




DOING BUSINESS IN THE PHILIPPINES

1 September 2021



Welcome to the Philippines!

A young, vibrant market + digital inclusion that has yet to be rolled out for all offer an optimistic case for a new bank

<p>111 Million PH Population</p>		<p>71% Unbanked Adults</p>	<p>3.5% Credit Card Owners</p>		<p>152 Million Mobile Active SIM Cards</p>
<p>48% Urbanization</p>	<p>26 Median age</p>		<p>50 Million eWallet Accounts (est)</p>	<p>74 Million Internet Users</p>	
	<p>3,646 GDP Per Capita \$ Nominal</p>	<p>80% Cash Transactions</p>	<p>11 Hours Ave. Daily Internet Time</p>		<p>99% Mobile Phone Penetration</p>
<p>30 Billion Incoming Remittances \$ 11% of Total GDP</p>		<p>7.5 Billion E-Commerce revenues \$</p>		<p>4 Hours Ave. Daily Time on Social Media</p>	

Home to a bustling economy, BPOs and OFWs

What once was mostly an agriculture-based economy has transformed into something more



- **CONSUMPTION.** Filipino consumers are willing to spend on key commodities and services, making them good prospects for business. Here, “**mall-ing**” is a verb which means more than shopping. The mall is an all-in-one place for family and friends - restaurants, religious events, medical exams via clinics, sports, etc. With over a **111 million people**, it's a large consumer market that the business can tap into.
- **EMPLOYMENT PROSPECTS.** Filipinos are among the most educated and highly trainable labor force in Asia, not to mention that the Philippines is a largely **English-speaking country**. Traditional methods of education are now complemented with advancing technologies, which gives the country a head-start in the competition to acquire **business process outsourcing** contracts. This, in effect, provides stable employment opportunities for most after graduation.
- **OVERSEAS FILIPINOS.** OFWs are considered **economic heroes** of the country because of their significant contribution towards the growth of the Philippine economy. In 2020, According to the International Labour Organization, there are approximately **11 million Filipinos overseas** who sent back over **USD34.9 billion** to the Philippines. Remittances have strong altruistic motives, and have shielded the economy during economic crisis.
- **INFRASTRUCTURE PUSH.** Infrastructure improvements will be crucial in the Philippines as the country looks to become an upper middle-income country by 2022. To top it all, the government has been aggressive in creating and implementing policies that boost the country's economic gains. The “**Build Build Build**” program, an eight trillion peso initiative, has been in full swing from 2018 onwards. The creation and upgrading of roads, highways, and other land projects will bring in greater connectivity and efficiency to this prospective market.

Different faces of the Philippines



- I. Doing Business in the Philippines
- II. Basis under the 1987 Philippine Constitution
- III. 11th Foreign Investment Negative List (2018)
- IV. Full Foreign Ownership
- V. Pending Laws in Congress

2020 CORRUPTION PERCEPTIONS INDEX

CPI uses a scale where the higher the score, the less corrupt a country is: a score of **100** means "very clean", while **0** means "highly corrupt".

RANK	COUNTRY	SCORE
1	NEW ZEALAND	88
1	DENMARK	88
3	FINLAND	85
3	SWITZERLAND	85
3	SINGAPORE	85
3	SWEDEN	85
7	NORWAY	84
8	NETHERLANDS	82
9	LUXEMBOURG	80
9	GERMANY	80
115	PHILIPPINES	34

Governing Laws

- Republic Act No. 7042 (Foreign Investments Act of 1991) governs the participation of foreign entities in economic and commercial activities in the Philippines
- Republic Act No. 11232 (Revised Corporation Code) governs the requirements of incorporating and maintaining corporate/partnership license in good standing.

Governing Agencies

- Securities and Exchange Commission (for partnerships and corporations)
- Department of Trade and Industry (for sole proprietorship)
- Bureau of Internal Revenue (for taxation)
- Department of Labor and Employment (for employer-employee relationship)
- Specific government agencies such as BSP (for Banks and Quasi-Banks)
- Local Government Unit (for Business Permit)
- SSS, Pag-IBIG, PhilHealth (for mandatory employee welfare contributions)

Limitations

- The **Foreign Investment Negative List** contains areas of investment where foreign investment is limited by reasons of security, defense, risk to health and morals, or protection of local small and medium enterprises.

