Opening a Bank Account<sup>①</sup>

Foreign companies may open corporate accounts in local banks in Philippines. The business hours of Philippines' commercial banks are usually from Monday to Friday from 9:00 to 17:00. Generally, foreign companies need to open consumer accounts to facilitate transactions such as fund transfers, electronic transactions, acceptance bills, regular payments, etc. Non-resident investors or foreigners who stay in Philippines for less than 180 days can only open foreign currency deposit accounts in Philippines, and cannot open other types of bank accounts.

The account opening materials required for foreign investors to apply for an account in a bank in Philippines include: passport (original and copy), Philippines residence card or work visa, housing lease certificate or business address certificate (rental contract or utility bill, broadband payment bill), recruitment documents, etc. When opening an account for the first time, commercial banks usually require the enterprises to deposit a certain amount of funds in the account in advance. Normally, the pre-deposit for deposit accounts is PHP 1,000-PHP 5,000 (US\$ 20-US\$ 110).

<sup>①</sup> CCPIT, Guide on the Business Environment of Foreign Countries for Investors-Philippines (2020).

## 5.5 Employee Recruitment

In Philippines, the sources of employee recruitment information can be roughly divided into 4 categories: social networking platforms, recruitment websites, campus recruitment platforms for fresh graduates, and headhunting companies.

**Table 5-3 Philippines' Employee Recruitment Channels**

Channels	Name	Website	Notes
Social networking platform	LinkedIn	ph.linkedin.com	-
	Facebook	www.facebook.com	
	Instagram	www.instagram.com	
	Twitter	twitter.com/twitterph	
Recruitment website	Monster Philippines	www.monster.com.ph	Usually cover the recruitment information of top companies in Philippines and provide a resume delivery platform.
	Careerjet	www.careerjet.ph	
	Pinoy jobs	www.pinoyjobs.ph	
	Kalibrr	www.kalibrr.com	
Fresh graduate recruitment	University of Philippines (UP)	up.edu.ph	Release the targeted recruitment information through the universities' official channels.
	De La Salle University (DLSU)	www.dlsu.edu.ph/admissions/undergraduate	
	University of Saint Thomas, Philippines (UST)	www.ust.edu.ph/services	
Headhunting Companies	Manila Recruitment	manilarecruitment.com/headhunters-in-the-Philippines	Usually serve the enterprises looking for specific senior management talents or IT technical talents.
	Curran Daly & Associates	currandaly.com	
	KCG Recruitment	kcrecruitment.com	

## 5.6 Financing

In Philippines, the feasibility for foreign investors to carry out local financing mainly depends on factors such as company qualifications, project benefits, and risk assessment. The ways of financing that enterprises can choose are: bank loans, bond issuance, stock exchange listings, etc.

### Bank Loans

Foreign-funded enterprises that meet the following requirements may apply for commercial

loans at the commercial banks of Philippines:

- (1) Foreign investors who have lived in Philippines for more than 2 years;
- (2) Enterprises that has the capability to continue the operations during the loan period and can repay the loan as scheduled according to the repayment period;
- (3) Other application conditions stipulated by each commercial bank.

If the type of company established by a foreign investor is a sole proprietorship, it must meet the additional requirements: the applicant for a commercial loan must be an operator or shareholder of the enterprise for at least 2 years. Common types of corporate loans in commercial banks are: term loans and business cash loans (BCL).

**Table 5-4 Several Requirements of Applying for Business Loan in Bank of Commerce<sup>①</sup>**

Items	Term Loan	Business Commercial Loan (BCL)
Scope	Purchase the enterprise fixed assets for the expansion of enterprise and the acquisition of other working capital	Used for working capital and other daily expenses
Limitation	Upper limit of US\$ 1 million-15 million	
Interest Rate	Calculated according to the current loan interest rate, the average loan interest rate of commercial banks in 2019 is 6.54% <sup>②</sup>	
Types of Collateral	Residential, commercial or industrial projects (excluding improvement works) that can be mortgaged under the applicant's name, and cash deposits	
Terms	1 - 5 years	Until the expiration of loan term (the credit period is 1 year, subject to annual review and audit)
Reimbursement	Repaid by means of overdue checks (PDC)	Reimbursement in accordance with the collection procedures of each bank
Application Materials	a)Bank loan application form; b)Copy of enterprise business license (with signature and seal); c)Enterprise income tax return (ITR) and audited financial statements (AFS) for 3 consecutive years; d)Certificate of business registration with Philippines' Securities and Exchange Commission or the Board of Investments; e)Business license and/or mayor's license; f)Bank statements for 6 consecutive months; g)Bank's power of attorney.	

In addition, foreign workers in Philippines may apply for Personal Bank Loans locally in their own name. The main application materials include: a)a copy of the employment contract or

① Bank of Commerce: [www.bankcom.com.ph/personal/loan-products/small-business-loan](http://www.bankcom.com.ph/personal/loan-products/small-business-loan).

② CEIC Data: [www.ceicdata.com/zh-hans](http://www.ceicdata.com/zh-hans).

employment certificate; b) a certificate letter from the embassy of the country in Philippines; c) a copy of a personal work visa / a copy of a personal passport / a copy of a special investor residence visa / a copy of a valid VISA card.

### Bond Issuance<sup>①</sup>

Philippines' Securities and Exchange Commission (SEC) allows foreign enterprises to raise funds in Philippines' bond market. The issuance of corporate bonds is divided into 2 ways: exchange trading and over-the-counter trading. Among them, the exchange trading requires that the enterprise must be a joint-stock limited company; the specific requirements for over-the-counter transactions are formulated by the Securities and Exchange Commission, and enterprises that apply for over-the-counter trading must register with the Securities and Exchange Commission in advance.

### Listing on the Exchange

When a foreign company conducts an initial public offering (IPO) in Philippines, it is required to complete the registration with the Securities and Exchange Commission and go public successfully in accordance with the provisions of the *Securities Regulation* (SRC). In Philippines, the listing requirements for non-resident companies mainly include: the company must have at least 3 years of operating experience before applying for listing, and the minimum capital requirements for the company are PHP 5 million (listed on the main board) and PHP 1 million (listed on the small and medium board). Please refer to the website of Securities and Exchange Commission for specific application materials.<sup>②</sup>



#### Special Reminder:

The Asian Infrastructure Investment Bank, the International Finance Corporation, and the

① Asian Development Bank: [www.adb.org/countries/philippines](http://www.adb.org/countries/philippines).

② Philippines' Securities and Exchange Commission: [www.sec.gov.ph/company/primary-registration-2/processing-of-applications-for-foreign-corporations](http://www.sec.gov.ph/company/primary-registration-2/processing-of-applications-for-foreign-corporations).

Multilateral and Bilateral Cooperation Fund can provide financing support for foreign enterprises to participate in infrastructure construction projects in Philippines.

In order to attract foreign investors to invest in the Philippines' domestic infrastructure, public utilities, agribusiness and other fields, the International Finance Corporation (IFC) is committed to providing project funds loans or equity investments to the private sector, and initiating fund-raising projects. Since 1962, the International Finance Corporation (IFC) has successfully invested more than US\$ 3 billion of capital loans or equity investments in more than 100 private enterprises in Philippines.

**Table 5-5 Information Query Table for Infrastructure Projects of International Organizations**

Name	Contact Information	Main financing type	Representative case of previous infrastructure projects in Philippines
Asian Infrastructure Investment Bank <sup>①</sup>	information@aiib.org	Sovereign financing Cofinancing	Manila Region Flood Control Project (2020) Manila-Calamba South-North Commuter Railway Construction Project (2019) Cavite-Laguna Highway Construction Project (2019) Bulacan Water Supply Plan (2019)
Asian Development Bank <sup>②</sup>	PhilippinesOffice <sup>③</sup>	Sovereign financing Cofinancing Non-sovereign financing	Improvement of Philippines Enterprise Registration Government System (2020) Everbridge Partnership Fund Asia-Pacific Enterprise Business Support Fund Project (2019)
International Finance Corporation <sup>④</sup>	TTaheri@ifc.org	Non-sovereign financing	EDGE- Sustainable Income Improvement and Promotion Plan for Low-income Families in Philippines Philippines Crop Insurance Plan During Typhoon Period

## 5.7 Applying for Patents and Registered Trademarks

### Application for Patents

The Patent Office under the Philippines Intellectual Property Office (IPO) takes charge of patent applications. To apply for a utility model patent, the relevant materials must be

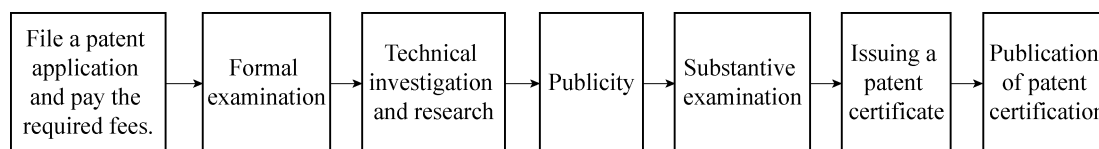
① Asian Infrastructure Investment Bank: [www.aiib.org/en/index.html](http://www.aiib.org/en/index.html).

② Asian Development Bank: [www.adb.org/countries/philippines](http://www.adb.org/countries/philippines).

③ Asian Development Bank PhilippinesOffice: [www.adb.org/news/contacts](http://www.adb.org/news/contacts).

④ International Finance Corporation: [www.ifc.org](http://www.ifc.org).

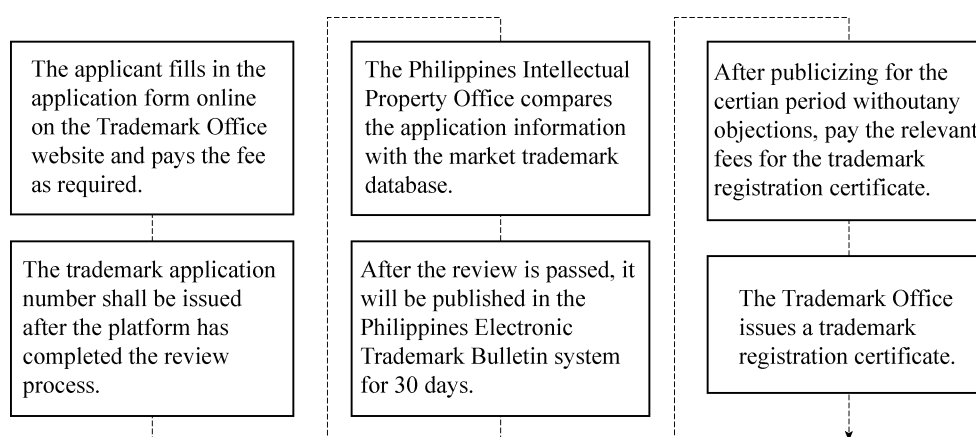
submitted on the website of the Intellectual Property Office (list of the required materials: [www.ipophil.gov.ph/utility-model-filing](http://www.ipophil.gov.ph/utility-model-filing)). Submit the application and pay the registration fee in the application system ([onlineservices.ipophil.gov.ph/eUMFile](http://onlineservices.ipophil.gov.ph/eUMFile)).



**Fig. 5-5 The patent registration process in Philippines<sup>①</sup>**

## Registration for Trademark

The Intellectual Property Office (IPO) is responsible for trademark registration. Normally, the trademark registration application takes about 12-18 months (list of the required materials: [www.ipophil.gov.ph/etm-file-trademark](http://www.ipophil.gov.ph/etm-file-trademark) ).



**Fig. 5-6 Application process for trademark registration in Philippines<sup>②</sup>**



### Special Reminder:

In Philippines, the application materials for trademark registration shall include: a) trademark registered form ([www.ipophil.gov.ph/etm-file-trademark](http://www.ipophil.gov.ph/etm-file-trademark)); b) trademark electronic version pictures related information of applicants; c) applicant passport, enterprise registration certificate, etc. d) priority review statement for trademark registration, etc..

<sup>①</sup> Philippines Intellectual Property Office: [www.ipophil.gov.ph/invention-registration-process-overview](http://www.ipophil.gov.ph/invention-registration-process-overview).

<sup>②</sup> Philippines Intellectual Property Office: [www.ipophil.gov.ph/invention-registration-process-overview](http://www.ipophil.gov.ph/invention-registration-process-overview).

## 5.8 Tax Payment<sup>①</sup>

### Tax Declaration

The deadline for annual corporate income tax filing in shall be April 15 of the following year.

### Tax Declaration Channels

Taxpayers must first apply for registration at the tax office in the region where their company is located, and pay the annual inspection fee, certification fee and stamp tax to the designated bank of the tax office. After that, relevant tax declarations shall be made to the authorized agent bank or the income collection officer according to the required regulations every year.

