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Country Profile: Philippines

The Facts

Location	Southeastern Asia, archipelago between the Philippine Sea and the South China Sea, east of Vietnam
Languages	Official – Filipino, English
Nationality	Filipino
Religions	Roman Catholic – 82.9% Protestant – 8% Muslim – 5% Others – 4.1%
Government	Republic
Head of Government	President
Legislature	Bicameral Congress
Constitutional Document	Constitution of the Philippines
Economy	The Philippines has rich mineral, geothermal and energy agricultural resources. The economy is one of the emerging markets in the world, supported by agriculture, fishery products, semiconductors and electronic products, transport equipment, garments, copper products and petroleum products. The Philippines is also estimated to be the 14 th largest economy in the world by the year 2050.
Currency	Philippine Peso (PHP)
GDP (2011)	Total – PHP 9,735.52 billion Per capita – PHP 101,565 Real GDP growth – +3.7%
Population	103,775,002 (approx.)
Percentage of population	Tagalog – 28.1% Cebuano – 13.1% Ilocano – 9% Bisaya/Binisaya – 7.6% Hiligaynon Ilonggo – 7.5% Bikol – 6% Waray – 3.4% Others – 25.3%
Area	300,000 km ²
Time zone	PHT (UCT +8)
Public Holidays	National holidays – 14
Climate	Tropical marine



Sources: Philippines – Board of Investments, Central Intelligence Agency, International Monetary Fund

Philippines

According to a report by the Office of the President of the Philippines, foreign direct investment to The Philippines increased by 10.6 percent in the first half of 2012, during which time the country attracted a total of \$917 million dollars. In 2011, The Philippines got a place in the IMF creditor list, by contributing \$251.1 million in IMF's Financial Transactions Plan (FTP). This was a great achievement, given that the country has been one of the "net debtors" of FTP for long. According to IMF's 2011 List of Countries by GDP (nominal), the economy of the Philippines ranked 44th in the world. Here are some major reasons why foreign investors should invest in the Philippines.

The Philippines Business Climate

There are several reasons to invest in the Philippines:

- **Strategic location:** The Philippines is conveniently located at the center of Asia. The country is within four to five hours' flying distance from many world class business centers, such as Hong Kong, Singapore, Shanghai, Malaysia, Japan, China and Thailand. The country also stands as a gateway of international shipping for the Association of Southeast Asian Nations (ASEAN). Not to mention, this strategic location gives the Philippines an edge over Asia's other investment destinations.
- **Government support:** The government of the Philippines is quite enthusiastic about bringing more foreign investment into the country. To this end, the government has established many Free Trade Zones, such as the Philippine Economic Zone Authority (PEZA). The Philippines government offers several benefits for doing business in these zones. Another advantage of investing in the country is that both domestic and foreign companies are treated equally. Moreover, the Philippines government offers several tax incentives to foreign companies that comply with certain government requirements.
- **Low cost of operating business:** The Philippines benefits foreign investors with low living costs and low cost of running a business. Moreover, the cost of hiring a workforce is one fifth of that in the US. Doing business in the country can benefit a foreign company with savings of around 50 percent of the accommodation costs, 30 to 35 percent of the operating costs, and 15 to 30 percent of the costs required for call center services.
- **Skilled and Qualified Workforce:** The Philippines is a country with a literacy rate of more than 94.6 percent. Moreover, the country's higher education and technical education standards are at par with international standards. This is one of the reasons why many acclaimed foreign companies have a branch in the Philippines. For example, IT giants like Siemens, Emerson, SPL and Intel have hired many employees from the Philippines. Being the third largest English speaking country in the world, the Philippines also offers a language advantage to foreign investors from Europe, America and other English speaking countries.
- **Promising Economy:** According to projections by HSBC, the Philippines is expected to become the fifth largest economy in Asia and the 16th largest economy in the world by 2050. On the other hand, Goldman Sachs has projected that the nation may become the world's 14th largest economy by 2050. The country's economy, which has been going through a transformation phase for the last one decade, is now one of the most liberalized economies in Asia. While agriculture contributes to around 14 percent of the country's GDP, earnings from the industrial sector contribute to approximately 30 percent of the GDP. According to the Philippines Board of Investments, the country earned around \$11 billion by providing voice-based outsourcing services in 2011. With this, the nation outperformed India to become one of the largest providers of call center services in the world. Moreover, according to projections by the The Philippines government, the country's voice process outsourcing sector is expected to produce around \$25 billion by 2016.



Setting up a Business in Philippines

Procedure to Setup a Company in the Philippines

According to 2012 Doing Business Report by the World Bank, the Philippines ranks 136 out of 185 countries in terms of ease of doing business. According to the report, starting a business takes around 36 working days. Foreign investors who want to setup a new company in the Philippines need to complete the following steps:

