R.G. Manabat & Co.

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Doing Business in the Philippines

2026 Investment Guide by R.G. Manabat & Co.



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Foreword

Amid ongoing economic and geopolitical uncertainties, the Philippines remains well positioned as a resilient and competitive destination for business and investment. While growth has moderated due to a mix of external pressures, including elevated global oil prices, and domestic factors such as reduced public construction and softer household consumption, the country continues to be among the fastest growing economies in the Southeast Asia region.

The government continues to advance reforms and strategic priorities aimed at strengthening the country's competitiveness, improving the ease of doing business, and supporting long-term economic growth. Continued investments in infrastructure, digital connectivity, energy security, and investment facilitation remain important in supporting business activity and enhancing the country's attractiveness to investors.

At the same time, the Philippines continues to benefit from drivers of growth that reinforce its investment case. A young and growing workforce, a large domestic consumer base, and increasing digital participation continue to underpin economic activity and drive the broader adoption of technology-driven services and online commerce. English proficiency also remains a national strength, with the Philippines ranking second in Asia in the 2025 English Proficiency Index, while ongoing initiatives to improve workforce capabilities and prepare Filipinos for high-growth and technology-driven industries further strengthen productivity and competitiveness.

These strengths are reflected across key sectors of the economy including wholesale and retail trade, finance and insurance, manufacturing, and agriculture. These sectors continue to contribute to a more diversified and resilient economic landscape, supported by targeted government programs, digitalization initiatives, infrastructure investments, and industry-focused policies aimed at strengthening domestic demand and long-term sector development.

Looking ahead, the country's growth trajectory remains anchored on sustaining domestic demand, supporting investment activity, and advancing productivity. While near-term uncertainties remain, these developments, alongside ongoing reforms and a stable macroeconomic framework, position the Philippines as a compelling destination for business and investment in an evolving global landscape.



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Message from the Head of Tax

The Philippine tax and regulatory environment continues to evolve in response to broader economic conditions and ongoing efforts to strengthen competitiveness, improve efficiency, and support sustainable investment. For businesses, these developments extend beyond policy changes and have direct implications on operating structures, compliance requirements, and investment decision-making.

Recent developments point to a more structured investment environment, expanded digital government systems, and continued refinement of taxpayer protections. On the investment side, updates to the Thirteenth Foreign Investment Negative List (FINL) continue to recalibrate foreign equity participation in selected sectors, with implications for market entry and ownership structuring for foreign investors. Moreover, the 2026 Strategic Investment Priority Plan (SIPP) sets the government's updated strategic direction for attracting high-value, future-oriented investments aligned with long-term national development plans.

Business registration and corporate compliance processes are likewise becoming increasingly digital. The Securities and Exchange Commission (SEC) has expanded its online ecosystem through platforms such as eSPARC, OneSEC, eFAST, eSECURE, and the SEC Zuper Easy Registration Online (ZERO) system, supporting a more integrated and largely paperless approach to registration and reporting requirements.

Tax administration has also undergone important procedural refinement. Following a review of audit processes, the Bureau of Internal Revenue (BIR) introduced the Single-Instance Audit Framework (SIAF), under which taxpayers are generally subject to a single Letter of Authority or electronic Letter of Authority per taxable year covering all applicable internal revenue taxes. This represents a more consolidated and standardized approach to tax audit administration.

At the same time, proposed legislative measures such as the Magna Carta for Taxpayers and the GINHAWA Bill continue to be closely monitored, as these may further reshape taxpayer rights, compliance obligations, and personal income tax structures once enacted.

These developments collectively reinforce the direction toward a more digital, structured, and policy-responsive regulatory environment. For businesses and investors, the ability to anticipate and respond to these changes remains critical in managing compliance obligations and identifying operational and strategic implications.

This Investment Guide provides an overview of these recent developments and their potential implications for business. We hope it serves as a useful reference in supporting informed decision-making and practical application of tax and regulatory requirements in the Philippines.



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Economic Discussion

Philippines: Overview

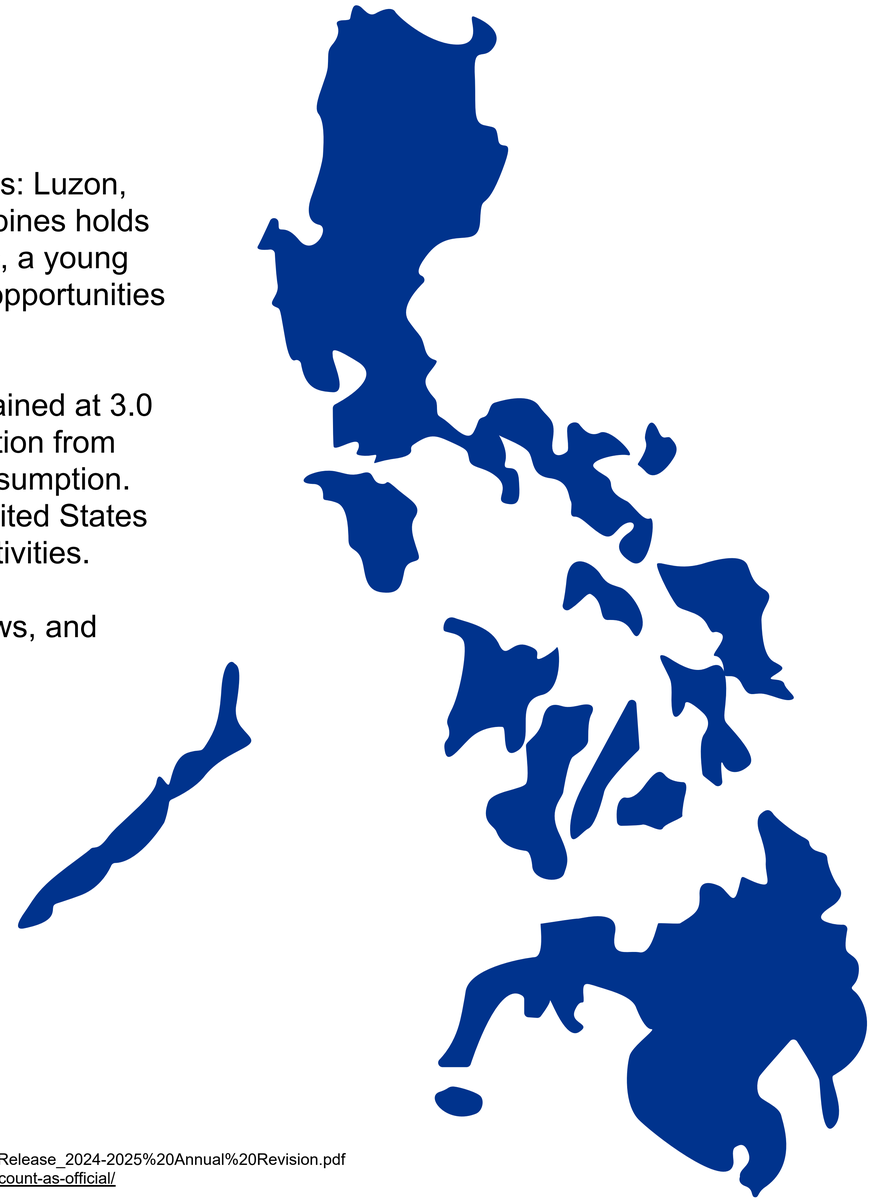


Key Country Facts

The Philippines, an archipelagic country, has over 7,600 islands which are divided into three island groups: Luzon, Visayas and Mindanao. As one of the fastest growing economies in the Southeast Asia region, the Philippines holds immense potential for business expansion and attraction in the years ahead. With a growing middle class, a young and educated population, and a strategic geographic location in Asia, our country presents unparalleled opportunities for growth and investment.

The Philippines' fourth quarter 2025 Gross Domestic Product (GDP) year-on-year growth rate was maintained at 3.0 percent. Meanwhile, the full-year 2025 GDP growth rate remained at 4.4 percent.[1] This reflects a moderation from earlier periods, influenced by a significant decline in public construction alongside weaker household consumption. The country's exposure to higher US tariffs remains relatively limited, with merchandise exports to the United States accounting for a small share of GDP. However, high borrowing costs continue to constrain investment activities.

Despite these factors, the economy continues to be anchored by domestic consumption, remittance inflows, and ongoing policy efforts aimed at improving the investment environment and sustaining long-term growth.



Government

The Philippines is a democratic and republican state, organized as a presidential constitutional republic. Government power is divided among three co-equal branches: the Executive, the Legislative, and the Judiciary.

Population[2]

112.7 Million
(July 2024)

Currency

Philippine Peso (PHP)

Languages

Filipino (official), English

Religions

Christianity, Islam

[1] Philippine Statistics Authority (2026). PSA Releases Annual Revisions of the National Accounts of the Philippines for years 2024 and 2025. Retrieved from: https://psa.gov.ph/system/files/nap/Special%20Release_2024-2025%20Annual%20Revision.pdf
[2] Presidential Communications Office (2025). PBBM declares 112.7M Philippine population count as official. Retrieved from: https://pco.gov.ph/news_releases/pbbm-declares-112-7m-philippine-population-count-as-official/

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Growth outlook moderates as external risks rise

The Philippine economy is expected to see more moderate growth in 2026, as forecasts have been revised downward amid rising external pressures. Earlier projections pointing to mid-5% expansion have softened, with Moody's Analytics now estimating growth at 4.9%[3], while the World Bank projects a sharper slowdown to 3.7% under a more adverse scenario[4]. Growth is still expected to recover toward the mid-5% range in 2027, supported by resilient domestic demand and a gradual normalization of investment activity. Higher global oil prices linked to the conflict in Iran are pushing inflation upward, eroding household purchasing power, and weighing on consumption.

Despite these near-term headwinds, the country's medium-term growth outlook remains supported by projections of sustained GDP expansion, driven by public and private consumption and continued investment, alongside solid household and corporate balance sheets, sizable remittance inflows, and ongoing improvements in the business environment through regulatory and tax reforms. The Philippines also retains investment-grade credit ratings, with Moody's affirming its Baa2 rating with a stable outlook and Standard & Poor's (S&P) affirming its BBB+ rating, albeit with the outlook revised from positive to stable.[5] Overall, while risks have increased and the near-term trajectory is more uncertain, the country's core economic and credit fundamentals remain sound.

Economic Performance

Subject Descriptor	Scale	Unit	2022	2023	2024	2025	2026
Gross domestic product, constant prices	Units	Percent change	7.58	5.52	5.69	5.44	5.73
Gross domestic product per capita, constant prices	Units	Domestic currency	179,787.31	188,065.36	196,557.22	205,059.22	214,529.01

Source: International Monetary Fund, World Economic Outlook Database, Jan 2026

Approved Foreign Investments by Investment Promotion Agency: 2021 to 2025 (In million pesos)

	2021	2022	2023	2024	2025
TOTAL	192,547.77	241,891.49	889,242.47	543,619.08	272,376.38

Source: Philippine Statistics Authority

Main FDI investors

Netherlands
PHP 33.05 billion

Japan
PHP 17.88 billion

Singapore
PHP 17.66 billion

Source: Philippine Statistics Authority. Foreign Investments: Fourth Quarter 2025

[3] The Philippine Star. (2026, March 24). Moody's trims Philippine growth outlook to 4.9 percent for 2026. Retrieved from: https://www.philstar.com/business/2026/03/24/2516322/moodys-trims-philippine-growth-outlook-49-percent-2026
[4] Philippine Daily Inquirer (2026, April 09). WB slashes 2026 growth forecast for the Philippines to 3.7%. Retrieved from: https://business.inquirer.net/584254/wb-slashes-ph-2026-growth-forecast-to-3-7
[5] S&P Global (2026, April 08). Philippines Outlook Revised To Stable On External Adversities; 'BBB+' Rating Affirmed. Retrieved from: https://www.spglobal.com/ratings/en/regulatory/article/-/view/type/HTML/id/3542352

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Emerging Global Market

The Philippines continues to position itself as an emerging market economy with a young and growing workforce and a large domestic consumer base that supports long-term economic activity. According to the Organisation for Economic Co-operation and Development (OECD) Economic Survey: Philippines 2026, the country's growth prospects are supported by ongoing structural reforms aimed at improving productivity, competitiveness, and the overall investment climate. These reforms, alongside continued infrastructure development and digital adoption, contribute to strengthening the country's economic foundations and its integration into regional and global value chains.

Regulatory and policy reforms

Capital Markets Efficiency Promotion Act (CMEPA), or Republic Act 12214: A landmark move to modernize the Philippine tax system and boost investor confidence. This reform package simplifies taxation, promotes fairness and aligns the country's financial regulations with global standards.

Public-Private Partnership (PPP) Code (RA 11966): Establishes a unified framework for PPPs at national and local levels, clarifies approvals for solicited and unsolicited projects, and strengthens enabling institutions.

CREATE MORE Act (RA 12066): Enhances the incentives framework by extending availment periods, clarifying VAT zero-rating rules, streamlining local tax policies, and introducing a 20% corporate income tax for Registered Business Enterprises under the enhanced deductions regime.