On Philippines' Bureau of Internal Revenue (BIR) website, the declaration materials for different types of taxes might be different. Form 1702Q shall be used for corporate income tax declaration Form 2550M shall be used for VAT declaration. Form 2550Q and Form 2551Q shall be used for proportional tax. Form 0619E shall be used for withholding tax declaration. Taxpayers can choose to submit the corresponding form to the income collection officer or the regional income office of the registration place for tax declaration.

### Penalty for Overdue Payment

According to the Philippines *Tax Reform Act*, taxpayers who overdue tax returns every year shall be imposed a fine of 25% of the tax amount payable. Taxpayers will be fined by an annual fine amount of 20% for unpaid taxes from the tax due date to the time when the tax is paid in full. Taxation authorities shall have the right to make advance judgment on the possible impact of late declarations of taxes on the proposed transactions in accordance with the requirements of taxpayers.

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<sup>①</sup> Philippines' Bureau of Internal Revenue: [www.bir.gov.ph](http://www.bir.gov.ph).



## Legal Provisions

### 6.1 Land<sup>①</sup>

#### Competent Authorities and Relevant Laws

The Department of Environment and Natural Resources (DENR) and its affiliated Environmental and Natural Resources Land Administration shall be responsible for performing land supervision duties. Housing and Urban Development Coordinating Council (HUDCC) and the National Economic and Development Authority can also regulate and control the land use rights directly or indirectly. The main laws related include the *Public Land Law*, the *Cadastral Law*, and the *Comprehensive Land Reform Law*. The law that involves foreign investors' land lease regulations is the *Investor Lease Act*.

#### Land Classification

In Philippines, there are 3 forms of land ownership: state land ownership, private land ownership, and corporate land ownership. *The Constitution of Philippines* stipulates that all public land, waters, mineral deposits, coal, petroleum and other mineral oil, as well as all potential energy sources, fishing grounds, forests or woods in the country are possessed by the state.

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① Legal Affairs Department of CCPIT, Studies on Laws of the “Belt & Road” Countries-Philippines.

## Provisions on the Acquisition of Land by Foreign-funded Enterprises

Foreign citizens can purchase land by setting up a joint venture company, but the company's shareholders shall be at least 5 people as required, and the foreign citizen's shareholding ratio must not exceed 40%. Moreover, they must open a bank account in a bank in Philippines first. Before conducting land sales transactions, joint ventures must obtain relevant permissions from the Department of Investment (BOI) in advance.

The *Investor Lease Act* <sup>①</sup> allows foreign investors to lease commercial land on the condition that: a) the term of the land lease contract has 50 years' validity and can only be extended for a one-time extension of 25 years; b) the leased land can only be used for investment; c) the lease contract cannot violate the *Comprehensive Land Reform Law* and the *Local Government Act*; d) the lease rights must be transferable among foreign investors.

## 6.2 Tax

### Competent Authorities and Relevant Laws

Philippines implements a compound tax system. The Philippines Bureau of Internal Revenue (BIR) is responsible for collecting national taxes, local government departments (LGUs) are responsible for collecting local taxes, and the Customs Administration is responsible for collecting import and export customs duties. The basic taxation law is *Tax Reform Law* taking effect in 1997 (also known as the Amendment to the *Internal Revenue Code*). In addition, Philippines has issued administrative regulations and documents from time to time, such as regulations, memorandum orders, rulings, and administrative orders to adjust taxation revenues.

### Tax System

Philippines levies taxes on a territorial basis. The main current taxes include corporate income tax, personal income tax, withholding tax, value-added tax, transfer tax, real estate tax,

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<sup>①</sup> Philippines' official gazette: [www.officialgazette.gov.ph/2018/10/29/executive-order-no-2018](http://www.officialgazette.gov.ph/2018/10/29/executive-order-no-2018).

etc.

Corporate Income Tax. Taxpayers can be divided into resident companies and non-resident companies. Resident companies are taxed on the global income, while non-resident companies are only taxed on the income derived from Philippines. A resident company refers to an enterprise established in Philippines or whose actual management office is located in Philippines. A non-resident company refers to an enterprise that is established outside Philippines and its actual management office is located overseas, and only has branches in Philippines' territory, or the company does not have branches but has income from Philippines. The current tax rate can be found on the website of the Bureau of Internal Revenue of Philippines.

**Table 6-1 Philippines' Corporate Income Tax Rate<sup>①</sup>**

Types	Taxable Standard	Rate
Resident Companies	Pay taxes on the global income from the first year.	25%
Non-resident Companies	Pay taxes on income in Philippines from the first year.	25%
Regional Operational Headquarters	Pay taxes on income in Philippines from the first year.	10%
Branches of foreign companies	Pay taxes on income in Philippines from the first year.	15%
Non-resident companies mainly engage in international transportation business	Pay taxes on income in Philippines from the first year.	2.5%
Non-resident companies with zero or negative taxable income	Pay taxes on the income in Philippines starting from the fourth fiscal year	2%
Note: affected by the COVID-19 epidemic, some tax rates have been adjusted in the <i>Corporate Income Tax and Tax Incentives Act</i> that took effect in September 2020. For details, see 9.2 Economic Rejuvenation Measures.		

Individual Income Tax. Taxpayers are divided into resident individuals and non-resident individuals. The taxpayers of foreign investors can be divided into 2 categories: resident foreigners and non-resident foreigners. Resident foreigners refer to individuals who reside in Philippines and are not citizens. Non-resident foreigners refer to individuals whose residency is outside Philippines and who are not citizens. Among them, non-resident foreigners engaged in trade or business in Philippines shall be regarded as non-resident foreigners engaged in business in Philippines if they stay in Philippines for more than 180 days.

<sup>①</sup> Philippines' Bureau of Internal Revenue: [www.bir.gov.ph](http://www.bir.gov.ph).

**Table 6-2 Philippines' Individual Income Tax Rate<sup>①</sup>**

Taxable Income (Unit: PHP)	Collection Standards	
	Valid until December 31 <sup>st</sup> , 2022	Valid from January 1 <sup>st</sup> , 2023
≤ 250,000	0%	0%
250,001-400,000	Exceeds 250,000: 20%	Exceeds 250,000: 15%
400,001-800,000	Progressive tax amount: 30,000	Progressive tax amount: 22,500
	Exceeds 400,000: 25%	Exceeds 400,000: 20%
800,001-2,000,000	Progressive tax amount: 130,000	Progressive tax amount: 102,500
	Exceeds 800,000: 30%	Exceeds 800,000: 25%
2,000,000-8,000,000	Progressive tax amount: 490,000	Progressive tax amount: 402,500
	Exceeds 2,000,000: 32%	Exceeds 2,000,000: 30%
> 8,000,000	Progressive tax amount: 2,410,000	Progressive tax amount: 2,202,500
	Exceeds 8,000,000: 35%	Exceeds 8,000,000: 35%

Withholding Tax. Non-resident companies are required to levy withholding tax on interests, rent royalties and other income earned in Philippines. *The Corporate Income Tax Incentive Reform Act* (CITIRA), which came into effect on January 1, 2019, requires non-resident companies to sell, trade, exchange or otherwise dispose of shares in addition to selling or disposing of stocks through stock exchanges during the taxation year. The net capital gains realized by the stocks of domestic enterprises are subject to a tax rate of 5%, provided that they do not exceed PHP 100,000. A 10% tax rate is applicable when they exceed PHP100,000.

**Table 6-3 Philippines' Withholding Tax Rate<sup>②</sup>**

Category	Scope		Rate
Dividends	Divided by whether non-resident taxpayers are engaged in trade or commercial activities in Philippines	Engage in trade or business activities	20%
		Do not engage in trade or commercial activities	25%
Interest	Interest on bank savings income		20%
	Fixed deposit interest or interest income from investment	Holding period is less than 3 years	20%
		Holding period is more than 3 years and less than 4 years.	12%
		Holding period is more than 4 years and less than 5 years.	5%
	Holding period is 5 years and above	0	

① Philippines' Bureau of Internal Revenue: [www.bir.gov.ph](http://www.bir.gov.ph).

② Philippines' Bureau of Internal Revenue: [www.bir.gov.ph](http://www.bir.gov.ph).

Continued

Category	Scope		Rate	
Royalties	Books, other literary or musical works		10%	
	Others		20%	
Fees for Technical Service	Divided according to whether they can be regarded as royalties.	Can be regarded as a royalty	12%	
		Can't be regarded as a royalty	25%	
Capital Gains	Net capital gains obtained through the sale, exchange or other disposal of domestic company shares do not include shares sold or disposed of through stock exchanges.	Non-resident companies engaged in trade or commerce	≤ 100,000	5%
			> 100,000	10%
		Apart from the above circumstances		15%
	Income from the sale, exchange or redemption of secured bonds, unsecured bonds, or other debt certificates with maturity of more than 5 years, or the redemption of mutual funds.		0	
Branches' Profit Remitted	The number of after-tax profits remitted by domestic and foreign branches to their headquarters is the taxable amount.		15%	

**Value-Added Tax.** Tax shall be levied at 12% of the price of goods sold or services provided. In Philippines, commodities exempt from consumption value-added tax shall include agricultural products, aquatic products, agricultural seeds, fish fry, feed, educational services provided by certified private educational institutions, services provided by individuals, products sold by agricultural cooperatives registered with the Philippines Cooperative Development Agency to its members, etc.

**Proportional Tax.** As for the subjects that are exempted from VAT when selling goods or providing labor services, if their annual sales income does not exceed PHP 3,000,000, and have not been registered for VAT, they shall be taxed at 3% of their total income.

**Property Transfer Tax.** The free transfer of property shall be taxed at a cumulative tax rate ranging from 2% to 15% or 30% of the fair market value of the property at the time of the bestowal. The transfer or sale of real estate shall be subject to local tax levied at 1% of the higher of the total sale price of the real estate or the fair market value.

**Real Estate Tax.** In Philippines, the applicable tax rate of real estate tax depends on the location of the real estate. The tax shall not exceed 3% of the assessed value of the real estate in each tax return.



### Special Reminder:

When carrying out investment and business activities in Philippines, in addition to paying attention to the taxation regulations of Philippines, the companies also need to know whether the host country has signed the *Agreement on Avoidance of Double Taxation* with Philippines. If it is signed, it must be reduced or exempted in accordance with the corresponding regulations. As of December 31, 2020, Philippines had signed *Agreement on Avoidance of Double Taxation* with 43 countries including China, the United States, Japan, South Korea, France, Germany, Russia, Canada, and Australia. Tax deductions and exemptions cover personal/corporate income tax, real estate tax, ocean and air services value-added tax, withholding tax, etc. The specific reductions and exemptions can be found on the website of the Ministry of Finance<sup>①</sup>.

## 6.3 Employment

### Competent Authorities and Relevant Laws

The competent authority in Philippines responsible for labor, employment and rights protection is the Department of Labor and Employment (DOLE). The main law is the *Philippines Labor Code*<sup>②</sup>, which provides for working conditions, wage standards, labor relations, compensation for work-related injuries, and occupational safety and health.

### Main Clauses<sup>③</sup>

Labor Contracts. According to the working period and nature of employees, the employment relationship can be divided into 5 types: formal/permanent employment, regular employment, project employment, seasonal employment and temporary employment. The longest period of

① Philippines Ministry of Finance: [www.bir.gov.ph](http://www.bir.gov.ph).

② The Labor Code of Philippines: [www.ilo.org/dyn/travail/docs/1131/Labor%20Code%20of%20the%20Philippines%20-%20DOLE.pdf](http://www.ilo.org/dyn/travail/docs/1131/Labor%20Code%20of%20the%20Philippines%20-%20DOLE.pdf).

③ The Labor Code of Philippines: [www.ilo.org/dyn/travail/docs/1131/Labor%20Code%20of%20the%20Philippines%20-%20DOLE.pdf](http://www.ilo.org/dyn/travail/docs/1131/Labor%20Code%20of%20the%20Philippines%20-%20DOLE.pdf).

employee probation period is 6 months. The employer and the employee may jointly reach an agreement or sign a labor contract in writing, verbal, expressed or implied, etc.

*Working Hours.* *The Philippines Labor Code* stipulates that the average working hours of workers shall not exceed 8 hours/day or 48 hours/week.

*Salary Payments.* The minimum wages for agricultural and non-agricultural workers are determined by the 3 parties wage committees in each region. Philippines implements the system of double weekly salary. The interval between wages shall not exceed 16 natural days and cannot be paid in the form of invoices or tokens. Employers shall be required to pay the 13<sup>th</sup> month's salary before December 24 each year. Employees who work overtime on working days or holidays need to be paid extra for overtime. Overtime pays on working days is 1.25 times the daily salary. Overtime pay on rest days or special holidays is 1.30-1.69 times the daily salary. The specific standard can be determined according to the length of work. When special holidays or public holidays on rest days coincide, the enterprise shall pay the overtime employees with a higher percentage of overtime pay. If employees work continuously for more than 6 days, they must be approved for one-day off.