- **Getting an approved name:** The first thing to do is to check availability of the preferred company name. If available, the next step is to reserve the company name with the Securities and Exchange Commission (SEC). All these can be completed in one day.
- **Depositing paid-up capital:** By law, the company should deposit a minimum of PHP 5,000 as paid-up capital. The paid-up capital should be deposited to the Authorized Agent Bank (AAB). After deposit, the company should obtain a bank certificate of deposit. This step usually takes one day.
- **Notarizing articles of incorporation:** Completing this step usually takes one day, and requires paying PHP500.
- **Filing with the SEC:** By law, it is mandatory for a corporation to get registered with the Securities and Exchange Commission (SEC). After registration, the company gets a pre-registered Taxpayer Identification Number (TIN). Completing this step usually takes around three working days.
- **Getting barangay clearance:** It usually takes one business day to complete this step. The company needs to submit SEC certificate of incorporation, and several other documents, along with a fee of PHP 500 to the Barangay.
- **Getting the community tax certificate (CTC):** The company needs to spend another PHP 500 and a full day to pay annual community tax. The certificate for community tax is issued from the City Treasurer's Office (CTO).
- **Getting business permit:** After getting barangay clearance, the company can apply for a business permit in order to operate from the BPLO. This step takes around six working days. Fees required in this step vary depending upon rules and regulations of the LGU.
- **Applying for Certificate of Registration (COR) and TIN:** Application for the COR and TIN should be filed at the Bureau of Internal Revenue (BIR). This step usually takes around two working days, and requires paying certification fee of PHP100.

Some other steps to complete towards forming a corporation in the Philippines include the following:

- Paying registration fee and documentary stamp taxes
- Getting the authority to print receipts and invoices from the Bureau of Internal Revenue
- Printing receipts and invoices
- Registering with the Social Security System, the Philippine Health Insurance Company and with the Home Development Mutual Fund



Types of Business Structures in Philippines

Under the Foreign Investments Act (FIA), a foreign company or foreign investor is allowed to setup a company with 100 percent ownership, except for some areas that are included in the Regular Foreign Investment Negative List (FINL). Foreign investment in banking, financial institutions and other sectors in the FINL is limited to a maximum of 40 percent. When it comes to choosing a business structure, there are varied options available for a foreign investor. Here's a look at some major options.

- **Branch Office:** A foreign company can setup a branch to expand their business operations in the Philippines. A branch office is allowed to participate in business activities that are similar to those of the parent company. A branch can also earn income by operating a business in the Philippines. Establishing a branch office in the country requires investing a minimum working capital of US\$200,000. However, this minimum requirement can come down to as low as US\$100,000 based on whether a company employs a minimum of 50 direct employees, and several other criteria. It is also mandatory for a branch office to register with the SEC.
- **Representative Office:** Establishing a representative office can be a valid option for foreign companies that want to mark a commercial presence in the Philippines. Although a representative office can promote or endorse its products and services, it is not allowed to derive any income from the Philippines. To be more specific, a representative is not allowed to engage in any kind of buying or selling activities in the Philippines. Those who want to establish a representative office should invest a minimum working capital of US\$ 30,000.
- **Sole Proprietorship:** This type of business entity is owned and governed by a single person. It is very simple and hassle free to setup a sole proprietorship company in the Philippines. One major disadvantage of this business structure is that it exposes the owner to unlimited risks and liabilities. In The Philippines, it is mandatory for a sole proprietorship company to have an approved name, and to get registered with the DTI-National Capital Region (NCR)
- **Partnership:** In the Philippines, a partnership company is treated as a separate legal entity. Forming a partnership company requires a minimum of two members. It is possible to establish two types of partnership companies, namely, general partnership and limited liability partnership. All partners of a general partnership company are exposed to unlimited risks. On the other hand, liability on shareholders of a limited liability partnership company is limited to their share in the business's capital. Any partnership company with working capital of more than 3000 PHP must be registered with the Securities and Exchange Commission (SEC).
- **Corporation:** This type of business entity is registered and governed by the Securities and Exchange Commission (SEC). In The Philippines, a corporation is setup under the Corporation Code, and must have at least five incorporators. Under the Corporation Code, it is mandatory that each incorporator should own at least one share of the corporation. Moreover, each incorporator must have invested a minimum working capital of 5,000 Philippine pesos, and must get registered with the SEC. Liability of shareholders is limited to their contributions to the capital of the business.

Immigration and Visa Requirements

A visa is not required for US citizens who want to visit the Philippines for less than 21 days. However, they will need a valid passport for this. For those who want to visit the country for more than 21 days or for foreign nationals from other countries, a visa is required to enter into the country. Depending upon the purpose of visit, different visitors should apply for different types of visas, such as temporary visitor's visa for business, transit visa, and student visa. Applying for a business visa requires submitting the following documents:

- Duly filled application form
- **One passport size photo:** This should be a recent photograph, which is not taken more than six months ago
- Showing the original passport, which should be valid for a minimum of six months. Moreover a copy of the data and amendment page of the passport needs to be submitted.
- Copy of return ticket from the Philippines to the applicant's country of origin
- Processing fee
- **A letter of intent from the applicant's country of origin:** This letter should mention the purpose of visit, expected duration of stay, and the number of entries applied for.

The government of the Philippines issues 50 quota visas every year for American citizens who want to live in the Philippines permanently. Foreign nationals who are married to a Philippine citizen can apply for immigration to the country.

Banking Requirements

Foreign nationals who are living in the country for a minimum of 180 days can open a bank account in the Philippines. Apart from other requirements, some banks may ask for Alien Certificate of Registration (ACR I-Card) and a valid passport from the foreigner who want to open a bank account in the Philippines. Some general requirements for opening a bank account include the following:

- **A valid identification proof:** This can be a driving license, a passport or others
- Two passport size recent photographs of the applicant
- **Depositing the minimum amount required opening a bank account:** This can vary depending on the nature of account and policies of individual bank.

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Contact

Website: www.cmltrust.com

Email: inquire@cmltrust.com

Tel: +852 2162 7371