Green Lanes for Strategic Investments (Executive Order No. 18): Establishes a "green lane" system to expedite, streamline, and centralize the processing of permits and licenses for high-impact projects.

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Investing in the Philippines

The current administration continues to build on its macroeconomic policies, prioritizing the following areas:

- Enhancing critical infrastructure and advancing digital connectivity across the nation.
- Promoting private sector involvement and investment to benefit the public.
- Expanding local power generation capacity by reducing bureaucratic hurdles to attract energy investments, with the goal of improving power distribution and ensuring competitive energy prices.



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Geopolitical Shifts and Investment Outlook

Recent developments in global trade policy and geopolitical tensions continue to shape the external environment, contributing to volatility in energy markets and uncertainty in global supply chains. Fluctuations in oil prices and shifts in trade conditions influence inflation dynamics and investor sentiment in the near term.

In the Philippines, while domestic fundamentals remain a stabilizing factor, external developments and domestic policy execution are key considerations for sustaining growth momentum. Inflation trends, particularly those linked to energy costs and food prices, remain important areas to monitor in 2026 as they may affect operating costs and overall market conditions.

Opportunity for Disruptive Growth

Digital participation continues to strengthen in 2026, supported by rising internet usage, improved connection speeds, and widespread mobile access, enabling broader adoption of technology-driven services and online commerce

Globally Competitive Workforce

A large portion of Filipinos belong to younger age groups, contributing to a steady supply of workers entering the labor market and supporting continued economic participation

English proficiency remains a national strength, with the Philippines earning a high-proficiency rating and ranking second in Asia in the 2025 English Proficiency Index

Rankings

Index	Ranking*
Corporate Governance Watch (Asia)	11
Corruption Perceptions Index	32
Global Competitiveness Index	51
Global Innovation Index	50

* All rankings are global unless otherwise indicated

Source: CG Watch 2023, CLSA, Asian Corporate Governance Association; Corruption Perceptions Index 2025 Transparency International; Institute of Management Development World Competitiveness Ranking 2025, World Economic Forum; Global Innovation Index 2025, Cornell University, INSEAD and WIPO.

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Trade Agreements

The Philippines is a party-signatory for numerous free trade agreements (FTA) (multi-party FTA and bilateral) with different countries.

The Philippines is a member of the Association of Southeast Asian Nations (ASEAN). The ASEAN is a ten-member state association. To date, the ASEAN has concluded FTAs with

Australia | **China** | **Hong Kong (SAR)** | **India**
Japan | **South Korea** | **New Zealand**

Below are the FTAs which the Philippines is a party signatory:

1. Most Favored Nation (MFN)
2. ASEAN-Australia-New Zealand Free Trade Area (AANZFTA)
3. ASEAN-China Free Trade Area (ACFTA)
4. ASEAN-Hong Kong, China Free Trade Agreement (AHKFTA)
5. ASEAN-India Free Trade Area (AIFTA)
6. ASEAN-Japan Comprehensive Economic Partnership Agreement (AJCEPA)
7. ASEAN-Korea Free Trade Area (AKFTA)
8. ASEAN Trade in Goods Agreement (ATIGA)
9. Philippines-Japan Economic Partnership Agreement (PJEPA)
10. Philippines-European Free Trade Association Free Trade Agreement (PH-EFTA FTA)
11. Regional Comprehensive Economic Partnership (RCEP) Agreement
12. Philippines-Korea Free Trade Agreement (PH-KR FTA)



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Sustaining Growth

The Philippine government continues to emphasize measures that support stable economic expansion in 2026. Strengthening public investment execution is being prioritized through catch-up plans in infrastructure, transport, and energy, alongside programs in tourism and agriculture and investor-facing initiatives on logistics and digital transformation.

Government agencies also underscore that strengthening the workforce is central to sustaining long-term economic growth. Ongoing efforts to improve worker skills through initiatives such as expanded Technical Education and Skills Development Authority training programs and efforts aimed at preparing Filipinos for high-growth and technology-driven industries. These measures are part of the administration's broader strategy to enhance job quality and ensure the workforce remains competitive as the economy evolves.



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Key Industries

Wholesale and Retail Trade

- Wholesale and retail trade, including the repair of motor vehicles and motorcycles, remained one of the main contributors to GDP entering 2026, posting a 4.6 percent year-on-year increase in the fourth quarter of 2025.
- The sector is expected to remain a major driver of domestic demand in 2026, supported by steady household consumption and improving logistics connectivity through new government-private sector supply chain programs.

Finance and Insurance

- Financial and insurance activities grew by 5.6 percent in Q4 2025, making it one of the top contributors to GDP.
- Continued sector development in 2026 is supported by nationwide digitalization efforts, including the implementation of the National Digital Connectivity Plan, which improves digital infrastructure for financial services delivery.

Manufacturing

- Manufacturing activities posted a 1.8 percent growth in Q4 2025, showing a gradual increase amid lingering cost pressures and external demand uncertainties.
- Continued growth of the sector is expected in 2026, supported by targeted fiscal incentives under the CREATE MORE Act and ongoing industrial policy initiatives, including the Tatak Pinoy Strategy[6], aimed at strengthening the competitiveness of the Philippine manufacturing industry.

Agriculture, Forestry and Fishing

- Agriculture, forestry and fishing recorded 1.0 percent growth in Q4 2025, reflecting modest improvement as the sector moved into 2026.
- The government has allocated significant 2026 funding for programs in food security, farm-to-market infrastructure, and agricultural credit and insurance to strengthen sector performance.

[6] Daily Tribune (2026, January 10). Tatak Pinoy Strategy Office bares 2026 plans. Retrieved from: https://tribune.net.ph/2026/01/10/tatak-pinoy-strategy-office-bares-2026-plans

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Recent Key Legislations and Upcoming Changes



Corporate Recovery and Tax Incentives For Enterprises to Maximize Opportunities for Reinvigorating the Economy or CREATE MORE Act (RA No. 12066)

Summary of changes in Income Tax and VAT Provisions

- Reduced corporate income tax (CIT) rate to 20% of net taxable income of registered business enterprise (RBEs) under enhanced deduction regime (EDR)

- VAT zero-rating and VAT exemption on transactions of export-oriented enterprises

- Change from “directly and exclusively used in the registered activity” to “directly attributable to the registered activity” to qualify for incentives

- “Directly attributable” shall refer to goods/services that are incidental to and reasonably necessary for the export activity of the export-oriented enterprise, including janitorial, security, financial, consultancy, marketing, and promotion services, and services rendered for administrative operations such as human resources, legal, and accounting

- Remedies for VAT refund claims

  The law introduced an additional remedy for taxpayers to file a request for reconsideration. In case of full or partial denial of the refund claim, taxpayers have 15 days from receipt of the full or partial denial to file a request for reconsideration. The Bureau of Internal Revenue (BIR) must decide on this request within 15 days from receipt thereof. Failure to file a request for reconsideration within the 15-day period will render the decision final.

  In case of full or partial denial of the request for reconsideration, taxpayers have 30 days from receipt of the decision to appeal to the Court of Tax Appeals (CTA).

  If the BIR failed to act on the request for reconsideration, taxpayers have 30 days after the lapse of the 15-day period (for the BIR to decide on the request for reconsideration) to appeal to the CTA.

- Additional deduction for using e-invoicing and e-sales reporting system

- Below is a summary of the key Revenue Regulations (RR) issued in relation to the implementation of the CREATE MORE Act:

Issuance No.	Subject
RR No. 6-2025	Refund of excise tax
RR No. 7-2025	Reduced corporate income tax rates for RBEs and additional enhanced deductions
RR No. 8-2025	Procedures for Requests for Reconsideration of denied tax refund claims
RR No. 9-2025	VAT treatment and compliance for local sales of RBEs
RR No. 10-2025	VAT zero-rating and refund rules for RBEs and export-oriented enterprises
RR No. 11-2025	E-invoicing and sales reporting requirements

- For incentives and period of availment provided under CREATE MORE Act, refer to the discussion on Investment Highlights

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VAT on Digital Transactions Act (RA No. 12023)

- Digital services provider (DSP) refers to a resident or non-resident supplier of digital services to a buyer who uses the digital services subject to VAT in the Philippines

- Persons and transactions covered: Persons (individual or juridical, resident or non-resident) who in the course of trade or business, supply or deliver digital services, in the Philippines through business to consumer (B2C) transaction or business to business (B2B) transaction, or both

- Digital services may include but not limited to:

  - **Online search engine**
  - **Online media and advertising**
  - **Online marketplace**
  - **Online platform**
  - **Cloud Service**
  - **Digital goods**

- Imposition of VAT on digital services

  12% VAT shall be levied, assessed, and collected on the gross sales derived by a DSP from its sale or exchange of digital services in the Philippines

- Collection mechanism and rules for VAT on digital services

  Resident DSPs shall register with the BIR in accordance with existing rules. Nonresident DSPs are likewise required to register with the BIR, but need not have a local representative in the Philippines. However, it may appoint a resident third-party service provider for purposes of receiving notices, record keeping, filing of tax returns and other reporting obligations. In this case, the nonresident DSP shall notify the BIR in writing of the same within thirty (30) calendar days from the date of appointment.

  Resident VAT-registered DSPs shall file the VAT return and pay the VAT due thereon. In the case of a non-resident VAT-registered DSP in a B2B transaction, the buyer of services (i.e., person engaged in business in the Philippines) shall be liable for the: i) electronic filing of the required remittance return; and ii) withholding and remitting the VAT due on its purchase of digital services.

  In a B2C transaction, the non-resident VAT-registered DSP shall be directly liable for the: i) the electronic filing of the required remittance return; and ii) paying the VAT due thereon through simplified pay-only regime in the Value-Added Tax on Digital Services (VDS) Portal based on its gross sales relating the sale of digital services consumed or used in the Philippines.

  If the non-resident DSP is classified as an e-marketplace, it shall also be liable for: i) electronically filing the VAT return; ii) paying the VAT based on the gross sales received by the non-resident participating merchant or seller relating to sales of digital services consumed or used in the Philippines.

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VAT on Digital Transactions Act (RA No. 12023)

Invoicing requirements for Nonresident VAT-registered DSPs

Sales or commercial invoices may be electronic and need not be registered with the BIR, provided that the contents are in the English language or include an English translation and the following required information are present:

1. **Date of the transaction**
2. **Transaction reference number**
3. **Identification of the buyer (including the Taxpayer Identification Number, if any)**
4. **Brief description of the transaction**
5. **The total amount with the indication that such amount includes the VAT**

If the sale includes some services which are subject to VAT, and some are VAT zero-rated or VAT-exempt, the invoice must indicate the breakdown of the sale price showing the taxable, VAT-exempt and VAT zero-rated components. The calculation of the VAT on each portion of the sale shall be shown on the invoice.

The same rules above apply in case a nonresident DSP is classified as an e-marketplace.

VAT-exempt Digital Services Transactions:

- Educational services, including online courses, online seminars, and online trainings rendered by private educational institution, duly accredited by the Department of Education (DepEd), the Commission on Higher Education (CHED), the Technical Education and Skills Development Authority (TESDA) and those rendered by government education institution
- Sale of online subscription-based services to DepEd, CHED, TESDA, and educational institution recognized by said government agencies
- Services of bank, non-bank financial intermediaries performing quasi-banking functions, and other non-banks intermediaries that are rendered through different digital platforms

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Internet Transactions Act (RA No. 11967)

The Department of Trade and Industry (DTI) shall exercise jurisdiction as to the use of the internet for conducting e-commerce by e-marketplaces, online merchants, e-retailers, digital platforms, and third-party platforms

A person who engages in e-commerce, who avails of the Philippine market to the extent of establishing minimum contacts herein, shall be subject to applicable Philippine laws and regulations and cannot evade legal liability in the Philippines despite lack of legal presence in the Philippines

The DTI, through its Secretary, can issue the following to enforce the provisions of the law:

- **Subpoena**
- **Takedown order**
- **Compliance order**
- **Blacklist order**



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Ease of Paying of Taxes or EOPT Act (RA No. 11976)

- Classification of Taxpayers

Classification	Gross Sales	
Micro Taxpayer	Less than PHP 3.0 Million	
Small Taxpayer	PHP 3.0 Million	Less than PHP 20.0 Million
Medium Taxpayer	PHP 20.0 Million	Less than PHP 1.0 Billion
Large Taxpayer	PHP 1.0 Billion and above	

- Changes in rules on filing of tax returns
  - Filing of tax returns and payment of taxes is to be made electronically or manually, regardless of venue or jurisdiction of the Revenue District Office
  - Electronic filing of tax return and payment of tax is done using the BIR's electronic platform (Electronic Filing and Payment System/eBIR Forms), ePayment Channels of authorized agent banks (AABs) (e.g. LinkBiz, PesoNet, Upay, MyEG, etc) and authorized tax software providers (for specific returns as certified by the BIR)
  - Manual filing is accomplished by writing or through the aid of electronic equipment but the act of submission and payment is done over-the-counter with any AAB or revenue collection officer (RCO) of the BIR. The RCO can accept payment in cash up to PHP 20,000.00 while check payments may be accepted by the RCO regardless of the amount

- Removal of civil penalty in case of filing of return at the wrong venue

  The EOPT Act removed the civil penalty of 25% of the amount due in case of filing a return at the wrong venue.