*Vacation.* Employees who have been employed for more than 12 months shall be entitled to 5 days of annual leave each year. The unused annual leave can be converted into wages at the end of the year. *The Philippines Labor Code* does not require companies to provide employees with paid sick leave or personal leave. According to the *Expanded Maternity Leave Act* approved in October 2018; female workers' full-pay maternity leave is 105 days. They shall have the right to choose whether to apply for 30 days of unpaid maternity leave. Married male workers can enjoy 7 days of paternity leave.

*Labor Dispute Resolution.* In Philippines, voluntary arbitration is encouraged to resolve labor disputes. Both parties can formulate collective bargaining rules by themselves. If collective bargaining fails, the National Mediation and Conciliation Commission will intervene for mediation.

Social Insurance. Filipino citizens can apply for a national health insurance plan managed by the Philippines Health Insurance Company. The benefit scope includes housing and food, professional health services, medical examination services, prescription drugs and biological agents, emergency medical care and dental services, etc. Enterprise employees can enjoy all free medical services in the compulsory medical insurance system in Philippines, covering hospitalization, emergency, childbirth, and outpatient treatment costs for specific diseases (such as tuberculosis). The cost of medical insurance accounts for 2.5% of the employee's monthly income, half of which is borne by the employee and the employer, paid on a monthly basis.

## Hiring Foreign Employees

Enterprises first need to apply for an employment permit at the Philippines Department of Labor and Employment (DOLE). The required materials can be found on the website of the Department of Labor and Employment<sup>①</sup>. After that, apply for a 9G visa from the Bureau of Immigration and apply for an I-CARD ID for foreign workers.

Working Permission. According to the *Philippines Labor Code*<sup>②</sup>, foreign employees shall enjoy the same rights as local employees when working in Philippines. Without permission from the Ministry of Labor and Employment, it is not allowed to transfer jobs or change employers on their own. Foreign employees hired by foreign companies must pass the labor market test organized by the Philippines Ministry of Labor and Employment and the Professional Management Committee before being officially hired. All foreign citizens looking for employment opportunities in Philippines need to obtain a foreign employment permit from the Ministry of Labor and Employment, which keeps valid for 1 year from the date of issuance. Managers of district or regional headquarters and overseas branches of financial institutions do not need to apply.

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① Philippines Department of Labor and Employment: [services.ncr.dole.gov.ph/?p=175](http://services.ncr.dole.gov.ph/?p=175).

② The Labor Code of Philippines: [www.ilo.org/dyn/travail/docs/1131/Labor%20Code%20of%20the%20Philippines%20-%20DOLE.pdf](http://www.ilo.org/dyn/travail/docs/1131/Labor%20Code%20of%20the%20Philippines%20-%20DOLE.pdf).



### Special Reminder<sup>①</sup>:

*The Philippines Constitution* stipulates that trade union representatives have the right to collectively hold labor negotiations on behalf of workers. After the labor-management negotiation terminates, both parties need to sign a labor-management negotiation agreement. Agreements are divided into economic and non-economic agreements according to the types of disputes. Economic labor-management negotiation agreements deal with disputes directly related to workers' wages and benefits. The non-economic labor-management negotiation agreements mainly deal with trade union rights disputes and non-financial treatment disputes. The employment contract shall include other dispute resolution methods in addition to the basic dispute resolution method.



### Investment Practice:

#### **Failed to perform the labor contract, a foreign company was punished by the Ministry of Labor and Employment of Philippines<sup>②</sup>**

In April 2018, according to a survey conducted by the Philippines Ministry of Labor and Employment, the Philippines food giant Jollibee (Jollibee) has used dispatch agency workers for a long time in its core business, deliberately circumventing the regulations on regular employees in the labor law. Finally, the Ministry of Labor and Employment required Jollibee to convert more than 6,000 labor workers into full-time employees in accordance with the law, and refund the “illegal payments” collected from 426 employees, amounting to approximately PHP 15 million. In addition, it was found that the 5 contractors of Jollibee also had similar behaviors. The Ministry of Labor and Employment required these contractors to return illegal wage exemptions to the 412 labor workers (such as deduction of wages in the name of tool fees and uniform fees), security deposits, or donations. The total amount of illegal money collected was totaled as about

<sup>①</sup> Economic and Commercial Office of the Embassy of the People's Republic of China in the Republic of Philippines: [ph.mofcom.gov.cn](http://ph.mofcom.gov.cn).

<sup>②</sup> Summrized relevant news on the Manila Times: [www.manilatimes.net/2017/12/25/news/top-stories/jollibee-penalized-illegal-contracting/370553](http://www.manilatimes.net/2017/12/25/news/top-stories/jollibee-penalized-illegal-contracting/370553)

PHP 4 million.

**Comment:** The Philippines government has promoted anti-fixed short-term labor contracts for a long time, and severely cracked down on employers' habitual evasion of labor laws, refusal to sign labor contracts with regular employees, and refusal to provide employees with job security or benefits. Enterprises in Philippines shall pay special attention to the standardization of signing labor contracts with local or overseas employees, and clarify their employment time, nature, and type of employment. It is necessary for these enterprises to communicate with the Philippines Ministry of Labor and Employment to obtain compliance support.



### Investment Practice:

#### **A labor dispute of unreasonable punishment between the Philippines' Ministry of Labor and Employment and a foreign company<sup>①</sup>**

In 2018, PLDT, the largest telecommunications operator in Philippines, had a legal dispute with the Philippines Ministry of Labor and Employment due to a formal employment dispute involving thousands of employees. Previously, PLDT was alleged to have hired 7,344 cleaners, maintenance personnel and security personnel through 38 third-party contractors and established formal employment relationships with them. However, the Ministry of Labor and Employment held that its main business was telecommunications services, and the above-mentioned personnel should be dispatched by labor rather than hired as regular employees. PLDT is suspected of abusing the “regularization order”. Due to objections to the administrative order of the Ministry of Labor and Employment, PLDT filed an administrative ruling to the Philippines Court of Appeal.

On July 31, 2018, the Philippines Court of Appeal ruled on the dispute and expressed its support for the views of the Ministry of Labor and Employment. PLDT “does not see” the conceptual difference in the *Philippines Labor Code* and “seriously abused its discretion.” The

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<sup>①</sup> Summarized relevant news on the Philippines Star: [www.philstar.com/business/2018/07/04/1830252/pldt-warns-massive-job-losses](http://www.philstar.com/business/2018/07/04/1830252/pldt-warns-massive-job-losses).

main reason is that PLDT's main business is telecommunications services. Cleaners, maintenance personnel, security personnel and messengers are not "directly necessary" for PLDT's main business. The above work should be operated by labor dispatch agencies.

**Comment:** Philippines has stricter regulations on employee labor contracts. For specific details, it is recommended that enterprises hire professional Philippines lawyers or human resources consultants to consult on this issue, so as not to be punished by the Ministry of Labor and Employment. If the enterprises held objections to the order issued by the Ministry of Labor and Employment, it can appeal to the court to protect its legitimate rights and interests.

## 6.4 Protection of Intellectual Property Rights<sup>①</sup>

### Competent Authorities and Relevant Laws

The Intellectual Property Office (IPO) is responsible for related intellectual property work, such as patent applications and registration, trademark review, filing of technology transfer contracts, publication of information that should be disclosed, and administrative rulings on disputes affecting intellectual property rights. The main laws include *Constitution of Philippines*, *Intellectual Property Law*, and *Plant Diversity Protection Law*; as well as the international treaties that have been signed include *Patent Cooperation Treaty*, *Paris Convention for the Protection of Industrial Property*, *Budapest Treaty*, and *Rome Convention on Protection of Performers, Sound Records Authors and Broadcasting Organizations*.

### Applying for Patents and Registering Trademarks

Applying for Patent. The patent rights in Philippines mainly include: invention patents, utility model patents, design patents and integrated circuit layout design rights. Among them, the validity period of the invention patent lasts 20 years from the date of application, and the annual patent fee shall be paid 4 years from the date of application. The utility model patent expires 7

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① Legal Affairs Department of CCPIT, Studies on Laws of the "Belt & Road" Countries-Philippines.

years from the date of application and cannot be extended after the expiration. The validity period of the design patent is 5 years, and the expiration can be renewed for 5 years. The validity period of the integrated circuit layout design right is 10 years and cannot be extended after expiration.

Registering Trademark. The validity period of the trademark right is 10 years from the date of approval of registration, and can be renewed within 6 months before its expiration. If a foreign legal person applies for trademark registration in Philippines, the trademark applied for registration must have been successfully registered in the original nationality.

## Punishment Measures

The statute of limitations for patent litigation stipulated in the *Intellectual Property Law* is 4 years. The damages that occurred 4 years before the date of the alleged act cannot be compensated at the time of litigation. If the patent infringer has any objection to the ruling, it shall submit a new patent application within 3 months after its entry into force of the Intellectual Property Office, to request the rejection of its patent application or revoke the patent. The *Intellectual Property Law* stipulates that the statute of limitations for trademark litigation is 5 years. As for damages incurred within 5 years from the date of the act being sued, an application for cancellation of the trademark can be submitted to the court.



### Investment Practice:

#### **A trademark registration case was taken by the Philippines' Bureau of Legal Affairs in 2015<sup>①</sup>**

In 2015, the Philippines Bridgestone Corporation opposed China's Hangzhou Unibear Industrial Co., Ltd. (hereinafter Unibear)'s proposed trademark registration with the suffix "STONE". Wynn Baihe tried to register a trademark named "R-STONE", and Bridgestone believed that "STONE" is an important part of the company's special logo "BRIDGESTONE", and the company is First time users of the trademark of the "BRIDGESTONE" in the domestic tire design,

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① It is compiled according to the relevant information of Federis Intellectual Property Law website.

manufacturing and technical fields. Moreover, the “BRIDGESTONE” trademark has been recognized as a well-known trademark in many countries, the trademark applied by Unibear Company contains “STONE”, and the prefix letter “R” of Unibear is also repeated in the “BRIDGESTONE” trademark.

Philippines’ Bureau of Legal Affairs (BLA) believes that although the word “STONE” used by Bridgestone is a common term in English, in this case it is used as a trademark rather than to describe tires. Therefore, it agrees with Bridgestone’s advocacy. At the same time, they pointed out that, although the prefix letters of the 2 companies’ trademarks are different, this difference cannot eliminate the possibility of misunderstanding by the public during marketing. The final judgment of the court announced that Bridgestone won the case.

**Comment:** When enterprises register a trademark in Philippines, they need to understand the laws and regulations of the relevant departments to avoid the registered trademark being revoked or regarded as invalid due to violation of the regulations of a certain department. To avoid violating the local trademark laws and other intellectual property laws and regulations, the enterprises can consult the Legal Affairs Bureau (BLA) or seek help from a law firm before registering a trademark.

## 6.5 Import and Export Management

### Competent Authorities and Relevant Laws

The Industry Development and Trade Policy Group (IDTPG) under the Department of Trade and Industry (DTI), Trade and Investments Promotion Group (TIPG), and Bureau of Customs under the Ministry of Finance are the trade competent authorities. Among them, the Industry Development and Trade Policy Group is responsible for the formulation and implementation of industry and trade policies. The Trade and Investments Promotion Group is mainly responsible

for implementing the export and investment plans of the Ministry of Trade and Industry. Bureau of Customs is responsible for implementing the tariff system and the collection of tariffs on imported and exported products. The main laws and regulations include *Export Development Law*, *Customs Modernization and Tariff Law*, *Anti-dumping Law*, *Countervailing Law*, *Guarantee Measures Law* and *E-Commerce Law*.

## Regulations<sup>①</sup>

In Philippines, the imported goods are mainly divided into 3 categories: free import goods, restricted import goods and prohibited import goods. There are 7 main categories of prohibited imported goods: guns and ammunition, unethical printed matter, negatives, movies, photographs, and artworks, equipment and utensils used for gambling, articles containing gold, silver or other precious metals or alloys, counterfeit and inferior food or medicine, opium or other narcotics and their synthetic products, as well as synthetic salt or finished salt.

The documents submitted for imported goods shall include: packing list, commercial invoice, bill of lading, import license, customs import declaration form, certificate of origin, etc..

The importers must obtain a product registration certificate issued by the Food and Drug Administration before importing restricted animals and plants, food, medicines or chemical products. Please refer to the website of Philippines' Tariff Commission ([tariffcommission.gov.ph](http://tariffcommission.gov.ph)) for the involved products and specific regulations.