1987 Philippine Constitution

Article XII

National Economy and Patrimony

SECTION 10. The Congress shall, upon recommendation of the economic and planning agency, when the national interest dictates, reserve to citizens of the Philippines or to corporations or associations at least sixty per centum of whose capital is owned by such citizens, or such higher percentage as Congress may prescribe, certain areas of investments. The Congress shall enact measures that will encourage the formation and operation of enterprises whose capital is wholly owned by Filipinos.

In the grant of rights, privileges, and concessions covering the national economy and patrimony, the State shall give preference to qualified Filipinos.

The State shall regulate and exercise authority over foreign investments within its national jurisdiction and in accordance with its national goals and priorities.

No foreign equity

- Mass media, except recording and interest business
- Practice of profession such as (a) radiologic and x-ray technology; (b) criminology; **(c) law**; (d) marine deck officers and marine engine officers
- **Retail trade enterprises** with a paid-up capital of less than **USD 2.5Million**
- Cooperatives
- Organizations and operation of private detective, watchmen, or **security guard 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**
- Ownership, operation, and management of cockpits
- Manufacture, repair, stockpiling and/or distribution of nuclear weapons
- Manufacture, repair, stockpiling and/or distribution of biological, chemical, and radiological weapons and anti-personnel mines
- Manufacture of firecrackers and other pyrotechnic devices

25% foreign equity

- Private recruitment, whether for local or overseas employment
- Contracts for the construction of defense-related structures

30% foreign equity

- Advertising

40% foreign equity

- Subject to applicable regulatory frameworks, contracts for the construction and repair of locally-funded public works, except infrastructure/development projects under RA 7718 and projects which are foreign-funded or assisted and required to undergo international competitive bidding
- **Exploration, development and utilization of natural resources**
- **Ownership of private lands**
- Operation of **public utilities**, except power generation and supply of electricity to the contestable market and such other like businesses or services not covered by the definition of public utilities
- Educational institutions other than those established by religious groups and mission boards, for foreign diplomatic personnel and their dependents, and other foreign temporary residents or for short-term high-level skills development that do not form part of the formal education system
- Culture, production, milling, processing and trading of rice and corn and acquiring, by barter, purchase or otherwise, rice, corn, and the by-products thereof
- Contracts for the supply of materials, goods and commodities to government-owned and controlled corporations, companies, agencies or municipal corporations
- **Operation of deep sea commercial fishing vessels**
- **Ownership of condominium units**
- Private radio communications network

100% foreign equity

- Internet business including internet access providers that are carriers for transmitting messages and do not create content
- Teaching at higher education levels for non-professional subjects, meaning subjects that are not included in government board or bar examinations
- Training centers for short-term high-level skills outside of the formal education system
- Adjustment companies, **lending companies, financing companies**, and investment houses
- Wellness centers
- Large scale mining under Financial or Technical Assistance Agreement

A foreign company may invest and do business in the Philippines with a minimum contributed capital of USD200,000 for domestic market enterprise, provided that, the enterprise is not under the prohibitions or restrictions in the Foreign Investments Negative List. A *domestic market enterprise* is an enterprise which produces goods for sale, or renders services or otherwise engages in any business in the Philippines.

SB 1840

Amending Retail Trade Liberalization Act of 2000

- Possible changes in the paid-up capital requirements for the retail trade industry.

SB 1156

Amending Foreign Investments Act of 1991

- Foreign online business regardless of registry or incorporation conducting economic activities and consummating business transactions in the Philippines through online, digital, or e-commerce may be considered as domestic market enterprise to be regulated under this Act and other relevant tax, corporate and other laws.
- Regulatory and tax implications even if no business presence in the Philippines.

HB 7425

An Act Imposing VAT on Digital Transactions

- Imposing VAT whether resident or non-resident on online advertisement services, digital services for a regular subscription fee, or any supply of electronic and online services that can be delivered through IT infrastructure such as the internet among others.
- Subject to 12% VAT on digital transactions not previously subject to tax.

Thank You.