- Exemption of Overseas Contract Workers (OCW) or Overseas Filipino Workers (OFW) from the requirement to file an income tax return under specific conditions

- Removal of additional requirements for deductibility of certain income payments

- Accrual basis for VAT purposes

  The EOPT Act adopts the accrual basis of recognizing sales for both sales of goods and services for VAT purposes. All references to "gross selling price", "gross value in money", and "gross receipts" shall be referred to as gross sales regardless of whether the sale is for goods or services.

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Ease of Paying of Taxes or EOPT Act (RA No. 11976)

Invoicing requirements

Section 2(B) of the EOPT Act mandates a single document for both sale of goods and sale of services. Hence, all references to Sales/Commercial Invoices or Official Receipts shall now be referred to as “Invoice”.

- A VAT-registered person shall issue a duly registered VAT Invoice, for every sale, barter, exchange, or lease of goods or properties, and for every sale, barter or exchange of services regardless of the amount of the transaction

- A VAT Invoice shall be issued as evidence of sale of goods and/or properties and sale of services and/or leasing of properties to customers in the ordinary course of business, whether cash sales or on account (credit), which shall be the basis of the output tax liability of the seller and the input tax claim of the buyer

Updates on the E-Invoicing System

An electronic invoice is a written account evidencing the sale, exchange, or transfer of goods, properties, services and/or lease/use of properties, issued in the ordinary course of business using an accounting/invoicing software or system with invoice management tools that is registered/accredited with the BIR. It is a system generated invoice issued to the buyers electronically in a digital/electronic format.

Under RR No. 11-2025, in relation to Sections 12, 13 and 32 of RA No. 12066 (CREATE MORE Act), the taxpayers mandated to comply with e-invoicing are:

- Taxpayers engaged in electronic commerce or internet transactions
- Taxpayers under the jurisdiction of the Large Taxpayers Services (LTS)
- Taxpayers classified as Large Taxpayers under RA No. 11976 (EOPT Act)
- Taxpayers using computerized accounting system (CAS) and computerized books of accounts (CBA) with accounting records and other invoicing software
- Upon establishment by the BIR of a system capable of storing and processing the required data to be transmitted to it

    i. Taxpayers engaged in the export of goods and services
    ii. RBEs availing of tax incentives
    iii. Taxpayers using Point-of-Sale (POS) System
    iv. And other taxpayers as may be required by the Commissioner.

Section 6 of RR No. 11-2025 provided a period of (1) one year from the effectivity of the RR to comply with the electronic invoicing requirements or until 14 March 2026.

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Capital Markets Efficiency Promotions Act or CMEPA (RA No. 12214)

On 29 May 2025, President Marcos signed into law Republic Act (RA) No. 12214 or the Capital Markets and Efficiency Promotion Act (CMEPA). As the law took effect on 1 July 2025, retail and institutional investors, banks and financial service providers need to be informed how the law impacts tax obligations on passive investments.

Final Withholding Tax (FWT)

Any interest, yield, or other monetary benefit earned by a citizen, resident alien, non-resident alien engaged in trade or business in the Philippines, domestic corporation, and resident foreign corporation from any currency bank deposit or deposit substitute, trust funds, and other similar arrangements is subject to a uniform rate of 20% FWT.

Royalties earned as passive income are now subject to 20% FWT. Passive income refers to any income that is earned from sources that do not require a taxpayer's active pursuit and performance of trade or business and is not subject to VAT.

Capital Gains Tax (CGT)

Capital gains derived from the sale, exchange or other disposition of shares of stock in a foreign corporation, except those sold or disposed of through a local or foreign stock exchange, are subject to 15% CGT.

Stock Transaction Tax (STT)

Sale, exchange, or other disposition of shares of stock and other securities listed and traded through a local stock exchange and sale, exchange or other disposition of shares of stock of domestic corporation listed and traded through a foreign stock exchange are subject to a reduced STT rate of 1/10 of 1%.

Documentary Stamp Tax (DST)

Original issuance of shares is subject to a reduced DST rate of 75% of 1%.

Original issuance, redemption, or other disposition of shares in a mutual fund company; and the issuance of a certificate or other evidence of participation in a mutual fund or unit investment trust fund, are exempt from DST.

Exclusions from Gross Income:

Gains from the sale, transfer or disposition of bonds excluded from gross income are limited to specific bonds that are issued by the Republic of the Philippines or any of its instrumentalities to finance capital expenditures or programs covered by the Philippine Development Plan or its equivalent and other high-level priority programs of the national government.

Gains realized by the investor upon redemption of shares of stock in a mutual fund company, or units of participation in a mutual fund or unit investment trust fund, are excluded from gross income subject to the condition that prior to redemption, final taxes due on realized gains have been previously withheld at the level of the underlying assets.

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Amendment of the Investor's Lease Act (RA No. 12252)

On 3 September 2025, President Marcos signed into law RA No. 12252 which amends RA No. 7652 or the Investors' Lease Act. The law increased the allowable lease period for foreign investors to lease private lands in the Philippines from 75 to 99 years. The lease is subject to the following conditions:

- Upon recommendation of the Fiscal Incentives Review Board (FIRB) or other relevant government agencies, the President of the Philippines may impose a shorter lease period for investors engaged in vital services or industries considered critical infrastructure, in the interest of national security or pursuant to government-identified priorities for national development;
- Lease is solely for the purpose of the approved and registered investment;
- Leased premises comprise an area reasonably required for the purpose of the approved and registered investment, subject to the Comprehensive Agrarian Reform Law and the Local Government Code (LGC);
- The foreign investor has an approved and registered investment under the Foreign Investments Act, as amended, CREATE or CREATE MORE, or other applicable laws, and has complied with the investment requirements of the appropriate investment promotion agencies (IPAs);
- The lease contract is registered with the Register of Deeds of the province or city where the leased area is located and annotated on the certificate of title. The Register of Deeds shall register the lease, subject to conditions indicated in the law.



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Upcoming Laws



Magna Carta For Taxpayers *(House Bill Nos. 2219, 6127, and 6846)*

- A proposed legislation to provide increased protection of taxpayers' rights in complying with their obligation to pay national and local taxes to the government, so that abuses committed against taxpayers are prevented, if not completely eradicated, and taxes are collected responsibly

- Some of the taxpayer's basic rights in the proposed legislation:
  - Right to be informed
  - Right to fair, uniform, and faithful application of laws
  - Right to challenge the position of and be heard by revenue authorities
  - Right to fair and impartial proceedings before the revenue authorities
  - Right to present evidence and witnesses
  - Right to be assisted or represented by qualified professional of their choice
  - Right to timely and expeditious completion and finality of tax audits
  - Right against baseless assessment
  - Right to be given an opportunity for amicable settlement



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General Tax Amnesty Act of 2025 *(House Bill No. 2643; Senate Bill No. 60)*

The bills propose to grant a one-time amnesty on all unpaid internal revenue taxes for taxable year (TY) 2024 and prior years, aiming to provide taxpayers with an opportunity to regularize historical exposures and potentially reduce legacy tax risks in mergers, acquisitions, and restructuring transactions

Coverage

The proposed amnesty intends to cover all unpaid national internal revenue taxes for TY 2024 and prior years, including but not limited to income tax, withholding tax, capital gains tax, donor's tax, value-added tax and excise tax (including those collected by the Bureau of Customs, other percentage taxes, excise tax, and documentary stamp tax).

The amnesty shall exclude estate tax and persons or cases disqualified under the bill, such as withholding agents with unremitted taxes, criminal tax cases, and delinquencies or assessments that have become final and executory.

Amnesty tax rates

Taxpayers may avail of the amnesty by paying, at their option:

- 2% of total assets as of 31 December 2024; or
- 5% of net worth as of 31 December 2024, subject to minimum amounts.

Minimum amnesty tax (if net worth basis is chosen):

Taxpayer	Minimum amnesty tax
Individuals, trusts, estates	Refund of excise tax
Corporations	5%, with minimum amounts ranging from PHP 150,000 to PHP 1.3 million depending on subscribed capital
Other juridical entities	5% or PHP 100,000, whichever is higher

Taxpayers with negative net worth may still avail of the amnesty, subject to payment of the applicable minimum amount.

Period and mode of availment

Availment is allowed within one (1) year from effectivity of the Implementing Rules and Regulations (IRR), with early payment incentives:

- 20% reduction if paid within the first 3 months
- 15% reduction if paid within 6 months
- 10% reduction if paid within 9 months

For validation purposes, bank secrecy may temporarily be lifted, allowing the Commissioner of Internal Revenue (CIR) to inquire into bank deposits during the availment period. The CIR may also exchange information with foreign tax authorities, pursuant to international agreements, for this purpose.

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Granting Increase in Take-Home Pay for All Working Filipinos Act (GINHAWA) *(Senate Bill No. 56)*

- The bill proposes to amend provisions of the Tax Code to increase the disposable income of working Filipinos. It seeks to enhance tax progressivity, raise take-home pay, and stimulate domestic consumption amid inflationary pressures.

- Revised personal income tax brackets and increase in tax-exempt benefits

  The bill proposes to increase the tax-exempt income threshold from PHP 250,000 to PHP 400,000, with corresponding adjustments to the graduated income tax brackets.

  The ceiling for tax-exempt 13th month pay and other benefits shall be increased from PHP 90,000 to PHP 150,000.

  The bill further proposes to exempt from income tax overtime pay, holiday pay, night shift differential pay, hazard pay, service charges received by service industry employees, and honoraria and allowances of poll workers.

- Fringe Benefits Tax (FBT) reforms

  The bill proposes to remove FBT and instead subject benefits received by managerial and supervisory employees to graduated income tax rates. Life or health insurance and other non-life insurance premiums or similar amounts in excess of what the law allows shall be included in the list of non-taxable fringe benefits.

- Relief for micro and small taxpayers

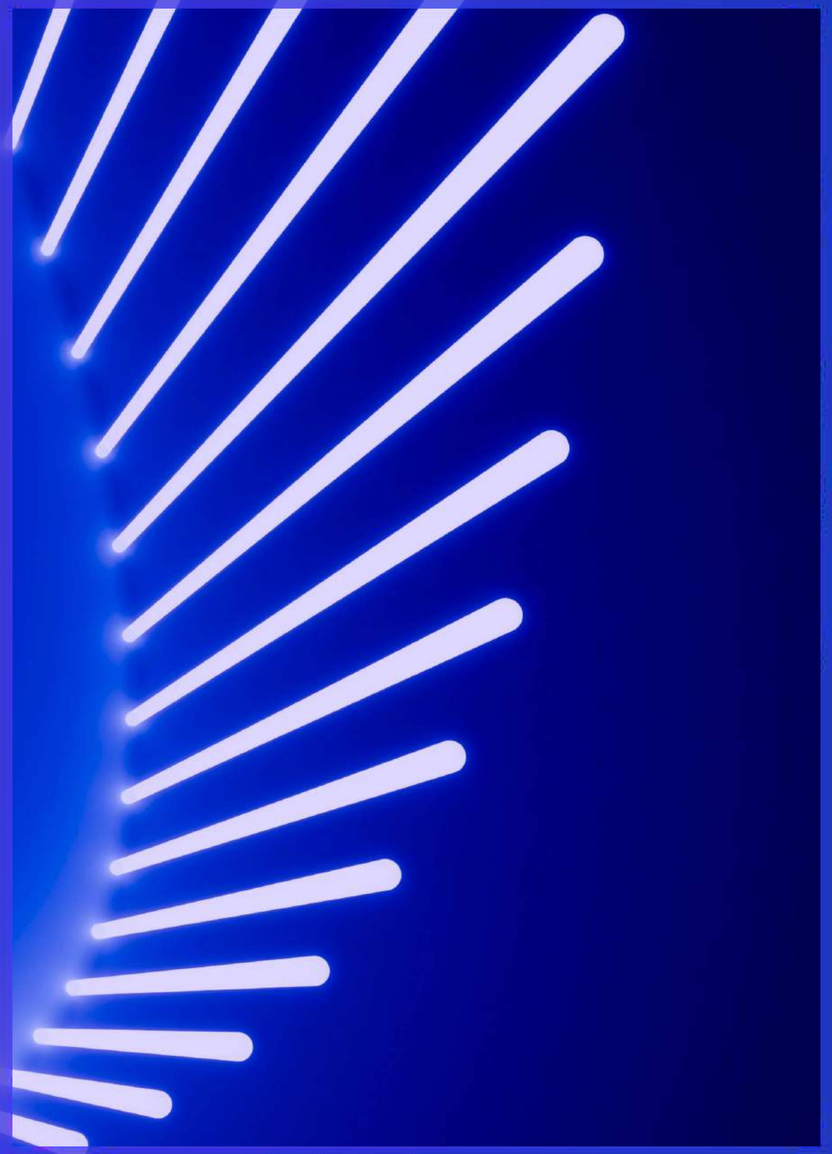
  The bill allows a 50% additional deduction on the salaries, wages and other forms of compensation paid to the employees of the micro taxpayer. Micro taxpayers are proposed to be exempt from withholding tax obligations.