## Inspection and Quarantine

The Bureau of Philippines Standards is the agency responsible for product quality standards, and implements quality management certification for imported goods with conformity marks. The main applicable standards are ISO9000 and ISO14000.

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① Philippines' Tariff Commission: [tariffcommission.gov.ph](http://tariffcommission.gov.ph)

**Table 6-4 Authorities for import & export inspection and relevant regulations<sup>①</sup>**

Types	Authorities	Inspection and quarantine regulations
Industrial products	Customs Administration	a)There are 28 kinds of products that are subject to local product standard inspections, including lighting products, wires and cables, sanitary ware, household appliances, tires and cement, etc.; b)As for other products, customs usually accept product quality certification or country of origin standard certification. Product producers shall produce according to national or universal international standards, and their products shall be affiliated by product standard quality marks.
Commodities for livelihood, health, safety and property	Department of Trade and Industry	It is required to issue a product standard license and a certificate from the Product Standards Bureau. The products involved shall include medical oxygen, consumer products, electrical and fire protection equipment, building materials, etc. The import of non-metric weights and measures, instruments, and meters must be licensed by the Bureau of Product Standards in advance.
Environment Protection	Department of Environment and Natural Resources	Importers must comply with the requirements and regulations of environmental protection.
Food Health and Safety	Department of Health	a)Non-alcoholic beverages and mixtures, sweets, coffee, tea, snacks, dairy products, vegetables, fruits, meat, etc. must meet the standards of the Codex Alimentarius Commission and the World Organization for Animal Health (OIE); b)Fresh and frozen fish products must obtain international health certificates and sanitary phytosanitary certificates prescribed by the Ministry of Agriculture. c)In terms of the vegetables and fruits imported from the pest zone, there should be a disinfection certificate; d)During the production of cosmetics and medicines, production licenses must be granted. The clinical trial reports from international certification bodies must be provided. e)Imports of dangerous goods must be labelled, sold and distributed in accordance with the standards of the Philippines Department of Health.
Plants and Relevant Products	Plant Quarantine Division, Crop Bureau, (Department of Agriculture) Import and Export Quarantine Department	Plants and plant products must go through the following procedures to enter the domestic market. a)The exporter sends the invoice and packing list to the Philippines importer. The importer applies the import license to the Plant Quarantine Division (BPI) of the Crop Bureau of the Department of Agriculture of Philippines on the basis of the exporter's invoice and packing list. The certificate will state the pre-shipping requirements for each product. b)The importer gives the certificate to the exporter, and the exporter asks the quarantine department of the exporting country to conduct offshore quarantine on the product and issue a quarantine certificate. The exporter shall forward the quarantine certificate and other transportation documents to the Philippines importer in an appropriate way. c)After the goods are delivered in Philippines, the importer provides the Philippines quarantine departments with an import license and a quarantine certificate from the exporting country. The quarantine department conducts a re-inspection based on the import license and quarantine certificate. The goods can pass the customs only after they are judged as qualified.

<sup>①</sup> Economic and Commercial Office of the Embassy of the People's Republic of China in the Republic of Philippines: [ph.mofcom.gov.cn](http://ph.mofcom.gov.cn).

Continued

Types	Authorities	Inspection and quarantine regulations
Animals, animal products and their by-products	Animal Industry Bureau (Department of Agriculture)	Philippines has different import and export procedures and quarantine regulations for the import and export of different animals. For details, please refer to the website of the Animal Industry Bureau.

## Tariff<sup>①</sup>

Imported goods are subject to tariffs. Special additional tariffs include anti-dumping duties, countervailing duties, safeguard duties and anti-discrimination duties, which are used to protect domestic industries from unfair or improper competition.

*The Tariff Law* stipulates the specific classification and tax rate of imported goods (usually between 0-30%). For the tariffs and quotas of various types of import and export goods, please refer to the website of Philippines' Tariff Commission ([tariffcommission.gov.ph](http://tariffcommission.gov.ph)).

## 6.6 Environmental Protection<sup>②</sup>

### Competent Authorities and Relevant Laws

The Environmental Administration under the Department of Environment and Natural Resources (DENR) of Philippines is the competent department for environmental protection, with branches set up in 13 administrative regions across the country. The relevant laws and regulations include *Pollution Control Law*, *Environmental Policy Law*, *Environmental Code*, *Clean Air Law*, *Clean Water Law*, *Ecological Solid Waste Management Law*, *Water Resources Protection Law*, etc.

Among them, *Clean Air Law*<sup>③</sup> stipulates air pollutant emission standards and penalties. According to the pollution source, pollution duration, pollution history, etc., different standards of fines will be imposed. The severe cases will be sentenced to different periods of imprisonment.

① Philippines' Tariff Commission: [tariffcommission.gov.ph](http://tariffcommission.gov.ph)

② Legal Affairs Department of CCPIT, Studies on Laws of the "Belt & Road" Countries-Philippines.

③ Clean Air Law: [www.mysubicbay.com.ph/files/ecology-center/20121121-143435-86.pdf](http://www.mysubicbay.com.ph/files/ecology-center/20121121-143435-86.pdf)

*Clean Water Law*<sup>①</sup> defines the elements of water pollution, and sets different standards of fines according to the duration of the pollution and the degree of impact. The criminal proceedings can be instituted for serious violations.

## Regulations on Environmental Assessment

*Environmental Assessment Regulations*<sup>②</sup> stipulates the requirements and procedures for the implementation of the “Environmental Impact Assessment” project, clarifying the areas where the project may have a negative impact on the environment and the types of negative impacts on the environment. Investors must submit a request to the Environmental Administration to obtain an application for an “Environmental Protection Certificate”, and attach a project introduction along with the application. The Environmental Administration Committee meets twice a month to accept applications and discuss them. If the application meets all the procedural requirements and the project exerts no serious impact on the surrounding environment, the application will be approved at the meeting. The Ministry of Environment and Natural Resources will issue an “environmental certificate”. Depending on the project, the entire cycle will be within 2-6 months. To invest in a mining project in Philippines, the project party needs to submit an application for a mining license to the Bureau of Mining and Geology under the Ministry of Environment and Natural Resources of Philippines. The project can be implemented after obtaining the license.



### Investment Practice:

#### **With an environmental compliance certificate, a construction project started smoothly in Philippines<sup>③</sup>**

In 2018, China Energy Construction Group Co., Ltd. (hereinafter referred to as “Energy Construction Group”) undertook the construction of the Kaliwa dam project in Philippines. The

① Clean water method, LAWHIL Project: [lawphil.net/statutes/repacts/ra2004/ra\\_9275\\_2004.html](http://lawphil.net/statutes/repacts/ra2004/ra_9275_2004.html)

② Academia: [www.academia.edu/30647118/Philippine\\_Environmental\\_Impact\\_Assessment\\_Mining\\_and\\_Genuine\\_Development](http://www.academia.edu/30647118/Philippine_Environmental_Impact_Assessment_Mining_and_Genuine_Development).

③ Compiled according to the news of the Philippines *Business Daily*.

project is expected to cost about PHP 18.72 billion and a 57 million m<sup>3</sup> reservoir will be built, which is expected to be completed in 2023. After completion, it will be able to supply 600 million liters of domestic water per day to Metro Manila to meet the needs for local production and living.

Before the start of the project, the management level of Philippines Municipal Water and Wastewater Treatment System invited environmental experts to conduct adequate investigations on the surrounding environment of the dam to study whether the construction of the dam would cause earthquakes and other disasters. At the same time, the project management level also applied the Philippines Ministry of Environment and Natural Resources (DENR) to conduct an environmental impact assessment. An environmental compliance certificate was issued the local water department also held public hearings with the affected communities to eliminate local residents' worries about the environment. In October 2019, the Water Affairs Bureau of Manila, Philippines, formally issued the Kaliwa Dam Project Commencement Order (NTP) to China Energy Engineering Group Co., Ltd.

**Comment:** In recent years, Philippines has also been investigating the impact of the project on the local ecological environment while carrying out the construction of public infrastructure. In order to ensure the legal and compliance of the project and reduce the risk of project construction and operation, it is recommended that companies shall actively contact the government and carry out projects in accordance with laws and regulations regardless of whether the Philippines government conducts a strict review of the project's economic practicality, environmental protection, and compliance with the bidding procedures or not. For those involved in land acquisition, it is recommended that enterprises shall take into account the humanistic and social environment while assessing the natural environment, contact the government and local residents in many ways, bear reasonable demolition and resettlement fees for the aborigines, and properly keep good relationship with the local people.



### Investment Practice:

#### **A nickel mining activity was stopped by local residents.<sup>①</sup>**

At the end of the 20th century, the island of Mindoro in Philippines was found to contain a large amount of nickel. In April 2015, Intex Resources, a well-known Norwegian mining company was authorized to conduct nickel exploration on the site by obtaining a key environmental permit, but the local residents did not agree to the mining project. A leader of the local community stated that they want to keep the environment on the island as it was and prevent from damaging by mining activities.

**Comment:** Intex Resources's situation is not alone. According to Philippines laws, local residents shall enjoy the privilege to prevent mining plans without their permission. The Philippines government has repeatedly stated that it supports mining development, but only supports those responsible mining exploration companies that can bring benefits to the local community and the country. In addition to obtaining environmental permits, the investors who intend to invest in high-energy and high-polluting industries such as mining shall take further social responsibilities, obtain support through high-standard protection of the natural environment and actively communicate with local residents.

## 6.7 Anti-commercial Bribery

### Competent Authorities and Relevant Laws

Philippines does not have a dedicated anti-commercial bribery department. The Office of the Attorney, the Office of the Special Attorney, Department of Justice, the Supreme Court, the Philippines National Police, the Anti-Money Laundering Council, the Civil Service Commission, and the specialized court (Sandiganbayan<sup>②</sup>, Anti-Corruption Court) are the executive units of

<sup>①</sup> Compiled by the US *Wall Street Journal* news.

<sup>②</sup> The United Nations Office on Drugs and Crime(UNODC): [www.unodc.org/elearning/en/about/index.html](http://www.unodc.org/elearning/en/about/index.html).

related matters responsible for anti-commercial bribery. Relevant legal provisions include: *Anti-Money Laundering Law (2001)*, *Criminal Code Amendment*, *Anti-Corruption and Corruption Act*, *Code of Conduct and Ethics for Public Officials* and *Anti-Pillage Law*. In addition, the *United Nations Convention against Corruption (UNCAC)* has entered into force in Philippines.

## Punishment Measures

Depending on the severity of the crime, the commercial bribery suspects identified by law may be imprisoned for 6-15 years. Public officials will be permanently prohibited from recruiting. The property of unknown origin will be forfeited or confiscated. Public officials will be suspended during the period of prosecution for taking bribes. If they are found to have constituted an illegal act, they will be deprived of their rights to obtain pensions and related benefits.



### Special Reminder:<sup>①</sup>

According to World Bank statistics, at least one-fifth of Philippines' national budget is embezzled by corruption every year. Many presidents have been accused of corruption, which has affected the economic development of Philippines.

In view of the corruption in Philippines, the current President Duterte listed anti-corruption as a major priority when he took office in June 2016. He thinks that Philippines' failure to achieve rapid development is directly related to the corruption in the country. In order to fight corruption effectively, Duterte has continuously strengthened institutional guarantees. In October 2017, in accordance with an executive order signed by Duterte, the President Office of Philippines established an Anti-Corruption Commission to assist the President in investigating corruption cases involving administrative officials.

In April 2017, President Duterte removed Sueno, the Minister of the Interior and Local

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<sup>①</sup> Compiled according to CNN related reports.

Government, who was suspected of corruption and abuse of power (citing his lack of trust and confidence as the reason). In November of the same year, President Duterte relieved Dionisio Santiago, chairman of the Dangerous Drugs Commission of Philippines (It is believed that since he took office 4 months, he has received benefits from drug traffickers and spent public money on luxury travel abroad). In December of the same year, President Duterte criticized public officials for “frequently using public funds to travel abroad luxuriously” at some public occasions. Terry Redon, Chairman of the Presidential Council for the Urban Poor, and Elba Cruz, Dean of the Philippines Development Institute were dismissed by this. In November 2018, the Office of the Government Investigator filed a prosecution against former President Aquino III to the Anti-Corruption Tribunal of Philippines. Aquino III became the third person charged with corruption-related crimes after Estrada and Arroyo among the former presidents of Philippines.

If investors encounter officials asking for bribes, they are advised to report to relevant departments through multiple channels in a timely manner, and ask the media for help if necessary.



# Dispute Resolution

## 7.1 Judicial System

The Supreme Court of Philippines is the highest judicial organ, located in the capital Manila. Its status is directly stipulated by the *Constitution of Philippines*. The court system is composed from highest to lowest as following, Supreme Court, Court of Appeal, Judicial District Court and Municipal Court. The Supreme Court is composed of a chief judge and 14 jury judges, which can be divided into 1 large court or 2 small courts. The Grand Court is responsible for review of unconstitutionality. Among them, cases concerning treaties, administrative agreements, and whether they are unconstitutional must be heard and judged by the Grand Court. The judgments must be unanimously agreed by more than 10 judges in the Grand Court.

## 7.2 Dispute Resolution

In Philippines, the main channels for dispute resolution are litigation, arbitration and mediation.

### Litigation<sup>①</sup>

Scopes. Civil litigation procedures are not applicable to related cases involving national elections, land registration, and corporate bankruptcy.

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① Legal Affairs Department of CCPIT, Studies on Laws of the “Belt & Road” Countries-Philippines.

**Jurisdiction Definition.** As for the cases involving real property ownership or real property interests, the plaintiff should file a lawsuit in the court with jurisdiction in the place where the real property is located. Other types of litigation cases are handled by the court in the place of the plaintiff's domicile or the defendant's domicile.

**Choice of Litigation Court.** Courts at different levels are responsible for accepting claims for different amounts of compensation. Municipal courts shall accept civil cases in which the amount of compensation for litigation is less than PHP 100,000 (200,000 PHP in Metro Manila) or the value of the subject matter of the litigation is less than PHP 200,000 (PHP 500,000 in Metro Manila). The courts of the judicial districts accept civil cases in which the amount of compensation exceeds PHP 100,000 (PHP 200,000 in Metro Manila) or the value of the subject matter exceeds PHP 200,000 (PHP 500,000 in Metro Manila).

**Arbitration Procedure.** First, the parties issue a complaint and written documents. After they are sent to the court, the court will review the litigation application, and will accept cases deemed to meet the statutory conditions and forms, and conduct pre-trial meetings, pre-trial evidence exchange, and hearings trial in turn and other litigation procedures.

**Litigation Period.** According to the *Philippines Constitution* of Philippines, some litigation actions are subject to time constraints. If they expire, they will not have the right to adjudicate the litigation actions or the actions will be deemed invalid.

**Table 7-1 Philippines Civil Litigation Matters and Litigation Time Limit**

Involving of the Civil Litigation Matters	Litigation Time Limits
Ownership of real property	30 days
Mortgages and written contracts	10 days
Oral contracts and quasi-contracts	6 days
Damage to the rights of claimants and heirs apparent	4 days
Forced entry, detention and defamation	1 day

## Arbitration<sup>①</sup>

Scopes. Arbitration is mainly used to deal with civil disputes between equal subjects. Civil arbitration is not suitable for resolving: disputes about citizenship, disputes about the validity of marriage and legal separation, raising disputes, court jurisdiction disputes, etc. Commercial arbitration is mainly applicable to disputes arising from the nature of commercial relationships, including those arising from the sale or exchange of goods and services: commercial affairs, distribution agreements, construction, commercial agency, operating agency, leasing, business consulting, commercial licensing, investment, disputes in finance, joint ventures, etc.

Institution. The Philippines Dispute Resolution Center (PDRCI), as the country's most important arbitration institution, has reached cooperation agreements with many international arbitration centers, such as: Singapore International Arbitration Center, Singapore International Regulation Center, Indonesia National Arbitration Commission, South Korea Commercial Arbitration Commission, Indian Arbitration Committee, Hong Kong International Arbitration Center, etc.

Procedures. The parties may agree on the place of arbitration by themselves. Before the arbitration tribunal is formed, either party may submit or request to the court for the temporary protection. When the complainant withdraws his complaint or the concerned parties agree to terminate the procedure, the arbitration procedure ends.

Settlements. If the parties adopt a settlement method to resolve the dispute, the arbitration tribunal shall terminate the arbitration procedure. If there is no objection, issue an arbitration award in accordance with the conditions of the settlement.

## Mediation<sup>②</sup>

Agencies. In the field of labor disputes, the Philippines Department of Labor and

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① Legal Affairs Department of CCPIT, Studies on Laws of the “Belt & Road” Countries-Philippines.

② Medication by Philippines Intellectual Property Office: [www.ipophil.gov.ph](http://www.ipophil.gov.ph).

Employment (DOLE) has set up the National Mediation and Conciliation Commission (NCMB), with 14 offices under it, responsible for mediation in the field of labor disputes, and can assist in providing Collective bargaining /Mediation /Preventive mediation /Appeals / Voluntary arbitration and other labor dispute resolution methods. In the field of intellectual property disputes, the Philippines Intellectual Property Office (IPO) established a mediation office in 2010 and promulgated the *Rules of Procedure for Mediation*. In 2014, the Philippines Intellectual Property Office signed a memorandum of understanding with the World Intellectual Property Organization (WIPO). Since then, the parties applying for intellectual property mediation can choose the Arbitration and Mediation Center of the World Intellectual Property Organization to replace the Philippines Intellectual Property Office to provide dispute resolution services for them. The types of disputes that can be resolved by this alternative dispute resolution service include: ongoing trademark oppositions or administrative appeals in the Philippines Intellectual Property Office, and commercial disputes involving the licensing of the author's work distribution rights.

Procedures. Taking intellectual property mediation as an example, each party can choose the Philippines Intellectual Property Mediation Office for mediation or submit their case to the Arbitration and Mediation Center of the World Intellectual Property Organization for mediation.

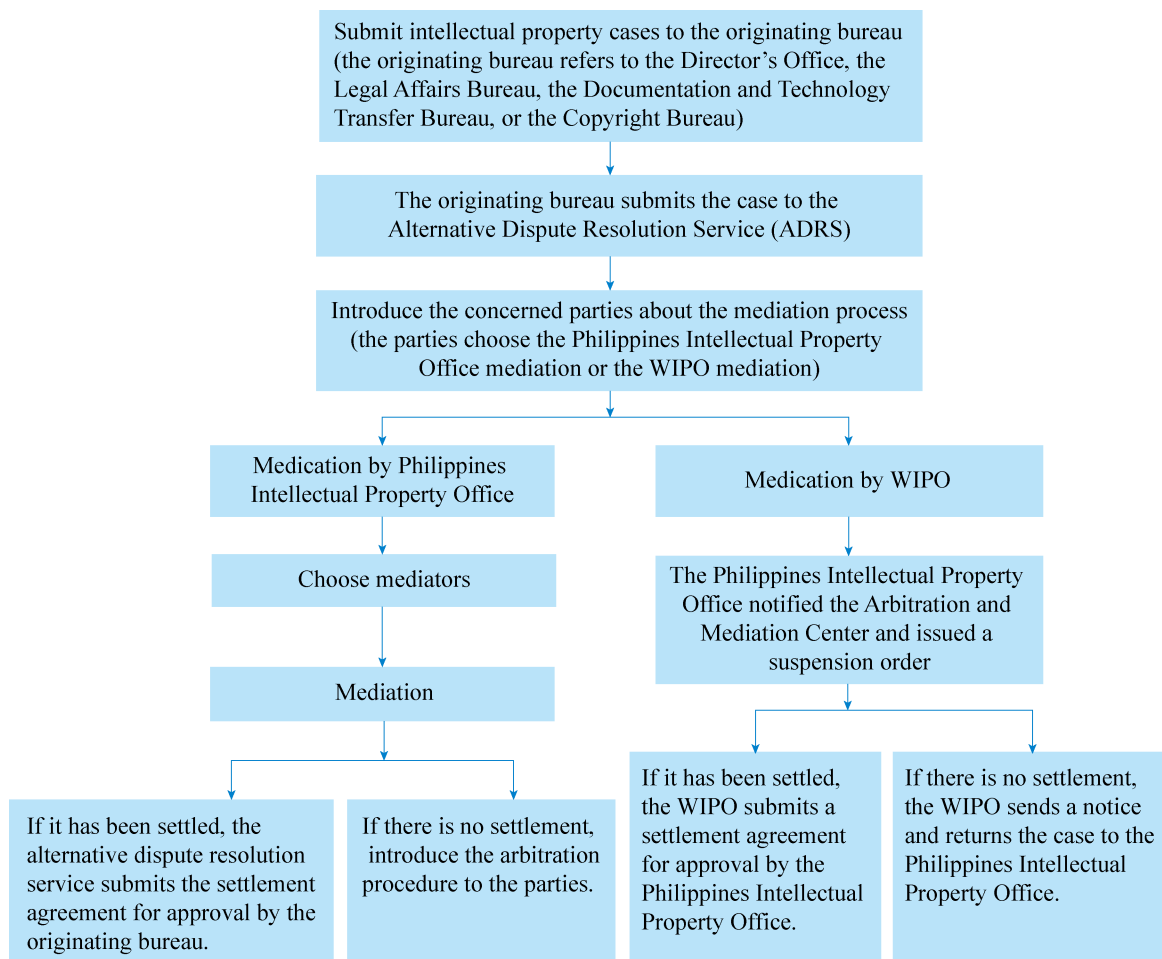


Fig. 7-1 Philippines IP dispute mediation procedures<sup>①</sup>

## 7.3 International Dispute Prevention and Settlement Organization

### Organization and Scope of Business

The International Commercial Dispute Prevention and Settlement Organization (hereinafter referred to as “ICDPASO”) is an international non-governmental and non-profit organization jointly initiated and established by China Council for the Promotion of International Trade (CCPIT) and China Chamber of International Commerce. In accordance with the concept of “Consultation, Contribution and Shared Benefits”, ICDPASO is composed of commercial institutions, trade associations, legal service providers as well as other entities in the field of international commerce around the world on the voluntary basis. On October 15, 2020, the Inauguration

① Medication by Philippines Intellectual Property Office: [www.ipophil.gov.ph](http://www.ipophil.gov.ph).

Ceremony of ICDPASO was successfully held in Beijing. At present, the secretariat of ICDPASO is officially operational.

ICDPASO is committed to providing the diversified services covering the international commercial dispute prevention and settlement, protecting the legitimate right of the parties, creating the business environment with high efficiency, fairness and justification, and facilitating the construction of a more justifiable and equitable international economic order. The headquarter of ICDPASO shall be located in Beijing, the People's Republic of China.

The main organizational structures of ICDPASO include (1) the General Assembly of Members; (2) the Council; (3) Secretariat; (4) Advisory Committee; (5) the Committee of Supervision; (6) the business departments which include publicity and training, compliance construction, bankruptcy reorganization, proof of foreign law, commercial arbitration, commercial mediation, investment disputes and other departments etc..

In accordance with the Charter approved by the First General Assembly, the Scope of business of ICDPASO including: To provide the service of international commercial dispute prevention and settlement subject to the relevant laws, including but not limited to the following activities: publicity and training, dialogue and consultation, construction of compliance of laws and regulations, pre-caution measures, promotion of the standard contract and multi-mechanism of dispute settlement including arbitration and mediation, ect.; To organize international conferences and seminars, to build up the platform for sharing and communicating the information and sources; To collect the opinions, suggestions and interest requests concerning the international commercial dispute prevention and settlement, and to participate in the international events relating to the deliberation, adoption and modification of international rules under the auspices of relevant international institutions or organizations; To make the publication of the statistical data and survey report concerning the international dispute prevention and settlement, to strengthen the capability of managing the information and analyzing the Big Data with respect to the international commercial cases; To cultivate legal talents with international vision, to promote the

sharing of experiences and business cooperation among commercial organizations, dispute resolution institutes, academic institutions and think tanks around the world, and to jointly maintain a fair and stable international business transaction environment. ICDPASO is committed to resolving disputes in advance through dispute prevention on the one hand, and providing one-stop dispute resolution services for parties through diversified dispute resolution methods on the other.

### **Suggestions for Dispute Prevention and Settlement**

(1) Any differences or controversies arising out of or in connection with in a commercial contract shall be eliminated by the dispute prevention services provided by the International Commercial Dispute Prevention and Settlement Organization (“ICDPASO”), including amicable consultation, early intervention, conflict avoidance panels and early neutral evaluation.

(2) All disputes arising out of or in connection with the contract, shall be referred to mediation administered by the International Commercial Dispute Prevention and Settlement Organization (“ICDPASO”) in accordance with the Mediation Rules of ICDPASO in force at the time of filing application.

Any settlement reached in the course of the mediation shall be made a settlement agreement on agreed terms, all parties shall earnestly implement and comply with the award.

In case of failure of the mediation process, the disputes shall be referred to arbitration administered by ICDPASO in accordance with the Arbitration Rules of ICDPASO in force at the time of filing application. The arbitral award is final and binding upon all parties.