  The bill also proposes to increase the VAT exemption threshold from PHP 3 million to PHP 4 million.

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Investment Highlights



2026 Strategic Investments Priority Plan (SIPP)

- Upon recommendation of the Bureau of Investments (BOI) and consistent with the requirements of the CREATE Act, the President of the Philippines approved the 2026 SIPP through Memorandum Order No. 47. Under the 2026 SIPP, investments are prioritized based on the national industrial strategy.

- Tier I includes activities that:
  - have high potential for job creation
  - take place in sectors with market failures resulting in under-provision of basic goods and services
  - generate value creation through innovation, upgrading, or moving up the value chain
  - provide essential support for sectors that are critical to industrial development
  - are emerging owing to potential competitive advantage



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2026 Strategic Investments Priority Plan (SIPP)

Tier II includes activities that:

- produce supplies, parts, components and intermediate services that are not locally produced but are critical to industrial development and import-substituting activities, including crude oil refining

Tier III includes activities that:

- involve research and development resulting in demonstrably significant value-added, higher productivity, improved efficiency, breakthroughs in science and health, and high-paying jobs
- generate new knowledge and intellectual property registered and/or licensed in the Philippines
- involve commercialization of patents, industrial designs, copyrights and utility models owned or co-owned by a registered business enterprise
- involve highly technical manufacturing
- are critical to structural transformation of the economy and require substantial catch-up efforts, including, but not limited to cyber-security, artificial intelligence, and data-center facilities

A copy of the 2026 SIPP containing the detailed listing of activities can be accessed here: InTAX and MO No. 47.

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Philippine Foreign Investments Act

The Foreign Investments Act of 1991, as a general rule, does not have restrictions on the extent of foreign ownership of export-oriented enterprises such as manufacturing entities or service exporters.

However, for domestic market enterprises, certain investment areas and/or activities are subject to foreign equity restrictions in the Philippines.

Under the Thirteenth (13th) Foreign Investment Negative List (FINL), which was promulgated through Executive Order No. 113 dated 13 April 2026, the following are some of the business activities that are subject to such limitations:

List A: Foreign Ownership is Limited by Mandate of the Constitution and Specific Laws

1. No foreign equity:

- Mass media, except recording and internet business (i.e., internet access providers that merely serve as carriers for transmitting, rather than being creators, of message/information)
- Corporate practice of profession in Architecture (other licensed/registered foreign professionals are now allowed to practice, on the basis of reciprocity, and can have an equity in a corporation authorized to practice such profession, subject to limitations provided in the relevant regulatory or Board law and other relevant laws)*
- Cooperatives except investments of former natural born citizens of the Philippines
- Private security agency*
- Small-scale mining
- Utilization of marine resources in archipelagic waters, territorial seas and exclusive economic zone, 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 (various treaties to which the Philippines is a signatory and conventions supported by the Philippines)
- Manufacture and retail of firecrackers and other pyrotechnic devices*

Note: Business activities marked with (*) above have been introduced or updated under the 13th FINL.

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Philippine Foreign Investments Act

2 Up to 25% foreign equity:

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

3 Up to 30% foreign equity:

- Advertising

4 Up to 40% foreign equity:

- Retail trade enterprises with paid-up capital of less than PHP25,000,000*
- Exploration, development and utilization of natural resources including appropriation of water direct from natural source (except agreements entered into with the President involving either technical or financial assistance for large-scale projects and renewable energy where full foreign participation is allowed)*
- Ownership of private lands
- Operation 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, trading except retailing, of rice and corn and acquiring, by barter, purchase or otherwise, rice and corn and the by-products thereof, subject to period of divestment
- Government procurement of goods*
- Government procurement of infrastructure projects (up to 75% foreign ownership is allowed in cases where the structures to be built require the application of techniques or technologies which are not adequately possessed by Filipino entities)*
- Government procurement of consulting services*
- Government procurement of goods*
- Ownership of condominium units

Note: Business activities marked with (*) above have been introduced or updated under the 13th FINL.

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Philippine Foreign Investments Act

5 Up to 100% foreign equity

- Operation and management of telecommunications in case the country of the foreign national accords reciprocity to Philippine nationals (up to 50% foreign equity in the absence of such reciprocity)*

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

1 Up to 40% Foreign equity:

- Manufacture, repair, storage, and/or distribution of products and/or ingredients requiring Philippine National Police clearance
- Development, production, manufacturing, assembly, servicing or operation of materiel (i.e., military technology, weapons systems, arms, ammunition, combat clothing, armor, vehicles, and other similar military equipment) by an in-country enterprise*
- Distribution and manufacturing of dangerous drugs as authorized by law.*
- Sauna and steam bathhouses, massage clinics and other like activities regulated by law because of risks posed to public health and morals
- All forms of gambling, except those covered by investment agreements with Philippine Amusement and Gaming Corporation (PAGCOR)
- Micro and small domestic market enterprises with paid-in equity capital of less than the equivalent of USD200,000
- Micro and small domestic market enterprises:
  - i. that involve advanced technology as determined by the Department of Science and Technology*
  - ii. are endorsed as startup or startup enablers by the lead host agencies, or
  - iii. with a majority of their direct employees as Filipinos, but in no case shall the number of Filipino employees be less than fifteen (15), with paid-in equity capital of less than the equivalent of USD100,000

Note: Business activities marked with (*) above have been introduced or updated under the 13th FINL.

Commonwealth Act No. 108, as amended, or the Anti-Dummy Law, seeks to penalize those who are found in violation of the foreign equity restrictions and evade the nationalization laws of the Philippines. The law prohibits the use of any proxy arrangements to accomplish transactions of foreign nationals that are otherwise not allowed under Philippine laws.

Foreign nationals who intend to put up One-Person Corporations (OPCs) are also still subject to the above restrictions on foreign participation.

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Tax incentives (CREATE MORE)

RA No. 12066 or the CREATE MORE Act was signed into law on 11 November 2024. This law aims to enhance the tax incentives built by CREATE Act (RA No. 11534).

A company may apply with the appropriate investment promotion agency (IPA) for the registration of its projects and activities to avail of certain tax and duties incentives. IPAs, including the Board of Investments (BOI), Philippine Economic Zone Authority (PEZA), and Subic Bay Metropolitan Authority (SBMA), among others, are in charge of promoting investments, granting and administering tax and non-tax incentives, and overseeing the operations of different economic zones and freeports in accordance with their respective special laws.

Incentives available under CREATE MORE include the following:

Income tax-based incentives:

- Income tax holiday (ITH)
- 5% Special corporate income tax (SCIT)
- Enhanced deduction regime (EDR)

Non-income tax-based incentives:

- Duty exemption on importation of capital equipment, raw materials, spare parts, or accessories directly attributable to the registered project or activity, including goods used for administrative purposes.
- VAT exemption on importation and VAT zero-rating on local purchases directly attributable to the registered project or activity, including expenses incidental thereto.

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Tax incentives (CREATE MORE)

ITH Incentive

Registered Export Enterprises (REE)	Domestic Market Enterprise (DME)	High-Value Domestic Market Enterprise (HVDME)*
✔ ITH	✔ ITH	
✔ May be waived and proceed to 5% SCIT or EDR at the start of commercial operations	✔ May be waived and proceed to EDR only at the start of commercial operations	
✔ No creditable withholding tax on income related to registered project or activity, without need of BIR ruling	✔ Same	
✔ Registered business enterprise local tax (RBELT) not more than 2% of gross income may be imposed by Local Government Unit	✔ Same	

*Registered DMEs with an investment capital exceeding PHP 15 billion and engaged in sectors considered import-substituting, or with export sales in the immediately preceding year of at least USD 100 million or its equivalent in an acceptable foreign currency.

RBELT

- To be imposed through an ordinance issued by the concerned Sanggunian
- Applicable during the ITH and EDR, not to be imposed under 5% special corporate income tax incentive (SCIT)
- Shall be imposed as long as the RBE meets the conditions for registration during ITH and EDR
- Determination of compliance by RBE with terms and conditions shall be with IPA
- RBEs certified by BOI as pioneer or non-pioneer shall be exempt from local business tax for 6 or 4 years, respectively, from the date of registration.

5% SCIT Incentive

REE	DME	HVDME
✔ 5% SCIT after ITH or immediately at start of commercial operations ✔ Based on gross income earned (GIE), in lieu of all national and local taxes and local fees and charges	Not applicable	

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Tax incentives (CREATE MORE)

EDR Incentive

REE	DME	HVDME
✔ EDR after ITH or immediately at start of commercial operations	✔ EDR after ITH or immediately at start of commercial operations	
✔ 20% corporate income tax rate on net taxable income derived from registered projects or activities	✔ Same	
✔ RBELT not more than 2% of gross income may be imposed by LGU	✔ Same	
✔ Improved enhanced deductions	✔ Same	

Under EDR, the following may be allowed as additional deductions:

- Depreciation allowance of the assets acquired for the entity's production of goods and services (qualified capital expenditure) - additional 10% for buildings; and additional 20% for machineries and equipment;
- 50% additional deduction on the labor expense incurred in the taxable year;
- 100% additional deduction on research and development expense incurred in the taxable year;
- 100% additional deduction on training expense incurred in the taxable year;
- 50% additional deduction on domestic input expense incurred in the taxable year;
- From 50% additional deduction under CREATE to 100% additional deduction under CREATE MORE on the power expense incurred in the taxable year;
- Deduction for reinvestment allowance to manufacturing and tourism industries (previously provided to manufacturing sector only under CREATE) of 50% of the amount on reinvested undistributed profits within 5 years from reinvestment;
- Under CREATE MORE, additional deduction of 50% on expenses relating to exhibitions, trade missions, and trade fairs, including promotion of export of goods and services; and
- Enhanced Net Operating Loss Carry-Over (NOLCO) within the next 5 years immediately following the last year of ITH or year of loss for RBEs electing EDR at start of commercial operations.

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Tax incentives (CREATE MORE)

VAT and duty exemption on importation and 0% VAT on local purchases

REE	DME	HVDME
Duty exemption on importation of capital equipment, raw materials, spare parts or accessories, including goods used for administrative purposes • Must meet 70% export sale threshold in immediately preceding year; otherwise, disqualified from availing incentive.	Same	Same • Must meet investment capital requirement or export sales threshold in immediately preceding year; otherwise, disqualified from availing incentive
VAT exemption on importation and 0% VAT on local purchases • Only applies to goods and services directly attributable to the registered project or activity • Must meet 70% export sale threshold in immediately preceding year; otherwise, disqualified from availing incentive	Not applicable	VAT exemption on importation and 0% VAT on local purchases • Only applies to goods and services directly attributable to the registered project or activity • Must meet the *investment capital requirement or export sale* threshold in immediately preceding year; otherwise disqualified from availing incentive

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Tax incentives (CREATE MORE)

Period of availment of incentives based on location and industry priorities

Extended entitlement to incentives for projects approved by the IPAs			
Location/Industry	**Tier I**	**Tier II**	**Tier III**
For REEs:			
National Capital Region (NCR)	4 yrs. ITH + 10 yrs. of EDR/SCIT OR 14 yrs. EDR/SCIT	5 yrs. ITH + 10 yrs. of EDR/SCIT OR 15 yrs. EDR/SCIT	6 yrs. ITH + 10 yrs. of EDR/SCIT OR 16 yrs. EDR/SCIT
Metropolitan Areas or Areas Contiguous and Adjacent to NCR	5 yrs. ITH + 10 yrs. of EDR/SCIT OR 15 yrs. EDR/SCIT	6 yrs. ITH + 10 yrs. of EDR/SCIT OR 16 yrs. EDR/SCIT	7yrs. ITH + 10 yrs. of EDR/SCIT OR 17 yrs. EDR/SCIT
All Other Areas	6 yrs. ITH + 10 yrs. of EDR/SCIT OR 16 yrs. EDR/SCIT	7yrs. ITH + 10 yrs. of EDR/SCIT OR 17 yrs. EDR/SCIT	7yrs. ITH + 10 yrs. of EDR/SCIT OR 17 yrs. EDR/SCIT

Extended entitlement to incentives for projects approved by the IPAs			
Location/Industry	**Tier I**	**Tier II**	**Tier III**
For DMEs:			
National Capital Region (NCR)	4 yrs. ITH + 10 yrs. EDR OR 14 yrs. EDR	5 yrs. ITH + 10 yrs. EDR OR 15 yrs. EDR	6 yrs. ITH + 10 yrs. EDR OR 16 yrs. EDR
Metropolitan Areas or Areas Contiguous and Adjacent to NCR	5 yrs. ITH + 10 yrs. EDR OR 15 yrs. EDR	6 yrs. ITH + 10 yrs. EDR OR 16 yrs. EDR	7 yrs. ITH + 10 yrs. EDR OR 17 yrs. EDR
All Other Areas	6 yrs. ITH + 10 yrs. EDR OR 16 yrs. EDR	7 yrs. ITH + 10 yrs. EDR OR 17 yrs. EDR	7 yrs. ITH + 10 yrs. EDR OR 17 yrs. EDR

- Availment of SCIT/EDR (for REEs) or EDR (for DMEs) approved by the IPAs may be extended for up to 5 years, provided that the RBE maintains at least 10,000 employees during its registration
- An expansion project may qualify to avail of the SCIT/EDR (for REEs) or EDR (for DMEs) for 8 years, subject to certain conditions

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Tax incentives (CREATE MORE)

Extended entitlement to incentives for projects approved by the FIRB			
Location/Industry	**Tier I**	**Tier II**	**Tier III**
For REEs:			
National Capital Region (NCR)	4 yrs. ITH + 20 yrs. of EDR/SCIT OR 24 yrs. EDR/SCIT	5 yrs. ITH + 20 yrs. of EDR/SCIT OR 25 yrs. EDR/SCIT	6 yrs. ITH + 20 yrs. of EDR/SCIT OR 26 yrs. EDR/SCIT
Metropolitan Areas or Areas Contiguous and Adjacent to NCR	5 yrs. ITH + 20 yrs. of EDR/SCIT OR 25 yrs. EDR/SCIT	6 yrs. ITH + 20 yrs. of EDR/SCIT OR 26 yrs. EDR/SCIT	7 yrs. ITH + 20 yrs. of EDR/SCIT OR 27 yrs. EDR/SCIT
All Other Areas	6 yrs. ITH + 20 yrs. of EDR/SCIT OR 26 yrs. EDR/SCIT	7 yrs. ITH + 20 yrs. of EDR/SCIT OR 27 yrs. EDR/SCIT	7 yrs. ITH + 20 yrs. of EDR/SCIT OR 27 yrs. EDR/SCIT

Extended entitlement to incentives for projects approved by the FIRB			
Location/Industry	**Tier I**	**Tier II**	**Tier III**
For DMEs:			
National Capital Region (NCR)	4 yrs. ITH + 20 yrs. EDR OR 24 yrs. EDR	5 yrs. ITH + 20 yrs. EDR OR 25 yrs. EDR	6 yrs. ITH + 20 yrs. EDR OR 26 yrs. EDR
Metropolitan Areas or Areas Contiguous and Adjacent to NCR	5 yrs. ITH + 20 yrs. EDR OR 25 yrs. EDR	6 yrs. ITH + 20 yrs. EDR OR 26 yrs. EDR	7 yrs. ITH + 20 yrs. EDR OR 27 yrs. EDR
All Other Areas	6 yrs. ITH + 20 yrs. EDR OR 26 yrs. EDR	7 yrs. ITH + 20 yrs. EDR OR 27 yrs. EDR	7 yrs. ITH + 20 yrs. EDR OR 27 yrs. EDR

- Availment of SCIT/EDR (for REEs) or EDR (for DMEs) approved by the IPAs may be extended for up to 10 years, provided that the RBE maintains at least 10,000 employees during its registration
- An expansion project may qualify to avail of SCIT/EDR (for REEs) or EDR (for DMEs) for 13 years, subject to certain conditions

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Setting Up Businesses in the Philippines



Setting Up Businesses in the Philippines

RA No. 11232, otherwise known as the “Revised Corporation Code of the Philippines,” took effect on 23 February 2019.

The law was enacted with the intention of ushering in provisions that encourage entrepreneurship and contribute to the Philippines’ global competitiveness and ease of doing business. Among the salient features of the law are the establishment of corporations with a single stockholder, perpetual existence of corporations, removal of the minimum number of incorporators, removal of the minimum capital stock, and adoption of electronic monitoring and filing system. The Philippine Congress also sought to strengthen good corporate governance by enhancing provisions on disclosure, transparency, and participation of investors and stockholders. Moreover, the law also provides for alternative modes of communication and voting *in absentia.*

By codifying progressive corporate concepts and streamlining requirements and procedures, the Philippines hopes to become a more appealing investment destination to foreign investors.



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Commonly Used Business Entities

A new corporate entity in the Philippines is required to be registered with the Securities and Exchange Commission (SEC). The SEC is the national government regulatory agency charged with the supervision of the corporate sector, the capital market participants, the securities and investment instruments market, and the protection of the investing public.

Foreign investors can generally operate their businesses in the Philippines through the following types of entities:

- Subsidiary or a domestic corporation
- One Person Corporation (OPC)
- Branch office of a foreign company
- A regional or area headquarters (RHQ)
- A regional operating headquarters (ROHQ)
- A representative office of a foreign corporation

Main Legal Formalities for Setting Up

Foreign investors intending to enter the domestic market must take into consideration the applicable requirements and the costs of setting up a Philippine corporate entity, keeping in mind that the legal requirements vary from one type of investment vehicle to another.

Domestic corporations

Subsidiary

Foreign investors may incorporate a separate Philippine legal entity through a subsidiary. Current implementing rules require a minimum of two but not more than 15 persons to act as incorporators. Unless otherwise required by law, these incorporators may be natural or juridical persons such as partnerships, associations, and domestic or foreign corporations.

The residency requirements for incorporators have been removed under the Revised Corporation Code.

There are no minimum capitalization requirements for stock corporations, except in cases provided by special laws. For instance, the minimum paid-up capitalization requirement for a domestic corporation with more than 40% foreign equity remains to be at least USD 200,000.00. Depending further on the proposed line of business of the investor, the SEC may impose a higher minimum capitalization requirement.

Previously, corporations must have 25% of the authorized capital stock subscribed, and 25% of the subscribed capital stock must be paid up for purposes of incorporation. The requirements now apply only to corporations intending to increase their respective capital stocks.

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Domestic corporations

OPC

The OPC is a domestic corporation with a single stockholder, who can only be a natural person, trust, or estate. The law likewise provides for persons or entities who are prohibited from organizing as OPCs, such as individuals licensed to exercise a profession, banks and quasi-banks, preneed, trust, insurance, public and publicly-listed companies, and non-chartered government owned and controlled corporations.

OPCs can only have a single stockholder and sole director. The said single stockholder and director will also be the President. Other officers of the OPC such as the Corporate Secretary and Treasurer shall be appointed after registration.

There is no prescribed minimum authorized capital stock for OPCs, except as otherwise required by special laws. As with a regular corporation, no portion of an OPC's authorized capital stock is required to be paid up at the time of the incorporation, unless otherwise required by other applicable laws or regulations.

Foreign corporations

Branch Office

A branch office may be set up in the Philippines to carry out the business activities of the head office of a foreign corporation by applying for a license to operate a branch. For a branch office of a foreign corporation, in general, the minimum capitalization requirement is USD 200,000.00. However, depending on the proposed line of business of the investor, the SEC may impose a higher minimum capitalization requirement. The branch is also required to appoint a resident agent. Such agent is not required to be a Filipino but is required to be a Philippine resident.



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Security Deposits for Branches

Under the current rules, all branches of foreign corporations duly licensed to do business in the Philippines are required to deposit securities with an actual market value of at least PHP500,000.00 within 60 days after the issuance of the license to transact business in the Philippines.

Moreover, additional securities shall be deposited within six months after the end of the fiscal year in the following situations:

a. If the licensee's gross income for that fiscal year exceeds PHP 10,000,000.00, additional securities with an actual market value equivalent to 2% of the increase of in such gross income; and

b. If the actual market value of the securities deposit or financial instruments has decreased by at least 10% from the time it was deposited, additional securities with an actual market value that would cover the decrease.

Only government debt and equity instruments are the acceptable kinds of securities. Cash, money market placement, time deposits and bank guaranty or standby letter of credit and similar instruments shall not be acceptable as security deposits.

Foreign banking corporations, offshore banking units, foreign insurance corporations, foreign non-stock (including religious) corporations, representative offices, RHQs, and ROHQs are not covered by the security deposit requirement under Philippine laws.

RHQ

An RHQ is a branch office of a multinational company engaged in international trade. The RHQ principally serves as a supervision, communications and coordination center for the multinational company's subsidiaries, branches or affiliates in the Asia-Pacific region and other foreign markets, which does not derive income in the Philippines. For RHQs, the required annual inward remittance is at least USD 50,000.00. An RHQ is not required to comply with the security deposit requirement for branches of foreign corporations.

ROHQ

An ROHQ is a special type of branch office of a multinational company allowed to derive income in the Philippines by performing qualifying services to its affiliates, subsidiaries, or branches in the Philippines, Asia-Pacific region and other foreign markets. For ROHQs, the required initial remittance to cover its operations in the Philippines is at least USD 200,000.00. An ROHQ is not required to comply with the security deposit requirement for branches of foreign corporations.

Representative Office

A representative office of a foreign corporation does not derive income from the Philippines, and it is limited mostly to non-income generating activities such as information dissemination, acting as a communication center and promotion of the products of its parent company. For representative offices, the minimum inward remittance is USD 30,000.00. A representative office is not required to comply with the security deposit requirement for branches of foreign corporations.

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Resident Agent Requirements

The appointment of a resident agent is a condition to the issuance of a license for a foreign corporation to transact in the Philippines. Aside from an individual, local or foreigner, residing in the Philippines, the Revised Corporation Code allows a domestic corporation to be designated as a resident agent, provided that it must be of sound financial standing and be of good standing as certified by the SEC. A resident agent plays an important role in managing legal and administrative responsibilities on behalf of foreign corporations acting as the official liaison with government agencies and the judicial system. The failure to appoint or maintain a resident agent is a ground for the revocation of license previously granted to a branch to do business in the Philippines.

Retail Trade Liberalization Act

On 10 December 2021, RA No. 11595 was signed into law and effectively amended RA No. 8762, otherwise known as the “Retail Trade Liberalization Act of 2000”. The law eases the requirements for foreign retail enterprises to engage or invest in the retail trade business in the Philippines.

The salient provisions of the law are as follows:

- The minimum paid-up capitalization requirement is PHP 25,000,000.00 for all foreign retailers
- For foreign retailers engaged in retail trade through more than one physical store, the minimum investment per store is PHP 10,000,000.00. This requirement, however, does not apply to foreign investors and retailers who are legitimately engaged in retail trade and were not required to comply with the minimum investment per store at the time of the effectivity of RA No. 11595
- Retail enterprises with more than 80% foreign ownership are no longer required to offer at least 30% of their equity to the public through any stock exchange in the Philippines within eight years from the start of their operations
- The minimum net worth of the foreign retailers’ parent corporation and the qualification that foreign retailers must have a five-year track record in retailing are no longer required
- The employment of foreign nationals by foreign retailers must comply with the Labor Code of the Philippines on the determination of non-availability of a competent, able, and willing Filipino citizen
- Foreign retailers are encouraged to have a stock inventory of products made in the Philippines

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Procedure for Registration with the SEC

A new corporate entity in the Philippines is required to be registered with the SEC.

The SEC currently utilizes the electronic Simplified Processing of Application for Registration of Company (eSPARC), a fully automated online system designed to streamline the application process for corporate registrations. Through eSPARC, all corporate applications requiring SEC approval are processed electronically, with feedback and comments from the SEC communicated online.

As part of the registration process, corporations must comply with specific regulatory requirements. SEC Memorandum Circular (MC) No. 1-2021 mandates the disclosure of the identities of the person or persons on whose behalf the registration is applied, including nominee incorporators, directors, trustees, and shareholders, along with their full names, country of residence, nationality, and Tax Identification Number (TIN) or passport numbers. If the nominator or principal is a corporation, the disclosure must include its registered name, country of registration, incorporators, directors, beneficial owner, and TIN (if any). For trusts, the trustor(s), trustee(s), beneficiaries, nationality, country of residence, and TIN or passport number must also be provided. Beginning 1 January 2026, SEC MC No. 15-2025 has required the submission of beneficial ownership information, upon incorporation or registration.

Additionally, all entities under SEC jurisdiction, including corporations, associations, and partnerships, are required to create and designate an official email address and cellphone number for all transactions with the SEC. This ensures efficient communication and access to necessary updates. Failure to comply with this requirement will result in an administrative penalty of PHP 10,000.00.



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Procedure for Registration with the SEC

Upon approval of the draft registration documents for setting up the corporation, the documents may be finalized, executed and notarized. In the event that pre-incorporation documents are executed outside the Philippines, the same has to be notarized and authenticated, or apostilled as applicable, at the place of execution. The eSPARC also integrates with One-day Submission and E-registration of Companies (OneSEC), a platform that facilitates the registration of domestic stock corporations under a streamlined process. Newly registered corporations through eSPARC and OneSEC are also automatically enrolled in the Electronic Filing and Submission Tool (eFAST), ensuring compliance with SEC reporting obligations and enhancing transparency.