(3) All disputes arising out of or in connection with the contract, shall be referred to and finally resolved by arbitration administered by the International Commercial Dispute Prevention and Settlement Organization ( “ICDPASO” ) in accordance with the Arbitration Rules of ICDPASO in force at the time of filing application.



## Free Trade Agreements

### 8.1 Bilateral Free Trade Agreements

On September 9, 2006, Philippines and Japan signed the *Japan-Philippines Economic Partnership Agreement*, which is Philippines' first bilateral free trade agreement. In June 2019, Philippines and South Korea started negotiations on a free trade agreement. At present, the negotiations currently is promoting a consensus on the chapter on economic and technical cooperation.<sup>①</sup>

### 8.2 Multilateral Free Trade Agreements

Philippines is a member of the World Trade Organization (WTO), Asia-Pacific Economic Cooperation (APEC) and ASEAN (ASEAN). As a member of ASEAN, Philippines not only enjoys preferential trade arrangements among ASEAN countries, but also enjoys relevant trade agreements signed by other countries and ASEAN. In November 15, 2020, *the Regional Comprehensive Economic Partnership Agreement (RCEP)* was signed among 15 countries, including the 10 ASEAN countries (Singapore, Indonesia, Malaysia, Thailand, Brunei, Cambodia, Laos, Myanmar, Philippines and Vietnam), as well as China, Japan, South Korea, Australia and New Zealand.

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<sup>①</sup> Department of Trade and Industry: [www.dti.gov.ph/korea-free-trade-agreement](http://www.dti.gov.ph/korea-free-trade-agreement).

**Table 8-1 Free Trade Agreements Signed by Philippines<sup>①</sup>**

Bilateral Free Trade Agreements	Multilateral Free Trade Agreements
Philippines-Japan Economic Partnership Agreement	Regional Comprehensive Economic Partnership
Philippines-European Free Trade Association Free Trade Agreement	ASEAN Free Trade Area
Philippines-EU Free Trade Agreement	ASEAN-Republic of Korea Comprehensive Economic Cooperation Agreement
-	ASEAN-Japan Comprehensive Economic Partnership
	ASEAN-India Comprehensive Economic Cooperation Agreement
	ASEAN-Hong Kong, China Free Trade Agreement
	ASEAN-China Comprehensive Economic Cooperation Agreement
	ASEAN-Australia and New Zealand Free Trade Agreement

**Special Reminder:**

In terms of promoting international trade and investment cooperation, Philippines and Singapore signed the *Philippines-Singapore Action Plan*<sup>②</sup> in 2019, and signed a total of 8 memorandums of understanding, covering infrastructure construction, water resources management, sustainable urban development solutions, skills training and education Cooperation, agricultural trade, etc. In the same year, it signed the Memorandum of Understanding on Fishery Cooperation<sup>③</sup> with South Korea to promote cooperation in the fields of science, technology, economy, and trade between the fisheries and aquaculture industries between the 2 countries. In 2013, Philippines and Thailand signed an agreement on taxation, trade and energy cooperation, covering the *Agreement on Double Taxation Avoidance and Prevention of Tax Evasion* to promote economic activities between the 2 countries, and the *Joint Statement on the Establishment of Energy Forum* to strengthen cooperation in the energy field, etc. In 2017, Philippines and China signed the Six-Year Development Plan for *Six-Year Development Program (SYDP) for*

① Asian Development Bank : [aric.adb.org/fta-country\\_](http://aric.adb.org/fta-country_)

② Embassy of Philippines in Singapore: [www.philippine-embassy.org.sg/about-us-2/overview-of-philippines-singapore-relations](http://www.philippine-embassy.org.sg/about-us-2/overview-of-philippines-singapore-relations)

③ Philippines Star: [www.philstar.com/business/2019/11/28/1972336/philippine-inks-first-fisheries-cooperation-agreement-south-korea](http://www.philstar.com/business/2019/11/28/1972336/philippine-inks-first-fisheries-cooperation-agreement-south-korea)

*Trade and Economic Cooperation between the Philippines and China* <sup>①</sup>, which laid down a fair and transparent plan for the cooperation between Philippines and China in the fields of infrastructure construction such as transportation, roads, railways, communications, and irrigation, which comply with the operating guidelines of the laws of the 2 countries.

### 8.3 Regional Comprehensive Economic Partnership (RCEP)

Among the multilateral and bilateral free trade agreements signed by the Philippines, the *Regional Comprehensive Economic Partnership* (RCEP) is one of the most important.

#### Overview of RCEP

On November 15, 2020, the 10 ASEAN countries and the 5 countries including China, Japan, Korea, Australia and New Zealand signed the Regional Comprehensive Economic Partnership Agreement (RCEP). This is the most important achievement made in the construction of East Asian economic integration program in the past 20 years, marking the official launch of the free trade zone with the largest population, the largest size of economy and trade, and the most potential for development in the world. Currently, the total population, total GDP and total exports of the 15 member states of RCEP account for about 30% of the global total respectively.

RCEP consists of preamble, 20 chapters (including: initial clauses and general definitions, trade in goods, rules of origin, customs procedures and trade facilitation, sanitary and phytosanitary measures, standards, technical regulations and conformity assessment procedures, trade remedies, services trade, temporary flows of natural persons, investment, intellectual property rights, e-commerce, competition, small- and medium-sized enterprises, economic and technical cooperation, government procurement, general terms and exceptions, institutional terms, dispute resolution, final clauses), and 4 attached market access commitment sheets

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① Philippines Star:[www.philstar.com/headlines/2018/11/21/1870517/full-text-joint-statement-philippines-and-china](http://www.philstar.com/headlines/2018/11/21/1870517/full-text-joint-statement-philippines-and-china)

(including: tariff commitment sheet, specific service commitment sheet, commitment sheet on investment reservation and non-conforming measures, and specific commitment sheet on the temporary flows of natural persons).

RCEP allows the unity of high quality and inclusiveness. The share of final zero-tariff products in goods trade will exceed 90% overall, and the overall opening-up of service trade and investment will expand significantly. Meanwhile, RCEP also considers the national circumstances of different countries and grants special and differential treatment to the least developed countries to promote the inclusive and balanced development of the regions. As a result, all parties can fully share the results of RCEP and significantly improve the level of economic integration in East Asia.

RCEP will promote the integration of regional industrial chains, supply chains and value chains, and regional economic growth. The economic structures of RCEP members are highly complementary, with complete capital, technology, and labor elements in the region. RCEP has further relaxed the market access of goods, services, investment and other fields among member countries, gradually unified the rules of origin, customs procedures, inspection and quarantine, and technical standards, etc., significantly optimized the overall business environment in the region, greatly reduced the institutional costs of enterprises, strengthened the cooperation of members in the division of production, promoted the free flow of economic factors in the region, further enhanced the trade creation effect brought by the free trade agreement, and promoted the expansion and upgrading of the consumer market in the region. According to the calculations by an internationally renowned think tank, by 2025, RCEP is expected to drive the exports, foreign investment stocks, and GDP of its member countries to increase by 10.4%, 2.6%, and 1.8% respectively from the baseline.

## **Philippines' Commitment to RCEP**

SCHEDULE OF TARIFF COMMITMENTS. This Schedule is composed of five Sections,

one applicable for all Parties, and four applicable respectively for certain tariff lines for Australia and New Zealand, for China, for Japan, and for Korea.. Philippines shall, as of the effective date of the agreement, grant concessions to the tariffs levied on goods of origin under the agreement, and at each concession stage, the tariff lines marked “U” shall not be included in any commitment to grant concessions or eliminate tariffs.

With regard to the period of tariff concessions, the “price list of tariffs to be eliminated non-linearly” listed in *Schedule of Tariff Commitment of Philippines* is subject to review by the parties concerned. The review will be completed within 3 years from the effective date of *RCEP*. Unless otherwise agreed in the review, all linear phased content of the tariff lines shall commence within 3 years after the completion of review.

**SCHEDULE OF SPECIFIC COMMITMENTS FOR SERVICES.** The *Schedule of Specific Commitments of Philippines* adopts a positive list for trade in services, and a negative list for non-service industrial investments (i.e. manufacturing, agriculture, forestry and fishery, and mining), to sets out specific commitments related to market access, national treatment, and most-favored-nation treatment, local presence, prohibition of performance requirements, senior management and board appointments and other specific commitments.

**Table 8-2 Schedule of Specific Commitments for Services Philippines**

Modes of Supply: 1) Cross-border Supply; 2) Consumption abroad; 3) Commercial presence; 4) Presence of natural persons		
Sector or Subsector	Limitations on Market Access	Limitations on National Treatment
All sectors included in this schedule	<p>Items reserved by law for Filipino citizens or restricting foreign equity: The participation of foreign investors in the governing body of any corporation engaged in activities expressly reserved to citizens of Philippines by law shall be limited to the proportionate share of foreign capital of such entities. All executive and managing officers must be citizens of Philippines. The participation of foreign investors in the governing body of any corporation engaged in activities expressly reserved to citizens of Philippines by law shall be limited to the proportionate share of foreign capital of such entities.</p>	<p>Obtain domestic credit: A foreign firm, engaged in nonmanufacturing activities availing itself of peso (₱) borrowings, shall observe, at the time of the borrowing, the prescribed 50:50 debt-to-equity ratio. Foreign firms covered are: a)partnerships, more than 40 percent of whose capital is owned by non-Filipino citizens; and; b)l corporations, more than 40 percent of whose total subscribed capital stock is owned by non- Filipino citizens.</p>

Continued

Sector or Subsector	Limitations on Market Access	Limitations on National Treatment
All sectors included in this schedule	Foreign investors may lease only private-owned lands.	This requirement does not apply to banks and non-bank financial intermediaries.
	<p>Entry and Temporary Stay of Natural Persons Supplying Services: All measures on Temporary Movement of Natural Persons are unbound except for the terms, conditions, limitations or qualifications concerning the temporary entry and temporary stay of natural persons who fall into one of the categories referred to in Philippines' Schedule in Annex IV (Schedules of Specific Commitments on Temporary Movement of Natural Persons).</p> <p>In activities expressly reserved by law to citizens of Philippines where foreign equity participation is limited to a maximum of 40 percent, all executives and managers must be citizens of Philippines.</p> <p>Pursuant to Article 40 of the Labor Code, as amended, and its implementing rules and regulations, non-resident foreign nationals may be admitted to Philippines after a determination of the non-availability of a person in Philippines who is competent, able and willing at the time of application, to perform the services for which foreign national is desired.</p>	Pursuant to Section 14, Article XII of the 1987 Philippines Constitution, the practice of profession in Philippines shall be limited to citizens of Philippines, save in cases prescribed by law. If the activity or undertaking of the natural person constitutes the practice of a regulated profession under Philippines laws, rules and regulations, the natural person must secure a special permit or license to practice the regulated profession from the Professional Regulation Commission (PRC). The natural person shall likewise comply with the requirements relative to practice of profession by a foreign national as provided for in the appropriate professional regulatory law.
	<p>(1)(2)(3)(4) All measures taken by local government units are unbound.</p> <p>All measures governing permanent residents are unbound. Philippines reserves the right to enact laws on the treatment of permanent residents of foreign countries. Until such time as Philippines enacts said domestic law the obligations of Philippines with respect to the permanent residents of the other Parties shall be limited to its obligations under GATS, and the obligations of the other Parties with respect to the permanent residents of Philippines shall be limited to their obligations under GATS.</p> <p>(1)(2)(3)(4) All measures relating to taxation are unbound.</p> <p>(1)(2)(3)(4) In certain areas of investment or activities, <i>the 1987 Philippines Constitution</i> provides that the Philippines Congress shall, upon recommendation of the economic and planning agency, when the national interest dictates, reserve to citizens of Philippines or to corporations or associations at least sixty per centum of whose capital is owned by such citizens, or such higher percentage.</p>	(1)(2)(3)(4) All measures relating to taxation are unbound
.....		

SCHEDULE OF SPECIFIC COMMITMENTS FOR INVESTMENT. The *Schedule of Reservations and Non-Conforming Measures for Investment*<sup>①</sup> lists the minimum restrictions on

① Philippines Investment Retention and Non-conformance Measures Commitment Form: <https://rcepsec.org/wp-content/uploads/2020/11/Philippines-Schedule-of-Reservations-and-Non-Conforming-Measures-for-Investment.pdf>.

Philippines' national treatment, most-favored nation treatment, prohibition of performance requirements, senior management and board appointments, This List sets out, pursuant to *Reservations and Non-Conforming Measures*, Philippines' measures that do not conform to the obligations under Article 10 of RCEP.

(1) Establishment of Domestic Corporation: a) Number of incorporates shall be natural persons, not less than five but not more than 15, all of legal age; b) Majority of the incorporates and directors shall be residents of Philippines; and c) Corporate Secretary shall be a citizen and resident of Philippines.

Participation of foreign investors in entities engaged in partially nationalized activities and public utilities. For public utility enterprises or corporations engaging in partially nationalized activities, the President and all the executive and managing officers of such corporation or association must be citizens of Philippines. The participation of foreign investors in the governing body of said enterprise shall be limited to their proportionate share in its capital.

Establishment of Cooperative. No foreign equity is allowed. Small and medium-sized domestic market enterprises are reserved to Philippines nationals, however, Philippines may allow up to a maximum of 40 percent foreign equity in small and medium-sized domestic market enterprises, subject to compliance with requirements, terms and conditions.

(2) A non-Philippines national not otherwise disqualified by law may do business or invest in a domestic enterprise up to 100 percent of its capital, provided: a) it is investing in a domestic market enterprise in areas outside *the Foreign Investment Negative List* under *the Foreign Investments Act of 1991*; or b) it is investing in an export enterprise whose products and services do not fall within Lists A and B of the Foreign Investment Negative List under *the Foreign Investments Act of 1991*.

(3) Foreign Enterprises may establish Regional Operating Headquarters provided it shall register the same with the appropriate government agency and shall be subject to relevant rules

and regulations.

(4) Philippines protects the nation's marine wealth in its archipelagic waters, territorial sea, and exclusive economic zone, and reserves its use and enjoyment exclusively to Filipino citizens. Small-scale utilization of natural resources is allowed only to Filipino citizens, as well as cooperative fish farming, with priority to subsistence fishermen and fish workers in rivers, lakes, bays, and lagoons.

(5) The use and exploitation of the fishery and aquatic resources in Philippines waters shall be reserved exclusively to Filipinos. All fishery activities in municipal waters shall be utilized by municipal fisherfolk and their cooperatives or organizations who are listed as such in the registry of municipal fisherfolk.

No commercial fishing vessel license shall be issued except to citizens of Philippines, partnerships or to associations, cooperatives or corporations duly registered in Philippines at least 60 percent of the capital stock<sup>1</sup> of which is owned by Filipino citizens, subject to requirements and compliance with certain conditions. Foreign owned vessels are not allowed to conduct fishing operations in all Philippines waters.

(6) Other provisions.

Rights Reserved or Maintained by Philippines:

(1) Philippines reserves the right to adopt or maintain any measure relating to the ownership, conservation, exploration, development, protection, and utilization of land, water and natural resources, which shall be under the full control and supervision of Philippines. The President may enter into agreements with foreign-owned corporations involving either technical or financial assistance for large-scale exploration, development, and utilization of minerals, petroleum, and other mineral oils based on real contributions to the economic growth and general welfare of the country. In such agreements, Philippines shall promote the development and use of local scientific and technical resources

(2) Philippines reserves the right to adopt any measure on certain areas of investment, when the national interest dictates, upon recommendation of the economic and planning agency, where such measures are necessary and would not constitute arbitrary or unjustifiable discrimination or a disguised restriction on foreign investment.

In the grant of rights, privileges, and concessions covering the national economy and patrimony, Philippines shall give preference to qualified Filipinos. Further, Philippines reserves the right to adopt or maintain any measure relative to the grant of franchise, certificate, or any other form of authorization for the operation of a public utility, where such measures are necessary and would not constitute arbitrary or unjustifiable discrimination or a disguised restriction on foreign investment.

Philippines shall regulate and exercise authority over foreign investments within its national jurisdiction and in accordance with its national goals and priorities, where such measures are necessary and would not constitute arbitrary or unjustifiable discrimination, or a disguised restriction on foreign investment.

(3) Philippines reserves the right to adopt or maintain any measure or mechanism relating to the local government units, the autonomous regions, in the Cordilleras, and the autonomous region in Muslim Mindanao and the enforcement and protection of the rights of Cultural Communities or Indigenous Peoples on their ancestral domains and on indigenous knowledge systems and practices.

(4) Philippines reserves the right to adopt or maintain any measure relating to registration of foreign investment (equity and debt) and foreign loans with the Bangko Sentral ng Pilipinas.

(5) Philippines reserves the right to adopt or maintain any measure or mechanism relating to privatization programs of government assets and divestment of assets requirement in iron and steel, pioneer activities, and public-private partnership programs.

(6) Other's clauses.

SCHEDULE OF SPECIFIC COMMITMENTS ON TEMPORARY MOVEMENT OF

NATURAL PERSONS. This Schedule sets out Philippines' commitments in relation to the temporary entry and temporary stay of natural persons of another Party. Temporary entry and temporary stay shall be granted to a Business Visitor of another Party, who stays in Philippines for an initial period of 30 days, which may be extended. Temporary entry and temporary stay shall be granted to an Intra-Corporate Transferee (i.e., Executive, Manager, and Specialist) of another Party, who stays in Philippines for an initial period of 30 days, which may be extended.<sup>①</sup>

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<sup>①</sup> The specific commitment form for the temporary movement of natural persons in Philippines: <http://fta.mofcom.gov.cn/rcep/rceppdf/12%20PH's%20Annex%20IV.pdf>.



## Support Measures against COVID-19

### 9.1 Economic Security Policies<sup>①</sup>

After the outbreak of the COVID-19 epidemic in 2020, in order to ensure the normal operation of the economy, the Philippines government has issued a series of policy plans.

#### Fiscal Policy

(1) “Bayanihan I” Act. Signed and entered into force in March 2020, it is also known as the “*Bayanihan I*” Act, which covers a cash assistance program of approximately PHP 211 billion for more than 32 million low-income families, and provide about 65 billion pesos of social security funds for the disadvantaged groups and small, medium and micro enterprises; about PHP 49 billion of COVID-19 medical response funds; and about PHP 37 billion of financial assistance to local governments.

(2) Taxation Reform. In May 2020, the *Corporate Income Tax and Tax Incentive Program* (CREATE) was officially released. On the basis of the previous *Internal Revenue Code*, some income tax rates were adjusted, and the start and end time of various regulations became the most powerful fiscal stimulus package in Philippines history.

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① International Monetary Fund: [www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#K](http://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#K)

**Table 9-1 Philippines tax reform plan under the COVID-19 epidemic<sup>①</sup>**

Types	Effective Time	Content
Corporate income tax-resident companies	July 1, 2020–2023 January 1	The original income tax rate of 30% has been reduced to 25%.
	January 1, 2023–2027 January 1	The income tax rate is reduced from 25% to 20% at an annual rate of 1%.
Carry-forward of net operating loss	Since July 1, 2020	The net operating loss carry-forward period for non-large corporate taxpayers will be extended from 3 years to 5 years from 2020.
Withholding Tax-Dividends	Since July 1, 2020	A 15% tax is levied on the net income of a foreign company from the sale of shares in a company that is not listed on the Philippines Stock Exchange (within US\$ 2000: 5%, over US\$ 2000: 10%).
Corporate income tax-regional operating headquarters	Since July 1, 2020	The corporate income tax of the regional headquarters has been adjusted from 10% in the year from the successful registration to 2 years after the registration.
Corporate income tax- tax deductions, exemptions and benefits	Since July 1, 2020	Qualified registered enterprises (RBEs) can enjoy 2-4 years of income tax relief.
	Since January 1, 2021	The corporate income tax rate of 8% will be implemented in 2021, the tax rate of 9% will be implemented in 2022, and the tax rate of 10% will be implemented in 2023.

(3) “Bayanihan II” Act. Signed and entered into force in September 2020, it is also known as the “*Bayanihan II*” Act, which focuses on vulnerable groups and hard-hit industries, such as agriculture, public transportation and tourism, and improves the size of the government’s reserve fund in the country’s state-owned banks, and stipulate that the fund use period is extended to June 30, 2021 at the same time.

## Monetary Policies

(1) In 2020, Central Bank of Philippines (BSP) lowered its benchmark interest rate 5 times, with a cumulative cut of 200 basis points to 2.00%. In addition, the deposit reserve ratio of commercial banks has been lowered by 200 basis points to 12%.

(2) Central Bank of Philippines has issued a series of regulations on the relaxation of banking supervision, mainly including: temporarily relaxing the previous restrictions on compliance reports, statutory deposit reserve penalties and single borrower; upon the approval of

<sup>①</sup> Philippines’ Ministry of Finance: [taxreform.dof.gov.ph/tax-reform-packages/p2-corporate-recovery-and-tax-incentives-for-enterprises-act](https://taxreform.dof.gov.ph/tax-reform-packages/p2-corporate-recovery-and-tax-incentives-for-enterprises-act).

the Central Bank of Philippines, temporary relaxation of deposit reserve requirements; temporary exemption of the previous regulatory requirements for market value-priced debt securities. The central bank will limit the proportion of bank real estate loans to the total loan portfolio (excluding interbank loans) from the previous 20 % temporarily increased to 25%.

### Labor and Employment Policy<sup>①</sup>

In order to ensure the effective advancement of isolation measures, the Philippines Ministry of Labor and Employment issued 3 types of files, *the Guiding Opinions on the Implementation of the Flexible Work System*, *Guidelines for the Adjustment Measures Program during the COVID-19 Epidemic Period (CAMP)*, and *Guiding Opinions on the Payment of Regular Leave and Special Period Leave*.

**Table 9-2 Employment-related adjustment measures in Philippines<sup>②</sup>**

Category	Issuing time	Details
Flexible working system	March, 2020	The <i>Guiding Opinions on Implementing a Flexible Work System to Respond to the COVID-19 Epidemic</i> stipulates that, while complying with the <i>Labor Code</i> , the companies can formulate flexible working systems for their employees, including: job rotations, compulsory vacations using existing holidays, etc.
Government unemployment benefits	March, 2020	The <i>Guidelines for the Adjustment Measures Program during the COVID-19 Epidemic Period (CAMP)</i> clarify the procedures for applying for government unemployment relief subsidies during the epidemic, and formulate online application and issuance procedures.
Salary system	April, 2020	The <i>Guiding Opinions on the Payment of Wages for Regular Holidays and Special Period Holidays</i> provides reference opinions for the calculation basis of regular vacations and special period vacations during the epidemic.

## 9.2 Economy Revitalization Measures

In September 2020, Philippines issued guidelines on economic recovery aimed to *Promoting Economic Recovery, Stimulating Economic Growth and Providing Financial Support during COVID-19 Epidemic* (referred to as “*Economic Recovery Guidelines*”), which covers entry and

① Philippines’ Department of Labor and Employment: [services.ncr.dole.gov.ph/?p=175](https://services.ncr.dole.gov.ph/?p=175).

② Philippines’ Department of Labor and Employment: [services.ncr.dole.gov.ph/?p=175](https://services.ncr.dole.gov.ph/?p=175).

exit management, finances Subsidies, import and export management, etc.

**Table 9-1 “Economic Recovery Guidance” related to foreign investors<sup>①</sup>**

Category	Details
Resident subsidies	Provide reliefs worth PHP 5,000-8,000 for the low-income families every 2 months.
Credit	a) Lower loan interest rates, and at the same time provide greater credit support services for the production sector, especially the Ministry of Agriculture and Rural Affairs; b) For loans issued by commercial banks, credit companies, insurance companies and other financial institutions, including credit loans, commercial loans, etc., a grace period of at least 30 days for repayment can be granted. c) Cancel the various handling fees involved in the online banking business of commercial banks; d) Exemption of overdue interest, fines and other related expenses for the mature loans of enterprises in the isolation zone.
Tariff	a) Exemption of import duties and other duties on medical equipment and medical supplies; b) Exemption from import duties and other taxes on products purchased by pharmaceutical companies, medical equipment manufacturers or suppliers.
Real estate renting	a) Provide a rent grace period of at least 30 days to tenants whose civil housing leases expire during the quarantine period without incurring any interest, fines or other expenses; b) Provide a rent grace period of at least 30 days for small, medium and micro enterprises whose commercial housing leases expire during the quarantine period, without incurring any interest, fines and other expenses.
Government emergency procurement	When the country enters a state of public health emergency, the government may approve the special procurement plan for the emergency of the relevant material purchaser at its discretion.
Travel	Philippines has lifted restrictions on non-essential travel abroad in July 2020, and foreign investors holding investor visas can submit entry applications from November 2020.
Corporate governance	The Philippines Securities and Exchange Commission allows relevant companies with international business to postpone the submission of financial reports for 2019. The specific postponement time is June 30, 2020 or 60 days from the date when the government authorities lifted travel restrictions/bans, whichever is later...
Note: It was taken into effect from September 2020.	

In December 2020, the Federal Government of Philippines promulgated the *National Budget Act for the Fiscal Year 2021*<sup>②</sup>, which clarified the implementation of a fiscal plan worth PHP 4.506 trillion in the fiscal year of 2021, with the theme of “restart, revitalization and recovery” to promote the country Infrastructure development, creating more employment opportunities, and enhancing economic resilience.