The SEC has recently mandated the use of the SEC Zuper Easy Registration (ZERO) system within the eSPARC application for domestic corporations, excluding lending and financing companies. To access and facilitate registration of new corporations using SEC ZERO, the user must create a credentialed Electronic SEC Universal Registration Environment (eSECURE) account for all incorporators and signatories of the proposed corporation. SEC ZERO will allow an applicant to digitally authenticate the system-generated forms for incorporation, thereby eliminating the need for physical signing and notarization of the registration documents. Moreover, with SEC ZERO, submission of hard copies of the registration documents will no longer be required for a complete end-to-end paperless registration process. For now, SEC ZERO will be applicable to incorporation of OPCs and domestic stock corporations. However, the SEC intends to make SEC ZERO applicable to the registration of other types of corporations in the future.

To complete the registration process, corporations must secure a Payment Assessment Form (PAF) before remitting the necessary filing fees via the Electronic System for Payment to SEC (eSPAYSEC). This online payment system simplifies the fee payment process, reducing the need for physical transactions.

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Post-SEC Registration

In addition to registration with the SEC, all corporate entities are also required to register with the local government unit (LGU) where the principal office will be located, BIR, Social Security System (SSS), Philippine Health Insurance Corporation (PhilHealth) and the Home Development Mutual Fund (Pag-Ibig Fund).

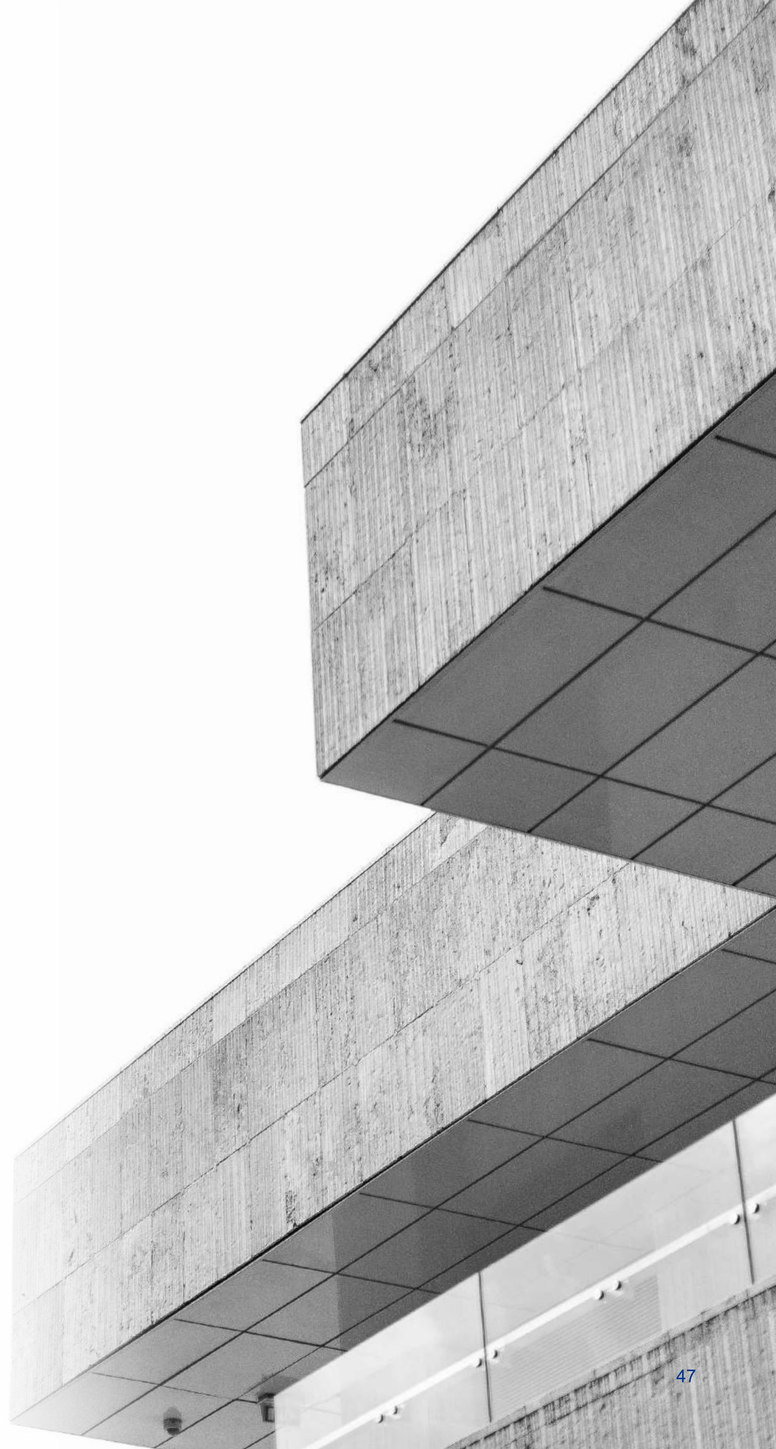
LGU

Registration with the LGU is necessary to secure the following:

1. Barangay Clearance;
2. Mayor's Permit from the Mayor's Office; and
2. Business License from the Business Permit and Licensing Office (BPLO) from the relevant Municipal/City Hall

Notes on local business tax and real property tax (RPT) audits

- Under the LGC of 1991, provinces, cities, municipalities, and barangays are granted the power to levy, assess, and collect local taxes, fees, and charges, including business taxes and RPT, within their respective territorial jurisdictions. Local treasurers and assessors are authorized to evaluate business activities and real properties, determine the correct tax liabilities, and issue assessments and collection notices, subject to prescribed procedures, rates, and limitations under the Code and applicable ordinances
- Under Section 194 of the LGC, the right of an LGU to assess deficiencies in local business tax prescribes should be within five (5) years, reckoned from the date the tax became due. In case there is fraud or intent to evade taxes, the prescriptive period is ten (10) years from the discovery of the fraud or intent to evade taxes
- Under Section 270 of the LGC, RPT shall be collected within five (5) years from the date they become due. In case of fraud or intent to evade payment of the tax, the action may be instituted for the collection of the tax within ten (10) years from discovery of such fraud or intent to evade payment of tax



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BIR

Corporate entities must register with the BIR in order to obtain the following:

1. Certificate of Registration;
2. Authority to Print (for receipts); and
3. Registered manual books of accounts

Under existing tax regulations, the default method of keeping books is manual. This means that taxpayers are expected to record their accounting entries by hand in physical books of accounts.

A taxpayer desiring to use computerized accounting records is required to apply for the registration of a computerized accounting system with the BIR. The computerized accounting records may be maintained through loose leaf books or computerized accounting software.

1. Application for permit to use loose leaf books and accounts invoices

This method typically refers to keeping records in Microsoft Excel (MS Excel) file and printing out records at the end of the year for binding and submission to the BIR. The BIR does not require any format for the use of loose-leaf books of accounts. Thus, the taxpayer may use any format provided the said format is submitted to the BIR for approval during the application process.

2. Registration of Computerized Accounting System (CAS)

Before the taxpayer can use a CAS for its bookkeeping process, the taxpayer is required to inform and register with the Revenue District Office/Large Taxpayers Office where it is registered of its intention to use such system. All the documents pertaining to the applications for the registration of CAS shall be submitted manually or via electronic e-mail. Further, the CAS to be adopted shall strictly comply with the requirements of the BIR or the “Standard Functional and Technical Requirements.”



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BIR

3 Notes on Tax Audit Investigations

Introduction of Single-Instance Audit Framework

- The BIR is authorized to examine taxpayers' books and accounting records and issue deficiency tax assessments when it determines that the correct tax exceeds what was reported and paid. As a rule, the BIR must assess internal revenue taxes within the prescriptive periods provided under the law
- Prior to 27 January 2026, taxpayers who will be audited by the BIR are generally selected on a random basis unless the taxpayer enters into a transaction that will trigger a mandatory tax audit, e.g. applying for a tax refund, merger, business closure
- Under Revenue Memorandum Order No. 1-2026, the BIR introduced the Single-Instance Audit Framework (SIAF) which prohibits the issuance of multiple or overlapping electronic Letters of Authority (eLA) to conduct tax audits covering the same taxpayer and taxable year. The SIAF requires that a taxpayer shall only be subject to one (1) eLA for a given taxable year covering all applicable internal revenue tax types, including value-added tax (VAT). However, the SIAF will not apply for cases that are transactional, event-based, or terminal in nature. As such, a separate audit or verification authority can still be issued for one-time transactions, applications for tax clearances and cancellation of business registration, and those involving fraud and irregularity
- Under the SIAF, new eLAs shall be issued based on a system-assisted taxpayer selection process to ensure objectivity and integrity, and revenue officers authorized to conduct tax audits are now required to use a standardized audit checklist to serve as the uniform reference for identifying, requesting, receiving, and evaluating documents necessary for audit, verification, or other authorized compliance activities
- Under Sections 203 and 222 of the Tax Code, the general prescriptive period for the BIR to assess deficiency internal revenue taxes is three (3) years counted from the date of actual filing of the tax return or due date for the filing thereof, whichever is later. In case of a false or fraudulent return with intent to evade tax or of failure to file a return, the prescriptive period is 10 years counted from the time the falsification, fraud or omission is discovered

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Other Permits

Social Security Agencies

Registration with social security agencies such as the SSS, PhilHealth, and Pag-Ibig Fund is necessary to comply with the Philippine social security laws, which require mandatory coverage of employees and mandate all employees and employers to be registered with the said agencies. The employer is required to remit proper contributions for employees and also to pay the employer's contribution to the said agencies.

Registration with the BSP of the inward foreign investments for the enjoyment of the repatriation and remittance privileges.

Registration with the BSP to obtain a Bangko Sentral Registration Document (BSRD) is optional. A BSRD is a document issued by the BSP evidencing the registration of foreign investments. In connection to this, only foreign investments registered with the BSP are entitled to capital repatriation or dividend/profit remittances using foreign exchange sourced from the Philippine banking system.

Bureau of Customs (BoC)

All goods imported into the Philippines are subject to duty and tax upon importation, including goods previously exported from the Philippines, except as otherwise provided for in the Customs Modernization and Tariff Act (CMTA) of 2016 or in other laws.

The BoC requires that importers and customs brokers be duly accredited with the Account Management Office, Intelligence Group of the BoC to allow the said entities to officially transact with the BoC.



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Accounting and Reporting Requirements



Audited Financial Statements (AFS)

Under the general financial reporting requirements of Revised Securities Regulation Code (SRC) Rule 68 (approved by the Commission En Banc on August 19, 2019) and SEC Memorandum Circular No. 4, Series of 2026, the following must file AFS:

- Stock corporations with total assets or total liabilities of more than Three Million Pesos (P3,000,000.00), as prescribed under the Revised Corporation Code of the Philippines (RCC) and any of its subsequent revisions or such amount as may be subsequently prescribed;
- Non-stock corporations with total assets or total liabilities of more than Three Million Pesos (P3,000,000.00), as prescribed under the RCC and any of its subsequent revisions or such amount as may be subsequently prescribed;
- Branch offices/representative offices of stock foreign corporations with assigned capital in the equivalent amount of One Million Pesos (P1,000,000.00) or more;
- Branch offices/representative offices of non-stock foreign corporation with total assets in the equivalent amount of One Million Pesos (P1,000,000.00) or more; and
- Regional operating headquarters of foreign corporations with total revenues in the equivalent amount of One Million Pesos (P1,000,000.00) or more.

Financial statements of branch offices of foreign corporations licensed to do business in the Philippines by the Commission must comply with these requirements unless otherwise directed by the Commission.

Corporations with total assets or total liabilities at or below the prescribed threshold shall not be required to submit AFS. Instead, they may submit financial statements accompanied by a Statement of Management's Responsibility (SMR), signed under oath:

- Stock and Non-stock corporations: be signed by the Chairman of the Board, President or Chief Executive Officer, and Treasurer or Chief Financial Officer, all duly authorized by the Board of Directors;
- OPCs: signed by the President and Treasurer.

If the authorized signatories are unavailable, the Board may delegate signing authority to another officer or director with equivalent authority. These signatories assume full responsibility for the accuracy, completeness, and truthfulness of the financial statements.

Moreover, corporations, companies, partnerships or persons with gross annual sales, earnings, receipts or outputs exceeding PHP 3,000,000.00 shall have their books of accounts audited and examined yearly by an independent Certified Public Accountant (CPA). The AFS is required to be submitted to the BIR as attachment to the annual income tax return.

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Requirements of the SEC

All SEC-registered corporations are required to enroll in the SEC Electronic Filing and Submission Tool (eFAST), which may be accessed at (https://efast.sec.gov.ph), for the filing of annual reports and other reportorial requirements.

The SEC will not accept submissions over the counter and through courier, in line with the zero-contact policy and automation of business-related transactions.

Revised General Information Sheet (GIS)

All SEC-registered corporations are required to submit a GIS, which has been revised to include information on beneficial owners. This is pursuant to the SEC's mandate to assist in the implementation of the Anti-Money Laundering Act (AMLA) and the Terrorist Financing Prevention and Suppression Act.

Current rules define beneficial owners as natural persons who ultimately own or control, or exercise ultimate effective control, over the corporation. The definition covers natural persons who actually own or control the corporation, as distinguished from the legal owners. Implementing rules provide for categories by which to determine beneficial ownership.



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SEC Filing deadlines

Domestic Stock Corporations

Description	Due Date
GIS	Within 30 calendar days from date of the actual annual stockholders' or members' meeting
AFS stamped "RECEIVED" by the BIR or FS certified under oath by the corporation's treasurer and/or president, as applicable	Within 120 calendar days after the end of the fiscal year, as indicated in the Financial Statements For One Person Corporations (OPCs), within 120 days from the end of the fiscal year as indicated in the Articles of Incorporation

Additional Requirements for OPCs

Description	Due Date
Report containing explanations or comments by the president on every qualification, reservation, or adverse remark or disclaimer made by the auditor in the latter's report	Within the period to be prescribed by the SEC
Disclosure of all self-dealings and related party transactions entered into between OPC and the single stockholder	Within the period to be prescribed by the SEC

Branch Offices and Representative Offices of Foreign Corporations

Description	Due Date
GIS	Within 30 calendar days from date of issuance of SEC license and within 30 days from the anniversary date of the issuance of the SEC license thereafter
AFS Stamped "RECEIVED" by the BIR	Within 120 calendar days after the end of the fiscal year, as indicated in the Financial Statements
Notification Update Form	Within 30 days from the occurrence of any change in the principal address, accounting period, list of directors and officers, subsidiaries and affiliates and other notifications to the SEC

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SEC Filing deadlines

ROHQs, RHQs, and Multinational Companies

Description	Due Date
GIS	Within 30 calendar days from the issuance of the certificate of registration and license and within 30 calendar days from the anniversary date of the issuance of the certificate of registration and license thereafter
AFS Stamped “RECEIVED” by the BIR	Within 120 calendar days after the end of the fiscal year, as indicated in the Financial Statements
Notification Update Form	Within 30 days from the occurrence of any change in the principal address, accounting period, list of directors and officers, subsidiaries and affiliates and other notifications to the SEC

Reportorial Requirements of the LGU

Business entities operating in the Philippines are required to renew their business permits on or before January 20 of every year with the LGU having jurisdiction over their places of business. Documentary requirements for the renewal of business permits may vary from one LGU to another. Thus, it is essential to coordinate with the LGU regarding these documentary requirements.

Republic Act No. 11032, or the Ease of Doing Business and Efficient Government Service Delivery Act of 2018, is a law that aims to streamline the current systems and procedures of government services. Going to different offices to submit these requirements takes a lot of time and energy, and for the act to promote efficiency, many LGUs have set up a business one-stop shop (BOSS). It is a single common site or location, or a single online website or portal designated for the Business Permit and Licensing System (BPLS) of a LGU to receive and process applications, receive payments, and issue approved licenses, clearances, permits, or authorizations.

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SEC Filing deadlines

Tax Incentives Management and Transparency Act (TIMTA)

Corporations, Philippine branches of foreign corporations, or other entities incorporated and/or organized and existing under Philippine laws and registered with IPAs such as the BOI, PEZA and other special economic zones are required to file with the applicable IPAs the following:

Description	Due Date
Annual Tax Incentives Report – Income- Based Tax Incentives	Within 30 calendar days from the statutory deadline for filing of the Final Adjustment Return for Income Tax and payment of tax due thereon, if any
Annual Tax Incentives Report – Value-Added Tax (VAT), Excise Tax and Duty-Based Incentives	Within 30 calendar days from the statutory deadline for filing of the Final Adjustment Return for Income Tax and payment of tax due thereon, if any



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Tax Administration



Filing deadlines for income tax returns

The returns relevant to income taxes and respective filing deadlines are summarized below:

BIR Form Name	Form No.	Deadline of Filing
Quarterly Income Tax Return	1702-Q	Within sixty (60) days following the close of each of the first three (3) quarters of the taxable year whether calendar or fiscal year.
Annual Income Tax Return	1702-RT, 1702-MX and 1702-EX, whichever is applicable	On or before the 15th day of the fourth month following the close of the corporation's taxable year
Monthly Remittance Form for Creditable Income Taxes Withheld (Expanded)	0619-E	***For Non-eFPS taxpayers:*** on or before the 10th day of the following month the withholding was made. This shall be filed for the first two (2) months of each calendar quarter. ***For eFPS taxpayers:*** on or before the 11th to 15th day of the following month the withholding was made, depending on the industry grouping
Monthly Remittance Form of Final Income Taxes Withheld	0619-F	
Quarterly Remittance Return of Creditable Income Taxes Withheld (Expanded)	1601-EQ	On or before the last day of the month following the close of the quarter the withholding was made
Quarterly Remittance Return of Final Income Tax Withheld	1601-FQ	

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Filing deadlines for income tax returns

BIR Form Name	Form No.	Deadline of Filing
Monthly Remittance Return of Income Taxes Withheld on Compensation	1601-C	**For the Months of January to November** ***For Non-eFPS taxpayers:*** on or before the 10th day of the following month the withholding was made ***For eFPS taxpayers:*** on or before the 11th to 15th day of the following month the withholding was made, depending on the industry grouping **For the Month of December** ***For Non-eFPS taxpayers:*** on or before January 15th of the following year ***For eFPS taxpayers:*** on or before the 11th to 15th day of the following month the withholding was made, depending on the industry grouping
Annual Information Return of Creditable Income Taxes Withheld (Expanded)/ Income Payments Exempt from Withholding Tax	1604-E	On or before March 1st of the year following the calendar year the income payments subject to expanded withholding taxes or exempt from withholding tax were paid or accrued
Annual Information Return of Income Payments Subjected to Final Withholding Taxes	1604-F	On or before January 31st of the year following the calendar year the income payments subject to final withholding taxes were paid or accrued
Annual Information Return of Income Taxes Withheld on Compensation	1604-C	On or before 31st January of the year following the calendar year the compensation payment and other income payments were paid or accrued

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Filing deadlines for other tax returns

The returns relevant to other taxes and respective filing deadlines are summarized below:

BIR Form Name	Name Form No.	Deadline of Filing
Quarterly Value-Added Tax Return	BIR Form No. 2550-Q	On or before the 25th day of the month following the close of the taxable quarter. Taxpayers may opt to file on a monthly basis using BIR Form No. 2550M.
Value-Added Tax Return for Resident VAT-registered DSP classified as an e-marketplace	BIR Form No. 1600-VT	On or before the 10th of the following month the withholding was made.
Value-Added Tax Return for Nonresident VAT-registered DSP in a B2B Transaction	BIR Form No. 1600-VT	On or before the 10th of the following month the withholding was made; to be filed by the Philippine buyer.
Value-Added Tax Return for Nonresident VAT-registered DSP in a B2C Transaction	BIR Form No. 2550-DS	On or before the 25th day of the month following the close of the taxable quarter; to be filed by the nonresident VAT-registered DSP **Option to file and pay on a monthly basis is available but still required to file the quarterly return and pay the corresponding VAT liability*
Value-Added Tax Return for Nonresident VAT-registered DSP classified as an e-marketplace	BIR Form No. 2550-DS	On or before the 25th day of the month following the close of the taxable quarter.

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Filing deadlines for other tax returns

BIR Form Name	Name Form No.	Deadline of Filing
Value-Added Tax Return for Unregistered Nonresident DSP in a B2B Transaction	BIR Form No. 1600-VT	On or before the 10th of the following month the withholding was made.
Excise Tax Return for Alcohol Products	BIR Form No. 2200A	Shall be paid before removal of the products from the place of production. ***For eFPS taxpayers:*** The filing of return and payment of excise tax due thereon shall be in accordance with the provisions of existing applicable revenue issuances.
Excise Tax Return for Automobiles and Non-Essential Goods	BIR Form No. 2200AN	
Excise Tax for Petroleum Products	BIR Form No. 2200P	
Excise Tax Return for Sweetened Beverages	BIR Form No. 2200S	
Excise Tax Return for Tobacco Products	BIR Form No. 2200T	
Excise Tax Return for Mineral Products	BIR Form No. 2200M	For each place of production: Shall be paid upon removal of the mineral products from the place of production. On locally produced or extracted: Within fifteen (15) days after the end of the calendar quarter when such products were removed
Documentary Stamp Tax Declaration/Return	BIR Form No. 2000	On or before the 5th day of the month after the close of the taxable month when the documents were signed, issued, accepted, or transferred, except as provided by the rules and regulations promulgated by the Secretary of Finance

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Filing deadlines for other tax returns

BIR Form Name	Name Form No.	Deadline of Filing
Local Business Tax	Relevant forms provided by the LGUs	Can be paid annually, on or before 20th January, or quarterly, within the first 20 days of January and of the first month following the end of each subsequent quarter.
Real Property Tax	Relevant forms provided by the LGU	May be paid annually in full on or before 31 March, or in quarterly installments on or before the last day of each quarter. Extension of payment may be granted depending per LGU
Customs Duties	Relevant forms provided by the BoC	Prior to the release of the imported goods from customs custody

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Transfer Pricing



Transfer Pricing (TP) Documentation

On 23 January 2013, the Secretary of Finance issued RR No. 02-2013 which provides guidelines in applying the arm's length principle for cross-border as well as domestic transactions between associated enterprises. The preparation of a TP documentation shall be mandatory for the following taxpayers who meet any of the following materiality thresholds:

A Types of Taxpayers

a. Large taxpayers;

b. Taxpayers enjoying tax incentives (i.e., BOI-registered and economic zone enterprises, those enjoying ITH or subject to preferential income tax rate;

c. Taxpayers reporting net operating losses for the current taxable year and the immediately preceding two (2) consecutive taxable years; and

d. A related party that has transactions with (a), (b) or (c).

B Materiality Threshold

a. Annual gross sales/revenues for the subject taxable period exceeding PHP 150 Million and the total amount of related party transactions with foreign and domestic related parties exceed PHP 90 Million;

b. Sale of tangible goods involving the same related party exceeding PHP 60 Million within the taxable year;

c. Service transaction, payment of interest, utilization of intangible goods or other related party transaction involving the same related party exceeding PHP 15 Million within the taxable year; or

d. If TP documentation was required to be prepared during the immediately preceding taxable period for exceeding (a) to (c).

The TP documentation is not required to be filed together with the annual income tax return (AITR) but required to be submitted within 30 calendar days upon receipt of request by the Commissioner or his/her duly authorized representatives pursuant to a duly issued Letter of Authority.

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Transfer Pricing (TP) Documentation

However, nothing prevents the taxpayer from preparing a TP documentation and presenting the same during audit to prove that its related party transactions were conducted at arm's length. Although it may not be required to prepare a TP documentation, a taxpayer still needs to reasonably assess and prove whether its dealings with related parties adhere to the arm's length principle (ALP).

Please note that the Philippines does not require the submission of a Master File as well as the Country-by-Country (CbC) Report before the BIR.

Related Party Transaction (RPT) Form [BIR Form No. 1709]

To improve and strengthen TP risk assessment and audit, the BIR required taxpayers to disclose all RPTs irrespective of the amount. The BIR Form No. 1709 is used to monitor compliance with the TP documentation.

Taxpayers required to file an RPT form are the following:

1. It is required to file an AITR;
2. It has transactions with a domestic or foreign related party during the taxable period concerned; and
3. It falls under any of the following categories:

    a. Large Taxpayers;
    b. Taxpayers enjoying tax incentives (i.e., BOI-registered and economic zone enterprises, those enjoying ITH or subject to preferential income tax rate;
    c. Taxpayers reporting net operating losses for the current taxable year and the immediately preceding two (2) consecutive taxable years; and
    d. A related party that has transactions with (a), (b) or (c).

The BIR Form No. 1709 must be submitted together with the AITR. A penalty of not less than PHP 1,000.00 but not more than PHP 25,000.00 shall be imposed for failure to file the BIR Form No. 1709 due to reasonable cause and not willful neglect.

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Transfer Pricing Audits

Revenue Audit Memorandum Order (RAMO) No. 01-2019, otherwise known as the TP Audit Guidelines, was issued on 27 October 2019 to provide for standardized audit procedures and techniques to be followed by the Revenue Officers of the BIR in the conduct of an audit for taxpayers with RPTs.

The TP Audit Guidelines are also applicable by analogy in relation to transactions between a permanent establishment (PE) and its Head Office or other related branches. For purposes of these guidelines, the PE will be treated by the BIR as a separate and distinct enterprise from its Head Office and other related branches/subsidiaries.

The TP Audit Guidelines also apply to intra-firm transactions where there is a misallocation of profits and costs. There is misallocation when a firm with activities in different tax regimes (i.e., income tax holiday, 5% gross income tax, regular corporate income tax) manipulate revenues and costs to minimize tax liabilities.

The above applications, notwithstanding the TP Audit Guidelines, were issued for the purpose of providing specific guidelines to be followed by the revenue examiners in the actual conduct of a TP audit. It is for internal use and reference by the BIR officials only and does not impose additional or specific regulatory requirement for taxpayers to comply with.

The TP Audit Guidelines seek to enforce the ALP as mandated in Section 5 of RR No. 02-2013 which provides for the Philippine TP Guidelines.

The TP Audit Guidelines also include a discussion on the authority of the BIR to make TP adjustments and how taxpayers are allowed to contest these adjustments. Thus, it is advisable for taxpayers to prepare and maintain a robust and contemporaneous TP documentation.