(1) Restart: In 2021, part of the fiscal funds will be used for medical protection (including

<sup>①</sup> Philippines’ official gazette: [www.officialgazette.gov.ph/downloads/2020/09sep/20200911-RA-11494-RRD.pdf](http://www.officialgazette.gov.ph/downloads/2020/09sep/20200911-RA-11494-RRD.pdf).

<sup>②</sup> Federal Government of Philippines: [www.gov.ph](http://www.gov.ph).

the purchase of anti-epidemic materials, etc.), biotechnology research (including new coronavirus mutation tracking research), and new crown vaccine procurement and transportation and other supporting infrastructure construction.

(2) Revitalization: In 2021, the national plan allocates approximately PHP 317.7 billion for the “Great construction and special construction” infrastructure plan, focusing on projects such as asset preservation, information communication and network systems, bridges, railways, and flood control.

(3) Recovery: In order to increase the speed of economic development and promote the development of small and micro enterprises, disadvantaged groups, and communities in the fields of education and agriculture, the Ministry of Finance will cooperate with various competent authorities (including the Ministry of Education, the Ministry of Public Works and Highways, and the Ministry of National Defense) in 2021. Ministry of Health, Ministry of Health, Ministry of Social Welfare and Development, Ministry of Transport, Ministry of Agriculture, Ministry of Justice, Ministry of Labor and Employment, etc.) will jointly issue corresponding subsidy funds.



## Contact Information of Relevant Departments and Institutions

### 10.1 Contact Information of Government Departments and Related Institutions

Philippines' Government Portal ([www.gov.ph](http://www.gov.ph)) is the official website of the Philippines government, where investors can check the websites of all government departments, department settings, and contact information of main staff.

**Table 10-1 Contact information of some government departments and relevant institutions in Philippines**

Department	Telephone	Website
Office of the President	+632 8784 4286	<a href="http://www.op-proper.gov.ph">www.op-proper.gov.ph</a>
Department of Agriculture	+632 8273 2474	<a href="http://www.da.gov.ph">www.da.gov.ph</a>
Department of Budget and Management	+632 8657 3300	<a href="http://www.dbm.gov.ph">www.dbm.gov.ph</a>
Department of Education	+632 8633 7208	<a href="http://www.deped.gov.ph">www.deped.gov.ph</a>
Department of Energy	+632 479 2900	<a href="http://www.doe.gov.ph">www.doe.gov.ph</a>
Department of Environment and Natural Resources	+632 8929 6626	<a href="http://www.denr.gov.ph">www.denr.gov.ph</a>
Department of Finance	+632 5317 6363	<a href="http://www.dof.gov.ph">www.dof.gov.ph</a>
Department of Foreign Affairs	+632 8834 4000	<a href="http://www.dfa.gov.ph">www.dfa.gov.ph</a>
Department of Health	+632 8651 7800	<a href="http://www.doh.gov.ph">www.doh.gov.ph</a>
Department of Information and Communications Technology	+632 8920 0101	<a href="http://www.dict.gov.ph">www.dict.gov.ph</a>
Department of Justice	+632 8523 8481	<a href="http://www.doj.gov.ph">www.doj.gov.ph</a>
Department of Labor and Employment	+632 8527 3000	<a href="http://www.dole.gov.ph">www.dole.gov.ph</a>
Department of National Defense	+632 8982 5600	<a href="http://www.dnd.gov.ph">www.dnd.gov.ph</a>
Department of Social Welfare and Development	+632 8931 8101	<a href="http://www.dswd.gov.ph">www.dswd.gov.ph</a>
Department of Tourism	+632 8459 5200	<a href="http://www.tourism.gov.ph">www.tourism.gov.ph</a>

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Department	Contact	Website
Department of Trade and Industry	+632 7751 0384	www.dti.gov.ph
Department of Transportation	+632 8790 8300	www.dot.gov.ph
National Economic and Development Authority	+632 8631 0945	www.neda.gov.ph
Bureau of Internal Revenue	+632 8631 0945	www.bir.gov.ph
Bureau of Customs	+632 8705 6000	www.customs.gov.ph
Department of Transportation and Communications	+632 790 8300	www.dotc.gov.ph
Tariff Commission	+632 433 5895	www.tariffcommission.gov.ph
Securities and Exchange Commission	+632 8818 0921	www.sec.gov.ph
Insurance Commission	+632 8523 8461	www.insurance.gov.ph
Philippines Economic Zone Authority	+632 551 3454	www.peza.gov.ph
Central bank of Philippines	+632 8708 7701	www.bsp.gov.ph
National Statistical Coordination Board	+632 895 2767	www.nscb.gov.ph
Philippines Overseas Employment Administration	+632 722 1142 99	www.poea.gov.ph
Philippines Social Security System	+632 8813 4286	www.sss.gov.ph
Board of Investments	+632 890 1332	boi.gov.ph
Philippines Statistics Authority	+632 8461 0500	psa.gov.ph
Department of Public Works and Highways	+632 5304 3300	www.dpwh.gov.ph
Construction Industry Authority of Philippines	+632 895 4424	pcabgovph.com
Bureau of Working Conditions	+632 8527 3000	bwc.dole.gov.ph
Public-Private Partnership Center	+632 8709 4146	ppp.gov.ph
National Housing Authority	+632 8790 0800	nha.gov.ph
Housing and Urban Development Coordinating Council	+632 811 4168	hudcc.gov.ph
Intellectual Property Office of Philippines	+632 7238 6300	www.ipophil.gov.ph
Bureau of Immigration	+632 8524 3769	immigration.gov.ph
Construction Industry Authority of Philippines	+632 895 4424	ciap.dti.gov.ph
National Conciliation and Mediation Board	+632 8332 4175	ncmb.gov.ph
Philippines Dispute Resolution Center, Inc.	+632 8822 4102	www.pdrci.org

## 10.2 Contact Information of Business Association and Service Provider

**Table 10-2 Contact information of some chambers of commerce, association and service providers in Philippines**

Institution	Contact	Website
Philippines Life Insurance Association, Inc.	+632 8893 0311	www.plia.org.ph
National Telecommunications Commission	+632 8929 5108	www.ntc.gov.ph
Energy Development Corporation	+632 8667 7332	www.energy.com.ph

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Institution	Contact	Website
Palawan Council for Sustainable Development, Philippines	+632 4843 4235	psd.gov.ph
National Labor Relations Commission	+632 8781 7877	nlrc.dole.gov.ph
Commission of Audit	+632 931 9207; +632 931 9268	www.coa.gov.ph
Development Bank of Philippines	+632 813 0060	www.devbankphil.com.ph
Center for International Trade Expositions and Missions	+632 831 2382	www.citem.gov.ph
Philippines Center for Economic Development	+632 920 5466; +632 920 5462	www.pced.gov.ph
Metropolitan Bank and Trust Company	+632 8870 0700	metrobank.com.ph
BDO Unibank	+632 8631 8000	www.bdo.com.ph
The Philippines Stock Exchange, Inc.	+632 8876 4888	www.pse.com.ph
Philippines Partnership for Sustainable Agriculture	secretariat@ppsa-ph.org	www.ppsa-ph.org



## Frequently Asked Questions

### 1. What types of working visas can be applied in Philippines?<sup>①</sup>

There are 2 types of working visas and special investor residence visas. Among them, the Special Investor Residency Visa (SIRV) is a type of visa issued by the Philippines Immigration Bureau through the Investment Agency. As long as there is investment in Philippines, holders of the Special Investor Residency Visa (SIRV) can stay in Philippines without restrictions.

Foreigners who meet the following requirements can apply for a special investor residence visa: without being punished by civil or criminal penalties due to moral problems; without being suffered from serious, dangerous or infectious diseases; without being related due to mental or intellectual disability Institutional shelter; with the ability to invest at least US\$ 75,000 in Philippines.

For special investor residence visas, only direct investment in existing companies or start-up companies or holding of their stocks are accepted. The investment target companies are restricted as follows: publicly listed companies; engaged in the Investment Priority Program (IPP) of the Investment Agency Related projects in the industry; the related companies engaged in manufacturing or service industries.

### 2. How to immigrate to Philippines?<sup>②</sup>

In Philippines, there are 2 main ways to apply for immigration: retirement immigration and

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① Philippines' Department of Labor and Employment: [services.ncr.dole.gov.ph/?p=175](https://services.ncr.dole.gov.ph/?p=175).

② Philippines' Bureau of Immigration: [immigration.gov.ph](https://immigration.gov.ph).

investment immigration. Among them, the retirement immigration (SRRV Smile) requires applicants to be 35 years old and above, and have a fixed deposit of US\$ 20,000 in a designated bank. Immigration by investment requires applicants to be 25 years old and above, and have invested at least US\$ 75,000 in Philippines. Investment methods shall include: registering a company, investing in a local company, and buying the stock of a local listed company.

### **3. How is Philippines' education system? <sup>①</sup>**

*The Philippines Constitution* stipulates that primary and secondary education shall be compulsory, primary and secondary education shall be mainly run by governments. Philippines encourages private schools and provides long-term low-interest loans and exemption from property taxes.

As of the end of 2020, there are 1,599 higher education institutions in Philippines, mainly privately run. The well-known institutions of higher learning include University of Philippines, De La Salle University, Ateneo University, Oriental University, Far Eastern University, University of Saint Thomas, etc.

### **4. How is Philippines' medical and healthcare quality? <sup>②</sup>**

There are 3 types of hospitals in Philippines: national, public and private. Private hospitals have the highest level of medical equipment. Except for the doctors and nurses in the emergency department and inpatient department who are regular employees, most of the other doctors and nurses work in various hospitals on a zoning basis. The work schedule of doctors is not fixed.

Nowadays, Philippines receives a large number of patients from Europe, America and other regions who go to Philippines for treatment every year. Among them, heart bypass surgery is the most common. Not only is the technology more professional, the price of private hospitals in

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<sup>①</sup> Philippines' Department of Education: [www.deped.gov.ph/alternative-learning-system/resources/downloads/publications/](http://www.deped.gov.ph/alternative-learning-system/resources/downloads/publications/).

<sup>②</sup> International Insurance Group: [www.internationalinsurance.com/health/systems/philippines.php](http://www.internationalinsurance.com/health/systems/philippines.php).

Philippines is only about one-third of the same level hospitals in Europe, America and other countries.

### **5. What are Philippines' main public transports?<sup>①</sup>**

The main transportation vehicles in Philippines include: Jeepneys, taxis, tricycles and boats.

The jeepney is similar to a bus. The number corresponding to the starting point of the route and the main stop will be displayed outside the bus. Generally, it can be stopped on demand.

Taxis are mainly divided into 2 types: yellow and white. Yellow taxis are generally dedicated airport taxis, and white taxis are ordinary taxis. Generally, taxi drivers can communicate with passengers in English.

The tricycle is suitable for short trips or country roads that cannot be reached by jeepneys or taxis. There are mainly 2 forms of tricycles, mainly powered by motorcycles and human-powered bicycles.

As an archipelago country, in Philippines, ship ride is a more commonly used means of transportation. The main types of ships are: Bancas, Cruise Ship and Ship.

### **6. How to buy a car in Philippines?<sup>②</sup>**

In Philippines, cars can be purchased online and offline. Among them, the online car purchase platform ([www.autodeal.com.ph](http://www.autodeal.com.ph)) and offline dealers of various car companies are provided. The materials needed to buy a car mainly include: ID documents (driver's license, passport and I-Card issued by Bureau of Immigration), income tax statements for the last 1 month, proof of employment (COE) in the country within the past 2 months, and a valid bank account.

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① Pinoy Top Tens: <https://topten.ph/2016/02/23/10-common-transportation-in-the-philippines/>.

② Philkote.com: [philkote.com/car-buying-and-selling/7-essential-documents-needed-when-purchasing-a-car-in-the-philippines-4136](http://philkote.com/car-buying-and-selling/7-essential-documents-needed-when-purchasing-a-car-in-the-philippines-4136).

## **7. Can foreign residents invest in Philippines real estate, and what are the investment methods?<sup>①</sup>**

Foreign residents can invest in real estate. In Philippines, there are 2 main ways to invest in real estate: a)in real estate development projects where Philippines citizens hold 60% or more of the equity, the foreign investors can directly invest in the purchase of commercial housing developed by the company;b)the foreign investors invest in real estate projects in the name of the company as shareholders in companies with land acquisition rights held 60% or more by Philippines citizens.

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<sup>①</sup> Legal Affairs Department of CCPIT, Studies on Laws of the “Belt & Road” Countries-Philippines.