However, the TP Audit Guidelines do not have a discussion on the calculation of tax deficiencies and the treatment of secondary adjustments. It is expected that the BIR will issue additional guidelines on this matter.

Further, the TP Audit Guidelines have additional discussions on certain RPTs such as business restructuring, intra-group services, intangible asset transactions, cost contribution agreements and interest payment transactions.

For the implementation of the TP Audit Guidelines, the BIR needs to come up with additional revenue regulations or circulars that will further explain or clarify the BIR’s TP policies that the TP Audit Guidelines intend to enforce.

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Mutual Agreement Procedure (MAP)

On 29 June 2022, the DOF issued RR No. 10-2022 prescribing the guidelines and procedures for requesting MAP assistance in the Philippines. The MAP allows the competent authorities of the contracting parties to resolve disputes arising from difference or difficulties in the interpretation or application of the tax treaty through mutual agreement.

The following are some of the typical TP scenarios requiring MAP Assistance:

1. The withholding tax rate imposed on an item of income earned by a domestic corporation or resident citizen is beyond the maximum rate fixed under the tax treaty
2. A taxpayer is deemed a resident of the Philippines and of the other contracting state based on domestic laws. This triggers the application of the tiebreaker rules under the applicable tax treaty
3. A domestic corporation or a resident citizen is taxed in the other country on the business profit or income from independent services despite not having a PE or a fixed based in that country under the tax convention
4. A resident citizen or domestic corporation has been or will be subject to taxation not in accordance with the provisions of the applicable tax treaty regarding the amount of profit attributable to the PE or fixed base
5. A taxpayer is uncertain whether the convention covers a specific item of income or is unsure of the characterization or classification of the item related to a cross-border issue
6. A taxpayer is subject to additional tax in one country because of a TP adjustment to the price of goods or services transferred to or from a related party in the other country



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Base Erosion and Profit Shifting (BEPS) 2.0

On 8 November 2023, the Philippines has accepted the the invitation of the OECD and joined the OECD/G20 Inclusive Framework (IF) on BEPS as an Associate in the BEPS Project of the Committee on Fiscal Affairs. As a member of the IF, the Philippines commits to the comprehensive BEPS Package and its consistent implementation. But the Philippines noted in the acceptance letter that the timing of implementation of this BEPS Package may vary depending on the level of development of the countries and jurisdictions. By joining the IF, the Philippines adheres to the Two-Pillar Solution for addressing the tax challenges arising from the digitalization of the economy.

At present, there is no filed legislative bill yet on the implementation of BEPS 2.0 - Pillar 2. However, the Senate Committee on Ways and Means in its Policy Brief dated August 2024 has recognized that there should be an analysis on the implications of the Philippines' subscription to the BEPS Framework. The Policy Brief mentioned that the Philippine government might look into implementing income inclusion rules (IIRs) to ensure that taxes are collected from jurisdictions where subsidiaries might be paying less than the global minimum tax.



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Taxation of Individuals



Taxpayer classification by residency

A resident citizen of the Philippines is taxed on their worldwide income. A non-resident citizen and a citizen who is classified as an overseas contract worker, including seamen, are taxed only on income from sources within the Philippines.

Foreign nationals can either be classified as resident alien, non-resident alien engaged in trade or business (NRAETB), or non-resident alien not engaged in trade or business (NRANETB) and are all taxed on income from sources within the Philippines.

For employment income, the source of income is the place where the services are rendered, regardless of the place or manner of payment, the place where contract was negotiated, or the payor's place of residence.



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Tax rates

Philippine citizens, resident aliens and NRAETBs are generally taxed on their net taxable income at the graduated income tax rates of 0% to 35%.

The effective graduated income tax table from 01 January 2023, and onwards is as follows:

Taxable income bracket		Total tax on income below bracket	Tax rate on income in bracket
From PHP	To PHP	PHP	Percent
0	250,000	0	0
250,001	400,000	0	15
400,001	800,000	22,500	20
800,001	2,000,000	102,500	25
2,000,001	8,000,000	402,500	30
8,000,001	Over	2,202,500	35

On the other hand, NRANETBs are taxed on their gross income at the final rate of 25%.

General deductions from income

Net taxable income is determined by deducting the allowable deductions from gross income. For individual taxpayers who earn compensation income, they are entitled to a PHP 90,000.00 exclusion on their 13th month pay and other benefits.

Tax Administration

Individual income taxpayers are required to secure a unique Tax Identification Number (TIN) issued by the tax authority which is a required information to be indicated in the tax forms.

Income taxpayers are required to file their annual income tax return on or before 15th of April in the year following the tax year ending 31 December.

Social Security Agreements

The Philippines has social security agreements with Austria, Belgium, Canada, Denmark, France, Germany, Japan, Korea, Luxembourg, Netherlands, Portugal, Quebec, Spain, Sweden, Switzerland, and United Kingdom and Northern Ireland.

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Immigration

Business travelers who are classified as non-restricted nationals generally have a 30-day visa free entry privilege to the Philippines and an additional 29-day visa-free stay where a visa waiver is applied for. These individuals are allowed to attend business meetings and seminars, make site visits to client facilities, or explore business opportunities in the Philippines. On the other hand, business travelers who are classified as restricted nationals are required to secure entry visas from the Philippine Consulate in their country of origin.

In general, a work visa and a work permit must be applied for engaging in a professional undertaking or gainful employment. The type of visa required will depend on the registration of the company that the individual will be working for.

Other individual tax

Fringe benefits granted to supervisory and managerial employees are subject to 25% or 35% final tax on the grossed-up monetary value of the fringe benefit depending on the residency of the recipient.

Passive income such as royalties, interest, dividends are subject to corresponding applicable final tax rates.

Self-employed individuals

Individuals earning income purely from self-employment and/or practice of profession whose gross sales and/or receipts and other non-operating income does not exceed the VAT threshold of Three Million Pesos (PHP 3,000,000.00) shall have the option to avail of the following:

A. Graduated income tax rates of 0 percent to 35 percent; or
B. Eight percent (8%) tax on gross sales or receipts and other non-operating income in excess of Two Hundred Fifty Thousand Pesos (PHP 250,000.00) in lieu of the graduated income tax rates and percentage tax.

The following criteria should all be satisfied to be able to qualify and avail of the 8% income tax rate option:

a. Individuals (Single Proprietor or Professional or Mixed Income Earner) earning from self-employment and/or practice of profession;
b. Taxpayers whose gross sales/receipts and other non-operating income did not exceed the PHP 3,000,000.00 VAT threshold during the taxable year;
c. Taxpayers registered and subject only to percentage tax; or taxpayers exempt from VAT or other percentage taxes; and
d. Must have signified their intention to elect the eight percent (8%) income tax rate through any of the enumerations as prescribed under the existing regulations.

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How KPMG Can Help

Tax Services of KPMG



In today’s business climate, the best approach to tax depends on striking the right balance between tax cost and the risk of regulatory change. KPMG can provide assistance through the following services:

Tax Compliance Review

- A tax health check to determine the clients’ level of compliance with Philippine tax laws, rules and regulations
- Identify possible exposures and provide options on the most efficient way/s to address and handle the noted tax issues
- May include drafting of tax manuals that are tailor-fit to the clients’ business model to help them develop written guidelines on how to handle tax affairs efficiently

Deal Advisory M&A Tax

- Assist clients to avoid fiscal pitfalls by reviewing their structural frameworks and performing tax due diligence reviews to identify tax exposures and material tax saving opportunities
- Advise on cross-border transactions and restructurings by analyzing deal structures, tax obligations, and preserving tax assets to support effective tax planning



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Tax Advisory

- A full range of tax advisory services
- Identify the tax implications of specific transactions and suggest tax efficient structures/options for the clients' consideration
- Advise on tax planning and tax structuring for special projects and other corporate finance and restructuring activities
- Provide tax advisory services for companies entering the Philippines covering all stages from planning, setting up, business operations to exit/dissolution
- Identify different entry strategies to maximize fiscal and non-fiscal incentives available under relevant laws of the Philippines

Tax Advocacy

- Assist in tax audit investigations of the BIR:
  - Deal with BIR examiners
  - Determine the possible tax liabilities of the taxpayer and give insights as to the basis of the BIR in enforcing tax rules and regulations
  - Provide insights on tax laws, rules and regulations to avoid further deficiency tax assessments and ensure better tax compliance
  - Help clients better understand the BIR's enforcement and compliance procedures and operations related to taxpayers
- Assist in securing rulings from the BIR/BOC/BLGF/DOF to confirm the tax treatment of a specific transaction, covering the preparation, filing, and guidance on necessary documents.
- Assist in obtaining opinions from SEC and other government agencies

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Tax and Accounting Compliance

Tax Return Preparation

- Assist domestic clients in the preparation or review of draft corporate tax returns for different tax types
- May include review of supporting documents and/or accounting records to provide properly prepared tax returns

Accounting and Bookkeeping

- Provide general accounting services to assist in maintaining and securing accounting records
  - Prepare the accounting records and financial statements
  - Process suppliers' invoices and payment
  - Prepare clients' billings to customers
  - Assist in year-end audit
  - Assist in the submission of audited financial statements to the SEC

Payroll Services

- Full range of payroll services
- Provide computation of employee net salaries after tax deductions and process all paperwork related to the disbursement of net salaries to employee accounts
- Assist in the filing, remittance and preparation of reports for employees' statutory contributions
- Guide clients to comply with tax rules and regulations applicable to payroll

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Investment Advisory

- Company administration support services from conception and birth of a business entity until its dissolution
- Assist clients in the setting-up and registration of a Philippine entity, including the preparation, review and filing of the necessary registration documents with relevant government offices
- Assist clients in preparing and filing the application with investment promotions agencies (e.g., PEZA, BOI, etc.) for availment of tax incentives
- Assist with the closure and de-registration of business entities from government agencies, including managing examinations by the BIR and LGU

Global Compliance Management Services (GCMS)

- Globally coordinated tax compliance services such as tax return preparation or review, tax planning and tax provision preparation for multinational companies
- Leverage KPMG Digital Gateway, a cloud-based platform, for real-time visibility into compliance projects across entities and jurisdictions

Global Mobility Services (GMS)

- End-to-end mobility assistance
  - Obtain the most suitable visa and work permit for the assignee based on his circumstance
  - Support the assignee with an arrival tax briefing, tax identification number (TIN) registration, withholding tax on compensation and fringe benefits tax compliance, equity compensation tax reporting and income tax return filing
  - Provide tax equalization policy review and settlement calculations, retirement plan consulting and separation benefits computation until the assignee is ready to return to his home country
  - Assist in immigration departure formalities and provide pre-departure tax briefing to inform the assignee of any remaining tax obligation
- Provide streamlined processes and technology support for clients to efficiently manage their global workforce

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Transfer Pricing (TP)

- Review clients' related-party transactions for compliance with the arm's length principle under the Philippine TP regulations
- Make an assessment of clients' existing TP policies and/or documentation
- Conduct a TP benchmarking exercise
- Provide advisory services on TP matters such as proper charging in light of the arm's length principle, sufficiency of supporting documents and managing from a TP perspective
- Approach may include coordination with other KPMG offices to provide a wider perspective and an integrated approach

Customs

- Customs compliance reviews to address clients' issues on valuation and classification of imported goods, and other compliance requirements imposed on importers
- Identify potential customs duties and compliance deficiencies and recommend measures to remedy them
- Provide customs advisory services covering proper classification and valuation of imported goods, Rules of Origin requirements and on the handling of post-entry audit investigations of the BOC
- Assist in securing Tariff Commodity Classification Rulings for specific imported goods

Independent Certified Public Accountant (ICPA) Services

- Provide ICPA services in relation to clients' appeals to the Court of Tax Appeals (CTA) relating to claims for tax refund or deficiency tax assessments of the BIR
- Act as an agent of the CTA to examine, verify and summarize the results in a report, and testify thereon after concluding its findings

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R.G. Manabat & Co.

R.G. Manabat & Co. is a Philippine partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. Strategically positioned across key business hubs in Makati, Cebu and Iloilo, our firm has a workforce of around 1,800 personnel, including 50 Partners and Principals, dedicated to delivering exceptional professional services.

The firm has received several notable recognitions in recent years, including being named a Tier 1 Transfer Pricing Practice and General Corporate Tax Practice in the Philippines by the International Tax Review (ITR) in the ITR World Tax Rankings 2025. It has also been recognized by the Philippine Daily Inquirer and Statista as one of the Philippines' Best Employers, and named a Top 100 Employer for Fresh Graduates by Prosple.

The firm provides audit and assurance, tax, advisory and technology consulting services. It provides insights and assessments to help organizations and companies start, invest, and/or expand their growth and profitability in the Philippines. It utilizes a global approach spanning professional disciplines, industry sectors and national borders. The diverse public and private sector backgrounds of the firm's partners and principals, coupled with extensive training, and backed up by the wide knowledge resources and network of KPMG professionals, allow the firm to give real world solutions to increasingly complex business and regulatory issues.



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